

11-D-01
Published by Authority of the HON. W.D. EULER, M.P.,
Minister of Trade and Commerce.



CANADA
DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS
GENERAL STATISTICS BRANCH

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DURING THE CALENDAR YEAR 1938

COMPARED WITH

1937

AND WITH 1929, 1933 AND 1936

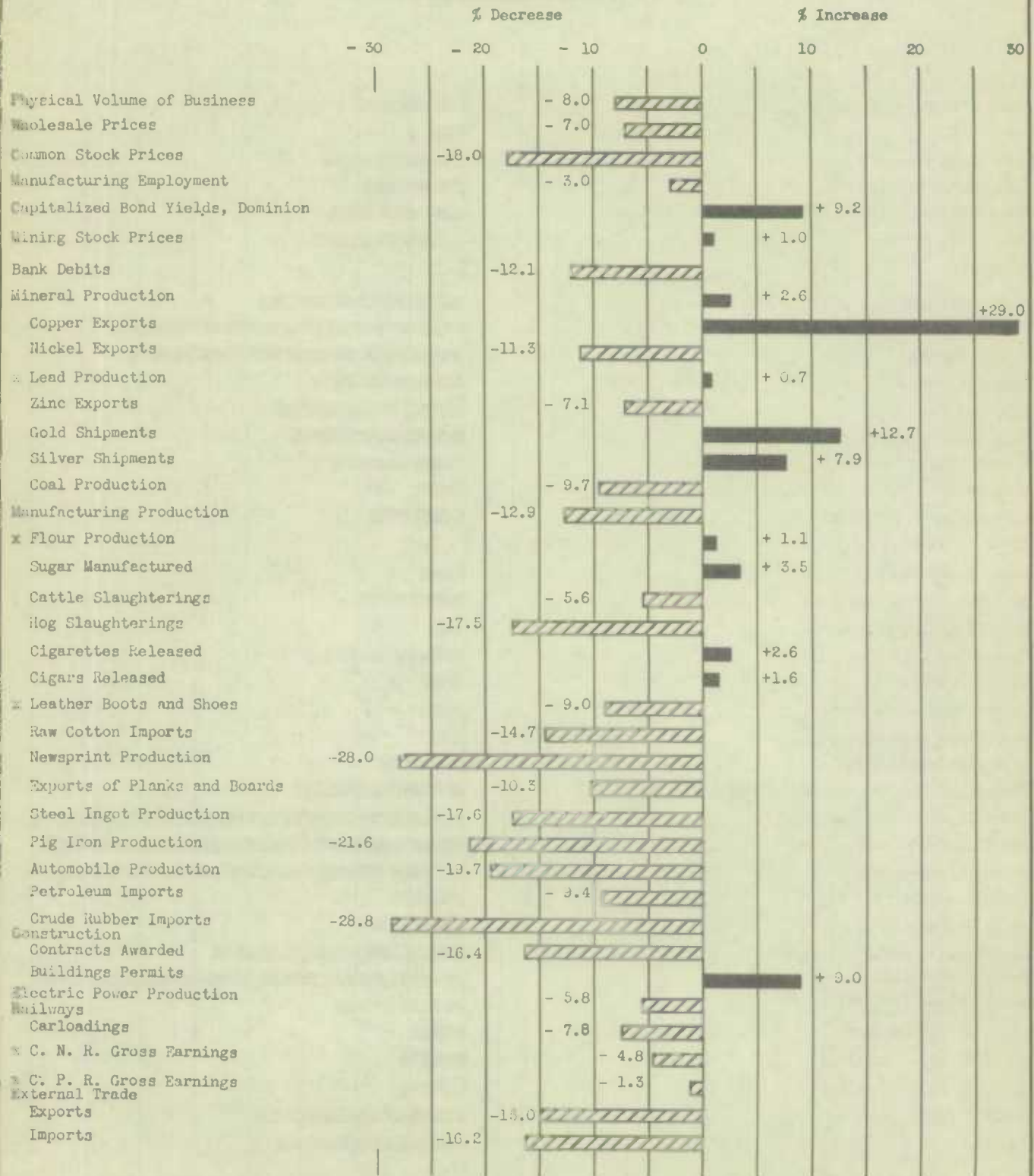


OTTAWA
1939

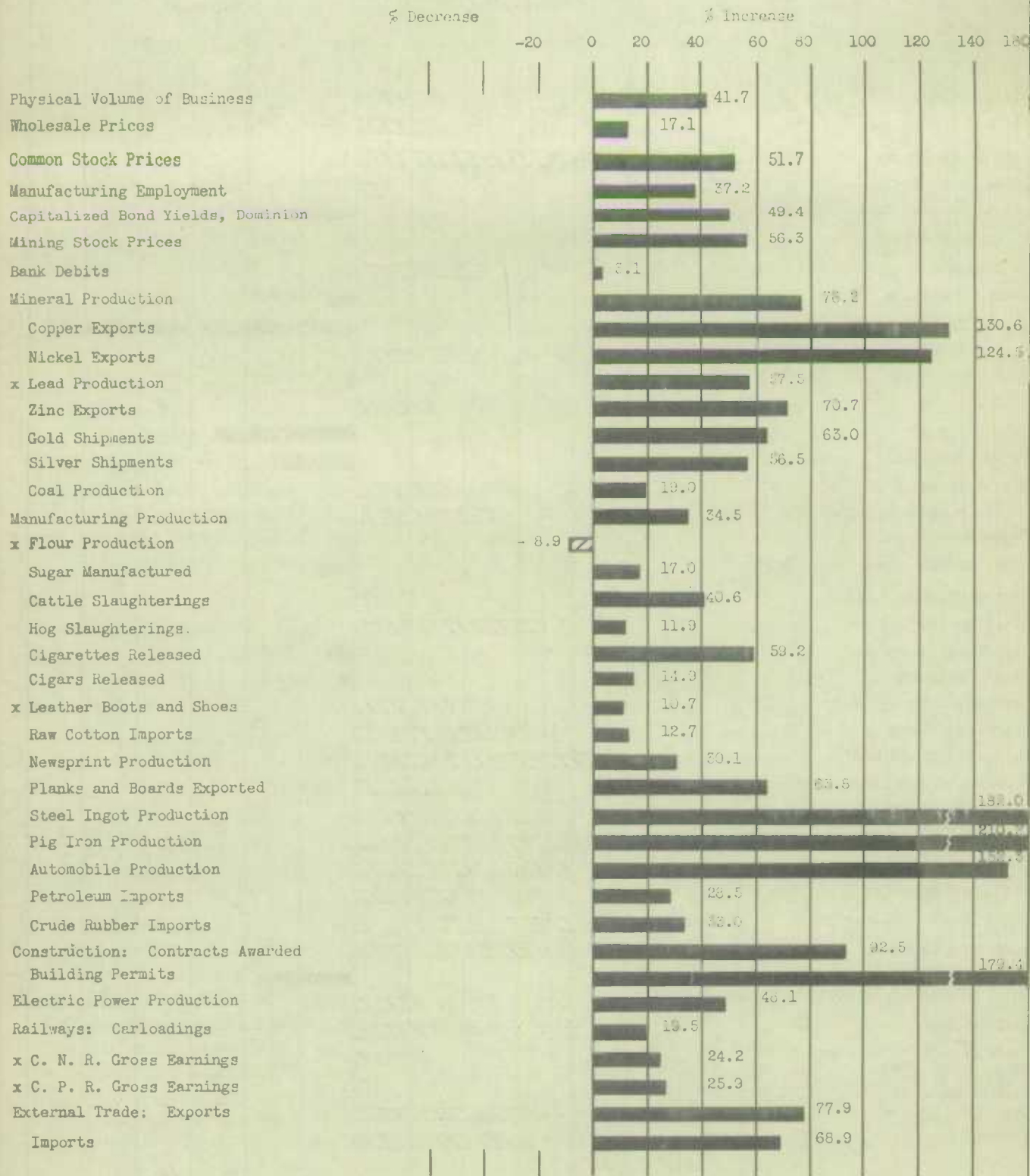
Price 25 cents

ISSUED FEBRUARY, 1939

The Economic Situation of Canada
Statistics for the year 1938
compared with 1937



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DOMINION BUREAU OF STATISTICS, OTTAWA

GENERAL STATISTICS BRANCH

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BUSINESS CONDITIONS IN CANADA DURING THE CALENDAR YEAR OF 1938.

COMPARED WITH THE PRECEDING YEAR.

Economic conditions showed improvement in the closing months of 1938, after having been relatively steady during the first eight months. Productive operations rose in September and continued active for the balance of the year, the index of the physical volume of business averaging only 8 p.c. below the high level of 1937. The gain in the output of field crops was about 37 p.c., but the decline in prices resulted in a 5 p.c. reduction in the cash value. Industrial employment was relatively well maintained, the index receding only 2 p.c. from the 1937 level.

The financial background continued strong, deposits of the banks reaching a new high point. While current loans recorded a moderate gain, the surplus of notice deposits extended the liquid position of the banks. The prices of Dominion bonds averaged higher than at any time since the early years of the century. Despite sharp fluctuations common stock prices were well maintained over the year, no important trend either in an upward or a downward direction having developed. Wholesale prices were reactionary, the downward movement which began in July, 1937, having been continued until the end of the year under review. The low level of prices of farm products reached in the later part of 1938 was a factor retarding general economic recovery. A much greater harvest of grain, however, partially compensated for the depressed prices.

It cannot be denied that there is marked solidarity in the social economy of Canada and any spectacular development in one section is quite certain to profoundly affect the others. It is by a close study of the interrelations of the major economic factors that prospects may be appraised.

