

67-201
Published by Authority of the HON. W. D. EULER, M.P.,
Minister of Trade and Commerce

DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS - CANADA
INTERNAL TRADE BRANCH

(Issued Jan. 28, 1937)

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ESTIMATED BALANCE OF INTERNATIONAL PAYMENTS FOR CANADA
Preliminary Statement for 1936

The preliminary statement of the Canadian Balance of International Payments issued by the Dominion Bureau of Statistics presents provisional estimates of the current items of goods, services and gold and the principal capital items in Canada's international accounts for the year 1936. While complete and final information will not be available until later in the year, sufficient data are now available to permit the presentation of the salient features of last year's transactions.

In interpreting the statement, the conditions which would accompany a theoretically perfect statement must be borne in mind. If the estimates of the current and capital items were absolutely correct and all inclusive, the balancing item (No. 16) of the current account and the balancing item of the capital account (No. 5) would be equal. The difference between these two amounts in the accompanying statement (\$90.7 million) represents either errors in the computations or the omission of transactions which could not be traced at the time the tables were prepared.

A large credit balance arising from the exceptionally large excess of commodity exports was the most striking feature of Canada's balance of international payments for 1936. In addition to this expansion in the commodity trade, the two other principal sources of credit balances, the trade in gold and the international tourist traffic, also resulted in larger net receipts. Although the dividends paid to investors outside of Canada were larger, the net payments made for interest and dividends and for the miscellaneous transactions, such as freight, government expenditures, etc., were more than offset by the large surplus credits already referred to. Consequently, on current account there was the impressive balance of \$318.2 million remaining after all Canada's current payments which have been estimated in this statement for the year were made. This large surplus of credits, therefore, was available for the transfer of capital funds from Canada.

Chief characteristics of this movement of capital during the year are revealed in the capital account which points to a net outflow of capital funds from Canada of \$227.5 million. The purpose of this outward capital movement was for the retirement of Canadian securities held by investors abroad, the net retirements for the year being \$145 million, as well as the large net payments connected with the operations of British and foreign branch and subsidiary plants in Canada and Canadian branch plants abroad, etc.

Summary of Balance of Payments Transactions, 1936
(In millions of dollars)

	Net Credit (+) or Debit (-)
Commodity trade	+326.9
Gold coin and bullion	+125.8
Tourist trade	+165.0
Interest and dividend receipts and payments.	-250.0
Miscellaneous transactions	- 49.5
Net credits on current account	+318.2
Net debits on capital account	-227.5
Errors or omissions	+ 90.7

Of the \$318.2 million surplus credits revealed by the current account, there have been \$227.5 million accounted for in the capital account by the net outward transfer of capital funds from Canada.

The net difference between these amounts (\$90.7 million) is made up of errors, or omissions in the estimates.

Current Account of Goods, Services and Gold

Commodity Trade.--Commodity trade figures exclude exports of non-monetary gold bullion but include exports of gold-bearing quartz. They have also been adjusted for the purpose of the balance of payments statement by excluding certain non-commercial items. The resulting credit balance is \$326.9 million.

Gold Coin and Bullion.--This item includes exports of non-monetary gold bullion and earmarked gold. The net credits resulting from gold transactions were \$125.8 million.

Tourist Expenditures.--The credit balance shown by this preliminary estimate was \$165 million. Final calculations of these expenditures may differ substantially from this estimate.

Interest and Dividend Receipts and Payments.--The debit balance produced by these transactions was \$250 million. This estimate of interest and dividend receipts by Canada is the result of a downward revision of amounts previously shown for recent years.

Miscellaneous Transactions.--Miscellaneous transactions produced a net debit balance of \$49.5 million. This amount represents the excess of the debit balances arising from freight receipts and payments, immigrant remittances, government expenditures and receipts, charitable and missionary contributions, insurance transactions, motion picture earnings, capital of immigrants and emigrants, and miscellaneous payments, over the credit balances from advertising transactions, and the net earnings of Canadian residents employed in the United States.

Capital Account

During 1936 the international trade in outstanding securities between Canada and other countries totalled \$818 million. This total trade was divided almost equally between sales and purchases. The sales of securities to investors in other countries were \$410.5 million, while purchases of securities abroad by residents of Canada were \$408.0 million. Most of these security transactions were between Canada and the United States, although transactions with Great Britain were a substantial part of the trade. Canadian purchases from the United States exceeded sales, whereas in the trade with Great Britain purchases by Canadians were exceeded by sales. Although most of these dealings were in Canadian securities, the volume of transactions in other securities was large, particularly in United States common and preference stocks.

