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

THE CANADIAN BALANCE
OF
INTERNATIONAL PAYMENTS, 1926-1945

Revised Statements, 1926-1944,

and

Preliminary Statement, 1945,

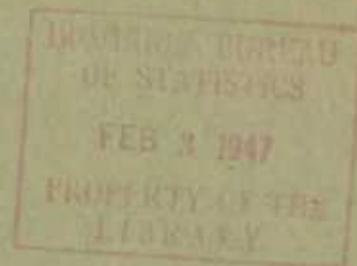
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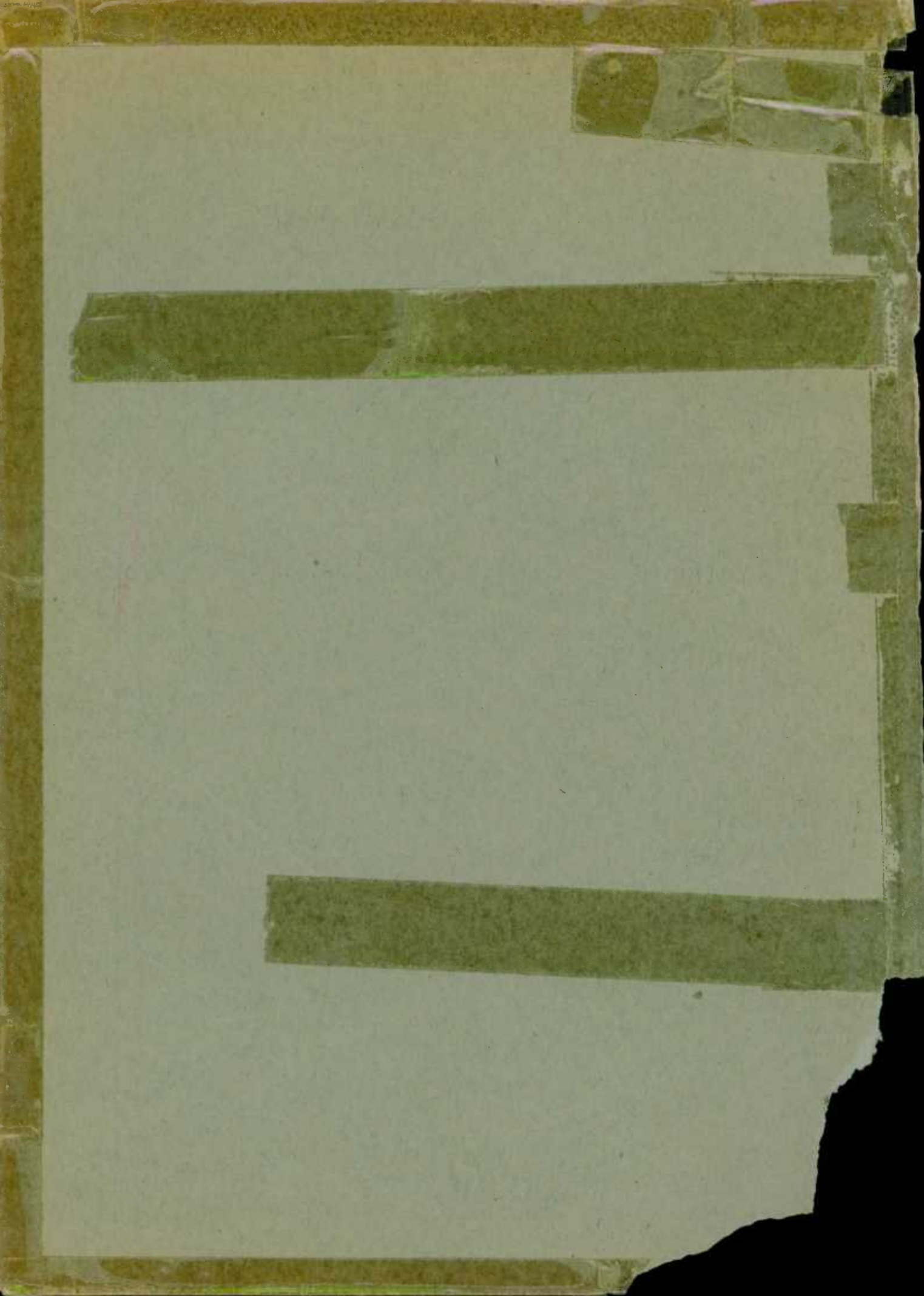
British and Foreign Investment in Canada
and Canadian Investments Abroad 1926-1945



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CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

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

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CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

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 outlines of its whole 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 constituted an even larger proportion of the national income than formerly. In the latter years of the war and in 1945, gross credits on current account amounted to 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 with 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. While these general outlines were retained during the war, there was a great expansion in the net balance of credits on current account as well as in the volume of current transactions. Most of this occurred in the movements of commodities and in the growth of other war expenditures. There was a falling off in credits from non-monetary gold and from the tourist trade and also a decline in net payments of interest and dividends.

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. This bilateral disequilibrium in Canada's accounts with the United Kingdom and the United States increased greatly during the war, being influenced mainly by the dominant movements of commodities created by wartime demands.

Canada's special interest in a system of multilateral settlements is apparent from the structure of the Canadian balance of payments. Because of the existence before the war of free exchange markets, which provided channels of international settlement for the nations of the British Commonwealth and other overseas countries with the United States, it was possible for there to be a considerable amount of disequilibrium and "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 the Canadian accounts with the United Kingdom and the United States were an integral part of the network of international commerce which had grown up over an extended period. The system of multilateral settlements made it possible to settle balances like those arising from Canada's dealings with its principal trading partners. But the war 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 countries became distorted by wartime demands which produced greatly augmented current balances for which new methods of settlement 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. Financial problems also developed arising out of the problem of the British scarcity of Canadian dollars to pay for munitions, food and other commodities which were so urgently needed for the prosecution of the war. Other exchange and financial problems arose from the Canadian shortage of United States dollars to pay for the capital equipment, materials and components required for war production. These currency and financial problems arising out of the wartime developments are discussed in later sections dealing with the balance of payments during the war, but are also briefly presented in the following paragraph.

The nature of these problems makes it now necessary to divide the Canadian balance of payments into two separate sections, one showing transactions with the sterling area, and the other showing transactions with the United States and other countries with convertibility exchange. Because of the absence of the free convertibility of sterling into United States dollars, the disequilibrium in these two separate accounts between Canada and other countries has had to be met by various special means. The principal solutions of the wide disequilibrium in the account with the United Kingdom and the sterling area have been of a financial character. Arrangements were made between the governments concerned for increasing the supply of Canadian dollars available to the sterling area, and the direction of these into official channels. In the early years of the war, these methods were mainly of a capital type, involving repatriations and the accumulation of sterling, whereas later in the war when the disequilibrium widened to its peak, the Billion Dollar Contribution and Mutual Aid to the United Kingdom were the chief methods of financing the British shortage of Canadian dollars. In the balance of payments with the United States and the United States dollar area the initial adjustments to meet the Canadian shortage of dollars were of an administrative character. The introduction of exchange control and the control of exports of capital from Canada provided a means of conserving Canada's limited supply of United States dollars for the more essential purposes of the war. Similarly government restrictions were introduced in 1940 limiting Canadian expenditures in the United States for unessential travel and civilian luxury commodities. As the disequilibrium widened in Canada's current account with the United States, other measures directed towards expanding Canada's receipts of United States dollars were developed. The agreements entered into at Hyde Park in the spring of 1941 led to large United States purchases of munitions, military equipment, ships and raw materials in Canada. These expenditures developed rapidly after the United States entry into the war. Later during the war there were exceptionally large Canadian current receipts from sales of grain to the United States and United States government expenditures on defence in Canada. Another major source of United States cash arose from capital inflows from the United States to Canada. Throughout the war there continued to be an appreciable liquidation of Canadian holdings of United States securities and in 1942 there first appeared large inflows of capital for the purchase by American investors of Canadian securities, particularly bonds and debentures. These capital inflows continued to be unusually heavy throughout the remainder of the war and contributed large amounts to the supply of United States exchange, although Canada's external foreign liabilities increased commensurably. There also were special receipts of gold and United States dollars in partial settlement of the British deficiency in Canada.

DEVELOPMENTS IN 1945

While 1945 was a year of transition, the balance of payments for the year as a whole retained some of the general outlines characteristic of the later war years. The high level of economic activity had the effect of producing a record total of credits in the current account, but smaller external government expenditures on war account reduced current debits. As a result, the balance of credits on current account rose to \$1,719 million, the highest level for any year in Canada's history. But, as the economic background following the end of the war was much different from that at the beginning of the year, some of the important changes occurring during the year are not apparent from annual summaries of the balance of payments. Heavy international transactions in the earlier part of the year while the war was continuing were instrumental in producing large annual totals. The volume of international transactions was at a considerably lower level by the end of the year than during the early part of the year, although it was still very high compared

even with earlier wartime years. Most of the decline accompanying the end of the war occurred in transactions with the sterling area, transactions with the United States being relatively stable during the year.

The increase in total current account credits in 1945 occurred in exports to overseas countries other than the United Kingdom. Exports to both the United States and the United Kingdom were less in 1945 than in 1944, which was the peak year for both countries. Notable expansions occurred in exports to other Empire countries and to foreign countries overseas. The expansion in exports on account of these foreign countries increased sharply to a new record level as the result of shipments under export credits, UNRRA and military relief. It should be noted that while shipments to many of these countries had also been heavy in 1944, the exports were mainly on British account.

TRANSACTIONS WITH THE STERLING AREA 1945

The current account deficit of the sterling area in Canada in 1945 of \$1,220 million compares with \$879 million in 1944, \$1,216 million in 1945³ and \$1,269 million in 1942. Most of the change in 1945 originated in the sharp decline in Canadian overseas expenditures in the sterling area as total credits were slightly lower than in 1944. While the current balance with the sterling area was comparable in size with the balance in the two earlier years, 1942 and 1943, the totals of both credits and debits were considerably higher in 1945.

Although total exports to the United Kingdom were lower than the peak level in 1944, exports of food expanded to a new record and exports of lumber and wood products and miscellaneous commodities remained close to the levels of the previous year. Expenditures on account of munitions, including Mutual Aid, declined sharply after the first quarter of the year following the end of the European war and exports of non-ferrous metals were lower throughout the year as British stocks and other sources of supply were used. Following the end of the war, there was a considerable reduction in British expenditures on war services in Canada, declines occurring in expenditures for most purposes. The main group of sterling area expenditures to increase was exports to other Empire countries than the United Kingdom. Unusually large exports on Indian account were an important factor in this increase. There was also a significant increase in British expenditures on freight and shipping account, mainly reflecting larger earnings by the growing fleet of Canadian-owned merchant vessels.

The British supply of Canadian dollars from the more normal sources such as exports of merchandise to Canada and shipping services, and receipts of income on investments in Canada remained about the same in 1945 as in 1944. Canadian imports from the United Kingdom, after deducting aircraft and other military equipment returned by the Canadian services and imports on British account, were at about the same level in both 1945 and 1944. Imports from other sterling area countries were higher in 1945 than in 1944 while payments for freight and other services and interest and dividends to the United Kingdom were somewhat less in the aggregate. There were notable gains in imports from British South Africa, British West Africa, Trinidad and Australia, while imports from Jamaica and the Barbados were considerably lower.

The largest part of the sterling area current supply of Canadian dollars was provided by the payments from the Canadian government to the United Kingdom for the expenses of the Canadian forces overseas. These amounted to \$696 million compared with \$1,085 million in 1944, the decline in expenditures accompanying the

end of the war, expenditures in the first quarter of the year being about \$335 million and dropping down to \$77 million in the fourth quarter. In the settlement of war claims by Canada and the United Kingdom in March, 1946 there was a settlement of all outstanding amounts owing between the two countries on war accounts with the result that arrears and other unpaid accounts were cancelled.

Mutual Aid was again the principal means of financing the current account deficiency of the sterling area in 1945. The amount of Mutual Aid to sterling area countries was \$838 million. Of this \$777 million was for the United Kingdom and the remainder was distributed between Australia, India, New Zealand and the British West Indies. In addition, following the termination of Mutual Aid, there were interim advances to the United Kingdom in order to maintain the export of food amounting to about \$164 million. There were also advances to India to cover the purchase of locomotives and also some advances to Australia. Goods provided under Mutual Aid or financed through interim advances 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 current credits is offset by debits of similar size entered in the special "Mutual Aid" item representing expenditures by the Canadian Mutual Aid Board and by the item of capital account covering "Interim Advances". The interim advances to the United Kingdom and India were included in the settlement of outstanding war claims between the United Kingdom and Canada in March, 1945. Special receipts of U. S. dollars from the United Kingdom contributed \$33 million to the financing of the current deficit in 1945, this being part of an adjustment in connection with the United States dollar cost to Canada of Mutual Aid production for the United Kingdom. There was also some financing from sterling area sources arising from a decline in British official balances in Canada. There were large repayments on the \$700 million loan totalling \$64 million during the year. Canadian private repatriations of securities held in the sterling area totalled about \$75 million, an amount which was considerably higher than private repatriations in earlier years during the war. This amount was divided fairly evenly between redemptions and repurchases of outstanding issues.

TRANSACTIONS WITH THE UNITED STATES, 1945

In the balance of payments with the United States there was again a small surplus on current account due to the continuation of some of the abnormal sources of large receipts which had been prominent also in 1944. The current surplus of \$28 million compares with \$25 million in 1944, the only other year in which this unusual development has occurred. There were sharp declines in two of the abnormal sources of United States expenditures in Canada, receipts from the sale of munitions and from the sale of grain. But, there were smaller expenditures by the Dominion government in the United States in 1945 than in 1944 when large special payments to the United States Treasury amounting to \$280 million on current account were made. Receipts from the sale of munitions were in the neighbourhood of \$200 million in 1945 compared with considerably more than \$300 million in 1944. Receipts from the sale of grain to the United States declined even more sharply, being approximately \$100 million in 1945 compared with about \$300 million in 1944. Exports of commodities to the United States other than munitions and grain were slightly higher in the aggregate than in 1944, and more than double the level of receipts from all exports to the United States in 1939, higher prices as well as larger volume contributing to some of the increase. United States government expenditures on defence in Canada were much smaller than in the previous year when they had contributed a substantial amount to current receipts. Net exports of non-monetary gold showed a further decline in 1945 only amounting to \$96 million, production being reduced because of manpower shortages.

The most outstanding gain in other receipts was from the expenditures of American travellers in Canada. These increased very sharply from \$117 million in 1944 to \$163 million in 1945. There were sharp increases in travel following the end of the war in August and the tourist season continued later into the year than normally. The level of expenditures reached was considerably more than during the immediate prewar years and was only exceeded by the peak levels of 1929 and 1930. The balance of receipts on travel account, however, increased only moderately since there was also a sharp increase in expenditures of Canadian travellers in the United States. The latter expenditures increased from \$57 million in 1944 to \$83 million, an amount which was the highest on record. In the earlier year there were still limitations upon expenditures by Canadians for pleasure travel involving U. S. dollars although these had been modified during 1944. In May, 1945 there were further relaxations in restrictions upon pleasure travel, Canadian residents being permitted to obtain U. S. dollars for reasonable expenditures on travel for any purpose in the United States and other dollar countries.

Canadian payments to the United States in 1945 for merchandise were approximately the same as in 1944, although imports of merchandise from the United States underwent many changes during the year. While gross imports declined appreciably, a large part of this decline occurred in imports of goods which are not purchased by Canada. Imports of lend-lease goods on United Kingdom account and U.S. Government free issues of aircraft engines and equipment imported in connection with aircraft being constructed for the United States declined sharply. As there were larger payments for imports on Government account in 1945, imports through other channels were somewhat less than in 1944. The reductions which did occur in Canadian purchases were principally in the groups of iron and steel products and non-ferrous metal products and coal. The sharp falling off in imports of these articles required for war production was partly offset by larger imports of primary iron and steel and other metal products for civilian purposes. Imports of other groups of commodities like chemicals which had been swollen by wartime demands were changed in composition but were maintained by new civilian demands far exceeding the prewar levels. Imports of consumer goods, mainly foods and textiles continued at the abnormally high levels of recent years. Purchases of food were up, a mixture of increased quantity and higher prices; and imports of textiles were maintained at about the same level as in the previous year, the United States continuing to be the main source of imported cotton textiles. Freight and transportation costs originating mainly from the movement of imports to Canada continued to decline, but still totalled \$188 million. Among the factors influencing the decline were smaller imports of coal, lower costs of ocean transportation and less use of uneconomic routes. Payments of interest and dividends to investors in the United States declined relatively moderately in the aggregate in 1945. Total dividends paid by Canadian companies to residents of the United States were considerably lower than in 1944, mainly because of reduced distributions by Canadian subsidiaries to parent companies in the United States, while interest payable on Canadian bonds and debentures held there increased during the year, as a result of the large American purchases of Canadian bonds in recent years.

TRANSACTIONS WITH OTHER FOREIGN COUNTRIES 1945

A very sharp increase which occurred in exports to other foreign countries mainly resulted from the liberation of Europe and the heavy shipments in the latter part of the year to the Continent financed by Mutual Aid, export credits, UNRRA, military relief, and cash received from European governments. Total exports on the

account of other foreign countries amounted to \$567 million compared with \$173 million in 1944 and \$134 million in 1938.

Exports to this group of countries directly financed by Dominion government expenditures totalled about \$308 million. Mutual Aid to China, France and Russia contributed \$102 million of this, export credits \$53 million, interim advances to countries arranging for credits \$52 million, military relief \$67 million and the Canadian contribution to UNRRA of \$34 million. There were also exports purchased by UNRRA with free funds and substantial cash purchases by European governments. Commercial exports to other countries producing convertible exchange increased substantially in 1945, amounting to approximately \$129 million compared with about \$58 million in 1944. This private commercial trade was with the Latin-American countries and some European countries and United States dependencies. There were appreciable gains in exports to practically every country included in this group. Imports from other foreign countries increased from about \$89 million in 1944 to \$110 million in 1945. Increased imports were scattered among such countries as Venezuela, Switzerland, Honduras, Spain, Portugal, the USSR, Ecuador and Cuba. There were some declines in imports from various other South and Central American countries and imports from European countries formerly occupied by the enemy were of negligible size.

Canada's export credit program under Part 2 of the Export Credits Insurance Act is the principal method of ensuring a continued flow of Canadian commodities to overseas countries other than the United Kingdom during the transitional period after the war. The total direct loans authorized by the Canadian Parliament under this section was raised in December, 1945 to \$750 million in addition to the guarantees which might be made up to \$200 million. The funds advanced are to enable foreign governments to purchase Canadian produced goods required during the transitional period when this is considered advisable for the purpose of developing and facilitating Canadian trade between Canada and the borrowing country. By the end of March, 1946 total loans of \$502.2 million had been extended to the countries shown in Section (a) of the following statement. In addition, there were loans conditionally agreed upon of \$142 million shown in Section (b), leaving \$105 million of the \$750 million of potential credits unallocated.

