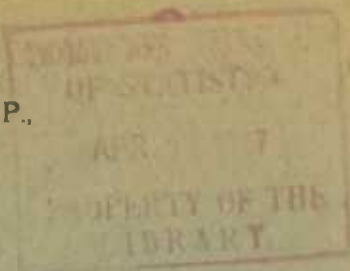


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Minister of Trade and Commerce



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

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**THE CANADIAN BALANCE**  
**OF**  
**INTERNATIONAL PAYMENTS,**

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**PRELIMINARY STATEMENT, 1946**



OTTAWA  
1947

Price 25 cents



# 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 commercial transactions with Britain and other overseas countries on the one hand, and with the United States on the other hand, have been sharply delineated for a period of years. A surplus of Canadian exports over imports and other payments to overseas countries and an excess of imports and other current payments by Canada to the United States were characteristic of the Canadian balance of payments before the war. During the war these characteristics were accentuated by the concentration on production in Canada for use overseas and the limited sources of supply outside of North America during the period. Since the war, the financial transactions arising out of the predominant commodity movements in Canadian trade are having important effects upon Canada's international investment position.

The characteristics of the Canadian balance of payments during the first transitional postwar year are revealed in the statement for 1946. There was a balance of credits on current account of \$458 million of which official contributions of relief constituted \$107 million, leaving a net credit balance of \$351 million exclusive of relief. This balance of credits compares with \$1,723 million in 1945 when Mutual Aid of \$1,041 million was the principal method of financing exports, and an average annual credit balance of \$155 million in the five years immediately before the war. The outstanding features of the statement for 1946 were the large credit balances with overseas countries largely financed by export credits and official contributions, and the sudden reappearance of a large current account deficit with the United States.

The value of exports to Britain, Europe and other overseas countries in 1946 was greater than in any previous peacetime year. The credit balance arising from Canadian transactions with overseas countries was also affected by the relatively small volume of commodities being sold to Canada by the United Kingdom and other countries receiving export credits from Canada. The consequent record peacetime disequilibrium in the balance of payments between Canada and the sterling area and the countries receiving export credits was financed by drawings of \$540 million on the United Kingdom loan, \$210 million by net advances to other countries receiving export credits, and \$112 million by net interim advances to the United Kingdom and other Empire countries prior to the new loans which were later cancelled in the Financial Settlement in March with the United Kingdom. There were also official contributions of relief to overseas countries of \$107 million.

BALANCE ON CURRENT ACCOUNT  
BETWEEN CANADA AND OTHER COUNTRIES, 1946  
(Millions of dollars)

Geographical Distribution -

Balance with United Kingdom .....	+ 495
Balance with Other Sterling Area .....	+ 167
Balance with Other Overseas Countries .....	+ 399
Balance with United States .....	- 603
Balance of Credits with All Countries .....	+ 458

BALANCE ON CURRENT ACCOUNT  
BETWEEN CANADA AND OTHER COUNTRIES, 1946 - Concluded.

(Millions of dollars)

Financing of Above Current Balances

Canadian Contribution to UNRRA .....	-	68
Military Relief .....	-	14
Mutual Aid .....	-	25
Total Official Contributions .....	-	107
Loan to the United Kingdom .....	-	540
Exports Credits and Advances to Foreign Countries .....	-	210
Interim Advances to Empire Countries .....	-	112(1)
Government Credits Financing Exports .....	-	862
Financial Settlement by the United Kingdom (net) .....	+	150
Repayments on 1942 loan to the United Kingdom .....	+	89
Repayments on Wheat Loan to USSR .....	+	5
Reduction in Official Reserves .....	+	251(2)
Repurchases of Securities from Sterling Area .....	-	135
Other Capital Transactions with Sterling Area .....	+	41
Other Capital Inflows from U. S. Dollar Area (including exchange adjustments and errors and omissions .....	+	110
	-	458

(1) Most of these advances were written off in the March  
Financial Settlement with the United Kingdom.

(2) Canadian dollar equivalent of the reduction of \$263 m. U.S.

But, accompanying the large volume of exports overseas financed by the Canadian government was an adverse current balance of payments with the United States of record size. The net current deficit with the United States of \$603 million was much larger than in any other year in Canada's history, comparing with \$318 million in 1941, \$437 million in 1929 and \$149 million in 1938. The heavy Canadian expenditures in the United States reflected in this deficit can not be disassociated from the record peacetime level of the national income of Canada arising from heavy internal investments, government financing of large exports to overseas countries, and other government expenditures, and large consumer demands. Many of these various demands have been augmented by postponements and depreciation during the wartime period. The abnormally high level of prices in the United States also had very significant effects upon the size of Canadian expenditures there.

This wide disequilibrium in Canada's accounts with overseas countries and the United States has an important financial significance since the deficiency of overseas countries in Canada is being financed by the Canadian government while the Canadian deficiency in the United States arises from cash trade and must be met by using official reserves of gold and U.S. dollars or by other capital inflows from the United States, in so far as the amount of convertible exchange received by Canada from overseas countries falls short of covering the deficit. Before the war when sterling and other European currencies were freely convertible into U.S. dollars, Canada's current receipts were more than adequate to meet the relatively small current deficiency in the United States during that period. In many years immediately before the war Canada was able to export capital mainly for the purpose of reducing indebtedness in the United States.



While Canada has been an exporter of capital in each year since 1934, it is important to recognize that Canada is still a debtor nation in so far as its international investment position is concerned. Exports of capital before the war had the effect mainly of reducing some of Canada's large indebtedness to the United States although there was some growth in Canadian assets abroad as well as the reduction in Canadian liabilities. During the war the total of foreign-owned investments in Canada increased slightly in value, non-resident investments having a value of \$7,095 million at the end of 1945 compared with \$6,913.3 million at the end of 1939. Important changes in ownership of the investments occurred as British investments in Canada sharply declined while United States and other foreign investments increased. During the wartime period there was a very large increase in Canadian assets abroad. These assets, including short term liquid assets in the United States and holdings of gold, increased from \$1,865 million in 1939 to \$3,715 million in 1945. The major part of the increase during the war occurred in official liquid reserves. The other principal increase occurred in the growth in Canadian government loans to overseas governments which at the end of 1945 amounted to \$707 million. Privately-owned Canadian investments abroad during the war declined due to liquidations in Canadian holdings of U.S. securities. The net indebtedness of Canada to all other countries amounted to about \$3½ billion at the end of 1945 after all gross liabilities and assets are taken into account.

Changes in Canada's international financial position in 1946 were varied. While there was a very sharp net increase, about \$656 million,\* in the outstanding amount of Canadian government loans to other governments there was at the same time a decline in Canada's official liquid U.S. dollar reserves, and other capital inflows from the United States which had the effect of increasing Canadian liabilities in the United States and reducing privately-owned assets as well as official balances there. The net export of capital from Canada to all countries of about \$351 million, therefore, reduced Canada's balance of indebtedness to other countries by a smaller amount than the large exports of capital to overseas countries as the Canadian participation in large loans to European governments for reconstruction has been made at a time when the net indebtedness of Canada to the United States was increasing. The large current deficit which Canada has with the United States has been affected to an important extent by the high incomes in Canada arising from the high volume of export trade maintained by loans extended by the Canadian government to assist the British and European governments during the transitional years.

The balance of Canadian indebtedness to other countries at the end of 1946 was probably not far from \$5½ billion, although all of the factors affecting the value of private investments at that date have not yet been measured. The balance of Canadian indebtedness to the United States increased appreciably, while there was a sharp reduction in the balance of indebtedness to the United Kingdom, and a large gain in the net creditor position which Canada now has with foreign overseas countries.

The loan of \$1,250 million to the United Kingdom, and other export credit loans authorized by Canada, which at the end of 1946 totalled close to \$600 million, result from the Canadian recognition of the need for the recovery of overseas economies whose prosperity is of vital importance to Canada. This springs from the economic interdependence of the world and the special interest which a major trading

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\* Exclusive of interim advances to Empire countries and amounts owing under Air Training Plan Agreements which were cancelled in the Settlements in March 1946.

nation like Canada has in the restoration of a world economy. The predominant structure of the Canadian balance of payments with its large export surpluses with overseas countries, and the customary dependence upon United States sources of supply for many commodities, and the balance of Canadian indebtedness to the United States points to the necessity of the restoration of overseas economies if traditional trading relationships are to continue. General exchange convertibility and increased production abroad are necessary so that overseas nations will again be able to pay for their imports with exports or other current revenue unimpeded by the exchange obstacles which arise from the distorted commodity movements now resulting from abnormal supply situations. The Canadian export credit arrangements and participation in the new international institutions like the International Monetary Fund and the International Bank are the principal contributions by Canada to the restoration of a world economy. Credit measures of the kind already extended are, of course, a temporary method of bridging the transitional period of reconversion until there is a restoration of more normal relations. It is doubtful if it would be possible for a country in Canada's position to continue for long to extend large amounts of credit for financing exports overseas if there also continued to be a very wide disequilibrium in Canada's current account with the United States which could not be financed out of current income from overseas and which, therefore, increased the balance of Canadian indebtedness to the United States unduly.

#### TRANSACTIONS WITH THE STERLING AREA

The chief feature about Canada's transactions with the sterling area during the past seven years since the start of the war has been the unprecedented size of the disequilibrium in the current account arising out of the predominant movement of commodities from Canada to the United Kingdom and other Empire destinations. The resulting British shortage of Canadian dollars has given rise to the necessity of providing special means of financing the gap between British expenditures in Canada and British income from Canada which are discussed further below.

#### CURRENT TRANSACTIONS IN GOODS AND SERVICES BETWEEN CANADA AND EMPIRE COUNTRIES<sup>(1)</sup> 1937 - 1946

(Millions of dollars)

Year	Current Receipts by Canada	Current Payments by Canada	Net Balance on Current Account	Mutual Aid and Contribution to Empire Countries	Net Balance Excluding Mutual Aid
1937 .....	565	406	+ 159	-	+ 159
1938 .....	508	337	+ 171	-	+ 171
1939 .....	502	326	+ 176	-	+ 176
1940 .....	822	403	+ 419	-	+ 419
1941 .....	1,321	516	+ 805	-	+ 805
1942 .....	1,826	557	+ 1,269	1,000	+ 269
1943 .....	2,066	850	+ 1,216	503	+ 713
1944 .....	2,307	1,428	+ 879	834	+ 45
1945 .....	2,266	1,046	+ 1,220	838	+ 382
1946 <sup>(2)</sup> .....	1,134	472	+ 662	5	+ 657

(1) During the period 1939 - 1946 the sterling area is covered.

(2) Subject to revision.



During the war normal British needs for Canadian food and raw materials were augmented by the absence of other sources of supply, by shipping considerations, and by the heavy movement overseas of munitions, ships and military equipment produced in Canada on British account for use in the war. While many of the abnormal commodity movements like shipments of munitions naturally ceased at the end of the war there nevertheless remained unusual British demands for Canadian food and certain raw materials. Consequently exports from Canada to the United Kingdom reached a peacetime record in 1946, even though they were much less in total than the peak wartime movements. While most of the commodities exported to the United Kingdom in 1946 had also been sold in that market before the war, British requirements in recent years were greater than prewar for such important staples as wheat, flour, bacon, cheese, wood-pulp, veneers and plywoods, and aluminum. While exports of some of these commodities were less in 1946 than in 1945 this was mainly due to reduced production and transportation limitations. Other commodities like eggs and beef which formerly had been relatively small were important components of exports in 1946. Other materials, of which examples are lumber, and base metals like copper, nickel, lead and zinc were shipped in large amounts to Britain although in less volume than before the war. Exports of some other commodities like certain manufactured goods were with a few exceptions generally small although British quotas provided for some token shipments, so that contact with traditional markets in Britain might be maintained by Canadian manufacturers. Higher prices over prewar as well as increased volume added to the total value of exports in 1946. The value of Canadian exports to the United Kingdom in 1946 amounted to \$626 million compared with a peak of \$1,796 million of exports on British account in 1944 and \$385 million exported to the United Kingdom in 1937.

