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CANADA

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DOMINION BUREAU OF STATISTICS

GENERAL STATISTICS BRANCH

BUSINESS CONDITIONS IN CANADA

during the first eleven months of 1938

compared with the

same period of 1937

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1938

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The Economic Situation in Canada

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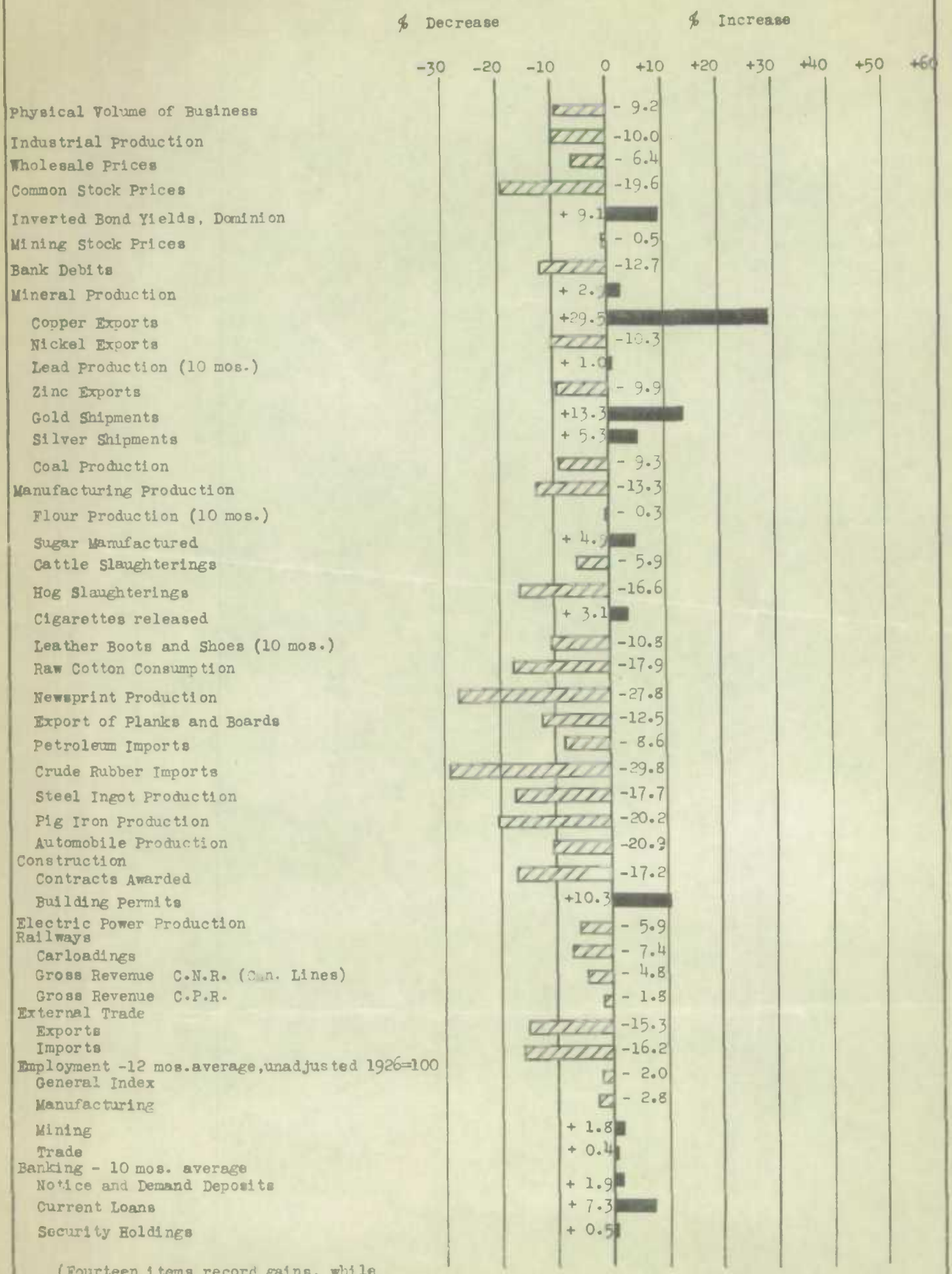

(Fourteen items record gains, while 31 were at a lower position)

Dominion Bureau of Statistics.

