

# **BANK OF CANADA**

**ANNUAL REPORT OF  
THE GOVERNOR TO THE  
MINISTER OF FINANCE**

**AND STATEMENT OF ACCOUNTS**

**FOR THE YEAR *1961***

HG  
2706  
.A1  
1961

**DATE DUE**  
MAY 19 1964

BANK OF CANADA *Ottawa*

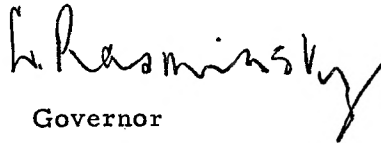
February 28th, 1962.

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

Dear Sir,

In accordance with the provisions  
of the Bank of Canada Act I am transmitting  
herewith my report for the year 1961 and  
a statement of the Bank's accounts for this  
period which is signed and certified in the  
manner prescribed in the by-laws of the Bank.

Yours very truly,

  
Governor



# **BANK OF CANADA**

## **Report of the Governor—1961**

On July 24, 1961 the Board of Directors of the Bank of Canada announced my appointment as Governor to succeed Mr. J. E. Coyne, who resigned on July 13. On August 1, 1961 I issued the following statement:

“I have been greatly encouraged by the many public expressions of goodwill which have appeared since the announcement of my appointment as Governor of the Bank of Canada. I have decided to make public at this time my views on certain matters connected with the administration of this office. These views had been made known to the Directors and to the Government in the following form when my appointment was being considered.

I believe that it is essential that the responsibilities in relation to monetary policy should be clarified in the public mind and in the legislation. I do not suggest a precise formula but have in mind two main principles to be established: (1) in the ordinary course of events, the Bank has the responsibility for monetary policy, and (2) if the Government disapproves of the monetary policy being carried out by the Bank it has the right and the responsibility to direct the Bank as to the policy which the Bank is to carry out.

The first principle is designed to ensure that the Bank has the degree of independence and responsibility necessary if it is, in the language of the Bank of Canada Act, “to regulate credit and currency in the best interests of the economic life of the nation”. To discharge this duty the Bank must be sufficiently independent and responsible in its operations to be able to withstand day-to-day pressures from any source. But in the longer run, if there should develop a serious and persistent conflict between the views of the Government and the views of the central bank with regard to monetary policy which, after prolonged and conscientious efforts on both sides, cannot be resolved, the Government should be able formally to instruct the Bank what monetary policy it wishes carried out and the Bank should have the duty to comply with these instructions. The exercise of this authority by Government would place on Government direct responsibility for the monetary policy to be followed. If this policy, as communicated to the Bank, was one which the Governor felt he could not in good conscience

carry out, his duty would be to resign and to make way for someone who took a different view.

Amendments to the Bank of Canada Act would presumably be required to deal with these points. If, however, it were agreed that the respective responsibilities should be of the general character I have indicated, there should be little difficulty in regard to the precise nature and timing of the necessary changes.

I wish, secondly, to place on record some of my views on the way in which monetary policy fits in to other public policies affecting the economic and financial welfare of the nation. I take it that the broad aim of the community is to attain, to the maximum extent possible, certain generally accepted objectives: high level employment, price stability and sustained economic growth. A flexible monetary policy is an essential element in the total blend of policies directed to these ends. In a situation characterized by large unemployment and unused capacity, monetary policy should be directed to encouraging the use of credit. On the other hand, if the economy is approaching a condition of full stretch, policy should be directed towards discouraging the use of credit.

Too much reliance on monetary policy either as a restraining or a stimulating factor would, however, lead to unsatisfactory self-defeating results. If one were to try to control the excesses of a boom period through monetary policy without adequate support from appropriate fiscal, debt management and other economic policies of Government, one would run the risk of creating great strains in the financial system in the form of intolerably high interest rates and disorganization in capital markets. On the other hand, the precise part that monetary policy can appropriately play in stimulating economic expansion is necessarily influenced by the part being played by the concurrent fiscal, debt management and other economic policies of Government. The central bank has an important part to play in influencing the trend of interest rates in a direction appropriate to the economic situation. But an attempt on its part to impose a level of interest rates which appeared unrealistic to the market would impair confidence in the value of the currency and present a serious obstacle to the orderly flow of funds through the capital market.

What is said in the previous paragraph is not meant to deprecate the contribution that monetary policy can make towards attaining the broad economic objectives of high-level employment, price stability and sustained economic growth. On the contrary, it is meant to underline the need for a careful and consistent meshing together of all the various aspects of financial

policy and general economic policy in the effort to attain these objectives while avoiding undue strains in particular sectors. In particular, since monetary policy, fiscal policy and debt management policy are interdependent and to some extent inter-changeable, there has to be a high degree of coordination to ensure that the blend or "mix" of these policies is purposefully directed towards attaining the over-all economic objectives of the community.

The views expressed above regarding the respective responsibilities of Government and Bank for monetary policy and the need for close coordination of monetary, fiscal, debt management and other economic policies point to the great importance of close and continuous contact between the Bank and the Government. I shall wish to play my full part in achieving the close working relationship with the Minister of Finance which is indispensable if the Bank is to discharge its responsibilities in a satisfactory way. I would hope to have frequent contacts with the Minister of Finance of the same character as I have had over the past years in my capacity of Executive Director of the International Monetary Fund and International Bank. In addition, in order to ensure beyond doubt that continuing high importance is attached to maintaining lines of communication, and even though such precaution may now seem unnecessary, consideration should be given to setting up a routine procedure for regular meetings at fairly frequent intervals between the Minister of Finance and the Governor."

On the same day the Honourable Donald M. Fleming, Minister of Finance, issued the following statement:

"The views expressed by the Governor of the Bank of Canada in his statement today regarding the relationships between the monetary and fiscal authorities are in harmony with those of the Government and were known to the Government prior to his appointment. I also share the Governor's views respecting the inter-relationship between monetary, fiscal and debt management policy and the need for a judicious and co-ordinated combination of measures in all three fields in the promotion of national economic policy. Indeed, I drew attention to the necessity for this sort of co-operative action in my Budget Speech on June 20th. It follows, therefore, that regular and close consultation between the Governor and the Minister of Finance is of the essence and Mr. Rasminsky's views in this regard are warmly welcomed. In fact, such consultation between myself and the Governor is already taking place."

\* \* \*

At the time at which I took office the level of economic activity in Canada was rising, but there was a great deal of unemployment and unused plant capacity and room for a large increase in employment and output before there would be any prospect of the economy pressing on its physical limits in an inflationary way. In these circumstances it was appropriate that monetary policy should be directed towards promoting conditions favourable to the use of credit as one method of stimulating the growth of spending on goods and services. It was also appropriate that so far as possible the emerging credit demands of the economy should be satisfied from domestic sources (rather than by inflows of capital from abroad) and without this giving rise to a premature tightening of credit conditions or fears of instability in financial markets.

The principal means open to the Bank of Canada of influencing credit conditions in this way was to ensure that the chartered banks had enough cash reserves to encourage them to follow a strong lending policy and to permit them to expand their total assets in a manner conducive to relative ease and stability in financial markets. This was done, and the growth in the Canadian assets of the chartered banks that was underway when I took office continued through the rest of the year. From late July to year-end the chartered banks increased their general business and personal loans in Canada substantially and added about \$400 million to their holdings of Government of Canada bonds; they were also able to maintain a ratio of liquid assets (cash, treasury bills and day-to-day loans) to deposit liabilities of 18½-19 per cent, and at the end of the year their combined holdings of these liquid assets were about \$500 million in excess of the agreed minimum ratio of 15 per cent.

The expansion in employment and output which got under way early in 1961 and continued throughout the year gave rise to an appreciable increase in the demand for credit from businesses and individuals. In addition there was a sharp increase in borrowing by the Government of Canada and the provincial governments. Notwithstanding these developments credit conditions did not tighten in respect of either the cost or the availability of borrowed money. Following a general decline of interest yields in June, yields on long-term market bonds were stable or declined slightly during the second half of the year, yields on medium and short-term bonds declined further, and the yield on Government treasury bills was relatively stable with some rise in the final weeks of the year. The chartered banks and other lending institutions pursued active lending policies in the provision of working-capital loans to business and of consumer credit, and mortgage funds were also in comparatively ample supply.



In June 1961 the downward movement in interest yields on longer-term bonds in Canada and a concurrent rise in the United States had narrowed sharply the interest-rate spreads between the two markets which had existed earlier in the year. There was a moderate further narrowing of these interest-rate spreads in the second half of the year, and during this period the spreads were well below those which had prevailed since the first half of 1959. Net sales of Canadian issues in the United States market in 1961 were small after allowing for deliveries of issues negotiated earlier.

The increase in chartered bank assets in 1961 was of course accompanied by a similar increase in their deposit liabilities. For the full year the increase was about \$1,165 million or about 9¾ per cent, a more rapid rate of growth than in recent years but less than in 1958 or 1955. The principal components of the increase by type of deposit liability were: personal savings deposits up \$400 million (5½ per cent), corporate notice deposits up \$350 million (60 per cent), Government of Canada deposits up \$80 million (15 per cent) and other deposits—these being mainly working balances of businesses and individuals—up \$335 million (9 per cent).

The large increase in corporate notice deposits appears to have been associated with the practice adopted by the banks in January 1961 of paying interest rates on deposit receipts which were higher than the comparable treasury bill yields. Substantial funds that would otherwise presumably have been invested by corporations directly in short-term securities of the Government and other borrowers were instead left on notice deposit with the chartered banks, and the banks rather than the corporations tended to acquire the securities. Since the short-term securities that the notice-deposit holders would otherwise have acquired were almost equally liquid, the part of the monetary expansion represented by the growth in corporate notice deposits—nearly one-third of the total—probably added little to the over-all liquidity of the economy.

\* \* \*

Over the years a growing economy needs a growing stock of money, and this need can, in my judgment, best be met by a flexible monetary policy which permits the money supply to change at different rates in different periods so that it makes a contribution to achieving credit conditions which are appropriate to changing economic circumstances. I believe that the monetary expansion that occurred in the second half of 1961 was appropriate in the circumstances of the time and that it was of material assistance in maintaining credit conditions in Canada which encouraged and sustained this phase of economic expansion.

Without it, credit would have been less readily available and its cost would have been greater, and the desired growth in spending on goods and services in Canada would have been retarded. Moreover, the easing in credit conditions in Canada relative to those in the United States helped in removing the upward pressure on the foreign exchange value of the Canadian dollar and facilitated the movement of the exchange rate to a more appropriate level.

By improving the international competitive position of Canadian industry, the recent decline in the exchange value of the Canadian dollar provides our economy with a special opportunity to attack the major problems of adjustment that have confronted us since the intense resource development boom came to an end several years ago. If full advantage is to be taken of the present opportunity to achieve a significant increase in output and employment in the exporting industries and in import-competing industries, it is clearly essential that a fresh upward thrust of domestic prices and costs should be avoided and that all sectors of the economy should actively seek out and vigorously exploit the opportunities for new business now available.

Fresh evidence of the fact that we live in a highly and increasingly competitive world comes to light almost daily. Until a very few years ago the economic efficiency of the United States relative to other countries was thought to be so great that the presumed inability of other countries to compete effectively with the United States was regarded by many as the principal international economic problem of the western world—the so-called “dollar problem”. Today the “dollar problem” has disappeared and the United States has found it necessary to address itself with vigour to the problem of increasing substantially its basic economic efficiency. Our other main trading partner, the United Kingdom, is similarly engaged. We in Canada cannot escape this world trend, and the real determinant of our prosperity and welfare will be our ability to compete in a world of rapidly rising standards of economic productivity and efficiency.

Good economic performance depends both on financial policies and on the basic elements of economic efficiency—a well-trained, energetic and adaptable working population, dynamic business leadership, the imaginative application of modern technology, good marketing practices, and perhaps above all the determination to be competitive. These basic factors need an environment of appropriate financial policies if they are to make their maximum contribution to the achievement of our economic goals. But if the basic factors themselves are missing, their absence cannot be adequately compensated by variations in the

cost and availability of credit, or by variations in the foreign exchange rate, or indeed by any kind of purely financial management.

These considerations do not of course argue for complacency about Canada's financial machinery or the quality of its management. Here, as in respect of other aspects of the economic process, a critical approach will be rewarding. I therefore welcome the appointment last October of a Royal Commission on Banking and Finance under the Chairmanship of the Honourable Dana Porter, Chief Justice of Ontario. The terms of reference of the Commission are:

- “(a) to enquire into and report upon the structure and methods of operation of the Canadian financial system, including the banking and monetary system and the institutions and processes involved in the flow of funds through the capital market; and
- (b) to make recommendations
  - (i) for the improvement of the structure and operations of the financial system and, more particularly,
  - (ii) concerning the Bank Act, the Bank of Canada Act, the Quebec Savings Banks Act, and other relevant federal legislation.”

These terms of reference are sufficiently broad to provide for the most comprehensive review of the functioning of the Canadian financial system since the proceedings of the Macmillan Commission in 1933.

I expect to appear before the Royal Commission on Banking and Finance later this year to give evidence on the role of monetary policy and on various other matters having to do with the operations of the Bank of Canada. I shall not attempt here to anticipate this evidence but there is one specific matter on which I wish to make a brief comment, and that is the method of determining the Bank rate. The Bank rate is the minimum rate at which the Bank of Canada is prepared to make advances to the chartered banks. Since November 1956 it has been set each week at a level one-quarter of one per cent above the average rate on accepted tenders at the weekly auction of Government of Canada three-month treasury bills. In recent years this method of determining Bank rate has given rise to a good deal of public discussion, and many and varied preferences for alternative methods have been expressed. Since becoming Governor I have given much consideration to this question and have discussed it with the chartered banks. I hope and expect that the views of interested parties will be made known

in evidence before the Royal Commission and it is my present intention to keep an open mind on the matter until all those with a major interest in it have had a chance to express their opinions.

\* \* \*

In concluding this section of my Report I wish to record, with great satisfaction, the re-appointment under Section 6(1) of the Bank of Canada Act of Mr. J. R. Beattie as Deputy Governor for a further period of seven years from January 1, 1962.

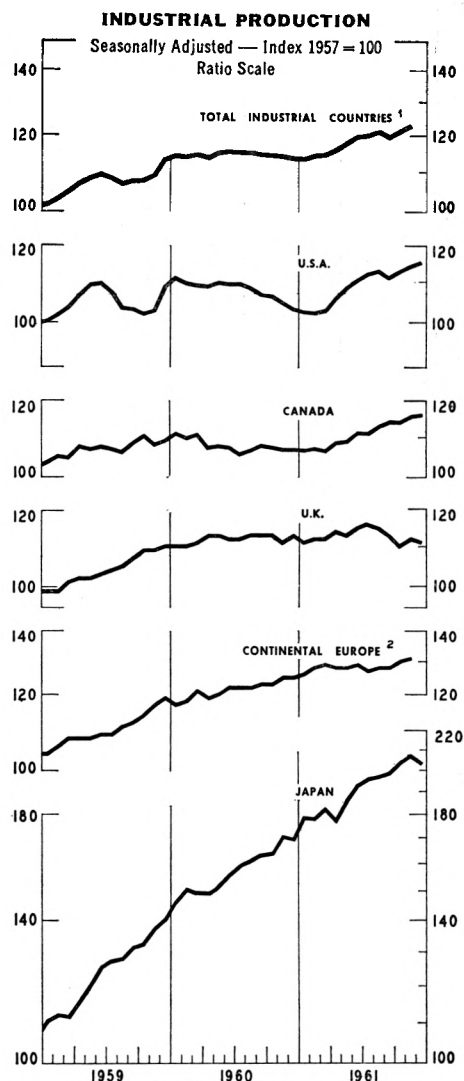
\* \* \*

The remainder of this Report reviews the more important economic and financial developments in 1961. The next section is concerned with the external economic environment and refers to economic conditions in the United States, the United Kingdom and other countries which have an important influence on economic conditions in Canada; it also refers to developments in international payments during the year and to the progress of international cooperation in the financial field. The Report then turns to developments in the Canadian economy and the changes which have occurred in Canada's balance of payments. The next section reviews in some detail financial developments in Canada in 1961. This is followed by the financial statement of the Bank of Canada in the form prescribed by the by-laws of the Bank and by other information on the Bank.

## The External Economic Environment

World economic activity resumed its upward course in 1961. Aggregate industrial production in the main industrial countries rose more than 8 per cent during the year and their total imports increased at least as rapidly, bringing about a renewed expansion of world trade.

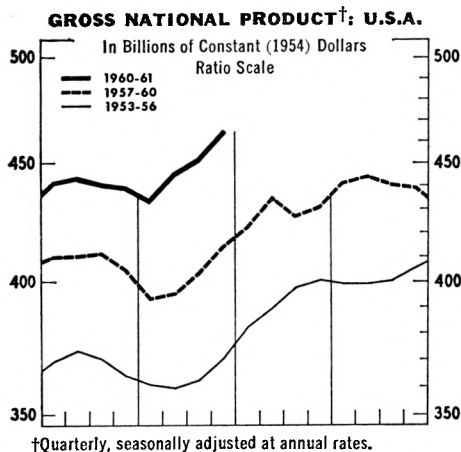
The outstanding development of the year was the resumption of economic expansion in North America. The upsurge of industrial production in the United States which began in March was strong enough to recover within six months the entire ground lost during the recession. At the same time the earlier strong upward trend in industrial output in Continental Europe gave way to a period of relative stability which lasted until late in the year. In the United Kingdom production rose in the first half of the year but fell in the second half. In Japan rapid economic expansion continued in 1961. The fact that cycles of expansion and contraction have occurred at rather different times in different industrial regions has given rise to some problems of economic policy, but it has contributed to the stability of the world economy and is thus a welcome feature of the international economic scene.



1. 1953 weights; U.S.A. 56, Canada 4, U.K. 12, Continental Europe 25, Japan 3.  
2. Other O.E.C.D. countries.

**ECONOMIC DEVELOPMENTS IN THE UNITED STATES.** The recovery which began in the United States early in 1961 quickly gathered momentum and by the second quarter total real output of goods and services had surpassed the peak rate of a year earlier. By the fourth quarter, output had risen a little over

7 per cent from the first quarter low, about the same rate of increase as in the similar periods of the two previous cyclical expansions. At the end of the year industrial production was running 13 per cent above the low point reached in February 1961 and 3½ per cent above the previous peak reached in January 1960.



The 1961 expansion in the United States drew strength from all major sectors of the economy with the exception of foreign trade. Current and projected government expenditures, particularly for defence, provided an

important impetus; consumer demand for durable goods showed considerable strength with automobile sales in the fourth quarter particularly buoyant; and business fixed investment turned up more quickly than after the 1957-58 recession. The swing from inventory liquidation to accumulation accounted for about 25 per cent of the over-all increase in Gross National Product between the first and last quarters of 1961, but inventory movements were relatively less important as a stimulating factor in 1961 than they had been in the comparable periods of the 1958 or 1954 recoveries.

As is usual in the early stages of a recovery period, productivity rose markedly and average hours of work per week increased; consequently employment, which had declined very little during the recession, rose less than output. Non-agricultural employment increased by 1.6 per cent in the course of 1961, and this rise was partly offset by a decline in employment in agriculture. However, the civilian labour force was no higher in December 1961 than it had been a year earlier and unemployment, seasonally adjusted, declined from just under 7 per cent of the civilian labour force to 6 per cent over this period. The improvement in productivity contributed to the maintenance of a high degree of price stability during the year. Wholesale prices fell slightly, somewhat higher prices for industrial raw materials being more than offset by declines in other categories.

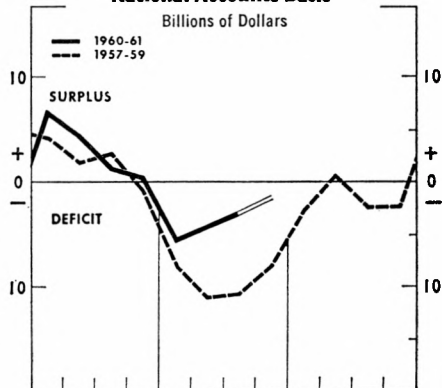
The consumer price index at the year-end was 0.5 per cent higher than at the end of 1960.

Partly as a result of increased defence expenditures and anti-recession programmes, the budgetary position of the Federal Government swung from a cash surplus of \$3.6 billion in calendar 1960 to an estimated cash deficit of \$6.8 billion in calendar 1961. For the fiscal year ending June 30, 1962, the cash deficit is estimated at \$8.5 billion, but the Administration's budget for the fiscal year ending June 30, 1963 calls for a cash surplus of \$1.8 billion. On the national accounts basis\*—a better measure of the impact of Federal Government transactions on the flow of income and spending—the budgetary position was approaching balance at the end of 1961.

A substantial increase in bank reserves permitted a considerably larger growth in bank assets than occurred in 1960, though it was not until late in the year that bank loans showed a strong cyclical expansion. Total deposits and currency increased by nearly 7 per cent during 1961. The treasury bill rate fluctuated between  $2\frac{1}{4}$  and  $2\frac{1}{2}$  per cent during most of the year and rose to  $2\frac{3}{4}$  per cent at the end of the year. Long-term rates declined slightly until May, rose in the summer months, and were relatively stable during the rest of the year.

A diminished outflow of short-term funds from the United States, along with a pick-up in foreign investment in the United States and substantial advance debt repayments by foreign governments, produced a marked improvement in the United States balance of payments position in the first half of 1961. The rising surplus on goods and services during this period was sufficient to cover not only Government foreign aid and military expenditures abroad, but also the net outflow of private long-term capital; the decline in gold and convertible currency holdings and increase in liquid dollar liabilities to foreigners was relatively small. However, during the second half of the year an increase in exports was more than offset by the higher level of imports resulting from domestic business recovery; Government expenditures abroad increased somewhat and towards the end of the year

**U.S. GOVERNMENT SURPLUS OR DEFICIT**  
National Accounts Basis<sup>†</sup>



<sup>†</sup>Quarterly, seasonally adjusted at annual rates.  
Estimate for fourth quarter 1961 is provisional.

