

External Influences on Provincial Trade

Exchange — Credit Conditions — Commodity Prices, All Operating to Render the Outlook Uncertain, Although Not Necessarily Restrictive as to Trade and Industry.— Labour Efficiency Increasing.

While business is very active in British Columbia and will perhaps remain so within reasonable limits, due to the momentum which it has gathered, also due to the quite extensive programme of development and exploitation which, although not outstanding in any one particular, is in the aggregate quite extensive, there is a quivering tendency in finance and business which is a result of the uncertainty as to the outlook and the necessity to keep on a more liquid basis. These conditions are brought about by the action of Canadian and international affairs acting both directly and indirectly on provincial business and industry.

One cause of a certain amount of bewilderment to business is the instability of exchange which since the armistice has been fluctuating in a disconcerting way in all those lines that must make commitments a long time ahead. Since the British government removed the peg to the value of the pound in terms of the dollar, the rapid recession of the pound had a more seriously sentimental effect than actual with regard to British and Canadian business, and their inter-action of American business with that of Britain, but the British programme of reconstruction had not proceeded far enough to effect seriously a large quantity of business on the books of British manufacturers, although it tended to restrict the recovery of British industry because of the increased price which it must pay for raw materials.

The ensuing appreciation in the pound and the recovery of British trade which again placed its products in world markets was a decidedly encouraging element in world reconstruction. But at this time when harvests are in full swing in North America, and both purchases and sales to and from Great Britain are beginning to be made on a more comprehensive scale than since the outbreak of war, it is very disturbing to find that the pound sterling from a maximum advanced to something over \$4.50 has receded to less than \$3.50 in the midst of these heavy commitments for future account. It is not very comforting to experience this exchange situation just at a time when Canada is harvesting the largest wheat crop it has had since the bumper yield of 1915. It would appear that a serious downward movement would have occurred in cash wheat had not later reports from the Department of Agriculture indicated a serious falling off in the spring wheat production of the United States, leaving a much less exportable surplus than was indicated during July and the first half of August. The probabilities of depreciation in the value of wheat is an important factor to take into account, and it can be readily seen that there will be a vast difference to Canadian trade from \$3.00 per bushel wheat, which was anticipated, to perhaps \$2.00 per bushel and under, which may be the actual experience of the grain trade. The reaction on Eastern Canadian manufacture and the British Columbia lumber industry may make quite a change affecting the whole of Canadian industry.

An important influence of the depreciation of the pound sterling in British Columbia is the serious effect which it has upon the fishing industry. The pack of sock-eye is assuming larger proportions than could have been anticipated early in the year, particularly due to favorable packs at Rivers Inlet. The fall in the pound sterling unsettles this trade and may result in a smaller taking of the pack in Great Britain than was expected when the market opened.

On the other hand the ability to buy goods cheaper from Great Britain is not altogether an unmixed blessing, much as it might look so to the ultimate Canadian consumer. Although Great Britain has not a plethora of goods, there still is a large quantity which may be secured which would

make attractive offerings by reason of the present rate of exchange, but this effect upon the Canadian manufacturer is not helpful to production and stability, especially at a time when Canadian industries are beginning to feel the effects of a slackened public demand.

The element of credit is also a disturbing factor to business interests to some degree due to present restrictions, but more particularly with regard to the apprehension created as to what the future situation might be. The whole world is experiencing a credit stringency and it is natural that Canada should share in this experience. It now takes practically twice as much credit to carry on the business of the country as during pre-war times. The only relief that can be looked for is a reduction in commodity prices, enabling goods to be manufactured and marketed on a smaller quantity of credit. This is the undoubted economic trend, but in view of such vast amount of agricultural products coming into the stage of marketing and distribution there is a great strain upon credit, involving restriction in the use of credit as applied to the ordinary needs of industry and general business. The credit situation in Great Britain is in better control than it is in North America, and Canada certainly is on a much safer basis than the United States, where the warehouses are crowded with goods facing a depreciated market, and with credit under a severe strain. Advantage of the Federal Reserve Bank system can be taken to avoid panic, but a vast quantity of goods must be sold in order to bring the credit situation in the United States into safer channels. The effect on Canada lies in the direction of unsettlement in case any unloading takes place across the line.

But perhaps what is the most immediate concern and one which effects practically every merchant of the Province is the question of commodity prices, and this is almost purely an external matter. From the peak of high prices last March, there have been moderate recessions in practically all standard commodities. Reconstruction in Europe has proceeded at such a pace that Western Europe at least is no longer dependent to the same degree on American manufactured articles. In fact there has been a counter movement particularly from Great Britain to the United States which is giving American manufacturers the impression that competition from outside sources is potential and may not be far from actual. This with a tightening of credit condition, disorganized transportation system has resulted in great pressure for sale which has resulted in a lowering of price. When it is taken into consideration, also that the great buying wave has receded and the consumer is actually refusing to pay the prices asked, an unmistakable trend toward lower prices cannot be doubted.

A receding commodity price market is not a pleasant thing to contemplate, although it is generally recognized as inevitable. The danger in the situation, however, does not lie in the probability of a gradually receding market, as in a rapidly declining one. Due to the effects of receding prices, production has been somewhat interfered with, and these evidences are well marked in Great Britain, but are especially marked in the United States. The Canadian manufacturer is utterly incompetent to satisfy the Canadian market so that except for the necessity to guard against dumping of cheaper goods from outside, he has the more to consider reduction of costs than the finding of markets. One cannot venture with any degree of reliance any statement with regard to commodity prices. We have on the one hand more sane buying, more competitive conditions in manufacture and sale, tending in the direction of reduced prices, and we have on the other hand no huge accumulation of stocks, so that no great drop in prices is probable, and if it did occur, would last for only a very short time.

With the lessening of production, due to congestion in certain lines, labor conditions have markedly improved. This