CURRENT TRANSACTIONS IN GOODS AND SERVICES  
BETWEEN CANADA AND THE STERLING AREA - 1946

(Millions of dollars)

	United Kingdom	Other Sterling Area	Total Sterling Area
Current Receipts .....	834	300	1,134
Current Payments .....	339	133	472
Net Balance on Current Account ..	+ 495	+ 167	+ 662

Methods of Financing the above current deficiency of the Sterling Area in Canada:

Loan to the United Kingdom .....	- 540
Net interim advances (1) .....	- 112
British Financial Settlement with Canada ....	+ 150
Sale of gold to Canada .....	- 150
Repayments in 1942 Loan to United Kingdom ....	+ 89
Mutual Aid .....	- 5
Repatriations of securities .....	- 135
Disaccumulation of sterling balances .....	+ 15
Other capital transactions (including errors and omissions) .....	+ 26

(1) Most of these advances were written off in the March Financial Settlement with the United Kingdom.

But since 1946 was a year of reconversion for the British economy, commodities available in Britain for export were limited by prevailing shortages of fuel, materials and manpower, and by internal requirements. The volume of British exports increased substantially during the year, however, rising from about one-third of the exports in 1938 at the end of the war, to from 110 to 115 per cent of the volume of exports in 1938 by the end of 1946. But there was not a corresponding rise in British exports to Canada as most of the increase occurred in commodities which do not normally enter substantially into the British trade with Canada. Exports of many commodities which before the war made up a large part of British exports to Canada like coal, cotton textiles, and to a less extent woollen textiles, did not recover to the same extent as British exports generally. The result was that Canadian imports from the United Kingdom which were valued at \$138 million in 1946 represented a considerably smaller volume than imports before the war which were as high as \$148 million in 1937 at a time when prices were much lower than in 1946.

The non-commodity items of trade between Canada and the United Kingdom only added a small amount to the current disequilibrium as there continued to be appreciable Canadian government expenditures in Britain during the early part of the year on account of the Canadian forces overseas. These expenditures amounted to \$73 million during the year, compared with \$696 million in 1945. They included pay and allowances of Canadian service personnel still overseas, some transportation and other maintenance expenses. But, by the end of the year expenditures of this kind became relatively small. Most important among the other current payments to the United Kingdom were interest and dividend payments of \$54 million paid to British investors, an amount which has been sharply reduced by wartime repatriations of securities from the prewar total payments which in 1937 were \$85 million. While there were payments to Britain for freight and shipping services, these were much less than British expenditures on these services in Canada. Heavy outlays on inland freight in Canada on the large volume of exports was one of the contributing factors as well as the number of Canadian ships in trans-Atlantic services and the port expenditures of British ships in Canada. British expenditures on war services in Canada declined sharply from \$65 million in 1945 to \$18 million in 1946 as special activities were terminated. Prominent among other current receipts from Britain were such unilateral transactions as inheritances and immigrant funds. These were outflows which formerly had been curtailed by British exchange restrictions. There also were considerable amounts of funds returned to Canada by Canadian service personnel. Civilian travel between Canada and the United Kingdom continued to be sub-normal although there was a considerable increase in the amount during the year. There was a small balance of Canadian receipts on travel account in 1946 compared with appreciable debit balances before the war when there was a large amount of pleasure travel from Canada to Britain. Miscellaneous exchanges of other normal services between Canada and the United Kingdom resulted in the customarily moderate balance of payments by Canada on their account. As a result of all current exchanges of commodities and services between Canada and the United Kingdom in 1946 there was a credit balance of \$495 million compared with one of the \$928 million in 1945 and \$135 million in 1937.



CANADIAN TRADE WITH EMPIRE COUNTRIES OTHER THAN  
THE UNITED KINGDOM AND NEWFOUNDLAND BY PRINCIPAL  
GROUPS OF COMMODITIES - 1946

(Millions of dollars)

	Exports of Canadian Produce	Imports into Canada
Agricultural and Vegetable Products ..	82.1	61.6
Animal and Animal Products .....	20.9	11.7
Fibres, Textiles and Textile Products .	18.1	40.1
Wood, Wood Products and Paper .....	55.9	0.4
Iron and Its Products .....	58.0	0.2
Non-ferrous Metals and Products .....	11.3	10.6
Non-metallic Minerals and Products ..	2.9	3.1
Chemicals and Allied Products .....	9.6	0.5
Miscellaneous Products .....	10.1	1.5
Total .....	268.9	129.7

N.B. Above figures are not adjusted for balance of payments purposes.

Trade between Canada and the other Empire countries customarily results in a credit balance as well, further increasing the shortage of Canadian dollars in the whole sterling area. This trade also is now much larger than before the war and the disequilibrium in the current account with these countries in 1946 was \$167 million compared with \$24 million in 1937 and \$44 million in 1938. While this credit balance in 1946 was less than the record \$292 million in 1945 it reflects civilian trade, whereas in the earlier year munitions financed by Mutual Aid and special orders of railway equipment to India financed by the Canadian government advances made up much of the total. The gain in exports to British South Africa in 1946 was particularly notable, there being an export balance of \$60.7 million to that country. There were also export balances to each of the other British Dominions. Exports to India were at a peacetime peak and produced a substantial export balance in comparison with import balances before the war. But, exports to Australia and New Zealand were not much higher than prewar and the export balances with these countries were less than in some prewar years. There was also a growing export balance with the British West Indies, new peaks being reached by both export and import trade with this area, however, there were moderate import balances with some of the other Crown Colonies supplying tropical commodities to Canada. The peacetime peak in exports to Empire countries other than the United Kingdom must, of course, be associated with the world-wide shortage of commodities. Exports of many commodities have increased very sharply from prewar levels, particularly food and wood products. On the other hand, there are other commodities like motor trucks which formerly constituted an important part of the Canadian trade with the rest of the Empire which were held down by the shortage of supply in 1946. Canadian imports from this area retained much the same pattern as prewar. Tropical agricultural products and wool and jute have customarily made up the major part of the total and certain ores and minerals are increasing in importance. A large part of the increase in the total value of imports comes from higher prices. The principal service transactions between Canada and other Empire countries are the inland and ocean freight earned on exports from Canada to this area. Credits on this account were much heavier than in any prewar year and reflect partly the larger volume of exports and partly the greater number of Canadian operated ships on Empire services. Canada also has a small balance on income account arising mainly from direct investments in the British Dominions. Other exchange of services are relatively small.



COMMODITY TRADE BETWEEN CANADA AND OTHER EMPIRE COUNTRIES  
EXCLUDING THE UNITED KINGDOM AND NEWFOUNDLAND, 1937 AND 1946

(Millions of dollars)

	1937			1946		
	Exports	Imports	Net	Exports	Imports	Net
Australia .....	30.6	12.1	+ 18.5	38.2	19.8	+ 18.4
British South Africa ..	16.6	8.2	+ 8.4	68.6	7.9	+ 60.7
Eire .....	4.4	-	+ 4.4	8.0	-	+ 8.0
India .....	4.7	9.5	- 4.8	49.1	27.9	+ 21.2
New Zealand .....	14.7	7.6	+ 7.1	16.1	12.0	+ 4.1
British Guiana .....	1.5	5.6	- 4.1	7.1	12.2	- 5.1
British West Indies ..	11.5	12.2	- 0.7	50.2	22.1	+ 28.1
All other (excluding Newfoundland) .....	11.0	31.6	- 20.6	31.7	27.9	+ 3.8
Sub-Total .....	95.0	86.8	+ 8.2	269.0	129.8	+139.2
Newfoundland .....	9.1	2.5	+ 6.6	38.2	9.3	+ 28.9

N.B. Above figures are not adjusted for balance of payments purposes.

As has already been pointed out the existence of large credit balances with countries of the sterling area has not for a period of years provided Canada with income which could be freely converted into U.S. dollars. Sterling ceased to be convertible at the start of the war when British exchange control was introduced because of the British deficiency of dollar exchange. Since then only a minor part of the British current deficit in Canada has been settled by special transfers of gold or U.S. dollars.

The principal wartime method of financing the gap arising from the excess of British expenditures in Canada over receipts was by Mutual Aid to the countries of the sterling area. This aid, including the contribution of \$1 billion by the Canadian government to the United Kingdom in 1942, has totalled about \$3,180 million. Prominent among other wartime methods of financing the sterling area deficiency were official repatriations of \$703 million, private repatriations of Canadian securities held in the United Kingdom of about \$342 million and the loan of \$700 million to the United Kingdom in 1942. This loan resulted from the conversion of the larger part of approximately \$1,000 million which the Foreign Exchange Control Board was holding in sterling balances which had been accumulated in the earlier years of the war by the Board as a means of providing the United Kingdom with Canadian dollars. About \$300 million of the balances held at the same time was used by the Government for the final official repatriation of Canadian securities, the total of which is referred to above. Further details on wartime methods of financing are shown in Table XV.

Following the end of the war it became necessary for new sources of funds to be made available to the United Kingdom in order that the necessary shipments of food and raw materials and other commodities should be able to continue. The loan of \$1,250 million to the United Kingdom arising out of the Financial Agreement between Canada and the United Kingdom signed at Ottawa, March 6, 1946 and approved by the Canadian Parliament in May of the same year, was the principal postwar means of facilitating purchases by the United Kingdom of goods and services in Canada, by making it possible for the United Kingdom to meet transitional postwar deficits in its current balance of payments.

Between the end of Mutual Aid and the first use in May of the new loan to the United Kingdom, the principal means of financing was by interim advances by the Canadian government, covering mainly the financing of shipments of food to the United Kingdom. By the end of 1945 these interim advances to the United Kingdom amounted to \$164 million, in addition to about \$42 million to the Government of India for railway equipment and \$4 million to Australia. During the first two months of 1946 there were further interim advances to the United Kingdom and to India which along with the advances in 1945 were written off under the terms of the Agreement on the Settlement of War Claims. Some interim advances after March 1 were later repaid by the United Kingdom after the commencement of the use of the new credit, \$540 million of which was drawn down in 1946. Net interim advances to Empire countries for financing exports in 1946 were approximately \$112 million. Among the other financial transactions between the two governments in 1946 which are included in the balance of payments statement were repayments by the United Kingdom on the 1942 loan aggregating \$89.4 million, leaving \$471.9 million of the loan outstanding at the end of 1946. The principal private capital transactions were redemptions of about \$76 million of Canadian securities owned in the United Kingdom and gross repurchases of outstanding issues of about \$58 million, or net repurchases of about \$54 million. Repatriations of Canadian stocks constituted most of the repurchases although purchases of municipal and corporation bonds were also large. Other transactions of a capital character between the two countries were smaller, and included changes in British cash balances in Canada, and in Canadian held sterling balances. Since the financial settlement by the United Kingdom of \$150 million was effected by means of a sale of gold to Canada, the financial settlement and the purchase of gold by Canada were offsetting in their effects upon the financing of the sterling area's deficiency in Canada. A considerable inflow of funds from Britain arising from inheritances which had been blocked during the war along with capital remittances by British emigrants to Canada are the main groups of financial transactions included in the current account rather than the capital account because of their special unilateral character.

An additional amount of Mutual Aid to Empire countries of \$5 million is included in the statement for 1946 representing some final transactions in these accounts. Virtually all of this amount is in the accounts with Empire countries other than the United Kingdom, and the amount is included in exports to these countries and offset in the statement including the various methods of financing the sterling area deficiency, since although most of the goods covered were shipped prior to 1946, Mutual Aid transfers have been included in the balance of payments during the year in which the financial transactions occurred.

A number of other inter-governmental items directly arising out of wartime activities 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 the interim advances, already referred to, 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 capitulation 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.

The balance of Canadian indebtedness to the United Kingdom which at the end of 1945 was close to \$1 billion was reduced by approximately one-half by capital transactions during 1946.