\* For a brief description of the differences in the treatment of Government accounts on the national accounts basis and the conventional budgetary basis, see footnote on page 27.

there were some special temporary outflows of short-term funds. The balance of payments deficit as measured by United States statistics rose from \$0.3 billion in the first half of 1961 to \$2.1 billion in the second half of the year. For the year as a whole the decline in gold and convertible currency holdings and increase in liquid dollar liabilities to foreigners amounted to \$2.4 billion as compared with \$3.9 billion in 1960, \$3.7 billion in 1959 and \$3.5 billion in 1958.

It is officially stated that United States Government policy is directed towards combining fiscal, debt management and monetary measures in such a way as to create a favourable environment both for an increased flow of funds into private productive investment and a reduced outflow of short-term capital. The encouragement of productive investment is aimed at promoting the efficiency of United States industry in an effort to achieve more rapid growth without inflation and help restore equilibrium in the balance of payments. Other measures directed at these objectives include the proposed Trade Expansion Act which is designed to secure a further substantial reduction of trade barriers on a reciprocal basis.

**ECONOMIC DEVELOPMENTS IN OTHER COUNTRIES.** In most other parts of the world with which Canada has important trade connections, economic activity continued at a high level in 1961.

In the United Kingdom the easing of the pressure of demand on resources in the second half of 1960 was followed by a new surge of spending in the first half of 1961. Stimulated by a rising trend of employment and sharp increases in wage rates and by some easing in credit conditions, consumer expenditure rose strongly during this period. Private business investment expenditures continued to expand, housing outlays picked up in the second quarter, and government expenditures on both current and capital account ran at a high level. Exports rose somewhat in the first half of 1961, while imports declined as a result in part of a sharp reduction in the rate of inventory accumulation. The level of activity turned down about mid-year and declined for some months thereafter. Consumer spending was adversely affected by the rising trend of prices and the investment boom was levelling off. A number of measures of restraint were introduced to deal with the foreign exchange difficulties which had developed.

While the underlying balance of payments position of the United Kingdom had improved substantially by the early part of 1961 the current account remained in deficit despite the need for a surplus large enough to cover foreign aid commitments and the long-term export of capital. A large withdrawal of



short-term funds after the upward revaluation of the deutsche mark early in March led to a sharp fall in reserves in spite of large offsetting short-term credits from Continental central banks. In July the Government announced its intention to obtain substantial assistance from the International Monetary Fund; this assistance took the form of a drawing of \$1,500 million and a line of credit for a further \$500 million. At the same time certain sales and excise taxes were increased under recently acquired discretionary authority. Bank rate was raised from 5 to 7 per cent and banks were required to increase their Special Deposits at the Bank of England. Emphasis was placed upon the need to render the economy more competitive in order to achieve a lasting solution to the balance of payments problem. The Government urged a "pause" in wage and salary increases and stated that it intended to review the trend of Government expenditure with the object of bringing it into appropriate relationship with the resources likely to be available.

In Continental Europe a very high level of production and employment was maintained throughout 1961 although total industrial production did not rise much between March and the closing months of the year. Most European economies continued to expand during the year but in Germany and the Netherlands, where the pressure of demand on productive resources had been particularly severe, industrial production showed some tendency to decline. Investment remained the most dynamic element of demand in 1961, though it grew less rapidly than in the early stages of the boom, and consumer expenditures advanced in response to rapidly rising incomes. Investment in inventories fell after the opening months of the year and this was reflected in a flattening out in imports. Internal signs of strain became more apparent. The acute shortage of labour exerted strong upward pressure on wage rates in many European countries; wage increases were greater in 1961 than in the previous year and tended to exceed productivity gains by a wide margin, particularly since these were in most cases not as great as in 1960. While much of the burden of rising labour costs was absorbed by a decline in profit margins, prices rose more rapidly in Europe than in North America.

External payments positions in Continental Europe generally remained strong during 1961. Export demand continued to be buoyant and the merchandise accounts of Germany and France in particular were very strong, though some reduction in German export orders became evident as the year progressed. In addition, some Continental countries continued to attract very large sums of short-term capital in 1961. The financial policy of some of these countries was directed toward offsetting and discouraging this inflow, and certain governments

paid off long-term debts in advance of maturity and encouraged capital outflows in other ways.

The upturn in world industrial production in 1961 resulted in greater consumption of raw materials but this was not reflected in any sustained increase in commodity prices; at the end of 1961 their average level was no higher than a year earlier. The prices of a broad range of industrial materials rose in the early part of the year but subsequently weakened, due in part to the reduction of inventories in the United Kingdom and Continental Europe. Throughout 1961 the prices of most foodstuffs were weak; only cereals showed some strength due mainly to short supplies of certain grades in Western Europe, the entry of mainland China as a buyer on a substantial scale in the world grain market, and smaller crops in Western Canada and adjoining areas of the United States.

While the exports of the countries which depend mainly on primary products were in total higher in 1961, the benefits were unevenly distributed. In many less-developed countries reserves fell further, exchange difficulties continued, and controls on imports were maintained in spite of a larger flow of aid from the United States, from European countries and from international institutions. The International Development Association, which was established to supplement the work of the International Bank for Reconstruction and Development by providing capital at lower cost and with much longer repayment periods, extended its first credits in 1961 and by the end of the year had made 18 loans totalling \$181 million to 10 countries. At the same time the importance for the less-developed countries of adequate export opportunities became more widely recognized and proposals were made during the year to reduce barriers to the sale of their products and to promote a greater degree of stability in their export earnings.

**DEVELOPMENTS IN INTERNATIONAL PAYMENTS.** The speculative pressure against the United States dollar which was a marked feature of the latter part of 1960 subsided in 1961 and the price of gold in the London market remained at more normal levels than those reached in the previous year. The outflow of short-term capital from the United States remained large in 1961 but the international financial position was more affected by the flows of funds between European centres which followed the German revaluation. In March, Germany increased the value of its currency by 5 per cent to help correct its strong surplus position and its domestic inflationary pressures, and the Netherlands revalued its currency by a similar amount immediately thereafter. These steps were followed by an outbreak of speculation in favour of certain European currencies

and mainly at the expense of sterling. In a move to help restore order in the exchange markets, an announcement was issued after a meeting of the Bank for International Settlements in Basle in mid-March to the effect that the various central banks were cooperating closely in the exchange markets and no further changes in exchange rates were anticipated. The short-term financial assistance provided to the United Kingdom under the so-called "Basle arrangements" amounted to more than \$900 million. Despite this support the United Kingdom's reserves had fallen sharply by the end of July when the Government embarked on the wide-ranging programme of fiscal, monetary and other measures which has already been mentioned.

In the following months there were very large return flows of short-term capital to London and sterling strengthened on the exchanges. Bank rate was reduced from 7 per cent to 6 per cent in two steps in October and November. By year-end the United Kingdom had repaid all but \$50 million of the Basle credits (this amount being funded by a three-year loan from Switzerland), and \$420 million of the \$1,500 million drawing from the International Monetary Fund. At the end of 1961 the United Kingdom's reserves were \$865 million higher than they had been at the end of July.

The international financial disturbances of the past two years have involved speculation against both the major reserve currencies used by the world economy, the United States dollar and sterling. They have arisen in part because in recent years both the United States and the United Kingdom have earned insufficient exchange in trade and invisible transactions to finance their defence commitments overseas, to provide resources to countries in the course of development and to cover their investment of long-term capital abroad. The counterpart of the basic deficits of the United States and the United Kingdom is to be found in the continued surplus position of Continental Europe; the increase in the reserves of these countries would have amounted to about \$4 billion in 1961 in the absence of advance debt repayments to the United States and the United Kingdom and the extension of credit through the International Monetary Fund.

The steps taken by both deficit and surplus countries to remedy this basic imbalance in the world payments situation may be expected to have important consequences in time, although it will be difficult to distinguish in the short-run between the effects of underlying trends and cyclical or sporadic influences. The reduction in the trade surplus of the United States during 1961 was strongly influenced by cyclical factors; on the other hand, the underlying position of the United States benefited from the stability of its costs and prices compared with the upward trend apparent in Europe, as well as from the German and Dutch

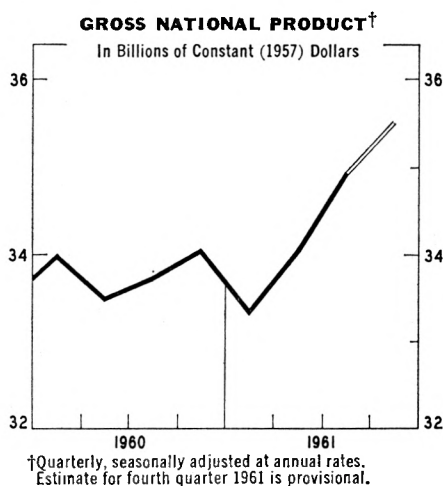
reevaluations. The ultimate restoration of equilibrium in international payments relationships will depend upon the ability of the deficit countries to bring about a continuing improvement in their competitive positions and on the pursuit of appropriate policies by all countries in the fields of aid, long-term capital flows and access to domestic markets.

It is gratifying that the search for solutions to these basic problems has not been disrupted by any abandonment of convertibility under the impact of the shocks experienced in the past two years. This result must be attributed in substantial part to the unprecedented degree of consultation and cooperation which has taken place among the main industrial countries. Mention has already been made of the Basle agreement. An increasingly valuable contribution was made by the Organization for Economic Cooperation and Development, of which Canada and the United States became full members in 1961. In addition, the year was a very active one for the International Monetary Fund. During the year the Fund extended financial assistance in record amounts, totalling \$2.5 billion to 22 of its members, and provided substantial additional support by way of lines of credit. Recognition of the degree to which the character of the international payments situation has changed, particularly in the last year or so under conditions of widespread convertibility and massive international movements of short-term capital, led early in 1961 to the beginning of an intensive re-examination of the policies, practices and resources of the Fund which culminated at year-end in an important new plan of additional financial support for the present international exchange system. Ten leading industrial countries, including Canada, undertook to lend their currencies to the Fund up to specified amounts aggregating \$6 billion if the Fund should require additional resources to prevent an impairment of the international payments system. This arrangement will increase the world's ability to cope with the new conditions arising from the greater international mobility of short-term capital, and its very existence should strengthen the world payments position by discouraging speculative activity. It is a source of satisfaction that Canada has played an active part in the expansion of international economic consultation and cooperation.

## Economic Developments in Canada

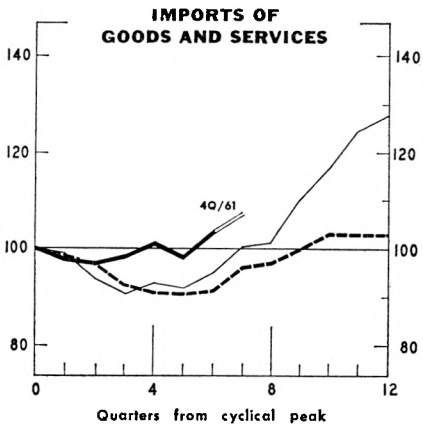
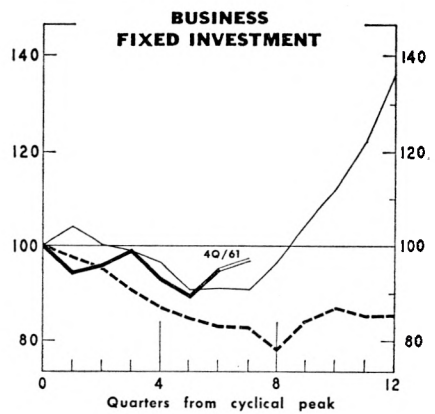
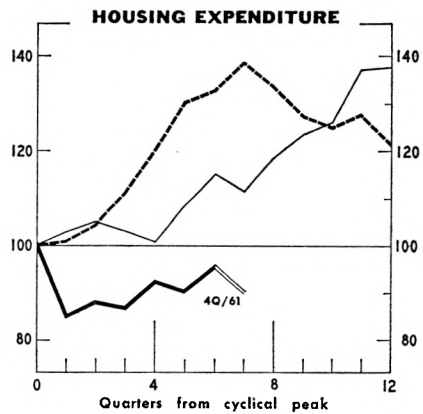
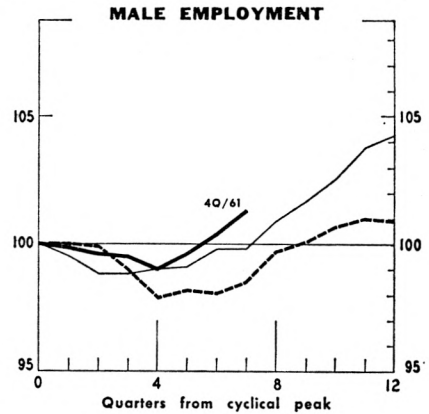
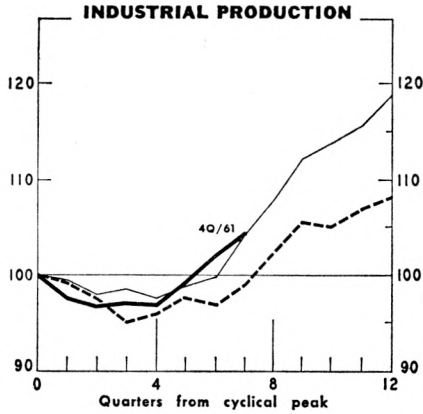
In the first quarter of 1961 the recessionary tendencies which had checked the growth of the Canadian economy for about a year came to an end. By most measures the recession had been shallower than the two preceding ones; it produced hardly more than an irregular plateau in the volume of production of all goods and services. However, the economy had still been operating with a considerable margin of slack at the end of the 1958-60 expansion, in contrast to the position at the cyclical peaks in 1957 or 1953. Consequently, despite the mildness of the decline in activity, unemployment at the end of the recession early in 1961 was at a seasonally adjusted rate of nearly 8 per cent of the labour force compared with a rate of just over 7 per cent at the end of the recession in 1958 and about 5 per cent at the end of the recession in 1954.

While it thus started from a level further below the optimum, the recovery in 1961 was stronger than the 1958 recovery and about as strong as the first three quarters of expansion from mid-1954. Certain sensitive indicators such as industrial production and male employment surpassed their previous peak levels by mid-year, as may be seen in the charts on page 20. By December the index of industrial production was 9 per cent above its first quarter level and 4½ per cent above the pre-recession peak attained in January 1960. Gross National Product in the fourth quarter was about 7 per cent higher in current dollars and 6½ per cent higher in constant dollars than in the first



**SELECTED INDICES† OF BUSINESS ACTIVITY  
MEASURED FROM PREVIOUS PEAKS IN OVERALL ACTIVITY  
Cyclical Peak = 100**

— From 1Q/60    - - - From 1Q/57    — From 2Q/53



†Seasonally adjusted. Open line for fourth quarter 1961 indicates provisional estimate.

quarter of 1961; from the first quarter of 1960 the increase was 6 per cent by value and 4½ per cent by volume. Unemployment, on a seasonally adjusted basis, had declined by January 1962 to just under 6 per cent of the labour force, at which level it was approaching the lowest rate reached in the previous expansion.

The sources of demand strength in 1961 were somewhat different from those in 1958. On both occasions consumer and government expenditure on goods and services rose appreciably, but in the current expansion the increase in consumer expenditure on durable goods, especially automobiles, has been more pronounced. Business spending on plant and equipment has also picked up sooner this time and the expansion has been less dependent on strength in housing expenditure and on an upswing in inventory investment.

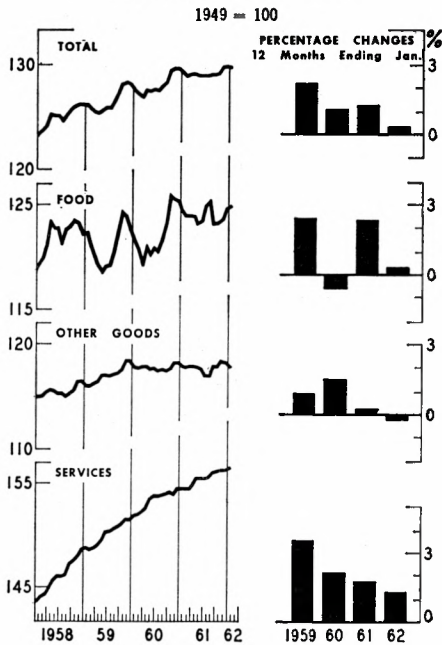
Exports of goods and services rose through 1961 and the improvement in the current account balance was only partly reversed when imports increased in the second half of the year. These developments were much more favourable than in 1958 when recovery was dampened at the outset by a very rapid increase in both the merchandise and non-merchandise trade deficits.

The most pronounced recovery in output occurred in durable manufacturing industry which, as usual, had been most affected by the recession. By the end of the year the total output of durable goods had regained the peak level reached early in 1960, reflecting a strong recovery in electrical goods, automobile production and lumber and a return to near-capacity rates of operation in primary iron and steel. Production of machinery and most other types of producers' goods, however, was still running well below earlier peak levels. Output of the non-durable manufacturing industries regained its previous high as early as the second quarter of 1961 and advanced a further 7 per cent by year-end as a result of continued growth in foods, pulp and paper, and synthetic textiles and a sharp recovery in rubber products. Mining production at the end of 1961 was also about 7 per cent above the previous peak level, due mainly to substantial increases in the production of crude oil, natural gas and nickel.

Farm production and income accruing from farm operations were down sharply in 1961 because of drought conditions in Western Canada. Farm cash receipts, however, were at a record high due to an unusually strong export demand for grain and livestock and favourable domestic markets for most farm products. The heavy shipments into final markets were made possible by a substantial reduction in inventories of farm products, especially grain.

Price increases in 1961 were moderate by comparison with the experience of the 1958 recovery, at which time prices in final markets were still reacting to cost pressures generated in the preceding expansion. In January 1962 the

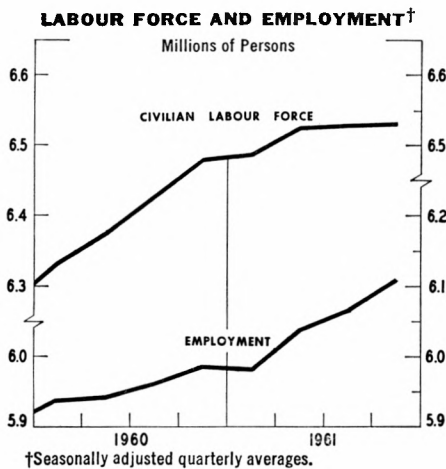
### CONSUMER PRICE INDEX



Consumer Price Index was 0.4 per cent above its level a year earlier, while the advance in the 12 months ending January 1959 had been 2.2 per cent. Prices of commodities other than food as recorded in the index have on balance remained steady over the past two years. Rents and other service costs continued to increase but at a progressively slower rate. Some appreciable increases occurred around mid-year in the Canadian dollar prices of a number of major export and import commodities directly affected by the movement in the exchange rate, but up to the present there has been little evidence of these increases spreading or bringing about a general rise in retail prices. Prices of all goods and services, as reflected in the price deflator of Gross

National Expenditure, are estimated to have increased by no more than  $\frac{1}{2}$  of 1 per cent over the year ending in the fourth quarter of 1961.

**EMPLOYMENT AND UNEMPLOYMENT.** The recovery in business activity in 1961 was reflected in an early improvement in the employment situation and,



as is shown in the chart on page 19, there was a steady decline in unemployment from a seasonally adjusted rate of just under 8 per cent of the labour force at the beginning of 1961 to a rate just below 6 per cent at the beginning of 1962.

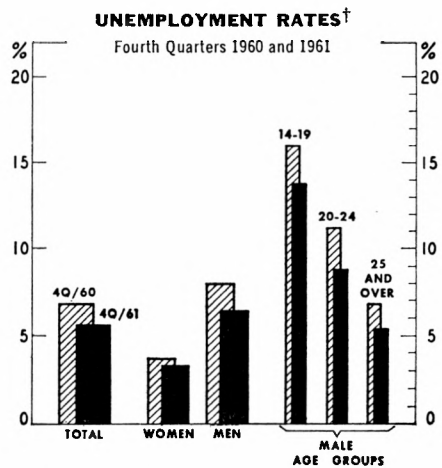
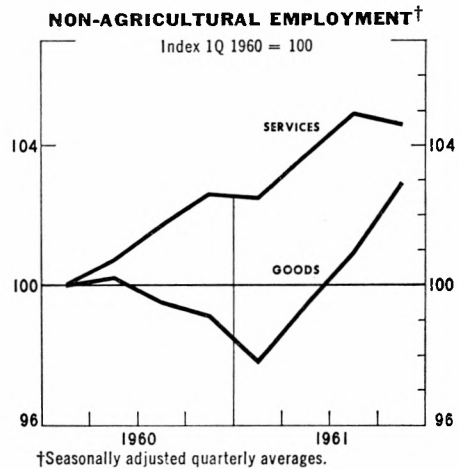
A pause in the rate of growth of the civilian labour force contributed to the swiftness of the fall in unemployment. This stemmed in part from a further decline in the labour force participation rate of men, notably those 14 to 24 years of age, and a much slower



increase in the number of women in the labour force. A similar movement in the participation rate of women occurred in the early months of recovery in 1958. The decline in the proportion of young men in the labour force was associated with an unusually large increase in the proportion at school.

