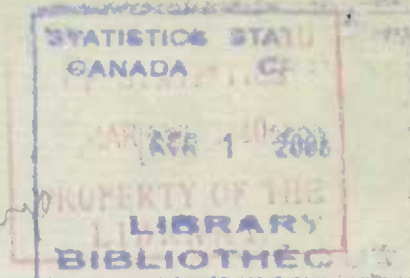


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CANADA
DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS
INTERNAL TRADE BRANCH

THE CANADIAN BALANCE

OF

INTERNATIONAL PAYMENTS

REVISED STATEMENT, 1938
AND
PRELIMINARY STATEMENT, 1939

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Published by Authority of the HON. W.D. EULER
Minister of Trade and Commerce.

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OTTAWA

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

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ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Preliminary Statement for 1939

The preliminary statement of the Canadian Balance of International Payments for 1939 presents provisional estimates of the current items of goods, gold and services and the principal capital items in Canada's international accounts for the year. 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.

The Canadian Balance of International Payments for the year 1939 retained the same general outline as revealed by statements for a period of years. As has been the case in each year since 1933, the current external income of the Dominion exceeded current disbursements in other countries by a wide margin. The balance of credits on current account in 1939 was \$209 million compared with \$180 million in 1938 and \$218 million in 1937.

Income from each of the three principal sources of revenue, merchandise, gold and the tourist trade was at a higher level than in 1938 but payments to other countries on account of interest and dividends and freight were also somewhat higher. The three broad groups of capital movements shown in the capital account also attained greater proportions than in 1938 and followed in the same direction as in the preceding year. For example, the outflow of capital for the retirement of Canadian securities owned abroad was heavier, while the inflow of capital arising on balance from sales and purchases of outstanding securities was also in greater volume than in 1938. Other capital movements, including changes in short-term foreign assets and liabilities, continued to be heavier and reflected debits on balance.

Influences affecting the balance of payments in 1939 were, however, much more diverse than the above-noted parallel changes in the statement would suggest. Among the economic influences of significance to Canada in the pre-war months was the higher level of economic activity in North America compared with the first part of the previous year, and the greater concentration upon rearmament in Europe. During this period some of the predominant movement of capital from Europe to New York was diverted to Canada although on a relatively small scale; while in the first six months of the year there were appreciable inflows of capital to Canada from the United States. With the outbreak of war an entirely new background was created. The widespread extension of economic controls and the concentration of effort in belligerent countries imposed a new economic framework which is exemplified by foreign exchange control, the regulation of international capital movements and the increased importance of public finance. The realignment of foreign exchange rates that accompanied the war has also had profound influences upon the commercial and financial relations between nations. The rapidly accelerated pace of business in the United States was another influential factor in the latter half of the year.

Alterations in the balance of payments statement in 1939 should accordingly be regarded in the light of changing conditions and special circumstances. The larger balances of credits from the merchandise and tourist trades and from gold reflect in the main increased external income. An increase in exports of merchandise to the United States was an important factor contributing to the larger credit balance, as this expansion in exports was more than sufficient to offset the larger imports from the United States and the contraction in the credit balances from trade with the United Kingdom and other overseas countries. This reduction in the debit balance on merchandise account with the United States took place in the pre-war months as both imports and exports between Canada and the United States were greater after August. The expansion in the value of trade in the latter months of the year was a reflection of heavier demand for goods in both countries as well as of the effects of the lower foreign exchange value of the Canadian dollar upon the value of trade in terms of Canadian currency.

REPORT OF THE
COMMISSIONER OF PLANT INDUSTRY
FOR THE YEAR 1902

WASHINGTON, D. C., JANUARY 1, 1903.
PUBLISHED BY THE GOVERNMENT PRINTING OFFICE.
1903.

CONTENTS

Introduction

The Department of Plant Industry was organized on July 1, 1902, and has since that time been engaged in the study and collection of plants and plant products. The Department has been organized into two main divisions, the Division of Plant Industry and the Division of Plant Products. The Division of Plant Industry is charged with the study and collection of plants and plant products, and the Division of Plant Products is charged with the study and collection of plant products.

