

67-201
C.1

NOT FOR LOAN
NE S'EMPRUNTE PAS
CANADA

DEC 1
PROPERTY OF THE
LIBRARY

DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS

**CANADA'S BALANCE OF INTERNATIONAL
PAYMENTS
1926-1931**

Published by Authority of the HON. H. H. STEVENS, M. P.,
Minister of Trade and Commerce

OTTAWA
1932

CANADA

DEPARTMENT OF TRADE AND COMMERCE

NATIONAL BUREAU OF STATISTICS

CANADA'S BALANCE OF INTERNATIONAL

PAYMENTS

1926-1927

W. J. H. H. H. H.

W. J. H. H. H.

CANADA'S BALANCE OF INTERNATIONAL
PAYMENTS

1926-1931

CANADA'S BUREAU OF INTERNATIONAL

PATENTS

1834-1931

C O N T E N T S

	Page
Foreword -	
Purpose and Meaning of Balance of International Payments Statement	1 - 3
Part I	
Canada's Balance of International Payments	4 - 13
1. Canadian Balance of International Payments, 1926 - 1931	4
2. Effect of the Depression on Balance of Payments	4
3. How was Adjustment Achieved	5
4. Change from Capital Exports to Capital Imports	6
5. The Transfer Problem	6
6. Capital Movements, 1929	7
7. Capital Movements, 1930	7
8. The Situation in 1931	9
9. Gold Movement in 1931	10
10. Relation of Imports and Exports in the Balance of Payments, 1931	10
11. Conclusion	11
Table - Canada's Estimated Balance of International Payments, 1926-1931	12
Part II	
Estimated Balance of Payments Between Canada and Empire Countries and Between Canada and The United States	14 - 72
A - Great Britain	14 - 16
1. Limitations of This Estimate	14
2. Means of Balancing Payments, Great Britain - Canada .	14
Table - Estimated Balance of Payments, Canada and Great Britain	15
3. Complexity of Settlement Process	16
B - Other Empire Countries	16 - 17
Table - Trade of Canada with Specified Empire Countries	17
C - United States	18 - 20

FOREWORD

Purpose and Meaning of Balance of International Payments Statement

"Balance of Trade" figures are frequently misinterpreted due to the persistence of the doctrine long ago exploded that a nation's trade is necessarily in a healthy state when exports exceed imports necessitating an import of gold to make up the difference. Trade was then said to show a "favourable" balance. This theory only took account of the "visible" or commodity items of trade, whereas the true balance of a nation's trade can only be known when not only the commodity items are considered, but also the "invisible" items such as interest, freight, immigrant remittances, financial services, tourist traffic, etc. In short, all debit and credit transactions must be set down in order to find out the true balance. If all the visible and invisible items are thus tabulated the debit or credit difference will be a final invisible item -- capital import or export -- and this will bring the nation's trade account into a state of balance.

To take the nation's commodity trade alone as an index of its prosperity or otherwise, would be somewhat akin to considering the returns received by a man from the daily trade or business which is his principal activity and ignoring other sources of revenue or records of indebtedness incurred from other lines of activity.

As a matter of fact, the commodity or trade balance of a country cannot be understood by itself but only as it is interpreted in the light of the invisible items of a country's activities. In the light of such data, it will be found that a so-called favourable or unfavourable balance will mean entirely different things at different times in a country's history.

From 1868 to 1893 the normal condition in Canada was an excess of imports over exports. In only two years (1880 and 1881) was this reversed. From 1894 to 1903 we had an excess of exports which is explained largely by interest on and repayments of borrowed capital. In 1904-1914 a period of heavy capital borrowing supervened, and as a result imports exceeded exports. With the commencement of the war we entered upon a period of excess commodity exports which continued until 1929 with the exception of 1921, in which fiscal year we had an excess of imports. In 1929 and 1930 imports exceeded exports, while in 1931 exports and imports approximately balanced.

