CANADA

DEPARTMENT OF TRADE AND COMMERCE

DOMINION BUREAU OF STATISTICS

INTERNAL TRADE BRANCH

THE CANADIAN BALANCE

OF

INTERNATIONAL PAYMENTS

REVISED STATEMENTS, 1937 - 1940

AND

PRELIMINARY STATEMENT, 1941

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

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CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

1 9 4 1

The change which has taken place in Canada's international accounts since the start of the war, is revealed in the statement of the Canadian balance of international payments for 1941. Most of the more striking effects of the war, which first appeared in the 1940 statement, are more accentuated in the statement for 1941 because of the expansion in war production and in the other war activities of the Dominion.

Total current credits of $2,455 million exceeded total current debits of $1,977 million by $478 million. This balance compares with credit balances on current account of $144 million in 1940 and $137 million in 1939 and is higher than any previous credit balance in Canada's history. Gross credits on current account increased most and were the highest on record, being $1,021 million greater than in 1939. Gross debits of $1,977 million were at a record level, too, although the increase was less than in the case of credits. Consequently, the net balance on current account transactions with all countries increased very sharply in 1941. These impressive proportions being obtained during the war, are, of course, related to the great growth in national income which has taken place.

Table I. Current Account Between Canada and All Countries
(Millions of dollars)

	1939	Increase 1939 to 1940	1940	Increase 1940 to 1941	1941	Increase 1939 to 1941
Total credits on current account	1,434	335	1,769	686	2,455	1,021
Total debits on current account	1,297	328	1,625	352	1,977	680
Net Credits on current account	+ 137	+ 7	+ 144	+ 334	+ 478	+ 341

From the point of view of exchange and finance, however, the balance of payments is divided into two clearly defined divisions, - the balance of payments between Canada and the sterling area, and the balance of payments between Canada and the rest of the world, with which Canada's dealings are on a U. S. dollar basis. Because of conditions arising from the war, Canada's balance of sterling income over disbursements is no longer freely convertible into United States dollars, whereas before the war, sterling balances were employed in part to cover the definit in United States dollars. Accordingly, separate statements are shown in this report for transactions with Empire Countries and Non-Empire Countries. Insofar as was possible, the statement for Empire Countries represents the sterling area and the statement for Non-Empire Countries represents the United States dollar area. In the case of the balance of payments with the sterling area there has been a greatly expanded surplus

of current credits over debits, while in the balance of payments with the United States dollar area there was, in 1940 and 1941, a growing net deficit on current account. (1)

Current Transactions with the Sterling Area

There was a net credit on current account with the sterling area of $804 million in 1941 compared with $423 million in 1940 and $163 million in 1939. The principal factor contributing to this large credit balance in 1941 was the expenditures by the British Government on war equipment, food and materials produced in Canada. The value of exports to the sterling area, including certain pre-payments for goods in the process of production in 1941, increased from $436 million in 1939 to $699 million in 1940 and $1,098 million in 1941. These figures exclude exports on Canadian account such as equipment for the Canadian army in the United Kingdom. Imports of merchandise from the sterling area increased only moderately, being $177 million in 1939, $236 million in 1940 and $279 million in 1941. Most of the increase was from Empire Countries other than the United Kingdom. Excluded from these imports are goods which are not purchased by Canada such as the contributions in kind made by the Government of the United Kingdom to the Joint Air Training Plan, and the equipment imported for the R. A. F. Special Schools in Canada.

Table II. Current Account Transactions between Canada and the Sterling Area
(Millions of dollars)

	1939	Increase 1939 to 1940	1940	Increase 1940 to 1941	1941	Increase 1939 to 1941
Total credits on current account	487	335	822	499	1,321	834
Debits on current account	324	75	399	118	517	193
Net credits with Sterling Area	+ 163	+ 260	+ 423	+ 381	+ 804	+ 641

Larger disbursements in Canadian ports on account of shipping and payments for inland freight in Canada on the heavy movement of commodities for export also contributed to the increased balance of credits.

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(1) In 1942, however, the Minister of Finance has indicated that the deficit would be reduced as a result of increasing sales of munitions to the United States under the Hyde Park Declaration.