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Summary Table

Canadian Balance of International Payments 1935 - 1939

Net Receipts or Credits (+); Net Payments or Debits (-)

(In millions of dollars)

	1935	1936	1937	1938	1939 (1)
<u>Current Account of Goods, Gold and Services</u>					
1. Merchandise	+192.7	+322.2	+213.3	+181.9	+202.0
2. Gold(2)	+116.7	+131.0	+145.0	+156.5	+184.4
3. Tourist Trade	+119.2	+140.9	+170.3	+161.7	+165.0
4. Interest and Dividends	-208.6	-233.8	-246.2	-251.0	-260.8
5. Freight	- 14.1	- 17.8	- 25.5	- 25.4	- 40.8
6. Miscellaneous Services	- 29.0	- 34.0	- 38.7	- 43.5	- 40.8
7. Net Receipts or Credits on Current Account	+176.9	+308.5	+218.2	+180.2	+209.0
<u>Capital Account</u>					
8. New Issues and Retirements of Securities	-154.4	-163.9	- 88.4	- 61.9	- 90.2
9. Sales and Purchases of Outstanding Securities	+ 51.0	+ 7.8	- 4.8	+ 28.9	+ 72.1
10. Other Capital Movements	- 70.0	- 97.6	-105.6	-102.0	-144.0
11. Net Outward Capital Movement	-173.5	-253.7	-198.8	-135.0	-162.1
12. Residual Item	3.4	54.8	19.4	45.2	46.9

(1) Preliminary

(2) In 1939 this item represents "Net Exports of Non-Monetary Gold" rather than "Net Credits."

The exchange factor also had the effect of raising the value of net exports of non-monetary gold in the months following August, although the main increase in the value of exports of non-monetary gold is on account of larger production of the metal in Canada. It should be noted that the figure representing net exports of non-monetary gold in 1939 includes domestic monetary purchases. The increase in the gold stock of the Bank of Canada in 1939 due to purchases of gold amounted to \$21,152,000. This credit appearing in the current account is offset in the capital account by an entry of the same amount.

While preliminary estimates of the tourist trade show a slightly higher balance of credits, it will be observed that tourist expenditures both in Canada and outside of Canada declined. The contraction in the expenditures of Canadians outside of Canada was greater than that in expenditures in Canada. The total expenditures in Canada were fairly well sustained because of the heavy volume of travel in the summer months before the war.

Net payments for interest and dividends are estimated at a higher level in 1939 than in any year since 1932. The change in balance was chiefly due to a sharp drop in receipts of dividends from some companies operating abroad in which there are large Canadian interests. Total payments of interest and dividends by Canada to investors abroad were not much changed so far as can be ascertained from available information. While interest payments in recent years have been appreciably reduced because of the volume of retirements of Canadian bonds owned abroad, the reduction in 1939 was not very great, as the premium on United States dollars paid to bondholders abroad in the latter months of the year was sufficient to cancel part of the reduction due to retirements in 1938 and 1939. Information to hand regarding dividend payments by Canadian companies to shareholders abroad is as yet incomplete, but indicates that such payments, both to portfolio shareholders and to parent companies outside of Canada, continued to be heavy. Payments on account of freight were also greater, a reflection in part of

increased imports from the United States and of a sharp rise in the cost of ocean transportation. Other payments for services remained substantial on balance, even though some sources of credits furnished larger receipts.

While capital movements in 1939 continued to be predominantly outwards, there were important counter-movements as well as special circumstances to be considered. The net retirement of Canadian securities owned abroad was again an outstanding feature of the Canadian capital account. The excess of retirements over new issues abroad in 1939 is estimated at \$90.2 million as compared with \$61.9 million in the previous year. A major contributing factor to this large excess of retirements over new issues abroad was the redemption of part of the Dominion of Canada 3 1/2% Registered Stock of 1930-50, which was called after the outbreak of the war, since a number of the other externally-owned bonds retired during the year were refinanced by new bond issues sold in the United States. This repatriation operation, begun in November, is an important factor in the Dominion's contribution to the allied war effort. In contrast, the amount of new issues sold in the United States before the war was greater than the amount of retired issues owned there. The net retirements of \$90 million do not represent a net outflow of funds equal to that entire amount in 1939, as there were offsetting changes in short-term banking assets and liabilities in connection with these security transactions which are taken into account in the item "Other Capital Movements."

