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BUSINESS CONDITIONS IN CANADA

during the first quarter of 1938

compared with the

same period of 1937



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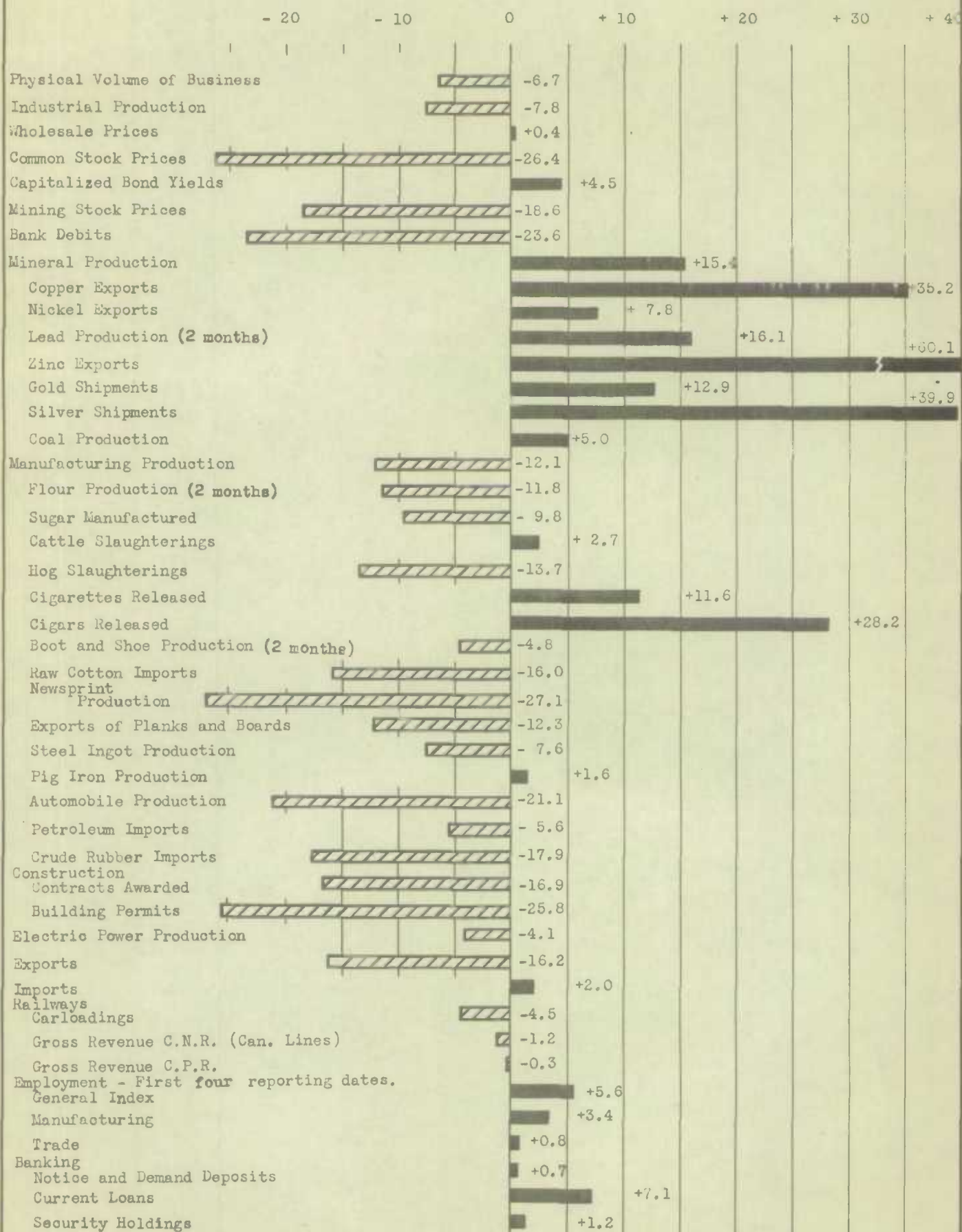
OTTAWA

1938

The Economic Situation in Canada

in the first quarter of 1938,

as compared with the same period of 1937.



