

67-201
Published by Authority of the Hon. James A. MacKINNON, M.P.,
Minister of Trade and Commerce

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

THE CANADIAN BALANCE

OF

INTERNATIONAL PAYMENTS, 1926-1944

Revised Statements, 1926-1943,

and

Preliminary Statement, 1944,

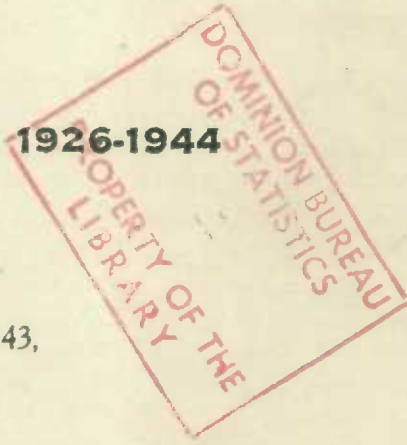
and

British and Foreign Investment in Canada
and Canadian Investments Abroad 1926-1939



OTTAWA
1945

Price 25 cents



CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

TABLE OF CONTENTS

	<u>Page</u>
General Structure of the Balance of Payments	1
Wartime Developments	2
Developments in 1944	4
Historical Review - 1926 to 1939	8
General Influences	8
Capital Movements	10
Transactions with the United Kingdom	11
Transactions with Other Overseas Countries	13
Transactions with the United States	14
Post-War Outlook	19
British and Foreign Capital invested in Canada and Canadian Capital invested Abroad, 1926 - 1939	21
British and Foreign Investments in Canada	21
Changes in the Balance of Canadian Long-Term Indebtedness to Other Countries during the war	24
Basis of Valuations	25
Canadian Investments in British and Foreign Stocks and Bonds	26
Statistical Notes	27
Canadian Balance of International Payments	
Comparative Tables, Period 1926-1944, Current Account Balances - Table I - II	31
Comparative Tables, Period 1926-1936, by Principal Countries and groups of Countries - Tables III - VI	32-35
Comparative Tables, Period 1937-1944, by Principal Countries and groups of Countries - Tables VII - XIII	36-42
Statement for 1944 - Table XIV	43-44
Capital Transactions between Canada and Empire Countries, 1939-1944 - Table XV	45
Capital Transactions between Canada and Non-Empire Countries, 1937-1944 - Table XVI	46
Merchandise Trade, 1933-1944 - Table XVII	47
Tourist Expenditures, 1937-1944 - Table XVIII	48
Interest and Dividends, 1937-1944 - Table XIX	49
British and Foreign Capital Invested in Canada, 1926-1939 - Tables XX - XXV	50-55
Canadian Investments in British and Foreign Stocks and Bonds - Table XXVI	56

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

Dominion Statistician:
Chief, International Payments Branch:

Herbert Marshall, B.A., F.S.S.
C. D. Blyth, B. A.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Canada's external economic relations are revealed in outline by statements of the Canadian balance of international payments. The statements present, in a statistical form, a summary of the commercial and financial transactions occurring between Canada and other countries. They furnish, therefore, an overall view of the external relations of the Canadian economy just as national income studies provide an outline of its internal structure. In an economy such as Canada's where external sources of income and demand furnish an important dynamic element to activity within the country, the balance of payments focuses attention upon the impact of external demand upon the Canadian economy, the expenditure of income outside of Canada, and the resulting financial and exchange aspects. During the war transactions on external account have constituted an even larger proportion of the national income than formerly. In the latter years of the war, gross credits on current account represented almost one-half of the national income compared with approximately one-third in the period before the war.

GENERAL STRUCTURE OF THE BALANCE OF PAYMENTS

The Canadian balance of payments before the war possessed quite definite outlines and characteristics. For some years net receipts from the excess of merchandise exports over import trade with all countries, newly mined gold, and travel expenditures exceeded the net external disbursements on interest and dividends account and for freight and other services. The growing current account credit balance in all countries in years immediately preceding the war was dependent, however, to a considerable extent upon expanding gold production. The more significant annual variations in the gross volume of current international transactions and in the current account balances arise usually from fluctuations in merchandise trade. Demand for Canadian exports varies widely from year to year, and Canadian demand for imports is closely related to fluctuations in the national income in Canada. The large element of interest charges in the total payments on account of interest and dividends makes for some rigidity in payments on income account, and possible fluctuations in the net balance from the tourist trade are moderated considerably by the substantial volume of Canadian travel expenditures outside of Canada, which usually fluctuate in the same direction as travel expenditures in Canada.

The geographical distribution of transactions has displayed very pronounced characteristics and has shown a concentration of dealings with the United Kingdom and the United States with credit balances on current account characterizing the balance of payments between Canada and the United Kingdom for a number of years preceding the war, and chronic debit balances being customary in the account with the United States. The main sources of the credit balance with the United Kingdom was the large income which Canada has had from exports of merchandise to the United Kingdom. In the years immediately before the war this was customarily much greater than

the total of current payments made by Canada to the United Kingdom for merchandise imports, shipping and other commercial and financing services and payments of interest and dividends on Canadian investments owned in the United Kingdom. This sterling income was, however, freely convertible before the war into United States dollars or other currencies for which Canadian demand exceeded the Canadian supply. Because of this existence of free exchange markets, there was no problem of settling the credit balance with the United Kingdom such as has developed during the war. The Canadian need for external income to meet payments in the United States and certain other countries where Canada usually has debit balances arises chiefly from the excess of purchases of merchandise in the United States over Canadian exports to that country combined with the large Canadian payments of interest and dividends to American investors, and the payments for transportation, travel and other services. While there is, in good years, a substantial income from Canadian exports to the United States and from United States tourist expenditures in Canada, this along with sales of newly mined gold was not sufficient in any year before the war to meet the large payments for goods and services purchased in the United States.

Canada's special interest in a system of multilateral settlements is apparent from the structure of the Canadian balance of payments. For example, the existence of free exchange markets before the war provided a channel of international settlement, particularly between the nations of the British Commonwealth and the United States. It was, therefore, possible for there to be a considerable amount of disequilibrium or "unbalance" in Canada's current accounts with the United Kingdom and the United States without any special problems of settling these balances arising. Triangular settlements such as those arising from the unbalanced state of Canada's accounts with the United Kingdom and the United States were an integral part of the network of international commerce which had grown up over a long period. The system of multilateral settlements made it possible to settle balances like those arising from Canada's dealings with its principal trading partners.

WARTIME DEVELOPMENTS

The war, however, interrupted the operation of the system of multilateral settlements by creating conditions under which sterling was no longer freely convertible into United States dollars. In addition, the current accounts of the belligerent nations became 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 produced problems with respect to the balances of payments with both the sterling area and the non-sterling area, and the situation made exchange control necessary.

During the wartime period, the external demand for Canadian production has been a dominant influence upon the balance of payments. British and other allied requirements for munitions, food, raw materials and other goods and also for war services have been among the principal contributors to the great wartime development of productive capacity and of capital equipment in Canada. The rapid expansion of investment in new productive facilities created heavy demands for capital goods procurable only in the United States. The new kinds of industrial production also led to new demands for fuel, industrial materials and components which also had to be purchased in the United States. As a result of the new capacity and demands the level of industrial production on overseas account rose to unprecedented heights.

In their external aspects, the financial problems accompanying this great achievement in production were twofold. There has been the problem associated with the British scarcity of Canadian dollars to pay for the munitions, food and other

commodities which were so urgently needed for the prosecution of the war and there has been that arising from the Canadian shortage of United States dollars to pay for the capital equipment, materials and components required for the war production. These two tendencies contributed to the development of a greatly increased credit balance in the current account with the sterling area and an increased debit balance in the current account with the United States dollar area. Accompanying this great increase in disequilibrium was the interruption in the system of multilateral settlements already referred to. As a result of these developments, it was necessary to devise methods of overcoming these financial obstacles in order that they should not interfere with the Dominion's contribution to the war.

With the sterling area, the problem has been one of finding means of financing the growing British shortage of Canadian dollars resulting from the extraordinary wartime needs of the United Kingdom for Canadian munitions, food and raw materials. These needs, of course, increased to unprecedented proportions as the United Kingdom was a principal base of operations against the axis. 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 were also effected by purchases of gold from the United Kingdom which, in turn, were 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 contribution of one billion dollars was made to the Government of the United Kingdom for expenditure on war supplies in Canada. In the same year the major part of the accumulation of sterling balances by Canada was converted into a 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. In 1944 there was a further appropriation of \$800 million for Mutual Aid. Capital debits arising from the repurchase by Canada of the British equity in the fixed capital of war plants, amounting to \$205 million and the repayment of \$190 million by Canada of British working capital advances made to Canadian munitions producers earlier in the war, provided a considerable amount of the additional funds required to finance the British current account deficiency in 1943. There have also been special receipts of United States dollars from the United Kingdom. Increasing current payments by the Canadian government to meet the overseas expenditures of the Canadian forces have also provided a very substantial source of Canadian dollars for the United Kingdom, having grown greatly in the latter years of the war as the number of Canadian forces overseas increased and military, naval and air operations were expanded. In short, the United Kingdom has been able to obtain such a large volume of commodities from Canada for the prosecution of the war only because of special receipts of Canadian dollars such as have been outlined above. The special sources of dollars which have made this possible are mostly outlays of the Dominion Government arising from the wartime financial organization of the Dominion in which government expenditures represent a large part of the national income.

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 were 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 had to be settled with United States dollars, it became 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 provided the principal means of conserving United States dollars. Government measures 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 in April 1941, new sources of United States dollars were produced with the sale of ships and munitions on a large scale to the United States government and further development of the production of raw materials in Canada. Settlements made by the United Kingdom in United States dollars, and in gold sold in the United States, have 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.

In the last two years of the war a combination of temporary developments led to a marked change in the current account with the United States. Although current payments by Canada for merchandise and services reached a record level in 1943 and only declined moderately in 1944, there were very striking increases in current receipts from sales of munitions to the United States Government and from sales of grain to the United States which increased to unprecedented levels. Other exports to the United States were also heavier and more diversified than formerly, as unusual demands were created by wartime incomes and temporary shortages. United States purchases of grain reached their peak in 1944, when they considerably exceeded the level of total exports of all commodities from Canada to the United States in 1938.

Another unusual source of substantial income in the latter years of the war originated in United States Government expenditures on defence activities in Canada. The construction of the Alaska highway and air fields, and the Canol project and other activities in Northern Canada were the principal objects of expenditure.

As a result of these various non-recurrent developments the current account deficit with the United States was reduced to negligible size in 1943. In the year 1944, however, the unusual sources of receipts were so heavy there was a substantial surplus from current transactions in the United States before taking account of the large special payments to the United States Treasury in that year. When these payments are included in the current account, however, it is brought close to equilibrium for the year as a whole, there being a relatively small credit balance. These special payments were in connection with the termination of the financial aspects of the Hyde Park agreements. The payments included various war expenditures such as reimbursements to the United States for air fields and telephone lines constructed in Canada.

DEVELOPMENTS IN 1944.

Canadian war production was at its peak in 1944 and this is reflected in the balance of payments in various ways. In the balance of payments between Canada and the sterling area the effects of maximum production were to increase gross expenditures of the sterling area in Canada, including the expenditure of Mutual Aid funds on sterling area account as well as the disbursement of the greatly augmented amount of funds actually received by the sterling area from payments by the Canadian Government of overseas war expenditures.

Food and munitions shipped to the British were at record levels. Exports of lumber and other wood products were also heavier than in the previous year but

1/ See statement of the Minister of Finance, Hansard of April 21, 1944, Page 2289.

there was some recession in shipments of non-ferrous metals and miscellaneous commodities to the United Kingdom, arising mainly from reduced requirements for aluminum. One of the greatest relative increases in the expenditures of the sterling area in Canada was in the value of exports on other sterling area account. This was partly a result of the development of Mutual Aid to Australia with the consequent direct financing of some commodities to that country which formerly had been financed through United Kingdom channels. But exports of civilian commodities to the other sterling area countries were much heavier in 1944 as well, with the result that the requirements of the other sterling area countries added a considerable amount to the direct requirements of the United Kingdom itself.

Sterling area expenditures on war services and freight and other current transactions showed some varying trends during the year. Expenditures for war services were about the same in total in 1944 as in 1943, but their composition was considerably different. Payments to Canada for freight were higher, mainly reflecting the increased movement of commodities from Canada. Increased earnings by the growing fleet of Canadian operated merchant vessels were a factor in this increase. As a result of the trends described above, total current expenditures of the sterling area in Canada increased from \$2,066 million in 1943 to \$2,307 million in 1944. This is between four and five times the size of Empire purchases of Canadian commodities and services in 1939.

The more normal sources of Canadian dollars which the sterling area has to meet the above liabilities did not vary much in total in 1944. The value of imports from the sterling area into Canada showed little change during the year as a whole. Likewise Canadian payments to the United Kingdom for freight, interest and dividends and other normal current services were only slightly higher in 1944.

The most important change in the sterling area's supply of Canadian dollars, of course, came through the great increase in the payments by the Canadian Government to the United Kingdom for the expenses of the Canadian forces overseas. These increased from \$499 million in 1943 to \$1,085 million in 1944. The great increase in overseas expenditures was principally the result of liabilities incurred by the Army and Air Force. The campaign in Italy throughout the year and the operations in Western Europe in the last seven months of the year created much heavier liabilities for equipment and stores. There were also payments for costs incurred by the Army in early years. With the Air Force some of the increase arose from the high degree of operations throughout the year but a considerable portion originated in the assumption of the costs of a larger number of Canadian squadrons overseas than in earlier years and in payments for advanced air training overseas.