In contrast to the outward movement of capital for the retirement of securities is the large inflow of capital from the international trade in outstanding securities. Sales of securities to other countries surpassed purchases by \$72 million. This capital inflow was from the United States and other foreign countries, Canada having repurchased securities from the United Kingdom on balance. The influx, although heaviest in the first five months, was maintained throughout the year except in the months of June and September. In the months following September the capital inflow was almost all from the United States. This inflow of capital arising from the international trade in securities was accounted for principally by the trade in Canadian and United States securities. Canadian securities were, on balance, sold to United States and European investors, the United States preference being for Canadian bonds while most of the other foreign demand was for Canadian stocks. Sales of United States stocks by Canadians were substantial.

Less complete information is available at the time of writing regarding other capital movements in 1939. Nevertheless, the extent of certain groups of transactions is already known and sufficient data on the trend in others are available to furnish the basis of a preliminary estimate. This group of capital movements gave rise to a larger net debit than in previous years. Included in this item are capital movements connected with international direct investments, insurance companies, changes in short-term assets and liabilities and accounting adjustments such as a debit entry to offset the inclusion of domestic monetary purchases in the credit item of the current account "Net Exports of Non-Monetary Gold."

The long-run effects of the capital movements in 1939 upon the balance of international indebtedness of Canada were varied. British holdings of Canadian securities were reduced while United States holdings of Canadian bonds and other foreign holdings of Canadian securities, particularly stocks, increased. At the same time Canadian holdings of United States stocks were reduced appreciably. The effects of operations during the year upon the value of direct investments and upon the value of portfolio holdings of existing stocks can only be ascertained after a detailed appraisal. Fluctuations in short-term assets and liabilities were considerable and, being subject to unusual developments, require special interpretation.

Notes on the Principal Items of the Current Account

Merchandise Trade (Exclusive of Gold)

Statistics shown under this item exclude all gold and have also been altered for balance of payments purposes by adjustments such as the elimination of non-commercial items.

Comparable data on the commodity trade for a five-year period follow:

1. Merchandise Trade Between Canada and Other Countries (Exclusive of Gold),
adjusted for Balance of Payments Purposes 1935-1939.

(In millions of dollars)

	<u>Exports</u>	<u>Imports</u>	<u>Net Credits</u>
1935	735.6	542.9	+ 192.7
1936	947.9	625.7	+ 322.2
1937	1,009.7	796.4	+ 213.3
1938	847.1	665.2	+ 181.9
1939	933.6	731.6	+ 202.0

The value of both exports and imports increased approximately 10 per cent in 1939. The gain in exports was \$86.5 million, while the gain in imports was \$66.4 million with the result that net credits from merchandise during the year increased from \$181.9 million to \$202.0 million. Some increase in the Canadian dollar value of trade in the last third of the year is attributable to the premium on United States dollars.

As is customary there were large credit balances from merchandise trade with the United Kingdom and other overseas countries and a debit balance from trade with the United States. Although the credit balances from trade with the United Kingdom and overseas countries were lower in 1939 than in 1938, the effects of such contractions upon the balance of trade with all countries were more than offset by a reduction in the debit trade balance with the United States. For, while imports from the United States reached their highest level since 1930, exports to that country also were greater than in recent years and increased more in 1939 than did imports.

Gold

The amount of \$184.4 million entered in the statement for 1939 to account for gold represents the value of "net exports of non-monetary gold" as computed by the Bank of Canada. This figure is not comparable with those used in the gold item of the balance of payments statement in previous years, mainly for the reason that it includes gold purchased for domestic monetary stocks. Such amounts, however, are offset in the capital account of the balance of payments in 1939 by a debit entry included in the item "Other Capital Movements" representing an equivalent import of monetary gold. The figure used in the gold item for 1938 reflects the net credits received, and consequently does not include "domestic monetary purchases" in that year. Net exports of non-monetary gold in 1938 are computed at \$160.5 million, a figure comparable to the \$184.4 million shown in the statement for 1939. Changes in gold held under earmark were taken into account in calculating all amounts shown.

Although the principal reason for the larger exports of non-monetary gold in 1939 was the increase in production, another factor was the premium on United States dollars from August until the end of the year.

Tourist Expenditures

Preliminary estimates of the international expenditures of tourists and travellers indicate that there was a balance of credits in Canada's favour of about \$165 million in 1939 compared with \$162 million estimated for 1938.

Total expenditures of tourists from other countries are provisionally estimated at \$275 million, while the expenditures of Canadians outside of Canada are placed at \$110 million. Both groups of expenditure were lower than in 1938 when the corresponding amounts were about \$283 million and \$121 million respectively. While the outbreak of the war affected the tourist trade, the resulting reductions in some types of traffic appear to have been more than offset by heavier movements earlier in the year.