LOANS UNDER THE EXPORT CREDITS INSURANCE ACT

(a) Loans extended as at March 31, 1946:

Belgium	\$ 25,000,000
China	60,000,000
Czechoslovakia	19,000,000
France	242,500,000
Netherlands	125,000,000
Netherlands East Indies	15,000,000
Norway	13,000,000
Union of Soviet Socialist Republics	3,000,000
	<hr/>
	\$ 502,500,000

(b) Additional loans conditionally agreed upon:

Belgium	\$ 75,000,000
Netherlands East Indies	50,000,000
Norway	17,000,000
	<hr/>
	\$ 142,000,000

(c) Unallocated as of March 31, 1946:

Total Credits to be Authorized	<hr/>
	\$ 105,500,000
	<hr/>
	\$ 750,000,000

CAPITAL MOVEMENTS BETWEEN CANADA AND THE UNITED STATES DOLLAR AREA, 1945

Inflows of capital to Canada from the United States increased in 1945 even more than in the preceding three years of extraordinarily heavy inflows. Most of the inflows again took the form of sales by Canadians of outstanding Canadian and American securities. The level in 1945 appears to have established a record for inflows of capital from sales of outstanding securities. The principal development in the security trade between Canada and the United States during the year was the very heavy American demand for Canadian domestic bonds. This demand was concentrated in the periods from May to July and in November and December. Provincial issues were again sold in substantial amounts but net sales of these were somewhat less than in previous years. Sales of Dominion guaranteed issues which had been especially heavy in 1942 and 1943 were smaller. American demand for Canadian stocks was much greater in 1945, net sales rising sharply to about \$36 million, whereas in 1944 purchases and sales in this trade were close to equilibrium. A large part of the sales in the summer of 1945 was made up of railway stock.

While the total of Canadian issues redeemed in 1945 was about the same size as in 1944, maturities were less and issues called for redemption were greater. New issues of about \$80 million sold in the United States in connection with the refinancing of the major part of the called issues were about the same size as in 1944.

Other capital movements to Canada continued to be predominantly inwards. Most of these receipts of capital took the form of increases in Canada's foreign liabilities, there being substantial inflows for direct investments, loans and advances and transfers into non-resident Canadian dollar accounts.

Capital payments being subject to restrictions imposed by exchange control continued to be for the most part for the redemption of securities or other debts. Although certain other exports of capital were permitted in 1945 as in 1944, the total amount of such transfers was relatively small. These transfers were mainly in connection with the extension of Canadian business activities outside of Canada. There were very large debit entries in the capital account reflecting the increase in official reserves of gold and U. S. dollars of \$606 million.

There were again special receipts of U. S. dollars from the United Kingdom amounting to \$33 million in connection with a settlement covering the United States dollar cost of Mutual Aid to the United Kingdom. There was also a substantial total of receipts from exchange recoveries and adjustments arising principally out of transactions with the sterling area.

CAPITAL AND SPECIAL TRANSACTIONS ON GOVERNMENT ACCOUNT - 1945

Of special interest in 1945 was the extent to which government financing entered into the movement of commodities from Canada. The accompanying statement showing special and capital transactions on Canadian government account separate from all other capital transactions reveals the importance of this situation in 1945. Of the total exports from Canada amounting to \$3,655 million, there were \$1,041 million which were financed by Mutual Aid and Canada's Contribution to UNRRA and military relief. In addition, there was a further \$314 million financed by loans or advances from the Canadian government or a total of \$1,355 million directly financed in this way. Other government outlays arising out of Canada's international transactions during the year arose from redemptions of government and municipal securities of \$65 million and an increase in the foreign balances of the government having a Canadian dollar equivalent of \$668 million.

The larger part of this took place in the United States dollar position of the Foreign Exchange Control Board. As a result of these various transactions, there were gross debits on government account of a special and capital character amounting to \$2,088 million during the year. Offsetting part of these were the repayments of \$64 million received from the United Kingdom on the \$700 million loan of 1942, leaving net government transactions of \$2,024 million.

Foremost among the other capital movements during the year were security transactions. These resulted in a net inflow of capital of \$201 million apart from the outflow connected with the retirement of government securities already included in the transactions of government account. Most of these inflows of capital were from the United States and were an important contributing factor to the increase in Canada's liquid reserves of gold and U. S. dollars referred to above. Other capital movements were largely offsetting only amounting to debit entries of \$7 million on balance, large inflows from the United States and other foreign countries being more than offset by debit entries in the capital account with the sterling area. A great variety of different transactions are reflected by the latter figures. Important among the components are the changes in Canadian dollar balances of non-resident governments and individuals and other changes in short-term private position not reflected in official reserves as well as a variety of private capital transactions not involving securities.

ANALYSIS OF SPECIAL AND CAPITAL TRANSACTIONS SHOWING CANADIAN GOVERNMENT
ITEMS SEPARATE FROM ALL OTHER CAPITAL TRANSACTIONS, 1945.
(Millions of Canadian Dollars)

	Total	Sterling Area	Foreign Countries
<u>A. Special Transactions</u>			
Mutual Aid	940	838	102
UNRRA Contribution	34	-	34
Military Relief	67	-	67
1. Sub-Total	1,041	838	203
<u>B. Capital Transactions</u>			
Export Credits	53	-	53
Interim advances to United Kingdom	164	164	-
Interim advances to other Countries	97	45	52
2. Sub-Total	314	209	105
Total Direct Financing of Exports of Canadian Goods and Services (1 + 2)	1,355	1,047	308
Change in Dominion Government Balances	668	1	667
Net Retirements of Government Securities	65	50	15
Gross Debits on Government Account	2,088	1,098	990
Repayments by United Kingdom on 1942 Loan	64	64	-
Net Government Transactions, Including special transactions	-2,024	-1,034	-990
All Other Security Transactions	+301	-22	+323
Other Capital Movements	- 7	-132	+125
Total Capital Transactions (1)	(-689	-350	-339)
Special Receipts of U. S. dollars from U.K.	-	- 33	+ 33

(1) Excludes Item 1 "Special Transactions" above.

BALANCE OF PAYMENTS WITH THE UNITED KINGDOM AND STERLING AREA DURING THE WAR

During the war the greatly expanded demand for Canadian production became the predominant influence upon the Canadian balance of payments. British and other allied requirements for munitions, food, raw materials and other goods and war services were among the principal contributors to the great wartime development of productive capacity and capital equipment in Canada. The magnitude of the wartime movements of commodities and the provision of services which entered Canada's international accounts is strikingly revealed by the current account of the balance of payments between Canada and the sterling area. During the six years, 1940 to 1945, gross credits in the current account aggregated over \$10,600 million. The value of commodities exported on account of the sterling area, both directly to the sterling area and to other theatres of war as well, totalling about \$9,000 million, made up the largest part of this aggregate. Of this about \$7,900 million was on United Kingdom account. Freight and shipping services and other wartime service activities were also important contributors, the former being about \$822 million and the latter approximately \$561 million. Munitions, military equipment and ships made up the largest part of the commodity movement or over one-half of the exports on United Kingdom account. Greatly expanded food exports were the next largest element in the total of commodities shipped on British account, representing about 30 per cent. Lumber and wood products constituted another important part of the exports, being about 6 per cent and other industrial materials like non-ferrous metals constituted most of the remainder exported to the United Kingdom. Exports on account of other sterling area countries made up more than \$1,100 million of the total.

SUMMARY OF BALANCE OF PAYMENTS TRANSACTIONS BETWEEN CANADA AND THE STERLING AREA, 1940 to 1945

(Millions of Canadian dollars)

Current Expenditures on Account of the Sterling Area in Canada

Exports on United Kingdom Account (1)	
Munitions and ships	4,228
Food	2,290
Wood Products	479
Non-ferrous Metals	654
Other Commodities	264
Total	<u>7,915</u>
Exports on Account of Other Sterling Area	1,110
Freight	822
War Services	561
Other Current Transactions	200
Total Current Expenditures in Canada	<u>10,608</u>

Current Payments by Canada to the Sterling Area

Imports from the United Kingdom	680
Imports from other Sterling Area	670
Overseas Expenditures of Canadian Government	2,597
Interest and Dividend Payments	357
Freight and shipping	235
Other Current Transactions	261
Total Current Payments by Canada	<u>4,800</u>

Net Requirements of the Sterling Area for Financing Current Expenditures 5,808

Methods of Financing Gap in Current Account

Billion Dollar Contribution	1,000
Mutual Aid by Canada to Sterling Area	2,175
Interim Advances by Canadian Government to United Kingdom and India	206
Loan of \$700 million to United Kingdom in 1942 (net)	561
Official Repatriations of Securities by Canada	703
Private Repatriations of Securities by Canada	292
Sales of Gold and United States Dollars to Canada	504
Other Capital Movements (2)	367
Total Capital and Special Transactions	<u>5,808</u>

(1) These data reflect payments on account of the United Kingdom rather than recorded commodity movements to the United Kingdom.

(2) Including exchange adjustments and errors and omissions.

The current source of income in Canada available to the sterling area was much less than the requirements for Canadian dollars indicated by the above totals. Gross debits in Canada's current account with the sterling area aggregated about \$4,800 million, including expenditures overseas on account of the Canadian forces which amounted to \$2,597 million. The other large source of Canadian dollars arose from exports from the sterling area to Canada which amounted to about \$1,350 million during the period, apart from movements of aircraft and equipment to Canada for use in the British Commonwealth Air Training Plan. Payments of interest and dividends by Canadian borrowers to British investors of \$357 million made up the next largest item in the account. British receipts from shipping services, commercial and financial services, remittances and other current transactions with Canada made up the residue of British receipts of approximately \$500 million.

The credit balance in the current account indicates the size of the gap which had to be met by Mutual Aid and other special wartime financial measures. The total current account between Canada and the sterling area shows a maximum credit balance of \$1,269 million in 1942 when goods and services financed by the Billion Dollar Contribution to the United Kingdom are included. In 1943 the disequilibrium was only slightly less with a credit balance of \$1,216 showing, when goods and services financed by Mutual Aid to the sterling area are included. The rise in gross credits was more than offset in that year by increases in the British supply of Canadian dollars arising mainly from larger Canadian overseas expenditures. An even greater rise in overseas expenditures in 1944 to their peak of \$1,085 million had the effect of reducing the credit balance in that year to \$879 million even though gross current credits had reached their peak of \$2,307 million, with the concentration of munitions payments in the invasion year. In 1945 gross credits were only slightly less than in 1944, heavy shipments of food and other commodities tending to offset the reduction in exports of munitions. But, as overseas expenditures fell sharply after the end of the war, the balance of credits in the current account returned to a level close to that in 1943 and 1944.

During the latter years of the war, the total value of goods and services supplied by Canada to the United Kingdom increased to four or five times the pre-war amount. Most of the expansion occurred in the value of commodities shipped on British account although increases in service transactions were proportionately greater. Canadian production of munitions, military equipment and ships became the largest part of Canadian production exported on United Kingdom account. These shipments became particularly heavy from 1942 on, payments for munitions shipped on British account rising to as much as \$1,117 million in 1944. This represents about three times as much as the value of all commodities exported annually to the United Kingdom immediately before the war and is substantially greater than the value of all commodities exported to overseas countries before the war. The Canadian shipments of food to the United Kingdom also rose to exceptional heights. Expenditures on food shipped on United Kingdom account in both 1944 and 1945 averaged close to \$500 million. This amount also is considerably greater than the value of all exports to the United Kingdom before the war. Other expansions in the value of exports were particularly notable in shipments of aluminum products which were greatly expanded to meet wartime requirements, some of the expansion having been financed by British capital assistance. Another industrial material essential for war purposes was lumber, the shipment of which increased sharply. Other types of wood products were also required in wartime Britain in much greater amounts than before the war. Likewise Canadian ferro-alloys and steel showed notable increases over the prewar levels. Some types of chemicals were also supplied by Canada.

One factor contributing to the very heavy movement of Canadian commodities to the United Kingdom was the arrangement under which Canadian armies were equipped and maintained in the United Kingdom and elsewhere. Some of the munitions and

equipment going from Canada to the United Kingdom was later used by the Canadian forces overseas. But, the financial settlements for these transactions were separate with the result that there were substantial British expenditures in Canada on equipment which was later transferred to Canadian forces and the cost of which became an element in Canadian settlements with the United Kingdom for the costs of maintaining and equipping the overseas forces. Likewise some of the food and other commodities shipped from Canada might have been later consumed by the Canadian forces, but these also would represent another Canadian expenditure in the United Kingdom. This situation tended to increase the volume of financial settlements in both directions between Canada and the United Kingdom during the war.

Among services provided by Canada for the United Kingdom were such distinctly wartime activities as air training, munitions inspection, construction and maintenance of naval bases, the provision of facilities for internment and the many administrative activities required by the British in Canada in connection with the prosecution of the war. The expenditures on war services in the latter years of the war rose as high as \$130 million in 1942 and remained at \$128 million in 1943 and 1944. Another important rise in British expenditures in Canada rose from shipping and the inland transportation of the huge volume of commodities being shipped overseas. Inland transportation to the ocean ports made up a large part of this, amounting in some years to approximately \$60 million. Other expenditures by the British on transportation included the expenditures in Canadian ports on the account of British ships. Under wartime conditions these expenditures expanded very sharply. The number of vessels required to move the commodities was very great and the ships tended to take on more supplies in Canadian ports than has normally been the case in peacetime. Repairs also were a substantial item as well as port dues and other service expenditures connected with shipping. While some of the more customary exchanges of services declined sharply such as civilian travel, these declines were much more than displaced by the emergence of the large wartime factors described above. The pattern of personal remittances was also greatly altered during the latter years of the war; with large numbers of Canadian forces stationed in England, there were very substantial remittances by these men back to Canada.

Since Canadian expenditures on British goods and services were much less than the essential wartime British expenditures on Canadian commodities and services, there was a formidable financial problem of filling the resulting gap in the current account between Canada and the United Kingdom. The predominant movement of commodities to the United Kingdom can not be disassociated from the position of that country as a spearhead and base of operations against the axis. Furthermore, the form which the economic mobilization in Britain took made it difficult for the United Kingdom to provide many of the commodities for export which normally entered into trade with Canada. In 1940 British policy was still directed towards expanding exports in order to finance overseas war expenditures but as the war developed this policy had to be abandoned, with a greater concentration of British industrial and manpower resources towards more direct war ends. Consequently, the volume of British commodities shipped to Canada declined during the latter years of the war although Canadian civilian purchases of commodities from the United Kingdom into Canada did not fall below \$100 million until 1944.

Another item of Canadian payments to the United Kingdom which was precluded from expanding was the substantial total of interest and dividends paid by Canadian governments and corporations to British investors in Canada. Since a substantial part of the British current shortage of dollars during the early years of the war was covered by repatriations of Canadian securities held in the United Kingdom, there was a considerable drop in the volume of Canadian payments of interest and dividends to the United Kingdom investors. Official repatriations mainly of Dominion and Canadian National Railway issues amounted to \$704 million and the sub-

sequent British loss of income on these bonds led to most of the decline in payments of interest and dividends which had taken place by 1942. In addition, there were private repatriations of Canadian securities of about \$300 million, which further led to reductions in Canadian income payments. The next largest normal British source of revenue in Canada, income from shipping services, was also prevented from expanding appreciably because of the course of the war. Most of this revenue normally arose from carrying British exports to Canada. The decline in these exports along with the diversion of British ships to other wartime duties combined to offset the effects of increased ocean transportation costs, with the result that Canadian payments for freight and shipping services were lower in some years during the war than before the war, and were only moderately higher in several other wartime years. Another group of expenditures were those connected with Canadian travel in the United Kingdom and the revenue from passenger fares sold to Canadians traveling on British ships. Pleasure travel ended abruptly with the war, with the result that Canadian travel expenditures in the United Kingdom, apart from the expenditures connected with the Canadian forces overseas, declined to several million dollars compared with an estimated \$16 million in the Coronation year 1937. Other current expenditures of a normal character did not change very substantially, but the volume has never been exceptionally large.

There was one large new wartime element in the current account of debits with the United Kingdom, however, which became of primary importance. This was the total of Canadian expenditures in the United Kingdom arising out of the activities of the Canadian forces overseas. These expenditures were to mount to a peak figure of \$1,085 million in the invasion year 1944. In the preceding year they had been less than one-half of this amount and in the succeeding year the level was reduced to about \$696 million, most of which decline occurred in the first half of the year. The arrangements of the British and Canadian governments for handling these expenditures required that generally all costs in connection with the Canadian forces overseas should be borne by Canada. It developed that much of the equipment of the Canadian forces overseas was obtained through British sources. Similarly, ammunition was procured through the same channels and many of the other commodities and services required for the maintenance of the Canadian forces overseas, such as food, housing, fuel, electricity, transportation and the like. The British government was reimbursed for the costs of these goods and services by payments on account made by the Canadian government. Originally these payments were practically all made in sterling but at a later stage many of the payments were made in Canadian dollars, this being an important British source of direct supply of Canadian dollars at a time when British payments of contracts in Canada were very heavy. Other expenditures of the Canadian forces overseas were met directly by the Canadian government in sterling. The pay and allowances issued overseas were the most important element in these latter expenditures, although other items covering purchases of stores and services of different kinds were also substantial. The largest element in the cost overseas, however, arose from the payments for equipment. Many of these payments were the result of accounting based on capitation rates calculated jointly by the two governments. Although Canadian overseas expenditures reached the high level noted above in 1944, there was still a very large gap in the current account remaining to be financed. In 1944 the high level of overseas payments had the effect of reducing the United Kingdom's current account disequilibrium with Canada to \$746 million, compared with \$1,149 million in 1943 and \$1,223 million in 1942, even though in 1944 British expenditures in Canada for current purposes reached their peak of \$2,063 million.

The sterling area's shortage of Canadian dollars has been even greater than the above amounts for the United Kingdom as the other countries of the sterling area besides the United Kingdom have normally as a group had larger expenditures in

Canada than revenue, and this normal disequilibrium was considerably increased during the war, particularly in the latter years when the movement of commodities to the other British Dominions on their own account became large. Even by 1940, however, the balance of credits on current account with other Empire Countries had increased to \$76 million compared with \$44 million in 1938 and \$24 million in 1937. But, by 1944 the balance amounted to \$133 million and in 1945 it expanded to \$292 million. The principal contributor to this balance of credits is the value of Canadian exports to these countries which customarily exceeds imports by a considerable margin. In addition, there is normally some income from direct investments in these countries by Canadian companies adding to Canadian receipts, as well as a balance of Canadian receipts on freight and shipping account. Some of the latter arises from the inland freight from points of origin in Canada to the ocean ports and some arises from revenue of Canadian ships carrying exports to British Dominions and Colonies. The principal development during the war in service transactions was an increase in credits on freight and shipping account which expanded particularly in the latter two years of the war when the Canadian merchant marine constructed during the war, was in operation and the movement of commodities was heaviest. In addition, there were substantial expenditures on war services in Canada by Australia and New Zealand, mainly on their share of the costs of the British Commonwealth Air Training Plan.

