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CANADA
DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS
INTERNATIONAL PAYMENTS BRANCH

THE CANADIAN BALANCE
OF
INTERNATIONAL PAYMENTS, 1937-1942,
REVISED STATEMENTS, 1937-1941,
AND
PRELIMINARY STATEMENT, 1942.



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1943

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CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

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DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS - CANADA
INTERNATIONAL PAYMENTS BRANCH

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CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Included with the statement of the Canadian balance of international payments for 1942 are revised statements for each year from 1937 to 1941. Comparisons of transactions during the period from 1937 to 1942 with the principal countries and groups of countries are shown in tables I to VII and separate statements for each year are presented in tables VIII to XIII.

When the statements for the pre-war years are contrasted with the three wartime years, the changes in the size and structure of the balance of payments during the war are brought more clearly into relief. As the comparison shows, the wartime developments have, in many respects, been an accentuation of a pattern which was typical of Canada's international accounts during the pre-war years. In each year there have been credit balances in Canada's current account with Empire Countries and debit balances on current account with the United States, and with the non-Empire area as a whole, also, with the one exception of 1937 when there was a small credit balance with all non-Empire countries. But underlying the similarity in structure, however, have been the outstanding differences in the mechanism of making international settlements which have been at the core of the financial problems arising out of developments in international payments during the war.

Before the war, particularly in the trade between the British Commonwealth of Nations and the United States, free exchange markets were the characteristic channel of international settlements between the principal trading nations of the world. Canada's international accounts provide an excellent example of how the system of multilateral settlements operated. In the years before the war Canada's balance of sterling income was freely convertible into United States dollars so that the Dominion was able to settle the deficit arising out of commercial and financial relations with the United States.

The sources of the sterling income were the substantial credit balances, shown in the statements of transactions with Empire countries, which mainly originated from Canadian exports to the United Kingdom. The factors contributing to the current deficits with the United States were the debit balances arising for merchandise trade, interest and dividends, freight and other services which were only partly offset by credits from gold and tourist expenditures. In addition to the current deficits with the United States there were large debits on capital account. In part offsetting these debit balances arising from current and capital transactions with the United States were substantial credit balances in each of the pre-war years from transactions with other foreign countries.

The system of multilateral settlements which operated before the war provided the mechanism by which the international balances described above were settled. Triangular settlements such as those arising from Canada's trade with the United Kingdom and the United States were a basic part of the frame work of world trade and had the effect of broadening the sphere of trading between nations by going far beyond the limited scope of bilateral trade.

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The war, however, has interrupted the operation of the system of multilateral settlements by creating conditions under which sterling is no longer freely convertible into United States dollars. In addition, the current accounts of the belligerent nations have become distorted by wartime demands which have produced greatly augmented current balances for which new methods of settlement have had to be devised. In the case of Canada the new conditions have produced problems with respect to the balances of payments with both the sterling area and the non-sterling area.

With the sterling area, the problem has been one of finding means of financing the growing British shortage of Canadian dollars as the needs of the United Kingdom for Canadian munitions, food and raw materials increased to unprecedented proportions. In the earlier years of the war, this shortage was principally met by the Canadian government repatriating Canadian securities owned in the United Kingdom and by the accumulation of sterling balances by the Foreign Exchange Control Board. Some settlements have also been effected by purchases of gold from the United Kingdom which has, in turn, been sold in the United States to settle Canadian deficits there. In 1942, however, besides some additional repatriations, a new method of meeting the growing needs of the United Kingdom for Canadian dollars was introduced when a gift of one billion dollars was made to the government of the United Kingdom. In the same year the major part of the accumulation of sterling balances by Canada was converted into an interest-free loan of \$700 million to the United Kingdom. In 1943 a further development in the methods of financing the wartime needs of the Allied Nations was the appropriation by the Canadian Parliament of one billion dollars for Mutual Aid, for the production and transfer of Canadian war supplies to the United Nations. More details on the capital transactions with the sterling area will be found in Table 3 accompanying the comments on the capital transactions in 1942.

In the case of the balance of payments with Non-Empire countries, the central problem has also been one of scarcity - in this case a Canadian shortage of United States dollars. The customary deficits in Canada's current account with the United States have been greatly augmented by the war, principally because of the rapid rise in Canadian imports from the United States. At the same time, net credits from other foreign countries whose currencies are convertible into United States dollars have sharply contracted with the decline in exports to Continental Europe and Asia.

Since, during the war period, the deficits incurred with the United States dollar area have had to be settled with United States dollars, it has been necessary to conserve United States dollars for the more essential purposes of the war, and to develop new sources of United States dollars. Exchange control with the control of capital movements has provided the principal means of conserving United States dollars. Government measures have also limited expenditures on Canadian pleasure travel and non-essential commodities in Non-Empire countries. As a result of the agreements entered into at Hyde Park, new sources of United States dollars were produced with the sale of munitions on a large scale to the United States Government and further development of the production of raw materials in Canada. The sale in the United States of gold and United States dollars purchased from the United Kingdom, has also been a factor in meeting deficits in the United States. Another factor of increasing importance in alleviating Canada's shortage of United States dollars has been the growing volume of imports of capital arising, mainly, from the purchase of outstanding Canadian bonds by United States investors.

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Current Account Between Canada and All Countries (See Table I)

In 1942 total credits on current account with all countries of \$3,384 million exceeded total debits of \$2,275 million by \$1,109 million. This balance compares with credit balances on current account of \$491 million in 1941 and \$126 million in 1939. In 1942 as in other years during the war the sharpest increase was in the gross credits. Credits, debits and balance are, of course, at record levels and reflect the great expansion in the Canadian economy with the export of war production to the many theatres of war throughout the world.

Table 1 - Current Account Between Canada
and All Countries
(millions of Dollars)

<u>Year</u>	<u>Credits</u>	<u>Debits</u>	<u>Net Credits</u>
1937	1,593	1,413	+ 180
1938	1,361	1,261	+ 100
1939	1,457	1,331	+ 126
1940	1,776	1,627	+ 149
1941	2,458	1,967	+ 491
1942	3,384	2,275	+1109

In order to reveal the financial and foreign exchange aspects of the international accounts produced by these wartime changes, it is necessary to divide the balance of payments statements into two clearly defined divisions for the reasons which have already been discussed, - 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 United States dollar basis. Separate statements are therefore shown 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 during the war years. In the period before the introduction of exchange control by the nations of the British Commonwealth in September, 1939, the division into the two areas has less significance from a currency point of view, being only a division between Empire and Non-Empire countries.

Current Transactions with Empire Countries (See Table II to IV)

The dominant characteristic of the balance of payments between Canada and the Sterling Area, a large excess of Canadian exports and other sources of balance of payments credits over imports and other debits, was even more pronounced in 1942 than in the earlier years of the war. Total British expenditures increased sharply while British current receipts increased only moderately. The net credit on current account in 1942 was \$1,277 million compared with \$805 million in 1941, \$419 million in 1940 and \$176 million in 1939. The expansion in British expenditures was mainly due to much heavier payments for munitions. Payments for raw materials and food continued at very high levels also while expenditures on various war activities, including air training in Canada, increased substantially. Expenditures in Canadian ports in connection with shipping and payments for inland freight on exports were also higher. The total value of exports from Canada on Empire account, including pre-payments for goods in the process of production, increased from \$1,098 million in 1941 to \$1,549 in 1942. These figures compare with the value of exports to Empire countries in 1939 of \$436 million and do not include exports on Canadian account such as equipment for the Canadian Army in the United Kingdom.

