

## PART III.—EXTERNAL TRANSACTIONS\*

### Section 1.—Canadian Balance of International Payments

Canada's total commercial and financial transactions with other countries are presented in summary form in statements of the Canadian balance of international payments. The current account statement, covering all current exchanges of goods and services, indicates the main categories of transactions giving rise to receipts from and expenditures abroad, and the extent to which these are out of balance. The capital account presents an analysis of the movements of short-term and long-term capital that have occurred during a comparable period.

Each year since 1950, with the exception of 1952, Canada's current expenditures abroad exceeded external current receipts. The current account deficits that resulted in this period of rapid Canadian development were financed by inflows of capital. Current account deficits have customarily been associated with periods of Canadian prosperity, and the rate of recent Canadian growth with the development of new resources has been once again an underlying element in the strength of Canadian demands for imported goods and services. High levels of investment at a time when defence expenditures were also very heavy, together with rising levels of consumption, contributed to the deficits. Until 1956 the deficits in recent years were not large in proportion to the high levels of total current transactions and capital inflows of a long-term type were large enough to finance the deficits in most periods. In 1956 and 1957, as the result of continuing high levels of investment and consumption, the deficits rose to unprecedented peaks of \$1,366,000,000 and \$1,455,000,000; at the same time, inflows of capital in long-term forms rose very sharply. The figure for 1958, reflecting some moderation of economic activity in Canada, was substantially smaller than in the preceding years but nevertheless amounted to \$1,131,000,000. In 1959 it rose to \$1,504,000,000 but in 1960 declined again to \$1,217,000,000. Since 1956, capital inflows in long-term forms have fallen short of current account deficits.

**Current Account Transactions.**—The deficit of \$1,217,000,000 on current account in 1960 was made up of deficits of \$145,000,000 on merchandise account† and \$1,072,000,000 from non-merchandise transactions. The merchandise deficit has varied widely and was as high as \$728,000,000 in 1956, when it accounted for more than one-half of the total deficit. On the other hand, the deficit on non-merchandise transactions has risen with a persistence and significance characteristic of this type of transaction for some years past.

In recent years the relative importance of exports of materials for industry—in such broad areas as forest products, metals and minerals and chemicals and fertilizers—has been increasing or maintained, and the relative position of wheat and other grains has declined. In addition to newer products for export—such as iron ore, petroleum and uranium—there have been general increases in the productive capacity of more traditional staples like pulp and paper, nickel, aluminum and copper. Expansions in demand for industrial materials produced by leading primary industries were responsible for most of a gain of \$250,000,000 in 1960 in merchandise exports, which reached \$5,400,000,000. In general, imports have demonstrated much more flexibility than exports but the decline in imports to \$5,545,000,000 in 1960 amounted to only \$27,000,000; within the total, divergent changes in commodity imports occurred, usually characteristic of a period of hesitant economic activity. Fairly substantial declines in imports of farm implements and miscellaneous

\* Prepared in the Balance of Payments Section, International Trade Division, Dominion Bureau of Statistics. More detailed information is given in the annual publication *Canadian Balance of International Payments and International Investment Position* (Catalogue No. 67-201), and in *Quarterly Estimates of the Canadian Balance of International Payments* (Catalogue No. 67-001).

† The adjustments from commodity trade statistics to merchandise imports and exports for balance of payments purposes include some items covered elsewhere in the balance of payments, as well as other adjustments necessary to conform to international receipts and payments.