BANK OF CANADA

ANNUAL REPORT OF THE GOVERNOR TO THE MINISTER OF FINANCE

AND STATEMENT OF ACCOUNTS

FOR THE YEAR 1959

CANADA

"**WHEREAS** it is desirable to establish a central bank in Canada to regulate credit and currency in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit and to mitigate by its influence fluctuations in the general level of production, trade, prices and employment, so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of the Dominion: Therefore, . . ."

—Preamble to the Bank of Canada Act

BANK OF CANADA

February 29, 1960.

The Hon. Donald M. Fleming, Q.C.,
Minister of Finance,
Ottawa.

Dear Sir,

In accordance with the provisions of the Bank of Canada Act I am transmitting herewith my report for the year 1959, and a statement of the Bank's accounts for this period which is signed and certified in the prescribed manner.

Yours very truly,

J. E. COYNE,

Governor.

BANK OF CANADA
REPORT OF THE GOVERNOR
1959

I should like to preface my review of economic and financial developments in 1959 with some general remarks about the nature and limitations of monetary policy and about the economic environment in which monetary policy and economic policy in general operate.

The primary function of a central bank is to regulate the total quantity of money, which is a short phrase rather arbitrarily applied to the combination of the amount of currency in circulation outside the banks plus the amount of the deposit liabilities of those banking institutions which are required to maintain a reserve of deposits with the central bank expressed as a percentage of their own deposit liabilities. As Bagehot emphasized some 87 years ago, "Money will not manage itself", and it is necessary for a central bank from time to time to form a judgment in the light of changing circumstances as to whether its own operations should be such as to facilitate an increase or induce a decrease in the stock of money as so defined, or to hold it more or less constant.

In Canada the chief criteria which must be taken into consideration by a central bank are laid down by Act of Parliament in the preamble to the Bank of Canada Act of 1934. In addition to a broad directive to the Bank "to regulate credit and currency in the best interests of the economic life of the nation", and "generally to promote the economic and financial welfare of the Dominion", it is also prescribed that the Bank should endeavour "to mitigate by its influence fluctuations in the general level of production, trade, prices and employment so far as may be possible within the scope of monetary action".

It will be generally agreed that the best interests of the economic life of the nation and the economic welfare of Canada are served if economic activity is carried on in such a way as to produce steady and substantial growth from year to year, a continuously high level of employment, and the avoidance of disturbing fluctuations upwards or downwards in the general level of prices.

The chief method by which a central bank can bring some influence to bear on economic developments is by open market operations, that is, by buying and selling treasury bills and government bonds in the market.* Payment by the central bank for securities which it purchases in the market adds to the cash reserves of the reserve-system banks and (unless other factors are tending to reduce reserves) makes it possible for them to progressively increase their loans or other investments, and concomitantly their deposit liabilities, by an amount which in Canada (where the minimum cash reserve ratio is 8 per cent) is approximately twelve times the increase in their cash reserves. Conversely, payment to the central bank for securities which it sells causes a reduction in the reserves of the reserve-system banks and (unless other factors are tending to increase reserves) makes it necessary for them progressively to sell securities or reduce other assets in order to restore their reserve ratios to the required level.

The change in the volume of bank deposits in the hands of the public, and the equivalent change in the loans and other assets of the chartered banks, are the chief results of open market operations by the central bank. These changes, in turn, have an influence – which is however only one amongst a variety of influences – on interest rates, on the level of bond prices, on the rate of spending or potential rate of spending by holders of bank deposits and by those who may desire to borrow funds from the holders of bank deposits, on the general state of liquidity of the economy as a whole, and on various expectations and intentions in people's minds regarding future economic trends, their own spending and saving, and the possibility of making profitable investments in new or expanded business operations.

These and the various other elements which determine the overall rate of economic activity and growth, are also affected by many other factors which separately or in combination may be much

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* In some countries the central bank is also empowered to alter the required minimum reserve to be maintained by the commercial banks, and to give directives or make regulations respecting lending practices on the part of banks and other institutions. The Bank of Canada has not exercised the former of these powers and does not possess the latter. Another instrument of central bank policy, which may have more significance as an indicator than as an operative factor, is the changing from time to time of the rate of interest at which the central bank is prepared to make short-term loans to the commercial banks. In Canada the practice has been adopted of having changes in the central bank's minimum lending rate fluctuate with changes in the yield on 91-day treasury bills as established at the weekly auction of new issues to replace those maturing, which gives an up-to-date and sensitive indicator of changing conditions and outlook in financial markets.

more influential than monetary policy. Among the obvious factors concerned are fiscal policy (spending and taxation policies, particularly on the part of the national government but also on the part of junior governments); debt management policy of governments; other governmental action, regulations and legislation; the condition of foreign markets for Canadian exports; the rise or fall of world prices, and changes in costs of production in Canada and elsewhere; movements in exchange rates and in the balance of payments; changes in public habits regarding spending and saving; the technical ability, adaptability and mobility of employed and unemployed persons; scientific research, technological changes, natural resource discoveries and many others.

At the present time the central bank is the only agency in Canada which is charged by statute with the duty of conducting its operations in such a way as to promote price stability, rising employment and economic growth. This is unfortunately open to misconstruction, because it is certain that the central bank cannot accomplish such a result alone, and there is great danger in the misunderstanding which may be created that no matter what other sectors of the community may be doing, an appropriate monetary policy can by some magic prevent inflation and achieve the other objectives of economic policy. There are undoubtedly people who honestly hold entirely mistaken views about the power of a central bank to prevent inflation, and some who hold equally mistaken views on the presumed power of monetary management to bring about full employment and a high rate of economic growth.

In the interest of informed public discussion it is particularly important to realize that there is nothing the central bank can do to change credit conditions in one part of the country rather than another — it cannot make credit more abundant in those areas where inflationary pressures are least, or less abundant in those areas where inflationary pressures are greatest. To bring about an increase in the total quantity of money does not determine how or in what part of the country the persons who acquire the monetary resources will spend, save, lend or invest them. Likewise, to enable the chartered banks to increase their total loans and investments, does not determine how or in what part of the country any one or all of the banks will expand loans or investments or, indeed, does not ensure that the banks individually or collectively will increase their total volume of loans and investments commensurately with the additional cash reserves which might make this possible, though normally they would achieve such an overall expansion by buying Government securities in the market if loan demand were slack.

Similarly, there is no way in which the central bank's operations can induce lenders to take a more favourable view of loans to small business as distinct from large enterprises, or to Canadian-owned enterprises as compared with foreign-owned enterprises operating in Canada, or to municipalities or governmental agencies as against private business, institutions and individuals.

It is undoubtedly the case that, particularly under conditions of strong demand, small businesses find it difficult to compete against larger businesses in the obtaining of additional supplies of capital (and in boom times, supplies of labour and raw materials), and also that Canadian-owned enterprises are under a disadvantage in competing against foreign-owned enterprises which have ready access to external sources of funds, foreign research facilities and technical assistance, as well as tied markets or assistance in marketing. These disadvantages do not flow from monetary policy and cannot be overcome by such general measures as monetary policy, or, for that matter, government spending designed to augment total personal income and consumer expenditure.

Similarly, when there are particular industries or particular regions with substantially more unemployment than the national average, or when seasonal conditions reduce certain kinds of employment, general economic measures cannot be expected to bring about any significant increase in employment in the particular industry, region or season in question. Monetary policy is, in its nature, of a general character. So is fiscal policy in the broad sense.

There are no doubt various special measures, whether financial or other, which governments can take to reduce the various disabilities and difficulties of small business and to mitigate the handicaps of Canadian enterprises in competing against foreign enterprises which operate through subsidiaries in Canada or send their goods into Canada, and similarly to relieve the particular problems of production and development and employment in specific industries and particular parts of the country and in the winter season. The necessity for pin-pointing action to deal with these problems in good times as well as in recessions has tended to be overlooked, and the possible value of general measures such as monetary expansion and deficit spending have been seriously exaggerated in the public mind.

General measures such as monetary expansion and deficit spending if undertaken at the wrong time can undoubtedly stimulate inflation. They can do very little to cure unemployment not due to any deficiency of total demand in Canada, or to improve the competitive position of small business and Canadian-owned enterprises. Indeed, when general economic activity is relatively high, even though there may be serious particular problems of the kind indicated, general measures of monetary expansion and deficit spending may contribute more to an increase of imports, and therefore to an increase in production and employment outside Canada, than to an increase in production and employment inside Canada. A reduction in spending, an increase in saving, restraint in foreign borrowing, and the encouragement of structural changes in the Canadian economy to replace imports with efficient domestic production would do much more to deal with the specific problems concerned, than general expansionist measures of a monetary or fiscal character.

For some years, as I see it, the Canadian economy has been under the influence of excessive overall spending, which even in periods of relatively high unemployment resulted in a net inflow of imports from other countries. Attempts to induce growth for a short time at rates which in the aggregate cannot be expected to continue, bring set-backs and unemployment in their train. Such conditions of excessive demand create inflationary pressures which distort the structure of the economy and handicap the development of the more stable economic sectors. The attempt to accomplish too much too fast has given rise to huge deficits in our international balance of payments on current account, i.e. a very large excess of imports of goods and services over exports of goods and services, to a large and growing volume of foreign debt incurred by Canadian governments and businesses which do not have foreign operations to support that debt, and has gone hand-in-hand with a growing degree of foreign predominance in Canadian business.

Three years ago when reviewing the development of the very large balance of payments deficit of 1956 I remarked that "An import surplus or balance of payments deficit of the present size is the product and symptom of an excessive rate of spending in the economy, not just of a reasonable rate of real growth. It would be disturbing to think of an import surplus of such magnitude continuing for an indefinite period". At that time I expressed the belief "That total spending of all kinds . . . . . was at least $1 billion greater than would have been desirable from the point of view of general stability and sound economic growth".

Three more years have gone by in which we have had very large balance of payments deficits, and we are now launched on another year with the prospective excess of total spending over production being greater than ever, presumably to be matched by an equivalent excess of imports which will have to be financed by foreign resources in one form or another.

The cumulative effect of all these developments must be to weaken the ability of the Canadian economy to meet the difficulties of the next recession to come upon us from abroad, and to make more likely the development of a domestic recession arising from excesses and structural strains within our own economy, which may or may not coincide in timing with recession conditions abroad.

In the interests of sound monetary policy, and of a sound economic structure, a basic element in our national life which it is the function of monetary policy to promote, it seems appropriate now at the beginning of a new decade, and in many ways of a new era in world economic development, to pause and ask ourselves if it would really be desirable to continue along the path indicated by the tendencies of recent years.

Even if we were intent on trying to continue in that way, it must be recognized that in a capital-hungry world we cannot in fact count on having ready access to foreign capital year after year on a large scale. The longer the process of attempted over-expansion or over-rapid expansion goes on, the more maladjustments will be built into our economy, and the more difficult and painful will be the readjustments which will in time be forced upon us. We must in the end learn as a nation to live within our means, and exhibit the strength and will to do so. It would in my view be the path of realism to move firmly in that direction on a broad front without delay.

There is no reason in principle why Canada could not make great progress without drawing on the savings of foreigners on a huge scale to finance our capital expenditures or consumption. We could do so, just as most other countries in the Western world do, and as other countries with our degree of development and standard of living have done in the past. We can achieve, by our own efforts without foreign aid, a substantial increase every year in our productive capacity and standard of living. For the purpose of maintaining full employment, economic growth and a rising standard of living, we do not need to stimulate a temporarily high but unsustainable rate of consumer spending by means of more and more consumer credit, or of capital expenditures on a scale greater than our own capacity and willingness to save out of annual production for that purpose. We would benefit more from greater diversification of our production, which could provide a higher average level of employment and one less exposed to the hazard of sudden changes.

A more moderate approach to economic development on the part of all sections of the community, and more emphasis on a balanced industrial structure would also mean that Canadians would own a greater share in Canadian industry, that we would accumulate less debt to foreigners, and would have to bear a smaller burden of foreign debt service, which could one day become a very serious embarrassment in the event of a major decline in the exchange value of the Canadian dollar. We do not need to make our economy structurally dependent on our ability to obtain, or on other people's willingness to let us have, new supplies of foreign capital year after year on a vast and increasing scale.

Above all, I am concerned lest Canadians should fail to appreciate or close their eyes to the implications of certain economic tendencies, in the thought that there is in monetary management some magical power or hidden hand which will relieve us of the necessity of remedying our situation by our own exertions, by not consuming more than we produce, and by prudent management of our collective affairs. Monetary expansion, low interest rates, and abundant loans not based on actual domestic savings will not counteract such trends (but if adopted would make them worse) and will be able to make little if any contribution towards alleviating the problems of large and sudden adjustments which will be necessary some day if earlier action of the appropriate character is not taken to forestall them.

This is not pessimism, but realism. I think it equally realistic to have confidence that the Canadian people can and will manage their affairs as effectively as any other nation. With a high and rising standard of education, with a wide range of technical skills, with hard work and self-reliance, with above all pride in our national destiny as an independent progressive northern people living in a stimulating environment, we need only to be aware of our problems to tackle them, to cast aside easy-going illusions and stand on our own feet.

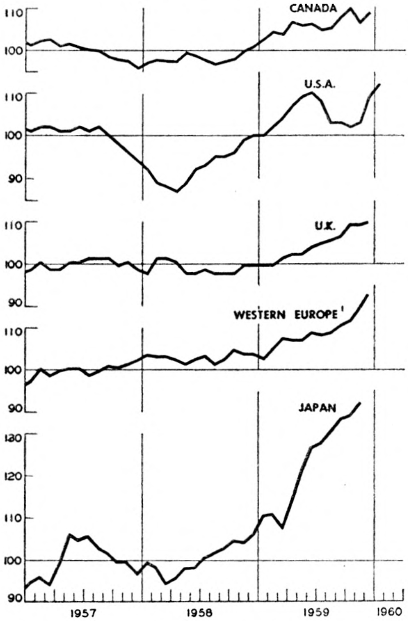
The adoption of sound and balanced programmes for future development, the avoidance of excess in spending and borrowing, and the promotion of a more stable and diversified structure of economic activity, have never been so essential to the continued growth and stability of the Canadian economy. I am sure that in this way we can indeed achieve a maximum of progress without inflation and consequent serious recessions, without aggravation of intractable unemployment situations, and without inviting foreign domination of our national life.

World Economic Environment

Expansion was the keynote of the world economy in 1959; not only in North America but in almost all of the overseas industrialized countries as well, the year was marked by pronounced increases in output and employment. Indication of these trends are provided in the inset chart showing for a number of countries the growth of industrial production which accounts for one-third to one-half of gross national product. In the industrialized countries, a renewed upward trend has developed in capital expenditure on new plant and equipment following the earlier strength in consumer spending, and in recent months the possibilities of overstrain and instability have led a number of such countries to take steps, in most cases of a monetary nature, to moderate the expansion of spending plans. Meanwhile the expansion of industrial activity caused an increase in the demand for primary commodities, with resulting price increases in some cases. Improved export earnings from many primary products, together with continued foreign aid, quickened the pace of economic development in most of the less developed parts of the world.

INDUSTRIAL PRODUCTION

Seasonally adjusted: Indexes 1957=100



1. Austria, Belgium, Denmark, France, Germany(F.R.), Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Sweden, Turkey.

By the middle of 1959 the value of world trade was considerably above the previous year's level and it is now probably higher than before the recession. In the last quarter of 1959 exports from Japan, Germany, France, the Netherlands and Switzerland were all more than 15 per cent higher than a year before; exports from a number of other European countries were running at rates 10 per cent higher. Exports of the primary producing countries as a group were 10 per cent above year-before levels in the third quarter of 1959, the last for which comprehensive data is available. Exports from the United States were considerably above the previous year's levels in the fourth quarter of 1959, though in the year as a whole they were no higher than in 1958.

On the import side, United States purchases abroad turned up in 1958 and for 1959 as a whole rose by $2.4 billion, or nearly 20 per cent above the previous year. Imports into other industrial countries taken as a group did not rise as markedly for 1959 as a whole, but they have been rising sharply in recent months. In the third quarter of 1959, as export incomes improved and import restrictions were eased, the imports of primary producing countries, taken as a group, rose above year-ago levels for the first time since early 1958.

In last year's Report I referred to the progress made during the past decade towards international financial balance which was reflected in an increase of $8.5 billion in the gold reserves and of $10 billion in the dollar holdings of countries other than the United States (excluding the Sino-Soviet group) in the ten years 1949-1958. This progress continued in 1959, when other countries gained approximately $3.7 billion in gold and dollars in their transactions with the United States. (This excludes the $1.4 billion which the United States paid to the International Monetary Fund in connection with the increase in its Fund quota.) In addition, new gold production in the western world and Russian gold sales added perhaps another $1 billion to the official reserves of countries other than the United States.

Although the United States payments deficit was somewhat higher in 1959 than in 1958, gold losses were considerably less, largely because the firming of short-term interest rates increased the relative attractiveness, to the countries gaining reserves, of holding short-term U.S. government securities. Nevertheless the magnitude of the deficits—$3.4 billion in 1958 and an estimated $3.7 billion in 1959—has focused the attention of the United States authorities on the problems that would be involved if such trends were prolonged. The lines of policy which have been followed so far with a view to reducing the deficit have not imposed burdens on other countries. United States policy has not sought to restrict the flow of imports for balance of payments reasons, nor to cut the total flow of foreign aid. Rather it has sought to increase exports—

by improving competitiveness and strengthening sales efforts, and by pressing for the removal of foreign import restrictions – and to persuade other countries financially able to do so to look after a larger share of the increased foreign aid requirements of underdeveloped countries.

For Canadians, it is worth pondering that even a country of the enormous economic strength of the United States, accounting as it does for well over a third of the total production of the Free World and still holding nearly $20 billion in gold – almost half the world's gold reserves–as well as huge foreign assets, can find itself in a position where it must give thought to its balance of payments and to the impact of its domestic economic policies on its international position.

In referring to the improved international financial position of Western Europe in my last Report, I pointed out that there was no longer any justification for maintaining discriminatory import restrictions, and expressed the hope that arrangements for regional economic cooperation in Europe would not interfere with a rapid dismantling of existing controls against dollar goods. Substantial progress in reducing discrimination was made in 1959 by a number of countries, and though a good deal remains to be done the remaining discriminations are widely recognized as the vestigial remains of an earlier period which are no longer appropriate or defensible in present conditions.

This does not mean, however, that all will be clear sailing in the future. The problem of regional groupings remains unresolved. The establishment in 1957 of the European Economic Community, or "common market"– a customs union comprising France, Germany, Belgium, Luxembourg, Netherlands and Italy – was followed by the formation in 1959 of another group called the European Free Trade Area and consisting of the United Kingdom, Austria, Denmark, Norway, Portugal, Sweden and Switzerland. The former group, the "common market" countries, are in process of determining the level of their common tariff and the nature of their common agricultural policy, which are matters of vital concern to Canada and other trading countries. Europe is a large and growing market for Canadian goods, and we have a great interest in maintaining access to this market on reasonable terms. An important step looking towards a constructive solution of the difficult problems involved in the relationship of the two regional European groups with other countries was taken early in 1960 when arrangements were made for the Western European countries and the United States and Canada to have joint discussions of outstanding problems of trade policy and to consider new institutional arrangements for continuous consultation on economic matters.

Whatever turn the trading policies of the European regional groupings may ultimately take, there are certain basic factors which will affect Canada's trading position in the years ahead. The great economic recovery of Europe and the development of raw material resources in various parts of the world have resulted during the past few years in a remarkable increase in the competitiveness of international trade. During the 1950's Canada enjoyed a combination of advantages in its external position. There were long accrued demands for our staple exports, particularly of minerals, when other sources of supply were inadequate, which also made attractive the development of new sources in Canada. In addition our special locational advantage as a source of supply, notably of strategic materials to the United States market, was emphasized by the extreme tensions of the early cold war period. These advantages have diminished during the past two or three years. The short-fall in the world supply of most of the commodities which make up our staple exports has been overcome by the development of increased capacity in a number of other countries as well as Canada; changes in strategic military concepts have altered the role of various raw materials.

In a number of important respects therefore, it seems likely that Canadian exports will be less assisted by specially favourable conditions than in the recent past and will have to depend more on ability to meet stiff competition in a world in which alternative sources of supply are now readily available. Even on the assumption of favourable developments in the trading policies of European and other countries, merely passive reliance on presumed natural advantages cannot be expected to improve or indeed even to maintain our position in world trade.

The Canadian Balance of International Payments

After a decade or more in which distortions and restrictions left by the war have been diminishing and in which trading conditions and opportunities have been developing in a direction generally favourable to the most competitive producers, it may be useful to review in some perspective the recent trends in Canada's trade and payments position. These are shown in the table and charts on the following page.

The outstanding feature of Canada's balance of international payments in recent years has been the size of our deficits on current account. Over the past four years the total of such deficits has been $5,335 million, with the figure for 1959 at $1,460 million, a new record high. During this period it was possible for deficits of such a size to be financed without adverse effects on our exchange reserves or a fall in the exchange rate because foreigners took advantage of opportunities, or were induced by Canadian governments and other borrowers, to provide large amounts of capital and loans to the Canadian economy; indeed the capital inflow was so large as to maintain the external value of the Canadian dollar at a high level.