"As I informed the house in introducing the United Kingdom War Appropriation Bill on March 18 this year, liquid reserves of gold and United States dollars held by the Foreign Exchange Control Board and the Dominion Government declined by $142 million during 1941. In the first quarter of 1942, there was a marked, though in part a temporary, improvement. As a result, the decline in our liquid reserves for the fiscal year 1941-42 was only about $50 million. This welcome change was due to two factors: purchases of Canadian securities by investors in the United States, a method of obtaining exchange which cannot be depended on for really substantial amounts in view of the limited supply of securities available in Canada payable in United States dollars; and payments for sales of munitions under the Hyde Park agreement including some substantial advance payments. While we have reason to believe that these sales will increase, as new contracts are arranged and as larger deliveries are made under existing contracts, the advance payments are, of course, non-recurring."

"The outlook for the fiscal year, 1942-43, is distinctly more cheerful than the results of the calendar year 1941. We cannot expect, however, the full improvement which took place from January to March to continue. Other unfavourable factors have entered the picture, particularly the adverse effect on the tourist trade of the necessary restrictions on the use of gasoline and rubber and the recent decline in newsprint exports. Nevertheless, I look forward with reasonable assurance to transactions under the Hyde Park agreement being sufficient to safeguard our exchange position during the present fiscal year."

See annual Financial Statement of the Minister of Finance, House of Commons Debates June 23, 1942, pages 3,888 and 3,889.

"Interest and dividend payments" and "all other current transactions" both produced substantial net debits. While total interest and dividends paid on British investments in Canada decreased in 1941, the reductions in interest paid on Canadian bonds repatriated from the United Kingdom were partly offset by larger dividend payments. The item "All Other Current Transactions" shows an excess of debits over credits of $34 million. The expenditures of the Dominion Government in connection with the maintenance of the Canadian armed forces overseas constitute the bulk of the debits in this item. Among the principal credits in this item are the expenditures on air training in Canada by the British, Australian and New Zealand Governments and other expenditures on services in Canada connected with the war, by Allied Governments. The expenditures of Canadian travellers in other parts of the Empire and of Empire travellers in Canada offset each other.

The current account with the sterling area is shown in Sections B and D of Table VII divided into transactions between Canada and the United Kingdom and Canada and other Empire Countries. While an analysis of official expenditures on war production has enabled this division to be made quite complete for 1941, it is still not entirely definitive. In 1940 merchandise exported on British account and shipped to Egypt and other Empire Countries is included in the "Other Empire" section of the statement.

Current Transactions with the United States Dollar Area

Canada's debit balance on current account with the United States dollar area rose from $26 million in 1939 to $279 million in 1940 and $326 million in 1941. The growth in the debit balance with the United States alone has been from $89 million in 1939 to $301 million in 1940 and $330 million in 1941. The pre-war credit balance on current transactions with other foreign countries has shrunk from $63 million in 1939 to $22 million in 1940 and $4 million in 1941.

Table III. Current Account Transactions between Canada and the United States Dollar Area

(Millions of dollars)

	1939	Increase 1939 to 1940	1940	Increase 1940 to 1941	1941	Increase 1939 to 1941
Gross credits on current account	947	Nil	947	187	1,134	187
Gross debits on current account	973	253	1,226	234	1,460	487
Net debits on current account with U.S.$ area	- 26	- 253	- 279	- 47	- 326	- 300

The principal factor in the growth of the debit balance with the United States dollar area has been the great expansion in imports of merchandise from the United States. Imports from the United States of merchandise purchased by Canada increased from $472 million in 1939 to $702 million in 1940 and $910 million in 1941. These figures exclude goods imported from the United States on British or other allied account which are not paid for by Canada. The major element in these increased requirements of United States dollars naturally arises from the program of war production. While direct purchases in the United States of aircraft and other equipment for the armed services have been substantial, there are even heavier disbursements of United States dollars for materials, fuel, capital equipment and component parts required for the war production program. An important part of these United States dollar requirements arises from the United States dollar content of production in Canada for the United Kingdom. There have also been increased demands for civilian goods from the United States resulting from the high level of incomes.

Exports to the United States dollar area increased from $470 million in 1939 to $503 million in 1940 and $634 million in 1941. The increase in exports to the United States alone was greater than this rise of $164 million; with the loss of European and Oriental markets, exports to Other Foreign Countries declined from $126 million in 1939 to $79 million in 1940 and $68 million in 1941. Only a very small part of the exports to the United States in 1941 represents munitions or other war production sold as a result of the Hyde Park Declaration of April 1941. Exports resulting from the Declaration did not become substantial until early in 1942.[x]

[x] See footnote - page 2.

The prepayments and capital assistance received in this connection in 1941 have been shown as credits in the capital account.

