

## The Econamio Situation in Canada

In the First Half of 1938
as compared with the same period of 1937.


## BUSIVESS CONDITIOTS IJT CANADA DURIN: TEE TI RST SIX NONTES CF 1438 

Thile the averate of factors showing the trend of economic conditions recorded reaction during the first nelf of 1938, some improvement wes shown at the end of the first six months. During the latter part of June common stock prices which had been showing o declining trend for about fifteen months rallied sherply, indicpting a reversel in speculetive sentiment. The officisl index of comion stock prices averaged nearly loz In the first six months of the present yesr against 137.5 in the same period of 1937 , a decline of about 26 per cent. The maximum in recent years was reached in Narch, 1937. and there followed a decline which terminated, at least temporarily, about the first of April. The rise which occurred in the latter weeks of June was continued in July and the levels of the first ouprter were practically regained in recent weeks. The index of common stock prices crossed the post-wer trend in an upward direction during the latter part of 1935 and rempinad above computed normal until early in the present year. The recent rally has resulted in a second upward crossing of the long-terti trend.

Realignment of wholesale prices characterized the early months of 1937. During the depression a wide disparity had developed between the prices of raw meterials and of finished goods. During the revivel in wholesale prices, raw materisls edvpnced much faster than manufectured goods and the parity of 1926 was practically regained. Part of the rppid rise in wholesple prices was due to speculative interest, but the embaressing stocks of coumodities on internationel markets had also been arertly reduced. During the last 15 months the prices of ram materials heve declined more rapidly than other lines and a considerpble disparity now exists between the tro classes. During June the prices of non-ferrous metals, which had declined considerably in preceding months, showed a strong revival. Electrolytic copper recovered to more than 10 cents per lb. on both the London and Nem York markets. The strength in non-ferrous metals, however, did not have sufficient influence to offset the decline in grains and other crop products occasioned by the prospect of bountiful yields during the present sesson. The price of whent on the Winnipeg grain exchanse hes dec lined sharply for more than a month.

Weekly indexes of mholesale prices have shown during July a sienificent movement to lower position. The index of wholessle prices avera-ed 82.2 in the first half of 1938 against 84.2 in the saue period of 1937, s decline of only 2.4 per cent.

The continued strensth in money and banking factors was the most constructive factor in the field of economic conditions. A merked rise occurred in the prices of high-grade bonds during the first six months of 1938. The result wes thet bond prices were higher than ot any time since the beginning of the century, exceeding the previous maximum reached in the latter parif of 1936. The index of capitalized bond yeilds reached at the end of the period under review a position greatly higher than the long-term trend determined from date for the post-war period. The trend during the last 20 years has been atrongly upward and bond prices have recorded a cyclical as well as a secular trend advence.

The standing in the field of bond prices was supported by a strong bpnking position. Bank deposits during the first holf of 1938 showed a slight gain over the first holf of lest year. During the last fifteen months deposit liabilities hove been well mointeined at a position greater tan at any other time in history. Cyclical decline hod been shown in deposits from lg2y to 1934. About the middle of that yeer a sharp advance comenced, continuing until the esrly part of 1937. Another fector of significance was the incresse in current lopns, which averaged more than 7 per cent greater during the first six months of the present year than in the similar period of 1937.

The decline in business operations wos severe from December to Februpry. From that time greater resistance was shom with the result that the index of the physical volume of business averaged only $\begin{gathered}\text { e. } 6 \\ 6\end{gathered}$ than in the spme period of the preceding yepr. The decline in the index of industrial production, which excludes factors indicatine the trend of distribution, was slightly more than ten per cent in the same comparison. The trend wes uneven among the different branches of production. Minersl production, for example, showed a gain of 8.2 per cent. The export of copper showed considerable expansion even over the hich levels of the first half of 1937. The total in the knlf year under review was more than 266 million pounds, e Epin of pbout 41 per cent. Nickel exports, on the other hand, were not so heavy as one year afo, the decline heving been nearly 13 per cent. The outward movenent affected by the depression in the United States was nearly 98 million pounds as compared with nearly 112 million pounds in the first in lf of 1937. Lead production pnd zinc exports recorded a goin during the first half of 1938 but prices were at a considerpbly lower level. The
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gain in gold shipments from Canpdian mines wis outstonding, mounting to 11.4 per cent. the receipts at the Roypl Nint and direct exports amounted to more than 2.2 million ounces pealnst 1.98 million ounces in the first holf of 1937. Silver shipments showed on increase of nearly 15 per cent, while coal production wps not ouite maintained.