As a result of transactions described above the sterling area had net current account deficits of \$879 million in 1944 compared with \$1,216 million in 1943. The principal reason for the reduction was, of course, the effect of the much heavier Canadian overseas expenditures during the year. Mutual Aid provided a means of financing \$834 million of the deficit in 1944, whereas in 1943 total expenditures by the Canadian Mutual Aid Board for Empire countries amounted to \$503 million. Mutual Aid to the United Kingdom in 1944 accounted for about \$775 million of the total. Most of the remainder was for Australia with smaller amounts for the British West Indies, India and New Zealand. These goods provided under Mutual Aid have been included with other exports in the balance of payments statements and consequently are reflected in the current account balances shown. Their inclusion among the credits is offset by debits of similar size which have been entered in the special "Mutual Aid" item representing the expenditures by the Canadian Mutual Aid Board. This new form of aid to Britain and other Allied nations is in physical terms, whereas the Billion Dollar Contribution of 1942 was aid expressed in financial

terms although in effect a contribution of goods and services. Under Mutual Aid the actual war supplies and services are provided the Allied nations requesting the aid directly by Canada. Among other methods of financing the deficit was the special receipt of U.S. dollars from the United Kingdom, equivalent to \$55 million Canadian. There were also debits on balance on capital account and other special official payments which were mainly for the purpose of adjusting inter-governmental transactions, and various currency settlements adjusting special transactions.

In the balance of payments with the United States a combination of unusual developments created the unique conditions in which there was a credit balance on current account in 1944. Various abnormal wartime sources of dollars provided a surplus over and above Canada's current expenditures in the United States during the year. Receipts from the sale of munitions to the United States Government under the Hyde Park Agreements, and from the sale in the United States of over \$300 million of grain to meet wartime feed and other shortages, heavy exports of a great variety of other commodities for which scarcities and wartime incomes created swollen demands, and continued expenditures by the United States Government on defence activities in Northern Canada all contributed to the extraordinary volume of current receipts. The United States Government expenditures were still substantial in the first half of 1944 although much less than in the peak year 1943. There was some improvement in the level of American tourist and travel expenditures in Canada accompanying the easing of American restrictions on pleasure travel by car but at the same time there was a further contraction in the net exports of non-monetary gold resulting from continued reductions in production. The consequent increase in total current receipts was considerably greater than the level of current expenditures in the United States. The latter were slightly less than in 1943 if the special payments to the United States Treasury in connection with the termination of the financial aspects of the Hyde Park Agreements already referred to above are excluded^{1/}. The principal reason for the moderate contraction in the level of imports was the greater use of Canadian sources of supply of materials and the virtual completion of the program of capital expansion in Canadian industry which entailed such large purchases of Canadian equipment in the United States in the early years. To some extent the reduced imports for war purposes were offset by the greater purchases of American commodities for civilian purposes, because of a slight easing in the supply of some civilian commodities and a greater reliance upon American sources of supply for other commodities. There was an appreciable increase in tourist and travel expenditures in the United States by Canadians accompanying some relaxation in travel restrictions in the month of May, 1944. Although payments of interest were slightly higher because of the increased American holdings of Canadian bonds, there was a decline in dividend payments.

Inflows of capital continued to be extraordinarily heavy in 1944 with transactions in securities still representing the major part of the movements. While the volume of security transactions was less in 1944 than in 1943, the net inflow from the United States from security transactions was not widely different in the two years. Gross sales of Canadian securities to the United States were less but so also was the total of redemptions, there having been in 1943 a substantial total of Dominion issues called for redemption. While sales of Canadian bond issues payable in foreign currency were less in 1944 than in 1943, there was an increase in purchases of Canadian domestic bonds. In 1944 there was more capital transferred to Canada for the establishment and developments of direct investment by American businesses than was the case in the earlier years of the war.

Capital payments continued to be for the most part for the redemption of securities or other debts, exports of capital being subject to the restrictions imposed by exchange control. Although certain other exports of capital were per-

1/ See statement of the Minister of Finance, Hansard of April 21, 1944, Page 2289.

mitted in 1944, mainly in connection with the direct investments abroad of Canadian businesses, the total of such transfers was small. There are also debit entries in the capital account reflecting the increase in official reserves of gold and United States dollars as well as various changes in the working capital position of private businesses.

There were special receipts of United States dollars from the United Kingdom amounting to \$55 million providing a means of settling part of the British deficit in Canada. There was also a substantial total of receipts from exchange recoveries and adjustments arising principally out of transactions with the sterling area.

It should be noted that a substantial part of the credit balance on current account with non-Empire countries in 1944 is represented by war supplies and services provided as Mutual Aid by the Canadian Government to China, France and the USSR. The total of Mutual Aid to this group of countries amounted to \$102 million. The gift of wheat to Greece by the Canadian Government is also part of the credit balance being offset by a debit entry in the capital account.

HISTORICAL REVIEW, 1926 - 1939

(See Tables I - XIII)

The normal commercial and financial relations which have developed between Canada and the rest of the world have been predominantly with the United Kingdom and the United States. The major part of Canada's external merchandise trade has customarily been with these two countries. A huge exchange of commodities has grown up over the years as a result of the close commercial relations between Canada and these countries, to the advantage of each country. As the predominant part of the movement of external capital in the past was from these two countries to Canada, the largest part of the interest and dividends paid by Canada to other countries on external capital invested in the Dominion has also been to the United Kingdom and the United States. Similarly a considerable part of Canadian income from capital invested abroad has originated from investments in the United States. There have also been customarily important exchanges of services between Canada and the United Kingdom and the United States. The total exchange of freight and shipping services between these countries is large and closely related to the large movements of merchandise. Travel is also the source of large international payments, particularly between Canada and the United States, the volume of traffic across the border being very great. Similarly there is a great variety of exchanges of commercial, professional, and financial services of all kinds, and personal and benevolent remittances between these countries.

GENERAL INFLUENCES

During the period from 1926 to the outbreak of the war the most important factors in the background affecting the Canadian balance of payments have been the changing conditions of prosperity and depression in the industrial nations of the world. Being very dependent upon external sources of income, the Canadian economy has been more subject to the effects of economic conditions abroad than many other nations. Changes in incomes in the United Kingdom and the United States, particularly, have affected the demands for Canadian exports and services, and changing Canadian incomes in turn affect Canadian purchases of goods and services abroad. The international movement of capital has also fluctuated with general economic conditions, as well as special financial circumstances, with resulting effects upon the balance of payments. Also important have been Canadian industrial developments, resulting in changes in international supply and demand for commodities, such as the expansion in production of gold and non-ferrous metals in Canada in the 1930's for export, and developments in industries supplying the Canadian home markets with commodities formerly imported. Commercial agreements have also affected the flow of trade. But the trend in general economic conditions in countries like the United Kingdom and the United States have had the most important effects on the Canadian balance of payments and on Canadian economic activity. These changes have been transmitted to Canada with varying intensity. Consequently, the relative levels of incomes and production in Canada, the United Kingdom and the United States are among the main determinants of changes in the balance of payments.

The export industries occupy a key position in the Canadian economy and variations in demand for exports have far-reaching effects upon the national income with consequent indirect effects upon Canadian imports. A large part of Canadian exports is made up of a relatively small number of commodities and the dependence upon export markets for many of these commodities is very great. Wheat and other food, newsprint, pulp, lumber, nickel, aluminum, copper, lead, zinc and gold are examples of commodities in which Canadian production greatly exceeded domestic requirements during the inter-war period. Many regions are dependent upon incomes from the production of commodities like these and are consequently exposed to the fluctuation in external demand for their products. Canadian demand for imports is in turn sub-

sequently affected with the result that there are very wide fluctuations in the balance of merchandise trade, the most important item in the balance of payments.

The Canadian balance of payments is therefore vulnerable to changes in international demand. This vulnerability is accentuated even more by the wide disequilibrium which is normal in Canada's current account with each of the United States and United Kingdom. Whenever conditions weakening sterling in terms of dollars arise these tend to be transmitted to the Canadian dollar by the loss in the value of sterling income necessary for making payments in appreciated United States dollars. This peculiar structural characteristic of the Canadian balance of payments is what makes for the close relationships between the Canadian dollar and sterling and the United States dollar.

An historical review of the balance of payments reveals national development interacting with the impact of conditions abroad. There were great developments during the inter-war years in the sources of Canada's external income. The composition of Canadian exports underwent many changes during this period. The main trend was a growing diversification as new industries and products were established or expanded. Some of this economic growth is obscured by the depression and decline in prices from the high levels of the 1920's. In the 1920's, for example, there were large developments in the newsprint and wood products industries, base metal, mining and smelting and automobile production and other manufacturing for export markets. In the 1930's the base metal industries were further developed for export and gold mining became a major producer of foreign exchange. Income from American travel expenditures in Canada reached high levels in prosperous years with the improvements in highways. But variations in foreign demand for Canadian goods and services influenced the extent to which all of these productive facilities were employed. Consequently the level of Canada's current receipts from the sale of goods and services was influenced by the vagaries of external demand as well as the growing capacity for providing them.

Canadian expenditures abroad were influenced to a large extent by the course of development in Canada during the inter-war years. During the period of heavy investments in the 1920's Canadian import requirements from the United States especially were very heavy. There was an expansion of industrial capacity under way as well as large investments in transportation facilities and public utilities. These developments led to heavy imports of capital goods from the United States which were much greater before the depression than during the period of recovery in the 1930's. The prosperity of the 1920's also led to heavier purchases of United States goods generally. Imports from the United States were particularly swollen by the United States dollar content of consumers durable goods which were greatly in demand in Canada during the prosperous years. The falling off in imports in the 1930's although to a large extent due to a decline in investment in Canada can be partly attributed to the development of Canadian sources of supply for many commodities which had formerly been imported. Imports from the United Kingdom in the 1920's had also been higher than in the 1930's when Canadian sources supplied a larger part of Canadian requirements. The heavy borrowing before the depression led to a large overhead cost in the form of interest payable to United States investors. This became a rigid element in the balance of payments with the United States during the depression and succeeding years. But some of the external capital invested during the period of heavy investment was in the form of direct investments in branches and subsidiaries and consequently the income payments on this portion of the Canadian external indebtedness was more flexible, declining as it did during the depression when corporation incomes were reduced.

The balance of payments during the years of recovery before the war warrants closer analysis as it was during this period that the growing diversifi-

cation in export capacity was more fully developed and employed. A greater number of industries depended upon export markets than in earlier periods. There was a relatively greater dependence upon export markets in the United Kingdom than in earlier years. At the same time Canadian imports from the United Kingdom were less than in the earlier period and there was consequently a very substantial credit balance in Canada's current account with the United Kingdom, averaging about \$130 million in the four years from 1936 to 1939. There were also substantial net credits from trade with other Empire countries adding further to Canada's current income in sterling. But Canadian exports to other overseas countries, particularly Continental Europe, were much lower than during the 1920's when European purchases of Canadian wheat were very heavy.

Canada's current deficit with the United States during the same four years before the war was more variable, ranging from virtual equilibrium in 1936 to a deficit of \$149 million during the "recession" year of 1938. In the former year Canadian income in the United States was augmented by large American purchases of grain because of the drought while Canadian imports were still well below the levels reached in the later years of recovery. In the latter year Canadian exports to the United States dropped very sharply below 1936 and 1937 with the decline in economic activity in the United States while Canadian imports continued to be relatively substantial as incomes and economic activity were partly sustained in Canada by exports to overseas countries. But throughout this period before the war Canadian imports were much lower than during the 1920's, partly because of the small volume of investment in Canada. Since economic activity in Canada in the 1930's never approached the levels which the productive capacity of the country was capable of reaching Canadian expenditures abroad must be regarded as subnormal during this period. On the other hand the external demand for Canadian products also had a subnormal character. An important source of dollars keeping the current deficit with the United States from expanding further than it otherwise would was the rising level of Canadian gold production.

The wide variability of the current deficit with the United States before the war is illustrative of the vulnerability of Canadian exchange to conditions outside of Canada. While the Canadian balance of payments with all countries during this period produced a substantial balance on current account there was also a very high degree of offsetting disequilibrium with both the United Kingdom and the United States. It was only the existence of the convertibility of sterling and other exchange received from Canada's trade with overseas countries into United States dollars to meet deficits there which made the conditions of multilateralism then prevailing possible.

This led to a much greater disequilibrium in Canada's accounts with both the United Kingdom and the United States as has been already described. The inconvertibility of sterling was an immediate financial consequence of the war and led to the necessity of considering Canada's balance of payments with the sterling area in a distinct compartment from the balance of payments with the United States and other countries with convertible exchange. The exchange and financial problems associated with the Canadian shortage of United States dollars and the British requirements for Canadian dollars were a direct result of the inconvertibility of sterling and the greatly increased disequilibrium in Canada's accounts with these countries arising from exchanges of goods and services swollen by wartime demands.

CAPITAL MOVEMENTS

Most of the investment of external capital in Canada occurred before 1926. The largest part of the British capital had been invested before the First Great War, and there had been a very heavy inflow of capital from the United States

during the war and during the post war years. This latter movement from the United States continued throughout the 1920's, although in 1925 and 1926 there were substantial exports of capital from Canada on balance. The heaviest capital influx from the United States occurred during the years prior to 1924 and during 1929 and 1930.

The net import of capital from all countries approximated \$311 million in 1929 and \$337 million in 1930, as indicated by the debit balances on current account during these years. In 1929 and 1930 there were very large flotations of new Canadian bond issues in the United States in connection with the capital developments under way in Canada. Inflows for direct investment were also appreciable in these years and in the earlier year a considerable amount of inflow took the form of repatriation of the liquid assets of Canadian banks in New York. Inflows continued during 1931 and 1932 on a reduced scale but partly through reductions in Canadian assets abroad rather than in new borrowing in connection with investments in Canada. Inflows of capital were an important factor in maintaining the strength of the Canadian dollar during this period up until the rapid depreciation of sterling late in 1931. During the later 1930's Canada again became an exporter of capital. Prior to this period most of the exports of capital had occurred in 1925 and 1926 when large amounts of Canadian capital were invested in United States and other foreign securities. While there were other exports of capital for the purchase of securities in succeeding years, these were more than offset by imports of capital from the sale of new Canadian issues of securities abroad and from the expansion of American direct investments in Canada. The exports of capital which developed in the late 1930's were of a different kind from those before the depression. These mainly took the form of redemptions of Canadian bond issues held in the United States and elsewhere, along with some retirements of indebtedness in connection with American direct investments in Canada, some expansion in Canadian direct investments in the United States, and outflows of funds by insurance companies. These various forms of outflows of capital more than offset any inflows arising from the purchase of Canadian outstanding securities by non-resident investors during these years. The outflow of capital became appreciable in 1934 and was highest in 1936 although the level continued to be still substantial in the three years before the war. Canada's balance of indebtedness was consequently reduced during these years before the war.

