

STATEMENT OF REVENUES AND EXPENDITURES

SURPLUS \$533,600,000: The Minister of Finance, Mr. Abbott, on November 20 released the statement of the Comptroller of the Treasury covering revenues and expenditures of the federal Government for the Period April 1 - October 31, 1948.

According to the Comptroller's statement total revenues of the federal Government for the month of October, 1948, amounted to \$215.5 millions, compared with a total of \$229.6 millions for the month of October last year. Total revenue receipts for the 7-month period April 1 - October 31, 1948, now stand at \$1,530.3 millions, compared with a total of \$1,611.3 millions for the same period a year ago.

The Comptroller's statement also shows total expenditures for the month of October of \$151.6 millions. This compares with a figure of \$168.8 millions for October, 1947. Total expenditures for the first seven months of the current fiscal year now stand at \$996.7 millions compared with a total of \$1,070.6 millions for the same period a year ago.

BUDGETARY SURPLUS

Revenues for October 1948 thus exceeded expenditures by \$63.9 millions. This brings the Government's total "budgetary surplus" for the first seven months of the current fiscal year up to a figure of \$533.6 millions, which compares with a budgetary surplus of \$540.7 millions accumulated by this same date a year ago.

Commenting on the Comptroller's statement, Mr. Abbott stressed the interim nature of these monthly figures and emphasized the danger of drawing misleading conclusions from them. He pointed out that it would be wrong, for example, to assume that the Government's budgetary surplus will continue to increase during the last five months of the fiscal year at the same rate as it has during the first seven months of the year. Although further increases in the budgetary surplus are expected in the succeeding months between now and next March, these will likely be offset, at least in very large degree, by certain expenditures of substantial amount which are ordinarily not recorded in the Government's accounts until right at the end of the year.

Included in this category of expenditure are the following:

- (1) Interest on, or contributions to, funds of various kinds, e.g., interest allowed on Government Annuities, interest on, or contributions to, various superannuation, retirement and pension funds, interest paid or credited on Post Office savings bank deposits.
(2) Any addition to the general reserve for possible losses on ultimate realization of active assets which now stand on the books at almost \$5 billion.

(3) Any deficits sustained during the year by various Government-owned enterprises, such as the C.N.R. and T.C.A., together with deficits incurred during the year in operating such agencies or accounts as the Canadian Wheat Board and the Prairie Farm Emergency Fund.

(4) That portion of the April, 1949, cheque issue which represents payments for expenditures originating in, and properly attributable to, the present fiscal period. In accordance with the provisions of the Consolidated Revenue and Audit Act the Government's books are always held open, at March 31 in order to record expenditures which, although they were incurred in the current fiscal year, are not actually paid until April, the first month of the following year.

Mr. Abbott also emphasized the fact that the surplus indicated by the figures on the Comptroller's statement should not be confused with the Government's "cash" surplus--i.e., the net cash remaining to the Government out of a year's operations after taking into account all cash receipts other than borrowings, and all cash disbursements other than redemption of debt. The former surplus represents the excess of revenues over expenditures in the strict accounting or budgetary sense of those terms.

It excludes, for example, all receipts which represent repayments of loans and advances, and it also excludes all receipts which represent accumulations on annuity, pension and insurance funds. Similarly excluded on the expenditure side are all Government outlays arising from increases in loans, advances and investments. Such outlays use up cash but they are not expenditures in the ordinary accounting or budgetary sense. Moreover, certain expenditures which are included in arriving at the budgetary surplus do not require the actual disbursement of cash, e.g., write-offs of assets and the annual addition to the reserve for possible losses on ultimate realization of active assets.

CASH RESOURCES

As an indication of the magnitude of some of the items which entail demands upon the Government's cash resources over and above the regular budgetary expenditures, the Comptroller's October statement gives details of the net cash outlay required during the current year for loans, advances and investments. Although the total of such items (excluding advances to the Foreign Exchange Control Board and amounts temporarily invested in the Government's own securities) showed a small net decrease of \$6.9 millions during October, the overall net increase in these items for the 7-month period April 1-October 31 amounted to \$125.7 millions.

MANUFACTURERS' INVENTORIES: Advance indications point to a small decrease in the total value of inventories held by Canadian manufacturing industries during September. If this trend is substantiated by later returns, it will mean the first monthly decline in total value since the survey began in October, 1946, according to the Bureau of Statistics.

Consumers' goods inventories appear to have declined somewhat, and capital goods inventories have also fallen, but by a smaller amount. The value of producers' goods inventories have risen very slightly; stocks of construction materials also appear to be above July levels, but figures for sawmills, the largest component of this group are not yet available.

The decline in inventory value appears to have been due to unusually high levels of shipments during September. In the majority of industries for which figures are available, shipment values are well above the levels of the past few months. In some cases this was probably accounted for by holidays in July and August, but in most instances the increase is greater than the increase during September, 1947.

LARGEST DECLINE

The consumers' non-durable finished products group shows the largest decline in inventory value. In the food group, all components show a decrease in value, except butter stocks, which have increased slightly, but not as much as last year. The decrease in inventories held by sugar refiners, slaughterers and meat packers, and cheese factories are all of a seasonal nature, but meat and cheese stocks appear to have declined in value more than they did in September, 1947. The value of inventories in the tobacco and beverages group has also decreased in value, due to a large seasonal decline in tobacco stocks.

The non-durable semi-finished products group appears to have risen, due to seasonal increases in the feed and flour, and malt and malt products inventories; semi-durable consumers' goods inventories also increased. In the latter group, the clothing, textile and leather footwear industries showed small increases and rubber goods a small decrease in value.

Total durable consumers' goods inventories have declined, due largely to a four-point drop in the electrical apparatus and supplies industry, although the majority of industries in this group show slight rises in value. Throughout the consumers' goods group the majority of shipments are well above the August level.

Capital goods inventories were down slightly in value in September, although they do not appear to have fallen back to the July level. The fall was caused by increases in the agricultural implements and shipbuilding industries, the majority of other industries in the

group having increased inventory value slightly. In the majority of industries in this group also, shipments were well above August levels, the increase being especially marked in the shipbuilding and railway rolling stock industries.

The value of inventory in the producers' goods group has risen very slightly, but the increase appears smaller than any registered in the previous six months in this category.

TRADE AGREEMENT: The Department of External Affairs announced November 19 that, by an exchange of notes between the Acting Secretary of State for External Affairs and the Minister of Finland to Canada, the Governments of Canada and Finland have agreed to extend on a reciprocal basis most favoured nation tariff treatment.

Under the terms of this agreement, Canadian products imported into Finland will not be subject to duties or charges higher than those levied on products of the United Kingdom. Finnish products imported into Canada will not be subject to duties or charges higher than those levied on products of foreign countries.

The agreement will remain in force for one year, after which it will be subject to termination by either Government at any time on giving three months' notice.

Finland is one of the eleven countries which recently signified their intention of acceding to the General Agreement on Tariffs and Trade, of which Canada and twenty-one other countries are already signatories. Tariff negotiations between these countries are scheduled to commence on April 11, 1949.

The principal items which made up Canada's total exports to Finland of \$1,211,660 in 1947 were sole leather, metal products, cordage and twine.

Granite and granite products have been the main Canadian imports from Finland.

IMMIGRATION STATEMENT: The following statement was issued by the Immigration Branch of the Department of Mines and Resources on immigration to Canada for the six months ended September 30, 1948:

Table with 4 columns: Month, From Overseas (British, Others), From U.S.A., Totals. Rows for April, May, June, July, August, September, and Totals.