The balance of international payments which takes account, not only of commodity trade, but of all transactions, reveals the meaning of the trade balance. It shows, for example, that in 1920, 1921 and 1922 our international accounts were balanced by large imports of capital, although our commodity trade balance was favourable in 1920 and 1922. During these years Britain repaid us war funds as follows: 1920²⁰, \$104,000,000; 1921, \$128,000,000; 1922, \$84,000,000. From 1923-1928, however, the international accounts show a credit balance after allowing for interest payments and maturities, thus denoting capital exports. In these years Canada became temporarily a capital exporting country. In these latter years, therefore, the explanation of our favourable commodity trade balance was quite different from that for the period, 1894 to 1903, when it was explained by payments of interest and maturi-

ties.

From the foregoing it will be seen that an estimated balance of international payments is indispensable to the understanding of trade accounts. It has, however, a great many other important uses, among which the following may be mentioned:

1. To give a comprehensive picture of our international debits and credits and how they are balanced.
2. To show the extent of our international borrowings and lendings.
3. To show the magnitude of individual invisible items, such as interest, freights, tourist traffic, etc., in our international transactions.
4. To explain exchange disturbances and the effect of international financial difficulties.
5. To furnish data for guidance in the formulation of international fiscal, financial and commercial policy.

CANADA'S BALANCE OF INTERNATIONAL PAYMENTS

PART I

1. Canadian Balance of International Payments, 1926-1931.

Estimates of Canada's international balance of payments are shown in the accompanying table for the years 1926 to 1931, inclusive. The outstanding feature is the great change which has taken place in the volume of merchandise trade since 1929. A favourable balance varying from approximately \$140 to \$185 million during the period 1926 to 1928 became an unfavourable balance of approximately \$100 million in 1929 and 1930, and practically reached a position of equilibrium in 1931. In 1929 and 1930 there were unfavourable balances, considering both visible and invisible items of \$65 and \$159 million respectively, while in 1931 the balance was favourable to the extent of about 33 millions of dollars. In the light of all available information, it appears that the balances in 1929 and 1930 represent a net movement of capital into Canada for investment, while that of 1931 represents a net movement outwards. In the latter year, however, the capital export appears to have been in the main not for investment but for the purpose of retiring maturing issues and for repurchases. The inward movement of capital in 1929 and 1930 contrasts with capital exports for several years earlier, as shown by favourable balances of payments.

2. Effect of the Depression on Balance of Payments.

Declines in the amounts by various items of the statement during the last three years indicate the tremendous effect upon Canada's international transactions in goods and services wrought by the depression. Merchandise exports fell from \$1,200,000,000 in 1929 to \$608,000,000 in 1931. While a large proportion of the

decline is explainable in terms of lower price levels, it does represent a huge falling off in volume. An excellent illustration of the special difficulties presented to Canada by the slump in world prices, is seen in the table of index numbers of imports and exports which shows that Canada, in common with most countries whose exports consist largely of primary products, suffered a greater reduction in the prices of her export commodities than was characteristic of the prices of imported goods. In other words, the purchasing power of Canada's exports declined drastically in 1930.

INDEX NUMBERS OF EXPORT AND IMPORT VALUES

(1913 = 100)

		EXPORTS	IMPORTS
Calendar year	1926	147.0	131.7
	1927	144.0	127.0
	1928	137.6	127.3
	1929	136.9	122.9
	1930	117.2	115.1
	1931	95.2	95.2

3. How Was Adjustment Achieved

In view of the great changes which occurred in our international transactions from 1929 on, giving rise to unfavourable balances of all items in 1929 and 1930, and to a position nearly approaching equilibrium in 1931, the question arises as to how the accounts were adjusted. In this connection, the gold movements should be examined. These were as follows during the period 1926 to 1931: -

	Exports of Gold	Imports of Gold	Difference between gold exports and imports (x for export - for import)	Difference between all Debits and Credits (x for credit - for debit)
(000's omitted)				
1926	80,131	47,126	x 33,005	x 228,422
1927	64,231	31,257	x 32,974	x 137,050
1928	107,614	39,659	x 67,955	x 201,398
1929	50,598	3,746	x 46,852	- 65,475
1930	25,343	39,062	- 13,719	- 159,533
1931	70,062	2,038	x 68,024	x 27,790

4. Change from Capital Exports to Capital Imports

In the years 1926 to 1928, Canada was an exporter of capital made possible, in large measure, by favourable balances of merchandise shipments amounting to \$285 million, \$161 million and \$143 million, respectively, in the three years. 1929 saw a drastic change in international transactions. A credit balance of \$201 million in 1928 became a debit balance of \$65 million in 1929, a reversal amounting to \$266 million. In 1930 the debit balance had increased to \$159 million.