#### CURRENT TRANSACTIONS WITH THE UNITED STATES

The characteristic feature of Canada's current account with the United States has been the substantial deficit normally arising from current transactions. Current Canadian expenditures in the United States have exceeded current receipts from that country in each year during the period of over two decades for which records are available with the exception of the unusual years 1944 and 1945, when slight surpluses resulted from abnormally large temporary receipts from the sale of munitions and grain to the United States. The typical excess of Canadian commodity imports from the United States over exports and the large payments on income account are the principal contributors to the deficits. Net payments by Canada for transportation and other services in the United States are also appreciable. The deficits on merchandise account result from the large volume and very wide range of commodities of all types purchased by Canada from the United States, compared with the narrower range of raw materials and primary products which the United States purchases in Canada, while the large income payments are directly related to the large amount of American capital invested in Canada which is much greater than in any other country. But, offsetting some part of the deficits from the types of transactions already referred to have been Canadian gold production which before the war was rising rapidly and the balance of receipts from United States tourists expenditures in Canada which usually exceeded Canadian expenditures on travel in the United States by a wide margin.

Before the war when sterling was freely convertible into U.S. dollars the current deficits were met out of the current surpluses which Canada had with the United Kingdom and other overseas countries. But, since the beginning of the war sterling ceased to be freely convertible because of the British deficiency of dollar exchange and the controls which had to be introduced to conserve British expenditures of dollars. Likewise other countries, particularly recent belligerent countries, have not been in a position to provide convertible exchange for all of their purchases in Canada. Consequently Canada now has to meet part of the current deficits with the United States by other means as the amount of convertible exchange received from overseas countries is only a minor part of Canada's current deficit with the United States. Although Canada has large current credit balances from trade with the sterling area and countries receiving export credits, the major parts of these export balances are financed by export credits from the Canadian government since the borrowing countries have not sufficient convertible exchange to meet their import requirements.



The special wartime methods of meeting Canadian needs for U.S. dollars have been described in detail in earlier reports on the Balance of Payments and reviewed for the wartime period in the Canadian Balance of International Payments, 1926 to 1945. Generally, new current sources of dollars were created by the special sale of munitions and other commodities to the United States, while unnecessary expenditures were limited by the introduction of curbs on current expenditures on pleasure travel and non-essential commodities during the period in which the wartime dollar scarcity was most acute. Controls on capital exports throughout the period ensured that funds were not lost through capital transactions. While in the two years at the end of the war Canada had, due to a combination of unusual temporary circumstances, small current surpluses, the Canadian current account with the United States again changed drastically in 1946 when large current deficits again reappeared.

The disequilibrium in the current account with the United States in 1946 was larger than in any other year in Canadian history, as post-war demands for goods and services in the United States first became effective. The deficit on current account of \$603 million is much larger than the wartime peak of \$318 million in 1941, and \$437 million in 1929, the peak in the predepression period of prosperity. In the years immediately before the war the deficit was much smaller, being \$139 million in 1938. The size of the deficit took on added significance in 1946 as the normal pre-war sources of convertible exchange from trade with overseas countries have been temporarily reduced because of the insufficiency of current dollar incomes resulting from limited productivity overseas during the transitional period in which overseas economies are being rehabilitated and re-converted to peacetime production. While Canada received some gold and U.S. dollars from the United Kingdom and other overseas countries, these receipts were insufficient to cover the Canadian deficit with the United States in 1946. Consequently, a considerable part of the deficit was met by capital inflows from the United States and by some use of official liquid reserves. These methods of covering the current deficit with the United States are described further below in the section dealing with capital movements between Canada and the United States dollar area.

The sudden re-emergence of the large deficit with the United States resulted from divergent trends in the receipts and expenditures. While total current receipts of \$1,575 million contracted \$165 million, current expenditures expanded sharply by \$468 million to a record level of \$2,178 million. The principal decline in receipts was from the sale of munitions and grain while the sharp gain in expenditures was more widely distributed, the large growth in the import total being accompanied by substantial increases in most of the other types of expenditure as well. Many sources of receipts tended to be limited in 1946 by available productive capacity in Canada, and by prevailing shortages of labour and materials, and by some interruptions to the production and movement of goods. In the case of some commodities like pulp and paper the United States has been receiving the largest part of Canadian production. But, because of the relatively small size of Canadian expenditures in the United States in relation to total goods and services available in the United States limitations of supply there were not as significant for the trade balance as they were in the case of the smaller range and limited production of Canadian goods and services sold to the United States. Canadian expenditures in the United States only amounted to a relatively small part, a little over 1 per cent, of the great pool of United States goods and services produced which aggregated \$194 billion according to official estimates in the United States. In contrast Canadian goods and services sold to the United States constituted over 14 per cent of the gross national product of Canada. Although there were prevailing shortages in the United States throughout 1946 and particularly in the earlier part of the year, the effects of insufficient supply were less apparent in relation to the Canadian balance of trade and a very large total of expenditures was possible even with the scarcities. Canadian imports from the United



States in 1946 amounted to more than \$100 per capita, while United States purchases of goods in Canada only amounted to something like \$6 per capita.

Relationships between national income and Canadian imports and other expenditures in the United States are naturally close. The national income of Canada in 1946 reached a record peacetime level but the circumstances producing it and the prevailing economic background have been unique. A large volume of government financed exports, and other government expenditures, unprecedented amounts of private internal investment and consumption have combined to produce abnormally high demands. These have led to new peacetime peaks in imports from the United States. Besides the direct consumers expenditures on United States goods and services there are the imports of fuel, materials, and components required in great volume when Canadian production is high, and the variety of machinery and capital equipment of United States origin purchased. A list of Canadian imports from the United States covers a great variety of commodities consumed in modern industry from raw materials and fuels to finished articles as well as many of the foods and other goods sold in Canadian stores. Just as it is impossible to determine how much of the current size of national income is due to the accumulation of wants which were postponed during the war so is it difficult to judge how much of the recent level of imports results from long deferred demands. Although it would appear that this factor is appreciable particularly in the case of machinery and capital equipment it should be noted that supplies of most commodities, particularly consumers' durable goods, were inadequate to meet demands even in the latter months of 1946 when supplies in the United States were less scarce than early in the year. There seems, therefore, to have been a considerable amount of unsatisfied Canadian demands for United States commodities throughout the year 1946.

Canadian imports from all countries in 1946 were 16.4 per cent of the gross national product of Canada of \$11,129 million, and because of prevailing conditions of supply most of the imports were from the United States. This is a higher percentage than in any other year during the period from 1938 on for which comparable statistics of the gross national product and expenditure are available, the ratio comparing with 12.7 per cent in 1945 and an earlier peak of 15.2 per cent in 1940. But the total of all current international debits was only a slightly higher ratio of national expenditure in 1946 than in 1945, mainly because the rise in imports was mostly offset by a decline in war expenditures by the Canadian government overseas. On the other hand gross current international credits from exports of goods and services were down to 30.0 per cent of the gross national expenditure in 1946 from a peak of 39.6 per cent in 1945. The corresponding ratio in 1938 was 26.8 per cent indicating that external revenue represented about the same ratio of national expenditure as in the period just before the war. It is notable that the ratio of imports to income was less in 1946 than in 1929 the earlier peacetime year of peak prosperity.

The increases in imports from the United States in 1946 were widely distributed as to commodities and were largest in the latter part of the year when there were better transportation conditions and when supplies of many commodities were increasing. A new peak in imports was reached in the last quarter of the year. Besides the improving supply, rising prices in the United States contributed to the growth in Canadian expenditures. Most of the price rises occurred with the decontrol of prices in the latter half of the year, and prices were still generally rising in groups of imports of significance to Canada at the year end. The official index of wholesale prices in the United States rose from 112.9 in June to 140.9 in December (1926=100). Although the return of the Canadian dollar to parity in July acted to reduce the Canadian dollar cost of imports the effect of this was more than offset by the rising price trend in the United States. Imports connected with very abnormal inventory increases are not evident, although a general improvement in



Canadian inventories took place during the year and some of this was in commodities imported from the United States. Some of the concentration in imports from the United States can be attributed to the slowness in recovery of overseas sources of supply which formerly were important to Canada as in the case of the British cotton textile industry.

# ANALYSIS OF IMPORTS FROM THE UNITED STATES

(Millions of Canadian dollars)

	1937	1945	1946	Quarters of 1946			
				I	II	III	IV
Agricultural and Vegetable							
Products .....	44.4	122.2	155.5	35.5	40.1	31.9	48.0
Animal Products .....	12.6	20.8	33.9	10.2	6.4	6.7	10.4
Fibres, Textiles .....	39.1	109.3	140.2	28.9	28.9	29.9	52.5
Wood and Paper Products .....	27.5	46.6	64.2	14.8	16.5	14.8	18.1
Iron and Its Products .....	173.9	375.0	467.0	83.3	118.3	122.5	142.9
Non-ferrous Metal Products ...	31.1	65.8	84.1	17.3	20.9	20.5	25.2
Non-metallic Mineral Products .	104.7	224.0	274.8	54.6	56.9	79.4	83.9
Chemicals and Allied Products .	22.5	71.3	83.6	19.9	22.5	19.1	22.3
Miscellaneous <sup>(1)</sup> .....	34.8	167.4	102.0	19.0	24.2	26.5	32.2
TOTAL .....	490.6	1,202.4	1,405.3	283.5	334.7	351.3	435.5

(1) The above figures have not been adjusted for balance of payments purposes. Included, therefore, in the miscellaneous groups are war materials and other non-commercial imports not purchased by Canada.

N.B. Due to rounding of monthly figures totals by quarters do not in every case add to exact annual total.

As the accompanying analysis of imports shows, increases from 1945 to 1946 were general and the values in the latter year were at least double and sometimes three or four times the prewar levels, the total of imports being not far from three times the 1937 total. While a considerable part of the increase during the decade is due to higher prices, quantities of imports in 1946 were generally much heavier than in 1937. In the case of some consumers goods the increase in quantity has been manifold, as the United States has become an important source of supply. To a large extent Canadian consumption of consumer goods is reflected in the groups of agricultural and animal products, and textiles. Both finished goods, and materials like raw cotton and cotton yarns, and fabrics for production of consumer goods in Canada enter into these imports. The important groups, iron and products and non-ferrous metals, generally reflect direct and indirect imports of durable goods. Agricultural implements and other machinery for productive purposes in Canada constitute important parts of the increase. Industrial materials, like primary steel, are also important constituents of these groups. Imports of automobiles and parts and other durable goods like electrical apparatus make up another important share of the durable goods imports. Many Canadian industries producing durable goods are subsidiaries of United States companies and there are close industrial relationships between Canada and the United States resulting, many of the parts and materials coming from related suppliers in the United States. In this class of production there is an appreciable amount of United States dollar content arising from Canadian exports of durable goods to overseas countries. The other principal elements in Canadian imports are made up of the groups, non-metallic mineral products, comprising for the most part fuels like coal and petroleum and their products, and



chemicals and allied products entering into a great many branches of industrial production. The miscellaneous group includes a variety of manufactured goods and some non-commercial imports.

Other current Canadian expenditures in the United States were for freight and shipping services, interest and dividends, travel and miscellaneous services and remittances. Each of these groups of expenditures resulted in net payments by Canada with the exception of travel expenditures which although at a record level were again exceeded by substantial receipts from American tourists.

The balance of payments of \$66 million on freight and shipping account was higher than in 1945 but less than wartime peaks when ocean transportation costs were higher. The increase in net payments from 1945 was mainly due to reduced receipts from the transportation of exports to the United States and from transportation services for the United States government in Canada, total payments to the United States being slightly lower. The latter decline arose from a decline in ocean shipping costs, from reduced freight in the United States on Canadian exports shipped to the sterling area through the United States, and from the revaluation of the Canadian dollar, although the United States dollar cost of rail freight was higher in 1946 because of the large volume of imports and some increases in United States railway rates during the last half of the year.