The increase in employment in 1961 was most pronounced for male workers in goods-producing industries, the group most seriously affected by the recession. The recovery was particularly strong in the manufacturing industries, where there was a marked gain in employment during the year in addition to the normal cyclical lengthening of the average work-week. Employment in the service industries, which are large employers of women, increased less in 1961 than in 1960. Employment in agriculture declined slightly in 1961, less than in most earlier years.

The upshot of these developments was a sharp reduction in the rate of male unemployment in the course of the year and a smaller decline in the rate of female unemployment. However, the rate of male unemployment is still considerably higher than that for women, and male unemployment rates for the younger age groups are a good deal higher than the average rate for all men in the labour force. At the same time there continues to be a shortage of trained persons with certain specialized skills, particularly in a number of professional, sub-professional and technical occupations.

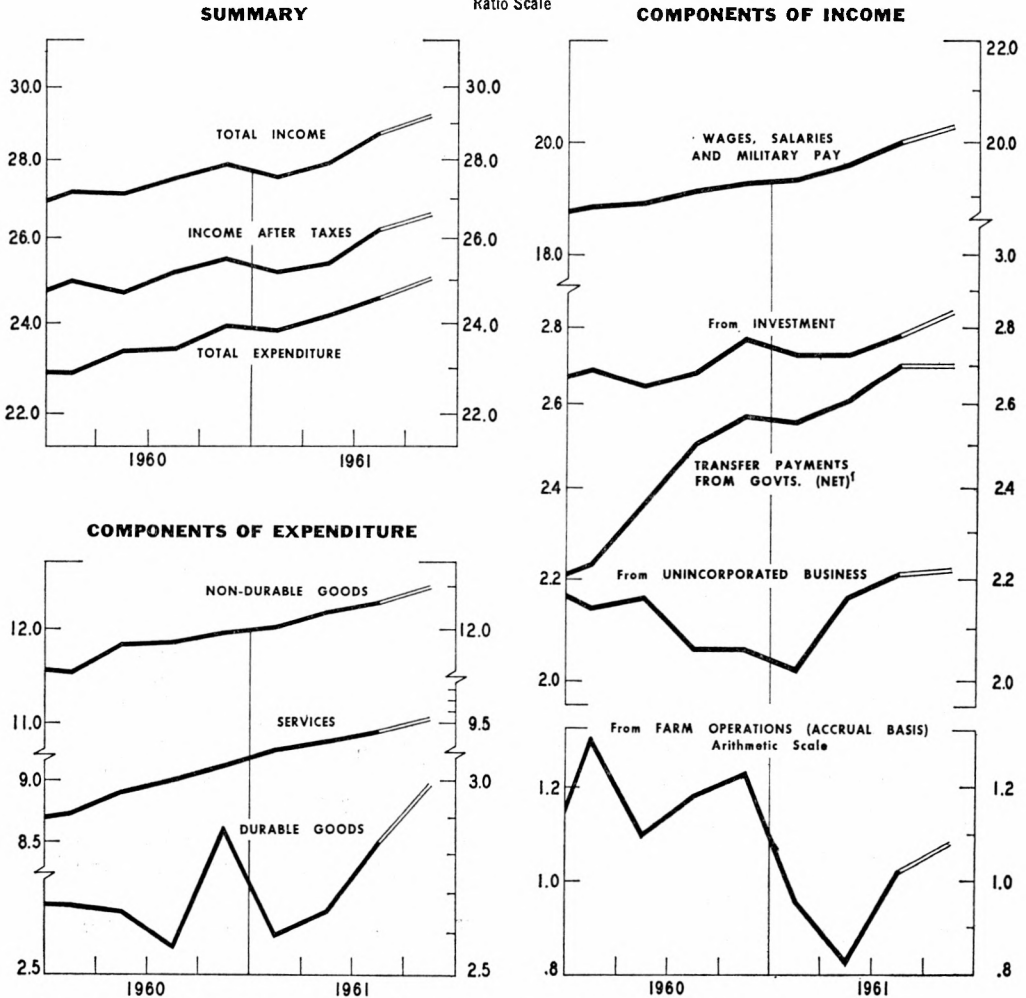


†Percentage of respective labour force, not adjusted for seasonal variations.

**PERSONAL SECTOR.** Total personal income increased by about 5½ per cent between the first and fourth quarters of 1961. Personal income after taxes increased by slightly more than 5 per cent, while personal expenditure increased by slightly less than 5 per cent. Expenditure on new automobiles rose briskly after the first quarter, and there were also appreciable increases in spending on household and other durable goods.

**PERSONAL INCOME AND EXPENDITURE†**

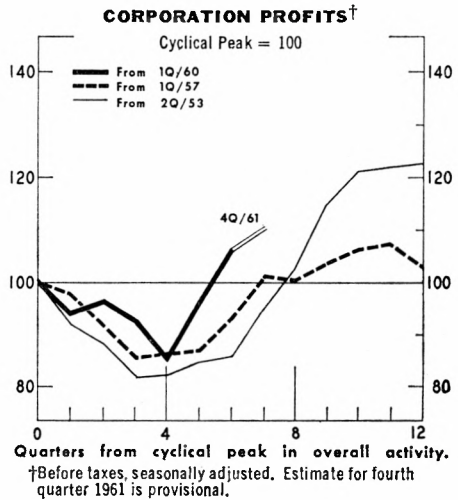
Billions of Dollars  
Ratio Scale



† Quarterly, seasonally adjusted at annual rates. Estimates for fourth quarter 1961 are provisional.  
1. Less contributions to social insurance and government pension funds.

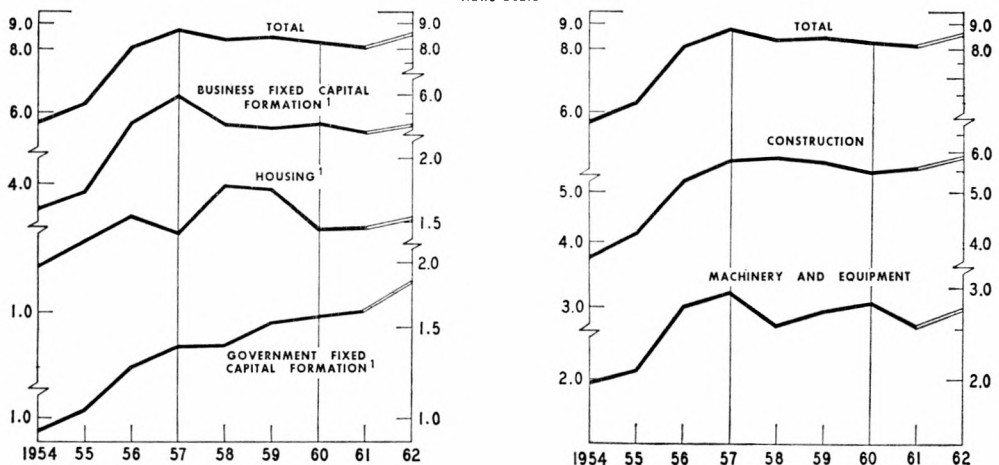
**BUSINESS SECTOR.** A striking feature of the recovery in 1961 was the rise of some 30 per cent in the seasonally adjusted rate of corporate profits between the first and fourth quarters. Earnings retained after taxes and dividends rose even more sharply. Most major industrial groups shared in the improvement in corporate income.

On a calendar year basis, business outlays on plant and equipment in 1961 were about 4 per cent below 1960, mainly as a result of considerable declines in investment in manufacturing, transportation and trade. However, quarterly estimates suggest that the low point in business fixed investment was reached in the second quarter and some recovery occurred in the second half of the year. Further increases in 1962 are indicated by the annual survey of investment intentions, with the greatest prospective increases in manufacturing industry, electric power utilities and institutional services; oil and gas pipeline construction is expected to be down sharply in 1962 as large projects are completed.

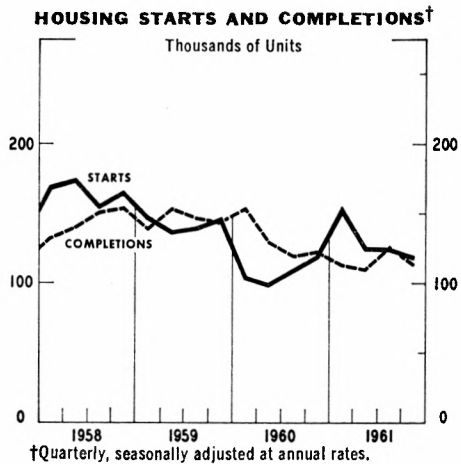


**PRIVATE AND PUBLIC INVESTMENT<sup>†</sup>**

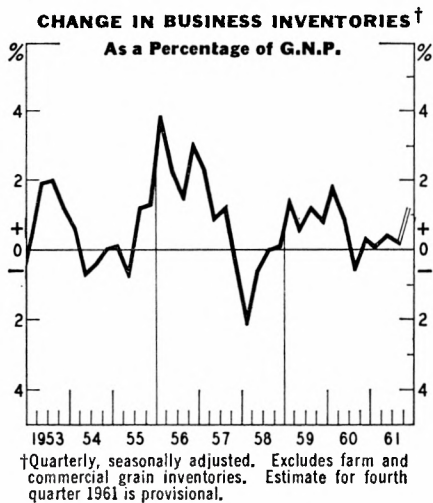
Annual — Billions of Dollars  
Ratio Scale



† Figures for 1961 are preliminary and for 1962 are from survey of intentions.  
1. National Accounts classification.



early in 1961 partly as a result of changes in the National Housing Act regulations, dropped sharply in the second quarter and then declined slightly during the remainder of the year. The survey of investment intentions suggests that housing

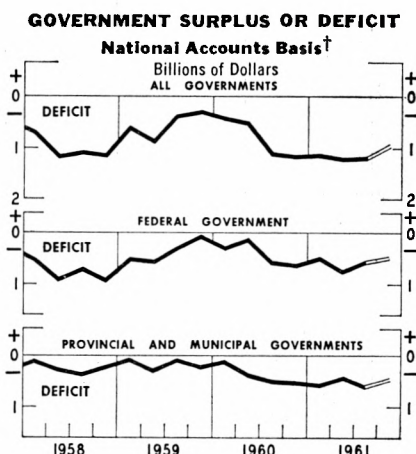
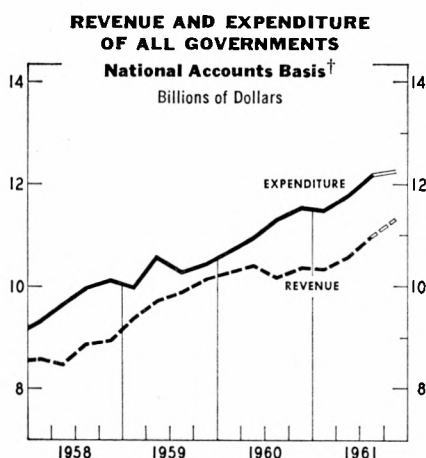


Expenditure on new residential construction rose slightly in 1961. The number of housing units completed fell from 124 thousand to 116 thousand, while the number of units started rose from 109 thousand to 126 thousand. The increase in starts was reflected in the increase in mortgage lending financed under the National Housing Act by the Central Mortgage and Housing Corporation and particularly by financial institutions other than banks. The rate of starts, which had risen sharply in the latter part of 1960 and

early in 1961 partly as a result of changes in the National Housing Act regulations, dropped sharply in the second quarter and then declined slightly during the remainder of the year. The survey of investment intentions suggests that housing expenditure will be a little higher in 1962.

The 1960 recession was unusual in that the shift in the inventory position resulted in very little actual reduction in inventories, and the usual sharp swing towards accumulation of inventories at the onset of cyclical expansion did not occur on this occasion. The level of business inventories in 1961 remained virtually unchanged until the fourth quarter of the year when a considerable build-up took place.

**GOVERNMENT SECTOR.** Total expenditures on the national accounts basis\* by federal, provincial and municipal governments for all purposes including transfer payments rose more than total revenues in 1961 and the over-all deficit of all governments on the national accounts basis increased for the second consecutive year. This combined deficit reached a peak of about \$1.2 billion, seasonally adjusted at annual rates, in the second and third quarters of 1961. Thereafter it showed some decline, as revenues rose more rapidly in response to the improvement in economic activity and the levying of a new provincial sales tax.



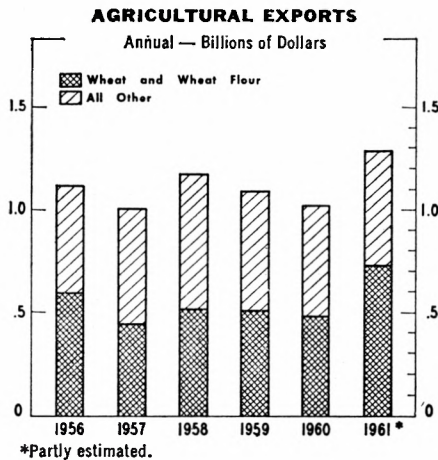
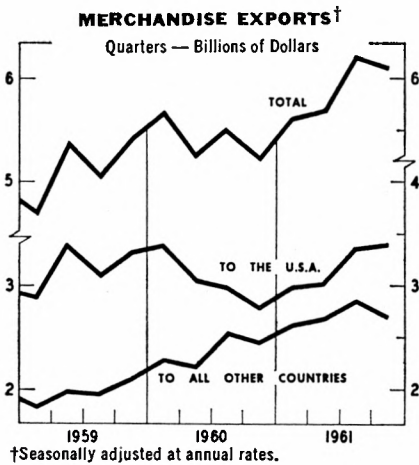
†Quarterly, seasonally adjusted at annual rates. Estimates for fourth quarter 1961 are provisional.

At the federal level, the deficit on the national accounts basis reached an annual rate of \$750 million in the second quarter of 1961 and declined in the third and fourth quarters. The total for the year was about \$600 million, compared with \$411 million in 1960 and \$775 million in 1958. The increase in total cash requirements in 1961 was enlarged by the accumulation of certain financial assets, particularly in the form of gold and foreign exchange reserves. The financing of these requirements is discussed in the section of this Report dealing with monetary and financial developments.

The combined provincial and municipal deficit on the national accounts basis in 1961 was about \$500 million, compared with \$398 million in 1960 and \$255 million in 1958.

\* Surpluses or deficits on the national accounts basis differ in several ways from those shown in the conventional accounting statements of the various levels of government. By contrast with the conventional presentations which are designed primarily to serve the objective of legislative control, the national accounts statements attempt to record transactions between the government and all other sectors in a manner that allows the direct impact of government operations on the economy to be seen more readily. On the revenue side, receipts of government pension funds and investment income from extra-budgetary accounts are included and corporation taxes are carried on an accrual basis. Government expenditures, on the other hand, exclude certain transactions such as provisions for reserves, write-offs, amortizations and the purchase of land or existing capital assets. They include the payments out of extra-budgetary funds such as unemployment insurance, old age security, workmen's compensation and government pension funds.

**INTERNATIONAL TRADE AND PAYMENTS.** Canadian merchandise exports rose strongly in 1961 and the increase between the fourth quarter of 1960 and the fourth quarter of 1961 was 16 per cent. The total value of exports for the year as a whole was \$5.9 billion compared with \$5.4 billion in 1960, an increase of 9 per cent. The increase in the value of exports was very largely due to growth in physical volume; the average unit prices of exports rose less than the movement in the foreign exchange rate.

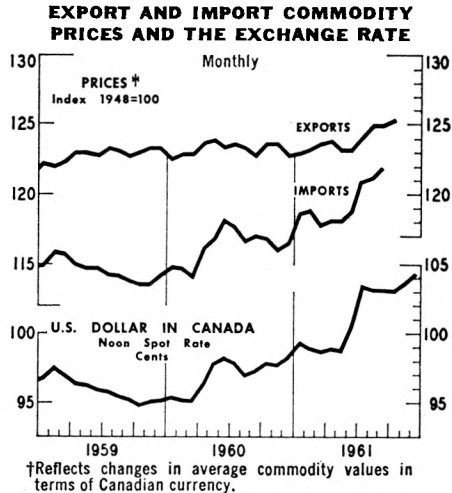
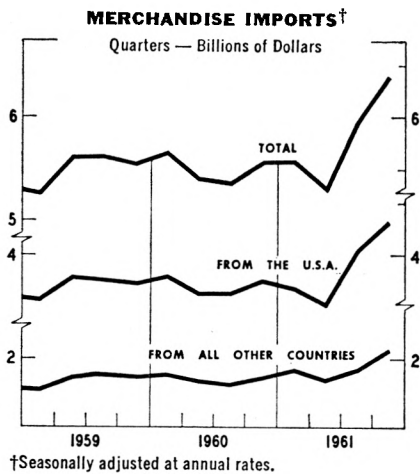


Exports to the United States began to rise at the end of 1960 and by the end of 1961 were running at as high a rate as that reached two years earlier. Exports of farm products to overseas countries rose strongly in 1961, mainly as a result of sales of wheat; on the other hand, shipments to these areas of non-agricultural commodities, which had risen steadily during 1959 and 1960, levelled off in 1961 in response to the trend of economic activity and inventories in some of the major industrial countries.

Larger sales of wheat and flour, particularly to mainland China, accounted for approximately half the increase in total exports between 1960 and 1961. Higher sales of petroleum, forest products, nickel, aircraft and various other manufactured goods also contributed to the increase. Uranium shipments fell further, sales of aluminum were also slightly lower, and shipments of iron ore ran at a relatively low level until the closing months of the year.

Merchandise imports fell during the early months of 1961 following a temporary rise late in 1960 which was associated with sizeable purchases of commercial aircraft. Imports began to rise, however, before the middle of 1961 and increased sharply in the second half of the year. In the fourth quarter of 1961

the value of imports was 15 per cent greater than in the corresponding quarter of 1960. The increase in imports in the latter part of 1961 was no doubt mainly a reflection of rising final demand and of the inventory accumulation which

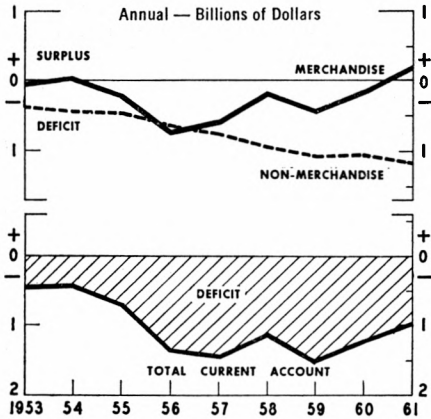


occurred in the fourth quarter; however, the recorded import figures also include substantial amounts of non-commercial items such as military aircraft acquired under special arrangements. As the chart above shows, the prices of imports rose considerably in consequence of the decline in the exchange value of the Canadian dollar. The increase in the volume of imports was therefore much less than the increase in their value. Information on the commodity composition of imports is not available for all the second half and it is not yet possible to analyse fully the character of the import movement during this period.

For the year as a whole total merchandise imports were \$5.8 billion, higher by 5.5 per cent than in 1960. Notwithstanding the sharp increase in imports in the second half of 1961, the year-to-year rise in imports was less than in exports, and merchandise trade (after adjustment for balance of payments purposes) showed an export surplus of \$179 million in 1961 compared with a deficit of \$145 million in 1960 and \$422 million in 1959. This was the first surplus on merchandise trade in the balance of payments since 1954.

The non-merchandise deficit was \$1,168 million in 1961 compared to \$1,072 million in 1960. The increase reflected larger interest and dividend payments, particularly in the first quarter, and a larger deficit on miscellaneous transactions. The deficit on travel account was less in 1961 than in 1960.

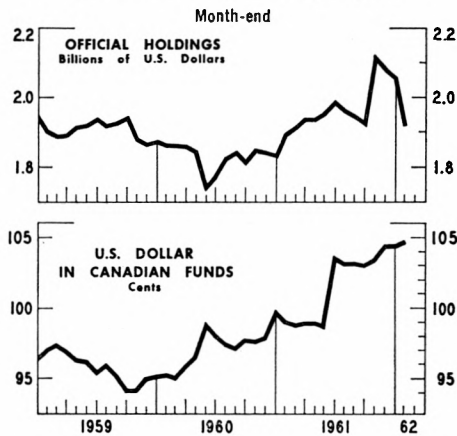
**BALANCE OF INTERNATIONAL PAYMENTS  
ON CURRENT ACCOUNT**



In total, the current account deficit in the balance of payments amounted to \$989 million for the year compared with \$1,217 million in 1960 and the record deficit of \$1,504 million in 1959. On a regional basis, the total current account deficit with the United States rose from \$1,356 million in 1960 to \$1,393 million in 1961 and there was a surplus of \$404 million with all other countries, a sharp increase from the \$139 million surplus registered in 1960.

The capital account of the balance of payments is shown in the table on page 33. Foreign direct investment in Canada fell from a record level of \$645 million in 1960 to \$420 million in 1961. The outflow of Canadian capital for direct investment abroad was greater than in previous years. The net inflow of capital resulting from transactions in market securities in 1961 included the proceeds of substantial corporate issues arranged in 1960. There was a large inflow of private short-term funds which was offset in part by an increase of \$229 million in official holdings of gold and foreign exchange.

**OFFICIAL HOLDINGS  
OF GOLD AND UNITED STATES DOLLARS  
AND FOREIGN EXCHANGE RATE**



At the end of 1960 the United States dollar was quoted at 99  $\frac{21}{32}$  cents in the Canadian foreign exchange market, having risen in value by about  $1\frac{3}{4}$  cents following the budget of December 20. It tended to weaken early in 1961 and then fluctuated within a narrow range around 98  $\frac{3}{4}$ . Official holdings of gold and U.S. dollars rose from U.S. \$1,829 million at the end of December to U.S. \$1,949 million at the end of May.