TRANSACTIONS WITH THE UNITED KINGDOM

(See Tables IV and IX)

The Canadian balance of payments with the United Kingdom has undergone numerous changes during the period between 1926 and the beginning of the war. The structure which was typical in the years immediately preceding the war is generally appreciated. During that period Canada had consistently a large sterling income from exports which substantially exceeded payments for imports, interest and dividends, freight and other services. To a large extent, however, this surplus of sterling income in the years immediately preceding the war is attributable to commercial agreements and the heavy British demands for Canadian commodities arising out of the housing construction throughout the 1930's and from the rearmament demands in the latter years of the decade. British economic activity and incomes were sustained at a high level for a number of years before the war.

It is important to note, however, that in Canada's accounts with the United Kingdom in each year from 1927 to 1932 the situation was exactly the reverse of that prevailing from 1933 to 1939. In each of these former years current payments by Canada to the United Kingdom exceeded current receipts. The debit balances were particularly substantial in 1929 and 1930. A prominent factor in this change in the

structure of the balance of payments with the United Kingdom was the significantly higher level of payments by Canada during the years in question. Total interest and dividends to the United Kingdom were much higher before the depression than in any subsequent year in the 1930's, partly because of railway dividends. At the same time Canadian imports of merchandise were greater throughout the 1920's than in the 1930's. Although some of this larger value was due to the higher prices in the earlier period a considerable amount was the result of Canadian demand for many manufactured commodities which were not produced at that time in Canada. The development of manufacturing in Canada in the ensuing decade was a factor in reducing the general volume of Canadian imports from the United Kingdom.

Canadian export sales to the United Kingdom were at a lower level during the years from 1927 to 1932 than they were in the subsequent 1930's. This is after allowance is made for the large amount of Canadian wheat which was sold to Continental countries but in some cases originally shown as exported to the United Kingdom in these earlier years. Distinct improvements appeared in Canada's exports to the United Kingdom in 1933 and subsequent years and by 1936 exports had arisen to a higher level than in any other year from 1926 on. Increases were particularly notable in bacon and other food products and lumber, wood products and non-ferrous metals. In the four years before the war the value of exports to the United Kingdom remained relatively stable. A wide range of Canadian commodities were exported to Britain. The British market was particularly important in absorbing surpluses of Canadian farm products and raw materials. Wheat and flour, fruit, bacon, dairy products and other food, furs, lumber and other forest products and non-ferrous metals were among the commodities for which there was a sustained British demand before the war.

The credit balance on current account with the United Kingdom expanded from \$26 million in 1933 to \$137 million in 1939, without including the exports of gold from Canada to the United Kingdom which were substantial in some of these years. This movement of gold was chiefly the result of temporary market situations and its inclusion in total credits in the account with the United Kingdom would considerably expand the credit balance over that arising from commercial transactions. Total net exports of non-monetary gold are included in the current account with the United States in tables in this report.

Capital movements between Canada and the United Kingdom during the period under review have been predominantly from Canada to the United Kingdom. Retirements of Canadian securities originally sold to British investors have been the principal form of this outward movement of capital. In each year during the period under review, with the exception of 1933 and 1934, retirements exceeded new issues of Canadian securities sold in the London market. In addition, in many years there were repurchases of outstanding Canadian securities from British investors. In 1933 and 1934, however, this movement turned in the opposite direction when sales of Canadian outstanding securities greatly exceeded Canadian repurchases. Although the total inflow of capital from the United Kingdom was very heavy in these two years the net movement during the period from 1926 to 1939 was on balance outward and had the effect of reducing the balance of Canadian indebtedness to the United Kingdom.

The combined effects of current and capital account transactions between Canada and the United Kingdom has been that each year from 1933 there was a very large surplus of Canadian receipts from the United Kingdom. While the credit balance on current account was still small in 1933 and 1934 there were the very large credit balances on capital account of approximately \$94 million and \$99 million respectively. In later years when the credit balance on current account expanded, it was, after 1935, much larger than the debit balances on

capital account. Consequently Canada had a large surplus of sterling receipts generally from 1933 on. Under the conditions of exchange convertibility existing before the war this sterling surplus could be sold for United States dollars to provide the dollar exchange needed to make payments in the United States.

TRANSACTIONS WITH OTHER OVERSEAS COUNTRIES

(See Tables VI, X and XIII)

Canada has had large balances on current account with other overseas countries as a whole consistently throughout the period under review. Income from exports of merchandise has been the predominant source of receipts. Supplementing these receipts is investment income arising mainly from Canadian direct investments in South America. Exports of food and raw materials have constituted a large part of the merchandise trade with other countries. European demand for Canadian grain and other commodities was especially heavy before the depression but the reduction in this demand during the depression and the accompanying period of autarchy was never regained in the period of recovery before the war. A certain amount of this reduction in income from exports to Europe and other foreign countries was offset by larger sales to the Dominions and other British countries. Canadian imports and other payments to this group of other countries did not fall as much proportionately in the pre-war years as was the case with exports to this area; consequently the net current account balance with other countries, which was as high as \$338 million in 1928, was reduced to \$122 million in 1938. An important factor contributing to the large credit balances in the earlier years arises from the inclusion of wheat exports in the current account with these countries which was originally declared as exported to the United Kingdom but subsequently diverted to other European destinations.

While there are other exchanges of services between Canada and these countries, to a large extent these exchanges are offsetting for the group of countries as a whole, particularly in the case of tourist and travel expenditures and freight and shipping. While the balance on account of these transactions is of significance with some individual countries, the volume of transactions is usually small in relation to merchandise trade. There is, however, a considerable balance of debits arising from all other current transactions. The largest component of these payments is personal remittances to Europe and Asia by persons living in Canada with family ties abroad. The level of personal remittances was higher before the depression and has shown a secular decline during the period as the volume of immigration to Canada in the last decade before the war was much less than in earlier periods.

The continental distribution of trade reveals some fairly definite patterns. Canada has been a net exporter to each continent outside of America in most years. In the case of South America, however, there was a balance of imports in most years before the war. Although imports from the United States have exceeded exports consistently, there has been a balance of exports to other North American countries excluding the United States as a whole throughout the period under review. The current account with Empire countries other than the United Kingdom also shows a credit balance throughout the period under review. Although a minor part of the total in each year the credit balance with these countries became relatively more important in the 1930's with the sharp decline in exports to Europe.

While there have at times been substantial movements of capital between Canada and overseas countries other than the United Kingdom there is little relationship between these movements and Canada's current account with the area as a whole. Most of the capital movements have taken the form of security transactions in international capital markets. During the 1920's Canadians purchased large amounts of new issues of foreign bonds usually floated in the United States. South American issues

made up most of these purchases although there were also some European and British Dominion issues as well. Many of these holdings were later sold abroad. Later in the years immediately before the war there was a substantial movement of European capital to Canada. Earlier movements of European capital to Canada for the most part occurred before the period under review. Much of the direct investment by Canadian companies in Latin America also occurred before this period.

Trade with other overseas countries has been consistently a substantial source of current surplusses providing exchange which could be converted into United States dollars to make payments in the United States. In each year during the period under review until 1937 the credit balance in Canada's current account with these countries has been the largest source of exchange for meeting deficits in the United States. In the years from 1937 until the beginning of the war when sterling ceased to be freely convertible, however, the credit balance with the United Kingdom was slightly larger than that in Canada's accounts with all other overseas countries.

TRANSACTIONS WITH THE UNITED STATES

(See Tables V and XII)

The fluctuation in economic conditions in Canada and the United States constitutes one of the most prominent factors influencing these trends in the balance of payments between the two countries. Relationships between the two countries are numerous and far reaching. Events in the United States, reflecting changes in the larger economy, directly influence the course of economic activity in Canada. The influences of conditions in the United States upon the world economy at large are also transmitted to Canada through their effects upon the fluctuations in Canada's trade with overseas countries as well because of the great importance which this external trade has for Canada. The level of production and incomes in the United States directly affects the welfare of many Canadian industries and trades dependent upon export demand. In many regions in Canada the primary economic stimulant comes from American demand. The volume of Canadian sales of goods and services in turn affects Canada's ability to purchase abroad.

Besides general economic fluctuations there have also been the effects of tariffs and commercial agreements upon the flow of commodities between Canada and the United States. Tariff increases in 1930 and later years introduced impediments to the flow of commodities in both directions. The combination of the effects of these barriers and the reduced demands and prices during the depression contributed to abnormally low levels of commodity movements in the balance of payments between Canada and the United States for a number of years. But later the Trade Agreements between Canada and the United States signed in 1935 and 1938, combined with the recovery in economic activity, led to substantial increases in the level of merchandise trade between Canada and the United States in the years immediately before the war.

The balance of payments between Canada and the United States has been characterized by deficits each year in the period from 1926 to 1943. These debit balances on current account were much heavier, however, in the earlier half of the period and reached their highest point in 1929 and adjacent years. There were substantial declines in the size of the debit balance each year from 1929 until 1936 when the current account with the United States was virtually in equilibrium. Substantial deficits again reappeared in later years particularly in 1938, but it was not until the period of the war that the deficits again approached the size which was characteristic of the period from 1926 to 1931.

The greatest fluctuations have occurred in gross payments by Canada over the period. This decline in debits was not only greatest in the depression but the level of debits in the later years of recovery before the war also marked a greater decline from the level of pre-depression years, both relatively and absolutely, than was the case with total credits. Because of these varying trends the balance of debits on current account in both depression and pre-depression years was much less than was the case before the depression. The principal reason for this trend in the current account balance has been the greater decline in imports over the longer period, and the growth in the value of net exports of non-monetary gold. Principally because of the latter factor total receipts from gold and all other commodity exports in the pre-war years were close to the level of the pre-depression years, whereas in contrast imports were much lower than in the peak years.

The widest fluctuations have occurred in merchandise account. Both exports and imports have often shown wide variations from year to year but the annual changes in the balances on merchandise account have usually been less pronounced since both exports and imports frequently fluctuate in the same direction. In the declines from the levels of the 1920's, reductions in exports, however, were relatively less than declines in imports with the result that the deficit in merchandise account was much less after 1930 than before.

Trends in other items over the period have to some extent been offsetting; for example, while revenue from the tourist trade was greater in the pre-depression years, partly because of higher prices, debits on freight and shipping account were higher during the same period as a result of the larger volume of merchandise imports. The effects of fluctuations in the level of American travel expenditures in Canada are in themselves to some extent modified by trends in Canadian travel expenditures in the United States which usually move in the same direction as American expenditures in Canada. Payments on account of interest and dividends have been relatively stable throughout the period, being generally higher from 1929 on than in the earlier years because of the increased Canadian indebtedness to the United States. The rigid element in these payments arises from interest on bonds and debentures held in the United States, while the more flexible element is represented by the dividends paid by Canadian companies owned and controlled in the United States. The latter generally fluctuate in accordance with general economic conditions and are payable for the most part in Canadian dollars. But the major part of the interest is payable in United States dollars, and when the Canadian dollar is depreciated there is the addition of the premium on exchange. Receipts of income by Canadian investors from United States stocks and other securities generally fluctuated with changes in corporation incomes in the United States somewhat similarly to variations in Canadian payments of dividends, the amounts remitted in both directions varying to some extent with economic conditions. All other current transactions are also to a large extent offsetting. The volume of both receipts and payments is, however, quite substantial and normally results in a balance of payments by Canada. Included in these transactions are the many exchanges of business and professional services which enter into the international commerce of the two countries. There is also a variety of personal and institutional remittances and the transfers of incomes in both directions earned across the border by persons working in one country and residing in the other.

Since the main changes in the current account balance arise from the merchandise trade various influences upon commodity movement have been the main factors contributing to the fluctuations in the current account deficits. The large deficits prior to the depression were affected to a large extent by heavy Canadian demand for American merchandise during the pre-depression years. A larger part of the gross national expenditure of Canada in those years was spent on investment in Canada. The heavy investment in these years created extraordinary demands for capital goods and this was reflected in the large volume of imports of durable goods from the

United States. Canadian purchases of industrial materials and components required for construction and production in Canada arising out of this extraordinary level of private and business investment in Canada also contributed to the heavy imports from the United States during this period. At the same time the expenditures in the United States arising from Canadian consumer demands also reached unusual levels. Incomes in the prosperous years before the depression were not only high but widely distributed.

Imports from the United States declined during the depression and although they increased during the years of recovery, they never regained anything like the pre-depression level. The total in 1937 of \$463 million compares with \$875 million in 1929. A large part of the reduction occurred in metal products. Imports of iron and its products were unusually high in 1929 and earlier years, reaching \$309 million in 1929, whereas the highest level reached in the post-depression years before the war was \$174 million in 1937. A large part of this drop occurred in machinery and other capital equipment of various kinds. Other significant declines were in imports of automobiles and primary steel. Another group of imports which dropped very sharply during the same period was agricultural and vegetable products, which declined from \$103 million in 1929 to \$44 million in 1937. Some of this latter decline arose from changed practices with regard to rubber and other tropical products purchased in the United States. There were sharp proportionate declines in many other groups of imports as well, but the absolute amounts were not as large as in the above two groups. The declines in non-metallic minerals and products and chemical and allied products were less abrupt and to a greater extent were due to lower prices. To some extent the declines in imports were the result of increased and more varied manufacturing capacities in Canada. In other respects they were directly attributed to the greater reduction in capital investment in Canada in the years of recovery after the depression in contrast to the heavy expenditures on investment in the 1920's.

