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## QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

SECOND QUARTER 1962

Many important developments related to the balance of payments occurred in the second quarter of 1962 following changes in the first quarter when the official reserves of gold and foreign exchange declined \$364 million as a result of a current deficit of \$353 million and net capital outflows of \$11 million. Further declines in reserves occurred in April and early May. On May 2nd the Minister of Finance announced that the international exchange value of the Canadian dollar was being stabilized at 92 1/2 cents in terms of United States currency. In June the situation became more critical with further large declines in reserves, and on June 24th the Prime Minister announced that a comprehensive programme had become necessary to relieve the pressure on the Canadian dollar in the exchange field, to bring about a greater stabilization in Canada's international transactions, and to strengthen the exchange reserves. A further description of these official measures appears later in this publication along with the usual analysis of balance of payments changes.

The shape of the balance of payments in the second quarter was an enlargement in the current account deficit to \$377 million and a sharp rise to \$216 million in the net outflow of capital before changes in official reserves. The official exchange holdings accordingly fell much more than in the first quarter until the announcement by the Prime Minister and the subsequent special international financial assistance received. When this special borrowing in the quarter with a Canadian dollar value of \$707 million is taken into account there was an increase of \$114 million in the official reserves in the quarter.

Summary Statement

|   | 1961                  |       |       |       | 1962  |       |
|---|-----------------------|-------|-------|-------|-------|-------|
|   | I Q                   | II Q  | III Q | IV Q  | I Q   | II Q  |
|   | (millions of dollars) |       |       |       |       |       |
| Merchandise trade balance                                   | + 6                   | - 31  | + 138 | + 60  | - 5   | - 44  |
| Deficit on non-merchandise transactions                     | - 344                 | - 284 | - 195 | - 332 | - 348 | - 333 |
| Current account deficit                                     | - 338                 | - 315 | - 57  | - 272 | - 353 | - 377 |
| Capital movements(1)  | + 443                 | + 366 | - 5   | + 407 | - 11  | - 216 |
| Special international financial assistance                  | -                     | -     | -     | -     | -     | + 707 |
| Change in official holdings of gold and foreign exchange(2) | - 105                 | - 51  | + 62  | - 135 | + 364 | - 114 |

(1) Excluding change in official holdings of gold and foreign exchange and special international financial assistance.

(2) Increase (-).

Prepared in the Balance of Payments Section  
National Accounts and Balance of Payments Division

ROGER DUHAMEL, F.R.S.C., Queen's Printer and Controller of Stationery, Ottawa, 1962

The increase in the current account deficit in the second quarter over the previous year was chiefly from a further widening in the imbalance from non-merchandise transactions due mainly to larger payments to non-residents of interest and dividends and for business and other services. On merchandise account there was a small increase in the import balance with both exports and imports of merchandise rising to new peak values. Demands from the United States for exports were particularly strong in this period, and there were also increases over the previous year in shipments to the United Kingdom and the OECD nations.

Much greater changes occurred on capital account with the rapid expansion in the net outward movement to \$216 million which was made up of net outflows in long-term forms of \$48 million and in short-term forms of \$168 million. This contrasts with the predominant inflows on long-term account characteristic of a prolonged period before this year. In the June quarter there was a contraction in net inflows for direct investment in Canada to the lowest levels for many years, combined with a variety of outflows through portfolio security transactions and various short-term channels.

#### Small balance on merchandise trade

Canada's merchandise trade with other countries in the first half of 1962 moved up to unprecedentedly high levels both for exports and imports with rising trends continuing into the second quarter. Some of the rises in the values of both sides of trade are a reflection of the change in the foreign exchange value of the Canadian dollar, but increases in volume were also substantial. As the increases in both exports and imports when adjusted for balance of payments purposes were of comparable magnitude there was only a relatively small balance on merchandise trade, an import balance of \$49 million in the half year which was about double the small balance in the same period of the previous year.

The expansion in exports was due to a further rise in sales to the United States which increased by almost one-quarter. These exports have been at high levels since the latter half of last year and were still rising in the second quarter. The proportion of Canadian exports going to the United States at close to 60 per cent was the highest in several years. Although increases were widely distributed among commodities, a considerable part was contributed by the following: iron ore, petroleum and natural gas, nickel and other metals, wood pulp, lumber, and aircraft. The most outstanding decline in exports to the United States was in shipments of uranium.

Exports to overseas countries as a group, although still at high levels, were less than in the first half of last year because of a drop in the first quarter. Some of this drop occurred in exports to OECD countries which, however, rose again in the second quarter. Other reductions occurred in exports to Eastern Europe and Cuba and to some Commonwealth countries. On the other hand exports of grain to Communist China were substantially higher as this movement only became heavy in the second quarter of last year and exports to such leading markets as the United Kingdom and Japan continued at high levels, although totals were less than last year and shifts occurred in the composition of trade. With the United Kingdom larger exports of grains and aluminum partly offset drops in various industrial materials.

In the case of imports, too, the largest part of the rise has been in Canadian trade with the United States, although imports have also been higher from many overseas sources as well. In the six months the rate of increase of some 12 per cent in the value from all countries is slightly greater than the increase in exports to all countries. It would appear that a large part of the increase in imports, possibly one-half, originated in higher average prices which chiefly reflected the higher Canadian dollar costs of foreign exchange. The rise in imports as in exports continued in the second quarter.

Increases in imports have been widely distributed among commodities and include machinery and industrial equipment, industrial materials and many consumer goods. In the early part of the year for which full details are available increases over the previous year were considerable in such commodity items as those including business and industrial machinery, automobiles and automobile parts, electrical apparatus, textiles, grains, rubber and crude petroleum. Imports of military aircraft procured under special mutual defence arrangements which were a substantial total in the period have been excluded from the totals used in the Balance of Payments.

#### Deficit from services and other non-merchandise items

At \$333 million, the deficit from "invisible" transactions in the second quarter of 1962 was roughly 15 per cent higher than the level for the corresponding quarters of the two preceding years.



The widening of the deficit was derived largely from accelerated transfers of the returns on non-resident investment in the form of interest, profits and dividends, royalties, rentals, etc., and larger payments for non-resident business services of other kinds. These have been induced by high levels of production, and higher cost of the purchases due to currency devaluation. Changes in the opposite direction occurred in balances from travel expenditures and migrants' funds between the June quarters of 1961 and 1962. A sizable increase in the spending of United States travellers in Canada, partly offset by smaller gains in payments to the United States and overseas, accounted for the reduction in the overall deficit on travel account, while larger per capita funds of immigrants in the quarter had the effect of cutting the deficit moderately. The largest increase was recorded in the income account where a decline in receipts of interest and dividends from \$59 million to \$50 million together with a rise in the payments from \$174 million to \$206 million boosted the combined imbalance from \$115 million to \$156 million in the second quarter of 1962.