Payments of interest and dividends to the United States of \$250 million were the highest yet reached. Net payments of \$204 million compare with \$150 million in 1945 and an earlier peak of \$204 million in 1940. Canadian receipts of income from the United States of \$46 million were higher than in earlier years with the result that the previous peak of net payments was not exceeded. Income payments were divided between interest on bonds and debentures of \$101 million, and dividends of \$149 million, after tax. Interest payments have been rising in recent years as a result of the increases in United States holdings of Canadian bonds even though interest rates have been declining through refinancing and redemptions of high coupon issues. The Canadian dollar cost of interest paid in United States dollars in 1946, however, was reduced as the result of the revaluation of the Canadian dollar. The dividend payments of \$149 million to the United States in 1946, after withholding taxes, were at a new peak comparing with \$86 million in 1945 when payments were abnormally low as many companies reinvested considerable amounts of earnings. The increase was concentrated in payments by Canadian subsidiaries to parent companies in the United States. The source of the large dividend payments in 1946, therefore, was different from earlier periods of heavier dividends. A larger proportion in 1946 represented inter-company payments, whereas in earlier periods payments by public companies, particularly mining companies, were relatively more important. As well as reflecting earnings in 1946, heavier payments in the last half of 1946 by subsidiaries of United States companies represented, in many instances, withdrawals of earnings accumulated in earlier years. The slight rise in Canadian receipts of income from the United States took place in income from United States subsidiaries of Canadian companies as there was a slight decline in dividends received from publicly owned United States companies arising from the reductions in Canadian holdings of these issues in recent years. Some miscellaneous payments and receipts of income are included in the items "all other current receipts and payments". Payments of miscellaneous income were somewhat higher on balance in 1946 than in the previous year, partly because of withdrawals of accumulated earnings.

All other payments by Canada for current purposes almost doubled in 1946, while miscellaneous current receipts were slightly lower. Consequently there was a balance of payments of \$82 million in 1946 compared with net receipts of \$41 million



in 1945 and net payments of \$37 million in 1937. Part of the change arises from different abnormal government expenditures included. In 1945 there were appreciable receipts from United States government expenditures on defence in Canada, whereas in 1946 these were small. But, on the other hand, the Canadian government made payments with a value of approximately \$21 million (Canadian funds) to the United States Treasury in 1946 to cover the purchase of immovable assets left by the United States government in Canada, and certain military equipment. Almost every other type of current payment to the United States was also higher in 1946. Larger payments for business services of various kinds and for entertainment services, heavier personal remittances, and larger withdrawals of miscellaneous income not included in the interest and dividend item, all contributed to the growth in current payments. In addition there were unilateral payments of \$31 million, which were almost double the 1945 figure, connected with inheritances, and emigrants funds arising from a larger movement of residents of Canada to the United States.

Although receipts from exports to the United States declined from \$1,134 million in 1945 to \$948 million in 1946 this was due to the decline in the sales of munitions and grain. Receipts of U.S. dollars by War Supplies Ltd. from the sale of munitions included in the total were about \$55 million (Canadian funds) in 1946 compared with close to \$200 million in 1945. Most of the funds received in the latter year were from exports shipped earlier, munition shipments in 1946 being negligible. Other exports were considerably higher, however, chiefly because of the marked increase in exports of wood products which grew from \$329.3 million to \$447.8 million in 1946. Increases in the volume and price of newsprint, pulp and lumber all contributed to this increase which was most marked in the latter months of the year. Exports of non-ferrous metal and animal products, like fish and furs, also continued to be important contributors of United States exchange, although they were generally lower than in 1945. Exports of non-metallic minerals were slightly higher, and exports of chemicals continued to be much more substantial than before the war although less than during the war when many of these products were sold by War Supplies Ltd.

#### EXPORTS OF CANADIAN PRODUCE TO THE UNITED STATES

(Millions of dollars)

	<u>1937</u>	<u>1946</u>
Agricultural and Vegetable Products ...	59.7	104.9
Animal and Animal Products .....	48.8	99.0
Fibres, Textiles and Textile Products ..	2.7	10.5
Wood, Wood Products and Paper .....	179.5	447.8
Iron and Its Products .....	7.0	32.0
Non-ferrous Metals and Their Products ..	44.7	98.6
Non-metallic Minerals and Their Products.	19.4	36.3
Chemicals and Allied Products .....	9.7	30.0
Miscellaneous Commodities .....	9.9	20.1
<u>TOTAL .....</u>	<u>381.4</u>	<u>879.2</u>

N.B. Above data exclude foreign produce and with the exception of adjustments for sales of grain, the figures are not adjusted for balance of payments purposes.

Net exports of non-monetary gold in 1946 had about the same Canadian dollar value of \$96 million as in 1945. This figure corresponds closely to the value of current production in Canada less gold used for commercial purposes. The total is included in the current account with the United States as the newly-mined gold represents a current source of convertible exchange or assets even though it may not



all have been sold in the United States. Any of the gold which increases Canada's official stocks is offset in the capital account by an entry covering the change in gold holdings. While Canadian gold production rose moderately in 1946 the Canadian dollar value for the year was not much different because of the revaluation of the Canadian dollar. Shortages of labour prevented any substantial rise in gold production.

Expenditures on travel between Canada and the United States reached new peaks in 1946 but the rise in American expenditures in Canada was offset by a rise of corresponding size in Canadian expenditures in the United States, with the result that estimated net receipts of \$83 million were close to net receipts in 1945. United States expenditures on travel in Canada rose from \$163 million in 1945 to \$214 million in 1946, but Canadian expenditures in the United States rose from \$51 million to \$131 million. Influencing the expenditures in both directions were high levels of incomes and greater freedom of transportation after the period of wartime restraints and restrictions. Much of the increase in United States travel to Canada occurred in the automobile traffic which returned to a volume greater than before the war. Travel by air, bus and boat also increased notably, the only decline being in rail travel which, however, still continued much higher than prewar. The number of longer-term tourists to Canada was higher than prewar, considerably exceeding 3,000,000 persons. In addition there were many millions of local short-term visitors from the United States. The average expenditures of travellers in both directions were higher than in earlier years reflecting higher incomes, and, particularly in the case of Canadian expenditures in the United States, a growing availability of merchandise. Per capita expenditures of Canadians on travel in the United States continued to be much greater than corresponding American expenditures in Canada, as in the case of commodity transactions between the two countries. Canadians spend over \$10 per capita on travel in United States in comparison with per capita American expenditures of around \$1.50 in Canada.

#### CONVERTIBLE EXCHANGE FROM OTHER FOREIGN COUNTRIES

Foreign overseas countries have customarily been an important source of supply of convertible exchange needed in settling Canada's accounts with the United States. The major part of the large export balance with this group of countries in 1946, however, was financed by export credits of about \$210 million as described further below. The remaining transactions, including inland freight and shipping revenue and income from investments, resulted in a credit balance of \$87 million. Contributing to this source of convertible exchange were transfers of free U.S. dollars by UNRRA of about \$33 million (Canadian funds) to cover expenditures in Canada, U.S. dollars received from borrowing governments under the terms of the export credit loans, and from private trade with these countries aggregating about \$60 million, plus a small balance of receipts from other countries with convertible exchange. The net receipts of dollars from borrowing countries are less than the gross receipts noted above because of Canadian expenditures of convertible exchange in the borrowing countries which included about \$22 million on imports and smaller amounts for income payments on private investment in Canada owned in these countries. While Canadian commodity trade with Latin America resulted in a deficit of about \$15 million there were export balances with some other foreign countries in Asia, Africa and Europe which more than offset this commodity deficit. In addition there were some receipts for inland freight and shipping services over and above any small Canadian payments to these countries for shipping services. There were also some receipts of income from Canadian investments in Latin America. Travel between Canada and this group of countries was small in 1946, transactions being largely offsetting, and other exchanges of services including costs of government representation were relatively small. There were, however, substantial personal and benevolent



remittances to some European and Asiatic countries.

It is notable that net receipts of convertible exchange of \$87 million are of comparable size to net receipts from current trade with other foreign countries before the war when credit balances ranged from \$98 million in 1937 to \$66 million in 1939. The principal contrast in the recent situation lies in the size of the balance of convertible income in 1946 in relation to the larger total of exports to the area financed on credit from the Canadian government and in the much larger deficit which Canada now has with the United States, giving rise to the need for convertible income from elsewhere, and in part the result of the heavy exports from Canada which are made possible by government credits.

#### EXPORT CREDITS AND OFFICIAL CONTRIBUTIONS OF RELIEF

The net amount of export credits extended to foreign countries in 1946 amounted to about \$209.7 million compared with \$104.5 million in 1945. Actual drawings under the Export Credits Insurance Act, Part II were greater than this in 1946 since some of the funds drawn were used to repay interim advances obtained in 1945. Most of the net export credits were spent on goods actually exported during 1946 although a minor part of the funds were spent on transportation and other services, and payments for goods under production which will eventually be exported.

The amount of export credit loans already authorized but not drawn by December 31, 1946 amounted to about \$289 million. This is exclusive of the \$155.5 million of the potential total of \$750 million of credit which was still unallocated at the end of 1946.

#### NET LOANS AND ADVANCES TO FOREIGN GOVERNMENTS

(Millions of Can. dollars)

	1945	1946
Belgium .....	22.5	30.1
China .....	-	16.5
Czechoslovakia .....	0.7	3.2
France .....	34.9	108.9
Netherlands .....	29.8	34.2
Netherlands Indies .....	0.6	4.8
Norway .....	6.2	10.2
U. S. S. R. * .....	9.9	1.8
<b>TOTAL</b> .....	<b>104.5</b>	<b>209.7</b>

\* Exclusive of repayments of \$5.0 million received in 1946 on the \$10 million wheat loan, but including interim advances of \$8.8 million.

In addition to the exports paid for out of loans from the Dominion Government there were exports to European countries and China which were financed out of the Canadian government contribution to UNRRA. Goods exported during 1946 only amounted to a minor part of the total Canadian contribution of \$154 million since there were appreciable exports in 1945 and at the end of 1946 there remained some funds to be spent on shipments after that date. Exports from the Canadian contribution in 1946 are provisionally estimated at about \$68 million, including some expenditures on freight. There were shipments to such destinations as Austria, China, Czechoslovakia, Greece, Italy, Poland, the U.S.S.R. and Yugoslavia. In addition to

the UNRRA relief there was military relief covered by Canadian government expenditures of \$14.2 million in 1946 and Mutual Aid to foreign countries of \$19.4 million. While some of the commodities financed by these latter two measures were exported earlier than in 1946 the amounts are included in the 1946 statement because of the financing which occurred in that year. Not included in the statistics of official contributions of relief or the balance of payments are substantial private shipments of goods to overseas countries from Canada as gifts or for relief purposes. Total recorded gifts and donations covered in Canadian export statistics had a value of \$30 million in 1946. This is exclusive of small individual shipments. A minor part of this total, however, is included in the amount of UNRRA shipments referred to above.

POSTWAR LOANS AND ADVANCES TO OTHER COUNTRIES  
BY THE CANADIAN GOVERNMENT, AS AT DEC. 31, 1946  
(Millions of Cdn. dollars)

	Export Credit Loans Authorized	Net Amounts Drawn to (1) Dec.31,1946	Amounts Not Drawn by Dec.31,1946
A. Export Credits -			
Belgium .....	100.0	52.6	47.4
China .....	60.0	16.5	43.5
Czechoslovakia .....	19.0	3.9	15.1
France .....	242.5	143.8	98.7
Netherlands .....	125.0	64.0	61.0
Netherlands Indies .....	15.0	5.4	9.6
Norway .....	30.0	16.4	15.6
U.S.S.R. ....	3.0	11.7	0.1
Total Allocated .....	594.5	314.3	239.0
B. Loan to United Kingdom .....	1,250.0	540.0	710.0

(1) Including Interim Advances of \$14.0 mm outstanding December 31, 1946, of which Belgium received \$1.6 mm, Netherlands \$3.6 mm and the U.S.S.R. \$8.8 mm.

