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DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS
G E N E R A L S T A T I S T I C S B R A N C H

BUSINESS CONDITIONS IN CANADA

during the first four months of 1939

compared with the

same period of 1938



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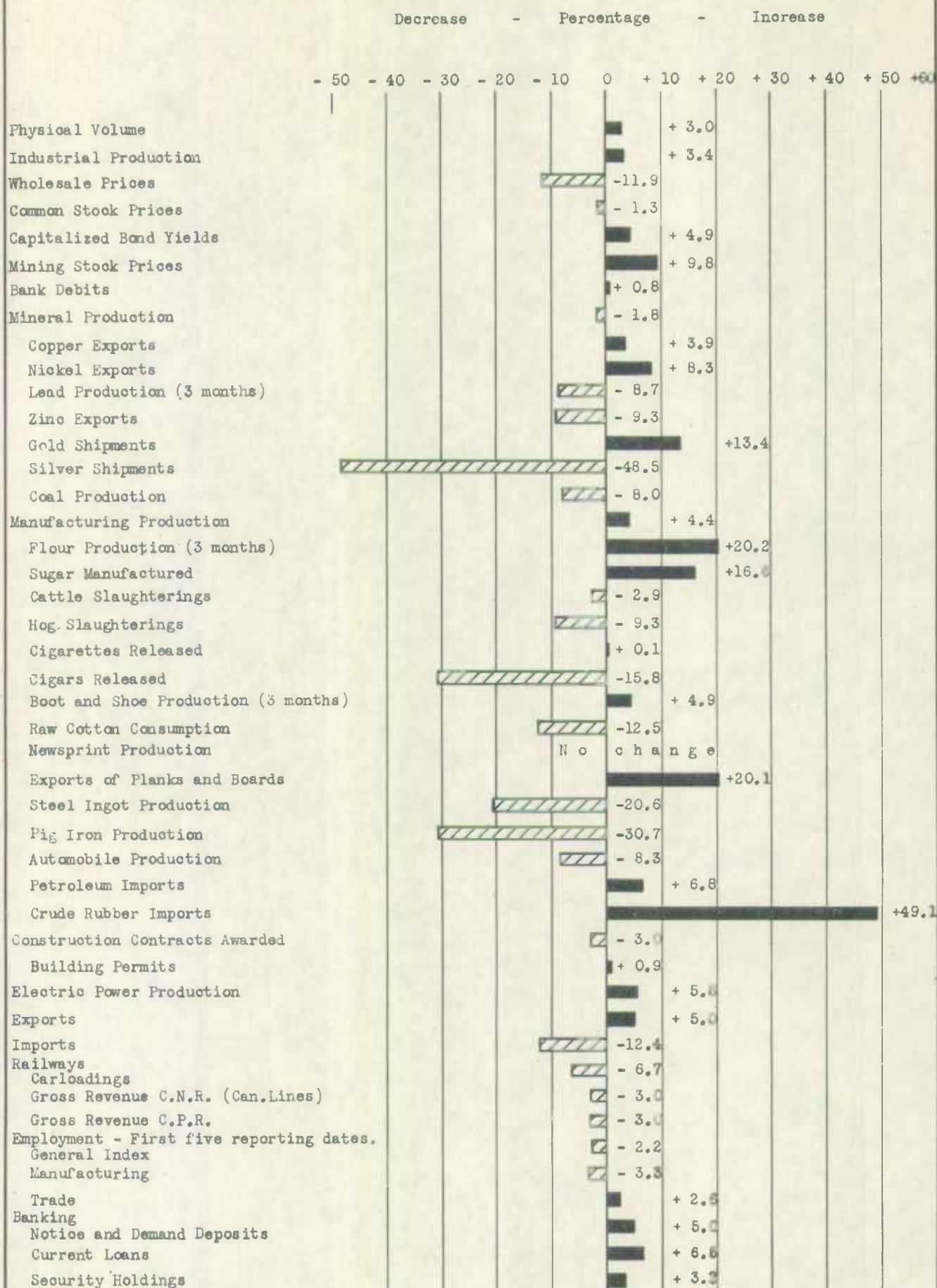
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OTTAWA

1939

Price \$1 a year

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



DOMINION BUREAU OF STATISTICS - OTTAWA

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ECONOMIC CONDITIONS IN CANADA DURING THE FIRST FOUR MONTHS
OF 1939 COMPARED WITH THE SAME PERIOD OF THE PRECEDING YEAR.

