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GOVERNMENT OF CANADA

THE CANADIAN BALANCE
OF
INTERNATIONAL PAYMENTS, 1950



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There were numerous pronounced changes in the general outlines of Canada's transactions in goods and services with other countries. For the first time in a long period of years a current deficit appeared in an annual statement as expenditures on goods and services exceeded receipts. There were also un-

usually pronounced changes in the direction of Canadian trade which reduced greatly the current surplus from trade with overseas countries, particularly the sterling area. This occurred at a time when the current deficit with the United States was shrinking as Canadian exports to that country expanded sharply.

Emergence of Current Deficit

Canada's current transactions in all goods and services with other countries in 1950 led to an excess of all types of imports over all exports of \$316 million. This deficit in the current account compares with current surpluses of \$187 million in 1949, \$452 million in 1948, and \$47 million in 1947. The deficit is small, however, in relation to the gross volume of trade at the present time, being only 8% of total current credits during 1950. The principal reason for the net change of \$503 million in the current balance between 1949 and 1950 was a rise of 17% in the total of current expenditures by Canada during 1950 compared with an increase of only 4% in current receipts from goods and services.

While this is the first time for a long period of years in which a current deficit has appeared in the Canadian current account, the circumstances and general background in 1950 were not directly comparable to earlier periods when the Canadian current

account showed a deficit. The most recent earlier period in which deficits appeared terminated in 1933. In 1930, for example, when there was a current deficit of comparable size to that reached in 1950, this was much larger in relation to the volume of trade at that time. In 1930 the current deficit of \$337 million was 26% of total current credits in that year which compares with the much smaller ratio of only 8% which the current deficit in 1950 represented of total current receipts. Furthermore, in the earlier year the current deficit occurred at a time when export revenues were shrinking rapidly.

The greatest rise in debits in 1950 occurred in imports of merchandise. The adjusted value of imports from all countries rose \$433 million, about half of which was due to price increases and the remainder to a larger volume. This volume was much higher in the second half of the year following the outbreak of hostilities in Korea although slightly lower in the

TABLE 1. Summary of Changes in Current Receipts and Payments Between Canada and All Other Countries - 1950

(Millions of dollars)

	Current Receipts		Change in 1950
	1949	1950	
Commodity exports (adjusted)	2,989	3,139	+150
All other current receipts	1,088	1,090	+ 2
Total current receipts	4,077	4,229	+152
	Current Payments		Change in 1950
	1949	1950	
Commodity imports (adjusted)	2,696	3,129	+433
All other current payments	1,194	1,416	+222
Total current payments	3,890	4,545	+655
Current balance	+187	-316	-503

first half than in the same period of 1949. In 1950 as a whole the volume of imports was probably still less than during 1947 but well above 1948 when import restrictions were at a peak. At the same time the adjusted value of merchandise exports rose by \$150 million, a change which seems to have been due to a higher level of export prices. The latter prices, however, did not rise as much as import prices in the year as a whole. The net deterioration in the balance of merchandise trade of \$283 million from the previous year is, then, due to a combination of a larger volume of imports at a time when the volume of exports remained comparatively stable, and a slight deterioration in the terms of trade.

The remaining change of \$220 million in the net current account decline of \$503 million is the result of adverse trends among all other current transactions. The largest of these was the increase in dividend payments which alone accounted for \$74 million. Other adverse trends were a decline in the balance of receipts on travel account due to higher Canadian expenditures abroad and reduced receipts from tourists, the appearance of a deficit on freight and shipping account and a deficit from transfers of migrants' funds and inheritances. These adverse trends were only slightly offset by the higher value of Canadian gold production during the year.

TABLE 2. Summary of Changes in the Principal Elements of Canada's Current Account with All Countries - 1950

(Millions of dollars)

	1949	1950	Change in 1950
Exports (adjusted).....	2,989	3,139	+150
Imports (adjusted).....	2,696	3,129	+433
Commodity balance.....	+293	+10	-283
Gold available for export.....	+139	+163	+24
Tourist and travel expenditures.....	+94	+53	-41
Interest and dividends.....	-307	-381	-74
Freight and shipping.....	+50	-14	-64
Inheritances and migrants' funds.....	+13	-7	-20
All other current transactions.....	-95	-140	-45
Total Current Transactions.....	+187	-316	-503

Changes in Direction of Trade

Besides the appearance of a current deficit in Canada's account with all countries there were very outstanding changes occurring in the amount of bilateral disequilibrium in the accounts with the United States and the United Kingdom and the rest of the sterling area. The exceptionally large amount of unbalance between exports and imports in the bilateral accounts between Canada and these countries and regions in earlier years has been an outstanding feature of the Canadian balance of international payments. Unprecedented changes in the direction of Canadian trade were the principal factors bringing about this alteration in the appearance of Canada's accounts with different parts of the world. This unbalanced condition of trade, which reached a postwar peak in 1947, virtually disappeared in the account between Canada and the sterling area and was greatly reduced in the account with the United States during 1950. As the shrinkage in the current surplus with the sterling area and other overseas countries was greater than the reduction in the current deficit with the United States, there was a net overall deterioration in the Canadian current account with all countries.

The principal single factor influencing this great change in the bilateral accounts was the change in the direction of Canadian exports. The proportion of Canadian exports to the United States rose to 65.2% from the previous record ratio of 50.9% in 1949. At the same time the ratio of exports to the United Kingdom declined from 23.5% to 14.9% and exports to other Commonwealth countries dropped from 10.0% to 6.4%, with a slight decline in the ratio to other overseas countries as well. Revival of United States demand following the business readjustments in 1949 was augmented by further strength as defence activities got under way in the second half of the year. This strengthening of United States demand coincided with further curtailment in purchases of Canadian goods by the United Kingdom and other countries of the sterling area particularly. This reduction in overseas demand made more supplies of some commodities available for sale to meet the growing demands in the United States. At the same time the supply of commodities in the United Kingdom and other European countries was better, leading to a rise in the percentage of Canadian imports from overseas countries. Imports from the United Kingdom rose from

TABLE 3. Summary of Changes in Current Balances Between Canada and the Principal Countries and Areas - 1950

(Millions of dollars)

	1949	1950	Change in 1950
Between Canada and:			
United States	- 589	- 394	+195
United Kingdom	+439	+ 33	- 406
Other sterling area	+135	- 26	- 161
Other E.R.P. countries	+187	+112	- 75
All other countries	+ 15	- 41	- 56
Total - All Countries	+187	- 316	- 503

11.1% in 1949 to 12.8% in 1950 and from other countries the increase was from 18.4% to 20.4% with the result that the United States accounted for 66.9% of Canadian imports in 1950 compared with 70.4% in the previous year.

These two groups of basic changes in the direction of trade combined to accentuate the changes which occurred in the balance of Canadian trade with different countries and areas. The sharp decline in the balance of exports to overseas countries was due to a combination of increased imports as well as the large reduction in exports. But the reduction

in the import balance with the United States was much less than the decline in the export balance with overseas countries. Although the rise in exports to the United States more than compensated for the decline in exports to overseas countries, an increase occurred in the value of imports from the United States even though the proportion of Canadian imports from that country declined. The increase in the value of imports from the United States was enough to keep the reduction in the adverse balance of trade with that country below the extent of the deterioration in the favourable balance of trade with overseas countries.

General Changes in Trade of Overseas World with North America

The decline which occurred in the current surplus of the balance of payments between Canada and overseas countries in 1950 was a phenomenon which was not limited to Canada alone. A great change also occurred in the trade of the overseas world with the United States as well. In that case also there were declines in exports from the United States and increases in imports by that country. This reduction in the disequilibrium connected with trade between the overseas world and North America was part of a general readjustment which took place in international trade during the period following the currency revaluations of September 1949 and the revival of United States demand in the latter part of the same year. These factors, combined with restrictions placed by many overseas countries - most notably those of the sterling area - on expenditures in North America, influenced the downward trend in outward shipments. At the same time the revival of demand for many commodities produced in the overseas world, accentuated by defence demands in the latter part of 1950 and the higher prices which resulted, made for a higher value of North American imports from overseas. These influences on both exports and imports combined to reduce greatly the disequilibrium which had been so great in the early postwar years.

