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DEPARTMENT OF TRADE AND COMMERCE  
DOMINION BUREAU OF STATISTICS  
GENERAL STATISTICS BRANCH

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BUSINESS CONDITIONS IN CANADA

during the first half year of 1940

compared with the

same period of 1939

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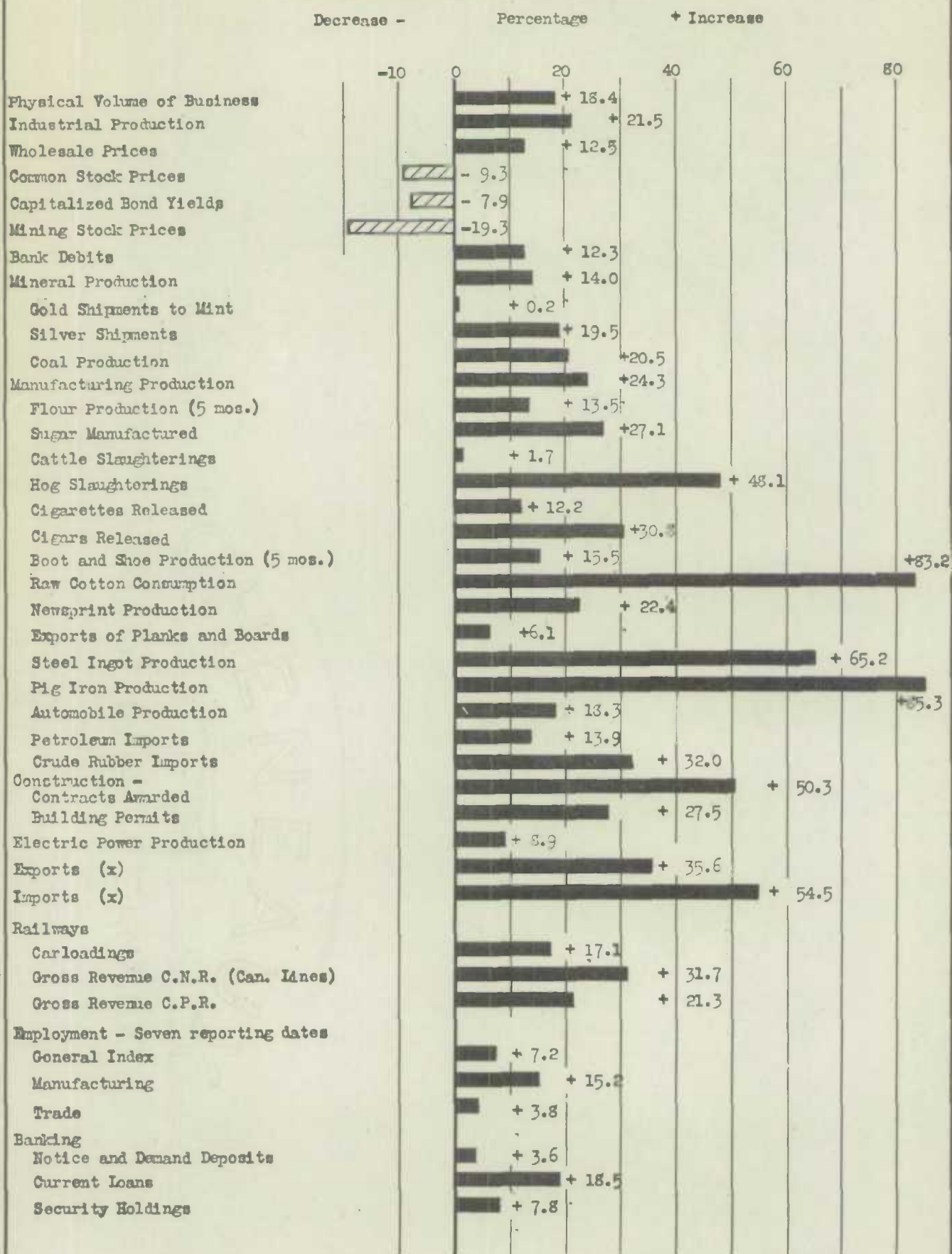


The Economic Situation in Canada

in the First Six Months of

1940

as compared with the same period of 1939.