Canadian exports on account of other Empire countries rose early in the war, but not so much as total Canadian exports to these countries, as many of the exports to certain areas in the war zone, or countries in which there were military and naval bases, were on British account. With the development of Mutual Aid, however, there was a considerable increase in the total of exports on the account of these countries as Canadian commodities used in the prosecution of the war by countries receiving Mutual Aid were procured on their own account and partly financed by the Mutual Aid extended to these countries. The peak in exports on the account of other Empire countries occurred in 1945 when they totalled an estimated \$351 million. Of this amount, \$61 million was financed by Mutual Aid to Australia, New Zealand, India and British West Indies. Exports to many countries for cash were also exceptionally high in that year, particularly to India. There were also exports of locomotives to India financed by advances by the Canadian government. The value of imports from other Empire countries increased substantially during the war and with the exception of the peak year in 1941, remained relatively stable. Shortages in the supply of some commodities and scarcity of shipping prevented imports from this group of countries from meeting the full Canadian demand for their products.

CAPITAL ACCOUNT

Special methods of financing the British deficiency of Canadian dollars arising from the great excess of wartime expenditures over receipts had to be developed. The principal form of financing was the Mutual Aid program, under which Canada provided munitions, food, and other war supplies and services directly to Allied countries unable to pay for these supplies because of financial difficulties caused by the war. Early in the war, however, Britain secured Canadian dollars to cover expenditures in Canada through the official repatriations of Canadian securities held in England. By the end of 1942, virtually all of the Dominion and C. N. R. issues held in the United Kingdom had been repatriated. During the same early period and particularly in 1941 and early in 1942, the deficiency was also covered by Canada accumulating substantial amounts of sterling. The major part of the accumulation was converted in 1942 into the Canadian dollar loan of \$700 million to the Government of the United Kingdom. In the same year, the Canadian Parliament appropriated \$1,000 million as a gift to the United Kingdom to enable purchases of food and munitions and other requirements to be covered. This contribution took the

form of a financial transfer of funds to be used by the British as required to cover the shortage of Canadian dollars, although in effect it was a transfer of goods and services. The later development of assistance, Mutual Aid, was likewise a contribution to the common cause but was made directly in the form of goods and services to each country requiring aid. Mutual Aid to the sterling area including the Billion Dollar Contribution had a total value of \$3,175 million at the end of 1945. Official repatriations of \$703 million made up the next largest method of financing and the amount of the \$700 million loan to the United Kingdom outstanding at the end of 1945 was about \$561 million. Another substantial source of Canadian dollars arose from the purchase of gold and U. S. dollars from the United Kingdom for Canadian dollars. These purchases totalled \$504 million during the period to the end of 1945 and provided an important means of meeting Canada's deficiency of U. S. dollars. Private repatriations of securities by Canadians were another source of financing as well as a number of special financial settlements between the Canadian and United Kingdom governments. Following the termination of Mutual Aid at the end of the war, interim advances were made by the Canadian government to the United Kingdom, which by the end of 1945 totalled \$164 million, in order to ensure the continued shipments of food to the United Kingdom. In 1946 this method of financing was superseded by the credit of \$1,250 million extended by the Canadian government to the United Kingdom in order to facilitate purchases of goods and services in Canada and to assist the United Kingdom in meeting transitional postwar deficits in its current balance of payments. These deficits continued to be substantial in Britain's account with Canada after the end of the war, because of the continued British need for Canadian commodities, particularly food and industrial materials. At the same time, there has been the great contraction in British receipts of Canadian dollars from overseas expenditures. These declined sharply after the war and increases in British exports to Canada have been limited by supplies available in that country, and analysis of special and capital transactions between Canada and Empire Countries during the period from 1937 to 1945 is given in Table XV.

CHANGES IN INTERNATIONAL CAPITAL POSITION BETWEEN CANADA AND THE STERLING AREA

The effects of the war upon the balance of Canadian indebtedness to the United Kingdom have been quite pronounced. British investments in Canada particularly in certain types of securities were sharply reduced by the official repatriations which amounted to over \$700 million and also by private repatriations which from the start of the war to the end of 1945 amounted to about \$300 million. An analysis of British investments in Canada is presented in the statistical tables appearing at the end of the report.

The official repatriations included all the Dominion government direct issues owned in the United Kingdom and almost all of the Canadian National Railway issues owned there. The private repatriations were scattered over a number of other types of issue, almost one-half arising from redemptions of Canadian securities during the period and the remainder arising from Canadian repurchases of outstanding bonds and stocks held in the United Kingdom. Provincial, municipal and corporation issues are all included in the private repatriations. In the early years of the war particularly, a large number of vested issues were sold in Canada by British agents for the account of the British government. In some cases these include all of some issues of Canadian stocks and bonds held in the United Kingdom.

The other outstandingly large transaction affecting the balance of indebtedness between the two countries was the \$700 million loan issued in 1942 to fund the major part of the sterling balances accumulated during the early years of

the war. This loan was reduced in subsequent years by the amount of Canadian securities repatriated through private channels and at the end of 1945 the amount outstanding was approximately \$561 million. Since the Billion Dollar Contribution in 1942 and Canada's Mutual Aid program which followed became the major source of financing the sterling area shortage of Canadian dollars, most of the changes in the balance of indebtedness occurred prior to 1943. Changes subsequently mainly arose from the substantial private demand for Canadian securities held in the United Kingdom. As a result of these changes, the balance of Canadian indebtedness to the United Kingdom was reduced by more than a billion and one-half dollars during the wartime period. This contrasts with the balance of indebtedness to the United Kingdom at the beginning of the war of approximately two and one-half billion dollars.

The remaining British investments in Canada are mainly in corporation securities, particularly railway stocks and bonds. There are also scattered British portfolio holdings of other corporation stocks and bonds and substantial British investments in Canadian branches and subsidiaries. These direct investments are distributed throughout Canadian industrial, commercial and financial activities. In a number of cases in the industrial and commercial fields British branches or subsidiaries occupy a prominent place, particularly in certain branches of the textile industry, newsprint, vegetable products and chemical industries. British insurance companies and other financial concerns also have considerable investments in Canadian branches. British holdings of Canadian provincial and municipal bonds are comparatively small in total although many issues originally sold in the United Kingdom are still mainly held there. Canadian investments in the United Kingdom have a value of about \$100 million. Apart from some direct investments by Canadian companies in branches and subsidiaries there, the investments are widely scattered portfolio holdings of a great variety of British stocks and bonds, many of which originated from inheritances or are held by persons who have migrated from the United Kingdom to Canada.

The changes in indebtedness discussed above do not include a number of intergovernmental items directly arising out of wartime activities which were the subject of settlements in the Financial Agreement and the Agreement on the Settlement of War Claims between Canada and the United Kingdom which were signed at Ottawa March 6, 1946. Covered by the Financial Agreement was \$425 million owing by the United Kingdom to Canada with respect to the British Commonwealth Air Training Plan which the Canadian government agreed to cancel. The Agreement for the Settlement of War Claims covered a more diverse group of outstanding claims which had accumulated during the war. The settlement was completed by the payment by the United Kingdom to Canada of \$150 million to cover the balance of Canadian claims against the United Kingdom. Chief among the Canadian claims were interim advances to the United Kingdom under the War Appropriation Act, mainly financing exports of food, following the end of Mutual Aid. There were also advances for other supplies delivered after the end of Mutual Aid and advances to India for locomotives and a variety of amounts owing to Canada arising out of Canadian military and naval activities overseas. More prominent among the amounts owed by Canada to the United Kingdom were balances due with respect to army capitation payments, the balance owing by the air force on reserve stocks account, the balance of the United Kingdom equity in the general working capital fund, and the United Kingdom claims to reserves accumulated in various pool projects arising from price adjustments. The special settlement cancelled all claims between the two governments arising between September 3, 1939 and the end of February, 1946 with the exception of certain special transactions settled otherwise such as the amounts already referred to owing by the United Kingdom with respect to the British Commonwealth Air Training Plan, the 1942 loan to the United Kingdom, claims arising out of military relief and out of transactions for which established procedures were in operation, and certain payments of a routine nature.

Since most of the methods of financing the current account shortage of Canadian dollars experienced by the sterling area during the war were obtained through United Kingdom arrangements, most of the changes of indebtedness effect the position between Canada and the United Kingdom. Changes in indebtedness between Canada and other sterling area countries have not been large. Mutual Aid to some of these countries helped fill the gap in the latter years of the war and other Canadian dollars used by these countries were obtained through the United Kingdom. Before the war the investments of other sterling area countries in Canada were relatively small and Canadian investments in other Empire countries had a value of approximately \$76 million. About two-thirds of this was made up of direct investments and the remainder was distributed between portfolio investments of stocks and bonds.

BALANCE OF PAYMENTS WITH THE UNITED STATES DURING THE WAR

Close economic relations with the United States are an important element in the Canadian economic structure. The normal exchange of goods and services between the two countries gives rise to a deficit in Canada's current account with the United States. Canadian participation in the war led to a great expansion in imports of United States merchandise and in other expenditures in the United States. The United States is the principal source of supply for many industrial materials and fuel as well as for many manufactured products, food, capital equipment and other commodities and services. The Canadian expansion in the volume of production and in industrial capacity combined with the effects of larger incomes arising from higher levels of economic activity, all contributed to sharp increases in Canadian imports from the United States. Furthermore, the United States became the source of supply for many commodities formerly purchased overseas. The wide range of commodities available in the United States combined with increased Canadian demands made for very large Canadian imports. The range of Canadian commodities in demand in the United States, on the other hand, is not so great. It is more concentrated on some important export staples which constitute a large part of the total. While increases in United States demand for these commodities were very large, to some extent due to overseas sources of supply being displaced, there was not the sharp rise in Canadian exports to the United States comparable to the early rise in imports until the year 1942 when Canadian production of munitions, ships and other supplies had developed, part of which was sold to the United States. These exports of war supplies remained very heavy for the rest of the war and in addition there were extraordinarily large American purchases of Canadian grain from 1943 on.

The balance of merchandise trade between Canada and the United States has customarily been one of the principal contributors to Canada's current account deficit with that country. This unbalance in the merchandise account and consequently also in the total current account as well, reached its highest pre-war levels, apart from the abnormal year 1920, in 1928 and 1929, the merchandise deficit excluding gold being \$307 million in 1928 and \$356 million in 1929, and the current account deficit reaching \$349 million and \$437, respectively. During the depression, the merchandise deficit declined as movements of commodities between Canada and the United States contracted and in 1936 when United States purchases of Canadian grain were heavy because of the drought in the middle west, there was temporarily a small balance of exports to the United States. But, with the recovery of trade the merchandise balance of imports had increased to \$132 million in 1938 and the current account deficit with the United States to \$149 million. With Canada's wartime requirements the merchandise deficit expanded sharply immediately in 1940 to \$268 million and even further in 1941 to \$344 million. This rise occurred despite the War Exchange Conservation Act of December 1940, which among other measures, designed to ease the

exchange situation, prohibited the import of certain non-essential commodities from non-sterling area countries. As the increase in imports shows, the saving in exchange from the prohibition of luxury imports was much more than offset by increased wartime expenditures.

In order to meet this situation arising out of Canada's heavy wartime needs for American commodities, it was necessary to develop new sources of receipts of U. S. dollars if Canada was to continue to be able to purchase the imported commodities needed for maintaining war production and the equipment of the Canadian forces and further industrial expansions. As a result of the Hyde Park Agreement of April, 1941 new sources of receipts were developed permitting Canada to specialize in the production of certain types of products required for the war. Some types of Canadian production were especially developed to meet United States requirements and by 1942 receipts were rapidly growing from the resulting export of ships, munitions and raw materials. It was only the effects of the Hyde Park Agreement which prevented the merchandise deficit from expanding even further in 1942 and later. The sale of ships and munitions arising out of the agreement, and later the augmented requirements following the United States entry into the war, led to sharp increases in Canadian receipts from exports. The increases in receipts from exports on United States account in 1942 and 1943 were greater than the expansion in imports during those years with the result that the merchandise deficit was reduced to \$205 million in 1942 and \$87 million in 1943 and actually transformed in 1944 into an unprecedented surplus from exports amounting to \$331 million. This surplus was a very temporary phenomenon however, being the combination of large non-recurrent receipts from munitions of over \$300 million in U. S. dollars and from grain of close to \$300 million. The latter source of receipts reached its peak in 1944 with the combination of abnormal American demands for grain for use as feed and industrial materials. In 1945 even though receipts from munitions and grain were of the order of \$200 million and \$100 million, respectively, and although imports showed their first decline a surplus from merchandise trade was reduced to \$15 million. By the first quarter of 1946, however, a large merchandise deficit had already developed in Canadian trade with the United States, the surplus in 1944 and 1945 being temporary wartime developments rising out of the coincidence of abnormal receipts from munitions and grain combined with exceedingly heavy American demands for other types of food, newsprint, pulp wood products and other commodities normally entering into Canadian trade with the United States.

Increases in the value of imports from the United States have been widely distributed among different commodities. But, in 1943 the value of each broad group of commodities was at least double the 1939 level with the exception of the smaller groups of commodities, animal products and wood products, for which war demands were relatively small. The increases are due to price increases, including the depreciated exchange value of the Canadian dollar, as well as to increases in volume. The greatest proportionate increase in the value of imports occurred in metal products and changes in the composition of commodities in this group have been very great. Materials and components required in war production not only generally made up the increases but also displaced civilian commodities formerly imported. Then, too, the United States became the principal source of supply for many commodities formerly imported by Canada from overseas, cotton textiles being one of the best examples of this. Increased civilian consumption of some consumers' goods like fruits and vegetables were another factor in expanding imports, although many luxury types of products were excluded by the War Exchange Conservation Act in 1940, in order to conserve U. S. dollars exclusively for more essential war imports. During the six wartime years from 1940 to 1945, Canadian purchases of commodities in the United States totalled \$6,271 million as is shown in the following table.

ANALYSIS OF COMMODITIES IMPORTED FROM THE UNITED STATES
ON CANADIAN ACCOUNT, 1940-1945

(Millions of Canadian Dollars)

(1) Imports mainly for Civilian Purposes -

Agricultural and Vegetable Products	520
Animal Products	109
Textiles and Fibres	500
Wood Products	228
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Sub-Total (1)	1,357

(2) Imports mainly for Fuel

Non-Metallic Minerals	1,152
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(3) Imports mainly for War Purposes

Metal Products -

Classified Iron & Its Products	2,258
Classified Non-Ferrous Metals and Products	407
Unclassified War Imports	789
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Total	3,454
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Chemicals and Products	356
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Sub-Total (3)	3,810
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Net Imports Purchased by Canada as above	6,319
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Total After Deductions of Non-Commercial Imports and Valuation Adjustments	6,271
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While it is impossible to sharply analyse all imports according to their use in war or civilian purposes, the analysis by groups of imports is suggestive of the extent to which special wartime needs contributed to the expansion in imports. A major part of the total of imports is made up of commodities falling in groups mainly employed for war purposes. Imports of metal products including military equipment and imports of chemicals and products had a total value of \$3,810 million. Since Canadian production for civilian purposes of durable goods was sharply curtailed early in the war and eliminated in the case of many products, the major demand for imports in this group arose from wartime purposes. Likewise, a large part of the imports of non-metallic minerals totalling \$1,152 million can be attributed

to war purposes since the biggest constituents of the group are coal and petroleum, a large part of the demand for which was directly related to war requirements. The remaining group of commodities made up of types mainly used for civilian purposes totalled \$1,357 million or only 21 per cent of the total imports purchased. But, a wartime demand existed even in this group of commodities particularly in the textile and fibre group. Thus although an accurate division of imports between civilian and war purposes can not be readily made because of the diverse uses of some industrial materials and fuels, the predominant wartime character of Canadian imports from the United States is readily apparent.

Canadian imports during the war years fluctuated irregularly in relation to national income. Generally the ratio of imports to national income at net factor cost increased during the early part of the war and declined in the last two years. The highest ratio, 19.7 per cent, occurred in 1940, having risen from 16.5 per cent in 1938. The percentage declined in 1941 to 16.3 but increased again in 1942 and 1943 to 17.0 and 17.4, respectively. In 1944 and 1945, however, the ratios fell off to 14.4 and 15.0, these being less than the percentages immediately before the war. (See Table XXIX Page 75)

The growth of abnormal Canadian demands for imports arising from war activities combined with changing sources of supply and shortages of commodities influenced the relationship of imports and national income during this period. In the opening years of the war, imports of machine tools and other industrial equipment needed for developing war production were relatively greater than during the years following the industrial expansion. With the growth in war production there were very great new demands for imported materials and components. These were heaviest in the earlier stages of the war production program with the necessity of building up inventories of goods in process. Import requirements were, consequently, somewhat less in the later stages of the program although there were some large imports of military equipment during the latter years of the period tending to hold up total imports.

The more discernible relations between certain groups of imports from the United States and the Canadian national income have shown some interesting changes. Before the war, during the 1930's, most groups of imports from the United States appear to have fluctuated fairly closely in relation to changes in the national income. With the war, however, the relationships changed greatly. New kinds of production, and new sources of supply, and changed distributions of income contributed to the alteration of the pre-war relationships. The ratio of imports to national income declined in the case of some groups of imports but increased considerably with others. The increases were, as might be expected, greatest in groups of imports predominantly for war purposes like metal products and chemicals. Some of these groups, however, fluctuated irregularly during the war, notably iron and its products and non-ferrous metal products. Imports of non-metallic minerals, mainly reflecting demand for fuel, fluctuated fairly closely in accordance with national income.