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The moderate gain in British receipts was due almost entirely to the higher level of Canadian expenditures abroad in connection with the Canadian armed forces overseas. Total overseas expenditures of the Canadian government were \$191 million in 1942 compared with \$97 million in 1941. Imports from both the United Kingdom and the rest of the Sterling Area, amounting to \$116 million and \$110 million respectively in 1942, were lower than in 1941 but still higher than in 1939. These imports do not include goods which are not purchased by Canada, such as contributions in kind made by the Government of the United Kingdom to the Combined Air Training Organization and the equipment imported for the R. A. F. Special Schools in Canada. Net payments of interest and dividends by Canada to the Sterling Area have declined from \$75 million in 1939 to \$63 million in 1941 and \$44 million in 1942. This decline is mainly a reflection of the elimination of interest payments on Canadian bonds which have been repatriated since the start of the war as payments of dividends to shareholders in the Sterling Area have not varied much during the period.

Table 2 - Current Account Between Canada
and Empire Countries

(millions of dollars)

<u>Year</u>	<u>Credits</u>	<u>Debits</u>	<u>Net Credits</u>
1937	565	406	+ 159
1938	508	337	+ 171
1939	502	326	+ 176
1940	822	403	+ 419
1941	1,321	516	+ 805
1942	1,834	557	+1277

The current account with the Sterling Area, shown in the various accompanying tables, is divided into transactions between Canada and the United Kingdom and Canada and Other Empire Countries. An analysis of official expenditures on war production has enabled this division to be made satisfactorily in 1941 and 1942. In 1940, however, merchandise exported on British account and shipped to Egypt and other Empire Countries is included in the "Other Empire" section of the statements.

Capital Account Transactions with Empire Countries

Gross capital receipts by Canada from Empire countries in 1942 were \$884 million. The largest element in this figure, however, is \$818 million representing the net decline in 1942 in the Sterling balances which had been accumulated by Canada in the earlier years of the war. The principal part of the decline, \$700 million, resulted from the conversion of an equivalent amount of Sterling into a special loan to the Government of the United Kingdom. Most of the remaining \$66 million of capital credits is made up of \$58 million expenditures by the United Kingdom on fixed capital invested in Canada for the production of munitions and for air training. These fixed capital expenditures were considerably less than in earlier years, the corresponding figure in 1941 amounting to \$157 million. Private capital receipts in 1942 of \$8 million include such items as claims received for the loss of vessels and distributions of estates and trusts, and certain changes in private balances of non-residents.

Gross capital debits, exclusive of the billion dollar gift and the special purchase of gold, amounted to \$1,129 million in 1942. Of this amount \$59 million represents privately financed capital payments by Canada. Private retirements of securities, purchases of securities, repayments of mortgages and loans, settlements of estates and trusts and insurance company transactions make up most of this \$59 million. The remaining amount of \$1,070 million is made up of debits connected with official transactions which are shown in detail in Table 3.

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The principal means adopted by the Canadian government of financing the residual needs of the United Kingdom on current and capital accounts was the billion dollar gift to the Government of the United Kingdom. With this contribution of funds the British supply of dollars from other sources was supplemented so that British purchases in Canada would not be limited by a shortage of dollars. Consequently, the British Government was enabled to purchase munitions, raw materials, and food, and to make other expenditures necessary for the prosecution of the war. In addition to the billion dollar contribution, other Dominion government transactions also had the effect of increasing the United Kingdom's supply of Canadian exchange. Official repatriations by Canada of Dominion and Canadian National Railway issues held in the United Kingdom resulted in the transfer of \$296 million to the United Kingdom, miscellaneous payments to adjust previous transactions, mainly in connection with munitions contracts, amounted to \$74 million, and a special purchase of gold resulted in the transfer of an additional \$23 million to the United Kingdom. There were also capital debits of \$700 million reflecting the conversion of the major part of the accumulation of sterling balances into a special loan to the United Kingdom in 1942. The accumulation of these sterling balances by the Foreign Exchange Control Board in 1940 and 1941 was the principal means of meeting the requirements of the United Kingdom up until 1942. A summary of the capital transactions between Canada and the Empire Countries, between 1939 and 1942, appears in Table 3.

Table 3 - Capital Transactions Between Canada
and Empire Countries

<u>Capital Credits</u>	1939	1940	1941	1942
Decrease in £ balances	-	-	-	818
Other credits	<u>97</u>	<u>116</u>	<u>181</u>	<u>66</u>
Total Credits	97	116	181	884
<u>Capital Debits</u>				
Private Transactions	105	111	73	59
Official Transactions -				
Repatriations	75	137	189	296
Increase in £ balances	-	82	728	-
Special loan to U. K.	-	-	-	700
Special payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>74</u>
Total debits as above	180	330	990	1,129
Special Gold Transactions	2	248	-	23
Billion Dollar Contribution	-	-	-	1,000

Current Transactions with Non-Empire Countries (See Tables V - VII)

Net debits from current account transactions between Canada and Non-Empire Countries in 1942 amounted to \$168 million, compared with \$314 million in 1941 and \$270 million in 1940. Although this marks a decline from the high level of the current account deficits of 1940 and 1941 it is still large in relation to the net debits of \$50 million in 1939 and the net credits of \$21 million in 1937. In each year from 1937 to 1942 there have been large deficits with the United States which have been partly offset by credit balances from transactions with other foreign countries. These

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credit balances, arising mainly from trade with other foreign countries, have been greatly reduced, however, by the elimination of exports to most areas of Continental Europe and Asia.

The rapid and continued rise in the value of imports from the United States during the war has been a primary factor in the growth of the debit balance with the United States dollar area. Imports from the United States have grown from \$472 million in 1939 to \$702 million in 1940, \$910 million in 1941 and \$1,116 million in 1942. Imports on British or other Allied account which are not paid for by Canada, are excluded from these figures. The demand for imports is, of course, closely related to the war production program. Imports of capital equipment have been an important element, especially in the earlier years of the war. As munitions production has expanded imports of materials, fuel, and components have also grown and represent a major part of the increases. An important part of these United States dollar requirements arises from the United States dollar content of production in Canada for the United Kingdom. Direct purchases by Canada in the United States of aircraft and other equipment for the armed services have also been substantial and the high level of incomes has led to increased demands for civilian commodities imported from the United States although the range of these has been limited by the War Exchange Conservation Act. The value of imports from other foreign countries has not fluctuated widely between 1937 and 1942. The United States, however, has, in recent years, become the source of supply of some commodities formerly imported from overseas.