Major Components of the Balance on Non-Merchandise  
Transactions with All Countries  
(millions of dollars)

|   | First Half Year |       |        |
|---|-----------------|-------|--------|
|   | 1961            | 1962  | Change |
| Gold production available for export    | 83              | 85    | + 2    |
| Travel expenditures                     | - 160           | - 160 | -      |
| Interest and dividends                  | - 283           | - 304 | - 21   |
| Freight and shipping                    | - 36            | - 49  | - 13   |
| Inheritances and migrants' funds        | - 31            | - 31  | -      |
| All other current transactions          | - 201           | - 222 | - 21   |
| Balance on non-merchandise transactions | - 628           | - 681 | - 53   |

Income Account: Payments  
(millions of dollars)

| Period    | Total | Interest | Dividends |
|-----------|-------|----------|-----------|
| 1960      | 653   | 239      | 414       |
| 1961      | 770   | 259      | 511       |
| 1960 II Q | 161   | 65       | 96        |
| III Q     | 157   | 53       | 104       |
| IV Q      | 190   | 67       | 123       |
| 1961 I Q  | 204   | 61       | 143       |
| II Q      | 174   | 68       | 106       |
| III Q     | 170   | 58       | 112       |
| IV Q      | 222   | 72       | 150       |
| 1962 I Q  | 179   | 67       | 112       |
| II Q      | 206   | 77       | 129       |

In a comparison of the first half year of 1961 and 1962, the expansion of \$53 million in the deficit on non-merchandise transactions from \$628 million to \$681 million was mainly concentrated in the income account and business services, and to a lesser degree in freight and shipping services. A reduction of \$8 million in official contributions from \$21 million to \$13 million, together with a rise in the value of gold production available for export from \$83 million to \$85 million, provided a partial offset to the increase in the imbalance. The \$21 million increase in the deficit on income account resulted from a decline of \$14 million in receipts from \$95 million to \$81 million and a rise in payments from \$378 million to \$385 million. Lower receipts were mainly attributable to the absence in the first six months of 1962 of unusually large receipts of dividends of one year earlier. A rise of more than 10 per cent in interest payments from \$129 million to \$144 million was in part offset by slightly reduced dividend remittances in the half year. Dividends from direct investment were estimated to be about \$20 million below the level of the first half of 1961, but net profits of unincorporated branches were roughly \$10 million higher and dividends on portfolio investment were also moderately higher. While dividend payments in the second quarter of 1962 were more than one-fifth greater, they were not large enough to counterbalance the unusual concentration of dividend transfers by Canadian subsidiaries in the first quarter of 1961. About three-fifths of the enlarged interest payments was attributable to net new issues of Canadian securities and the remainder to the exchange devaluation.

In association with the growth in merchandise trade, both receipts and payments for freight and shipping services were higher in the half year 1962. But a larger rise in payments from \$258 million to \$283 million than in receipts from \$222 million to \$234 million contributed to a widening by \$13 million of the deficit on this account. In the two periods under reference, the deficits arising from travel expenditures and from migrants' funds and inheritances remained steady, respectively, at \$160 million and \$31 million, as receipts and payments gained equally for the two types of transactions. At \$30 million, the increase in receipts and payments for travel expenditures was substantially larger than the modest addition of \$4 million to migrants' funds and remittances.

As seen in the accompanying summary, the rise of \$28 million in the half year in the spending in Canada by United States travellers far outweighed that of travel receipts from overseas, while the increases in expenditures for travel by Canadians in the United States and elsewhere abroad were more comparable at \$12 million and \$18 million respectively. Accordingly, the deficit with the United States was reduced by about the same amount as the deficit with overseas countries increased.

Travel Account  
(millions of dollars)

|                       | <u>First Half Year</u> |       |       |
|-----------------------|------------------------|-------|-------|
|                       | 1960                   | 1961  | 1962  |
| <u>United States:</u> |                        |       |       |
| Receipts              | 106                    | 119   | 147   |
| Payments              | 222                    | 218   | 230   |
| Balance               | - 116                  | - 99  | - 83  |
| <u>Overseas:</u>      |                        |       |       |
| Receipts              | 21                     | 20    | 22    |
| Payments              | 65                     | 81    | 99    |
| Balance               | - 44                   | - 61  | - 77  |
| <u>All Countries:</u> |                        |       |       |
| Balance               | - 160                  | - 160 | - 160 |

Among "miscellaneous current transactions", changes in the deficits between the first halves of 1961 and 1962 were small and on the whole offsetting on government account, excluding official contributions, personal and institutional remittances and miscellaneous income. Under the unusual conditions of the period, an increase of a much greater magnitude is estimated in net payments for business services.

Notwithstanding the above-mentioned shifts, the proportionate contribution to the unfavourable balance on non-merchandise transactions remained materially unchanged for the principal items. Net payments of interest and dividends represented about 44 1/2 per cent of the "invisible" deficit in the first six months of 1962, as compared with 45 per cent in the same period one year earlier. Travel expenditures accounted for 25 1/2 per cent and 23 1/2 per cent of the deficit, while "miscellaneous

current transactions" represented 29 per cent and 31 per cent, respectively, in the first half year of 1961 and 1962.

Transactions by areas

The 20 per cent rise in Canada's current account deficit in the second quarter of 1962 was concentrated in transactions with the Other Countries group, which recorded a reduction of \$75 million in the surplus from \$95 million to \$20 million. Since about one-quarter of this deterioration was attributable to transactions with the rest of the Sterling Area and as the balance on current account with the OECD countries improved moderately, most of the \$75 million decline in surplus took place in transactions (largely merchandise trade) with the remaining countries in the group. There was a rise in the current deficit with the United States from \$434 million to \$441 million. An improvement in the merchandise trade deficit with the United States through a larger increase in merchandise exports than in imports was overtopped by a fairly sizable rise in the deficit on "invisibles". In transactions with the United Kingdom, an increase of \$20 million in the current account surplus occurred, from \$24 million to \$44 million, mainly through a gain in Canadian exports.

