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BUSINESS CONDITIONS IN CANADA

during the first five months of 1938

compared with the

same period of 1937



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

Measured by the records recently made available, economic reaction in Canada characterized the first five months of 1938. The decline in the latter part of 1937 was unmistakably extended in the period under review. Most of the major factors declined in the present year to a position considerably below the levels of the same period of last year. Conditions continued quiet during the first five months and the early part of June, but in the week of June 25, a considerable betterment was shown in the trend of speculation and other lines.

A constructive factor during the early part of 1938 was the strength of the high-grade bond market, prices recently being at a maximum since the first of the century. This development contrasted with the early part of 1937 when bonds showed a marked decline during the first quarter. An advance commenced shortly afterward and has continued practically without interruption to the present time, the recent high prices exceeding even the extreme position of the latter part of 1936. The long-term trend of the post-war period was strongly upward and prices are now ruling considerably higher than the computed normal.

Bank deposits in the earlier part of 1937 were well maintained, fluctuations in this factor having been of relatively minor proportions since the beginning of last year. A marked advance occurred in bank deposits from the middle of 1934 to the end of 1936, and the high position gained at that time has been well maintained. The present high levels of bond prices and of deposit liabilities constitute a strong financial background. It is well known that money and banking factors tend to move early in intermediate economic fluctuations. From this viewpoint, conditions are favourable for an extension of the improvement to other sectors of the economic field.

The volume of business operations showed a decline from the relatively high levels of the early part of 1937. The index of the physical volume of business based on 46 factors averaged 110.4 against 119.3 in the same period of last year, a decline of $7\frac{1}{2}$ per cent. Of the five main branches included in the survey of business operations, mineral production alone recorded a gain in this comparison. The index of mineral production on the basis of volume was nearly 184 against 173 one year ago. The increase of more than 6 per cent was in part due to marked gains in the movement of copper, zinc, silver and gold. Nickel exports showed a decline of 2 per cent from the same period of 1937. The gain in copper exports on the other hand was nearly 48 per cent, the total in the elapsed portion of 1938 having been in excess of 224 million pounds. The export of zinc was particularly heavy, a gain of $38\frac{1}{2}$ per cent having been shown in this comparison. The gold-mining industry has been much more active this year, shipments to the Mint and to external points having been 1.8 million ounces, a gain of 11.6 per cent.

Manufacturing production reflected the influences of depression in the first five months of the present year, the index dropping to 104 from 119. The decline of 13 per cent represented less active conditions in a considerable variety of industries, the reaction in the forestry group having an important influence. Newsprint production dropped 28 per cent from the high level of 1937. A decline of 13 per cent was shown in the export trade of lumber.

The primary iron and steel industry continued active although the output of steel ingots recorded a decline of about 6 per cent. The automobile industry was less successful in disposing of new cars, the output having been reduced from 104,730 units to 87,426. The imports of crude petroleum, indicating the activity in the oil industry, were about 4 per cent less than in the first five months last year.

The construction industry was less successful in obtaining new business during the elapsed portion of the present year. Contract awards dropped 25 per cent while building permits were down nearly 13 per cent. The power industry was adversely affected by the recession in newsprint production. The drop in electric output was about $6\frac{1}{2}$ per cent. The decline in the export trade of Canada reacted on the internal situation. A portion of the decline in exports was due to lower prices, the values having been nearly 20 per cent below the same period of 1937.

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The railway freight movement reached a lower level, pulpwood and ore of the eleven commodity classes recording advance. The drop in carloadings was nearly 7 per cent, while the decline in the gross revenue of the two main railways was slightly in excess of that percentage.

A constructive factor was the higher level of employment, the increase in the general index averaging 3.4 per cent for the first six reporting dates. The gain in manufacturing was less than 1 per cent, while an increase of nearly 4 per cent was shown in mining.

The notice and demand deposits continued to show an upward trend over the same period of 1937. The five-months' average for the present year was \$2,273 million compared with \$2,259 million. Current loans showed an advance of 7.1 per cent in this comparison with an average of nearly \$752 million for the elapsed portion of the present year. Call loans, on the other hand, have dropped perceptibly, both here and abroad. The security portfolios of the banks showed an appreciation of 1.1 per cent over the first five months of 1937 and are presently in the neighbourhood of \$1,444 million.

The following table shows the results of the survey conducted in the month of May 1954. The data is presented in the form of a table. The first column shows the name of the person surveyed, the second column shows the age, the third column shows the sex, the fourth column shows the occupation, and the fifth column shows the number of children.