5. The Transfer Problem.

The difficulty of the transfer problem envisaged in these figures was reflected in the state of the foreign exchanges which were at a premium during most of 1929 and the early part of 1930, the price of New York funds being for a considerable period beyond the gold export point. Despite the increased cost of foreign purchases caused by higher prices of foreign exchange, imports did not show any decrease until 1930, and in that year both imports and exports fell by almost equal amounts. Neither

was the trade deficit counterbalanced by an export of gold, since this deficit amounted to \$100 million in 1929 and net gold exports to only \$47 million, an actual reduction of \$20 million, as compared with 1928. Moreover, in 1929 exports of quartz gold, shipped to take advantage of the premium on New York funds, accounted for 20 of the \$47 million; an amount twice the normal value shipped in this way. Since the items of the balance sheet, exclusive of commodities and gold, yield an adverse balance, the solution was not found in them; hence the conclusion that the deficit in the balance of payments was offset by capital imports either in the form of investments by foreigners or repatriation of funds.

6. Capital Movements, 1929

Unfortunately, the statistics of current capital movements leave much to be desired, but such as do exist point clearly to the conclusion that there was a movement, on balance, of short and long term funds into Canada in 1929. Short term funds employed by the chartered banks largely in New York, fell from \$188 million at the beginning of 1929 to \$98 million at the end of the year. There was also a considerable repatriation of private short term capital, though no definite information is available as to its amount. The conclusion is warranted that Canadian holdings abroad acted as a shock absorber in reducing the effects of the maladjustment in Canada's balance of payments in 1929, and that the remainder of the task was performed by an inward movement of foreign capital.

7. Capital Movements, 1930

In 1930 the difficulty arising from an adverse balance

on all items of \$159 million was again met. This time, however, the foreign balances played a small role and the brunt of the burden was borne by capital imports. Gold also showed a net inward movement of \$14 million, the first since 1925.

This inward movement is illuminating in view of the general situation and merits comment. In the early part of 1930 the Canadian dollar was quoted at a slight discount in New York, continuing so until May when it returned to par. From then until early in December it was at a premium of approximately 1% in New York. Accompanying these fluctuations in the exchange, the gold movement was sluggish in the first half of the year, but showed a considerable inward movement in the last half, nearly \$15 millions of gold coin and bars being imported in August alone, and a slightly larger amount in the next three months. In December, New York funds were again at a premium, and a net export of gold amounting to \$13 million occurred, but taking the year as a whole the net import was \$13.7 million. The evidence of these fluctuations indicate that taking the year as a whole, there was little evidence of any maladjustment in Canada's balance of international transactions, and, in fact, a demand for Canadian funds which resulted in an inward flow of gold. In view of the fact that the balance of payments, exclusive of the capital items, was severely against the Dominion, the only means by which equilibrium could be achieved was through a considerable influx of capital. Again what direct evidence is available corroborates the conclusion. Not only was there an inflow of foreign capital for investment, but also some repatriation of Canadian funds.

