

DOMINION BUREAU OF STATISTICS
INTERNAL TRADE BRANCH

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ESTIMATED BALANCE OF INTERNATIONAL PAYMENTS IN CANADA 1920 - 1926.

An estimate of the items which enter into the International Balance sheet for the years 1920 to 1926 is presented herewith. Such estimates can be made only under difficulty in the absence of complete and adequate data; there must necessarily be a margin of error in some of the items, though these may be partly offset by errors occurring in an opposite direction. It is planned, however, to improve the technique by which the estimates are made, and in the meantime the accompanying figures may be accepted as revealing the approximate situation.

In 1920 Canada's commodity balance of trade, including bullion movement was "unfavourable" to the extent of about \$24 millions. Since then each year has seen a "favourable" balance of trade in commodities. When all international exchanges are considered, however, (i.e. such exchanges as in tourist trade, interest payments, freight payments, etc., as well as in trade proper) the debits and credits each year must approximately balance, and they do so provided capital transactions are taken into consideration. If there were no capital obligations either to the debit or credit of the Dominion upon which interest accrues and repayments fall due, and if there were no borrowing or lending of capital during any current year, then we should expect to find that each year we exported a value in goods and services against an equivalent value in imports of goods and services. Since, however, the Dominion has been and is a heavy importer of capital (which comes into the country mainly in the form of goods and services) and is in a lesser degree an exporter of capital also, so far as goods and services are concerned there will be an excess on either the import or export side of our international account which will be balanced by means of capital instruments.

In the sense indicated above we may say then that in 1920 the excess on the import side of our account was \$268,000,000, in 1921, \$137,000,000, and in 1922 \$68,000,000. There will be an error in these figures due to items which have not been completely accounted for, or not accounted for at all, but, even after making allowance for such omissions, there is no doubt that in the years 1920 to 1922 total imports were greater than total exports in the International Balance of Payments Sheet. The reason for the "adverse" balance in these three years lies mainly in the fact that we were being repaid funds advanced to Britain during the war. There was a net withdrawal from the United Kingdom of \$104,000,000 in 1920, \$128,000,000 in 1921 and \$84,000,000 in 1922.

In 1923 also, there was a net withdrawal of capital from Britain through her repayments to us of \$52,000,000 and though the balance sheet shows a surplus of \$45,000,000 on the export side, it is probable that, when due allowance has been made for errors, the amount was smaller than that. 1923 may be considered as a transitional year when debits and credits pretty nearly balanced each other. But in 1924 there began to be (allowing for errors in the balance sheet) a surplus on the export side and this grew into a large sum in 1925 and 1926, the balance sheet showing \$277,000,000 in 1925 and \$191,000,000 in 1926. In these years Canadian insurance companies were purchasing large amounts of foreign securities, Canadians were making additional further direct investments, principally in South America and the United States and we were buying back from abroad our own securities or purchasing foreign securities, principally on the New York stock exchange. In addition the Canadian banks increased very largely the sum of money they had abroad on call.

These exports were a result of abundant funds which had accumulated in the Dominion due to three chief causes. In the first place there had come into the country during the war large sums of money through purchase of our commodities at high prices and this was seeking an investment outlet. It has been estimated that we received at least \$1½ billion as a result of war business. In the second place the large investment of American capital in the Dominion from 1914 to 1920 had now recovered from the post-war slump and was increasing the output of wealth in the Dominion. In the third place successive large harvests were

foundation of prosperity. These factors, combined, caused an unprecedented accumulation of savings which were used by financial institutions and individuals not only to finance domestic capital needs, but also to avail themselves of opportunities for profitable investment abroad. Thus after 1923 we had on balance an export of capital to our credit, though at the same time other countries, particularly the United States, continued to invest large sums in the Dominion.

For the years 1925 and 1926 a direct estimate of net capital movement has been made and the result is shown in the Balance Sheet. It will be observed that the direct and indirect results do not agree, there being a difference due to errors and omissions of about \$100 million in each year. It is impossible to say which amount is nearer the truth, but it is probable that the correct figure lies between the two. As the technique of collecting these statistics is improved, it is expected that the difference will be considerably diminished. In any event the results arrived at by both methods indicate a large export of capital in 1925 and a smaller export in 1926.