(x) Excluding Gold





## GENERAL STATISTICS BRANCH

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BUSINESS CONDITIONS IN CANADA DURING THE FIRST HALF OF 1940  
COMPARED WITH THE SAME PERIOD OF LAST YEAR.

The factors indicating the trend of business conditions were favourable during the first half of 1940 compared with the same period of the preceding year. The most constructive factor was the continued advance in business operations. The index of physical volume of business averaged 137.6 during the first six months of the present year compared with 116.2, a gain of no less than 18.4 p.c. After smoothing the index by taking a three-months moving average, the upward trend was well maintained month by month. The net result was that in June the business index was higher for that month than in any other year during the period of observation from 1919 to the present.

A development of some importance was the shift from the production of consumers' goods to producers' commodities. This change was well indicated by the indexes of production in these lines in June compared with the preceding month. War orders persistently placed since the outbreak are now having an important bearing on industrial activity. A number of new plants under construction and existing plants engaged on war demands are accelerating operations.

A marked increase was shown in wholesale prices commencing immediately upon the declaration of war. The advance continued to the first quarter of the present year but recently speculative commodities have shown some recession. The increase in customs and excise duties is leading to increases in certain commodities, while lack of sufficient demand for grain and a number of other items unessential to military operations has led to recessions of sufficient importance to counterbalance the advances in other lines.

A reactionary factor of considerable importance was the drop in common stock prices in May and June. The market for common stocks was fairly steady from the latter part of 1937 until the first quarter of the present year. A marked reaction occurred coincident with the German advance into France. The net result was that the average of the monthly index of common stock prices was 91.2 during the first six months of 1940 against 100.5 in the same period of last year, a decline of 9.3 p.c. The present standing of the index on the basis of 1926 = 100 is about 73.

The fluctuation in high-grade bond prices was quite different from that of stock and commodity quotations. A sharp reaction occurred during September of last year, but the subsequent advance has served only to counterbalance a portion of that decline. While a minor reaction was shown in June, the trend during the first five months of the present year was in an upward direction, the net result being that the index of capitalized bond yields averaged only about 8 p.c. below that of the same period of 1939.

Although bank deposits showed decline in February, due to heavy payments on the war loan, the average level was about 4 p.c. higher during the first half of 1940 than in the same period of last year. Bank debits signifying the amount of cheques cashed in the thirty-two clearing centres, rose from \$15.1 billion in the first half of 1939 to more than \$17 billion during the elapsed portion of the present year, a gain of 12.3 p.c.





The index of the physical volume of business recorded a marked improvement in business operations during the first half of 1940. Mineral production, measured by an index based on nine factors rose about 14 p.c. The index was 236.7 against 207.6. Advances were shown in gold, silver and coal production. The output of coal was 8.1 million tons against 6.7 million in the first half of 1939.

The index of manufacturing production rose from 109.9 to 13.6 in this comparison, a gain of 24.3 p.c. Each of the indexes cited in this connection recorded increases over the same period of last year. Flour production, based on statistics for five months, rose 13.5 p.c. to 6.4 million barrels. The manufacture of sugar at 383.8 million pounds was 27 p.c. greater. The meat packing industry was more active especially in the handling of hogs. Inspected slaughterings of hogs at 2.3 million showed a gain of 48 p.c. Marked increase was shown in the release of cigarettes and cigars. The release of cigars was 74 million, a gain of 30.8 p.c. Output of leather boots and shoes in the first five months was 10.2 million pairs against 8.8 million, a gain of 15.5 p.c. Raw cotton consumption, indicating conditions in the cotton textile industry, was 95.9 million pounds, a gain of 83 p.c.

The forestry group recorded greater activity in most departments. Newsprint production rose from 1.3 million tons to 1.6 million, a gain of 22 p.c. Exports of planks and boards at 986 million feet showed a gain of 6 p.c.

