

Some of the most notable developments of the year occurred in the field of foreign trade where both exports and imports of goods and services rose to record levels. Exports amounted to \$8,224,000,000, close to 8 p.c. higher than in 1961, the rate of increase for goods being somewhat higher than for services. At the same time, imports of goods and services reached a value of \$9,033,000,000, nearly 6 p.c. above the level of 1961; all the increase was in the merchandise part of the account. The result was that the deficit on international current account fell from about \$911,000,000 to about \$809,000,000, all of the improvement occurring in the non-merchandise items.

The pattern of trade in 1962 was affected, among other things, by the stabilization of the Canadian dollar in May, at 92.5 cents in terms of United States currency. Furthermore, the foreign exchange crisis in June 1962 culminated in government action to relieve pressure on the Canadian dollar, to bring about a greater stabilization in Canada's international transactions, and to strengthen the exchange reserves. The net effect of these factors in terms of Canadian production was to contribute to an increase in exports of Canadian goods and services and to lower the portion of domestic demand being met from foreign sources. The deficit with non-residents on current account, on a year-to-year basis, showed a fairly small change but within the year it declined progressively from just over \$1,000,000,000 in the first quarter to less than half that in the final quarter, although some of this improvement may have resulted from a decline in imports from an irregularly high third-quarter level.

The rise in exports of goods occurred mainly in the second quarter of the year, but the high level was sustained throughout the remainder of the year. It was attributable in part to the economic expansion in the United States (the increase in exports to the United States on a year-to-year basis was greater than the total increase in exports), in part to the effect of changes in the exchange rate, and in part to aggressive export sales promotion by both business and government. Although newsprint and wheat remained the two principal commodity exports, the level of exports for both of these was lower than in 1961. The major gains were in sales abroad of iron ore, crude petroleum and natural gas. Of less importance in dollar terms, but items in which very substantial advances were recorded, were non-farm machinery, aircraft and parts, aluminum and lumber and products. Almost three quarters of the increase in exports was attributable to the commodity groups noted above.

Receipts for services also rose sharply in the second quarter and then remained at the new high level. This increase was due primarily to the increased travel expenditures of foreigners, encouraged in part by the more favourable rate of exchange, and to an increase in receipts of interest, and from freight and shipping services resulting from the increased volume of merchandise exports, such as iron ore, petroleum and natural gas.

Imports of goods rose through the first three quarters of the year, despite an unfavourable exchange rate which raised the price of imports to Canadians, and despite the imposition of an import surcharge on certain classes of goods at mid-year which had the same effect. However, in the final quarter of the year imports fell off sharply, reflecting in part the earlier changes, including the unusually high level of the previous quarter. Even with this decline at the year-end, imports of goods for the year were the highest on record, although some of the increase, as in exports, was due to the change in the exchange rate. The figures indicate a particularly sharp pick-up in non-farm machinery, electrical apparatus and automobile parts, all of which are consistent with the strong demand, noted earlier, for producers' durables and automobiles. However, increases in the level of imports were general and occurred in almost all classes of goods. About 80 p.c. of the increase in merchandise imports arose from increased purchases from the United States.

Payments for services rose to a peak in the second quarter of 1962, reflecting accelerated transfer of interest and dividends on non-resident investment, larger payments for business services and the continued high level of Canadians' travel expenditures abroad; they fell