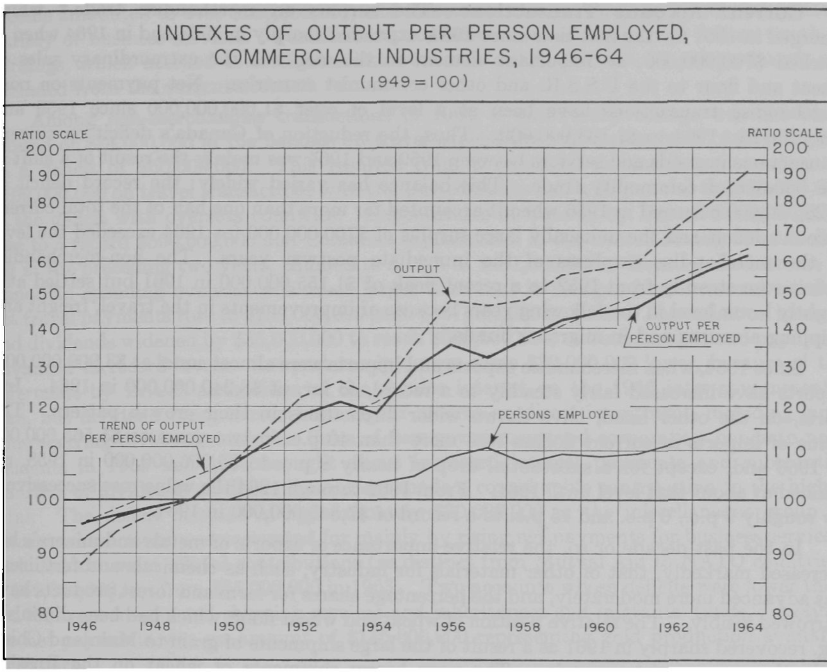

Section 4.—Canadian Balance of International Payments*

Canada's total commercial and financial transactions with residents of other countries are presented in summary form in statements of the Canadian balance of international payments. The current account shows separately the principal types of transactions in goods and services with non-residents. The capital account provides a distribution of capital movements into direct and portfolio investments and into long-term and short-term forms. The difference between the current account balance and the balance of these capital movements in an accounting period is reflected in the change in the official holdings of gold, foreign exchange, and Canada's net International Monetary Fund position.

Since the beginning of the 1950's, apart from 1952 when there was a small surplus on current transactions, a wide degree of imbalance has characterized Canada's international payments. Larger current account deficits have customarily been associated with periods of Canadian prosperity. High levels of investment, rising personal consumption and the growth in government expenditures, including defence outlays abroad, have contributed to the deficits. These large current deficits, which reached a peak of $1,504,000,000 in 1959, have reflected and been financed by substantial inflows of capital. Following this record high level, the imbalances in current transactions narrowed in successive years to $433,000,000 in 1964.

As 1965 progressed it became clear that, despite further large sales of wheat, the effects of high levels of activity on imports were pointing to a deficit on current account well over twice that of 1964.

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* 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).