The $204 million received from net exports of non-monetary gold in 1941 is about the same value as in 1940. Most of the increased receipts in these two years over the $184 million received in 1939, is due to the premium on United States dollars.

Net receipts from the tourist trade were $87 million in 1941 compared with $55 million in 1940. While part of this increase was because of heavier expenditures by United States tourists in Canada, the larger part was due to the decline in Canadian expenditures in the United States which in 1941 were less than one-half of the total in 1940. This was partly the result of the operation of the official restrictions on pleasure travel throughout a full year. The comparability of the estimates of tourist expenditures in 1939 is discussed in the statistical note on this subject.

Net payments on account of interest and dividends declined to $172 million in 1941 from $190 million in 1940. Most of this drop is due to a reduction in the total dividends paid by Canadian companies to shareholders in the United States dollar area. A smaller part reflects increased income from Canadian investments in the United States, particularly from direct investments. Interest on Canadian bonds and debentures held in the United States dollar area remained at about the same level in 1940 and 1941.

Net payments on account of freight and shipping increased sharply from $34 million in 1940 to $65 million in 1941. Freight on coal and other commodities imported from the United States was heavier because of the growth in imports. Payments connected with shipping were also much larger.

All other current transactions gave rise to a smaller balance of debits in 1941 than in 1940. As unusual transactions which appear irregularly are included in this item, the composition varies each year. One factor tending to reduce the debit balance in 1941 is the inclusion of Newfoundland's balance of United States dollar receipts which were augmented in 1941 by the United States Government's expenditures on bases in Newfoundland.

CAPITAL ACCOUNT TRANSACTIONS WITH EMPIRE COUNTRIES

Gross capital receipts by Canada from Empire countries totalled $181 million in 1941. The major part of this amount represents capital expenditures in Canada by the Government of the United Kingdom. Payments for fixed capital invested in wholly or jointly owned government companies and capital assistance to private companies, and capital invested in air training schools, are included. Capital received by Canada in respect of estates and trusts, claims received for the loss of vessels and other insurance transactions, make up most of the remainder.

Gross capital debits amounted to $990 million in 1941. Of this amount, $73 million represents privately financed capital payments by Canada and declines in the Canadian dollar balances of the sterling area. Purchases of securities, private retirements of securities, insurance company transactions, repayments of mortgages and loans and payments connected with estates and trusts make up most of this $73 million.

The remaining amount of $917 million represents the residual requirements of the United Kingdom for Canadian dollars on current and capital account which were supplied by the Dominion Government. Of this total, $189 million was provided by official repatriation, i.e., by the redemption in advance of maturity of certain Dominion, provincial and Dominion guaranteed C. N. R. bond issues, held in the United Kingdom. The rest, amounting to $728 million, was provided through the accumulation of sterling balances by the Foreign Exchange Control Board. By this action, the Canadian government ensured that the United Kingdom would be able to continue to buy the food, materials, munitions and war supplies required for the prosecution of the war.

Most of the accumulation of sterling was, in 1942, converted into a Canadian dollar loan to the British Government of $700 million. The remainder was used mainly for the repatriation of Dominion and Canadian National Railway securities formerly held by British investors. (2)

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(2) The speech by the Minister of Finance in the House of Commons on the introduction of the Bill providing for a gift and a loan to the United Kingdom describes Canada's financial relations with the United Kingdom since the start of the war. (House of Commons Debates, March 18th, 1942).

In 1940, part of the deficit of the sterling area in Canada had been settled by means of gold, which in turn was used in settling Canada's deficiency with the United States, but no gold has been received from the United Kingdom since December 1940.

CAPITAL TRANSACTIONS WITH NON-EMPIRE COUNTRIES

Capital payments by Canada to non-Empire countries, are, of course, subject to the restrictions imposed by foreign exchange control. In general, payments were allowed only in the case of maturing contractual commitments, although certain other types of capital transfers were permitted in minor amounts.

Gross capital payments to non-Empire countries declined from $141 million in 1940 to $73 million in 1941. Retirements of Canadian bonds and debentures held in the United States and repayments of mortgages, loans and advances and other contractual obligations represent the major part of the total. Debits connected with insurance transactions make up most of the remainder.

Capital credits with non-Empire countries totalled $385 million in 1941 compared with $167 million in 1940. Of the total capital credits in 1941, $229 million was received from such sources as sales of securities, capital advances, mortgages, real estate, insurance transactions, etc. Imports of capital from sales of outstanding securities to the United States was the largest single source of these credits. Sales of outstanding Canadian securities in United States markets were substantial. In addition, there were sales of domestic securities for Canadian dollars of some proportions. At the same time, the private liquidation of Canadian holdings of United States and foreign securities through sales and retirements continued. An important source of capital credits resulted from the Hyde Park Declaration of April 1941 in the form of prepayments and capital advances in connection with orders placed.