The decline in the index of mpnufacturing production was nearly 14 per cent, the stonding having been 103.8 pepinst 120.3 . The miling industry was less active in the last six months. A goin of 3 per cent was shown in the manufacture of sugar. Cattle sleufhterings were slightly heavier while a considerable decline was shown in the slaughter of hogs. The tobacco industry was active, the release of cigarettes showing a goin of nearly 6 per cent, while the release of cigars was 15 per cent greater. The cotton textile industry was less octive, e decline of $24 \frac{1}{2}$ per cent having been shom in the mount of rew cotton opened for consumption.

The forestry industry was adversely ffected by declining deniend in externel markets. The stocks of newsprint had accumulated before the beginning of the year and operations were curtailed in order to correct this maladjustment. The output of newsprint was 1.3 miliion tons pgainst 1.8 million tons in the same period of 1937 , 2 decline of 29 per cent. The exports of planks and boards indicating the trend of activity in the lumber industry dropped from 863 million feet to 756 million.

The operptions of the primary iron and steel industry were comparatively woll maintained. The decline in the output of steelingots was limited to 6.6 per cent, the totpl in the first helf of the present year having been 666,000 long tons. The decline in production of pigiron was limited to 4.7 per cent, the totel in the period under review having been 404,000 tons.

The decline in purchasing power adversely affected the automobile production. The output in the first six months of 1938 was 102,000 units ogeinst $1<9,000$. The imports of crude petroleum indiceting the trend in the ofl industry showed a reduction of 6.4 per cent, the totel in the first six months of this year heving been about 471 million gellons. The tire industry was less active in the period under review, the amount of crude rubber imported heving been 25.3 million pounds ageinst 33.2 million in the same period of last year.

The construction industry was less active thon in the corresponding period of 1937. The new business obteined in the form of contracts awerded wes $\$ 80.7$ million egeinst $\mathrm{D}_{\mathrm{H}} 10.4$ million lest year, a decline of nearly 27 per cent. The record of building permits mas somewhat better, the decline having been from 28 milifon dollars to about 25.8 million dollers. The power industry was somewhet affected by the decline in industrifl demend, especially of the newsprint concerns. The total production was 12.7 billion geainst 13.8 billion in the first six months of 1937 . The economic recession in other countries resulted in a decline in our external trade. The value of exports declined about 21 per cent. The results, however, were somewhet affected by the form in which gold wes exported. The imports declined from 381 million dollers to 337 million dollars, representing $o$ decrepse of 11.6 per cent. The decline in corloadings was limited to 7.7 per cent, the total movement in the first six months of 1938 having been $1,129,000$ cprs. The gross revenue on Canadian lines of the Cenpdipn Netional Railway showed a decline of 8 per cent, while the Canpdian Pacific Railway recorded a decrease of 7.8 per cent.

Despite the decilne in industripl production, it is interesting to find that employment recorded a gein in most important industrial groups. The general index of employment, averaged for the seven reporting dates, was $10 y .9$ in the present year ageinst 107.6, a gein of 2.1 per cent. A slieht gain was recorded in menufecturing while logeing end construction showed mprked increases. The gein in mining employment was 3.3 per cent, while trade shomed a gain of 0.7 per cent.
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Statistics Illustreting the Economic Situption of Canpdp in Six Months of 1938. Compared with the Some Period of 1937.