In a comparison of the first halves of 1961 and 1962, the increase of \$77 million in the current account deficit with the outside world was likewise centred in transactions with Other Countries. The surplus of approximately \$150 million with this group was seven-eighths erased in the first six months of 1962, but the deficit with the United States was narrowed by about \$70 million. This favourable turn in the balance with the United States was derived from a substantial positive change in the merchandise trade balance, offset by an increase, about one-fourth as large, in the "invisible" deficit. Merchandise exports (adjusted for balance of payments use) gained nearly 25 per cent from \$1,447 million to \$1,803 million, as compared with a 14 per cent rise in imports (adjusted for balance of payments purposes) from \$1,873 million to \$2,135 million; and the deficit on merchandise trade declined from \$426 million to \$332 million. As a result of these changes the proportion of Canadian exports going to the United States mounted from about 53 per cent to nearly 60 per cent, while imports from the United States represented nearly 70 per cent of total imports in the first half of 1962 and roughly 68 1/2 per cent in the same period of 1961. Shipments of petroleum, iron ore and nickel gained more than \$50 million, \$40 million and \$30 million, respectively. Increases of between \$20 million and \$30 million occurred in exports of each of the following commodities: lumber, wood pulp, and aircraft. Larger net payments of interest and dividends and for business services and a reduced surplus on government transactions, which were in part offset by a decline in the deficit on travel account, contributed to enlarging the deficit on non-merchandise transactions from \$439 million to \$462 million.



Quarterly Current Account Balances  
(millions of dollars)

|                        | <u>I Q</u> | <u>II Q</u> | <u>III Q</u> | <u>IV Q</u> |
|------------------------|------------|-------------|--------------|-------------|
| <u>United States</u>   |            |             |              |             |
| 1960                   | - 343      | - 449       | - 165        | - 404       |
| 1961                   | - 431      | - 434       | - 150        | - 371       |
| 1962                   | - 353      | - 441       |              |             |
| <u>United Kingdom</u>  |            |             |              |             |
| 1960                   | + 28       | + 12        | + 48         | + 78        |
| 1961                   | + 37       | + 24        | + 42         | + 79        |
| 1962                   | + 1        | + 44        |              |             |
| <u>Other Countries</u> |            |             |              |             |
| 1960                   | - 11       | - 40        | - 10         | + 13        |
| 1961                   | + 56       | + 95        | + 51         | + 20        |
| 1962                   | - 1        | + 20        |              |             |

In the exchange of goods and services with the United Kingdom, changes between the first six months of 1961 and 1962 were moderate. A decline in merchandise exports from \$440 million to \$430 million together with a rise in imports from \$293 million to \$296 million and in the deficit on "invisibles" from \$86 million to \$89 million combined to reduce Canada's current account surplus with the United Kingdom from \$61 million to \$45 million.

More than one-half of the fall in surplus on current account with Other Countries from \$151 million to \$19 million originated in transactions with the Rest of the Sterling Area and the OECD countries, with the two groups contributing about equally to the change; and the remaining countries accounted for about 45 per cent. An amount of \$105 million, or four-fifths of the \$132 million decline in the surplus, lay in merchandise trade. The decline in exports to Other Countries from \$826 million

to \$783 million was distributed fairly evenly among the constituent groups, while these contributed in the ratio of 1, 2 and 3 to the rise in imports from \$572 million to \$634 million in the first half of 1962. Exports of wheat to Mainland China expanded more than \$40 million, but exports to the U.S.S.R. declined almost \$16 million, and nearly \$10 million each to Czechoslovakia and Cuba.

Summary of Current Transactions with the  
United States, United Kingdom and Other Countries, 1961 and 1962  
and Change between the Periods  
(millions of dollars)

|   | <u>All Countries</u> |       |        | <u>United States</u> |       |        |
|---|----------------------|-------|--------|----------------------|-------|--------|
|   | 1961                 | 1962  | Change | 1961                 | 1962  | Change |
| <u>Second Quarter</u>                   |                      |       |        |                      |       |        |
| Merchandise exports (adjusted)          | 1,447                | 1,620 | + 173  | 770                  | 945   | + 175  |
| Merchandise imports (adjusted)          | 1,478                | 1,664 | + 186  | 990                  | 1,141 | + 151  |
| Balance on merchandise trade            | - 31                 | - 44  | - 13   | - 220                | - 196 | + 24   |
| Other current receipts                  | 453                  | 483   | + 30   | 297                  | 335   | + 38   |
| Other current payments                  | 737                  | 816   | + 79   | 511                  | 580   | + 69   |
| Balance on non-merchandise transactions | - 284                | - 333 | - 49   | - 214                | - 245 | - 31   |
| Current account balance                 | - 315                | - 377 | - 62   | - 434                | - 441 | - 7    |
| <u>January to June</u>                  |                      |       |        |                      |       |        |
| Merchandise exports (adjusted)          | 2,713                | 3,016 | + 303  | 1,447                | 1,803 | + 356  |
| Merchandise imports (adjusted)          | 2,738                | 3,065 | + 327  | 1,873                | 2,135 | + 262  |
| Balance on merchandise trade            | - 25                 | - 49  | - 24   | - 426                | - 332 | + 94   |
| Other current receipts                  | 792                  | 830   | + 38   | 537                  | 590   | + 53   |
| Other current payments                  | 1,420                | 1,511 | + 91   | 976                  | 1,052 | + 76   |
| Balance on non-merchandise transactions | - 628                | - 681 | - 53   | - 439                | - 462 | - 23   |
| Current account balance                 | - 653                | - 730 | - 77   | - 865                | - 794 | + 71   |

Summary of Current Transactions with the  
United States, United Kingdom and Other Countries, 1961 and 1962  
and Change between the Periods - Continued  
(millions of dollars)

|   | United Kingdom |       |        | Other Countries |       |        |
|---|----------------|-------|--------|-----------------|-------|--------|
|   | 1961           | 1962  | Change | 1961            | 1962  | Change |
| <u>Second Quarter</u>                   |                |       |        |                 |       |        |
| Merchandise exports (adjusted)          | 217            | 238   | + 21   | 460             | 437   | - 23   |
| Merchandise imports (adjusted)          | 158            | 160   | + 2    | 330             | 363   | + 33   |
| Balance on merchandise trade            | + 59           | + 78  | + 19   | + 130           | + 74  | - 56   |
| Other current receipts                  | 55             | 58    | + 3    | 101             | 90    | - 11   |
| Other current payments                  | 90             | 92    | + 2    | 136             | 144   | + 8    |
| Balance on non-merchandise transactions | - 35           | - 34  | + 1    | - 35            | - 54  | - 19   |
| Current account balance                 | + 24           | + 44  | + 20   | + 95            | + 20  | - 75   |
| <u>January to June</u>                  |                |       |        |                 |       |        |
| Merchandise exports (adjusted)          | 440            | 430   | - 10   | 826             | 783   | - 43   |
| Merchandise imports (adjusted)          | 293            | 296   | + 3    | 572             | 634   | + 62   |
| Balance on merchandise trade            | + 147          | + 134 | - 13   | + 254           | + 149 | - 105  |
| Other current receipts                  | 95             | 97    | + 2    | 160             | 143   | - 17   |
| Other current payments                  | 181            | 186   | + 5    | 263             | 273   | + 10   |
| Balance on non-merchandise transactions | - 86           | - 89  | - 3    | - 103           | - 130 | - 27   |
| Current account balance                 | + 61           | + 45  | - 16   | + 151           | + 19  | - 132  |