The very large over-all current deficits of recent years have arisen both because merchandise imports have exceeded merchandise exports, and because payments for services and foreign debt charges have increased continuously and now greatly exceed receipts of the same nature. Such payments cover a wide range of business and personal transactions— freight and shipping, travel, business payments for advertising, insurance, administrative charges and research, patents, etc., also defence and other Government services and personal remittances — as well as transfers of interest, dividends and profits. Transactions of this kind, together with gold production available for export and transactions having the characteristics of gifts, are usually referred to as transactions on non-merchandise account, or "invisible" exports and imports. The recorded excesses of payments over receipts on non-merchandise account, details of which are shown in the table on page 17, have risen steadily during the nineteen-fifties to a level of $1,074 million in 1959. These are balance of payments figures and do not include retained (i.e. unremitted) profits accruing to non-residents from

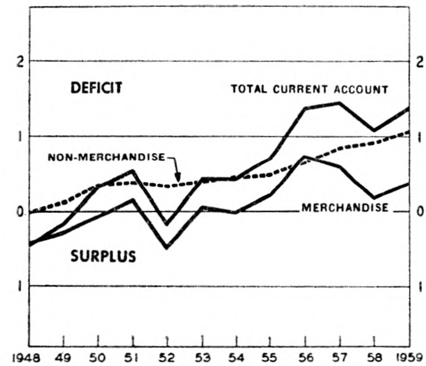
Balance of Payments Trends: 1948-1959

	Balance of Payments on Current Account (millions of dollars)					Physical Volume Indexes 1948 = 100	
	Merchandise Trade			Non-Merchandise Transactions (net)	Current Account Balance	Merchandise Exports (2)	Merchandise Imports (2)
	Exports (1)	Imports (1)	Balance				
1948	3,030	2,598	432	19	451	100.0	100.0
1949	2,989	2,696	293	−116	177	94.2	102.0
1950	3,139	3,129	10	−344	−334	93.6	109.2
1951	3,950	4,097	−147	−370	−517	103.5	122.7
1952	4,339	3,850	489	−325	164	114.9	138.0
1953	4,152	4,210	−58	−385	−443	113.2	151.0
1954	3,929	3,916	13	−445	−432	109.6	141.0
1955	4,332	4,543	−211	−487	−698	118.3	160.3
1956	4,837	5,565	−728	−638	−1,366	128.3	190.0
1957	4,909	5,488	−579	−845	−1,424	129.8	182.5
1958	4,890	5,060	−170	−915	−1,085	130.5	168.3
1959*	5,152	5,538	−386	−1,074	−1,460	134.1	187.2**

Source: Dominion Bureau of Statistics.
(1) Adjusted to balance of payments basis. (2) Not adjusted to balance of payments basis. Export series excludes exports of foreign produce. * Preliminary. ** Estimated.

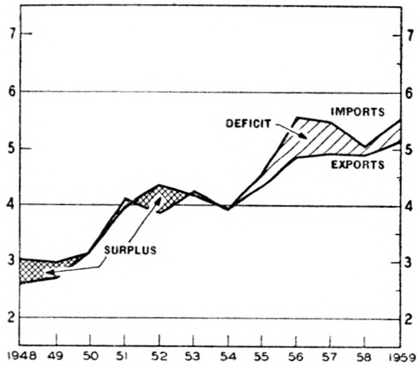
BALANCE OF PAYMENTS ON CURRENT ACCOUNT

Annual: Billions of Dollars



MERCHANDISE EXPORTS AND IMPORTS

Annual: Billions of Dollars



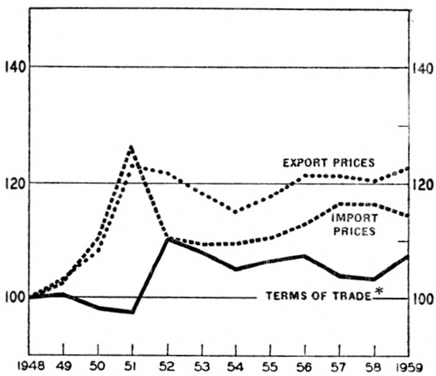
Commodity Terms of Trade

	Price Indexes, 1948 = 100		
	Exports	Imports	Terms of Trade
1948	100.0	100.0	100.0
1949	103.3	102.6	100.7
1950	108.3	110.3	98.2
1951	123.0	126.2	97.5
1952	121.8	110.4	110.3
1953	118.3	109.4	108.1
1954	115.1	109.5	105.1
1955	117.7	110.5	106.5
1956	121.4	113.0	107.4
1957	121.3	116.4	104.2
1958	120.6	116.5	103.5
1959	123.0*	114.5**	107.4**

Source: Dominion Bureau of Statistics.
* Preliminary. ** Estimated.

COMMODITY TERMS OF TRADE*

Annual: Indexes 1948=100



* Export price index divided by import price index.

Non-Merchandise Transactions in the Balance of International Payments on Current Account

(millions of dollars)

	Gold Production Available for Export	Freight and Shipping (net)	Travel (net)	Interest and Dividends (net)	Other Non-Merchandise Items (net)	Total Non-Merchandise Deficit (−)	Estimated Annual Unremitted Profits on Foreign Direct Investment in Canada *(millions of dollars)*
1948	119	57	145	−255	−47	+19	160
1949	139	50	92	−307	−90	−116	155
1950	163	−17	49	−384	−155	−344	155
1951	150	−3	−6	−335	−176	−370	200
1952	150	8	−66	−268	−149	−325	290
1953	144	−56	−63	−239	−171	−385	340
1954	155	−43	−84	−276	−197	−445	300
1955	155	−17	−121	−323	−181	−487	370
1956	150	−45	−161	−381	−201	−638	480
1957	147	−70	−162	−433	−327	−845	450
1958	160	−59	−193	−420	−403	−915	n.a.
1959*	147	−95	−192	−486	−448	−1,074	n.a.

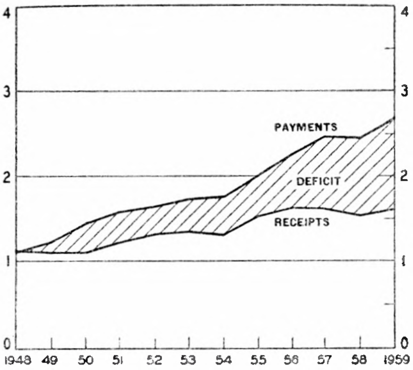
Source: Dominion Bureau of Statistics.
* Preliminary.

Canadian business operations, the bulk of which are shown in the last column of the table.

The widening non-merchandise deficit reflected a much greater rise in payments than in receipts; from 1950 to 1959 non-merchandise payments rose by 85 per cent while receipts rose by 45 per cent. Within the totals a growing deficit was recorded in almost all the components. Through the period the largest change, that in the travel account, was due to a continuing rapid increase in Canadian travel expenditures outside Canada. The travel account swung into deficit early in the 1950's as foreign exchange control limitations on Canadian travel expenditures were removed, and the annual deficit has since grown to nearly $200 million. With the growth of overseas travel the Canadian travel deficit with overseas countries has been rising as rapidly as that with the United States. There has also been a large increase during the period in

NON-MERCHANDISE TRANSACTIONS

Annual: Billions of Dollars



the deficit on interest and dividends. The decline in net interest and dividend payments from 1950 to 1953 coincided with equally large increases in the unremitted portion of annual profits accruing to non-residents from direct investment in Canada; since 1953 annual net interest and dividend payments have doubled, reaching $486 million in 1959, and retained profits have also been greater. Taken together, the changes in interest, dividend and travel components account for about 45 per cent of the growth since the early 1950's in the non-merchandise deficit. The remainder was made up of larger deficits in the international exchange of freight and shipping services, business services, government services and official contributions, and a variety of personal remittances.

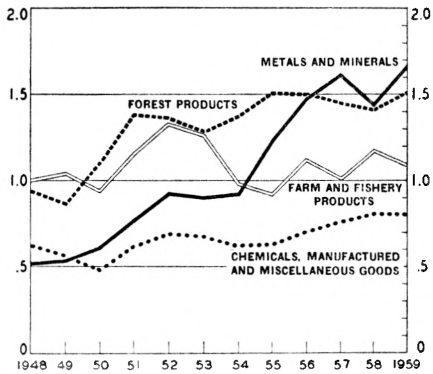
The record of recent years points up clearly the fact that the total volume of spending in Canada, and the nature and direction of our spending, have given rise to a persistent upward tendency in the non-merchandise deficit, which is now very large and growing larger. The over-all current account might however have been kept in balance if there were a substantial and growing surplus from trade in goods. So far no such surplus has emerged. On the contrary, Canada has had a very considerable deficit on merchandise account in recent years.

As shown in the table and charts on page 16, the large merchandise surplus of 1948 had been virtually eliminated by 1950 due to a 9 per cent rise in the physical volume of imports (reflecting in part the progressive removal of import restrictions imposed in 1947 under the Emergency Exchange Conservation Act) and to some decline in the volume of exports as overseas countries tightened their restrictions on dollar imports. In 1951 and 1952 the volume of imports increased by about the same amount as the volume of exports. However in 1952, the terms of trade, i.e. the ratio of export prices to import prices, changed markedly in Canada's favour with the sharp decline in import prices which followed the end of the Korean war boom. The net result of all these factors was a surplus on merchandise trade of $489 million in 1952, the last year to show a surplus of any consequence. It was replaced by a merchandise deficit of $58 million in 1953 as the volume of imports again rose substantially, while export volume was down, and the terms of trade moved slightly against us. The merchandise deficit reached a peak of $728 million in 1956 and amounted to $386 million in 1959. The terms of trade were approximately the same in 1959 as in 1953, with average export prices 4 per cent and average import prices 4½ per cent higher, so that the weakening of our trade balance arose not from movements in the relationship of export and import prices but from an increase in the physical volume of our imports which was much greater than the growth in the physical volume of our exports.

The total value of Canadian merchandise exports fell by 5 per cent from 1953 to 1954, rose by nearly 25 per cent to 1956, remained steady in total during 1957 and 1958, and began to rise again in 1959. Movements in the four main groupings of merchandise exports are shown in the accompanying chart. Most of the increase in total exports in this period was in exports of metals and minerals, mainly to the United States. The changes from 1953 to 1959 in the main items within this group are as follows:

MERCHANDISE EXPORTS : MAIN GROUPINGS

Annual: Billions of Dollars



	Exports in 1953	Exports in 1959	Change
	(millions of dollars)		
Uranium	10*	312	+302*
Iron ore	31	158	+127
Petroleum and products	7	97	+ 90
Nickel	163	227	+ 64
Primary iron and steel	88	129	+ 41
Aluminum and products	178	232	+ 54
Copper and products	125	166	+ 41
Lead and zinc and products	96	81	− 15
All other metals and minerals	206	255	+ 49
	904	1,657	+753

* Approximate

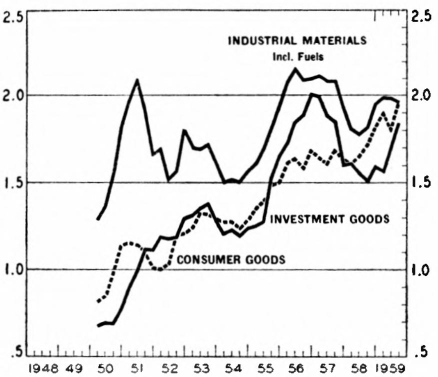
Within the forest product group, newsprint exports rose by $104 million over the period and total exports of lumber and all other forest products were up by $124 million. Exports of grains and flour were unusually high in 1953 (though down somewhat from 1952) and their subsequent fall was partly offset by some growth in exports of other farm and fishery products. In the remaining category there was an increase over the period in exports of a variety of chemicals and of alcoholic beverages and a sharp drop in overseas shipments of automobiles and trucks.

In the last two or three years exports of some commodities have not risen as much as capacity, and there is some potential for growth of such exports in future from existing facilities if prices, costs and market conditions are favorable.

Merchandise imports have shown a stronger upward trend than exports, and have also been much more sensitive to the swings in the business cycle. Reflecting changes in the level of Canadian economic activity, imports rose in 1953, fell in 1954, rose sharply in 1955 and early 1956, declined in 1957 and 1958 and then rose again in 1959. The fluctuations have been most pronounced in imports of industrial materials (including fuels) and investment goods (machinery and structural components). Imports of consumer goods rose less sharply than the other two main categories of imports during periods of strong economic expansion but they also fell less, or not at all, when total economic activity slackened, and over the period since 1953 this is the category which has shown the greatest expansion.

MERCHANDISE IMPORTS BY END USE*

Seasonally Adjusted at Annual Rates
Quarterly: Billions of Dollars



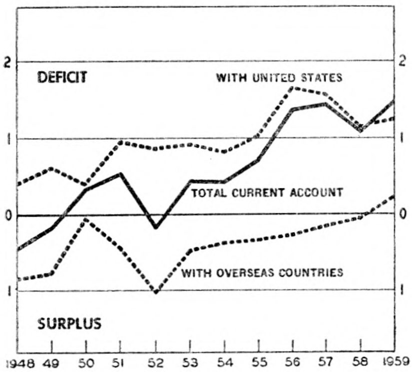
* Figures for 1948 and 1949 are not available.

To sum up, there has been a large and persistently rising deficit on non-merchandise current transactions, and instead of achieving a surplus on merchandise trade which would have offset this at least in part, we have developed a persistent merchandise deficit as well. There has therefore been a large increase in the over-all deficit on current account which in 1959 reached the record level of $1,460 million.

Along with the large increase in the over-all current deficit there has been a shift in the regional pattern. For many years it was taken as axiomatic that Canada would have a substantial current account surplus with overseas countries which would balance in whole or in large part the long-standing deficit with the United States. Before the war current receipts from overseas countries exceeded payments on the average by more than a third. In 1953 the net surplus with overseas countries was $461 million; it declined every year through 1958, and in 1959 there was a current account deficit with overseas countries. The explanation does not lie solely with merchandise trends, for income on rising investments in Canada by overseas countries and growing tourist expenditures by Canadians overseas and other invisible payments have played a part, but in relation to these overseas countries it is the increase in commodity imports relative to exports which has been the dominant factor. Since 1953 Canadian exports to overseas countries have increased by $266 million with lower shipments of farm products partly offsetting increases in other exports, while Canadian imports from overseas have increased by $664 million. Imports from the United States fell sharply in the 1957/58 recession and have still not fully reached their earlier level, but imports from overseas sources did not decline and have now risen to new record levels. In 1959 they made up 33 per cent of Canadian imports compared with 28 per cent in 1953.

BALANCE OF PAYMENTS ON CURRENT ACCOUNT WITH THE UNITED STATES AND OVERSEAS COUNTRIES

Annual: Billions of Dollars



Current Account Balance of Payments by Regions

(millions of dollars)

	Merchandise Balance With			Non-Merchandise Balance With			Total Balance With		
	U.S.A.	Overseas Countries	All Countries	U.S.A.	Overseas Countries	All Countries	U.S.A.	Overseas Countries	All Countries
1948	−289	+721	+432	−104	+123	+19	−393	+844	+451
1949	−378	+671	+293	−223	+107	−116	−601	+778	+177
1950	−47	+57	+10	−353	+9	−344	−400	+66	−334
1951	−516	+369	−147	−435	+65	−370	−951	+434	−517
1952	−471	+960	+489	−378	+53	−325	−849	+1,013	+164
1953	−588	+530	−58	−316	−69	−385	−904	+461	−443
1954	−445	+458	+13	−362	−83	−445	−807	+375	−432
1955	−685	+474	−211	−350	−137	−487	−1,035	+337	−698
1956	−1,167	+439	−728	−472	−166	−638	−1,639	+273	−1,366
1957	−947	+368	−579	−621	−224	−845	−1,568	+144	−1,424
1958	−528	+358	−170	−606	−309	−915	−1,134	+49	−1,085
1959*	−518	+132	−386	−718	−356	−1,074	−1,236	−224	−1,460

Merchandise Trade(1) by Regions

(millions of dollars)

	With the United States			With Overseas Countries		
	Exports	Imports	Net Imports	Exports	Imports	Net Exports
1948	1,508	1,797	−289	1,522	801	+721
1949	1,521	1,899	−378	1,468	797	+671
1950	2,046	2,093	−47	1,093	1,036	+57
1951	2,326	2,842	−516	1,624	1,255	+369
1952	2,346	2,817	−471	1,993	1,033	+960
1953	2,458	3,046	−588	1,694	1,164	+530
1954	2,355	2,800	−445	1,574	1,116	+458
1955	2,598	3,283	−685	1,734	1,260	+474
1956	2,854	4,021	−1,167	1,983	1,544	+439
1957	2,931	3,878	−947	1,978	1,610	+368
1958	2,909	3,437	−528	1,981	1,623	+358
1959*	3,192	3,710	−518	1,960	1,828	+132

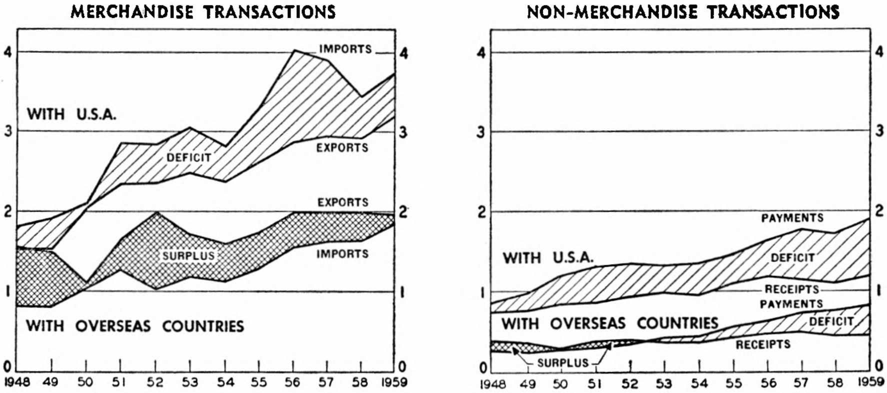
Source: Dominion Bureau of Statistics.

(1) Adjusted to balance of payments basis.

* Preliminary.

CURRENT ACCOUNT WITH THE UNITED STATES AND OVERSEAS COUNTRIES

Annual: Billions of Dollars



The experience of sharply rising imports from overseas countries is not unique to Canada; it has also been an important factor in the balance of payments of the United States during the past few years. The success of overseas exporters in the North American market cannot be attributed to any single factor but one of the most important has undoubtedly been the maturing of the post-war recovery of these countries and their success in reducing the internal pressures of excess demand, thereby releasing goods for export. Goods have become available more promptly and in larger quantities, and they have been vigorously marketed. In addition, an important part seems to have been played by the high standards of quality, style and design which have been incorporated in many of the products of the overseas countries, and by the diversification of tastes on this continent. The restoration of overseas manufacturing countries to something more closely approaching their position of a couple of generations ago has undoubtedly caused important changes in Canadian trade.

Canada's over-all current account deficits have been financed by net international receipts on capital account without any significant changes in official holdings of gold and foreign exchange. One of the main elements in capital receipts, foreign direct investment, has ranged between $400 million and $600 million per annum since 1953, and in 1953 and 1954 was almost large enough by itself to cover the current account deficit. The increase in the deficit in

Balance of International Payments on Capital Account

(millions of dollars)

	1948	1949	1950	1951
Foreign direct investment in Canada[1]	+71	+94	+222	+309
Canadian direct investment abroad[1]	+15	+13	+36	−20
Net sales of new issues of Canadian securities[2]				
Government of Canada (incl. guaranteed)				
Provincial (incl. guaranteed)		not available		
Municipal (incl. guaranteed)				
Corporate bonds				
Corporate stocks				
Sub-total	+36	−42	−74	+227
Other transactions in bonds and stocks	−5	+28	+405	+53
All other items[3]	−568	−270	−255	−52
Over-all capital receipts (+) or payments (−) = total financing of current account	−451	−177	+334	+517

Source: Dominion Bureau of Statistics.

(1) Exclusive of retained (i.e. unremitted) earnings.

(2) Newly-issued Canadian securities sold to non-residents at time of issue, mainly payable in foreign currency but including also those payable in Canadian dollars, less retirements of foreign-held issues.

recent years has, in effect, been financed mainly by a large increase in net sales to non-residents of Canadian-debtor securities, most of them payable in foreign currencies. Net sales to non-residents of new issues of Canadian securities in the last four years averaged $538 million per year, and the international trade in outstanding securities also showed a substantial net sale by Canadian investors to non-residents. These capital movements have provided most of the financing of the current account deficit but changes in short-term assets and liabilities, including appreciable changes in commercial accounts receivable and payable, have also been a factor in some periods.

1952	1953	1954	1955	1956	1957	1958	1959*
+346	+426	+392	+417	+583	+514	+420	+500
−77	−63	−81	−74	−104	−68	−48	−60
−17	−78	−61	−95	−74	−13	+51	−44
+69	+115	+63	−16	+209	+111	+123	+279
+29	+61	+17	+25	+94	+99	+118	+121
+124	+51	+98	+11	+232	+432	+200	+54
+22	+40	+11	+57	+65	+36	+27	+30
+227	+189	+128	−18	+526	+665	+519	+440
−102	−31	+39	−33	+201	+98	+91	+187
−558	−78	−46	+406	+160	+215	+103	+393
−164	+443	+432	+698	+1,366	+1,424	+1,085	+1,460

(3) Includes changes in commercial accounts receivable and payable, changes in business loans, drawings and repayments of Government of Canada loans to foreign governments, changes in Canadian dollar holdings of non-residents, changes in official exchange holdings, changes in private Canadian holdings of foreign currencies and Canadian subscriptions to international institutions.

* Preliminary.

