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Canadian Balance of International Payments in 1941

The change which has taken place in Canada's international accounts since the start of the war is revealed in the statement of the Canadian balance of international payments for 1941. Most of the more striking effects of the war, which first appeared in the 1940 statement, are more accentuated in the statement for 1941 because of the expansion in war production and in the other war activities of the Dominion.

Total current credits of \$2,455 million exceeded total current debits of \$1,977 million by \$478 million. This balance compares with credit balances on current account of \$144 million in 1940 and \$137 million in 1939 and is higher than any previous credit balance in Canada's history. Gross credits on current account increased most and were the highest on record, being \$1,021 million greater than in 1939. Gross debits of \$1,977 million were at a record level too, although the increase was less than in the case of credits. Consequently, the net balance on current account transactions with all countries increased very sharply in 1941. These impressive proportions being attained during the war, are, of course, related to the great growth in national income which has taken place.

There was a net credit on current account with the sterling area of \$804 million in 1941 compared with \$423 million in 1940 and \$163 million in 1939. The principal factor contributing to this large credit balance in 1941 was the expenditures by the British Government on war equipment, food and materials produced in Canada. The value of exports to the sterling area, including certain pre-payments for goods in the process of production in 1941, increased from \$436 million in 1939 to \$699 million in 1940 and \$1,098 million in 1941. These figures exclude exports on Canadian account such as equipment for the Canadian army in the United Kingdom. Imports of merchandise from the sterling area increased only moderately, being \$177 million in 1939, \$236 million in 1940 and \$279 million in 1941. Most of the increase was from Empire Countries other than the United Kingdom. Larger disbursements in Canadian ports on account of shipping and payments for inland freight in Canada on the heavy movement of commodities for export also contributed to the increased balance of credits.

There were substantial net debits arising from interest and dividend payments and from all other current transactions. While total interest and dividends paid on British investments in Canada decreased in 1941, the reductions in interest paid on Canadian bonds repatriated from the United Kingdom were partly offset by larger dividend payments. The increase in net debits on account of all other current transactions was mainly the result of heavier expenditures by the Canadian Government in connection with the maintenance of the Canadian armed forces overseas. These expenditures were substantially larger than the expenditures of the British, Australian and New Zealand Governments in connection with air training and other war activities.

Canada's debit balance on current account with the United States dollar area rose from \$26 million in 1939 to \$279 million in 1940 and \$326 million in 1941. The growth in the debit balance with the United States alone has been from \$89 million in 1939 to \$301 million in 1940 and \$330 million in 1941. The pre-war credit balance on current transactions with other foreign countries has shrunk from \$63 million in 1939 to \$22 million in 1940 and \$4 million in 1941.

The principal factor in the growth of the debit balance with the United States dollar area has been the great expansion in imports of merchandise from the United States. Imports from the United States of merchandise purchased by Canada increased from \$472 million in 1939 to \$702 million in 1940 and \$910 million in 1941. These figures exclude goods imported from the United States on British or other Allied account which are not paid for by Canada. The major element in these increased requirements of United States dollars naturally arises from the program of war production. While direct purchases in the United States of aircraft and other equipment for the armed services have been substantial, there are even heavier disbursements of United States dollars for materials, fuel, capital equipment and component parts required for the war production program. An important part of these United States dollar requirements arises from the United States dollar content of production in Canada for the United Kingdom. There have also been increased demands for civilian goods from the United States resulting from the high level of incomes.

Exports to the United States dollar area increased from \$470 million in 1939 to \$503 million in 1940 and \$634 million in 1941. The increase in exports to the United States alone was greater than this rise of \$164 million; with the loss of European and Oriental markets, exports to Other Foreign Countries declined from \$126 million in 1939 to \$79 million in 1940 and \$68 million in 1941. Only a very small part of the exports to the United States in 1941 represents munitions or other war production sold as a result of the Hyde Park Declaration of April 1941. Exports resulting from the Declaration did not become substantial until early in 1942.

The \$204 million received from net exports of non-monetary gold in 1941 is about the same value as in 1940. Most of the increased receipts in these two years over the \$184 million received in 1939, is due to the premium on United States dollars.