OTHER LOANS TO OTHER COUNTRIES  
OUTSTANDING, DEC. 31, 1946  
(Millions of Cdn. dollars)

Loan of \$700 million to United Kingdom in 1942 .....	471.9
Wheat Loan to U.S.S.R. ....	5.0
Loans made after War of 1914-1918 -	
Greece .....	6.5
Roumania .....	24.3

CAPITAL MOVEMENTS BETWEEN CANADA AND  
THE UNITED STATES DOLLAR AREA

The larger part of the current deficit with the United States in 1946 was financed by capital movements including the reduction in Canadian official reserves. The deficit of \$603 million was financed as follows:



Gold purchased from the United Kingdom .....	\$150 mm Cdn.
Net Current Receipts from Other Countries .....	87 mm Cdn.
Reduction in Official Reserves .....	263 mm U.S.
Balance - Other Capital Inflows (Including exchange adjustments) .....	103 mm Cdn.
	<hr/>
	\$ 603 mm Cdn.

Gold and U.S. dollars from the United Kingdom and other foreign countries were \$150 million and \$87 million, respectively, in terms of Canadian dollars. The remaining amount, \$366 million, was financed by transactions on capital account. The decline in official hard currency reserves was \$263 million U.S., leaving the Canadian holdings of gold and U.S. dollars at the end of 1946 close to \$1½ billion. Net receipts from other capital transactions were \$103 million expressed in terms of Canadian dollars and including some exchange adjustments.

The figure of other capital transactions is the net inflow arising from a great variety of capital transactions in both directions. Transactions in Canadian securities, in contrast to earlier years, led to a net outflow of funds with the United States dollar value of \$32 million or the Canadian equivalent of \$28 million, as redemptions of the issues were greater than sales of outstanding Canadian securities to the United States dollar area. Redemptions reached a new record size as some large issues were called for redemption in addition to the number of issues which matured in 1946. Among the redemptions were Dominion of Canada issues with a par value of \$115 million redeemed in January and a Canadian National Railway issue of about \$24 million redeemed in July. A number of other issues called during the year were refinanced by new issues sold in the United States, particularly in the railway and public utility fields. The total of all new issues sold in the United States had a Canadian dollar equivalent of about \$198 million if some substantial issues placed privately in the United States are included along with public floatations there. The total amount of Canadian issues retired in 1946 which were owned in the United States or elsewhere in the U.S. dollar area aggregated \$453 million Cdn. The net retirements after deductions of the new issues in the United States amounted to \$255 million, an amount which is much larger than in any earlier year, comparing with around \$130 million in each of 1935 and 1936, and \$162 million in 1943. Sales of outstanding Canadian securities to the U.S. dollar area of \$227 million were unusually large, although less than the totals in the peak years 1945 and 1943 of \$300 and \$254 million, respectively. The heavy United States demand for Canadian securities was largely concentrated in the first half of the year before the re-valuation of the Canadian dollar and during which period there was a wider variation between the higher yield on Canadian bonds compared with that on United States bonds than existed in that latter part of the year. Sales of Canadian bonds made up most of the total net sales. Sales of direct domestic issues of the Dominion government, and corporation issues constituted the largest part of the capital inflow although there were also some appreciable sales of provincial issues and some sales of municipals and Dominion guarantees. There were net sales of Canadian stocks as well, but large repurchases in connection with exchanges of securities offset most of the sales.

The transactions in Canadian securities in 1946 do not point to any very significant change in the total of holdings. Canadian bonds in the United States which at the end of 1945 had a par value estimated at \$2,557 million out of total United States investments in Canada at that time of \$4,982 million.

Transactions in United States and foreign securities yielded United States dollars with a Canadian dollar value of about \$64 million. Most of this, \$52 million,

represents U.S. dollars received from sales and redemptions of United States securities. The total is larger than in any earlier year with the exception of 1945. The figure does not reflect the change in Canadian holdings of United States securities in 1946, however, as there were also appreciable purchases of United States securities in connections with exchanges of securities. The reduction in private Canadian holdings of United States securities was consequently much less than the above figures suggest.

Other private capital movements during the year reduced Canadian assets abroad by \$15 million on balance. This change arose from net liquidations of other forms of assets than securities, as liquidations of assets exceeded capital outflows permitted for direct investments by Canadian businesses abroad, and the first subscription of about \$6 million in United States currency by Canada to the capital of the International Bank, - the two principal forms of capital outflow in 1946 other than redemptions of securities. There was also increases in Canadian liabilities abroad arising from such capital inflows as funds for American direct investments in branches and subsidiaries in Canada, and for deposit in bank accounts in Canada. Increases in liabilities other than from security transactions had a U.S. dollar value of \$61 million on balance. Exchange adjustments included in the figure of capital transactions arise from the necessity of converting all capital transactions to a common currency. These include the conversion of the change in official reserves to the Canadian dollar equivalent during the period of the year up to July when the change in the exchange rate occurred and the conversion of other capital transactions which took place in U.S. dollars in the earlier part of the year. In the capital account between Canada and all Non-Empire countries there are included some capital entries between Canada and other foreign countries in addition to those affecting Canada's dollar position already described above. These transactions, including some entries adjusting exchange transactions, were mainly offsetting.

As a result of capital movements during the year the balance of Canadian indebtedness to the United States which at the end of 1945 was less than \$3 billion was considerably more than \$3 billion by the end of 1946, although Canada's investment position with respect to other foreign overseas countries is now that of a creditor, assets in that area exceeding liabilities by several hundred millions of dollars.

#### STATISTICAL NOTES

##### Currency Areas

In statements for the period of exchange control, 1939 to 1946, 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 1946, 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 Agreement have been entered as credits in the merchandise account rather than the value of the goods exported. Similarly, from 1943 to 1946, 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 1946. 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 1946. 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. During the war, 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 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. In 1945 and 1946 military equipment returned from the United Kingdom by the Canadian armed services has been deducted from imports.

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 adjustments for these in the case of intra-company transactions appears elsewhere in the balance of payments.

Notes on the composition and statistical treatment of other items in the current account appear in the Statistical Notes appearing on pages 25 to 28 of the report on the Canadian Balance of International Payments, 1926 - 1945, and in earlier reports on the balance of payments published by the Dominion Bureau of Statistics.

#### 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.

#### 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 1946 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.



CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table I - Current Account Between Canada and All Countries, 1926-1946  
(Millions of dollars)

Year	Current Receipts	Current Expenditures	Net Balance On Current Account	Mutual Aid and Other Official Contribution in Current Account	Net Balance on Current Account Excluding Mutual Aid and Official Contributions
1926	1,665	1,538	+ 127	-	+ 127
1928	1,788	1,820	- 32	-	- 32
1930	1,297	1,634	- 337	-	- 337
1931	972	1,146	- 174	-	- 174
1932	808	904	- 96	-	- 96
1934	1,020	952	+ 68	-	+ 68
1935	1,145	1,020	+ 125	-	+ 125
1936	1,450	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	4,635	2,912	+ 1,723	+ 1,041	+ 682
1946(4)	3,341	2,883	+ 458	+ 107	+ 351

Table II - Geographical Distribution of the Balance on Current Account  
Between Canada and Other Countries, 1926-1946.

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

Year	All Countries	United Kingdom (1)	Other Overseas (2)	United States (3)
1926	+ 127	+ 58	+ 300	- 231
1928	- 32	- 21	+ 358	- 349
1930	- 337	- 106	+ 113	- 344
1931	- 174	- 54	+ 85	- 205
1932	- 96	- 14	+ 86	- 168
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	+ 1,723	+ 928	+ 765	+ 30
1946(4)	+ 458	+ 495	+ 566	- 603

- (1) Excl. wheat exports diverted to other overseas countries, and exports of gold.  
(2) Incl. estimated wheat sold in European Countries.  
(3) Incl. all net exports of non-monetary gold.  
(4) Preliminary.

# 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
<b>A. Current Credits with All Countries</b>											
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>B. Current Debits with All Countries</b>											
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
<b>Net balance on Current Account</b>											
Excluding all gold	+ 97	- 42	- 72	- 348	- 376	- 231	- 166	- 84	- 46	+ 6	+ 112
Including non-monetary gold	+127	- 10	- 32	- 311	- 337	- 174	- 96	- 2	+ 68	+125	+ 244
Monetary gold	+ 1	- 7	+ 49	+ 37	- 36	+ 33	+ 3	+ 6	- 4	- 2	-
Including all gold	+128	- 17	+ 17	- 274	- 373	- 141	- 93	+ 4	+ 64	+123	+ 244



# CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

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

	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
<b>A. Credits with the United Kingdom</b>											
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
<b>Total Current Credits excluding gold</b>	<b>352</b>	<b>305</b>	<b>323</b>	<b>256</b>	<b>203</b>	<b>170</b>	<b>176</b>	<b>214</b>	<b>261</b>	<b>295</b>	<b>382</b>
<b>B. Current Debits with the United Kingdom</b>											
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
<b>Total Current Debits</b>	<b>294</b>	<b>324</b>	<b>344</b>	<b>355</b>	<b>309</b>	<b>224</b>	<b>190</b>	<b>188</b>	<b>215</b>	<b>233</b>	<b>260</b>
<b>Net Current Account Balance Excluding Gold</b>	<b>+ 58</b>	<b>- 19</b>	<b>- 21</b>	<b>- 99</b>	<b>- 106</b>	<b>- 54</b>	<b>- 14</b>	<b>+ 26</b>	<b>+ 46</b>	<b>+ 62</b>	<b>+ 122</b>

(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
<b>A. Current Receipts from the United States</b>											
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
<b>Total Current Credits Including All Non-monetary Gold</b>	<b>787</b>	<b>821</b>	<b>867</b>	<b>899</b>	<b>736</b>	<b>556</b>	<b>422</b>	<b>415</b>	<b>521</b>	<b>603</b>	<b>738</b>
<b>B. Current Payments to the United States</b>											
Merchandise imports (adjusted)	652	690	810	875	634	372	246	205	278	299	352
Tourist expenditures	70	72	72	81	67	52	30	30	36	48	54
Interest and dividends	138	151	169	202	225	221	205	188	189	190	222
Freight and shipping	85	84	92	103	80	61	48	45	55	47	53
All other current debits	73	72	73	75	74	55	61	60	43	48	58
<b>Total Current Debits</b>	<b>1,018</b>	<b>1,069</b>	<b>1,216</b>	<b>1,336</b>	<b>1,080</b>	<b>761</b>	<b>590</b>	<b>528</b>	<b>601</b>	<b>632</b>	<b>739</b>
<b>Net Current Account Deficit including all net exports of non-monetary gold</b>	<b>- 231</b>	<b>- 248</b>	<b>- 349</b>	<b>- 437</b>	<b>- 344</b>	<b>- 205</b>	<b>- 168</b>	<b>- 113</b>	<b>- 80</b>	<b>- 29</b>	<b>- 1</b>

(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
<b>A. <u>Current Credits with Other Countries</u></b>											
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
<b>Total - Current Credits</b>	<b>526</b>	<b>507</b>	<b>598</b>	<b>491</b>	<b>358</b>	<b>246</b>	<b>210</b>	<b>200</b>	<b>238</b>	<b>247</b>	<b>310</b>
<b>B. <u>Current Debits with Other Countries</u></b>											
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
<b>Total - Current Debits</b>	<b>226</b>	<b>250</b>	<b>260</b>	<b>266</b>	<b>245</b>	<b>161</b>	<b>124</b>	<b>115</b>	<b>136</b>	<b>155</b>	<b>187</b>
<b>Net Credits on Current Account</b>	<b>+ 300</b>	<b>+ 257</b>	<b>+ 338</b>	<b>+ 225</b>	<b>+ 113</b>	<b>+ 85</b>	<b>+ 86</b>	<b>+ 85</b>	<b>+ 102</b>	<b>+ 92</b>	<b>+ 123</b>

(1) Including estimated wheat sold in European countries.

