

\$1,540,000,000 compared with \$1,440,000,000 in the preceding year. Bank profits registered a minor advance over 1938.

At the end of April, 1940, total assets of the chartered banks showed an improvement of nearly 7 p.c. over the same date in 1939, while current loans were up about 15 p.c. in a similar comparison. Notice and demand deposits have been steady, advancing nearly 4 p.c. to more than \$2,500,000,000. Security holdings, at \$1,592,000,000 increased 5.5 p.c. over the same date one year ago. Note circulation advanced 18 p.c. compared with an increase of 13 p.c. in wholesale prices.

Wholesale Prices.—The reaction in wholesale prices noticeable during the first half of 1937 continued unabated until August, 1939. This movement was counter to that of industrial production which, both in Canada and on a world basis, showed an upward movement after a temporary low point had been reached in the early part of 1938. The outbreak of war was the signal for a sharp advance that continued during the last four months of the year. The standing in December, 1939, however, was 81.7 against 73.3 in the closing month of the preceding year. During the year the price index of raw and partly manufactured products advanced from 64.9 to 74.2. The rise in Canadian farm products from 64.6 to 69.1 was relatively moderate.

The effect of war on the wholesale price structure, as measured by the average for the first eight months of hostilities, was an advance of over 10.5 p.c. as compared with the same period one year previously; raw material prices increased 14 p.c. in the same period.

External Trade and the Balance of Payments.—Exports in 1939, exclusive of gold, were valued at close to \$1,000,000,000 (actually \$936,000,000) against \$849,000,000 in the preceding calendar year. The net export of non-monetary gold at \$184,800,000 was 15 p.c. greater than in 1938. Imports of merchandise were \$751,600,000 against \$677,500,000. The excess of exports over imports, excluding gold, was \$184,300,000 compared with \$171,200,000.

About three-quarters of Canada's exports during the past two years went to the markets of Great Britain and the United States. Owing to the lowering of tariff barriers and the revival of demand due to improvement in business conditions, the United States market has become much more important as an outlet for Canadian goods in the past twelve months. While Britain necessarily has first call upon Canada's surplus production, trade with other countries is also vital in maintaining a supply of foreign exchange for the Allied cause.

Canada's place as the world's fifth largest trading nation (estimated on the basis of total exports and imports) and the fourth largest exporting nation was maintained in 1939. The large active balance, characteristic of Canada's commodity trade in recent years, was continued. A marked expansion was also shown in the net export of gold supplementing the commodity balance. Canada's net interest and dividend payments to investors residing abroad continued as an important debit but the continued retirement of Canadian securities held abroad has greatly reduced the burden of external debt charges compared with a few years ago. The large net balance of credits in the current account indicated above was available for reducing external obligations. Canada's important tourist trade in its relation to external trade is dealt with at pp. 582-583 of this volume.

Summary Index of Economic Conditions in Canada.—A summary of economic conditions in Canada is best provided by the index of physical volume of business computed by the Dominion Bureau of Statistics. The index is a composite