

## PART III.—EXTERNAL TRANSACTIONS\*

## Section 1.—Canadian Balance of International Payments

A summary of Canada's total commercial and financial transactions with other countries is presented in statements of the Canadian Balance of International Payments. The current account statement, showing all current exchanges of goods and services, reveals income and expenditures abroad and the extent to which these are out of balance. The capital account presents an analysis of the movements of capital which have occurred during the periods covered by the current account.

Each year since 1950, with the exception of 1952, Canada's current expenditures abroad have exceeded external current receipts. The resulting current account deficits that have occurred in this period of rapid Canadian development have been financed by inflows of capital. Current account deficits have customarily been associated with periods of Canadian prosperity and once again the rate of recent Canadian growth with the development of new resources has been the underlying element in the strength of Canadian demands for imported goods and services. High levels of investment at a time when defence expenditures have also been very heavy together with rising levels of consumption have contributed to the deficits. Before 1955 the deficits in recent years have not been large in proportion to the high levels of total current transactions and, until then, capital inflows of a long term type were large enough to finance the deficits in most periods. But in 1955 the current deficit rose to a new peak of \$692,000,000 which represented a higher proportion of current receipts than for any year since 1930, and this deficit was substantially more than the net inflow of longterm capital.

\* Prepared in the Balance of Payments Section, International Trade Division, Dominion Bureau of Statistics. More detailed information is given in the publications, *Canadian Balance of International Payments* and *Canada's International Investment Position, 1926 to 1954*.