The foreign exchange situation

Some of the balance of payments problems which Canada faced in the second quarter were not new. The persistent deficits on current account, varying with changing commodity trade conditions but based on an apparently intractable deficit from non-merchandise transactions, had exceeded the capital inflow on long-term forms each year after 1956. By mid-1960 the accumulated current account balance since the end of World War II exceeded the corresponding capital movement in long-term forms; over the period Canada had begun to borrow "short".

The completion of some extended capital projects, unused productive capacity, and uncertainties arising from policy changes at provincial and national levels added to the problems of the Canadian balance of payments.

The remedial measures which had been taken to restore equilibrium failed to do so in the face of demands generated by rising economic activity. Capital movements in long-term forms continued to contract, and in the second quarter turned outwards. With growing uncertainty, outward private movements in short-term forms developed on a substantial scale. The pressure of a substantial net export of private capital from Canada combined with the current account deficit to exert heavy demands on official holdings of gold and foreign exchange.

While a precise division of the capital movement is not possible, it is clear that the outflow of Canadian capital was an important element in the net movement in the second quarter. The growth of Canadian private holdings of foreign currency bank balances and similar short term funds abroad represented an outflow of \$242 million, and Canadian direct and portfolio investment abroad added a further \$55 million to outflows. These items were greatly in excess of the net outflow of \$216 million of all types of capital, apart from official financing. But there are some types of movement whose motivation cannot be clearly established, and the movement of Canadian funds abroad may include some amounts representing shifts in the working capital of foreign-controlled concerns in Canada.



Following six successive months of decline in Canada's official holdings of gold and United States dollars, from a peak of \$2,110.6 million in terms of United States funds at the end of October 1961 to \$1,594.8 million at the end of April 1962, the Minister of Finance announced that effective May 3 the international exchange rate of the Canadian dollar was being stabilized at 92 1/2 cents in terms of United States currency. The new rate had been formally established with the concurrence of the International Monetary Fund and the Government of Canada undertook to maintain it within the normal margin of one per cent on either side.

United States Dollar in Canada  
(Canadian cents)

| Period |       | High   | Low    | Close  | Noon Average |
|--------|-------|--------|--------|--------|--------------|
| 1961   | I Q   | 99.69  | 98.25  | 98.91  | 98.99        |
|        | II Q  | 103.53 | 98.59  | 103.50 | 99.42        |
|        | III Q | 104.00 | 103.00 | 103.00 | 103.21       |
|        | IV Q  | 104.37 | 103.00 | 104.34 | 103.61       |
| 1962   | I Q   | 105.03 | 104.34 | 105.00 | 104.77       |
|        | II Q  | 109.00 | 104.87 | 108.19 | 107.42       |
|        | Apr.  | 105.00 | 104.87 | 105.00 | 104.98       |
|        | May   | 109.00 | 105.00 | 109.00 | 108.23       |
|        | June  | 109.00 | 107.94 | 108.19 | 108.79       |

The reintroduction of a stabilized exchange rate ended the period of the "floating rate" which had prevailed since September 1950. The Minister indicated that while this system had had certain advantages the Government had concluded that it would be desirable to give those engaged in international transactions firm assurance of stability with regard to the exchange rate. Canada had been confronted for a decade with large deficits in its international trade and payments associated with excessive capital imports and consequent overvaluation of its

currency. To meet this situation the Government had taken a series of steps designed to facilitate an orderly movement of the exchange rate to a level more in keeping with the country's balance of payments. Since June 1961, the exchange rate had been held within a narrow range. For some months during the autumn of 1961 the Government bought United States dollars on a large scale at about \$1.03. During the winter months from January through April when the demand for foreign exchange exceeded the supply the Government provided a substantial volume of United States dollars to the market at a price of about \$1.05. The new rate, equivalent to about \$1.08, had been established after assessment of the factors involved, including the attitudes in the foreign exchange market and the nature of the exchange transactions which had been taking place in recent months.

With the stabilization of the exchange rate, the decline in official holdings of gold and United States dollars abated temporarily and holdings were reported to be \$1,492.8 million at the end of May. In June, however, the situation deteriorated rapidly and on June 24th the Prime Minister announced that a comprehensive programme had become necessary to relieve the pressure on the Canadian dollar in the exchange field, to bring about a greater stability in Canada's international transactions and to strengthen the exchange reserves. The deficit in the current account remained a continuing problem. Canada had become accustomed to large capital inflows from abroad, and the immediate difficulties had been precipitated by the drying-up of the net capital inflow, and more recently a net capital outflow. The excess of imports of goods and services over exports had been paid for out of reserves of gold and United States dollars.

The measures introduced by the Government included temporary graduated surcharges ranging between 5 and 15 per cent on approximately one-half of all imports. There was also a temporary reduction in the amount of goods which Canadians travelling abroad were permitted to bring duty-free into Canada. These two measures were expected to lead to a significant improvement in the Canadian international account.

The third course of action involved reductions in Government expenditures amounting to \$250 million, which, when combined with the import surcharges, were expected to narrow the budgetary deficit by about \$450 million in a full year. Further, the Minister of Finance would earmark for financing increases in the exchange reserves Canadian dollar cash balances equivalent to the sales of exchange from the reserves.

The Prime Minister stated that at the time of the introduction of these measures Canada's official holdings of gold and United States dollars stood at approximately \$1,100 million. At the beginning of 1962 they had been \$2,056 million. To reinforce these reserves Canada had arranged for international financial support of well over one billion dollars in cash and stand-by credits from the International Monetary Fund, the Federal Reserve System of the United States, the United Kingdom, and the Export-Import Bank in Washington. After drawing \$650 million of these resources Canada's official holdings of gold and foreign exchange at the mid-year were \$1,809 million.