DOMINION BUREAU OF STATISTICS - OTTAWA

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BUSINESS CONDITIONS IN CANADA DURING THE FIRST ELEVEN MONTHS OF 1938 COMPARED WITH THE SAME PERIOD OF LAST YEAR

Economic conditions were relatively steady during the early part of 1938. The outlook was altered by improvement in recent months. Business operations declined about the first of the year, subsequently showing resistance to influences of depression. An advance general in the five main groups was recorded in September and the improvement was confirmed by further gain in November. The index of the physical volume of business averaged 112.7 during the first eleven months against 122.9 in the same period of the preceding year. Business operations averaged higher last year than in any other year on record except 1929, and a reduction of only 9.2 per cent from 1937 indicates that conditions in 1938 were favourable relative to most other years of the post-war period.

The strength in financial factors presented a favourable background for the recent betterment in industrial operations. Dominion Government bond prices rose to a new high level in 1938 and the average during the first eleven months was higher than in any other year during the period of observation. Capitalized bond yields have shown an upward long-term trend during the last twenty years, and in 1938 the fluctuation was considerably above the post-war trend. The low yields on Dominion bonds imply easier credit conditions and a surplus of capital seeking investment.

Supplementing the favourable record of the bond market, the banking position continued particularly strong throughout 1938. The deposit liabilities of the chartered banks have shown an upward trend since mid-year of 1934, and a new maximum was reached in the latest month for which statistics are available. A parallel movement was shown in the readily available assets of the banks, which, including the holdings of Government securities, have also reached a new high position. Current loans in post-war history have been a lagging factor but considerable increase was shown in the account during the last twelve months. Fortified by the operations of the Bank of Canada, an easy credit position has been maintained during the last two years. The high-grade bond market and the banking situation in Canada present a strong financial background.

The decline in wholesale prices since July, 1937, has been a reactionary factor. The decline was accelerated in July and August of the present year, but since that time considerable resistance has been recorded against further decline. The drop in prices has occurred against a condition of increasing world stocks of commodities traded on international markets.

The maximum of such stocks was reached in 1933 and a rapid decline was shown until mid-year 1937. Accumulation since that time has been affected by the heavy crops of the present year. The index of wholesale prices in Canada averaged 79.1 in the first eleven months of 1938 against 84.7 in the same period of last year, a decline of 6.4 p.c.

Considerable variation has developed in the extent of the decline in different groups. The decline in the prices of manufactured goods was of a relatively moderate character while raw materials, especially farm products, dropped off sharply. The primary producers are placed at a disadvantage by the maladjustment in the parities. The index of fully and chiefly manufactured goods was 74.0 in November against 80.6 in the same month of 1937, whereas the index of manufactured materials dropped from 79.3 to 60.9 A much greater decline was shown in the wholesale prices of field products of Canadian farms, the standing having been 54.6 against 81.9. The decline in animal products from Canadian farms was of more moderate proportions.

Common stock prices showed a declining trend during the last nine months of 1937, a relatively lower position having been recorded in the last two months of that year. While the fluctuations during 1938 were considerable, no upward or downward trend was in evidence. The European crises of March and September led to liquidation, but subsequent rallies counteracted the decline, and stocks averaged higher during the last quarter than in any similar period of the last fifteen months. The standing of the index in the week of December 15 was 106.8 against 104.0 in the same week of 1937, a gain of nearly 3 per cent.

A majority of the forty-six factors used in the compilation of the index of the physical volume of business recorded decline in the first eleven months of 1938 from the same period of the preceding year. The unfavourable comparisons, however, should not

be taken as a sign of further decline in the coming year. Considerable readjustment has taken place during 1938 and the outlook from economic considerations alone appears more favourable than at the same time last year. The index of the physical volume of business, which had been 110.5 in August, rose to 119.2 in September and made a further gain to 123.4 in November. Gains in a similar index for the United States were from 77 at mid-year to about 105 in December. The general improvement in the United States will doubtless have a favourable effect upon operations in the Dominion.

The record volume of Canadian mineral production during 1938 was one of the mainstays of the Dominion's prosperity, offsetting to a considerable degree declines in the manufacturing field. The keen external demand which continued throughout the year illustrated the key position which Canada occupies as a source of supply for armament materials as well as gold. The output of copper and lead rose to a new maximum, adding greatly to the activity in the several mining districts concerned. Although prices declined during the early part of the year, increasing requirements for defence purposes as well as in the automotive group in the closing months indicated that demand was more than equal to supply and prices strengthened accordingly. The gold mining industry expanded rapidly, breaking all previous records in both volume and value, but coal mining, in which large numbers are employed, was less active than in 1937.