Current account deficits and the capital movements by which they are financed involve corresponding increases in international indebtedness. In addition, our net foreign debt has risen by reason of unremitted earnings left in Canada or reinvested in Canadian operations by foreign-controlled firms, which are reflected in the book value of foreign investment in Canada although they do not enter the published statistics on the balance of payments. From 1953 to 1959 inclusive the amounts of unremitted earnings averaged over $300 million per year and were about $2.5 billion in total. Other technical factors, mostly having to do with the valuation of assets, also affect the reconciliation between the sum of current account

Balance of International Indebtedness(1)

(Billions of dollars)

At Dec. 31	Foreign Direct Investment in Canada	Other Canadian Liabilities to Foreigners	Total	Government Loans and Subscriptions (2)	Canadian Official Exchange Holdings (3)	Other Canadian External Assets	Total	Net Canadian International Indebtedness
1948	3.3	5.5	8.8	2.3	1.0	1.6	4.9	3.9
1949	3.6	5.7	9.3	2.4	1.2	1.9	5.5	3.8
1950	4.0	6.5	10.5	2.4	1.9	1.9	6.2	4.3
1951	4.5	6.8	11.3	2.3	1.8	2.2	6.3	5.0
1952	5.2	6.7	11.9	2.3	1.8	2.6	6.7	5.1
1953	6.0	6.9	12.9	2.2	1.8	2.9	6.9	6.0
1954	6.8	7.3	14.1	2.1	1.9	3.2	7.2	6.8
1955	7.7	7.6	15.3	2.0	1.9	3.5	7.4	7.9
1956	8.9	8.8	17.7	2.0	1.9	3.8	7.7	10.0
1957	10.1	9.8	19.9	1.9	1.8	4.4	8.1	11.9
1958	11.0	10.7	21.7	1.9	1.9	4.4	8.2	13.5
1959*	11.9	12.1	24.0	2.1	1.8	4.7	8.6	15.4

Source: Dominion Bureau of Statistics.

(1) Including short-term indebtedness relating to commercial accounts receivable and payable.

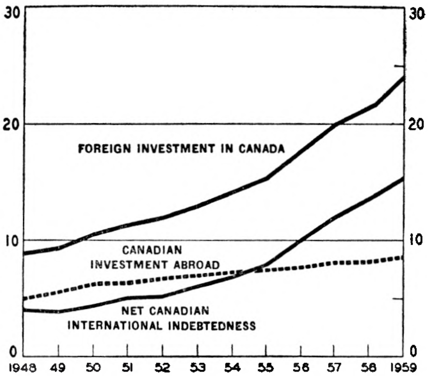
(2) Government of Canada loans outstanding to foreign countries and subscriptions to the International Monetary Fund, the International Bank for Reconstruction and Development, and the International Finance Corporation.

(3) Canadian dollar equivalent.

* Preliminary.

THE CANADIAN BALANCE OF INTERNATIONAL INDEBTEDNESS*

Year-end: Billions of Dollars



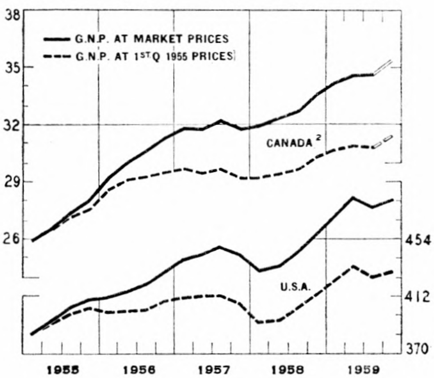
* For composition of items in the chart see table above.

deficits and the increase in net international indebtedness. Thus over the seven years 1953 to 1959 inclusive, when Canada's current account deficits totalled $6.9 billion, our net international indebtedness rose by $10.3 billion. At the end of 1959 it was $15.4 billion, having nearly doubled over the last four years and having tripled over the last seven years.

Economic Developments

In both Canada and the United States the recovery which began in 1958 developed into a broadly based expansion in 1959. For the year as a whole the total output of goods and services in the United States increased by 9 per cent in value and by 7 per cent in physical volume from the previous year. In Canada, where the recession had been less marked than in the United States, the increase was 7 per cent in value and 5 per cent in physical volume. The rising trend of total output in both countries was impeded during much of the second half of the year by the direct and indirect effects of prolonged industrial disputes, but the demand for the affected products which was unsatisfied during this period was reinforcing the underlying expansive trend at the year-end. In both countries the increase in employment exceeded the growth in the labour force, and the decline in the level of unemployment, seasonally adjusted, which began in the spring of 1958 continued in 1959.

GROSS NATIONAL PRODUCT - CANADA AND U.S.A.[1]
Value and Volume
Seasonally Adjusted at Annual Rates
Canada *Quarterly: Billions of Dollars* *U.S.A.*



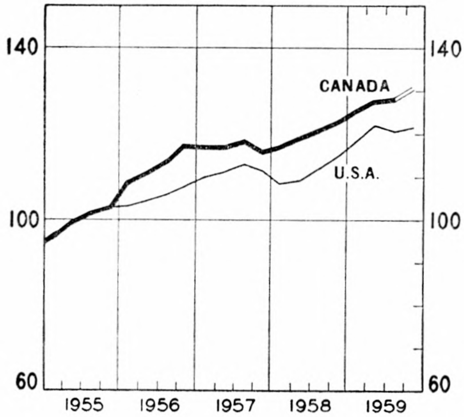
1. Scales are in the ratio of 1:14, the average ratio of Canadian to U.S. G.N.P. in 1955-59.
2. The Canadian series excludes changes in farm inventories and commercial grain stocks. The constant price series for Canada is an unpublished estimate.

Through most of 1958 and the early months of 1959 the swing from inventory liquidation to inventory accumulation provided a strong stimulus to output. After the first quarter, inventories ceased to be an important influence in Canada, whereas in the United States inventory investment moved first higher and then sharply lower under the impact of the steel strike. In both countries, however, the net result of these trends was an unusually low ratio of manufacturers' inventories to sales at the year-end.

Consumer spending in Canada, which had been one of the important sustaining and expansionary influences in 1958, continued to grow in 1959 and for the year as a whole was up by 6 per cent; the increase was 11 per cent in the case of purchases of new auto-

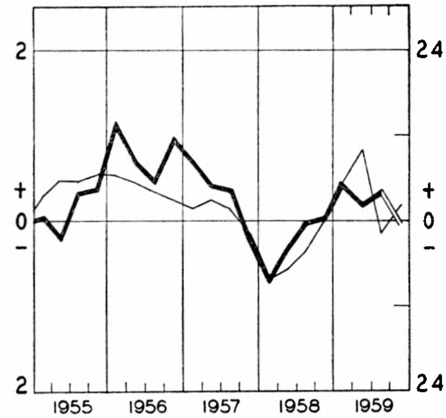
GROSS NATIONAL PRODUCT

Quarterly: Indexes 1955=100



CHANGE IN BUSINESS INVENTORIES[1]

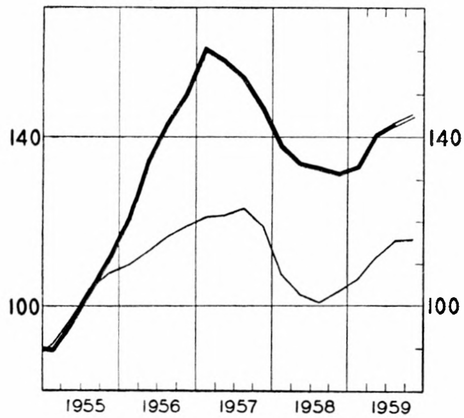
Canada *Quarterly: Billions of Dollars* *U.S.A.*



1. Excludes change in farm inventories. The scales are in the ratio of the stock of inventories in the two countries.

BUSINESS FIXED CAPITAL INVESTMENT[1]

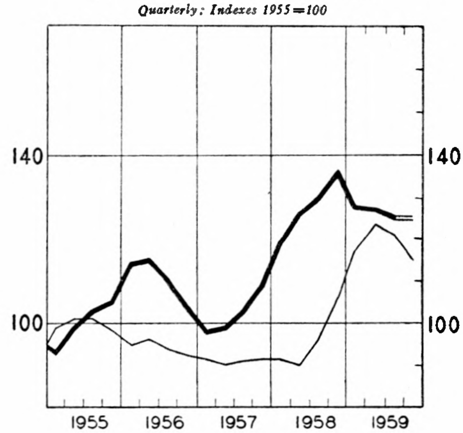
Quarterly: Indexes 1955=100



1. Expenditures on non-residential construction, machinery and equipment.

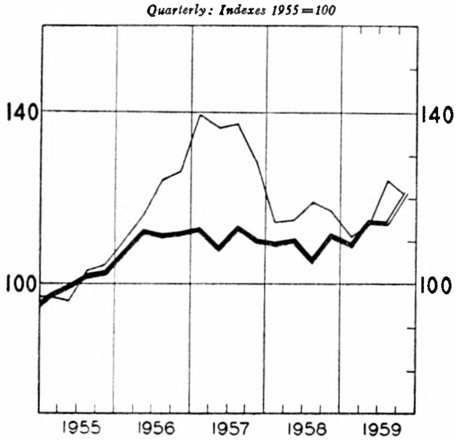
EXPENDITURE ON NEW HOUSING

Quarterly: Indexes 1955=100



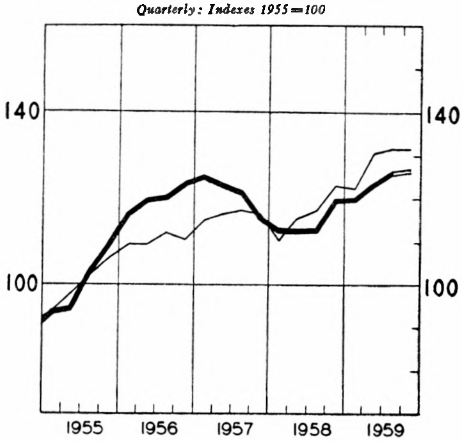
EXPORTS OF GOODS AND SERVICES

Quarterly: Indexes 1955=100



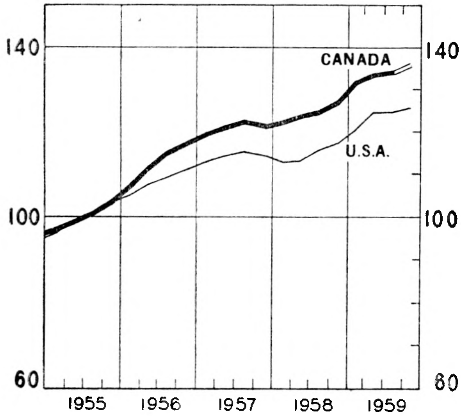
IMPORTS OF GOODS AND SERVICES

Quarterly: Indexes 1955=100



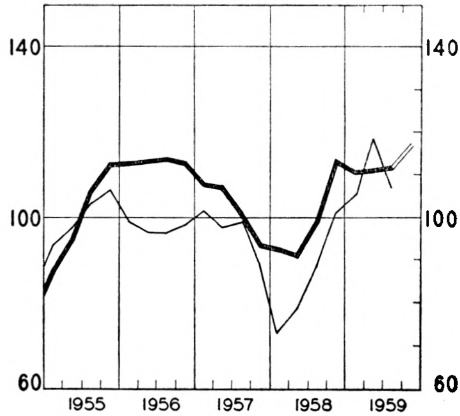
LABOUR INCOME

Quarterly: Indexes 1955=100



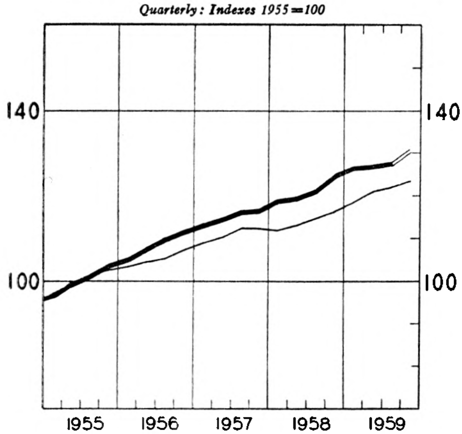
CORPORATE PROFITS

Quarterly: Indexes 1955=100



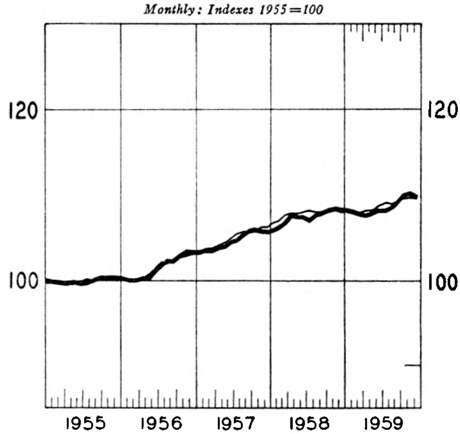
CONSUMER EXPENDITURE ON GOODS & SERVICES

Quarterly: Indexes 1955=100



CONSUMER PRICE INDEX[1]

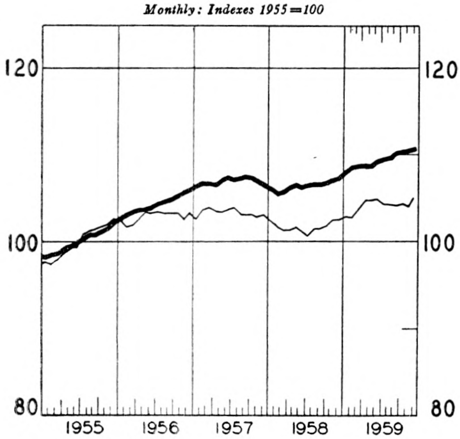
Monthly: Indexes 1955=100



1. Not adjusted for seasonal variation.

EMPLOYMENT[1]

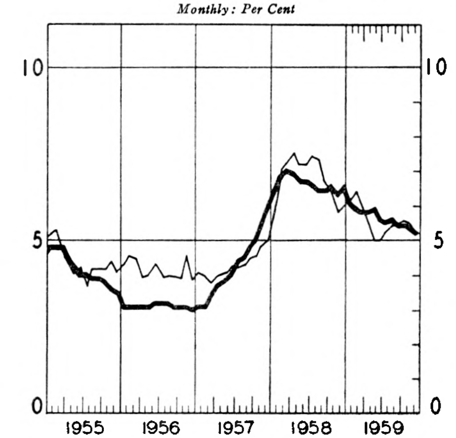
Monthly: Indexes 1955=100



1. Persons with jobs.

UNEMPLOYMENT[1] AS A PERCENTAGE OF LABOUR FORCE

Monthly: Per Cent



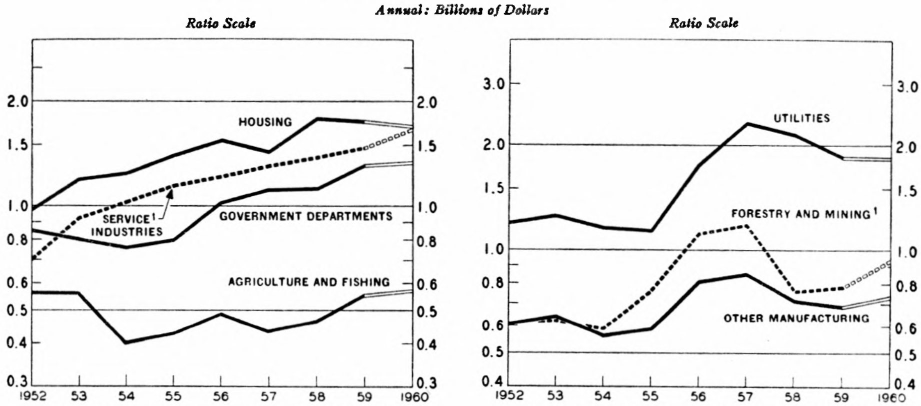
1. Labour force seasonally adjusted less persons with jobs seasonally adjusted.

mobiles. Despite a rise in personal tax payments, income after taxes increased a little more than consumer spending and the rate of net personal saving in 1959 was higher than in 1958. Consumers also borrowed on a substantial scale in 1959: consumer debt outstanding rose more than in any year since 1955.

After falling through most of 1958 the trend of business capital outlays rose during 1959. With sales and profits sharply higher in 1959 for most industries, surveys of investment intentions for 1960 in both Canada and the United States indicate a continuation of the upward trend in gross new investment in plant and equipment.

GROSS FIXED INVESTMENT CLASSIFIED BY SECTOR

Annual: Billions of Dollars

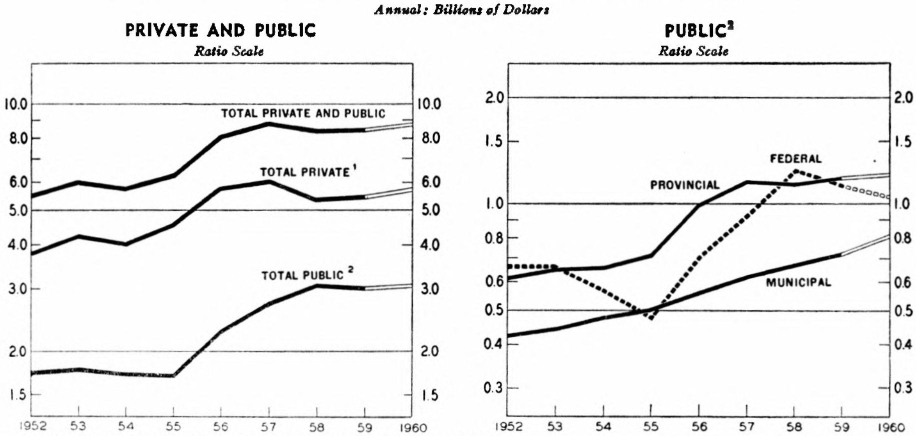


1. Trade, finance, commercial and institutional services, and the construction industry.

1. Including manufacturing of forest and metal products.

GROSS FIXED INVESTMENT CLASSIFIED BETWEEN PRIVATE AND PUBLIC

Annual: Billions of Dollars



1. Capital outlays by private enterprises and on privately financed housing.
2. Capital outlays by government departments, institutions and enterprises including public housing and C.M.H.C. financing of N.H.A. mortgages.

In Canada in 1959 the total of private and public capital outlays on fixed investment is estimated at $8,411 million as compared with $8,364 million in 1958. Capital expenditures by utilities were down substantially, reflecting the completion of the St. Lawrence Seaway and the Trans-Canada gas pipeline. There was little change in capital outlays by manufacturing concerns, but a substantial increase occurred in agriculture. Capital outlays were also higher in the service industries, which have represented a growing proportion of total economic activity in recent years. Capital expenditures by government departments increased sharply but the total amount of fixed investment financed by governments or under government guarantee was lower than in 1958.

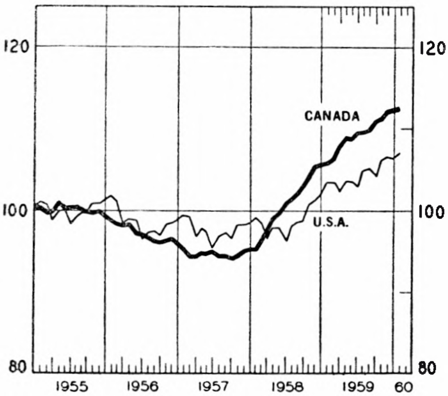
Investment intentions for 1960 as recorded in the latter part of 1959 indicate that there will be a considerable further increase in capital outlays on industrial machinery and equipment, and this is confirmed by the continued strength of new orders placed with Canadian producers of such goods. Plans for non-residential construction are also appreciably higher in 1960, and residential construction is the only major category of investment for which a decrease is indicated. Capital expenditures financed by governments or under government guarantee are expected to increase slightly.

The total of expenditures by federal, provincial and municipal governments for all purposes continued to rise during the year though at a slower rate than in 1958. Total government revenues were buoyant, rising more rapidly than expenditures, so that the over-all deficit of all governments was appreciably reduced from the very high level reached in 1958. Nearly all of the reduction in the deficit occurred in the case of the federal government. The combined deficit of all provinces and municipalities appears to have changed relatively little from the previous year with improvements in the position of some governments being offset by increased deficits in the case of others.

The expansion of economic activity brought an increased yield from direct and indirect taxes, which in the case of the federal government was reinforced by increases in the rates of personal

OUTSTANDING DEBT[1] OF NATIONAL GOVERNMENT AND ITS AGENCIES: CANADA AND THE UNITED STATES

Monthly: Indexes 1955=100



1. Total debt of Government (including Government agencies) held outside Government accounts less Government bank balances.

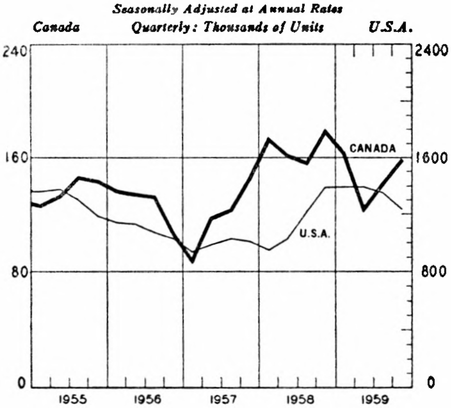
and corporate income taxes and the general sales tax in the April budget. Defence expenditure and unemployment insurance payments were lower, and the scale of Government-financed residential mortgage lending, and of other Government advances for special purposes was smaller. The increase in the Government's outstanding debt was again substantial, but only about two-thirds as great as in 1958.

Expenditure on housing construction in 1959 was little changed from the previous year's total though it was somewhat below the exceptionally high rate reached in the latter part of 1958. The number of housing units completed in 1959 all but equalled the previous year's record of 147,000. The number of units started was down from 165,000 to 141,000, the whole of the reduction being accounted for by starts financed under the National Housing Act. The maximum rate of interest on N.H.A. mortgages was increased in December from 6 to 6¾ per cent.