8. The Situation in 1931

In 1931 the situation with regard to international transactions had undergone another considerable change. The unfavourable commodity balance was reduced to less than \$4 million. The invisible unfavourable balance (all items exclusive of commodities, gold and capital) was \$36 million, a total of \$40 million adverse. There had been a net gold shipment of \$68 million, nearly twice as much as the adverse balance, excluding gold, of \$40 million. The gold movement therefore offset the deficit of \$40 million, and, supposing no errors or omissions in the statement, allowed for a capital export of approximately \$28 million. Available evidence indicates that this amount consists in the main of repayment, retirement and repurchase of Canadian securities held abroad. The estimate of capital movements in 1931 is as follows: -

INVESTMENTS INWARD

New issues sold abroad and new direct investments in Canada	207,217,000
Refunding, repayments, redemptions, etc. ..	<u>256,000,000</u>
Net Decrease	49,000,000

INVESTMENTS OUTWARD

New foreign issues bought	10,000,000
Old " securities bought	<u>15,000,000</u>
	25,000,000
LESS resale to foreigners of securities previously held, of direct investments and decreases in other investment items abroad	<u>11,000,000</u>
Net Investment Abroad	<u>14,000,000</u>
TOTAL OUTFLOW OF CAPITAL	<u><u>63,000,000</u></u>

While this estimate shows a larger outflow than that in-

licated in the balance of payments statement, it corroborates the direction of the flow.

9. Gold Movement in 1931.

With this falling off in capital import and the consequent necessity of a capital export to liquidate maturing loans and interest charges, and in view of the existence of an unfavourable balance of commodity and service transactions, enough gold had to be shipped to cover both. In 1931 this was the only way out if our international payments were to be equilibrated. That it was not done without strain on our gold reserves is obvious from the following table:-

CANADIAN GOLD STOCKS

December 31st, 1925 - 1931.

(000's omitted)

	Current gold and subsidiary coin held by Canadian Banks		Gold held by Banks in Central Gold Reserves	Gold held by Minister of Finance Against Dominion Notes and Savings Bank Deposits	Total Canadian Stocks
	In Canada	Elsewhere			
December 1925 ...	49,915	18,772	18,910	137,858	226,455
" 1926 ...	44,528	27,962	26,910	131,195	230,595
" 1927 ...	48,061	28,458	21,245	130,733	228,497
" 1928 ...	46,908	30,115	20,631	93,317	190,971
" 1929 ...	46,852	26,442	14,631	62,995	150,920
" 1930 ...	47,403	36,636	13,631	96,212	193,882
" 1931 ...	45,961	19,856	10,682	66,960	143,459

10. Relation of Imports and Exports in the Balance of Payments, 1931

In view of the disappearance of the capital import balance, that the ensuing adverse situation was met without greater difficulty was a noteworthy achievement. Fortunately, the burden of interest payments was almost offset by receipts from the tourist traffic. Freight transactions left us with a deficit of over \$25 million and

other invisible items nearly offset each other. What greatly lessened the difficulty was the fact that while exports declined \$286 million, imports declined \$381 million; the result being that the adverse trade balance of \$100 million in 1929 and 1930 was wiped out and in 1931 Canada paid for her imports by her exports.

11. Conclusion

In conclusion, some general remarks may be made on the subject of international payments. Each year Canada has an unfavourable balance on invisible items which has varied from \$10 million to \$90 million, the figures from 1926-1931 being as under:

1926	\$90 million	1929	\$15 million
1927	57 "	1930	48 "
1928	10 "	1931	31 "

Average -- \$42 million

Maturing obligations, including short term loans each year, are estimated to amount to between \$100 million and \$150 million. To offset these items a favourable balance on merchandise and bullion account of from \$140 million to \$190 million would be required providing all capital imports including refunding were cut off. Production of gold amounts to about \$60 million per year, therefore, a favourable balance on merchandise account would be required annually, amounting to from \$80 to \$130 million on the supposition of cessation of capital imports.

CANADA'S ESTIMATED BALANCE OF INTERNATIONAL PAYMENTS, 1926-1931

(000's omitted)

