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BUSINESS CONDITIONS IN CANADA

the first two months of 1939

compared with the

same period of 1938



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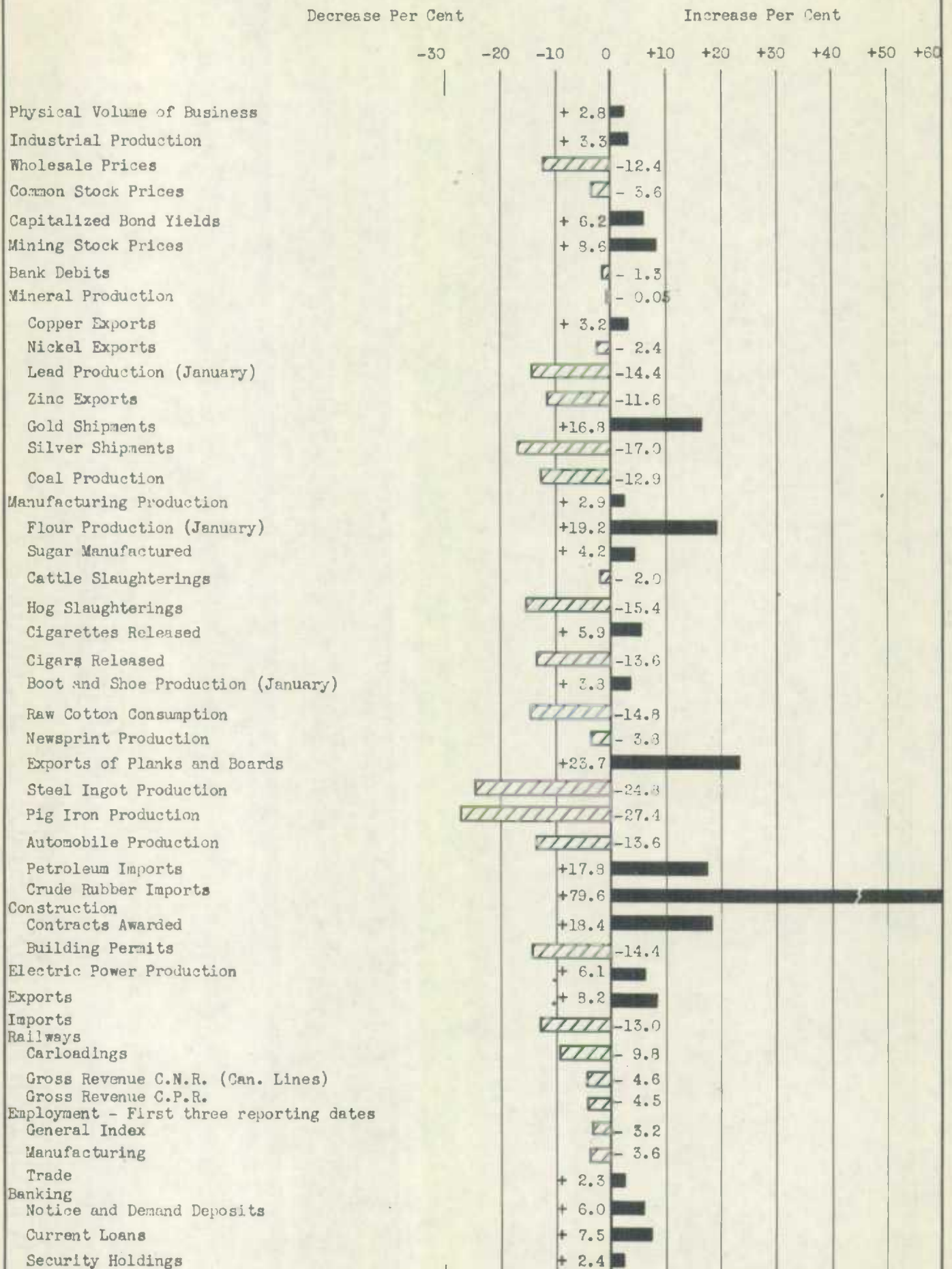
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OTTAWA

1939

Price \$1 a year

The Economic Situation in Canada
in the first two months of 1939
as compared with the same period of 1938.



Dominion Statistician;
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BUSINESS CONDITIONS IN CANADA DURING THE FIRST

TWO MONTHS OF 1939 COMPARED WITH THE SAME PERIOD OF LAST YEAR

Economic conditions in Canada during the first two months of 1939 showed improvement over the same period of the preceding year. The level of productive activity averaged nearly three per cent higher when measured by the index of the physical volume of business based on forty-six significant factors. The new trade agreements which went into force at the beginning of this year have had salutary effect on many of those industries largely dependent for their prosperity on export trade. The index of the physical volume of business averaged 112.4 compared with 109.3 in the first two months of 1938. One of the factors which is causing serious concern to Canadian producers is the low level of wholesale prices which are now over 12 per cent below the level ruling one year ago. However, wholesale prices in Canada seem to have established a bottom in the past six months and showed practically no change from November to February. The largest decreases have been experienced in vegetable products due principally to the relatively large harvests in 1938 as well as the unsettled conditions abroad. A combined index of world stocks of commodities published by the League of Nations showed in December, an increase of 11 points or 6 per cent over the previous January. Cotton, rubber, tea, tin and wheat registered appreciation in this comprehensive survey, the index of wheat advancing from 111 in January 1938 to 167 at the end of the year. Such a volume of stocks over-hanging world markets could not but have a strong influence in lowering Canadian prices.

