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QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

FOURTH QUARTER 1962, AND

PRELIMINARY ESTIMATES FOR THE YEAR 1962

Although the main outlines of Canada's balance of payments in 1962 have some features in common with 1961, major developments occurred during the year. In the first half of the year there was the rapid loss of foreign exchange holdings which led to the exchange crisis in June and to the series of official measures which were introduced in the second quarter with the object of stabilizing the international exchange value of the Canadian dollar and Canada's international transactions. In the first half of the year there had been net outflows of capital and a growing current account deficit. In the second half of the year, in contrast, there was a rapid restoration in official holdings of exchange accompanying large capital inflows and a contraction in the size of the current account deficit.

## Summary Statement

	First half		Second half		Year	
	1961	1962	1961	1962	1961	1962
millions of dollars						
Merchandise trade balance .....	- 25	- 52	+ 198	+ 207	+ 173	+ 155
Deficit on non-merchandise transactions	- 623	- 643	- 532	- 360	- 1,155	- 1,003
Current account deficit .....	- 648	- 695	- 334	- 153	- 982	- 848
Capital movements:(1)						
Long-term forms .....	+ 456	+ 11	+ 334	+ 707	+ 790	+ 718
Short-term forms .....	+ 348	- 273	+ 73	+ 610	+ 421	+ 337
Special international financial assistance .....	-	+ 707	-	- 377	-	+ 330
Change in official holdings of gold and foreign exchange(2) .....	- 156	+ 250	- 73	- 787	- 229	- 537

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

(2) Increase (-).

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National Accounts and Balance of Payments Division

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The contraction in Canada's deficit in goods and services with other countries was to \$848 million in 1962 from \$982 million in 1961. Much of this change occurred in the fourth quarter of the year following some favourable changes in the third quarter as well. In the first half of the year the deficit was higher than in that part of the previous year whereas in the second half it had contracted to less than half of the level of the second half of 1961. In the fourth quarter the current deficit was reduced to \$119 million from \$272 million in the last year through the coincidence of a large export balance on merchandise trade and a reduction in the deficit from non-merchandise transactions.

In the year as a whole the contraction in the deficit originated entirely in a reduction of 13 per cent in net payments on account of non-merchandise transactions to \$1,003 million in 1962 from \$1,155 million in 1961. There was again an export balance from merchandise trade amounting to \$155 million in 1962 compared with \$173 million in 1961 when adjustments are made for balance of payments purposes. More than two-thirds of the above improvement in the year was from the sharp contraction in the deficit on travel account to \$50 million in 1962 from \$160 million in 1961. Other significant contributions to the improvement resulted from a smaller deficit on account of migrants' funds and a reduced volume of transfers financed by official contributions. Half of the year's improvement in the non-merchandise deficit occurred in the final quarter of the year with favourable changes distributed among each item except interest and dividends.

With exceptionally large inflows of capital in the second half of the year a larger proportion of Canada's current deficit in the full year was financed by long term forms than for several years. The concentration of over \$700 million in inflows in these forms in the second half followed the contrasting situation in the first half of the year when outflows offset most of the inflows in that period. Inflows which expanded in the second half included large borrowing through sales of new issues of government and corporate bonds and large inflows on direct investment particularly for the acquisition of Canadian enterprises. Contrasts between the half years were even greater in the area of short-term funds. Outflows in the first half of \$273 million (apart from special international financial assistance) were rapidly followed by net inflows in the second and the eventual repayment of more than half of the special financial assistance.

The total value of non-resident owned long-term investments in Canada continued to rise both through the introduction of capital from abroad and the accretion of retained earnings. The value of these investments, which at the end of 1960 was \$22.2 billion, is estimated to have risen to about \$23 1/2 billion at the end of 1961, and to have been approaching \$25 billion at the end of 1962. There are other Canadian liabilities to non-residents mainly of a short-term character, and Canada, although on balance still a major international debtor, has very sizable public and private assets abroad in a variety of forms.

Although full statistical data are not yet available the growth in Canada's "net balance of international indebtedness" appears to have been smaller than the growth in external liabilities in long-term forms. Other Canadian liabilities increased, while Canada's assets abroad grew not only because of capital outflows and retained earnings but also because of the increased value of foreign currencies in terms of Canadian funds.

#### Export balance on merchandise trade

With expansion in economic activity in the United States and Canada and strong demands in many overseas areas, both sides of Canada's merchandise trade were at record levels in 1962. Increases in volume represented a substantial part of the gains in each case. Other major parts of the increases in values resulted from higher prices, the effects largely of the change in the foreign exchange value of the Canadian dollar. The United States dollar averaged 106.89 cents in Canadian funds in 1962, compared with 101.34 cents in 1961, following the stabilization of the Canadian dollar announced by the Minister of Finance in May. Another influence upon Canadian imports originated in the surcharges on a wide range of imports introduced in June, with some of these surcharges being withdrawn in the fourth quarter.

The effect of trading developments in the year upon the trade balance was to retain an export balance on merchandise account for the second year in succession at annual levels which were relatively close, \$155 million in 1962 compared with \$173 million in 1961. The quarterly configuration of balances was quite different however. In the case of exports an upward trend was generally evident during the year with the highest level in the fourth quarter. With imports the trend has been less regular and when account is taken of seasonal factors the fourth quarter showed a lower level than the peak level in the third quarter. As a result of high exports coinciding with a low level of imports there was an export balance of \$138 million in the fourth quarter, more than double that in the fourth



quarter of 1961. An analysis of imports in the fourth quarter is not yet available but the level was probably influenced by the high level in the preceding quarter when business inventories were built up in Canada on a substantial scale.

The expansion in the volume of imports in 1962 was significantly less than the rises which accompanied similar upturns in Canadian economic activity in earlier cycles. This indicates more satisfaction of Canadian demands from Canadian production than formerly. Evidence of this is apparent in some areas in particular, examples of which are provided by passenger cars, iron and steel products and fuels. At the same time Canadian imports of other commodities over a wide range of industrial materials and investment and consumer goods remained exceptionally high giving rise to the unprecedented total levels in terms of value in 1962. In contrast in earlier periods of exceptionally heavy imports as in 1956 and 1957 import totals were swollen by an unusually large volume of steel, pipe, and many kinds of machinery required in large investment programmes in that period. Since then there have been large price increases in imported manufactured goods which have had the effect of maintaining many import values even though there have been declines in volume. On the other hand price increases in some primary commodities have been considerably less.

The outstanding feature of Canada's export trade in 1962 was the sharp rise in exports to the United States and the relative stability in the total to most overseas areas. The new peak in the value of shipments to the United States was some 16 per cent higher than in 1961 and more than one-third larger than the average annual value in the previous decade. Increases in the year were particularly large in exports by some of the resource industries like iron ore, petroleum and natural gas, forest products like lumber and wood pulp and metals which included nickel, copper, and aluminum. At the same time there were gains in some secondary manufactured goods of which examples are provided by machinery and aircraft. An important exception to these trends was uranium which again declined.

While exports to major overseas markets like the United Kingdom and Western Europe were maintained, there were declines to Eastern Europe associated with a drop in wheat exports. Declines in wheat exports also affected export totals to Germany, Japan and Commonwealth countries in Asia. There were also declines in sales of metals and some chemical products to overseas countries. On the other hand exports to Australia and other Commonwealth countries increased as did shipments to Communist China.

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

A substantial 13 per cent reduction in net payments on non-merchandise transactions from \$1,155 million to \$1,003 million was the agent that narrowed the current account deficit, as the export trade balance was slightly lower in 1962. More than 70 per cent of the amelioration in the non-merchandise deficit was attributable to the travel account, and reduced official contributions and migrants' funds combined to account for the balance of the improvement. Modest changes took place in the balances on freight and shipping, interest and dividends, and gold production available for export, while net payments on other current "invisible" transactions were unchanged.