Table 4 - Current Account Between Canada
and Non-Empire Countries

(Millions of Canadian Dollars)

<u>Year</u>	Credits Total <u>Non-Empire</u>	Debits Total <u>Non-Empire</u>	Total Non- <u>Empire</u>	Net Balances United States	Other Foreign
1937	1,028	1,007	+ 21	- 77	+98
1938	853	924	- 71	-149	+78
1939	955	1,005	- 50	-116	+66
1940	954	1,224	-270	-292	+22
1941	1,137	1,451	-314	-318	+ 4
1942	1,550	1,718	-168	-180	+12

While exports to the United States dollar area have increased each year during the war there has been less regularity in the increases than in the rise in imports. The greatest expansion occurred in 1942 when the total value was \$974 million compared with \$634 million in 1941. The gains in earlier years were more moderate, exports to non-Empire countries in 1939 being \$470 million, and in 1940, \$503 million. The increases in exports to the United States have been greater than these amounts, however, as export credits from other foreign countries have declined each year. The great increase in exports in 1942 is, of course, principally a result of transactions under the agreements entered into between the Canadian Prime Minister and the President of the United States at Hyde Park in April, 1941. Exports resulting from the agreements first became substantial in 1942 when deliveries of munitions, metals and other war production rapidly expanded. The Hyde Park element in the total exports to the United States is covered by the cash received for deliveries of production rather than the value of exports since the goods themselves were not all shipped to destinations in the United States. Some prepayments and capital advances received in connection with production under the agreements, received in

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1941 and 1942, have been entered as credits in the capital account to be offset as deliveries take place. Another notable feature of exports to the United States in 1942 is that a considerable part of the increase occurred in normal exports other than "Hyde Park items" so that the value of raw materials and other civilian commodities exported to the United States in 1942 was at a record level.

Net exports of non-monetary gold produced \$184 million Canadian in 1942 compared with \$204 million in 1941. While the exports in 1942 had the same Canadian dollar value as exports in 1939 there is a considerable decline in quantity reflected in the 1942 figure since it includes the 10% premium on United States dollars. Gold production in 1942 declined as a result of manpower transfers and higher costs.

Tourist and travel expenditures produced net credits of \$55 million in 1942 compared with \$90 million in 1941. Most of this decline reflects the sharp reduction in United States expenditures in Canada which declined from \$107 million in 1941 to \$79 million in 1942. The contraction in automobile travel was the principal reason for the decline in receipts. Some of this reduction in expenditures of automobile tourists was offset, however, by higher expenditures by the larger number of persons travelling by rail. Canadian travel expenditures in the United States increased from \$18 million in 1941 to \$24 million in 1942 - a probable reflection of increased business and military travel. The net credits of \$55 million from travel expenditures in 1942 compare with estimated net credits of \$85 million in 1937, \$70 million in 1938 and \$72 million in 1939. While the expenditures in Canada of travellers from all Non-Empire countries were considerably higher in the three pre-war years than in any year since, being estimated at \$154 million in 1937, Canadian travel expenditures in Non-Empire countries were also higher before the war, being estimated at \$69 million in 1937. During the war, Canadian expenditures involving the use of United States dollars have been sharply reduced as a result of the official restrictions on pleasure travel introduced in July, 1940.

Net payments to the United States dollar area on account of interest and dividends were \$159 million in 1942 compared with \$163 million in 1941. This reduction in the debit balance was the result of increased income from Canadian-owned investments in Non-Empire countries, particularly from direct investments in the United States. Total payments of interest and dividends on investments in Canada owned by residents of the United States dollar area were at about the same level in 1941 and 1942 being \$219 million in the latter year. The division of the total between interest and dividends was different, however. Dividends declined in 1942, while interest payments were higher as a result of the heavy purchases of outstanding Canadian bonds by United States investors in recent years. The net debits of \$159 million on account of interest and dividends in 1942 compare with the pre-war figures of \$146 million in 1937, \$163 million in 1938, and \$174 million in 1939.

Net debits on account of freight and shipping with the United States dollar area continued to grow rapidly in 1942 being \$85 million compared with \$65 million in 1941, and a pre-war level of \$21 million in 1939. The principal factor in this growth was the large increase in ocean shipping costs brought about by the sharp rises in shipping and war risk insurance rates. Although payments for inland freight on coal and other commodities imported from the United States continued to mount, these increases were more than offset by increased receipts by Canadian railways carrying exports to the United States border.

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All other current transactions resulted in a credit balance of \$43 million compared with substantial debit balances in preceding years. As it includes unusual transactions the composition of this item varies in the different years. War-time factors were particularly significant in producing the credit balance in 1942. Expenditures by the United States Government on the construction of the Alaska Highway and other developments in Canada were substantial. Newfoundland's balance of United States dollar receipts, which were also included, were particularly heavy in 1942 because of expenditures of the United States Government on bases in Newfoundland.

Capital Transactions with Non-Empire Countries

Capital payments by Canada to non-Empire countries, are, of course, subject to 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 debits in the account with Non-Empire countries in 1942 amounted to \$212 million. Retirements of Canadian bonds and debentures held in the United States and repayments of mortgages, loans and advances and other contractual obligations make up most of the cash payments as in former years. In 1942, however, there were also debits in connection with changes in private balances and other short-term assets as well as debit entries reflecting an increase in Canada's official reserves of gold and United States dollars. An important factor contributing to this increase in reserves was the unusually high level of purchases of Canadian securities by United States investors.

Capital credits with non-Empire countries totalled \$351 million in 1942. The proceeds from the purchase of securities by investors in the United States was the largest single source of capital credits. Transactions in outstanding Canadian bonds represented the largest part of this import of capital. These were heavier than in any previous year for which records are available and were concentrated in Dominion, Dominion guarantees and Provincials. Marked increases during 1942 in the quotations for Canadian bonds in United States bond markets were a factor in this movement of securities from Canada. There also continued to be a substantial liquidation of Canadian holdings of United States securities in 1942, and sales of domestic securities to non-residents for Canadian dollars.

The other prominent source of capital credits in 1942 was the receipt of certain prepayments and capital advances arising out of the Hyde Park agreements. These advances in connection with the production of munitions and raw materials in Canada, of course give rise to subsequent deliveries of exports for which no payments will be received.

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 connection with direct investments, insurance transactions, estates and trusts, real estate, short-term financing, repayments, etc. Expenditures by the United States government on the Alaska Highway and other developments in Canada are covered in the current account rather than the capital account.

Credits of \$23 million were also received from the sale in the United States of the gold purchased from the United Kingdom.

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STATISTICAL NOTES

Merchandise Trade

While export and import statistics are the principal source used for this item, they have been adjusted to bring them more into conformity with payments in the two currency areas into which the balance of payments statements are divided.

Where data on international payments for war supplies through official channels were available these have been substituted for the value of goods exported. Thus, in 1941 and 1942, British payments through official channels for war supplies and food, and payments by the United States Government for war supplies and metals exported under the Hyde Park agreements have been entered as credits in the merchandise account rather than the value of the goods exported. Since war supplies purchased by the British and United States governments have been shipped to various destinations, this substitution of financial data on payments for the value of goods shipped has been a major adjustment necessary in the construction of balance of payments statements with the two currency areas in 1941 and 1942. The figures in the merchandise item of the tables are accordingly indicative of international payments rather than of shipments of goods to the various countries and areas. Exports are also adjusted on account of wheat and other grain movements for storage. Imports are adjusted for warehousing and for over-valuation. Trade between Canada and Newfoundland has been excluded.