The primary iron and steel industry recorded marked improvement in operations. The output of steel ingots was 65 p.c. greater while pig iron production showed a gain of 85 p.c. The automobile industry produced 18 p.c. more units, the total in the first six months of the present year having been 110,912 units, with a notable increase in truck output. Crude rubber imports, mainly for the manufacture of automobile tires, recorded a gain of 32 p.c. The imports of petroleum, indicating conditions in the oil industry, rose about 14 p.c. to 565.6 million gallons.

The construction industry was more successful in obtaining new business, the amount of contracts being \$125.4 million, a gain of 50 p.c., while building permits rose 27.5 p.c. to \$34.2 million. Industrial expansion was reflected in greater production of electric power which rose from 13.7 billion kilowatt hours to nearly 15 billion, a gain of nearly 9 p.c. The value of commodities exported, excluding gold, amounted to \$553.7 million compared with \$408.5 million, a gain of more than one-third. Imports also showed considerable expansion, the total having been \$496 million against \$321 million. The excess of exports over imports was \$57.6 million during the first six months of the present year against \$87.4 million one year ago.

The expansion in the railway traffic movement was 17 p.c., while the gross revenue on the Canadian lines of the C.N.R. rose about 32 p.c. and the gross revenue of the C.P.R. was 21 p.c. higher.

Employment in economic pursuits was more than 7 p.c. greater in the elapsed period of 1940, the average of the index of employment for the first seven reporting dates being 116.6 against 108.7. The working forces in manufacturing were 15 p.c. greater, while mining absorbed about 4 p.c. more than in the same period 12 months ago. A marked increase was shown in logging operations, the index averaging nearly 146 against 101. Building construction rose 14 p.c., while a decline of considerable proportions was shown in highway construction.





Statistics Illustrating the Economic Situation of Canada in the First Six Months of 1940, Compared with the Same Period of 1939.