Major Components of the Balance on Non-merchandise Transactions			
	1961	1962	Change
	millions of dollars		
Gold production available for export .....	162	165	+ 3
Travel expenditures .....	- 160	- 50	+ 110
Interest and dividends .....	- 561	- 570	- 9
Freight and shipping .....	- 82	- 90	- 8
Inheritances and migrants' funds .....	- 71	- 39	+ 32
Official contributions .....	- 56	- 32	+ 24
All other current transac- tions .....	- 387	- 387	-
Balance on non-merchandise transactions .....	- 1,155	- 1,003	+ 152

A sharp improvement occurred in the deficit on the travel account as the moderate deficit of \$24 million with the United States in 1961 swung over to a sizable surplus of \$90 million in 1962, a vigorous continuation of the improving course evident over the several preceding years. This surplus with the United States, first one since 1951, was brought about by a gain in receipts of \$75 million or 17 per cent from visitors from the United States during 1962, combined with a decline of some \$39 million in expenditures by

Canadians travelling in the United States. The stabilization of the Canadian dollar at a lowered value in terms of foreign currency and the reduction about the mid-year in the privilege of duty-free purchases by Canadian tourists abroad were important factors which generated the surplus. Sharp declines in Canadian tourist purchases in the United States in the third and fourth quarters accounted for a substantial part of the above reduction in Canadian expenditures.

#### Travel Expenditures

	1960	1961	1962	Change in 1962
	millions of dollars			
Receipts:				
United States .....	375	435	510	+ 75
Overseas .....	45	47	50	+ 3
All countries .....	420	482	560	+ 78
Payments:				
United States .....	462	459	420	- 39
Overseas .....	165	183	190	+ 7
All countries .....	627	642	610	- 32
Balance:				
United States .....	- 87	- 24	+ 90	+ 114
Overseas .....	- 120	- 136	- 140	- 4
All countries .....	- 207	- 160	- 50	+ 110

butted to the increase in net payments on income account from \$561 million to \$570 million. This annual gain would have been considerably larger, except for the extraordinary concentration of dividend payments in the first quarter of 1961. The \$570 million deficit represented nearly 57 per cent of the imbalance on "invisibles", the highest proportion since 1956 (almost 60 per cent), and compared with about 49 per cent in 1961. This sharp rise was attributable to the shifts in the relative importance of the deficits of other items, notably travel expenditures.

#### Income Account: Payments

Period	Total	Interest	Dividends
	millions of dollars		
1960	653	239	414
1961	770	259	511
1962	781	285	496
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	205	76	129
III Q	163	62	101
IV Q	234	80	154

from \$770 million to \$781 million in 1962.

The combined effect of new issues of bonds (preponderantly corporate), retirements, trade in outstanding issues and tax withheld accounted for over 60 per cent of the \$26 million increase in interest payments, while the change over the year in the foreign exchange rate of the Canadian dollar accounted for the rest. The \$15 million decline in dividend payments was all ascribable to direct investment dividends, which fell more than \$25 million while net profits of unincorporated branches

The rapid rise since the mid-fifties in net payments of travel expenditures to overseas countries was moderated in 1962, with a deficit of \$140 million, only slightly more than in 1961. Travel receipts from overseas increased from \$47 million to \$50 million while expenditures by Canadians in overseas countries rose from \$183 million to \$190 million. Over all, travel receipts grew 16 per cent from \$482 million to \$560 million, expenditures declined 5 per cent from \$642 million to \$610 million, and the 1962 deficit of \$50 million was less than one-third of the net payments of \$160 million for 1961, and less than one quarter of the peak deficit in 1960.

A larger rise in payments than in receipts of interest and dividends contri-

The receipt of interest and dividends increased from \$209 million to \$211 million, with each of the two components rising slightly. The receipt of interest on official loans was \$5 million lower, while the earnings of the exchange fund account and on holdings of foreign securities were up \$6 million. At \$131 million dividend receipts remained practically unchanged, but the absence in 1962 of extraordinary receipts from the Rest of the Sterling Area of the previous year was offset by larger receipts from other areas. These higher receipts were influenced by the appreciation of foreign currency in terms of the Canadian dollar and an increase in Canadian holdings of United States stocks.

A ten per cent increase in interest payments from \$259 million to \$285 million, in part offset by a reduction in dividend payments from \$511 million to \$496 million resulted in the total of payments moving up



advanced nearly \$10 million and dividend remittances on portfolio investment increased slightly. Reduced dividends on direct investment were concentrated in payments by companies engaged in mining and trade, as manufacturing firms paid larger dividends in 1962.

In company with the increased merchandise trade, both receipts and payments on freight and shipping services rose in 1962. With a larger advance of over 3 per cent recorded in payments than in receipts of more than 2 per cent, the deficit on this account widened from \$82 million to \$90 million. The 1962 deficit was about the level of 1960 but below \$105 million for 1959. Higher inland freight, including transportation of crude petroleum to the United States, and increased expenditures of foreign vessels in Canadian ports, offset in part by lower Canadian shipping earnings, accounted for the increase in gross receipts from \$486 million to \$498 million. Heavier freight payments for imports brought in foreign vessels and also on inland transportation in the United States contributed to the growth in payments for freight and shipping from \$568 million to \$588 million. Net payments on freight and shipping services represented 7 and 9 per cent, respectively, of the deficit on "invisibles" in 1961 and 1962.

Net payments of inheritances and migrants' funds were reduced substantially from \$71 million to \$39 million, as receipts climbed from \$103 million to \$124 million, while payments declined from \$174 million to \$163 million. Immigrants, whose arrival increased from approximately 71,700 to 74,600 persons in 1962, and the higher per capita funds of the immigrants caused the rise in the receipts. The decline in payments, on the other hand, was attributable to the estimated lower emigration of Canadians, in particular to the United States.

#### Miscellaneous Current Transactions

	Receipts		Payments	
	1961	1962	1961	1962
	millions of dollars			
Government, excluding official contributions	112	114	155	149
Personal and institutional remittances .....	24	26	98	91
Miscellaneous income .....	82	102	138	143
Business services .....	185	184	399	430
Total .....	403	426	790	813
Balance .....	- 387	- 387	-	-

A small increase from \$162 million to \$165 million took place in the value of gold production available for export, reflecting the greater premium on foreign exchange.

The decline in official contributions from \$56 million to \$32 million was concentrated in the aid under the Colombo Plan. Included however in the total for 1961 were wheat shipments to India and Pakistan in addition to two vessels built by the Canadian Government as a gift to the West Indies Federation.

Net payments on all other current transactions remained unchanged at \$387 million as equal increases occurred in receipts from \$403 million to \$426 million and in payments from \$790 million to \$813 million. Because however of shifts in the relative importance of other components, the

same deficit represented more than 33 per cent and 38 per cent, respectively, of the deficit on "invisibles" in 1961 and 1962. A sizable gain in business service payments was counterbalanced by lower net payments on several other items. For government expenditure (other than official contributions) and personal and institutional remittances, receipts increased while payments declined. In contrast in the case of miscellaneous income a small rise in payments was outweighed by a much larger gain in receipts. With rising production and consumer income during 1962, business service payments, covering royalties, engineering and management fees, franchises, etc, to head offices and other non-residents rose some 8 per cent during the year. Interest income earned on credit sales of wheat and machinery, profits on official transactions in gold, compensation for sales contract cancellation, and increased profits of insurance companies contributed to a gain of \$20 million in receipts of miscellaneous income. Receipts of personal and institutional remittances were up \$2 million, while payments were down \$7 million. Among government expenditures, contributions to the infrastructure programme and other payments to the NATO were lower in 1962, as also were contributions to the United Nations operations in the Congo.

#### Transactions by areas

The characteristic pattern of Canada's current account continued in 1962 although the extent of bilateral imbalance was reduced. In this pattern a large deficit with the United States in both goods and services is partly financed by a surplus from Canadian trade with overseas countries.