Shipments of merchandise on Canadian account such as equipment and supplies for the Canadian forces overseas, Red Cross supplies and private gifts and the Dominion's gift of wheat to Greece have also been deducted from the exports as no foreign exchange accrues from these transactions. Imports of merchandise for the account of British or Allied Governments have also been deducted from the trade figures. These deductions cover such imports as goods which the British Government has shipped to Canada as part of its contribution to the Combined Air Training Organization and equipment and supplies for the R. A. F. Special Schools in Canada. Imports from the United States which have been deducted, are principally made up of aircraft, aircraft engines and parts and other military equipment, and materials for British or Allied organizations in Canada which are not paid for by Canada.

As a result of these adjustments, the merchandise item is more representative of the international payments made during the periods covered. There is still, however, the possibility of divergencies between the time of payment and the time of import or export in the large volume of trade which continues to flow through private channel although some adjustment for these in the case of intracompany transactions appears elsewhere in the balance of payments.

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. The figures correspond roughly to the value of current production in Canada. The total net exports have been shown in the current account with the United States although in the pre-war period there were some exports of gold to overseas countries arising out of temporary market conditions.

Tourist Expenditures

Estimates of tourist expenditures have been greatly improved in recent years. Through the co-operation with the Dominion Bureau of Statistics of the Customs

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Division of the Department of National Revenue and the Immigration Branch of the Department of Mines and Resources, 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 of the automobile traffic was obtained as a basic record of traffic. In addition, larger and more representative samples of tourist expenditures were collected. In 1942, 82% 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 44% 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 97% of the total traffic.

The estimates of expenditures in the years 1937, 1938 and 1939 have been revised in the light of information accumulated in recent years, whereas the estimates for 1940, 1941 and 1942 reflect the new procedure developed in 1941. In the revision of the pre-war years the new data on expenditures accumulated during the war have been related to the statistics on the volume of traffic before the war. Since this method has some arbitrary aspects the resulting estimates for the pre-war years have not as substantial a basis as the estimates for later years. It is believed, however, that they are fairly representative of the level of expenditures in the pre-war years. The new estimates point to much lower levels of expenditures in the pre-war years, particularly in the case of expenditures of United States travellers in Canada, than the estimates originally published.

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 the period from 1940 to 1942 for the first time, have been included in the item "All Other Current Transactions". Estimates of these miscellaneous income items have been included in the latter item for the pre-war years as well.

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 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 and 1942 over the level of previous years.

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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. The treatment of some types of transactions also varies during the period, the net balance being entered in some years and the gross transactions in others.

Government expenditures are more important in 1941 and 1942 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 in the account with Empire countries. 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.

Also included are variable transactions such as Newfoundland's balance of United States dollar receipts which, in 1941 and 1942, were heavier than usual owing to the expenditures of the United States Government on bases in Newfoundland. The expenditures of the United States Government on the Alaska Highway and other developments in Canada are also an important source of credits included in 1942.

Among the miscellaneous transactions which have been consolidated into this item are personal and 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. Estimates of this miscellaneous income have been included for the pre-war years as well.

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 to 1942 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 the years 1937 to 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.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

While the causes of the residual cannot be identified with certainty there have been situations apparent from time to time which appear to have contributed to the residual. Factors connected with the relationships between the movement of goods and payments are particularly elusive. In 1937, however, it is likely that the heavy exports in that year, particularly of newsprint, which were not all paid for in 1937, contributed to the residual which indicated a surplus of credits. In 1938 and 1939 it is possible that the shortage of credits suggested by the residual is partly the result of imports of refugee capital from Europe not being completely reflected in the statement. It is not improbable that the large residual with the Sterling Area in 1940 is a reflection of some working capital advances by the British Government to contractors in Canada in the early stages of the war production program which were not all covered in the statement.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1937 - 1942.

TABLE I

TRANSACTIONS BETWEEN CANADA AND ALL COUNTRIES.
(Millions of Canadian dollars)

	1937	1938	1939	1940	1941	1942
A. CREDITS - WITH ALL COUNTRIES						
Merchandise exports-after adjustment	1,041	844	906	1,202	1,732	2,523
Net exports of non-monetary gold	145	161	184	203	204	184
Tourist expenditures	166	149	149	104	111	81
Interest and dividends	76	66	57	52	60	67
Freight and shipping	112	95	102	138	185	221
All other current credits	53	46	59	77	166	308
Total Current Credits	1,593	1,361	1,457	1,776	2,458	3,384
Special Gold Transactions ⁽²⁾	-	-	2	248	-	23
Capital Credits	622	458	558	283	566	1,235
B. DEBITS - WITH ALL COUNTRIES						
Merchandise imports-after adjustment	776	649	713	1,006	1,264	1,406
Tourist expenditures	87	86	81	43	21	26
Interest and dividends	302	307	306	313	286	270
Freight and shipping	137	105	119	132	167	228
All other current debits	111	114	112	133	229	345
Total Current Debits	1,413	1,261	1,331	1,627	1,967	2,275
Special Gold Transactions ⁽²⁾	-	-	2	248	-	23
Capital Debits	794	570	694	471	1,063	1,341
Billion Dollar Contribution	-	-	-	-	-	1,000
C. NET BALANCES - WITH ALL COUNTRIES						
Merchandise trade-after adjustment	+ 265	+ 195	+ 193	+ 196	+ 468	+1,117
Net exports of non-monetary gold	+ 145	+ 161	+ 184	+ 203	+ 204	+ 184
Tourist expenditures	+ 79	+ 63	+ 68	+ 61	+ 90	+ 55
Interest and dividends	- 226	- 241	- 249	- 261	- 226	- 203
Freight and shipping	- 25	- 10	- 17	+ 6	+ 18	- 7
All other current transactions	- 58	- 68	- 53	- 56	- 63	- 37
Total Current Account	+ 180	+ 100	+ 126	+ 149	+ 491	+1,109
Special Gold Transactions ⁽²⁾	-	-	-	-	-	-
Capital Accounts	- 172	- 112	- 136	- 188	- 497	- 106
Billion Dollar Contribution	-	-	-	-	-	-1,000
Balancing Item ⁽¹⁾	- 8	+ 12	+ 10	+ 39	+ 6	- 3
	- 180	- 100	- 126	- 149	- 491	-1,109

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

(2) 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.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1937 - 1942.