Following the announcement in the June budget speech of the Government's policy regarding the exchange rate, the price of the United States dollar moved up quickly from 100 to 103  $\frac{1}{2}$ . In the third quarter the exchange rate moved between 103  $\frac{3}{4}$  at the beginning of



July and 103 at the end of September, and official reserves declined from U.S. \$1,985 million to U.S. \$1,924 million over this period. Of this decline, U.S. \$50 million resulted from a transfer to the United Kingdom in connection with its drawing from the International Monetary Fund. In October there was a heavy demand for Canadian funds in the exchange market and official reserves rose by U.S. \$186 million to U.S. \$2,111 million at the end of the month. The U.S. dollar remained at 103 during most of the month and was  $103\frac{3}{8}$  on October 31. The exchange rate rose in November and December, and official reserves were reduced by U.S. \$55 million. At the end of the year the exchange rate was  $104\frac{11}{32}$  and official reserves stood at U.S. \$2,056 million. At the end of January 1962 the exchange rate was  $104\frac{11}{16}$  and official reserves were U.S. \$1,922 million.

**CANADIAN BALANCE OF INTERNATIONAL PAYMENTS  
ON CURRENT ACCOUNT**

(A positive figure indicates a receipt and a negative figure indicates a payment)

(millions of dollars)

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
<b>With All Countries</b>				
Merchandise exports <sup>(1)</sup> .....	4,887	5,150	5,400	5,896
Merchandise imports <sup>(1)</sup> .....	-5,066	-5,572	-5,545	-5,717
Balance on merchandise trade.....	-179	-422	-145	179
Gold production available for export.....	160	148	162	158
Travel.....	-193	-207	-207	-160
Interest and dividends.....	-444	-489	-491	-575
Freight and shipping.....	-59	-105	-91	-87
Inheritances and migrants' funds.....	-48	-56	-79	-80
All other current transactions <sup>(2)</sup> .....	-315	-301	-306	-370
Official contributions.....	-53	-72	-60	-54
Balance on non-merchandise items.....	-952	-1,082	-1,072	-1,168
Balance on current account.....	-1,131	-1,504	-1,217	-989
<b>With The United States</b>				
Merchandise exports <sup>(1)</sup> .....	2,908	3,191	3,039	3,215
Merchandise imports <sup>(1)</sup> .....	-3,443	-3,727	-3,715	-3,831
Balance on merchandise trade.....	-535	-536	-676	-616
Balance on non-merchandise items.....	-641	-694	-680	-777
Balance on current account.....	-1,176	-1,230	-1,356	-1,393
<b>With All Other Countries</b>				
Merchandise exports <sup>(1)</sup> .....	1,979	1,959	2,361	2,681
Merchandise imports <sup>(1)</sup> .....	-1,623	-1,845	-1,830	-1,886
Balance on merchandise trade.....	356	114	531	795
Balance on non-merchandise items.....	-311	-388	-392	-391
Balance on current account.....	45	-274	139	404

SOURCE: Dominion Bureau of Statistics.

(1) Excluding non-commercial items.

(2) Includes business services, Government transactions and personal or institutional remittances not elsewhere included.

**CANADIAN BALANCE OF INTERNATIONAL PAYMENTS  
ON CAPITAL ACCOUNT**

(A positive figure indicates an inflow of capital into Canada, and thus an increase in Canadian liabilities or a decrease in Canadian assets. A negative figure indicates the reverse.)

(millions of dollars)

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
Foreign direct investment in Canada <sup>(1)</sup> .....	420	550	645	420
Canadian direct investment abroad <sup>(1)</sup> .....	-48	-80	-85	-110
Net new issues of Canadian stocks.....	27	30	17	-17
Net trade in outstanding Canadian stocks.....	88	110	49	40
Net new issues of Canadian bonds				
Corporate bonds.....	200	47	53	201
Government of Canada bonds.....	51	-45	-28	-10
Provincial bonds.....	123	293	52	30
Municipal bonds.....	118	124	100	-4
Total.....	<u>492</u>	<u>419</u>	<u>177</u>	<u>217</u>
Net trade in outstanding Canadian bonds.....	-	91	3	63
Net transactions in foreign stocks and bonds....	3	-33	-20	-30
Miscellaneous long-term capital movements.....	130	61	90	21
Private short-term capital movements				
Canadian holdings of foreign assets <sup>(2)</sup> .....	-58	-120	-61	154
Foreign holdings of Canadian assets <sup>(2)</sup> .....	106	13	120	-34
Other short-term capital movements <sup>(3)</sup> .....	81	449	250	554
Total.....	<u>129</u>	<u>342</u>	<u>309</u>	<u>674</u>
Official subscriptions to international financial agencies.....	-1	-56	-7	-60
Official holdings of gold and foreign exchange <sup>(4)</sup> .....	<u>-109</u>	<u>70</u>	<u>39</u>	<u>-229</u>
Net capital inflows.....	<u><u>1,131</u></u>	<u><u>1,504</u></u>	<u><u>1,217</u></u>	<u><u>989</u></u>

SOURCE: Dominion Bureau of Statistics.

(1) Exclusive of undistributed earnings.

(2) Includes mainly changes in bank balances and treasury bill holdings.

(3) Includes borrowings from non-residents by finance companies, changes in non-resident holdings of commercial paper, changes in loans between private unrelated parties, changes in receivables and payables, and a balancing item representing errors and omissions.

(4) Minus sign indicates increase.

## Monetary and Financial Developments

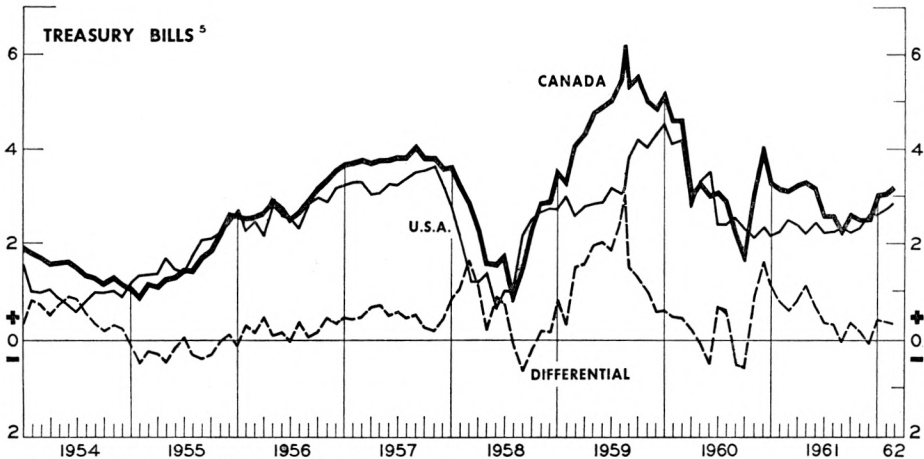
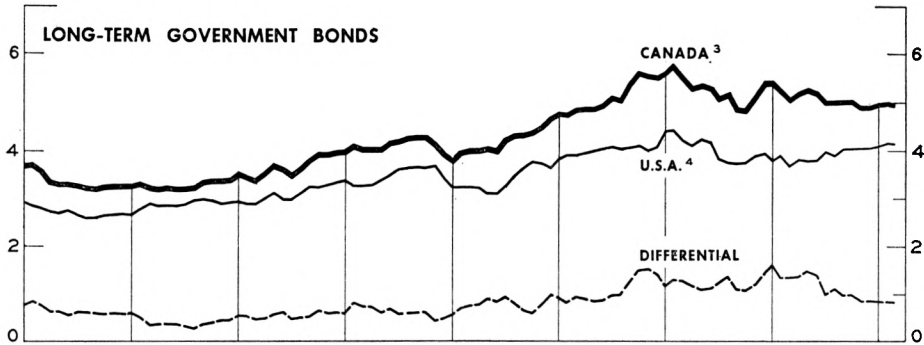
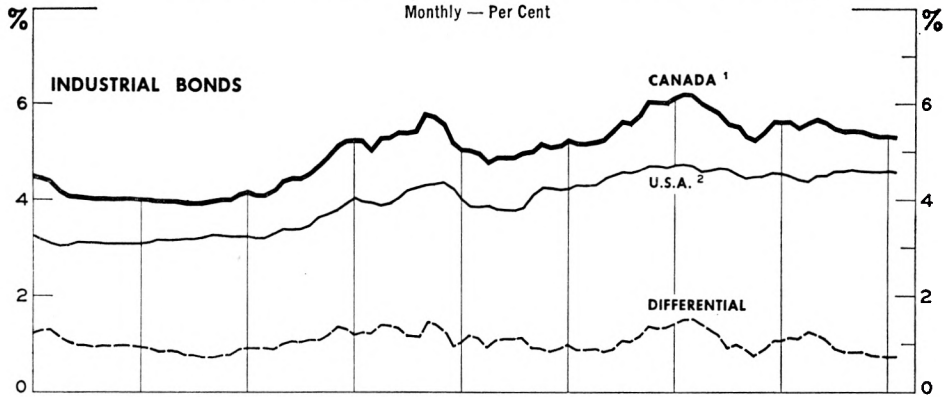
**CREDIT CONDITIONS IN 1961.** Credit conditions in Canada eased considerably in the course of 1961. Chartered banks and other lending institutions pursued active lending policies in regard to business and personal loans, and the banks were able to add substantially to their more liquid assets as well. Mortgage funds were also in comparatively ample supply. Interest rates were lower in the second half of the year than in the first and substantially lower than the rates reached in late 1959 and early 1960. The downward movement of interest rates in Canada after May contrasted with a rising trend in the comparable rates in the United States, and the wide spreads between longer-term interest rates in the two markets which had prevailed for nearly two years narrowed appreciably.

Yields on long-term Government of Canada bonds moved around an average level of close to  $5\frac{1}{4}$  per cent during the first five months of 1961. In June they fell to slightly below 5 per cent and remained close to this level through the remainder of the year. Yields on medium-term Government bonds fluctuated around a level of about  $4\frac{1}{2}$  to  $4\frac{3}{4}$  per cent in the first five months, fell in June and continued to decline through most of the second half of the year. Yields on 91-day treasury bills fluctuated around an average level of roughly  $3\frac{1}{4}$  per cent during the first five months of the year, declined to about  $2\frac{1}{2}$  per cent in June and were relatively stable thereafter until they rose in the closing weeks of the year to a level of about 3 per cent.

Yields on long-term provincial, municipal, and corporate bonds remained close to their end-1960 levels until May 1961, fell appreciably around mid-year and then declined gradually through the remainder of the year.

A number of important institutional lending and deposit interest rates were reduced during 1961. The maximum rates charged on most types of mortgage loans insured under the National Housing Act were cut by  $\frac{1}{4}$  of 1 per cent on November 6; for home-owner and rental housing the maximum rate was reduced from  $6\frac{3}{4}$  per cent to  $6\frac{1}{2}$  per cent. Commonly prevailing rates on conventional mortgage loans were also lowered during the year. The chartered banks' prime commercial loan rate, which had been set at  $5\frac{3}{4}$  per cent in April 1959, was reduced to  $5\frac{1}{2}$  per cent on June 1, 1961. The interest rates offered by the chartered banks on deposit receipts of \$100,000 or more for periods of up to

## INTEREST RATES - CANADA AND UNITED STATES



1. Source: McLeod, Young, Weir and Co. Ltd. First of month.
2. Source: Moody's Investors Service. First of month.
3. 3½% Government bonds due Jan. 15, 1975-78. Last Wednesday in month.
4. 3¼% Government bonds due June 15, 1978-83. Last Wednesday in month.
5. 91-day treasury bills. Last tender in month.

one year, which previously had been set below yields on treasury bills of comparable maturity, were raised in January 1961 and maintained through the year at levels somewhat above treasury bill yields. The initial range of  $3\frac{1}{4}$  to  $4\frac{1}{4}$  per cent was adjusted from time to time; by June the range was  $2\frac{1}{2}$  to  $3\frac{1}{2}$  per cent and this was maintained virtually unchanged through the second half of the year. Interest rates paid by trust companies on guaranteed investment certificates, by loan companies on debentures, and by finance companies and other corporations on short-term paper were lower at the end of 1961 than at the beginning of the year.

In the United States, interest yields on most types of securities remained fairly steady or declined slightly during the first four or five months of 1961, rose in the summer months, and were relatively stable through the rest of the year; yield spreads between comparable types of securities in the United States and Canadian markets narrowed substantially in June and in most cases continued to decline somewhat during the second half of the year. The average spread between the yields on United States Government and Canadian Government long-term bonds was reduced from roughly 1.40 per cent in the early months of 1961 to about .90 per cent in the latter part of the year, and the spread in industrial bond yields also narrowed. In the case of short-term treasury bills, the yield spread between the United States and Canadian markets fluctuated considerably but on the average was much lower during the latter part of 1961 than during the first five months of the year.

**FINANCIAL FLOWS THROUGH THE BANKING SYSTEM AND SECURITIES MARKETS.** The easing of credit conditions in 1961 did not stem from a decline in the demand for borrowed funds; indeed the total amount of net new borrowing in Canada rose substantially during the year. For the year as a whole the total of net new funds borrowed through the banking system and securities markets\* amounted to \$3.0 billion, which was \$600 million more than the amount raised in this way in 1960 though less than the amounts raised in 1958 and 1959.

\* The tables which appear in this section summarize for recent years

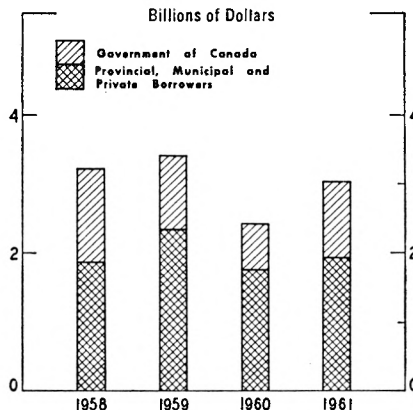
- the growth in the outstanding obligations of Canadian governments and private borrowers in the form of securities and bank loans (pages 40 and 41).
- the corresponding growth in holdings of money balances and securities by the Government, the public in Canada and non-residents (pages 42 and 43).

If more complete data were available, these tables could be extended to include important types of debt and financial assets in addition to those shown, e.g. mortgages held by non-bank lenders, corporate short-term paper, trust company deposits, etc. They could also be improved by distinguishing financial intermediaries such as instalment finance, trust and loan, and insurance companies from the rest of the non-bank public. In spite of these limitations, the tables provide a means of examining the operations of the banking system against the broader perspective of some of the main financial flows through credit and capital markets.

The increase in borrowings of these kinds from 1960 to 1961 was largely accounted for by the Government of Canada, which made net sales of \$1.1 billion of direct and guaranteed securities to the banking system and public during 1961, an increase of \$450 million over 1960.

All other Canadian borrowers (provinces, municipalities, businesses and individuals) raised \$1.9 billion in 1961 from net new issues of securities and increases in bank loans, an amount which was about \$150 million greater than in 1960 but still relatively low by comparison with a number of earlier years; however, the trend was upward through 1961, reflecting a pick-up in business borrowing in the second half of the year associated with the upturn in economic activity and a marked increase in borrowing by provincial governments. The table on pages 40 and

**NET INCREASE IN OUTSTANDING  
CANADIAN SECURITIES AND  
BANK LOANS**

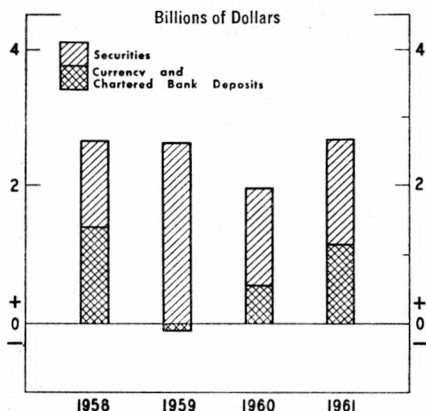


41 shows the amounts raised annually since 1954 through increases in the outstanding securities of, and bank loans owed by, various categories of Canadian borrowers; further details concerning securities issues and bank borrowing during 1961 will be found in subsequent sections of this Report.

The whole of the \$600 million increase in the major forms of borrowing in 1961 was, on balance, financed through the banking system. As will be seen from the table on pages 42 and 43, the chartered banks and Bank of Canada added \$1.3 billion to their holdings of securities and loan obligations in 1961 compared with \$0.7 billion in 1960, issuing in exchange corresponding amounts of their liabilities—mainly deposits and currency—to others. A total of \$1.7 billion of securities was sold outside the banking system, the same amount as in 1960.

As a group, therefore, non-bank holders of financial assets added \$1.3 billion of currency and chartered bank deposits and \$1.7 billion of securities, or a total of \$3.0 billion to their holdings in 1961, compared with \$0.7 billion in currency and bank deposits and \$1.7 billion in securities, or a total of \$2.4 billion in 1960. The public in Canada (i.e. individuals, businesses, provinces, municipalities and non-bank financial institutions) added \$1.1 billion to its holdings of currency and bank deposits in 1961 compared with \$0.5 billion in 1960, and the increase in its holdings of securities was \$1.5 billion in 1961 compared with

**NET INCREASE IN CERTAIN  
FINANCIAL ASSETS HELD BY THE  
PUBLIC IN CANADA**



\$1.4 billion in the previous year. The increase in Government holdings of bank deposits was the same in 1961 as in 1960, and there was a decrease of about \$0.1 billion in that part of the capital inflow from abroad which took the form of additions to non-resident holdings of Canadian bank deposits and securities.

Within 1961, as will be seen in the table on pages 42 and 43, the Government's deposit balances declined by \$0.4 billion during the first half of the year when there was little increase in total bank deposits and rose by \$0.5 billion during the second half when total deposits increased by \$1.2 billion. As usual, Government balances increased considerably in November when the bulk of the proceeds of Canada Savings Bond sales became available; in addition, net sales of new market issues by the Government were larger in the second half of 1961 than in the first half. It will be noted from the table that the deposits of the public in Canada increased by about the same amount in the second half of the year as in the first half.

The tables on pages 40 to 43 reflect the fact that for the economy as a whole (including transactions with non-residents) the growth in outstanding financial obligations during any period is identical with the growth in holdings of financial assets. But this is of course not the case for particular economic sectors such as the various levels of government, businesses and individuals in Canada, and non-residents. If more comprehensive and detailed figures were available it would be possible to show for each sector of the economy the extent to which, on balance, it acquired net financial claims on other sectors by running a surplus (i.e. spending less than its current income) or the extent to which it incurred net liabilities to other sectors by running a deficit (i.e. spending more than its current income). Estimates of these surpluses and deficits (though not of their financing) are available for recent years in the national accounts.



## NATIONAL ACCOUNTS SURPLUS OR DEFICIT (-) BY SECTOR

(millions of dollars)

	<u>Government of Canada<sup>(1)</sup></u>	<u>Provincial governments<sup>(1)</sup></u>	<u>Municipal governments<sup>(1)</sup></u>	<u>Resident Individuals, businesses, &amp; gov't.-owned enterprises<sup>(2)</sup></u>	<u>Non-residents (=capital inflow)</u>
1954	-100	155	-186	-296	427
1955	176	134	-204	-785	679
1956	544	79	-273	-1,700	1,350
1957	249	144	-293	-1,522	1,422
1958	-775	64	-319	53	1,083
1959	-362	135	-309	-903	1,439
1960	-411	-69	-329	-382	1,191
1961	-600*	-500*		200*	900*

(1) The surpluses and deficits estimated on the national accounts basis for the various levels of government differ in important respects from those shown in conventional budgetary statements. See footnote on page 27.

(2) Statistical residual.

\* Bank of Canada provisional estimates.

Each level of government ran a somewhat larger deficit in 1961 than in 1960 and the non-resident surplus, i.e. the net inflow of capital from abroad, declined. These changes were in the direction of increasing the demand for financial accommodation relative to the supply. They were balanced by a swing in the position of the public in Canada (individuals, businesses and government-owned enterprises) from a deficit of \$0.4 billion in 1960 to a surplus of \$0.2 billion in 1961, i.e. from a position in 1960 where the financial liabilities of the public in Canada increased by \$0.4 billion more than their financial assets to a position in 1961 in which their financial assets increased by \$0.2 billion more than their liabilities.

In 1960 the demand for goods and services had levelled off in Canada, and there was a marked easing of credit conditions during much of that year even though the public's holdings of money balances were increasing only moderately. Early in 1961 the demand for goods and services began to rise again. As the table on pages 40 and 41 shows, the net amount of funds raised through security issues and bank borrowing by the Government and other borrowers combined was substantially higher in 1961 than in 1960 and much higher in the second half of 1961 than in the first half. In spite of this increased amount of borrowing, interest rates remained stable or moved lower through most of the second half following the decline which occurred in June. The increased accumulation of financial assets by the public in Canada in 1961 was largely in the form of bank deposits rather than securities.

**NET INCREASE IN OUTSTANDING SECURITIES AND BANK LOANS  
CLASSIFICATION BY BORROWER**

(millions of dollars)

	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
<b>Government of Canada</b>				
Securities <sup>(1)</sup> .....	-61	247	-793	82
<b>Provincial governments</b>				
Securities.....	293	210	540	549
Bank loans.....	-4	22	12	-6
Sub-total.....	<u>290</u>	<u>232</u>	<u>552</u>	<u>542</u>
<b>Municipal governments</b>				
Securities.....	240	234	224	278
Bank loans.....	6	21	53	21
Sub-total.....	<u>246</u>	<u>255</u>	<u>277</u>	<u>300</u>
<b>Private Canadian borrowers</b>				
Corporate bonds.....	476	350	799	958
Corporate stocks <sup>(2)</sup> .....	173	431	633	466
Finance company notes.....	-39	59	94	48
Bank loans <sup>(3)</sup> .....	129	984	641	362
Sub-total.....	<u>738</u>	<u>1,823</u>	<u>2,167</u>	<u>1,834</u>
(Sub-total: provincial, municipal and private).....	<u>(1,274)</u>	<u>(2,310)</u>	<u>(2,995)</u>	<u>(2,676)</u>
Total.....	<u><u>1,212</u></u>	<u><u>2,557</u></u>	<u><u>2,202</u></u>	<u><u>2,758</u></u>

(1) Direct and guaranteed securities held outside Government accounts.