This traditional course has undergone some modification over the past decade. There have been relatively wide variations in the balances with overseas countries while the deficit with the United States has remained very high by historical standards. Although this deficit with the United States declined in 1962 it was, at \$1,116 million, much higher than in any year before 1956, with one exception. The reduced surplus with overseas countries of \$268 million in 1962, while less than \$404 million in 1961, was larger than in the years from 1957 to 1960.

Other parts of Canada's current deficit with the United States have been financed by capital from overseas countries invested directly in Canada and also by capital from overseas invested through intermediaries in the United States. The other main source of financing has been the investing of capital of United States origin which over this past decade has covered more than half of Canada's current account deficit with that country. This was again the case in 1962 when, however, capital from the United States played a relatively larger role than in the decade as a whole.

The decline of \$270 million in the current account deficit with the United States from \$1,386 million to \$1,116 million represented about twice the magnitude of the improvement of \$134 million in Canada's balance of international payments with all countries. The surplus on current transactions with the United Kingdom continued to grow in 1962, by \$26 million, while the substantial surplus of 1961 with other countries was reduced by three-quarters to \$55 million in 1962.

A 15 per cent increase in receipts from the United States from \$4,510 million to \$5,183 million offset by a smaller rise of nearly 7 per cent in payments from \$5,896 million to \$6,299 million produced a 20 per cent narrowing in the current deficit. This reduction with the United States, first since 1958, was distributed almost equally between merchandise trade and "invisible" transactions. A rise of more than 16 per cent in merchandise exports from \$3,213 million up to \$3,742 million, against a 10 per cent growth in imports from \$3,828 million to \$4,217 million, contributed to a decline of \$140 million from \$615 million to \$475 million in the merchandise trade deficit. A sizable rise of \$144 million in non-merchandise receipts from \$1,297 million to \$1,441 million, which was offset slightly by the payments rising from \$2,068 million to \$2,082 million, cut back the non-merchandise deficit from \$771 million to \$641 million.

Crude petroleum exports to the United States recorded the largest individual commodity increase of nearly \$80 million, followed by iron ore whose shipments rose more than \$65 million over 1961. Exports of lumber and aluminum increased about \$40 million each, and a gain of approximately \$30 million each occurred in exports of wood pulp, aircraft and natural gas; and nickel shipments were up nearly \$20 million. Exports of uranium declined \$25 million, following a drop of over \$60 million in 1961. On the basis of 9-month trade returns, imports of automobile parts and non-farm machinery were each about \$50 million higher.

The \$130 million cut in the deficit on non-merchandise transactions with the United States was seven-eighths attributable to the sharp improvement in the travel account. As referred to above, a deficit of \$24 million in 1961 was transformed to a surplus of \$90 million in 1962, when receipts from American visitors increased \$75 million, while the spending by Canadian travellers in the United States declined \$39 million. Deficits were trimmed in more moderate proportions for migrants' funds, the income account and freight and shipping, while net payments on miscellaneous current transactions were up about 10 per cent, due mainly to business service payments.

Current Account Balances with  
Principal Countries and Areas

	1960	1961	1962	Change in 1962
	millions of dollars			
United States .....	- 1,361	- 1,386	- 1,116	+ 270
United Kingdom .....	166	187	213	+ 26
Other Sterling Area...	43	27	11	- 16
Other OECD countries	- 14	- 31	- 70	- 39
Other countries .....	- 77	221	114	- 107
All countries .....	- 1,243	- 982	- 848	+ 134

In transactions with the United Kingdom, a small decline in merchandise imports from \$593 million to \$575 million, with exports remaining steady at \$924 million, raised the surplus on merchandise trade from \$331 million to \$349 million. The deficit on non-merchandise transactions narrowed from \$144 million to \$136 million, as a slight decline in receipts was less than a larger reduction in payments for services. Exports of barley, oilseed cake, newsprint, aluminum and products were up in 1962, while shipments of flaxseed, woodpulp, iron ore, nickel, copper and products and plastic materials were lower. On the basis of incomplete

trade returns for the year, lower imports were indicated for engines, electrical goods and aircraft, while imports of woollen materials, automobiles and non-farm machinery appeared to be higher in value.



Summary of Current Transactions with the United States,  
United Kingdom and other Countries 1961 and 1962,  
and Change between the Periods

	1961	1962	Change	1961	1962	Change
	millions of dollars					
	All countries			United States		
<u>Fourth quarter</u>						
Merchandise exports (adjusted) .....	1,619	1,721	+ 102	902	978	+ 76
Merchandise imports (adjusted) .....	1,559	1,583	+ 24	1,018	1,056	+ 38
Balance on merchandise trade .....	60	138	+ 78	- 116	- 78	+ 38
Other current receipts .....	449	488	+ 39	293	327	+ 34
Other current payments .....	781	745	- 36	544	531	- 13
Balance on non-merchandise transactions	- 332	- 257	+ 75	- 251	- 204	+ 47
Total receipts .....	2,068	2,209	+ 141	1,195	1,305	+ 110
Total payments .....	2,340	2,328	- 12	1,562	1,587	+ 25
Current account balance .....	- 272	- 119	+ 153	- 367	- 282	+ 85
<u>Calendar year</u>						
Merchandise exports (adjusted) .....	5,889	6,364	+ 475	3,213	3,742	+ 529
Merchandise imports (adjusted) .....	5,716	6,209	+ 493	3,828	4,217	+ 389
Balance on merchandise trade .....	173	155	- 18	- 615	- 475	+ 140
Other current receipts .....	1,845	1,984	+ 139	1,297	1,441	+ 144
Other current payments .....	3,000	2,987	- 13	2,068	2,082	+ 14
Balance on non-merchandise transactions	- 1,155	- 1,003	+ 152	- 771	- 641	+ 130
Total receipts .....	7,734	8,348	+ 614	4,510	5,183	+ 673
Total payments .....	8,716	9,196	+ 480	5,896	6,299	+ 403
Current account balance .....	- 982	- 848	+ 134	- 1,386	- 1,116	+ 270
	United Kingdom			Other countries		
<u>Fourth quarter</u>						
Merchandise exports (adjusted) .....	248	249	+ 1	469	494	+ 25
Merchandise imports (adjusted) .....	155	131	- 24	386	396	+ 10
Balance on merchandise trade .....	93	118	+ 25	83	98	+ 15
Other current receipts .....	79	75	- 4	77	86	+ 9
Other current payments .....	93	83	- 10	144	131	- 13
Balance on non-merchandise transactions	- 14	- 8	+ 6	- 67	- 45	+ 22
Total receipts .....	327	324	- 3	546	580	+ 34
Total payments .....	248	214	- 34	530	527	- 3
Current account balance .....	79	110	+ 31	16	53	+ 37
<u>Calendar year</u>						
Merchandise exports (adjusted) .....	924	924	-	1,752	1,698	- 54
Merchandise imports (adjusted) .....	593	575	- 18	1,295	1,417	+ 122
Balance on merchandise trade .....	331	349	+ 18	457	281	- 176
Other current receipts .....	229	227	- 2	319	316	- 3
Other current payments .....	373	363	- 10	559	542	- 17
Balance on non-merchandise transactions	- 144	- 136	+ 8	- 240	- 226	+ 14
Total receipts .....	1,153	1,151	- 2	2,071	2,014	- 57
Total payments .....	966	938	- 28	1,854	1,959	+ 105
Current account balance .....	187	213	+ 26	217	55	- 162

The \$8 million reduction in the deficit on non-merchandise transactions was traced mainly to a moderate increase in net receipts of migrants' funds and a smaller deficit on interest and dividends. The number of immigrants from the United Kingdom rose substantially, while Canadians leaving for Britain were fewer in 1962. Net receipts on the freight and shipping account declined slightly, and a small deficit on business services widened a little.

