



C A N A D A
DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS
GENERAL STATISTICS BRANCH

BUSINESS CONDITIONS IN CANADA

the first two months of 1938

compared with the

same period of 1937



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

+ + +

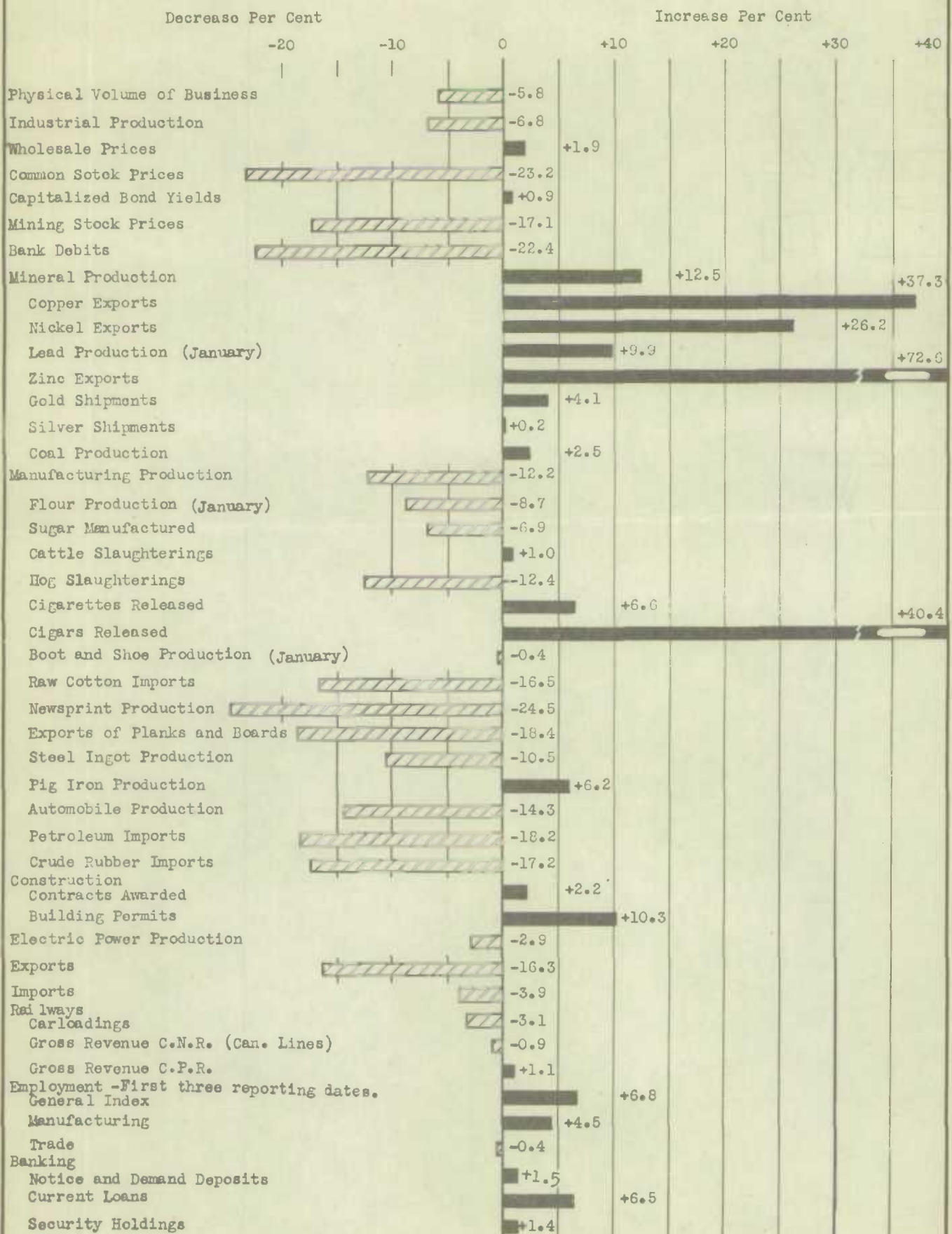
OTTAWA

1938

The Economic Situation in Canada

in the first two months of 1938

as compared with the same period of 1937.



Dominion Statistician:
Statistician:

R. E. Coats, LL.D., F.R.S.C., F.S.S. (Hon.)
Sydney B. Smith, M.A.

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

The receipt of information regarding the first two months of 1938 sheds further light on current economic conditions. The level of productive operations was somewhat lower than in the corresponding months of 1937, the index of the physical volume of business based on 46 factors averaging 109.3 in the elapsed period of 1938, compared with 116.0 in the same period of last year. The recession of 5.8 p.c. in a representative index of this kind is evidence of a moderate slackening in business and productive enterprise from the levels in the first two months of 1937.

