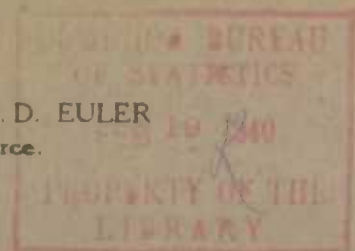


11-D-01

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



CANADA

DEPARTMENT OF TRADE AND COMMERCE

DOMINION BUREAU OF STATISTICS

GENERAL STATISTICS BRANCH

BUSINESS CONDITIONS IN CANADA

DURING THE CALENDAR YEAR 1939

COMPARED WITH

1938

AND WITH 1929, 1933 AND 1937



OTTAWA
1940

Price 25 cents

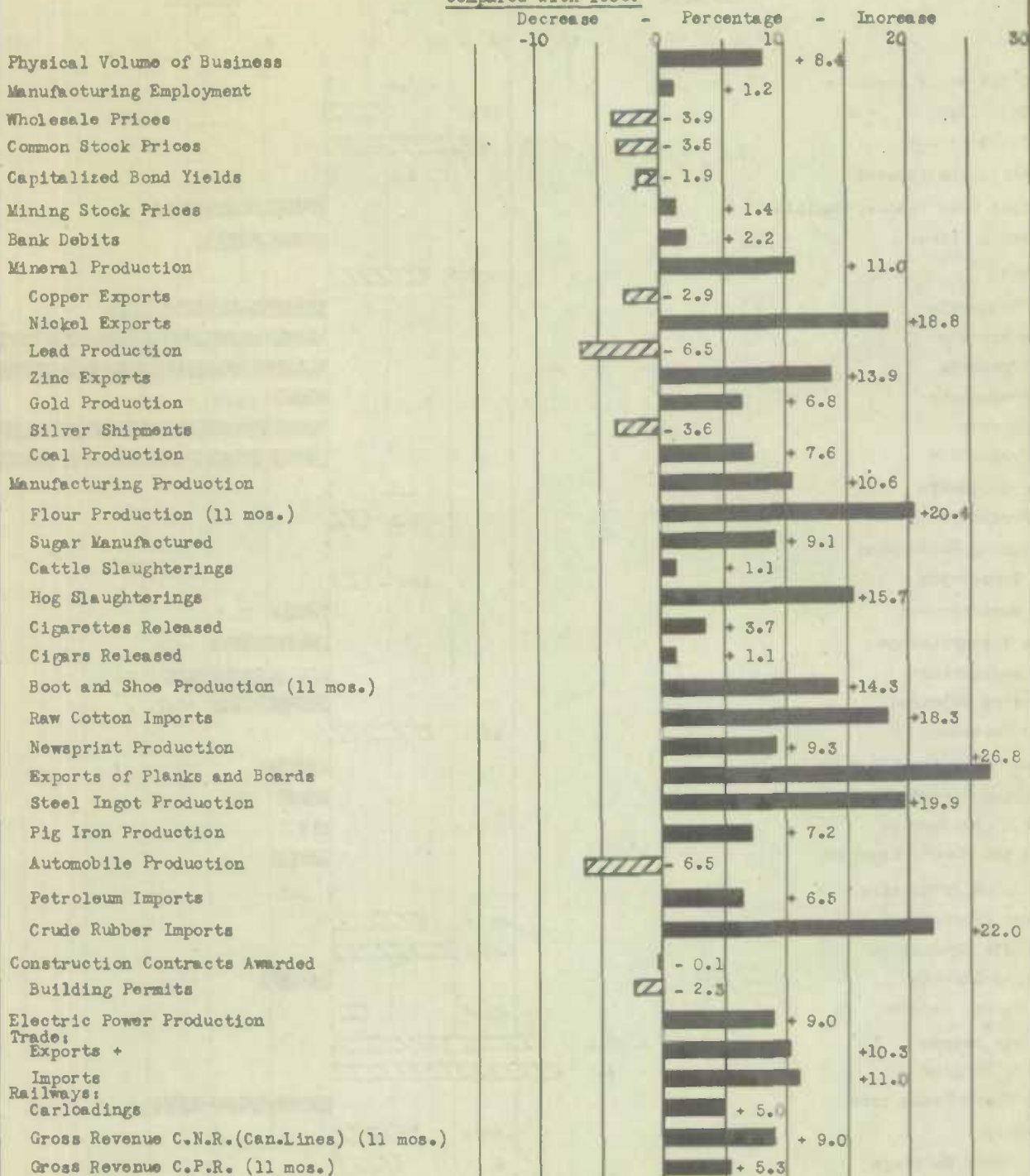
ISSUED FEBRUARY, 1940

The Economic Situation in Canada

Statistics for the year

1939

compared with 1938.