Measured by available information, the net return to manufacturing concerns while showing a decline from the high level of the preceding year was somewhat greater than in 1936 or other post-depression years. The index of the volume of manufacturing production based on thirty factors averaged 107.1 in the first eleven months of 1938 against 123.6 in 1937. A better showing was made by the records of employment, the index for the twelve reporting dates having been 111.2 in 1938 against 114.4 in the preceding year and 103.7 in 1936. As the prices of materials used for manufacture showed a marked drop in the year just ending, the net revenues were consequently somewhat more favourable than indicated by indexes of volume and employment.

Flour production in the first ten months showed only a minor decline from the same period of 1937, the larger crop of the present year recently resulting in greater activity in milling operations. A gain of nearly 5 per cent was shown in the manufacture of sugar. The meat-packing industry was less active than in 1937, while it must be remembered in regard to cattle that considerable forced liquidation of western livestock occurred in that year due to lack of sufficient feed. The release of tobacco for consumption showed a gain of from 3 to 4 per cent. Measured by the consumption of raw cotton, the textile industry was less active than in 1937. The forestry industry was beset with difficulties during the early part of the year. Owing to the announcement of a rise in the price of newsprint, stocks were acquired during the latter part of 1937 and consumption in the American markets showed reaction during the present year. The output of newsprint consequently showed a decline during the first eleven months of nearly 28 per cent. As the stocks held by mills and publishers have shown reduction the production of newsprint has recently recovered. The British market being in an over-stocked condition, with a consequent reduction in the business placed with Canadian mills, the export trade in lumber showed a reduction in 1938. The British Columbia industry was affected by the decline in Oriental markets resulting from military operations in China. The new trade treaty with the United States provided for easier access of lumber to that market at a time when building activity will assume large proportions.

Considerable forward buying of iron and steel occurred in 1937 and the domestic demand has consequently shown contraction during the present year. The output of steel ingots and pig iron have recorded a decline of from 18 to 20 per cent. The automobile and allied industries were affected by the recession in purchasing power of the public during 1938. The output of motor cars at 147,472 in the first eleven months recorded a decline of 20.9 per cent. Production in November was nearly 18,000 units as compared with 5,774 in the preceding month due to the introduction of new models and the revival of demand. There are 120 firms manufacturing automobile parts and materials and it is estimated that in 1937 the number of employees was 16,000 with salaries and wages amounting to $21 million. The imports of crude petroleum in the first eleven months were 1,185 million gallons, a decline of only 8.6 per cent from the preceding year. Counterbalancing this decline to a certain extent was the marked increase in the output of crude petroleum in the Turner Valley field. Production was slightly more than 6 million barrels during the first ten months against 2,246,000 in the same period of the preceding year.

The construction industry is far from having recovered to the extent of most other Canadian industries. In the last few years the principal demands for constructional work have come from the mining fields, from power development and from pulp and paper plants. Even if it is assumed that construction was somewhat overdone in the pre-depression years, a considerable backlog of postponed business has accumulated over the extended period since operations retreated to a low level. Contracts awarded in the first eleven months of 1938 amounted to $176.6 million, a decline of 17 per cent from the same period of 1937. Building permits in principal cities and towns, on the other hand recorded a gain of 9.7 per cent in the same comparison. The accrual of potential requirements has a bearing on the future trend of business.

The output of central electric stations, responsible for 90 per cent of the electric power production of Canada, was 23.6 billion kilowatt hours against 25.1 billion in the first eleven months of 1937. Decrease in power taken by the pulp and paper mills was undoubtedly the chief factor in the reduced output. These mills use around 70 to 80 per cent of the secondary power and around 25 per cent of the firm power delivered in Canada.

During 1938 railway revenues were at a lower level than in the preceding year. Grain, ore and pulpwood were moved in greater volume than in 1937, but the eight other groups of the freight classification showed decline. In the first eleven months of 1938 the gross earnings of the Canadian Pacific amounted to $130.6 million, a decline of only 1.8 per cent, and for the internal lines of the Canadian National the gross was $144.1 million, a decline of 4.8 per cent.

Employment in industrial pursuits affords a good indication of material welfare. It is significant that average employment was nearly as great in the first eleven months of 1938 as in the same period of the preceding year. The index based on returns from the firms employing 15 hands or more was at no time during 1938 as low as during the early months of 1937. A marked advance was recorded in the last half of 1937, which has been partly offset by decline since the first of the year just ending. Recent returns after seasonal adjustment indicate that workmen are again being recalled to their jobs in considerable numbers, the index, on the base of 1926 equalling 100, having been 114.0 on December 1st. After adjustment for seasonal tendencies, the index was still more than 11 per cent above the level of 1926, regarded as a year of normal activity.