A summary of tourist expenditures in recent years follows:

Estimated Tourist Expenditures 1935-1939

(In millions of dollars)

	Expenditures in Canada of Tourists from Foreign Countries (Credits)	Expenditures of Canadian Tourists in Foreign Countries (Debits)	Net Credits
1935	214.8	95.6	119.2
1936	251.3	110.4	140.9
1937	294.7	124.4	170.3
1938	283.0	121.0	162.0
1939	275.0	110.0	165.0

Interest and Dividends

Net payments on account of interest and dividends are provisionally estimated at \$260.8 million compared with \$251 million in 1938.

The most important change was the decline in receipts of dividends from companies abroad, which had the effect of increasing net payments on interest and dividends account, as available information indicates that total payments by Canada in 1939 were about the same as in 1938. Any reduction in interest on Canadian bonds paid to bondholders abroad because of retirements and refinancing was mostly offset by the premium on United States dollars in the last quarter of the year. Partial data on dividend payments of Canadian companies, on hand at the time of writing, indicates that dividends paid to both portfolio investors and parent companies remained at a high level in 1939.

Estimated Receipts and Payments of Interest and Dividends by Canada 1935-1939

(In millions of dollars)

	Received by Canada from Investments Abroad	Paid by Canada on British and Foreign Investments in Canada	Net Payments (-)
1935	62.0	270.6	- 208.6
1936	76.2	310.0	- 233.8
1937	78.8	325.0	- 246.2
1938	66.0	317.0	- 251.0
1939	53.2	314.0	- 260.8

Freight and Miscellaneous Services

Although it is possible to estimate only approximately, so early in the year, the changes on freight account, sufficient information is available to reveal the trend. A substantial increase in net debits is allowed for in this item on account of larger payments to United States railways for freight on increased imports and on account of the very sharp rise in ocean freight rates and the war risk insurance in the last four months of the year.

Preliminary estimates do not point to much change on balance in the payments for other services, etc. Included in this group are government expenditures for other purposes than merchandise, interest, and principal; charitable and missionary contributions; advertising transactions; motion picture and other royalties; entertainment services; the earnings of international commuters; immigrants' remittances; and the capital of immigrants and emigrants. Among the more notable changes in this group of transactions in 1939 were heavier government expenditures on account of the war and substantial imports of capital before the war by refugees and other immigrants from Europe. In some instances capital brought by the latter was used to establish new industries in Canada.

Notes on the Capital Account

New Issues and Retirements of Canadian Securities Owned
Outside of Canada

Retirements of Canadian securities owned abroad continued to exceed sales of newly issued Canadian securities outside of Canada. Net retirements in 1939 are estimated at \$90.2 million compared with \$61.9 million in 1938. Both new issues and retirements were in heavier volume in 1939 than for several years.

Estimated New Issues and Retirements of Canadian Securities
Owned Outside of Canada 1935-1939

(In millions of dollars)

	New Issues Sold Abroad	Retirements of Issues Owned Abroad	Net Retirements
1935	117.0	271.4	- 154.4
1936	106.1	270.0	- 163.9
1937	89.5	177.9	- 88.4
1938	88.6	150.5	- 61.9
1939	144.5	234.7	- 90.2

As the above table reveals, the total of new issues sold outside of Canada in 1939 was the highest during the past five years. Each group of bonds, Dominion, provincial, municipal and corporate is represented in the total, and about one half of the total is made up by large public utility issues. With the exception of a municipal issue sold in the Netherlands, practically all of the new issues were sold in the United States. Most of the bonds sold were for the purpose of refinancing maturing or called issues owned outside of Canada and a substantial part of the credits shown in new issues account is offset by debits in the item "Other Capital Movements" representing a rise in short-term foreign assets.

Of the total issues owned abroad which were retired during the year considerably more than half were called for redemption before maturity. While some of the retired issues were refinanced by the new issues sold outside of Canada referred to above, others were refinanced by issues sold in domestic capital markets. Retirements were heaviest among corporation issues and these, along with that part of the Dominion of Canada 3 1/2% Registered Stock of 1930-50 which was redeemed during 1939, represent the bulk of the total retirements of \$234.7 million. The Dominion Government, municipalities and corporations retired, on balance, securities owned abroad, while sales of new issues of provincial government bonds in the United States exceeded retirements by an appreciable margin.

