

### 21.3.5 Security price indexes

Security price indexes measure, through time, the effect of price change on the value of a portfolio of Canadian stocks bought and held for investment purposes. The portfolio represents stocks of Canadian companies listed on at least one Canadian stock exchange. In the case of the mining, uranium and primary oil and gas indexes, only issues of producing mines are eligible. The indexes in Table 21.28 express current prices as a percentage of prices in 1971.

## 21.4 Balance of international payments

The Canadian balance of international payments summarizes transactions between residents of Canada and those of the rest of the world. Current account transactions, which measure the flow of goods and services between Canada and other countries, are included, with minor adjustments, as a component of gross national expenditure. Capital account transactions between residents and non-residents are included in the financial flow accounts. A summary of the Canadian balance of international payments is provided in Table 21.29 for 1969-75. Table 21.30 contains some additional information on current account transactions during that period and Table 21.31 contains a detailed presentation of the Canadian balance of international payments for 1974-75.

**International conditions.** The international recession which developed in 1974 continued into 1975 but there were signs of recovery from mid-year. There was a reduction in real output in industrialized countries of about 2% during 1975 and, in most countries, unemployment rose to high levels. As a result of the drop in aggregate demand, the volume of international trade fell for the first time in many years. With much larger volume declines in their imports than in their exports and stronger increases in their export prices than in their import prices, the current account balance of the industrialized countries taken together moved from a deficit to a surplus in 1975. This was accompanied by a marked reduction in the combined current account surplus of the major oil exporting countries and by an increase in the deficit of the non-oil developing countries.

Exchange rates between major world currencies were unsettled during 1975. However, the rate for the Canadian dollar, after declining during early 1975, showed a rising trend thereafter. Proposals for changes to the international monetary system that had been prepared during 1975 were agreed upon by the Interim Committee of the International Monetary Fund at a meeting in Jamaica in January 1976.

### 21.4.1 Current account

International transactions in goods, services and unilateral transfers between Canada and the rest of the world resulted in a current account deficit of \$4,965 million in 1975, up considerably from the \$1,492 million deficit recorded in 1974. This development was largely attributable to a sharp contraction in the merchandise trade balance, which swung from a surplus of \$1,698 to a deficit of \$639 million.

During 1975 the total value of merchandise exports rose marginally by just over 2% to \$33.3 billion. Merchandise imports, however, advanced at a more rapid pace, rising by 10% to \$34.0 billion. The rise in the value of exports reflected significant increases in export prices which were, however, largely offset by a decline in physical volume. Import prices, on the other hand increased at a greater rate while physical volume registered only a slight decline. A substantial shift in the balance occurred in trade in crude petroleum as exports dropped by 16% while imports increased by 25%. The balance on trade in this major commodity swung from a surplus of \$936 million in 1974 to a deficit of \$289 million which was over 40% of the total merchandise deficit in 1975. There were substantial increases in the value of exports of automotive products, natural gas, coal and iron ore and reductions in sales of copper, lumber and wheat.