The greatest expansion in Canadian exports occurred in commodities affected by special wartime demands like munitions, ships and grains, which became prominent in 1942 and thereafter in the case of ships and munitions and between 1943 and 1945 in the case of grain. Of total receipts from exports (excluding gold) of \$5,703 million, munitions, ships and other war supplies sold by War Supplies Limited accounted for \$1,187 million, and sales of grain \$658 million. Sales of grain to the United States in 1940 were only about \$12 million while in 1943 the sharply swollen demand increased these to a Canadian dollar equivalent of approximately \$167 million, with further expansion to around \$337 million in 1944. The decline from this peak was rapid, sales of grain in 1945 declining to approximately \$100 million. Receipts

from war supplies and grain accounted for almost one-third of the total receipts from exports to the United States in the six years. The abnormal war element in other exports to the United States is less readily identified, apart from exports of non-ferrous metals. Exports of aluminum, considerably exceeding \$200 million, were a wartime development. Heavier exports of nickel and exports of other non-ferrous metals which had been established trades before the war also are related to special wartime requirements in the United States. Demand for many other Canadian commodities normally entering into trade with the United States was likewise stimulated by wartime situations as well as by increased American civilian consumption. There were larger exports of Canadian wood pulp and newsprint originating from a greater reliance upon Canadian sources of supply. Other commodities increased mainly from larger American civilian consumption as in the case of fish and other foods. Substantial increases occurred in exports of many groups of commodities entering civilian consumption. Miscellaneous agricultural products, animal products, wood products and non-metallic minerals all increased. Higher prices arising from the premium on U. S. dollars and from wartime price increases, as well as larger volume, contributed to the growth in the value of exports of most of these commodities. But many of these commodities were in short supply and exports could not have been expanded indefinitely even if export demands had been greater because of limitations upon Canadian productive capacity. It is clear that American wartime needs for commodities normally purchased in Canada were much less than Canadian requirements for United States commodities. It was only because of large abnormal special receipts from the sale of war supplies and grain that the balance of commodity imports was held down to \$568 million during the wartime period as a whole.

ANALYSIS OF RECEIPTS FROM EXPORTS FROM CANADA
ON UNITED STATES ACCOUNT, 1940 - 1945

(Millions of Canadian Dollars)

Munitions, Ships and other war supplies sold by War Supplies Ltd.	1,187
Grain	658
Other Agricultural Products	295
Animal Products	455
Newsprint	789
Pulp Wood	428
Other Wood Products	505
Non-ferrous Metals (N.O.P.)	750
Other Commodities (1)	431
Total Receipts from Exports (Excluding Gold) ...	5,703
Net Exports of Non-Monetary Gold (2)	939

(1) Including exports of foreign produce.

(2) While the gold produced was not all sold to the United States, it represents an asset potentially convertible into U. S. dollars.

The total current account deficit with the United States during the six wartime years amounted to \$761 million. This was greater than the deficit on merchandise account of \$568 million which has already been discussed, all the other current transactions entering into Canada's accounts with the United States being also contributors on balance to the current account deficit.

Non-monetary gold and tourist and travel expenditures contributed surpluses, while interest and dividend payments, payments for freight and other transportation and payments for miscellaneous services exceeded receipts. Total credits from non-monetary gold exports amounted to \$939 million. This represents the value of the gold produced during the period even though some of it was not actually exported and sold in the United States. Being the equivalent of convertible exchange, gold production can be regarded as a source of current credits in Canada's United States dollar accounts.

The other source of receipts, tourist and travel expenditures which show a surplus of receipts of \$396 million during the period, was affected by wartime developments. Because of a growing scarcity of U. S. dollars in 1940, restrictions were introduced during the summer by the Canadian government upon pleasure travel by residents of Canada involving expenditures of U. S. dollars. By the introduction of these restrictions, which were not modified until May, 1944 and 1945, Canadian travel expenditures in the United States were greatly reduced since Canadian pleasure travel in that country was virtually eliminated, travel being limited to essential purposes such as business and health. Canadian expenditures in the United States for travel declined from \$67 million in 1939 to \$18 million in 1941. Although there were moderate increases in 1942 and 1943, the total expenditures by Canadians did not approach the pre-war level until 1944 when the restrictions were lifted to the extent of permitting a limited amount of expenditures on pleasure travel. A further relaxation in the restrictions in May, 1945, permitted expenditures on pleasure travel for any reasonable amount and Canadian expenditures in that year rose to \$83 million. Travel between Canada and the United States in both directions was also greatly affected by other wartime developments. The expenditures of Americans in Canada on travel declined sharply in 1940 following the introduction in the United States of passport requirements for re-entry of persons returning to the United States from a trip in Canada. Although there was some recovery in the traffic in 1941, it fell off in 1942 following the introduction of gasoline rationing and the limitations upon automobile travel imposed by tire shortages and other wartime developments. American expenditures in Canada only recovered moderately in 1943 and 1944, but, in 1945 there was a sharp increase particularly after the end of gasoline rationing in the United States following the termination of the war with Japan. Total American tourist expenditures in Canada in 1945 of \$163 million exceeded the immediate pre-war level. The Canadian controls on travel expenditures in the United States had the effect of moderating the decline in net revenues which would otherwise have resulted from the sharp falling off in American pleasure travel to Canada. The average annual revenue on tourist account during the six years was only moderately less than during the immediate pre-war years, although gross receipts and payments on travel account were both substantially less.

The largest source of net debits on current account arises from interest and dividend payments on American investments in Canada. During the six years, payments of interest and dividends exceeded receipts by Canada of interest and dividends from investments in United States by \$1,033 million. This represents smaller annual net payments than in the years before the war. Some of the reduction can be attributed to appreciable increases in Canadian receipts of interest and dividends from American securities. Receipts of dividends on direct investments by Canadian companies operating in the United States were greater than before the

war and there were increases in the dividends paid by American public companies on shares held by Canadian investors. Dividends were received on some stocks during the war which had not been paying dividends during the depression and the rates of other dividend payments were increased. The other contributing factors to the reduction in the net payments arose from the reduced dividends paid by Canadian corporations to non-resident investors. Dividends paid by some groups of companies, notably gold mines, tended to decline as the war progressed. Other groups of companies, particularly the Canadian subsidiaries of United States parent companies, made smaller dividend disbursements, although earnings were not reduced. These companies in the aggregate re-invested large amounts of their earnings in Canada. The total undistributed profits of branch and subsidiaries of United States companies in Canada amounted to approximately \$215 million during the six year period. Another factor reducing the amount of dividends remitted was the increase to 15 per cent in the non-resident withholding tax on dividends paid by public companies in 1941. Offsetting some of the decline in net dividends received by United States investors was the effect of the premium on U. S. dollars which principally increased the Canadian dollar cost of interest payments to non-residents. In addition to the premium on interest payable in U. S. dollars, there were the additional interest payments arising out of the increased American holdings of Canadian bonds and debentures during the later years of the war.

Canadian payments for freight and transportation services in the United States increased very sharply during the war. Transactions on freight account were closely related to the great expansion in commodity movements. Gross receipts and payments increased very sharply as a result of the expansion in exports and imports. The increase was greatest in the case of Canadian payments to the United States for freight and shipping services with the result that the balance of payments on this account was much larger than before the war. Canadian receipts are mainly for rail freight from the points of shipment of Canadian exports to the border. Receipts from intransit traffic carried from the United States were also much heavier both on Canadian-owned railways and on United States operated railways in South Western Ontario. Canadian railway revenue was also substantial on traffic carried by the Canadian railways for the United States army in connection with defence activities in Canada. There was also some increase in Canadian shipping revenue accompanying the expansion of Canadian shipping services in the latter years of the war. Payments to the United States on freight account are mainly to the United States railways carrying goods from the point of shipment to the border. The freight on increased coal movements was a particularly large item. There was also freight paid to United States railways in connection with movements of Canadian war production overseas by way of United States ports. Ocean freight costs including war risk insurance added greatly to Canada's freight account with the United States during the war, the cost of moving bulk commodities like petroleum and bauxite to Canada being heavy.

All other current transactions besides those already described resulted in net payments by Canada of \$72 million. Besides including a great variety of normal, commercial and financial services, this group of transactions embraces some particularly large wartime payments which do not fall in the other groups of classified transactions. Examples of particularly large wartime items affecting the totals are the expenditures of the United States government in Canada on the Alaska highway, air fields, Canol, telephone lines and other defence activities. Cash expenditures in connection with these activities appear as credits in the other transactions. Although the exact amount is difficult to isolate, these transactions are believed to have exceeded several hundred million dollars during the period from 1942 to 1945. The largest unusual payments by Canada included in other current transactions were the special payments of \$280 million to the United States Treasury in 1944 covering payments for air fields and telephone lines constructed by the United States in Canada and other war expenditures. Among the more normal current transactions which

have been consolidated into this group of transactions are personal and immigrant remittances, religious and benevolent remittances, motion picture and other royalties, earnings of Canadian residents employed in the United States and United States residents employed in Canada, commercial, financial, professional and technical services and other miscellaneous services. The item also includes miscellaneous remittances of income such as interest on mortgages and loans, rents and income from estates and trusts.

CHANGES IN INTERNATIONAL CAPITAL POSITION

The wartime changes in Canada's capital position in relation to the United States dollar area have been largely offsetting in effect, although the various elements in the position have been quite materially altered. Because of the accumulation of receipts of U. S. dollars in the latter years of the war, there was a very substantial growth in Canada's holdings of gold and U. S. dollars in the wartime period. By the end of 1945, the increase was \$1,115 million from the date of inception of exchange control, September 16, 1939. But, offsetting this sharp increase in liquid reserves was a considerable reduction in Canadian holdings of United States and other foreign securities and other assets in the U. S. dollar area together with a substantial increase in United States holdings of securities. During this period, the latter holdings increased \$484 million. There were also other increases in American investments in Canada mainly arising out of the reinvestment of earnings of the branches and subsidiaries of United States companies in Canada. As the total amount of these increases in liabilities and reductions in holdings of American securities and other long-term assets was of about the same magnitude as the increase in Canada's liquid reserves, the over-all position change vis-a-vis the U. S. dollar area was not large.

The increase in Canada's external liabilities during the war represents a relatively large proportion of the total American investment in Canada at the end of 1939 of between 15 and 20 per cent. A large part of the increased holdings of securities was holdings of government securities, whereas the reinvested earnings mainly occurred in the industrial and commercial field in which most American controlled companies operated in Canada. The increase in American holdings of Canadian securities, however, is relatively small when considered in relation to the great increase in the total indebtedness of the Canadian government during the war which arose out of wartime borrowing in Canada. Although the absolute amount of Canadian government securities held in the United States increased during the period, the proportion of the debt of the Canadian government held in the United States was considerably less since the larger part of the Canadian wartime borrowing was internal. Canadian bonds held in the United States at the end of 1939 are estimated at \$2,115 million or about 21.3 per cent of a total of approximately \$10 billion outstanding. By the end of 1945, the United States holdings are estimated to have increased to \$2,508 million or about 11 per cent of the total of approximately \$22 billion of Canadian bonds outstanding. Even though there has been a considerable increase in the value of United States direct investments in Canada, the absolute amounts have been relatively small in relation to total investments in corporations in Canada. Accompanying the improvement in position of many United States owned companies have been comparable increases in the financial position of Canadian owned companies as well. Much of the wartime increase in American direct investment in Canada arose out of normal reinvestments of earnings. During the latter years of the war, there were some new investments of American corporate companies in business undertakings in Canada but the total of these new investments was still relatively small by the end of the war and during the same period there were some withdrawals of capital in connection with reductions in certain American direct investments in Canada. On the whole, it does not seem that the relative position of American capital in Canadian industry has changed significantly when the substantial expansion during the war in many Canadian industries is considered. More details on United States investments in Canada are presented in a subsequent section of the report and in the statistical tables, and an analysis of capital transactions between Canada and non-Empire countries is given in Table XVI.

STATISTICAL NOTES

Currency Areas

In statements for the period of exchange control, 1939 to 1945, the tables for Empire countries include transactions with the whole sterling area, and tables for Non-Empire countries cover all transactions with the non-sterling area. The latter statements, consequently, include transactions in Canadian dollars and other currencies with the United States dollar area, as well as transactions in United States dollars. Exports financed by Mutual Aid, UNRRA and other official gifts, and by export credits and other advances in Canadian dollars are included in the statements with Non-Empire countries. These official transactions are offset by debit entries shown separately in the statements outside of the current account. Similarly, there are some relatively small debit entries in the current account with Non-Empire countries which represent mainly personal remittances which are not made in United States dollars or related currencies. These debits are offset by adjusting credits in the capital account with Non-Empire countries, there also being adjusting debits in the capital account with Empire countries.

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 1945, 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, from 1943 to 1945, 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 1945. 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 1945. 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 organizations in Canada which are not paid for by Canada. Imports are adjusted for warehousing and for over-valuation. From 1943 to 1945, 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 and postwar years, 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 recent years over 80 per cent of all the United States motorists entering Canada on a travellers' vehicle permit have reported their total expenditures in Canada. At the same time, samples of over 50 per cent have been obtained from short-term local United States travellers crossing into Canada by car. Virtually all of the expenditures of Canadian motorists in the United States are also covered by a sample which has exceeded 97 per cent of the total traffic in most periods.

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 1940-1945 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 1945 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 1941-1945 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 1945, 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 1945. 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 Items

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 1945, 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.

CANADA'S INTERNATIONAL INVESTMENT POSITION

Canada has traditionally been one of the prominent debtor nations. Liabilities to other countries in the form of external capital invested in Canada have exceeded Canadian owned assets abroad by very substantial amounts. Although the balance of Canadian indebtedness to other countries was materially reduced during the war, Canada was still a debtor nation at the close of the war. The balance of Canadian indebtedness to other countries at the end of 1945 is estimated at about \$ 3½ billion, gross liabilities to investors in other countries being close to \$ 7½ billion and gross external assets amounting to about \$ 3¼ billion if Canada's liquid reserves in U. S. dollars and gold and Canadian government credits to other countries are added to privately owned Canadian investments abroad. This compares with a net external debt of over \$5 billion at the end of 1939, and an amount of more than \$6 billion in 1930. Also generally reflecting the debtor position are the net payments made by Canada to other countries in the form of dividends and interest on bonds and debentures. These payments exceeded receipts of income from abroad by \$177 million in 1945, compared with \$249 million in 1939, and \$289 million in 1930. Net income accruing to non-residents was considerably larger than this in 1945, however, as payments of dividends by Canadian companies owned abroad were much lower than earnings in that year. But more significant than the net investment position are the composition and geographical distribution of total external liabilities and assets which are very diverse in nature.

Along with the reduction in the net indebtedness of Canada to other countries during the war were appreciable changes in the character and composition of Canada's international liabilities and assets and in the geographical pattern and currency significance of the position. Total foreign investments in Canada had a total value close to the total in 1939 but a larger percentage of the total, 70 %, represented investments held in the United States, a large reduction having occurred in British owned investments in Canada. At the same time there was a basic change in the composition of Canadian assets abroad. The holdings of United States securities by the Canadian public declined while there was a large increase in Canadian official liquid reserves in U. S. dollars and gold, if the latter is regarded as a foreign asset because of its readily convertible character. Thus the balance of Canadian indebtedness to the United States remained close to \$3 billion if gold and other liquid assets in the United States are included in the calculation, while the balance of Canadian indebtedness to the United Kingdom along with some investments held there for other countries was reduced to approximately \$ 1 billion if government indebtedness is excluded which was later settled in the Settlement of War Claims of March, 1946 between Canada and the United Kingdom. At the same time the value of Canadian assets in the rest of the world, including export credits to foreign countries which had been disbursed by the end of 1945, exceeded identifiable investments in Canada owned by all countries other than the United Kingdom and the United States by a considerable amount. The position with respect to individual overseas countries, of course, varies widely, Canada being a creditor in some cases and a debtor in others, although the amounts in most instances were still relatively small in 1945.

There are some striking contrasts in the composition of Canada's international assets and liabilities. A major part of the assets are owned by the Canadian government in the form of cash balances, gold, and loans to other governments, the Canadian dollar value at the end of 1945 of these assets being \$1,279 million, \$388 million and \$707 million respectively.

Privately owned assets abroad in the form of foreign securities and properties owned by Canadian companies and individuals amounted to a minor part of the total value of all assets at the end of the war, whereas at the beginning of the war they constituted most of the total. The direct investments of Canadian companies in 1945 had a value of about \$720 million and portfolio investments of Canadian individuals and corporations had an estimated value of \$621 million. But, there is a considerable non-resident equity in some of the direct investments abroad of Canadian companies, as in some important instances the latter are the Canadian subsidiaries of foreign owned companies or are publicly owned Canadian companies with many portfolio shareholders residing outside of Canada and income originating abroad is eventually received by non-resident shareholders. Since in the case of Canadian insurance companies and banks with operators abroad there are the liabilities arising from their businesses outside of Canada also to be considered, the investments of these institutions have not been included among Canadian assets abroad.

While a substantial portion of Canada's liabilities abroad is represented by non-resident holdings of the bonds of Canadian governments as well as railway and corporation issues, there is no inter-governmental indebtedness in Canada's liabilities abroad. In addition to the large contractual portion of Canada's external debt giving rise to regular payments of interest there is the large non-resident "equity" interest in Canadian businesses, a specially significant part of which takes the form of the direct investments by foreign companies in Canadian branches and subsidiaries. These investments also give rise to large remittances of income which fluctuate however in accordance with business activity and other factors.

Because of the substantial non-resident interest in Canadian companies with direct investments abroad it is necessary in calculating the balance of indebtedness to make allowance for this situation. The figure of gross liabilities used in calculating the balance of indebtedness therefore includes about \$226 million in 1945 representing the non-resident investors equity in the external assets of Canadian companies with branches and subsidiaries abroad. In tables showing the distribution of British and foreign investments in Canada these externally owned assets are excluded.

BRITISH AND FOREIGN INVESTMENTS IN CANADA

At the end of the war the total value of British and foreign investments in Canada is estimated at \$7,095 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 are estimated to have had a book value of \$1766 million. Besides including British owned investments this total also includes some 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 had a book value of \$4,982 million. While generally indicative of the 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 of external capital invested in Canada, \$ 347 million, was owned in other overseas countries. The total investments in Canada owned in these other overseas countries would include therefore the \$347 million plus the indeterminable amounts included in the British and United States totals shown.

The total value of all non-resident investments in Canada at the end of 1945 was very close to the amount at the end of 1939. Wide changes occurred however in the distribution of ownership, there being a sharp decline in the value of United Kingdom investments in Canada and substantial

increases in investments of the United States and other countries in Canada. This total of non-resident investments in Canada was considerably less than in earlier periods, however, being exceeded by the totals in both 1933 and 1930 as shown in the accompanying summary of non-resident investments in Canada, 1926 - 1945. But the investments held in the United States and in other overseas countries in 1945 were much higher than in earlier periods, whereas the level of United Kingdom investments in Canada was lower than in any period for a number of decades.