Although total net retirements amounted to \$90.1 million, there were inflows of capital on balance from the United States and from overseas countries other than the United Kingdom arising from sales of new issues. It is estimated that new issues in the United States exceeded retirements during the year by \$26.1 million while net new issues in "other countries" were about \$3.4 million. The net retirement of issues owned in the United Kingdom, on the other hand, are estimated at about \$119.7 million. This inflow of capital from the United States and other countries took place in the months before the war while, in contrast, most of the retirements of issues held in the United Kingdom took place after the outbreak of war. In fact, the repatriation of the Dominion of Canada 3 1/2% Registered Stock accounts for a large portion of the retirements of bonds held in the United Kingdom, and this operation is part of Canada's economic contribution to the prosecution of the war.

It should be pointed out, however, that some of the amounts discussed above are offset in the balance of payments statement for 1939 by debits and credits taken into account in the computation of the item "Other Capital Movements" to represent changes in short-term banking assets and liabilities resulting directly from security transactions entered in the New Issues and Retirements item.

Sales and Purchases of Outstanding Securities

Although the volume of trading in securities between Canada and other countries was smaller in 1939 than in 1938 the net inflow of capital was much heavier. Sales of securities by Canada to other countries exceeded purchases by \$72.1 million.

Sales and Purchases of Securities Between Canada and
Other Countries 1935-1939

(Millions of dollars)

	<u>Sales to Other Countries</u>	<u>Purchases from Other Countries</u>	<u>Net Sales (+) Net Purchases (-)</u>
1935	301.8	250.8	+ 51.0
1936	422.5	414.7	+ 7.8
1937	506.6	511.4	- 4.8
1938	369.2	340.3	+ 28.9
1939	311.0	238.9	+ 72.1

Most of the inflow of capital in 1939 was from the United States. Of the total net sales to all countries shown above there were \$57.4 million originating in the trade with the United States. The remaining inflow was from overseas countries other than the United Kingdom, net sales to these countries being \$20.2 million, while in the trade with the United Kingdom there were net repurchases by Canadians of \$5.5 million.

The inflow of capital from the United States arose from sales of both Canadian and United States securities. Net sales of Canadian securities to that country were in the trade in bonds, there being small repurchases of Canadian stocks on balance. The inflow of capital from overseas countries, mainly from continental Europe, was, on the other hand, mostly for the acquisition of Canadian stocks. Both Canadian stocks and bonds were repurchased in the trade with the United Kingdom.

Sales and Purchases of Securities Between Canada and Other Countries,
by Groups of Securities, 1939

(In millions of dollars)

	<u>Sales</u>	<u>Purchases</u>	<u>Net Sales (+) Net Purchases (-)</u>
Canadian Bonds	117.8	78.7	+ 39.1
Canadian Stocks	78.0	66.0	+ 12.0
Total - Canadian Securities	195.9	144.7	+ 51.2
United States Bonds	14.3	13.3	+ 1.0
United States Stocks	88.3	71.0	+ 17.3
Total - United States Securities..	102.6	84.3	+ 18.3
Other Securities - including un- specified bonds	12.5	9.9	+ 2.6
Total - All Securities	311.0	238.9	+ 72.1

As the above table reveals, foreign holdings of Canadian securities increased while Canadian holdings of United States securities were reduced as a result of the trade in securities. Of the total of \$72.1 million net sales of securities by Canada during the year, there were \$51.2 million originating from the trade in Canadian securities, \$18.3 million from dealings in United States securities, \$1.0 million in United Kingdom securities, while the remaining \$1.6 million was made up of short-term and other foreign and unspecified securities. Dominion, provincial, Dominion guaranteed and corporation bonds were all sold on balance. Net sales of all groups of Canadian bonds amounted to \$39.1 million while net sales of Canadian stocks were \$12.0 million. Almost all of the \$18.3 million net sales of United States securities were in the trade in stocks.

Partially offsetting the net credits of \$72.1 million entered in the capital account of the balance of payments statement under the item "Sales and Purchases of

Outstanding Securities" are debits appearing in the item "Other Capital Movements." These debits represent an estimate of the difference between net sales of securities and net sales of foreign exchange. This difference arises from various factors, including the reduction of Canadian brokerage balances in New York.

