

ratio of stocks to output which has been apparent for a number of years. The main build-up in stocks appears to have taken place in the hands of retail dealers, partly representing increased holdings of new automobiles in the closing months of the year as producers' shipments had run slightly ahead of sales; manufacturers' stocks showed little change.

Against a background of general expansion in world trade and economic activity, Canada's transactions with non-residents in both merchandise and non-merchandise trade rose in 1963. With exports of goods and services rising by 10 p.c. to a level of \$9,054,000,000 and imports $5\frac{1}{2}$ p.c. higher at \$9,542,000,000, the deficit on current account transactions with non-residents (on a national accounts basis) fell to just under \$500,000,000 from a little over \$800,000,000 in 1962. The entire improvement was attributable to transactions on merchandise trade, the surplus rising from \$155,000,000 to \$484,000,000; little change occurred in the balance on service and non-merchandise transactions account, which stood at \$972,000,000.

The gains in exports of goods, after allowance for seasonal influences, were concentrated in the second and final quarters. In the second quarter, exports of nickel were particularly strong and higher newsprint exports reflected the settlement of a labour dispute in the United States. In the fourth quarter, heavy shipments of wheat and wheat flour began to flow to Russia as a result of the agreement signed with that country in September. The increase of 11 p.c. in exports for the year, which carried the total value to \$7,064,000,000, reflected sizable increases in iron ore, softwood lumber, wood pulp, railway rolling-stock, navigational systems and electronic control equipment, as well as sharply higher wheat sales. Although gains were widespread over many other commodities and the relative rise in the general grouping of manufactured products was notable, close to half the total increase was accounted for by four of the main commodities noted above (wheat, iron ore, softwood lumber and wood pulp). The rise in prices of exports was around 1 p.c. in 1963, indicating that most of the increase was in real terms.

The 6-p.c. rise in imports of goods was spread more evenly through the year, although some irregularity appeared in the third quarter when there were unusually large imports of raw sugar. The 1963 increase of \$371,000,000, which carried imports to a total of \$6,580,000,000, was mainly the result of heavier inflows of raw sugar, farm equipment and tractors, crude petroleum and automobile parts, although the increase in automobile parts was largely offset by a decline in finished automobile imports; some of the increase may be attributable to the elimination at the end of March of the remaining temporary surcharges imposed at the time of the exchange crisis in mid-1962. Prices of imports rose more significantly than exports; sugar prices were notably higher among the commodities. In addition, the impact of the devaluation of the Canadian dollar influenced year-to-year comparisons for part of the year.

Receipts from non-merchandise transactions increased by 7 p.c. to reach \$1,990,000,000 in 1963. Close to three quarters of the change was accounted for by sharply higher receipts from travel and from freight and shipping. The rise of 5 p.c. to \$2,962,000,000 in payments for services was accounted for by increases of between 6 p.c. and 8 p.c. in freight and shipping, interest and dividends and miscellaneous services. The latter includes official contributions which nearly doubled mainly as a result of aid financed under the Colombo Plan; this was at an unusually low level in 1962. The balance on service transactions showed little year-to-year change. However, among the individual items the most noteworthy was the shift in the balance on travel account from a deficit of \$50,000,000 in 1962 to a surplus of \$13,000,000,* the continuation of an improving trend that had been apparent since 1960. This improvement was largely offset by a widened deficit on account of interest and dividends and the increase in official contributions.

The Government Sector.—Total expenditure of all governments advanced by almost 5 p.c. or \$683,000,000 in 1963. All components showed increases with the exception of federal expenditure on goods and services which registered a decline, reflecting a 6-p.c.

* See footnote to p. 1022.