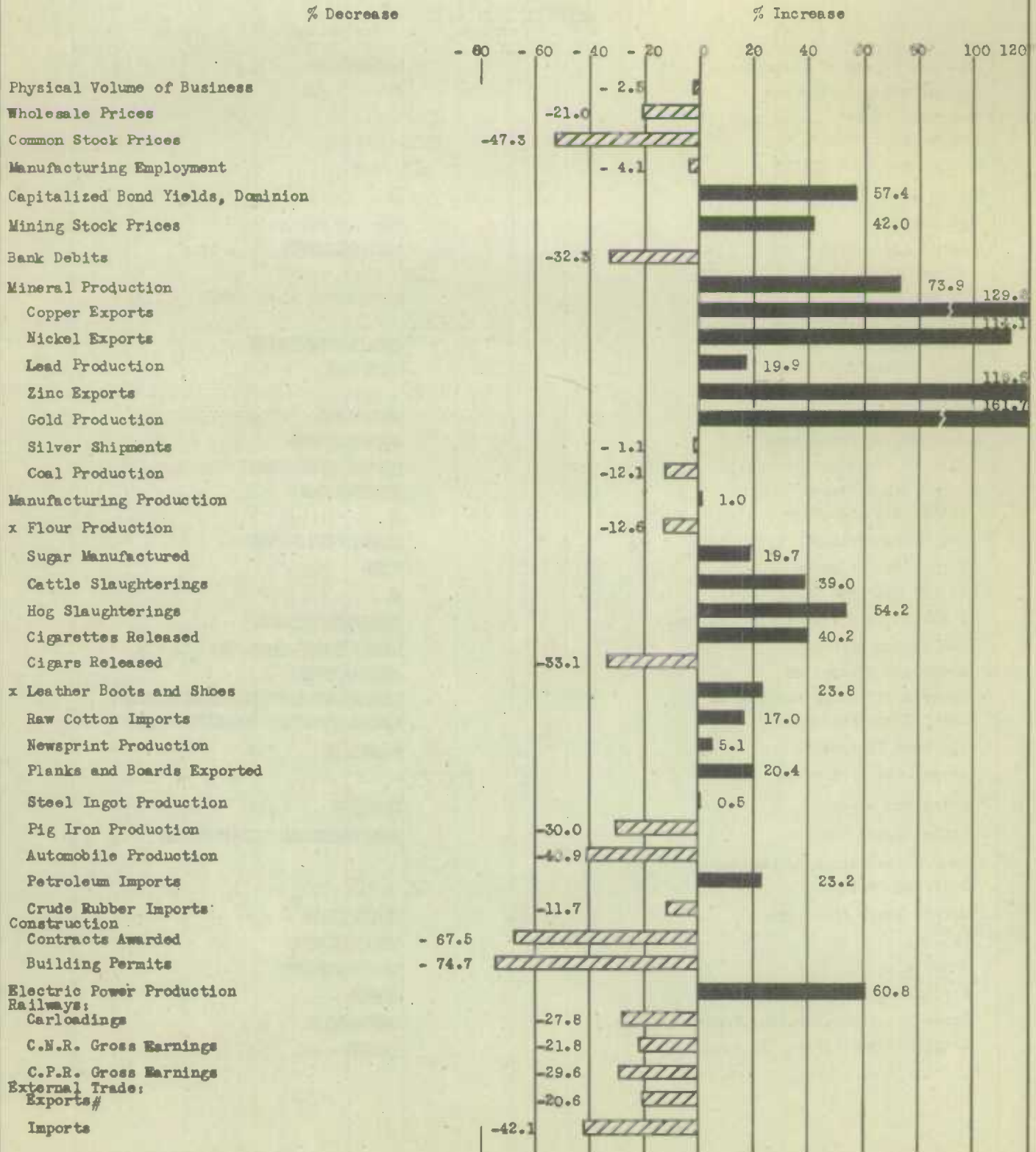
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- Dominion Bureau of Statistics -

The Economic Situation of Canada

Statistics for the year 1939

compared with 1929



x 11 months. #Excluding Gold

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DOMINION BUREAU OF STATISTIC, OTTAWA

GENERAL STATISTICS BRANCH

Dominion Statistician:
Business Statistician:

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

BUSINESS CONDITIONS IN CANADA DURING 1939, COMPARED WITH
THE PRECEDING YEAR.

The year just ended was a period of distinctive economic developments. The business recovery, interrupted in the preceding year was continued during 1939. The net result was a new maximum in many lines during the period of observation since the last world war.

Business operations increased in volume following hesitation during the first quarter. An excellent showing was made in the first eight months and the outbreak of war acted as a stimulus for further acceleration. The index of the physical volume of business averaged higher during the last quarter than in any similar period for twenty years. The wheat harvest was heavier than in any other year except 1928. The output of field crops recorded a gain of 18 p.c. over 1938, and the estimated farm value rose from \$550 million to \$634 million. Industrial employment was relatively well maintained, the index rising to a particularly high level at the end of the year. The advance in manufactured commodities was 7.5 points to 81.1.

The position of the chartered banks continued strong, deposits reaching a new high level. While current loans recorded an encouraging gain, the surplus of notice deposits indicated the maintenance of a strong liquid position. The price of Dominion bonds after reaching a new maximum in the early part of the year, reacted sharply upon the outbreak of hostilities. Considerable recovery was shown during the last quarter due to the re-establishment of confidence caused partially by the introduction of governmental control. Stock prices were fairly well maintained during the last two years but the standing in December was slightly below that of the same month of the preceding year. The trend was downward during the first eight months, considerable advance being shown shortly after the outbreak of war. In a general way the index of common stocks in the last two years has not departed widely from the standing of the base year. Wholesale prices rallied sharply in the last four months following the intermediate reaction from the first quarter of 1937.

Canada passed through a very eventful year during which business was influenced by numerous world developments as well as by a number of important domestic factors. It cannot be denied that even in war-time there is a considerable solidarity in the social economy and any spectacular development in one section is quite certain to influence the others. Marked changes are characteristic of a war economy. The turnover in the latter part of the year was effected without undue dislocation and after four months of war we find that the general business of the country was not greatly disturbed and that in the main progress toward improved conditions has been maintained.

In appraising the outlook for the coming year, the new British Commonwealth Air-Training Agreement must be considered. Expenditures are expected to aggregate \$100 million in 1940 and will accrue largely to Canadian business firms, air personnel and workmen. This represents new purchasing power and should help to maintain the present high level of business operations.

Production

The main industrial centres being favoured with diversified plant and equipment and extensive transport facilities were beneficiaries of the revival in production, especially those well fitted to be of assistance in supplying the requirements of foreign markets. Sufficient evidence is at hand to indicate that an encouraging increase was shown in Canadian production during the year just ended. The output of industries engaged in the production of producers' goods recorded a gain of 8.1 p.c. in 1939, over the preceding year. Operations in such industries producing plant and industrial equipment were at a low level during the depression. While marked expansion has since taken place, the disparity between consumers' and producers' goods regarding 1926 as the basis of comparison has not been eliminated. Few phases of building or construction have yet regained average proportions. The production of consumers' goods such as food and clothing rose sharply in 1939, the gain in December over the same month of the preceding year having been no less than 18 p.c. Activity in such plants was accelerated by war demands as well as increased purchases due to anticipated price advances.

Agriculture

The volume of crop production in 1939 at 142 per cent of 1913 reached the highest level since 1931. The increase in production was chiefly due to a return of favourable crop conditions in Western Canada. After a mediocre start, very favourable progress was made by the crop in the late spring and early summer. During July, drought again threatened but the heavy rains of June assisted in carrying the crop through to harvest. In south-eastern Saskatchewan and south-western Manitoba crop yields were very poor; but the bumper yields in other sections more than offset these losses. The Canadian wheat crop totalled 490 million bushels compared with 360 million bushels in 1938.

The value of field crop production in 1939 was estimated at \$634 million compared with \$550 million in 1938. Although prices were lower, the larger total yield resulted in a value \$84 million higher than in the preceding year.

