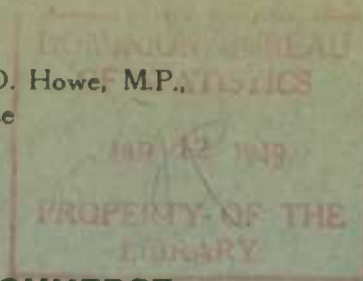


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**CANADA**  
**DEPARTMENT OF TRADE AND COMMERCE**  
**DOMINION BUREAU OF STATISTICS**  
**BALANCE OF PAYMENTS SECTION**

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

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**PRELIMINARY STATEMENT, 1948**

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OTTAWA  
1949

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

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THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1948.

The great improvement which took place in Canada's international accounts in 1948 is disclosed in the rise in the credit balance on current account to \$453 million from \$47 million in 1947, comparing with \$363 million in 1946. This improvement resulted from a rise in the value of exports of goods and services at a time when the total value of imports of goods and services remained virtually unchanged. Most of the increase in the value of exports of goods and services resulted from price increases as the volume, in the aggregate, does not appear to have been much altered, although there were important changes in the volume of different groups of goods and services. The volume of imports on the other hand was materially reduced chiefly because of the effects of the Emergency Exchange Conservation programme introduced in November 1947.

Even greater changes occurred in Canada's accounts with individual countries and areas. The spectacular rise in the value of exports of goods and services to the United States, combined with a reduction in the value of imports, due to reductions in the volume of commodity imports and in other current expenditures, led to a sharp decline in the current account deficit with the United States from \$1,135 million in 1947 to \$401 million in 1948.

Accompanying this reduction in the disequilibrium with the United States there were appreciable declines in the export surpluses with the United Kingdom, the other sterling area, and other overseas countries. The current surplus with all overseas countries dropped from \$1,220 million in 1947 to \$873 million in 1948, including exports of official relief of \$38 million and \$19 million respectively in the two years.

This improvement in the current account balance with all countries of \$406 million was an important contributor to the rise in Canada's official liquid reserves of \$496 million in 1948 compared with a reduction of \$743 million in 1947, as shown in Statement 1. At the end of 1948 Canada's official liquid reserves amounted to \$998 million.

Changes in capital transactions effected the other improvements. The changes in the bilateral disequilibrium of the Canadian balance of payments and in the amounts of exports to overseas countries financed by loans and contributions from the Canadian Government have had very important direct effects upon the size of Canada's liquid reserves. Since the amount of Canada's exports financed by postwar loans and export credits of the Canadian Government was much less in 1948 than in the two preceding years there was a larger amount of convertible exchange received from trade with overseas countries in 1948, even though the current account surplus with this group of countries declined. Net postwar loans by Canada declined

Statement I - Summary of Current and Capital Transactions  
Between Canada and All Other Countries, 1945 - 1948  
(Millions of Dollars)

	<u>1945</u>	<u>1946</u>	<u>1947</u>	<u>1948(1)</u>
<u>Current Account</u>				
Gross Current Receipts	4,456	3,365	3,746	4,139
Gross Current Payments	2,910	2,905	3,661	3,667
Current Account Balance	+1,546	+ 460	+ 85	+472
Current Deficit with U.S.A.	+ 36	- 607	-1,135	-401
Current Surplus with Overseas Countries	+1,510	+1,067	+1,220	+873
Official Contributions to Overseas Countries	- 858	- 97	- 38	- 19
Net Balance on Current Account (Excluding Official Contributions)	+ 688	+ 363	+ 47	+453
<u>Capital Account</u>				
Net Post War Loans by Canada (2)	- 105	- 750	- 563	-126
Repayments by U.K. on 1942 Loan	+ 64	+ 89	+ 104	+ 64
Financial Settlement with U.K.	-	+ 150	-	-
Interim Advances to British Countries	- 209	- 112	-	-
Gold Contribution to International Monetary Fund	-	- 1	- 74	-
All other Capital Movements(net) (3)	+ 229	+ 10	- 237	+105
Net Change in Official Liquid Reserves				
Decrease (+)		251	743	
Increase (-)	667			496
	- 688	- 363	- 47	-453

(1) Subject to revision.

(2) Excluding interim advances to British Countries.

(3) Including small balancing items of errors and omissions.

from \$750 million in 1946 and \$563 million in 1947 to \$126 million in 1948. Cross drawings on the loans in the latter two years were \$570 million and \$142 million respectively. Exports of relief from Canada financed by official contributions of the Canadian Government also were less in 1948, being \$19 million compared with \$38 million in 1947 and \$97 million in 1946. Consequently a larger part of exports to overseas countries yielded convertible exchange than in 1947.