Other Capital Movements

Preliminary estimates of other capital movements in 1939 point to a considerably larger net debit than in 1938. While records of many of the transactions included in this item will not be available until later in the year, sufficient records of important parts of the item as well as preliminary data covering other parts are on hand to permit a tentative estimate, which may be regarded as indicative of the trend rather than representing the absolute amount involved. It should be pointed out that this item does not exclusively reflect long-term capital movements, as a substantial part of the item represents changes in short-term assets and liabilities and unavoidable accounting offsets to transactions entered elsewhere in the balance of payments statements.

Included in "Other Capital Movements" are estimates of the net remittances between companies in Canada and their head offices and subsidiaries in other countries when these remittances are not entered elsewhere in the balance of payments statement, e.g. in the interest and dividends item. The operations of a very large group of companies are therefore accounted for by this item, embracing as it does the transactions of British and foreign branch and subsidiary companies in Canada and of the foreign subsidiaries of Canadian companies as well as of insurance companies and Canadian trust companies. The heading "Other Capital Movements" also covers the net change in the foreign assets of Canadian banks and an adjustment to the statistics of sales and purchases of outstanding securities referred to in the notes on that item. In the computation of changes in short-term banking assets and liabilities in 1939, allowance was made for some unusually large transactions partly offsetting entries in the items representing new issues and retirements of Canadian securities owned outside of Canada. Purchases of gold for domestic monetary stocks have been entered as debits here to offset their inclusion in the current account item "Net Exports of Non-Monetary Gold."

Residual Item

This is a balancing item measuring the difference between the balancing items of the current and capital accounts. Theoretically, in a perfect balance of payments statement, the net balances in the current account and capital account would exactly offset one another. The residual item, therefore, is a measure of the accuracy and completeness of the statement and may reflect either errors or omissions. In a preliminary statement such as the present it is not usually possible to draw very definite conclusions regarding the character of transactions or estimates affecting the residual item.

Estimated Canadian Balance of International Payments

Preliminary Statement for 1939

(In millions of dollars)

	<u>Credits</u> <u>Exports</u> Visible and Invisible	<u>Debits</u> <u>Imports</u> Visible and Invisible	Net Credits (+) or Debits (-)
<u>Current Account of Goods, Gold and Services</u>			
Merchandise Trade (Adjusted)	933.6	731.6	+ 202.0
Gold ⁽¹⁾	184.4	-	+ 184.4
Tourist Expenditures	275.0	110.0	+ 165.0
Interest and Dividends	53.2	314.0	- 260.8
Freight Transactions n.o.p.	86.0	126.8	- 40.8
Miscellaneous Services etc.	29.1	69.9	- 40.8
Total Credits and Debits as Above	1,561.3	1,352.3	+ 209.0
Balancing Item - Difference between Credits and Debits above		209.0	
	1,561.3	1,561.3	
	<u>Credits</u>	<u>Debits</u>	
<u>Capital Account</u>			
New Issues of Canadian Securities sold abroad (including refinancing)	144.5)	
Retirements of Canadian Securities owned abroad) 234.7)	- 90.2
Sales and Purchases of Outstanding Securities	311.0	238.9	+ 72.1
Other Capital Movements (Net)	-	144.0	- 144.0
Total Credits and Debits as Above	455.5	617.6	- 162.1
Balancing Item - Direct Estimate of Net Out- ward Movement of Capital	162.1		
	617.6	617.6	
Residual Item - Difference between the balancing items of Current and Capital Ac- counts	46.9		

(1) "Net Exports of Non-Monetary Gold" - Includes Domestic Monetary Purchases.

REVISED STATEMENT 1938

Geographical Distribution of Canada's International Payments in 1938

A revised statement of the Canadian Balance of International Payments in 1938 showing the geographical distribution of transactions is presented in a table at the end of this report. While the geographical distribution of some important groups of transactions is a matter of record, that for others is estimated. Although the distribution of transactions by countries is based on less well-defined data than the totals for all countries, the analysis does provide a delineation of the main outlines of Canada's commercial and financial dealings with the United Kingdom, the United States and other countries. It throws light upon the sources of demand for Canadian goods and services as well as on the distribution of Canadian purchases of goods and services. It also reveals the direct source and destination of movements of capital although the beneficial ownership or ultimate destination of capital may not always be disclosed. In general, it should be noted that transactions are classified in the statement by country of residence of the participants rather than by the currency in which they are executed.

