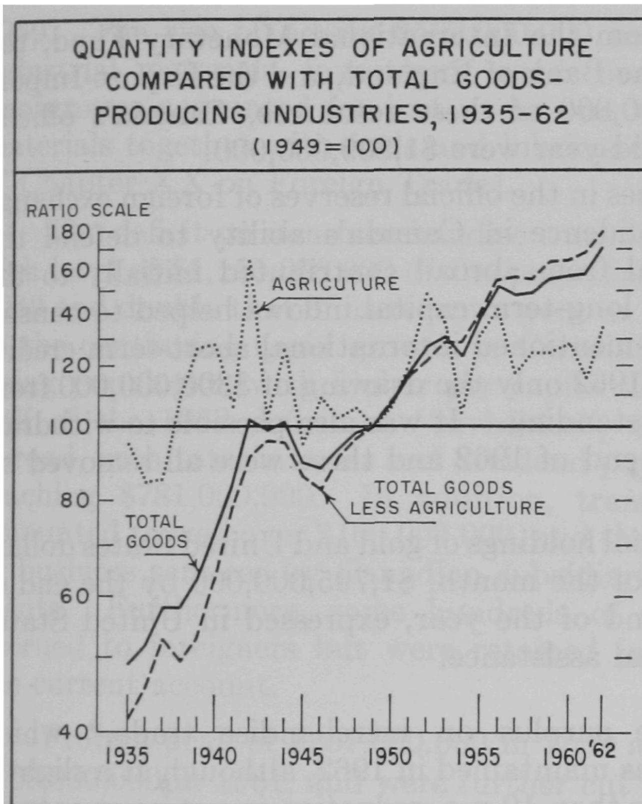

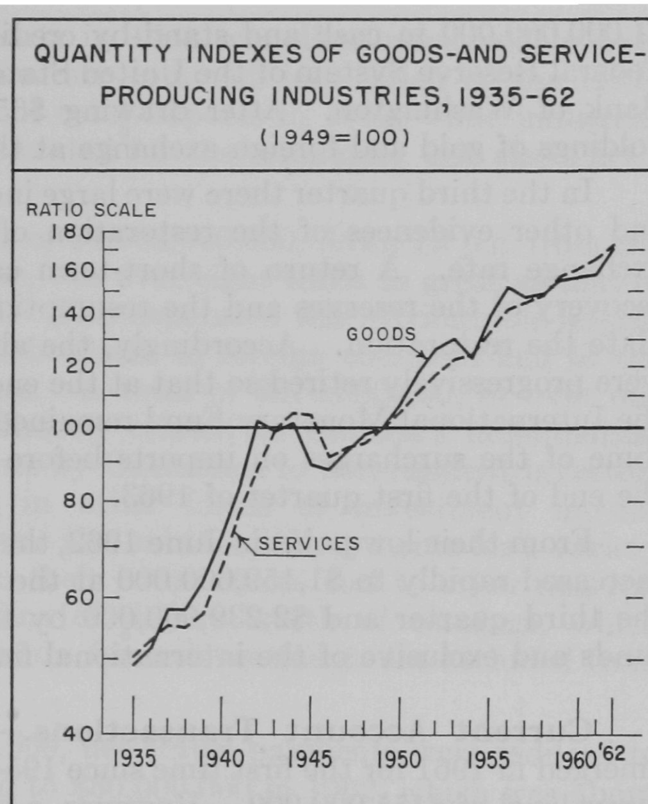

Section 3.—Canadian Balance of International Payments*

Developments connected with the Canadian balance of international payments have drawn a good deal of public attention in recent years. For a long period wide degrees of imbalance in Canada's international accounts have been characteristic. Each year since 1950 Canada's current expenditures abroad have exceeded current external income with the exception of 1952. These large current deficits, which have ranged as high as $1,504,000,000 in 1959, have been financed by massive inflows of capital. Although the deficits since then have been reduced, the current imbalance even by 1961 was still $982,000,000. In 1962 the deficit for the year was reduced to $848,000,000 due to improvements in the second half of the year, and the trend toward improvement continued in 1963.

Developments within 1962 were diverse and, as a result, the accounts for the year as a whole reflect two contrasting periods. In the first half of the year there was a rapid loss of foreign exchange holdings which led to the exchange crisis in June and to the series of official measures introduced in the second quarter with the object of stabilizing the international exchange value of the Canadian dollar and Canada's international transactions. In the first half of the year there had been net outflows of capital and a growing current account deficit. In the second half of the year there was a rapid restoration in official holdings of exchange accompanying large capital inflows and a contraction in the size of the current account deficit.

The official measures introduced in the second quarter of 1962 included the stabilization of the foreign exchange value of the Canadian dollar announced by the Minister of Finance on May 2, and the comprehensive program announced by the Prime Minister late in June 1962. This program included temporary graduated surcharges ranging between 5 p.c. and 15 p.c. on approximately half of all Canadian imports, a reduction in the amount of goods that Canadians travelling abroad were permitted to bring duty-free into Canada, reductions in government expenditures and the fixing of the bank rate at 6 p.c. To reinforce the reserves, Canada arranged for international financial support for well over

* More detailed information is given in DBS annual report *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).