

non-merchandise deficit rose steadily from 1952 to a recent peak of \$1,155,000,000 in 1961 but remained at a lower level in the following two years mainly because of an improvement in the travel account.

Since 1954, when merchandise exports and imports were almost equal at \$3,900,000,000, exports have increased fairly steadily to a record \$7,082,000,000 in 1963, an advance of 80 p.c. Imports, on the other hand, have shown wider fluctuations in their growth pattern. The value of imports in current dollars rose more than 40 p.c. in two years to \$5,565,000,000 in 1956 and, except for a substantial drop of nearly 8 p.c. to \$5,066,000,000 in 1958, remained at about that level until 1961. In 1962 it rose more than 8 p.c. over 1961 to \$6,203,000,000, and a further 6 p.c. to a record of \$6,579,000,000 in 1963.

In the past decade or so, the relative importance of exports of metals and minerals has increased markedly, that of other materials for industry, such as chemicals and fertilizers, has advanced more moderately, and the percentage shares for farm and forest products have narrowed visibly. The relative position of wheat and wheat flour, which had been diminishing, recovered sharply in 1961 as a result of the large shipments of grain to Mainland China and other communist countries. The very heavy shipments of wheat on the Russian account, together with sizable exports to Japan, Mainland China and Eastern European countries, boosted the total value of wheat and wheat flour exports in 1963 to some \$880,000,000, well above the previous record reached in 1952. In addition to newer products for export, such as iron ore, uranium, petroleum and natural gas, there were general increases in more traditional staples such as lumber, pulp and paper, nickel, aluminium and copper, with the metal and mineral items showing above-average gains. About 80 p.c. of the rise of more than \$700,000,000 in exports in 1963 originated from larger shipments—in addition to wheat—of lumber, wood pulp, iron ore, primary steel, aluminium, chemicals, rolling-stock, motor vehicles, machinery and specialized measuring equipment. For the fourth successive year, exports of uranium dropped in 1963 to a level less than half that of the peak year 1959. Contributing to the \$376,000,000 rise in imports in 1963 were raw sugar and other food products, industrial materials, petroleum and products, automobile parts and machinery. Notwithstanding the complete rescinding in the first quarter of the surcharges imposed in late June of 1962 in the face of an exchange emergency, imports of motor vehicles in the year declined over one third from 1962 and were valued at less than one half of the 1960 import total.

The deficit on non-merchandise transactions of \$1,060,000,000, down 8 p.c. from the high level of \$1,155,000,000 in 1961, was over nine times as great as that of 1949 and more than double that of as recent a year as 1955. This expansion was attributable largely to the continuing rapid growth in Canada's indebtedness to foreign countries and to the rising population with higher per capita incomes. A total of \$646,000,000, or about 60 p.c. of the 1963 deficit on 'invisibles', was directly related to Canada's indebtedness abroad, with total interest and dividend payments by Canadians to non-resident investors reaching \$869,000,000. In addition, transfers in other forms of investment income amounted to over \$150,000,000, and there were also substantial payments for a variety of business services by Canadian subsidiaries to their home offices and to other non-residents. Furthermore, some hundreds of millions of dollars worth of earnings, which accrued to foreigners but were retained in Canada for reinvestment, are excluded from the current account.

Among non-merchandise items, the most noteworthy change in 1963 was a turnaround of \$63,000,000 in the travel account balance from a deficit of \$43,000,000 in 1962 to a surplus of \$20,000,000, the first since 1950.* Although the favourable trend was evident since 1960, this betterment was less than in 1962. The improvement was concentrated in transactions with the United States, since the deficit with overseas rose gradually over the three years 1961-63. Since 1960, expenditures in Canada by visitors from the United States increased nearly 50 p.c. to about \$550,000,000 in 1963, while travel outlays by Canadians in the United States declined 15 p.c. to nearly \$400,000,000. In 1963 alone, the

* This balance is somewhat lower than that given in Chapter XXII, Part IV, p. 948, due to incorporation of estimates at differing stages of revision.