	1926		1927		1928		1929		1930		1931	
	Exports Visible and Invisible	Imports Visible and Invisible	Exports Visible and Invisible	Imports Visible and Invisible	Exports Visible and Invisible	Imports Visible and Invisible	Exports Visible and Invisible	Imports Visible and Invisible	Exports Visible and Invisible	Imports Visible and Invisible	Exports Visible and Invisible	Imports Visible and Invisible
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1. <u>Commodity Trade - Recorded</u> merchandise exports and imports	1,283,939	1,008,342	1,238,782	1,087,118	1,374,246	1,222,318	1,208,338	1,298,993	905,370	1,008,479	617,243	628,098
<u>Deductions for settlers'</u> effects and other non- commercial imports	-12,326	-21,774	-11,020	-22,504	-10,926	-21,395	-11,679	-24,614	-10,957	-23,814	9,328	16,751
Unrecorded imports of ships	-	24	-	1,860	-	19,230	-	19,230	-	7,470	-	500
Real Total of Commodity Trade ..	1,271,613	986,592	1,227,762	1,066,474	1,363,320	1,220,153	1,196,659	1,293,799	894,413	992,135	607,915	611,847
2. Exports and imports of gold coin, bullion and subsidiary coin	80,131	47,126	64,231	51,257	107,614	39,659	50,598	3,746	25,343	39,062	70,062	2,038
3. Freight payments and receipts n.o.p.	88,714	106,288	89,826	109,140	88,266	115,433	85,541	130,855	68,815	100,908	49,670	76,528
4. Tourist expenditures	201,167	93,747	238,477	108,750	275,230	107,522	309,379	121,645	279,238	113,292	250,776	76,452
5. Interest payments and receipts .	55,452	223,639	64,885	235,052	80,966	246,916	87,886	258,907	88,220	272,586	70,722	252,076
6. Immigrant remittances	15,550	20,509	15,433	22,423	14,421	23,195	14,036	23,385	14,000	23,000	10,051	13,110
7. Government expenditures & re- ceipts	11,948	10,863	11,850	11,751	11,819	11,030	11,750	11,300	11,750	10,379	11,750	10,960
8. Government receipts, reparations	1,757	-	6,791	-	4,688	-	4,325	-	4,000	-	1,295	-
9. Charitable and missionary contri- butions	814	1,878	873	1,766	1,373	1,800	900	1,800	900	1,800	900	1,800
10. Insurance Transactions	10,835	23,827	19,194	29,486	35,761	28,790	31,990	24,418	29,483	22,138	27,000	20,000
11. Advertising Transaction	3,143	4,500	4,482	4,800	3,858	5,000	4,000	5,280	4,000	6,000	3,000	5,000
12. Motion picture royalties	-	3,500	-	3,500	-	3,750	-	3,750	-	3,750	-	3,750

CANADA'S ESTIMATED BALANCE OF INTERNATIONAL PAYMENTS, 1926-1931 - Cont'd.

(\$000's omitted)

	1926		1927		1928		1929		1930		1931	
	Exports Visible and Invisible	Imports Visible and Invisible	Exports Visible and Invisible	Imports Visible and Invisible	Exports Visible and Invisible	Imports Visible and Invisible	Exports Visible and Invisible	Imports Visible and Invisible	Exports Visible and Invisible	Imports Visible and Invisible	Exports Visible and Invisible	Imports Visible and Invisible
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
13. Capital of immigrants and emigrants	14,945	14,689	14,545	12,611	14,783	11,178	14,117	11,496	11,083	9,424	5,173	3,820
14. Earnings of Canadian residents employed in U. S. A.	10,000	-	11,000	-	13,725	-	13,725	-	3,696	-	1,857	-
15. Exports and imports of electrical energy (1)	4,600	89	4,798	87	-	-	-	-	-	-	-	-
16. Allowance for import overvaluations due to Exchange depreciation	-	-	-	-	-	-	-	-	-	-	5,000	-
17. Allowance for exchange on N. Y. payments	-	-	-	-	-	-	-	-	-	-	-	5,000
18. Known omissions such as direct magazine subscriptions, artists and entertainers receipts, radio programmes, etc.	-	-	-	-	-	-	-	-	-	-	-	5,000
19. Difference between all exports and imports (2)	-	228,422	-	137,050	-	201,398	65,475	-	159,533	-	-	27,790
TOTAL	1,770,669	1,770,669	1,774,147	1,774,147	2,015,824	2,015,824	1,890,381	1,890,381	1,594,474	1,594,474	1,115,171	1,115,171

(1) Included in Commodity Trade since 1928.