TABLE VII

## Transactions Between Canada and All Countries, 1937 - 1946

	(Millions of Canadian Dollars)									
	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946 <sup>(3)</sup>
<b>A. CREDITS-WITH ALL COUNTRIES</b>										
Merchandise exports adjusted	1,041	844	906	1,202	1,732	2,515	3,050	3,590	3,657	2,398
Net exports of non-monetary gold	145	161	184	203	204	184	142	110	96	96
Tourist and travel expenditures	166	149	149	104	111	81	88	119	165	219
Interest and dividends	76	66	57	52	60	67	59	71	76	74
Freight and shipping	112	95	102	138	185	221	288	322	340	287
All other current credits	53	46	59	77	166	308	437	345	301	267
Total Current Credits	1,593	1,361	1,457	1,776	2,458	3,376	4,064	4,557	4,635	3,341
Special Gold Transactions (2)	-	-	2	248	-	23	143	55	33	150
Capital Credits	622	458	558	283	566	1,235	677	689	533	928
<b>B. DEBITS-WITH ALL COUNTRIES</b>										
Merchandise imports adjusted	776	649	713	1,006	1,264	1,406	1,579	1,398	1,442	1,822
Tourist and travel expenditures	87	86	81	43	21	26	36	58	83	135
Interest and dividends	302	307	306	313	286	270	261	264	253	312
Freight and shipping	137	105	119	132	167	228	294	252	222	210
All other current debits	111	114	112	133	229	345	688	1,567	912	404
Total Current Debits	1,413	1,261	1,331	1,627	1,967	2,275	2,858	3,539	2,912	2,883
Special Gold Transactions (2)	-	-	2	248	-	23	143	55	33	150
Capital Debits	794	570	694	471	1,063	1,341	1,354	737	1,222	1,282
Billion Dollar Contribution	-	-	-	-	-	1,000	-	-	-	-
Mutual Aid (3)	-	-	-	-	-	-	512	936	940	25
Contributions to UNRRA	-	-	-	-	-	-	-	11	34	68
Military and Other Relief	-	-	-	-	-	2	6	9	67	14
<b>C. NET BALANCES-WITH ALL COUNTRIES</b>										
Merchandise trade adjusted	+265	+195	+193	+196	+468	+1,109	+1,471	+2,192	+2,215	+576
Net exports of non-monetary gold	+145	+161	+184	+203	+204	+184	+142	+110	+96	+96
Tourist and travel expenditures	+79	+63	+68	+61	+90	+55	+52	+61	+82	+84
Interest and dividends	-226	-241	-249	-261	-226	-203	-202	-193	-177	-238
Freight and shipping	-25	-10	-17	+6	+18	-7	-6	+70	+118	+77
All other current transactions	-58	-68	-53	-56	-63	-37	-251	-1,222	-611	-137
Total Current Account	+180	+100	+126	+149	+491	+1,101	+1,206	+1,018	+1,723	+458
Special Gold Transactions (2)	-	-	-	-	-	-	-	-	-	-
Capital Accounts	-172	-112	-136	-188	-497	-106	-677	-48	-689	-354
Billion Dollar Contribution	-	-	-	-	-	-1,000	-	-	-	-
Mutual Aid (3)	-	-	-	-	-	-	-512	-936	-940	-25
Contributions to UNRRA	-	-	-	-	-	-	-	-11	-34	-68
Military and Other Relief	-	-	-	-	-	-2	-6	-13	-67	-14
Balancing Item (1)	-8	+12	+10	+39	+6	+7	-11	-10	+7	+3
	-180	-100	-126	-149	-491	-1,109	-1,206	-1,018	-1,719	-458

(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.

(3) Subject to revision.



**TABLE - VIII Transactions Between Canada and Empire Countries, 1937 - 1946**  
(Millions of Canadian Dollars)

	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946 <sup>(3)</sup>
<b>A. CREDITS-WITH EMPIRE COUNTRIES</b>										
Merchandise exports adjusted	493	442	436	699	1,098	1,541	1,763	1,970	1,954	895
Tourist and travel expenditures	12	10	9	6	3	2	1	2	2	4
Interest and dividends	7	5	5	3	5	7	5	9	8	9
Freight and shipping	45	43	43	76	119	127	148	169	183	132
War Services	-	-	-	20	74	130	128	128	81	18
All other current credits	8	8	9	18	22	19	21	29	38	76
Total Current Credits	565	508	502	822	1,321	1,826	2,066	2,307	2,266	1,134
Capital Credits	118	102	97	116	181	884	20	146	73	309
<b>B. DEBITS-WITH EMPIRE COUNTRIES</b>										
Merchandise imports adjusted	235	184	177	236	279	226	200	196	213	267
Tourist and travel expenditures	18	17	13	3	3	2	2	2	2	3
Interest and dividends	87	83	80	76	68	51	52	56	54	55
Freight and shipping	47	34	39	36	36	49	47	33	34	32
Canadian Overseas expenditures	-	-	-	29	97	191	499	1,085	696	73
All other current debits	19	19	17	23	33	38	50	56	47	42
Total Current Debits	406	337	326	403	516	557	850	1,428	1,046	472
Special Gold Transactions <sup>(2)</sup>	-	-	2	248	-	23	143	55	33	150
Capital Debits	142	155	180	330	990	1,129	586	144	423	817
Billion Dollar Contribution	-	-	-	-	-	1,000	-	-	-	-
Mutual Aid	-	-	-	-	-	-	503	834	838	5
<b>C. NET BALANCES-WITH EMPIRE COUNTRIES</b>										
Merchandise trade adjusted	+258	+258	+259	+463	+819	+1,315	+1,563	+1,774	+1,741	+628
Tourist and travel expenditures	-6	-7	-4	+3	-	-	-1	-	-	+1
Interest and dividends	-80	-78	-75	-73	-63	-44	-47	-47	-46	-46
Freight and shipping	-2	+9	+4	+40	+83	+78	+101	+136	+149	+100
All other current transactions	-11	-11	-8	-14	-34	-80	-400	-984	-624	-21
Total Current Account	+159	+171	+176	+419	+805	+1,269	+1,216	+879	+1,220	+662
Special Gold Transactions (2)	-	-	-2	-248	-	-23	-143	-55	-33	-150
Capital Account	-24	-53	-83	-214	-809	-245	-566	+2	-350	-508
Billion Dollar Contribution	-	-	-	-	-	-1,000	-	-	-	-
Mutual Aid (3)	-	-	-	-	-	-	-503	-834	-838	-5
Balancing Item (1)	(1)	(1)	(1)	+43	+4	-1	-4	+8	+1	+1
				-419	-805	-1,269	-1,216	-879	-1,220	-662

(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 statements in the period before exchange control.

(2) This represents gold and U.S. dollars received from the U.K. in part settlement of her deficiency with Canada, and used in turn to settle part of Canada's deficiency with the United States.

(3) Subject to revision.

TABLE-IX

Current Transactions Between Canada and the United Kingdom, 1937 - 1946  
(Millions of Canadian Dollars)

	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946 <sup>(1)</sup>
<b>A. CURRENT CREDITS-WITH THE UNITED KINGDOM</b>										
Merchandise exports adjusted	385	337	332	542	914	1,424	1,636	1,796	1,603	626
Tourist and travel expenditures	11	8	7	5	2	2	1	2	2	3
Interest and dividends	2	2	2	2	4	5	4	8	4	7
Freight and shipping	38	34	34	60	110	114	128	139	145	107
War services	-	-	-	10	45	96	104	96	65	18
All other current credits	8	8	9	17	18	16	16	22	35	73
Total Current Credits	444	389	384	636	1,093	1,657	1,889	2,063	1,854	834
<b>B. CURRENT DEBITS-WITH THE UNITED KINGDOM</b>										
Merchandise imports adjusted	148	119	106	133	137	116	100	94	100	138
Tourist and travel expenditures	16	15	11	2	2	2	2	2	2	2
Interest and dividends	85	81	78	74	66	50	51	55	53	54
Freight and shipping	43	30	36	32	28	41	40	28	30	32
Canadian Overseas expenditures	-	-	-	29	97	191	499	1,085	696	73
All other current credits	17	17	16	23	29	34	48	53	45	40
Total Current Debits	309	262	247	293	359	434	740	1,317	926	339
<b>C. NET CURRENT BALANCES- WITH THE UNITED KINGDOM</b>										
Merchandise trade adjusted	+237	+218	+226	+409	+777	+1,308	+1,536	+1,702	+1,503	+488
Tourist and travel expenditures	-5	-7	-4	+3	-	-	-1	-	-	+1
Interest and dividends	-83	-79	-76	-72	-62	-45	-47	-47	-49	-47
Freight and shipping	-5	+4	-2	+28	+82	+73	+88	+111	+115	+75
All other current transactions	-9	-9	-7	-25	-63	-113	-427	-1,020	-641	-22
Total Current Account	+135	+127	+137	+343	+734	+1,223	+1,149	+746	+928	+495
Mutual Aid <sup>(1)</sup> and Contribution (Included in Credits above)	-	-	-	-	-	+1,000	+501	+774	+777	-

(1) Subject to revision.



TABLE - X

## Current Transactions Between Canada and Other Empire Countries, 1937 - 1946

(Millions of Canadian Dollars)

	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946 <sup>(2)</sup>
<b>A. CURRENT CREDITS-WITH OTHER EMPIRE COUNTRIES</b>										
Merchandise exports adjusted	108	105	104	157	184	117	127	174	351	269
Tourist and travel expenditures	1	2	2	1	1	(1)	(1)	(1)	(1)	1
Interest and dividends	5	3	3	1	1	2	1	1	4	2
Freight and shipping	7	9	9	16	9	13	20	30	38	25
War Services	-	-	-	10	29	34	24	32	16	-
All other current credits	(1)	(1)	(1)	1	4	3	5	7	3	3
Total Current Credits	121	119	118	186	228	169	177	244	412	300
<b>B. CURRENT DEBITS-WITH OTHER EMPIRE COUNTRIES</b>										
Merchandise imports adjusted	87	65	71	103	142	110	100	102	113	129
Tourist and travel expenditures	2	2	2	1	1	(1)	(1)	(1)	(1)	1
Interest and dividends	2	2	2	2	2	1	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	2
Total Current Debits	97	75	79	110	157	123	110	111	120	133
<b>C. NET CURRENT BALANCES-WITH OTHER EMPIRE COUNTRIES</b>										
Merchandise trade adjusted	+21	+40	+33	+54	+42	+ 7	+27	+72	+238	+140
Tourist and travel expenditures	- 1	-	-	-	-	-	-	-	-	-
Interest and dividends	+ 3	+ 1	+ 1	- 1	- 1	+ 1	-	-	+ 3	+ 1
Freight and shipping	+ 3	+ 5	+ 6	+12	+ 1	+ 5	+13	+25	+34	+25
All other current transactions	- 2	- 2	- 1	+11	+29	+ 33	+27	+36	+17	+ 1
Total Current Account	+24	+44	+39	+76	+71	+ 46	+67	+133	+292	+167
Mutual Aid <sup>(2)</sup> Included in Credits	-	-	-	-	-	-	+ 2	+60	+61	+ 5

(1) Less than \$500,000

(2) Subject to revision.