Following the favourable feed conditions of 1938, live-stock production for 1939 was at a high level. Output of hogs showed a gain of 14.2 p.c. over 1938. Most of this gain occurred in the second half of the year as the spring pig crop came on the market. Cattle marketings were 10.2 p.c. higher than in 1938, although numbers on farms continued to decline. Both egg and poultry meat production in 1939 were higher than in the previous year.

Dairy production during 1939 was at approximately the same level. Creamery butter production was about the same as in the previous year while the cheese output registered a slight gain.

The outbreak of war in September marked a turning point in the economic condition of agriculture during the year. Increased production of both crops and live stock, together with somewhat depressed demand conditions during the first eight months of the year had resulted in declining prices. Farm prices fell from 100.4 p.c. of the 1913 level in January to 90.2 in August. War conditions brought a reversal of this trend and prices gained 10 per cent in September. For December, farm product prices were at the highest point of the year.

Not all phases of agriculture were affected to the same extent. Hog prices, which would normally have declined in the fall months, and probably more than seasonally because of the high level of production, were maintained by the increased demand and controlled prices in the United Kingdom market. At the end of.....

the year the conclusion of a bacon agreement with the United Kingdom, retroactive to October 1939, gave further stability to hog prices. Wheat prices were likewise maintained by the outbreak of war. On the other hand, some products, especially apples, poultry, and tobacco, were unfavorably affected by imposition of import restrictions in the United Kingdom. In the case of apples, a large measure of assistance was necessary on the part of the Dominion Government.

The second period of the year, therefore, was marked by a gain in agriculture as a whole, but this gain was tempered by dislocation and readjustment in several phases of the industry. The outlook for 1940 is more favourable, particularly the first half of the year. Prices of farm products have advanced faster than prices of goods purchased and with satisfactory production conditions, net cash income will increase. Stimulus of war industries and large government expenditures will increase the demand for farm products both in Canada and the United Kingdom.

Mining

Canada's mineral production valued at \$470 million reached a maximum in 1939. The gain over 1938 was 10 p.c. and an increase of 3 p.c. was shown over the preceding high record of \$457 million shown in 1937.

It is evident from the foregoing that despite the lack of any real improvement in the price of metals, the mineral industry enjoyed another successful year. To-day mining, like every other Canadian industry, is being called upon to play its part in a grim struggle against a foe bent upon nothing less than to bring about the downfall of the Empire. Never was the industry better prepared to play its full share in meeting the challenge. The advantage that arises from the possession of abundant supplies of a greatly diversified list of minerals in the waging of hostilities seems likely to become increasingly evident as the war progresses.

New output records were established during 1939 in eleven metals and minerals. Iron ore was produced on a commercial scale for the first time in sixteen years. Several new gold mines reached the production stage and the gold productive field was widened. Fields that were under development in the last two years came into production and twenty new mills began operation. The output during the year from all sources passed the five million ounces mark for the first time, the amount having been 5,045,766 fine ounces worth \$181.3 million, an increase of 6.8 p.c. in quantity and 9 p.c. in value.

In the production of base metals, too, Canada holds a leading place. Lead alone of the four major base metals showed a decline in quantity from the preceding year. The output of nickel rose from 210.6 million pounds to 227.1 million, while important increases were shown in copper and zinc. The value of copper production rose from \$56.6 million to \$60.7 million, while zinc advanced from \$11.7 million to \$12.1 million.

The Turner Valley continued to be the focal point of interest in the petroleum industry of Canada. Twenty-six new wells were brought into production and an extensive programme of exploration was conducted. Production of crude petroleum and natural gasoline reached a new maximum at 7,743,000 barrels worth \$10,409,000. The preceding high point recorded in 1938 was 6,966,000 barrels valued at \$9,230,000.

Electric Power

The use of hydro-electric power has grown rapidly in Canada playing a prominent part in the development of Canadian industries. The year 1937 recorded a peak of electric power production in the Dominion up to that time and 1939 showed a.....

gain of 3 p.c. over that year. During the last decade the capacity of hydro-electric installations in Canada has more than doubled and the Dominion still possesses known reserves of hydro-electric power nearly five times as great as present developments.

A survey of hydro-electric progress in Canada during 1939 shows that considerable activity took place not only in the installation of new generating capacity but also in the extension of transmission and distribution facilities in many parts of the Dominion. New water power installations in the year under review aggregated 97,040 horse power, which brings the total at the end of the year to 8,289,212 horse power. The firm power made available in Canada in ordinary use computed by deducting the sum of exports to the United States and the amount supplied for use in electric boilers was 19,847 million kilowatt hours, a gain of nearly 8 p.c. over the 18,435 million made available in 1938.

Fish and Furs

The domestic consumption of fish is relatively small, the industry depending largely on other markets. Between 60 p.c. and 70 p.c. of the annual catch is normally exported of which the United States takes about one-half and Great Britain one quarter. The export of fish and fish products was \$28.9 million, a gain of nearly nine p.c. over the preceding year.

The Atlantic deep sea fisheries were rewarded with an improved catch in 1939. The total was 5,449,300 cwt. against 5,201,000 in 1938, a gain of 4.8 p.c. The recorded value at \$8,896,000 was 2.6 p.c. greater. Conditions on the Pacific coast were not so favorable resulting in minor declines in the Dominion totals.

Measured by the export trade, the fur industry was slightly more than maintained in 1939. The outward shipment of furs was valued at \$14.6 million, against \$14.1 million during the preceding year. Present world conditions influence the fur industry chiefly in three ways. The export trade to Great Britain and Europe is adversely affected. There is a possibility that the Scandinavian countries may endeavour to find a market on this side of the Atlantic for certain popular pelts. Third, prices, particularly of luxury furs, may decline due to the curtailment of normal markets.

Manufacturing

Recovery in industrial activity was demonstrated after the early months of the year. The index of the volume of manufacturing production rose from 107.5 in 1938 to 118.9 in the year under review, a gain of no less than 10.6 p.c. Industrial activity is based mainly on the utilization of domestic raw materials. Only the automobile, cotton, textile and petroleum industries of the forty leading industries are definitely unrelated to basic extractive activity within the Dominion. Nevertheless the prominent part played by manufactures in the Canadian economy has led to large imports of certain raw materials including rubber, cotton, oil, silk, iron ore and bauxite. Imports of 65 leading commodities required as raw materials for Canadian industries were valued at \$227 million in 1938 or 33.5 p.c. of our total imports.