Production

In the general volume of business turnover, the year was only surpassed by periods of unusual prosperity such as 1929 and 1937. The index of the physical volume of business averaged about 8 p.c. less than in 1937, but the outlook was quite altered by the recovery in the last four months.

The demand for consumers' goods such as food and clothing is normally without wide fluctuation, but the reaction in the output during 1938 was about 8.7 p.c. The position of the investment goods' industries engaged in producing plant, machinery and equipment, should be considered in appraising economic prospects for the coming year. Regarding 1926 as the basis of comparison, we find that investment goods were produced in much greater volume than consumers' during the last prosperity cycle culminating in 1929. Operations in such industries were at a low ebb during the depression and marked expansion was shown until twelve months ago. But parity has not been regained with the production of consumers' goods. No phase of building or construction has assumed inordinate proportions. An index of the output of investment goods, on the base of 1926 equalling 100, averaged 106.2 in 1938, against a standing of 114.9 for consumers' goods. Declines in both indexes were shown from 1937, but the ascendancy of consumers' goods was roughly maintained.

Agriculture

It is calculated that the principal field crops yielded 37 p.c. more than in 1937, but in interpreting the significance of this statement it must be recalled that the crops of that year were at a minimum for the post-war period. The increased exportable surplus will favour railway and shipping interests and increase the volume of the export trade with consequent beneficial results. The recovery in production, however, was not fully realized in higher cash income. Increases in supplies and reduced demand combined to cause a steep decline in farm product prices. The decline last year carried farm prices below the pre-war relationship with the general commodity price level, seriously interrupting the agricultural recovery which commenced during 1936. Farmers engaged in animal husbandry were in a more favourable position than those selling cash grains.