ESTIMATED BALANCE OF INTERNATIONAL PAYMENTS 1920 to 1926

000's omitted

	1920			1921			1922			1923		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
	Visible & Invisible	Visible & Invisible		Visible & Invisible	Visible & Invisible		Visible & Invisible	Visible & Invisible		Visible & Invisible	Visible & Invisible	
1. Commodity Trade -												
Recorded merchandise ex-												
ports and imports	1,302,805	1,363,421		816,694	806,108		898,178	762,409		1,028,529	903,031	-
Exports and Imports of												
gold coin and bullion and												
subsidiary coin	45,706	18,030		41,035	5,396		26,496	75,144		76,748	9,367	
Unrecorded imports of												
ships	-	-		-	3,670		-	-		-	353	
Deduction for settlers'												
effects shown elsewhere and												
miscellaneous items	11,702	20,690		9,006	16,906		10,755	14,867		12,965	14,677	
Total	1,336,809	1,360,761	-23,952	848,723	798,268	-50,455	913,919	822,686	-91,233	1,092,312	888,071	-204,238
2. Freight payments & receipts ..	103,002	110,251	- 7,249	97,138	97,913	- 775	101,876	84,243	-17,633	113,945	110,531	- 3,414
3. Tourists' expenditures	85,000	45,000	-40,000	85,000	45,000	-40,000	91,606	46,040	-45,646	130,977	50,735	-80,242
4. Interest payments & receipts ..	44,965	252,244	-207,279	46,050	257,902	-211,852	41,134	247,875	-206,741	38,492	253,433	-214,941
5. Immigrants' remittances	7,523	19,211	- 11,688	5,807	16,100	-10,293	8,112	16,228	- 8,110	12,378	17,785	- 5,407
6. Expenditures of Governments ..	9,667	50,615	- 40,948	11,591	11,427	- 164	11,488	10,248	- 1,240	11,435	10,106	- 1,329
7. Charitable & Missionary												
contributions	666	2,431	- 1,765	2,401	2,449	- 48	930	2,174	- 1,244	2,466	2,055	- 411
8. Insurance transactions	4,817	19,370	- 14,553	4,140	10,641	- 6,501	6,469	9,919	- 3,450	8,120	9,941	- 1,821
9. Advertising	1,211	-	- 1,211	1,814	-	- 1,814	2,046	-	- 2,046	2,172	-	- 2,172
10. Motion picture royalties	-	2,000	- 2,000	-	2,000	- 2,000	-	2,500	- 2,500	-	3,000	- 3,000
11. Capital of immigrants and												
emigrants	17,559	17,196	- 363	12,291	10,390	- 1,901	8,909	12,643	- 3,734	10,385	22,082	- 11,697
Total	1,611,219	1,879,079	-267,860	1,114,955	1,252,090	-137,135	1,186,575	1,254,556	-67,981	1,422,682	1,377,742	-44,940

ESTIMATED BALANCE OF INTERNATIONAL PAYMENTS - 1924 to 1926

000's Omitted

	1924			1925			1926		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
	Visible & Invisibles	Visible & Invisibles		Visible & Invisibles	Visible & Invisibles		Visible & Invisibles	Visible & Invisibles	
	Visible	Invisible		Visible	Invisible		Visible	Invisible	
1. Commodity Trade-									
Recorded merchandise exports and imports.....	1,070,612	808,145		1,253,099	890,195		1,253,939	1,005,542	
Exports and Imports of gold and bullion and subsidiary coin.....	0,860	29,270		40,172	50,508		79,563	47,126	
Unrecorded imports of ships	-	223		-	1,933		-	1,000	
Deductions for settlers' effects shown elsewhere and miscellaneous items	10,554	15,154		11,737	16,566		11,864	16,873	
Total	1,060,928	822,489	+238,439	1,311,534	926,244	+385,290	1,351,658	1,078,995	+272,663
2. Freight payments and receipts	98,875	91,147	- 7,728	102,951	96,813	+ 6,138	111,064	102,526	+ 8,538
3. Tourists' expenditures	143,042	53,534	+ 89,508	173,289	67,395	+105,894	190,463	90,045	+100,418
4. Interest payments and receipts	41,776	255,330	-213,554	51,159	258,970	-207,811	66,756	230,419	-163,663
5. Immigrants' remittances	13,545	17,871	- 4,326	15,190	18,634	- 3,444	15,550	20,509	- 4,959
6. Expenditures of Governments	11,694	11,314	+ 380	11,917	10,935	+ 982	11,943	10,863	+ 1,080
7. Charitable and Missionary Contributions	1,400	2,053	- 653	726	1,091	- 365	514	1,575	- 1,061
8. Insurance transactions	10,523	14,126	- 3,603	15,661	10,537	+ 5,124	15,742	22,158	- 6,416
9. Advertising	2,861		+ 2,861	2,639		+ 2,639	3,143		+ 3,143
10. Motion picture royalties		3,500	- 3,500		3,500	- 3,500		3,500	- 3,500
11. Capital of immigrants and emigrants	3,696	22,531	- 18,835	7,425	12,534	- 5,109	9,676	13,396	- 3,720
	1,407,165	1,299,295	+107,870	1,692,491	1,415,313	+277,178	1,746,084	1,504,927	+241,157
12. Net Capital Movement (Direct Estimate).....						+179,741			+ 39,315
13. Difference due to errors and omissions						100,437			100,732

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