TABLE - XI

## Transactions Between Canada and Non-Empire Countries, 1937 - 1946

(Millions of Canadian Dollars)

	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946 <sup>(3)</sup>
<b>A. CREDITS-WITH NON-EMPIRE COUNTRIES</b>										
Merchandise exports adjusted	548	402	470	503	634	974	1,287	1,620	1,703	1,503
Net exports of non-monetary gold	145	161	184	203	204	184	142	110	96	96
Tourist and travel expenditures	154	139	140	98	108	79	87	117	163	215
Interest and dividends	69	61	52	49	55	60	54	62	68	65
Freight and shipping	67	52	59	62	66	94	140	153	157	155
All other current credits	45	38	50	39	70	159	288	188	182	173
Total Current Credits	1,028	853	955	954	1,137	1,550	1,998	2,250	2,367	2,207
Special Gold Transactions(2)	-	-	2	248	-	23	143	55	33	150
Capital Credits	504	356	461	167	385	351	657	543	460	619
<b>B. DEBITS-WITH NON-EMPIRE COUNTRIES</b>										
Merchandise imports adjusted	541	465	536	770	985	1,180	1,379	1,202	1,229	1,555
Tourist and travel expenditures	69	69	68	40	18	24	34	56	81	132
Interest and dividends	215	224	226	237	218	219	209	208	199	257
Freight and shipping	90	71	80	96	131	179	247	219	188	178
Canadian overseas expenditures	-	-	-	-	-	-	-	-	25	49
All other current debits	92	95	95	81	99	116	139	426	144	240
Total Current Debits	1,007	924	1,005	1,224	1,451	1,718	2,008	2,111	1,868	2,411
Capital Debits	652	415	514	141	73	212	768	593	799	465
Mutual Aid	-	-	-	-	-	-	9	102	102	20
Contribution to UNRRA	-	-	-	-	-	-	-	11	34	68
Military and other relief	-	-	-	-	-	2	6	9	71	14
<b>C. NET BALANCES-WITH NON-EMPIRE COUNTRIES</b>										
Merchandise trade adjusted	+7	-63	-66	-267	-351	-206	-92	+418	+474	-52
Net exports of non-monetary gold	+145	+161	+184	+203	+204	+184	+142	+110	+96	+96
Tourist and travel expenditures	+85	+70	+72	+58	+90	+55	+53	+61	+82	+83
Interest and dividends	-146	-163	-174	-188	-163	-189	-155	-148	-131	-192
Freight and shipping	-23	-19	-21	-34	-65	-85	-107	-66	-31	-23
All other current transactions	-47	-57	-45	-42	-29	+43	+149	-238	+13	-116
Total Current Account	+21	-71	-50	-270	-314	-168	-10	+139	+503	-204
Special Gold Transactions (2)	-	-	+ 2	+248	-	+23	+143	+55	+33	+150
Capital Account	-148	-59	-53	+26	+312	+139	-111	-50	-339	+154
Mutual Aid (3)	-	-	-	-	-	-	-9	-102	-102	-20
Contributions to UNRRA	-	-	-	-	-	-	-	-11	-34	-68
Military and Other Relief	-	-	-	-	-	-2	-6	-13	-67	-14
Balancing Item (1)	(1)	(1)	(1)	-4	+2	+8	-7	-18	+6	+2
				+270	+314	+168	+10	-139	-503	+204

(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 U.S. dollars received from the U.K. in part settlement of her deficiency with Canada, and used in turn to settle part of Canada's deficiency with the United States.

(3) Subject to revision.



TABLE - XII

Current Transactions Between Canada and the United States, 1937 - 1946  
(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>1946</u> <sup>(1)</sup>
<b>A. CREDITS- WITH THE UNITED STATES</b>										
Merchandise exports adjusted	391	268	344	424	566	911	1,224	1,444	1,134	948
Net exports of non-monetary gold	145	161	184	203	204	184	142	110	96	96
Tourist and travel expenditures	149	134	137	98	107	79	87	117	183	214
Interest and dividends	31	25	27	29	39	43	34	42	44	46
Freight and shipping	45	39	46	49	64	92	137	146	134	112
All other current credits	<u>42</u>	<u>36</u>	<u>42</u>	<u>31</u>	<u>65</u>	<u>152</u>	<u>274</u>	<u>176</u>	<u>169</u>	<u>159</u>
Total Current Credits	803	663	780	834	1,045	1,461	1,898	2,035	1,740	1,575
<b>B. DEBITS- WITH THE UNITED STATES</b>										
Merchandise imports adjusted	463	400	472	702	910	1,116	1,311	1,113	1,119	1,378
Tourist and travel expenditures	65	66	67	40	18	24	34	56	81	131
Interest and dividends	211	218	220	233	214	215	205	203	194	250
Freight and shipping	68	55	61	78	131	179	247	219	188	178
All other current debits	<u>73</u>	<u>73</u>	<u>76</u>	<u>73</u>	<u>90</u>	<u>107</u>	<u>120</u>	<u>413(2)</u>	<u>128</u>	<u>241</u>
Total Current Debits	880	812	896	1,126	1,363	1,641	1,917	2,004	1,710	2,178
<b>C. NET BALANCES- WITH THE UNITED STATES</b>										
Merchandise trade adjusted	-72	-132	-128	-278	-344	-205	-87	+331	+15	-430
Net exports of non-monetary gold	+145	+161	+184	+203	+204	+184	+142	+110	+96	+96
Tourist and travel expenditures	+84	+68	+70	+58	+89	+55	+53	+61	+82	+83
Interest and dividends	-180	-193	-193	-204	-175	-172	-171	-161	-150	-204
Freight and shipping	-23	-16	-15	-29	-67	-87	-110	-73	-54	-66
All other current transactions	<u>-31</u>	<u>-37</u>	<u>-34</u>	<u>-42</u>	<u>-25</u>	<u>+45</u>	<u>+154</u>	<u>-237</u>	<u>+41</u>	<u>-82</u>
Total Current Account	-77	-149	-116	-292	-318	-180	-19	+31	+30	-603

(1) Subject to revision

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

TABLE - XIII

Current Transactions Between Canada and Other Foreign Countries, 1937 - 1946  
(Millions of Canadian Dollars)

	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946 <sup>(1)</sup>
<b>A. CREDITS- WITH OTHER FOREIGN COUNTRIES</b>										
Merchandise exports adjusted	157	134	126	79	68	63	63	176	569	555
Tourist and travel expenditures	5	5	3	(3)	1	(3)	(3)	(3)	(3)	1
Interest and dividends	38	36	25	20	16	17	20	20	24	19
Freight and shipping	22	13	13	13	2	2	3	7	23	43
All other current credits	<u>3</u>	<u>2</u>	<u>8</u>	<u>8</u>	<u>5</u>	<u>7</u>	<u>14</u>	<u>12</u>	<u>13</u>	<u>14</u>
Total Current Credits	225	190	175	120	92	89	100	215	629	632
<b>B. DEBITS- WITH OTHER FOREIGN COUNTRIES</b>										
Merchandise imports adjusted	78	65	64	68	75	64	68	89	110	177
Tourist and travel expenditures	4	3	1	(1)	(1)	(1)	(1)	(1)	(1)	1
Interest and dividends	4	6	6	4	4	4	4	5	5	7
Freight and shipping	22	16	19	18	(2)	(2)	(2)	(2)	(2)	-
Canadian Overseas Expenditures	-	-	-	-	-	-	-	-	25	26
All other current debits	<u>19</u>	<u>22</u>	<u>19</u>	<u>8</u>	<u>9</u>	<u>9</u>	<u>19</u>	<u>13</u>	<u>16</u>	<u>22</u>
Total Current Debits	127	112	109	98	88	77	91	107	156	233
<b>C. NET BALANCES- WITH OTHER FOREIGN COUNTRIES</b>										
Merchandise trade adjusted	+79	+69	+62	+11	-7	-1	-5	+87	+459	+378
Tourist and travel expenditures	+1	+2	+2	-	+1	-	-	-	-	-
Interest and dividends	+34	+30	+19	+16	+12	+13	+16	+15	+19	+12
Freight and shipping	-	-3	-6	-5	+2	+2	+3	+7	+23	+43
All other current transactions	<u>-16</u>	<u>-20</u>	<u>-11</u>	<u>-</u>	<u>-4</u>	<u>-2</u>	<u>-5</u>	<u>-1</u>	<u>-28</u>	<u>-8</u>
Total Current Account	+98	+78	+66	+22	+4	+12	+9	+108	+473	+399
Mutual Aid <sup>(1)</sup> Included in Credits	-	-	-	-	-	-	9	102	102	20
Contribution to UNRRA	-	-	-	-	-	-	-	11	34	68
Military and other Relief	-	-	-	-	-	2	6	13	67	14
Export Credits and Advances	-	-	-	-	-	-	-	-	105	210

(1) Subject to revision

(2) Included in amount shown for United States

(3) Less than \$500,000



Table XIV - Current Account of the Canadian Balance of Payments (Preliminary Statement), 1946.

(Millions of dollars)

	All Countries	United Kingdom	Other Sterling Area	United States	Other Foreign Countries	
					Cash Trade and Purchases with Export Credits <sup>(2)</sup>	Mutual Aid and Official Relief
<u>Current Receipts</u>						
Merchandise exports (adjusted) ...	2,343	626	269 <sup>(1)</sup>	893	455	100
Receipts by War Supplies Ltd. ....	55	-	-	55	-	-
Net exports of non-monetary gold ..	96	-	-	96	-	-
Tourist expenditures .....	219	3	1	214	1	-
Interest and dividends .....	74	7	2	46	19	-
Freight .....	287	107	25	112	41	2
War Services .....	18	18	-	-	-	-
Inheritances and immigrants funds .	64	45	-	19	-	-
All other current receipts .....	185	28	3	140	14	-
Total Current Account .....	3,341	834	300	1,575	530	102
<u>Current Payments</u>						
Merchandise imports (adjusted) ...	1,322	138	129	1,378	177	-
Tourist expenditures .....	135	2	1	131	1	-
Interest and dividends .....	312	54	1	250	7	-
Freight .....	210	32	-	173	-	-
War expenditures .....	122	73	-	23	26	-
Inheritances and emigrants funds ..	33	2	-	31	-	-
All other current payments .....	249	38	2	187	22	-
Total Current Payments .....	2,833	339	133	2,178	233	-
Net Balance on Current Account	+ 458	+ 495	+ 167	- 603	+ 297 <sup>(2)</sup>	+ 102
Net Balance on Current Account excluding Mutual Aid and Relief .	+ 351	+ 495	+ 162	- 603	+ 297 <sup>(2)</sup>	-

(1) Including Mutual Aid of 5.

(2) Including trade financed by net Export Credits and advances of 210.

Table XV - Special and Capital Transactions between Canada and Empire Countries, 1937-1946  
(Millions of Canadian dollars)

	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946 <sup>(4)</sup>
<b>Capital Credits</b>										
Decrease in £ balances .....	-	-	-	-	-	818	-	4	-	15
Repayments on 1942 Loan .....	-	-	-	-	-	-	18	57	64	89
Investment in production assets .....	-	-	-	100	157	58	-	-	-	-
Financial Settlement by United Kingdom .....	-	-	-	-	-	-	-	-	-	150
Other credits .....	9	-	65	16	24	8	2	85	9	55
Total Credits (1) .....	9	(2)	65	116	181	884	20	146	73	309
<b>Capital Debits</b>										
Private transactions -										
Redemptions of securities .....	26	21	45	13	10	30	10	32	31	76
Repurchases of securities .....	20	12	5	28	36	8	26	27	41	58
Other capital payments .....	27	20	23	70	28	21	35	24	25	12
Official transactions -										
Repatriation of securities .....	-	-	75	137	188	296	4	2	1	1
Repatriation of production .....	-	-	-	-	-	-	-	-	-	-
Assets - Fixed capital .....	-	-	-	-	-	-	205	2	-	-
Working capital .....	-	-	-	-	-	-	190	-	-	-
Increase in £ balances .....	-	-	-	82	728	-	-	-	1	-
War Loan to United Kingdom .....	-	-	-	-	-	700	-	-	-	-
Post War Loan to United Kingdom .....	-	-	-	-	-	-	-	-	-	540
Interim advances to United Kingdom <sup>(3)</sup> .....	-	-	-	-	-	-	-	-	164)	-
Interim advances to Other Countries <sup>(3)</sup> .....	-	-	-	-	-	-	-	-	45)	112
Special payments .....	-	-	-	-	-	74	116	57	115	18
Total debits as above (1) ....	33	53	148	330	990	1,129	586	144	423	817
Special Gold and United States										
Dollar Transactions .....	-	-	2	248	-	23	143	55	33	150
Billion Dollar Contribution .....	-	-	-	-	-	1,000	-	-	-	-
Mutual Aid (4) .....	-	-	-	-	-	-	503	834	838	5

(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. (3) Most of these advances were cancelled in the Financial Settlement with the United Kingdom. (4) Subject to revision.