Field crops were worth about \$528,860,000, which was \$27.4 million or 5 p.c. below the estimated value of the output of 1937. The low yield of that year and the reduced prices of 1938 resulted in successive reductions in the value of the crops of the last two years.

The abundance of feed grains and fodder was an important phase in farm conditions as the year drew to a close. While prices were low, the availability in substantial quantities is of decided advantage to the producers of livestock and livestock products. The oat crop amounted to 371 million bushels, an increase of almost 105 million over 1937.

The number of beef cattle on farms has declined since 1936 partly due to forced liquidation in Western Canada. Lower marketings will consequently continue for another year or more. Numbers of hogs on farms were materially lower on June 1 last and marketings in 1938 declined 550,000 head. Owing to relatively low feed prices some expansion in 1939 would be a natural development.

The dairy situation is dominated by the large stocks of butter on hand. Production increased sharply in 1938 due to relatively high prices early in the year. The dairy industry continued to show expansion in 1938 and total milk production was estimated at close to 17.5 billion pounds.

Mining

The mining industry advanced to a new high level of production and employment in 1938, showing a gain of 2.6 p.c. in the volume of production and 1.8 p.c. in employment as compared with 1937. The gain in production was not sufficient to offset the decline in base metal prices, the total value having been about \$440.6 million against \$457.4 million in the preceding year. The excellent showing in the face of business recession clearly demonstrates the significance to Canada of a diversified mineral production. The returns from the metal group would have been less impressive but for the notable improvement in the output of gold, and the almost three-fold increase in the output of petroleum which offset much of the loss recorded by some of the principal minerals of the non-metallic group.

The number of minerals produced in commercial quantities is being steadily extended. The list includes radium, selenium, tellurium and antimony, and mercury may soon be added.

Electric Power

During 1938 a substantial increase was shown in new generating capacity of electric power and in transmission and distribution facilities. Water power installation during the year was about 135,453 horsepower, bringing the total for the Dominion at the end of the year to 8,191,000 h.p. The greater part of the increase was made up by extensions to existing stations in British Columbia, Manitoba and Quebec.

The people of Canada enjoy comparatively low rates for electric power. There is a definite trend towards the increased use of air-conditioning for both domestic and commercial purposes. Extensive new rural power lines are being built each year to make available the advantages of electricity in farm areas. Manufacturing plants are about 78 p.c. electrified using some 3.5 million h.p. in electric motors. The pulp and paper industry provides an illustration of intensified use since it is 82 p.c. electrified and normally consumes about 40 p.c. of the total output of central stations. The rapid expansion of the mining industry in recent years has been an important factor in sustaining demand.

Canada has become the world's second largest per capita producer of electricity. Norway leads with 2,759 kilowatt hours per capita, followed by Canada with 2,455 kilowatt hours.

The output of electric power during 1938 showed a decline of 6.2 p.c. from the maximum of 25.7 billion k.w.h. reached in the preceding year. The reduction was largely accounted for in secondary power delivered to boilers, reflecting a lessened demand for this type of energy by the pulp and paper industry. The output less exports and deliveries to electric boilers was nearly maintained at 18,380 million k.w.h. against 18,424 million, a decline of less than one-quarter of one per cent.

Fisheries and Trapping

The fishing industry of the Maritime Provinces was rewarded with good catches in 1938. Difficult marketing conditions developed as demand slackened in several European countries and other outlets had over-abundant supplies. The exports of fish in the twelve months ended November declined 4 p.c. in value from the preceding year.

The salmon canned in British Columbia to November 26 was 1,697,000 cases of 48 pounds each. The pack in the same period of 1937 was 1,509,200 cases. The catch of sockeyes was one of the largest in years and prices were well maintained.

As fur production is largely exported, the downward fluctuation in the outward movement indicates that the high level in the value recorded in 1937 was not repeated in the year under review. The value of exports in the twelve months ended November, 1938, was \$13,360,000 against \$19,321,000.

Forestry

For many years the pulp and paper industry has been one of the most important buttresses of Canada's national economy and one of the largest contributors to our export trade. The existence of abundant water-power adjacent to extensive resources of pulpwood offered ideal conditions for the development of the industry. Several causes contributed to the decline in the output of newsprint during the year. Owing to overstocking in the closing months of 1937 in anticipation of an increase in prices, and the considerable decline in consumption

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by American publishers due to economic reaction, Canadian producers were forced to reduce production schedules. The output of newsprint at 2,624,580 tons showed a decline of 28 p.c. from the high level of 1937. The value of newsprint exports was \$104.6 million against \$126.5 million in 1937, down 17.3 p.c.

The pulp and paper industry, although of comparatively recent development in Canadian economy, had by 1933 displaced flour milling as the most important manufacturing group. In spite of recent vicissitudes, it held that position up to 1935, when it was displaced by the non-ferrous metal smelting and refining industry. In employment and salaries and wages paid, however, it is still the most important.

The manufacture of wood-pulp has recorded a marked expansion in the last twenty years. Canadian mills are favourably situated to supply the rayon and staple fibre industries producing artificial silk and textile mixtures of rayon, cotton, real silk and wool. The world's manufacture of rayon yarn doubled between 1932 and 1937, resulting in an increased demand for Canadian wood-pulp. The wood-pulp industry, however, showed reaction in 1938, responding to reduced demand due to the war activities of Japan and world-wide economic reaction. Exports of pulp of various kinds declined from 17,414,317 tons to 11,080,742 tons.

The lumber industry in eastern Canada was beset with difficulties during 1938. Exports of planks and boards totalled 1,667 million feet valued at \$35.9 million, against 1,858 million feet at \$45.4 million in 1937. The lumber industry of British Columbia, according to the Pacific Lumber Inspection Bureau, set a record last year with a new maximum in exports to the United Kingdom. Shipments to that market were 741 million feet compared with 648 million, the previous record established in 1937. Total shipments from the province to overseas markets were 1,036 million feet against 999 million in 1937.