HOUSING STARTS

Seasonally Adjusted at Annual Rates

Quarterly: Thousands of Units



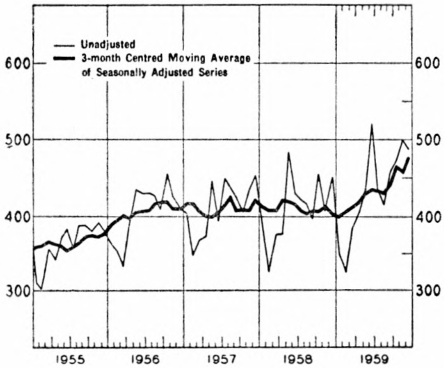
Total Canadian merchandise exports began to rise early in 1959. By mid-year they were well above the level which had been fairly steadily maintained from 1956 through 1958, and after a pause in the summer the upward movement was resumed. The upswing in the first half of 1959 was the result of increased shipments to the

United States. After mid-year, exports of industrial materials to countries other than the United States rose sharply, reflecting the strength of the economic recovery overseas, and in the fall months renewed growth developed in exports to the United States. Total exports for the year were 5 per cent above 1958.

The composition of our exports in 1959 was somewhat different from that of 1958 and more like the pattern of earlier years, as some of the exports which had shown unusual strength in 1958, notably military aircraft and cattle, declined substantially. These declines were more than offset by increases in a broad range of metals and minerals, wood and paper products, chemicals and farm machinery. The increases in the main reflected a rising physical volume of trade, although higher prices were recorded for a number of export commodities, notably lumber, copper, zinc and aluminum.

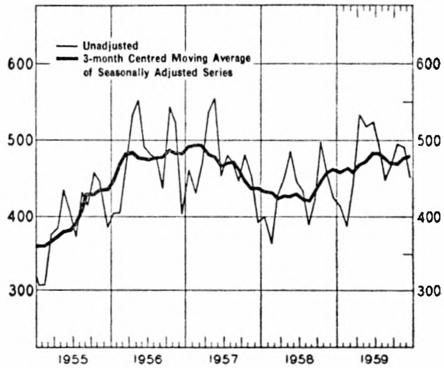
MERCHANDISE EXPORTS

Monthly: Millions of Dollars



MERCHANDISE IMPORTS

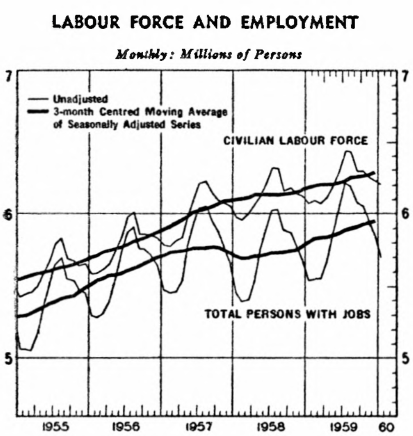
Monthly: Millions of Dollars

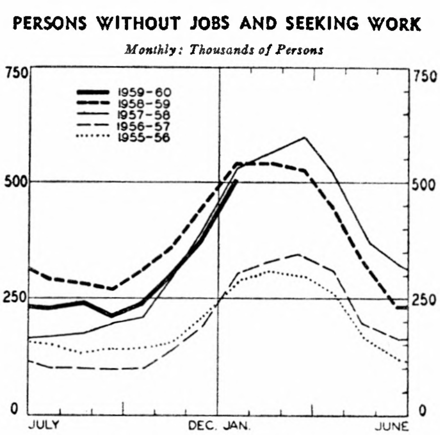


Merchandise imports rose somewhat irregularly during 1959, advancing in the first half, then easing off, and finally moving up again at year-end, as shown in the chart above. For the year as a whole, merchandise imports were 9 per cent higher than the previous year with a wide range of commodities contributing to the increase, including all three of the major categories: industrial materials entered Canada in larger volume to meet the demands of a higher level of industrial activity; the rising requirements for machinery and equipment led to higher orders placed with foreign as well as domestic suppliers; and imports of consumer goods, particularly of automobiles from overseas countries, continued to increase.

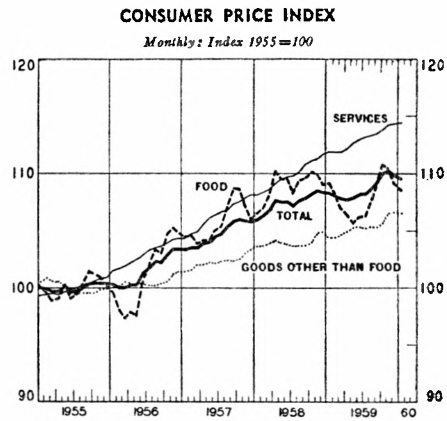
Including non-merchandise transactions, the total of all imports of goods and services rose about 9 per cent in 1959, while exports of goods and services rose about 5 per cent. The net current deficit in the Canadian balance of international payments increased by one-third, widening from $1,085 million in 1958 to $1,460 million in 1959. Most of the increase in the deficit occurred in the balance on merchandise trade but the net deficit on non-merchandise transactions also rose, reaching a record level of $1,074 million.

Employment in Canada expanded through 1959; the average number of persons with jobs was 2.7 per cent greater than in 1958. Expansion in non-farm employment more than offset a decline in farm employment which was somewhat less than in recent years. The increase of 1.6 per cent in the labour force was appreciably less than in recent years, partly because immigration was lower and partly because the proportion of the population of working age in the labour force did not follow the rising trend of previous years. The consequence of these developments was a decline in the number of persons without jobs and seeking work, which averaged 5.6 per cent of the labour force in 1959 compared with 6.6 per cent in 1958; in December 1959 the figure was 5.2 per cent on a seasonally adjusted basis.





The consumer price index at the beginning of 1960 was 1 per cent higher than a year before. Food prices fell in the spring of 1959 but rose again in the autumn and ended the year about ½ per cent lower than at the beginning. Other consumer prices rose on balance by 2 per cent over the year with about one-third of this increase being accounted for by higher rates of sales tax and excise tax on many non-food commodities; the price of services also continued to increase. Construction costs and machinery prices moved upwards again in 1959. In aggregate, the increase in the price of all goods and services entering into final use appears to have been approximately 2 per cent.



While this increase was less than in some other recent years, notably 1956 and 1957, it took place during a period when primary commodity prices were relatively stable, the exchange value of the Canadian dollar increased (with a consequent restraining influence on domestic price increases) and the economic expansion was at a stage when productivity normally rises rapidly and upward pressures on costs are at a minimum.

Monetary and Financial Developments

Against a background of economic expansion, and some concern among investors about the possibilities of future inflation, conditions in financial markets tightened during 1959 and interest rates rose substantially. These changes in the financial environment exerted some restraining influence on the growth of spending plans, by providing greater incentives to save, and to trim or postpone expenditure projects which were under consideration.

At the beginning of 1959 the chartered banks had been in a very liquid position as a result of the substantial monetary expansion which had taken place between July 1957 and October 1958. During 1959 the Bank of Canada maintained the cash reserves of the chartered banks on a broadly stable basis and total chartered bank deposits and assets remained approximately constant.

Financial markets and institutions experienced a strong demand for funds. The Government's borrowing requirements, which had dominated the financial scene in 1958, were at a somewhat reduced but still very high level in 1959, and private demands for credit, particularly bank credit, increased rapidly in the first eight months of the year. The chartered banks financed the large increase in their loans chiefly by the sale of Government bonds. The pressure of rising private demand for bank credit was thus transmitted to the securities market, which was required to absorb an unprecedented volume of Government securities as a result of the combination of selling by the Government and the chartered banks. The increase in interest rates which took place made it more expensive to raise money in financial markets, whether by new borrowing or through the sale of existing investments, but also correspondingly increased the rate of return available to savers with money to lend or invest. In the event, the general public added the extraordinary amount of $1,750 million to its holdings of Government securities during 1959.

After mid-August bank loans levelled off and then declined. Chartered bank sales of Government securities were reduced and then ceased. At the same time the prolonged steel strike in the United States lowered the pressure in North American financial markets generally, in somewhat the same way that a very mild and short recession would have done. Up to mid-summer the rising trend of bond yields was in sharp contrast with the downward movement of stock yields, but in the latter part of the year there were signs of lessened enthusiasm for stocks, of growing confidence in bond markets, and of some easing of demands on the chartered banks.

To give the monetary and banking story in more detail, it will be recalled that at the beginning of October 1958 the total of currency outside banks and chartered bank deposits had increased by about 16 per cent over a period of fourteen months. Monetary expansion during this period had not only increased the amount of money in the hands of the public but had also greatly enlarged the chartered banks' holdings of Government securities and consequently their capacity for future loan expansion financed through the sale or redemption of these securities. Total lines of credit authorized by the chartered banks increased strongly during the recession phase of early 1958 and also during the recovery phase in that year.

By the fourth quarter of 1958 the volume of chartered bank loans outstanding had also begun to rise on a seasonally adjusted basis, and amounts outstanding increased strongly through the first half of 1959, accompanied by further rapid growth of authorized credit lines. Most of the increase in bank loans appears to have financed higher levels of business inventories and receivables and consumer credit. By mid-August 1959 total chartered bank loans outstanding had increased some $1,200 million, or 23 per cent, above the level of a year previously.

By April the banks were becoming concerned about the rate of growth in their loans. On May 14 following a series of meetings the President of the Canadian Bankers' Association issued a public statement saying that the banks intended to exercise the utmost care in the handling of their credit facilities, in order to avoid any significant further increase in the over-all total of bank loans, and that within these limitations, a special attempt would be made to look after the essential credit needs of small borrowers.

At the annual meeting of the Canadian Bankers' Association on June 12, 1959, the President in his published address re-affirmed the statement of May 14.

Nevertheless, the banks experienced great difficulty in bringing their loans under control and the total of amounts utilized under loan authorizations continued to rise sharply until mid-August. Total bank loans then levelled off, and have declined more than seasonally since mid-September. In the latter part of the year the banks increased their short-term investments and other liquid assets by a smaller amount than the reduction in their loans so that total chartered bank assets declined on balance. The cash reserves of the banks as a group remained appreciably above the required 8 per cent through the last four months of 1959. At the year-end the banks were in a position to facilitate a moderate degree of expansion in the total volume of their commercial loans or other assets on a prudent and selective basis, when needed, particularly in relation to customers unable to obtain necessary financing from other sources.

The upward push on interest rate levels also came to a head in late summer. At that time yields on treasury bills and short-term

Government bonds had risen above 6 per cent. In subsequent weeks, however, the treasury bill tender rate moved below 6 per cent again, and from about mid-September through to the end of November there was a general decline in market yields on Government securities, with the tone of the market firmer than it had been for many months. A number of factors contributed to this improvement in market conditions. With the chartered banks bringing the increase in their loans to a halt, and indeed with the movement being reversed, pressure on the market from bank liquidation of Government securities came to an end. The rate of borrowing by way of new issues of securities also slackened considerably in the second half of the year. The set-back in the United States and Canadian stock markets in late summer, followed by the success of the optionally-convertible 5½ per cent Government bonds issued in Canada at the beginning of October, and of the "Magic Fives" Government bond issue in the United States, seemed to mark a distinctly more favourable turn in investor attitudes toward Government securities. This was reinforced by the firmness of the United States bond market during the early autumn and the great success of the annual Canada Savings Bond campaign. Although interest rates moved up in the United States from late October to late December, and in Canada during December, the year-end level in Canada was in general no higher, and in some cases substantially lower, than in late summer.

Bank of Canada Operations. Through the final quarter of 1958 and the whole of 1959, the total cash reserves of the chartered banks remained comparatively stable on a monthly average basis, fluctuating within a narrow range around a level of about $1 billion, and the cash reserve ratio averaged about 8.2 per cent. During the period of rapid expansion of chartered bank loans in the spring and early summer, there was a gradual upward drift in total deposits which tended to raise the level of required reserves somewhat, and the average cash ratio was as low as 8.1 per cent in some months. After bank loans turned downward in September, total bank deposits also tended to decline, minimum reserve requirements fell, and the monthly average cash ratio was nearly 8.3 per cent in the last four months of the year.

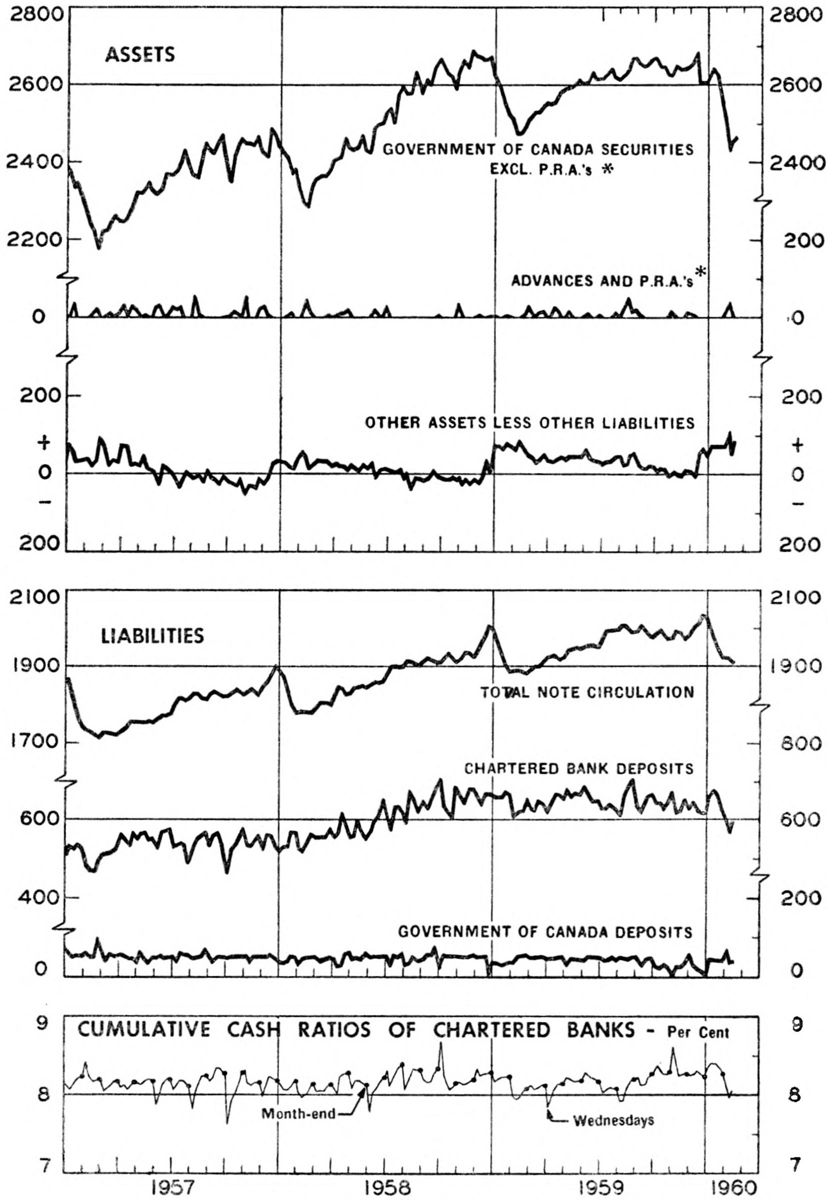
Cash Reserve Position of the Chartered Banks

Annual Averages	Gross Deposits(1) ($ millions)	Minimum Cash Reserve Requirement(2) ($ millions)	Monthly Average Cash Reserves ($ millions)	Monthly Average Cash Reserve Ratio(3) (per cent)
1957	10,601	848	870	8.21
1958	11,452	916	943	8.23
1959	12,187	975	999	8.20
Monthly				
1957—Jan.	10,660	853	878	8.23
Feb.	10,525	842	865	8.22
Mar.	10,371	830	848	8.18
Apr.	10,489	839	856	8.17
May	10,528	842	863	8.20
June	10,694	856	877	8.20
July	10,647	852	864	8.12
Aug.	10,668	853	880	8.25
Sept.	10,543	843	875	8.30
Oct.	10,590	847	877	8.28
Nov.	10,763	861	878	8.16
Dec.	10,736	859	879	8.18
1958—Jan.	10,853	868	889	8.20
Feb.	11,006	880	897	8.15
Mar.	10,903	872	887	8.14
Apr.	10,892	871	902	8.28
May	10,927	874	888	8.13
June	11,333	907	933	8.23
July	11,370	910	954	8.39
Aug.	11,676	934	971	8.32
Sept.	11,939	955	996	8.34
Oct.	12,069	965	984	8.16
Nov.	12,257	981	1,005	8.20
Dec.	12,194	976	1,013	8.30
1959—Jan.	12,254	980	1,008	8.23
Feb.	12,320	986	998	8.10
Mar.	12,102	968	983	8.12
Apr.	12,162	973	991	8.14
May	12,238	979	1,002	8.20
June	12,265	981	1,003	8.18
July	12,250	980	991	8.09
Aug.	12,389	991	1,017	8.21
Sept.	12,197	976	1,009	8.28
Oct.	12,053	964	1,001	8.31
Nov.	12,023	962	995	8.27
Dec.	11,994	960	990	8.25

(1) Statutory basis, i.e. average Canadian dollar deposit liabilities before deduction of float for four consecutive Wednesdays ending with the second last Wednesday of the previous month.
(2) 8 per cent of gross deposits as shown in first column.
(3) Third column as percentage of first column.

BANK OF CANADA ACCOUNTS

Wednesdays: Millions of Dollars



* Securities purchased from money market dealers under resale agreements.

Bank of Canada Holdings of Government of Canada Direct and Guaranteed Securities

(millions of dollars—amortized value)

	As at Dec. 31 1959	Increase or Decrease (–) during: 1959 1Q	2Q	3Q	4Q	Year 1959
Treasury bills	306	125	90	46	9	270
Other market issues:						
2 years and under	515	–154	71	95	257	269
Over 2 and up to 5 years	61	–31	–133	–27	–300	–491
Over 5 and up to 10 years	425	–11	15	–33	–9	–38
Over 10 years	1,315	–1	26	–29	–7	–12
Total	2,621	–71	68	53	–51	–1

Changes in the total Government security holdings of the Bank of Canada during most of 1959 broadly offset the effect on cash reserves of changes in Bank of Canada notes outstanding. During the latter part of December, there was a substantial reduction in the Bank's portfolio of securities which coincided with the annual transfer of the Bank's net earnings to the Receiver General of Canada in the amount of $74 million. The Bank's holdings of Government securities at the end of 1959 were virtually unchanged in total from the level of a year before. Bond holdings were reduced and treasury bills increased by $270 million, and within the bond portfolio an amount of some $386 million changed from longer to shorter term classifications during the year.

In 1959 advances to banks were outstanding on 53 days as against 40 days in 1958; the maximum amount outstanding on any one day in 1959 was $20 million and the daily average for the year was $2 million. The Bank of Canada held securities purchased from money market dealers under resale agreements on 64 days during the year as compared with 50 days in the previous year; the maximum amount outstanding on any one day was $52 million and the daily average for the year was $3 million. The minimum rate at which the Bank makes advances and provides funds to money market dealers through purchase and resale agreements was maintained at a level of ¼ of 1 per cent above the average rate of treasury bills at the most recent weekly tender. It was 3.74 per cent at the beginning of the year, reached a high of 6.41 per cent in mid-August, and stood at 5.37 per cent at the close of the year.

Chartered Banks. Total chartered bank assets showed no significant change over the year 1959 as a whole. Within a roughly stationary total, the banks accommodated a very substantial increase in loans and insured mortgages by greatly decreasing their holdings of Government of Canada bonds, drawing on their net foreign assets and making appreciable reductions in their holdings of provincial and corporate securities.

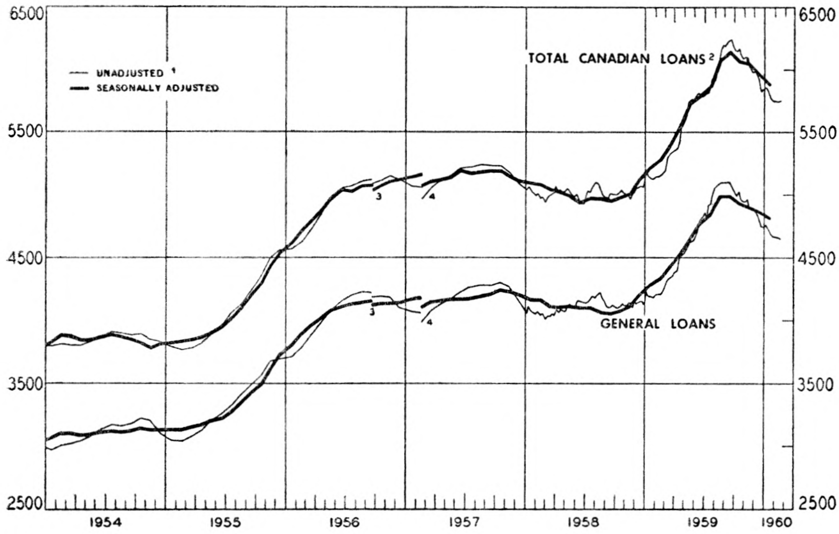
Total chartered bank loans began to increase on a seasonally adjusted basis in the autumn of 1958, at about the same time that the large 1957-58 expansion in total currency and bank deposits came to an end. Bank loans normally decline toward the end of the year, but in October and November of 1958 they remained about level and then increased in December. Between Oct. 1, 1958 and Aug. 19, 1959, when bank loans levelled off, they increased by $1,211 million or by 24 per cent and the combined amount of Canadian loans, insured mortgages and non-Government securities increased by $1,442 million. The total of this group of assets on Aug. 19 was $8,402 million, or nearly 68 per cent of deposits (calculated on the statutory basis) compared with 58 per cent on Oct. 1, 1958.

Over this ten and one-half month period, total chartered bank assets rose by $182 million. The great increase in loans, mortgages and non-Government securities was for the most part matched by declines in the more liquid assets of the banks. Government bond holdings declined by $916 million, bringing the ratio of such bonds to deposits down from nearly 24 per cent on Oct. 1, 1958 to 16 per cent on Aug. 19, 1959. In addition treasury bill holdings declined by $208 million, day-to-day loans by $80 million, and net foreign assets by $114 million.