Dominion of Canada bonds continued strong in the first two months of the year, the index of capitalized yields standing at 161.3 in the first two months of 1939 compared with 151.9 in the same period of the preceding year. The current yields are 3.01 per cent compared with 3.20 per cent last year. Despite the numerous international incidents of the past few months Dominion bonds have shown marked resilience and levels in the first two months remained close to the high for the past two years. The low level of bond yields should be an incentive toward the production of investment goods, since the cost of capital is normally an important consideration in undertakings involving the consideration of plant and equipment. The position of the banks remains particularly strong, deposits in the first two months showing an increase of 6 per cent over the same period of 1938, while current loans averaged \$789.6 million, 7.5 per cent better than one year ago. The investment portfolios of the banks contained securities valued at \$1,472 million, compared with \$1,437 million for the first two months of 1938.

Mining

The index of mineral production was practically unchanged at 183.9 in the first two months of the year. Copper exports showed a gain of 3.2 per cent, the total having been 74,958,000 pounds against 72,629,000 pounds. Nickel exports declined 2.4 per cent, the total outward shipment in the first two months of 1939 having been 38.1 million pounds. Lead and zinc showed declines.

Gold shipments scored a notable advance in the first two months of this year, the total having been 809,424 fine ounces, compared with 692,864 fine ounces one year ago, a gain of nearly 17 per cent. This encouraging output represents a gross value of nearly \$28.4 million, and is invaluable in maintaining economic conditions in Canada and necessary trade balances in the United States. Canada's gold mines, with a fixed price for their product, have had a steadying effect on the whole Canadian economy.

Coal production in which many find employment, showed decline in the first two months of the year, when 2.5 million tons were mined, compared with 2.8 million tons in the first two months of 1938.

Manufacturing

The manufacturing group was more active this year, the index advancing from 105.0 to 108.1, a gain of nearly 3 per cent. Flour production in the first month of the year was 1,097,822 barrels compared with 921,285 barrels in the first month of 1938, a gain of 19 per cent. Sugar manufactured also registered advance.

The number of cigarettes released for consumption reached the huge total of 977,300,000 in the first two months of the year, compared with 922,551,000 in the first two months of 1938, an increase of 6 per cent. This means that each month about forty-five manufactured cigarettes are consumed per head of the population. Cigars, on the other hand, registered a decline; the total released at 15.6 million was 13½ per cent less than the same two months of 1938.

The export of planks and boards was much more active in the first two months of this year; the total at 280 million board feet was 23.7 per cent in advance of the 1938 shipment of 226,600,000 board feet.

The production of newsprint was off nearly 4 per cent in the first two months of the year, and woods operations were consequently considerably curtailed, judging from the index of employment in logging on the first three reporting dates of the year. Statistics of production in the iron and steel industry showed declines both in pig iron production and in steel ingots. The output of automobiles at 29,094 units was over 13 per cent less than in the same months of 1938, when 33,690 cars and trucks came off the assembly lines.

The new business obtained by the construction industry was considerably in excess of the same months of 1938, a gain of 18.4 per cent or nearly \$3 million having been shown in contracts awarded, while building permits registered declines. The output of electric power continued to maintain its long-term upward trend, and averaged 6 per cent better in the first two months of this year, at 4.6 billion kilowatt hours compared with 4.3 last year.

Commodity export trade was \$144,172,000 compared with \$133,215,000, a gain of 8.2 per cent. Considerably more gold is going to the United States this year. Fish, cheese, canned salmon, and planks and boards, wood pulp, shingles, automobiles, and copper all showed encouraging gains in value or volume. Imports, on the other hand, at \$84 million registered a recession of 13 per cent with large declines in raw cotton imports and bauxite, as well as many other items. Consequently, the favourable balance of trade or excess of exports over imports in the first two months of 1939, was more than \$60 million, compared with \$36.5 million in the same period of 1938. The railway situation was less favourable in the first two months of the year. Carloadings at 331,062 were nearly 10 per cent less than in 1938, while gross revenues of both the C.N.R. and C.P.R. were down about 4½ per cent.