Other capital movements in 1948 also had favourable effects upon Canada's liquid reserves whereas in 1947 they had resulted in the use of reserves. The chief contributing factor to the capital inflows in 1948 was the sale of \$150 million of bonds by the Canadian Government to a group of insurance companies in the United States for the purpose of repaying amounts drawn in the first half of the year from the credit extended by the Export-Import Bank of Washington. Whereas in 1947 there had been large redemptions of Canadian securities owned abroad these transactions were much smaller in 1948, and in 1947 there had also been the gold contribution by Canada to the International Monetary Fund of \$74 million.

A more comprehensive analysis of the balance of payments and Canada's international investment position will appear in the special report entitled "The Canadian Balance of International Payments, 1926 to 1948" to be issued at an early date.

### Transactions with the United States

Most of the reduction of \$734 million in 1948 in the current deficit with the United States occurred in the commodity account, net payments for merchandise being reduced from \$890 million to \$289 million or \$601 million. The remainder of the reduction, \$133 million, was distributed among all other current transactions, the deficit in these declining from \$245 million to \$112 million.

The improvement on commodity account was due to an increase of about 44% in the value of exports which rose from \$1,061 million to \$1,508 million and to a decline in the value of imports of \$154 million.

### Factors in Canada's Current Account Deficit with the United States

(Millions of Dollars)

	<u>1929</u>	<u>1937</u>	<u>1946</u>	<u>1947</u>	<u>1948(2)</u>
Merchandise Trade					
Imports from U.S.A. (adjusted)	875	463	1,378	1,951	1,797
Exports(1) to U.S.A. (adjusted)	519	391	948	1,061	1,508
	-356	- 72	- 430	- 890	- 289
Non-monetary gold	+ 37	+145	+ 96	+ 99	+ 119
Tourist expenditures	+103	+ 84	+ 86	+ 89	+ 158
Interest and dividends	-172	-180	- 203	- 239	- 230
Freight and shipping	- 35	- 23	- 68	- 117	- 84
All other current transactions	- 14	- 31	- 88	- 77	- 75
<u>Total Current Deficit</u>	<u>-437</u>	<u>- 77</u>	<u>- 607</u>	<u>-1,135</u>	<u>- 401</u>

(1) Including receipts by War Supplies Ltd. of \$55 million in 1946 and \$13 million in 1947.

(2) Subject to revision.

The increase in the value of exports occurred in a great many commodities, including the principal export staples. The increase was particularly large in lumber, pulp and paper, meat, cattle, coarse grains, non-ferrous metals, and agricultural implements. Some of these increases were due to diversions of exports from overseas markets, like lumber and meat, when overseas demand was reduced, and when the export controls were removed which had formerly limited or cut out shipments of many commodities to the United States, because of the need to supply overseas countries or because of internal shortages. Improving supplies of other commodities like coarse grains also contributed to the higher exports to the United States when restrictions on exports were withdrawn. At the same time the market in the United States for some commodities increased appreciably due to shortages of supplies and rising demands in the United States. The exceptionally high exports of Canadian aluminum and other non-ferrous metals provide an example of this development. Reductions in the United States tariff resulting from the Geneva meetings of the Conference on Trade and Employment also made for more favourable entry into the United States for many Canadian commodities. Prices in 1948 also contributed



an important part to the rise in the value of Canadian exports to the United States, particularly in the case of forest products and metals. But most of the impressive increase can be attributed to the increased volume arising from diversions of commodities, abnormal demands, and more favourable tariffs.

The volume of many types of imports from the United States was reduced by the effects of the prohibitions and quotas imposed by the Emergency Exchange Conservation programme introduced in November 1947. Examples of such declines are the reductions in imports of textiles and other consumers' goods. But the value and volume of imports of some other groups of commodities rose as a result of higher volume as well as the higher prices generally prevailing for most imports from the United States in 1948. Examples of important increases in value occurred in coal, some types of petroleum, and in machinery, the latter being a reflection of the continued upward trend in investments in Canada.