The reduction in disequilibrium between Canada and the United States was not unrelated to the in-

fluences bringing about the above changes. A larger volume of Canadian raw materials and other commodities was available for export to the United States with the reduction in overseas demand. The strengthening of United States demand improved the market for these, and higher Canadian dollar values of exports resulted from the devalued Canadian dollar as well as the upward movement in prices. At the same time the reduction in disequilibrium resulting from the increase in the value of Canadian exports to the United States was partly offset by a higher value of imports from the United States. These were influenced by the strong Canadian demands for United States goods springing from the high level of Canadian activity and prosperity and the cost of these imports in Canadian dollars was in turn affected by the devalued Canadian dollar and the rising price level in the United States.

Canadian economic activity was at a new peak in 1950 and this continuation of prosperity at high levels had close interrelationships with the balance of payments. The gross national expenditure at \$17.7 billion was up about 8% over 1949, a development due to both higher prices and larger volume. Personal expenditures on consumption, government expenditures and private investment were each higher. In the case of personal consumption the rise in value was about 7% with a gain in volume of almost half of this.

Expenditures by governments on goods and services were up about 10%. Private investment in plant and equipment was about 7% higher, reflecting in the main higher prices. There was at the same time a very sharp rise in inventories of both agricultural and non-farm types. All forms of investment taken together constituted a larger proportion of the gross national product than in the previous year. It is worth noting that whereas private gross home investment rose from 18.7% of gross national expenditure in 1949 to 22.1% in 1950, current credits from exports of goods and services changed from 24.4% in 1949 to 23.7% in 1950. It should be added that in absolute terms current export credits were still larger in 1950, being \$4,200 million as compared to \$3,908 million for private gross home investment. As the trend in the current account of the balance of payments shows, the place of this balance in gross national expenditure was quite different in 1950 from 1949

and earlier, being negative in contrast to the positive balances of previous years. The effects on the balance of payments of the high levels of demand indicated by gross national expenditure were of varied origins. Imports of all goods and services increased in volume by some 9% while the volume of exports of goods and services showed little change. The higher volume of personal consumption and the large accumulation in inventories particularly would directly strengthen many import demands. The maintenance of an exceptionally high level of investment in plant and equipment also contributed to the maintenance of many types of imports at a high level, even though the volume of this group of investments does not seem to have been significantly different than in the previous year and in some types had started to decline. The rise in investment income of 21% was also a substantial influence on current payments by Canada.

Capital Movements

Changes in capital movements between Canada and other countries were also unusually pronounced in 1950. The outstanding feature of capital movements during the year was the unprecedented volume of inflows which were most heavily concentrated in the summer months. These capital inflows were the largest single factor affecting the rise in the Canadian

official reserves of gold and U.S. dollars which increased \$625 million in 1950 to a total of \$1,741.7 million. Another feature of the inflow was the heavy concentration in the months of August and September when the rise in reserves amounted to some 75% of the year's increase.

TABLE 4. Canada's Official Holdings of Gold and U.S. Dollars¹

(In millions of U.S. dollars)

	Gold	U.S. dollars ²	Total
December 31, 1944.....	293.9	608.3	902.2
December 31, 1945.....	353.9	1,154.1	1,508.0
December 31, 1946.....	536.0	708.9	1,244.9
December 31, 1947.....	286.6	215.1	501.7
December 31, 1948.....	401.3	596.5	997.8
December 31, 1949.....	486.4	630.7	1,117.1
December 31, 1950.....	580.2	1,161.5	1,741.7

1. Exclusive of working balances and gold held against Postal Savings Bank deposits, but including private balances of 98 in 1939 and 2 in 1940.

2. Includes United States exchange and short-term securities of the United States Government.

As the existence of a current account deficit suggests, the total net inflow of capital was even greater than the rise in the reserves would in itself indicate. Net inflows were of the order of \$1 billion and took a variety of forms. The chief of these were purchases by non-residents of Canadian securities, direct investments by United States companies in Canadian industry, rises in the balances in Canadian currency held in Canadian banks by non-residents, and a variety of inflows connected with commercial

trade conveniently referred to as "leads and lags" and some liquidations of foreign assets by residents of Canada.

Each of these main groups of inflow was unusually large in 1950 and in the aggregate the inflow of all types of capital exceeded that occurring in any earlier period in Canada's financial history. The inflows were heavily concentrated in the summer months before the announcement of the withdrawal

of a fixed rate of exchange by the Government at the beginning of October. During the period of heaviest inflows there was an atmosphere of speculation in the United States regarding future values of Canadian currency in relation to United States currency. While much of the inflow seemed to be part of a widespread movement from United States currency to Canadian currency, other parts of the inflow were an extension and continuation of general tendencies showing throughout the postwar period for United States investors to build up long term investments in Canada. Continued heavy inflows for direct investment in the development of Canada's resources and industries and many investments in Canadian securities were examples of this kind of capital movement.

The inflows of capital during 1950 were of numerous types. The largest part of the inflows led to increases in Canada's external liabilities in contrast to a smaller, although appreciable part, which resulted from reductions in Canada's external assets. The increases in liabilities took a variety of forms. Some of the inflows led to more permanent investments where funds were invested in plant and equipment and long term investments in Canadian securities. Other inflows, in contrast, were of a demand type such as balances established with Canadian banks. Due to the variety of motivating factors it is difficult to distinguish always clearly the purpose and potential durability of many of the investments. The large group of inflows connected with the purchase of Canadian securities was subject to many different motives and is the result of a mixture of long and short term movements. It is, therefore, not easy to appraise the full significance which the capital movements to Canada in 1950 had on the Canadian balance of international indebtedness.

The largest and most characteristic inflow during the period of heaviest movements was that arising out of the American demand for Canadian securities. While there had been some net sales of Canadian securities to the United States throughout the year, demand for these first began to expand in the earlier part of the summer with a rapid increase in the volume of demand appearing in August. Even in August the movement was several times that of all but a few months in the past years of heavy inflow. In September the movement rose to an even higher rate and showed no sign of abatement until the departure from the fixed exchange rate. Net amounts of outstanding Canadian securities acquired by residents of the United States rose from over \$50 million in August to some three times that rate in September. The movement in the latter month was more comparable in size to annual inflows of exceptionally heavy capital movements in recent war and postwar years. In the year as a whole net acquisitions of outstanding Canadian securities by all non-residents amounted to some \$329 million. Most of these securities were Government of Canada domestic issues, although demand for other groups of Canadian securities was also substantial.

These inflows for the acquisition of outstanding securities were further augmented by a large number of new issues of Canadian securities sold in the

United States both publicly and privately. These had a value of close to \$200 million in United States currency. These sales covered a large part of the Canadian bond issues which were redeemed during the year. As a result net redemptions of Canadian securities, after allowing for new issues, amounted to some \$44 million in the case of securities held in the U.S. dollar area. In addition, there were net redemptions of some \$18 million of securities held in the United Kingdom. These figures include the new Government of Canada issue of \$50 million sold in September for the purpose of covering part of the \$100 million issue which was redeemed in October.

Inflows of capital for direct investment in Canada were also of exceptional size in 1950. Net transfers of funds, including some reinvestments of dividends, amounted to \$167 million, as far as the investment activities of United States companies in Canada are concerned. This is about double the corresponding type of inflow in the previous year. Furthermore, these figures are exclusive of the investment of undistributed earnings, a type of capital movement which is not included in the capital account of the balance of payments although it has direct effects on the value of United States direct investments in Canada. A large part of the capital inflow in 1950 was in connection with the development of oil resources in Western Canada and mineral resources in the Eastern part of the country, although many important industrial developments were also financed by parent organizations in the United States through transfers of funds to Canada.