Dominion Statistician:
Statistician:

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ECONOMIC CONDITIONS IN CANADA DURING THE FIRST QUARTER
OF 1938 COMPARED WITH THE SAME PERIOD OF THE PRECEDING YEAR.

The major factors reflecting economic conditions in Canada showed moderate decline during the first quarter of the present year. Owing mainly to the sharp reaction during the last quarter of 1937, the significant economic factors recently averaged considerably lower than in the first three months of that year. Common stock prices have now shown a declining trend for more than twelve months. The lowest point was reached about the end of March and a rally in the early weeks of April counter-balanced a part of the recession. The index of common stocks is now about 21 per cent below the same period of 1937. The index averaged 104.7 in the first quarter against 142.3 in the same period of last year, a decline of 26.4 per cent. Owing partly to strength in grain prices, the index of wholesale prices remained remarkably steady during the first 14 weeks of the present year. In the last week or two, a declining trend has developed and the index in the last week was 4 per cent below the same period of 1937. During the first quarter of last year, a considerable advance occurred and a deficit from last year has been shown for the past seven or eight weeks. The monthly average during the first quarter was 83.5 against 83.2 in the same period of the preceding year, a gain of 0.4 per cent.

Despite the decline in business operations and in speculative prices, an impressive showing was made in financial factors. Following the sharp reaction during the first quarter of 1937, an advancing trend has been shown in high-grade bond prices. The level in March was higher than at any time since January of last year. From a longer viewpoint, the current standing is high relative to all years of the present century with the exception of a short period about the end of 1936. The index of capitalized bond yields based on Dominion issues was 152.8 against 146.2 in the first quarter of 1937, a gain of $4\frac{1}{2}$ per cent. Banking operations were also favourable resulting in a strong liquid position and easy credit conditions. The sum of notice and demand deposits averaged slightly higher in the first three months of this year than in 1937. While current loans have recorded a larger percentage gain, a slight increase was also shown in the security holdings, which reached during last quarter the high level of \$1,437.5 million. Current loans averaged \$740.3 million against \$691 million last year, a gain of more than 7 per cent.

Productive Operations.

The advancing trend in business operations culminated in November last. Declines were shown from December to February with a slight rebound in March. The net result was that the index of the physical volume of business averaged 109.1 in the period under review against 116.9 in the first quarter of 1937, a decline of 6.7 per cent. Mineral production recorded a further gain in this comparison while manufacturing, construction, electric power and distribution reached lower territory.

Mineral Production.

Each of the seven factors indicating the trend of mineral production recorded an increase in the first quarter of 1938 over the same period of last year. The index of mineral production rose from 162.7 to 187.8, a gain of 15.4 per cent. A marked gain was recorded in the exports of zinc which rose from 58.9 million pounds to 94.3 million. Copper exports were particularly heavy, showing a gain of 35.2 per cent over the high level of the first quarter of last year. Nickel exports rose 7.8 per cent to 59.4 million pounds. The gain in lead production during the first two months over the same period of last year was 16 per cent. Gold shipments have shown a steady improvement, the total during the first quarter of 1938 having been 1,099,000 fine ounces. The receipts at the Mint and consignments to external points rose in March to a new high point in history. The gain in the first three months over the same period of 1937 was no less than 12.9 per cent. The increase in silver shipments was nearly 40 per cent, the total during the elapsed portion of the present year having been 6.5 million ounces. Coal production rose 5 per cent to more than 4.1 million tons.

Manufacturing Production.