The most important change among other current transactions was the reduction in travel expenditures by Canadians in the United States due to the restrictions upon pleasure travel involving expenditures of United States currency and the prohibitions on purchases by travellers introduced in November 1947. Total Canadian expenditures in the United States on travel declined \$40 million in 1948 to \$112 million. At the same time United States travel expenditures in Canada continued to increase to \$270 million with the result that the balance of receipts on travel account with the United States rose from \$89 million in 1947 to \$158 million in 1948. Another appreciable gain in receipts was from non-monetary gold which rose by \$20 million to \$119 million in 1948 as a result of higher production. A favourable trend also developed in freight and shipping payments, the balance of which declined \$33 million due mainly to the reduced commodity deficit with the United States. But only a minor decline occurred in net payments on income account from the reduced payments of interest. Higher payments of dividends by publicly owned companies largely offset reduced payments by subsidiaries and controlled companies to United States parent companies.

Capital movements with the United States in 1948 were predominantly inward mainly due to the sale of the new issue of Canadian Government bonds of \$150 million to a group of insurance companies in the United States, and to continued substantial inflows of capital for direct investment in Canada. These latter inflows constituted a large part of the item of \$91 million of "other capital movements". Outflows of capital for the redemptions of Canadian securities owned in the United States dollar area of \$96 million were less than half those for the preceding year. Transactions in outstanding securities resulted in only a relatively small outflow of capital in 1948. The sale of the new issue of \$150 million was for the purpose of repaying the \$140 million which had been drawn in the first half of 1948 by the Canadian Government on the credit from the Export-Import Bank of Washington arranged for late in 1947.

#### Transactions with Overseas Countries

The reduction of \$347 million in the year in the current surplus with overseas countries which was reduced to \$873 million in 1948 was chiefly in Canada's account with the sterling area. The current surplus with the sterling area decreased from \$874 million in 1947 to

\$617 million in 1948. The surplus with the United Kingdom declined from \$633 million in 1947 to \$488 million in 1948 as exports fell and imports rose. The surplus with the rest of the sterling area fell from \$241 million to \$129 million since this group of countries sharply reduced purchases in Canada. There was a reintroduction or extension of import controls in these countries following the deterioration in the financial position of the United Kingdom, as the financial position of these countries is closely related to that of the United Kingdom. Resulting declines in exports of manufactured goods from Canada to these countries were particularly widespread. There was also a smaller reduction in the current surplus with other "E.R.P." countries. Exports to these other countries belonging to the Organization for European Economic Cooperation were reduced while imports rose moderately. As a result the current surplus with this group was reduced from \$281 million in 1947 to \$242 million in 1948. These reductions in Canadian exports to the United Kingdom and other overseas countries developed in 1948 as many overseas countries found it necessary to reduce purchases in Canada even though the introduction of the European Recovery Programme did much to sustain effective overseas demand. If this special assistance had not developed during the year there would have been even sharper reductions in Canadian exports to overseas countries.

The value of Canadian exports to the United Kingdom reached a post-war peak of \$749 million in 1947 but declined in 1948 to \$703 million as the volume of exports was reduced appreciably with reductions in the quantities of some commodities purchased, like bacon and lumber, and the termination of other purchases in Canada like apples and beef. But a major increase occurred in Canadian imports from the United Kingdom which rose to \$287 million from \$182 million in 1947. This increase was the result of improving supplies, higher prices, and special opportunities for the expansion of British exports to Canada arising from the quotas on certain imports like textiles and automobiles introduced by the Canadian Government in November 1947 as part of the remedial measures taken at that time. These were followed early in 1948 by the temporary suspension of Canadian customs duties on certain textiles. Although a substantial increase occurred in imports of cotton textiles particularly, the volume of these imported in 1948 was still less than the prewar level and less than the export target in the United Kingdom.

Current transactions with all other foreign countries in 1948 resulted in a small surplus of \$14 million compared with \$65 million in 1947. While exports to these countries rose moderately there was a substantial increase in imports chiefly because of larger purchases of petroleum from Venezuela. In 1948 there was a deficit on commodity account with this group of countries, which includes Latin America, compared with a small export balance in 1947.

The principal change on capital account with the United Kingdom in 1948 was the reduction in the drawings on the Canadian loan to \$52 million compared with \$423 million in 1947. All of the drawings were in the first four months of 1948. Other capital movements to the sterling area were smaller than in 1947. Repatriations of \$18 million of Canadian securities were smaller and repayments by the United Kingdom on the 1942 loan of \$64 million were less than in the preceding year. The amount of this loan outstanding at the end of 1948 was \$304.1 million. There was some increase in the amount of the deficit which was financed by receipts of convertible



Statement II - Transactions between Canada and the United Kingdom, Other  
Sterling Area, other "E.R.P." Countries, and  
Other Foreign Countries - 1947 and 1948

(Millions of Dollars)

