

Of special interest is the detailed analysis of capital movements between Canada and other countries that has been revealed in the capital account.

Gold Held under Earmark by the Bank of Canada.—Since February, 1936, the Bank of Canada has been holding gold under earmark for clients abroad. These holdings presumably may be of either domestic or foreign origin. The physical movement of gold into or out of Canada is recorded in the trade tables as explained on pp. 474-476. Since changes in the gold held under earmark involve international financial transactions which are considered in estimating Canada's balance of international payments (see Table 25) the amounts so held by the Bank of Canada are shown here in Statement XV.

XV.—HOLDINGS OF GOLD UNDER EARMARK BY THE BANK OF CANADA, BY MONTHS, 1936-38.

Month.	1936.		1937.		1938.	
	Net Change During Month.	Total at End of Month.	Net Change During Month.	Total at End of Month.	Net Change During Month.	Total at End of Month.
	fine oz.	fine oz.	fine oz.	fine oz.	fine oz.	fine oz.
January.....	Nil	Nil	+130,661	1,483,158	Nil	1,932,344
February.....	+172,227	172,227	Nil	1,483,158	"	1,932,344
March.....	+89,813	262,040	+ 72,879	1,555,837	+265,269	2,197,614
April.....	Nil	262,040	Nil	1,555,837	+131,616	2,329,229
May.....	+147,622	409,662	"	1,555,837	+1,011,218	3,340,447
June.....	+292,781	702,443	"	1,555,837	Nil	3,340,447
July.....	+237,938	940,381	+ 95,561	1,651,397	"	3,340,447
August.....	Nil	940,381	Nil	1,651,397	+342	3,340,790
September.....	+148,796	1,089,177	"	1,651,397	-580,318	2,760,471
October.....	+ 69,381	1,158,559	+ 53,457	1,704,855	+924,854	3,685,325
November.....	Nil	1,158,559	+151,278	1,856,133	+229,661	3,915,006
December.....	+193,939	1,352,497	+ 78,212	1,932,344	+189,634	4,104,640

Balance of Payments in Recent Years.—The outstanding features of the Canadian balance of international payments in the five years 1934 to 1938, shown in Table 24, have been the credit balances on current account in each year reflecting substantial surpluses of current external income over and above all current disbursements abroad. Large credit balances from exports of merchandise and from the tourist trade and growing credits from the sale of gold were more than sufficient in each year to meet payments to other countries on account of interest and dividends, freight, and miscellaneous services.

The large outflow of capital indicated by the credit balances on current account is analysed in the capital account. In each year there have been large outward movements of capital for the retirement of Canadian securities owned abroad with accompanying reductions in the contractual liabilities abroad of Canadian debtors. Other security transactions arising from the international trade in outstanding securities have in each year, except 1934, resulted in inflows of capital indicating a sustained external demand, much of which was from the United Kingdom, for Canadian securities. Other capital movements during the period under review have been outward in large volume and have been connected with the activities of banks, insurance companies and other financial institutions, and international direct investments. The general effects of the movements of capital during the period have been in the direction of materially reducing the contractual liabilities