

first obtained in 1941, for the year 1940 (see pp. 475-476), reveal that in previous estimates of the tourist trade, the balance of credits was very substantially over-estimated. To date, it has not been possible to revise satisfactorily the estimates of tourist expenditures for the years preceding 1939. A revised estimate of tourist expenditures, based on the new data, is included in the statement of the balance of payments for 1939 shown in Table 1.

Statements of the Canadian balance of payments for the years from 1934 to 1939, show certain characteristics that are uniform throughout the period. In each year current external income has exceeded current disbursements by a substantial margin. The large credit balances from exports of merchandise, the growing credits from the export of non-monetary gold and balances of credits on tourist account (after allowing for the fact that estimates of these in the past were too large) 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 1937, resulted in inflows of capital indicating a sustained external demand 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 movements of capital during the period have had the effect of reducing materially the contractual liabilities abroad of Canadian borrowers, with accompanying declines in the interest payments on externally held Canadian bonds, as well as of increasing in some degree Canadian assets abroad.

The statement of the balance of payments for 1939 shown in Table 1 displays the same broad outline described above. The balance of credits of \$193,000,000 on merchandise account was higher than the merchandise balance in 1938. Net exports of non-monetary gold of \$184,400,000 were much larger than in 1938, while the revised estimate of \$78,000,000 of net credits from the tourist trade was probably of comparable proportions to the balance of preceding years. Partly offsetting these credit balances were larger debit balances, on account of interest, dividends and freight, and reduced net debits arising from other miscellaneous services.

Retirements of Canadian securities owned abroad exceeded sales of new issues abroad by \$96,300,000. The official repatriation of a Dominion issue of bonds after the outbreak of the War represents a major part of this total. In contrast, capital movements arising from the international trade in outstanding securities were predominantly inwards. This inflow was from the United States and Europe and was heaviest in the first half of the year. Other capital movements continued to be outwards on balance and of large proportions.

The background affecting the balance of payments in 1939 was, of course, more complex than the above changes suggest. Among the important factors in the part of the year that preceded the War were the increase in business activity in the United States and the large movement of capital from Europe to America; some of this capital came to Canada. In the latter part of the year, changes in foreign-exchange rates and the establishment of foreign-exchange control were among the more important new factors affecting the balance of payments. Exchange control, with