Canadian exports to the United States did not fluctuate as widely as was the case with imports. The decline during the depression was less proportionately than the decline in imports. Exports in 1932 were about 32% of exports in 1929, whereas imports in the same year amounted to only 28% of imports in 1929. The revival in exports which, in 1937 amounted to 75% of the total in 1929, was greater than in the case of imports which, in 1937 only amounted to 53% of imports in 1929. The debit balance from merchandise trade was sharply reduced, consequently, in the depression. It had been as high as \$356 million in 1929, but in 1932 was \$77 million and in 1933, \$28 million. In 1937 it had only expanded to \$72 million but showed a sharp increase in 1938 as a result of the effects of the recession in the United States when exports from Canada fell more sharply than Canadian imports. The debit balance on merchandise trade amounted to \$132 million in 1938. To a considerable extent the lower level of exports in 1937 was due to lower prices. While a reduced volume contributed to much of the decline there were some important groups of commodities which were exported in greater volume. The decline in value was less sharp, however, in exports of non-ferrous metals and non-metallic minerals. In contrast to the general decline in exports of commodities was the outstandingly large increase in net exports of non-monetary gold which is not included in the commodity exports commented on. Gold production in Canada increased very rapidly and fairly consistently during the 1930's. The increase in the price of gold in the United States was a further contributor to higher receipts from non-monetary gold.

These two factors, the great increase in receipts from gold production and the greater contraction in imports than in exports of other commodities, both contributed to the reduced deficits in Canadian current account with the United States during the 1930's. To some extent the decline in imports must be associated with the relatively lean period of investment in which it occurred. Both private

and public investment in Canada were at a low ebb during and after the depression and there was consequently much less demand for imports of capital goods and many of the materials imported in connection with investment in Canada. At the same time, however, United States demand for Canadian commodities was also abnormally low, because of the low level of incomes and economic activity in that country during most of the pre-war period following the depression. Prices of exports were also relatively lower than imports in comparison with the pre-depression period, the terms of trade having moved unfavourably for Canada during the depression and having only recovered partly after.

Capital movements between Canada and the United States have followed fairly definite courses in two distinct periods during the years under review. Between 1927 and 1932 there were substantial imports of capital from the United States. These were particularly heavy between 1929 and 1931. In each year inflows from the excess of new flotations of Canadian bonds in the United States over issues retired there contributed to a large part of the movement as during this period American holdings of Canadian bonds increased very appreciably. There was a counter movement of capital arising mainly from the investment by Canadians in United States securities. These outflows were particularly substantial between 1926 and 1928 when Canadian holdings of American stocks grew rapidly. Another important source of capital inflow arose from the reductions in the external assets of Canadian chartered banks. Withdrawals of these funds from New York were especially large in 1928 and 1929. Other capital movements, arising chiefly from the direct investment of American capital in branch and subsidiary companies in Canada, were also substantial, particularly between 1929 and 1931. The net effect of these various movements of capital was that there was a predominantly inward flow of capital from the United States to Canada between 1927 and 1932. In 1926 and in certain earlier years inflows were exceeded by outflows from Canada for investment in securities. This inflow of capital from the United States between 1927 and 1932 provided an offset to some of the large current account deficits which prevailed during these years. Part of the current account deficits can, of course, be attributed to some of the inflows of capital since the heavy investment in Canada during this period contributed to the high level of Canadian imports from the United States.

The movement of capital from 1933 to the beginning of the war was predominantly from Canada to the United States. In each year during this period retirements of Canadian securities in the United States exceeded new issues by a wide margin. There were also outflows of capital in connection with direct investments, both in the case of external investments in Canada and new Canadian direct investments abroad, and inflows of capital in some years from insurance company operations. The international trade in outstanding securities during the same period displayed less regularity, there being wide swings in the volume and direction of the movement of capital from one year to another. Consequently, the net movement from this group of transactions was to a large extent offsetting between 1933 and the beginning of the war, although the volume of the turnover of securities was very great. The predominantly outward movements of capital between 1933 and 1939 occurred during a period when Canada's current account deficit with the United States was more moderate than had been the case during the period of capital inflow. Consequently the above divergent movements of capital and the trend in the current account with the United States lead to a smaller balance of debits from total current and capital account transactions during the years between 1927 and 1932, and maintained a substantial balance from total current and capital transactions during the period 1933 to 1939, capital debits during these latter years adding to a lower level of current debits to produce quite substantial net debits with the United States from all transactions.

The source of foreign exchange which Canada was able to employ before the war to meet the consistently large requirements for United States dollars, arising from total current and capital transactions, was the balance of current credits from trade with overseas countries as has already been described. In each year there was a substantial surplus from overseas. Between 1926 and 1932 the group of overseas countries other than the United Kingdom was the source of current surpluses, since current transactions with the United Kingdom during each of these years, with the exception of 1926, resulted in a net debit. From 1933 on, however, there were also growing current account surpluses with the United Kingdom as well. But during the same years, the current surplus with other overseas countries was lower than had been the case prior to 1930.

POST-WAR OUTLOOK

During the transitional years after the war there will be special needs for credits to fill the gaps which arise from the heavy current demands for commodities during this period. The current accounts of many countries will be widely out of balance for a considerable period, because of the abnormal demands for food, raw material, capital equipment and other commodities and services which will exist during the transitional years. The international demands arising out of rehabilitation needs will be very great. Besides the restoration of the physical damage caused by the war, there is also the accumulation of unsatisfied demands during the wartime period and the replacement of capital equipment which has been badly depreciated under wartime conditions. While in some cases these abnormal needs will be met by organizations such as UNRRA, there are other transitional requirements for commodities which will have to be paid for by the countries receiving the commodities. Many of these countries have very limited international cash reserves and it will consequently be necessary for them to borrow in important countries of supply like Canada, through credit facilities such as those set up under the Canadian Export Credits legislation. There will be also, for example, credits necessary to finance the large gap anticipated in the current accounts of the sterling area with Canada, for so long as sterling is not freely convertible, there will be a large shortage of Canadian dollars in the countries of the sterling area arising out of the heavy requirements for Canadian commodities which will greatly exceed the amount of commodities which Canada buys in these countries.

Canada has been a consistent exporter of capital on balance for over a decade. Each year since 1934 there has been a balance of credits on current account. Even before the war these credit balances, reflecting an outflow of capital from Canada, were substantial, being as high as \$244 million in 1936. In the six years from 1934 to 1939 the credit balance on current account averaged \$140 million per year. Most of the export of capital during this period took the form of reductions in Canadian liabilities abroad. Canadian bonds owned abroad were redeemed in substantial amounts. Other liabilities were reduced and there was some expansion in Canadian assets abroad as well. During the war the credit balance on current account has grown very rapidly. In some of the later years of the war it has been approximately ten times the size immediately before the war.

While the circumstances behind this growth are abnormal, the wartime achievements are suggestive of Canada's potentialities as an exporter. A net annual export of capital much in excess of the pre-war average would appear well within the productive and financial capacity of the country. The extent to which exports of capital from Canada expand after the war will depend to a large extent upon many circumstances, including the general background in which international economic relations are conducted, and future levels of Canadian imports. In an expanding world economy, Canada could occupy a prominent place as an exporter of capital. The form which international lending takes after the war may be quite different from before the war. New circumstances and new requirements in the world economy are creating new methods and forms of international adjustment.

Canada's experience during the war has shown clearly how important it will be to have the general convertibility of currency restored. For as long as the conditions of exchange inconvertibility continue, there will be the problems of financing the large balances which result from commercial relations with the two important currency areas, the sterling area and the United States dollar area. In the case of Canadian trade with the sterling area it will be necessary to provide credits to cover the balance arising from the large excess of exports over imports and other normal current and capital payments. Similarly, if large current account deficits with the United States are again experienced, these will have to be covered

by either imports of capital or the use of Canada's liquid reserves of gold and convertible currencies. For so long as a period of inconvertibility of sterling into other currencies continues, there will have to be an entirely new type of background for conducting international trade. There is the hope, however, that conditions of this kind will prove to be only temporary and that eventually there will be a restoration of exchange convertibility and the multilateralism in trade which accompanies it. A system of multilateral trade in which currencies will again be freely converted will permit international purchases to be made freely without regard to bilateral limitations. The expansive potentialities of international trade along multilateral lines stimulated by the international credits which will be needed to restore the world economy and by reductions in trade barriers would do much to raise incomes throughout the world and to expand the volume of international commerce. Under such conditions there would be no need for the restrictions and readjustments dictated by bilateralist situations.

If, however, multilateralism is not restored in the near future, measures of a different character would have to be devised for settling the international balances which arise out of the current exchanges of goods and services between Canada and other countries. There are various ways in which a problem of this kind could be met. For instance, besides employing international credit, it would be possible to reduce some of the gaps in international accounts by diverting trade into channels which do not create large current account balances. But it should be recognized that extreme adjustments along any one line would greatly alter the pattern of the economic relations which have developed in the past as a result of free economic growth, particularly between Canada and the United Kingdom and the United States.

But diversions of trade would be particularly disrupting, if this condition of exchange inconvertibility which exists at the beginning of the post-war period turns out to be only a temporary obstruction to international trade. Diversions of imports on a large scale would be a difficult and distasteful undertaking for a country with a general pattern of trade like Canada's, as it would entail the disturbance of many established commercial and industrial relations. It would be most undesirable to have disturbed normal commercial dealings which take place between nations because of relative advantages which there are in international trade. It would obviously be impossible to bring the Canadian balance of payments into equilibrium with either the sterling area or the United States dollar area without far-reaching interference with the normal courses of trade. An early restoration of conditions of multilateralism accompanied by the expansive effects anticipated from such a development would provide an international background more suitable to the structure of the Canadian balance of international payments. The international monetary fund and the bank for reconstruction and development proposed by experts at Bretton Woods are institutions of the type needed to assist in creating the conditions which will make possible a restoration of multilateralism. The Canadian legislation for providing export credits will also be an important means of assisting trade during the transitional years.

BRITISH AND FOREIGN CAPITAL INVESTED IN CANADA
AND CANADIAN CAPITAL INVESTED ABROAD, 1926-1939

British and Foreign Investments in Canada

In the present bulletin the main features in Canada's international investment position before the war are presented. In a subsequent more comprehensive bulletin which it is planned will be issued in the near future, a more detailed analysis of external long-term investments in Canada and Canadian long-term investments abroad will be made showing the main changes which have occurred during the war. At the end of 1939 total British and foreign investments in Canada were estimated at \$6,926 million. While the exact distribution of ownership of this total is not known, an indication of the ownership is given by the countries in which the securities are held. Investments held in the United Kingdom were estimated at \$2,466 million. Besides including British owned investments this total also includes investments held in the United Kingdom by nominees for residents of other countries. The value of investments held in the United States at the same time amounted to \$4,190 million. While generally indicative of American ownership, this total also includes an indeterminable amount of securities held in the United States by nominees for residents of other countries. The remaining amount, \$270 million, was owned in other overseas countries. The total investments in Canada owned in these other countries would include, therefore, the \$270 million plus the indeterminable amounts included in the British and United States totals shown.

Summary Non-Resident Investments
in Canada - 1926-1939

(Millions of Canadian Dollars)

	<u>1926</u>	<u>1930</u>	<u>1933</u>	<u>1939</u>
Held in United Kingdom	2,636.3	2,766.3	2,682.8	2,465.9
Held in United States	3,196.3	4,659.5	4,491.7	4,190.0
Held in Other Countries	170.0	188.0	190.0	270.0
Total Non-Resident Investments	6,002.6	7,613.8	7,364.5	6,925.9

The total of non-resident investment in Canada in 1939 was considerably less than in earlier periods. Both the totals held in the United Kingdom and the United States were lower than in 1933, mainly as a result of the substantial retirements of Canadian bonds and debentures held in these countries during the years immediately before the war when Canada had a surplus on current account and was exporting capital on balance. The amount owned in other countries in 1939 was higher than in earlier years as a result of the inflow of capital from Europe to Canada during the years immediately preceding the war. While the total of non-resident investments in 1939 was less than in either 1933 or 1930, it was still much larger than in 1926, the \$6,926 million in 1939 comparing with \$6,003 million non-resident investment in Canada in 1926.

More than half of the investment in Canada in 1939 was represented by bonds and debentures. This portion of the investment, amounting to about \$3,500 million, gives rise to large contractual payments of interest requiring foreign exchange. Total interest paid in 1939 on Canadian bonds and debentures owned by non-residents of Canada amounted to about \$136 million, the larger portion of which represents a payment to United States in Canada's current account. This total of Canadian bonds and debentures owned abroad is however a relatively small portion, about one-third, of the total funded debt of the Canadian Government and corporations which ap-

proximated ten billion dollars at the end of 1939. The portion of outstanding bonds at the present time is even less as a result of repatriations during the war and the great growth in Dominion Government bonds sold to Canadian residents during the war. Non-resident holdings of government securities represented about \$1,672 million of total holdings of \$3,500 million bonds outside of Canada. Holdings of Canadian National Railway issues, estimated at \$728 million in 1939 made up a large part of the remainder.

Investments by non-residents in Canadian businesses including the railways total about \$5,254 million. This investment is of varying importance in different Canadian industries. British and foreign capital have been an important source of investment in many industries. There are some groups of industries where non-resident capital accounts for the predominant part of the total investment, but there are other groups where capital of Canadian origin accounts for the major part of the investment. While non-resident ownership of industries in the chemical and allied product group represented 79% of the total investment, the corresponding percentage in the textile group of industries is only 17%. The average percentage of non-resident ownership in all manufacturing enterprises is 42%. The external investment in mining and smelting companies was also of comparable proportions, amounting to 40% of the total investment. In the case of railways the non-resident investment was 57%, while non-resident investment in companies and commissions operating central electric stations was only about 25%. Only a very minor part of the capital invested in merchandise comes from non-resident sources, the percentage being 9.

Percent of British and Foreign Ownership
of Canadian Industry - End of 1939.