Summary Non-Resident Investments
in Canada - 1926-1945.
(Millions of Canadian Dollars)

	<u>1926</u>	<u>1930</u>	<u>1933</u>	<u>1939</u>	<u>1945</u>
Held in United Kingdom	2,636.3	2,766.3	2,682.8	2,475.9	1,776.0
Held in United States	3,196.3	4,659.5	4,491.7	4,151.4	4,982.0
Held in Other Countries	170.0	188.0	190.0	286.0	347.0
Total - Non-Resident Investments	6,002.6	7,613.8	7,364.5	6,913.3	7,095.0

By the end of 1945 about 43% of the external capital invested in Canada was represented by holdings of bonds and debentures compared with about 56% in 1939. The proportionate decline was even greater in the case of British investments in Canada because of the official repatriations of Dominion and C.N.R. bonds, but the percentage of United States capital invested in bonds was also a little less than in 1939, even though the total holdings of Canadian bonds in the United States increased from an estimated \$2,095 million in 1939 to \$2,357 million in 1945. The proportion of total Canadian bonds outstanding represented by the bonds held in the United States was, however, much less in 1945 than in 1939 because of the extent of wartime financing by the Dominion Government through sales of bonds to Canadians. At the end of 1939 Canadian bonds held in the United States represented about 21% of the total of almost \$10 billion of outstanding Canadian issues. By the end of 1945 the United States holdings amounted to approximately 11% of something over \$22 billion of Canadian bonds outstanding. The proportion of all bonds held outside of Canada in 1945, of course, dropped even more because of the sharp decline in British holdings. While the proportion of Canadian indebtedness in the form of funded debt owned abroad declined sharply during the six wartime years, the increase in the absolute amount of Canadian bonds held in the United States should not be overlooked for this gives rise to increased liabilities in the future when the bonds are redeemed and to larger current payments of interest to the United States. The interest paid on this large debt held in the United States represents a rigid element in the substantial item of debits on income account with the United States. In 1945 the Canadian equivalent of the interest paid to the United States on Canadian bonds and debentures is estimated at about \$108 million.

Another significant aspect of the increase in Canadian bonds held in the United States is the extent of the increase which occurred in Canadian domestic issues in contrast to Canadian issues payable in U. S. dollars. The major part of the increase in United States holdings of Canadian bonds

occurred in the domestic group of Dominion Victory Bond issues floated in Canada during the war. Although there were very heavy gross sales of outstanding Canadian issues payable in U. S. dollars a very large part of these were offset by the redemption of large Dominion issues as well as redemptions of many provincial, municipal and corporate issues maturing during the wartime period. Consequently while there was a substantial reduction in the outstanding amount of Canadian bond issues payable in U. S. dollars or with the option of payment in that currency, there was some increase in the aggregate amount of issues in this group held in the United States.

While the proportion of direct issues of the Dominion government held in the United States declined sharply during the war there was a very substantial increase in the proportion of Canadian National Railway and other Dominion guaranteed issues held there, as well as more moderate increases in the proportions of provincial and municipal issues held in the United States. In 1945 about 4% of all outstanding Dominion direct issues were estimated to be held in the United States. In the case of Canadian National Railway and other guaranteed issues over one-half were held in the United States while about one-third of provincial issues were held there and probably close to one-quarter of municipal issues, and there was only a small change in the proportion of United States holdings of other corporation bond issues.

The relative position of non-resident investments in Canadian industry at the end of the war is not as clearly delineated as in the case of foreign holdings of Canadian government bonds. There has been an appreciable increase in the value of non-resident ownership of Canadian industry, apart from the Canadian National Railways. Most of this, \$419 million, has occurred in investments by United States companies in branches and subsidiaries in Canada and is discussed at greater length in the section on "United States Direct Investments in Canada". There has also been a considerable increase, \$106 million, in American portfolio investments in Canadian railway and industrial stocks, as well as the increases in holdings of C.N.R. bonds, but the reduction in British holdings of Canadian railway issues repatriated during the war was much greater than the increase in Canadian National Railway bonds held in the United States. Investments by other countries have also increased moderately and at the same time some British investments in Canadian industry have increased in value, although the total British investment in Canadian industries and railways has been sharply reduced by official repatriations and sales of securities in Canada.

Total non-resident investments in Canadian businesses, excluding the Canadian National Railways, have increased from \$4,241 million to \$4,790 million, but if estimated non-resident holdings of Canadian National Railway bonds are included the gross external investment in all Canadian businesses has increased only from \$4,935 million to \$5,154 million. This increase in the narrower field of privately owned industry and commerce is small in relation to the great expansion in capital employed by Canadian industry during the war. Most of this expansion was directly financed by Canadian sources. The capital assistance to Canadian industry by the Canadian government amounted to over \$800 million in the form of fixed assets alone. In addition there was during the war a large growth in the amount of working capital employed financed by both the government and private Canadian sources, as inventories of materials and goods in process grew with the development of production. Another notable development in the financial position of Canadian companies was the heavy investment of surplus funds in marketable securities, mainly issues of the Dominion government.

At the same time the funded debt of Canadian corporations has been reduced. Besides the government investments in munitions plants and other fixed assets there were some substantial new investments by Canadian industries in plants and equipment, as well.

A valuation of total capital employed in Canada at the end of 1945 comparable to statistics on capital employed at the opening of the war is not available, because of the diversity of the wartime changes in capital invested, uncertainties as to the future value of some assets in a peacetime economy, and uncertainties as to the relative extent of depreciation which occurred during the war in Canada's physical equipment. The relative extent to which the position of some individual non-resident owned companies may have altered in relation to Canadian owned industry is also difficult to evaluate, particularly under conditions of a high level of economic activity and changing demands.

In 1939 when a valuation of total capital employed was available, non-resident ownership of Canadian manufacturing enterprises constituted about 42% of the total capital invested with wide variations in the position of different groups of industries as shown in the accompanying statement, non-resident investments in textiles being only 17% of the total capital invested in the industry compared with 79% in the chemical industry. In mining and smelting, railways and other utilities, and financial institutions the corresponding percentages were 40, 45 and 43% respectively, while in merchandising establishments the non-resident proportion was very small.

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 & paper products	47
Iron & its products	34
Non-ferrous metals (1)	77
Non-metallic minerals	46
Chemicals and allied products	79
Miscellaneous manufactures	56
Mining & 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.

The increase in the book value of non-resident investments in Canadian business between 1939 and 1945 amounted to about \$219 million. More than this amount occurred in the groups of industries undergoing wartime expansions in which investments of Canadian capital were also heavy like the metal and chemicals industries. It is not likely that the ratio of non-resident investments has changed widely in such groups as agricultural and vegetable products, textiles, animal products, non-metallic minerals, merchandising, mining and financial institutions. But in railways and other utilities the non-resident investment now represents a considerably smaller part of the total.

UNITED STATES DIRECT INVESTMENTS IN CANADA

The direct investments of United States businesses in Canada in branches, subsidiaries and controlled companies makes up an important group of United States investments in Canada. The aggregate value of these direct investments is great, amounting to \$2,300 million at the end of 1945 compared with \$1,881 million at the end of 1939, or an increase of \$419 million or 22% during the six wartime years. While this increase stands out in comparison with the moderate decline in this group of investments that occurred during the decade before the war, it represents a relatively small increase compared to the sharp rate of expansion which occurred in the value of American direct investments in Canada between 1926 and 1930, when the total value increased in four years from \$1,402.5 million in 1926 to \$1,992.7 million in 1930, or a gain of 42% during the four pre-depression years of rapid expansion. Changes in the aggregate between 1930 and 1939 were relatively slight, there being a moderate decline in the value. But the prewar period was characterized generally by under-investment and low levels of economic activity. The increase during the war of \$419 million should be considered along with the "fixed capital assistance" to Canadian industry of over \$800 million financed by the Canadian government during the war as well as other new industrial expansion financed internally. The wartime increase in American direct investments mainly arose from reinvestments of earnings as only a minor part of the increase in value resulted from direct inflows of capital to Canada during the period. Although increases were fairly general, they mainly occurred in industries undergoing sharp wartime expansions, such as iron and its products and non-ferrous metals, chemicals and allied products, and mining and smelting. Direct investments in merchandising and financial companies also increased appreciably. The most substantial reduction in direct investments occurred in public utilities and there was also a moderate decline in investments in the animal products group of industries.

Up until 1944 there were only a relatively few new direct investments made, but in 1944 there was a considerable influx of capital for the establishment of new investments and this apparent wartime accumulation continued in 1945 when there were also further reinvestments of earnings as in earlier years.

BOOK VALUE OF UNITED STATES DIRECT INVESTMENTS IN
CANADA IN COMPANIES CONTROLLED IN THE UNITED STATES
BY FORMS OF INVESTMENT

	1926 - 1945				
	(Millions of Dollars)				
	1926	1930	1933	1939	1945 (x)
Capital Stock	1000.0	1329.4	1271.6	1289.2	1609.0
Bonds	187.6	336.3	338.3	305.8	290.0
Other Investments	214.9	327.0	323.4	285.9	401.0
TOTAL	1402.5	1992.7	1933.3	1880.9	2300.0

(x) Subject to revision.--

BOOK VALUE OF UNITED STATES DIRECT INVESTMENTS IN
CANADA IN COMPANIES CONTROLLED IN THE UNITED STATES,
December 31, 1939 and 1945

	<u>1939</u>	<u>1945 (1)</u>
	(Millions of dollars)	
Manufacturing:	983.7	1,285.0
Vegetable Products	95.5	140.0
Animal Products	47.3	44.0
Textiles	19.7	28.0
Wood & Paper Products	280.9	316.0
Iron & Its Products	188.0	272.0
Non-Ferrous Metals	130.3	203.0
Non-Metallic Minerals	112.0	133.0
Chemicals & Allied Products	88.2	118.0
Miscellaneous	21.8	31.0
Mining and Smelting:	197.8	252.0
Railways and Public Utilities:	398.8	355.0
Steam Railways	80.8	85.0
Other Utilities	318.0	270.0
Merchandising:	119.3	155.0
Financial:	125.9	199.0
Miscellaneous:	<u>55.4</u>	<u>54.0</u>
Grand Total	<u>1380.9</u>	<u>2,300.0</u>

(1) Subject to revision.

More than half of the total direct investments in Canada are in manufacturing, or \$1,285 million. The total value of these American companies controlled in the manufacturing field probably represents close to one-third of the total investments in manufacturing concerns in Canada, although, as already pointed out, it is particularly difficult to evaluate these forms of investment at the present time. In the broader field of Canadian business;- all industrial, mining and commercial concerns including railways and utilities, the ratio of investments controlled in the United States is much less, possibly around one-fifth at the present time. But, even the high percentage of American controlled companies in the manufacturing field in Canada should not be taken as an indication that Canadian industry in general is dominated by United States companies for the direct investments are widely distributed through a great many companies and the percentage of American controlled companies varies considerably in different industries. In some industries like the manufacture of automobiles, rubber goods, electrical appliances and the refining of petroleum the United States controlled companies predominate.

They are also predominant in non-ferrous metals and in chemicals. But outside of certain industries of which these are examples, the United States controlled groups are less important and there are many industries and trades in which the leading firms and the predominance of control is Canadian, like the primary iron and steel industry and cotton textiles and merchandising. In other branches of industry the American controlled portion, while representing a large part, nevertheless shares the field generally with Canadian capital as is the case in the pulp and paper industry and mining.

In appraising the extent and significance of American control, the wide diffusion of American direct investments should be borne in mind and the extent to which competition exists among the competing American controlled firms in an industry in Canada, as is illustrated in the automobile and petroleum industries. It is also notable that the extent of control and degree of management of many companies by parent companies varies, making it difficult to generalize regarding control. The investments have been selected for inclusion in the direct investment category generally when American ownership constitutes fifty percent or more of the capitalization of a concern. But there are some exceptions to this general rule where investments have been included when they represented less than fifty percent of the capital. These have been limited to instances, however, where close affiliation and control by the United States company are known to be well established. There are therefore some investments by United States companies in minority holdings of stock of Canadian companies which are not included in the compilation although in many cases the relations between the Canadian and American company may be fairly close because of business arrangements. At the same time certain companies have been included in the classification when fifty percent or more of the capital is owned in the United States even though the American ownership may be widely scattered and there may be no one company in the United States controlling the concern. The group of controlled companies has therefore been compiled on a basis which does not attempt to reveal the selective qualitative factors of control which may exist. The data represent potential control rather than an attempt to analyse the actual extent to which American industries actively exercise control over Canadian industries.

The branch plants occupy a more important place in the Canadian economy than their value suggests for the existence of this group of investments leads to close business relationships between Canada and the United States. With many companies there are in use common designs, and research and advertising facilities, as the Canadian products are comparable to the products produced by the parent companies in the United States. This is particularly important in the field of durable goods, especially consumers durable goods. The United States is therefore an important source of supply for companies producing in this field as components and materials are often bought from parent companies or related producers in the United States. The Canadian balance of payments with the United States is therefore affected in many respects by the inter-company relationships which have grown up. Besides the heavy imports of parts and materials from the United States, there are numerous payments for management and professional services, royalties and research as well as the payments of dividends and profits to parent companies and other investors in the United States. Other branches and subsidiaries have been established in Canada as a source of supply for the American parent companies and lead to exports of materials and supplies required in the United States as in the case of wood pulp and certain kinds of mining. The production in Canada consequently increases the extent of processing in Canada of many Canadian raw materials. The existence of Imperial Preferences has often been advanced as a reason for the establishment of many American companies in Canada, and the existence of overseas markets in Empire countries has normally made it possible for many companies to maintain an

economic level of output. Overseas markets have also been allocated to Canadian subsidiaries by parent companies to maintain output of the subsidiaries.

The concentration of more than one-half of the total American direct investments in a small number of concerns should be noted. More than one-half of the United States-owned direct investment or \$1,133.8 million in 1944 was represented by investments in forty branches, subsidiaries or controlled companies in which the United States investment amounts to \$10 million or more. Furthermore, more than another one-quarter of the remaining American investment is in concerns where the investment is between \$1 million and \$10 million. In this group there were 226 firms in 1944 with an average investment of between \$2 million and \$3 million. The result is that only a minor part of the direct investments, about 18%, or \$399.5 million was distributed between 1,503 companies or 85% of the total number of companies in Canada controlled in the United States in which the investment is significant. There is also an indeterminate number of small branches where United States investment is of negligible size. In the group of 1,503 smaller companies in which there is some significant amount of capital invested the average value of investments is relatively small or some \$265,000 per firm. The value of the total investment in this group of companies is relatively small in relation to total investments in Canadian industries. Because of their number these firms may sometimes give rise to impressions of widespread penetration even though their production is relatively small in total. Their significance lies more in certain industries where United States firms predominate rather than in their aggregates as a group. From the point of view of the value of investments and of production, the main significance of American direct investments lies in the activities of a relatively small number of companies, the 40 larger concerns with investments of \$10 million or over and the 226 firms with investments ranging between \$1 million and \$10 million. These two latter groups account for more than 80% of the total of American direct investments. While it is difficult to arrive at the total number of business firms in Canada, some indication of the number of companies is given by the number of active companies reporting tax returns to the Department of National Revenue. For the tax year 1944 there were 25,307 active taxable companies reporting. In addition there are the large numbers of unincorporated business firms which are Canadian owned, particularly in the merchandising and services fields.

The value of investments shown is the book value as carried in the balance sheets of the Canadian companies. In the case of holdings of stock, some of the stock of the companies controlled in the United States is quoted on Canadian stock exchanges but approximately two-thirds of the total book value of stock holdings is made up of issues which are not quoted on Canadian exchanges and for which the only available basis of valuation is the book value. It happens that the book value of the marketable securities has been much less than the market prices prevailing in recent years. At the end of 1945 the market value of the group of quoted stocks was approximately twice the book value in the aggregate. This difference between book and market value was concentrated in a relatively small number of issues of stock and was particularly wide in the mining field and in the non-ferrous metal industry and in petroleum refining. The excess of the market values over the book values was approximately \$700 million at the end of 1945, and presents an alternative basis of evaluating the investments. In comparing the total American direct investments in Canada, however, with other data on investments in Canada it should be noted that for the most part these are on a basis more comparable to the book value than the market value. The book value is therefore more relevant in comparing the American direct investments in Canada with total Canadian investment in Canadian industry and commerce. It is a better reflector of reinvested earnings and new investment.

UNITED STATES PORTFOLIO INVESTMENTS IN CANADA

Portfolio investments in Canadian securities owned or held in the United States increased to about \$2,552 million in 1945 from \$2,165 million in 1939, apart from any changes in the scattered individual holdings of securities included in the total United States investments in branches, subsidiaries and controlled companies which have been included in the direct investment group discussed above. Some of the latter investments are made up of a large number of individual holdings of stocks and bonds in companies which are controlled in the United States and consequently for analytical purposes specified as American direct investments in Canada. Most of the total of portfolio investments is made up of holdings of Canadian bonds which amounted to \$2,068 million in 1945, exclusive of the \$289 million bonds of railways and other companies controlled in the United States. The principal changes and relative significance of the increase in United States holdings of Canadian bonds have already been discussed above. In addition to the bonds of Canadian governments and Canadian controlled companies, in the \$2,068 million total there is an indeterminable part of the American holdings of bonds in United States controlled companies in Canada which might also be regarded as portfolio investments from some points of view. The total bonds of American controlled companies held in the United States by parent companies and others in 1945 was \$289 million. Besides the portfolio investments in bonds there were the United States holdings of stocks of Canadian controlled companies which at the end of 1945 had a book value of \$460 million and a much higher market value at the same time. This marked an increase of \$106 million over the book value of the corresponding group of United States investments in 1939. As well as reflecting net sales of stock to United States investors, the increase also reflects a considerable increase in the book values arising from re-investments of earnings by the Canadian companies during the six year period. The value of United States holdings of stocks of the Canadian controlled companies which were quoted on Canadian stock exchanges had a value of considerably more than \$500 million at the end of 1945 when prices of stocks were at a higher level than they had been for a period of years previously. In addition to the portfolio holdings of stock in Canadian controlled companies, there was also an indeterminable amount of the holdings of stock of Canadian companies controlled in the United States which in many respects are comparable to portfolio holdings, and also investments of about \$13 million in the capital stock of Canadian companies controlled in the United Kingdom and various other small items.

Miscellaneous investments by United States investors in Canada in addition to the direct and portfolio investments are estimated at \$130 million in 1945. Making up this amount are estimates of a great variety of assets in such forms as mortgages, agricultural lands, summer homes and other residential properties, commercial real estate, prospecting, estates and trusts, investment companies and other assets administered for persons or corporations in the United States. Balances in Canadian banks owned by United States residents are not included in the statistics of United States investments in Canada. Short term commercial indebtedness is also excluded.