Net receipts from the tourist trade were \$87 million in 1941 compared with \$55 million in 1940. While part of this increase was because of heavier expenditures by United States tourists in Canada, the larger part was due to the decline in Canadian expenditures in the United States which in 1941 were less than one-half of the total in 1940. This was partly the result of the operation of the official restrictions on pleasure travel throughout a full year.

Net payments on account of interest and dividends declined to \$172 million in 1941 from \$190 million in 1940. Most of this drop is due to a reduction in the total dividends paid by Canadian companies to shareholders in the United States dollar area. A smaller part reflects increased income from Canadian investments in the United States, particularly from direct investments. Interest on Canadian bonds and debentures held in the United States dollar area remained at about the same level in 1940 and 1941.

Net payments on account of freight and shipping increased sharply from \$34 million in 1940 to \$65 million in 1941. Freight on coal and other commodities imported from the United States was heavier because of the growth in imports. Payments connected with shipping were also much larger.

It should be noted that the Minister of Finance has indicated that the deficit would be reduced as a result of increasing sales of munitions to the United States under the Hyde Park Declaration.

December Cost of Living

The Dominion Bureau of Statistics cost of living index advanced from 118.6 on November 2 to 118.8 on December 1, 1942, thus recording a wartime increase of 17.9 per cent. The December increase resulted from small advances for foods, clothing and miscellaneous items. The food index changed from 132.4 for November to 132.8 for December as higher prices for lard, butter, eggs, lamb and potatoes overbalanced declines for oranges and lemons. The clothing index advanced fractionally from 120.1 to 120.2, and the miscellaneous index increased also by 0.1 to 107.2, as newspaper rates in several cities were moved upward. Other groups remained unchanged.

Visible Supply of Wheat

The visible supply of Canadian wheat on the last day of 1942 aggregated 469,186,785 bushels compared with 463,371,896 a week earlier and 502,455,470 on the corresponding date last year. The amount in Canadian positions was 447,959,728 bushels, the balance of 21,227,057 being in United States positions.

Farmers' Marketings of Wheat

Marketings of wheat from farms in western Canada during the week ending December 31, 1942, totalled 4,093,944 bushels compared with 5,701,186 in the previous week. From the commencement of the crop year to the end of 1942 marketings totalled 143,950,314 bushels as compared with 150,015,851 in the corresponding period of the previous crop year.

Production of Coal in November

Canadian mines produced 1,618,113 tons of coal in November compared with 1,828,937 in the corresponding month of 1941 and with the five-year average for the month of 1,734,150 tons. During the eleven months ended November, production aggregated 17,103,950 tons as compared with 16,411,958 in the corresponding period of 1941.

Canada imported 2,516,951 tons of coal in November, this being 10 per cent less than 1941 imports. Importations were made up of 404,855 tons of anthracite, 2,112,091 tons of bituminous and five tons of lignite. Exports in November totalled 97,698 tons compared with 59,370 in the corresponding month last year.

Canada's coal supply, computed on the basis of production, plus imports, less exports, amounted to 4,037,366 tons in the month under review compared with 4,565,247 in November, 1941.

Indexes of Retail Sales in November

Retail trading in Canada, as measured by the dollar volume of sales for twelve principal kinds of business, was 13 per cent higher in November 1942 than in the corresponding month of 1941, but receded five per cent from the immediately preceding month. Sales during the first eleven months of 1942 increased 15 per cent over the same period of the preceding year. Unadjusted sales indexes, on the base 1935-1939=100, stood at 165.2 for November 1942, 174.3 for October and 146.6 for November, 1941.

Sales and Purchases of Securities Between Canada and Other Countries during October

Net sales of securities by Canada to other countries expanded to \$15,400,000 in October. Sales of outstanding Canadian bonds to the United States made up \$13,800,000 of this total. The expansion was mainly a result of the Third Victory Loan Campaign. Some sales in November resulting from the campaign have also been included in the October total. In the ten months ending October, net sales of securities by Canada to other countries were \$92,500,000 compared with \$25,200,000 in the like period of 1941.

Reports Issued Today

1. Sales and Purchases of Securities Between Canada and Other Countries, October (10 cents).
 2. Indexes of Retail Sales, November (10 cents).
 3. Coal and Coke Statistics, November (10 cents).
 4. Price Movements, December (10 cents).
 5. The Canadian Balance of International Payments, 1941 (15 cents).
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