Economic conditions in Canada were well maintained in the first four months of the present year as compared with the same period of 1938. The recovery in business operations was the most constructive development. Industrial production followed a similar pattern in the two years, but greater resistance was shown to reactionary tendencies in 1939. The net result was that the average of the index of the physical volume of business was 3 per cent higher in the early months of the present year. An interesting development was the rise in the index in March and April following the recession of the three preceding months. The standing of the index in April was 116.7, which compared with 112.4 in the same month one year ago.

Wholesale prices have been relatively steady during the last six months. Owing to the decline last year, particularly during the summer months, the present level is considerably below the first four months of 1938. Sensitive commodities recorded a considerable gain in the last twelve weeks and the general index averaged higher in April than in the four preceding months. Considerable variation has been shown in the fluctuations of particular commodities. The political tension in Europe has led to heavy purchases of commodities required for armaments and reserve stocks. The majority of the raw materials traded in international markets have advanced in recent weeks. Owing to the relative stability in the general price level during the last half year a firm base has been established for a possible advance. The general index of wholesale prices averaged 73.3 in the first four months of the present year against 83.2 in the same period of last year, a decline of nearly 12 per cent.

The index of common stock prices has shown no marked trend either in an upward or downward direction since the latter part of 1937, fluctuating within a range of 92 to 112 during the last 16 months. Fluctuations have been relatively sharp due to a repetition of European crises. A reaction was shown during the four weeks ended about the middle of April and a moderate rally has occurred since that time. The average during the first four months of the year was 101.7 against 103.0 in the same period of 1938, a decline of 1.3 per cent.

The advance in high-grade bond prices in evidence since the first part of 1932 was continued in the period under review, a new high point having been reached in March of the present year. Political unsettlement abroad led to a decline during the seven weeks ended May 7. Since that time a marked rally has occurred and bond prices are again nearing the maximum of recent years. The average of an index of capitalized bond yields was 161.3 during the first four months of the present year against 153.8 in the same period of 1938, an increase of nearly 5 per cent.

While speculative trading has been at a relatively low level during the elapsed portion of the present year, the amount of cheques cashed at the clearing house centres showed an increase over the corresponding period of 1938, with totals of \$9,463 million against \$9,391 million, a gain of 0.8 per cent. The turnover of bank deposits, however, showed a decline in view of the much greater gain in deposit liabilities. Bank deposits have shown a marked expansion since the first part of 1934. The average of the notice and demand deposits was \$2,392 million, a gain of 5 per cent over the same period of last year. Notice deposits moved up steadily during 1938, the net result being that the levels of the present year are considerably above the same period one year ago.

The surplus of notice deposits over current loans at the end of April was no less than \$883 million. This amount has been somewhat reduced since the end of February by the gains in the current loan account. Such loans have shown an advance since mid-year 1936, the amount outstanding on the last reporting date being \$814 million. The security holdings of the banks have continued the advance of recent years. The \$1½ billion mark was exceeded at the end of April for the first time. Call loans, both in Canada and abroad, are at a very low position. The irregular advance of notes in the hands of the public observable since the beginning of 1938 has been continued this year. A marked gain was recorded in March and further appreciation followed in April. Notes in the hands of the public exclusive of the holdings of the banks were \$206.7 million at the end of the period under review, compared with \$204.0 million on the same date one year ago.