(2) Excludes chartered bank stock issues.

(3) All other chartered bank loans in Canadian currency, including day-to-day and call loans to securities dealers and mortgage loans.

<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u> (Est.)	<u>1960</u>		<u>1961</u>	
				<u>I Half</u>	<u>II Half</u>	<u>I Half</u>	<u>II Half</u> (Est.)
1,360	1,054	669	1,110	184	485	148	963
614	568	477	931	307	170	386	545
-20	-30	89	-82	-19	108	-95	13
<u>594</u>	<u>538</u>	<u>566</u>	<u>849</u>	<u>288</u>	<u>278</u>	<u>291</u>	<u>558</u>
323	326	319	252	206	114	114	138
24	14	-14	30	-27	13	47	-17
<u>347</u>	<u>340</u>	<u>305</u>	<u>283</u>	<u>178</u>	<u>126</u>	<u>161</u>	<u>121</u>
657	127	310	306	310	-	170	135
262	310	187	156	118	70	198	-42
-111	135	10	-67	52	-43	44	-111
120	902	392	422	138	254	-46	468
<u>928</u>	<u>1,474</u>	<u>899</u>	<u>816</u>	<u>618</u>	<u>281</u>	<u>366</u>	<u>450</u>
<u>(1,869)</u>	<u>(2,352)</u>	<u>(1,770)</u>	<u>(1,948)</u>	<u>(1,084)</u>	<u>(686)</u>	<u>(819)</u>	<u>(1,130)</u>
<u><u>3,230</u></u>	<u><u>3,405</u></u>	<u><u>2,439</u></u>	<u><u>3,058</u></u>	<u><u>1,268</u></u>	<u><u>1,171</u></u>	<u><u>967</u></u>	<u><u>2,092</u></u>

**NET INCREASE IN HOLDINGS OF CERTAIN FINANCIAL ASSETS**  
**CLASSIFICATION BY HOLDER**

(millions of dollars)

	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
<b>Chartered banks and Bank of Canada</b>				
Canadian securities.....	468	135	- 636	160
Chartered bank loans.....	131	1,027	706	378
Total.....	599	1,161	70	537
<b>Non-bank holders</b>				
Currency and bank deposits.....	527	1,117	- 10	480
Other net liabilities of banking system <sup>(1)</sup> .....	72	44	80	57
Sub-total <sup>(2)</sup> .....	599	1,161	70	537
Canadian securities.....	613	1,396	2,132	2,221
Total (as per table on pages 40-41).....	1,212	2,557	2,202	2,758
of which:				
<b>Government of Canada</b>				
Chartered bank and Bank of Canada deposits..	-292	373	-321	174
<b>Public in Canada</b>				
Government of Canada securities.....	-398	485	-139	-28
Other Canadian securities.....	826	857	1,528	1,444
Sub-total: Canadian securities.....	427	1,342	1,389	1,417
Currency and chartered bank deposits.....	790	683	338	322
Other net liabilities of banking system.....	72	44	80	57
Total.....	1,289	2,069	1,807	1,796
<b>Non-Residents</b>				
Government of Canada securities <sup>(3)</sup> .....	-111	-145	-64	-45
Other Canadian securities.....	296	199	807	849
Sub-total: Canadian securities.....	185	54	743	804
Canadian bank deposits.....	29	62	-26	-15
Total.....	214	116	717	789

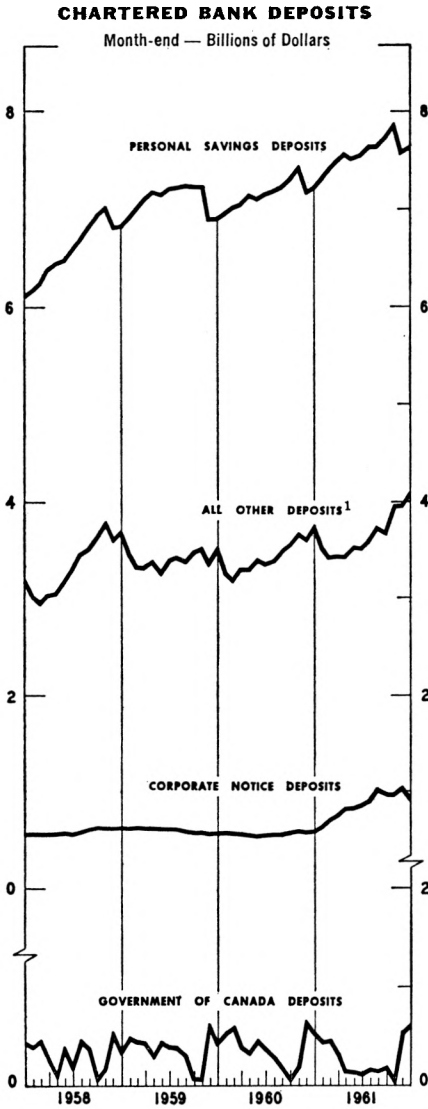
(1) Balancing item.

(2) Equals total holdings of securities and loans by banking system as above.

(3) Includes treasury bills.

<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u> (Est.)	<u>1960</u>		<u>1961</u>	
				<u>I Half</u>	<u>II Half</u>	<u>I Half</u>	<u>II Half</u> (Est.)
1,305	-799	262	940	99	164	291	649
124	886	467	370	91	375	-94	464
<u>1,428</u>	<u>88</u>	<u>729</u>	<u>1,310</u>	<u>190</u>	<u>539</u>	<u>197</u>	<u>1,113</u>
1,319	-42	711	1,257	91	620	48	1,209
109	130	17	53	99	-82	149	-96
<u>1,428</u>	<u>88</u>	<u>729</u>	<u>1,310</u>	<u>190</u>	<u>539</u>	<u>197</u>	<u>1,113</u>
<u>1,801</u>	<u>3,318</u>	<u>1,710</u>	<u>1,748</u>	<u>1,078</u>	<u>632</u>	<u>769</u>	<u>979</u>
<u>3,230</u>	<u>3,405</u>	<u>2,439</u>	<u>3,058</u>	<u>1,268</u>	<u>1,171</u>	<u>967</u>	<u>2,092</u>
-104	95	96	84	-49	146	-406	490
180	1,667	274	238	45	229	-154	392
963	937	1,119	1,255	746	374	752	503
<u>1,143</u>	<u>2,604</u>	<u>1,393</u>	<u>1,493</u>	<u>791</u>	<u>602</u>	<u>598</u>	<u>895</u>
1,385	-131	541	1,134	149	392	550	584
109	130	17	53	99	-82	149	-96
<u>2,637</u>	<u>2,603</u>	<u>1,951</u>	<u>2,680</u>	<u>1,039</u>	<u>912</u>	<u>1,297</u>	<u>1,383</u>
94	90	81	5	30	51	9	-4
564	624	236	250	257	-21	162	88
<u>658</u>	<u>714</u>	<u>317</u>	<u>255</u>	<u>287</u>	<u>30</u>	<u>171</u>	<u>84</u>
<u>38</u>	<u>-7</u>	<u>74</u>	<u>39</u>	<u>-9</u>	<u>82</u>	<u>-96</u>	<u>135</u>
<u>696</u>	<u>707</u>	<u>391</u>	<u>294</u>	<u>278</u>	<u>112</u>	<u>75</u>	<u>219</u>

**CURRENCY AND CHARTERED BANK DEPOSITS.**



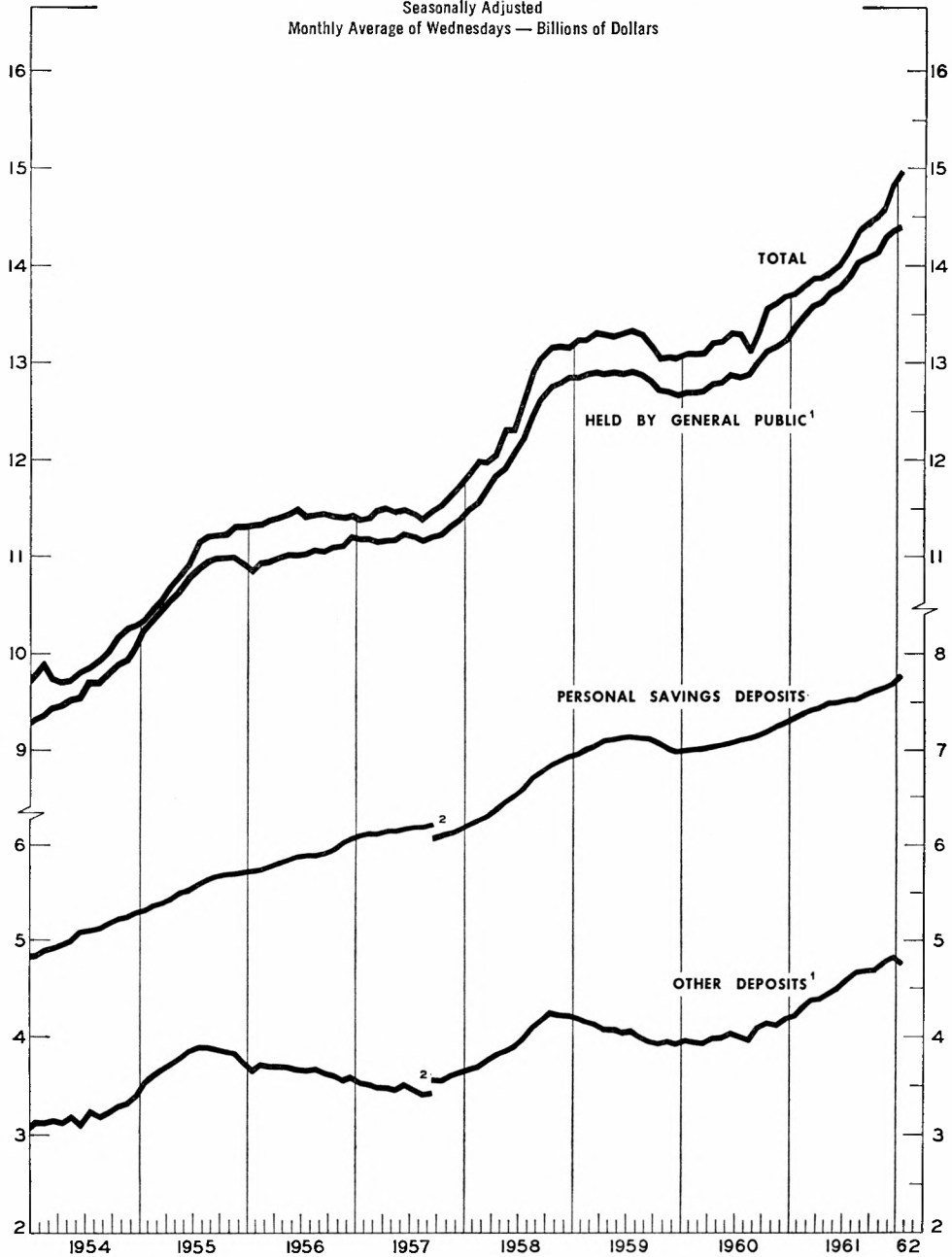
1. Includes public demand deposits, deposits of provincial governments and deposits of other banks, less Canadian dollar items in transit.

The total of currency outside banks and chartered bank deposits rose by \$1,250 million or 9.0 per cent during 1961 to a level of \$15,163 million at year-end and the portion held by the general public increased by \$1,172 million or 8.7 per cent to a level of \$14,575 million at year-end. Both these series are subject to seasonal influences, including those which arise out of the concentration of the Government's Canada Savings Bond borrowings in November each year. Seasonally adjusted figures are shown in the chart on the facing page and in the table on page 46.

Chartered bank deposits rose by \$1,167 million in the year, with personal savings deposits up \$403 million (5.6 per cent), corporate notice deposits up \$353 million (61.3 per cent), other deposits, mainly public demand deposits, up \$333 million (8.9 per cent) and Government deposits up \$78 million. The increase in corporate notice deposits during 1961, which was much larger than has occurred in recent years, is commented on earlier in this Report.

## CURRENCY OUTSIDE BANKS AND CHARTERED BANK DEPOSITS

Seasonally Adjusted  
Monthly Average of Wednesdays — Billions of Dollars



1. Excludes Government of Canada deposits.

2. Breaks reflect reclassification at Sept. 30, 1957, of certain deposits from "Personal Savings Deposits" to "Other Deposits".

## CURRENCY OUTSIDE BANKS AND CHARTERED BANK DEPOSITS

(millions of dollars)

	As at Dec. 31 1961	Increase or decrease (-) during:					
		1960		1961		Year 1960	Year 1961
		I Half	II Half	I Half	II Half		
<b>Held by general public</b>							
Currency outside banks							
Notes.....	1,800	53	-26	49	19	27	68
Coin.....	158	9	8	4	10	17	14
Personal savings deposits.....	7,618	241	74	335	69	315	403
Corporate notice deposits.....	929	-19	37	281	73	18	353
Other deposits <sup>(1)(2)</sup> .....	4,070	-146	383	-210	543	237	333
Total.....	14,575	139	476	458	714	615	1,172
Government of Canada deposits..	588	-49	155	-397	475	106	78
<b>Total currency and chartered bank deposits<sup>(2)</sup>.....</b>	<b>15,163</b>	<b>90</b>	<b>631</b>	<b>61</b>	<b>1,189</b>	<b>721</b>	<b>1,250</b>

	Dec. 1961	Seasonally Adjusted			
		Increase during:			
		1960		1961	
		I Half	II Half	I Half	II Half
<b>Currency outside banks and chartered bank deposits<sup>(2)(3)</sup></b>					
Total.....	14,820	261	372	333	816
Held by general public.....	14,349	215	352	540	583

(1) Includes public demand deposits, deposits of provincial governments and deposits of other banks.

(2) Less Canadian dollar items in transit.

(3) Monthly averages of Wednesday figures. Changes shown are from December average to June average or vice versa.

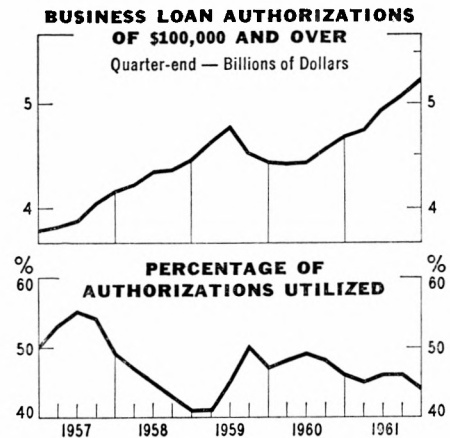
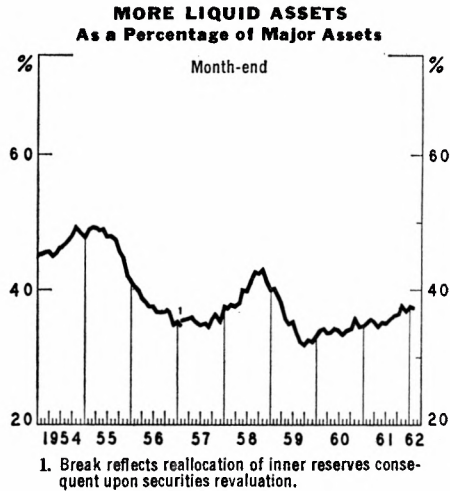
**CHARTERED BANK ASSETS.** The chartered banks' major assets rose by \$1,214 million or 9.5 per cent in 1961. Bank loans (other than day-to-day and call loans) increased by \$353 million, and bank holdings of insured mortgages and non-Government securities increased by \$31 million. The bulk of the year's increase in bank assets was in the more liquid forms (i.e. Government securities, loans to securities dealers, net foreign assets and cash reserves) which rose by \$830 million. As a proportion of total chartered bank assets these more liquid holdings had risen to 37.5 per cent by the end of 1961 from 34.6 per cent a year earlier, and 31.8 per cent in September 1959, the post-war low point in



this measure of bank liquidity. There have, as the inset chart shows, been lengthy periods in recent years when the more liquid assets constituted a higher proportion of total bank assets than they did at the end of 1961.

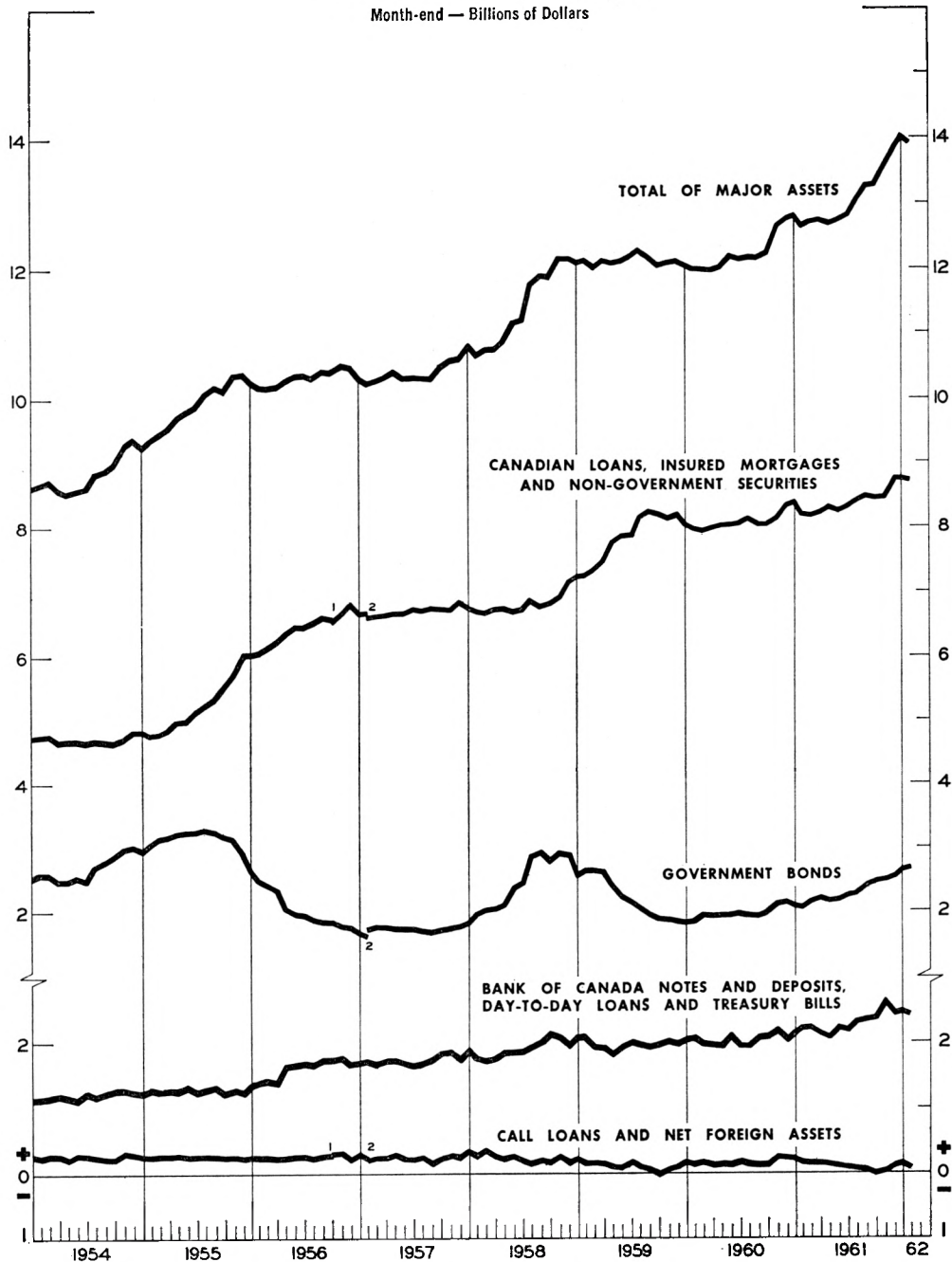
The chartered banks' average ratio of cash, day-to-day loans and treasury bills to deposits was 18.3 per cent in 1961 compared with 17.3 per cent in 1960 and with the minimum ratio of 15 per cent which had been agreed upon in 1956. During 1961 the monthly average ratio fluctuated within a range of 17.3 to 19.0 per cent and in December was 18.7 per cent.

Bank loans rose moderately in the early part of 1961, after allowing for normal seasonal influences, and increased more rapidly through the rest of the year. General loans (i.e. business loans, personal loans, loans to farmers and to non-business institutions) increased by \$615 million or 12 per cent on the year. The rise in business loans was \$303 million or 9 per cent, most of which occurred in the second half of the year and in accounts with authorized limits of less than \$1 million. Business loan authorizations, which are reported only for amounts of \$100,000 or more, rose by \$563 million or 12 per cent during the year. At the end of 1961, 44 per cent of outstanding authorizations had been utilized, compared with 46 per cent a year earlier and 50 per cent in September 1959. Personal loans outstanding rose by \$232 million or 19 per cent in 1961; these were chiefly instalment-type consumer loans. Loans to farmers increased by \$65 million or 16 per cent and loans to non-business institutions increased by \$14 million or 7 per cent on the year. Among other categories, loans to municipalities rose by \$30 million during 1961, but loans to provincial governments, to grain dealers and to instalment finance companies declined by a total of \$295 million.



### CHARTERED BANK ASSETS

Month-end — 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.