Manufacturing

The prices of materials used in manufacturing plants showed a marked drop during the year and net revenues were consequently more favourable than indicated by indexes of volume and employment. The manufactured output showed a recession from the high level of 1937 but an expansion in operations was shown after August. Improvement was recorded over 1936 and other post-depression years.

The index of the volume of manufactures, based on thirty factors, averaged 107.5 against 123.4. A better relative showing was made by the records of employment, the index having been 111.2 as compared with 114.4.

A prominent feature of Canadian manufacturing development in recent years has been the growth of non-ferrous metal smelting and refining. This industry, based on mineral resources, has taken its place as a leading factor along with the industries based on forest, agricultural and livestock resources. The impact of the depression resulted in a rearrangement in the rank of many industries. The decreased expenditures for capital goods greatly reduced the output of such important industries as sawmills, electrical equipment, automobiles and railway rolling stock. A tendency toward return to the pre-depression ranking is now in evidence.

Construction

The construction industry is far from having recovered to the extent of other Canadian industries. In the past few years the principal demands for con-

structional work have come from the mining fields, from power developments and from pulp and paper plants. At the beginning of 1938, it was unofficially estimated that the deficiency in dwelling units had reached a figure in excess of 200,000. This number indicates approximately an 8 p.c. shortage in the housing supply required if overcrowding and sub-standard conditions are to be obviated. The reasons for the relative inactivity in residential building during the last eight years or so include the tardiness of capital to invest in the building of houses for renting and the high rates of property taxation.

Contracts awarded were valued at \$187.3 million, a decline of 16.4 p.c. from the \$224.1 million reported for the preceding year. Contracts placed for business structures rose 14.5 p.c. while the industrial and engineering divisions showed important decline. The gain in the value of apartments was 34.3 p.c. while residences declined 6.2 p.c.

The total value of construction work completed in 1937, according to the annual census of the Bureau, was \$351.9 million, a gain of 36.4 p.c. over 1936. The extent of the decline in the year under review has not yet been determined.

Loans under the National Housing Act amounted to \$14.6 million in 1938, 17 p.c. above the combined totals for 1936 and 1937. Total Home Improvement loans reported to the Department of Finance to the end of the year amounted to \$24.5 million, numbering 61,299 different projects.

Based on the generally accepted estimate that 80 p.c. of the cost of construction goes to labour directly or indirectly, it is estimated that new home building activity financed under the Dominion's housing legislation to date accounts for a payment to labour of approximately \$29 million. If advances of over \$24 million under the Home Improvement Plan are taken into account as well, it is evident that the combined total has provided for labour payments amounting to about \$48 million to date.

External Trade

Canadian exports were close to the billion dollar mark. The decline of 14 p.c. from 1937 was mainly due to the short supply of wheat during the early part of the year, the depressed conditions in external markets, especially the United States, and price reversals. Shipments of wheat in bushels were 37 p.c. less for the first seven months of 1938 than in the same period of the preceding year. Trade with the United Kingdom was practically equal to that of the preceding year, a gain in base metals and gold largely offsetting the decline in farm products.

Canada had a credit balance from external trade during 1938 of about \$279 million against \$316 million in 1937. In 1938 exports of domestic products totalled about \$913 million and goods re-exported, about \$43 million, while imports were \$677 million. Exports in 1937 were \$1,110 million, goods re-exported \$15 million, and imports \$809 million.

The large increase from \$15 million to \$43 million in goods re-exported in 1938 compared with the preceding year was mainly due to shipment of coined gold. The gold reserve was made up of coined gold and bar gold. The Bank of Canada was able to sell certain coined gold at a premium and replace it with newly refined gold bars from Canadian mines. As these coins were brought into Canada perhaps a generation ago, they are listed as foreign goods exported. Had they not been sold and replaced

by gold bars, the latter probably would have been exported to the United States and swelled the export totals of domestic products.

Canada, in the twelve months ended December, 1938, had a debit balance with the United States, buying about \$425 million worth of goods from that country and selling about \$357 million. The trade in 1937 was more even, imports from the United States totalling \$491 million and exports \$482 million.

Canada had a credit balance with the United Kingdom in the same period of about \$244 million with exports of \$363 million and imports of \$119 million. The figures in 1937 were \$406 million and \$147 million, respectively.

Balance of Payments

Canada's income from external sources in 1938 was smaller than in the preceding year although still of unusually large proportions. While it is yet too early to completely measure all of the principal changes in the balance of payments, sufficient information is available to reveal some of the significant developments during the year. It is apparent that reduced credit balances from the merchandise and tourist trades were partly offset by a record balance of external credits from the sale of gold. Payments of interest and dividends to investors abroad ceased to rise in 1938 and the net payments may have been somewhat reduced. It is fairly safe to conclude that net payments for freight and miscellaneous services were also on a smaller scale. As a consequence of these changes, Canada's credit balance on current account of goods, gold and services will probably be more comparable in size to that experienced in 1935 than to that of any other recent year.

Capital movements between Canada and other countries have also undergone changes in 1938. The net retirements of Canadian securities owned abroad that have been such a prominent feature of the Canadian capital account in the last few years were at a comparatively low level in 1938. Amounts of bond issues maturing during the year were smaller than in previous years and fewer issues owned abroad were called for redemption. In addition to this, some of the maturing issues were re-financed by new issues abroad as, for instance, by new flotations of Dominion government issues in London and New York.