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

Item	Unit or base period	Five Months		Increase + Decrease -	
		1938	1937		
General Economic Situation					
Index of Physical Volume of Business	1926=100	110.4	119.3	-	7.5
Index of Industrial Production	1926=100	112.0	122.9	-	9.9
Wholesale Prices	1926=100	82.6	84.2	-	1.9
Index of Common Stock Prices	1926=100	102.3	139.1	-	26.5
Capitalized Bond Yields, Dominion	1926=100	155.5	143.2	+	8.6
Mining Stock Prices	1926=100	140.0	164.1	-	14.7
Bank Debits	\$000	11,854,491	15,294,091	-	22.5
Production and General Business					
Mineral Production	1926=100	183.6	172.9	+	6.2
Copper Exports	Lbs.	224,390,100	151,752,400	+	47.9
Nickel Exports	Lbs.	68,158,900	90,034,600	-	2.1
Lead Production (4 mos.)	Lbs.	134,892,100	132,979,502	+	1.4
Zinc Exports	Lbs.	146,804,000	105,986,600	+	38.5
Gold Shipments	Fine Ozs.	1,818,435	1,629,320	+	11.6
Silver Shipments	Fine Ozs.	8,220,207	7,310,325	+	12.4
Coal Production	Tons	5,945,053	5,930,386	+	0.2
Manufacturing Production	1926=100	103.9	119.4	-	13.0
Flour Production (4 mos.)	Bbls.	3,564,182	4,182,210	-	14.8
Sugar Manufactured	Lbs.	159,466,149	209,735,216	-	9.7
Cattle Slaughtering	No.	632,512	612,111	+	3.3
Hog Slaughtering	No.	1,428,126	1,728,089	-	17.4
Cigarettes released	No.	2,600,334,905	2,427,117,889	+	7.1
Cigars released	No.	51,137,917	43,224,339	+	18.3
Leather Boots and Shoes (4 mos.)	Prs.	6,853,808	7,472,280	-	8.3
Raw Cotton Consumption	Lbs.	46,305,322	60,073,701	-	22.9
Paper and Lumber -					
Newsprint Production	Tons	1,058,177	1,471,912	-	28.1
Exports of Planks and Boards	Ft.	589,915,000	680,443,000	-	13.3
Iron and Steel -					
Steel Ingot Production	Long Tons	556,713	594,433	-	6.3
Pig Iron Production	Long Tons	339,783	345,666	-	1.7
Automobile and Allied Industries -					
Automobile Production	No.	87,426	104,730	-	16.5
Petroleum Imports	Gals.	333,199,181	346,594,657	-	3.9
Crude Rubber Imports	Lbs.	18,081,374	24,742,769	-	26.9
Construction -					
Contracts Awarded	\$	59,727,100	80,006,200	-	25.3
Building Permits	\$	19,220,788	22,050,984	-	12.8
Electric Power Production	000 K.W.H.	10,741,884	11,500,794	-	6.6
External Trade -					
Exports	\$	337,371,813	420,977,332	-	19.9
Imports	\$	277,745,537	305,147,005	-	9.0
Excess of exports over imports	\$	59,626,276	115,830,327	-	48.6
Railways -					
Carloadings	No.	941,477	1,011,103	-	6.9
Gross Revenue C.N.R. (Can. Lines)	\$	59,351,053	63,915,614	-	7.1
Gross Revenue C.P.R.	\$	51,307,000	55,387,718	-	7.4
Employment - 6 months' average unadjusted					
General Index,	1926=100	109.3	105.7	+	3.4
Manufacturing		110.5	109.6	+	0.8
Logging		188.9	168.0	+	12.4
Mining		153.0	147.4	+	3.8
Construction		83.2	66.9	+	24.4
Building		49.4	41.0	+	20.5
Highway		141.3	100.1	+	41.2
Trade		130.9	129.8	+	0.8
Banking - five Months' Average					
Notice and Demand Deposits	\$	2,272,733,765	2,259,033,600	+	0.6
Readily Available Assets	\$	1,587,546,740	1,606,273,900	-	1.2
Current Loans	\$	751,974,920	702,314,960	+	7.1
Call Loans - Canada	\$	66,935,131	120,132,646	-	44.3
Elsewhere	\$	52,023,045	73,119,032	-	28.9
Security Holdings	\$	1,443,592,675	1,427,702,940	+	1.1

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