Capital credits also originated in various increases in other forms of United States investments in Canada, and decreases in other forms of Canadian owned assets in the United States and elsewhere. These credits were in connedtion with direct investments, insurance transactions, estates and trusts, real estate, short-term financing, etc. There were also capital credits originating in changes in private balances and in the short-term position of firms.

The remaining part of the total capital credits, $156 million, was accounted for by a reduction of $142 million (United States) in Canada's official reserves of gold and United States dollars, and represents the means by which Canada covered her residual deficiency on current and capital account with non-Empire countries in 1941.

In 1942, as the Minister of Finance indicated in his Budget speech on June 23rd, 1942, the position with respect to Canada's official reserves has improved, as a result of sales of munitions to the United States under the Hyde Park Declaration, and considerable purchases of Canadian securities by American investors.

STATISTICAL NOTES

Merchandise Trade

While export and import statistics are the principal source used for this item, the credits for merchandise trade shown for the United Kingdom reflect British payments in Canada for munitions and war supplies which are paid for through official channels rather than the value of goods exported during the year 1941. The trade statistics have also been adjusted for balance of payments purposes to bring them more into conformity with payments in the two currency areas concerned. Trade between Canada and Newfoundland has also been excluded. Adjustments are also made on account of wheat and other grain movements for storage purposes, and on account of the over-valuation of imports.

Exports of merchandise on Canadian account, and imports of merchandise for the account of British or Allied Governments have been excluded. The exports thus excluded, have, for the most part, represented exports of equipment and supplies for the use of the Canadian forces overseas. Among the imports which have been deducted, are imports of goods which the British Government has shipped to Canada from the United Kingdom as a part of its contribution in kind to the Joint Air Training Plan

or equipment and supplies for the R. A. F. Special Schools in Canada. Imports from the United States which have been deducted are in the main, imports of aircraft and other classes of equipment for British or Allied organizations in Canada, which are not paid for by Canada. It should be noted that this treatment of these special merchandise movements which do not involve exchange transactions is different from the treatment followed in the preliminary statement of the balance of payments for 1940 which was issued in 1941. In that statement, these movements of merchandise were left in the merchandise trade and were offset by corresponding entries under the heading "All Other Current Transactions." The statement for 1940 shown in the present report, has been revised by treating these merchandise movements in the manner described above for 1941.

As a result of this treatment, the merchandise item is more representative of ultimate payments for merchandise than is the physical movement of the goods in these special cases. Generally, however, there is still the factor of the difference between the time of payment and the time of export or import for which no adjustments have been made, with the exception of the group of payments for munitions and war supplies by the United Kingdom, mentioned above.

Net Exports of Non-Monetary Gold

This item is the value of "Net Exports of Non-Monetary Gold" as computed by the Bank of Canada and explained on page 152 of the September 1939 Bank of Canada Statistical Summary. This figure corresponds roughly to the value of current production in Canada.

Tourist Expenditures

Estimates of tourist expenditures have been greatly improved in recent years. Through the co-operation of the Customs Division of the Department of National Revenue and the Immigration Branch of the Department of Mines and Resources, with the Dominion Bureau of Statistics, new methods of estimating tourist expenditures, first introduced in 1940, have resulted in a greater volume of data than was formerly available. In 1941, a more extensive organization of tourist statistics procedure was undertaken. Progress was made especially in the estimation of the expenditures of automobile tourists. A more uniformly classified count was obtained as a basic record of traffic. In addition, larger and more representative samples of tourist expenditures were collected. In 1941, 76% of all the United States motorists entering Canada on a Travellers' Vehicle Permit reported their total expenditures in Canada. At the same time, a sample of approximately 25% was obtained from short-term local United States tourists crossing into Canada. Virtually all of the expenditures of Canadian motorists in the United States were also covered by a sample which exceeded 95% of the total traffic.

The estimates of expenditures in 1939 which are shown are estimates which were revised in 1940, whereas the estimates for 1940, as well as for 1941, reflect the new procedure developed in 1941. The increased information gathered in 1941 discloses that further revisions are necessary in the estimates of expenditures for 1939 in order to make them comparable with the figures for 1940 and 1941. The extent to which the expenditures in 1939 should be reduced has not yet been determined.