The rises in balances of non-residents in Canada were also unusually high. These occurred both in balances of residents of the sterling area as well as those owned by residents of the U.S. dollar area. The rise in the former was related to the changing nature of the balance of payments between Canada and the sterling area, while the rise in the balances of residents of the United States occurred in the period of heavy capital movements from United States to Canadian currency.

Another group of inflows of a generally short term character were those arising from the leads and lags connected with commercial trade. These generally followed two types which might be anticipated under the circumstances existing in most of the year. There were, for instance, the changes which took the form of increases in Canadian liabilities to United States suppliers, such as accounts payable for imports and other types of obligation. There were also leads and lags connected with reductions in private working balances and other forms of short term assets, like accounts receivable for Canadian exports. Other substantial inflows of capital took the form of liquidations of other Canadian assets abroad, such as the disposal of United States and foreign securities owned by residents which latter type alone amounted to \$66 million.

The net movement of capital connected with Canadian Government loans to other governments was not large in 1950. Drawings on the British loan were limited to the \$50 million in the first half of the year. But repayments on postwar loans by foreign governments amounted to some \$22 million during

the year, and there were repayments by the United Kingdom on the 1942 loan of \$42 million and also a repayment of \$9 million on the Newfoundland loan. The net extension of credit on postwar loans by the

Canadian Government of \$28 million compares with \$107 million in 1949, \$563 million in 1947 and \$750 million in 1946 when drawings of this form of financial assistance from Canada were at a peak.

Current Transactions with the United States

The current deficit with the United States was reduced by \$195 million. The chief feature influencing this change was the rise in exports to that country which reached an unprecedented 65.2% of Canadian exports. But a large part of the spectacular rise in exports of \$525 million was offset by increased imports of \$194 million. Another offset was the substantially larger net payments to the United States for all other current items which rose by \$136 million.

The increase in the value of exports to the United States of some 35% was generally distributed among most commodities and chiefly took the form of increase in volume as price rises only accounted for a small part of this total. About \$300 million of the increase in the value of exports was concentrated in the forest products group. This rise was featured by a great expansion in lumber exports. The United States market absorbed 85.8% of this group of exports in 1950 compared with 62.4% in the previous year when large amounts of lumber were still being shipped to sterling area buyers. There were also further increases in the volume and value of leading staple exports of wood products like pulp, paper and shingles, veneers and plywoods and in many

other wood products. Another sharp increase of some \$70 million occurred in the value of non-ferrous metals. The largest part of this rise was due to expansions in the volume of aluminum and lead. But increases also occurred in the value of other metals exported, particularly nickel. Some notable increases also occurred in exports of primary steel and in some types of metal products. But the important group of agricultural machinery generally did not rise above the high levels of the previous year. Another \$53 million of the increase in the value of Canadian exports to the United States occurred in meats, cattle, fish and other animal products. The remaining increases were scattered over many commodities but these continued to be generally of a primary or special type rather than exports of secondary manufactures. Agricultural products generally maintained the value of the previous year with a few exceptions, the most notable of which was an increase in the volume of wheat exported.

Other current receipts from the United States were up on the whole. The rise was primarily due to larger receipts on inland freight on the increased volume of exports, higher gold production, and larger dividend receipts from United States companies. These favourable trends were overshadowed

TABLE 5. Canadian Exports to the United States, 1948, 1949 and 1950
(adjusted for balance of payments purposes)

(Millions of dollars)

	1948	1949	1950
Newsprint paper	340.3	391.3	463.2
Planks and boards	127.9	100.1	249.6
Wood pulp	185.0	141.6	191.0
Fish and fishery products	57.7	61.6	78.2
Nickel	56.3	62.7	76.2
Farm implements and machinery	60.6	70.9	72.3
Cattle (except pure-bred)	61.6	54.7	71.5
Aluminum, primary and semi-fabricated	25.6	21.3	49.2
Asbestos, unmanufactured	32.0	28.2	44.2
Primary iron and steel	16.4	18.6	40.6
Copper, primary and semi-fabricated	17.7	37.3	39.5
Zinc, primary and semi-fabricated	25.8	35.2	38.9
Pulpwood	42.2	30.6	34.0
Whisky	23.2	28.4	33.5
Beef and veal, fresh	26.3	28.3	32.9
Shingles	20.9	16.2	31.6
Lead, primary and semi-fabricated	18.1	21.0	30.7
Fertilizers, chemical	20.5	23.4	28.6
Wheat	6.6	17.0	28.5
Fur skins, undressed	14.9	17.4	19.4
All other commodities	328.4	315.2	392.4
Total	1,508.0	1,521.0	2,046.0

by the great rise in other current payments as the increase in net payments for the group as a whole indicates.

The volume of gold production continued to rise in 1950 and the value in terms of Canadian dollars was also increased by a premium on U.S. dollars which existed throughout 1950, whereas in 1949 this was only a factor affecting the value in the period from the middle of September on.

The rise in total receipts on freight and shipping account with the United States was substantial. These rose by \$31 million to \$157 million. Most of the increase was in the earnings of Canadian railways carrying exports across the border; these earnings increased by almost one-third. There was also a very large increase in the earnings of Canadian ships carrying exports to the United States, but this was partly offset by reduced revenues of Canadian shipping companies from traffic from third countries to the United States.

Declines, however, occurred in receipts from United States tourists which were slightly less in 1950 than in the previous year. While the number of motorists coming to Canada from the United States increased to a new peak level, their average expenditures were less as there was a tendency for this group of tourists to curtail their length of visit. There were also some declines in the volume and expenditures of other groups of tourists entering by rail, boat, and bus.

The rise in current payments, particularly to the United States, was in part a reflection of sustained high levels of Canadian prosperity and development and partly influenced by administrative changes and some external factors. The continued high levels of Canadian business activity and consumption were indirectly responsible for heavy demands which became stronger after a slight decline in imports in the latter part of 1949. These demands appear to

have been augmented in the last half of 1950, particularly by the general desire to get commodities while they were available. The volume of imports from the United States was up sharply in the closing months of the year. As the volume in some earlier months was often less and in many others no higher than the previous year, there does not appear to have been a very great change in the overall volume of imports from the United States, although the trend in some commodities was more distinct. An example of this is coal, stocks of which had been drawn in the previous year when shipments were interrupted by strikes. Most demands were heavier in 1950 than in the second half of 1949 when some reduction occurred in imports of many leading groups of commodities, particularly textiles and machinery and other metal products. While this tendency for increases to occur appeared in the first half of 1950, each main group of imports in the second half of the year was higher in value and the value of imports in the last quarter of 1950 was much higher than in earlier periods.

Higher Canadian dollar costs of imports from the United States represent a large part of the increased value of imports. The devaluation of the Canadian dollar in September 1949 made for higher Canadian dollar prices of imports from the United States and this trend was accentuated by the rising levels of prices in the United States during 1950. These rose sharply in the latter half of the year, particularly in the case of raw materials and other primary products, a general group of changes which later were reflected in the prices of manufactured goods as well.