	United Kingdom		Other Sterling Area		Other "E.R.P." (1) Countries		Other Foreign Countries	
	1947	1948(2)	1947	1948(2)	1947	1948(2)	1947	1948(2)
<u>Current Transactions</u>								
Exports - (adjusted)	749	703	366	293	333	296	214	230
Other Current Receipts	218	220	49	42	45	55	61	60
Total Current Receipts	967	923	415	335	378	351	275	290
Imports - (adjusted)	182	287	160	192	64	75	178	247
Other Current Payments	152	148	14	14	33	34	32	29
Total Current Payments	334	435	174	206	97	109	210	276
Current Surplus	+633	+488	+241	+129	+281	+242	+65	+14
<u>Financing of Current Surplus</u>								
Official Contributions by Canadian Government	-	-	(Covered in transactions shown with United Kingdom)		-	7 - 13	-31	- 6
Postwar loans by the Canadian Government (net)	-423	- 52			-116	- 51	-24	-23
Other Capital Movements (net) (3)	+ 54	+ 32			- 44	- 2	+ 9	+12
Sales of Convertible Exchange (net)	-505	-597			-114	-176	-19	+ 3
	-874	-617			-281	-242	-65	-14

(1) Includes countries belonging to the Organization for European Economic Cooperation and their overseas dependent territories. Iceland, Eire, and the overseas dependencies of the United Kingdom are included in the other sterling area.

(2) Subject to revision.

(3) Including balancing item of errors and omissions.

exchange compared with 1946 and 1947 when the drawings of \$963 million on the Canadian loan to the United Kingdom were the principal method of financing. Receipts of convertible exchange from other overseas countries were also somewhat larger in 1948 principally because of reduced drawings on the export credit loans. Total drawings on these loans amounted to \$90 million in 1948 of which \$67 million was credit extended to other "E.R.P." countries than the United Kingdom and \$23 million to other foreign countries. These amounts are exclusive of interest paid by funding during the year. There were principal repayments of \$16 million on the loans during the year by "E.R.P." countries. In 1947 net export credits to "E.R.P." countries other than the United Kingdom were \$116 million and to other foreign countries \$24 million.



Table I - Summary of Preliminary Estimates of Canada's  
International Accounts, 1948.

(Millions of Dollars)

	All Countries	United Kingdom and Ster- ling Area	Other "E.R.P." Countries	Other Overseas Countries	United States
<u>Current Account</u>					
Current Balance (Including Exports of Official Relief)	+472	+617	+242	+14	-401
Contributions of Official Relief	- 19	-	- 13	- 6	-
Current Balance (Excluding Exports of Official Relief)	+453	+617	+229	+ 8	-401
<u>Capital Account</u>					
Post War Loan to U.K. and Export Credits					
Total Drawings on Loans	-142	- 52	- 67	-23	-
Principal Repayments	+ 16	-	+ 16	-	-
Net Loans	-126	- 52	- 51	-23	-
New Issue of Canadian Bonds in the United States	+150	-	-	-	+150
Retirements of Canadian Securities	-113	- 14	- 3	-	- 96(1)
Net Purchases of Outstanding Securities	- 17	- 4	- 2	-	- 11(1)
Other Capital Movements(2)	+152	+ 46	+ 3	+12	+ 91(1)
Net Receipts of Convertible Exchange from Overseas Countries	-	-597	-176	+ 3	+770
Balancing Item(3)	- 3	+ 4	-	-	- 7
Balance from above Current and Capital Transactions	+496	-	-	-	+496
Increase in Official Liquid Reserves	+496	-	-	-	+496

(1) Including some capital transactions on account of "other overseas countries".

(2) Including currency adjustments.

(3) The balancing item reflects errors and omissions.

N.B. A minus sign (-) designates payments, outflows of capital from Canada, or purchases of convertible exchange.

Table II - Current Account of the Canadian Balance of International Payments  
Revised Statement for 1947 and Preliminary Estimates for 1948  
(Millions of dollars)