BRITISH INVESTMENTS IN CANADA

Total British investments in 1945 of \$1,766 million, including some investments held in the United Kingdom for owners living elsewhere, can be roughly divided into portfolio investments of \$1,313 million, direct investments of about \$368 million, and miscellaneous investments of \$85 million. These totals at the end of the war compare with total British investments in Canada of \$2,476 million at the end of 1939, of which portfolio investments were \$1,990 million, direct investments \$366 million, and municipal investments \$120 million. Most of the large reduction in British investments in Canada has occurred in portfolio holdings of securities, particularly Dominion government and Canadian National Railway issues. The par values of the reduction in holdings of these two groups of issues arising from official repatriations were \$238 and \$403 million, respectively. There were also some substantial repurchases of other Canadian National Railway issues through private capital markets in Canada. Retirements of Canadian bonds in addition to the official repatriations amounted to approximately \$125 million during the six years and a considerable part of the other repurchases of \$168 million of Canadian securities was also made up in bonds. While these security transactions cover the principal reductions in British investments in Canada, there were other changes in the value of investments in the other direction during the same period. As the book value of British holdings of Canadian securities increased substantially the net decline in the total value of British investments in Canada during the six years is considerably less than the reduction indicated by the security transactions alone. The book value of British holdings of Canadian stocks increased substantially, and even though there were large repurchases of issues by Canadians the total book value was much higher at the end of the war than at the beginning.

More than one-half of the portfolio investments in 1945 was made up of holdings of stock in Canadian companies controlled in Canada or the United States, \$688 million being the book value of the stock of companies controlled in Canada, and \$57 million the book value of stock in companies controlled in the United States. The major part of the value of stock in Companies controlled in Canada was made up of railway stock, the book value of which was considerably higher than the market value. In the case of many of the other stocks held, however, the book values at which the issues are included in the totals were much lower than the market values at the end of 1945 and the result is that in the aggregate there was no wide difference between the total book value and total market value of British holdings of stock in the Canadian companies at that time. Holdings of Canadian provincials, municipals and corporation bonds made up the bulk of the remainder of British portfolio investments in Canada, having an estimated par value of \$565 million in 1945 exclusive of \$23 million bonds of companies in the British direct investment group. As many of the bonds held were issues payable in sterling only the par value was considerably higher than the Canadian dollar equivalent of the bonds at the prevailing exchange rate but the market values, however, were probably not a great deal less than the par values in the aggregate as many of the issues were selling at a premium. More than one-half of the holdings of bonds was made up of railway issues which amounted to \$316 million, provincial and municipal issues totalled \$40 and \$112 million, respectively, and portfolio holdings of other Canadian corporation issues were \$97 million.

In addition to the above portfolio holdings of stocks and bonds there was a further estimated \$85 million of miscellaneous investments, some of which had a portfolio character. These were constituted in the main

by the Canadian assets of investment companies, estates and trusts, mortgages and other real estate investments and other assets administered for residents of the United Kingdom.

British direct investments in branches, subsidiaries and controlled companies in Canada had a value of about \$368 million in 1945 compared with \$365 million in 1939. While the industrial distribution of the investments was not widely different in the latter year, there was some change in composition, the amount of investments in the form of bonds being smaller and the investments represented by capital stock being greater. A large part of the direct investments was concentrated in certain fields of business. Investments in financial and insurance companies amounted to \$117 million, the insurance companies being about \$62 million of this. A large part of the investment in manufacturing of \$157 million was primarily in consumer goods industries, such as vegetable products and textiles, with investments in the pulp and paper industry also being substantial, but there was very little investment in the metal and durable goods industries in contrast to heavy American direct investments in these industries in Canada. Investments in merchandising amounting to \$51 million were next in importance, while there was only \$23 million invested in mining and \$15 million in utilities.

Value of British Investments in Canadian Branches, Subsidiaries and other
Companies Controlled in the United Kingdom,
December 31, 1945.

(Millions of dollars)

Manufacturing	157
Mining	23
Utilities	15
Merchandising	51
Financial	117
Miscellaneous	5
Total Direct Investments	<u>368</u>

In 1944 there were 452 British concerns in Canada included in the direct investment group reporting investments of a significant size. Of these 314 were subsidiary companies or Canadian companies controlled in the United Kingdom and 138 were unincorporated branches in Canada of British companies. The number of concerns in the manufacturing industries amounted to 133 while in merchandising there were 138 firms, and 146 concerns in the financial field including 103 insurance companies maintaining branches or subsidiaries in Canada. In addition there were 11 mining companies, 6 utilities and 18 other businesses controlled in the United Kingdom.

INVESTMENTS HELD IN OTHER COUNTRIES

Investments in Canada by countries other than the United Kingdom and the United States which can be directly identified are estimated at \$347 million in 1945 compared with \$286 million in 1939. Much of the increase in value represents reinvestments of earnings as many of the investments were owned in the countries of Western Europe with which communications were cut off during the wartime period. Some of the increases arise from new investments of capital from Latin America and other countries which were neutral during the war. In addition to the above totals, there are some appreciable amounts of investments held in the United Kingdom and other countries which are believed to be owned elsewhere.

Most of these investments are portfolio investments which amounted to about \$223 million in 1945 compared with \$177 million in 1939. Holdings of \$108 million of bonds, exclusive of the bonds of companies controlled in this group of countries were higher than formerly. Likewise portfolio holdings of the stock of Canadian companies with a book value of \$114 million were higher than in 1939. These portfolio holdings of stock were distributed widely among many companies in the railway, utility, manufacturing and mining fields. Direct investments in companies controlled abroad had a value of \$55 million in 1945 compared with \$49 million in 1939. About \$39 million of direct investments were in financial companies and about \$11 million in manufacturing. Miscellaneous investments amounted to an estimated \$69 million in 1945. A prominent part of this is made up of the Canadian assets of investment companies and other investments administered for non-residents as well as mortgages and real estate holdings.

Basis of Valuations

It is important to note the basis of valuation employed in arriving at the statistics of British and foreign investments 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 payable 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 reflected in 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 at the end of 1945 of stocks listed on the Canadian stock exchange shows, when compared with book values, that the market value of United States holdings at the time was much greater than the book value for the same group of stocks. In the case of British holdings of stock the relations between book and market values have been less consistently in one direction. Prior to 1945 market values were much lower than the book values but by the end of 1945 the market values of British holdings of Canadian stock in the aggregate were very close to the total of the book values, although there were wide differences in both directions in the case of certain issues. With railway issues, book values were particularly

high in relation to market values, while in some other important holdings of stock the reverse was the case. As regards bond issues, market values would probably show considerably higher amounts than the par values of many issues, particularly issues payable in United States dollars, because of the premium on this currency at the end of 1939 and 1945. 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 both years. But, offsetting this to some extent there would be the higher market values as most of the issues were selling at prices considerably in excess of the nominal value.

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 was by the end of 1945 a greater increase in market values than in book values which had increased about 20% in the interval. Consequently the market value of Canadian holdings of United States stocks in 1945 were considerably greater than the book values shown in the table of Canadian Investments Abroad. In the case of portfolio holdings of Latin American and European bonds held there would be a significant difference between market values and the par values at which the issues are shown. Market values of this group of issues in the aggregate have been very considerably depreciated for a period of years.

CANADIAN ASSETS ABROAD

Canada's external assets in 1945 were much larger in total and different in composition from assets owned in 1939 and earlier periods, rising from \$1,865 million in 1939 to \$3,715 million in 1945. The most striking change was the growth in official liquid reserves mainly of United States dollar balances and gold which had a Canadian dollar value of about \$1,667 million in 1945. Gold is included in these totals because of its ready convertibility into U. S. dollars and its consequent comparability to other cash reserves. Another pronounced change was the increase in the total of outstanding Canadian government credits to other countries which totalled approximately \$707 million compared with \$31 million in 1939. This total includes export credits under the Export Credits Insurance Act and advances of about \$105 million, about \$561 million outstanding of the 1942 loan to the United Kingdom and earlier loans to foreign governments of approximately \$41 million. There was also an improvement in the value of Canadian direct investments in businesses outside of Canada which had a value of about \$720 million. In contrast, portfolio holdings of foreign securities owned in Canada were sharply reduced to \$621 million in 1945 from \$719 million in 1939. This decline is less than the total sales of these securities by private investors during the period as there was a considerable increase in the book value of United States stocks still held in 1945.

Canadian Assets Abroad, 1930 - 1945

(Excluding investments of insurance companies)
(Millions of Canadian Dollars)

	<u>1930</u>	<u>1939</u>	<u>1945</u>
Direct Investments in -			
Businesses Outside of Canada	443	671	720
Portfolio Holdings of Foreign Securities	842	719	621
Government Credits	31	31	707
Net External Assets of Canadian Banks	180	(1)	(1)
Official Liquid Reserves (2)	(1)	444	1,667
	<hr/> 1,496	<hr/> 1,865	<hr/> 3,715

(1) Not available.

(2) Including holdings of gold which at the end of 1945 had a Canadian dollar value of \$388 million.

The direct and portfolio investments mainly represent private investments by Canadian companies and individuals abroad. The direct and portfolio investments abroad totalled \$1,341 million at the end of 1945. The major part of this investment \$864 million represents investments in the United States, while investments in the United Kingdom amounted to \$107 million, in other Empire countries \$88 million, and in other foreign countries \$282 million. These figures exclude the investments abroad of Canadian insurance companies and banks and official assets such as cash balances, gold and inter-governmental credits referred to above. 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 \$720 million made up more than one-half of the total and the largest part of this amount, \$455 million, was in the United States. The largest part of the remainder, \$142 million was in other foreign countries, direct investments in the United Kingdom and other Empire countries being \$54 million and \$69 million, respectively. 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 interests. The amount of direct investments in which there is a clear Canadian beneficial ownership would be considerably less than the total of all direct investments by Canadian companies.

Value of Canadian Direct Investments Abroad in Branches,
Subsidiaries, and Controlled Companies, 1945
(In Millions of Canadian Dollars)

Type of Business Abroad	Location of Investments				Total all Countries
	United States	United Kingdom	Other Empire Countries	Other Foreign Countries	
Railways and Utilities	212	(2)	7	20	239
Industrial and Commercial	214	53	34	36	337
Mining and Petroleum	25	-	28	85	138
Other (1)	4	1	(2)	1	6
Total	455	54	69	142	720

- (1) Excluding insurance companies and banks.
(2) Amount is less than \$500,000.

About one-half of the direct investments in the United States is made up of investments in railways and other utilities, the total investment in all utilities being \$212 million. This total is based on the book values of investments and is high in relation to the earnings, particularly in the case of steam railways. Direct investments in the commercial and industrial fields in the United States had a value of about \$214 million. A great variety of types of business are included in this total although there is a concentration in distilleries. Investments in mining and in the petroleum industry, including the transportation of petroleum amounted to about \$25 million. Most of the total of \$54 million direct investments in the United Kingdom is in the commercial and industrial field and a considerable amount is made up of investments by companies in which there is a substantial non-Canadian interest. About one-half of the investments of \$69 million in other Empire countries was made up of commercial and industrial concerns with investments in mining and smelting and petroleum making up another large portion. There were also investments in utilities in other Empire countries. More than one-half of the total of \$142 million invested in other foreign countries was in the petroleum industry and the non-Canadian interest in this group of investments was particularly large. Investments in commercial and industrial concerns in other foreign countries had a value of about \$36 million and investments in public utilities about \$20 million.

Portfolio investments in foreign securities had a book value of about \$621 million in 1945. Of this \$454 million represents the approximate book value of the holdings of stock and \$167 million represents the par value of holdings of bonds. The market value of the stock in the aggregate had a considerably higher value than the book value in 1945, whereas the market value of the bonds was probably still appreciably less than the par value shown.

The figures shown for both stocks and bonds is the Canadian dollar equivalent of the United States dollars or other foreign currencies at the current exchange rate.

Portfolio investments in the United States amounted to about \$409 million, stocks being \$317 million and bonds \$92 million. A detailed analysis of Canadian portfolio holdings of United States stocks in 1939 revealed that the total holdings at that time of \$380 million were made up of a great many issues although there were important concentrations of holdings in some of the more prominent issues of United States stocks. About 70% of the total was made up of industrial and commercial issues, and 15% was in public utility issues other than railroads. The remainder was distributed in smaller portions among railroads, mines, financial and other issues.

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.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table I - Current Account Between Canada and All Countries, 1926-1945
(Millions of Dollars)

Year	Current Receipts	Current Expenditures	Net Balance On Current Account	Mutual Aid and Other Official Contribution in Current a/c	Net Balance on Current Account Excl. Mutual Aid & Official Contributions
1926 ...	1,665	1,538	+ 127	-	+ 127
1927 ...	1,633	1,643	- 10	-	- 10
1928 ...	1,788	1,820	- 32	-	- 32
1929 ...	1,646	1,957	- 311	-	- 311
1930 ...	1,297	1,634	- 337	-	- 337
1931 ...	972	1,146	- 174	-	- 174
1932 ...	808	904	- 96	-	- 96
1933 ...	829	831	- 2	-	- 2
1934 ...	1,020	952	+ 68	-	+ 68
1935 ...	1,145	1,020	+ 125	-	+ 125
1936 ...	1,430	1,186	+ 244	-	+ 244
1937 ...	1,593	1,413	+ 180	-	+ 180
1938 ...	1,361	1,261	+ 100	-	+ 100
1939 ...	1,457	1,331	+ 126	-	+ 126
1940 ...	1,776	1,627	+ 149	-	+ 149
1941 ...	2,458	1,967	+ 491	-	+ 491
1942 ...	3,376	2,275	+ 1,101	+ 1,002	+ 99
1943 ...	4,064	2,858	+ 1,206	+ 518	+ 688
1944 ...	4,557	3,539	+ 1,018	+ 960	+ 58
1945 ...	4,633	2,914	+ 1,719	+ 1,041	+ 678

Table II - Geographical Distribution of the Balance on Current Account
Between Canada and Other Countries, 1926-1945.

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	+ 1,018	+ 746	+ 241	+ 31
1945	+ 1,719	+ 928	+ 763	+ 28

- (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	+123	- 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	55
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
A. Current Credits with Other Countries											
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
B. Current Debits with Other Countries											
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, 1937-1945
(Millions of Canadian Dollars)

	1937	1938	1939	1940	1941	1942	1943	1944	1945
A. CREDITS - WITH ALL COUNTRIES									
Merchandise exports adjusted	1,041	844	906	1,202	1,732	2,515	3,050	3,590	3,655
Net exports of non-monetary gold	145	161	184	203	204	184	142	110	96
Tourist and travel expenditures	166	149	149	104	111	81	88	119	165
Interest and dividends	76	66	57	52	60	67	59	71	76
Freight and shipping	112	95	102	138	185	221	288	322	340
All other current credits	53	46	59	77	166	308	437	345	301
Total Current Credits	1,593	1,361	1,457	1,776	2,458	3,376	4,064	4,557	4,633
Special Gold Transactions (2)	-	-	2	248	-	23	143	55	33
Capital Credits	622	458	558	283	566	1,233	877	889	533
B. DEBITS - WITH ALL COUNTRIES									
Merchandise imports adjusted	776	649	713	1,006	1,264	1,406	1,579	1,398	1,442
Tourist and travel expenditures	87	86	81	43	21	26	36	58	85
Interest and dividends	302	307	306	313	286	270	261	264	253
Freight and shipping	137	105	119	132	167	228	294	252	222
All other current debits	111	114	112	133	229	345	688	1,567	912
Total Current Debits	1,413	1,261	1,331	1,627	1,967	2,275	2,858	3,539	2,914
Special Gold Transactions (2)	-	-	2	248	-	23	143	55	33
Capital Debits	794	570	694	471	1,063	1,341	1,354	737	1,222
Billion Dollar Contribution	-	-	-	-	-	1,000	-	-	-
Mutual Aid	-	-	-	-	-	-	512	936	940
Contributions to UNRRA	-	-	-	-	-	-	-	11	34
Military and Other Relief	-	-	-	-	-	2	6	9	67
C. NET BALANCES - WITH ALL COUNTRIES									
Merchandise trade adjusted	+ 265	+ 195	+ 193	+ 196	+ 468	+1,109	+1,471	+2,192	+2,213
Net exports of non-monetary gold	+ 145	+ 161	+ 184	+ 203	+ 204	+ 184	+ 142	+ 110	+ 96
Tourist and travel expenditures	+ 79	+ 63	+ 68	+ 61	+ 90	+ 55	+ 52	+ 61	+ 80
Interest and dividends	- 226	- 241	- 249	- 261	- 226	- 203	- 202	- 193	- 177
Freight and shipping	- 25	- 10	- 17	+ 6	+ 18	- 7	- 6	+ 70	+ 118
All other current transactions	- 58	- 68	- 53	- 56	- 63	- 37	- 251	-1,222	- 611
Total Current Account	+ 180	+ 100	+ 126	+ 149	+ 491	+1,101	+1,206	+1,018	+1,719
Special Gold Transactions (2)	-	-	-	-	-	-	-	-	-
Capital Accounts	- 172	- 112	- 136	- 188	- 497	- 106	- 677	- 48	- 689
Billion Dollar Contribution	-	-	-	-	-	1,000	-	-	-
Mutual Aid	-	-	-	-	-	-	512	936	940
Contributions to UNRRA	-	-	-	-	-	-	-	11	34
Military and Other Relief	-	-	-	-	-	2	6	13	67
Balancing Item (1)	- 8	+ 12	+ 10	+ 39	+ 6	+ 7	- 11	- 10	+ 11
	- 180	- 100	- 126	- 149	- 491	-1,109	-1,206	-1,018	-1,719

(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, 1937-1945

(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>	<u>1945</u>
A. CREDITS - WITH EMPIRE COUNTRIES									
Merchandise exports adjusted	493	442	436	699	1,098	1,541	1,763	1,970	1,954
Tourist and travel expenditures	12	10	9	6	3	2	1	2	2
Interest and dividends	7	5	5	3	5	7	5	9	8
Freight and shipping	45	43	43	76	119	127	148	169	183
War Services	-	-	-	20	74	130	128	128	81
All other current credits	8	8	9	18	22	19	21	29	38
Total Current Credits	565	508	502	822	1,321	1,826	2,066	2,307	2,266
Capital Credits	118	102	97	116	181	884	20	146	73
B. DEBITS - WITH EMPIRE COUNTRIES									
Merchandise imports adjusted	235	184	177	236	279	226	200	196	213
Tourist and travel expenditures	18	17	13	8	3	2	2	2	2
Interest and dividends	87	83	80	76	68	51	52	56	54
Freight and shipping	47	34	39	36	36	49	47	33	34
Canadian Overseas expenditures	-	-	-	29	97	191	499	1,085	696
All other current debits	19	19	17	23	33	38	50	56	47
Total Current Debits	406	337	326	403	516	557	850	1,428	1,046
Special Gold Transactions ⁽²⁾	-	-	2	248	-	23	143	55	33
Capital Debits	142	155	180	330	990	1,129	586	144	423
Billion Dollar Contribution	-	-	-	-	-	1,000	-	-	-
Mutual Aid	-	-	-	-	-	-	503	834	838
C. NET BALANCES - WITH EMPIRE COUNTRIES									
Merchandise trade adjusted	258	+ 258	+ 259	+ 463	+ 819	+1,315	+1,563	+1,774	+1,741
Tourist and travel expenditures	- 6	- 7	- 4	+ 3	-	-	1	-	-
Interest and dividends	- 80	- 78	- 75	- 73	- 63	- 44	- 47	- 47	- 46
Freight and shipping	- 2	+ 9	+ 4	+ 40	+ 83	+ 78	+ 101	+ 136	+ 149
All other current transactions	- 11	- 11	- 8	- 14	- 34	- 80	- 400	- 984	- 624
Total Current Account	+ 159	+ 171	+ 176	+ 419	+ 805	+1,269	+1,216	+ 879	+1,220
Special Gold Transactions ⁽²⁾	-	-	2	- 248	-	- 23	- 143	- 55	- 33
Capital Account	- 24	- 53	- 83	- 214	- 809	- 245	- 566	+ 2	- 350
Billion Dollar Contribution	-	-	-	-	-	-1,000	-	-	-
Mutual Aid	-	-	-	-	-	-	503	- 834	- 838
Balancing Item ⁽¹⁾	(1)	(1)	(1)	+ 43	+ 4	- 1	- 4	+ 8	+ 1
				- 419	- 805	-1,269	-1,216	- 879	-1,220