# Capital Movements

| Summary   | 1961                  |       |       |       | 1962  |       |
|---|-----------------------|-------|-------|-------|-------|-------|
|   | I Q                   | II Q  | III Q | IV Q  | I Q   | II Q  |
|   | (millions of dollars) |       |       |       |       |       |
| Capital movements in long term forms                        | + 147                 | + 213 | + 144 | + 99  | + 16  | - 48  |
| Capital movements in short term forms(1)                    | + 296                 | + 153 | - 149 | + 308 | - 27  | - 168 |
| Balance on goods and services                               | - 338                 | - 315 | - 57  | - 272 | - 353 | - 377 |
| Total of above  | + 105                 | + 51  | - 62  | + 135 | - 364 | - 593 |
| Special international financial assistance                  | -                     | -     | -     | -     | -     | + 707 |
| Change in official holdings of gold and foreign exchange(2) | - 105                 | - 51  | + 62  | - 135 | + 364 | - 114 |

(1) Excluding change in official holdings of gold and foreign exchange and special international financial assistance.

(2) Increase (-).

**DIRECT INVESTMENT** The net inflow of foreign capital for direct investment in foreign-controlled enterprises in Canada is estimated to have fallen sharply from \$85 million in the first quarter to \$50 million in the second. This level was less than half the quarterly rate for 1961, and was the lowest since the first quarter of 1951. Apart, however, from transactions involving the acquisition of existing concerns or interests or refinancing etc., having no counterpart in current new capital formation in Canada, other direct investment inflows were larger in the second quarter than in the first. On balance the special transactions in the second quarter reflected the decision by some non-residents to liquidate investments in Canada, although there were also a number of acquisitions by non-residents influenced perhaps by the lower capital outlay required in foreign funds.

Industrially inflows to the petroleum and natural gas industry appear to have been maintained at about the same total as in the first quarter, seasonal increases in the inflow to some companies in the second quarter having replaced some takeover inflows in the first. Mining received a much larger share of the inflow in both relative and absolute terms. Increased flows to finance iron ore expansion and development programmes in the second quarter were particularly important. There appear to have been outflows to manufacturing and other industries taken as a group, reflecting some re-financing as well as reductions in working capital some of which may arise from depreciation provision. These were in contrast to significant inflows in the first quarter when takeover transactions were important.

Since the outflows were largely to the United States, overseas countries contributed a larger share of the net inflow than in the first quarter. The share of the United States is estimated to have fallen from about seven-tenths to somewhat more than a half the net movement. While the shares of the United Kingdom and other overseas countries in the movement rose, the inflow from this group of countries remained relatively unchanged in value.

The net outflow of Canadian capital for direct investment abroad is placed at \$20 million in the second quarter, down \$5 million from the first. The movements, which were widely spread industrially and regionally, included the acquisition and disposition of a variety of interests as well as expansion.

**SECURITY TRANSACTIONS** During the second quarter of 1962 all transactions in portfolio securities between Canada and other countries led to a net capital inflow of \$29 million. However this figure included some \$125 million of new corporate borrowing which was applied to the refinancing of direct investment and other capital transactions. After eliminating the effects of these rather special inflows, there was an outflow of \$96 million in the second quarter compared with \$61 million in the first and with an inflow of \$148 million in the corresponding quarter of 1961. Official security transactions in connection with the reciprocal currency arrangements entered into between Canada, the United States, and the United Kingdom in June are not included.



Sales by Canadians of outstanding Canadian bonds exceeded repurchases by \$4 million but there was a sharp change within the quarter. Net repurchases rose from \$9 million in March to \$23 million in April, but then swung rapidly to net sales of \$18 million and \$9 million in the two succeeding months. The yield differential between long-term government issues in Canada and the United States was relatively stable through the first four months of 1962, ranging between 83 to 87 base points on the last Wednesday of the month quotations for Canada 3 3/4/78 and United States 3 1/4/83. It rose sharply to 106 base points by the last Wednesday in May and to 132 base points a month later thus reverting to the levels of early 1961.

Net Sales of Outstanding Canadian Stocks  
to Non-residents  
(millions of dollars)

| Quarter |     | Total | United States | Other Countries |
|---------|-----|-------|---------------|-----------------|
| 1960    | II  | 24    | 22            | 2               |
|         | III | 10    | 14            | - 4             |
|         | IV  | 2     | 13            | - 11            |
| 1961    | I   | 13    | 21            | - 8             |
|         | II  | 32    | 45            | - 13            |
|         | III | -     | 22            | - 22            |
|         | IV  | - 5   | 32            | - 37            |
| 1962    | I   | - 7   | 15            | - 22            |
|         | II  | - 46  | - 4           | - 42            |

The small sales balance from trade in outstanding Canadian bonds and debentures during the quarter was dwarfed by net repurchases of \$46 million of outstanding Canadian stocks. In both May and June repurchase balances set new monthly records for the post-war period. While residents of overseas countries had been liquidating their holdings of Canadian stocks each quarter since mid-1960, residents of the United States continued to add to their holdings until the second quarter of 1962. In the two year period Canadians repurchased from residents of overseas countries some \$159 million but sold to residents of the United States \$158 million.

Receipts of \$167 million from the sale to non-residents of new issues of Canadian securities were at their highest level since the second quarter of 1961, but it has already been noted that they included some \$125 million of special refinancing. Most of the total was made up of corporate issues which produced \$154 million. Retirements of non-resident-owned Canadian securities continued to be large at \$61 million, mainly arising from contractual maturities.

Price of United States Stocks in terms of  
Canadian Stocks  
(December 1961 = 100)

| Year | Month    | At Cdn. \$1 =<br>U.S. \$1 | At market<br>exchange<br>rate |
|------|----------|---------------------------|-------------------------------|
| 1960 | December | 103                       | 97                            |
| 1961 | December | 100                       | 100                           |
| 1962 | March    | 98                        | 99                            |
|      | June     | 94                        | 98                            |

Residents of Canada stepped up their acquisition of foreign securities during the second quarter. The first quarter purchase balance of \$27 million reflected in part the development of new investment intermediaries. In the second quarter the purchase balance rose further to \$35 million. The largest part of the outflow in each quarter covered the purchase of outstanding foreign stocks, mainly of United States corporations.

Based on "DBS Investors" and "Standard and Poor's 500" Indexes.

The shifts by non-residents out of Canadian stocks and shifts by Canadians into United States stocks appear in part to have reflected a decline in stock prices which was greater in the United States than in Canada.

OFFICIAL TRANSACTIONS

Regular instalments of principal fell due during the second quarter on intergovernmental loans to Belgium and the Netherlands, giving rise to a capital inflow of \$7 million. Other Canadian aid abroad has been covered in the items "Official Contributions" and in "Other Capital Movements" which includes credits extended through official and private agencies under Government guarantee.

