

imports so that the increase over 1912 was only five per cent. Exports, on the other hand, increased by 22 per cent. The increase in agricultural areas, the extension of stock-raising in western Canada, the development of mining, lumbering and manufacturing were showing the results of the great expenditure in developing the country. Owing to the faith of English investors in the future of Canada and their recognition of the necessity for completing the equipment for transportation and distribution, imports of capital in 1913 greatly exceeded those in 1912, in spite of financial stringency and the higher rates of interest necessary to be paid. Trade therefore showed comparatively little contraction even during the latter part of the year, and though demand for some commodities fell off, markets were not seriously weakened and prices of materials did not fall materially.

Conditions at Beginning of Last Year.

The year 1914 therefore opened with some favorable features. Food prices had fallen from a high level in 1912 as a result of good crops in 1912 and 1913. Financial conditions were improving, the Bank of England rate was down. Though trade was slow in many lines, large stocks had not accumulated and markets had therefore not become demoralized and prices did not have to be seriously cut. Recovery, however, appeared to be slow, an important factor being indicated in the fact that large sums of money had been sunk in real estate during the boom, some of it overvalued and much of it not available for industrial, commercial or residential purposes for some time to come. Further, many purchasers had to keep up payments, and so funds were held from profitable or new investment. Signs of improvement increased, however, as favorable spring weather promised good harvests and the financial, commercial and industrial losses due to the reaction were gradually liquidated and capital began to accumulate. The trade and industry of the Dominion was settling down to the new conditions, and to the realization of the anticipated production from resources ready for development, with the feeling that rock bottom had been reached and the upward movement was beginning. The tariff revision in United States had opened markets to many Canadian products, notably cattle and hogs, wool, fish and lumber, and the effects of this had already been felt to some extent. Prices had shown considerable weakness from the first of the year, many foods declining as the season advanced. Sugar, flour, oatmeal, butter and vegetables were cheaper than for some time, meats were receding from the high levels reached in the autumn after removal of customs duties in United States, and good crop prospects weakened the grain markets. Some materials were declining, demand being light, but scarcity kept up others, such as hides, leather, wool, cotton and lumber.

Outbreak of War.

The outbreak of war at the beginning of August changed conditions in nearly all markets. Grain, flour, bread, oatmeal, tea and sugar immediately rose, meats began to advance, cotton slumped, and metal markets were greatly disturbed. Supply and demand in most lines were quite uncertain. Fears of a financial breakdown, of interruption to ocean shipping, and the demoralization of industry led to suspension of business in many lines. In Canada prolonged dry weather in the west at a critical period in the grain season seriously discounted the advantages of the high prices of grain. Many constructive operations were stopped or threatened to stop as a result

of financial difficulties. The loss of export markets caused some manufacturing industries to cease operations. The measures taken by the British, Canadian and other governments, however, eased the situation, while financial operations and ocean trade soon resumed and great activity soon appeared in many lines in connection with the operations of the war. The export demand for grain was strong and many foods suitable for army supplies advanced in price. Orders for military equipment caused activity in textile, boot and metal industries. Transportation of military supplies partially made up for the loss on regular trade. Prices advanced in some materials, which became scarce and difficult to obtain. On the whole, however, as conditions settled, readjustments were made on levels lower than the high point to which prices had risen in August. As the British and Canadian governments prepared for greater armies and for prolonged operations larger orders were obtained by Canadian manufacturers. The textile industry had difficulties in obtaining further supplies of wool and dyestuffs and prices advanced considerably. Hides and some grades of leather were scarce and rose steeply in price. The metal markets gradually recovered from the dullness which had prevailed as large orders were given for shells and guns, and for machines for making these, to be installed in new plants.

Trade and Industry Below Normal.

Trade and industry, however, were still far below normal. Although municipalities were able to obtain some money in the United States and to proceed with some undertakings, all building and construction was greatly curtailed. Unemployment became a serious problem in many localities. The lessened purchasing power of the public was felt in the markets for most goods and tended to lower the prices of many commodities. Meats soon receded and livestock declined. Export demand kept up the prices of cheese, butter and eggs until late in the spring of 1915 and tended to keep up meats. Flour rose to record prices in February and again in May, but then dropped considerably. Steep advances occurred in metals in February and continued from time to time afterwards, notably in zinc, antimony, quicksilver, lead, tin, copper and brass. Drugs and chemicals had risen steeply on the outbreak of war, some being in demand for explosives, some for hospital supplies, and others being difficult or expensive to import. Carbolic acid rose from 10 cents per pound in August to \$1.50 in February. Although, apart from commodities used in war or unobtainable on account of war, markets had steadied to a great extent by the approach of summer, price levels were considerably higher than before the war and indications were that as a result of losses during war and great consumption of supplies high levels should be expected for some time to come.

The effects of decreased purchasing power in households appeared in the markets for canned goods, meats, clothing materials, boots, etc., which had experienced such a demand up to 1913. Similar results appeared in the industrial demand for many commodities, particularly constructive and building materials. Government orders for military supplies, particularly food, clothing, guns, shells, etc., made up for the loss of normal demand only to some extent. Readjustments were necessary, and sometimes difficult, in factory equipment, processes and supply of materials, in order to change to manufacturing for military needs. Markets were therefore variously affected according to individual conditions. The result was that, apart from commodities used in war or unob-