The forestry industries were prominent in the recovery movement, the export of planks and boards rising 26.8 p.c. over the preceding year. Affected by the almost unprecedented uncertainties prevailing in most markets, the rise in newsprint amounted to 9.3 p.c. The outbreak of war brought an immediate change in the position. Increased newspaper circulation in the United States, the elimination of overseas export shipments from Germany which had previously been close to 150,000 tons per annum, and uncertainty over the future of Scandinavian.....

shipments from the Baltic, all combined to accentuate the usual seasonal pick-up in operations. Production in the last quarter of the year rose to over 75 p.c. of capacity or the highest level since 1937.

The primary cotton industry took a turn for the better. Restricted production was practised in the United States in an effort to raise prices. Government orders gave a stimulus to the British cotton trade in the home market resulting in less attention being paid to exports to Canada and other countries. The greater purchasing power of the west and reduction in imports were reflected in a greater volume of business for Canadian mills. The domestic consumption of raw cotton was 128.1 million pounds compared with 110.2 million in 1938.

The primary iron and steel industry operated on an accelerated scale during the year, the output of steel showing a gain of nearly 20 p.c. Pig iron production rose from 705,427 long tons to 756,182, a gain of 7.2 p.c. The manufacture of motor vehicles is an important industry presenting an excellent barometer of purchasing power. The industry was favoured by the fact that the vast majority of Canadians have not experienced any marked dislocation of their routine of living. The automotive industry had to contend in the latter part of the year, with the war's adverse effects on its external trade.

The industrial outlook in Canada for the coming year is naturally associated with the character of the war demand. There are also prospects of business from export fields by reason of the interference of war conditions with the ordinary trade channels. This country is indeed fortunate in the wide variety of its national products and the fact that it occupies a preferred location in its ability to supply Empire needs under the existing conditions.

Construction

The amount of new business obtained by the construction industry was practically maintained at the level of the preceding year. The total was \$187,178,500 of which \$82.6 million was placed in Ontario. The construction of residential living quarters which included apartments was more of a dominant factor in Canadian building than for any other recorded year. Thirty-six percent of all classes of work by value was undertaken in this group. It has been over a decade since industrial expansion as recorded by new construction and additions attained a volume which was 12.2 p.c. of all construction for the year. The sum of \$23,565,400 in awards on roads made an increase of 40.8 p.c. over 1938.

Building permits were \$59.5 million against \$60.9 million, a decline of 2.3 p.c. It is probable that building operations on this occasion will not experience the notable slump that occurred in 1915 some months after the first great war started. Maximum efficiency demands considerable building during the ensuing year. A contribution will be the many buildings required in the big aviation scheme to which Canada with the rest of the Empire is committed.

External Trade

Exports exclusive of gold, were close to the billion dollar mark. The amount was nearly \$936 million against \$849 million in the preceding calendar year. The gain of 10.3 p.c. reflected the economic betterment of the period. The net export of non-monetary gold at \$184.8 million was 15 p.c. greater than in 1938. Imports of merchandise were \$751.6 million against \$677.5 million. The excess of exports over imports, excluding gold, was \$184.3 million compared with \$171.2.

About three-quarters of our exports during the last two years went to the markets of Great Britain and the United States. Owing to the reduction in tariff barriers and revival of demand due to improvement in business conditions, the United States market became strikingly more important as an outlet for Canadian goods in the year just ended.

Successful war operations being dependent upon the steady flow of supplies to the manufacturing and consumers' centres of the Allied countries, it is anticipated that the need for Canadian products will become more urgent as hostilities progress. The Dominion is better qualified than most countries to become a major source of supply.

While Britain and France necessarily have first call upon our surplus production, our trade to other countries facilitates the maintenance of a supply of foreign exchange. The elimination of Germany from world markets should provide some further opportunities for export business.

Canada's place as the world's fifth largest trading nation estimated on the basis of the amount of exports and imports, and the fourth largest exporting nation was maintained in 1939. As an exporting country last year, Canada was exceeded only by the United States, Great Britain and Germany.

The large active balance characteristic of Canada's commodity trade in recent years was continued in 1939. A marked expansion was also shown in the net export of gold supplementing the commodity balance. Canada's net interest and dividend payments to investors residing abroad continued as an important debit in 1939. The retirement of securities of Canadian government and corporations held by investors outside of Canada during the last decade, however, has greatly reduced the burden of our internal debt charges. The large balance of credits in the current account was available for reducing our internal obligations. This development is significant for the Canadian people in its long term effects. A related development of the early months of the year was the heavy inflow of capital mainly for the acquisition of Canadian stocks and bonds.

Tourist Trade

During the past year the volume of tourist traffic was well maintained, and the industry now faces its greatest opportunity for expansion and development. Travel to Europe from this hemisphere is particularly unhealthy and public authorities have given active encouragement to travel in the Americas. The favourable exchange rate on the American dollar is an added incentive for our sympathetic neighbours to visit Canada and make purchases at considerable savings.

As a means of strengthening our economy and providing foreign exchange, the tourist inflow is particularly desirable in the present crisis.

During the year just ended, foreign cars entering Canada for stays of longer than 48 hours aggregated 1,269,657 compared with 1,265,086 in 1938. While average expenditure per car may have decreased somewhat, it is not anticipated that the net result will show more than a minor decline.

Transportation

Railway earnings were improved during the year by the upward swing in business activity and the heaviest crop in Western Canada since 1928. A considerable demand for transportation has also developed in connection with Canada's war effort and much additional equipment was purchased during 1939. Railway.....

freight shipments, despite congestion in the grain movement, recorded a good increase over the preceding year, the total having been 2,548,964 cars compared with 2,428,526. Canadian National gross revenues on domestic lines were \$173,059,119 for the year while the C.P.R. grossed \$151,837,545, gains of more than 9 p.c. and 6 p.c. respectively, over the preceding year.

In the air, Canada made rapid strides during 1939. The trans-Canada Air Lines inaugurated main line passenger flights from Moncton to Vancouver with feeder lines to the principal cities in each province and a daily mail service is now available. Assistance has been given to municipalities desiring to construct or improve existing airports. Nearly 2,000,000 pounds of mail and 22,000,000 pounds of freight were estimated to have been transported during the year. The Empire Air Training programme will do much to make Canada the most air minded nation in the world. The trans-continental trip from Moncton to Vancouver takes but $17\frac{1}{2}$ hours, covering nearly 3,500 miles.