The decline of \$162 million in the surplus in transactions with other countries from \$217 million to \$55 million was distributed among the Rest of the Sterling Area, other OECD countries and the remaining countries with about two-thirds of the deterioration concentrated in the change in the current balance with the third group of countries. In each of the areas, the deterioration in the current balance occurred mostly in merchandise trade. With the Rest of the Sterling Area and the "Other countries" the decline in the merchandise trade surplus was in each case moderated by a small improvement in the balance on non-merchandise transactions. A reduction of \$24 million in official contributions directed to the Rest of the Sterling Area was in part offset by a fairly substantial decline in receipts of investment income and a slightly larger travel deficit. Individually small and offsetting changes occurred in non-merchandise transactions with the other OECD countries. Deficits increased on the income and freight accounts while government expenditures, particularly in connection with the NATO, were lower. A reduction in the surplus on freight and shipping with "Other countries" was more than counterbalanced by reduced government expenditures and increased receipts of miscellaneous income, including interest on credit sales of commodities.

Substantial changes in the volume of grain exports had the effect of reducing exports to Czechoslovakia, the U.S.S.R. and East Germany to almost insignificant totals in 1962, but of further boosting exports to Mainland China. Total exports to Cuba dropped \$20 million and to Japan \$17 million.

#### The fourth quarter

In the final quarter of the year the current deficit was sharply reduced with a large export balance on merchandise account coinciding with a considerable reduction in the deficit from non-merchandise transactions. Each of these broad factors contributed about half of the change from the previous year. The resulting current account deficit of \$119 million was much less than in any similar quarter since 1954.

This relatively small deficit was only possible because of the size of the export balance on merchandise account. This balance of \$138 million has rarely been exceeded in any quarter and then only in a few quarters in the period before 1952. Larger surpluses were produced by merchandise trade in the fourth quarter of 1948, 1949 and 1951. The enlargement in the merchandise balance over the fourth quarter of 1961 was from a larger gain in the value of exports than in imports. The coincidence of these changes in the fourth quarter combined to produce the large export balance; while exports were at a very high level, imports after allowing for seasonal variation, were much lower than in the previous quarter when business inventories were accumulated in Canada. Details are not yet available showing the commodity composition of imports in the fourth quarter. In the case of exports the largest part of the rise over the previous year continued to be in exports to the United States, with other rises distributed to various overseas destinations.

In the non-merchandise account, a variety of changes occurred in the fourth quarter which had the combined effect of reducing the deficit. Many types of influence contribute to quarterly changes of this kind and make underlying trends difficult to isolate. For example, some major items like dividend transfers from subsidiaries are highly variable from quarter to quarter. Official contributions, other government expenditures and immigrants' funds, also are subject frequently to irregular fluctuations. On the other hand, items like the travel account during 1962 showed a sustained improvement, and the freight account tends to reflect major changes in merchandise trade. In the opposite direction interest payments abroad have been steadily rising as non-resident holdings of Canadian bonds increase, and payments for business services have increased from one year to another.

Each of the main items among non-merchandise transactions, with the exception of interest and dividends, contributed to the \$75 million reduction in the "invisible" deficit between the fourth quarters of 1961 and 1962. The travel account was responsible for roughly one-half of the improvement, with expenditures by Canadians abroad declining substantially in addition to higher receipts, mainly from visitors from the United States. A more moderate narrowing in the deficit on freight and shipping services occurred, as receipts gained while payments declined. Official contributions dropped some \$12 million, and receipts of miscellaneous income rose, while payments remained fairly stable between the two periods. Both increased gold production and a lower deficit on migrants' funds contributed moderately to the reduction of the deficit.



Net payments on interest and dividends were slightly higher as the increase in payments exceeded that of receipts. Dividend transfers were high as is usually the case in the fourth quarter but not as high as in that period of 1959. The share of the non-merchandise deficit attributable to the income account stood at nearly 60 per cent in the fourth quarter of 1962, as compared with 45 per cent one year before, as the proportion originating in the travel account dropped from 12 per cent to 3 per cent.

The fourth quarter saw exceptionally large capital inflows for direct investment which included large foreign purchases of existing enterprises, a substantial volume of new issues of Canadian securities placed in foreign markets, and accelerated repayment to Canada of an intergovernmental loan. The net capital inflow in all long-term forms in the quarter amounted to \$447 million, representing 62 per cent of the total for the year. This was greatly in excess of the current account deficit of \$119 million incurred in the fourth quarter. Other capital movements were also inwards and the reserve position improved by \$478 million including repayment of more than half of the special assistance extended to Canada earlier in the year.

#### Capital Movements

Summary	First half		Second half		Year	
	1961	1962	1961	1962	1961	1962
millions of dollars						
Capital movements in long term forms .....	+ 456	+ 11	+ 334	+ 707	+ 790	+ 718
Capital movements in short term forms(1) ..	+ 348	- 273	+ 73	+ 610	+ 421	+ 337
Balance on goods and services .....	- 648	- 695	- 334	- 153	- 982	- 848
Total of above .....	+ 156	- 957	+ 73	+ 1,164	+ 229	+ 207
Special international financial assistance	-	+ 707	-	- 377	-	+ 330
Change in official holdings of gold and foreign exchange(2) .....	- 156	+ 250	- 73	- 787	- 229	- 537

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

(2) Increase (-).

The outline of Canada's balance of international payments for the year 1962 was broadly similar to that for 1961, although inflows of capital in both long term and short term forms contracted moderately as did the deficit on current account. The change in official holdings of gold and foreign exchange, apart from special international financial assistance, gave rise to a capital outflow of \$207 million in 1962 compared with \$229 million in 1961.

But the general similarity of the total in the two years conceals the anatomy of the exchange crisis of early summer and the effects of remedial measures and other developments through the course of the year which stand out clearly in quarterly or semi-annual series.

Movements of capital for direct investment, portfolio stocks and bonds, official loans, and other long-term investments totalled \$718 million, equivalent to 85 per cent of the current account deficit in 1962. In 1961 these movements totalled \$790 million, equivalent to 80 per cent of the larger current account deficit in that year. The proportions in 1955, 1959 and 1960 were smaller, although over the post-war period as a whole it has been about 94 per cent.

Geographically in 1962 the movements in these forms from the United States represented about 90 per cent of the total. In 1961 the net inward movement from the United States exceeded by a few percentage points the overall inflow of capital in long-term forms. The movements from the United Kingdom were of roughly similar magnitudes in the two years but there was a larger inflow from other overseas countries in 1962 in contrast to an outflow in 1961 to which the extension of trade credits contributed.

# Changing Composition of Capital Movements

	1959	1960	1961	1962	1959	1960	1961	1962
	millions of dollars				percentage			
Transactions with non-residents affecting:								
Net external long-term debt of Canadian governments(1) .....	461	188	147	438	31	15	15	52
Foreign direct and portfolio investment in Canadian concerns ..	713	727	744	569	47	58	76	67
Canadian long-term investments abroad n.i.e. (increase, -) ....	- 113	- 69	- 113	- 179	- 8	- 5	- 12	- 21
Other external liabilities, net ..	443	397	204	20	30	32	21	2
Total capital inflow .....	1,504	1,243	982	848	100	100	100	100

(1) Increase in holdings by non-residents of Government of Canada, provincial and municipal bonds, less net repayments on intergovernmental loans and subscriptions in gold and foreign currencies to international financial agencies.

**DIRECT INVESTMENT** The net movement of foreign capital to Canada for direct investment in foreign-controlled enterprises during 1962 is estimated to have totalled \$525 million, some \$10 million higher than in 1961. This substantial total was exceeded only in three earlier post-war years, 1956, 1959 and 1960.