TABLE II

TRANSACTIONS BETWEEN CANADA AND EMPIRE COUNTRIES.
(Millions of Canadian Dollars)

	1937	1938	1939	1940	1941	1942
A. CREDITS - WITH EMPIRE COUNTRIES						
Merchandise exports-after adjustment	493	442	436	699	1,098	1,549
Tourist expenditures	12	10	9	6	3	2
Interest and dividends	7	5	5	3	5	7
Freight and shipping	45	43	43	76	119	127
War Services	-	-	-	20	74	130
All other current credits	8	8	9	18	22	19
Total Current Credits	565	508	502	822	1,321	1,834
Capital Credits	118	102	97	116	181	884
B. DEBITS - WITH EMPIRE COUNTRIES						
Merchandise imports-after adjustment	235	184	177	236	279	226
Tourist expenditures	18	17	13	3	3	2
Interest and dividends	87	83	80	76	68	51
Freight and shipping	47	34	39	36	36	49
Canadian Overseas expenditures	-	-	-	29	97	191
All other current debits	19	19	17	23	33	38
Total Current Debits	406	337	326	403	516	557
Special Gold Transactions ⁽²⁾	-	-	2	248	-	23
Capital Debits	142	155	180	330	990	1,129
Billion Dollar Contribution	-	-	-	-	-	1,000
C. NET BALANCES - WITH EMPIRE COUNTRIES						
Merchandise trade-after adjustment	+ 258	+ 258	+ 259	+ 463	+ 819	+1,323
Tourist expenditures	- 6	- 7	- 4	+ 3	-	-
Interest and dividends	- 80	- 78	- 75	- 73	- 63	- 44
Freight and shipping	- 2	+ 9	+ 4	+ 40	+ 83	+ 78
All other current transactions	- 11	- 11	- 8	- 14	- 34	- 80
Total Current Account	+ 159	+ 171	+ 176	+ 419	+ 805	+1,277
Special Gold Transactions ⁽²⁾	-	-	- 2	- 248	-	- 23
Capital Account	- 24	- 53	- 83	- 214	- 809	- 245
Billion Dollar Contribution	-	-	-	-	-	-1,000
Balancing Item ⁽¹⁾	(1)	(1)	(1)	+ 43	+ 4	- 9
				- 419	- 805	-1,277

(1) This balancing item reflects possible errors and the omission of certain factors which cannot be measured statistically. In the statements of transactions with Empire Countries and with Non-Empire Countries it reflects multilateral settlements in the period before exchange control.

(2) 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.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1937 - 1942.

TABLE III

CURRENT TRANSACTIONS BETWEEN CANADA AND THE UNITED KINGDOM.
(Millions of Canadian Dollars)

	1937	1938	1939	1940	1941	1942
A. CURRENT CREDITS - WITH THE UNITED KINGDOM						
Merchandise exports-after adjustment	385	337	332	542	914	1,408
Tourist expenditures	11	8	7	5	2	2
Interest and dividends	2	2	2	2	4	5
Freight and shipping	38	34	34	60	110	114
All other Current credits	8	8	9	27	63	112
Total Current Credits	444	389	384	636	1,093	1,641
B. CURRENT DEBITS - WITH THE UNITED KINGDOM						
Merchandise imports - after adjustment	148	119	106	133	137	116
Tourist expenditures	16	15	11	2	2	2
Interest and dividends	85	81	78	74	66	50
Freight and shipping	43	30	36	32	28	41
All other current debits	17	17	16	52	126	225
Total Current Debits	309	262	247	293	359	434
C. NET CURRENT BALANCES - WITH THE UNITED KINGDOM						
Merchandise trade-after adjustment	+ 237	+ 218	+ 226	+ 409	+ 777	+1,292
Tourist expenditures	- 5	- 7	- 4	+ 3	-	-
Interest and dividends	- 83	- 79	- 76	- 72	- 62	- 45
Freight and shipping	- 5	+ 4	- 2	+ 28	+ 82	+ 73
All other current transactions	- 9	- 9	- 7	- 25	- 63	- 113
Total Current Account	+ 135	+ 127	+ 137	+ 343	+ 734	+1,207

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1937 - 1942.

TABLE IV

CURRENT TRANSACTIONS BETWEEN CANADA AND OTHER EMPIRE COUNTRIES
(Millions of Canadian Dollars)

	1937	1938	1939	1940	1941	1942
A. CURRENT CREDITS - WITH OTHER EMPIRE COUNTRIES						
Merchandise exports - after adjustment	108	105	104	157	184	141
Tourist expenditures	1	2	2	1	1	(1)
Interest and dividends	5	3	3	1	1	2
Freight and shipping	7	9	9	16	9	13
All other Current credits	(1)	(1)	(1)	11	33	37
Total Current Credits	121	119	118	186	228	193
B. CURRENT DEBITS - WITH OTHER EMPIRE COUNTRIES						
Merchandise imports - after adjustment	87	65	71	103	142	110
Tourist expenditures	2	2	2	1	1	(1)
Interest and dividends	2	2	2	2	2	1
Freight and shipping	4	4	3	4	8	8
All other current debits	2	2	1	(1)	4	4
Total Current Debits	97	75	79	110	157	123
C. NET CURRENT BALANCES - WITH OTHER EMPIRE COUNTRIES						
Merchandise trade - after adjustment	+ 21	+ 40	+ 33	+ 54	+ 42	+ 31
Tourist expenditures	- 1	-	-	-	-	-
Interest and dividends	+ 3	+ 1	+ 1	- 1	- 1	+ 1
Freight and shipping	+ 3	+ 5	+ 6	+ 12	+ 1	+ 5
All other current transactions	- 2	- 2	- 1	+ 11	+ 29	+ 33
Total Current Account	+ 24	+ 44	+ 39	+ 76	+ 71	+ 70

(1) Less than \$500,000

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1937 - 1942.

TABLE V.

TRANSACTIONS BETWEEN CANADA AND NON-EMPIRE COUNTRIES
(Millions of Canadian Dollars)

	1937	1938	1939	1940	1941	1942
A. CREDITS - WITH NON-EMPIRE COUNTRIES						
Merchandise exports - after adjustment	548	402	470	503	634	974
Net exports of non-monetary gold	145	161	184	203	204	184
Tourist expenditures	154	139	140	98	108	79
Interest and dividends	69	61	52	49	55	60
Freight and shipping	67	52	59	62	66	94
All other current credits	45	38	50	39	70	159
Total Current Credits	1,028	853	955	954	1,137	1,550
Special Gold Transactions ⁽²⁾	-	-	2	248	-	23
Capital Credits	504	356	461	167	385	351
B. DEBITS - WITH NON-EMPIRE COUNTRIES						
Merchandise imports - after adjustment	541	465	536	770	985	1,180
Tourist expenditures	69	69	68	40	18	24
Interest and dividends	215	224	226	237	218	219
Freight and shipping	90	71	80	96	131	179
All other current debits	92	95	95	81	99	116
Total Current Debits	1,007	924	1,005	1,224	1,451	1,718
Capital Debits	652	415	514	141	73	212
C. NET BALANCES - WITH NON-EMPIRE COUNTRIES						
Merchandise trade - after adjustment	+ 7	- 63	- 66	- 267	- 351	- 206
Net exports of non-monetary gold	+ 145	+ 161	+ 184	+ 203	+ 204	+ 184
Tourist Expenditures	+ 85	+ 70	+ 72	+ 58	+ 90	+ 55
Interest and dividends	- 146	- 163	- 174	- 188	- 163	- 159
Freight and shipping	- 23	- 19	- 21	- 34	- 65	- 85
All other current transactions	- 47	- 57	- 45	- 42	- 29	+ 43
Total Current Account	+ 21	- 71	- 50	- 270	- 314	- 168
Special Gold Transactions ⁽²⁾	-	-	+ 2	+ 248	-	+ 23
Capital Account	- 148	- 59	- 53	+ 26	+ 312	+ 139
Balancing Item⁽¹⁾	(1)	(1)	(1)	- 4	+ 2	+ 6
				+ 270	+ 314	+ 168

(1) This balancing item reflects possible errors and the omission of certain factors which cannot be measured statistically. In the statements of transactions with Empire Countries and with Non-Empire Countries it reflects multilateral settlements in the period before exchange control.