Employment

The general index of employment on the first three reporting dates of this year averaged 3.2 per cent lower than on the same dates of 1938, declines in manufacturing, logging and building construction, as well as in other items, more than offsetting gains in such items as mining, highway construction, trade and transportation. Considering the unsettled conditions in the world the level of Canadian employment has kept up very well in the past twelve months, the seasonally adjusted index fluctuating within the narrow limits of 109.0 and 112.3. The number of wage-earners unemployed was estimated at 491,000 in February, compared with 436,000 in the same month of last year.

Statistics Illustrating the Economic Situation of Canada in the First
Two Months of 1939, Compared with the same months of 1938.

Item	Unit or base period	First Two Months 1939	1938	Increase + Decrease - Percent
<u>General Economic Situation</u>				
Index of Physical Volume of Business	1926=100	112.4	109.3	+ 2.8
Index of Industrial Production	1926=100	114.2	110.5	+ 3.3
Wholesale Prices	1926=100	73.3	83.7	- 12.4
Index of Common Stock Prices	1926=100	103.5	107.4	- 3.6
Capitalized Bond Yields, Dominion	1926=100	161.3	151.9	+ 6.2
Mining Stock Prices	1926=100	158.4	145.9	+ 8.6
Bank Debits	\$000-	4,561,885	4,622,595	- 1.3
<u>Production and General Business</u>				
Mineral Production	1926=100	183.9	184.0	- 0.05
Copper Exports	Lbs.	74,957,800	72,629,000	+ 3.2
Nickel Exports	Lbs.	38,098,500	39,017,600	- 2.4
Lead Production (January)	Lbs.	32,106,252	37,522,125	- 14.4
Zinc Exports	Lbs.	52,204,500	59,078,500	- 11.6
Gold Shipments	Fine Ozs.	809,424	692,864	+ 16.8
Silver Shipments	Fine Ozs.	2,604,586	3,139,607	- 17.0
Coal Production	Tons	2,468,743	2,835,855	- 12.9
Manufacturing Production	1926=100	108.1	105.0	+ 2.9
Flour Production (January)	Bbls.	1,097,822	921,285	+ 19.2
Sugar Manufactured	Lbs.	41,577,899	39,914,621	+ 4.2
Cattle Slaughtering	No.	188,406	192,203	- 2.0
Hog Slaughtering	No.	507,926	600,610	- 15.4
Cigarettes released	No.	977,308,700	922,550,725	+ 5.9
Cigars released	No.	15,656,966	18,125,722	- 13.6
Leather Boots and Shoes (January)	Prs.	1,433,967	1,381,448	+ 3.8
Raw Cotton Consumption	Lbs.	14,909,151	17,498,976	- 14.8
Paper and Lumber -				
Newsprint Production	Tons	409,013	425,101	- 3.8
Exports of Planks and Boards	Ft.	280,267,000	226,648,000	+ 23.7
Iron and Steel -				
Steel Ingot Production	Long Tons	155,377	206,733	- 24.8
Pig Iron Production	Long Tons	98,993	136,309	- 27.4
Automobile and Allied Industries -				
Automobile Production	No.	29,094	33,690	- 13.6
Petroleum Imports	Gals.	103,217,000	87,592,974	+ 17.8
Crude Rubber Imports	Lbs.	9,673,227	5,385,375	+ 79.6
Construction -				
Contracts Awarded	\$	18,583,700	15,691,700	+ 18.4
Building Permits	\$	3,600,791	4,208,058	- 14.4
Electric Power Production	000 K.W.H.	4,600,709	4,336,902	+ 6.1
External Trade -				
Exports	\$	144,172,078	133,215,371	+ 8.2
Imports	\$	84,122,918	96,671,454	- 13.0
Excess of exports over imports	\$	60,049,160	36,543,917	+ 64.3
Railways -				
Carloadings	No.	331,062	367,072	- 9.8
Gross Revenue C.N.R. (Can. Lines)	\$	21,710,000	22,764,757	- 4.6
Gross Revenue C.P.R.	\$	18,968,000	19,864,137	- 4.5
<u>Employment - First Three Months</u>				
General Index	1926=100	107.0	110.5	- 3.2
Manufacturing		105.8	109.8	- 3.6
Logging		134.1	275.7	- 51.4
Mining		160.6	154.5	+ 3.9
Construction		93.4	75.0	+ 24.5
Building		47.0	50.3	- 6.6
Highway		180.7	115.6	+ 56.3
Trade		134.9	131.9	+ 2.3
<u>Banking - Average</u>				
Notice and Demand Deposits	\$	2,374,193,675	2,239,609,227	+ 6.0
Readily Available Assets	\$	1,707,166,600	1,568,981,515	+ 8.8
Current Loans	\$	789,623,888	734,279,669	+ 7.5
Call Loans - Canada	\$	61,515,325	71,091,712	- 13.5
Elsewhere	\$	55,284,352	50,729,326	+ 9.0
Security Holdings	\$	1,472,105,374	1,437,107,831	+ 2.4

Twenty-seven items show increases while a similar number show decreases.

