Current Account Transactions.—The surplus on merchandise trade,* which emerged in 1961 for the first time since 1954, expanded sharply in 1963 and in 1964 when it exceeded $700,000,000; an important element in this rise was the extraordinary sales of wheat and flour to the U.S.S.R. and other Communist countries. Thus, the reduction of Canada's deficit on current transactions in goods and services between 1959 and 1964, followed by an upturn in 1965, was mainly the result of a shift in the balance of commodity trade. This balance varied widely; the record deficit of $728,000,000 occurred in 1956 when it accounted for more than one half of the total current account deficit and the unusually large surplus of $701,000,000 for 1964 exceeded the level of the merchandise surpluses of the immediate postwar years. The export balance of $118,000,000 in 1965 was markedly lower than the surpluses of $173,000,000 and $184,000,000 in 1961 and 1962. The non-merchandise deficit rose rapidly from 1955, when it still stood below $500,000,000, to 1961, when the $1,000,000,000-level was exceeded. In recent years, the "invisible" deficit has fluctuated within a fairly narrow range and stood at $1,201,000,000 in 1965.

Since 1954, when merchandise exports and imports were almost equal at $3,900,000,000, exports have increased fairly steadily to a record of $8,745,000,000 in 1965. 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 1960. Thereafter the value rose at a generally increasing rate of growth to $8,627,000,000 in 1965, which was about 56 p.c. above 1960.

In the past decade, the relative importance of exports of manufactured goods increased markedly, that of metals and minerals advanced more moderately, and the percentage share for forest products 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 Britain, Japan, Mainland China, West Germany and Eastern European countries, boosted the total value of wheat and wheat flour exports in 1964 to about $1,100,000,000, although the total declined to some $900,000,000 the following year. During the 1960s, an increasing share of the Canadian national output has moved into foreign markets. Contributing to the gain of some $500,000,000 in merchandise exports in 1965 were larger shipments of meat, wood pulp, newsprint, non-ferrous metals, crude petroleum and natural gas, chemicals and fertilizers, and manufactured goods. Within the manufactured goods group, exports of motor vehicles and parts doubled from less than $180,000,000 in 1964 to more than $350,000,000 in 1965, following the signing at the beginning of the year of the Canadian-United States Automotive Agreement. However, with the removal of tariffs from the two-way trade in new cars and parts, the rise in imports exceeded that in exports and the deficit on trade in automobiles and parts expanded in 1965.

The value of all imports rose sharply in 1965 to the highest recorded level of $8,627,000,000. Motor vehicles and parts accounted for over $300,000,000 of the expansion and smaller but still substantial increases took place in imports of industrial materials, machinery, equipment and tools, coal and fuel oil, and consumer goods. Small rises in a variety of food commodities were, however, not enough to counterbalance a decline of nearly $50,000,000 in raw sugar imports.

The deficit on Canada's non-merchandise transactions with foreign countries, which since 1959 has been on a high plateau exceeding $1,000,000,000, rose to $1,201,000,000 in

* Commodity trade statistics have been adjusted to reflect more closely the timing of transactions, particularly for investment goods, and to exclude commodities which are either covered elsewhere in the accounts or are not pertinent for balance of payments purposes.