Interest and Dividends on Securities

This item is limited to interest on bonds and debentures and dividends paid on stock. Some remittances of income on investments other than securities, for which data are available for 1940 and 1941 for the first time, have been included in the item "All Other Current Transactions".

Revenue accruing to residents of enemy occupied and proscribed territory from investments in Canada, is entered as a debit in the interest and dividend item, and offset by a credit entry in the capital account.

Freight and Shipping

This item includes estimates covering ocean shipping operations, freight paid to United States railways on imports, inland freight earned by Canadian transportation companies carrying exports to the United States border or Canadian ocean ports, revenue received by Canada from in-transit traffic, and payments for marine and war-risk insurance on goods imported into Canada from overseas. The accounts between the two currency areas have been adjusted to allow for the U. S. dollar cost of prepaid freight on exports to the sterling area.

Ocean shipping transactions covered include: freight paid to British or foreign ships on imports, expenditures abroad on account of Canadian ships, payments by Canadian companies for the charter of British or foreign ships, earnings of Canadian ships on exports and on traffic between foreign ports, revenue of Canadian companies from the charter of ships and expenditures in Canada on account of British and foreign ships. The latter group of expenditures rose sharply in 1941 over the level of previous years.

All Other Current Transactions

This item includes government expenditures, a wide range of miscellaneous transactions mostly in the field of services, and some unusual transactions which have occurred since the war, and which are not readily classified in any other item. In comparisons of this item from one year to another, its varied composition should be taken into consideration.

Government expenditures are more important in 1941 than in previous years and represent the bulk of the item in the account with Empire Countries. The expenditures of the Dominion Government in connection with the maintenance of the Canadian armed forces overseas is the most important part of the Government expenditures among the debits, and the expenditures of the British Government on air training and other wartime activities in Canada, and the expenditures of Australia and New Zealand on air training are the most important among the credit entries for Government expenditures.

Payments by the Canadian Government for imports of goods and by the British or Allied governments for goods exported, are, of course, not included in this item as they are part of the item "Merchandise Trade". Nor does this item include government transactions belonging to the capital account such as official repatriations, changes in official balances and capital expenditures by the United Kingdom Government.

Among the miscellaneous transactions which have been consolidated into this item are, immigrant remittances, religious and benevolent remittances, war funds and other private remittances to the armed forces overseas, motion picture and other royalties, earnings of Canadian residents employed in the United States and United States residents employed in Canada, commercial and financial services, telegraph and cable, professional, technical and management services, operating expenses of offices and agencies, and other sundry services.

The item also includes miscellaneous remittances of income for which data first became available from sources developed in 1940. These remittances cover interest on mortgages and loans, rents, crop share rentals, profits from speculation and certain types of business, income received by Canadians from foreign estates and trusts, etc.

Also included are variable transactions such as Newfoundland's balance of United States dollar receipts which in 1941 were heavier than usual owing to the expenditures of the United States Government on bases in Newfoundland.

As described in the notes on "Merchandise Trade" offsetting entries to exports of merchandise on Canadian account and imports of merchandise on British or Allied Government account originally included in this item in the preliminary statement for 1940, have been excluded from the present statements for both 1940 and 1941.

Balancing Item

This is a balancing item between the current and capital accounts, and is a reflection of errors or omissions in the statements since in a perfect balance of payments statement, the net balances in the current account and the capital account would exactly offset one another. In the years 1940 and 1941 this relationship exists in the accounts with the Empire and the Non-Empire as well as in the statement with all countries due to the existence of exchange control. In 1939 this relationship only applies to the statement for all countries since in the period before exchange control balances in the account with sterling area countries were freely convertible into United States dollars.

Table IV - ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS
(Preliminary Statement 1941)
(Millions of Canadian $)