In addition to this international trade in outstanding securities, there was the important retirement of \$255 million Canadian bonds and debentures held abroad. Part of these were refinanced at prevailing low interest rates by the receipt of \$110 million from the sale of new issues of Canadian bonds and debentures mostly in the United States. Besides these, there were sales of new issues of securities in the United States for the purpose of developing the operations of Canadian companies in the United States which have not been included in these totals.

These retirements effected a reduction of the indebtedness, principally to the United States, of some Canadian governments and corporations. Refinancing of part of the retired issues by securities at lower interest rates will also reduce future annual service payments on Canada's foreign-owned bonded debt. This reduction in future payments of interest abroad constitutes a most important long-run consequence of the capital operations during 1936.

Some retirements of foreign issues held by Canadians and the sale of certain new issues of foreign securities to Canadians during the year have not been included in the statement. These transactions, however, were not large.

The capital item of \$85.0 million described as "other known capital movements" is a net figure showing the approximate payments from Canada arising principally from the operations of the numerous British and foreign branch plants in Canada and from the operations of Canadian firms outside of Canada. The net result of the international business of Canadian trust companies is also included under this item, as well as some known short-term movements of funds which have not been otherwise provided for in the statement. Certain undifferentiated items of current payments account for a part of this net outward movement.

Published weekly, except on Sundays, by the American Medical Association, 535 North Dearborn Street, Chicago, Ill. 60610. Second-class postage paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes in this journal to THE JOURNAL OF THE AMERICAN MEDICAL ASSOCIATION, 535 North Dearborn Street, Chicago, Ill. 60610.

Subscription prices: Single copies, 15¢. Annual subscription, \$4.50 in advance. Foreign subscriptions, \$6.00 per annum. Payment in advance. All subscriptions are entered as second-class matter.

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Printed at the American Medical Association Press, 535 North Dearborn Street, Chicago, Ill. 60610. Printed on acid-free paper.

Postpaid by the American Medical Association, 535 North Dearborn Street, Chicago, Ill. 60610. Postage paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes in this journal to THE JOURNAL OF THE AMERICAN MEDICAL ASSOCIATION, 535 North Dearborn Street, Chicago, Ill. 60610.

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ESTIMATED BALANCE OF INTERNATIONAL PAYMENTS FOR CANADA

Preliminary Statement for 1936

Current Account of Goods, Services and Gold
(In millions of dollars)

	Exports Visible and Invisible	Imports Visible and Invisible	Net Debit (-) or Credit (+)
	\$	\$	\$
1. Commodity trade (adjusted)	953.9	627.0	+326.9
2. Exports and imports of gold coin and bullion (1)	126.8	1.0	+125.8
3. Freight receipts and payments, n.o.p. ..	50.0	68.0	- 18.0
4. Tourist expenditures (2)	250.0	85.0	+165.0
5. Interest and dividend receipts and payments	80.0	330.0	-250.0
6. Immigrant remittances	7.0	9.0	- 2.0
7. Government expenditures and receipts ...	6.5	12.0	- 5.5
8. Charitable and missionary contributions.	1.0	1.5	- 0.5
9. Insurance transactions (net figure)	-	16.0	- 16.0
10. Advertising transactions	2.3	1.8	+ 0.5
11. Motion picture earnings	-	3.0	- 3.0
12. Capital of immigrants and emigrants	1.9	3.5	- 1.6
13. Earnings of Canadian residents employed in the United States (net figure)	1.6	-	+ 1.6
14. Miscellaneous payments, including direct magazine subscriptions, entertainers' earnings, etc. (net figure)	-	5.0	- 5.0
15. Total credits and debits shown above ...	1,481.0	1,162.8	+318.2
16. Difference between credits and debits as above (This difference is made up of capital movements and errors and omissions)	-	318.2	-
	1,481.0	1,481.0	-

Capital Account
(In millions of dollars)

	Cr.	Dr.	
	\$	\$	\$
1. Sales and purchases of securities	410.5	408.0	+ 2.5
2. Retirements	-	255.0	-255.0
3. New series (including refinancing)	110.0	-	+110.0
4. Other known capital movements (net) (3) ..	-	85.0	- 85.0
5. Balancing item -- Net outflow of capital funds	227.5	-	-
	748.0	748.0	-

N.B. If the estimates of the current and capital items above were absolutely correct and all inclusive, the balancing item of the current account (No. 16) and the balancing item of the capital account (No. 5) would be equal. The difference between these two amounts in the above statement (\$90.7 million) represents either errors in the computations or the omission of transactions which could not be traced at the time the tables were prepared.

- (1) Includes earmarked gold. Gold-bearing quartz is included in commodity trade.
- (2) Provisional estimate. Final figures may differ substantially.
- (3) Net movement of funds resulting from the operations of British and foreign branch plants in Canada and the branches of Canadian firms abroad, including the transactions of trust companies and known short-term movements of funds, n.o.p.

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