Statistics Illustrating the Economic Situation of Canada in Eleven Months of 1938 Compared with the Same Period of 1937.

Item	Unit or base period	First Eleven Months of 1937	1938	Increase + Decrease -
General Economic Situation				Per cent
Index of Physical Volume of Business	1926=100	122.9	112.7	- 9.2
Index of Industrial Production	1926=100	127.0	114.3	- 10.0
Wholesale Prices	1926=100	84.7	79.1	- 6.4
Index of Common Stock Prices	1926=100	129.2	103.9	- 19.6
Capitalized Bond Yields, Dominion	1926=100	144.3	157.5	+ 9.1
Mining Stock Prices	1926=100	147.4	146.7	- 0.5
Bank Debits	$ 000	32,084,646	28,018,238	- 12.7
Production and General Business				
Mineral Production	1926=100	190.2	195.7	+ 2.9
Copper Exports	Lbs.	396,881,900	514,012,300	+ 29.5
Nickel Exports	Lbs.	207,840,900	186,342,100	- 10.3
Lead Production (10 mos.)	Lbs.	353,997,620	357,463,258	+ 1.0
Zinc Exports	Lbs.	309,827,000	279,107,800	- 9.9
Gold Shipments	Fine Ozs.	3,727,065	4,223,227	+ 13.3
Silver Shipments	Fine Ozs.	19,617,609	20,665,515	+ 5.3
Coal Production	Tons	14,110,064	12,803,646	- 9.3
Manufacturing Production	1926=100	123.6	107.1	- 13.3
Flour Production (10 mos.)	Bbls.	11,116,478	11,088,504	- 0.3
Sugar Manufactured	Lbs.	934,431,186	980,669,611	+ 4.9
Cattle Slaughterings	No.	1,531,567	1,441,741	- 5.9
Hog Slaughterings	No.	3,426,895	2,856,803	- 16.6
Cigarettes released	No.	6,158,283,964	6,351,250,639	+ 3.1
Cigars released	No.	116,876,694	121,336,621	+ 3.8
Leather Boots and Shoes (10 mos.)	Prs.	18,296,330	16,321,056	- 10.8
Raw Cotton Consumption	Lbs.	122,420,854	100,455,969	- 17.9
Paper and Lumber -				
Newsprint Production	Tons	3,345,206	2,414,827	- 27.8
Exports of Planks and Boards	Ft.	1,725,058,000	1,509,826,000	- 12.5
Iron and Steel -				
Steel Ingot Production	Long Tons	1,302,677	1,072,754	- 17.7
Pig Iron Production	Long Tons	816,823	651,688	- 20.2
Automobile and Allied Industries -				
Automobile Production	No.	186,348	147,472	- 20.9
Petroleum Imports	Gals.	1,297,020,141	1,185,402,181	- 8.6
Crude Rubber Imports	Lbs.	74,969,679	52,639,146	- 29.8
Construction -		224,056,700	187,277,900	- 16.4
Contracts Awarded 12 months	$	~~213,293,100~~	~~176,592,400~~	- 17.2
Building Permits	$	52,288,022	57,384,055	+ 9.7
Electric Power Production	000 K.W.H.	25,116,920	23,642,780	- 5.9
External Trade -				
Exports	$	1,046,474,013	886,273,831	- 15.3
Imports	$	755,771,286	633,165,368	- 16.2
Excess of exports over imports	$	290,702,727	253,108,463	- 12.9
Railways -				
Carloadings	No.	2,431,172	2,250,129	- 7.4
Gross Revenue C.N.R. (Can. Lines)	$	151,304,963	144,070,980	- 4.8
Gross Revenue C.P.R.	$	132,999,842	130,634,672	- 1.8
Employment 12 months' average, unadjusted				
General Index	1926=100	114.1	111.8	- 2.0
Manufacturing		114.4	111.2	- 2.8
Logging		189.3	142.8	- 24.6
Mining		153.2	155.9	+ 1.8
Construction		99.5	105.4	+ 5.9
Building		60.1	60.1	-
Highway		174.3	198.1	+ 13.7
Trade		132.1	132.6	+ 0.4
Banking - 10 Months' Average				
Notice and Demand Deposits	$	2,263,212,010	2,305,278,687	+ 1.9
Readily Available Assets	$	1,584,061,085	1,603,530,761	+ 1.2
Current Loans	$	726,284,117	779,034,710	+ 7.3
Call Loans - Canada	$	112,666,826	67,183,866	- 40.4
Elsewhere	$	70,125,624	51,835,303	- 26.1
Security Holdings	$	1,431,397,280	1,438,676,353	+ 0.5

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