	Credits	Debits	Net
A. Canada and All Countries:			
Current Account:			
Merchandise trade -- after adjustment	1,732	1,264	+ 468
Net exports of non-monetary gold	204	-	+ 204
Tourist expenditures	108	21	+ 87
Interest and dividends	60	296	- 236
Freight and shipping	185	167	+ 18
All other current transactions	166	229	- 63
Totals -- Current Account	2,455	1,977	+ 478
Capital Movements	566	1,063	- 497
Balancing Item (1)	19	-	+ 19
	3,040	3,040	
B. Canada and Empire Countries			
Current Account			
Merchandise trade-after adjustment	1,098	279	+ 819
Tourist expenditures	3	3	-
Interest and dividends	5	69	- 64
Freight and shipping	119	36	+ 83
All other current transactions	96	130	- 34
Totals -- Current Account-United Kingdom	1,093	360	+ 733
Other Empire Countries	228	157	+ 71
All Empire Countries	1,321	517	+ 804
Capital Movements	181	990	- 809
Balancing Item (1)	5	-	+ 5
	1,507	1,507	
C. Canada and Non-Empire Countries			
Current Account			
Merchandise trade-after adjustment	634	985	- 351
Net exports of non-monetary gold	204	-	+ 204
Tourist expenditures	105	18	+ 87
Interest and Dividends	55	227	- 172
Freight and shipping	66	131	- 65
All other current transactions	70	99	- 29
Totals-Current Account-United States	1,042	1,372	- 330
Other Foreign Countries	92	88	+ 4
All Non-Empire Countries	1,134	1,460	- 326
Capital Movements	385	73	+ 312
Balancing Item (1)	14	-	+ 14
	1,533	1,533	

(1) This balance item reflects possible errors and the omission of certain factors which cannot be measured statistically.

Table V - ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS
Revised Statement, 1940

(Millions of Canadian $)

	Credits	Debits	Net
A. Canada and all Countries			
Current Account			
Merchandise trade-after adjustment	1,202	1,006	+ 196
Net exports of non-monetary gold	203	-	+ 203
Tourist expenditures	101	43	+ 58
Interest and dividends	52	311	- 259
Freight and shipping	138	132	+ 6
All other current transactions	73	133	- 60
Totals - Current account	1,769	1,625	+ 144
Special Gold Transactions (1)	248	248	-
Capital Movements	283	475	- 192
Balancing Item (2)	48	-	+ 48
B. Canada and Empire Countries			
Current Account			
Merchandise trade-after adjustment	699	236	+ 463
Tourist expenditures	6	3	+ 3
Interest and dividends	3	72	- 69
Freight and shipping	76	36	+ 40
All other current transactions	38	52	- 14
Totals - Current account-United Kingdom	636	289	+ 347
Other Empire Countries	186	110	+ 76
All Empire Countries	822	399	+ 423
Special Gold Transactions (1)	-	248	- 248
Capital Movements	116	334	- 218
Balancing Item (2)	43	-	+ 43
C. Canada and Non-Empire Countries			
Current Account			
Merchandise trade-after adjustment	503	770	- 267
Net exports of non-monetary gold	203	-	+ 203
Tourist expenditures	95	40	+ 55
Interest and dividends	49	239	- 190
Freight and shipping	62	96	- 34
All other current transactions	35	81	- 46
Totals - Current Account-United States	827	1,128	- 301
Other Foreign Countries	120	98	+ 22
All Non-Empire Countries	947	1,226	- 279
Special Gold Transactions (1)	248	-	+ 248
Capital Movements	167	141	+ 26
Balancing Item (2)	5	-	+ 5

(1) This represents gold received from the United Kingdom in part settlement of her deficiency with Canada, and used in turn to settle part of Canada's deficiency with the United States.

(2) This balance item reflects possible errors and the omission of certain factors which cannot be measured statistically.

TABLE VI. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1939, 1940 and 1941

(Millions of Canadian Dollars)

	CREDITS			DEBITS			NET (CREDITS+) (DEBITS-)		
	1939	1940	1941	1939	1940	1941	1939	1940	1941
A. CANADA AND ALL COUNTRIES									
Current Account -									
Merchandise trade-after adjustment ..	906	1,202	1,732	713	1,006	1,264	+ 193	+ 196	+ 468
Net exports of non-monetary gold	184(a)	203	204	-	-	-	+ 184	+ 203	+ 204
Tourist expenditures	164	101	108	86	43	21	+ 78	+ 58	+ 87
Interest and dividends	57	52	60	311	311	296	- 254	- 259	- 236
Freight and shipping	87	138	185	119	132	167	- 32	+ 6	+ 18
All other current transactions	36	73	166	68	133	229	- 32	- 60	- 63
TOTALS - Current Account	1,434	1,769	2,455	1,297	1,625	1,977	+ 137	+ 144	+ 478
Special Gold Transactions (1)	2	248	-	2	248	-	-	-	-
Capital Movements	495	283	566	651	475	1,063	- 156	- 192	- 497
Balance Item (2)	-	-	-	-	-	-	+ 19	+ 48	+ 19
B. CANADA AND EMPIRE COUNTRIES									
Current Account -									
Merchandise trade-after adjustment ..	436	699	1,098	177	236	279	+ 259	+ 463	+ 819
Tourist expenditures	9	6	3	13	3	3	- 4	+ 3	-
Interest and dividends	5	3	5	81	72	69	- 76	- 69	- 64
Freight and shipping	31	76	119	39	36	36	- 8	+ 40	+ 83
All other current transactions	6	38	96	14	52	130	- 8	- 14	- 34
TOTALS - Current Account -									
United Kingdom	371	636	1,093	245	289	360	+ 126	+ 347	+ 733
Other Empire Countries	116	186	228	79	110	157	+ 37	+ 76	+ 71
All Empire Countries	487	822	1,321	324	399	517	+ 163	+ 423	+ 804
Capital Credits	97	116	181	-	-	-	+ 97	+ 116	+ 181
Sub-Total	584	938	1,502	324	399	517	+ 260	+ 539	+ 985
Special Gold Transactions (1)	-	-	-	2	248	-	- 2	- 248	-
Capital Debits	-	-	-	180	334	990	- 180	- 334	- 990
Balancing Item (2)	-	-	-	-	-	-	(2)	+ 43	+ 5