<u>Type of Industry</u>	<u>% of Non-Resident Ownership</u>
All Manufacturing enterprises	42
Vegetable products	43
Animal products	22
Textiles	17
Wood and paper products	47
Iron and its products	34
Non-ferrous metals (1)	77
Non-metallic minerals	46
Chemicals and allied products	79
Miscellaneous manufactures	56
Mining and Smelting companies (2)	40
Railways and Other Utilities	45
Steam railways	57
Power Companies & Commissions	25
Other Utilities	31
Merchandising establishments	9
Total of all above concerns	38
Financial Institutions	43

- (1) Includes smelting of imported ores.
(2) Smelting restricted to domestic ores.

An important part of the United States investments in Canada is represented by the so-called direct investments. These are investments in branch, subsidiary and controlled companies and include the branch plants of American industries which operate in Canada. The total value of the investment in companies controlled in the United States at the end of 1939 was \$1,919 million. More than half of this total, \$984 million was in manufacturing establishments. American direct investments in public utilities were also heavy, the total invested in railways and public utilities controlled in the United States being \$437 million. Investments in mining concerns controlled in the United States amounted to almost \$200 million and merchandising and financing concerns controlled in the United States accounted for most of the remainder.

Value of United States Investment in Canada
in Companies controlled in the United States,
December 31, 1939.

(Millions of Dollars)

Manufacturing	983.7
Mining	197.8
Railways & Public Utilities	437.4
Merchandising	119.3
Financial	125.9
Miscellaneous	55.4
	<hr/>
	1,919.5

Portfolio investments in Canada owned in the United States amounted to about \$2,186 million in 1939 apart from scattered individual holdings of securities included in the total American investment in branch, subsidiary and controlled companies. Some of the latter is made up of a large number of individual holdings of stocks and bonds in companies which are controlled in the United States and consequently specified as American direct investments in Canada. Most of the above total of portfolio investments is made up of holdings of Canadian bonds, which amounted to \$1,809 million. In addition there is the indeterminable part of the American holdings of bonds of American controlled companies in Canada which might also properly be regarded as portfolio investments. The total bonds of American controlled companies held in the United States in 1939 was \$306 million. In addition there were American holdings of stocks of Canadian controlled companies. The book value of these in 1939 was \$354 million. There was also an indeterminable amount of the stock holdings of Canadian companies controlled in the United States which are comparable to portfolio holdings and investments of \$13 million in the capital stock of Canadian companies controlled in the United Kingdom and elsewhere and various other small items. Miscellaneous investments in Canada are estimated at \$85 million. Included in this figure are estimates of a great variety of non-corporate assets in such forms as mortgages, agricultural lands, summer homes, prospecting, estates and trusts and other assets administered for persons or corporations in the United States.

British investments in Canada were predominantly portfolio investments. These amounted to \$1,988 million and the major part of this total was made up of holdings of bonds. Total holdings of bonds in the United Kingdom were \$1,315 million at the end of 1939. This total includes the \$52 million of bonds of companies controlled in the United Kingdom but excludes about \$75 million of the first Dominion issues repatriated from the United Kingdom in the latter months of 1939. This was the first part of the official repatriations which was one of the earlier methods employed in financing the British deficiency of Canadian dollars arising from the

war. The book value of British holdings of stock of Canadian controlled companies was very large, amounting to about \$660 million. A large part of this total was represented by holdings of railway stock. Other British portfolio investments in Canada included \$55 million stock in Canadian companies controlled in the United States. British direct investments in Canada in branch, subsidiary and controlled companies totalled \$366 million. The value of British holdings of capital stock of Canadian companies controlled in the United Kingdom made up \$194 million of this total and the net assets of insurance companies and other corporation assets amounted to another \$121 million. British investments in Canadian real estate, mortgages and various assets administered for British investors including the Canadian assets of British investment companies are estimated at \$120 million.

The major part of the investments of other overseas countries in Canada are made up of portfolio holdings. Of the total of \$270 million which can be directly attributed to other overseas countries, \$71 million is made up of portfolio investments of Canadian bonds and stocks. Direct investments in companies controlled in these countries totalled about \$49 million. An estimate of miscellaneous assets accounts for another \$50 million.

Changes in the Balance of Canadian Long-Term
Indebtedness to Other Countries During the War.

During the war there has been a very sharp reduction in the balance of Canadian indebtedness to the United Kingdom, whereas the balance of Canadian indebtedness to the United States has increased appreciably.

The change with respect to the United Kingdom position has, of course, arisen out of the financing of the British shortage of Canadian dollars accompanying the swollen British wartime demands for food, munitions and raw materials in Canada. While Mutual Aid and the Billion Dollar Contribution provided the principal method of financing the British deficiency, there were other methods of a capital character employed earlier during the war which affect the balance of indebtedness. The first of these methods was the official repatriation of Dominion Government securities held in the United Kingdom. During the course of the official repatriation operations a total of more than \$700 million of Dominion Government and Canadian National Railway issues held in the United Kingdom were repurchased by the Canadian Government. Further reductions in British holdings of Canadian securities have arisen from other redemptions of securities and private repurchases of securities by Canadians through the security markets. The result of these official and private repatriations is that British holdings of Canadian Government securities are now limited to relatively small amounts of provincial and municipal issues in addition to the variety of Canadian corporation securities which are still held in the United Kingdom. Changes in other British assets in Canada as, for instance, in British direct investments in subsidiary companies have been smaller. The result of these wartime changes is that British holdings are now concentrated in holdings of equity securities, rather than of bonds and debentures. While the book value of these holdings is substantial, market prices prevailing in recent years for some of the important holdings of stocks are much less than the book values.

Another method of financing the British deficiency in Canada early in the war was through the accumulation of sterling balances by the Foreign Exchange Control Board. This method of financing was discontinued in 1942 with the appropriation of one billion dollars by the Canadian parliament as a Contribution to the Government of the United Kingdom. During the same year the major part of the accumulated sterling balances was converted into a loan of \$700 million by the Canadian Government to the British Government. By the end of 1944 the amount of

the loan outstanding was approximately \$625 million.

In contrast to the reduction in Canadian indebtedness to the United Kingdom has been an appreciable increase in Canadian indebtedness to the United States arising out of private capital movements. United States investments in Canada are now larger than before the war, whereas Canadian holdings of United States securities are smaller.

The increased American investment in Canada has principally followed two courses. There has been a large increase in American portfolio holdings of Canadian bonds and debentures. In each year since 1942 there have been heavy American purchases of Canadian outstanding securities, particularly government and government guaranteed bonds. These have considerably exceeded the total of retirements during the war of Canadian bonds owned in the United States. The other principal channel of investment has been the growth in value of American direct investment in branch and subsidiary companies in Canada. The major part of this increase in investments has been through the re-investment in Canada of the earnings from the Canadian plants.

At the same time Canadian holdings of United States securities are much lower now than at the beginning of the war. There has been a steady liquidation of holdings arising from sales in American security markets by private investors. Most of these sales are sales of common and preference stock of United States companies. These changes in Canada's assets and liabilities vis-a-vis the United States have combined to increase appreciably the balance of Canadian long-term indebtedness to the United States.

Basis of Valuations

It is important to note the basis of valuation employed in arriving at the statistics of British and foreign investment in Canada for no basis of valuation is ideal for all purposes. In the case of bonds and debentures par values expressed in Canadian dollars are shown, issues based in sterling or United States dollars being converted at the par of exchange. These values are more representative of the capital invested than are market values. In the case of stocks and other investments in corporations the book values reflecting on the balance sheets of the Canadian companies are shown. This provides a more stable basis of valuations than do market values. In fact over a wide range of investments, particularly in the field of direct investments there is no market value available. The book value of stocks furthermore reflects the investment or dis-investment of current earnings in Canada. The valuation bases employed are, therefore, not indicative of the liquidation value of the investments.

A calculation of the market values of stocks listed on the Canadian stock exchange shows when compared with book values, that the market value of United States holdings is much greater than the book value for the same group of stocks. Exactly the reverse appears when the lower value of British holdings of stocks are compared with book values. In the case of British investments, market values in recent years have been much lower than the book values, mainly because of the predominance of holdings in railway stocks. In the case of bond issues market values would show considerably higher amounts than the par values in the case of many issues, particularly issues payable in United States dollars, because of the premium on this currency at the end of 1939. Sterling issues on the other hand would have a lower value if calculated in Canadian dollars at the official rate of exchange at the end of 1939.

Canadian investments abroad have been calculated in terms of Canadian dollars at market rates of exchange because of the necessity of expressing such a

variety of investments in common terms. While the market values of Canadian holdings of United States stocks at the end of 1939 were not widely different from the book values as shown on the balance sheets of the principal American companies whose stocks are held in Canada, there would be a wider difference between the market value of many of the Latin American and European bonds held and the par value at which these issues are shown. Market values of this group of issues in the aggregate have been very considerably depreciated for a period of years.

Canadian Investments in British
and Foreign Stocks and Bonds

Canadian direct and portfolio investments abroad totalled \$1,340 million in 1939. The major part of this total, \$898 million, represents investments in the United States, while investments in the United Kingdom were \$74 million, in other Empire countries \$76 million, and in other foreign countries \$292 million. These figures exclude the investments abroad of Canadian insurance companies and banks and official assets such as cash balances, gold and intergovernmental credits. Also excluded are relatively small amounts of miscellaneous investments such as, real estate, mortgages, etc., which are not represented by securities and which are difficult to evaluate.

Direct investments, amounting to \$621 million, made up almost half of the total. The largest part of these, \$397 million, was in the United States and a large part of the remainder, \$129 million, was in other foreign countries. It should be noted that some of these direct investments abroad are investments by Canadian companies in which there are varying degrees of non-resident interest. The amount of the direct investments in which there is a clear Canadian beneficial ownership would be considerably less than the total of all direct investments of Canadian companies.

Portfolio investments in foreign securities valued at \$719 million at the end of 1939 are divided between \$511 million of stocks and \$208 million of bonds, the stocks being valued at book values and the bonds at par value. While the market value of most of the stocks had about the same aggregate value in 1939 as the book value, the market value of many of the holdings of bonds was considerably less than the par value. The figures shown for both stocks and bonds are the Canadian dollar equivalents of the value in United States dollars or other foreign currencies converted at current exchange rates. Portfolio investments in the United States amounted to \$501 million, in the United Kingdom \$43 million, in other Empire countries \$22 million, and in other foreign countries \$153 million.

The external assets of Canadian banks and insurance companies have been excluded as these assets must be considered in relation to the external liabilities of these concerns arising from their position outside of Canada. Canadian insurance companies have large holdings of British, United States and foreign securities but because of the fiduciary nature of the position the liabilities to the policy holders must be considered. Total liabilities outside of Canada exceed total assets outside of Canada. This is possible because the assets underlying the reserve funds need not all be held in foreign securities. The relative distribution of assets and liabilities in some countries and currency areas is different from this however. In the United States, for example, assets exceed liabilities, whereas in the United Kingdom and some other areas the reverse is the case. The relative mobility and liquidity of many of the assets make this possible. Because of this situation and the limited significance in the distribution of insurance assets by countries there have been no figures on insurance company investments shown in the table of estimated Canadian investments abroad.

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.

During the period when data on international payments for war supplies through official channels were available these have been substituted for the value of goods exported. Thus, in the years 1941 to 1944, 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. Similarly, in 1943 and 1944 the expenditures from the Mutual Aid Appropriation on account of the various countries are reflected rather than the commodities 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 for the years from 1941 to 1944. 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. Adjustments have also been made for diversions of grain throughout the period 1926 to 1944. In the years from 1926 to 1930 these adjustments were particularly substantial when large amounts of wheat originally recorded as exported to the United Kingdom were eventually sold in Continental Europe. The adjustments made take the form of deductions from recorded exports to the United Kingdom and additions to recorded exports to other countries. Trade between Canada and Newfoundland has been excluded and shipments of merchandise on Canadian account such as equipment and supplies for the Canadian forces overseas, Red Cross supplies and private gifts have also been deducted from the exports as no foreign exchange accrues from these transactions.

Imports of merchandise into Canada 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 before their absorption into the Combined Organization. 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 organisations in Canada which are not paid for by Canada. Imports are adjusted for warehousing and for over-valuation. In 1943 and 1944 payments made on account by the Canadian government for military equipment and supplies purchased in the United States under the "Canpay" procedure are reflected in the item of imports from the United States rather than the goods imported during the period. Under this procedure certain goods were purchased from the government of the United States through the Office of Lend Lease Administration for reasons of procurement and priority.

As a result of these adjustments, the merchandise item is more representative of the international payments made between Canada and the various countries and areas shown, particularly during the wartime years. 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 channels 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, for instance, there were some exports of gold coin to overseas countries arising out of temporary market conditions in which there was a premium on the price of foreign gold coins. One reason for the procedure followed of showing all non-monetary gold in the current account with the United States was to show a current account with the United Kingdom in these years which is more representative of the more normal commercial trade between Canada and the United Kingdom than is the case when exports of gold coin are included. At the same time the United States has been the principal market for the world's gold production. Then, too, as gold is interchangeable with United States dollars, gold along with holdings of United States dollars has constituted Canada's liquid reserve of convertible exchange during the war, changes in which are entered in the capital account.

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 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 1943, 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 52% 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 1926-1939 have been revised in the light of information accumulated in recent years, whereas the estimates for 1940-1944 directly 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. The earnings of externally owned concerns which are reinvested in Canada are not included. Some remittances of income on investments other than securities, for which data are available for the period from 1940 to 1944 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 intransit 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.

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 during 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 the years 1941-1944 than in previous years and represent the bulk of the item in the account with Empire Countries in these years. 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, from 1941 to 1944, were heavier than usual chiefly 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 from 1942 to 1944. In 1943 these expenditures were so heavy that they became a dominant element in the credit item. In 1944 an important part of other current debits in the account with the United States is made up of special payments to the

United States Treasury to cover the repurchase of air fields and telephone line and other settlements.

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. While these personal remittances and service transactions constituted the bulk of the item before the war they now represent a minor part due to the great expansion in government expenditures on services mentioned above.