The movement of factors showing the trend of manufacturing was uneven in the first quarter of the present year. The index of manufacturing production receded from 118.2 in the first quarter of 1937 to 103.9 in the period under review. Declines were shown in flour production and in the manufacture of sugar. Cattle slaughterings recorded a gain of 2.7 per cent while hog slaughterings declined 13.7 per cent. The

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release of cigarettes was up 11.6 per cent and cigars showed a gain of 28 per cent. The imports of raw cotton were 16 per cent less amounting to 35.9 million pounds in the first quarter. The forestry industry was very much less active in the first three months of this year. Newsprint production dropped 27 per cent while the export of planks and boards was down 12.3 per cent. The primary iron and steel industry continued active, although the production of steel ingots receded 7.6 per cent. Pig iron production, on the other hand, was 1.6 per cent greater, the total output having been 202,537 tons. The decline in purchasing power was reflected in the operations of the automobile industry. Production during the first quarter was 50,492 units against nearly 64,000 in the same period of 1937. Crude petroleum imports indicating conditions in the oil industry showed a recession of 5.6 per cent. The imports of crude rubber used mainly in the manufacture of automobile tires declined nearly 18 per cent.

Construction.

The new business obtained by the construction industry during the first quarter of 1938 was at a considerably lower point than in the same period of 1937. Contracts awarded at \$26.1 million showed a decline of nearly 17 per cent. The decline in building permits was of even greater dimensions, the total having been \$7.8 million against \$10.5 million in the first quarter of 1937. Permits issued in Windsor and vicinity were particularly large one year ago, mainly accounting for the deficit.

Electric Power.

The output of central electric stations was less in the first quarter of 1938 than in the same period of last year, the total having been 6,591 million kilowatt hours against 6,877 million. Deliveries to electric boilers, however, showed an even greater decline from 2,079 million kilowatt hours to 1,609 million. A considerable recession was also shown in the exports to the United States which amounted to 442.7 million k.w.h. against 445.7 million. The output less exports and deliveries to electric boilers consequently showed an increase in the period under review, the total having been 4,562 million k.w.h. against 4,352 million in the same months of last year, an increase of nearly 5 per cent. The reduction in the output was mainly due to inactivity in the newsprint industry which normally takes about 2/3 of the secondary power delivered by central electric stations for electric boilers and around 25 to 30 per cent of the firm power.

Trade.

In the first quarter of the present year, Canada's imports rose 2 per cent, the total having been \$161.7 million against \$158.5 million in the first quarter of 1937. Exports on the other hand showed a decline of slightly more than 16 per cent. The total in the period under review was \$208.3 million against \$248.5 million one year ago. The decline was due in part to a slackening in demand reflecting economic deterioration in external markets and to the low level of exportable surplus of grain products resulting from the subnormal crop of last year. The excess of exports over imports in the first three months was \$46.6 million. Owing to the decline in exports and the increase in imports, the excess was much greater last year amounting to \$89.98 million.

While carloadings showed a decline of 4 1/2 per cent from the first quarter of 1937, the recession in operating revenues of the two main railways was of slight proportions. The revenue on the Canadian lines of the Canadian National Railway during the first two months of the year was \$22.8 million against \$23.0 million one year ago, while the revenue of the Canadian Pacific Railway declined from \$19.92 million to \$19.86 million. The recession in the operating revenues of the two companies was limited to 1.2 per cent and 0.3 per cent, respectively.

Employment.

A considerably higher level of employment was recorded in the elapsed portion of 1938 than in the same period of the preceding year. The gain in employment in manufacturing plants, unaffected to any important extent by relief measures was 3.4 per cent. The index obtained by averaging the first four reporting dates was 110.1 against 106.5 for the same period of 1937. The general index rose from 103.4 to 109.2, a gain of 5.6 per cent. Logging and mining were more active in this respect showing gains of 16 per cent and 5 per cent, respectively. The various phases of construction recorded acceleration, marked gains being shown in the indexes. The composite for trade moved up one point to 130.7.

Statistics illustrating the Economic Situation of Canada in the First Quarter of 1938, Compared with the same period of 1937.

