

BANK OF MONTREAL

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Business Summary

The following is a brief summary of information received by the Bank of Montreal from its branches throughout Canada and from its offices abroad.

DOMINION OF CANADA

THE important event of the month as affecting trade and commerce was the presentation of his annual Budget by the Minister of Finance. It cannot yet be definitely determined with preciseness the results of the changes made in tariff and taxation. The Honourable Mr. Robb estimates from his proposals a reduction of \$25,000,000 annually in taxation; the pre-war postage rate of 2 cents having been restored; a slight enlargement of the list of articles exempt from sales tax made; the stamp tax on receipts abolished and income taxes in many instances cut down in rate as well as simplified in character of levy. The income tax rate upon corporations and joint stock companies is reduced from 10% to 9% and all surtaxes done away with. In respect of customs duties, the important change is the reduction of rates upon motor vehicles. In the case of passenger cars valued at retail at not more than \$1,200, the reduction is from 35% to 20% under the general tariff, and in the case of all other motor vehicles from 35% to 27½%, with corresponding reductions in the case of cars entitled to entry under the preferential tariff. Another interesting announcement is that after January 1st, 1927, goods to be entitled to entry under the preferential tariff must be imported direct from a British country into a sea or river port of Canada, the purpose of this enactment being to build up Canadian ports.

The Finance Minister was able to present a favourable balance sheet in respect of Dominion finances and to point to an unusually large expansion of foreign commerce during the recently ended fiscal year. There was a surplus of revenue over expenditure of nearly \$34,000,000 in the year's operations, a reduction of net debt of \$22,353,000, and a marked increase in the operating profits of the Canadian National Railways, these having amounted to \$30,443,000 in the calendar year of 1925 or about \$13,000,000 more than in the preceding year.

The foreign trade of Canada continues to mount both in volume and value. In the year ended March 31st, this commerce reached the very considerable sum of \$2,258,500,000, of which \$1,330,000,000 was made up of exports and \$927,000,000 of imports, the favourable balance thus being \$402,695,000. So large a credit in the external trade of the

year has been a potential factor in restoring Canadian currency to par.

Domestic business has not presented any novel factors during the current month, but the condition remains more satisfactory than in recent years and the spirit of confidence in the future appears to grow. Commodity prices are fairly steady and would appear to have been pegged at about 60% over a pre-war average, with inevitable fluctuation in price of one or other commodity. Railway car loadings and railway earnings are in excess of last year. Business mortality in the first quarter of 1926 was substantially less than in the corresponding quarter of the previous year, the number of failures declining from 669 to 593, with aggregate liabilities down from \$10,683,000 to \$7,566,000.

The estimated quantity of Canadian wheat remaining in Canada at April 1st was 161,376,000 bushels or 40,000,000 bushels greater than on the corresponding date in 1925, which fact gives promise of an active shipping season, and continued expansion of export trade. Building operations the Dominion over are much in excess of last year. It is too early in the season to forecast agricultural production but the acreage to be sown in the three Western Provinces this year will be practically the same as last. Livestock has wintered well and expectation is that the steady growth in the cattle export trade since the removal of the British embargo will not be interrupted. Cold weather has somewhat delayed farming operations in the Eastern Provinces. Immigration gives indication of reaching a larger volume than for a considerable time past. Taken as a whole, it can be said that the bright spots in the business situation greatly predominate.

QUEBEC—Winter logging operations, which have been generally on a reduced scale, are finished and logs are ready for the drive. The lumber market remains quiet, Pacific Coast stocks dominating the situation. The price and demand for pulpwood continues to hold up well and it is anticipated that the increased production in newsprint this year will easily be absorbed. There has not been any appreciable change in the price of staple commodities,