## CHARTERED BANK ASSETS

(millions of dollars)

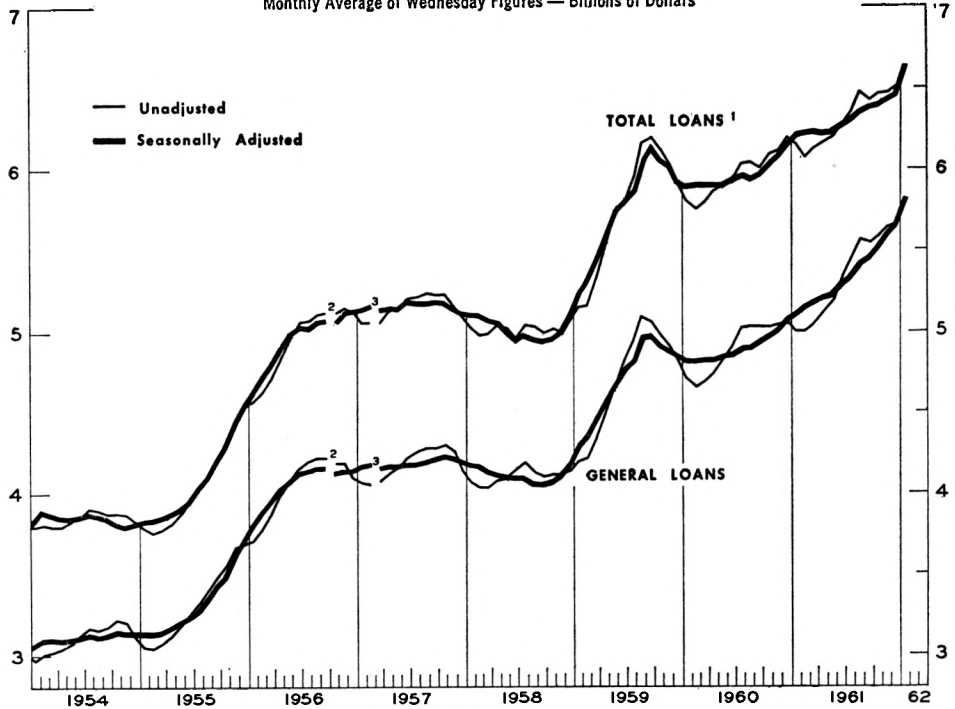
	As at Dec. 31 1961	Increase or decrease (-) during:					
		1960		1961		Year 1960	Year 1961
		I Half	II Half	I Half	II Half		
Bank of Canada notes and deposits.....	1,096	-122	162	-108	211	40	104
Day-to-day loans.....	215	56	15	-24	67	71	43
Treasury bills.....	1,157	-15	8	174	15	-7	190
Government bonds.....	2,639	142	119	152	400	261	552
Net foreign assets.....	21	3	47	-111	61	50	-49
Call loans.....	130	6	-6	-25	17	-1	-8
Sub-total: more liquid assets...	5,258	70	345	59	771	414	830
Loans to provinces.....	45	-19	108	-95	13	89	-82
Loans to municipalities.....	247	-27	13	47	-17	-14	30
Loans to grain dealers.....	348	-53	82	-141	26	28	-115
Canada Savings Bond loans.....	189	-118	116	-117	120	-2	3
Loans to instalment finance companies.....	273	-24	-14	-75	-23	-38	-98
General loans.....	5,647	256	75	350	265	331	615
(Sub-total: loans).....	(6,750)	(14)	(379)	(-32)	(385)	(394)	(353)
Insured mortgages.....	953	16	-13	-13	-5	3	-18
Provincial securities.....	352	3	-25	7	21	-22	28
Municipal securities.....	231	-5	9	-	24	4	23
Corporate securities.....	470	-11	-28	-17	15	-39	-3
Sub-total: less liquid assets....	8,756	17	322	-55	440	338	384
Total of major assets.....	14,015	86	666	3	1,211	753	1,214

	Dec. 1961	Seasonally Adjusted			
		Increase during:			
		1960		1961	
		I Half	II Half	I Half	II Half
Total loans (excluding call loans and Canada Savings Bond loans) <sup>(1)</sup> .....	6,449	9	226	118	183
General loans <sup>(1)</sup> .....	5,653	10	226	206	370
Business loans <sup>(2)</sup> .....	3,628	12	119	44	268

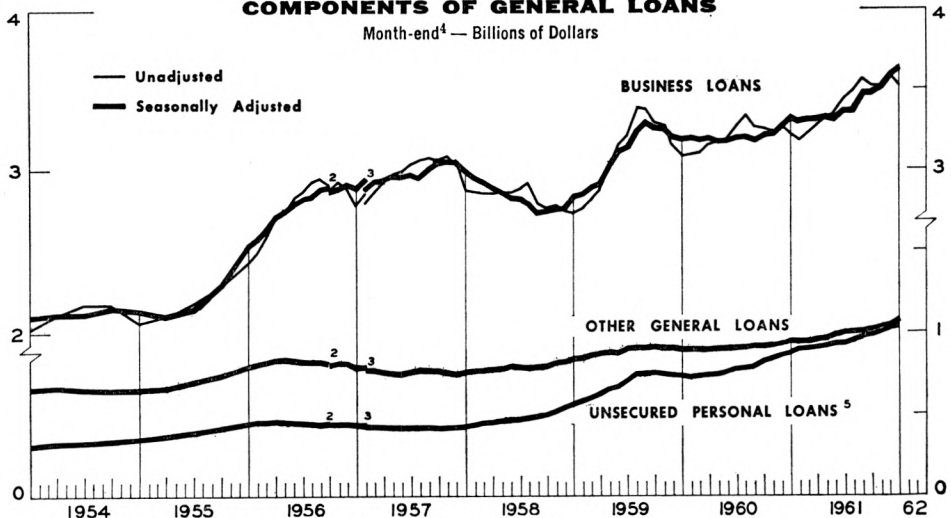
(1) Monthly averages of Wednesday figures. Changes shown are from December average to June average or vice versa.

(2) Month-end figures.

**CHARTERED BANK LOANS**  
Monthly Average of Wednesday Figures — Billions of Dollars



**COMPONENTS OF GENERAL LOANS**  
Month-end<sup>4</sup> — Billions of Dollars



1. Excludes call loans and loans for the purchase of Canada Savings Bonds.
2. Breaks reflect exclusion of certain foreign currency loans previously included in these series.
3. Breaks reflect reallocation of inner reserves consequent upon securities revaluation.
4. Plotted at quarter-ends for 1954 and 1955.
5. Excludes home improvement loans.

**CHARTERED BANKS**  
**CLASSIFICATION OF GENERAL LOANS**

(millions of dollars)

	<b>As at Dec. 31 1961</b>	<b>Increase or decrease (—) during year:</b>			
		<b>1958</b>	<b>1959</b>	<b>1960</b>	<b>1961</b>
<b>Business loans</b>					
Under authorizations of:					
less than \$100,000.....	1,198	70	67	85	135
\$100,000 to \$1 million.....	1,113	42	133	51	127
\$1 million to \$5 million.....	737	—68	114	39	49
\$5 million and over.....	474	—185	38	—39	—7
<b>Total business loans.....</b>	<b>3,523</b>	<b>—141</b>	<b>351</b>	<b>136</b>	<b>303</b>
<b>Personal loans</b>					
Fully secured by marketable bonds and stocks.....	336	30	—5	4	49
Home improvement loans.....	66	10	2	—4	10
Other.....	1,030	133	165	138	173
<b>Total personal loans.....</b>	<b>1,431</b>	<b>173</b>	<b>163</b>	<b>138</b>	<b>232</b>
<b>Loans to farmers.....</b>	<b>485</b>	<b>19</b>	<b>22</b>	<b>30</b>	<b>65</b>
<b>Loans to non-business institutions.....</b>	<b>208</b>	<b>25</b>	<b>28</b>	<b>26</b>	<b>14</b>
<b>Total general loans.....</b>	<b>5,647</b>	<b>75</b>	<b>564</b>	<b>331</b>	<b>615</b>

**BANK OF CANADA OPERATIONS.** In 1961 the public's holdings of Bank of Canada notes\* rose by \$68 million and the chartered banks' holdings of notes in their vaults and tills rose by \$17 million while their balances on deposit at the Bank of Canada rose by \$87 million. In the course of providing these increases in currency in circulation and in chartered bank cash reserves, the Bank of Canada added \$136 million to its holdings of Government securities; its holdings of capital stock and debentures of the Industrial Development Bank increased by \$26 million.

### BANK OF CANADA ASSETS AND LIABILITIES

(millions of dollars)

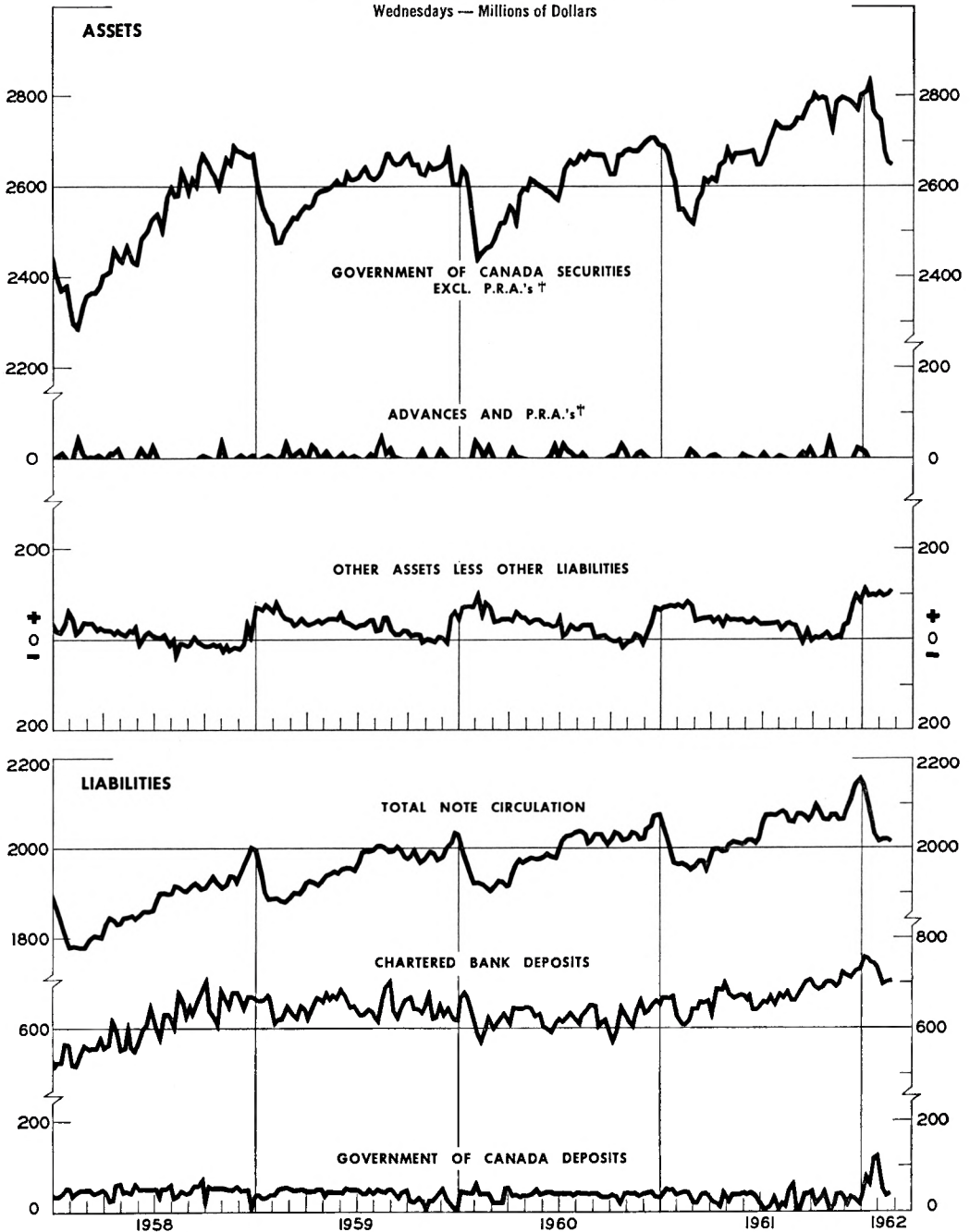
	<u>As at Dec. 31, 1961</u>	<u>Change During 1961</u>
<b>Assets</b>		
Treasury bills.....	312	-92
Government bonds.....	2,513	228
Industrial Development Bank securities.....	115	26
All other assets.....	303	36
	<hr/>	<hr/>
Total.....	3,243	198
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>		
Notes held by public.....	1,800	68
Notes held by chartered banks.....	347	17
Deposits of chartered banks.....	749	87
All other liabilities.....	347	26
	<hr/>	<hr/>
Total.....	3,243	198
	<hr/> <hr/>	<hr/> <hr/>

The average cash ratio maintained by the chartered banks in 1961 was 8.12 per cent compared with 8.17 per cent in 1960. Details on cash reserves and cash reserve requirements for 1960 and 1961 are given in the Appendix on pages 64 and 65. Bank of Canada advances to banks were outstanding on 10 business days during 1961 compared with 25 days in 1960; the maximum amount outstanding on any one day was \$11 million and the daily average for the year was \$0.2 million. The Bank of Canada held securities purchased from money market

\* A table giving the composition of Bank of Canada note liabilities appears on page 76.

# BANK OF CANADA ACCOUNTS

Wednesdays — Millions of Dollars



† Securities purchased from money market dealers under resale agreements.

dealers under resale agreements on 55 business days during the year compared with 75 days the previous year; the maximum amount outstanding on any one day was \$93 million and the daily average for the year was \$3 million.

In order to offset the effect on cash reserves in February and March of seasonal changes in statutory till money, the Bank of Canada sold to the Securities Investment Account of the Government \$40 million of Government bonds for delivery on February 1 and repurchase on March 1.

At the end of October the Bank made temporary advances to the Government of Canada which were outstanding on 4 business days and which were repaid by November 6 out of the proceeds of the annual Canada Savings Bond campaign, and during the same period the Government's balances at the central bank were reduced to a minimum level. In order to avoid the substantial swings in the chartered banks' cash reserves which would otherwise have occurred, arrangements were made for this short period under which the Bank of Canada undertook to sell short-term treasury bills on a repurchase basis to the banks with temporary surplus reserves. The rate of interest involved was equivalent to the day-to-day loan rate prevailing at that time. The maximum amount of these repurchase agreements outstanding was \$105 million; this approximately offset the effect of advances to the Government, which reached a maximum of \$72 million, and of the reduction of the Government's balance at the Bank of Canada to a minimum level.

During the month of December the net earnings of the Bank of Canada for 1961 were transferred to the Receiver General of Canada in several instalments totalling \$107.7 million. These transfers and the redeposit in Government accounts with the chartered banks were used to offset the effect on cash reserves of the usual sharp seasonal rise in note circulation.

Bank rate, the minimum rate at which the Bank makes advances to banks and the Government, was maintained at a level of  $\frac{1}{4}$  of 1 per cent above the average rate on three-month treasury bills at each weekly tender. It was 3.50 per cent at the beginning of the year, reached a low point of 2.51 per cent at the end of August and stood at 3.24 per cent at the close of the year. A more general reference to the subject of Bank rate is made earlier in this Report.

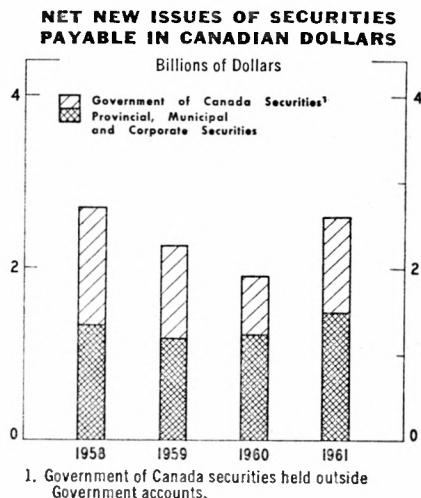


**SECURITIES MARKETS.** As recorded in the table on pages 56 and 57 the total amount of new money raised through the sale of new issues of securities payable in Canadian dollars rose to \$2.6 billion in 1961 from \$1.9 billion in 1960, and net new issues of securities payable in foreign currencies amounted to about \$100 million in each year.

Provincial and municipal governments, corporations and institutions raised a total of \$1,504 million in the Canadian securities markets in 1961, \$260 million more than they had raised in 1960, and also more than in either 1958 or 1959. The high level of new issues of provincial bonds was responsible for most of the increase in 1961. Net new issues of provincial bonds payable in Canadian dollars rose to \$924

million in 1961 compared with \$459 million in 1960. One factor contributing to this increase was the issue of guaranteed bonds amounting to \$205 million by one of the provinces to finance the expropriation of a privately-owned utility company. Municipal governments raised \$265 million in the Canadian securities markets in 1961 compared with \$234 million in 1960, while corporations and institutions raised \$506 million, or a net amount of \$316 million after allowing for the distribution of \$86 million to the shareholders of the parent company of the utility taken over by the provincial government and the exchange of \$104 million of preferred stock for bonds guaranteed by the province, compared with \$551 million in 1960. While corporations raised less money by the sale of bonds and preferred stocks, they raised more by the sale of common stocks in 1961 than in 1960. Finance companies reduced the amount of their short-term paper outstanding in 1961; in 1960 this had gone up slightly.

Most of the foreign-pay securities delivered in 1961 represented the completion of transactions initiated in 1960 or early in 1961 by corporations engaged in the production or transportation of oil, gas and petrochemicals. Net new issues of corporate bonds payable in foreign currencies amounted to \$101 million in 1961 whereas in 1960 the amount raised in foreign currencies was offset by retirements. Municipalities, which had raised \$85 million in foreign securities markets in 1960, made net retirements of \$12 million in 1961. Provinces raised only minor amounts in foreign securities markets in both years.



## NET NEW ISSUES OF SECURITIES<sup>(1)</sup>

(millions of dollars)

	<b>Payable in Canadian Dollars Only</b>			
	<b>1958</b>	<b>1959</b>	<b>1960</b>	<b>1961 (Est.)</b>
<b>Government of Canada securities<sup>(2)</sup></b>				
Total.....	1,253	871	613	944
Held in Government Accounts.....	-110	-206	-57	-165
Held outside Government Accounts.....	1,363	1,077	670	1,109
<b>Provincial, municipal and corporate and other securities</b>				
Provincial bonds <sup>(2)</sup> .....	470	329	459	924 <sup>(3)</sup>
Municipal bonds <sup>(2)</sup> .....	208	213	234	265
Corporate bonds.....	469	93	290	178
Other bonds <sup>(4)</sup> .....	4	18	21	27
Total bonds.....	1,151	653	1,005	1,394
Finance company short-term paper <sup>(5)</sup> .....	-111	135	10	-67
Total bonds and short-term paper.....	1,041	788	1,014	1,326
<b>Corporate stocks<sup>(6)</sup></b>				
Preferred.....	25	72	52	-61 <sup>(7)</sup>
Common.....	284	330	178	239 <sup>(8)</sup>
Total corporate stocks.....	309	402	230	178
Total provincial, municipal and corporate and other securities.....	1,350	1,190	1,244	1,504
Total Government of Canada securities held outside Government accounts, provincial, municipal, and corporate and other securities.....	2,713	2,267	1,915	2,613

(1) Gross new issues less retirements.

(2) Includes guaranteed securities.

(3) Includes the new issue of \$104 million of bonds guaranteed by B.C. in exchange for preferred stock of B.C. Electric Co.

(4) Consists of bonds of religious and other institutions and Canadian dollar issues of the Commonwealth of Australia.

(5) Paper with an original term to maturity of one year or less.

(6) Canadian stock issues with dividends payable in U.S. dollars are shown under "Other Currencies".

(7) Includes the retirement of \$104 million of preferred stock referred to in footnote (3).

(8) After deducting the distribution of \$86 million to shareholders of B.C. Power Corp.

Payable in Other Currencies				Total			
1958	1959	1960	1961 (Est.)	1958	1959	1960	1961 (Est.)
-2	-149	-1	-55	1,252	723	612	889
1	-129	-	-56	-109	-335	-57	-221
<u>-3</u>	<u>-19</u>	<u>-1</u>	<u>2</u>	<u>1,360</u>	<u>1,058</u>	<u>669</u>	<u>1,110</u>
144	239	17	7	614	568	477	931 <sup>(a)</sup>
115	113	85	-12	323	326	319	252
184	15	-1	101	653	109	288	279
-	-	-	-	4	18	21	27
<u>443</u>	<u>367</u>	<u>101</u>	<u>96</u>	<u>1,594</u>	<u>1,020</u>	<u>1,106</u>	<u>1,489</u>
-	-	-	-	-111	135	10	-67
<u>443</u>	<u>367</u>	<u>101</u>	<u>96</u>	<u>1,484</u>	<u>1,155</u>	<u>1,115</u>	<u>1,422</u>
-	-	-	-	25	72	52	-61 <sup>(c)</sup>
2	2	5	3	287	331	183	242 <sup>(b)</sup>
<u>2</u>	<u>2</u>	<u>5</u>	<u>3</u>	<u>312</u>	<u>404</u>	<u>235</u>	<u>181</u>
446	369	106	99	1,796	1,559	1,351	1,603
443	350	105	101	3,156	2,617	2,020	2,714
<u><u>443</u></u>	<u><u>350</u></u>	<u><u>105</u></u>	<u><u>101</u></u>	<u><u>3,156</u></u>	<u><u>2,617</u></u>	<u><u>2,020</u></u>	<u><u>2,714</u></u>

An industrial classification of net new issues of corporate securities sold in the Canadian and foreign securities markets is given in the Appendix on page 74.