The index of the physical volume of business averaged 113.7 during the first four months of the present year, against 110.4 in the same period of 1938. Manufacturing production, electric power and distribution of the five main components of the index recorded gains over the early months of 1938, while minor declines were shown in mineral production and construction.

The exports of copper and nickel were in heavier volume. The factors indicating the trend of lead and zinc reached a lower position. Tangible improvement was indicated in the operations of the gold mining industry, shipments to the mint and to external points having amounted to 1,660,000 ounces against 1,463,000 ounces one year ago, a gain of 13.4 per cent. Silver shipments, on the other hand, were considerably lower. The decline in coal production was 8 per cent and the movement of asbestos and bauxite was at a considerably lower level. The net result was that the index of mineral production was 196 against 199.6, a decline of 1.8 per cent.

Foodstuffs were produced in considerably greater volume during the early months of the present year. The gain in flour production was more than 20 per cent while a gain of 16.6 per cent was recorded in the manufacture of sugar. The meatpacking industry was slightly less active than in 1938. The release of cigarettes was more than maintained, while the consumption of cigars showed a decline of about 16 per cent. Considerable improvement was shown in the boot and shoe industry, a gain of 5 per cent having been recorded in the first three months. The textile industry showed a reaction in operations, a decline of $12\frac{1}{2}$ per cent having been recorded in the consumption of raw cotton, while a considerable decline was registered in the imports of cotton yarn and wool toward the end of the period under review. The newsprint industry was as active as in the early months of 1938, while considerable gain was shown in the exports of planks and boards. The total during the first four months was 558 million feet against 465 million in the same period of 1938. The production of newsprint was 850,504 tons, practically unchanged from the same period of last year.

The primary iron and steel industry operated at a reduced percentage of capacity. The output of steel was 350,774 tons against 441,854, and the output of pig iron dropped to 185,970 tons from 268,181. The declines in the operations of the automobile industry were relatively minor, a total production of 63,534 units having been shown against 69,311. Gains were recorded in the imports of crude petroleum and crude rubber, indicating improved conditions in the oil and tire industries, respectively.

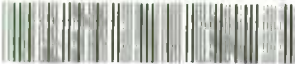
The new business obtained by the construction industry remained at a depressed level, contracts awarded in the first four months of the present year having been \$39.9 million against \$41.1 million. A minor increase was shown in the amount of building permits. The output of electric power rose nearly 6 per cent from 8.7 billion kilowatt hours to 9.2 billion.

The railway freight movement, however, was not so heavy as in the same period of 1938, a decline of nearly 7 per cent having been shown. Part of this decline has recently been counterbalanced by heavy traffic movement during May. Exports recorded a gain of 5 per cent to 277.9 million dollars, contrasting with a decline of 12.4 per cent in imports. The total inward flow of commodities was \$184.4 million. The active balance of trade was \$93.5 million, contrasting with \$54.0 million in the early part of 1938. The increase in this factor was consequently 73 per cent.

Minor reaction was shown in general employment according to the average of the general index for the first 5 reporting dates of the year. The index in the present year was 106.4 against 108.8, a decline of 2 per cent. The index of employment in manufacturing plants showed a slightly greater reduction at 3.3 per cent. A gain of 4 per cent was shown in mining camps and a marked improvement was recorded in employment on highways. Measured by employment, wholesale and retail trade recorded further improvement during the early months of the present year, the index having moved up from 130.8 to 134.2.

Statistics illustrating the Economic Situation of Canada in the First Four Months of 1939, Compared with the same period of 1938.