From mid-August to the end of the year, movements in chartered bank assets followed a different pattern. Loans levelled off and then declined. Between Aug. 19 and Dec. 31 total Canadian loans decreased by $213 million, or by $365 million if loans for the purchase of Canada Savings Bonds are excluded. This decrease in late

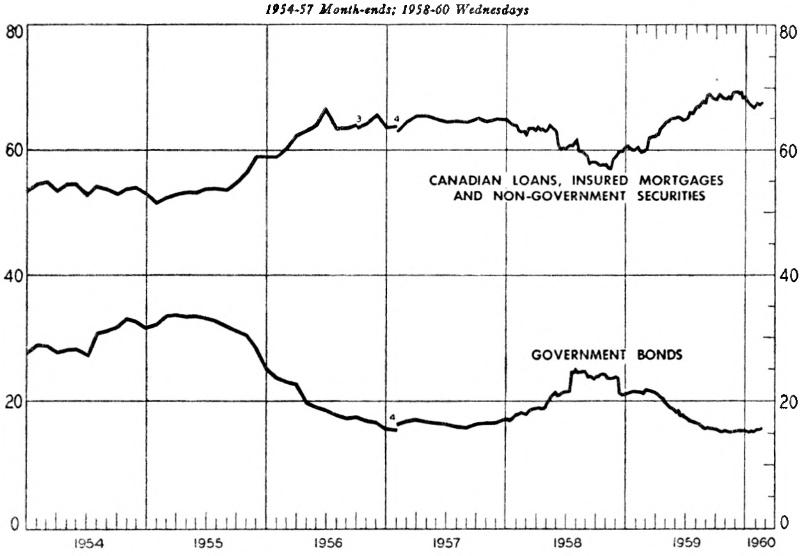
CHARTERED BANK LOANS

Monthly Averages of Wednesday Figures: Millions of Dollars



CHARTERED BANKS
CERTAIN ASSETS AS A PERCENTAGE OF DEPOSITS 5

1954-57 Month-ends; 1958-60 Wednesdays



1. Plotted weekly 1958-60.
2. Excluding call loans and loans for the purchase of Canada Savings Bonds.
3. Breaks reflect exclusion of certain foreign currency loans previously included in these series.
4. Breaks reflect reallocation of inner reserves consequent upon securities revaluation.
5. Gross deposits, calculated on the statutory basis from July 1954.

Chartered Banks: Assets and Deposit Liabilities

(millions of dollars)

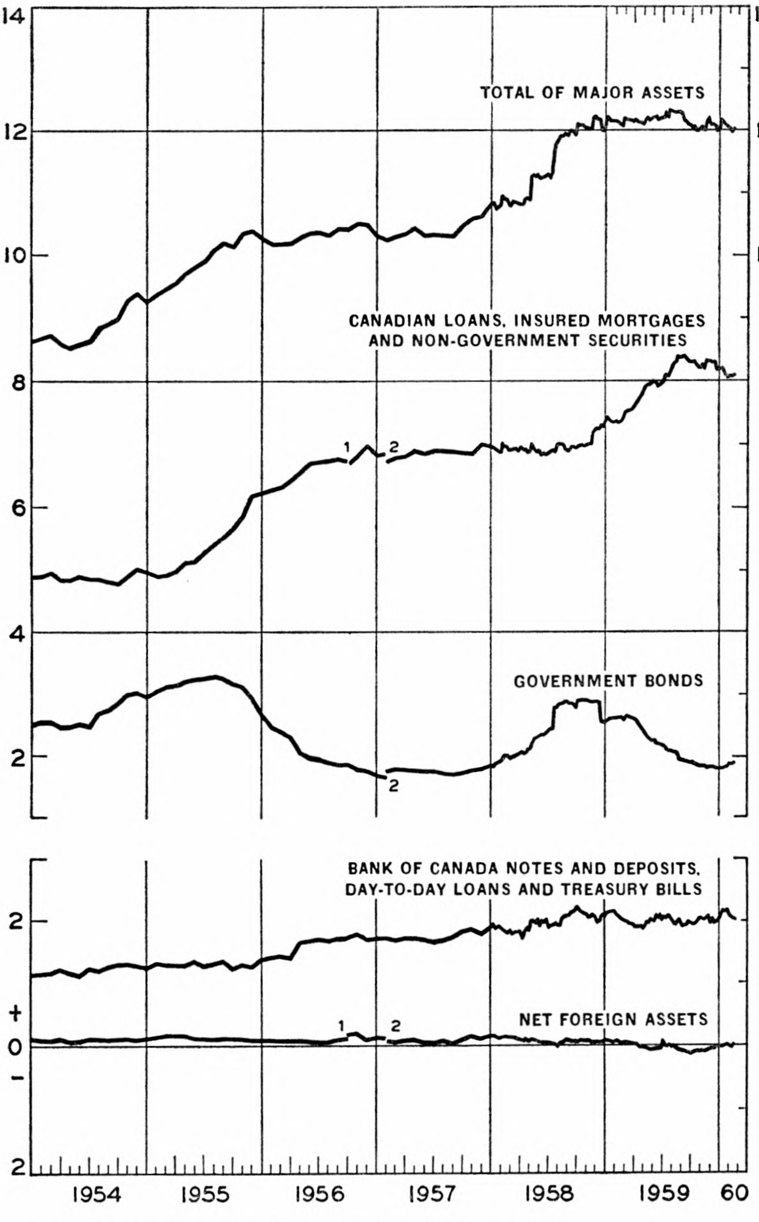
	As at Dec. 31/59	Increase or decrease (−) during: July 31/57 to Oct. 1/58	Oct. 1/58 to Aug. 19/59	Aug. 19/59 to Dec. 31/59	July 31/57 to Dec. 31/59	Year 1959
Assets						
Bank of Canada notes and deposits	953	206	58	−106	157	−48
Day-to-day loans	101	34	−80	67	21	−22
Treasury bills	974	303	−208	90	179	24
Government bonds	1,827	1,184	−916	−146	122	−735
Net foreign assets	21	−11	−114	79	−46	−68
Sub-total	3,875	1,716	−1,260	−17	434	−849
Call loans	139	−62	9	21	−32	23
Loans to provinces	39	14	−10	11	16	−30
Loans to municipalities	231	40	−18	19	41	14
Grain loans	434	−60	99	−27	11	83
Canada Savings Bond loans	188	−27	16	151	140	18
Loans to finance companies	409	−52	124	14	86	57
General loans	4,701	−137	992	−403	452	564
Insured mortgages	968	204	185	70	459	178
Provincial securities	346	102	19	−51	71	−69
Municipal securities	204	18	25	−6	37	9
Corporate securities	512	32	2	−31	2	−42
Sub-total	8,172	72	1,442	−230	1,284	807
Total of foregoing assets	12,047	1,788	182	−247	1,718	−42
Deposit Liabilities						
Personal savings deposits	6,900	823(1)	287	−313	797(1)	56
Government deposits	404	−118	362	13	256	84
Other deposits (less float)	4,057	1,026(1)	−588	54	492(1)	−246
Total deposits (less float)	11,360	1,730	61	−247	1,545	−105

(1) Figures adjusted to eliminate effect of reclassification at Sept. 30, 1957 of certain deposits from "Personal savings deposits" to "Other deposits".

CHARTERED BANK ASSETS

1954-1957, Month-ends; 1958-1960, Wednesdays

Billions of Dollars



1. Breaks reflect transfer of certain loans from Canadian loans to net foreign assets.
2. Breaks reflect reallocation of inner reserves consequent upon securities revaluation.

1959 was greater than the normal seasonal decline. Insured mortgages showed a further increase of $70 million over this period while holdings of non-Government securities, chiefly provincial and corporate issues, declined by $88 million.

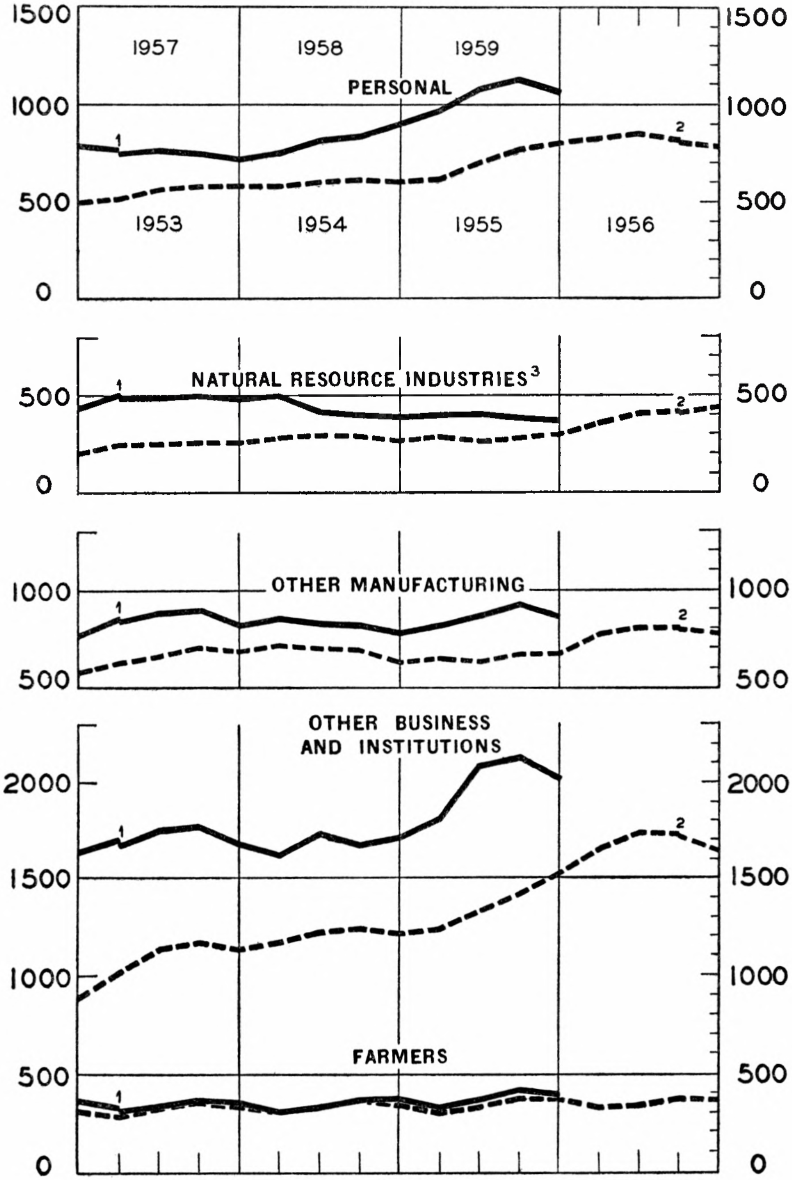
With their loans and non-Government investments declining and the over-all cash reserve ratio running well over the required 8 per cent level, the banks as a group were in a position to increase their more liquid assets. Between Aug. 19 and Dec. 31 their holdings of treasury bills rose by $90 million, their day-to-day loans by $67 million, and their net foreign assets by $79 million. The reduction in total chartered bank holdings of Government bonds continued on a diminishing scale for some weeks after the down-turn in loans and non-Government investments, and finally came to an end about mid-November. On Dec. 31 Government bond holdings were $146 million lower than they had been on Aug. 19 but $122 million above the level of July 31, 1957, so that the reduction in chartered bank bond holdings from October 1958 onwards, though large, was nevertheless somewhat less than the massive increase which had occurred between July 1957 and October 1958. As a percentage of deposits, however, holdings of Government bonds were 15 per cent at the end of 1959 as compared with 16 per cent in July 1957.

The upsurge in bank loans from late 1958 through much of 1959 was clearly related to the stage of the business cycle through which the economy was passing, and in many respects resembled a similar upsurge in 1955-56. Much of the increase in bank credit apparently served to finance increased levels of business inventories and receivables as recovery and expansion proceeded. On the other hand the level of bank borrowing by firms in major natural resource industries declined slightly in 1959. In general, corporate borrowing for capital expansion does not appear to have been a major factor in the increase in bank loans either directly or through pressure on working capital positions. The recovery in business fixed capital outlays was still in its early stages and corporate profits had risen sharply.

The flow of bank credit to the personal sector also increased markedly, both in the form of direct personal loans by the banks, and in the form of consumer credit extended by retailers and finance

CHARTERED BANKS
GENERAL LOANS BY CATEGORY OF BORROWERS

Quarterly: Millions of Dollars



1. Breaks reflect reallocation of reserves consequent upon securities revaluation.
2. Breaks reflect exclusion of certain foreign currency loans previously included in this series.
3. Forest products, mining and mine products (other than iron and steel), petroleum and products.

Chartered Banks
Classification of General Loans by Category of Borrower

(millions of dollars)

	As at Dec. 31/59	Increase or decrease (–) during: Year 1955	Year 1956 (1)	Year 1957 (2)	Year 1958	12 months ending (3) Sept. 30/59	Year 1959
Natural resource industries							
Mining and mine products .	110	–5	38	70	–34	–24	–25
Petroleum and products. .	98	18	52	–34	–9	5	–1
Forest products. . . .	165	17	56	16	–53	6	10
Sub-total	373	30	146	52	–96	–13	–16
Other manufacturing industries							
Iron and steel products . .	189	—	53	17	–8	43	32
Other manufactured products	670	46	52	51	–40	70	50
Sub-total	859	46	105	68	–48	113	82
Construction contractors . .	308	91	35	–51	8	82	46
Public utilities, transport and communication. . . .	170	73	11	24	–39	35	36
Merchandisers	821	73	28	50	–25	147	122
Other business	552	61	36	26	59	166	80
Total Business Loans . .	3,083	374	360	168	–141	529	351
Personal	1,061	199	–4	–44	173	296	163
Farmers.	389	28	–9	—	19	48	22
Non-business institutions . .	168	13	19	27	25	33	28
Total General Loans . .	4,701	614	366	150	75	907	564

(1) Changes are adjusted to exclude effect of reclassification of foreign currency loans at Sept. 30, 1956.
(2) Changes are adjusted to exclude effect of reallocation of inner reserves at Jan. 31, 1957.
(3) Sept. 30 is the date nearest to the 1959 loan peak for which this classification is available.

companies with funds borrowed from the banks. To a considerable extent, the strength of demand for personal loans may have been an outcome of the high level of expenditures on residential housing as well as increased purchases of consumer durables. Another factor was the introduction and active promotion of new personal lending plans by a number of banks during the period.

Trends in the major categories of general loans are illustrated in the chart on page 47 and the table on page 48.

After the change in bank lending policies in mid-summer there was a greater than seasonal decline in bank loans which was widely distributed among the various categories of borrowers.

A table showing chartered bank business loans classified according to the size of authorized lines of credit will be found on pages 50 and 51. The table also shows the total amounts of business loan authorizations of $100,000 and over. The total of these authorizations, which had been $4,148 million at Dec. 31, 1957 and $4,457 million at Dec. 31, 1958 rose further to $4,763 million at mid-year and then declined to $4,438 million at the end of 1959.

The chartered banks' holdings of insured mortgages increased by $178 million in 1959, compared with an increase of $204 million in 1958. Chartered bank gross disbursements on mortgages (i.e., before deduction of sales and repayments) are estimated to have been $240 million in 1959 as against $260 million in 1958. The amount of new mortgage loans approved by the banks in 1959 was $176 million, a sharp reduction from the 1958 figure of $300 million. By the year-end the chartered banks had virtually withdrawn from making new housing loans in view of competing demands for credit from other types of borrowers. The 6 per cent ceiling on the rate they may charge was substantially below the normal relationship of such loan yields to those on other available investments.

The agreement among the chartered banks regarding term loans to business corporations was again revised in 1959. At the end of 1958 the agreement provided that the banks would not make loans to business corporations in amounts exceeding $2 million where the time of repayment was deferred beyond one year, and would not make equivalent security purchases direct from borrowers in this category. In 1959 the $2 million limit was reduced to $1 million.

During 1959 the chartered banks instituted a more rapid system for clearing cheques of $100,000 and over, and so of debiting the deposit accounts of the drawers of the cheques. This appears to have reduced the average amount of float, i.e., cheques and other items in transit, and therefore of gross deposits by an amount of the order of $50 million to $100 million.

Chartered Banks : Classification of General Loans

(millions of dollars)

End of:	Authorized Lines of Credit	Outstanding Loans	
	Total Amount of Business Loan Authorizations of $100,000 or more	Business Loan Accounts with Authorized Limits of: $100,000 or more	Less than $100,000
1956—Apr.(2)	3,717	1,793	940
June(2)	3,716	1,880	969
Sept.	3,806	1,941	933
Dec.	3,788	1,895	869
1957—Mar.(3)	3,812	2,034	885
June	3,878	2,131	901
Sept.	4,048	2,171	888
Dec.	4,148	2,032	841
1958—Mar.	4,226	1,991	862
June	4,320	1,964	914
Sept.	4,339	1,856	904
Dec.	4,457	1,821	911
1959—Mar.	4,616	1,893	973
June	4,763	2,125	1,080
Sept.	4,518	2,252	1,037
Dec.	4,438	2,105	978

(1) Religious, educational, health and welfare institutions.

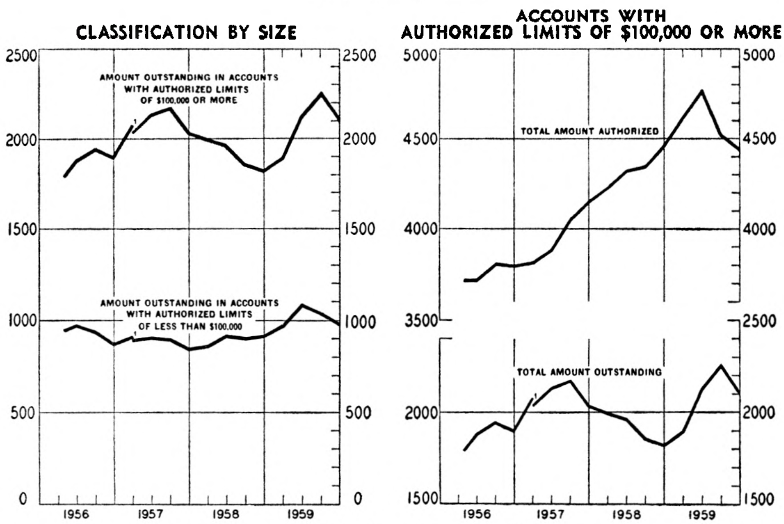
(2) Excludes an estimate of foreign currency loans in Canada and therefore is not comparable with other published data.

(3) The continuity of series is affected by the reallocation of reserves following a change in the method of valuing Government of Canada and provincial securities on Jan. 31, 1957.

Total Business Loans	Personal Loans	Loans to Farmers	Loans to Non-business Institutions(1)	Total General Loans
2,733	841	338	79	3,990
2,849	843	338	79	4,109
2,874	823	368	83	4,147
2,765	786	357	90	3,998
2,919	745	309	83	4,056
3,032	761	329	91	4,213
3,059	748	357	104	4,267
2,874	725	349	115	4,063
2,853	754	299	117	4,023
2,878	809	333	114	4,134
2,759	838	363	125	4,086
2,732	898	368	140	4,138
2,865	965	328	153	4,312
3,205	1,081	359	161	4,807
3,288	1,134	412	158	4,992
3,083	1,061	389	168	4,701

CHARTERED BANKS : BUSINESS LOANS

Quarterly: Millions of Dollars



1. Breaks reflect reallocation of reserves consequent upon securities revaluation.

Currency and Chartered Bank Deposits. After rising by 16 per cent between the end of July 1957 and early October 1958 to a level of $13.2 billion, the total of currency outside banks and chartered bank deposits remained approximately stable through 1959, apart from minor fluctuations. The growth in personal savings deposits at the chartered banks, which has continued over many years and was particularly large during 1958, was very small in 1959.