| Item   | Unit or<br>base period | Six Months<br>1940 | Months<br>1939 | Increase +<br>Decrease -<br>Per cent |
|--|------------------------|--------------------|----------------|--------------------------------------|
| <u>General Economic Situation</u>                |                        |                    |                |                                      |
| Index of Physical Volume of Business             | 1926=100               | 137.6              | 116.2          | + 18.4                               |
| Index of Industrial Production                   | 1926=100               | 143.8              | 118.4          | + 21.5                               |
| Wholesale Prices                                 | 1926=100               | 82.6               | 73.4           | + 12.5                               |
| Index of Common Stock Prices                     | 1926=100               | 91.2               | 100.5          | - 9.3                                |
| Capitalized Bond Yields, Dominion                | 1926=100               | 136.8              | 148.5          | - 7.9                                |
| Mining Stock Prices                              | 1926=100               | 123.9              | 153.5          | - 19.3                               |
| Bank Debits                                      | \$000                  | 17,001,691         | 15,133,306     | + 12.3                               |
| <u>Production and General Business</u>           |                        |                    |                |                                      |
| Mineral Production                               | 1926=100               | 236.7              | 207.6          | + 14.0                               |
| Gold Receipts                                    | Fine Ozs.              | 2,435,293          | 2,430,780      | + 0.2                                |
| Silver Shipments                                 | Fine Ozs.              | 10,536,365         | 8,815,056      | + 19.5                               |
| Coal Production                                  | Tons                   | 8,110,689          | 6,730,617      | + 20.5                               |
| Manufacturing Production                         | 1926=100               | 136.6              | 109.9          | + 24.3                               |
| Flour Production (5 mos.)                        | Bbls.                  | 6,397,334          | 5,634,476      | + 13.5                               |
| Sugar Manufactured                               | Lbs.                   | 383,849,627        | 301,950,913    | + 27.1                               |
| Cattle Slaughtering                              | No.                    | 780,809            | 767,719        | + 1.7                                |
| Hog Slaughtering                                 | No.                    | 2,322,645          | 1,567,871      | + 48.1                               |
| Cigarettes released                              | No.                    | 3,696,589,068      | 3,293,213,975  | + 12.2                               |
| Cigars released                                  | No.                    | 74,017,218         | 56,581,235     | + 30.8                               |
| Leather Boots and Shoes (5 mos.)                 | Prs.                   | 10,167,802         | 8,803,028      | + 15.5                               |
| Raw Cotton Consumption                           | Lbs.                   | 95,880,315         | 52,329,047     | + 83.2                               |
| Paper and Lumber -                               |                        |                    |                |                                      |
| Newsprint Production                             | Tons                   | 1,641,987          | 1,341,064      | + 22.4                               |
| Exports of Planks and Boards                     | M ft.                  | 986,305            | 929,854        | + 6.1                                |
| Iron and Steel -                                 |                        |                    |                |                                      |
| Steel Ingot Production                           | Long Tons              | 958,246            | 580,141        | + 65.2                               |
| Pig Iron Production                              | Long Tons              | 549,627            | 296,521        | + 85.3                               |
| Automobile and Allied Industries -               |                        |                    |                |                                      |
| Automobile Production                            | No.                    | 110,912            | 93,755         | + 18.3                               |
| Petroleum Imports                                | Gals.                  | 565,627,000        | 496,706,000    | + 13.9                               |
| Crude Rubber Imports                             | Lbs.                   | 41,029,443         | 31,073,814     | + 32.0                               |
| Construction -                                   |                        |                    |                |                                      |
| Contracts Awarded                                | \$                     | 125,435,500        | 83,445,900     | + 50.3                               |
| Building Permits 1/                              | \$                     | 34,249,110         | 26,861,062     | + 27.5                               |
| Electric Power Production                        | 000 K.W.H.             | 14,968,503         | 13,743,003     | + 8.9                                |
| <u>External Trade - (x)</u>                      |                        |                    |                |                                      |
| Exports  | \$                     | 553,711,029        | 408,466,341    | + 35.6                               |
| Imports  | \$                     | 496,100,785        | 321,079,319    | + 54.5                               |
| Excess of exports over imports                   | \$                     | 57,610,244         | 87,387,022     | -                                    |
| <u>Railways -</u>                                |                        |                    |                |                                      |
| Carloadings                                      | No.                    | 1,299,933          | 1,110,467      | + 17.1                               |
| Gross Revenue C.N.R. (Can. Lines)                | \$                     | 96,320,171         | 73,155,000     | + 31.7                               |
| Gross Revenue C.P.R.                             | \$                     | 75,386,000         | 62,139,545     | + 21.3                               |
| <u>Employment - 7 months' average unadjusted</u> |                        |                    |                |                                      |
| General Index                                    | 1926=100               | 116.6              | 108.7          | + 7.2                                |
| Manufacturing                                    |                        | 124.4              | 108.0          | + 15.2                               |
| Logging  |                        | 145.9              | 101.4          | + 43.9                               |
| Mining   |                        | 166.2              | 160.0          | + 3.9                                |
| Construction                                     |                        | 72.3               | 102.1          | - 29.2                               |
| Building   |                        | 56.7               | 49.6           | + 14.3                               |
| Highway  |                        | 98.5               | 200.9          | - 51.0                               |
| Trade  |                        | 140.1              | 135.0          | + 3.8                                |
| <u>Banking - Six months' average</u>             |                        |                    |                |                                      |
| Notice and Demand Deposits                       | \$                     | 2,471,254,977      | 2,385,309,833  | + 3.6                                |
| Current Loans                                    | \$                     | 955,047,625        | 806,178,877    | + 18.5                               |
| Call Loans - Canada                              | \$                     | 48,938,696         | 56,793,976     | - 13.8                               |
| Security Holdings                                | \$                     | 1,613,744,950      | 1,496,623,700  | + 7.8                                |

(x) Excluding gold.

41 items show increases

1/ Revised - 58 Municipalities.

6 items show decreases



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