An inward movement of capital to Canada has characterized the trade in outstanding securities throughout most of 1938, in contrast to a predominant outward movement in 1937. During the first eleven months of 1938 sales of securities by Canada to all other countries exceeded purchases by more than \$36 million, in contrast with net purchases of about \$5 million during the corresponding period in 1937. The change in the direction of the movement of capital through the trade in securities between Canada and the United States was even more impressive. Whereas, in these months in 1937 there were net purchases from the United States of \$38.7 million in 1938, net sales amounted to about \$28 million. Opposite tendencies are evident, however, in the trade in securities with the United Kingdom. A balance of sales to that country in 1937 changed to a balance of purchases by Canada in the first eleven months of 1938. On the other hand, the movement of capital from other overseas countries to Canada has expanded and in November record demand from these countries developed from Canadian securities.

The Tourist Trade

The market for goods and services furnished by an influx of tourists is not only a lucrative source of revenue for individuals and whole districts but is

for many countries an important factor in the balance of international payments, having the same effect as the export of additional commodities. Instead of sending goods and services to consumers abroad with the attendant difficulties of surmounting tariff walls, the consumers are induced to move to the goods and services. Thus tourist traffic is an invisible export which helps many countries to pay for the goods and services they must buy from other countries or to pay interest on external loans. Expenditures of \$295 million made by tourists in Canada during 1937 were greater than the combined exports of wheat and newsprint in the same year. It is estimated that Canadian tourists travelling abroad expended \$124 million in other countries, leaving a balance of more than \$170 million.

During the first nine months of 1938 foreign automobiles entering Canada for touring purposes on 60-day permits declined approximately 9 p.c. as compared with the similar period of 1937, while cars on 48-hour permits declined approximately 3 p.c. There was a decrease of about 8.6 p.c. in tourist, etc., entries as reported by immigration officers. Available information consequently indicates a recession in the value of the tourist trade to Canada in 1938. Among the factors which contributed to the curtailment in tourist spending was the economic conditions in the United States during the greater part of the year.

Transportation

Railway operations reflect the general level of business activity. The scope of decline in the traffic movement is indicated by a drop of 7.8 p.c. in car-loadings, the total having been 2,429,000 cars against 2,635,000 in 1937. The traffic in grain, ore and pulpwood recorded increases, contrasting with declines in other main groups. Total cars received from connecting railways were 1,079,000 against 1,353,000 in the preceding year. The railway freight movement is a fairly accurate measure of the fluctuation in industrial operations, reflecting the movement of most lines of commodities throughout the greater part of Canada.

The decline in gross revenues of the Canadian National was more than \$15 million, and the decline in net revenue between ten and eleven million dollars. The balance of net revenue from railway operations was nearly \$7 million. A branch line serving the mining development in Northern Quebec against Senneterre and Rouyn was completed and opened on December 3.

Gross operating revenues of the Canadian Pacific were 142.3 million against \$145.1 million, a decline of only 2.0 p.c.

Canadian air express and mail-carrying services were inaugurated between Montreal and Vancouver and intermediate centres over the nationally owned Trans-Canada Air lines. The carriage of passengers is anticipated for the early months of the present year. When facilities are ready, operations will be extended eastward to Moncton, Saint John and Halifax.

The traffic passing through the Welland Canal rose to a new high point in the navigation season of 1938. Large shipments of grain were the chief factors in the increase in the traffic, which amounted to 12.6 million tons against 11.7 million in 1937. The St. Lawrence system also created a new record with 9,236,000 tons against 9,195,000. The increase in grain, gasoline, sugar and hard coal was the main factor in the general result.

A marked decline shown in the downward movement of iron ore through the combined locks of the Sault Ste. Marie canal was one of the factors in the severe decline in the total movement during 1938.

Employment

Employment averaged greater during 1938 than in any other year in the post-war period excepting 1937, 1930 and 1929. This conclusion is reached from statistics furnished monthly by some 10,800 employers whose staffs averaged more than one million employees. Most branches of factory employment reported that activity was reduced from the level of 1937, but the great majority afforded more employment than in 1936. Mining as a whole showed slight improvement over the previous maximum reached in the preceding year, the metal division showing the main increase. Logging was quiet following the exceptional activity of 1937. Highway work afforded more employment than in any other year since 1934, partly owing to unemployment relief projects. Building showed no general change from 1937.

Increased activity was recorded in two of the five economic areas, Quebec and the Prairie Provinces joining in the advance. The improvement in the former was mainly due to the execution of a large programme of road work undertaken for the relief of unemployment, while that in the Prairie Provinces reflected a slight betterment in business resulting from the improved agricultural situation.

It was estimated that the number of wage-earners employed in 1938 averaged 2,303,000 against 2,369,000 in the preceding year, while wage-earners unemployed numbered 401,000 against 337,000. Aside from 1937, the unemployment situation was better than in any other year since 1930.

The number receiving direct aid in November last was estimated at 809,000, a distinct improvement over the 876,548 recipients in the same month of the preceding year.

Internal Trade

Excepting only in automotive and a few other lines dealing in durable or luxury merchandise, retail trade was well maintained compared with 1937. Monthly sales from January to November for twelve lines of retail business dealing in food, clothing and household effects and requirements fluctuated within a limit of 8 p.c. from the same period of 1937, while cumulative figures for the first eleven months reveal a decline of only 2.1 p.c. from the preceding year.

There were 121,411 new motor vehicles sold for \$135.3 million in 1938, down 16 p.c. in number and 9 p.c. in value from the 144,441 units which retailed for \$149.2 million in the same period of 1937. In the last quarter the unfavourable comparison was reversed, sales having shown advances of 11.4 p.c. and 6.1 p.c. respectively. The decline in June had been 35.4 p.c. in the number sold and 28.8 p.c. in value.

Relative movements in urban and rural retail purchasing may be observed from results for department stores and country general stores, respectively.

