

DOMINION BUREAU OF STATISTICS - CANADA

INTERNAL TRADE BRANCH

Dominion Statistician: R. H. Coats, B.A., F.S.S. (Hon.), F.R.S.C.
Chief, Internal Trade Branch: F. J. Horning, B.A., F.S.S.
Prices' Statistician: Herbert Marshall, B.A..

POST WAR SILVER PRICES

A bulletin has been issued by the Dominion Bureau of Statistics on Post War Silver Prices. Silver, excepting only nickel and copper, is currently the lowest priced of the important non-ferrous metals. The index number for this commodity, computed by the Bureau, was 111.9 for 1924. This compares with an index for all commodities of 155.2. The average price at Smelters in British Columbia of fine silver in 1913 was 59 $\frac{3}{4}$ ¢ per ounce. During the war, owing to control of gold movements and to Eastern and other demand for silver, its price rose almost continuously. The yearly average was 98 $\frac{1}{2}$ ¢ in 1918. The post-war boom carried it to higher levels, \$1.37 $\frac{1}{2}$ ¢ per ounce being reached in February 1920 after which it fell rapidly. The yearly average for 1920 was \$1.05; 1921, 63 $\frac{1}{2}$ ¢; 1922, 68¢; 1923, 65 $\frac{1}{2}$ ¢; 1924, 67¢.

The price of silver is in itself a fair barometer of trade, as increasing trade gives rise to greater demand for coin and bullion. During the last few years certain circumstances have made the movement of silver prices somewhat more complex than ordinarily.

The principal demand for silver is for coinage purposes. The dense millions of people in the Far East have depended almost entirely upon silver and other parts of the world use a great deal of it for subsidiary coinage. India and China absorb annually from 1/3 to 1/2 of the world's production, and from 1915 to 1919 consumed even a larger proportion than that. It is used in the Far East in the form of bullion as a commodity in the bazaar trade as well as for a circulating medium. The continuous flow of silver to the East is the chief factor influencing the price of the metal.

The use of silver for various industrial purposes such as ornamentation and jewelry shows increase but the greatest development in the industrial field is for photography, due to the quantities of silver nitrate demanded in the moving picture business.

Towards the end of the war a silver stringency developed in India and, in order to relieve it, the British Government purchased silver from the United States. This was done through the medium of the Pittman Act which was passed April 23, 1918. The act was an emergency war measure which authorized the United States treasury to break up and sell as bullion to the British Government silver dollars not in excess of \$350,000,000. Actually about \$270,000,000 worth, equivalent to 200,000,000 ounces of fine silver, were sold. The same act provided that the United States treasury must repurchase silver at \$1 per ounce from producers in the United States to replace the quantity sold to Great Britain. In May, 1920, when the price dropped low enough, purchasing began and was not completed until 1923. It was announced in March 1923 that the act would cease to operate sooner than was expected and transactions were completed by the end of June. The immediate effect of the completion of the operation of the act was a depression of prices because it was thought that the production in the United States, which averages 65,000,000 ounces yearly and which had then to be sold on the open market, would oversupply it. Towards the end of 1923, however, there was a recovery and though the commodity lost strength for the first four months of 1924 it rose considerably thereafter. In February 1924 it was 64 $\frac{1}{2}$ ¢ per ounce, in October it was 71 $\frac{1}{4}$ ¢ and in December, 69 $\frac{3}{4}$ ¢.

Many factors have influenced the price of silver since purchases under the Pittman Act were completed. In general the result of their combined operation has been to keep prices from dropping as it was expected they would do.

The factors exerting a depressing tendency may be briefly enumerated.

1. In 1920, owing to the high price of silver and later because of the depreciation of currencies, many European countries demonetized their silver,

melting and selling it as bullion. In Germany, France, Belgium, Italy and other countries silver coins disappeared from circulation. Bad money drove out good and supplies of silver on the world's market were increased.

2. Additional supplies of silver came through the action of certain countries, Britain, for example, and Canada in reducing the silver content of coins.

3. The silver stringency in India during the war led to a greater use of gold and notes and the practice seems to be spreading. Silver appears to be losing its previous strong hold as a currency medium and note issues have been expanding.

4. There is an enormous accumulation of coined rupees held by the Government of India in its financial reserves. Before and during the war the Indian Government made heavy purchases of silver for coinage. The present holdings have made this unnecessary for the last three or four years. In July 1914 the reserve of silver in the form of coined rupees held by the Government as a currency reserve was 116,669,000 fine ounces; on November 7, 1923 the quantity was 338,483,000 ounces.

5. Adverse exchange rates affected the sale of silver on the London Market.

6. There has been an increase in the world's silver production. In 1913 there was a production of over 210,000,000 fine ounces but, due to political troubles in Mexico and to the generally depressed trade conditions, this fell in 1921 to 172,000,000 fine ounces. In 1922 and 1923 Mexico improved her output and the United States, where 63% of the silver output is really a by-product of the mining and smelting of copper, lead and zinc, experienced a trade boom. World production was 210,000,000 fine ounces in 1922. In 1923 it was 242,000,000 and it is estimated to have been 236,000,000 in 1924.

Factors which have tended to be bullish in connection with silver prices during 1923 and 1924 are:

1. Good monsoons which have created a demand from India.

2. The Japanese earthquake which for a while stimulated trade in China. Latterly in China, because of internal strife, there has been much hoarding of precious metal (concealment for security) and at the same time a demand was created for silver coins with which to pay the troops. At times these conditions led to a shortage of metal which increased world demand, though at other times stocks held at certain centres were sold on the open market.

3. Increased amounts of silver have been held by some central banks or government treasuries.

There was some expectation of
4. Arrangements ~~are~~ being made for a further purchase under the Pittman Act amounting to 15,000,000 fine ounces.

5. The outstanding event of 1924 in the silver market was the active continental buying. The selling of coins had ceased and a change in policy became almost general with the stabilization of currencies. Several countries made considerable purchases for the purpose of re-establishing a subsidiary coinage. Russia was probably the largest purchaser but Germany, Austria, Roumania and others were also large buyers.

Canada supplies about 10% of the world's silver output. In the record year 1912 she produced 32,000,000 fine ounces but during the last three years her output has been from 18,000,000 to 20,000,000 ounces. United States and Mexico combined produce 60% of world output.

c.1

STATISTICS CANADA LIBRARY
BIBLIOTHÈQUE STATISTIQUE CANADA



1010366262