Perhaps as much as a third of the movement in 1962 represented net inflows for the acquisition of existing concerns and interests and for refinancing, etc., having no counterpart in current new capital formation in Canada. This was an unusually large proportion, such inflows being more than four times their size in 1961. The largest part of them was related to the takeover of a number of petroleum enterprises and a retail chain, but there were also significant amounts to acquire major interests in manufacturing concerns and commercial real estate. Not all the takeovers were by non-residents, and the figures reflect some offsetting capital outflows whereby control of various enterprises was repatriated to Canada, as well as some refinancing of foreign-controlled concerns through issues of securities. Apart from the direct effects of capital movements, control of a number of other concerns passed into non-resident hands through exchanges of stocks. And in some cases the existence of debt or other securities gave leverage to the capital flow, resulting in a larger increase in the amount of investment controlled by non-residents than the actual increase in their ownership.

The net movement was heavily concentrated in the latter part of the year, with successive quarterly totals of \$110 million, \$80 million, \$145 million and \$190 million. There was accordingly an increase of \$145 million in the second half of the year compared with the first; in 1961 there had been a decrease of \$81 million. About two thirds of the half-year to half-year decrease in 1961, and all of the corresponding increase in 1962 were caused by takeovers and refinancing operations.

Industrially the petroleum industry continued in first place in the direct investment inflows, although had it not been for a number of takeover transactions mining would have replaced it due to continuing high inflows for iron ore development. Merchandising appears to have followed with an important takeover contributing to its prominence, then manufacturing where the movement as usual tended to be less one-sided, substantial repayments to parents offsetting a significant part of the other inflows.

Geographically, direct investment inflows from overseas countries other than the United Kingdom increased sharply in 1962 compared with 1961. At about double their size in 1961 they accounted for some 20 per cent compared with 10 per cent in the earlier year. Movements from both the United States and the United Kingdom are estimated to have been somewhat smaller than in 1961 accounting for about 60 per cent and less than 20 per cent respectively of the net inflow.



Preliminary estimates of the movement of capital for direct investment abroad indicate a net outflow of \$100 million, compared with \$80 million in 1961. The largest part of the outflow was for manufacturing and mining but there were also outflows to a variety of other undertakings including the development of jointly owned communication facilities. The total reflected the acquisition of some existing assets outside Canada. About half of the net movement was to overseas countries other than the United Kingdom while a further part represented international facilities.

**SECURITY TRANSACTIONS** Transactions in stocks and bonds between Canada and other countries were of more than usual interest in 1962 which involved the exchange crisis in the early summer and the re-emergence in the final quarter of the year of the Government of Canada as a borrower in external markets for the first time since 1950. More than seven-eighths of the net capital inflow of \$282 million which occurred from this group of transactions in 1962 arose in the final quarter of the year. On balance the net inflow was somewhat smaller than in 1961 when it totalled \$306 million. The total value of the transactions in 1962 was \$4,620 million, which was more than \$440 million above the previous record established in 1961.

The proceeds of new issues of Canadian securities sold to non-residents amounted in 1962 to \$708 million, a total almost one-third higher than in 1961, exceeded only once earlier. Retirements of foreign-held Canadian issues at \$295 million were only slightly lower than in 1961. Trade in outstanding Canadian securities led to a net capital outflow for the first time since 1955, as the net repurchase from non-residents of \$116 million of stocks exceeded the net sale to them of \$64 million of outstanding bonds. All transactions in foreign securities led to a net capital outflow of \$79 million in 1962 compared with \$33 million in the previous year, as Canadians became substantial purchasers particularly of United States stocks. Compared with 1961, the proceeds of sales to non-residents of new issues of Canadian securities rose by \$175 million, the balance of trade in outstanding stocks moved in the opposite direction by \$156 million and there was also an increase of \$46 million in the outflow for the acquisition of foreign securities. These were the principal changes contributing to a net decline of \$24 million in the balance from all transactions in bonds and stocks between Canada and other countries.

In 1962 foreign savings supplied a somewhat larger part of the new money raised by Canadians in capital markets than in either 1960 or 1961. A foreign placement by the Government of Canada in the fall of the year, its first recourse to markets outside Canada for more than a decade, brought the net acquisition by non-residents of Government direct and guaranteed issues to about 23 per cent of the net new supply of these securities. This compared with about 7 per cent in 1961, although the funds raised by the Government were in total very much smaller in the more recent year.

The net acquisitions by non-residents of provincial, municipal, and corporate securities were equivalent to about 16 per cent of the net new supply. This was about the level which prevailed in the two preceding years, although from 1956 through 1959 the percentages were much higher.

Foreign savings invested in provincial securities were equal to 21 per cent of the net new supply in 1962 compared with 4 per cent in 1961 and 8 per cent in 1960; the sharp increase in 1962 is particularly striking since net borrowing by provinces fell more than 25 per cent. Foreign investment in municipals equalled 27 per cent of net new issues in 1962 compared with only 5 per cent of the somewhat smaller new supply in 1961. In the case of corporation securities, on the other hand, net acquisitions by non-residents fell to only 7 per cent of the net new supply in 1962 compared with about 37 per cent in 1961. This change was almost entirely the result of the sharp swing in the direction of trade in outstanding stocks referred to earlier. Taking corporate and institutional bonds and debentures alone, the net acquisition by non-residents in 1962 fell just short of half of the net new supply, a proportion slightly smaller than in 1961 but very much larger than was the case even through the boom years, although if some unusual refinancing transactions were excluded the proportion would be reduced to about 22 per cent.

While the balance of \$64 million from trade in outstanding Canadian bonds and debentures in 1962 was only \$1 million higher than in 1961, the proportion arising from transactions in Government of Canada direct and guaranteed issues was smaller, and that arising from transactions in provincial and municipal issues was larger. Residents of the United States bought outstanding Canadian bonds during 1962 and residents of overseas countries were sellers, although in smaller amounts. This pattern was the same as prevailed in 1961.

The very large capital export represented by the net repatriation of \$116 million outstanding Canadian common and preferred stocks was the first arising from this type of transaction since 1950 and was the largest on record representing a change of \$156 million from the net sales of \$40 million which occurred in 1961.

Portfolio Security Transactions Between Canada and  
Other Countries, 1962

Net sales (+) or purchases (-) by Canadians	I	II	III	IV	Year
millions of dollars					
Canadian securities:					
Outstanding - Bonds ...	- 3	+ 4	+ 39	+ 24	+ 64
Stocks ..	- 14	- 44	- 26	- 32	- 116
New issues .....	+ 52	+ 200	+ 87	+ 369	+ 708
Retirements .....	- 70	- 68	- 48	- 109	- 295
Foreign securities:					
Outstanding issues ....	- 32	- 37	- 9	- 5	- 83
New issues .....	- 2	- 4	- 5	- 5	- 16
Retirements .....	+ 5	+ 5	+ 5	+ 5	+ 20
Total - All countries	- 64	+ 56	+ 43	+ 247	+ 282
United States .....	- 32	+ 141	+ 64	+ 282	+ 455
United Kingdom .....	- 17	- 39	- 13	- 21	- 90
Other countries .....	- 15	- 46	- 8	- 14	- 83

through the sale to non-residents of new issues of Canadian securities from the sale of new corporate issues. This was \$60 million lower than in 1961 although it included \$125 million of new borrowing to refinance other forms of external indebtedness. Apart from these special refinancing transactions the total for 1962 was of the same general order of magnitude as in 1959 and 1960. Government of Canada issues came next, totalling \$155 million which included \$135 million, representing the Canadian dollar equivalent of \$125 million in United States funds, the delivered portion of the placement with institutions there of a \$250 million issue. Sales to non-residents of new provincial government direct and guaranteed issues produced \$143 million and municipal issues produced \$87 million.

Net Sales of Outstanding Canadian Stocks  
to Non-residents

Quarter	Total	United States	Other countries
millions of dollars			
1961			
I Q	13	21	- 8
II Q	32	45	- 13
III Q	-	22	- 22
IV Q	- 5	32	- 37
1962			
I Q	- 14	15	- 29
II Q	- 44	- 3	- 41
III Q	- 26	- 6	- 20
IV Q	- 32	- 18	- 14

appropriate for Canada in the light of the exchange position, probably reflected in part the time required for potential borrowers and lenders to reappraise the situation and to complete legal and other arrangements for flotations, as well possibly as the seasonally reduced activity in the capital market frequently typical of the summer quarter. There were some issues offered in the third quarter for delivery in the fourth. Yet another factor may have been the lead given by the major placement in the United States by the Government of Canada in the latter part of the third quarter.