The Government of Canada made seven offerings of market bonds in 1961 amounting in total to \$2,200 million. From the proceeds, \$100 million of treasury bills with an original term to maturity of one year were retired, \$746 million of maturing bonds were redeemed at maturity and \$600 million of bonds held by the Bank of Canada were retired in advance of maturity. In addition, \$496 million of market securities held by various Government accounts were cancelled as follows: \$52 million of securities payable in United States dollars held in sinking funds, \$182 million held in Securities Investment Account, \$61 million in the Purchase Fund and \$201 million previously held by the Unemployment Insurance Fund. The Government issued 3¾ per cent non-market bonds to the Unemployment Insurance Fund and the total amount of such bonds outstanding at December 31, 1961 was \$157 million. Total sales of Canada Savings Bonds during the year amounted to \$1,067 million while total redemptions and maturities of all series amounted to \$582 million so that the net increase during the year was \$486 million. Further details of the new issues, retirements, and cancellations of Government securities are given in the Appendices on pages 66 to 69.

One way of summarizing the financing operations of the Government of Canada in 1961 is given in the table on page 59. Put in this form the data show that a net amount of \$118 million was used by Government accounts to acquire Government securities (including the purchase of \$99 million of long-term bonds by the Purchase Fund established at the time of the June 1961 budget), that \$84 million was added to the Government's cash balances, that \$233 million was used to finance additions to the Government's holdings of gold and United States dollars and \$51 million to finance the encashment of part of Canada's subscription to the International Monetary Fund for use in connection with the United Kingdom drawing on the Fund referred to on page 15, and that a net amount of \$742 million was used for all other purposes.

## SUMMARY OF GOVERNMENT OF CANADA FINANCING, 1961

(par values, millions of dollars)

Gross new issues of securities		
Direct market bonds .....	2,200	
Canada Savings Bonds.....	1,067	
Total.....		3,267
Deduct:		
Net retirements of treasury bills.....	100	
Gross retirements		
Direct market issues — at maturity.....	746	
— in advance of maturity.....	600	
Canada Savings Bonds.....	582	
Guaranteed bonds.....	5	
Decline in matured securities outstanding.....	7	
Sub-total.....	2,039	1,228 <sup>(1)</sup>
Net purchases of market securities by all Government accounts....	118 <sup>(2)</sup>	
Sub-total (equals increase in securities held outside Government accounts).....		1,110
Increase in Government cash balances.....	84	
Sub-total.....		1,026
Advances to the Exchange Fund Account.....	233	
Encashment of subscription to the International Monetary Fund....	51	
Funds used for all other purposes (net).....	284	742

(1) To obtain the change in the total amount of Government securities outstanding during the year it is necessary to add the net issue of \$157 million of non-market bonds to the Unemployment Insurance Fund and to deduct the cancellation of \$496 million of market bonds held in Government accounts, making a net increase of \$889 million in Government securities outstanding.

(2) Excluded from this amount are the items described in footnote (1) which involved no transfer of cash. The changes in Government account holdings may be summarized as follows:

Net issue of non-market bonds to Unemployment Insurance Fund.....	157
Cancellation of market bonds.....	— 496
Net purchases of market securities by all Government accounts.....	118
Total change in Government account holdings.....	— 221

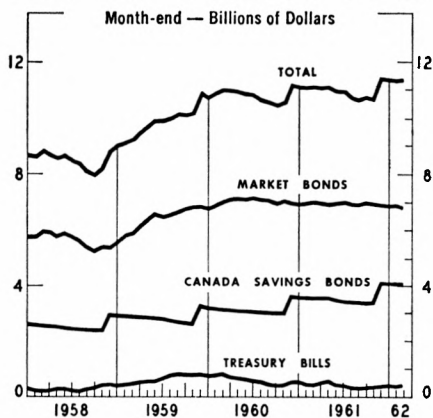
On each of the seven offerings of market bonds in 1961 the Bank of Canada acquired part or in some instances all of a new issue either for cash, or in exchange for holdings of maturing bonds, or in advance refunding of part of its holdings of near-by maturities. The near-by maturities which were subsequently refunded were acquired by the Bank of Canada in secondary dealing, largely by switching out of slightly longer-term issues, and this process contributed to an orderly marketing programme during this active period of debt management. For example, the 3 per cent Conversion Loan due December 1, 1961, originally issued in 1958 in an amount of \$1,021 million, had in this way been reduced in five operations to the more manageable figure of \$445 million outstanding immediately prior to the final refunding offering. The issues acquired by the Bank from the Government in advance refundings in 1961 included securities maturing in 1964, 1966 and 1967, some of which were in due course sold in the market in response to firm bids from investment dealers and chartered banks. As the term of these issues was somewhat longer than that of the new issues originally offered by the Government to the public these sales by the Bank of Canada served to offset, in a modest degree, the automatic shortening of the average term of debt which occurs with the passage of time and the shortening involved in the concentration of new public offerings in the short end of the market.

The 1961 series of Canada Savings Bonds, announced on September 18, was dated November 1, 1961, to mature in 10 years and provide an average yield of 4.60 per cent if held to maturity. Interest payable annually was graduated to provide 4¼ per cent the first year, 4½ per cent for each of the next six years and 5 per cent for each of the remaining three years. By December 31 total sales

of this issue amounted to \$932 million compared with sales of \$826 million of the 1960 series during the comparable period of the year. This included payroll sales of the 1961 series of \$223 million compared with \$216 million of the 1960 series.

In 1961 non-bank investors added \$243 million to their holdings of Government securities, \$112 million less than the amount they acquired in 1960. Substantial increases in the public's holdings of Canada Savings Bonds in 1961 were offset in part by reductions

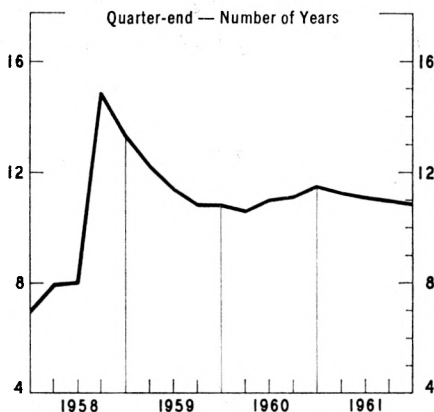
**GENERAL PUBLIC HOLDINGS OF GOVERNMENT OF CANADA SECURITIES**



in their holdings of treasury bills and market bonds. Treasury bill holdings were reduced by \$144 million in 1961 compared with \$206 million in 1960, while public holdings of market bonds declined by \$99 million in 1961 compared with an increase of \$179 million in 1960. Net purchases of Canada Savings Bonds were \$486 million in 1961 compared with \$382 million in 1960. Some details of the distribution of holdings of various classes of Government of Canada securities by class of holder are given in the Appendix on page 70.

All the new issues of Government of Canada market securities sold in 1961 were of short or medium term. The average term to maturity of market issues outstanding shortened by one year and one month and stood at 8 years 4 months at December 31. The average term to maturity of the general public's holdings of market issues shortened by 8 months and stood at 10 years 10 months at the end of the year. In the United States the average term to maturity of the general public's holdings of market issues was about 5 years shorter than that in Canada at the end of the year. Details of Government of Canada securities outstanding classified by term to maturity are shown in the Appendix on page 71.

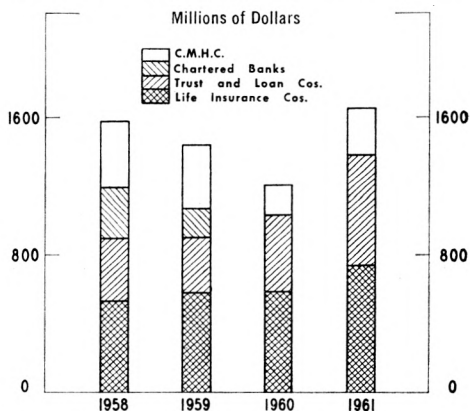
**AVERAGE TERM TO MATURITY OF  
GENERAL PUBLIC HOLDINGS OF  
GOVERNMENT OF CANADA MARKET  
SECURITIES**



**MORTGAGE MARKET.** Earlier in this Report information is given regarding the funds raised through the securities markets and chartered banks. In addition private borrowers raise substantial amounts each year in the mortgage markets. The net increase in the mortgage portfolio of life insurance companies in Canada is estimated to have been about \$275 million in 1961, \$50 million more than in 1960, and the available information suggests that the net increase in the mortgage portfolio of trust and mortgage loan companies was much larger in 1961 than in earlier years. Further details on mortgage lending of the major financial institutions are given in the Appendix on page 72. No information is available on the amount of mortgage lending by non-financial corporations or individuals.

The most current information available on mortgage lending relates to mortgage loan approvals by lending institutions and the Central Mortgage and Housing Corporation; in aggregate they approved loans on new and existing

**MORTGAGE LOANS APPROVED BY LENDING INSTITUTIONS AND CENTRAL MORTGAGE AND HOUSING CORPORATION**



residential and commercial property amounting to \$1,654 million in 1961 compared with \$1,201 million in 1960. The chartered banks made virtually no new mortgage loans in 1960 or 1961; their mortgage loans outstanding declined after mid-1960 as the amount of principal repayments exceeded disbursements on new loans. Other lending institutions increased their mortgage loan approvals from \$1,032 million in 1960 to \$1,383 million in 1961. The trust and mortgage loan companies accounted for a large part of this increase;

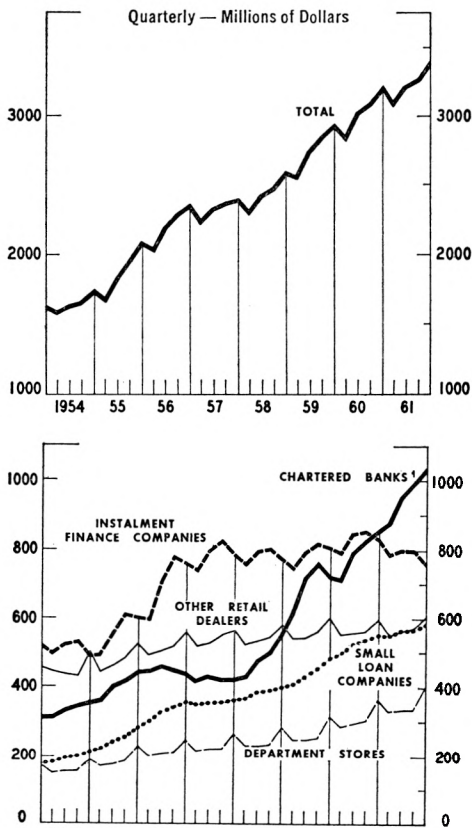
their approvals of residential mortgage loans insured under the National Housing Act rose very sharply during the year, their approvals of other mortgage loans on new residential property declined slightly, and their other mortgage loans rose considerably. Life insurance companies also increased their mortgage loan approvals in 1961. The Central Mortgage and Housing Corporation approved loans amounting to \$271 million in 1961 as compared with \$168 million in 1960. Further details on mortgage loan approvals appear in the Appendix on page 73.

In its continuing endeavour to promote a secondary market in mortgages, the Central Mortgage and Housing Corporation inaugurated in June 1961 a series of auctions of insured mortgages out of its portfolio. Three auctions were held (in June, August and November) with sales totalling \$41 million.



**CONSUMER CREDIT.** The outstanding amount of credit extended to consumers by finance companies and retail dealers and chartered banks by way of unsecured personal loans (i.e. loans other than those fully secured by marketable bonds and stocks and home improvement loans), after rising by 9 per cent in 1960, increased by almost 6 per cent in 1961. Chartered bank unsecured personal loans again rose sharply in 1961, increasing by 20 per cent in the year or at about the same rate as in 1960. Consumer loans of instalment finance companies were \$68 million lower at the end of 1961 than a year earlier. Credit extended by small loan companies and department stores rose moderately during the year and there was little change in the outstanding credit of other retail dealers. A detailed table appears in the Appendix on page 75.

**FINANCE COMPANY AND RETAIL DEALER CREDIT EXTENDED TO CONSUMERS AND CHARTERED BANK UNSECURED PERSONAL LOANS<sup>1</sup>**



1. Excludes personal loans fully secured by marketable bonds and stocks and home improvement loans.

\*

\*

\*

## APPENDIX

**CURRENCY OUTSIDE BANKS AND CHARTERED BANK DEPOSITS,  
STATUTORY DEPOSITS AND CASH RESERVES**

(millions of dollars)

	Currency Outside Banks and Chartered Bank Deposits		
	Monthly Averages of Wednesday Figures		
	<u>Total</u>	<u>Currency Outside Banks</u>	<u>Chartered Bank Deposits (excluding float)</u>
<b>Annual Averages</b>			
1958 .....	12,550	1,655	10,894
1959 .....	13,209	1,730	11,480
1960 .....	13,293	1,762	11,531
1961 .....	14,169	1,815	12,354
<b>Monthly</b>			
1960—Jan.....	13,113	1,699	11,414
Feb.....	13,000	1,690	11,310
Mar.....	13,012	1,715	11,297
Apr.....	13,110	1,732	11,378
May.....	13,140	1,738	11,402
June.....	13,255	1,767	11,488
July.....	13,269	1,788	11,481
Aug.....	13,195	1,798	11,397
Sept.....	13,280	1,784	11,496
Oct.....	13,594	1,791	11,802
Nov.....	13,717	1,809	11,908
Dec.....	13,830	1,816	12,013
1961—Jan.....	13,722	1,756	11,966
Feb.....	13,722	1,751	11,971
Mar.....	13,827	1,774	12,053
Apr.....	13,797	1,775	12,022
May.....	13,833	1,794	12,039
June.....	13,938	1,790	12,149
July.....	14,104	1,838	12,266
Aug.....	14,404	1,849	12,555
Sept.....	14,432	1,840	12,592
Oct.....	14,488	1,850	12,638
Nov.....	14,702	1,866	12,836
Dec.....	15,035	1,894	13,141

(1) Statutory basis, i.e. the average Canadian dollar deposit liabilities for each month are based on the four consecutive Wednesdays ending with the second last Wednesday of the previous month.

(2) 8 per cent of gross statutory deposits as shown in preceding column.

(3) For each month the cash reserves are equal to the monthly average of the daily figures for chartered bank deposits at the Bank of Canada and the average of chartered bank holdings of Bank of Canada notes for the four consecutive Wednesdays ending with the second last Wednesday of the previous month.

<b>Statutory Deposits<sup>(1)</sup></b>					
<b>Averages of Statutory Wednesdays</b>					
<b>Chartered Bank Deposits (excluding float)</b>	<b>Float</b>	<b>Total Statutory Deposits</b>	<b>Minimum Cash Reserve Requirement<sup>(2)</sup></b>	<b>Actual Cash Reserves<sup>(3)</sup></b>	<b>Average Cash Reserve Ratio</b>
					<b>%</b>
10,763	687	11,452	916	943	8.23
11,486	701	12,187	975	999	8.20
11,465	587	12,052	964	985	8.17
12,249	555	12,804	1,024	1,040	8.12
11,367	707	12,073	966	1,001	8.29
11,404	581	11,985	959	981	8.18
11,319	548	11,867	949	967	8.15
11,295	552	11,847	948	962	8.12
11,364	547	11,910	953	975	8.19
11,381	576	11,957	957	971	8.12
11,492	602	12,094	967	978	8.08
11,478	639	12,117	969	1,000	8.26
11,392	591	11,983	959	981	8.19
11,453	580	12,033	963	984	8.18
11,742	560	12,303	984	999	8.12
11,891	560	12,452	996	1,019	8.18
12,001	611	12,612	1,009	1,029	8.16
11,985	571	12,556	1,004	1,019	8.11
11,961	484	12,445	996	1,009	8.11
12,052	496	12,548	1,004	1,017	8.10
12,035	526	12,560	1,005	1,018	8.11
12,054	569	12,623	1,010	1,026	8.13
12,094	585	12,679	1,014	1,029	8.12
12,234	556	12,790	1,023	1,040	8.13
12,555	567	13,122	1,050	1,064	8.11
12,569	559	13,128	1,050	1,072	8.17
12,648	578	13,226	1,058	1,076	8.13
12,796	560	13,356	1,068	1,082	8.10

## APPENDIX

**SUMMARY OF NEW ISSUES, RETIREMENTS AND CANCELLATIONS  
OF GOVERNMENT OF CANADA DIRECT MARKET BONDS, 1961<sup>(1)</sup>**

(par values, millions of dollars)

<u>Date of Issue Retirement or Cancellation</u>	<u>Date of Offering of New Issues</u>	<u>New Issues</u>		
		<u>Advance Allotment to Bank of Canada</u>	<u>Public Offering</u>	<u>Total</u>
Feb. 1	Jan. 18	50	100	150
Mar. 1		-	-	-
Mar. 15	Feb. 28	200	75	275
May 1	Apr. 12	100	200	300
June 1	May 17	90	110	200
Aug. 1	July 18	175	175	350
Sept. 15	Sept. 5	200	200	400
Sept. 29		-	-	-
Nov. 7		-	-	-
Dec. 1	Nov. 13	200	325	525
Various				
<b>Total</b>		<b>1,015</b>	<b>1,185</b>	<b>2,200</b>

(1) Does not include the exchange of \$26 million of 5½% bonds due October 1, 1962 into 5½% bonds due October 1, 1975.

(2) Statistics published by the Bank of Canada exclude Newfoundland securities held by sinking funds and Government account "N" and are not affected by the cancellation of £7.1 million on January 1, 1961.

<b>Retirements and Cancellations</b>				
<b>At Maturity</b>	<b>Refunding of Bank of Canada Holdings in Advance of Maturity</b>	<b>Cancellation of Government Account Holdings<sup>(2)</sup></b>	<b>Total</b>	<b>Net Change in Market Bonds Outstanding</b>
-	50	100	150	-
-	-	40	40	-40
-	125	12	137	138
300	-	-	300	-
-	50	-	50	150
-	175	-	175	175
-	200	-	200	200
-	-	201	201	-201
-	-	143	143	-143
445	-	-	445	80
1	-	-	1	-1
<u>746</u>	<u>600</u>	<u>496</u>	<u>1,842</u>	<u>358</u>

## APPENDIX

## NEW ISSUES, RETIREMENTS AND CANCELLATIONS OF GOVERNMENT

Type of Security	Date of Issue, Retirement or Cancellation	Amount—our values (millions of dollars)	
		New Issues	Retirements or Cancellations
Treasury bills (net) <sup>(1)</sup>			100
Direct Market Bonds <sup>(2)</sup>	Feb. 1	150	
	Feb. 1		150 <sup>(3)</sup>
	Mar. 1		40 <sup>(4)</sup>
	Mar. 15	175	
	Mar. 15	100 <sup>(5)</sup>	
	Mar. 15		75 <sup>(7)</sup>
	Mar. 15		50 <sup>(7)</sup>
	Mar. 15		12 <sup>(4)</sup>
	May 1	190	
	May 1	110	
	May 1		300
	June 1	200 <sup>(6)</sup>	
	June 1		50 <sup>(7)</sup>
	Aug. 1	110	
	Aug. 1	240	
	Aug. 1		175 <sup>(7)</sup>
	Sept. 15	225	
	Sept. 15	175	
	Sept. 15		100 <sup>(7)</sup>
	Sept. 15		40 <sup>(7)</sup>
	Sept. 15		60 <sup>(7)</sup>
	Sept. 29		41 <sup>(9)</sup>
	Sept. 29		16 <sup>(9)</sup>
	Sept. 29		39 <sup>(9)</sup>
	Sept. 29		23 <sup>(9)</sup>
	Sept. 29		32 <sup>(9)</sup>
	Sept. 29		50 <sup>(9)</sup>
	Nov. 7		** <sup>(10)</sup>
	Nov. 7		1 <sup>(10)</sup>
	Nov. 7		60 <sup>(10)</sup>
	Nov. 7		17 <sup>(10)</sup>
	Nov. 7		7 <sup>(10)</sup>
	Nov. 7		3 <sup>(10)</sup>
	Nov. 7		8 <sup>(10)</sup>
	Nov. 7		46 <sup>(10)</sup>
	Nov. 7		1 <sup>(10)</sup>
	Dec. 1	175	
	Dec. 1	250	
	Dec. 1	100	
	Dec. 1		445
	Various		1
		<u>2,200</u>	<u>1,842</u>
Canada Savings Bonds		1,067	582
Other non-market bonds <sup>(11)</sup>	Sept. 29	139	
	Oct. 1-Dec. 31	23	5
Guaranteed bonds	May 19		2
	Dec. 18		3 <sup>(12)</sup>
Matured and outstanding bonds			7
Total <sup>(13)</sup>		<u>3,429</u>	<u>2,540</u>

(1) Treasury bills with an original term to maturity of one year.

(2) Does not include the exchange of \$26 million of 5½% bonds due October 1, 1962 into 5½% bonds due October 1, 1975.

(3) Includes the cancellation of \$100 million held by Government Securities Investment Account and the conversion of \$50 million held by the Bank of Canada.

(4) Cancellation of Government sinking fund holdings.

(5) After notice.

(6) Includes partial advance refunding of \$50 million of treasury bills maturing June 2, 1961.

(7) Conversion of part of issue held by the Bank of Canada.