Department store sales averaged 3.9 p.c. lower in the first eleven months compared with the same period of 1937. On the other hand, the sales of country general stores were fully maintained, gains in the Prairie Provinces offsetting losses in other regions of the country. The grocery trade was not only maintained but sales during the year were actually running ahead of 1937, according to monthly returns from a large number of chain store companies. Monthly comparisons were mainly favourable with the result that the average for the first eleven months was 2.2 p.c. greater than in 1937.

Wholesale Prices

The reaction in wholesale prices after June, 1937, was unmistakable, presenting an unfavourable element in the trend of economic conditions. The main causes of the rise in the price level to an intermediate high point in the first half of 1937 are well known. The reversal in speculative demand for world commodities was an important element in the decline which set in toward the end of the year. The prospect of heavier field crops was a bearish influence leading to an acceleration in the decline during July and August, 1938. Subsequently the decline was practically halted and fluctuations in the general average were insignificant in the weeks following the first of September. The increase in rearmament expenditures on a widespread scale was one of the main influences in supporting metal prices in recent months, but the appearance of economic revival in the United States toward the end of the year also engendered an improved undertone on commodity markets. The index of stocks of primary commodities traded on international exchanges showed an increase from June, 1937 to August, 1938. The heavy grain crop recently harvested tended to prevent a sharp decline in the subsequent period.

During the last twelve months the index of raw and partly manufactured products declined from 80.8 to 64.9. A marked drop was shown in Canadian farm products, the crop index receding from 83.9 to 53.8. The recession in animal products produced on Canadian farms was minor, declining from 84.6 to 82.8.

Security Prices

Reaction on the stock markets at the end of the first and third quarters was counterbalanced by subsequent rallies. The net result was that no important trend either in an upward or downward direction developed during the year. Stocks strengthened in the final week and year-end prices were close to the maximum for the preceding fifteen months. The expansion in industrial operations during the last four months of the year afforded support, but reaction in wholesale prices injected a note of caution. The depressing effects of almost continuous political uncertainty in Europe and Asia must be considered in appraising speculative conditions.

Dividend payments by companies in Canada during 1938, according to unofficial estimates, were close to the maximum recorded in the preceding year,

the total being \$322.5 million against \$323.7.

Stocks listed on the Montreal Stock and Curb markets had a total value of \$5,252 million on November 30 last against \$4,780 million on the same date of 1937. The comparable total for the Toronto Stock exchange was \$4,984 million against \$4,565 million. New listings were relatively small.

Bond Financing

Consistent firmness on the bond market during the year resulted from a combination of a growing demand and the relative lightness of new borrowings. Thus of the year's aggregate of around one billion in Dominion, provincial and municipal financing, about \$830 million was for refunding purposes, and of the extremely light corporation total of some \$79.5 million only \$36.3 million represented new money. General public demand and increasing purchases from British and continental Europe continued to maintain the market when the banks were less active on the buying side. Several company operations involving new money for expansion purposes were effected in the latter part of the year, and additional issues, some for substantial amounts, are in prospect for 1939.

General market tendencies were very similar to those of the two preceding years with domestic issues predominating, persistence of low interest rates, continued wide differential in yield between short and long term bonds and emphasis upon shorter term financing. Differing from the immediately preceding years, new money formed a larger portion of the total money borrowed. Dominion and provincial borrowing in 1939 will include maturing obligations exceeding \$200 million.

Banking

A continuance of the tendencies in evidence during preceding years characterized banking operations in 1938. The official rate of discount remained at $2\frac{1}{2}$ p.c. and the chartered banks far from having to borrow from the central bank increased their deposits with that institution. The central bank allowed its reserve ratio to fall during the year from 57.2 p.c. to 53.7 p.c. by devoting all but a small proportion of its additional resources to the purchase of Dominion and provincial government securities. Nearly half of the holdings was converted from long term securities into short dated. The bank experienced no difficulty in maintaining the exchange rate which on the whole moved with the American dollar.

The demand for current loans showed improvement during 1938, the average gain amounting to 7.4 p.c. The increase in current loans suggests that the influences making for further economy in the use of bank credit are being outweighed by other factors. The sum of notice and demand deposits continued to

increase in 1938, rising by about \$56 million to \$2,321 million, which had the effect of augmenting the ratio of current loans to notice deposits from 43.6 p.c. to 48.2 p.c.

Life Insurance

For the life insurance companies 1938 was a progressive year. Total insurance in force with nine companies that have issued annual reports was 2.7 p.c. greater than in the preceding year, total assets showing a gain of 5.2 p.c. The amounts are as follows: Total in force, \$4,127 million against \$4,018 million, and total assets \$1,174.5 million against \$1,115.8 million. Sales of life insurance in Canada as reported by the Life Insurance Sales Bureau of Hartford, Connecticut, for 18 companies were \$375.5 million against \$386.0 million in the preceding year, a decline of 2.7 p.c.

Public Finance

Dominion revenues were \$394.8 million against \$402.3 million in the first nine months of 1937, the increase in income tax collections tending to offset declines in customs and excise taxes. The budget estimate for the full year may prove to be not unduly optimistic. On the expenditure side, the operating deficit of the Canadian National Railways will be larger than was anticipated, and since the budget was delivered a new and unexpected element was introduced in the form of probable losses on wheat marketing operations.

Total ordinary expenditure was \$288.3 million in the first nine months against \$283.5 million. Taking in additional disbursements under the headings of capital and special expenditure and government-owned enterprises, the comparison was \$366.9 million against \$361.9 million.

Statistics Illustrating the Economic Situation of Canada in 1938 Compared
with 1929, 1933, 1936 and 1937.