Although residents of overseas countries have been, on balance, reducing their holdings of Canadian stocks through sales of outstanding issues since mid-1960, residents of the United States became net sellers only in the second quarter of 1962.

There were capital outflows from trade in outstanding Canadian stocks each quarter of 1962, the outflow reaching a peak of \$44 million in the second quarter. On the other hand, trade in outstanding Canadian bonds gave rise to only small balances in the first and second quarters of the year, but led to marked inflows of capital in the third and fourth quarters when non-residents showed substantial interest particularly in Government of Canada issues.

The inflow to Canada of \$708 million of foreign capital

Some special interest attaches to the quarterly distribution of the capital inflows from sales to non-residents of new issues. In the first quarter of 1962 the total proceeds amounted to only \$52 million, and in the second quarter to only \$75 million, apart from the special refinancing issues of \$125 million. Coincidentally with the exchange difficulties experienced in the second quarter yields on Canadian securities rose and the differential between rates in Canada and in the United States widened sharply. In the third quarter the proceeds of new issues rose to \$87 million, and in the fourth quarter to \$369 million including the \$135 million borrowed in the United States by the Government of Canada. The delay in response to the changes in the interest differentials, despite indications that some increased borrowing abroad was



Retirements of foreign-held Canadian securities totalling about \$295 million in 1962 were of roughly the same size as in 1961, although the composition was somewhat different. The total included \$86 million of Government of Canada direct and guaranteed obligations, \$52 million of provincial and municipal securities and \$157 million of corporate issues, including \$33 million of stocks retired from the market through redemption, negotiated purchases, etc. Since retirements required by the operation of sinking funds are often satisfied through the surrender of bonds acquired in the market, some repurchases of outstanding issues in effect also represent debt retirement. Rising payments for retirements are to be expected with the increasing amounts of debt of Canadians held by non-residents. The retirements of bonds and debentures in 1962 represented less than 1/25th of the debt held by non-residents.

Net purchases from non-residents of \$83 million of outstanding foreign securities included \$79 million of foreign stocks. The quarterly pattern of trading showed the same tendency for strong outflows in the first half of the year typical of trade in outstanding issues. Canadians in 1962 also purchased \$16 million of new foreign securities. This was somewhat smaller than the outflow of \$37 million which occurred in 1961 when the Commonwealth of Australia offered Canadian dollar bonds in the Canadian capital market. Most of the purchases by Canadians in 1962 were bonds or stocks of the United States and of Israel. Retirements of Canadian-held foreign securities in 1962 were exceptionally high at \$20 million and included mainly investments in the United States, although there was also a scattering of issues of other countries and of international financial organizations.

The over-all movement of portfolio security capital to Canada came in 1962, as it did in the two years immediately preceding, entirely from the United States. Inflows from that country amounted to \$455 million, compared with \$447 million in 1961 and \$218 million in 1960. The movement included net sales of \$524 million of Canadian securities, comprising \$83 million of outstanding bonds and \$674 million of new issues, offset by net repurchases of \$12 million of outstanding stocks and by retirements of \$221 million of foreign-held issues. Transactions with the United States in foreign securities led to a capital outflow of \$69 million.

Security transactions with the United Kingdom in 1962 led to a capital outflow of \$90 million. In 1961 there was a net outflow of \$101 million and in 1960 one of \$32 million. These net annual repatriations of British portfolio investment from Canada occurring in 1960 and the years since were the first to appear since 1952. The outflow in 1962 took the form of net repurchases by Canadians of \$65 million of outstanding Canadian stocks, retirements of \$42 million of United Kingdom-owned Canadian bonds and stocks, and net purchases by Canadians of \$2 million of British securities, partially offset by sales of \$18 million of new Canadian issues and \$1 million of outstanding Canadian bonds.

The outflow to other overseas countries rose sharply to \$83 million in 1962 compared with \$40 million in 1961 and large inflows in earlier years which reached a peak of \$120 million in 1959. Contributing to the outflow were repurchases of \$39 million of outstanding Canadian stocks, \$20 million of outstanding Canadian bonds, retirements of \$32 million of foreign-held Canadian issues and purchases by Canadians of \$8 million of foreign securities. Against these outward movements were the inflows resulting from the sale to residents of those countries of \$16 million of new Canadian issues.

A more extended review of international security movements in 1962 will be found in the December issue of "Sales and Purchases of Securities Between Canada and other countries". (DBS Catalogue No. 67-002).

Interest rates in Canada rose slightly over 1962 while those in the United States declined. The result was an increase in the differential. The yield on Government of Canada 3 3/4's of 1978 rose slightly over the year by 11 base points to 5.07 per cent, while over the same period the yield on the roughly comparable United States Government 3 1/4's of 1983 declined by some 27 base points to 3.84 per cent. The differential for the last Wednesday of each month varied between 83 base points in January and 152 base points in August. By December it had declined to 123 base points.

In 1961 the differential varied between 136 base points in January and 85 base points in December. Yield differentials between central government issues may not be the most appropriate comparison for the analysis of international security transactions. Markets for these obligations at times reflect special local domestic monetary and fiscal situations. It might be suggested that an investor may give to the securities of his own central government a specially preferred position and may equate for his own purposes the securities of a foreign central government with those of a high grade junior government or corporation. Special tax considerations in the United States add to the difficulty of comparisons.

Yields on Representative  
Long Term Government Bonds

Last Wednesday	Canada(1)	United States(2)	Differential
1960 Dec. ...	5.41	3.80	1.61
1961 Mar. ...	5.18	3.80	1.38
June ...	4.99	3.97	1.02
Sept. ...	5.02	4.03	.99
Dec. ...	4.96	4.11	.85
1962 Mar. ...	4.86	3.99	.87
June ...	5.23	3.91	1.32
Sept. ...	5.38	3.91	1.47
Dec. ...	5.07	3.84	1.23

(1) 3 3/4/15 Jan. 75-78

(2) 3 1/4/15 June 78-83

value of the United States dollar. While the significance of differences in the indexes is limited, nevertheless the outflows of capital for the purchase of Canadian and foreign stocks by residents from non-residents were consistent with these price relationships. Gross sales to non-residents of over \$690 million of outstanding Canadian stocks were about \$40 million lower than in 1961 and amounted to slightly less than one-fifth of the value of shares traded on the principal exchanges in Canada. This proportion was somewhat smaller than in either 1960 or 1961.

Price of United States Stocks in terms of  
Canadian Stocks

Year	Month	At Cdn. \$1 = U.S. \$1	At market exchange rate
1961	December	100	100
1962	March	98	99
	June	94	98
	September	96	99
	December	98	101

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

The monthly average of common stock prices in Canada in December, 1962 (as measured by the Dominion Bureau of Statistics Investors Index published in "Prices and Price Indexes", Catalogue No. 62-002) was about 11 per cent lower than in December, 1961. Prices in the United States as measured by Standard and Poor's "500" Index fell in a similar comparison by about 13 per cent. In contrast sharp rises of about 27 per cent were enjoyed in each country in the previous year.

The roughly parallel movement in stock prices in the two countries over the year mirrors the similarity of market influences as well as the existence of inter-listed issues. Over the course of the year, however, United States prices tended to be lower relatively to those in Canada, compared to the levels in December 1961, even after taking into account the increased exchange

Apart from the pervasive effect of the devaluation of the Canadian dollar and the establishment of a par value for it in terms of United States funds, there were a number of other influences of possible relevance to international security movements in 1962. Among them were recent or anticipated extensions of provincial utilities through the acquisition of privately-owned firms, a wide variety of take-overs, spin-offs, and similar corporate changes affecting non-residents in greater or less degree, political uncertainty, and some contraction of investment in Canada by the special income accumulating funds established some years ago to facilitate United States portfolio investment in Canada. Actual or anticipated tax changes in the United States

may also have motivated some transactions, and the exchange crisis of mid-1962 together with the subsequent stabilization of the Canadian position no doubt also played a part.