(2) 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.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1937 - 1942.

TABLE VI

CURRENT TRANSACTIONS BETWEEN CANADA AND THE UNITED STATES
(Millions of Canadian Dollars)

	1937	1938	1939	1940	1941	1942
A. CREDITS - WITH THE UNITED STATES						
Merchandise exports-after adjustment	391	268	344	424	566	911
Net exports of non-monetary gold	145	161	184	203	204	184
Tourist expenditures	149	134	137	98	107	79
Interest and dividends	31	25	27	29	39	43
Freight and shipping	45	39	46	49	64	92
All other current credits	42	36	42	31	65	152
Total Current Credits	803	663	780	834	1,045	1,461
B. DEBITS - WITH THE UNITED STATES						
Merchandise imports-after adjustment	463	400	472	702	910	1,116
Tourist expenditures	65	66	67	40	18	24
Interest and dividends	211	218	220	233	214	215
Freight and shipping	68	55	61	78	131	179
All other current debits	73	73	76	73	90	107
Total Current Debits	880	812	896	1,126	1,363	1,641
C. NET BALANCES - WITH THE UNITED STATES						
Merchandise trade-after adjustment	- 72	- 132	- 128	- 278	- 344	- 205
Net exports of non-monetary gold	+ 145	+ 161	+ 184	+ 203	+ 204	+ 184
Tourist expenditures	+ 84	+ 68	+ 70	+ 58	+ 89	+ 55
Interest and dividends	- 180	- 193	- 193	- 204	- 175	- 172
Freight and shipping	- 23	- 16	- 15	- 29	- 67	- 87
All other current transactions	- 31	- 37	- 34	- 42	- 25	+ 45
Total Current Account	- 77	- 149	- 116	- 292	- 318	- 180

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1937 - 1942.

TABLE VII

CURRENT TRANSACTIONS BETWEEN CANADA AND OTHER FOREIGN COUNTRIES.
(Millions of Canadian Dollars)

	1937	1938	1939	1940	1941	1942
A. CREDITS - WITH OTHER FOREIGN COUNTRIES						
Merchandise exports-after adjustment	157	134	126	79	68	63
Tourist expenditures	5	5	3	(1)	1	(1)
Interest and dividends	38	36	25	20	16	17
Freight and shipping	22	13	13	13	2	2
All other current credits	3	2	8	8	5	7
Total Current Credits	225	190	175	120	92	89
B. DEBITS - WITH OTHER FOREIGN COUNTRIES						
Merchandise imports-after adjustment	78	65	64	68	75	64
Tourist expenditures	4	3	1	(1)	(1)	(1)
Interest and dividends	4	6	6	4	4	4
Freight and shipping	22	16	19	18	(2)	(2)
All other current debits	19	22	19	8	9	9
Total Current Debits	127	112	109	98	88	77
C. NET BALANCES - WITH OTHER FOREIGN COUNTRIES						
Merchandise trade-after adjustment	+ 79	+ 69	+ 62	+ 11	- 7	- 1
Tourist expenditures	+ 1	+ 2	+ 2	-	+ 1	-
Interest and dividends	+ 34	+ 30	+ 19	+ 16	+ 12	+ 13
Freight and shipping	-	- 3	- 6	- 5	+ 2	+ 2
All other current transactions	- 16	- 20	- 11	-	- 4	- 2
Total Current Account	+ 98	+ 78	+ 66	+ 22	+ 4	+ 12

(1) Less than \$500,000

(2) Included in amount shown for United States.

ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

TABLE VIII

Revised Statement, 1937
(Millions of Canadian \$)

<u>A. Canada and all Countries</u>	<u>Credits</u>	<u>Debits</u>	<u>Net</u>
<u>Current Account</u>			
Merchandise trade-after adjustment	1,041	776	+ 265
Net exports of non-monetary gold	145	-	+ 145
Tourist expenditures	166	87	+ 79
Interest and dividends	76	302	- 226
Freight and shipping	112	137	- 25
All other current transactions	53	111	- 58
Totals - Current Account	1,593	1,413	+ 180
Capital Movements	622	794	- 172
Balancing Item (1)	-	8	- 8
	2,215	2,215	
 <u>B. Canada and Empire Countries</u>			
<u>Current Account</u>			
Merchandise trade-after adjustment	493	235	+ 258
Tourist expenditures	12	18	- 6
Interest and dividends	7	87	- 80
Freight and shipping	45	47	- 2
All other current transactions	8	19	- 11
Totals - Current Account - United Kingdom	444	309	+ 135
Other Empire Countries	121	97	+ 24
All Empire Countries	565	406	+ 159
Capital Movements	118	142	- 24
Balancing Item(1)	(1)	(1)	
 <u>C. Canada and Non-Empire Countries</u>			
<u>Current Account</u>			
Merchandise trade-after adjustment	548	541	+ 7
Net exports of non-monetary gold	145	-	+ 145
Tourist expenditures	154	69	+ 85
Interest and dividends	69	215	- 146
Freight and shipping	67	90	- 23
All other current transactions	45	92	- 47
Totals - Current Account - United States	803	880	- 77
Other Foreign Countries	225	127	+ 98
All Non-Empire Countries	1,028	1,007	+ 21
Capital Movements	504	652	- 148
Balancing Item (1)	(1)	(1)	

- (1) This balancing item reflects possible errors and the omission of certain factors which cannot be measured statistically. In the statements of transactions with Empire countries and with Non-Empire Countries it reflects multilateral settlements in the period before exchange control.

ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

TABLE LX

Revised Statement, 1938
(Millions of Canadian \$)

<u>A. Canada and all Countries</u>	<u>Credits</u>	<u>Debits</u>	<u>Net</u>
<u>Current Account</u>			
Merchandise trade - after adjustment	2844	649	+ 195
Net exports of non-monetary gold	161	-	+ 161
Tourist expenditures	149	86	+ 63
Interest and dividends	66	307	- 241
Freight and shipping	95	105	- 10
All other current transactions	46	114	- 68
Totals - Current Account	1,361	1,261	+ 100
Capital Movements	458	570	- 112
Balancing Item (1)	12	-	+ 12
	1,831	1,831	
 <u>B. Canada and Empire Countries</u>			
<u>Current Account</u>			
Merchandise trade - after adjustment	442	184	+ 258
Tourist expenditures	10	17	- 7
Interest and dividends	5	83	- 78
Freight and shipping	43	34	+ 9
All other current transactions	8	19	- 11
Totals - Current Account - United Kingdom	389	262	+ 127
Other Empire Countries	119	75	+ 44
All Empire Countries	508	337	+ 171
Capital Movements	102	155	- 53
Balancing Item(1)	(1)	(1)	
 <u>C. Canada and Non-Empire Countries</u>			
<u>Current Account</u>			
Merchandise trade - after adjustment	402	465	- 63
Net exports of non-monetary gold	161	-	+ 161
Tourist expenditures	139	69	+ 70
Interest and dividends	61	224	- 163
Freight and shipping	52	71	- 19
All other current transactions	38	95	- 57
Totals - Current Account - United States	663	812	- 149
Other Foreign Countries	190	112	+ 78
All Non-Empire Countries	853	924	- 71
Capital Movements	356	415	- 59
Balancing Item (1)	(1)	(1)	

- (1) This balancing item reflects possible errors and the omission of certain factors which cannot be measured statistically. In the statements of transactions with Empire countries and with Non-Empire countries it reflects multilateral settlements in the period before exchange control.

ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

TABLE X

Revised Statement, 1939
(Millions of Canadian \$)

<u>A. Canada and All Countries</u>	<u>Credits</u>	<u>Debits</u>	<u>Net</u>
<u>Current Account</u>			
Merchandise trade - after adjustment	906	713	+ 193
Net exports of non-monetary gold	184	-	+ 184
Tourist expenditures	149	81	+ 68
Interest and dividends	57	306	- 249
Freight and shipping	102	119	- 17
All other current transactions	59	112	- 53
Totals - Current Account	1,457	1,331	+ 126
Special Gold Transactions (2)	2	2	-
Capital Movements	558	694	- 136
Balancing Item (1)	10	-	+ 10
	2,027	2,027	
<u>B. Canada and Empire Countries</u>			
<u>Current Account</u>			
Merchandise trade - after adjustment	436	177	+ 259
Tourist expenditures	9	13	- 4
Interest and dividends	5	80	- 75
Freight and shipping	43	39	+ 4
All other current transactions	9	17	- 8
Totals - Current Account - United Kingdom	384	247	+ 137
Other Empire Countries	118	79	+ 39
All Empire Countries	502	326	+ 176
Special Gold Transactions	-	2	- 2
Capital Movements	97	180	- 83
Balancing Item (1)	(1)	(1)	
<u>C. Canada and Non-Empire Countries</u>			
<u>Current Account</u>			
Merchandise trade - after adjustment	470	536	- 66
Net exports of non-monetary gold	184	-	+ 184
Tourist expenditures	140	68	+ 72
Interest and dividends	52	226	- 174
Freight and shipping	59	80	- 21
All other current transactions	50	95	- 45
Totals - Current Account - United States	780	896	- 116
Other Foreign Countries	175	109	+ 66
All Non-Empire Countries	955	1,005	- 50
Special Gold Transactions (2)	2	-	+ 2
Capital Movements	461	514	- 53
Balancing Item (1)	(1)	(1)	

- (1) This balancing item reflects possible errors and the omission of certain factors which cannot be measured statistically. In the statements of transactions with Empire countries and with Non-Empire countries it reflects multilateral settlements in the period before exchange control.
- (2) 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.

ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

TABLE XI

Revised Statement, 1940
(Millions of Canadian \$)

<u>A. Canada and All Countries</u>	<u>Credits</u>	<u>Debits</u>	<u>Net</u>
<u>Current Account</u>			
Merchandise trade - after adjustment	1,202	1,006	+ 196
Net exports of non-monetary gold	203	-	+ 203
Tourist expenditures	104	43	+ 61
Interest and dividends	52	313	- 261
Freight and shipping	138	132	+ 6
All other current transactions	77	133	- 56
Totals - Current Account	1,776	1,627	+ 149
Special Gold Transactions (2)	248	248	-
Capital Movements	283	471	- 188
Balancing Item (1)	39	-	+ 39
	2,346	2,346	
<u>B. Canada and Empire Countries</u>			
<u>Current Account</u>			
Merchandise trade - after adjustment	699	236	+ 463
Tourist expenditures	6	3	+ 3
Interest and dividends	3	76	- 73
Freight and shipping	76	36	+ 40
All other current transactions	38	52	- 14
Totals - Current Account - United Kingdom	636	293	+ 343
Other Empire Countries	186	110	+ 76
All Empire Countries	822	403	+ 419
Special Gold Transactions (2)		248	- 248
Capital Movements	116	330	- 214
Balancing Item (1)	43	-	+ 43
	981	981	
<u>C. Canada and Non-Empire Countries</u>			
<u>Current Account</u>			
Merchandise trade - after adjustment	503	770	- 267
Net exports of non-monetary gold	203	-	+ 203
Tourist expenditures	98	40	+ 58
Interest and dividends	49	237	- 188
Freight and shipping	62	96	- 34
All other current transactions	39	81	- 42
Totals - Current Account - United States	834	1,126	- 292
Other Foreign Countries	120	98	+ 22
All Non-Empire Countries	954	1,224	- 270
Special Gold Transactions (2)	248	-	+ 248
Capital Movements	167	141	+ 26
Balancing Item (1)	-	4	- 4
	1,369	1,369	

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

ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

TABLE XII

Revised Statement, 1941
(Millions of Canadian \$)

<u>A. Canada and All Countries</u>	<u>Credits</u>	<u>Debits</u>	<u>Net</u>
<u>Current Account</u>			
Merchandise trade - after adjustment	1,732	1,264	+ 468
Net exports of non-monetary gold	204	-	+ 204
Tourist expenditures	111	21	+ 90
Interest and dividends	60	286	- 226
Freight and shipping	185	167	+ 18
All other current transactions	166	229	- 63
Totals - Current Account	2,458	1,967	+ 491
Capital Movements	566	1,063	- 497
Balancing Item (1)	6	-	+ 6
	3,030	3,030	
<u>B. Canada and Empire Countries</u>			
<u>Current Account</u>			
Merchandise trade - after adjustment	1,098	279	+ 819
Tourist expenditures	3	3	-
Interest and dividends	5	68	- 63
Freight and shipping	119	56	+ 83
All other current transactions	96	130	- 34
Totals - Current Account - United Kingdom	1,093	359	+ 734
Other Empire Countries	228	157	+ 71
All Empire Countries	1,321	516	+ 805
Capital Movements	181	990	- 809
Balancing Item (1)	4	-	+ 4
	1,506	1,506	
<u>C. Canada and Non-Empire Countries</u>			
<u>Current Account</u>			
Merchandise trade - after adjustment	634	985	- 351
Net exports of non-monetary gold	204	-	+ 204
Tourist expenditures	108	18	+ 90
Interest and dividends	55	218	- 163
Freight and shipping	66	131	- 65
All other current transactions	70	99	- 29
Totals - Current Account - United States	1,045	1,363	- 318
Other Foreign Countries	92	88	+ 4
All Non-Empire Countries	1,137	1,451	- 314
Capital Movements	385	73	+ 312
Balancing Item (1)	2	-	+ 2
	1,524	1,524	