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 1944 this relationship exists in the accounts with the Empire and the Non-Empire as well as in the statement with all countries due to exchange control and the consequent existence of two distinct accounts. In statements for the years 1937 to 1939 this relationship only applies to the account with 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

Table I - Current Account Between Canada and All Countries, 1926-1944
(Millions of Dollars)

Year	Current Receipts	Current Expenditures	Net Balance on Current Account
1926	1,665	1,538	+ 127
1927	1,633	1,643	- 10
1928	1,788	1,820	- 32
1929	1,646	1,957	- 311
1930	1,297	1,634	- 337
1931	972	1,146	- 174
1932	808	904	- 96
1933	829	831	- 2
1934	1,020	952	+ 68
1935	1,145	1,020	+ 125
1936	1,430	1,186	+ 244
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	3,376	2,275	+ 1,101
1943	4,064	2,858	+ 1,206
1944	4,536	3,539	+ 997

Table II - Geographical Distribution of the Balance on Current Account
Between Canada and Other Countries, 1926-1944

Net Receipts or Credits (+); Net Payments or Debits (-)
(Millions of Dollars)

Year	All Countries	United Kingdom (1)	Other Overseas Countries (2)	United States (3)
1926	+ 127	+ 58	+ 300	- 231
1927	- 10	- 19	+ 257	- 248
1928	- 32	- 21	+ 338	- 349
1929	- 311	- 99	+ 225	- 437
1930	- 337	- 106	+ 113	- 344
1931	- 174	- 54	+ 85	- 205
1932	- 96	- 14	+ 86	- 168
1933	- 2	+ 26	+ 85	- 113
1934	+ 68	+ 46	+ 102	- 80
1935	+ 125	+ 62	+ 92	- 29
1936	+ 244	+ 122	+ 123	- 1
1937	+ 180	+ 135	+ 122	- 77
1938	+ 100	+ 127	+ 122	- 149
1939	+ 126	+ 137	+ 105	- 116
1940	+ 149	+ 343	+ 98	- 292
1941	+ 491	+ 734	+ 75	- 318
1942	+ 1,101	+ 1,223	+ 58	- 180
1943	+ 1,206	+ 1,149	+ 76	- 19
1944	+ 997	+ 746	+ 234	+ 17

(1) Excluding wheat exports diverted to other overseas countries, and exports of gold.

(2) Including estimated wheat sold in European Countries.

(3) Including all net exports of non-monetary gold.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table III - Revised Estimates of Current Account Between Canada and All Countries
(Millions of Dollars)

	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
A. Current Credits with All Countries											
Merchandise exports	1,272	1,215	1,341	1,178	880	601	495	532	648	732	954
Tourist and travel expenditures	152	163	177	198	180	153	114	89	106	117	142
Interest & dividends	32	41	46	61	59	48	37	38	57	64	75
Freight and shipping	96	97	96	92	70	54	38	44	52	68	80
All other current credits	83	85	88	80	69	59	54	44	43	45	47
Total as above	1,635	1,601	1,748	1,609	1,258	915	738	747	906	1,026	1,298
Net exports of non-monetary gold	30	32	40	37	39	57	70	82	114	119	132
Total Current Credits	1,665	1,633	1,788	1,646	1,297	972	808	829	1,020	1,145	1,430
B. Current Debits with All Countries											
Merchandise imports	973	1,057	1,209	1,272	973	580	398	368	484	526	612
Tourist and travel expenditures	99	100	98	108	92	71	49	44	50	64	75
Interest & dividends	240	257	275	322	348	330	302	264	268	270	311
Freight and shipping	105	109	116	130	103	79	66	66	79	82	97
All other current debits	121	120	122	125	118	86	89	89	71	78	91
Total Current Debits	1,538	1,643	1,820	1,957	1,634	1,146	904	831	952	1,020	1,186
Net balance on Current Account											
Excluding all gold	+ 97	- 42	- 72	- 348	- 376	- 231	- 166	- 84	- 46	+ 6	+ 112
Including non-monetary gold	+127	- 10	- 32	- 311	- 337	- 174	- 96	- 2	+ 68	+125	+ 244
Monetary gold	+ 1	- 7	+ 49	+ 37	- 36	+ 33	+ 3	+ 6	- 4	- 2	-
Including all gold	+128	- 17	+ 17	- 274	- 373	- 141	- 93	+ 4	+ 64	+123	+ 244

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table IV - Estimated Current Account Between Canada and the United Kingdom, 1926-1936
(Millions of Dollars)

	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
A. Credits with the United Kingdom											
Merchandise exports (adjusted) (2)	315	271	288	224	174	139	149	188	234	258	342
Gold exports (1)						(1)		(63)	(27)	(16)	(59)
Tourist & Travel expenditures	8	10	9	9	8	8	7	5	7	7	8
Interest and dividends	2	2	2	2	2	1	1	2	2	2	2
Freight and shipping	15	10	11	8	7	9	5	8	11	21	23
All other current credits	12	12	13	13	12	13	14	11	7	7	7
Total Current Credits excluding gold	352	305	323	256	203	170	176	214	261	295	382
B. Current Debits with the United Kingdom											
Merchandise imports (adjusted)	148	171	194	188	147	85	61	80	103	110	120
Tourist & Travel expenditures	21	20	19	20	18	14	14	10	10	12	15
Interest and dividends	97	101	100	113	115	102	91	72	75	76	84
Freight and shipping	8	11	10	12	12	9	11	12	14	21	26
All other current debits	20	21	21	22	17	14	13	14	13	14	15
Total Current Debits	294	324	344	355	309	224	190	188	215	233	260
Net Current Account Balance Excluding Gold	+ 58	- 19	- 21	- 99	- 106	- 54	- 14	+ 26	+ 46	+ 62	+ 122

(1) Exports of gold to the United Kingdom are omitted from total credits with the United Kingdom.

(2) Excluding estimated wheat exports diverted to other overseas countries.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table V -- Estimated Current Account Between Canada and the United States, 1926-1936
(Millions of Dollars)

	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
A. Current Receipts from the United States											
Merchandise exports (adjusted)	476	489	507	519	397	254	169	177	226	285	369
Net exports of non-monetary gold (1)	30	32	40	37	39	57	70	82	114	119	132
Tourist expenditures	140	148	163	184	167	141	103	81	96	107	129
Interest and dividends	12	16	20	30	30	25	18	17	20	24	31
Freight and shipping	64	69	68	68	52	38	25	28	32	33	41
All other current credits	65	67	69	61	51	41	37	30	33	35	36
Total Current Credits Including All Non-monetary Gold	787	821	867	899	736	556	422	415	521	603	738
B. Current Payments to the United States											
Merchandise imports (adjusted)	652	690	810	875	634	372	246	205	278	299	352
Tourist expenditures	70	72	72	81	67	52	30	30	36	48	54
Interest and dividends	138	151	169	202	225	221	205	188	189	190	222
Freight and shipping	85	84	92	103	80	61	48	45	55	47	53
All other current debits	73	72	73	75	74	55	61	60	43	48	58
Total Current Debits	1,018	1,069	1,216	1,336	1,080	761	590	528	601	632	739
Net Current Account Deficit including all net exports of non-monetary gold	- 231	- 248	- 349	- 437	- 344	- 205	- 168	- 113	- 80	- 29	- 1

(1) All exports of non-monetary gold are included in the account with the United States.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table VI - Current Account Between Canada and Other Countries than the United Kingdom and United States, 1926-1936
(Millions of Dollars)

	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
<u>A. Current Credits with Other Countries</u>											
Merchandise exports (1)	481	455	546	435	309	208	177	167	188	189	243
Tourist & travel expenditures	4	5	5	5	5	4	4	3	3	3	5
Interest and dividends	18	23	24	29	27	22	18	19	35	38	42
Freight and shipping	17	18	17	16	11	7	8	8	9	14	16
All other current credits	6	6	6	6	6	5	3	3	3	3	4
Total - Current Credits	526	507	598	491	358	246	210	200	238	247	310
<u>B. Current Debits with Other Countries</u>											
Merchandise imports	173	196	205	209	192	123	91	83	103	117	140
Tourist & travel expenditures	8	8	7	7	7	5	5	4	4	4	6
Interest and dividends	5	5	6	7	8	7	6	4	4	4	5
Freight and shipping	12	14	14	15	11	9	7	9	10	14	18
All other current debits	28	27	28	28	27	17	15	15	15	16	18
Total - Current Debits	226	250	260	266	245	161	124	115	136	155	187
Net Credits on Current Account	+ 300	+ 257	+ 338	+ 225	+ 113	+ 85	+ 86	+ 85	+ 102	+ 92	+ 123

(1) Including estimated wheat sold in European countries.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table VII - Transactions Between Canada and All Countries, 1937-1944

(Millions of Canadian Dollars)

	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>
A. CREDITS - WITH ALL COUNTRIES								
Merchandise exports adjusted	1,041	844	906	1,202	1,732	2,515	3,050	3,583
Net exports of non-monetary gold	145	161	184	203	204	184	142	110
Tourist and travel expenditures	166	149	149	104	111	81	88	111
Interest and dividends	76	66	57	52	60	67	59	71
Freight and shipping	112	95	102	138	185	221	288	316
All other current credits	53	46	59	77	166	308	437	345
Total Current Credits	1,593	1,361	1,457	1,776	2,458	3,376	4,064	4,536
Special Gold Transactions (2)	-	-	2	248	-	23	143	55
Capital Credits	622	458	558	283	566	1,235	677	689
B. DEBITS - WITH ALL COUNTRIES								
Merchandise imports adjusted	776	649	713	1,006	1,264	1,406	1,579	1,398
Tourist and travel expenditures	87	86	81	43	21	26	36	58
Interest and dividends	302	307	306	313	286	270	261	264
Freight and shipping	137	105	119	132	167	228	294	244
All other current debits	111	114	112	133	229	345	688	1,575
Total Current Debits	1,413	1,261	1,331	1,627	1,967	2,275	2,858	3,539
Special Gold Transactions (2)	-	-	2	248	-	23	143	55
Capital Debits	794	570	694	471	1,063	1,343	1,360	746
Billion Dollar Contribution	-	-	-	-	-	1,000	-	-
Mutual Aid	-	-	-	-	-	-	512	936
C. NET BALANCES - WITH ALL COUNTRIES								
Merchandise trade adjusted	+ 265	+ 195	+ 193	+ 196	+ 468	+1,109	+1,471	+2,185
Net exports of non-monetary gold	+ 145	+ 161	+ 184	+ 203	+ 204	+ 184	+ 142	+ 110
Tourist and travel expenditures	+ 79	+ 63	+ 68	+ 61	+ 90	+ 55	+ 52	+ 53
Interest and dividends	- 226	- 241	- 249	- 261	- 226	- 203	- 202	- 193
Freight and shipping	- 25	- 10	- 17	+ 6	+ 18	- 7	- 6	+ 72
All other current transactions	- 58	- 68	- 53	- 56	- 63	- 37	- 251	-1,230
Total Current Account	+ 180	+ 100	+ 126	+ 149	+ 491	+1,101	+1,206	+ 997
Special Gold Transactions (2)	-	-	-	-	-	-	-	-
Capital Accounts	- 172	- 112	- 136	- 188	- 497	- 108	- 683	- 57
Billion Dollar Contribution	-	-	-	-	-	-1,000	-	-
Mutual Aid	-	-	-	-	-	-	- 512	- 936
Balancing Item (1)	- 8	+ 12	+ 10	+ 39	+ 6	+ 7	- 11	- 4
	- 180	- 100	- 126	- 149	- 491	-1,109	-1,206	- 997

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

(2) This represents gold or United States dollars 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 VIII - Transactions Between Canada and Empire Countries, 1937-1944
(Millions of Canadian Dollars)

	1937	1938	1939	1940	1941	1942	1943	1944
A. CREDITS - WITH EMPIRE COUNTRIES								
Merchandise exports adjusted	493	442	436	699	1,098	1,541	1,763	1,970
Tourist and travel expenditures	12	10	9	6	3	2	1	2
Interest and dividends	7	5	5	3	5	7	5	9
Freight and shipping	45	43	43	76	119	127	148	169
War Services	-	-	-	20	74	130	128	128
All other current credits	8	8	9	18	22	19	21	29
Total Current Credits	565	508	502	822	1,321	1,826	2,066	2,307
Capital Credits	118	102	97	116	181	884	20	146
B. DEBITS - WITH EMPIRE COUNTRIES								
Merchandise imports adjusted	235	184	177	236	279	226	200	196
Tourist and travel expenditures	18	17	13	3	3	2	2	2
Interest and dividends	87	83	80	76	68	51	52	56
Freight and shipping	47	34	39	36	36	49	47	33
Canadian Overseas expenditures	-	-	-	29	97	191	499	1,085
All other current debits	19	19	17	23	33	38	50	56
Total Current Debits	406	337	326	403	516	557	850	1,428
Special Gold Transactions (2)	-	-	2	248	-	23	143	55
Capital Debits	142	155	180	330	990	1,129	586	144
Billion Dollar Contribution	-	-	-	-	-	1,000	-	-
Mutual Aid	-	-	-	-	-	-	503	834
C. NET BALANCES - WITH EMPIRE COUNTRIES								
Merchandise trade adjusted	+ 258	+ 258	+ 259	+ 463	+ 819	+1,315	+1,563	+1,774
Tourist and travel expenditures	- 6	- 7	- 4	+ 3	-	-	1	-
Interest and dividends	- 80	- 78	- 75	- 73	- 63	- 44	- 47	- 47
Freight and shipping	- 2	+ 9	+ 4	+ 40	+ 83	+ 78	+ 101	+ 136
All other current transactions	- 11	- 11	- 8	- 14	- 34	- 80	- 400	- 984
Total Current Account	+ 159	+ 171	+ 176	+ 419	+ 805	+1,269	+1,216	+ 879
Special Gold Transactions (2)	-	-	2	248	-	23	143	55
Capital Account	- 24	- 53	- 83	- 214	- 809	- 245	- 566	+ 2
Billion Dollar Contribution	-	-	-	-	-	-1,000	-	-
Mutual Aid	-	-	-	-	-	-	503	834
Balancing Item (1)	(1)	(1)	(1)	+ 43	+ 4	- 1	5	8
	- 419	- 805	- 1,269	- 1,216	- 879			