The special international financial assistance provided to Canada during the quarter amounted to \$650 million in terms of United States dollars, or to about \$707 million in Canadian funds. It was made up both of a drawing from the International Monetary Fund of various foreign currencies equivalent to \$300 million in United States funds, and of reciprocal currency arrangements entered into with the Federal Reserve System in the United States and with the Bank of England under which \$250 million and \$100 million respectively in terms of United States funds were made available to Canada. A \$400 million line of credit provided by the Export-Import Bank of Washington has not been used.

The drawing on the IMF was comprised of the equivalent of \$100 million in pounds sterling, \$80 million in deutsche mark, \$80 million in French francs, \$20 million in Belgian francs, and \$20 million in Netherlands guilders.

Apart from these special drawings during the quarter there were repayments of Canadian dollars to the IMF by the United Kingdom equivalent to \$40 million in United States funds. These credits are reflected in "Other Capital Movements".

INTERNATIONAL MONETARY FUND: CANADA'S POSITION

|                                     |       | Net drawings<br>of foreign<br>currencies<br>by Canada | Net drawings<br>(-) of Canadian<br>dollars by<br>other countries | Net Sales of<br>Canadian<br>dollars to<br>IMF for gold | IMF holdings<br>of Canadian<br>dollars(1) | Canada's<br>Gross IMF<br>Position(2) | Canada's<br>Net IMF<br>Position(3) |
|-------------------------------------|-------|---|--|--|---|--------------------------------------|------------------------------------|
| (millions of United States dollars) |       |   |  |  |   |                                      |                                    |
| 1947                                |       | -   | -  | -  | 225                                       | 375                                  | 75                                 |
| 1956                                |       | -   | - 15   | -  | 210                                       | 390                                  | 90                                 |
| 1959                                |       | -   | -  | -  | 397                                       | 703                                  | 153                                |
| 1961                                | I Q   | -   | -  | -  | 398                                       | 702                                  | 152                                |
|                                     | II Q  | -   | - 10   | -  | 388                                       | 712                                  | 162                                |
|                                     | III Q | -   | - 75   | 25   | 338                                       | 762                                  | 212                                |
| 1962                                | I Q   | -   | 10   | -  | 348                                       | 752                                  | 202                                |
|                                     | II Q  | 300   | 40   | -  | 688                                       | 412                                  | - 138                              |

- (1) Apart from the transactions shown, these holdings reflect mainly Canada's quota payments made in Canadian dollars. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, there have also been adjustment payments in Canadian dollars between the IMF and Canada, arising from changes in the exchange rate, which are not reflected because the series are shown in United States dollar equivalents.
- (2) This is a measure of Canada's drawing potential - the amount Canada could draw without raising the IMF's holdings of Canadian dollars beyond 200 per cent of quota.
- (3) This is a cumulative measure of the net resources provided by Canada to the IMF.

The reciprocal currency arrangements entered into between the Bank of Canada and the Federal Reserve System and Bank of England are reflected in the Bank of Canada's balance sheet as an increase in holdings of United States dollar securities and a decline in its holdings of Government of Canada securities. The net holdings by the Bank of Canada of gold and United States dollars are included,

Official Holdings of  
Gold and United States dollars  
(millions of United States dollars)

| End of |       | Amount | Change<br>in Period |
|--------|-------|--------|---------------------|
| 1961   | I Q   | 1,935  | + 106               |
|        | II Q  | 1,985  | + 50                |
|        | III Q | 1,924  | - 61                |
|        | IV Q  | 2,056  | + 132               |
| 1962   | I Q   | 1,709  | - 346               |
|        | II Q  | 1,809  | + 99                |
|        | II Q* | 1,159* | - 551*              |
| 1962   | Apr.  | 1,595  | - 115               |
|        | May   | 1,493  | - 102               |
|        | June  | 1,809  | + 316               |
|        | June* | 1,159* | - 334*              |

together with gold, United States dollars and short-term securities of the United States Government held by the Exchange Fund Account and by other Government accounts, in reported official holdings of gold and United States dollars. The offsetting liability arising from the arrangements is included in the balance of payments for the current quarter in the item covering special international financial assistance.

After this extraordinary assistance Canada's official holdings of gold and United States dollars rose during the quarter from \$1,709 million in United States funds to \$1,809 million. The Canadian dollar equivalent of changes in official holdings of gold and foreign exchange was \$114 million, while the Canadian dollar value of the special assistance made available in late June was \$707 million. The indicated "net" exchange deficit of \$593 million in the second quarter followed one of \$364 million in the first quarter.

\* Excludes special international financial assistance.



OTHER CAPITAL MOVEMENTS Canadian dollar holdings of non-residents rose by \$34 million during the second quarter, having fallen by \$31 million in the first. The surprising capital inflow in this type of capital movement in the second quarter reflected a substantial increase in holdings by non-residents of Government of Canada treasury bills. Other holdings in the form of deposits, etc., were reduced. The build-up of foreign holdings of Canadian treasury bills occurred in the early part of the quarter with increases of \$50 million and \$17 million in April and May respectively, and a reduction of \$17 million in June, although the yield differential in favour of Canadian bills was much higher from the middle of May onwards, both before and after the cost of forward exchange protection, than was the case earlier. Residents of the United States increased their holdings of both treasury bills and deposits in the second quarter, while residents of overseas countries increased their holdings of treasury bills but reduced their deposits by a substantially greater amount.

Change in Canadian dollar holdings  
of foreigners  
(millions of dollars)

|      | Quarter | Total | Treasury<br>Bills | Deposits<br>etc. |
|------|---------|-------|-------------------|------------------|
| 1960 | II      | - 2   | - 10              | + 8              |
|      | III     | + 45  | + 27              | + 18             |
|      | IV      | + 79  | + 47              | + 32             |
| 1961 | I       | - 5   | + 32              | - 37             |
|      | II      | - 72  | - 76              | + 4              |
|      | III     | - 1   | - 34              | + 33             |
|      | IV      | + 44  | + 18              | + 26             |
| 1962 | I       | - 31  | + 17              | - 48             |
|      | II      | + 34  | + 50              | - 16             |

similar short-term funds abroad during the second quarter brought total estimated holdings to almost \$1,300 million. The movement in the second quarter involved an even larger increase in private holdings which was partly offset by reductions in the net foreign currency positions of the Chartered Banks. While changes of these holdings of foreign exchange represent capital movements to be reflected in statements of the balance of payments, the existence of swap and other forward market facilities makes possible the creation or transfer of exchange positions between various sectors of the economy without reflection on the statements.