Conspicuous increases also occurred in the level of other current payments to the United States for non-commodity items. The largest of these was the rise in income payments which reached a new peak of \$410 million, \$85 million higher than the previous peak of 1949. Almost all of this increase was in dividend payments. These rose to \$321 million

TABLE 6. Factors in Canada's Current Account Deficit with the United States

(Millions of Canadian dollars)

	1947	1948	1949	1950 ¹	Net Change 1950
Merchandise Trade:					
Imports from U.S.A. (adjusted)	1,951	1,797	1,899	2,093	-194
Exports to U.S.A. (adjusted)	1,061	1,508	1,521	2,046	+525
Net imports.....	-890	-289	-378	-47	+331
Non-monetary gold	+99	+119	+139	+163	+24
Tourist expenditures	+89	+154	+104	+70	-34
Interest and dividends	-239	-230	-285	-354	-69
Freight and shipping	-117	-82	-67	-83	-16
All other current transactions	-77	-65	-102	-143	-41
Total Current Deficit	-1,135	-393	-589	-394	+195

1. Subject to revision.

compared with \$242 million in 1949, or about 33% higher. Some of this rise reflects the higher levels of earnings in the previous year which might now be paid out by Canadian subsidiaries to parent companies in the United States and some is due to a relaxation late in the year of exchange controls over the withdrawal of profits earned in 1950. There were also increases in dividends paid by public companies reflecting generally higher earnings. Interest paid to residents of the United States on Canadian bonds and debentures of \$89 million is higher than in 1949. The effects on these payments of larger holdings of Canadian bonds in the United States and the premium on U.S. exchange throughout the year were greater than reductions in interest payments arising from retirements and refinancing at lower rates. The increase in the balance of payments to the United States on income account was less than the rise in total payments of interest and dividends because of the increased receipts of both interest and dividends from Canadian holdings of United States securities.

Another substantial rise in Canadian expenditures in the United States was the amount spent on travel, which rose from \$164 million to \$190 million. Throughout the year there was a general upward movement in the volume of Canadian travel to the United States. In the last quarter of the year there were further increases following the abandonment of the specific travel ration for pleasure travel which had been in effect since November 1947 and the general provision of funds in reasonable amounts to cover travel expenditures. The largest part of this upward movement in travel was by Canadian motorists, although travel to the United States by other means increased also with the exception of

boat traffic. Purchases of United States merchandise by Canadian travellers were again a significant part of the expenditures. The total of Canadian expenditures in the United States on travel was at a new peak in 1950 and represented an exceptionally high percent, 73%, of total Canadian receipts from the expenditures of American tourists in Canada; the level of the latter dropped off slightly from the previous year. Consequently the balance of receipts from the United States from travel was reduced sharply to \$70 million from \$104 million in the previous year and \$154 million in 1948 when Canadian expenditures in the United States were only \$113 million.

Larger freight payments to the United States also occurred in 1950. A large part of this increase was due to the heavier coal imports, a movement which had been interrupted in the previous year by strikes. Inland freight on coal is large and has a relatively important effect on total payments. Other factors increasing payments for transportation were the higher Canadian dollar costs resulting from the premium on U.S. exchange as well as a small increase in freight rates which occurred late in 1949, and the larger volume of imports. Payments on shipping account were also heavier in 1950 mostly due to larger payments to the United States for tankers carrying petroleum to Canada. The rate of increase in total payments to the United States on freight and shipping account was more rapid than the rise in receipts, even though the gain in the latter was substantial due to the record volume of exports to that country. The balance of payments to the United States on freight and shipping account rose appreciably to \$83 million as a result of this large gain in total payments.

Capital Transactions with the United States

The unprecedented size and general character of capital inflows from the United States to Canada in 1950 have already been described above in the section on capital movements. Most of the capital movements which featured Canada's accounts in 1950 were those arising from the predominant movements of capital from the United States to Canada. The effects of these movements upon the balance of international indebtedness between Canada and the United States have been varied and pronounced. While many of the inflows were for the acquisition of investments in business and other properties and investments in Canadian securities, other inflows leading to increases in Canadian liabilities to the United States were of a less permanent character. No clear-cut division of liabilities between long and short term kinds is apparent, however, as motivating factors behind the investments have been mixed.

Many forms of liabilities which are usually short term increased and many of the new holdings of securities may also not have been of a permanent character. Other smaller parts of the inflows were from liquidations of Canadian holdings of United States securities and other assets in the United States. While the net inflow of capital from the United States amounted to some \$951 million, the largest part of this was accompanied by a rise in Canada's official reserves of gold and United States dollars of \$625 million U.S., a change which had a Canadian dollar value of \$695 million. Even when this rise in short term assets is taken into account along with all other types of international claim between Canada and the United States there was still a substantial increase in the balance of Canadian indebtedness to the United States during 1950.

TABLE 7. Capital Transactions Between Canada and the United States¹, 1950

(Millions of Canadian Dollars)

Transactions in Canadian debtor securities	
Net sales of outstanding issues	+ 363
New issues	+ 219
Retirements	- 263
Transactions in foreign debtor securities	
Net sales of outstanding issues	+ 65
Retirements	+ 7
Net direct investment in Canada ²	+ 167
Net liquidation of direct investments abroad of Canadians ²	+ 41
Increase in Canadian dollar balances owned in the United States	+ 91
Use of 1949 refunding loan proceeds set aside for retirements in 1950	+ 18 ³
Other net private capital inflows including errors and omissions	+ 243
	+ 951

1. Exclusive of change in official liquid reserves but inclusive of some capital transactions on account of other countries.

2. Exclusive of undistributed profits.

3. Both the refunding loan and the related retirements have been converted at the rate of exchange in effect at the time of the refunding, viz, \$1.00 U.S. - \$1.00 Canadian.

Transactions with the Sterling Area

The virtual disappearance of disequilibrium in Canada's current account with the sterling area was one of the major changes which occurred in 1950. The current account credit balance dropped to \$7 million from a credit balance of \$574 million in 1949 and a record credit balance in the postwar period of \$874 million in 1947. The largest part of this decline in current credits was in the balance with the United Kingdom which dropped to \$33 million from \$439 million in 1949, although the proportionate swing in the balance with the rest of the sterling area from a current surplus of \$135 million to a current deficit of \$26 million was even greater. The largest part of the change with the sterling area was in the contraction in exports and other current receipts which together dropped some \$404 million, of which \$294 million occurred in expenditures by the United Kingdom.

The largest part of the decline in the current account with the United Kingdom was in British expenditures on Canadian exports which dropped \$232 million. Almost half of this decline was in agricultural products with the biggest drop being in exports of wheat. Another part occurred in forest products, exports of which declined by \$44 million. Reduced shipments of lumber and of newsprint made up a large part of this, although declines were general in other groups of wood products as well. A large part of the decline of \$19 million in exports of animal products was due to the elimination of exports of eggs in the shell with the termination of British contracts. Another group of raw materials which declined substantially was exports of non-ferrous metals which declined \$30 million. Reductions appeared in the value of most metals shipped to the United Kingdom and it was this decline in shipments overseas which made some of the increases in shipments to the United States possible. Another large decline in

exports occurred as a result of the completion in 1949 of deliveries of aircraft purchased earlier.

In addition to this decline in exports a substantial increase in Canadian imports from the United Kingdom made further inroads into the export balance. This rise in imports amounted to about one-third of the value imported in 1949 and the increase in the volume would be even greater as the cost of sterling was less in 1950. About four-fifths of the increase in the volume of imports from the United Kingdom was in metal products and the largest contributor to this latter increase was the impressive rise which occurred in the volume of imports of British automobiles. Other groups of imports did not change so greatly in value, although the volume in some instances may have been heavier. Textiles were the largest group which remained fairly stable in value, although they showed some increases in volume.