Shipping

Unsettled international conditions greatly disturbed the shipping world during the year just ended. Considerable confusion as to rates, insurance, risks, embargoes and controls played havoc with normal movements. The record for the harbour of Montreal shows a decline of 12 p.c. as compared with 1938, due in part to a late spring and the increased use of nearby ports. Total inland shipping on the canal system registered general improvement in 1939. The heavy movement of iron ore and wheat through the Sault locks increased the total tonnage from 40 million tons in 1938 to nearly 70 million. At Welland the considerable reduction in the movement of corn and barley more than offset gains in coal, iron ore, iron and steel and petroleum, the net result being a decline of 900,000 tons or 7 p.c. The St. Lawrence system also reflected the decline at Welland, the total dropping from 9,236,318 tons in 1938 to 8,340,165 tons.

Internal Trade

Average monthly sales by retail stores were 3 p.c. higher than in 1938, nine of the twelve lines of business reporting an increase. Sales for each of the first four months lagged behind figures for the same months of 1938. A series of increases then began which except for a slight lapse in July continued throughout the remainder of the year and at a generally increasing rate. The most pronounced gain recorded during 1939 was that for September when uncertainty attendant upon the beginning of the war caused abnormal purchasing with a gain of 12 p.c. in sales over September, 1938.

The average annual index of sales by Department stores was $3\frac{1}{2}$ p.c. greater than in 1938, declines in the early months being more than offset by gains in the latter part of the year. Annual increases ranging from 2 p.c. in British Columbia to 7 p.c. in the Maritimes were recorded in all regions of the country.

Sales by general country stores declined 2.5 p.c. from 1938. With the exception of Saskatchewan where a slight increase was shown, results for the individual provinces showed little variation from the Dominion average.

Wholesale trade was 7 p.c. greater than in the preceding year. Results on a regional basis indicate that the improvements varied but little for each section of the country, ranging from 7 p.c. in the Prairie Provinces to 9 p.c. in the Maritimes. Combined wholesale trade in British Columbia was 8 p.c. greater in 1939, while in Ontario and Quebec the improvement was 7 p.c. Each of the nine kinds of.....

business showed increased sales in 1939. The footwear trade showed the largest improvement with sales up 19 p.c. The clothing group was next with a gain of 11 p.c. in the year-to-year comparison.

The sales of new motor vehicles according to preliminary statistics numbered 114,734 against 121,165 in 1938, a decline of 5.3 p.c. The value dropped from \$135.0 million to \$126.0 million, a decline of 6.7 p.c. Declines were practically general in the corresponding-month comparison during the first eight months while gains were predominant in the remainder of the year. The decline in new passenger cars alone was 6 p.c. in number and 7.5 p.c. in value. Sales in 1939 amounted to 90,000 vehicles valued at \$97.1 million.

Employment

In the field of employment the year was featured by a sharp reversal in the downward trend occasioned by a late spring. A slackening in industry had been generally in evidence in Canada during 1938 and under pressure of seasonal influences, this slowing-up continued into the first four months of 1939. The commencement of seasonal operations, the Royal Visit, the revival in American business and increased buying of raw materials for armament purposes all served to start the index on its upward swing which continued to a peak of 123.6 at November 1, a gain of nearly 19 points from the April low position, and the third highest November figure on record. In December, levels were maintained and the year 1940 opened with employment at the highest reading for January 1 on record and a new high point after seasonal adjustment for any month since September 1929.

Mobilization for war and the harvesting of the second largest wheat crop on record with the attendant demands on transportation and industry gave Canada one of the busiest autumns in her history.

The net result for the year, reflecting statistics from nearly 140,000 individual returns and covering an average of 1,105,712 employees monthly, shows a moderate increase from 1938, the index rising 2 points to 113.9. The main groups registering gains were manufacturing, mining, transportation, construction, services and trade. Logging experienced considerable recession averaging 16½ p.c. below 1938, while communications due mainly to technological improvements showed a minor decrease.

All provinces, with the exception of New Brunswick, where logging conditions were unfavourable, shared in the improvement indicated over 1938, with Alberta, Quebec, British Columbia and Prince Edward Island leading in percentage betterment. Six of the eight principal cities reported greater activity, while the remainder were slightly lower. It was estimated that the number of wage-earners employed in 1939 averaged about 2,750,000 against 2,704,000 in the preceding year, while wage-earners unemployed numbered 385,000 against 407,000. These figures are exclusive of enlistments.

Due to improvement in general business, a near record crop on the Prairies and our war effort, a material decrease has been shown in the total number of persons on relief across Canada. In November last, the grand total of all classes was 582,000, a decrease of 26 p.c. from the same month in 1938, and about one-third less than November 1937. The most noteworthy declines were shown in the numbers receiving agricultural relief, the decreases being 69 p.c. compared with November 1938, and over 78 p.c. less than in the same month of 1937.

Wholesale Prices

The intermediate reaction in wholesale prices initiated during the first half of 1937 continued unabated until August last. This movement was counter to that of industrial production which both, in Canada and on a world basis, showed an upward fluctuation subsequent to the temporary low point reached in the early part of 1938. World primary commodity stocks rose steadily for more than twelve months reaching a temporary peak after mid-year of 1938. Stocks then became less embarrassing, the index retreating about 18 p.c. to June 1939, when an upward swing was again commenced.

The outbreak of war was a signal for a sharp advance in wholesale prices which continued during the last four months of the year. The index of wholesale prices averaged 75.5 in 1939, against 78.6 in the preceding year, a decline of 3.9 p.c. The standing in December, however, was 81.7 against 73.3 in the closing month of the preceding year.

During the last twelve months, the price index of raw and partly manufactured products advanced from 64.9 to 74.2. The rise in Canadian farm products from 64.6 to 69.1 was relatively moderate.

Security Markets

Over the year the trend on the Canadian stock markets reflected the general movements in New York sentiment. The monthly price index varied from a high of 104.1 in February to a low of 94.2 in August and the average for the year declined $3\frac{1}{2}$ points from the level of 1938. Despite the encouraging trend of general business and the near record wheat crop, the action of the stock market was hesitant in the extreme. Fear of increased taxation and governmental control of war profiteering tended to discourage any ideas that speculators may have had with respect to a boom market generated by increased profits on huge armament and airplane orders. The pattern of the present war is novel and without precedent and the investing public is naturally cautious. A large volume of customer money may also have been withheld from the market on patriotic grounds that it might be available for war loan purposes.

