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REVIEW OF PRICE TRENDS AND GENERAL ECONOMIC AND
INDUSTRIAL CONDITIONS IN FRANCE

A summary of a Review of Price Trends and General Economic and Industrial Conditions in France prepared by the Dominion Bureau of Statistics contains the following:

1. During nearly all of 1926 the industrial condition of France was one of that abounding prosperity which has characterized the last five years but towards the end of the year and in the first quarter of 1927 there were some signs of depression due to the de facto stabilization of the franc.
2. An inventory of French resources about the end of November shows them to be greater than before the war. This result has been brought about by accretion of territory, influx of immigrants, restoration of devastated areas, modernization of machinery and expansion of industries. There has been much organization of trade and industry for large scale production and distribution.
3. The last half of 1926 saw a marked improvement in financial and political conditions with the advent of the coalition government of M. Poincare and M. Briand. Reestablished confidence revealed the fundamental strength of French finances. Taxation has been made adequate, the budget balanced, a finance act passed which made provision for handling short term and floating debits by means of a Caisse d'amortissement, and advances from the Bank of France have been discontinued, French funds were repatriated from abroad, the treasury supplied with plentiful finances to meet demand upon it during 1927.
4. Drastic cuts in expenditure are expected to follow changes made in the political, judicial and administrative systems of France.
5. The Franc, due to panic conditions, had fallen to below 2¢ in July but with the restoration of confidence it recovered and was around 3.96¢ in December. It has since been kept close to this figure but no definite stabilization policy has yet been announced. The belief prevails that no attempt will be made to achieve a higher value by a deflation policy.
6. If stabilization is achieved the burden of internal debt will be heavy but bearable. At the old par value of 19.3 cents it would amount to almost as much as the estimated national wealth.
7. The index of wholesale prices rose during the first half of the year until 854 was attained in July. By December it had fallen to 640 and was 645 in February 1927. The fall was most marked in textiles showing the influence of cheaper raw materials.
8. The fall in wholesale or internal prices was only about 25% as compared with an appreciation of 100% in the Franc or external prices. The difference is explainable on the basis of an undervaluation of the franc which was afterwards corrected. While general wholesale prices have become adjusted to the new franc value adjustments as between industries and in retail prices have yet to be made.
9. Present indications are that France is to be saved the experience of depressed conditions in industry which arise from a drastic deflation policy inaugurated to appreciate a currency, i.e., revalorize it to higher figure; she is however experiencing a depression due to the removal of the "export bonus" which is the concomitant of a depreciating currency. The severity of France's depression is likely to be mitigated by the absence of a prolonged deflation policy and by the fact that she is still more agricultural than industrial. At present the iron and steel and textile industries are most affected.
10. If the present government can continue in power for a short period of years there is scarcely room for doubt that France will overcome her difficulties and become enrolled among the nations now possessing a stabilized currency and a gold standard.

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