Combined with this large change in the merchandise balance was a deterioration in the balance arising from all other current transactions with the United Kingdom. This changed from a current surplus of \$38 million in 1949 in this group of transactions to a current deficit of \$37 million in 1950. Most of this change was due to a contraction in Canadian receipts on freight and shipping account and from inheritances and immigrants' funds. Receipts from freight and shipping dropped from \$89 million to \$65 million. This decline was due to the combined effects of reduced inland freight on the lower volume of exports and a decline in revenues of Canadian ships carrying exports to the United Kingdom. During the year a large number of Canadian vessels were transferred to United Kingdom registry for operation by British managers for the account of the Canadian owners. The decline in receipts

TABLE 8. Canadian Exports to the United Kingdom 1948, 1949 and 1950 (adjusted for balance of payments purposes)

(Millions of dollars)

	1948	1949	1950
Wheat.....	196.5	280.7	173.7
Wheat flour	61.6	46.7	41.0
Bacon and hams	67.8	23.4	24.0
Cheese	11.1	15.2	15.1
All eggs.....	37.1	18.2	2.4
Planks and boards.....	43.9	37.4	20.3
Newsprint.....	5.3	8.9	1.9
All other forest products.....	51.4	38.5	18.5
Aluminum, primary and semi-fabricated	39.9	48.7	39.2
Copper, primary and semi-fabricated	34.7	32.3	29.3
Other non-ferrous metals.....	56.1	66.0	48.3
Aircraft and parts.....	1.0	18.7	0.3
All other commodities	96.6	66.3	55.0
Total Exports	703.0	701.0	469.0

from inheritances and immigrants' funds amounted to \$21 million. In the case of inheritances this was due to the reintroduction of British controls on transfers from estates to Canada. The decline in immigrants' funds was affected particularly by the drop in the volume of British immigration to Canada and the continuation of British exchange controls over transfers of immigrants' funds to Canada. The volume of immigration from the United Kingdom to Canada in 1950 was approximately one-half the volume in the previous year. Some other smaller parts of the decline in receipts originated from a reduction in British travel to Canada and small declines in receipts by Canadians of income from investments in the United Kingdom and from other miscellaneous current sources.

There were also gains in current payments by Canadians to the United Kingdom. One of the more prominent of these was a continued rise in the expenditures of Canadians on travel in that country to \$19 million in 1950. The volume grew as transportation facilities were increased. There was also a moderate increase in Canadian payments to British ships carrying imports to Canada, resulting from the rise in the volume of imports from that country. A general increase also occurred in miscellaneous current payments by Canadians for services performed by the United Kingdom. A substantial part of this latter increase arose from a settlement with the United Kingdom for British installations in Newfoundland.

A very great change occurred in Canada's current account with the rest of the sterling area. In a single year the current account surplus of \$135 million changed into a current deficit of \$26 million. The change from several years earlier when Canada's

current surplus with this group of countries was at a postwar peak of \$241 million was even greater.

There have been several factors at work bringing about this transition. The most important of these has been the contraction in Canadian exports brought about by the reduced purchases by the sterling area in Canada. The use of import restrictions on purchases in the dollar area by this group of countries which was extended in 1949 was a major factor bringing about this contraction in purchases. The devaluation of sterling currencies in September of the same year also had effects on purchases. Reductions were most substantial in exports of many types of Canadian manufactured goods. The full extent of the declines which had already occurred in 1949 was not revealed by totals of Canadian exports to this group of countries since the latter were swollen by some unusually large purchases which did not recur in the same volume in 1950. Among these were railway equipment sold to the Union of South Africa and to India and wheat to India. But with the decline in deliveries on these unusual orders in 1950 the totals of Canadian trade were sharply reduced. Declines in these groups of commodities accounted for more than half of the drop of some \$100 million which was about one-third of Canadian exports to the rest of the sterling area in the previous year. Many reductions in other commodities were also notable. Sharp declines occurred in staples like newsprint, prepared milk and fish. Declines were also evident in most manufactured goods, although before the end of the year purchases of some of these commodities were again being made by some countries in the sterling area and a substantial recovery occurred in shipments of automobiles to some countries, most notably Australia. While a large part of the drop during the year was concen-

trated in exports to markets which had been so exceptionally high in 1949, like South Africa, India and Pakistan, general declines were evident in shipments elsewhere in the Commonwealth as well. Exports to important markets like the West Indies

were generally much lower and the same trend appeared in exports to most other Crown colonies. But in contrast the value of shipments to Australia was maintained, while exports to New Zealand declined.

TABLE 9. Canadian Exports to Other Sterling Area, 1948, 1949 and 1950

(Millions of Dollars)

	1948	1949	1950
Breakdown by commodities:			
Wheat to India	1.6	23.0	5.2
Locomotives to India	5.7	27.1	10.9
Railway cars and coaches to India and Union of South Africa	2.5	20.8	2.8
All other exports	283.2	229.1	182.1
Total	293.0	300.0	201.0
Breakdown by countries:			
Australia	38.3	35.4	35.4
India	33.7	72.6	31.5
Ireland	4.4	9.1	13.3
New Zealand	18.4	14.5	11.0
Pakistan	7.8	18.1	8.7
Union of South Africa	83.2	77.7	42.6
British West Indies	49.0	36.8	26.1
Other countries	58.2	35.8	32.4
Total	293.0	300.0	201.0

But in addition to this exceptional drop in exports there was also an unusually large increase in the value of Canadian imports from the rest of the sterling area. These rose from \$187 million in 1949 to \$244 million in 1950, or almost one-third. Increases occurred in the value of imports from each principal region. While the cost of sterling to Canadian importers was less in 1950, there were many conspicuous increases in sterling prices of tropical and other primary commodities purchased by Canada. Consequently some of the increased value of imports from the rest of the sterling area is due to higher prices. The extent to which this was the case varies with individual commodities. With some commodities the rise in prices was particularly sharp, such as crude rubber and wool. But at the same time

the increases in prices were generally less than the increases in the value of Canadian imports as a significant part of the latter was due to a rise in volume.

Combined with these adverse trends in Canada's commodity trade with the rest of the sterling area there was also a reduction in the balance of receipts from non-merchandise items. The principal decline in net receipts from this group of transactions was in revenues on inland freight and from shipping. The former were reduced directly by the lower volume of exports and the latter suffered from the same factor, combined with a reduction in the number of Canadian shipping services carrying goods to Commonwealth countries. Other current items did not change greatly.

Capital Transactions with the Sterling Area

As might be expected the great alteration in the current account balance with the sterling area was accompanied by changes in capital movements and multilateral settlements with this currency area. One of the principal means of financing the large current surpluses in Canada's accounts with the sterling area in earlier postwar years had been drawings on the

1946 loan to the United Kingdom. These drawings were reduced in 1950 to \$50 million which were all in the first half of the year. By the end of this final drawing only \$65 million of the total loan of \$1,250 million was unspent, the remaining \$1,185 million having been drawn. The distribution of drawings by years was as follows:

	Millions of dollars
1946.....	540
1947.....	423
1948.....	52
1949.....	120
1950.....	50
Total.....	1,185

Repayments by the United Kingdom on the wartime loan of \$700 million extended in 1942 amounted to some \$42 million in 1950. These compare with \$5 million in 1949 and \$64 million in 1948. These repayments are related to certain private capital movements between Canada and the United Kingdom, principally liquidations in earlier periods of United Kingdom holdings of Canadian securities either through sale or redemption. But offsetting part of these outward movements of capital from Canada are inflows of a direct investment character in connection with the development or expansion of businesses in Canada owned in the United Kingdom and British expenditures on certain aircraft made in Canada in earlier years. The amount of the 1942 loan outstanding at the end of 1950 was reduced to approximately \$256.5 million. In addition, during the year there was a repayment of \$9.1 million by the United Kingdom on the wartime loan from the Government of Newfoundland.

The principal groups of private capital movements were the repurchases by Canadians of Canadian securities from the United Kingdom which amounted

to some \$35 million, more than double the repurchases of the previous year. Other reductions in British holdings of Canadian securities resulted from the redemptions of issues held there which amounted to \$18 million. Among other long term capital movements an important group was made up of the inflows of \$18 million for direct investment by British companies in business enterprises in Canada. While a number of enterprises were being established or expanded the amount of capital involved in this inflow was relatively small in comparison with the heavy volume of inflow from the United States for direct investments. The business units being financed by United Kingdom firms were for the most part made up of relatively small manufacturing concerns or commercial branches in comparison with some large-scale resource and industrial development being undertaken by United States companies in Canada. There were various other capital movements between Canada and the United Kingdom of a long term character but these were not substantial.

