

Nevertheless, it has been considered well worth while to make as close an estimate as possible of the balance of the international payments of the Dominion, and the figures for the years 1920 to 1926 are presented for the first time in Table 36. It is expected that with greater experience the technique may be improved, and the margin of error reduced to the minimum. The figures now given, approximate as they are, serve to show the great improvement in the financial position of Canada since 1920.

In 1920 the Dominion's commodity balance of trade was "unfavourable" to the extent of about \$24 millions, but each subsequent year has shown a "favourable" balance of trade in commodities. When the totality of transactions in 1920 is taken into account as far as possible, the excess on the import side of our account was \$268 millions, while in 1921 and 1922 the excesses on the same side were \$137 millions and \$68 millions respectively. (A chief reason for the "adverse" balance in these years was that in them we were being repaid amounts advanced to the United Kingdom during the war, there being a net withdrawal from the United Kingdom of \$104 millions in 1920, \$128 millions in 1921 and \$84 millions in 1922.)

In 1923 there was a change, with a surplus of \$45 millions shown on the export side, in spite of further repayments of \$52 millions by the United Kingdom. In 1924 the surplus, as shown in the table, increased to \$108 millions and in 1925 to \$277 millions, while in 1926 it fell to \$191 millions. 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 the result of abundant funds accumulating in the Dominion owing to three causes. In the first place there had come into the country during the war some \$1,250 millions through the purchase of our commodities at high prices; this was seeking an investment outlet. In the second place, the large investment of American capital in the Dominion from 1914 to 1920 was now increasing the nation's output. In the third place, successive large harvests were a 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 as shown in the last line of 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 millions 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. The results arrived at by both methods indicate a large export of capital in 1925 and a smaller export in 1926. As the technique of collecting these statistics is improved, the discrepancies between the results obtained from the application of the direct and the indirect methods will be reduced.