Currency Outside Banks and Chartered Bank Deposits

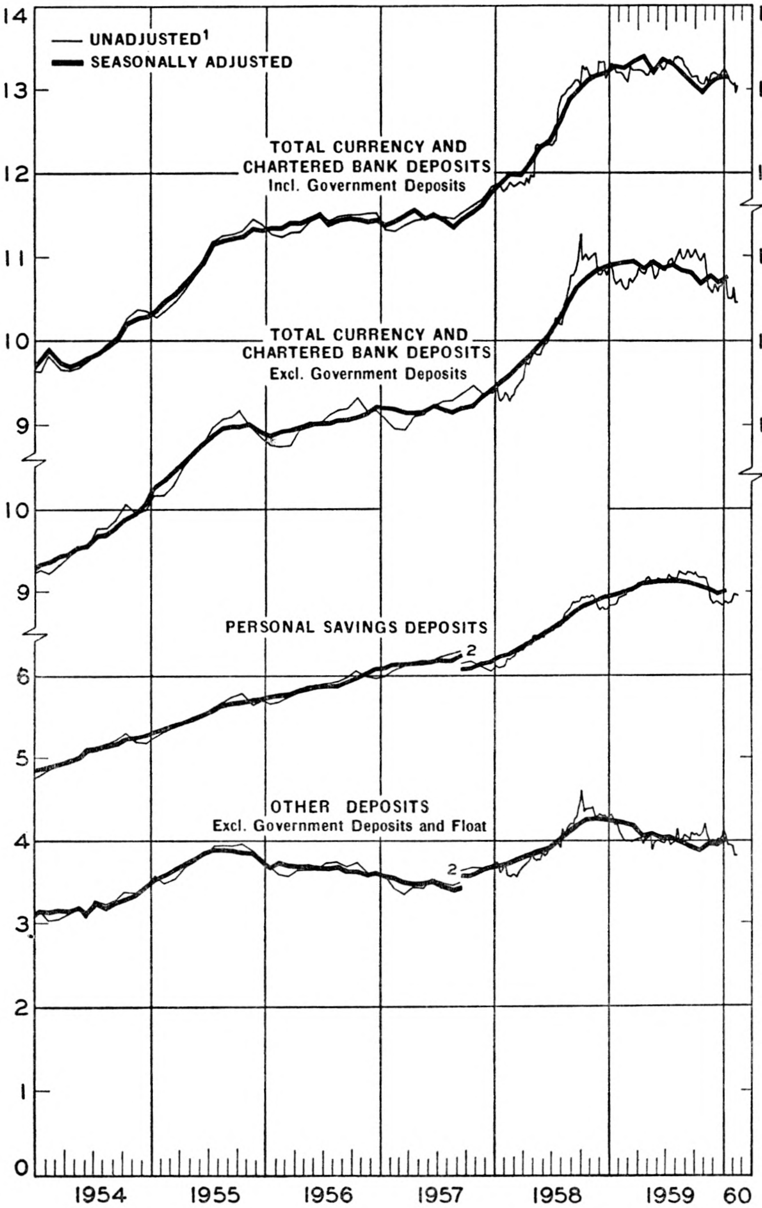
(millions of dollars)

	As at Dec. 31/59	Increase or decrease (−) during: July 31/57 to Oct. 1/58	Oct. 1/58 to Aug. 19/59	Aug. 19/59 to Dec. 31/59	July 31/57 to Dec. 31/59	Year 1959
Held by general public						
Currency outside banks						
Notes	1,705	103	12	77	192	45
Coin	128	9	8	2	19	7
Personal savings deposits	6,900	823[1]	287	−313	797[1]	56
Other deposits[2] . . .	4,057	1,026[1]	−588	54	492[1]	−246
Total	12,789	1,961	−281	−180	1,499	−138
Government deposits . .	404	−119	362	13	256	84
Total currency and chartered bank deposits[2]	13,193	1,842	81	−168	1,755	−54

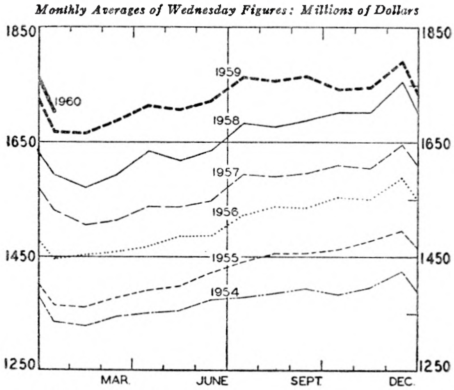
(1) Figures adjusted to eliminate effect of reclassification at September 30, 1957 of certain deposits from "Personal savings deposits" to "Other deposits".
(2) Less total float.

CURRENCY OUTSIDE BANKS AND CHARTERED BANK DEPOSITS

Monthly Averages of Wednesday Figures: Billions of Dollars



1. Plotted weekly 1958-60.
2. Breaks reflect reclassification at September 30, 1957, of certain deposits from "Personal Savings Deposits" to "Other Deposits".



1. Notes and coin.

The year-to-year rate of growth in holdings of currency outside banks (notes and coin) also slackened markedly during 1959, as shown in the chart. A table showing the total of each denomination of Bank of Canada notes outstanding at recent year-ends appears below.

Bank of Canada Note Liabilities

(as at December 31st—thousands of dollars)

Notes issued by the Bank of Canada	1950	1956	1957	1958	1959
$1	50,273	70,270	72,589	75,873	78,402
2	37,279	50,371	51,952	53,597	55,076
5	111,731	138,004	139,839	143,010	144,702
10	429,886	528,741	528,575	533,078	521,309
20	346,060	555,755	582,163	627,814	647,276
25	47	46	46	46	46
50	108,735	134,381	134,803	143,606	145,461
100	254,457	364,052	365,479	391,629	395,383
500	160	58	51	49	46
1,000	11,489	13,233	14,661	15,928	19,549
Total	1,350,117	1,854,912	1,890,159	1,984,630	2,007,250
Chartered banks' notes*	12,487	9,025	8,799	8,655	8,519
Dominion of Canada notes*	4,702	4,651	4,648	4,645	4,641
Provincial notes*	28	28	28	28	28
Defunct banks' notes*	88	88	88	88	88
Total Bank of Canada note liabilities	1,367,422	1,868,704	1,903,721	1,998,046	2,020,525
Held by:					
Chartered banks	231,306	370,938	348,606	338,176	315,703
Others	1,136,116	1,497,766	1,555,115	1,659,870	1,704,822

* These are note issues which are in the process of being retired and the liability for them has been taken over by the Bank of Canada from the original issuers.

Capital Market. Developments within the banking system during 1959 may be viewed in the context of a larger picture — the shifting balance between the total demand for, and the total supply of, funds in the capital market as a whole. A large part of the total flow of funds through the capital market is covered in the table on pages 56 and 57 which combines net new issues of securities and the increase in chartered bank loans (including their insured mortgage loans) but owing to lack of up-to-date information the tabulation does not take account of mortgage borrowing from financial institutions other than chartered banks*, or of borrowing from non-institutional sources other than through new issues of securities, or of transfers of funds within the general public sector through the sale of existing securities.

As shown in the chart on page 58, the combined total of funds raised in securities markets and from the chartered banks rose to a record level in the first half of 1959 far exceeding that of any previous half year, and then declined considerably in the latter part of 1959. Federal, provincial and municipal borrowing in the first half of 1959 was at about the same high level as in the first half of 1958, though somewhat less than in the second half of 1958, while private borrowing rose sharply and approached the peak level reached in the first half of 1957. The figures are such as to suggest that among other factors there may have been some anticipatory borrowing in the first half of 1959 which tended to relieve the pressure on financial markets in the later period. Within the private sector, demand for funds on the part of wholesale and retail trade and manufacturing (other than natural resource industries) was particularly strong, and the personal sector also absorbed a heavy

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* Certain information which is available on mortgage lending by non-bank financial institutions is summarized below:

	1955	1956	1957	1958	1959
			(millions of dollars)		
Life insurance companies in Canada					
Estimated gross mortgage disbursements .	470	510	445	400	475
Less estimated mortgage repayments . .	175	200	200	240	250
Net increase in mortgage holdings . .	295	310	245	160	225
Net increase in mortgage holdings of:					
Trust and loan companies	87	80	26	106	n.a.
Credit unions	40	25	26	27	n.a.
Quebec savings banks	7	10	11	10	7
Trusteed pension funds	n.a.	n.a.	n.a.	51	n.a.

Other loans to individuals by life insurance companies, credit unions and Quebec savings banks which are not covered in the tabulation on pages 56 and 57, are shown in the table on page 71.

Funds Raised by Canadian Borrowers from Securities Markets and Chartered Banks

(*millions of dollars*)

	Funds Raised from		Funds Raised by Government of Canada		
	Securities Markets(1)	Chartered Bank Loans(2)	Net New Issues of Securities	Net Disinvestment(+) by Govt. Accts.	Total
Calendar Years					
1955	1,550	963	535	−287	248
1956	1,560	724	−766	−27	−793
1957	2,418	200	−70	+151	81
1958	3,174	292	1,252	+109	1,361
1959	2,647	867	723	+335	1,058
Half-Years					
1955—I	800	256	−48	−6	−54
II	750	707	582	−281	301
1956—I	686	571	−341	−116	−457
II	874	153	−424	+89	−335
1957—I	1,219	316	−333	+157	−176
II	1,199	−116	263	−6	257
1958—I	1,680	−13	338	+238	576
II	1,494	305	914	−129	785
1959—I	1,533	764	379	+251	630
II	1,114	103	344	+84	428

(1) Net new issues of securities plus disinvestment by Government accounts. Includes net sales of securities to chartered banks.

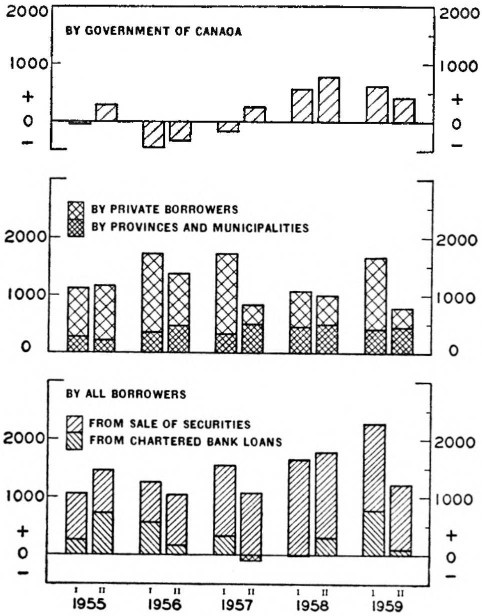
(2) Increase in loans to provincial and municipal governments, instalment finance companies, grain dealers, general loans and insured mortgages.

Provincial Govts.	Municipal Govts.	Private Borrowers[3]: Natural Resource Industries[4]	Private Borrowers[3]: Other Mfg. and Business	Private Borrowers[3]: Personal[5]	Private Borrowers[3]: Total	Grand Total
233	246	405	726	656	1,787	2,513
552	280	716	1,053	476	2,245	2,284
543	285	512	1,089	107	1,708	2,618
594	364	194	514	439	1,147	3,466
529	319	3	1,104	502	1,609	3,514
113	158	222	413	204	839	1,056
120	87	183	313	452	948	1,457
195	153	280	831	256	1,367	1,257
357	127	436	222	220	878	1,027
155	172	399	994	−10	1,383	1,535
387	114	114	94	117	325	1,083
270	185	113	411	112	636	1,667
324	180	81	103	327	511	1,799
254	155	34	990	235	1,259	2,297
275	164	−31	114	267	350	1,217

(3) Classified by ultimate borrower.
(4) Uranium, non-ferrous metals and non-metallic mining, petroleum and forest products.
(5) Increase in chartered bank personal loans and insured mortgages, and finance company and retail dealer credit extended to consumers.

FUNDS RAISED BY CANADIAN BORROWERS FROM SECURITIES MARKETS AND CHARTERED BANKS

Half Years: Millions of Dollars

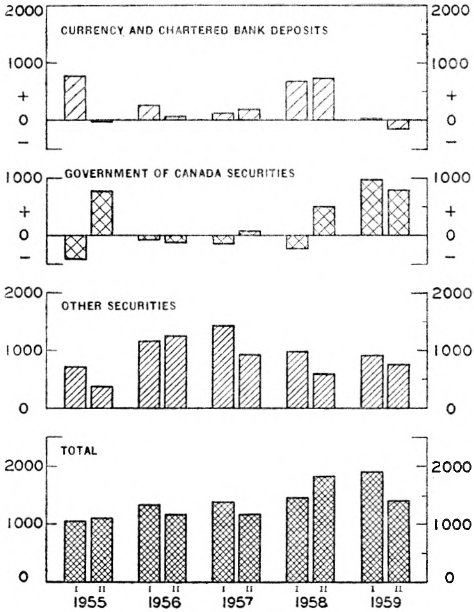


volume of funds. The total amount of borrowing by firms in the natural resource industries, on the other hand, was much less than in any recent year. The lowest panel of the above chart shows how heavily borrowers increased their reliance on the chartered banks in the early part of 1959 while raising funds in the new issue market at about the same rate as in 1958.

Some indication of the effect of the heavy volume of borrowing in 1959 on the size and composition of financial asset holdings of the general public (including corporations, non-bank financial institutions and non-residents) is provided by the table on pages 60 and 61 and the chart on page 59. As will be seen from the chart, a large part of the increase in public holdings of financial assets in 1958 took the form of currency and bank deposits. In 1959, by contrast, the public's holdings of currency and bank deposits declined, so that the total increase in its financial assets was more than accounted for by net purchases of securities. About half of these were Government securities, which were being offered on the market not only as a result of net new issues but also as a result of disinvestment of existing securities by the chartered banks and Government accounts.

INCREASES IN HOLDINGS OF CERTAIN FINANCIAL ASSETS BY THE GENERAL PUBLIC

Half Years: Millions of Dollars



The general public acquired a substantially larger amount of provincial bonds in 1959 than in 1958, a slightly smaller amount of municipal bonds, and a much reduced amount of corporate bonds. Net purchases of corporate stocks and of finance company paper, on the other hand, were much greater than in 1958.

A substantial part of the increase in the financial assets of the general public during 1959 took the form of additional short-term securities acquired by corporations and financial institutions. It seems probable that these holders absorbed most of the increase in the general public's holdings of treasury bills, finance company paper and short-term Government bonds. In the fourth quarter, individual investors played an increasingly important role, adding \$550 million to their holdings of Canada Savings Bonds and also, it would appear, buying significant amounts of the Government direct and guaranteed market issues sold during the period.

Details of net new issues of securities and of the distribution of holdings of Government of Canada securities are shown in the tables and charts on pages 62 to 66.

Increases in Holdings of Certain Financial Assets by the General Public*

(millions of dollars)

	Securities				
	Government of Canada Securities				
Calendar Years	Treasury Bills	Other Market Issues	Canada Savings Bonds	Total	Provincial Bonds
1955	286	−288	343	340	153
1956	−209	−102	108	−203	593
1957	4	−184	108	−73	551
1958	125	−98	246	274	484
1959	341	1,100	317	1,757	628
Half Years					
1955—I	144	−430	−130	−417	103
II	142	142	473	757	50
1956—I	−41	102	−140	−79	282
II	−168	−204	248	−124	311
1957—I	19	57	−226	−151	254
II	−15	−241	334	78	296
1958—I	−50	4	−178	−223	278
II	175	−102	424	498	206
1959—I	255	839	−128	966	304
II	85	261	444	791	324

* General public is defined to include all holders other than the Bank of Canada, chartered banks and Government accounts. It includes, for example, corporations, financial institutions other than chartered banks, provincial and municipal government accounts and non-residents, as well as resident persons.

Municipal Bonds	Corporate and Other Bonds	Finance Co. Short-term Paper	Corporate Stocks	Total	Currency and Chartered Bank Deposits	Total Increase in Period
184	218	59	462	1,416	743	2,159
260	762	94	689	2,195	312	2,507
277	939	48	517	2,259	308	2,567
313	607	−111	300	1,867	1,427	3,294
296	218	135	409	3,443	−138	3,305
100	152	30	322	290	765	1,055
83	66	29	140	1,125	−22	1,103
132	341	101	300	1,077	251	1,328
128	421	−7	389	1,118	61	1,179
119	739	91	212	1,264	121	1,385
159	200	−43	305	995	187	1,182
162	448	−9	117	772	692	1,464
152	159	−102	183	1,096	735	1,831
115	92	124	285	1,886	15	1,901
181	126	11	124	1,557	−153	1,404

Net New Issues of Securities[1]

(millions of dollars)

	1957		
	Cdn. $ only	Other Currencies	Total
Government of Canada securities[2]			
Bonds	−52	−68	−120
Treasury bills	50	—	50
Total	−2	−68	−70
Non-Government securities			
Provincial bonds[2]	505	44	549
Municipal bonds[2]	168	97	264
Corporate bonds	571	384	956
Other bonds[3]	3	—	3
Total bonds	1,247	525	1,772
Finance company short-term paper[4]	48	—	48
Total bonds and short-term paper	1,295	525	1,820
Corporate stocks[5]			
Preferred	123	−33	90
Common	424	2	427
Total corporate stocks	547	−31	517
Total non-Government securities	1,842	494	2,337
Total	1,840	427	2,267

(1) Gross new issues less retirements. 1959 figures are preliminary.
(2) Includes guaranteed securities.
(3) Consists of bonds of religious and other institutions.

1958			1959		
Cdn. $ only	Other Currencies	Total	Cdn. $ only	Other Currencies	Total
1,383	−2	1,382	289	−149	141
−130	–	−130	582	–	582
1,253	−2	1,252	871	−149	723
470	144	614	325	233	559
223	118	340	190	115	305
478	187	665	148	23	171
3	–	3	11	–	11
1,174	449	1,623	674	372	1,046
−111	–	−111	135	–	135
1,064	449	1,512	809	372	1,181
29	–	29	78	–	78
269	2	272	330	1	331
298	2	300	408	1	409
1,362	451	1,813	1,217	372	1,589
2,615	449	3,065	2,088	224	2,312

(4) Paper with an original term to maturity of one year or less.
(5) Canadian stock issues with dividends payable in U.S. dollars are shown under "Other Currencies".

Net New Issues of Corporate Securities(1)

Industrial Classification of Bonds, Stocks and Finance Company Short-Term Paper

(millions of dollars)

	1955	1956	1957	1958	1959
Non-financial corporations					
Natural resource industries					
Uranium mines	68	122	65	43	−23
Other non-ferrous metal mines and products	155	50	164	40	—
Non-metallic mines and products	27	70	14	18	7
Petroleum and products	164	202	175	153	34
Wood and paper and products	−40	127	42	36	1
Sub-total	374	570	460	290	19
Other manufacturing industries					
Iron and steel and products	45	91	26	29	49
Other manufactured products	32	78	40	41	8
Sub-total	77	169	66	71	57
Utilities					
Railways and telegraphs	−31	−21	−20	57	−23
Telephones	80	146	168	131	164
Pipelines	9	138	269	107	−4
Other utilities	59	112	285	201	138
Sub-total	117	375	702	496	275
Merchandisers	53	56	28	7	32
Other	20	22	2	4	9
Total	641	1,193	1,258	869	392
Financial corporations					
Instalment finance and small loan companies	92	239	137	−116	183
Other finance, insurance and real estate	108	149	125	103	139
Total	200	388	262	−13	322
Total	841	1,581	1,520	855	714

(1) Does not include issues guaranteed by provincial governments (e.g. net new issues of provincial hydro commissions which amounted to $120 million in 1955, $261 million in 1956, $315 million in 1957, $276 million in 1958, and $172 million in 1959).

Government of Canada Direct and Guaranteed Securities
Distribution of Holdings

(par values, millions of dollars)

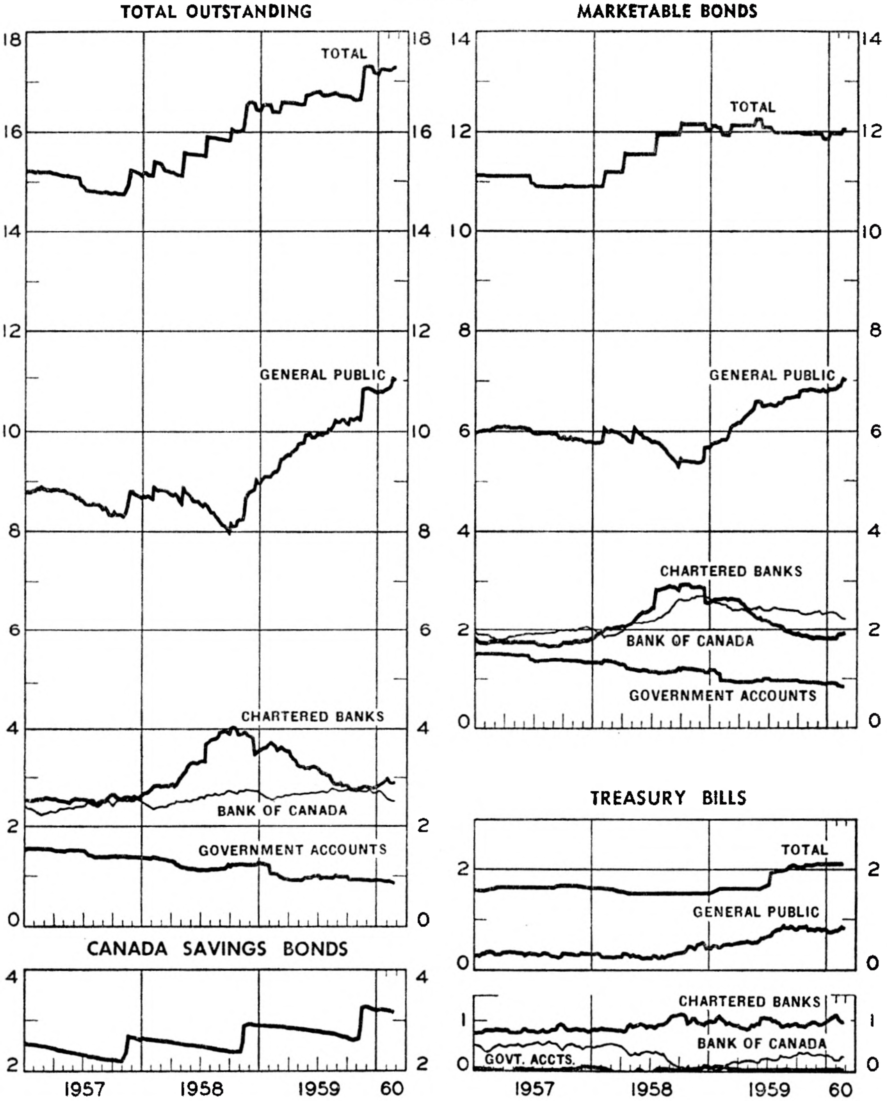
	As at Dec. 31/59	Increase or decrease (–) during: 1959 1Q	2Q	3Q	4Q	Year 1959	Year 1958
Bank of Canada							
Treasury bills	309	126	93	45	9	273	–433
Other market issues	2,368	–195	–17	4	–58	–266	640
Total	2,677	–70	76	49	–49	7	207
Chartered Banks							
Treasury bills	983	–51	116	–91	53	27	148
Other market issues	1,827	47	–460	–253	–72	–737	731
Total	2,811	–4	–343	–344	–19	–710	879
Government Accounts							
Unemployment Insurance Fund							
Treasury bills	23	–54	–	–	23	–31	–3
Other market issues	445	–75	–	–	–45	–121	–252
Total	468	–129	–	–	–22	–152	–255
Securities Investment Account							
Treasury bills	–	–8	–18	–	–	–25	25
Other market issues	50	–46	71	–25	–50	–50	100
Total	50	–54	54	–25	–50	–75	125
Other Government Accounts							
Treasury bills	7	–	–2	–1	–1	–3	8
Other market issues	398	–132	11	9	7	–106	14
Total	405	–132	10	7	6	–109	22
General Public(1)							
Treasury bills	755	86	169	116	–31	341	125
Other market issues	6,758	486	353	187	74	1,100	–97
Total	7,513	571	522	304	43	1,440	28
of which:							
non-residents (2)	727	20	79	32	–38	93	96
life insurance cos. (2) (3)	590	31	9	2	–9	33	19
all other holders (1) (2)	6,196	520	434	270	90	1,314	–87
Canada Savings Bonds	3,212	–40	–87	–105	550	317	246
Total	10,725	531	435	198	593	1,757	274
Total Outstanding							
Treasury bills	2,077	100	360	69	53	582	–130
Other market issues	11,845	84	–42	–79	–144	–181	1,136
Canada Savings Bonds	3,212	–40	–87	–105	550	317	246
Total	17,135	144	231	–115	459	718	1,252

(1) Residual. Includes investment dealers.
(2) Preliminary estimates.
(3) Holdings in respect of Canadian operations.