There was, however, a significant outflow of capital from Canada mainly connected with changing positions of short term commercial indebtedness. The principal forms taken by this type of change in position were either accelerated payments for imports by Canada from sterling area countries or retarded receipts for exports. Other capital movements were also substantial but to some extent offsetting. The principal of these was an inflow arising from a large rise in the Canadian dollar balances owned in the United Kingdom. In the opposite direction was an increase in Canadian holdings of sterling balances. Multilateral settlements between Canada and the sterling area were for the most part offsetting during

TABLE 10. Summary of Current and Capital Transactions Between Canada and the Sterling Area, 1938 and 1946-1950

(Millions of dollars)

	1938 ¹	1946	1947	1948	1949	1950 ³
Current Account:						
Gross Current Receipts.....	508	1,149	1,382	1,260	1,230	826
Gross Current Payments	337	480	508	645	656	819
Current Account Balance	+171	+669	+874	+615	+574	+7
Current surplus with United Kingdom.....	+127	+500	+633	+486	+439	+33
Current surplus with Other Sterling Area ¹	+44	+169	+241	+129	+135	-26
Mutual Aid.....	—	-5	—	—	—	—
Net Balance on Current Account (Excluding Mutual Aid).....	+171	+664	+874	+615	+574	+7
Capital Account:						
Postwar Loan to United Kingdom.....	—	-540	-423	-52	-120	-50
Repayments by U.K. on War Loans.....	—	+89	+104	+64	+5	+51
British Financial Settlement and Interim Advances (net).....	—	+38	—	—	—	—
Repatriations of Securities	-33	-131	-50	-18	-26	-53
Other Capital Movements	-26	+29	-7	-20	+74	+56 ⁴
Net Capital Movement	-59	-515	-376	-26	-72	+4
Sales of Gold or Convertible Exchange	-112 ²	-150	-505	-597	-491	-11
Balancing Item	—	+1	+7	+8	-11	—
	-171	-664	-874	-615	-574	-7

1. Includes only Commonwealth countries in 1938.

2. In 1938 this item indicates the net amount of exchange available for multilateral settlements.

3. Subject to revision.

4. Including balancing item.

1950 when the year is taken as a whole and consequently did not lead to any substantial net amount comparable to earlier years. In 1949, for instance, transfers of convertible exchange on sterling area account and some other types of multilateral settle-

ment amounted to \$491 million. In several years these settlements were even greater when the Canadian current account surplus with the sterling area was at its highest postwar levels. The corresponding net figure in 1950 was only \$11 million.

Transactions with Other Countries

Canada's current surplus with other overseas countries than the countries of the sterling area dropped sharply in 1950 to \$71 million, a little more than one-third of the current surplus of \$202 million in the previous year. This change was greatest in trade with European countries, the surplus with the Continental E.R.P. countries, including their dependencies, dropping from \$187 million in 1949 to \$112 million in 1950. With all other countries in this group there was a change from a small surplus of \$15 million in 1949 to a deficit of \$41 million in 1950. As in the case of trade with the sterling area trends in both exports and imports contributed to these changes. Neither the decline in exports nor the rise in imports was as sharp as in the case of trade with the sterling area. The drop in exports was

\$44 million, while the rise in imports was \$83 million or about 9% and 27% respectively. A large part of the drop in exports was in grain and other agricultural products. Although some raw materials like wood pulp also declined, the value of other raw materials and primary products like non-ferrous metals was better maintained. Exports to Latin America were higher in 1950 in contrast to this trend with Europe. But declines also occurred in exports to all other foreign countries. The trends with individual countries were quite irregular, however. There were conspicuous declines in exports to some destinations like China, Iran and Turkey, which were partly offset by a rise in shipments to other markets, like Japan, while at the same time exports to other countries were comparatively well maintained.

TABLE 11. Domestic Exports to Other Countries (including E.R.P. group) 1948, 1949 and 1950, adjusted for balance of payments purposes

(Millions of dollars)

	1948	1949	1950
"E.R.P." group ¹	296.0	246.0	200.0
Latin America	124.0	125.0	142.0
China	29.1	13.8	2.1
Iran	0.7	12.0	1.0
Japan	8.0	5.9	20.5
Turkey	2.0	14.1	3.7
All other	66.2	50.2	53.7
Total	526.0	467.0	423.0

1. Including Dependent Overseas Territories. Exclusive of countries of the sterling area.

An increase in imports appeared in trade with Europe and in trade with several countries outside Europe where Canadian imports rose conspicuously. These included Arabia and the Netherlands Antilles, imports from both of which sources rose sharply with the diversion to these sources of purchases of petroleum and products. Another much more prominent source of imports in 1950 was Japan, where there was a widespread increase in imports of many types of manufactured goods. A moderate rise oc-

curred in imports from Latin America, although the total imported from the principal source of Canadian imports in that region, Venezuela, dropped due to some decline in petroleum imports; the volume of some other purchases from Latin America was no higher in 1950 as price increases were responsible for a large part of the higher value of purchases. Non-merchandise transactions with all other foreign countries yielded a current surplus of about the same size in 1950 as in the previous year.

Changes in Composition of Canadian Exports and Imports

The composition of Canadian exports changed significantly in 1950. Agricultural and vegetable exports, which in 1949 were 25.8% of all exports, fell to 20.4% in 1950. Wood, wood products and paper rose from 29.2% to 35.7%, while iron and its products fell from 9.8% to 8.1%. While one of the basic changes in exports in 1950 was a shift from exports to overseas countries to the United States, it is important

to note that the increase in exports to the United States market did not necessarily offset the specific declines in commodities exported to the rest of the world. Total exports of agricultural and vegetable products fell by \$136.1 million in 1950; exports of these products to the United States rose by \$6.3 million, while exports to the rest of the world fell by \$142.4 million. Total exports of wood and wood

products rose by \$237.6 million; exports of these products to the United States rose by \$306.6 million in 1950, while exports to the rest of the world fell by \$69 million. The same pattern appears in exports of non-ferrous metals and products. In the case of iron and products, total exports fell by \$41.8 million; exports to the United States rose by \$27.7 million, while exports to the rest of the world fell by \$69.5 million. In some cases, as in the case of wheat, the total supply available for domestic and foreign consumption was smaller in 1950 than in 1949. In other cases, the domestic market took more of the available supply than in 1949, leaving less available for export.

About three-quarters of the rise in exports of wood and wood products in 1950 represented increases in volume of exports. In the case of non-ferrous metals, the increase of \$70.1 million in exports to the United States was virtually all due to price increases. While the prices of exports of agricultural and vegetable products and animals and animal products combined rose by about 3%, volume fell by slightly over 10%. This reflects mainly the decrease in wheat exports. Non-metallic minerals and products, and fibres and textiles showed price increases of about 8%, while iron and steel and chemicals and fertilizers showed very little change in average prices. There were substantial increases in the volume of exports of chemicals and fertilizers and non-metallic minerals and products, and a substantial drop in the volume of exports of iron and steel and their products.

It is difficult to analyze closely the stage of manufacture of Canada's exports without a most intensive study. It is worth noting, however, that foodstuffs and raw materials probably form a larger proportion of Canadian exports than in 1949. Exports of wheat, other grains, seeds, and eggs fell in 1950; but exports of cattle, fish, planks and boards, unmanufactured wood, wood pulp, newsprint, aluminum, and nickel all rose. On the other hand, highly manufactured items seem to have formed a smaller proportion of total exports than in 1949. There were sharp decreases in exports of locomotives and parts, railway cars and parts, aircraft and parts, ships and vessels, and miscellaneous manufactured commodities. There were also decreases in exports of rolling mill products although exports of pigs, ingots blooms and billets rose.