See footnotes page 11.

TABLE VI. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1939, 1940 and 1941. Con.
(Millions of Canadian Dollars)

	CREDITS			DEBITS			NET (CREDITS+) (DEBITS-)		
	1939	1940	1941	1939	1940	1941	1939	1940	1941
C. CANADA AND NON-EMPIRE COUNTRIES									
Current Account -									
Merchandise trade-after adjustment	470	503	634	536	770	985	- 66	- 267	- 351
Net exports of non-monetary gold ..	184	203	204	-	-	-	+ 184	+ 203	+ 204
Tourist expenditures	155	95	105	73	40	18	+ 82	+ 55	+ 87
Interest and dividends	52	49	55	230	239	227	- 178	- 190	- 172
Freight and shipping	56	62	66	80	96	131	- 24	- 34	- 65
All other current transactions	30	35	70	54	81	99	- 24	- 46	- 29
TOTALS - Current Account -									
United States	775	827	1,042	864	1,128	1,372	- 89	- 301	- 330
Other Foreign Countries	172	120	92	109	98	88	+ 63	+ 22	+ 4
All Non-Empire "	947	947	1,134	973	1,226	1,460	- 26	- 279	- 326
Capital Debits	-	-	-	534	141	73	- 534	- 141	- 73
Sub-Total	947	947	1,134	1,507	1,367	1,533	- 560	- 420	- 399
Special Gold Transactions (1)	2	248	-	-	-	-	+ 2	+ 248	-
Capital Credits	461	167	385	-	-	-	+ 461	+ 167	+ 385
Balancing Item (2)	-	-	-	-	-	-	(2)	+ 5	+ 14

(a) "Net Exports of Non-Monetary Gold" includes domestic monetary purchases.

(1) This represents gold received from the United Kingdom in part settlement of her deficiency with Canada, and used in turn to settle part of Canada's deficiency with the United States.

(2) This balance item reflects possible errors and the omission of certain factors which cannot be measured statistically, such as changes in the timing of payments for goods and services. In the period of 1939 before exchange control, it reflects multilateral settlements in tables II and III.

TABLE VII. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

CURRENT ACCOUNT TRANSACTIONS, 1939, 1940 and 1941

(Millions of Canadian dollars)

	CREDITS			DEBITS			NET (CREDITS+) (DEBITS-)		
	1939	1940	1941	1939	1940	1941	1939	1940	1941
A. CANADA AND ALL COUNTRIES									
Merchandise trade-adjusted	906	1,202	1,732	713	1,006	1,264	+ 193	+ 196	+ 468
Net exports of non-monetary gold	184	203	204	-	-	-	+ 184	+ 203	+ 204
Tourist expenditures	164	101	108	86	43	21	+ 78	+ 58	+ 87
Interest and dividends	57	52	60	311	311	296	- 254	- 259	- 236
Freight and shipping	87	138	185	119	132	167	- 32	+ 6	+ 18
All other current transactions	36	73	166	68	133	229	- 32	- 60	- 63
TOTALS - Current Account	1,434	1,769	2,455	1,297	1,625	1,977	+ 137	+ 144	+ 478
B. CANADA AND THE UNITED KINGDOM									
Merchandise trade-adjusted	332	542	914	106	133	137	+ 226	+ 409	+ 777
Tourist expenditures	7	5	2	11	2	2	- 4	+ 3	-
Interest and dividends	2	2	4	79	70	67	- 77	- 68	- 63
Freight and shipping	24	60	110	36	32	28	- 12	+ 28	+ 82
All other current transactions	6	27	63	13	52	126	- 7	- 25	- 63
TOTALS - Current Account	371	636	1,093	245	289	360	+ 126	+ 347	+ 733
C. CANADA AND THE UNITED STATES									
Merchandise trade-adjusted	344	424	566	472	702	910	- 128	- 278	- 344
Net exports of non-monetary gold	184	203	204	-	-	-	+ 184	+ 203	+ 204
Tourist expenditures	152	95	104	72	40	18	+ 80	+ 55	+ 86
Interest and dividends	27	29	39	224	235	223	- 197	- 206	- 184
Freight and shipping	46	49	64	61	78	131	- 15	- 29	- 67
All other current transactions	22	27	65	35	73	90	- 13	- 46	- 25
TOTALS - Current Account	775	827	1,042	864	1,128	1,372	- 89	- 301	- 330