		Percentage change increase (+) and decrease (-) in 1938 from			
		1929	1933	1936	1937
<u>General Economic Situation</u>					
1	Index of Physical Volume of Business	- 10.0	+ 41.7	+ 0.6	- 8.0
2	Manufacturing Employment, unadjusted	- 5.2	+ 37.2	+ 7.4	- 3.0
3	Wholesale Prices	- 17.8	+ 17.1	+ 5.4	- 7.0
4	Index of Common Stock Prices	- 45.4	+ 51.7	- 12.6	- 18.0
5	Capitalized bond yields, Dominion	+ 60.5	+ 49.4	+ 5.8	+ 9.2
6	Mining Stock Prices	+ 40.1	+ 56.3	- 4.5	+ 1.0
7	Bank Debits \$000	- 33.7	+ 3.1	- 13.9	- 12.1
<u>Production and General Business -</u>					
8	Mineral Production, (1926=100)	+ 58.0	+ 76.2	+ 19.6	+ 2.6
9	Copper Exports Pounds	+136.8	+130.6	+ 38.8	+ 29.0
10	Nickel Exports Pounds	+ 80.3	+124.5	+ 13.9	- 11.3
11	Lead Production Pounds	+ 31.8	+ 57.5	+ 13.3	+ 0.7
12	Zinc Exports Pounds	+ 92.9	+ 70.7	- 2.9	- 7.1
13	Gold Shipments Fine Ounces	+147.7	+ 63.0	+ 24.6	+ 12.7
14	Silver Shipments Fine Ounces	+ 2.7	+ 56.5	+ 35.7	+ 7.9
15	Coal Production Tons	- 19.1	+ 19.0	- 7.0	- 9.7
16	Manufacturing Production (1926=100)	- 8.7	+ 34.5	- 5.5	- 12.9
17	Flour Production Barrels	- 27.4	- 8.9	- 8.6	+ 1.1
18	Sugar manufactured Pounds	+ 9.7	+ 17.0	+ 2.7	+ 3.5
19	Cattle Slaughtering Number	+ 37.5	+ 40.6	+ 0.9	- 5.6
20	Hog Slaughtering Number	+ 33.3	+ 11.9	- 11.9	- 17.5
21	Cigarettes released Number	+ 35.2	+ 59.2	+ 22.7	+ 2.6
22	Cigars released Number	- 33.8	+ 14.9	+ 7.8	+ 1.6
23	Leather Boots and Shoes (11 months) Pairs	+ 8.3	+ 10.7	+ 0.6	- 9.0
24	Raw Cotton Imports Pounds	- 1.1	+ 12.7	- 10.3	- 14.7
Paper and Lumber -					
25	Newsprint Production Tons	- 3.8	+ 30.1	- 17.5	- 28.0
26	Exports of Planks and Boards Feet	- 5.0	+ 63.8	- 4.7	- 10.3
Iron and Steel -					
27	Steel Ingot Production Long Tons	- 16.1	+182.0	+ 3.6	- 17.6
28	Pig Iron Production Long Tons	- 34.7	+210.2	+ 4.0	- 21.6
<u>Automobile and Allied Industries</u>					
29	Automobile Production Number	- 36.7	+152.3	+ 2.5	- 19.7
30	Petroleum Imports Gallons	+ 15.7	+ 28.5	- 1.5	- 9.4
31	Crude Rubber Imports Pounds	- 27.6	+ 33.0	- 7.8	- 28.8
<u>Construction -</u>					
32	Contracts Awarded \$	- 67.5	+ 92.5	+ 15.2	- 16.4
33	Building Permits \$	- 74.1	+179.4	+ 47.3	+ 9.0
34	Electric Power Production 000 K.W.H.	+ 47.4	+ 48.1	+ 2.4	- 5.8
<u>Railways -</u>					
35	Carloadings Number	- 31.3	+ 19.5	- 2.6	- 7.8
36	Gross Revenue, C.N.R. (Canadian Lines) \$	- 28.3	+ 24.2	+ 2.8	- 4.8
37	Gross Revenue, C.P.R. \$	- 33.1	+ 25.9	+ 3.9	- 1.3
<u>External Trade -</u>					
38	Exports \$	- 20.8	+ 77.9	- 6.9	- 15.0
39	Imports \$	- 47.8	+ 68.9	+ 6.7	- 16.2
40	Excess of Exports over Imports \$				

/ 11 months.