OFFICIAL TRANSACTIONS

Canadian Government aid abroad in 1962 took the form largely of payment of the regular assessments from international agencies of which Canada is a member, official contributions, and guarantees of credit provided directly or indirectly from private sources. Only the latter transactions which give rise to claims on non-residents are reflected in the capital account, assessments and contributions forming a part of Canada's current payments.

Additionally Canada subscribed \$7 million for bonds of the United Nations, together with \$1 million in foreign currency and \$49 million in Canadian funds to international financial agencies. The Canadian dollar payments were largely offset by increased short-term Canadian dollar liabilities to these institutions and are discussed later.

There were no direct loans made by the Government of Canada to other national governments in 1962. Repayments, however, totalled some \$129 million, including the normal amortization as well as accelerated repayments of \$67.6 million by France in the third quarter and of \$32.1 million by the Netherlands in the final quarter; France also made accelerated repayments on loans from the United



States. Other countries from whom there were receipts included the United Kingdom, India, Belgium and Ceylon. Total loan repayments to Canada by national governments aggregated \$10 million in the first half of the year and \$119 million in the latter half when the net effect of accelerated repayments was \$91 million. In addition to these principal repayments, there were receipts of \$27 million on account of interest in 1962; these are a part of the item in the current account covering Canada's receipts from interest and dividends.

The export of capital represented by the growth of Canada's official gold and foreign exchange holdings over the course of 1962 totalled \$537 million, or \$207 million apart from the effects of special international financial assistance made available to Canada during the year. From a month-end peak of \$2,111 million in terms of United States funds at the end of October 1961, Canada's official holdings of gold and United States dollars declined for seven successive months to \$1,493 million at the end of May 1962. A precipitate decline in June brought official holdings to approximately \$1,100 million.

Official Holdings of  
Gold and United States dollars

End of		Amount	Change in period
		millions of U.S.A. dollars	
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
	III Q	2,445*	+ 636
	IV Q	2,539**	+ 95

\* Includes (+) 650 special international financial assistance.

\*\* Includes (+) 300 special international financial assistance.

The exchange crisis in the second quarter was the occasion for massive international assistance to Canada. It took the form 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. In all, this aid amounted to a credit of \$707 million in terms of Canadian funds in the second quarter. A \$400 million line of credit provided by the Export-Import Bank of Washington was not used.

Late in the third quarter of the year the Government of Canada sold to institutions in the United States an issue of \$250 million of United States dollar 5% 25 year bonds. Half of this amount was made available in the fourth quarter and is

recorded among new issues of Canadian securities sold to non-residents. (Also included with the data covering portfolio security transactions are trade with non-residents in outstanding Government of Canada issues, acquisitions by non-residents of new Government issues payable in Canadian dollars which were publicly offered in Canada, and retirements of foreign-held issues.) The remaining half was delivered early in 1963.

With the restoration of confidence and the growth of Canada's official holdings of gold and foreign exchange, the reciprocal currency arrangements were undone in the final quarter of 1962 and \$350 million in United States funds, having a Canadian dollar equivalent of \$377 million, was returned to the United States and the United Kingdom.

A more detailed description of the development of the exchange crisis and of the measures adopted by the Government will be found in the quarterly reports for the period. Information tabled in the House of Commons since that time has made known the detail and extent of forward operations entered into on behalf of the Exchange Fund Account during the period of crisis. At June 22 there were net forward sale commitments of \$239 million in United States funds; on the same date official holdings of gold and United States dollars amounted to \$1,215 million in United States funds.

From their low point in June 1962 the official holdings of gold and United States dollars rose rapidly to \$1,159 million at the end of the month, \$1,795 million at the end of the third quarter and \$2,239 million by the end of the year, expressed in United States funds and after deduction of the special international financial assistance outstanding in the amount of \$650 million at the end of the second and third quarters, and \$300 million at the end of the fourth.

The capital movements represented by changes in Canada's official holdings of gold and foreign exchange (which include minor variations of working balances of sterling as well as reserves of gold and United States dollars), combined with the effects of special international financial assistance,

were inflows of \$364 million and \$593 million in the first and second quarters, as Canada made use of some \$957 million of these external assets. Outflows of \$686 million and \$478 million occurred in the third and fourth quarters, a total of \$1,164 million in the last half of the year, as Canada's official exchange position was restored.

Other capital movements in which the Government of Canada was directly associated include transactions in Canadian treasury bills, Canadian dollar transactions with international financial agencies, and export credits. These are discussed in the following section.

**OTHER CAPITAL MOVEMENTS** Canadian dollar holdings of non-residents were reduced by about \$28 million over the year. The accompanying statement shows the divergent patterns of movements in Canadian treasury bills and in deposit obligations largely making up the total.

Change in Canadian dollar holdings  
of foreigners

	Quarter	Total	Treasury bills	Deposits etc.
millions of dollars				
1961	I	- 5	+ 33	- 38
	II	- 72	- 75	+ 3
	III	- 1	- 34	+ 33
	IV	+ 44	+ 18	+ 26
1962	I	- 32	+ 18	- 50
	II	+ 34	+ 50	- 16
	III	- 54	- 3	- 51
	IV	+ 24	- 61	+ 85

Over the year as a whole residents of the United States added about \$21 million to their holdings in these forms of Canadian dollars, while residents of the United Kingdom and of other overseas countries each reduced their holdings. There were large movements particularly from the United States into Canadian treasury bills in the first half, which more than offset the drawing down of deposits in this period. Although sharp run-downs occurred in the final quarter in treasury bill holdings by residents of the United States, the United Kingdom and other overseas countries, increases in deposits by residents of each of these areas were large enough to offset them, and the total holdings by residents of each of these areas rose.

Total non-resident holdings at the end of 1962 were about \$540 million including about \$340 million of holdings by residents of the United States. These movements and balances are apart from the holdings of international financial agencies which are included elsewhere in the capital account.

The figures shown for non-resident holdings of treasury bills are the results of the gross sale during the year of about \$460 million, which was substantially higher than the total of \$375 million sold to non-residents during 1961. Most of the bills acquired in any year naturally matured or were repurchased by Canadians within the same year.

Yields on 91 day Canadian treasury bills moved through a range in 1962 which was more than double that in 1961. The average tender rate was at its low point of 3.04 per cent in the second week of April and reached a high of 5.51 per cent in the third week of July. During 1961 the yield ranged between 2.26 per cent and 3.34 per cent. Yields on the corresponding United States treasury bills showed greater stability and the range from 2.64 per cent to 2.95 per cent through 1962 was narrower than in 1961. Throughout the year the Canadian yield remained above its United States counterpart. The narrowest differentials, occurring in the early months of the year, were never less than one-quarter of one per cent, widening to a peak of 2.65 per cent by mid-year and remaining in excess of 2 per cent during the third quarter. By the close of the year the differential was just over one per cent.

Forward exchange cover for United States dollars was generally more costly during 1962 than in 1961, reducing the net nominal yield differential (adjusted for the cost of exchange protection) to less than one per cent throughout the year. The maximum protected differential was about 0.80 per cent at the end of June and in 38 of 52 Thursdays during the year the differential was one-half of one per cent or less. Theoretically movements of interest arbitrage capital may be expected to continue to a point where the cost of exchange protection offsets any remaining interest differential. In practice nominal differentials may be too narrow to motivate actual transactions. Not all purchases by non-residents of treasury bills are hedged by forward exchange contracts. Some investors may choose to accept the risk of exchange rate fluctuations; others may have an ultimate use for the currency and may therefore not be concerned with the repatriation of the proceeds of maturing bills.