Item	Unit or base period	Four Months 1939	Four Months 1938	Increase + Decrease - Per Cent
<u>General Economic Situation</u>				
Index of Physical Volume of Business	1926=100	113.7	110.4	+ 3.0
Index of Industrial Production	1926=100	115.7	111.9	+ 3.4
Wholesale Prices	1926=100	73.3	83.2	- 11.9
Index of Common Stock Prices	1926=100	101.7	103.0	- 1.3
Capitalized Bond Yields, Dominion	1926=100	161.3	153.8	+ 4.9
Mining Stock Prices	1926=100	153.9	140.2	+ 9.8
Bank Debits	\$000	9,463,015	9,390,623	+ 0.8
<u>Production and General Business</u>				
Mineral Production	1926=100	196.0	199.6	- 1.8
Copper Exports	Lbs.	171,841,000	165,373,200	+ 3.9
Nickel Exports	Lbs.	77,181,600	71,250,300	+ 8.3
Lead Production (First 3 mos.)	Lbs.	90,785,647	99,485,347	- 8.7
Zinc Exports	Lbs.	103,779,100	114,486,600	- 9.3
Gold Shipments	Fine Ozs.	1,660,273	1,463,470	+ 13.4
Silver Shipments	Fine Ozs.	5,461,329	10,600,247	- 48.5
Coal Production	Tons	4,535,200	4,927,716	- 8.0
Manufacturing Production	1926=100	108.3	103.7	+ 4.4
Flour Production (Three Months)	Bbls.	3,329,005	2,769,900	+ 20.2
Sugar Manufactured	Lbs.	109,550,662	93,962,139	+ 16.6
Cattle Slaughtering	No.	452,289	465,797	- 2.9
Hog Slaughtering	No.	1,066,843	1,176,322	- 9.3
Cigarettes released	No.	2,009,455,004	2,007,571,500	+ 0.1
Cigars released	No.	33,516,046	39,801,289	- 15.8
Leather Boots and Shoes (3 Months)	Prs.	5,269,594	5,025,150	+ 4.9
Raw Cotton Consumption	Lbs.	32,301,702	36,901,096	- 12.5
Paper and Lumber -				
Newsprint Production	Tons	850,504	850,499	-
Exports of Planks and Boards	Ft.	558,464,000	464,958,000	+ 20.1
Iron and Steel -				
Steel Ingot Production	Long Tons	350,774	441,854	- 20.6
Pig Iron Production	Long Tons	185,970	268,181	- 30.7
Automobile and Allied Industries -				
Automobile Production	No.	63,534	69,311	- 8.3
Petroleum Imports	Gals.	213,855,000	200,164,181	+ 6.8
Crude Rubber Imports	Lbs.	18,463,683	12,380,714	+ 49.1
Construction -				
Contracts Awarded	\$	39,889,400	41,137,100	- 3.0
Building Permits	\$	12,888,791	12,775,777	+ 0.9
Electric Power Production	000 K.W.H.	9,164,439	8,663,287	+ 5.8
External Trade -				
Exports	\$	277,878,109	264,577,610	+ 5.0
Imports	\$	184,389,535	210,602,322	- 12.4
Excess of exports over imports	\$	93,488,574	53,975,288	+ 73.2
Railways -				
Carloadings	No.	701,116	751,313	- 6.7
Gross Revenue C.N.R. (Can. Lines)	\$	45,877,000	47,316,107	- 3.0
Gross Revenue C.P.R.	\$	39,532,000	40,745,000	- 3.0
<u>Employment - First 5 Reporting Dates</u>				
General Index	1926=100	106.4	108.8	- 2.2
Manufacturing		106.6	110.2	- 3.3
Logging		103.5	107.9	- 4.1
Mining		159.0	152.9	+ 4.0
Construction and Maintenance		93.2	76.9	+ 21.2
Building		46.1	48.3	- 4.5
Highway		181.6	124.9	+ 45.4
Trade		134.2	130.8	+ 2.6
<u>Banking - Average</u>				
Notice and Demand Deposits	\$	2,391,651,020	2,278,627,001	+ 5.0
Readily Available Assets	\$	1,729,479,600	1,582,166,142	+ 9.3
Current Loans	\$	795,979,520	747,686,487	+ 6.5
Call Loans - Canada	\$	58,297,210	67,242,310	- 13.3
Elsewhere	\$	50,974,640	50,555,872	+ 0.8
Security Holdings	\$	1,487,996,570	1,442,141,300	+ 3.2



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