(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 and United States dollars 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 IX - Current Transactions Between Canada and the United Kingdom, 1937-1944
(Millions of Canadian Dollars)

	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>
A. CURRENT CREDITS - WITH THE UNITED KINGDOM								
Merchandise exports adjusted	385	337	332	542	914	1,424	1,636	1,796
Tourist and travel expenditures	11	8	7	5	2	2	1	2
Interest and dividends	2	2	2	2	4	5	4	8
Freight and shipping	38	34	34	60	110	114	128	139
All other current credits	8	8	9	27	63	112	120	118
Total Current Credits	444	389	384	636	1,093	1,657	1,889	2,063
B. CURRENT DEBITS - WITH THE UNITED KINGDOM								
Merchandise imports adjusted	148	119	106	133	137	116	100	94
Tourist and Travel expenditures	16	15	11	2	2	2	2	2
Interest and dividends	85	81	78	74	66	50	51	55
Freight and shipping	43	30	36	32	28	41	40	28
All other current debits	17	17	16	52	126	225	547	1,138
Total Current Debits	309	262	247	293	359	434	740	1,317
C. NET CURRENT BALANCES - WITH THE UNITED KINGDOM								
Merchandise trade adjusted	+ 237	+ 218	+ 226	+ 409	+ 777	+1,308	+1,536	+1,702
Tourist and travel expenditures	- 5	- 7	- 4	+ 3	-	-	- 1	-
Interest and dividends	- 83	- 79	- 76	- 72	- 62	- 45	- 47	- 47
Freight and shipping	- 5	+ 4	- 2	+ 28	+ 82	+ 73	+ 88	+ 111
All other current transactions	- 9	- 9	- 7	- 25	- 63	- 113	- 427	-1,020
Total Current Account	+ 135	+ 127	+ 137	+ 343	+ 734	+1,223	+1,149	+ 746

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table X - Current Transactions Between Canada and Other Empire Countries, 1937-1944

(Millions of Canadian Dollars)

	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>
A. CURRENT CREDITS - WITH OTHER EMPIRE COUNTRIES								
Merchandise exports adjusted	108	105	104	157	184	117	127	174
Tourist and travel expenditures	1	2	2	1	1	(1)	(1)	(1)
Interest and dividends	5	3	3	1	1	2	1	1
Freight and shipping	7	9	9	16	9	13	20	30
All other current credits	(1)	(1)	(1)	11	33	37	29	39
Total Current Credits	121	119	118	186	228	169	177	244
B. CURRENT DEBITS - WITH OTHER EMPIRE COUNTRIES								
Merchandise imports adjusted	87	65	71	103	142	110	100	102
Tourist and travel expenditures	2	2	2	1	1	(1)	(1)	(1)
Interest and dividends	2	2	2	2	2	1	1	1
Freight and shipping	4	4	3	4	8	8	7	5
All other current debits	2	2	1	(1)	4	4	2	3
Total Current Debits	97	75	79	110	157	123	110	111
C. NET CURRENT BALANCES - WITH OTHER EMPIRE COUNTRIES								
Merchandise trade adjusted	+ 21 +	40 +	33 +	54 +	42 +	7 +	27 +	72
Tourist and travel expenditures	- 1	-	-	-	-	-	-	-
Interest and dividends	+ 3 +	1 +	1 -	1 -	1 +	1	-	-
Freight and shipping	+ 3 +	5 +	6 +	12 +	1 +	5 +	13 +	26
All other current transactions	- 2 -	2 -	1 +	11 +	29 +	33 +	27 +	36
Total Current Account	+ 24 +	44 +	39 +	76 +	71 +	46 +	67 +	133

(1) Less than \$500,000

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XI - Transactions Between Canada and Non-Empire Countries, 1937-1944.

(Millions of Canadian Dollars)

	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>
A. CREDITS - WITH NON-EMPIRE COUNTRIES								
Merchandise exports adjusted	548	402	470	503	634	974	1,287	1,613
Net exports of non-monetary gold	145	161	184	203	204	184	142	110
Tourist and travel expenditures	154	139	140	98	108	79	87	109
Interest and dividends	69	61	52	49	55	60	54	62
Freight and shipping	67	52	59	62	66	94	140	147
All other current credits	45	38	50	39	70	159	288	188
Total Current Credits	1,028	853	955	954	1,137	1,550	1,998	2,229
Special Gold Transactions (2)	-	-	2	248	-	23	143	55
Capital Credits	504	356	461	167	385	351	657	543
B. DEBITS - WITH NON-EMPIRE COUNTRIES								
Merchandise imports adjusted	541	465	536	770	985	1,180	1,379	1,202
Tourist and travel expenditures	69	69	68	40	18	24	34	56
Interest and dividends	215	224	226	237	218	219	209	208
Freight and shipping	90	71	80	96	131	179	247	211
All other current debits	92	95	95	81	99	116	139	434
Total Current Debits	1,007	924	1,005	1,224	1,451	1,718	2,008	2,111
Capital Debits	652	415	514	141	73	214	774	602
Mutual Aid	-	-	-	-	-	-	9	102
C. NET BALANCES - WITH NON-EMPIRE COUNTRIES								
Merchandise trade adjusted	+ 7	- 63	- 66	- 267	- 351	- 206	- 92	+ 411
Net exports of non-monetary gold	+ 145	+ 161	+ 184	+ 203	+ 204	+ 184	+ 142	+ 110
Tourist and travel expenditures	+ 85	+ 70	+ 72	+ 58	+ 90	+ 55	+ 53	+ 53
Interest and dividends	- 146	- 163	- 174	- 188	- 163	- 159	- 155	- 146
Freight and shipping	- 23	- 19	- 21	- 34	- 65	- 85	- 107	- 64
All other current transactions	- 47	- 57	- 45	- 42	- 29	+ 43	+ 149	- 246
Total Current Account	+ 21	- 71	- 50	- 270	- 314	- 168	- 10	+ 118
Special Gold Transactions (2)	-	-	+ 2	+ 248	-	+ 23	+ 143	+ 55
Capital Account	- 148	- 59	- 53	+ 26	+ 312	+ 137	- 117	- 59
Mutual Aid	-	-	-	-	-	-	9	- 102
Balancing Item (1)	(1)	(1)	(1)	- 4	+ 2	+ 8	- 7	- 12
	+ 270 + 314 + 168 + 10 + 118							

(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 and United States dollars 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 XII - Current Transactions Between Canada and the United States, 1937-1944

(Millions of Canadian Dollars)

	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>
A. CREDITS - WITH THE UNITED STATES								
Merchandise exports adjusted	391	268	344	424	566	911	1,224	1,444
Net exports of non-monetary gold	145	161	184	203	204	184	142	110
Tourist and travel expenditures	149	134	137	98	107	79	87	109
Interest and dividends	31	25	27	29	39	43	34	42
Freight and shipping	45	39	46	49	64	92	137	140
All other current credits	42	36	42	31	65	152	274	176
Total Current Credits	803	663	780	834	1,045	1,461	1,898	2,021
B. DEBITS - WITH THE UNITED STATES								
Merchandise imports adjusted	463	400	472	702	910	1,116	1,311	1,113
Tourist and travel expenditures	65	66	67	40	18	24	34	56
Interest and dividends	211	218	220	233	214	215	205	203
Freight and shipping	68	55	61	78	131	179	247	211
All other current debits	73	73	76	73	90	107	120	421 ⁽¹⁾
Total Current Debits	880	812	896	1,126	1,363	1,641	1,917	2,004
C. NET BALANCES - WITH THE UNITED STATES								
Merchandise trade adjusted	- 72	- 132	- 128	- 278	- 344	- 205	- 87	+ 331
Net exports of non-monetary gold	+ 145	+ 161	+ 184	+ 203	+ 204	+ 184	+ 142	+ 110
Tourist and travel expenditures	+ 84	+ 68	+ 70	+ 58	+ 89	+ 55	+ 53	+ 53
Interest and dividends	- 180	- 193	- 193	- 204	- 175	- 172	- 171	- 161
Freight and shipping	- 23	- 16	- 15	- 29	- 67	- 87	- 110	- 71
All other current transactions	- 31	- 37	- 34	- 42	- 25	+ 45	+ 154	- 245
Total Current Account	- 77	- 149	- 126	- 292	- 318	- 180	- 19	+ 17

(1) Includes \$280 million special payments to U. S. Treasury.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XIII - Current Transactions Between Canada and Other Foreign Countries,
1937-1944

(Millions of Canadian Dollars)

	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>
A. CREDITS - WITH OTHER FOREIGN COUNTRIES								
Merchandise exports adjusted	157	134	126	79	68	63	63	169
Tourist and travel expenditures	5	5	3	(1)	1	(1)	(1)	(1)
Interest and dividends	38	36	25	20	16	17	20	20
Freight and shipping	22	13	13	13	2	2	3	7
All other current credits	3	2	8	8	5	7	14	12
<hr/>								
Total Current Credits	225	190	175	120	92	89	100	208
B. DEBITS - WITH OTHER FOREIGN COUNTRIES								
Merchandise imports adjusted	78	65	64	68	75	64	68	89
Tourist and travel expenditures	4	3	1	(1)	(1)	(1)	(1)	(1)
Interest and dividends	4	6	6	4	4	4	4	5
Freight and shipping	22	16	19	18	(2)	(2)	(2)	(2)
All other current debits	19	22	19	8	9	9	19	13
<hr/>								
Total Current Debits	127	112	109	98	88	77	91	107
C. NET BALANCES - WITH OTHER FOREIGN COUNTRIES								
Merchandise trade adjusted	+ 79	+ 69	+ 62	+ 11	- 7	- 1	- 5	+ 80
Tourist and travel expenditures	+ 1	+ 2	+ 2	-	+ 1	-	-	-
Interest and dividends	+ 34	+ 30	+ 19	+ 16	+ 12	+ 13	+ 16	+ 15
Freight and shipping	-	- 3	- 6	- 5	+ 2	+ 2	+ 3	+ 7
All other current transactions	- 16	- 20	- 11	-	- 4	- 2	- 5	- 1
<hr/>								
Total Current Account	+ 98	+ 78	+ 66	+ 22	+ 4	+ 12	+ 9	+ 101

(1) Less than \$500,000

(2) Included in amount shown for United States

ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XIV - Preliminary Statement, 1944
(Millions of Canadian Dollars)

	<u>Credits</u>	<u>Debits</u>	<u>Net</u>
A. <u>Canada and All Countries</u>			
<u>Current Account</u>			
Merchandise trade adjusted	3,583	1,398	+ 2,185
Net exports of non-monetary gold	110	-	+ 110
Tourist and travel expenditures	111	58	+ 53
Interest and dividends	71	264	- 193
Freight and shipping	316	244	+ 72
All other current transactions	345	1,575	- 1,230
	<hr/>	<hr/>	<hr/>
Totals - Current Account	4,536	3,539	+ 997
Special U. S. Dollar transactions (2)	55	55	-
Capital Movements	689	746	- 57
Mutual Aid	-	936	- 936
Balancing Item (1)	-	4	- 4
	<hr/>	<hr/>	<hr/>
	5,280	5,280	
B. <u>Canada and Empire Countries</u>			
<u>Current Account</u>			
Merchandise trade adjusted	1,970	196	+ 1,774
Tourist and travel expenditures	2	2	-
Interest and dividends	9	56	- 47
Freight and shipping	169	33	+ 136
War Services	128	1,085	- 957
Other current transactions	29	56	- 27
	<hr/>	<hr/>	<hr/>
Totals - Current Account -			
United Kingdom	2,063	1,317	+ 746
Other Empire Countries	244	111	+ 133
	<hr/>	<hr/>	<hr/>
All Empire Countries	2,307	1,428	+ 879
Special U. S. Dollar transactions (2)	-	55	- 55
Capital Movements	146	144	+ 2
Mutual Aid	-	834	- 834
Balancing Item (1)	8	-	+ 8
	<hr/>	<hr/>	<hr/>
	2,461	2,461	

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

(2) This represents United States dollars received from the United Kingdom in part settlement of her deficiency with Canada.

ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XIV - Preliminary Statement, 1944 - Concluded
(Millions of Canadian Dollars)

	<u>Credits</u>	<u>Debits</u>	<u>Net</u>
C. <u>Canada and Non-Empire Countries</u>			
<u>Current Account</u>			
Merchandise trade adjusted	1,613	1,202	+ 411
Net exports of non-monetary gold	110	-	+ 110
Tourist and travel expenditures	109	56	+ 53
Interest and dividends	62	208	- 146
Freight and shipping	147	211	- 64
All other current transactions	188	434 ⁽³⁾	- 246
	<hr/>	<hr/>	<hr/>
Totals - Current Account:-			
United States	2,021	2,004	+ 17
Other Foreign Countries	208	107	+ 101
	<hr/>	<hr/>	<hr/>
All Non-Empire Countries	2,229	2,111	+ 118
	<hr/>	<hr/>	<hr/>
Special U. S. Dollar transactions ⁽²⁾	55	-	+ 55
Capital Movements	543	602	- 59
Mutual Aid	-	102	- 102
Balancing Item ⁽¹⁾	-	12	- 12
	<hr/>	<hr/>	<hr/>
	2,827	2,827	

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

(2) This represents United States dollars received from the United Kingdom in part settlement of her deficiency with Canada.