Institution of exchange control on September 16, was followed by a sharp decline in Canadian securities at New York and since that time prices have reflected solely the operation of domestic demand and supply forces. The free movement of capital from Canada was thus restricted and the return of our foreign balances accelerated.

The present crisis finds stocks in relatively strong hands and little panic selling has been in evidence, such as followed the 1914 outbreak which resulted in the suspension of trading. Brokers loans are at extremely low levels indicating that markets were virtually on a cash basis. Precautionary measures, i.e. minimum prices and prohibition of short-selling, were not essential to maintain equilibrium, although briefly applied. The European markets seem to have also regained confidence when the expected 'war of extermination' did not materialize.

Dividend payments by Canadian companies during 1939 were estimated at \$297 millions against \$326 million in the preceding year. Although 1939 dividends did not reach the high level shown in the two preceding years, they were still the third highest on record.

The volume of trading on the stock markets showed considerable decline during the year, the Montreal Stock Exchange-Curb market showing a decrease of.....

nearly 9 million shares from 1938, while the value of transactions was down over \$58 million.

Bonds

The Canadian bond market developed extreme weakness towards the end of August and declined precipitously for four weeks to the middle of September. Thereafter, steady improvement developed and nearly half the loss was regained by the end of October. The action of the Bank of Canada and assurances from the Finance Minister served to stabilize markets and institutional buying became an encouraging factor.

In contrast with the stock market, which turned hesitant and irregular after the initial buying enthusiasm had worn off, the bond market continued to exhibit a generally firm tone in the closing quarter of the year. Many buyers naturally held off commitments in anticipation of the announcement of the government's war financing plans.

Banking

During the past year the banks continued to consolidate their strong liquid position. Assets, one of the best measures of expansion, reached a total of \$3,822 million at the year end, a gain of nearly \$400 million over the same date of 1938, and an increase of more than 11 p.c. The demand for current loans showed decided improvement during 1939, the average being \$854.5 million, compared with \$786.1 million in the preceding year. The peak was reached at the end of November when \$972.8 million had been made available.

Bank deposits continued their upward surge to a new record averaging over \$3 billion and closed the year at \$3,249 million, an advance of \$329 million over the same date of 1938. Total securities held by the banks were also at new highs, the monthly average reaching \$1,540 million compared with \$1,440 million in the preceding year. Bank profits registered a minor advance over 1938.

Due to improved business conditions and the natural growth of the country, the active bank note circulation has risen to a higher point than in almost 20 years. The current circulation, (notes of the Bank of Canada and the chartered banks in the hands of the public) is about \$247 million compared with \$216 million in December of 1938. The maximum circulation of \$285 million was reached in the closing period of the last great war and the 1919-1920 price inflation.

Insurance

While life insurance sales were well maintained during the first eight months of 1939, the outbreak of hostilities was a signal for a decided upswing in new business and for the whole year the betterment was more than 3 p.c. compared with 1938. All provinces, with the exception of Quebec, registered gains, and a noteworthy advance on the Prairies was experienced. "War clauses" have been inserted in all policies issued since September 1. Canadian companies continue in a strong position, particularly with respect to reserves and will provide invaluable support to our war effort. Sales of 18 companies reporting monthly were \$393,871,000 during 1939, against \$375,500,000 in the preceding year. The total life insurance in force in the Dominion at the end of 1938 was about \$6,943 million and the premium income \$199 million. With the increased business of 1939, it is estimated that the grand total is presently over the 7 billion mark. This is a remarkable record of protective savings for a nation of only 11 1/3 million people, and provides security for over 3 1/2 million Canadians and their dependants.

Public Finance

The feature of the year was the presentation of two Budgets, the second made necessary by the commencement of another war. Unemployment; wheat bonuses, relief and railway deficits took a secondary place as the nation mobilized for hostilities.

Dominion revenues, owing to increased taxation on customs and excise items, advanced to \$398.8 in the first nine months of the fiscal year to December compared with \$394.8 in the same months of 1938. However, total expenditure rose from \$366.9 to \$412.5 in the same comparison, the increase due entirely to expenditures from September 1st. The war appropriation vote alone was \$46.2 millions to December 31. An encouraging showing was made by the C.N.R. which reduced its deficit to \$29 million and with good prospects for further reduction from the \$54 million loss in the fiscal year 1939. The present position is that on war account alone, Canada will be spending almost \$1 million per day.

THE INDEX OF THE PHYSICAL VOLUME OF BUSINESS, AGRICULTURAL FACTORS AND COMPONENTS,
1934 - 1939.

No.	Classification	Averages of Monthly Indexes					
		1934	1935	1936	1937	1938	1939
1.	Physical Volume of Business.....	94.2	102.4	112.2	122.7	112.9	122.4
2	INDUSTRIAL PRODUCTION.....	93.6	103.6	114.4	126.8	114.7	125.6
3	Mineral Production.....	134.1	149.4	162.8	189.7	194.7	214.5
4	Copper exports.....	281.6	347.4	369.9	393.2	512.7	504.4
5	Nickel exports.....	193.0	233.6	272.2	345.4	307.8	370.2
6	Lead production.....	121.9	120.9	137.4	147.2	149.7	1/137.5
7	Zinc exports.....	165.3	176.7	183.3	194.6	179.8	208.0
8	Gold, Mint Receipts.....	207.3	226.3	259.2	285.7	320.4	353.7
9	Silver shipments.....	59.2	88.2	78.1	100.1	106.2	101.6
10	Asbestos exports.....	58.0	69.1	95.1	138.6	127.3	126.7
11	Bauxite imports.....	114.5	177.2	235.2	418.7	521.0	641.2
12	Coal production.....	83.8	83.9	92.2	96.6	86.9	94.6
13	Manufacturing.....	93.4	100.5	113.7	123.4	107.4	118.9
14	Foodstuffs.....	87.6	87.2	103.9	103.8	100.3	110.4
15	Flour production.....	78.3	75.1	79.2	72.2	71.6	88.7
16	Oatmeal production.....	38.6	47.4	34.9	37.7	55.1	68.7
17	Sugar manufactured.....	74.7	81.3	81.4	81.8	82.5	85.5
18	Cheese, factory production	-	57.8	72.9	72.4	70.3	86.7
19	Butter, creamery production.....	-	-	140.0	136.3	147.3	150.1
20	Salmon exports.....	76.5	90.8	87.4	117.0	87.9	106.4
21	Tobacco.....	129.1	141.2	146.2	173.2	177.8	183.1
22	Cigars.....	65.3	70.7	68.6	72.8	75.9	75.2
23	Cigarettes.....	155.5	171.9	180.7	216.9	223.4	231.3
24	Rubber imports.....	140.2	131.8	135.8	175.6	124.6	155.8
25	Boots and shoes output.....	91.7	105.9	107.1	116.3	108.9	128.9
26	Textiles.....	111.6	96.6	120.2	137.6	110.8	129.1
27	Raw cotton consumption...	-	-	-	131.7	110.9	128.1
28	Cotton yarn imports.....	100.3	108.2	97.5	108.3	89.5	106.4
29	Wool, raw and yarn, imports	114.2	119.6	169.4	176.6	118.8	143.2
30	Forestry.....	99.6	105.1	124.0	138.8	104.9	121.9
31	Newsprint.....	138.2	146.5	169.2	194.0	138.9	152.6
32	Wood pulp exports.....	60.8	65.9	74.8	87.1	54.9	69.7
33	Planks and boards exports	64.0	62.0	81.6	86.1	78.1	98.1
34	Shingles exported.....	56.8	109.2	100.0	87.0	77.5	118.7
35	Iron and steel.....	59.5	87.3	96.2	113.3	90.6	96.5
36	Steel production.....	98.0	122.5	143.9	181.5	148.0	181.1
37	Pig iron production.....	55.6	82.2	93.0	122.9	95.6	103.8
38	Iron and steel imports...	49.0	59.1	71.4	95.6	75.0	81.8
39	Automobile production....	53.3	86.3	90.9	96.8	79.5	78.4
40	Coke production.....	118.8	119.4	126.3	134.7	123.3	124.9
41	Crude petroleum imports....	184.4	193.3	209.4	224.3	202.0	216.7