	All Countries		United Kingdom		Other Sterling Area		United States		All Other Countries	
	1947	1948	1947	1948	1947	1948	1947	1948	1947	1948
<b>A. Current Receipts</b>										
Merchandise exports (adjusted) ....	2,710	3,030	749	703	366	293	1,048	1,508	547	526
Receipts by War Supplies Ltd. ....	13	-	-	-	-	-	13	-	-	-
Net exports of non-monetary .....	99	119	-	-	-	-	99	119	-	-
Tourist expenditures .....	251	282	7	9	1	1	241	270	2	2
Interest and dividends .....	62	70	8	9	5	4	35	37	14	20
Freight and shipping .....	322	337	114	107	39	30	104	132	65	68
Inheritances and immigrants funds ..	69	83	47	52	1	3	18	17	3	11
All Other Current Receipts .....	220	218	42	43	3	4	153	157	22	14
<b>Total Current Receipts .....</b>	<b>3,746</b>	<b>4,139</b>	<b>967(2)</b>	<b>923(2)</b>	<b>415(2)</b>	<b>335(2)</b>	<b>1,711</b>	<b>2,240</b>	<b>653(1)</b>	<b>641(3)</b>
<b>B. Current Payments</b>										
Merchandise imports (adjusted) ....	2,535	2,598	182	287	160	192	1,951	1,797	242	322
Tourist expenditures .....	167	132	9	12	3	4	152	112	3	4
Interest and dividends .....	337	325	53	50	1	1	274	267	9	7
Freight and shipping .....	278	275	32	36	5	4	221	216	20	19
War expenditures .....	-	-	-	-	-	-	-	-	-	-
Inheritances and emigrants funds ..	49	49	8	6	-	1	37	37	4	5
All Other Current Payments .....	295	288	50	44	5	4	211	212	29	28
<b>Total Current Payments .....</b>	<b>3,661</b>	<b>3,667</b>	<b>334</b>	<b>435</b>	<b>174</b>	<b>206</b>	<b>2,846</b>	<b>2,641</b>	<b>307</b>	<b>385</b>
<b>C. Current Account Balance .....</b>	<b>+85</b>	<b>+472</b>	<b>+633</b>	<b>+488</b>	<b>+241</b>	<b>+129</b>	<b>-1,135</b>	<b>-401</b>	<b>+346</b>	<b>+256</b>
Contributions of Official Relief ..	-38	-19	-	-	-	-	-	-	38	-19
<b>D. Net Balance on Current Account</b>										
(Excluding Official Relief) .....	+47	+453	+633	+488	+241	+129	-1,135	-401	+308	+237

- (1) Including contribution of official relief of \$38 mm. and trade financed by Net Export Credits and advances of \$140 mm.
- (2) Credits with sterling area countries include trade financed by drawings of \$423 mm. in 1947 and \$52mm. in 1948 on the Canadian Loan to the United Kingdom.
- (3) Including contributions of official relief of \$19 mm. and trade financed by Net Export Credits of \$74mm.



Table III - Statistics on Canada's International Investment Position

A. Summary - Non-Resident Investments in Canada, 1926-1947  
(Millions of Canadian dollars)

	1926	1930	1939	1945	1946	1947(1)
Held in United Kingdom .....	2,636.3	2,766.3	2,475.9	1,760.0	1,668.0	1,642.0
Held in United States .....	3,126.3	4,656.5	4,151.4	4,990.0	5,157.0	5,187.0
Held in Other Countries ....	170.0	188.0	286.0	352.0	353.0	346.0
Total - Non-Resident Investments in Canada ....	6,002.6	7,613.8	6,913.3	7,092.0	7,178.0	7,175.0

B. Summary - Book Value of United States Direct Investments in Canada  
in Companies Controlled in the United States,  
by Forms of Investment, 1926-1947  
(Millions of dollars)

	1926	1930	1939	1945	1946	1947(1)
Capital Stocks .....	1,000.0	1,329.4	1,289.2	1,613.0	1,691.0	1,796.0
Bonds .....	187.6	336.3	305.8	292.0	320.0	300.0
Other Investments .....	214.9	327.0	285.9	399.0	417.0	448.0
Total .....	1,402.5	1,992.7	1,880.9	2,304.0	2,428.0	2,544.0

C. Summary - Canadian Assets Abroad, 1930-1947  
(Excluding Investments of Insurance Companies)  
(Millions of Canadian dollars)

	1930	1939	1945	1946	1947
Direct Investments in Businesses Outside of Canada	443	671	720	772	822
Portfolio Holdings of Foreign Securities .....	842	719	621	551	579
Government Credits .....	31	31	707	1,362	1,816
Net External Assets of Canadian Banks .....	180	(2)	(2)	(2)	(2)
Official Liquid Reserves (3) .....	(2)	444	1,667	1,251	511
	1,496	1,865	3,715	3,936	3,728

(1) Subject to revision

(2) Not available. (3) Including holdings of gold which at the end of 1945 had a Canadian dollar value of \$388 million, \$536 million in 1946 and \$286.6 million in 1947.

N.B. A more detailed analysis of British and Foreign Investments in Canada and Canadian Investments Abroad will be published in The Canadian Balance of International Payments, 1926-1948.







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