

investment and consumption, the deficits rose to 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 but nevertheless amounted to \$1,131,000,000. After reaching a record high level of \$1,504,000,000 in 1959, the deficit receded sharply to \$1,243,000,000 in 1960 and to \$982,000,000 in 1961. Since 1956, capital inflows in long-term forms have progressively fallen short of current account deficits.

Current Account Transactions.—The deficit of \$982,000,000 on current account in 1961 was made up of a surplus of \$173,000,000 (first since 1954) on merchandise account* and \$1,155,000,000 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 since 1952 with a persistence and significance characteristic of this type of transaction.

Since 1954, when merchandise exports and imports were almost equal at \$3,900,000,000, exports have risen to a peak of \$5,889,000,000 in 1961 but imports have registered wide fluctuations. In current dollars, the record high import total of \$5,716,000,000 for 1961 was only about 2.5 p.c. higher than imports for 1956 and 1959, but 13 p.c. above 1958. In the past decade or so, the relative importance of exports of metal and mineral materials increased markedly, those of other materials for industry such as chemicals and fertilizers more moderately, while the percentage share for forest products tended to narrow somewhat. The relative position of wheat, flour and other grains, which had been diminishing, recovered in 1961, owing to large shipments of grain to Mainland China and other Communist countries, to the average level of 1955 and 1956. In addition to newer products for export, such as iron ore, uranium, petroleum and natural gas, there have been general increases in more traditional staples like pulp and paper, nickel, aluminum and copper. Over four-fifths of the 9-p.c. export rise in 1961 was derived from larger shipments of wheat, nickel, petroleum and natural gas, with wheat alone accounting for about one-half of the increase. On the other hand, exports of uranium declined sharply and those of other metals less substantially. A 3-p.c. rise in imports in 1961 resulted from larger deliveries of civil aircraft, machinery, fruits, grains, meats and oils, which were offset in part by lower purchases of cars, trucks and rolling-mill products. (See also Part I of Chapter XX on Foreign Trade.)

The 1961 deficit on non-merchandise transactions of \$1,155,000,000 was nearly ten times as great as that in 1949 and two and one-half times that for as recent a year as 1955. This rise was attributable largely to the continued rapid growth in Canada's indebtedness to other countries and to the high level of incomes spent by an enlarged population. Roughly one-half of this deficit in 1961 was directly related to Canada's indebtedness abroad and subject to the effects of continued growth, with total interest and dividend payments by Canadians to other countries reaching \$770,000,000. Other forms of transfer of investment income added over \$100,000,000 of related payments, and there were also large payments by Canadian subsidiaries to parent companies for services. The net payments of interest and dividends alone totalled \$561,000,000 while the net payments on account of all the above groups of transactions that are related to foreign investment amounted to well over \$700,000,000. In addition, there were some hundreds of millions of dollars accruing to non-residents which were retained in Canada for further investment and are therefore not reflected in the current account.

The travel account involves substantial net outlays and reflects high levels of income in Canada. In 1961 net payments amounted to \$160,000,000, a substantial improvement from the deficit of \$207,000,000 in each of the two preceding years, as a result of a heavy influx of tourists from the United States during the summer of that year. To these payments were added net deficits of \$82,000,000 from freight and shipping transactions,

* 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.