(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 mutilateral 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, 1937-1945

(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>	<u>1945</u>
A. CURRENT CREDITS - WITH THE UNITED KINGDOM									
Merchandise exports adjusted	385	337	332	542	914	1,424	1,636	1,796	1,603
Tourist and travel ex- penditures	11	8	7	5	2	2	1	2	2
Interest and dividends	2	2	2	2	4	5	4	8	4
Freight and shipping	38	34	34	60	110	114	128	139	145
War Services	-	-	-	10	45	96	104	96	65
All other current credits	8	8	9	17	18	16	16	22	35
Total Current Credits	444	389	384	656	1,093	1,657	1,889	2,063	1,854
B. CURRENT DEBITS - WITH THE UNITED KINGDOM									
Merchandise imports adjusted	148	119	106	133	137	116	100	94	100
Tourist and travel ex- penditures	16	15	11	2	2	2	2	2	2
Interest and dividends	85	81	78	74	66	50	51	55	53
Freight and shipping	43	30	36	32	28	41	40	28	30
Canadian Overseas ex- penditures	-	-	-	29	97	191	499	1,085	696
All other current credits	17	17	16	23	29	34	48	53	45
Total Current Debits	309	262	247	293	359	434	740	1,317	926
C. NET CURRENT BALANCES - WITH THE UNITED KINGDOM									
Merchandise trade adjusted +	237	+ 218	+ 226	+ 409	+ 777	+1,308	+1,536	+1,702	+1,503
Tourist and travel expenditures	- 5	- 7	- 4	+ 3	-	-	- 1	-	-
Interest and dividends	- 83	- 79	- 76	- 72	- 62	- 45	- 47	- 47	- 49
Freight and shipping	- 5	+ 4	- 2	+ 28	+ 82	+ 73	+ 88	+ 111	+ 115
All other current transactions	- 9	- 9	- 7	- 25	- 63	- 113	- 427	-1,020	- 641
Total Current Account	+ 135	+ 127	+ 137	+ 343	+ 734	+1,225	+1,149	+ 746	+ 928
Mutual Aid and Contri- bution (Included in Credits above)									
	-	-	-	-	-	+1,000	+ 501	+ 774	+ 777

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table X - Current Transactions Between Canada and Other Empire Countries, 1937-1945

(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>	<u>1945</u>
A. CURRENT CREDITS - WITH OTHER EMPIRE COUNTRIES									
Merchandise exports adjusted	108	105	104	157	184	117	127	174	351
Tourist and travel expenditures	1	2	2	1	1	(1)	(1)	(1)	(1)
Interest and dividends	5	3	3	1	1	2	1	1	4
Freight and shipping	7	9	9	16	9	13	20	30	38
War Services	-	-	-	10	29	34	24	32	16
All other current credits	(1)	(1)	(1)	1	4	3	5	7	3
Total Current Credits	121	119	118	186	228	169	177	244	412
B. CURRENT DEBITS - WITH OTHER EMPIRE COUNTRIES									
Merchandise imports adjusted	87	65	71	103	142	110	100	102	113
Tourist and travel expenditures	2	2	2	1	1	(1)	(1)	(1)	(1)
Interest and dividends	2	2	2	2	2	1	1	1	1
Freight and shipping	4	4	3	4	8	8	7	5	4
All other current debits	2	2	1	(1)	4	4	2	3	2
Total Current Debits	97	75	79	110	157	123	110	111	120
C. NET CURRENT BALANCES - WITH OTHER EMPIRE COUNTRIES									
Merchandise trade adjusted	+ 21	+ 40	+ 33	+ 54	+ 42	+ 7	+ 27	+ 72	+ 238
Tourist and travel expenditures	- 1	-	-	-	-	-	-	-	-
Interest and dividends	+ 3	+ 1	+ 1	+ 1	+ 1	+ 1	-	-	+ 3
Freight and shipping	+ 3	+ 5	+ 6	+ 12	+ 1	+ 5	+ 13	+ 25	+ 34
All other current transactions	- 2	- 2	+ 1	+ 11	+ 29	+ 33	+ 27	+ 36	+ 17
Total Current Account	+ 24	+ 44	+ 39	+ 76	+ 71	+ 46	+ 67	+ 133	+ 292
Mutual Aid Included in Credits	-	-	-	-	-	-	+ 2	+ 60	+ 61

(1) Less than \$500,000

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XI - Transactions Between Canada and Non-Empire Countries, 1937-1945

(Millions of Canadian Dollars)

	1937	1938	1939	1940	1941	1942	1943	1944	1945
A. CREDITS - WITH NON-EMPIRE COUNTRIES									
Merchandise exports adjusted	548	402	470	503	634	974	1,287	1,620	1,701
Net exports of non-monetary gold	145	161	184	203	204	184	142	110	96
Tourist and travel expenditures	154	139	140	98	108	79	87	117	163
Interest and dividends	69	61	52	49	55	60	54	62	68
Freight and shipping	67	52	59	62	66	94	140	153	157
All other current credits	45	38	50	39	70	159	288	188	182
Total Current Credits	1,028	853	955	954	1,137	1,550	1,998	2,250	2,367
Special Gold Transactions(2)	-	-	2	248	-	23	143	55	33
Capital Credits	504	356	461	167	385	351	657	543	460
B. DEBITS - WITH NON-EMPIRE COUNTRIES									
Merchandise imports adjusted	541	465	536	770	985	1,180	1,379	1,202	1,229
Tourist and travel expenditures	69	69	68	40	18	24	34	56	83
Interest and dividends	215	224	226	237	218	219	209	208	199
Freight and shipping	90	71	80	96	131	179	247	219	188
Canadian overseas expenditures	-	-	-	-	-	-	-	-	25
All other current debits	92	95	95	81	99	116	139	426	144
Total Current Debits	1,007	924	1,005	1,224	1,451	1,718	2,008	2,111	1,868
Capital Debits	652	415	514	141	73	212	768	593	799
Mutual Aid	-	-	-	-	-	-	9	102	102
Contribution to UNRRA	-	-	-	-	-	-	-	11	34
Military and Other Relief	-	-	-	-	-	2	6	9	71
C. NET BALANCES - WITH NON-EMPIRE COUNTRIES									
Merchandise trade adjusted	+ 7	- 63	- 66	- 267	- 351	- 206	- 92	+ 418	+ 472
Net exports of non-monetary gold	+ 145	+ 161	+ 184	+ 203	+ 204	+ 184	+ 142	+ 110	+ 96
Tourist and travel expenditures	+ 85	+ 70	+ 72	+ 58	+ 90	+ 55	+ 53	+ 61	+ 80
Interest and dividends	- 146	- 163	- 174	- 188	- 163	- 159	- 155	- 148	- 131
Freight and shipping	- 23	- 19	- 21	- 34	- 65	- 85	- 107	- 66	- 31
All other current transactions	- 47	- 57	- 45	- 42	- 29	+ 43	+ 149	- 238	+ 13
Total Current Account	+ 21	- 71	- 50	- 270	- 314	- 168	- 10	+ 139	+ 499
Special Gold Transactions(2)	-	-	+ 2	+ 248	-	+ 23	+ 143	+ 55	+ 33
Capital Account	- 148	- 59	- 53	+ 26	+ 312	+ 139	- 111	- 50	- 339
Mutual Aid	-	-	-	-	-	-	9	- 102	- 102
Contributions to UNRRA	-	-	-	-	-	-	-	11	34
Military and Other Relief	-	-	-	-	-	2	6	13	67
Balancing Item (1)	(1)	(1)	(1)	- 4	+ 2	+ 8	- 7	- 18	+ 10
				+ 270	+ 314	+ 168	+ 10	- 139	- 499

(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.

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CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XII - Current Transactions Between Canada and the United States, 1937-1945

(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>	<u>1945</u>
A. CREDITS - WITH THE UNITED STATES									
Merchandise exports adjusted	391	268	344	424	566	911	1224	1444	1134
Net exports of non-monetary gold	145	161	184	203	204	184	142	110	96
Tourist and travel expenditures	149	134	137	98	107	79	87	117	163
Interest and dividends	31	25	27	29	39	43	34	42	44
Freight and shipping	45	39	46	49	64	92	137	146	134
All other current credits	42	36	42	31	65	152	274	176	169
Total Current Credits	803	663	780	834	1045	1461	1898	2035	1740
B. DEBITS - WITH THE UNITED STATES									
Merchandise imports adjusted	463	400	472	702	910	1116	1311	1113	1119
Tourist and travel expenditures	65	66	67	40	18	24	34	56	83
Interest and dividends	211	218	220	233	214	215	205	203	194
Freight and shipping	68	55	61	78	131	179	247	219	188
All other current debits	73	73	76	73	90	107	120	413	128
Total Current Debits	880	812	896	1126	1363	1641	1917	2004	1712
C. NET BALANCES - WITH THE UNITED STATES									
Merchandise trade adjusted	- 72	- 132	- 128	- 278	- 344	- 205	- 87	+ 331	+ 15
Net exports of non-monetary gold	+ 145	+ 161	+ 184	+ 203	+ 204	+ 184	+ 142	+ 110	+ 96
Tourist and travel expenditures	+ 84	+ 68	+ 70	+ 58	+ 89	+ 55	+ 53	+ 61	+ 80
Interest and dividends	- 180	- 193	- 193	- 204	- 175	- 172	- 171	- 161	- 150
Freight and shipping	- 23	- 16	- 15	- 29	- 67	- 87	- 110	- 73	- 54
All other current transactions	- 31	- 37	- 34	- 42	- 25	+ 45	+ 154	- 237	+ 41
Total Current Account	- 77	- 149	- 116	- 292	- 318	- 180	- 19	+ 31	+ 28

(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,
1937-1945

(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>	<u>1945</u>
A. CREDITS - WITH OTHER FOREIGN COUNTRIES									
Merchandise exports adjusted	157	134	126	79	68	63	63	176	567
Tourist and travel expenditures	5	5	3	(1)	1	(1)	(1)	(1)	(1)
Interest and dividends	38	36	25	20	16	17	20	20	24
Freight and shipping	22	13	13	13	2	2	3	7	23
All other current credits	3	2	8	8	5	7	14	12	13
Total Current Credits	225	190	175	120	92	89	100	215	627
B. DEBITS - WITH OTHER FOREIGN COUNTRIES									
Merchandise imports adjusted	78	65	64	68	75	64	68	89	110
Tourist and travel expenditures	4	3	1	(1)	(1)	(1)	(1)	(1)	(1)
Interest and dividends	4	6	6	4	4	4	4	5	5
Freight and shipping	22	16	19	18	(2)	(2)	(2)	(2)	(2)
Canadian Overseas Expenditures	-	-	-	-	-	-	-	-	25
All other current debits	19	22	19	8	9	9	19	13	16
Total Current Debits	127	112	109	98	88	77	91	107	156
C. NET BALANCES - WITH OTHER FOREIGN COUNTRIES									
Merchandise trade adjusted	+ 79	+ 69	+ 62	+ 11	- 7	- 1	- 5	+ 87	+ 457
Tourist and travel expenditures	+ 1	+ 2	+ 2	-	+ 1	-	-	-	-
Interest and dividends	+ 34	+ 30	+ 19	+ 16	+ 12	+ 13	+ 16	+ 15	+ 19
Freight and shipping	-	- 3	- 6	- 5	+ 2	+ 2	+ 3	+ 7	+ 23
All other current transactions	- 16	- 20	- 11	-	- 4	- 2	- 5	- 1	- 28
Total Current Account	+ 98	+ 78	+ 66	+ 22	+ 4	+ 12	+ 9	+ 108	+ 471
Mutual Aid Included in Credits	-	-	-	-	-	-	9	102	102
Contribution to UNRRA	-	-	-	-	-	-	-	11	34
Military and other Relief	-	-	-	-	-	2	6	13	67
Export Credits and Advances	-	-	-	-	-	-	-	-	105

(1) Less than \$500,000

(2) Included in amount shown for United States

ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XIV - Preliminary Statement, 1945
(Millions of Canadian Dollars)

	<u>Credits</u>	<u>Debits</u>	<u>Net</u>
<u>A. Canada and All Countries</u>			
<u>Current Account</u>			
Merchandise trade adjusted	3,655	1,442	+ 2,213
Net exports of non-monetary gold	96	-	+ 96
Tourist and travel expenditures	165	85	+ 80
Interest and dividends	76	253	- 177
Freight and shipping	340	222	+ 118
All other current transactions	301	912	- 611
	<hr/>	<hr/>	
Total - Current Account	4,633	2,914	+ 1,719
Special U. S. Dollar transactions(2)	33	33	-
Capital Movements	533	1,222	- 689
Mutual Aid	-	940	- 940
Contribution to UNNRA	-	34	- 34
Military Relief	-	67	- 67
Balancing Item (1)	11	-	+ 11
	<hr/>	<hr/>	
	5,210	5,210	
 <u>B. Canada and Empire Countries</u>			
<u>Current Account</u>			
Merchandise trade adjusted	1,954	213	+ 1,741
Tourist and travel expenditures	2	2	-
Interest and dividends	8	54	- 46
Freight and shipping	183	34	+ 149
War Services	81	696	- 615
Other current transactions	38	47	- 9
	<hr/>	<hr/>	
Totals - Current Account			
United Kingdom	1,854	926	+ 928
Other Empire Countries	412	120	+ 292
	<hr/>	<hr/>	
All Empire Countries	2,266	1,046	+ 1,220
Special U. S. Dollar transactions (2)	-	33	- 33
Capital Movements	73	423	- 350
Mutual Aid	-	838	- 838
Balancing Item (1)	1	-	+ 1
	<hr/>	<hr/>	
	2,340	2,340	

(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 U.K. in part settlement of her deficiency with Canada.

ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XIV - Preliminary Statement, 1945 - Concluded
(Millions of Canadian Dollars)

	<u>Credits</u>	<u>Debits</u>	<u>Net</u>
<u>C. Canada and Non-Empire Countries</u>			
<u>Current Account</u>			
Merchandise trade adjusted	1,701	1,229	+ 472
Net exports of non-monetary gold	96	-	+ 96
Tourist and travel expenditures	163	83	+ 80
Interest and dividends	68	199	- 131
Freight and shipping	157	188	- 31
All Other current transactions	182	169	+ 13
	<hr/>	<hr/>	<hr/>
Totals - Current Accounts-			
United States	1,740	1,712	+ 28
Other Foreign Countries	627	156	+ 471
	<hr/>	<hr/>	<hr/>
All Non-Empire Countries	2,367	1,868	+ 499
Special U. S. Dollar transactions(2)	33	-	+ 33
Capital Movements	460	799	- 339
Mutual Aid	-	102	- 102
Contribution to UNNRA	-	34	- 34
Military Relief	-	67	- 67
Balancing Item (1)	10	-	+ 10
	<hr/>	<hr/>	<hr/>
	2,870	2,870	

(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 U.K. in part settlement of her deficiency with Canada.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XV - Special and Capital Transactions between Canada and Empire Countries, 1937 - 1945
(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>	<u>1945</u>
<u>Capital Credits</u>									
Decrease in £ balances	-	-	-	-	-	818	-	4	-
Repayments on 1942 Loan	-	-	-	-	-	-	18	57	64
Investment in production assets	-	-	-	100	157	58	-	-	-
Other credits	9	-	65	16	24	8	2	85	9
Total Credits (1)	9	(2)	65	116	181	884	20	146	73
<u>Capital Debits</u>									
Private transactions -									
Redemptions of securities	26	21	45	13	10	30	10	32	31
Repurchases of securities	+ 20	12	5	28	36	8	26	27	41
Other capital payments	27	20	23	70	28	21	35	24	25
Official transactions -									
Repatriation of securities	-	-	75	137	188	296	4	2	1
Repatriation of production									
Assets - Fixed capital	-	-	-	-	-	-	205	2	-
Working capital	-	-	-	-	-	-	190	-	-
Increase in £ balances	-	-	-	82	728	-	-	-	1
Special loan to United Kingdom -	-	-	-	-	-	700	-	-	-
Interim advances to United Kingdom	-	-	-	-	-	-	-	-	164
Interim advances to other countries	-	-	-	-	-	-	-	-	45
Special payments	-	-	-	-	-	74	116	57	115
Total debits as above (1)	33	53	148	330	990	1,129	586	144	423
Special Gold and United States									
Dollar Transactions	-	-	2	248	-	23	143	55	33
Billion Dollar Contribution	-	-	-	-	-	1,000	-	-	-
Mutual Aid	-	-	-	-	-	-	503	834	838

(1) For purposes of comparability net security transactions are shown. Consequently gross capital credits and debits in 1937, 1938 and 1939 are less than in Tables VII and VIII where gross sales and purchases of securities are included.

(2) Miscellaneous capital credits are netted in 1938.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XVI - Capital Transactions between Canada and non-Empire Countries, 1937 - 1945
(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>	<u>1945</u>
New issues of Canadian securities	86	38	155	-	-	-	146	92	91
Retirements of Canadian Securities	140	79	131	41	31	25	308	166	179
Net new issues (+) or Net retirements (-)	- 54	- 41	+ 24	- 41	- 31 ⁽²⁾	- 25 ⁽²⁾	-162	- 74	- 88
Net Sales (+) or Net Purchases (-) of Outstanding Securities									
Canadian Securities	- 18	+ 48	+ 69	+ 15	+ 46	+132	+254	+183	+300
United States and Foreign	- 7	- 7	+ 18	+ 18	+ 28	+ 24	+ 44	+ 42	+ 96
Net Change in Liquid Reserves of Gold or U. S. \$	(3)	(3)	(3)	+ 79	+160	-144	-364	-278	-667
(Decline (+) Increase (-)									
Export Credits and Interim Advances	-	-	-	-	-	-	-	-	-105
Other Capital Movements and Adjusting Entries (Net)	- 69	- 59	-164	- 45	+109	+152	+117	+ 77	+125
<u>Gross Credits on Capital Account</u>	504 ⁽¹⁾	356 ⁽¹⁾	461 ⁽¹⁾	167	385	351	657	543	460
<u>Gross Debits on Capital Account</u>	652 ⁽¹⁾	415 ⁽¹⁾	514 ⁽¹⁾	141	73	212	768	593	799
<u>Net Capital Transactions</u>	-148	- 59	- 53	+ 26	+312	+139	-111	- 50	-339
Mutual Aid	-	-	-	-	-	-	- 9	-102	-102
Contribution to UNNRA	-	-	-	-	-	-	-	- 11	- 34
Military and Other Relief	-	-	-	-	-	- 2	- 6	- 13	- 67
Special Gold Transactions	-	-	+ 2	+248	-	+ 23	+143	+ 55	+ 33

(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.