1/ Average for first eleven months.

Continued on page 16.

Statistics Illustrating the Economic Situation of Canada in 1939 Compared
with 1929, 1933, 1937 and 1938.

		Percentage change increase (+) and decrease (-) in 1939 from			
		1929	1933	1937	1938
<u>General Economic Situation</u>					
1	Index of Physical Volume of Business	- 2.5	+ 53.8	- 0.2	+ 8.4
2	Manufacturing Employment, unadjusted	- 4.1	+ 38.8	- 1.8	+ 1.2
3	Wholesale Prices	- 21.0	+ 12.5	- 10.7	- 3.9
4	Index of Common Stock Prices	- 47.3	+ 46.5	- 20.9	- 3.5
5	Capitalized bond yields, Dominion	+ 57.4	+ 46.5	+ 7.1	- 1.9
6	Mining Stock Prices	+ 42.0	+ 58.4	+ 2.3	+ 1.4
7	Bank Debits \$000	- 32.3	+ 5.5	- 10.1	+ 2.2
<u>Production and General Business -</u>					
8	Mineral Production, (1926=100)	+ 73.9	+ 93.9	+ 13.0	+ 11.0
9	Copper Exports Pounds	+129.8	+123.8	+ 25.2	- 2.9
10	Nickel Exports Pounds	+114.1	+166.5	+ 5.4	+ 18.8
11	Lead Production Pounds	+ 19.9	+ 46.9	- 5.0	- 6.5
12	Zinc Exports Pounds	+119.6	+ 94.3	+ 5.7	+ 13.9
13	Gold Production Fine Ounces	+161.7	+ 71.1	+ 23.2	+ 6.8
14	Silver Shipments Fine Ounces	- 1.1	+ 50.8	+ 4.0	- 3.6
15	Coal Production Tons	- 12.1	+ 29.2	- 1.9	+ 7.6
16	Manufacturing Production(1926=100)	+ 1.0	+ 48.8	- 3.6	+ 10.6
17	Flour Production Barrels	- 12.6	+ 9.7	+ 21.7	+ 20.4
18	Sugar manufactured Pounds	+ 19.7	+ 27.6	+ 12.9	+ 9.1
19	Cattle Slaughtering Number	+ 39.0	+ 42.1	- 4.5	+ 1.1
20	Hog Slaughtering Number	+ 54.2	+ 29.5	- 4.6	+ 15.7
21	Cigarettes released Number	+ 40.2	+ 65.1	+ 6.4	+ 3.7
22	Cigars released Number	- 33.1	+ 16.2	+ 2.7	+ 1.1
23	Leather Boots and Shoes(11 months) Pairs	+ 23.8	+ 26.5	+ 4.0	+ 14.3
24	Raw Cotton Imports Pounds	+ 17.0	+ 33.3	+ 0.8	+ 18.3
Paper and Lumber -					
25	Newsprint Production Tons	+ 5.1	+ 42.3	- 21.3	+ 9.3
26	Exports of Planks and Boards 000 Feet	+ 20.4	+107.6	+ 13.7	+ 26.8
Iron and Steel -					
27	Steel Ingot Production Long Tons	+ 0.5	+237.8	- 1.3	+ 19.9
28	Pig Iron Production Long Tons	- 30.0	+232.7	- 15.9	+ 7.2
Automobile and Allied Industries					
29	Automobile Production Number	- 40.9	+135.8	- 25.1	- 6.5
30	Petroleum Imports Gallons	+ 23.2	+ 36.8	- 3.6	+ 6.5
31	Crude Rubber Imports Pounds	- 11.7	+ 62.2	- 13.1	+ 22.0
Construction -					
32	Contracts Awarded \$	- 67.5	+ 92.4	- 16.5	- 0.1
33	Building Permits \$	- 74.7	+173.1	+ 6.5	- 2.3
34	Electric Power Production 000 K.W.H.	+ 60.8	+ 61.5	+ 2.8	+ 9.0
Railways -					
35	Carloadings Number	- 27.8	+ 25.4	- 3.3	+ 5.0
36	Gross Revenue, C.N.R. (Canadian Lines) \$	- 21.8	+ 35.4	+ 3.8	+ 9.0
37	Gross Revenue, C.P.R. \$	- 29.6	+ 32.6	+ 3.8	+ 5.3
External Trade -					
38	Exports x \$	- 20.6	+ 74.8	- 7.5	+ 10.3
39	Imports \$	- 42.1	+ 87.3	- 7.1	+ 11.0
40	Excess of Exports ^x over Imports \$	-	-	-	-

/ 11 months. x Excluding gold.

Statistics Illustrating the Economic Situation of Canada in 1939 Compared
with 1929, 1933, 1937 and 1938 (Concluded).