Among other capital movements, the inflow of \$41 million arising from repayments to the International Monetary Fund of Canadian dollars drawn by the United Kingdom has already been mentioned. Other long-term capital transactions gave rise to an outflow of \$114 million, most of which represented repayments of bank loans which were financed from the sale to non-residents of a new corporate bond issue. There was a substantial amount of borrowing from non-residents by finance companies during the quarter, but repayments of commercial and finance paper were also larger, and the net inflow from this group of transactions was reduced to \$7 million. All other capital transactions together led to a small outflow of \$8 million in the second quarter, following one of \$84 million in the preceding quarter. Substantial inflows are normally characteristic of this group of movements in the first half of the year. It includes a variety of increases and decreases in accounts receivable and payable, as well as the balancing item representing the difference between direct measurements of the current and capital accounts.

A statement showing these capital movements appears on page 14.

QUARTERLY ESTIMATES OF THE CANADIAN

Note: Data for 1961-62 are preliminary and

|          |  | 1960         |              |              | 1961         |
|----------|--|--------------|--------------|--------------|--------------|
|          |  | II           | III          | IV           | I            |
| <b>A</b> | <b>Current Receipts</b>  |              |              |              |              |
| 1        | Merchandise exports (adjusted) .....   | 1,321        | 1,398        | 1,392        | 1,266        |
| 3        | Gold production available for export .....                                       | 35           | 42           | 41           | 41           |
| 4        | Travel expenditures .....  | 91           | 221          | 72           | 38           |
| 5        | Interest and dividends .....   | 39           | 35           | 65           | 36           |
| 6        | Freight and shipping .....   | 115          | 118          | 107          | 102          |
| 7        | Inheritances and immigrants' funds .....   | 29           | 31           | 24           | 19           |
| 11       | All other current receipts .....   | 107          | 111          | 101          | 103          |
| 12       | <b>Total Current Receipts</b> .....  | <b>1,737</b> | <b>1,956</b> | <b>1,802</b> | <b>1,605</b> |
| <b>B</b> | <b>Current Payments</b>  |              |              |              |              |
| 1        | Merchandise imports (adjusted) .....   | 1,508        | 1,316        | 1,392        | 1,260        |
| 4        | Travel expenditures .....  | 168          | 213          | 127          | 129          |
| 5        | Interest and dividends .....   | 161          | 157          | 190          | 204          |
| 6        | Freight and shipping .....   | 137          | 141          | 141          | 116          |
| 7        | Inheritances and emigrants' funds .....  | 43           | 50           | 50           | 35           |
| 9        | Official contributions .....   | 10           | 17           | 24           | 13           |
| 11       | All other current payments .....   | 187          | 189          | 191          | 186          |
| 12       | <b>Total Current Payments</b> .....  | <b>2,214</b> | <b>2,083</b> | <b>2,115</b> | <b>1,943</b> |
|          | Balance on Merchandise Trade .....   | - 187        | + 82         | -            | + 6          |
|          | Balance on Other Transactions, excluding B 9 .....                               | - 280        | - 192        | - 289        | - 331        |
|          | Official Contributions .....   | - 10         | - 17         | - 24         | - 13         |
| <b>C</b> | <b>Current Account Balance</b> .....   | <b>- 477</b> | <b>- 127</b> | <b>- 313</b> | <b>- 338</b> |
| <b>D</b> | <b>Capital Account</b>   |              |              |              |              |
|          | Direct Investment  |              |              |              |              |
| 1        | Direct investment in Canada .....  | + 144        | + 168        | + 137        | + 120        |
| 2        | Direct investment abroad .....   | - 25         | - 29         | - 16         | - 40         |
|          | Canadian Securities  |              |              |              |              |
| 3a       | Trade in outstanding bonds and debentures .....                                  | + 15         | - 19         | - 12         | + 31         |
| 3b       | Trade in outstanding common and preference stocks .....                          | + 24         | + 10         | + 2          | + 13         |
| 4        | New issues .....   | + 146        | + 52         | + 40         | + 90         |
| 5        | Retirements .....  | - 78         | - 32         | - 93         | - 69         |
|          | Foreign Securities   |              |              |              |              |
| 6        | Trade in outstanding issues .....  | - 5          | + 2          | - 24         | + 3          |
| 7        | New issues .....   | - 3          | - 2          | - 11         | - 5          |
| 8        | Retirements .....  | + 3          | + 7          | + 2          | + 2          |
|          | Loans by Government of Canada  |              |              |              |              |
| 9        | Drawings .....   | -            | -            | -            | -            |
| 10,11    | Repayments .....   | + 7          | -            | + 25         | + 3          |
| 13       | Subscriptions in gold and U.S. dollars to international financial agencies ..... | -            | - 1          | - 2          | -            |
| 14       | Change in Canadian dollar holdings of foreigners .....                           | - 2          | + 45         | + 79         | - 5          |
| 15       | Special international financial assistance .....                                 | -            | -            | -            | -            |
| 16       | Change in official holdings of gold and foreign exchange (increase, minus) ..... | + 82         | - 40         | - 14         | - 105        |
| 17       | Other capital movements .....  | + 169        | - 34         | + 200        | + 300        |
| <b>E</b> | <b>Net Capital Movement</b> .....  | <b>+ 477</b> | <b>+ 127</b> | <b>+ 313</b> | <b>+ 338</b> |

NOTES: Mutual Aid to NATO countries is not included in either current receipts or current payments.

A 1) Merchandise trade statistics are adjusted for use in this statement. Details of these adjustments are shown in the annual reports on B 1) "The Canadian Balance of International Payments".

A 11) This item includes government transactions n.o.p., personal and institutional remittances, miscellaneous income, insurance trans- B 11) actions, and business services.