TABLE VII. CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

CURRENT ACCOUNT TRANSACTIONS, 1939, 1940 and 1941. - Con.

(Millions of Canadian dollars)

	CREDITS			DEBITS			NET (CREDITS+) (DEBITS-)		
	1939	1940	1941	1939	1940	1941	1939	1940	1941
D. CANADA AND OTHER EMPIRE COUNTRIES									
Merchandise trade-adjusted	104	157	184	71	103	142	+ 33	+ 54	+ 42
Tourist expenditures	2	1	1	2	1	1	-	-	-
Interest and dividends	3	1	1	2	2	2	+ 1	- 1	- 1
Freight and shipping	7	16	9	3	4	8	+ 4	+ 12	+ 1
All other current transactions	(1)	11	33	1	(1)	4	- 1	+ 11	+ 29
TOTALS - Current Account	116	186	228	79	110	157	+ 37	+ 76	+ 71
E. CANADA AND OTHER FOREIGN COUNTRIES									
Merchandise trade-adjusted	126	79	68	64	68	75	+ 62	+ 11	- 7
Tourist expenditures	3	(1)	1	1	(1)	(1)	+ 2	-	+ 1
Interest and dividends	25	20	16	6	4	4	+ 19	+ 16	+ 12
Freight and shipping	10	13	2	19	18	(2)	- 9	- 5	+ 2
All other current transactions	8	8	5	19	8	9	- 11	- -	- 4
TOTALS - Current Account	172	120	92	109	98	88	+ 63	+ 22	+ 4

(1) Less than $500,000

(2) Included in amount shown for United States.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table VIII. REVISED STATEMENT 1937

(Millions of dollars)

	Credits	Debits	Net
Current Account -			
Merchandise trade-after adjustment	1,009	776	+ 233
Net exports of Non-Monetary Gold	145	-	+ 145
Tourist expenditures (1)	185	95	+ 90
Interest and dividends	79	325	- 246
Freight and shipping	112	137	- 25
All other current transactions	25	64	- 39
Totals - Current Account	1,555	1,397	+ 158
Capital Movements	620	819	- 199
Balancing Item (2)	41		+ 41
	2,216	2,216	

Table IX. REVISED STATEMENT 1938

(Millions of dollars)

	Credits	Debits	Net
Current Account -			
Merchandise trade-after adjustment	847	649	+ 198
Net exports of Non-Monetary Gold	160	-	+ 160
Tourist expenditures (1)	163	94	+ 69
Interest and dividends	66	317	- 251
Freight and shipping	80	105	- 25
All other current transactions	23	67	- 44
Totals - Current Account	1,339	1,232	+ 107
Capital Movements	458	593	- 135
Balancing Item (2)	28		+ 28
	1,825	1,825	

Table X. REVISED STATEMENT 1939

(Millions of dollars)

	Credits	Debits	Net
Current Account -			
Merchandise trade-after adjustment	906	713	+ 193
Net exports of Non-Monetary Gold	184	-	+ 184
Tourist expenditures (1)	164	86	+ 78
Interest and dividends	57	311	- 254
Freight and shipping	87	119	- 32
All other current transactions	36	68	- 32
Totals - Current Account	1,434	1,297	+ 137
Capital Account	495	651	- 156
Balancing Item (2)	19		
	1,948	1,948	

(1) Subject to further revision.
(2) This balance item reflects possible errors and the omission of certain factors which cannot be measured statistically.