1929	1933	1937	1938	1939	
125.5	79.7	122.7	112.9	122.4	1
117.1	80.9	114.4	111.0	112.3	2
95.6	67.1	84.5	78.6	75.5	3
190.7	68.6	127.0	104.1	100.5	4
98.4	105.7	144.6	157.9	154.9	5
105.4	94.5	146.3	147.7	149.7	6
46,670,482	29,981,465	35,166,061	30,923,363	31,617,352	7
123.2	110.5	189.7	194.7	214.3	8
235,409,700	241,703,000	432,118,000	557,375,000	540,989,700	9
109,639,800	88,082,100	222,770,000	197,704,300	234,781,300	10
326,522,566	266,475,191	411,999,484	418,927,660	391,499,038	11
160,824,600	181,779,000	334,073,800	310,265,100	353,249,700	12
1,928,308	2,949,309	4,096,213	4,725,117	5,045,766	13
22,003,890	14,435,087	20,939,111	22,587,189	21,769,861	14
17,496,557	11,903,344	15,683,212	14,294,718	15,380,886	15
117.7	79.9	123.4	107.5	118.9	16
17,489,836	13,930,113	12,557,197	12,694,061	15,287,104	17
940,393,501	881,877,554	996,689,577	1,031,836,600	1,125,491,867	18
1,116,647	1,092,428	1,626,366	1,535,839	1,552,496	19
2,353,161	2,802,377	3,802,141	3,137,203	3,628,369	20
5,081,254,400	4,316,862,800	6,697,903,894	6,871,634,139	7,126,192,927	21
199,272,377	114,808,848	129,834,344	131,897,606	133,360,973	22
16,299,664	15,950,841	19,397,373	17,650,990	20,178,061	23
136,296,702	119,697,530	158,192,013	134,860,729	159,532,276	24
2,728,827	2,016,742	3,645,309	2,624,580	2,869,266	25
1,754,633	1,017,837	1,858,352	1,667,088	2,113,206	26
1,378,024	409,979	1,402,882	1,155,190	1,384,827	27
1,080,160	227,317	898,855	705,427	756,182	28
262,625	65,852	207,463	166,142	155,316	29
1,060,000,971	954,392,366	1,354,080,442	1,226,340,181	1,305,909,000	30
79,511,819	43,281,821	80,836,369	57,563,404	70,212,487	31
576,651,800	97,289,800	224,056,700	187,277,900	187,178,500	32
234,944,549	21,776,496	55,844,999	60,855,610	59,467,114	33
17,632,879	17,553,001	27,583,927	26,012,805	28,350,943	34
3,532,595	2,032,117	2,635,382	2,428,526	2,548,964	35
200,934,000	116,016,000	151,304,963	144,070,172	157,084,250	36
196,183,000	104,184,000	132,999,843	131,206,208	138,105,545	37
1,178,342,447	535,483,789	1,012,121,780	848,684,133	935,921,713	38
1,298,992,692	401,214,311	808,896,325	677,451,354	751,655,534	39
- 120,650,245	+ 134,269,478	+ 203,225,455	+ 171,232,779	+ 184,266,179	40

THE INDEX OF THE PHYSICAL VOLUME OF BUSINESS, AGRICULTURAL FACTORS AND COMPONENTS,
1934-1939 -(Concluded)

No.	Classification	Averages of Monthly Indexes					
		1934	1935	1936	1937	1938	1939
42	Construction.....	35.8	48.7	45.6	57.5	51.8	50.9
43	Contracts awarded.....	41.9	54.2	52.4	65.4	55.8	55.0
44	Building permits.....	20.4	34.8	28.8	38.0	41.5	40.4
45	Cost of construction....	85.5	85.9	88.5	94.9	93.3	93.4
46	Electric Power.....	177.3	196.1	212.3	231.3	217.8	237.6
47	DISTRIBUTION.....	96.0	99.4	106.0	110.9	107.9	113.0
48	Trade employment.....	119.1	122.4	126.9	132.5	132.8	136.9
49	Carloadings.....	71.6	72.6	76.4	80.8	74.3	77.6
50	Imports.....	72.4	77.1	86.1	96.5	82.5	89.3
51	Exports.....	84.2	92.0	110.0	98.2	95.0	115.1
Agricultural Factors -							
52	AGRICULTURAL MARKETINGS.....	88.5	87.4	82.7	49.4	64.9	87.4
53	Grain marketings.....	90.2	88.0	80.3	39.0	62.4	89.1
54	Wheat.....	98.1	97.4	76.8	38.5	64.8	91.1
55	Oats.....	63.2	57.9	60.5	32.2	46.0	93.3
56	Barley.....	52.2	23.1	81.8	59.5	77.9	86.7
57	Flax.....	3.4	10.0	12.8	9.6	11.7	26.9
58	Rye.....	24.5	19.7	39.5	28.1	24.9	106.4
59	Live Stock Marketings.....	80.5	84.9	93.1	99.0	76.2	79.8
60	Cattle.....	71.5	84.1	90.4	99.0	78.8	80.3
61	Calves.....	110.8	122.9	128.5	154.1	134.0	142.6
62	Hogs.....	84.1	72.9	91.7	91.3	61.3	68.2
63	Sheep.....	141.5	146.2	100.2	101.9	89.5	91.9
ANIMAL PRODUCTS -							
64	Slaughterings.....	121.6	121.9	141.6	149.7	132.2	143.1
65	Cattle.....	124.0	126.7	139.1	147.4	139.6	140.8
66	Sheep and lambs.....	185.8	196.5	149.1	148.9	157.1	141.0
67	Hogs.....	114.6	112.4	142.6	151.4	125.1	144.7
68	Cold Storage Holdings.....	114.2	128.4	141.3	157.3	144.5	168.3
69	Eggs.....	108.3	115.9	92.5	125.0	108.7	101.0
70	Butter.....	178.7	210.3	231.6	241.0	237.3	314.8
71	Cheese.....	81.5	91.1	107.5	123.3	140.1	160.6
72	Beef.....	105.9	126.1	144.3	141.0	118.5	111.2
73	Pork.....	84.5	94.0	114.3	133.5	105.9	140.4
74	Mutton.....	151.7	155.1	172.6	138.3	171.5	123.7
75	Poultry.....	191.4	170.5	239.0	259.3	179.1	202.3
76	Lard.....	71.1	81.9	76.9	55.5	69.4	74.0
77	Veal.....	127.2	165.3	242.8	262.0	217.9	280.1

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