(3) Available data included in other capital movements.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XVII - Revised Statement of Capital Transactions between Canada and all Countries, 1927 - 1936

	<u>1927</u>	<u>1928</u>	<u>1929</u>	<u>1930</u>	<u>1931</u>	<u>1932</u>	<u>1933</u>	<u>1934</u>	<u>1935</u>	<u>1936</u>
New Issues of Canadian Securities sold outside Canada	301	207	297	400	200	104	134	111	117	106
Retirements of Canadian securities owned outside of Canada	160	200	150	110	202	105	166	169	256	270
Net new issues (-) or net retirements (-)	+141	+ 7	+147	+290	- 2	- 1	- 32	- 58	-139	-164
Net Sales of Outstanding Securities										
Estimated (1)	-171	-126	- 2	+ 56	+ 45	+ 85				
Recorded							+ 51	+ 9	+ 51	+ 8
Direct Investments Transactions (2)	+ 35	+ 21	+ 18	+ 37	+ 10	- 28	- 59	- 45	- 44	- 62
Insurance Transactions	- 15	- 12	+ 19	+ 9	+ 34	- 1	- 1	+ 3	- 18	- 26
Net Change in external assets of Canadian Banks	+ 16	+ 87	+ 88	-	+ 28	+ 38	+ 24	- 19	-	+ 3
Monetary Gold (net)	- 7	+ 49	+ 37	- 36	+ 33	+ 3	+ 6	- 4	- 2	-
Other Capital Movements	+ 11	+ 6	+ 4	- 19	+ 26	-	-	-	-	-
Net Movement of Capital	+ 10	+ 32	+311	+337	+174	+ 96	- 11	-114	-152	-241
Net Balance on Current account	- 10	- 32	-311	-337	-174	- 96	- 2	+ 68	+125	+244
Including Net Exports of Non-Monetary Gold										
Balancing Item (3)	-	-	-	-	-	-	+ 13	+ 46	+ 27	- 3

- (1) The principal revisions of figures previously published occur in this item. As complete records covering the international trade in securities are not available before 1933 these transactions are estimated as the difference between all other recorded capital movements and the net balance on current account for the years from 1927 to 1932.
- (2) These figures have been revised by the transfer of some transactions formerly included in this item to the current account.
- (3) This balancing item reflects possible errors and the omission of transactions which cannot be measured statistically. In the years 1927 to 1932 errors and omissions are reflected in the item "Estimated Net Sales of Outstanding Securities".

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XVIII - Capital Transactions between Canada and Other Countries, 1937 - 1945 (2)

	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>1945</u>
Net retirements of Canadian securities held abroad including official repatriations									
In Foreign Countries	- 54	- 41	+ 24	- 41	- 31	- 25	-162	- 74	- 88
In Empire Countries	- 26	- 21	-120	-150	-198	-326	- 14	- 34	- 32
All Countries	- 80	- 62	- 96	-191	-229	-351	-176	-108	-120
Net sales of outstanding securities by Canada (+) or purchases (-)									
To or from Foreign Countries	- 25	+ 41	+ 87	+ 33	+ 74	+156	+298	+225	+396
To or from Empire Countries	+ 20	- 12	- 5	- 28	- 36	- 8	- 26	- 27	- 41
All Countries	- 5	+ 29	+ 82	+ 5	+ 38	+148	+272	+198	+355
Net Loans and advances by Canadian Government to Other Countries	-	-	-	-	-	-700	+ 18	+ 57	-250
Change in Liquid Reserves of Gold and United States Dollars (Increase (-))	(1)	(1)	(1)	+ 79	+160	-144	-364	-278	-667
Change in Sterling Balances (Increase (-))	(1)	(1)	(1)	- 82	-728	+818	-	-	- 1
Other Capital Movements	- 87	- 79	-122	+ 1	+262	+123	-427	+ 83	- 6
Net Movement of Capital	-172	-112	-136	-188	-497	-106	-677	- 48	-689
Mutual Aid & 1942 Contribution						-1,000	-512	-936	-940
Contributions to UNNRA, Military and other Official Relief						- 2	- 6	- 24	-101

(1) Not available

(2) For more detailed analysis see Tables XV and XVI.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XIX - Merchandise Trade Between Canada and Other Countries, 1933-1945.

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

(Millions of Canadian Dollars)

Credits from Exports	All Countries	Total	Empire		Total	Non-Empire	
			United Kingdom	Other Countries		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	3,590	1,970	1,796	174	1,620	1,444	176
1945	3,655	1,954	1,603	351	1,701	1,134	567
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
1945	1,442	213	100	113	1,229	1,119	110
Net Credits (+) or Debits (-)							
1933	+ 164	+ 118	+ 106	+ 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	+2,192	+1,774	+1,702	+ 72	+ 418	+ 331	+ 87
1945	+2,213	+1,741	+1,503	+ 238	+ 472	+ 15	+ 457

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XX - Revised Estimates of Tourist Expenditures Between Canada
and Other Countries, 1937-1945
(Millions of Canadian Dollars)

Credits - Expenditures 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							
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	119	2	2	(2)	117	117	(2)
1945	165	2	2	(2)	163	163	(2)
Debits - Expenditures of Canadian Tourists Abroad							
1937	87	18	16	2	69	65	4
1938	86	17	15	2	69	66	3
1939							
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)
1945	85	2	2	(2)	83	83	(2)
Net Credits (+) or Net Debits (-)							
1937	+ 79	- 6	- 5	- 1	+ 85	+ 84	+ 1
1938	+ 63	- 7	- 7	-	+ 70	+ 68	+ 2
1939							
1940	+ 61	+ 3	+ 3	-	+ 58	+ 58	-
1941	+ 90	-	-	-	+ 90	+ 89	+ 1
1942	+ 55	-	-	-	+ 55	+ 55	-
1943	+ 52	- 1	- 1	-	+ 53	+ 53	-
1944	+ 53	-	-	-	+ 61	+ 61	-
1945	+ 80	-	-	-	+ 80	+ 80	-

(1) Excluding Newfoundland

(2) Less than \$500,000.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XXI - Estimated Distribution of Interest and Dividend Payments and Receipts
Between Canada and Other Countries, 1937-1945
(Millions of Canadian Dollars)

Credits - Receipts of Interest & Div- idends from Invest- ments abroad	<u>Empire</u>					<u>Non-Empire</u>	
	<u>All Countries</u>	<u>Total</u>	<u>United Kingdom</u>	<u>Other Countries</u>	<u>Total</u>	<u>United States</u>	<u>Other Countries</u>
1937	76	7	2	5	69	31	38
1938	66	5	2	3	61	25	36
1939							
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
1945	76	8	4	4	68	44	24
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							
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
1945	253	54	53	1	199	194	5
Net Credits (+) or Debits (-)							
1937	- 226	- 80	- 83	+ 3	- 146	- 180	+ 34
1938	- 241	- 78	- 79	+ 1	- 163	- 193	+ 30
1939							
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
1945	- 177	- 46	- 49	+ 3	- 131	- 150	+ 19

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XXII

BRITISH AND FOREIGN CAPITAL INVESTED IN CANADA

As at December 31, Representative Years, 1926-1945

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>1945</u>
<u>Government Securities</u>					
Dominion	638.0	682.0	751.9	823.0	726.0
Provincial	421.6	592.3	571.7	536.0	619.0
Municipal	374.1	431.5	394.4	344.0	312.0
Total	1,433.7	1,705.8	1,718.0	1,703.0	1,657.0
<u>Public Utilities</u>					
Railways	1,938.4	2,244.3	2,244.7	1,870.6	1,601.0
Other	394.5	633.4	625.4	549.4	495.0
Total	2,332.9	2,877.7	2,870.1	2,420.0	2,096.0
Manufacturing	1,198.3	1,573.0	1,421.6	1,445.2	1,816.0
Mining and Smelting	219.1	334.1	338.5	329.1	400.0
Merchandising	149.8	202.9	191.5	189.3	227.0
Financial Institutions	343.6	542.9	479.6	472.7	546.0
Other Enterprises	65.2	82.4	75.2	69.0	69.0
Miscellaneous Assets	260.0	295.0	270.0	285.0	284.0
Total Investment	6,002.6	7,613.8	7,564.5	6,913.3	7,095.0

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XXIII

BRITISH AND FOREIGN CAPITAL INVESTED IN CANADA

As at December 31, Representative Years, 1926-1945

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>1945 (1)</u>
<u>Government Securities</u>					
Dominion	250.1	234.5	291.4	238.0	-
Provincial	72.6	69.3	74.2	58.0	40.0
Municipal	187.0	182.1	143.9	157.0	112.0
Total	509.7	485.9	509.5	453.0	152.0
<u>Public Utilities</u>					
Railways	1,371.0	1,351.7	1,353.8	1,215.3	809.0
Other	96.6	99.7	87.7	89.3	93.0
Total	1,467.6	1,451.4	1,441.5	1,304.6	902.0
Manufacturing	234.4	274.7	236.3	257.3	297.0
Mining and Smelting	50.9	73.8	72.1	61.4	63.0
Merchandising	49.2	61.6	56.5	54.9	57.0
Financial Institutions	175.5	242.7	213.0	220.9	205.0
Other Enterprises	4.0	5.2	3.9	3.8	5.0
Miscellaneous Assets	145.0	171.0	150.0	120.0	85.0
Total Investment	2,636.3	2,766.3	2,682.8	2,475.9	1,766.0

(1) Subject to revision.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XXIV

BRITISH AND FOREIGN CAPITAL INVESTED IN CANADA

As at December 31, Representative Years, 1926-1945

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>1945 (1)</u>
<u>Government Securities</u>					
Dominion	381.9	440.5	450.5	567.0	682.0
Provincial	342.0	517.0	492.5	473.0	574.0
Municipal	185.1	247.4	248.5	181.0	194.0
Total	909.0	1,204.9	1,191.5	1,221.0	1,450.0
<u>Public Utilities</u>					
Railways	510.4	832.6	830.9	588.3	720.0
Other	289.9	521.7	524.7	432.1	373.0
Total	800.3	1,354.3	1,355.6	1,020.4	1,093.0
Manufacturing	952.9	1,286.3	1,172.3	1,159.9	1,479.0
Mining and Smelting	165.2	255.3	260.4	250.7	318.0
Merchandising	98.6	137.3	131.0	129.4	165.0
Financial Institutions	125.1	251.2	220.6	200.8	285.0
Other Enterprises	60.2	76.2	70.3	64.2	62.0
Miscellaneous Assets	85.0	94.0	90.0	105.0	130.0
Total Investment	3,196.3	4,659.5	4,491.7	4,151.4	4,982.0

(1) Subject to revision.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XXV

BRITISH AND FOREIGN CAPITAL INVESTED IN CANADA

As at December 31, Representative Years, 1926-1945

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>1945 (1)</u>
<u>Government Securities</u>					
Dominion	6.0	7.0	10.0	18.0	44.0
Provincial	7.0	6.0	5.0	5.0	5.0
Municipal	2.0	2.0	2.0	6.0	6.0
Total	15.0	15.0	17.0	29.0	55.0
<u>Public Utilities</u>					
Railways	57.0	60.0	60.0	67.0	72.0
Other	8.0	12.0	13.0	28.0	29.0
Total	65.0	72.0	73.0	95.0	101.0
Manufacturing	11.0	12.0	13.0	28.0	40.0
Mining and Smelting	3.0	5.0	6.0	17.0	19.0
Merchandising	2.0	4.0	4.0	5.0	5.0
Financial Institutions	43.0	49.0	46.0	51.0	56.0
Other Enterprises	1.0	1.0	1.0	1.0	2.0
Miscellaneous Assets	30.0	30.0	30.0	60.0	69.0
Total Investment	170.0	188.0	190.0	286.0	347.0

(1) Subject to revision.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XXVI

Estimated British and Foreign Capital Invested in Canada, by Types of Investment,
December 31, 1945 (1)

(Millions of Dollars)

<u>Type of Investment</u>	<u>Estimated Distribution of Ownership</u>			<u>Total</u>
	<u>United States (2)</u>	<u>British (3)</u>	<u>Other Countries</u>	<u>Investments Owned Out-side Canada</u>
<u>Government Securities</u>				
Dominion	682.	-	44.	726.
Provincial	574.	40.	5.	619.
Municipal	194.	112.	6.	312.
Total	1,450.	152.	55.	1,657.
<u>Public Utilities</u>				
Railways	720.	809.	72.	1,601.
Other	373.	93.	29.	495.
Total	1,093.	902.	101.	2,096.
Manufacturing	1,479.	297.	40.	1,816.
Mining and Smelting	318.	63.	19.	400.
Merchandising	165.	57.	5.	227.
Financial Institutions	285.	205.	56.	546.
Other Enterprises	62.	5.	2.	69.
Miscellaneous Assets	130.	85.	69.	284.
Total Investment	4,982.	1,766.	347.	7,095.

(1) Subject to revision.

(2) (3) Includes some investments held in the United States and the United Kingdom 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 XXVII

BRITISH AND FOREIGN CAPITAL INVESTED IN CANADA, END OF 1945

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

<u>Types of Security</u>	<u>United States (1)</u>	<u>United Kingdom (2)</u>	<u>Other Foreign Countries</u>	<u>Total Non-Resident Investment</u>
<u>Bonds and Debentures</u>				
Dominion	682	-	44	726
Provincial	574	40	5	619
Municipal	194	112	6	312
Steam Railways	495	316	32	843
Other Corporations - controlled in Canada	158	46	16	220
Other Corporations - controlled outside of Canada	254	74	19	347
Total	2,357	588	122	3,067
<u>Capital Stock of Canadian Companies</u>				
Companies controlled in Canada	460	688	96	1,244
Companies controlled in the United States	1,610	57	16	1,683
Companies controlled in the United Kingdom	13	226	2	241
Companies controlled in Other Foreign Countries	-	-	19	19
Total	2,083	971	133	3,187
<u>Other Corporation Assets</u>				
Companies controlled in Canada	10	3	1	14
Companies controlled in the United States	401	-	-	401
Companies controlled in the United Kingdom	-	119	-	119
Companies controlled in Other Foreign Countries	1	-	22	23
Total	412	122	23	557
<u>Miscellaneous Investments</u>				
Real estate, mortgages, assets administered for non-residents, investment companies, etc.	130	85	69	284
Total	4,982	1,766	347	7,095

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

ESTIMATED CANADIAN INVESTMENTS ABROAD

Table XXVIII

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

(In Millions of Canadian Dollars)

A. Value of Investments, end of 1939 (Revised)

<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	412	380	121	501	913
United Kingdom	59	22	21	43	102
Other Empire Countries	54	7	15	22	76
Other Foreign Countries	146	102	51	153	299
Total	671	511	208	719	1,390

B. Value of Investments, end of 1945 (x)

<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	455	317	92	409	864
United Kingdom	54	26	27	53	107
Other Empire Countries	69	7	12	19	88
Other Foreign Countries	142	104	36	140	282
Total	720	454	167	621	1,341

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.

(x) Subject to revision.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XXIX

NET NATIONAL INCOME AND GROSS NATIONAL PRODUCT^x AND THE CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS
(Millions of dollars)

	1938	1939	1940	1941	1942	1943	1944	1945 (1)
Absolute								
1. Net National Income at Factor Cost	3,940	4,221	5,112	6,514	8,277	9,069	9,685	9,627
Exports	844	906	1,202	1,732	2,515	3,050	3,583	3,652
Exports & gold	1,005	1,090	1,405	1,936	2,699	3,192	3,693	3,748
Gross Current Credits	1,361	1,457	1,776	2,458	3,376	4,064	4,536	4,496
Imports	649	713	1,006	1,064	1,406	1,579	1,398	1,441
Gross Current Debits	1,261	1,331	1,627	1,967	2,275	2,858	3,539	2,854
2. Gross National Product at Market Prices	5,075	5,495	6,628	8,335	10,296	11,124	11,771	11,359
Exports	844	906	1,202	1,732	2,515	3,050	3,583	3,652
Exports & gold	1,005	1,090	1,405	1,936	2,699	3,192	3,693	3,748
Gross Current Credits	1,361	1,457	1,776	2,458	3,376	4,064	4,536	4,496
Imports	649	713	1,006	1,064	1,406	1,579	1,398	1,441
Gross Current Debits	1,261	1,331	1,627	1,967	2,275	2,858	3,539	2,854
Percentage								
1. Net National Income at Factor Cost								
Exports	21.4	21.5	23.5	26.6	30.4	33.6	37.0	37.9
Exports & gold	25.5	25.0	27.5	29.7	32.6	35.2	38.1	38.9
Gross Current Credits	34.5	34.5	34.7	37.7	40.8	44.8	46.8	46.7
Imports	16.5	16.9	19.7	16.3	17.0	17.4	14.4	15.0
Gross Current Debits	32.0	31.5	31.8	30.1	27.5	31.5	36.5	29.6
2. Gross National Product at Market Prices								
Exports	16.6	16.5	18.1	20.8	24.4	27.4	30.4	32.2
Exports & gold	19.8	19.8	21.2	23.2	26.2	28.7	31.4	33.0
Gross Current Credits	26.8	26.5	26.8	29.5	32.8	36.5	38.5	39.6
Imports	12.8	13.0	15.2	12.8	13.7	14.2	11.9	12.7
Gross Current Debits	24.8	24.2	24.5	23.6	22.1	25.7	30.1	25.1

(1) Subject to revision.

x.-"National Accounts - Income & Expenditure, 1938-1945"- D.B.S.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XXX

NUMBER OF CANADIAN BRANCHES AND SUBSIDIARY COMPANIES IN
CANADA CONTROLLED IN OTHER COUNTRIES, 1944 (1)

	<u>Controlled in</u>	
	<u>United States</u>	<u>Great Britain and Elsewhere Outside of Canada</u>
Manufacturing	989	149
Mining	80	12
Utilities	107	7
Merchandising	403	163
Financial	261	172
Miscellaneous	148	24
TOTAL	1,988	527

(1) Excluding some small branches in which the investment in Canada is relatively small.

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