The increase in the value of imports in 1950 over 1949 was general, but the largest increases were in

agricultural and vegetable products (+\$107.1 million), iron and its products (+\$88.6 million) and non-metallic minerals and their products (+\$76.4 million). Imports from the United States represented about \$34 million of the increase in agricultural and vegetable products; about \$60 million of the rest of the increase of \$107.1 million in this group represented imports from countries other than the United Kingdom. Imports of iron and its products from the United Kingdom made up \$67 million of the increase of \$88.6 million in this group of imports. In the non-metallic minerals and products groups, the United States supplied \$47.3 million of the increase of \$76.4 million, with countries other than the United Kingdom supplying almost all of the remaining increase.

The largest absolute gains in the agricultural and vegetable products group were in fruits, grains and products, sugar, coffee, and rubber and products. Cotton and wool imports rose substantially, partly reflecting increased prices. The large rise in imports of iron and products mostly represents imports of automobiles and parts from the United Kingdom. In the non-metallic minerals group the large increases were in coal, petroleum, and petroleum products.

The rise in imports of agricultural and vegetable products and animal and animal products was due in about equal degrees to price increases and volume increases. The rise in fibres, textiles and products, representing increased imports from the United States and countries other than the United Kingdom, was almost all due to price increases if the group as a whole is taken. In the iron and products group as a whole the volume of imports rose about 3% while prices rose about 7%. The volume of non-metallic minerals and products imported rose about 12% over 1949, while prices of this group as a whole rose only slightly. In the other groups of imports, both price and volume increases accounted for the increased values.

The net barter terms of trade, measuring the ratio of export to import prices, continued to decline in 1950. When measured on a 1948 base, the terms of trade have deteriorated irregularly in every year since 1946. Since 1948, average import prices have risen 10.7% while average export prices have risen 8.5%. Calculated on a half-yearly basis, the terms of trade were 99.7 and 101.7 in 1948, 101.5 and 99.4 in 1949, and 97.0 and 98.9 in 1950.

TABLE 12. Foreign Trade Price Indexes and the Net Barter Terms of Trade

	Prices of Domestic Exports	Prices of Imports	Net Barter Terms of Trade
	(1948=100)		
1946	79.9	76.4	104.6
1947	91.6	87.8	104.3
1948	100.0	100.0	100.0
1949	103.1	103.2	99.9
1950	108.5	110.7	98.0

The great changes in the direction as well as value of trade may be made clearer by comparison with previous periods. In 1929-31 between 42% to 45% of Canada's exports went to the United States, between 19% to 23% to the United Kingdom, and about 35% to other countries. In 1936 and 1937, however, the United States took only 39% of our exports, countries other than the United Kingdom took 25%, and the United Kingdom had increased its share to 36%. This was generally true after the first few years of the 'thirties. In the late 'forties this distribution had changed once more. The United States took 50% of Canadian exports in 1948 and 1949, while the United Kingdom took 23% and other countries about 27%. The pattern in 1950, with the United States taking 65% of our exports and all other countries only 35%, bears comparison with no other period in the 'twenties and 'thirties. The increase of 35% in exports to the United States from 1949 to 1950 is comparable only to the decline in our exports to the United States in 1930-31 and 1937-38.

A great many specific factors determine the level and composition of imports, such as trade restrictions of various kinds, supply conditions abroad, the behaviour of particular components of internal economic activity, and so on. It is dangerous to put too much emphasis on comparisons of aggregates, but a significant fact appears if imports are shown as a percentage of gross national expenditure. Imports in 1928 and 1929 were about 20% of gross national expenditure. By 1931 this proportion had fallen to 13%, and by 1936 to 1938 was still at that proportion. In the period 1948 to 1950, with relatively great economic activity as in the late 'twenties, imports were 17% of gross national expenditure. One reason for this may be that investment activity which generates a strong import demand, was a much smaller proportion of gross national expenditure in the 'thirties than in the late 'twenties and the last few years.

TABLE 13. Summary of Current and Capital Transactions Between Canada and All Countries, 1945-1950

(Millions of dollars)

	1945	1946	1947	1948	1949	1950 ¹
Current Account:						
Gross Current Receipts	4,456	3,365	3,746	4,147	4,077	4,229
Gross Current Payments	2,910	2,905	3,661	3,676	3,890	4,545
Current Account Balance	+ 1,546	+ 460	+ 85	+ 471	+ 187	- 316
Current Deficit with U.S.A.	+ 36	- 607	- 1,135	- 393	- 589	- 394
Current Surplus with Overseas Countries	+ 1,510	+ 1,067	+ 1,220	+ 864	+ 776	+ 78
Official Contributions to Overseas Countries	- 858	- 97	- 38	- 19	-	-
Net Balance on Current Account (Excluding Official Contributions)	+ 688	+ 363	+ 47	+ 452	+ 187	- 316
Capital Account:						
Net Post War Loans by Canada ²	- 105	- 750	- 563	- 126	- 107	- 28
Repayments by U.K. on War Loans	+ 64	+ 89	+ 104	+ 64	+ 5	+ 51
Financial Settlement with U.K.	-	+ 150	-	-	-	-
Interim Advances to British Countries	- 209	- 112	-	-	-	-
Net Retirements of Canadian Securities Held Abroad	- 120	- 315	- 275	+ 37	- 42	- 64
All other Capital Movements (net) ³	+ 349	+ 324	- 56	+ 69	+ 91	+ 1,052
Net Change in Official Liquid Reserves:						
Decrease (+)		251	743			
Increase (-)	667			496	134	695
	- 688	- 363	- 47	- 452	- 187	+ 316

1. Subject to revision.

2. Excluding interim advances to British Countries.

3. Including balancing items of errors and omissions.

TABLE 14. Summary of Revised Estimates of Canada's International Accounts, 1949

(Millions of dollars)

	All Countries	United Kingdom and Sterling Area	Other "E.R.P." Countries	Other Overseas Countries	United States ¹
Current Account:					
Current Account Balance.....	+187	+574	+187	+15	-589
Capital Account:					
Postwar loan to U.K. and Export Credits:					
Total drawings on loans	-120	-120	—	—	—
Principal repayments	+13	—	+11	+2	—
Net Loans	-107	-120	+11	+2	—
Net retirement of Canadian securities	-42	-10	-1	—	-31
Net trade in outstanding securities	+24	-16	-2	+1	+41
Direct investments in Canada	+88	+13	-3	—	+78
Other capital movements	-5	+61	-18	-9	-39
Net receipts of convertible exchange from overseas countries	—	-491	-174	-9	+674
Balancing item ²	-11	-11	—	—	—
Balance from all above transactions	+134	—	—	—	+134
Increase in official liquid reserves	+134	—	—	—	+134

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

2. The balancing item reflects errors and omissions.

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

TABLE 15. Summary of Preliminary Estimates of Canada's International Accounts, 1950

(Millions of dollars)

	All Countries	United Kingdom and Sterling Area	Other "E.R.P." Countries	Other Overseas Countries	United States ¹
Current Account:					
Current Account Balance.....	-316	+7	+112	-41	-394
Capital Account:					
Postwar loan to U.K. and Export Credits:					
Total drawings on loans	-50	-50	—	—	—
Principal repayments	+22	—	+16	+6	—
Net Loans	-28	-50	+16	+6	—
Repayments of war loans	+51	+51	—	—	—
Net retirements of Canadian securities	-64	-18	-2	—	-44
Net trade in outstanding securities:					
Canadian securities	+329	-35	-4	+5	+363
Foreign securities	+66	—	—	+1	+65
Direct investments in Canada	+190	+18	+3	+2	+167
Other capital movements ²	+467	+38	+19	+10	+400
Net receipts of convertible exchange from overseas countries	—	-11	-144	+17	+138
Balance from all above transactions	+695	—	—	—	+695
Increase in official liquid reserves	+695	—	—	—	+695