**OF CANADA DIRECT AND GUARANTEED SECURITIES, 1961**

<u>Currency of Payment</u>	<u>Coupon Rate %</u>	<u>Maturity</u>	<u>Earliest Call Date</u>	<u>Issue or Conversion Price</u>	<u>Yield %</u>
C					
C	4	May 1/64	NC	98.50	4.50
C	3	May 1/61	NC		
US	2¾	Sept. 1/74	30 days <sup>(8)</sup>		
C	3½	Dec. 15/62	NC	99.40	3.86
C	4	May 1/64	NC	98.75	4.43
C	3	May 1/61	NC		
C	3	Dec. 1/61	NC		
US	2¾	Sept. 15/75	30 days <sup>(9)</sup>		
C	3	May 1/62	NC	99.25	3.77
C	4	May 1/64	NC	98.25	4.63
C	3	May 1/61	NC		
C	3½	Dec. 15/62	NC	98.75	4.35
C	3	Dec. 1/61	NC		
C	3	Aug. 1/62	NC	99.70	3.31
C	4	Dec. 1/64	NC	99.00	4.32
C	3	Dec. 1/61	NC		
C	3	Aug. 1/62	NC	99.75	3.29
C	4½	Dec. 15/66	NC	99.25	4.66
C	3	Dec. 1/61	NC		
C	3	May 1/62	NC		
C	3	June 15/62	NC		
C	2¾	June 15/68	June 15/67		
C	4¼	Sept. 1/72	NC		
C	3¼	June 1/76	June 1/74		
C	3¾	Jan. 15/78	Jan. 15/75		
C	3¼	Oct. 1/79	NC		
C	3¾	Mar. 15/98	Sept. 15/96		
C	3	Dec. 1/61	NC		
C	3¾	Sept. 1/65	NC		
C	4¼	Sept. 1/72	NC		
C	5½	Oct. 1/75	NC		
C	3¼	June 1/76	June 1/74		
C	3¾	Jan. 15/78	Jan. 15/75		
C	3¼	Oct. 1/79	NC		
C	4½	Sept. 1/83	NC		
C	3¾	Mar. 15/98	Sept. 15/96		
C	2¾	June 1/63	NC	99.00	3.44
C	3¼	Oct. 1/64	NC	98.80	3.70
C	4¼	June 1/67	NC	99.50	4.35
£	3	Dec. 1/61	NC		
C					
C	3¾				
C	3¾				
£	3½	May 19/61	NC		
C					

(8) Includes refunding of \$50 million of treasury bills maturing June 2, 1961.

(9) Cancellation of securities previously held by the Unemployment Insurance Fund.

(10) Cancellation of securities held by Government Securities Investment Account and Purchase Fund.

(11) Held by Unemployment Insurance Fund.

(12) Retirement through C.N.R. purchase fund holdings of small amounts of several issues.

(13) Includes net change in treasury bills outstanding.

\*\* Less than \$0.5 million.

## APPENDIX

**GOVERNMENT OF CANADA DIRECT AND GUARANTEED SECURITIES  
DISTRIBUTION OF HOLDINGS**

(par values, millions of dollars)

	As at Dec. 31 1961	Increase or decrease (-) during:					
		1960		1961		Year 1960	Year 1961
		I Half	II Half	I Half	II Half		
<b>Held Outside Government Accounts</b>							
Bank of Canada							
Treasury bills.....	314	87	11	-129	35	98	-93
Other market issues.....	2,563	-101	70	98	127	-31	226
Total.....	2,876	-14	81	-31	163	67	132
Chartered Banks							
Treasury bills.....	1,162	-19	9	172	16	-10	188
Other market issues.....	2,631	141	116	151	395	256	547
Total.....	3,792	122	124	324	412	247	735
General Public							
Treasury bills.....	405	-164	-43	-90	-54	-206	-144
Other market issues.....	6,838	392	-213	66	-165	179	-99
Canada Savings Bonds.....	4,080	-153	535	-121	607	382	486
Total.....	11,323	75	280	-145	388	355	243
<b>Total</b>							
Treasury bills.....	1,880	-95	-23	-47	-2	-118	-49
Other market issues.....	12,031	432	-27	316	358	405	674
Canada Savings Bonds.....	4,080	-153	535	-121	607	382	486
Total.....	17,992	184	485	148	963	669	1,110
<b>Held In Government Accounts</b>							
Unemployment Insurance Fund							
Treasury bills.....	-	-15	45	-52	-	29	-52
Other market issues.....	-	-161	-20	-22	-242	-181	-264
Non-market issues.....	157	-	-	-	157	-	157
Total.....	157	-176	25	-74	-85	-151	-159
Securities Investment Account							
Treasury bills.....	-	-	-	-	-	-	-
Other market issues.....	41	-	53	-20	-42	53	-62
Total.....	41	-	53	-20	-42	53	-62
Purchase Fund							
Market issues.....	38	-	-	-	38	-	38
Total.....	38	-	-	-	38	-	38
Other Government Accounts							
Treasury bills.....	5	-2	-2	-1	2	-3	1
Other market issues.....	404	33	12	-37	-2	45	-39
Total.....	408	32	10	-39	-	42	-38
<b>Total</b>							
Treasury bills.....	5	-17	43	-53	2	26	-51
Other market issues.....	483	-127	45	-80	-248	-83	-327
Non-market issues.....	157	-	-	-	157	-	157
Total.....	644	-144	87	-133	-88	-57	-221
<b>Total Outstanding</b>							
Treasury bills.....	1,885	-112	20	-100	-	-92	-100
Other market issues.....	12,514	304	17	236	110	322	346
Canada Savings Bonds.....	4,080	-153	535	-121	607	382	486
Other non-market issues....	157	-	-	-	157	-	157
Total.....	18,636	40	573	15	874	612	889



## APPENDIX

**GOVERNMENT OF CANADA DIRECT AND GUARANTEED SECURITIES  
CLASSIFIED BY TERM TO MATURITY**

(par values, millions of dollars)

	As at Dec. 31 1961	Increase or decrease (—) during:					
		1960		1961		Year 1960	Year 1961
		I Half	II Half	I Half	II Half		
<b>Total Amount Outstanding</b>							
Treasury bills.....	1,885	-112	20	-100	-	-92	-100
Other market issues.....							
2 years and under.....	3,184	-597	-35	727	207	-632	934
Over 2 years and up to 5 years	2,770	600	1,076	-405	368	1,676	-36
Over 5 years and up to 10 years	978	280	-1,194	5	-187	-914	-182
Over 10 years.....	5,582	22	171	-91	-277	193	-369
<b>Total market issues</b>							
(bonds and treasury bills).....	14,399	193	37	136	110	230	246
Canada Savings Bonds.....	4,080	-153	535	-121	607	382	486
Other non-market issues.....	157	-	-	-	157	-	157
<b>Total.....</b>	<b>18,636</b>	<b>40</b>	<b>573</b>	<b>15</b>	<b>874</b>	<b>612</b>	<b>889</b>
<b>Average maturity of</b>	<b>8 yrs.</b>	<b>-</b>	<b>-1</b>	<b>-5</b>	<b>-8</b>	<b>-1</b>	<b>-1 yr.</b>
market issues.....	4 mo.		mo.	mo.	mo.	mo.	1 mo.
<b>Amount Held by General Public</b>							
Treasury bills.....	405	-164	-43	-90	-54	-206	-144
Other market issues.....							
2 years and under.....	1,522	-386	-67	381	-32	-454	349
Over 2 years and up to 5 years	952	388	142	-305	56	530	-248
Over 5 years and up to 10 years	485	189	-468	22	-96	-279	-74
Over 10 years.....	3,880	201	181	-32	-93	382	-125
<b>Total market issues</b>							
(bonds and treasury bills).....	7,243	228	-255	-24	-219	-28	-242
Canada Savings Bonds.....	4,080	-153	535	-121	607	382	486
<b>Total.....</b>	<b>11,323</b>	<b>75</b>	<b>280</b>	<b>-145</b>	<b>388</b>	<b>355</b>	<b>243</b>
<b>Average maturity of</b>	<b>10 yrs.</b>	<b>2</b>	<b>6</b>	<b>-5</b>	<b>-3</b>	<b>8</b>	<b>-8</b>
market issues.....	10 mo.	mo.	mo.	mo.	mo.	mo.	mo.

APPENDIX

**NET INCREASE IN MORTGAGE LOANS OUTSTANDING  
HELD BY MAJOR FINANCIAL INSTITUTIONS**

(millions of dollars)

	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
Chartered banks <sup>(1)</sup> .....	74	219	200	93	204	178	3	-18
Life insurance companies in Canada <sup>(2)</sup> .....	230*	295	310	245	160	260	225	275*
Trust companies.....	28	48	39	5	66	62	57	n.a.
Mortgage loan companies.....	44	43	49	21	45	56	68	n.a.
Credit unions.....	16	40	25	26	33	46	46	n.a.
Quebec savings banks.....	6	7	10	11	10	7	3	16
Sub-total.....	398	652	633	401	518	609	402	n.a.
Trusteed pension funds.....	n.a.	n.a.	n.a.	n.a.	51	48	21	n.a.
Total.....	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	<u>569</u>	<u>657</u>	<u>423</u>	<u>n.a.</u>

(1) Chartered bank mortgage loans are also included in the compilation of funds borrowed through the securities markets and banking systems given on pages 40 and 41.

(2) Gross mortgage loan disbursements and repayments of life insurance companies in Canada have been estimated by the Bank of Canada as follows:

	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
Gross disbursements.....	380	470	510	450	400	510	490	575
Repayments.....	150	175	200	205	240	250	265	300
Net increase (as above).....	<u>230*</u>	<u>295</u>	<u>310</u>	<u>245</u>	<u>160</u>	<u>260</u>	<u>225</u>	<u>275*</u>

\*Bank of Canada estimate.

APPENDIX

**MORTGAGE LOANS APPROVED BY LENDING INSTITUTIONS  
AND CENTRAL MORTGAGE AND HOUSING CORPORATION**

(millions of dollars)

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
Lending Institutions				
Chartered banks				
New residential—NHA loans <sup>(1)</sup> .....	300	175	1	-
Life insurance companies				
New residential				
NHA loans <sup>(1)</sup> .....	171	113	177	257
Other loans.....	181	239	201	238
Other.....	178	225	210	242
Total.....	<u>530</u>	<u>577</u>	<u>588</u>	<u>737</u>
Trust, mortgage loan and other companies				
New residential				
NHA loans <sup>(1)</sup> .....	47	19	64	195
Other loans.....	109	104	106	96
Other.....	205	199	274	355
Total.....	<u>361</u>	<u>322</u>	<u>444</u>	<u>646</u>
Total.....	<u>1,192</u>	<u>1,075</u>	<u>1,033</u>	<u>1,383</u>
Central Mortgage and Housing Corporation.....	<u>389</u>	<u>367</u>	<u>168</u>	<u>271</u>
Total Lending Institutions and Central Mortgage and Housing Corporation.....	<u><u>1,581</u></u>	<u><u>1,442</u></u>	<u><u>1,201</u></u>	<u><u>1,654</u></u>

(1) Loans insured under the National Housing Act.

## APPENDIX

**NET NEW ISSUES OF CORPORATE SECURITIES<sup>(1)</sup>****Industrial Classification of Bonds, Stocks and  
Finance Company Short-Term Paper**

(millions of dollars)

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
<b>Non-financial corporations</b>				
Natural resource industries				
Uranium mines.....	44	-30	-73	-116
Other non-ferrous metal mines and products...	39	-16	-7	-6
Non-metallic mines and products.....	19	6	8	-5
Petroleum and products.....	153	27	15	39
Wood and paper and products.....	36	-14	13	29
Sub-total.....	290	-27	-45	-59
Other manufacturing industries				
Iron and steel and products.....	30	32	4	44
Other manufactured products.....	41	1	59	74
Sub-total.....	71	33	63	118
Utilities				
Railways and telegraphs.....	57	-25	-16	-15
Telephones.....	130	166	141	152
Pipelines.....	105	-13	47	121
Other utilities.....	193	131	40	-120
Sub-total.....	485	259	211	139
Merchandisers.....	25	43	75	109
Other.....	5	9	12	5
Total.....	876	317	316	311
<b>Financial corporations</b>				
Instalment finance and small loan companies.....	-115	194	108	-7
Other finance, insurance and real estate.....	94	136	110	88
Total.....	-21	330	218	81
<b>Total.....</b>	<u>855</u>	<u>647</u>	<u>533</u>	<u>392</u>

(1) Does not include issues guaranteed by provincial governments (e.g. net new issues of provincial hydro commissions which amounted to \$276 million in 1958, \$167 million in 1959, \$165 million in 1960, and \$480 million in 1961.)

APPENDIX

**CONSUMER CREDIT AND OTHER LOANS TO INDIVIDUALS<sup>(1)</sup>**

(millions of dollars)

	<b>Balances Outstanding at Dec. 31/61</b>	<b>Increase or decrease (-) in balances outstanding</b>			
		<b>1958</b>	<b>1959</b>	<b>1960</b>	<b>1961</b>
Finance company and retail dealer credit extended to consumers					
Instalment finance companies.....	760	-12	38	22	-68
Small loan companies.....	583	39	83	65	34
Department stores.....	401	20	32	50	33
Other retail dealers.....	605	15	22	-5	13
Sub-total.....	<u>2,349</u>	<u>62</u>	<u>175</u>	<u>132</u>	<u>12</u>
Chartered bank unsecured personal loans <sup>(2)</sup> .....					
	<u>1,030</u>	<u>133</u>	<u>166</u>	<u>138</u>	<u>173</u>
Total.....	<u><u>3,379</u></u>	<u><u>195</u></u>	<u><u>341</u></u>	<u><u>270</u></u>	<u><u>185</u></u>
Other loans mainly to individuals for non-business purposes					
Chartered banks					
Secured personal loans <sup>(3)</sup> .....	336	30	-5	4	50
Government-guaranteed home improvement loans.....	66	10	2	-4	10
Life insurance company policy loans...	360	10	18	21	16
Quebec savings banks.....	17	-1	1	1	3
Credit unions.....	*	62	77	28	*

(1) Excludes mortgages.

(2) Excludes personal loans fully secured by marketable bonds and stocks and home improvement loans.

(3) Fully secured by marketable bonds and stocks.

\* Not available. Credit unions' non-mortgage loans outstanding at December 31, 1960, amounted to \$425 million.

APPENDIX

**BANK OF CANADA NOTE LIABILITIES**

(as at December 31st. — thousands of dollars)

Notes issued by the Bank of Canada	<u>1950</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
\$1.....	50,273	75,873	78,402	81,733	86,114
2.....	37,279	53,597	55,076	57,622	60,640
5.....	111,731	143,010	144,702	149,545	156,501
10.....	429,886	533,078	521,309	519,559	533,041
20.....	346,060	627,814	647,276	676,549	719,713
25.....	47	46	46	46	46
50.....	108,735	143,606	145,461	147,596	152,106
100.....	254,457	391,629	395,383	396,328	407,307
500.....	160	49	46	41	38
1,000.....	11,489	15,928	19,549	19,547	18,198
<b>Total.....</b>	<b>1,350,117</b>	<b>1,984,630</b>	<b>2,007,250</b>	<b>2,048,567</b>	<b>2,133,704</b>
Chartered banks' notes*.....	12,487	8,655	8,519	8,423	8,363
Dominion of Canada notes*.....	4,702	4,645	4,641	4,638	4,637
Provincial notes*.....	28	28	28	28	28
Defunct banks' notes*.....	88	88	88	88	88
<b>Total Bank of Canada note liabilities.....</b>	<b>1,367,422</b>	<b>1,998,046</b>	<b>2,020,525</b>	<b>2,061,743</b>	<b>2,146,820</b>
Held by:					
Chartered banks.....	231,306	338,176	315,703	329,841	346,630
Others.....	1,136,116	1,659,870	1,704,822	1,731,902	1,800,190

\*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.

**BANK OF CANADA STATEMENT OF EARNINGS,  
OPERATING EXPENSES AND DISTRIBUTION OF EARNINGS**

(thousands of dollars)

	<u>1961</u>	<u>1960</u>
<b>Earnings</b>		
On investments.....	116,391	99,526
All other earnings.....	958	920
	-----	-----
Total earnings.....	117,349	100,446
	-----	-----
<b>Operating Expenses</b>		
Salaries <sup>(1)</sup> .....	3,566	3,437
Contributions to pension and insurance funds.....	315	303
Other staff expense <sup>(2)</sup> .....	156	159
Directors' fees and expenses.....	24	19
Auditors' fees and expenses.....	75	78
Taxes (inc. municipal and business).....	749	695
RCMP guards and electric protection.....	109	101
Insurance.....	81	84
Bank notes — production and shipment.....	2,863	3,514
Premises and equipment (net).....	251	361
Stationery and printing.....	131	151
Publications <sup>(3)</sup> .....	66	59
Postage and express.....	136	127
Telephones and telegrams.....	165	162
Travel and transfer expense.....	101	136
Interest paid on unclaimed balances.....	49	45
All other expenses.....	71	61
	-----	-----
Total operating expenses.....	8,908	9,492
	-----	-----
<b>Distribution of Earnings</b>		
Operating expenses.....	8,908	9,492
Depreciation on buildings and equipment.....	748	778
Paid to Receiver General of Canada.....	107,693	90,176
	-----	-----
Total earnings.....	117,349	100,446
	-----	-----

(1) The number of staff averaged 815 in 1961 and 827 in 1960.

(2) Includes overtime pay, medical services and cafeteria expense.

(3) Printing of Statistical Summary and Annual Report.

# BANK OF CANADA • STATEMENT

## ASSETS

	<u>1961</u>	<u>1960</u>
<b>Foreign exchange*</b>		
Pounds sterling and U.S.A. dollars.....	\$ 44,633,333	\$ 54,325,052
Other currencies.....	212,467	165,209
	\$ 44,845,800	\$ 54,490,261
<b>Cheques on other banks.....</b>	<b>\$ 194,682,834</b>	<b>\$ 149,945,973</b>
<b>Accrued interest on investments.....</b>	<b>\$ 26,604,309</b>	<b>\$ 24,598,760</b>
<b>Investments — at amortized values</b>		
Treasury bills of Canada.....	\$ 312,159,070	\$ 404,354,058
Other securities issued or guaranteed by Canada maturing within two years.....	513,922,548	353,433,782
Other securities issued or guaranteed by Canada not maturing within two years.....	1,999,571,699	1,931,943,841
Debentures issued by Industrial Development Bank.....	88,007,223	64,378,939
Other securities — U.S.A. Government*.....	24,956,836	24,357,001
	\$2,938,617,376	\$2,778,467,621
<b>Industrial Development Bank</b>		
Total issued share capital at cost.....	\$ 27,000,000	\$ 25,000,000
<b>Bank premises</b>		
Land, buildings and equipment		
Cost less accumulated depreciation.....	\$ 10,583,188	\$ 11,470,473
<b>Other assets.....</b>	<b>\$ 566,732</b>	<b>\$ 471,031</b>
	<b>\$3,242,900,239</b>	<b>\$3,044,444,119</b>

\*Foreign currencies converted to Canadian dollars at year-end closing rates.

L. RASMINSKY, Governor  
Ottawa, January 30, 1962

A. J. NORTON, Chief Accountant



## OF ASSETS AND LIABILITIES

**AS AT DECEMBER 31, 1961**

(with comparative figures et December 31, 1960)

<b>LIABILITIES</b>	<u>1961</u>	<u>1960</u>
<b>Capital paid up</b> .....	\$ 5,000,000	\$ 5,000,000
<b>Reserve fund</b> .....	\$ 25,000,000	\$ 25,000,000
<b>Notes in circulation</b> .....	<u>\$2,146,820,122</u>	<u>\$2,061,743,386</u>
<b>Deposits</b>		
Government of Canada .....	\$ 41,443,054	\$ 35,721,014
Chartered banks .....	749,430,167	662,584,610
Other .....	<u>33,384,837</u>	<u>33,278,175</u>
	<u>\$ 824,258,058</u>	<u>\$ 731,583,799</u>
<b>Liabilities payable in pounds sterling, U.S.A. dollars and other foreign currencies*</b>		
To Government of Canada .....	\$ 45,086,763	\$ 59,573,053
To others .....	<u>13,942,970</u>	<u>9,036,950</u>
	<u>\$ 59,029,733</u>	<u>\$ 68,610,003</u>
<b>Bank of Canada cheques outstanding</b> .....	<u>\$ 177,700,599</u>	<u>\$ 149,194,297</u>
<b>Net balance of Government of Canada collections and payments in process of settlement</b> .....	<u>\$ 3,359,727</u>	<u>\$ 2,026,977</u>
<b>Other liabilities</b> .....	<u>\$ 1,732,000</u>	<u>\$ 1,285,657</u>
	<u><u>\$3,242,900,239</u></u>	<u><u>\$3,044,444,119</u></u>

**Auditors' Report** • We have made an examination of the statement of assets and liabilities of the Bank of Canada as at December 31, 1961 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, 1961 according to the best of our information and as shown by the books of the Bank.

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

J. H. RENÉ de COTRET, C.A.  
of René de Cotret, Ferron, Nobert & Cie

## Board of Directors



- L. RASMINSKY, C.B.E. OTTAWA  
*Governor*  
*Member of the Executive Committee*
- J. R. BEATTIE OTTAWA  
*Deputy Governor*  
*Member of the Executive Committee*
- A. C. ASHFORTH TORONTO, ONT.
- H. BARIBEAU LEVIS, QUE.
- N. H. DEBLOIS CHARLOTTETOWN, P.E.I.
- R. W. DEWOLFE\* WOLFVILLE, N.S.
- FREDERICK FIELD, F.C.A. VANCOUVER, B.C.
- C. HEDLEY FORBES FREDERICTON, N.B.
- C. BRUCE HILL, M.C. ST. CATHARINES, ONT.  
*Member of the Executive Committee*
- S. N. MACEachern SASKATOON, SASK.
- J. R. OUIMET MONTREAL, QUE.
- L. PATRICK, C.B.E. CALGARY, ALTA.
- W. S. PERLIN\* ST. JOHN'S, NFLD.
- D. SPRAGUE, C.A. WINNIPEG, MAN.



### EX-OFFICIO

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

\*Appointed in February 1962.



## **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* J. F. SMITH, *Agent*

*SAINT JOHN, N.B.* E. L. JOHNSON, *Agent*

*TORONTO* R. J. LILLIE, *Agent*  
D. D. NORWICH,  
*Assistant Agent*

*VANCOUVER* W. D. FARRELL, *Agent*

*WINNIPEG* E. T. W. DAVIES, *Agent*