(3) Including \$280 million special payments to United States Treasury.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XV - Capital Transactions Between Canada and Empire Countries, 1939-1944
(Millions of Canadian Dollars)

	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>
<u>Capital Credits</u>						
Decrease in £ balances	-	-	-	818	-	4
Other credits	97	116	181	66	20	142
	<hr/>					
Total credits	97	116	181	884	20	146
 <u>Capital Debits</u>						
Private transactions	105	111	74	59	71	83
Official transactions -						
Repatriation of securities	75	137	188	296	4	2
Repatriation of production						
Assets - Fixed capital	-	-	-	-	205	2
Working capital	-	-	-	-	190	-
Increase in £ balances	-	82	728	-	-	-
Special loan to United Kingdom	-	-	-	700	-	-
Special payments	-	-	-	74	116	57
	<hr/>					
Total debits as above	180	330	990	1,129	586	144
 Special Gold and United States						
Dollar Transactions	2	248	-	23	143	55
 Billion Dollar Contribution						
	-	-	-	1,000	-	-
 Mutual Aid						
	-	-	-	-	503	834

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XVI - Capital Transactions Between Canada and Non-Empire Countries
(Millions of Dollars)

	1937	1938	1939	1940	1941	1942	1943	1944
New issues of Canadian securities	86	38	155	-	(2)	(2)	146	92
Retirements of Canadian securities	140	79	131	41	31(2)	25(2)	308	166
Net new issues (+) or Net retirements (-)	- 54	-41	+ 24	- 41	- 31	- 25	- 162	- 74
Net Sales (+) or Net Purchases (-) of Outstanding Securities								
Canadian securities	- 18	+48	+ 69	+ 15	+ 46	+ 132	+ 254	+183
United States and Foreign	- 7	- 7	+ 18	+ 18	+ 28	+ 24	+ 44	+ 42
Other Capital Movements and Adjusting Entries								
Credits	418(1)	277(1)	219(1)	134	311	195	213	226
Debits	487(1)	336(1)	383(1)	100	42	189	466	436
<u>Gross Credits</u>	504	356	461	167	385	351	657	543
<u>Gross Debits</u>	652	415	514	141	73	214	774	602

- 46 -

(1) Including offsetting security transactions amounting to 400 in 1937, 276 in 1938 and 203 in 1939. In the period of exchange control such transactions are omitted as purchases represent, in the main, switches of securities.

(2) Excluding refunding issues.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XVII - Merchandise Trade Between Canada and Other Countries, 1933 - 1944.

(Exclusive of gold and adjusted for balance of payments purposes)

(Millions of Canadian Dollars)

Credits from Exports	All Countries	Empire				Non-Empire	
		Total	United Kingdom	Other Countries	Total	United States	Other Countries
1933	532	232	188	44	300	177	123
1934	648	299	234	65	349	226	123
1935	732	332	258	74	400	285	115
1936	954	427	342	85	527	369	158
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	2,515	1,541	1,424	117	974	911	63
1943	3,050	1,763	1,636	127	1,287	1,224	63
1944	3,583	1,970	1,796	174	1,613	1,444	169
Debits for Imports							
1933	368	114	80	34	254	205	49
1934	484	146	103	43	338	278	60
1935	526	166	110	56	360	299	61
1936	612	185	120	65	427	352	75
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
1943	1,579	200	100	100	1,379	1,311	68
1944	1,398	196	94	102	1,202	1,113	89
Net Credits (+) or Debits (-)							
1933	+ 164	+ 118	+ 108	+ 10	+ 46	+ 28	+ 74
1934	+ 164	+ 153	+ 131	+ 22	+ 11	+ 52	+ 63
1935	+ 206	+ 166	+ 148	+ 18	+ 40	+ 14	+ 54
1936	+ 342	+ 242	+ 222	+ 20	+ 100	+ 17	+ 83
1937	+ 265	+ 258	+ 237	+ 21	+ 7	+ 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	+1,109	+1,315	+1,308	+ 7	+ 206	+ 205	+ 1
1943	+1,471	+1,563	+1,536	+ 27	+ 92	+ 87	+ 5
1944	+2,185	+1,774	+1,702	+ 72	+ 411	+ 331	+ 80

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XVIII - Revised Estimates of Tourist Expenditures Between Canada
and Other Countries, 1937-1944

(Millions of Canadian Dollars)

Credits - Ex- penditures of Foreign Tourists in Canada	Empire					Non-Empire	
	All Countries	Total	United Kingdom	Other ⁽¹⁾ Countries	Total	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	(2)
1941	111	3	2	1	108	107	1
1942	81	2	2	(2)	79	79	(2)
1943	88	1	1	(2)	87	87	(2)
1944	111	2	2	(2)	109	109	(2)
 Debits - Expend- itures 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	(2)
1941	21	3	2	1	18	18	(2)
1942	26	2	2	(2)	24	24	(2)
1943	36	2	2	(2)	34	34	(2)
1944	58	2	2	(2)	56	56	(2)
 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	-
1943	+ 52	- 1	- 1	-	+ 53	+ 53	-
1944	+ 53	-	-	-	+ 53	+ 53	-

(1) Excluding Newfoundland

(2) Less than \$500,000.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XIX - Estimated Distribution of Interest and Dividend Payments and Receipts
Between Canada and Other Countries, 1937-1944

(Millions of Canadian Dollars)

Credits - Receipts of Interest & Div- idends from Invest- ments abroad	Empire				Non-Empire		
	All Countries	Total	United Kingdom	Other Countries	Total	United States	Other Countries
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
1943	59	5	4	1	54	34	20
1944	71	9	8	1	62	42	20
Debits - Payments of Interest and 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
1943	261	52	51	1	209	205	4
1944	264	56	55	1	208	203	5
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
1943	- 202	- 47	- 47	-	- 155	- 171	+ 16
1944	- 193	- 47	- 47	-	- 146	- 161	+ 15

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XX

BRITISH AND FOREIGN CAPITAL INVESTED IN CANADA

As at December 31, Representative Years, 1926-1939

Classification by Types of Investment

A. Total Non-Resident Investment in Canada
(Millions of Dollars)

<u>Types of Investment</u>	<u>1926</u>	<u>1930</u>	<u>1933</u>	<u>1939</u>
<u>Government Securities</u>				
Dominion	638.0	682.0	751.9	824.0
Provincial	421.6	592.3	571.7	536.0
Municipal	374.1	431.5	394.4	312.0
Total	1,433.7	1,705.8	1,718.0	1,672.0
<u>Public Utilities</u>				
Railways	1,938.4	2,244.3	2,244.7	1,905.6
Other	394.5	633.4	625.4	588.0
Total	2,332.9	2,877.7	2,870.1	2,493.6
Manufacturing	1,198.3	1,573.0	1,421.6	1,445.2
Mining and Smelting	219.1	334.1	338.5	329.1
Merchandising	149.8	202.9	191.5	189.3
Financial Institutions	343.6	542.9	479.6	472.7
Other Enterprises	65.2	82.4	75.2	69.0
Miscellaneous Assets	260.0	295.0	270.0	255.0
Total Investment	6,002.6	7,613.8	7,364.5	6,925.9

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XXI

BRITISH AND FOREIGN CAPITAL INVESTED IN CANADA

As at December 31, Representative Years, 1926-1939

Classification by Types of Investment

B. Investments held in the United Kingdom
(Millions of Dollars)

<u>Types of Investment</u>	<u>1926</u>	<u>1930</u>	<u>1933</u>	<u>1939</u>
<u>Government Securities</u>				
Dominion	250.1	234.5	291.4	225.0
Provincial	72.6	69.3	74.2	58.0
Municipal	187.0	182.1	143.9	125.0
Total	509.7	485.9	509.5	408.0
<u>Public Utilities</u>				
Railways	1,371.0	1,351.7	1,353.8	1,250.3
Other	96.6	99.7	87.7	89.3
Total	1,467.6	1,451.4	1,441.5	1,339.6
Manufacturing	234.4	274.7	236.3	257.3
Mining and Smelting	50.9	73.8	72.1	61.4
Merchandising	49.2	61.6	56.5	54.9
Financial Institutions	175.5	242.7	213.0	220.9
Other Enterprises	4.0	5.2	3.9	3.8
Miscellaneous Assets	145.0	171.0	150.0	120.0
Total Investment	2,636.3	2,766.3	2,682.8	2,465.9

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XXII

BRITISH AND FOREIGN CAPITAL INVESTED IN CANADA

As at December 31, Representative Years, 1926-1939

Classification by Types of Investment

C. Investments held in the United States

(Millions of Dollars)

<u>Types of Investment</u>	<u>1926</u>	<u>1930</u>	<u>1933</u>	<u>1939</u>
<u>Government Securities</u>				
Dominion	381.9	440.5	450.5	587.0
Provincial	342.0	517.0	492.5	473.0
Municipal	185.1	247.4	248.5	181.0
Total	909.0	1,204.9	1,191.5	1,241.0
<u>Public Utilities</u>				
Railways	510.4	832.6	830.9	588.3
Other	289.9	521.7	524.7	470.7
Total	800.3	1,354.3	1,355.6	1,059.0
Manufacturing	952.9	1,286.3	1,172.3	1,159.9
Mining and Smelting	165.2	255.3	260.4	250.7
Merchandising	98.5	137.3	131.0	129.4
Financial Institutions	125.1	251.2	220.6	200.8
Other Enterprises	60.2	76.2	70.3	64.2
Miscellaneous Assets	85.0	94.0	90.0	85.0
Total Investment	3,196.3	4,659.5	4,491.7	4,190.0

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XXIII

BRITISH AND FOREIGN CAPITAL INVESTED IN CANADA

As at December 31, Representative Years, 1926-1939

Classification by Types of Investment

D. Investments held in All Other Countries
(Millions of Dollars)

<u>Types of Investment</u>	<u>1926</u>	<u>1930</u>	<u>1933</u>	<u>1939</u>
<u>Government Securities</u>				
Dominion	6.0	7.0	10.0	12.0
Provincial	7.0	6.0	5.0	5.0
Municipal	2.0	2.0	2.0	6.0
 Total	 15.0	 15.0	 17.0	 23.0
<u>Public Utilities</u>				
Railways	57.0	60.0	60.0	67.0
Other	8.0	12.0	13.0	28.0
 Total	 65.0	 72.0	 73.0	 95.0
Manufacturing	11.0	12.0	13.0	28.0
Mining and Smelting	3.0	5.0	6.0	17.0
Merchandising	2.0	4.0	4.0	5.0
Financial Institutions	43.0	49.0	46.0	51.0
Other Enterprises	1.0	1.0	1.0	1.0
Miscellaneous Assets	30.0	30.0	30.0	50.0
 Total Investment	 170.0	 188.0	 190.0	 270.0

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XXIV

Estimated British and Foreign Capital Invested in Canada, by Types of Investment,

December 31, 1939

(Millions of Dollars)

<u>Type of Investment</u>	<u>Estimated Distribution of Ownership</u>			<u>Total</u>
	<u>British⁽¹⁾</u>	<u>United States⁽²⁾</u>	<u>Other Countries</u>	<u>Investments Owned Out- side Canada</u>
<u>Government Securities</u>				
Dominion	255.0	587.0	12.0	824.0
Provincial	58.0	473.0	5.0	536.0
Municipal	125.0	181.0	6.0	312.0
Total	408.0	1,241.0	23.0	1,672.0
<u>Public Utilities</u>				
Railways	1,250.3	588.3	67.0	1,905.6
Other	89.3	470.7	28.0	588.0
Total	1,339.6	1,059.0	95.0	2,493.6
Manufacturing	257.3	1,159.9	28.0	1,445.2
Mining and Smelting	61.4	250.7	17.0	329.1
Merchandising	54.9	129.4	5.0	189.3
Financial Institutions	220.9	200.8	51.0	472.7
Other Enterprises	3.8	64.2	1.0	69.0
Miscellaneous Assets	120.0	85.0	50.0	255.0
Total Investment	2,465.9	4,190.0	270.0	6,925.9

(1) - (2) Includes some investments held by nominees in the United Kingdom and the United States for residents of other countries.

N. B. - Common and preference stocks are shown at book values as shown in the balance sheets of the issuing companies, bonds and debentures are valued at par, liabilities in foreign currencies being converted into Canadian dollars at the par of exchange.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XXV

BRITISH AND FOREIGN CAPITAL INVESTED IN CANADA, END OF 1939

Classification by Countries of Origin and by Types of Security
(Millions of Dollars)

Types of Security	Distribution of Ownership			Total Non-resident Investment
	United States (1)	United Kingdom (2)	Other Foreign Countries	
<u>Bonds and Debentures</u>				
Dominion	587	225	12	824
Provincial	473	58	5	536
Municipal	181	125	6	312
Steam Railways	434	781	29	1,244
Other corporations - controlled in Canada	173	80	12	265
Other corporations - controlled outside of Canada	267	46	14	327
Total	2,115	1,315	78	3,508
<u>Capital Stock of Canadian Companies</u>				
Companies controlled in Canada	354	660	91	1,105
Companies controlled in the United States	1,310	55	13	1,378
Companies controlled in the United Kingdom	13	194	2	209
Companies controlled in Other Foreign Countries	(3)	(3)	19	19
Total	1,677	909	125	2,711
<u>Other Corporation Assets</u>				
Companies controlled in Canada	8	1	-	9
Companies controlled in the United States	304	1	-	305
Companies controlled in the United Kingdom	1	120	-	121
Companies controlled in Other Foreign Countries	-	-	17	17
Total	313	122	17	452
<u>Miscellaneous Investments</u>				
Real estate, mortgages, assets administered for non-residents, etc.	85	120	50	255
Total	4,190	2,466	270	6,926

(1)-(2) Includes some investments held by nominees in the United Kingdom and the United States for residents of other countries.

(3) Less than \$500,000.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XXVI - Estimated Canadian Investments Abroad,
December 31, 1939

(Excluding investments of insurance companies, banks and government credits)

(In Millions of Canadian Dollars)

<u>Location of Investment</u>	<u>Direct Investments</u>	<u>Portfolio Investments</u>			<u>Total Investment</u>
		<u>Stocks</u>	<u>Bonds</u>	<u>Total</u>	
United States	397	380	121	501	898
United Kingdom	31	22	21	43	74
Other Empire Countries	54	7	15	22	76
Other Foreign Countries	139	102	51	153	292
Total	621	511	208	719	1,340

N.B. Holdings of stocks are at book values as shown in the books of issuing companies; and holdings of bonds are shown at par values. Foreign currencies were converted into Canadian dollars at current market rates.

STATISTICS CANADA LIBRARY
BIBLIOTHÈQUE STATISTIQUE CANADA



1010512212