(2) This item represents amount of capital movements subject to errors and omissions.

PART II

ESTIMATED BALANCE OF PAYMENTS BETWEEN CANADA AND
EMPIRE COUNTRIES AND BETWEEN CANADA AND THE UNITED STATES

A. Great Britain

1. Limitations of This Estimate

An attempt has been made to compile a separate statement of international payments between Canada and Great Britain and Canada and the United States. It's limitations are admitted. If a general statement of international payments can only be considered an approximation, one confined to transactions between two countries must be subject to a wider margin of error. For a number of items, data are available only for total debits or credits and not by countries. In such cases, arbitrary guesses have sometimes to be made regarding the geographical division.

2. Means of Balancing Payments, Great Britain - Canada

In the case of Great Britain, however, the principal items are the commodity trade and interest receipts and payments, the figures for which are not subject to arbitrary estimation. In 1931, Canada had a favourable commodity trade balance with Britain amounting to approximately \$60 million but an unfavourable balance in interest payments of \$88 million. As all other items in the balance statement practically offset each other, a difference of about \$24 million unfavourable to Canada remained. There is no evidence to show that it was settled by lending from Great Britain, in fact what evidence is available indicates that on balance repurchases and redemptions amounted to more than new capital coming from Great Britain. The **only** other way by which settlement could be made is through the medium of credits with some other nation or nations. This, of course, precludes arguing capital movements from the indirect evidence of balance of payment statements between two nations.

ESTIMATED BALANCE OF PAYMENTS
CANADA AND GREAT BRITAIN
(000's omitted)

	1931	
	Exports Visible and Invisible	Imports Visible and Invisible
	\$	\$
1. <u>Commodity Trade</u> - Recorded merchandise		
exports and imports	172,461	109,470
Deductions for settlers' effects and other non-commercial imports	2,822	1,339
Unrecorded imports of ships	-	500
Real Total of Commodity Trade	169,639	108,631
2. Exports and imports of gold coin, bullion and subsidiary coin	1	18
3. Freight payments and receipts n.o.p.	10,305	9,928
4. Tourist expenditures.....	9,900	12,708
5. Interest payments and receipts	3,706	92,236
6. Immigrant remittances	911	3,060
7. Government expenditures & receipts	5,350	4,445
8. Government receipts, reparations	-	-
9. Charitable and missionary contributions ...	100	-
10. Insurance Transactions	10,000	4,100
11. Advertising Transactions	250	1,500
12. Motion picture royalties	-	150
13. Capital of immigrants and emigrants	384	2,233
14. Allowance for import over valuation due to exchange depreciation	4,500	-
15. Allowance for known omissions such as direct magazine subscriptions, entertainers, etc..	-	400
16. Difference between all exports and imports .	24,363	-
TOTAL	239,409	239,409

3. Complexity of Settlement Process

It would, in any event, be meaningless to attempt to do so. Our debits and credits with London would not be settled on the basis of our actual commercial transactions in goods and services with that country alone. London is the clearing centre for most Empire countries. Our debits and credits with India, Australia and Fiji, New Zealand, South Africa, etc., would probably mostly be settled through London. It is the clearing centre for many foreign transactions also, so that in the end we might find that, though on the basis of our transactions confined to Canada and Great Britain alone we were debtors to London, when all transactions settled through London were taken into consideration London would be our debtor. The situation is still further complicated by the fact that London transactions mostly come through New York.