GOVERNMENT OF CANADA DIRECT AND GUARANTEED SECURITIES

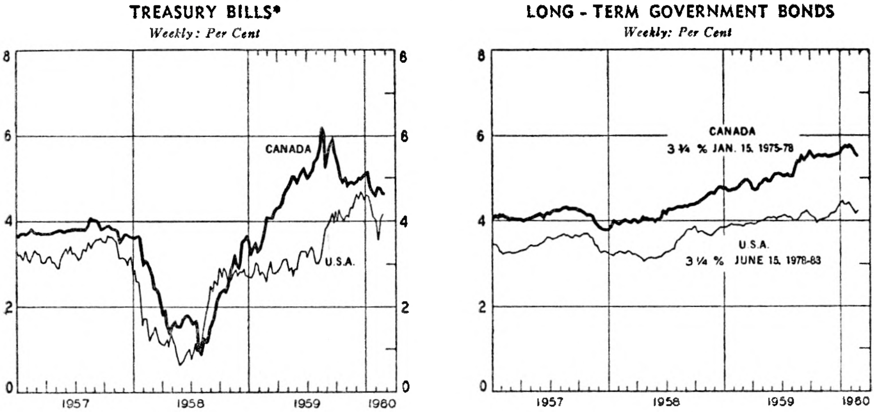
DISTRIBUTION OF HOLDINGS

Par Value, Billions of Dollars
Wednesdays



Interest Rates. Yields on Government bonds, which had been rising since mid-1958, reached a peak in September 1959. Long-term yields then levelled off; yields on shorter-term issues declined and by the end of the year were substantially below the September levels. Yields on 91-day treasury bills rose from a low of 3.25 per cent at the beginning of the year to 6.16 per cent in mid-August, dropped to 4.83 per cent in early November and rose to 5.12 per cent at the year-end.

GOVERNMENT SECURITY YIELDS : CANADA AND THE UNITED STATES



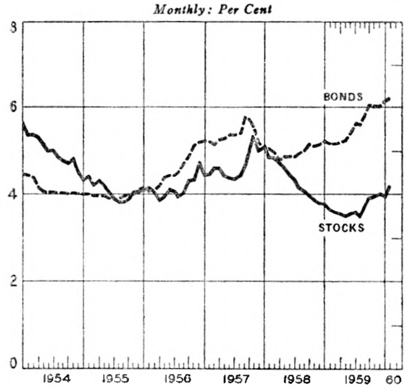
* 91-day Treasury Bills.

Yields on United States Government securities, which began rising in the second quarter of 1958, increased less rapidly than Canadian yields during the first three quarters of 1959. As a result, the yield spread between Canadian and United States long-term Government securities was higher in the autumn than it had been for many years. By the end of the year the spread had narrowed somewhat.

Yields on long-term provincial, municipal, public utility and industrial bonds have risen steadily since the second quarter of 1958. Yields on com-

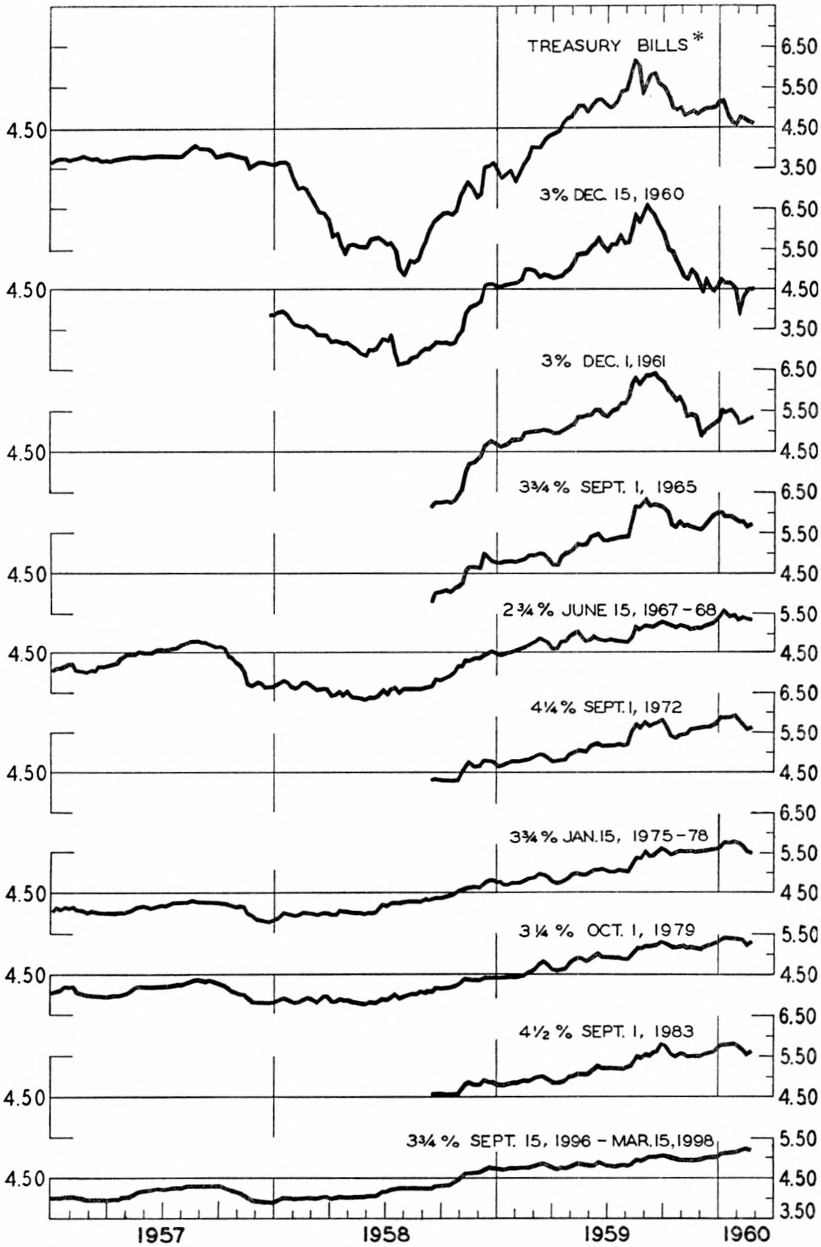
YIELDS ON
INDUSTRIAL BONDS AND COMMON STOCKS

Monthly: Per Cent



GOVERNMENT SECURITY YIELDS

Wednesdays: Per Cent



* 91-day bills. Average rate at weekly tender on Thursday following Wednesday date.

mon stocks, which had been declining since October 1957, reached a low point at the end of July 1959 and have been rising since that time.

The prime commercial loan rate charged by the chartered banks was increased from 5¼ per cent to 5½ per cent in early March 1959, and again to 5¾ per cent in late April. Interest rates paid by trust and loan companies on guaranteed investment certificates, and by finance companies and other corporations on short-term paper, rose substantially during 1959.

Trends in interest rates during 1957, 1958 and 1959 are shown in the table below and the chart on the opposite page.

Interest Rates and Yields

(per cent)

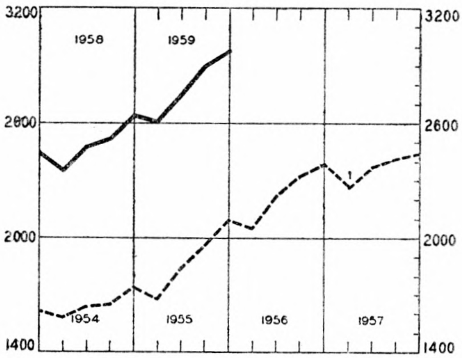
	High 1957	Dec. 31 1957	June 4 1958	Dec. 31 1958	Aug. 12 1959	Sept. 30 1959	Dec. 30 1959
Government security yields							
91-day treasury bills (1)	4.08	3.60 (2)	1.72	3.49	6.16	5.50	5.12
3% Dec. 1, 1961	—	—	—	4.69	6.11	6.22	5.27
3¾% Sept. 1, 1965	—	—	—	4.74	5.81	6.12	6.00
2¾% June 15, 1967-68	4.81	3.66	3.37	4.48	4.90	5.30	5.37
4¼% Sept. 1, 1972	—	—	—	4.70	5.50	5.82	5.77
3¾% Jan. 15, 1975-78	4.29	3.80	4.02	4.76	5.19	5.61	5.60
3¼% Oct. 1, 1979	4.35	3.80	3.82	4.42	4.98	5.30	5.30
4½% Sept. 1, 1983	—	—	—	4.81	5.36	5.81	5.71
Other long-term bond yields (3)							
10 provincials	5.18	4.60	4.47	5.14	5.61	6.19	6.12
10 municipals	5.77	5.12	4.98	5.38	5.86	6.60	6.60
10 public utilities	5.50	5.03	4.81	5.14	5.57	6.01	6.04
10 industrials	5.77	5.04	4.88	5.22	5.60	6.05	6.14
40 bond average	5.53	4.95	4.79	5.22	5.66	6.21	6.23
Common stock yields (4)							
64 industrials	5.38	5.10	4.46	3.79	3.59	3.89	3.95
Chartered bank prime loan rate	5¾	5½	5¼	5¼	5¾	5¾	5¾
Savings deposits							
Chartered banks	2¾	2¾	2¾	2¾	2¾	2¾	2¾
Trust companies (typical rate)	3¼	3¼	3¼	3¼	3½	3½	3½
Trust companies investment certificates (typical 1 year rate)	4½—5	4¼—5	2¾—3	4	5½	5½–5¾	5½

(1) Average rate at tender closest to date shown.
(2) Jan. 2, 1958.
(3) Source: McLeod, Young, Weir & Company Limited. Figures shown refer to the first business day of the month closest to the date shown.
(4) Source: Moss, Lawson & Company Limited in conjunction with the Toronto Stock Exchange.

Consumer Credit and Finance Companies. The total amount outstanding of credit extended to consumers by finance companies and retail dealers and of chartered bank personal loans (other than those fully secured by marketable securities) increased by an estimated $329 million in 1959 compared with $205 million in 1958, $64 million in 1957, $290 million in 1956 and $351 million in 1955. The increase in finance company and retail dealer credit in 1959 amounted to $161 million compared with an increase of $62 million in 1958. Chartered bank unsecured personal loans increased by $168 million in 1959 and $143 million in 1958. After rising sharply from the beginning of 1958, these loans levelled off during the third quarter of 1959 and declined by $42 million in the fourth quarter. Credit extended by finance companies and retail dealers rose less strongly than banks' personal loans over the first nine months of

FINANCE COMPANY AND RETAIL DEALER CREDIT EXTENDED TO CONSUMERS AND CHARTERED BANK UNSECURED* PERSONAL LOANS

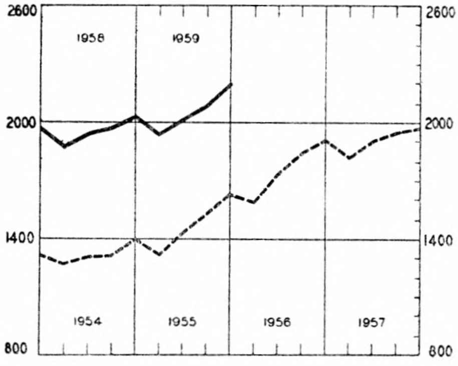
Quarterly: Millions of Dollars



* Personal loans not fully secured by marketable securities.
1. Break reflects reallocation of chartered bank reserves consequent upon securities revaluation.

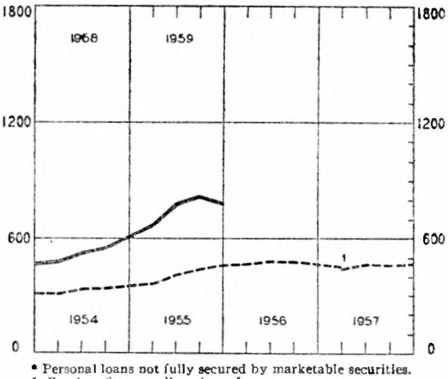
FINANCE COMPANY AND RETAIL DEALER CREDIT EXTENDED TO CONSUMERS

Quarterly: Millions of Dollars



CHARTERED BANK UNSECURED* PERSONAL LOANS

Quarterly: Millions of Dollars



* Personal loans not fully secured by marketable securities.
1. Break reflects reallocation of reserves consequent upon securities revaluation.

1959 but showed much more than the normal seasonal growth in the fourth quarter. Increased loans by small loan companies accounted for nearly half of the total increase in credit extended by finance companies and retail dealers in 1959.

In addition to the increase of $28 million in instalment finance companies' loans outstanding on consumer goods in 1959 their loans to finance other retail sales (commercial and industrial goods) increased by $81 million and their holdings of wholesale paper increased by $4 million. Thus instalment finance companies' total receivables increased by $113 million in 1959 compared with a decline of $53 million in 1958.

Consumer Credit and Other Loans to Individuals[1]

(millions of dollars)

	Balances Outstanding at Dec. 31/59	Increase or decrease (-) in balances outstanding:				
		1955	1956	1957	1958	1959
Finance company and retail dealer credit extended to consumers						
Instalment finance companies	796	107	157	24	− 12	28
Small loan companies	479	64	77	6	39	78
Department stores	315	41	17	18	20	33
Other retail dealers	601	25	30	10	15	22
Sub-total	2,191	237	281	58	62	161
Chartered bank personal loans						
Unsecured loans[2]	779	114	9[4]	6[5]	143	168
Total	2,970	351	290	64	205	329
Other loans mainly to individuals for non-business purposes						
Chartered bank secured personal loans[3]	282	86	−13[4]	−50[5]	30	−5
Life insurance co. policy loans	323	10	20	25	10	18
Quebec savings banks	13	1	3	2	−1	1
Credit unions	*	23	52	32	55	*

(1) Excludes mortgages.
(2) Not fully secured by marketable securities.
(3) Fully secured by marketable securities.
(4) Changes are adjusted to exclude effect of reclassification of foreign currency loans at Sept. 30, 1956.
(5) Changes are adjusted to exclude effect of reallocation of inner reserves at Jan. 31, 1957.
* Not available. Credit unions' non-mortgage loans outstanding at Dec. 31, 1958 amounted to $313 million.

Public Debt Operations. A summary of the changes during 1959 in Government of Canada direct and guaranteed securities outstanding is shown in the table below. The details of new issues and retirements of Government bonds in 1959 are summarized on pages 76 and 77.

On Jan. 5, 1959, an issue of $100 million of 4 per cent Government bonds maturing Jan. 1, 1963 and yielding 4.34 per cent was delivered. These bonds are redeemable at the option of the holder on Jan. 1, 1961 or on any subsequent interest payment date up to and including July 1, 1962 at the issue price of 98.75 per cent, subject to three months' notice. They were offered on Dec. 1,

Summary of Changes in Government of Canada Direct and Guaranteed Securities Outstanding

(par values, millions of dollars)

	As at Dec. 31 1959	Increase or Decrease (–) during: 1959 1Q	2Q	3Q	4Q	Year 1959	Year 1958
Treasury bills							
91 day bills	1,375	100	–	–143	–77	–120	–130
182 day bills	462	–	160	212	90	462	–
Special issues maturing June 10, 1960	240	–	200	–	40	240	–
Total	2,077	100	360	69	53	582	–130
Market bonds							
Direct issues payable in							
Can. $	10,327	258	–187	–75	–340	–344	850
U. S. $	150	–150	–	–	–	–150	–
£ sterling	20	–1	–	–1	–1	–3	–1
Guaranteed issues	1,334	–35	150	–	196	311	295
Total	11,830	72	–38	–76	–145	–186	1,143
Canada Savings Bonds	3,212	–40	–87	–105	550	317	246
Matured and outstanding market issues	16	12	–4	–3	–	5	–8
Total	17,135	144	231	–115	459	718	1,252

1958 together with a $300 million issue of 3 per cent Government bonds maturing Dec. 15, 1959 which was delivered Dec. 15, 1958. On Jan. 1 the outstanding $42 million of 3 per cent Fifth Victory Loan bonds which had not been converted in 1958 were paid off at maturity.

A small retirement was made on Jan. 15 when $35 million of 3 per cent Government-guaranteed C.N.R. bonds matured. On Feb. 1 a $150 million issue of 3 per cent bonds maturing Aug. 1, 1963 payable in U.S. dollars was called for prior payment at par. In earlier years the Government had purchased $129.5 million of the original issue and held it in a special Sinking Fund account leaving a balance of $20.5 million subject to the call on Feb. 1.

On Feb. 16 the Government offered $200 million of bonds which were additions to two existing short-term issues. The new bonds, which were delivered on Mar. 2, consisted of $85 million of 2¾ per cent bonds due Apr. 1, 1960 yielding 4.76 per cent and $115 million of 3 per cent bonds due Dec. 15, 1960 yielding 4.94 per cent.

On Apr. 30 it was announced that in addition to the regular 91 day treasury bills the next weekly tender would include $20 million of 182 day bills. With the exception of one week in August, 182 day bills were offered at each tender during the remainder of the year.

On May 4 $150 million of 5 per cent Government-guaranteed C.N.R. bonds were offered for delivery on May 19. The issue consisted of $60 million of bonds maturing May 15, 1968 priced to yield 5.18 per cent, and $90 million of bonds due May 15, 1977 priced to yield 5.17 per cent. The C.N.R. applied the proceeds of this issue to the repayment of interest-bearing capital advances from the Government.

On May 29 an offering was announced of $200 million of one-year treasury bills dated June 10 to be sold at tender, payment for which could be made either in cash or by exchanging 2½ per cent Government bonds due July 1, 1959 at a valuation for this purpose of 101.25 per cent including accrued interest. The average yield of successful tenders was 5.49 per cent and virtually all the successful tenderers took advantage of the conversion offer. The conversion resulted in a reduction of $187 million (par value) in the

$500 million total of bonds due to mature July 1. On June 15 a new issue dated July 1 consisting of additional amounts of outstanding short-term bonds totalling $238 million was offered. The public bought $125 million of 2¾ per cent bonds due Apr. 1, 1960 to yield 5.50 per cent and $75 million of 3 per cent bonds due Dec. 15, 1960 to yield 5.68 per cent; in addition the Bank of Canada acquired $19 million of each of these issues in exchange for equal par value amounts of the maturing July 1 issue. On July 1 a total amount of $313 million of 2½ per cent bonds matured. The overall result of the public debt operations during this period was to increase the amount of treasury bills outstanding by $200 million and reduce the amount of market bonds outstanding by $262 million.

When tenders were called for the one-year treasury bills it was announced that they would be offered in denominations of $1,000, $25,000, $100,000 and $1,000,000. This was the first occasion on which treasury bills were issued in denominations of $1,000. Commencing with the weekly tender of July 2 the 91 day and 182 day treasury bills were also offered in denominations of $1,000 and at the tender of Dec. 30 bills in denominations of $5,000 were added. At the end of the year approximately 25,000 treasury bills in denominations of $1,000 were outstanding.

On Sept. 14 a new issue of $325 million of Government bonds and treasury bills to be dated Oct. 1 was offered to the public and $225 million to the Bank of Canada. The issue was divided into four parts. The public purchased $200 million and the Bank $50 million of 5½ per cent bonds due Oct. 1, 1962 yielding 6.33 per cent, and exchangeable at the option of the holder on or before June 30, 1962 into an equal par value of 5½ per cent bonds due Oct. 1, 1975 yielding 5.72 per cent for 16 years. Another part consisted of $85 million purchased by the public and $50 million by the Bank of 5½ per cent bonds due Oct. 1, 1960 yielding 6.55 per cent and exchangeable on or before June 30, 1960 into the 5½ per cent bonds maturing Oct. 1, 1975 yielding 5.60 per cent for 16 years. There was also an addition to an outstanding issue of 3 per cent bonds due May 1, 1961, priced to yield 6.61 per cent, of which $35 million was sold to the public and $90 million to the Bank. The final part of this issue was an offering of 253 day treasury bills maturing

June 10, 1960 which was sold by tender. The public acquired $5 million at an average yield of 6.80 per cent and the Bank of Canada purchased $35 million of these bills at the same yield. The proceeds of these issues were used to retire $550 million of 3 per cent bonds maturing Oct. 1.