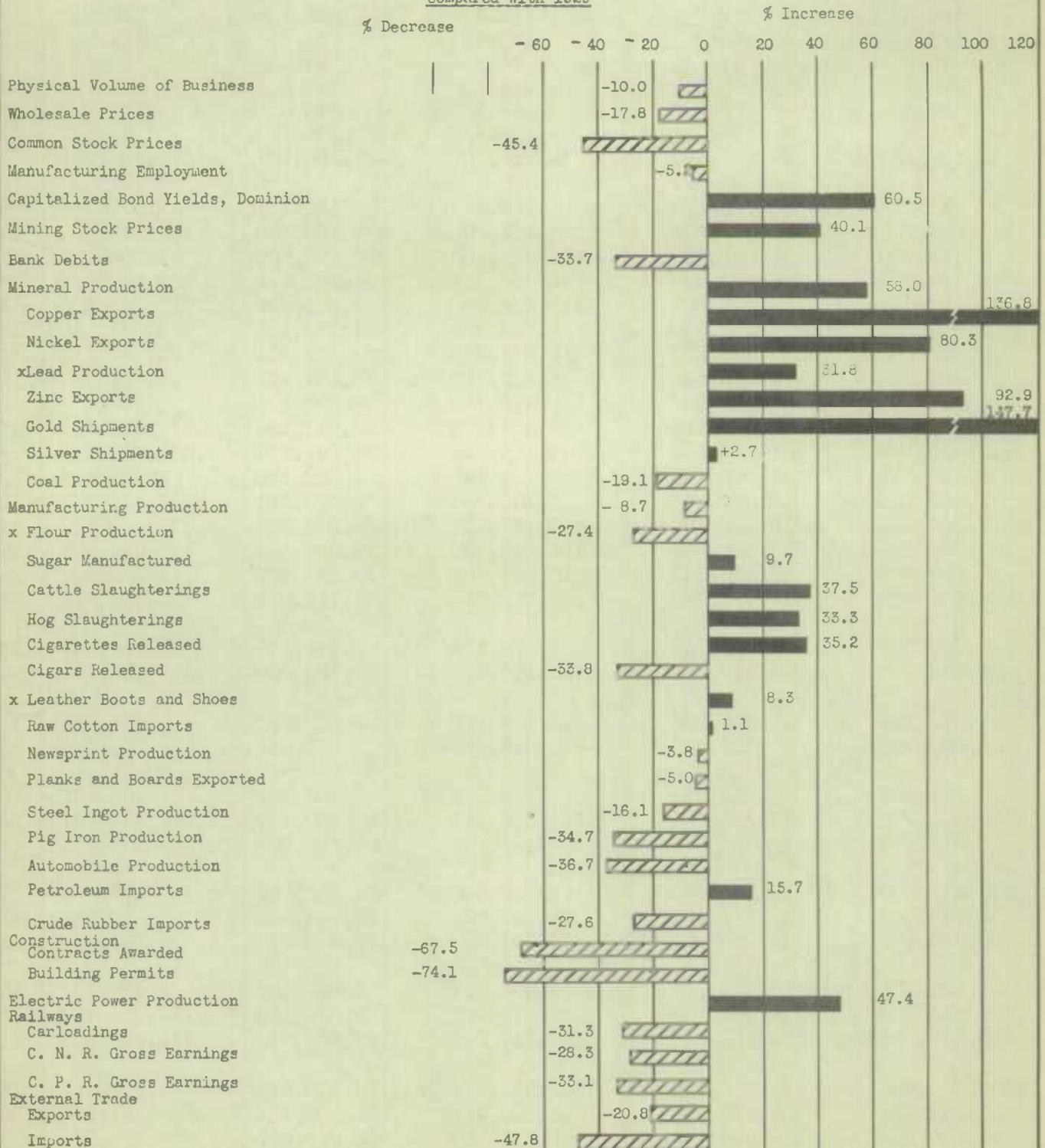
Statistics Illustrating the Economic Situation of Canada in 1938 Compared with
1929, 1933, 1936 and 1937 (Concluded)

1929	1933	1936	1937	1938	
125.5	79.7	112.2	122.7	112.9	1
117.1	80.9	103.4	114.4	111.0	2
95.6	67.1	74.6	84.5	78.6	3
190.7	68.6	119.2	127.0	104.1	4
98.4	105.7	149.3	144.6	157.9	5
105.4	94.5	154.6	146.3	147.7	6
46,670,482	29,981,465	35,928,607	35,166,061	30,923,363	7
123.2	110.5	162.8	189.7	194.7	8
235,409,700	241,703,000	401,694,700	432,118,000	557,375,000	9
109,639,800	88,082,100	173,637,500	222,770,000	197,704,300	10
294,603,088	246,521,458	342,807,477	385,692,644	388,329,191	11
160,824,600	181,779,000	319,554,900	334,073,800	310,265,100	12
1,875,082	2,849,629	3,728,229	4,122,335	4,644,118	13
22,003,890	14,435,087	16,643,869	20,939,111	22,587,189	14
17,496,557	11,903,344	15,229,182	15,683,212	14,162,451	15
117.7	79.9	113.7	123.4	107.5	16
17,489,836	13,930,113	13,884,439	12,557,197	12,694,061	17
940,393,501	881,877,554	1,005,584,264	996,689,577	1,031,836,600	18
1,116,647	1,092,428	1,522,845	1,626,366	1,535,839	19
2,553,161	2,802,377	3,562,534	3,802,141	3,137,203	20
5,081,254,400	4,316,862,800	5,600,453,214	6,697,903,894	6,871,634,139	21
199,272,377	114,808,848	122,342,499	129,834,344	131,897,606	22
16,299,664	15,950,841	17,546,999	19,397,373	17,650,990	23
136,296,702	119,697,530	150,288,295	158,192,013	134,860,729	24
2,728,827	2,016,742	3,179,914	3,645,309	2,624,580	25
1,754,633,000	1,017,837,000	1,749,860,000	1,858,352,000	1,667,088,000	26
1,378,024	409,979	1,115,779	1,402,882	1,155,995	27
1,080,160	227,317	678,231	898,855	705,099	28
262,625	65,852	162,159	207,463	166,142	29
1,060,000,971	954,392,366	1,244,662,673	1,354,080,442	1,226,340,181	30
79,511,819	43,281,821	62,421,709	80,836,369	57,563,404	31
576,651,800	97,289,800	162,588,000	224,056,700	187,277,900	32
234,944,549	21,776,496	41,325,693	55,844,999	60,855,610	33
17,632,879	17,553,001	25,394,292	27,583,926	25,994,238	34
3,532,595	2,032,117	2,494,369	2,635,382	2,428,526	35
200,934,000	116,016,000	140,112,000	151,304,963	144,070,172	36
196,183,000	104,184,000	126,318,000	132,999,843	131,206,208	37
1,208,338,430	537,783,439	1,027,901,954	1,124,960,012	956,726,055	38
1,298,992,692	401,214,311	635,190,844	808,896,325	677,451,354	39
- 90,654,262	+ 136,569,128	+ 392,711,110	+ 316,063,687	+ 279,274,701	40

The Economic Situation of Canada

Statistics for the year 1938

compared with 1929



x 11 months.

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