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

ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

TABLE XIII

Preliminary Statement, 1942
(Millions of Canadian \$)

<u>A. Canada and All Countries.</u>	<u>Credits</u>	<u>Debits</u>	<u>Net</u>
<u>Current Account</u>			
Merchandise trade - after adjustment	2,523	1,406	+1,117
Net exports of non-monetary	184	-	+ 184
Tourist expenditures	81	26	+ 55
Interest and dividends	67	270	- 203
Freight and shipping	221	228	- 7
All other current transactions	<u>208</u>	<u>345</u>	<u>- 37</u>
Total - Current Account	3,384	2,275	+1,109
Special Gold Transactions (2)	23	23	-
Capital Movements	1,235	1,341	- 106
Billion Dollar Contribution	-	1,000	-1,000
Balancing Item (1)	<u>-</u>	<u>3</u>	<u>- 3</u>
	4,642	4,642	
<u>B. Canada and Empire Countries</u>			
<u>Current Account</u>			
Merchandise trade - after adjustment	1,549	226	+1,323
Tourist expenditures	2	2	-
Interest and dividends	7	51	- 44
Freight and shipping	127	49	+ 78
All other current transactions	<u>149</u>	<u>229</u>	<u>- 80</u>
Totals - Current Account - United Kingdom	1,641	434	+1,207
Other Empire Countries	<u>192</u>	<u>123</u>	<u>+ 70</u>
All Empire Countries	1,834	557	+1,277
Special Gold Transactions (2)	-	23	- 23
Capital Movements	884	1,129	- 245
Billion Dollar Contribution	-	1,000	-1,000
Balancing Item (1)	<u>-</u>	<u>9</u>	<u>- 9</u>
	2,718	2,718	
<u>C. Canada and Non-Empire Countries</u>			
<u>Current Account</u>			
Merchandise trade - after adjustment	974	1,180	- 206
Net exports of non-monetary gold	184	-	+ 184
Tourist expenditures	79	24	+ 55
Interest and dividends	60	219	- 159
Freight and shipping	94	179	- 85
All other current transactions	<u>159</u>	<u>116</u>	<u>+ 43</u>
Totals - Current Account - United States	1,461	1,641	- 180
Other Foreign Countries	<u>89</u>	<u>77</u>	<u>+ 12</u>
All Non-Empire Countries	1,550	1,718	- 168
Special Gold Transactions (2)	23	-	+ 23
Capital Movements	351	212	+ 139
Balancing Item (1)	<u>6</u>	<u>-</u>	<u>+ 6</u>
	1,930	1,930	

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

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

TABLE XIV

MERCHANDISE TRADE BETWEEN CANADA AND OTHER COUNTRIES, 1937 - 1942
(exclusive of gold and adjusted for balance of payments purposes)

<u>Credits from</u> <u>Exports</u>	<u>All</u> <u>Countries</u>	<u>Total</u>	<u>United</u> <u>Kingdom</u>	<u>Other</u> <u>Countries</u>	<u>Total</u>	<u>United</u> <u>States</u>	<u>Other</u> <u>Countries</u>
1937	1,041	493	385	108	548	391	157
1938	844	442	337	105	402	268	134
1939	906	436	332	104	470	344	126
1940	1,202	699	542	157	503	424	79
1941	1,732	1,098	914	184	634	566	68
1942	2,523	1,549	1,408	141	974	911	63

Debits for
Imports

1937	776	235	148	87	541	463	78
1938	649	184	119	65	465	400	65
1939	713	177	106	71	536	472	64
1940	1,006	236	133	103	770	702	68
1941	1,264	279	137	142	985	910	75
1942	1,406	226	116	110	1,180	1,116	64

Net Credits (+)
or Debits (-)

1937	+ 265	+ 258	+ 237	+21	+ 77	- 72	+79
1938	+ 195	+ 258	+ 218	+40	- 63	-132	+69
1939	+ 193	+ 259	+ 226	+33	- 66	-128	+62
1940	+ 196	+ 463	+ 409	+54	-267	-278	+11
1941	+ 468	+ 819	+ 777	+42	-351	-344	- 7
1942	+1,117	+1,323	+1,292	+31	-206	-205	- 1

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

TABLE XV

REVISED ESTIMATES OF TOURIST EXPENDITURES BETWEEN CANADA AND OTHER COUNTRIES

1937 - 1942

Credits- Ex- Penditures of Foreign Tourists in Canada	All Countries	Empire		Other Countries	Total	Non-Empire	
		Total	United Kingdom			United States	Other Countries
1937	166	12	11	1	154	149	5
1938	149	10	8	2	139	134	5
1939	149	9	7	2	140	137	3
1940	104	6	5	1	98	98	(1)
1941	111	3	2	1	108	107	1
1942	81	2	2	(1)	79	79	(1)

Debits-Expenditures
of Canadian Tourists
Abroad

1937	87	18	16	2	69	65	4
1938	86	17	15	2	69	66	3
1939	81	13	11	2	68	67	1
1940	43	3	2	1	40	40	(1)
1941	21	3	2	1	18	18	(1)
1942	26	2	2	(1)	24	24	(1)

Net Credits (+)
or Net Debits (-)

1937	+79	-6	-5	-1	+85	+84	+1
1938	+63	-7	-7	-	+70	+68	+2
1939	+68	-4	-4	-	+72	+70	+2
1940	+61	+3	+3	-	+58	+58	-
1941	+90	-	-	-	+90	+89	+1
1942	+55	-	-	-	+55	+55	-

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

TABLE XVI

ESTIMATED DISTRIBUTION OF INTEREST AND DIVIDEND PAYMENTS AND RECEIPTS
BETWEEN CANADA AND OTHER COUNTRIES

1937 - 1942

Credits-Receipts of Interest & Div- idends from Invest- ments abroad:	All Countries	<u>Empire</u>			<u>Non-Empire</u>		
		<u>Total</u>	<u>United Kingdom</u>	<u>Other Countries</u>	<u>Total</u>	<u>United States</u>	<u>Other Countries</u>
1937	76	7	2	5	69	31	38
1938	66	5	2	3	61	25	36
1939	57	5	2	3	52	27	25
1940	52	3	2	1	49	29	20
1941	60	5	4	1	55	39	16
1942	67	7	5	2	60	43	17

Debits-Payments of
Interest & Dividends
to Non-Residents:

1937	302	87	85	2	215	211	4
1938	307	83	81	2	224	218	6
1939	306	80	78	2	226	220	6
1940	313	76	74	2	237	233	4
1941	286	68	66	2	218	214	4
1942	270	51	50	1	219	215	4

Net Credits (+)
or Debits (-)

1937	-226	-80	-83	+3	-146	-180	+34
1938	-241	-78	-79	+1	-163	-193	+30
1939	-249	-75	-76	+1	-174	-193	+19
1940	-261	-73	-72	-1	-188	-204	+16
1941	-226	-63	-62	-1	-163	-175	+12
1942	-203	-44	-45	+1	-159	-172	+13



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