|  |  | Six Months |  | Increpse + |
| :---: | :---: | :---: | :---: | :---: |
|  |  | 1938 | 1937 | Decrease - |
| ; |  |  |  | Per Cent |
| General Economic Situation |  |  |  |  |
| Index of Physical Volume of Business | $1926=100$ | 110.1 | 120.4 | - 8.6 |
| Index of Industrial Production | $1926=100$ | 111.5 | 124.2 | - 10.2 |
| Wholesale Prices | $1926=100$ | 82.2 | 84.2 | - 2.4 |
| Index of Common Stock Prices | $1926=100$ | 101.9 | 137.5 | - 25.9 |
| Inverted Bond Yields, Dominion | $1926=100$ | 156.5 | 143.4 | + 9.1 |
| Mining Stock Prices | $1926=100$ | $1+1.0$ | 159.2 | - 11.4 |
| Benk Debits | \$000 | 14,585,063 | 18,186,008 | - 19.8 |
| Production and General Business |  |  |  |  |
| Mineral Production, 1926=100 |  | 192.1 | 177.6 | + 8.2 |
| Copper Exports | Lbs. | 266,493.500 | 188,473,200 | + 41.4 |
| Nicikel Exports | Lbs. | 97.574, 100 | 111, 705,600 | - 12.7 |
| Lead Production (5 mos.) | Lbs. | 167.300,903 | 167,162,552 | + 0.1 |
| Zinc Exports | Lbs. | 163.679,800 | 138,097,300 | + 18.5 |
| Gold Shipments | Fine Ozs. | 2,205,271 | 1,979,414 | + 11.4 |
| Silver Shipments | Fine Ozs. | 9,862,925 | 8,603,831 | + 14.6 |
| Conl Production | Tons | 6,868,166 | 6,994,251 | - 1.8 |
| Menufacturing Production 1926 100 |  | 103.8 | 120.3 | - 13.7 |
| Flour Production ( 5 mos.) | Bbls. | 4,541,922 | 5,058,720 | - 10.2 |
| Suger menufactured | Lbs. | 283.874 .458 | 275,509,721 | + 3.0 |
| Cottle Slaughterings | No. | 773.484 | 761,080 | + 1.6 |
| Hog Slpughterings | No. | 1,636,098 | 2,021,630 | - 19.1 |
| Cigarettes released | No. | 3,231,859,355 | 3,055,861,515 | + 5.8 |
| Cigers released | No. | $63,486,815$ | 55,217,707 | + 15.0 |
| Lepther Boots and Shoes ( 5 mos.) | Prs. | 8,636,890 | 9,500,515 | - 9.1 |
| Rew Cotton Consumption | Lbs. | 55,312,012 | 73,278,309 | - 24.5 |
| Paper and Lumber - |  |  |  |  |
| Nemsprint Production | Tons | 1,259,871 | 1,782,783 | - 29.3 |
| Exports of Planks and Boards | Ft. | 756,092,000 | 862,634,000 |  |
| Iron and Steel - |  |  |  |  |
| Steel Ingot Production | Lone Tons | 666,114 | 713,177 | - 6.6 |
| Pig Iron Production | Long Tons | 404,158 | 423.944 | - 4.7 |
| Automobile and Allied Industries - |  |  |  |  |
| Automobile Production | No. | 102,158 | 128,571 | - 20.5 |
| Petroleum Imports | Gals. | 470,801,181 | 50c, $74 y, 556$ | - 6.4 |
| Crude Rubber Imports | Lbs. | $25,345,508$ | 33, <31,412 | - 23.7 |
| Construction - |  |  |  |  |
| Contracts | \$ | 80,655,200 | 110,375,800 | - 26.9 |
| Building Permits | \$ | 25,780,788 | 27,981,322 |  |
| Electric Power Production | $000 \mathrm{~K} . \mathrm{W} . \mathrm{Fi}$. | 12,715,039 | 13,754,271 | - 7.6 |
| External Trade - |  |  |  |  |
| Exports | \$ | 415,67y, 647 | 525,807,475 | - 20.9 |
| Imports | \$ | 336,692,235 | 380,815,689 | - 11.6 |
| Excess of exports over imports | \$ | 78,987,412 | 144,991,786 | - 45.5 |
| Reilways - |  |  |  |  |
| Carlopdings | No. | 1,128,944 | 1,223,723 | $-7.7$ |
| Gross Pevenue C.N.R. (Can.Lines) | \$ | 71,045,875 | 77,222,226 | - 8.0 |
| Gross Revenue C.P.R. | \$ | 61,610,672 | 66,811,403 | - 7.8 |
| Employment - 7 months ${ }^{\text {average, unadjusted }}$ |  |  |  |  |
| General Index, $1926=100$ |  | 109.9 |  |  |
| Manufecturing Logeing |  | 110.7 174.2 | 110.9 161.9 | $+\quad 0.2$ $+\quad 7.6$ |
| Mining |  | 153.2 | 148.3 | + 3.3 |
| Construction |  | 89.2 | 75.7 | $+17.8$ |
| Building |  | 51.0 | 45.1 | + 13.1 |
| Hishway |  | 156.9 | 119.0 | + 31.8 |
| Trade |  | 131.2 | 130.3 | + 0.7 |
| Bankine - Six Months' Averafe |  |  |  |  |
| Notice and Demond Deposits | \$ | 2,310,761,555 |  | $+\quad 2.1$ $-\quad 0.7$ |
| Readily Avpilpble Assets Current Loans | \$ | $1,591,257,896$ $757,641,525$ | $1,602,751,466$ $706,644,201$ | $+\quad 0.7$ $+\quad 7.2$ |
| Call Loans - Cpnpdo | \$ | 67,342, 868 | 119,465,018 | - 43.6 |
| Elsewhere | * | 52,220,846 | 72,680,000 | - 28.1 |
| Security Holdines | \$ | 1,446,683,541 | 1,430,079,033 | + 1.2 |