Item	Unit or base period	First Quarter 1938	1937	Increase + Decrease -
<u>General Economic Situation</u>				
Index of Physical Volume of Business	1926=100	109.1	116.9	- 6.7
Index of Industrial Production	1926=100	110.4	119.8	- 7.8
Wholesale Prices	1926=100	83.5	83.2	+ 0.4
Index of Common Stock Prices	1926=100	104.7	142.3	- 26.4
Capitalized Bond Yields, Dominion	1926=100	152.8	146.2	+ 4.5
Mining Stock Prices	1926=100	142.2	174.8	- 18.6
Bank Debits	\$000	6,991,253	9,149,126	- 23.6
<u>Production and General Business</u>				
Mineral Production	1926=100	187.8	162.7	+ 15.4
Copper Exports	Lb.s	126,403,000	93,478,800	+ 35.2
Nickel Exports	Lbs.	59,447,000	55,129,100	+ 7.8
Lead Production (First 2 mos.)	Lbs.	72,698,788	62,617,050	+ 16.1
Zinc Exports	Lbs.	94,307,000	58,910,800	+ 60.1
Gold Shipments	Fine Ozs.	1,099,095	973,584	+ 12.9
Silver Shipments	Fine Ozs.	6,469,977	4,626,242	+ 39.9
Coal Production	Tons	4,057,944	3,860,554	+ 5.0
Manufacturing Production	1926=100	103.9	118.2	- 12.1
Flour Production (Two months)	Bbls.	1,770,513	2,008,324	- 11.8
Sugar Manufactured	Lbs.	65,953,418	73,120,396	- 9.8
Cattle Slaughtering	No.	322,201	313,614	+ 2.7
Hog Slaughtering	No.	900,424	1,043,656	- 13.7
Cigarettes released	No.	1,451,823,075	1,301,048,427	+ 11.6
Cigars released	No.	29,271,882	22,830,783	+ 28.2
Leather Boots and Shoes (Two months)	Prs.	3,057,741	3,212,465	- 4.8
Raw Cotton Imports	Lbs.	35,939,755	42,770,417	- 16.0
Paper and Lumber -				
Newsprint Production	Tons	629,705	864,333	- 27.1
Exports of Planks and Boards	Ft.	373,980,000	426,606,000	- 12.3
Iron and Steel -				
Steel Ingot Production	Long Tons	325,409	352,164	- 7.6
Pig Iron Production	Long Tons	202,537	199,381	+ 1.6
Automobile and Allied Industries -				
Automobile Production	No.	50,492	63,991	- 21.1
Petroleum Imports	Gals.	148,641,181	157,542,315	- 5.6
Crude Rubber Imports	Lbs.	10,141,880	12,354,403	- 17.9
Construction -				
Contracts Awarded	\$	26,109,400	31,409,100	- 16.9
Building Permits	\$	7,764,625	10,470,129	- 25.8
Electric Power Production	000 K.W.H.	6,594,782	6,876,742	- 4.1
External Trade -				
Exports	\$	208,324,475	248,466,000	- 16.2
Imports	\$	161,706,904	158,484,000	+ 2.0
Excess of exports over imports	\$	46,617,571	89,982,000	- 48.2
Railways -				
Carloadings	No.	566,579	593,056	- 4.5
Gross Revenue C.N.R. (Can. Lines) 2 mos.	\$	22,765,000	23,047,000	- 1.2
Gross Revenue C.P.R. 2 mos.	\$	19,864,000	19,921,000	- 0.3
<u>Employment - First Four Months</u>				
General Index	1926=100	109.2	103.4	+ 5.6
Manufacturing		110.1	106.5	+ 3.4
Logging		235.5	203.1	+ 16.0
Mining		153.7	146.3	+ 5.1
Construction		74.1	56.2	+ 31.9
Building		48.7	35.6	+ 36.8
Highway		115.9	78.5	+ 47.6
Trade		130.7	129.7	+ 0.8
<u>Banking - Average</u>				
Notice and Demand Deposits	\$	2,250,195,450	2,235,615,400	+ 0.7
Readily Available Assets	\$	1,574,299,710	1,616,937,900	- 2.6
Current Loans	\$	740,338,710	691,084,100	+ 7.1
Call Loans - Canada	\$	68,366,280	120,781,550	- 43.4
Elsewhere	\$	50,711,810	72,143,420	- 29.7
Security Holdings	\$	1,437,543,270	1,420,282,300	+ 1.2



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