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

2. Including errors and omissions.

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

TABLE 16. Current Account of the Canadian Balance of International Payments
Revised Statement for 1949 and Preliminary Estimates for 1950

(Millions of Canadian dollars)

	All Countries		United Kingdom		Other Sterling Area		United States		Other "E.R.P." Countries		All Other Countries	
	1949	1950	1949	1950	1949	1950	1949	1950	1949	1950	1949	1950
A. Current Receipts:												
Merchandise exports (adjusted)	2,989	3,139	701	469	300	201	1,521	2,046	246	200	221	223
Gold available for export	139	163	—	—	—	—	139	163	—	—	—	—
Tourist expenditures	286	275	11	7	2	3	268	260	4	4	1	1
Interest and dividends	83	93	9	5	4	5	40	56	14	14	16	13
Freight and shipping	303	287	89	65	30	17	126	157	28	24	30	24
Inheritances and immigrants' funds...	66	56	34	13	1	1	20	30	8	10	3	2
All other current receipts	211	216	46	37	3	3	150	156	4	12	8	8
Total Current Receipts	4,077	4,229	890	596	340	230	2,264	2,868	304	264	279	271
B. Current Payments:												
Merchandise imports (adjusted)	2,696	3,129	300	399	187	244	1,899	2,093	79	113	231	280
Tourist expenditures	192	222	17	19	4	4	164	190	6	8	1	1
Interest and dividends	390	474	55	55	1	—	325	410	7	7	2	2
Freight and shipping	253	301	32	36	5	3	193	240	16	14	7	8
Inheritances and emigrants' funds ...	53	63	10	10	2	1	39	49	1	2	1	1
All other current payments	306	356	37	44	6	4	233	280	8	8	22	20
Total Current Payments	3,890	4,545	451	563	205	256	2,853	3,262	117	152	264	312
C. Current Account Balance	+187	-316	+439	+33	+135	-26	-589	-394	+187	+112	+15	-41

Note. Exports in 1950 are exclusive of contributions to North Atlantic Treaty nations of military equipment from Canadian stocks.

TABLE 17. Current Account Between Canada and All Countries, 1926-1950

(Millions of dollars)

Year	Current Receipts	Current Expenditures	Net Balance On Current Account	Mutual Aid and Other Official Contributions	Net Balance on Current Account Excluding Official Contributions
1926	1,665	1,538	+ 127	—	+ 127
1927	1,633	1,643	- 10	—	- 10
1928	1,788	1,820	- 32	—	- 32
1929	1,646	1,957	- 311	—	- 311
1930	1,297	1,634	- 337	—	- 337
1931	972	1,146	- 174	—	- 174
1932	808	904	- 96	—	- 96
1933	829	831	- 2	—	- 2
1934	1,020	952	+ 68	—	+ 68
1935	1,145	1,020	+ 125	—	+ 125
1936	1,430	1,186	+ 244	—	+ 244
1937	1,593	1,413	+ 180	—	+ 180
1938	1,361	1,261	+ 100	—	+ 100
1939	1,457	1,331	+ 126	—	+ 126
1940	1,776	1,627	+ 149	—	+ 149
1941	2,458	1,967	+ 491	—	+ 491
1942	3,376	2,275	+1,101	1,002	+ 99
1943	4,064	2,858	+1,206	518	+688
1944	4,557	3,539	+1,018	960	+ 58
1945	4,456	2,910	+1,546	858	+688
1946	3,365	2,905	+ 460	97	+363
1947	3,746	3,661	+ 85	38	+ 47
1948	4,147	3,676	+ 471	19	+452
1949	4,077	3,890	+ 187	—	+ 187
1950	4,229	4,545	- 316	—	- 316

TABLE 18. Geographical Distribution of the Balance on Current Account, 1926-1949

(Millions of dollars)

Year	All Countries	United Kingdom ¹	Other Overseas Countries ²	United States ³
1926.....	+ 127	+ 58	+300	- 231
1927.....	- 10	- 19	+257	- 243
1928.....	- 32	- 21	+338	- 349
1929.....	- 311	- 99	+225	- 437
1930.....	- 337	- 106	+113	- 344
1931.....	- 174	- 54	+ 85	- 205
1932.....	- 96	- 14	+ 86	- 168
1933.....	- 2	+ 26	+ 85	- 113
1934.....	+ 68	+ 46	+102	- 80
1935.....	+ 125	+ 62	+ 92	- 29
1936.....	+ 244	+ 122	+123	- 1
1937.....	+ 180	+ 135	+122	- 77
1938.....	+ 100	+ 127	+122	- 149
1939.....	+ 126	+ 137	+105	- 116
1940.....	+ 149	+ 343	+ 98	- 292
1941.....	+ 491	+ 734	+ 75	- 318
1942.....	+1,101	+1,223	+ 58	- 180
1943.....	+1,206	+1,149	+ 76	- 19
1944.....	+1,018	+ 746	+241	+ 31
1945.....	+1,546	+ 747	+763	+ 36
1946.....	+ 460	+ 500	+567	- 607
1947.....	+ 85	+ 633	+587	-1,135
1948.....	+ 471	+ 486	+378	- 393
1949.....	+ 187	+ 439	+337	- 589
1950.....	- 316	+ 33	+ 45	- 394

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

2. Including estimated wheat sold in European Countries.

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

TABLE 19. Statistics on Canada's International Investment Position

A. Summary — Non-Resident Investments in Canada, 1926-1949

(Millions of Canadian dollars)

—	1926	1930	1939	1945	1946	1947	1948	1949 ¹
Held in United Kingdom	2,636.3	2,766.3	2,475.9	1,750.0	1,668.0	1,631.0	1,593.0	1,694.0
Held in United States	3,196.3	4,659.5	4,151.4	4,990.0	5,157.0	5,200.0	5,588.0	5,932.0
Held in Other Countries	170.0	188.0	286.0	352.0	353.0	343.0	332.0	340.0
Total — Non-Resident Investments in Canada	6,002.6	7,613.8	6,913.3	7,092.0	7,178.0	7,174.0	7,513.0	7,966.0

B. Summary — Value of United States Direct Investments in Canada in Companies Controlled in the United States, by Forms of Investment, 1926-1949 (Included in Summary A)

(Millions of Canadian dollars)

—	1926	1930	1939	1945	1946	1947	1948	1949
Capital Stocks	1,000.0	1,329.4	1,289.2	1,613.0	1,691.0	1,804.0	2,061.0	2,212.0
Bonds	187.6	336.3	305.8	292.0	320.0	306.0	321.0	339.0
Other Investments	214.9	327.0	285.9	399.0	417.0	438.0	447.0	572.0
Total	1,402.5	1,992.7	1,880.9	2,304.0	2,428.0	2,548.0	2,829.0	3,123.0

C. Summary — Canadian Assets Abroad, 1930-1949.

(Excluding Investments of Insurance Companies)

(Millions of Canadian dollars)

—	1930	1939	1945	1946	1947	1948	1949
Direct Investments Outside of Canada	443	671	720	772	822	788	893
Portfolio Holdings of Foreign Securities	842	719	621	551	579	605	638
Government Credits	31	31	707	1,362	1,816	1,878	2,000
Net External Assets of Canadian Banks	180	2	2	2	2	2	2
Official Balances Abroad and Gold	2	455	1,667	1,251	511	1,006	1,232
Total	1,496	1,876	3,715	3,936	3,728	4,277	4,763

1. Including Newfoundland and subject to revision.

2. Not available.

Note. A more detailed analysis of British and Foreign Investments in Canada and Canadian Investments Abroad has been published in Canada's International Investment Position Selected Years 1926 to 1949.

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