The continued resistance to reaction shown by general wholesale prices was one of the constructive factors during the early months of the year. The weekly index has shown a remarkably steady performance since the beginning of 1938. This contrasts with the advance of ten months which culminated temporarily in April 1937. The weekly index is consequently showing a deficit from the same period of last year.

While world stocks of commodities have shown some increase in recent months, a marked reduction has occurred since the peak was reached in 1932. Throughout the advance in Canadian wholesale prices terminating in the first half of 1937, raw material prices had risen more rapidly than those for finished products and the resulting increase in primary products prices affected business constructively. The volume of crop products showed a decline last season and prices of grains have been relatively well maintained while some industrial raw materials have suffered from the change in speculative prospects. The index of wholesale prices averaged 83.7 in the first two months of 1938, a gain of nearly 2 p.c. over the same period of last year.

An advance occurred in high-grade bond prices during the last twelve months following a decline in the first quarter of 1937. A reaction took place about the middle of March due to unsettlement abroad. Present bond prices are higher than for many years prior to July 1936. The low level of bond yields has favorable implications as an incentive toward the production of investment goods. The cost of capital is an important consideration in undertakings involving the construction of plant and equipment.

The index of the physical volume of business averaged 109.3 in the first two months of the present year against 116.0 in the same period of 1937. The decline of nearly 6 p.c. denotes considerable slackening from the active period at the beginning of last year.

Mining

The index of mineral production recorded a gain of 12.5 p.c. to 184.0 in the first two months of this year. The export of copper was up 37.3 p.c., the total having been 72.6 million pounds against 52.9 million. The gain in nickel exports was 26 p.c., the total outward shipment in the first two months of 1938 having been 39 million pounds. Zinc exports showed a gain of nearly 73 p.c., while lead production in January was about 10 p.c. greater than in the same month of 1937. Slight gains were shown in the shipments of gold and silver from Canadian mines. The increase in coal production was 2.5 p.c.

Manufacturing

The manufacturing group was less active this year, the index receding from 119.6 to 105.0. The release of cigars and cigarettes recorded an increase while declines were shown in the production of flour and sugar. Cattle slaughterings showed a slight increase, while the decline in hogs was 12.4 p.c. Imports of raw cotton showed a decline of 16.5 p.c. to 22.8 million pounds. The forestry industry, mainly due to slackening in external demand, was less active this year, the output of newsprint having been 24.5 p.c. less than in the first two months of 1937. The outward shipment of planks and boards at 226.6 million feet showed a decline of

18.4 p.c. Woods operations continued active, the index of employment in logging on the first three reporting dates of the year averaging nearly 22 p.c. greater in 1938 than in 1937. The movement of pulpwood was 12,155 cars greater in the first 11 weeks of this year than in the same period one year ago. The total movement to March 19 was 36,426 cars against 24,271 last year.

The evidence in regard to the iron and steel industry was somewhat inconclusive. The gain in pig iron production was 6.2 p.c., while a decline of 10½ p.c. was shown in the production of steel ingots. Employment in the iron and steel group averaged 156.5 against 132.7 on the same dates of 1937. The output of automobiles was 33,690 units against 39,290. Declines of 18 p.c. and 17 p.c. respectively were shown in the imports of crude petroleum and crude rubber.

The new business obtained by the construction industry was slightly in excess of the same months of 1937. A gain of 2.2 p.c. was shown in contracts awarded and the increase in building permits placed in principal cities was 10.3 p.c.

The output of electric power was affected by recession in the pulp and paper industry. The decline in power production was limited to 2.9 p.c., the total in the first two months of 1938 having been 4.3 billion kilowatt hours.

Commodity export trade was \$133.2 million in the first two months, the decline of 16.3 p.c. being partly due to earmarkings of non-monetary gold. The shortage of crop products due to the subnormal harvest of last year was also a contributory influence. The recession of 3.9 p.c. in imports was relatively slight. The railway freight movement was only 3.1 p.c. below that of last year, the traffic amounting to 367,072 cars. The gross revenue of the two leading railways was practically maintained in January at the level of January 1937, the gain by the Canadian Pacific offsetting the decline of the Canadian National.

Employment.

While some decline has been shown in employment, after seasonal adjustment, from the high level of the fall months, the twelve month comparisons remain favourable. Basing calculations on the average for the first three reporting dates, the general index showed a gain of 6.8 p.c. over the same period of 1937. Manufacturing plants unaffected by relief showed a gain of 4.5 p.c. Mining and construction showed gains of 5.6 p.c. and 31.3 p.c. respectively, while the increase in trade was limited to 1.1 p.c.