The geographical distribution of the Canadian Balance of Payments in 1938 reveals the following broad outlines. Net credits were derived from current account transactions with the United Kingdom and from both current and capital account transactions with "other countries" while there were net debits on capital account with the United Kingdom and on both current and capital accounts with the United States. The principal changes between 1937 and 1938 in the current account balances consisted of larger net credits with the United Kingdom and "other countries" and a larger balance of debits with the United States. The main changes in the capital account were: an increased outward capital movement to the United Kingdom, a sharp contraction in the outflow to the United States, and a heavier inflow from other countries. Total net payments on current and capital account to the United States were smaller, while total net receipts from the United Kingdom were lower and those from other countries were higher.

In current trading with the United Kingdom in 1938 merchandise and gold provided the sources of large balances of credits which were partly cancelled by substantial payments of interest and dividends to investors in the United Kingdom and by appreciable payments for other groups of services. The balance of credits on current account was greater than in 1937. Capital movements in each of the three groups shown were predominantly towards the United Kingdom, with the result that the net outflow of capital of \$53.2 million from Canada to the United Kingdom in 1938 was the highest in the twelve years (1927-1938) for which statistics are available. Total net credits on current and capital account combined were accordingly slightly lower in 1938 than in 1937, being \$143.1 million as against \$152.5 million.

In the current account with the United States the tourist trade and gold continued to be the main sources of credits on balance, while the merchandise trade and interest and dividend payments to United States investors gave rise to the bulk of the debits. The balance of debits in the current account with the United States rose sharply in 1938 as a result of increased debits in the merchandise trade and decreased credits from gold and tourist expenditures, and was higher than in any year since 1933. The net movement of capital from Canada to the United States was much smaller than in 1937 or other recent years. While retirements of Canadian securities owned in the United States and "other capital movements" were somewhat smaller, the main reason for the reduced net outflow was the net inflow of capital arising from the trade in outstanding securities in contrast to an opposite movement in 1937. Total net payments on current and capital account with the United States in 1938 were \$233.8 million compared with \$240.2 million in 1937, the reduction in capital outflow being mostly offset by increased net payments on current account.

The current account with "other countries," i.e. countries other than the United Kingdom and the United States, shows larger net credits than in any year since 1929. A rise in net credits from merchandise, and unusual exports of gold to Europe, were responsible for the increase. The capital inflow to Canada from "other countries" was also larger than usual. Most of this inflow came from sales of Canadian stocks to investors in continental Europe. The net credits on current and capital account combined amounted to \$135.9 million compared with \$107.1 million in 1937 and are larger than in any year since 1929.

Report of the Committee on the Administration of the Government of the District of Columbia

A report of the Committee on the Administration of the Government of the District of Columbia, organized in 1933, is presented herewith. The Committee was organized by the Board of Commissioners of the District of Columbia, and its members are the Honorable Charles C. Smith, Chairman, and Messrs. John W. Davis, John H. Johnson, and John H. Johnson, Jr. The Committee has the honor to submit this report to the Board of Commissioners, and to the people of the District of Columbia, in accordance with the provisions of the Organic Act of 1901, and the Act of March 3, 1907, relating to the administration of the District of Columbia.

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Balancing Items of Current and Capital Accounts Between Canada and the United Kingdom, The United States and Other Countries 1934-1938

Net Receipts or Credits (+); Net Payments or Debits (-)

(In millions of dollars)

Balancing Item of Current Account between Canada and				
	All Countries	United Kingdom	United States	Other Countries
1934	+ 74.8	+ 93.2	- 93.5	+ 75.1
1935	+176.9	+113.9	+ 0.3	+ 62.7
1936	+308.5	+228.7	- 10.7	+ 90.5
1937	+218.2	+176.8	- 55.3	+ 96.7
1938	+180.2	+196.3	-133.4	+117.3

Balancing Item of Capital Account between Canada and				
	All Countries	United Kingdom	United States	Other Countries
1934	-115.8	+ 98.9	-213.0	- 1.7
1935	-173.5	- 44.1	-139.9	+ 10.5
1936	-253.7	- 28.8	-226.2	+ 1.3
1937	-198.8	- 24.3	-184.9	+ 10.4
1938	-135.0	- 53.2	-100.4	+ 18.6