On Nov. 30 $300 million of Government-guaranteed C.N.R. bonds were offered. The issue consisted of $200 million of 5½ per cent bonds dated Dec. 15 and due Dec. 15, 1964 yielding 5.85 per cent and exchangeable at the option of the holder on or before June 15, 1964 into equal par values of 5½ per cent bonds due Dec. 15, 1971 to yield 5.67 per cent for 12 years, and $100 million of 5¾ per cent bonds dated Jan. 1, 1960* and due Jan. 1, 1985 yielding 5.86 per cent. The C.N.R. applied the cash proceeds of this issue to the repayment of interest-bearing capital advances from the Government and on Dec. 15 the Government paid off the $300 million of 3 per cent bonds maturing on that date.

The 1959 series of Canada Savings Bonds maturing Nov. 1, 1968 went on sale in October. These bonds carry nine coupons, the first 4 per cent, the second 4¼ per cent, the third 4½ per cent and the remaining six 5 per cent. Bonds held to maturity will be redeemed at 103 per cent of par value. The average yield of bonds held to maturity is 4.98 per cent. The limit for holdings in any one name was set at $20,000, compared with $10,000 in recent years. This year for the first time Canada Savings Bonds may be registered in the name of an estate. At Dec. 31 total sales of this series amounted to $1,416 million compared with sales of $844 million of the 1958 series and $1,217 million of the 1957 series during the comparable periods of each year. The net increase in Canada Savings Bonds outstanding during the fourth quarter was $550 million in 1959 compared with $508 million in 1958 and $436 million in 1957. Total sales during the year 1959 amounted to $1,495 million while total redemptions and maturities of all series were $1,178 million so that the net increase during the year amounted to $317 million. In 1958 total sales were $844 million, redemptions amounted to $598 million so that the net increase was $246 million. Payroll sales of the 1959 series were $219 million compared to $207

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* This $100 million issue was delivered on Jan. 4, 1960 and is not included in the total of Government bonds outstanding at Dec. 31, 1959 as referred to on pages 65, 72 and 78.

million of the 1958 series. The total amount of Canada Savings Bonds outstanding at the end of 1959 was $3,212 million or 18.7 per cent of the Government's total direct and guaranteed securities outstanding and 29.9 per cent of that part of the debt which was held by the general public.

During the year the average term to maturity of market issues of Government securities outstanding shortened by 9 months and

New Issues and Retirements of Government of Canada Direct and Guaranteed Bonds, 1959

Date of Issue or Redemption	Type of Security	Amount (millions of dollars) New Issue	Retirement
Jan. 1	Govt. Loan(1)	100	
Jan. 1	Fifth Victory Loan		42
Jan. 15	C.N.R. — Govt. Gtd.		35
Feb. 1	Govt. Loan(2)		150
Mar. 1	Govt. Loan(3)	85	
Mar. 1	Govt. Loan(3)	115	
May 15	C.N.R. — Govt. Gtd.	60	
May 15	C.N.R. — Govt. Gtd.	90	
June 10	Govt. Loan(4)		187
July 1	Govt. Loan(3)	144	
July 1	Govt. Loan(3)	94	
July 1	Govt. Loan		313
Oct. 1	Govt. Loan(5)	135	
Oct. 1	Govt. Loan(3)	125	
Oct. 1	Govt. Loan(6)	250	
Oct. 1	Govt. Loan(7)		550
Dec. 15	C.N.R. — Govt. Gtd.(8)	200	
Dec. 15	Govt. Loan		300
	Canada Savings Bonds	1,495	1,178
	Other retirements		7
	Total	2,893	2,762

(1) Redeemable at option of holder at Jan. 1, 1961 or subsequent interest dates to July 1, 1962 at 98.75, subject to 3 months' notice.
(2) Called prior to maturity.
(3) An addition to an outstanding bond issue.
(4) Exchanged for one-year treasury bills maturing June 10, 1960.
(5) Exchangeable on or before June 30, 1960 into an equal par value of 5½% non-callable bonds due Oct. 1, 1975 yielding about 5.60% for 16 years.

stood at 9 years 6 months at Dec. 31. Tables showing the classification by term to maturity of the total debt and of the holdings of the general public appear on page 78.

The reduction during 1959 in the average maturity of the market issues held by the general public arose not from any decrease in longer-term holdings but from the fact that the increase in holdings of shorter-term securities was greater than the increase in holdings of longer-term categories.

Currency of Payment	Coupon Rate %	Date of Maturity	Earliest Call Date	Issue Price	Yield %
C	4	Jan. 1/63	N/C	98.75	4.34
C	3	Jan. 1/59	Jan. 1/56		
C	3	Jan. 15/59	Jan. 15/54		
U.S.	3	Aug. 1/63	Aug. 1/58		
C	2¾	Apr. 1/60	N/C	97.90	4.76
C	3	Dec. 15/60	N/C	96.70	4.94
C	5	May 15/68	N/C	98.75	5.18
C	5	May 15/77	N/C	98.00	5.17
C	2½	July 1/59	N/C		
C	2¾	Apr. 1/60	N/C	98.00	5.50
C	3	Dec. 15/60	N/C	96.30	5.68
C	2½	July 1/59	N/C		
C	5½	Oct. 1/60	N/C	99.00	6.55
C	3	May 1/61	N/C	94.65	6.61
C	5½	Oct. 1/62	N/C	97.75	6.33
C	3	Oct. 1/59	N/C		
C	5½	Dec. 15/64	N/C	98.50	5.85
C	3	Dec. 15/59	N/C		

(6) Exchangeable on or before June 30, 1962 into an equal par value of 5½% non-callable bonds due Oct. 1, 1975 yielding about 5.72% for 16 years.
(7) Refunded in part by a $40 million issue of 253 day treasury bills maturing June 10, 1960.
(8) Exchangeable on or before June 15, 1964 into an equal par value of 5½% non-callable bonds due Dec. 15, 1971 yielding about 5.67% for 12 years. Part of $300 million issue; the remaining $100 million was a non-callable 5¾% C.N.R. — Govt. Gtd. loan dated Jan. 1, 1960 to mature Jan. 1, 1985 offered at 98.50 to yield 5.86% for delivery on Jan. 4, 1960.

Government of Canada Direct and Guaranteed Securities Classified by Term to Maturity

(par value, millions of dollars)

	As at Dec. 31 1959	Increase or Decrease (–) during:					
		1959				Year 1959	Year 1958
		1Q	2Q	3Q	4Q		
Total Amount Outstanding							
Treasury bills. . . .	2,077	100	360	69	53	582	–130
Other market issues							
2 years and under . .	2,883	–15	211	–77	431	549	–222
Over 2 and up to 5 years	1,131	99	–403	–1	–571	–876	–912
Over 5 and up to 10 years	2,075	—	60	70	–2	128	–1,549
Over 10 years . . .	5,758	—	90	–70	–2	18	3,818
Total market issues (bonds and treasury bills)	13,923	184	318	–10	–91	401	1,006
Canada Savings Bonds. .	3,212	–40	–87	–105	550	317	246
Total . . .	17,135	144	231	–115	459	718	1,252
Average maturity of market issues held . .	9 yr. 6 mo.	–4 mo.	–3 mo.	–2 mo.	—	–9 mo.	+4 yr. 4 mo.
Amount Held by General Public							
Treasury bills. . . .	755	86	169	116	–31	341	125
Other market issues							
2 years and under . .	1,626	327	290	66	–77	606	–221
Over 2 and up to 5 years	671	104	–42	68	128	258	–928
Over 5 and up to 10 years	838	26	46	77	23	172	–1,303
Over 10 years . . .	3,623	28	59	–22	–1	64	2,355
Total market issues (bonds and treasury bills)	7,513	571	522	304	43	1,440	28
Canada Savings Bonds. .	3,212	–40	–87	–105	550	317	246
Total . . .	10,725	531	435	198	593	1,757	274
Average maturity of market issues held . .	10 yr. 10 mo.	–1 yr. 1 mo.	–10 mo.	–6 mo.	—	–2 yr. 6 mo.	+6 yr. 4 mo.

International Capital Account. The broad trends in Canada's external trade and in the net movements of capital in recent years have been described in a previous section of this Report.

The current account deficit increased from $1,085 million in 1958 to $1,460 million in 1959. The net inflow of long-term capital rose somewhat in 1959 but most of the increase in the current account deficit was financed by an equivalent change in the balance of short-term liabilities and assets.

Foreign direct investment in Canada amounted to $500 million in 1959, up $80 million from the previous year, while direct investment by Canadians abroad rose from $48 million in 1958 to $60 million in 1959.

In 1959 the net inflow of funds arising from all transactions in Canadian bonds amounted to about $500 million, approximately the same level as in 1958. As the following table indicates, net sales to non-residents of new issues of provincial bonds payable in United States dollars were much higher in 1959 than in 1958 while net new issues of corporate bonds were substantially reduced; in 1959 there was a net retirement of Government of Canada issues held by non-residents. In total, net sales to non-residents of new issues of all Canadian bonds were lower in 1959 than in 1958 by about $80 million, all of the decline occurring in issues payable in

Net New Issues of Canadian Bonds
Sold to Non-Residents

(millions of dollars)

	Payable in Foreign Currency		Payable in Canadian Dollars		Total	
	1958	1959	1958	1959	1958	1959
Government of Canada*	−1	−19	52	−25	51	−44
Provincial*	127	274	−4	5	123	279
Municipal*	116	121	2	—	118	121
Corporate	163	25	37	29	200	54
	405	401	87	9	492	410

* Includes guaranteed issues.

Capital Account: Canadian Balance of International Payments

(millions of dollars)

	1958 1Q	1958 2Q
Foreign direct investment in Canada[1]	+ 93	+ 94
Canadian direct investment abroad[1]	− 20	− 23
Canadian portfolio security transactions		
Net sales of new issues of Canadian bonds[2]		
Government of Canada (incl. guaranteed)	+ 9	+ 21
Provincial (incl. guaranteed)	+ 55	+ 87
Municipal (incl. guaranteed)	+ 8	+ 45
Corporate bonds	+ 73	+ 85
Sub-total	+145	+238
Net transactions in outstanding Canadian bonds	− 2	− 12
Total Canadian bonds	+143	+226
Transactions in Canadian stocks		
Net new issues[2]	+ 4	+ 7
Net transactions in outstanding stocks	+ 3	+ 17
Total Canadian stocks	+ 7	+ 24
Total Canadian portfolio security transactions (net)	+150	+250
Transactions in foreign securities (net)	+ 2	− 7
Loans by Government of Canada		
Drawings	− 16	− 8
Repayments	+ 7	+ 17
Gold subscription to I. M. F.	—	—
Increase (+) in Canadian dollar holdings of non-residents	− 16	+ 41
Decrease (+) in official holdings of gold and foreign exchange	− 39	− 52
Other capital movements (net)	+106	+ 11
Over-all capital receipt (+) or payment (−) = total financing of current account	+267	+323

Source: Dominion Bureau of Statistics.
(1) Exclusive of retained (i.e. unremitted) earnings.
(2) Newly-issued Canadian securities sold to non-residents at time of issue less retirements of foreign-held issues.
* Preliminary.

		1959*				Year	Year
3Q	4Q	1Q	2Q	3Q	4Q	1958	1959*
+103	+130	+ 80	+170	+ 85	+165	+ 420	+500
+ 6	− 11	− 20	− 10	− 20	− 10	− 48	− 60
+ 12	+ 9	− 14	− 13	− 9	− 8	+ 51	− 44
− 8	− 11	+100	+ 26	+ 72	+ 81	+ 123	+ 279
+ 32	+ 33	+ 30	+ 1	+ 61	+ 29	+ 118	+ 121
+ 32	+ 10	+ 3	+ 14	+ 28	+ 9	+ 200	+ 54
+ 68	+ 41	+119	+ 28	+152	+111	+ 492	+ 410
− 7	+ 21	+ 34	+ 16	+ 33	+ 13	—	+ 96
+ 61	+ 62	+153	+ 44	+185	+124	+ 492	+ 506
+ 7	+ 9	+ 22	+ 7	− 1	+ 2	+ 27	+ 30
+ 35	+ 33	+ 32	+ 34	+ 25	+ 21	+ 88	+ 112
+ 42	+ 42	+ 54	+ 41	+ 24	+ 23	+ 115	+ 142
+103	+104	+207	+ 85	+209	+147	+ 607	+ 648
+ 3	+ 5	− 1	− 9	− 3	− 8	+ 3	− 21
—	− 10	− 1	—	—	—	− 34	− 1
+ 7	+ 33	—	+ 9	—	+ 25	+ 64	+ 34
—	—	—	—	—	− 59	—	− 59
+ 90	− 9	− 12	+ 46	+ 22	− 43	+ 106	+ 13
+ 32	− 50	+ 49	− 43	− 3	+ 67	− 109	+ 70
−146	+105	+109	+199	+ 9	+ 19	+ 76	+ 336
+198	+297	+411	+447	+299	+303	+1085	+1460

Canadian dollars. However, in 1959 there were net sales to non-residents of outstanding bonds of about $100 million whereas in 1958 sales and purchases of outstanding bonds had been in balance; increased sales of Government of Canada bonds, mainly to overseas countries, accounted for this change.

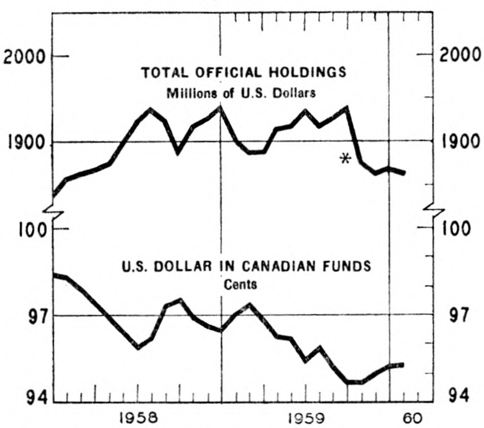
The net result of all transactions in Canadian common and preferred stocks was a net inflow of capital of $142 million in 1959 as compared to $115 million in 1958, with increases in net sales to the United States and continental Europe.

Changes in Canadian dollar holdings of non-residents and "Other capital movements (net)" as shown in the table on pages 80 and 81 record for the most part movements of private short-term capital. In 1959 these included changes in the amount outstanding of commercial accounts receivable and payable, in the foreign currency holdings of Canadians, in the net foreign assets of chartered banks, and in net borrowing abroad by certain other financial institutions. There was a substantial net receipt from these sources in 1959, nearly all in the first half of the year.

The value of the United States dollar in Canada rose from 96 7/16 at the end of 1958 to a high of 98 3/16 in February, declined fairly steadily to a low of 94 9/16 in November, and then firmed slightly and closed the year at 95 7/32. Official holdings of gold and U.S. dollars fell from U.S. $1,939 million at the end of 1958 to U.S. $1,869 million at the end of 1959; this change was almost entirely due to a transfer of U.S. $62.5 million to the International Monetary Fund on Oct. 1 which represented the gold portion of Canada's increased quota.

OFFICIAL HOLDINGS OF GOLD AND U.S. DOLLARS AND EXCHANGE RATE

Month-end



*On October 1, U.S. $62.5 million, representing the gold portion of Canada's increased quota, was transferred to the International Monetary Fund.

FINANCIAL STATEMENT ▶

ASSETS

	1959	1958
Foreign exchange— at market value		
Pounds sterling and U.S.A. dollars . . .	$ 41,030,477	$ 55,171,186
Other currencies . .	146,420	146,078
	$ 41,176,897	$ 55,317,264
Cheques on other banks	$ 145,547,390	$ 96,375,308
Accrued interest on investments	$ 25,995,824	$ 28,111,958
Advances to chartered and savings banks		$ 2,000,000
Investments — at amortized values		
Treasury bills of Canada .	$ 305,853,111	$ 35,942,726
Other securities issued or guaranteed by Canada maturing within two years . .	$ 514,536,500	245,182,572
Other securities issued or guaranteed by Canada not maturing within two years	1,800,242,047	2,340,637,247
Debentures issued by Industrial Development Bank .	58,607,742	52,917,274
Other securities — U.S.A. Government . .	18,522,311	38,495,990
	$ 2,697,761,711	$ 2,713,175,809
Industrial Development Bank		
Total share capital at cost	$ 25,000,000	$ 25,000,000
Bank premises		
Land, buildings and equipment— at cost less accumulated depreciation . . .	$ 10,878,656	$ 9,795,652
Net balance of Government of Canada payments and collections in process of settlement	$ 21,238,081	$ 14,295,801
Other assets . . .	$ 493,308	$ 348,147
	$ 2,968,091,867	$ 2,944,419,939

J. E. COYNE, *Governor*
Ottawa, January 21, 1960

E. FRICKER, *Chief Accountant*

OF ASSETS AND LIABILITIES

AS AT DECEMBER 31, 1959

(with comparative figures at December 31, 1958)

LIABILITIES

	1959	1958
Capital paid up	$ 5,000,000	$ 5,000,000
Rest fund	$ 25,000,000	$ 25,000,000
Notes in circulation	$ 2,020,525,198	$ 1,998,046,299
Deposits		
Government of Canada	$ 45,587,773	$ 34,883,957
Chartered banks	636,981,802	662,696,930
Other	34,789,621	25,021,571
	$ 717,359,196	$ 722,602,458
Liabilities payable in pounds sterling, U.S.A. dollars and other foreign currencies		
To Government of Canada	$ 42,251,227	$ 75,998,717
To Others	7,768,089	7,922,651
	$ 50,019,316	$ 83,921,368
Bank of Canada cheques outstanding	$ 149,191,317	$ 108,046,826
Other liabilities	$ 996, 840	$ 1,802,988
	$ 2,968,091,867	$ 2,944,419,939

Auditors' Report • We have made an examination of the statement of assets and liabilities of the Bank of Canada as at December 31, 1959 and have received all the information and explanations we have required. We report that, in our opinion, the above statement correctly sets forth the position of the Bank at December 31, 1959 according to the best of our information and as shown by the books of the Bank.

ROSAIRE COURTOIS,
of Courtois, Fredette & Co.

W. R. KAY,
of Fred Page Higgins & Company

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 1959

(with comparative figures for the year ended December 31, 1958)

	1959	1958
Profit for the year	$74,011,728	$88,631,680
Paid to the Receiver General of Canada for credit of the consolidated revenue fund	$74,011,728	$88,631,680

BOARD OF DIRECTORS

J. E. Coyne	*OTTAWA* *Governor* *Member of the Executive Committee*
J. R. Beattie	*OTTAWA* *Deputy Governor* *Member of the Executive Committee*
H. Baribeau	*LEVIS, QUE.*
J. T. Bryden	*TORONTO, ONT.* *Member of the Executive Committee*
F. Field, F.C.A.	*VANCOUVER, B.C.*
C. Hedley Forbes	*FREDERICTON, N.B.*
C. Bruce Hill, M.C.	*ST. CATHARINES, ONT.*
W. A. Johnston, Q.C.	*WINNIPEG, MAN.*
J. H. Mowbray Jones	*LIVERPOOL, N.S.*
S. N. MacEachern	*SASKATOON, SASK.*
L. Patrick, C.B.E.	*CALGARY, ALTA.*
H. A. Russell	*ST. JOHN'S, NFLD.*
A. Samoisette, O.B.E.	*MONTREAL, QUE.*
A. A. Scales	*CHARLOTTETOWN, P.E.I.*

EX-OFFICIO

K. W. Taylor, C.B.E.	*OTTAWA* *Deputy Minister of Finance* *Member of the Executive Committee*

OFFICERS

J. E. Coyne, *Governor*
J. R. Beattie, *Deputy Governor*
L. P. Saint-Amour, *Deputy Governor*
L. Rasminsky, C.B.E., *Deputy Governor*
R. B. McKibbin, *Deputy Governor*
W. E. Scott, *Executive Assistant to the Governors*
L. F. Mundy, *Secretary*
E. Fricker, *Chief Accountant*
E. Metcalfe, *Auditor*

SECRETARY'S DEPARTMENT

L. F. Mundy, *Secretary*
P. D. Smith, *Deputy Secretary*
C. H. Richardson, *Deputy Secretary*
A. J. Bawden, *Assistant Secretary*
J. C. Nesbitt, *Personnel Officer*
Miss M. K. Rowland, *Personnel Officer*

Currency Division: P. B. Wooster, *Chief*
J. U. Ranger, *Deputy Chief*

Public Debt Division: H. W. Thompson, *Chief*
H. S. Holloway, *Assistant Chief*
R. F. Archambault, *Assistant Chief*

RESEARCH DEPARTMENT

R. W. Lawson, *Chief*
G. K. Bouey, *Deputy Chief*
B. J. Drabble, *Assistant Chief*
G. E. Freeman, *Assistant Chief*
G. S. Watts, *Special Assistant*
S. V. Suggett, *Industrial Research Assistant*
Miss H. Costello, *Librarian*

SECURITIES DEPARTMENT

J. B. MacFarlane, *Chief*
A. Clark, *Assistant Chief*
D. J. R. Humphreys, *Assistant Chief*
H. G. Gammell, *Toronto Representative*
T. G. Boland, *Montreal Representative*

FOREIGN EXCHANGE DEPARTMENT

W. A. Cameron, *Chief*
P. Watt, *Montreal Representative*
W. G. Jones, *Toronto Representative*

AGENCIES

CALGARY	F. J. Wilks, *Agent*
HALIFAX	G. R. Bonner, *Agent*
MONTREAL	A. Huberdeau, *Agent*
	J. E. R. Rochefort, *Assistant Agent*
OTTAWA	J. K. Ferguson, *Agent*
REGINA	W. D. T. Shortreed, *Agent*
SAINT JOHN, N.B.	E. L. Johnson, *Agent*
TORONTO	R. J. Lillie, *Agent*
	A. J. Norton, *Assistant Agent*
VANCOUVER	W. D. Farrell, *Agent*
WINNIPEG	E. T. W. Davies, *Agent*