Table XVI - Capital Transactions between Canada and non-Empire Countries, 1937-1946

(Millions of Canadian dollars)

	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946 <sup>(4)</sup>
New issues of Canadian securities ...	86	38	155	-	-	-	146	92	91	198
Retirements of Canadian securities ..	140	79	131	41	31	25	308	166	179	453
Net new issues (+) or Net retirements(-) .....	- 54	- 41	+ 24	- 41	- 31 <sup>(2)</sup>	- 25 <sup>(2)</sup>	-162	- 74	- 88	-255
Net Sales (+) or Net Purchases (-) of Outstanding Securities -										
Canadian Securities .....	- 18	+ 48	+ 69	+ 15	+ 46	+132	+254	+183	+300	+227
United States and Foreign .....	- 7	- 7	+ 18	+ 13	+ 28	+ 24	+ 44	+ 42	+ 96	+ 64
Net Change in Liquid Reserves of Gold or U.S. \$ .....	(3)	(3)	(3)	+ 79	+160	-144	-364	-278	-667	+251
(Decline (+) Increase (-) )										
Export Credits and Interim Advances ..	-	-	-	-	-	-	-	-	-105	-210
Other Capital Movements and Adjusting Entries (Net) .....	- 69	- 59	-164	- 45	+109	+152	+117	+ 77	+125	+ 77
Gross Credits on Capital Account ..	504 <sup>(1)</sup>	356 <sup>(1)</sup>	461 <sup>(1)</sup>	137	385	351	657	543	460	619
Gross Debits on Capital Account ..	652 <sup>(1)</sup>	415 <sup>(1)</sup>	514 <sup>(1)</sup>	141	73	212	768	593	799	465
Net Capital Transactions .....	-148	- 59	- 53	+ 26	+312	+139	-111	- 50	-339	+154
Mutual Aid (4) .....	-	-	-	-	-	-	- 9	-102	-102	- 20
Contribution to UNRRA .....	-	-	-	-	-	-	-	- 11	- 34	- 68
Military and Other Relief .....	-	-	-	-	-	- 2	- 6	- 13	- 67	- 14
Special Gold Transactions .....	-	-	+ 2	+243	-	+ 23	+143	+ 55	+ 33	+150

(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.

(4) Subject to revision.

# 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".



Table XVIII - Capital Transactions between Canada and Other Countries, 1937-1946<sup>(2)</sup>

(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>1946</u> <sup>(4)</sup>
Net retirements of Canadian securities held abroad including official repatriations -										
In Foreign Countries .....	- 54	- 41	+ 24	- 41	- 31	- 25	-162	- 74	- 88	-255
In Empire Countries .....	- 26	- 21	-120	-150	-198	-326	- 14	- 34	- 32	- 77
All Countries .....	- 80	- 62	- 96	-191	-229	-351	-176	-108	-120	-332
Net sales of outstanding securities by Canada (+) or Purchases (-)										
To or from Foreign Countries .....	- 25	+ 41	+ 87	+ 33	+ 74	+156	+298	+225	+396	+291
To or from Empire Countries .....	+ 20	- 12	- 5	- 28	- 36	- 8	- 26	- 27	- 41	- 54
All Countries .....	- 5	+ 29	+ 82	+ 5	+ 38	+148	+272	+198	+355	+237
Net Loans <sup>(3)</sup> and advances by Canadian Government to Other Countries										
(Increase (-) .....	-	-	-	-	-	-700	+ 18	+ 57	-250	-661 <sup>(3)</sup>
Change in Liquid Reserves of Gold and United States Dollars (Increase (-) ..	(1)	(1)	(1)	+ 79	+160	-144	-364	-278	-667	+251
Change in Sterling Balances(Increase(-)	(1)	(1)	(1)	- 82	-728	+818	-	-	1	+ 15
Other Capital Movements .....	- 87	- 79	-122	+ 1	+262	+123	-427	+ 83	- 6	+136
Net Movement of Capital .....	-172	-112	-136	-188	-497	-106	-677	- 48	-689	-354
Mutual Aid <sup>(4)</sup> and 1942 Contribution .	-	-	-	-	-	-1,000	-512	-936	-940	- 25
Contributions to UNRRA, Military and Other Official Relief .....	-	-	-	-	-	- 2	- 6	- 24	-101	- 82

(1) Not available.

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

(3) Excluding repayments of 5 on Wheat Loan to U.S.S.R. which are included in Other Capital Movements.

(4) Subject to revision.

Table XIX - Merchandise Trade Between Canada and Other Countries, 1933-1946

(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	138	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	.....	3,657	1,954	1,603	351	1,703	1,134	569
1946	.....	2,398	895	626	269	1,503	948	555
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
1946	.....	1,822	267	138	129	1,555	1,376	177
Net Credits (+) or Debits (-)								
1933	.....	+ 164	+ 118	+ 108	+ 10	+ 46	- 28	+ 74
1934	.....	+ 164	+ 153	+ 131	+ 22	+ 11	- 52	+ 63
1935	.....	+ 206	+ 166	+ 148	+ 18	+ 40	- 14	+ 54
1936	.....	+ 342	+ 242	+ 222	+ 20	+ 100	+ 17	+ 83
1937	.....	+ 265	+ 258	+ 237	+ 21	+ 7	- 72	+ 79
1938	.....	+ 195	+ 258	+ 218	+ 40	- 63	- 132	+ 69
1939	.....	+ 193	+ 259	+ 226	+ 33	- 66	- 128	+ 62
1940	.....	+ 196	+ 463	+ 409	+ 54	- 267	- 278	+ 11
1941	.....	+ 468	+ 819	+ 777	+ 42	- 351	- 344	- 7
1942	.....	+1,109	+1,315	+1,308	+ 7	- 206	- 205	- 1
1943	.....	+1,471	+1,563	+1,536	+ 27	- 92	- 87	- 5
1944	.....	+2,192	+1,774	+1,702	+ 72	+ 418	+ 331	+ 87
1945	.....	+2,215	+1,741	+1,503	+ 238	+ 474	+ 15	+ 459
1946	.....	+ 576	+ 628	+ 488	+ 140	- 52	- 430	+ 378



Table XX - Revised Estimates of Tourist Expenditures  
Between Canada and Other Countries, 1937-1946

(Millions of Canadian dollars)

Credits - Expenditures of Foreign Tourists in Canada		All Countries	Empire			Non-Empire		
			Total	United Kingdom	Other Countries	Total	United States	Other Countries
1937	.....	166	12	11	1	154	149	5
1938	.....	149	10	8	2	139	134	5
1939	.....	149	9	7	2	140	137	3
1940	.....	104	6	5	1	98	98	(2)
1941	.....	111	3	2	1	108	107	1
1942	.....	81	2	2	(2)	79	79	(2)
1943	.....	88	1	1	(2)	87	87	(2)
1944	.....	119	2	2	(2)	117	117	(2)
1945	.....	165	2	2	(2)	163	163	(2)
1946	.....	219	4	3	1	215	214	1
Debits - Expenditures of Canadian Tourists Abroad								
			Total	United Kingdom	Other Countries	Total	United States	Other Countries
1937	.....	87	18	16	2	69	65	4
1938	.....	86	17	15	2	69	66	3
1939	.....	81	13	11	2	68	67	1
1940	.....	43	3	2	1	40	40	(2)
1941	.....	21	3	2	1	18	18	(2)
1942	.....	26	2	2	(2)	24	24	(2)
1943	.....	36	2	2	(2)	34	34	(2)
1944	.....	59	2	2	(2)	57	57	(2)
1945	.....	83	2	2	(2)	81	81	(2)
1946	.....	135	3	2	1	132	131	1
Net Credits (+) or Net Debits (-)								
			Total	United Kingdom	Other Countries	Total	United States	Other Countries
1937	.....	+ 79	- 6	- 5	- 1	+ 85	+ 84	+ 1
1938	.....	+ 63	- 7	- 7	-	+ 70	+ 68	+ 2
1939	.....	+ 68	- 4	- 4	-	+ 72	+ 70	+ 2
1940	.....	+ 61	+ 3	+ 3	-	+ 58	+ 58	-
1941	.....	+ 90	-	-	-	+ 90	+ 89	+ 1
1942	.....	+ 55	-	-	-	+ 55	+ 55	-
1943	.....	+ 52	- 1	- 1	-	+ 53	+ 53	-
1944	.....	+ 60	-	-	-	+ 60	+ 60	-
1945	.....	+ 82	-	-	-	+ 82	+ 82	-
1946	.....	+ 84	+ 1	+ 1	-	+ 83	+ 83	-

(1) Excluding Newfoundland.

(2) Less than \$500,000.

Table XAI - Estimated Distribution of Interest and Dividend Payments and Receipts  
Between Canada and Other Countries, 1937-1946

(Millions of Canadian dollars)

Credits - Receipts of Interest and Divi- dends from Invest- ments abroad		All Countries	Empire			Non-Empire		
			Total	United Kingdom	Other Countries	Total	United States	Other Countries
1937	.....	76	7	2	5	69	31	38
1938	.....	66	5	2	3	61	25	36
1939	.....	57	5	2	3	52	27	25
1940	.....	52	3	2	1	49	29	20
1941	.....	60	5	4	1	55	39	16
1942	.....	67	7	5	2	60	43	17
1943	.....	59	5	4	1	54	34	20
1944	.....	71	9	8	1	62	42	20
1945	.....	76	8	4	4	68	44	24
1946	.....	74	9	7	2	65	46	19

Debits -  
Payments of  
Interest and Divi-  
dends to  
Non-Residents

1937	.....	302	87	85	2	215	211	4
1938	.....	307	83	81	2	224	218	6
1939	.....	306	80	78	2	226	220	6
1940	.....	313	76	74	2	237	233	4
1941	.....	286	68	66	2	218	214	4
1942	.....	270	51	50	1	219	215	4
1943	.....	261	52	51	1	209	205	4
1944	.....	264	56	55	1	208	203	5
1945	.....	253	54	53	1	199	194	5
1946	.....	312	55	54	1	257	250	7

Net Credits (+)  
or Debits (-)

1937	.....	+ 226	- 80	- 83	+ 3	- 146	- 180	+ 34
1938	.....	- 241	- 78	- 79	+ 1	- 163	- 193	+ 30
1939	.....	- 249	- 75	- 76	+ 1	- 174	- 193	+ 19
1940	.....	- 261	- 73	- 72	- 1	- 188	- 204	+ 16
1941	.....	- 226	- 63	- 62	- 1	- 163	- 175	+ 12
1942	.....	- 203	- 44	- 45	+ 1	- 159	- 172	+ 13
1943	.....	- 202	- 47	- 47	-	- 155	- 171	+ 16
1944	.....	- 193	- 47	- 47	-	- 146	- 161	+ 15
1945	.....	- 177	- 46	- 49	+ 3	- 131	- 150	+ 19
1946	.....	- 238	- 46	- 47	+ 1	- 192	- 204	+ 12



Table XXII - Statistics on Canada's International Investment Position

A. 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	1,766.0
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 in Canada ...	6,002.6	7,613.8	7,364.5	6,913.3	7,095.0

B. Summary - 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)

	<u>1926</u>	<u>1930</u>	<u>1933</u>	<u>1939</u>	<u>1945</u>
Capital Stock .....	1,000.0	1,329.4	1,271.6	1,289.2	1,609.0
Bonds .....	187.6	336.3	338.3	305.8	290.0
Other Investments .....	214.9	327.0	323.4	285.9	401.0
Total .....	1,402.5	1,992.7	1,933.3	1,880.9	2,300.0

C. Summary - 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
	1,496	1,865	3,715

(1) Not available. (2) Including holdings of gold which at the end of 1945 had a Canadian dollar value of \$388 million.

N.B. A more detailed analysis of British and Foreign Investments in Canada and Canadian Investments Abroad has been published in the Canadian Balance of International Payments, 1926-1945.



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CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Table XXIII

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</u> (1)	<u>United Kingdom</u> (2)	<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.