- 5 -

Statistics Illustrating the Economic Situation of Canada in the First
Two Months of 1938, Compared with the same months of 1937.

Item	Unit or base period	First Two Months 1937	1938	Increase + Decrease -
<u>General Economic Situation</u>				
Index of Physical Volume of Business	1926=100	116.0	109.3	- 5.8
Index of Industrial Production	1926=100	118.6	110.5	- 6.8
Wholesale Prices	1926=100	82.1	83.7	+ 1.9
Index of Common Stock Prices	1926=100	139.9	107.4	- 23.2
Capitalized Bond Yields, Dominion	1926=100	150.5	151.9	+ 0.9
Mining Stock Prices	1926=100	175.9	145.9	- 17.1
Bank Debits	\$000	5,959,289	4,622,595	- 22.4
<u>Production and General Business</u>				
Mineral Production	1926=100	163.5	184.0	+ 12.5
Copper Exports	Lbs	52,894,100	72,629,000	+ 37.3
Nickel Exports	Lbs.	30,926,500	39,017,600	+ 26.2
Lead Production (January)	Lbs.	34,112,307	37,522,125	+ 9.9
Zinc Exports	Lbs.	34,223,200	59,078,500	+ 72.6
Gold Shipments	Fine Ozs.	665,426	692,864	+ 4.1
Silver Shipments	Fine Ozs.	3,132,390	3,139,607	+ 0.2
Coal Production	Tons	2,767,486	2,835,855	+ 2.5
Manufacturing Production	1926=100	119.6	105.0	- 12.2
Flour Production (January)	Bbls.	1,008,630	921,285	- 8.7
Sugar Manufactured	Lbs.	42,836,466	39,914,621	- 6.9
Cattle Slaughtering	No.	190,274	192,203	+ 1.0
Hog Slaughtering	No.	685,773	600,610	- 12.4
Cigarettes released	No.	865,511,295	922,550,725	+ 6.6
Cigars released	No.	12,910,272	18,125,722	+ 40.4
Leather Boots and Shoes (January)	Prs.	1,386,962	1,381,448	- 0.4
Raw Cotton Imports	Lbs.	27,307,905	22,814,653	- 16.5
Paper and Lumber -				
Newsprint Production	Tons	563,223	425,101	- 24.5
Exports of Planks and Boards	Ft.	277,769,000	226,648,000	- 18.4
Iron and Steel -				
Steel Ingot Production	Long Tons	230,936	206,733	- 10.5
Pig Iron Production	Long Tons	128,395	136,309	+ 6.2
Automobile and Allied Industries -				
Automobile Production	No.	39,290	33,690	- 14.3
Petroleum Imports	Gals.	107,058,972	87,592,974	- 18.2
Crude Rubber Imports	Lbs.	6,502,658	5,385,375	- 17.2
Construction -				
Contracts Awarded	\$	15,351,000	15,691,700	+ 2.2
Building Permits	\$	3,815,613	4,208,058	+ 10.3
Electric Power Production	000 K.W.H.	4,464,484	4,336,902	- 2.9
External Trade -				
Exports	\$	159,107,448	133,215,371	- 16.3
Imports	\$	100,563,460	96,671,454	- 3.9
Excess of exports over imports	\$	58,543,988	36,543,917	- 37.6
Railways -				
Carloadings	No.	378,677	367,072	- 3.1
Gross Revenue C.N.R. (Can. Lines) Jan.	\$	11,426,000	11,323,107	- 0.9
Gross Revenue C.P.R. Jan.	\$	10,202,000	10,315,460	+ 1.1
<u>Employment - First Three Months</u>				
General Index	1926=100	103.5	110.5	+ 6.8
Manufacturing		105.1	109.8	+ 4.5
Logging		226.6	275.7	+ 21.7
Mining		146.3	154.5	+ 5.6
Construction		57.1	75.0	+ 31.3
Building		35.4	50.3	+ 42.1
Highway		81.6	115.6	+ 41.7
Trade		130.5	131.9	+ 1.1
<u>Banking - Average</u>				
Notice and Demand Deposits	\$	2,206,108,374	2,239,609,227	+ 1.5
Readily Available Assets	\$	1,621,327,619	1,568,981,515	- 3.2
Current Loans	\$	689,518,409	734,279,669	+ 6.5
Call Loans - Canada	\$	119,115,690	71,091,712	- 40.3
Elsewhere	\$	70,120,846	50,729,326	- 27.7
Security Holdings	\$	1,416,834,068	1,437,107,831	+ 1.4

STATISTICS CANADA LIBRARY
BIBLIOTHEQUE STATISTIQUE CANADA



1010690500