# BALANCE OF INTERNATIONAL PAYMENTS

data for 1960 are subject to revision.

| 1961                  |       |       | 1962  |       | Annual Totals |        | Four quarters ended |               |       |
|-----------------------|-------|-------|-------|-------|---------------|--------|---------------------|---------------|-------|
| II                    | III   | IV    | I     | II    | 1959          | 1960   | 1961                | June 30, 1962 |       |
| (millions of dollars) |       |       |       |       |               |        |                     |               |       |
| 1,447                 | 1,557 | 1,619 | 1,396 | 1,620 | 5,150         | 5,392  | 5,889               | 6,192         | A     |
| 42                    | 41    | 38    | 43    | 42    | 148           | 162    | 162                 | 164           | 1     |
| 101                   | 254   | 80    | 43    | 126   | 391           | 420    | 473                 | 503           | 3     |
| 59                    | 40    | 74    | 31    | 50    | 182           | 173    | 209                 | 195           | 4     |
| 120                   | 135   | 129   | 105   | 129   | 420           | 442    | 486                 | 498           | 5     |
| 28                    | 31    | 25    | 19    | 32    | 109           | 102    | 103                 | 107           | 6     |
| 103                   | 99    | 98    | 106   | 104   | 392           | 419    | 403                 | 407           | 7     |
| 1,900                 | 2,157 | 2,063 | 1,743 | 2,103 | 6,792         | 7,110  | 725                 | 8,066         | 11    |
|                       |       |       |       |       |               |        |                     |               | 12    |
| 1,478                 | 1,419 | 1,559 | 1,401 | 1,664 | 5,572         | 5,540  | 5,716               | 6,043         | B     |
| 170                   | 214   | 120   | 141   | 188   | 593           | 627    | 633                 | 663           | 1     |
| 174                   | 170   | 222   | 179   | 206   | 671           | 653    | 770                 | 777           | 4     |
| 142                   | 151   | 159   | 126   | 157   | 525           | 533    | 568                 | 593           | 5     |
| 43                    | 49    | 47    | 38    | 44    | 165           | 181    | 174                 | 178           | 6     |
| 8                     | 15    | 20    | 6     | 7     | 72            | 61     | 56                  | 48            | 7     |
| 200                   | 196   | 208   | 205   | 214   | 693           | 758    | 790                 | 823           | 9     |
| 2,215                 | 2,214 | 2,335 | 2,096 | 2,480 | 8,296         | 8,353  | 8,707               | 9,125         | 11    |
|                       |       |       |       |       |               |        |                     |               | 12    |
| - 31                  | + 138 | + 60  | - 5   | - 44  | - 422         | - 148  | + 173               | + 149         |       |
| - 276                 | - 180 | - 312 | - 342 | - 326 | -1,010        | -1,034 | -1,099              | -1,160        |       |
| - 8                   | - 15  | - 20  | - 6   | - 7   | - 72          | - 61   | - 56                | - 48          |       |
| - 315                 | - 57  | - 272 | - 353 | - 377 | -1,504        | -1,243 | - 982               | -1,059        | C     |
|                       |       |       |       |       |               |        |                     |               | D     |
| + 140                 | + 75  | + 85  | + 85  | + 50  | + 550         | + 645  | + 420               | + 295         | 1     |
| - 35                  | - 15  | - 20  | - 25  | - 20  | - 80          | - 85   | - 110               | - 80          | 2     |
| + 34                  | - 12  | + 10  | - 3   | + 4   | + 91          | + 3    | + 63                | - 1           | 3a    |
| + 32                  | -     | - 5   | - 7   | - 46  | + 110         | + 49   | + 40                | - 58          | 3b    |
| + 171                 | + 127 | + 104 | + 38  | + 167 | + 707         | + 447  | + 492               | + 436         | 4     |
| - 93                  | - 29  | - 101 | - 62  | - 61  | - 258         | - 253  | - 292               | - 253         | 5     |
| -                     | + 2   | - 10  | - 31  | - 37  | - 32          | - 20   | - 5                 | - 76          | 6     |
| - 18                  | - 6   | - 5   | - 1   | - 3   | - 13          | - 18   | - 34                | - 15          | 7     |
| + 2                   | + 3   | + 2   | + 5   | + 5   | + 12          | + 18   | + 9                 | + 15          | 8     |
| -                     | -     | -     | -     | -     | - 1           | -      | -                   | -             | 9     |
| + 7                   | -     | + 27  | + 3   | + 7   | + 34          | + 32   | + 37                | + 37          | 10,11 |
| -                     | -     | -     | -     | -     | - 59          | - 3    | -                   | -             | 13    |
| - 72                  | - 1   | + 44  | - 31  | + 34  | + 13          | + 120  | - 34                | + 46          | 14    |
| -                     | -     | -     | -     | + 707 | -             | -      | -                   | + 707         | 15    |
| - 51                  | + 62  | - 135 | + 364 | - 114 | + 70          | + 39   | - 229               | + 177         | 16    |
| + 198                 | - 149 | + 276 | + 18  | - 316 | + 360         | + 269  | + 625               | - 171         | 17    |
| + 315                 | + 57  | + 272 | + 353 | + 377 | +1,504        | +1,243 | + 982               | +1,059        | E     |

## NOTES:

D A minus sign indicates an outflow of capital from Canada.

D1,2 Exclusive of undistributed profits.

D17 This item includes mainly short-term capital movements in the form of changes in international open account commercial indebtedness, private and chartered bank holdings of exchange, and loans between private unrelated parties. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

Composition of "Other Capital Movements"  
(millions of dollars)

| Transactions with all countries   | 1961             |                   |                  |                   | 1962             |                   |
|---|------------------|-------------------|------------------|-------------------|------------------|-------------------|
|   | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter | First<br>Quarter | Second<br>Quarter |
| International Financial Agencies(1)   |                  |                   |                  |                   |                  |                   |
| Canadian dollar subscriptions   | -                | - 9               | -                | - 8               | - 22             | - 13              |
| Short-term Canadian dollar holdings   | 2                | -                 | - 52             | 7                 | 33               | 54(2)             |
| Other long-term capital transactions  | - 1              | - 27              | - 1              | 12                | 14               | - 114             |
| Bank balances and other short-term funds<br>abroad (excluding official reserves)                        | 128              | 54                | - 140            | 112               | 49               | - 242             |
| Borrowings from non-residents by finance<br>companies, and non-resident holdings of<br>commercial paper | 71               | 21                | - 1              | 17                | 28               | 7                 |
| All other transactions including changes<br>in loans and accounts receivable and<br>payable(3)          | 100              | 159               | 45               | 136               | - 84             | - 8               |
| <b>TOTAL (Item D 17)</b>  | <b>300</b>       | <b>198</b>        | <b>- 149</b>     | <b>276</b>        | <b>18</b>        | <b>- 316</b>      |

(1) International Bank for Reconstruction and Development, International Monetary Fund, and International Development Association.

(2) Excludes counterpart of special financial assistance to Canada which is included in D 15.

(3) Includes also balancing item representing difference between direct measurements of current and capital accounts.

NOTES: The figures in this statement are based on incomplete data, and make use in some cases of statistics compiled in other countries. The items are therefore subject to greater possible error than others in the balance of payments statement.  
A minus sign indicates an outflow of capital from Canada.





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