

The current account with non-Empire countries showed a rise in net debits from \$26,000,000 in 1939 to \$247,000,000 in 1940. A sharp rise in net debits with the United States accompanied by a decline in net credits with other foreign countries brought about this result. Imports from non-Empire countries increased much more than exports—the former from \$536,000,000 to \$785,000,000 and the latter from \$470,000,000 to \$504,000,000. Net exports of non-monetary gold to the United States rose mainly because of the premium on U.S. dollars. Although there was a sharp drop in receipts from United States tourists, this was offset by the lower expenditures of Canadians visiting the United States, due to governmental restrictions on pleasure travel in that country, in the latter half of 1940: net receipts from the tourist trade were about the same in both years. A small increase in net interest and dividend payments was mainly accounted for by the premium on payments of U.S.-dollar bond interest. Freight payments to the United States were naturally heavier because of increased imports.

**Capital Account Transactions.**—The composition of the capital account in 1939 differed from 1940 mainly because of capital transactions preceding the War.

Net debits on capital account with Empire countries in 1939 amounted to \$83,000,000. To a considerable extent this was a reflection of official repatriation operations. There were, however, also private retirements of Canadian securities held in the United Kingdom, purchases of outstanding securities, etc.

The capital account with non-Empire countries in 1939 showed net debits of \$73,000,000. There were net credits from sales of outstanding securities and from sales of new issues of Canadian securities in the United States which exceeded retirements of Canadian securities held in that country. Net credits from these security transactions were, however, more than offset by debits connected with the operations of international direct investments and insurance companies, changes in short-term balances and certain accounting adjustments to entries elsewhere in the statement.

Gross capital receipts by Canada from Empire countries in 1940 totalled \$116,000,000. This amount was made up chiefly of capital expenditures by the United Kingdom on war plants in Canada, but also included capital receipts by Canada in respect of securities, mortgages, real estate, estates and trusts, insurance transactions, etc.

Apart from \$248,000,000 paid for gold bought from Great Britain in part settlement of her deficiency with Canada and used in turn to settle part of Canada's deficiency with the United States, Canada's gross capital payments in 1940 to Empire countries totalled \$334,000,000. A reduction in Empire balances held in Canada, which repatriation operations late in 1939 had left at an unusually high level at the end of that year, plus sales of British-owned securities in Canada, plus private retirements of Canadian securities held in the United Kingdom, plus capital payments to Empire countries in respect of direct investments, mortgages, real estate, estates and trusts, insurance transactions, etc., accounted for \$111,000,000 of this total.

The remaining amount of \$223,000,000 represented the United Kingdom's residual requirements for Canadian dollars on current and capital account, which were supplied by the Dominion Government. Of the total, \$141,000,000 was provided by official repatriation, i.e., by redemption in advance of maturity of