B. Other Empire Countries

No attempt has been made to present balance of payment statements with other countries in the Empire apart from Great Britain. However, with the remainder of the Empire, commodity trade would bulk so largely as to make other items relatively unimportant. The following table contains the import and export items for the Calendar Year 1931: -

TRADE OF CANADA WITH SPECIFIED EMPIRE COUNTRIES

(000's omitted)

	1931 Imports	1931 Exports
Irish Free State	42	2,640
East Africa	1,498	600
South Africa	4,417	9,202
West Africa	312	406
Bermuda	88	2,034
India	4,781	3,863
Ceylon.....	1,693	62
Straits Settlements	669	438
Other British East Indies	14	-
British Guiana	4,248	892
British Honduras	160	1,330
British Sudan.....	13	1
British West Indies -		
Barbados	2,861	1,111
Jamaica	4,199	2,910
Trinidad and Tobago	3,049	2,632
Other British West Indies	1,470	2,849
Falkland Islands	-	-
Gibraltar	-	13
Hong Kong	688	1,407
Malta	1	366
Newfoundland	1,561	6,880
Oceania -		
Australia	6,260	4,765
Fiji	2,978	143
New Zealand	1,509	4,573
Other Oceania	-	5
Palestine	16	36
	42,527	49,158

C. United States

In the last twelve years Canada's commodity trade balance with the United States has been adverse, on the average to the extent of \$225,000,000 per year. The important invisible items in the international accounts are tourist traffic, interest and freight. Heavy net interest and freight payments must be made to the United States while Canada has a large balance in her favour from tourist traffic. As a matter of fact, tourist receipts have, during the last few years, been sufficient to more than offset our payments for interest and freight. Other invisible items approximately offset each other.

In some years heavy shipments of gold, of which Canada is now producing over \$50,000,000 per year, have further reduced the adverse balance.

For many years until 1931 no difficulty was experienced in meeting our adverse balance. Expansion had been so great that capital movements were easily adequate to meet it. Indeed, in the period 1924 to 1928, Canadian prosperity was such that we became, during those years, a capital exporting country. In 1929 and 1930 we resumed the role of capital importers.

In 1931 the meeting of our obligations to the United States became more difficult since the flotation of capital issues in New York ceased in the latter part of the year. Details of the international account are set out in the accompanying table which shows how balance was achieved. Tourist net receipts offset net interest and net freight payments and other invisible items approximately balanced. Almost \$70,000,000 gold was shipped.

ESTIMATED BALANCE OF PAYMENTS
CANADA AND THE UNITED STATES

(000's omitted)

	1931	
	Exports Visible and Invisible	Imports Visible and Invisible
	\$	\$
1. <u>Commodity Trade - Recorded merchan-</u> dise exports and imports	266,682	393,776
Deductions for settlers' effects and other non-commercial imports	5,212	14,817
Unrecorded imports of ships	-	-
Real Total of Commodity Trade	261,470	378,959
2. Exports and imports of gold coin, bullion & subsidiary coin	69,557	1,945
3. Freight payments & receipts n.o.p. ...	32,004	55,982
4. Tourist expenditures	238,758	56,902
5. Interest payments and receipts	40,505	153,018
6. Immigrant remittances.....	8,233	7,849
7. Government expenditures & receipts ...	4,900	3,625
8. Government receipts, reparations	-	-
9. Charitable & missionary contributions.	800	-
10. Insurance Transactions	12,000	15,750
11. Advertising Transactions	2,700	3,500
12. Motion picture royalties	-	3,600
13. Capital of immigrants & emigrants	4,673	1,481
14. Earnings of Canadian residents em- ployed in U. S. A.	1,857	-
15. Allowance for exchange on N.Y. pay- ments	-	5,000
16. Allowance for known omissions such as direct magazine subscriptions, enter- tainers, radio, etc.	-	4,500
17. Difference between all exports and imports	14,654	-
TOTAL	692,111	692,111

The most significant fact, however was a reduction in our commodity adverse balance to \$107,000,000, less than one-half of the average for the last twelve years.

In view of the increasing difficulty of trading with the United States because of the latter's tariff policy (which has recently included copper and lumber) and the exchange barrier which has arisen through the cessation of capital movement from New York, it was inevitable that efforts should be made to reduce our imports from that country. It may also be said that, apart from other considerations, the force of circumstances impels the Dominion to seek other markets in which she may purchase the goods she requires and in which she may sell her commodities to meet her obligations. The same circumstances force her to seek other sources from which to obtain capital for the development of her resources.

STATISTICS CANADA LIBRARY
BIBLIOTHEQUE STATISTIQUE CANADA



1010512181