Total Net Current and Capital Transactions between Canada and				
	All Countries (Residual Item)	United Kingdom	United States	Other Countries
1934	- 41.0	+192.1	-306.5	+ 73.4
1935	+ 3.0	+ 69.8	-139.6	+ 73.2
1936	+ 54.8	+199.9	-236.9	+ 91.8
1937	+ 19.4	+152.5	-240.2	+107.1
1938	+ 45.2	+143.1	-233.8	+135.9

Long-term changes in the balance of international indebtedness of Canada, insofar as they are the result of security transactions during 1938, were in the following directions:

Holdings of Canadian bonds and stocks in the United Kingdom were reduced by both retirement operations and repurchases of Canadian securities by Canada. On the other hand, the holdings of Canadian securities in other overseas countries increased. Most of this demand from Europe was for Canadian stocks. While considerable changes took place in the holdings of Canadian securities in the United States, there were important divergent movements of capital. The amount of Canadian bonds held in the United States was reduced by redemptions but a balance of sales by Canada to the United States in the trade in securities cancelled part of the effects of the retirements upon total holdings. United States holdings of Canadian stocks were also increased by the trade in securities during the year. In the same period Canadian purchases of United States bonds were appreciable, while there was a small balance of sales of United States and United Kingdom stocks and slight purchases of other foreign securities. Other changes in international indebtedness in 1938 are more obscure and, being often the result of internal changes, will be completely revealed only at a later date.

Estimated Canadian Balance of International Payments

Revised Statement for 1938

(In millions of dollars)

Net Credits (+); Net Debits (-)

	Transactions Between Canada and											
	All Countries			United Kingdom			United States			Other Countries		
	Credits	Debits	Net	Credits	Debits	Net	Credits	Debits	Net	Credits	Debits	Net
A. Current Account of Goods, Gold and Services												
1. Merchandise Trade (Adjusted)	847.1	665.2	+181.9	341.1	120.7	+220.4	277.7	411.8	-134.1	228.3	132.7	+ 95.6
2. Gold (Estimated Net Credits)(1)	156.5	-	+156.5	79.9	-	+ 79.9	64.2	-	+ 64.2	12.4	-	+ 12.4
3. Tourist Expenditures	282.7	121.0	+161.7	8.1	14.6	- 6.5	268.0	101.0	+167.0	6.6	5.4	+ 1.2
4. Interest and Dividends	66.0	317.0	-251.0	0.6	82.9	- 82.3	25.0	226.4	-201.4	40.4	7.7	+ 32.7
5. Freight Transactions n.o.p.	79.6	105.0	- 25.4	23.9	30.1	- 6.2	39.2	55.2	- 16.0	16.5	19.7	- 3.2
6. Miscellaneous Services etc.	23.4	66.9	- 43.5	4.7	13.7	- 9.0	16.5	29.6	- 13.1	2.2	23.6	- 21.4
7. Total Credits and Debits as above ..	1,455.3	1,275.1	+180.2	458.3	262.0	+196.3	690.6	824.0	-133.4	306.4	189.1	+117.3
8. Balancing Item - Difference between Credits and Debits above		180.2			196.3		133.4				117.3	
	1,455.3	1,455.3		458.3	458.3		824.0	824.0		306.4	306.4	
B. Capital Account												
1. New Issues of Canadian Securities sold abroad (including refinancing)	88.6	-)		50.3	-)		38.3	-)		-	-)	
2. Retirements of Canadian Securities owned abroad	-	150.5)	- 61.9	-	71.6)	- 21.3	-	78.3)	- 40.0	-	0.6)	- 0.6
3. Sales and Purchases of Outstanding Securities	369.2	340.3	+ 28.9	52.1	64.3	- 12.2	283.5	261.3	+ 22.2	33.6	14.7	+ 18.9
4. Other Capital Movements (Net)	-	102.0	-102.0	-	19.7	- 19.7	-	82.6	- 82.6	0.3	-	+ 0.3
5. Total Credits and Debits as above...	457.8	592.8	-135.0	102.4	155.6	- 53.2	321.8	422.2	-100.4	33.9	15.3	+ 18.6
6. Balancing Item - Direct Estimate of Net Capital Movement	135.0			53.2			100.4				18.6	
	592.8	592.8		155.6	155.6		422.2	422.2		33.9	33.9	
7. Residual Item - Difference between the balancing items of Current and Capital Accounts	45.2											

(1) Includes earmarked gold.

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