Among the group of "other capital movements" for which detail is given in a supplementary statement were Canadian dollar payments aggregating \$49 million made by Canada to international financial agencies. This total included \$34 million and \$7 million representing adjustments required to maintain the gold value respectively of Canada's quota in the International Monetary Fund and subscription to the International Bank for Reconstruction and Development, and \$8 million covering the Canadian dollar subscription due in 1962 to the International Development Association.

Composition of "Other Capital Movements"

	1961	1962	1961	1962			
	Year	Year	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
			millions of dollars				
Transactions with all countries:							
International financial agencies(1)							
Canadian dollar subscriptions .....	- 17	- 49	- 8	- 22	- 12	- 7	- 8
Short-term Canadian dollar holdings	- 43	98	7	33	54(2)	1	10
Other long-term capital transactions	12	- 110	22	6	- 127	26	- 15
Bank balances and other short-term funds abroad (excluding official reserves) .....	113	78	72	49	- 245	257	17
Borrowings from non-residents by finance companies, and non-resident holdings of commercial paper .....	112	140	19	28	25	35	52
All other transactions including changes in loans and accounts receivable and payable(3) .....	290	98	139	- 112	- 73	228	55
Total (Item D 17) .....	467	255	251	- 18	- 378	540	111

(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.

Short-term Canadian dollar holdings of international financial agencies rose by \$98 million apart from the Canadian counterpart of the drawing by Canada from the IMF in the second quarter of \$300 million in terms of United States funds. The total included \$86 million in respect of the IMF, \$4 million in respect of the IBRD and \$8 million in respect of the IDA.

The net capital inflow from this group of transactions with international financial agencies, was \$49 million. Most of this reflected repayments of Canadian dollars to the IMF, from Australia in the first quarter and the United Kingdom in the second, equivalent to \$10 million and \$40 million in United States funds respectively.

Other long-term capital transactions shown in the supplementary statement gave rise to a net capital outflow of \$110 million in 1962 compared with a net inflow of \$12 million in 1961. On balance the item largely reflected repayment of bank loans which were financed from the sale to non-residents of a new corporate bond issue. Other long-term capital transactions, whose net effect was small, included transfers by insurance companies, the net extension of medium and long-term export credits, payments under the stretch-out agreements for uranium production, and a variety of bank loans.

Changes in private and chartered bank holdings of foreign currency, bank balances and other short-term funds abroad led to a net capital inflow of \$78 million over 1962, following one of \$112 million in 1961. With two exceptions there were outflows of Canadian capital to increase foreign currency positions in each earlier year since World War II, and year-end holdings reached a peak of about \$1.2 billion in 1960. There were dramatic changes in this type of capital movement during 1962. An inward capital movement of \$49 million in the first quarter swung to an outflow of \$245 million in the second as the private sector greatly increased its exchange position. With the restoration of confidence this position was sharply reduced, giving rise to capital inflows of \$257 million and \$17 million in the third and fourth quarters respectively. The movements of Canadian-owned bank balances and other short-term funds in foreign currencies in the second and third quarters were unprecedented in size.

Resources made available to Canada through borrowings from non-residents by finance companies and the sale of commercial and finance paper amounted to \$140 million, compared with \$112 million in 1961. Both these figures set new records.

The net export credits extended by Canada directly or indirectly under guarantee or at risk of the Government of Canada, as measured for balance of payments purposes, amounted to about \$95 million in 1962 compared with \$130 million in 1961. The net capital outflows originating from these trade credits are smaller because some paper is rediscounted with non-residents or into Canadian banking assets abroad, while additional amounts are financed by borrowing abroad; these types of financing are estimated to have accounted for about three-quarters of the total in 1962 and about two-fifths in 1961. The remaining net movements appear in the items of "other capital movements" appropriate to their term.

In addition to the short-term element of export credits, the final category of "all other capital movements" includes a wide variety of changes in other loans and accounts receivable and payable and the balancing item representing the difference between direct measurements of the current and capital accounts. The net balance from these items in 1962 was an inflow of \$98 million, made up of outflows aggregating \$185 million in the first half of the year and inflows of \$283 million in the second.

**EXCHANGE RATE** A new level for the Canadian dollar was established on the international exchange markets during 1962. The last quotation for the United States dollar reported on transactions between banks in the Canadian exchange market was 107.72 cents. At the end of 1961 it was 104.34 cents, rising by the end of the first quarter of 1962 to 105.00 cents. 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. On May 2 the Minister of Finance announced the formal establishment, with the concurrence of the International Monetary Fund, of the international exchange rate of the Canadian dollar at 92 1/2 cents in terms of United States currency which the Government of Canada undertook to maintain within the normal margin of one per cent on either side. The rate for the United States dollar in Canada reached a high of 109.00 cents in May and again in June but, following the measures taken at that time, it fell to 108.19 cents at the end of the month. In the third quarter the trading range was 0.53 cents and the United States dollar closed at 107.66 cents. In the final quarter of the year the trading range was only 0.28

United States Dollar in Canada					
Period		High	Low	Close	Noon average
Canadian cents					
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
	III Q	108.19	107.66	107.66	107.78
	IV Q	107.81	107.53	107.72	107.63

cents and the closing quotation for the United States dollar was 107.72 cents.

#### The Canadian Balance of International Payments and International Investment Position

The annual DBS report, "The Canadian Balance of International Payments 1962 and International Investment Position," (Catalogue No. 67-201) will provide greater detail and analysis of the transactions outlined in this report, as well as recent estimates of foreign investment in Canada and of Canadian investment abroad.



**TABLE 1. Current and Capital Account of the Canadian Balance of International Payments, 1960 and 1961**

Note: This table, to be included in the annual report for 1961, contains revisions made since the third quarter report to lines D17, E and G for the United States and for "all other countries" for 1961.

No.	Account	All countries		United States		United Kingdom		Other sterling area		Other OEEC countries		All other countries	
		1960	1961 <sup>P</sup>	1960	1961 <sup>P</sup>	1960	1961 <sup>P</sup>	1960	1961 <sup>P</sup>	1960	1961 <sup>P</sup>	1960	1961 <sup>P</sup>
millions of dollars													
A	Current receipts:												
1	Merchandise exports (adjusted) .....	5,392	5,889	3,040	3,213	924	924	340	331	591	618	497	803
2	Mutual Aid to NATO countries .....	43	35	..	..	..	..	..	..	..	..	..	..
3	Gold production available for export .....	162	162	162	162	—	—	—	—	—	—	—	—
4	Travel expenditures .....	420	482	375	435	20	21	6	7	13	13	6	6
5	Interest and dividends .....	173	209	102	109	32	34	18	43	12	13	9	10
6	Freight and shipping .....	442	486	220	230	93	100	31	27	57	67	41	62
7	Inheritances and immigrants' funds .....	102	103	50	51	26	25	6	6	15	15	5	6
11	All other current receipts .....	419	403	330	310	50	49	8	10	19	21	12	13
12	Total current receipts .....	7,153	7,769	4,279	4,510	1,145	1,153	409	424	707	747	570	900
B	Current payments:												
1	Merchandise imports (adjusted) .....	5,540	5,716	3,713	3,828	611	593	284	298	371	416	561	581
4	Travel expenditures .....	627	642	462	459	70	71	14	21	65	72	16	19
5	Interest and dividends .....	653	770	531	642	83	86	1	1	36	39	2	2
6	Freight and shipping .....	533	568	324	333	89	93	4	4	99	114	17	24
7	Inheritances and emigrants' funds .....	181	174	141	134	25	23	2	4	11	11	2	2
9	Official contributions .....	61	56	—	—	3	—	42	49	4	1	12	6
10	Mutual Aid to NATO countries .....	43	35	..	..	..	..	..	..	..	..	..	..
11	All other current payments .....	758	790	469	500	98	100	19	20	135	125	37	45
12	Total current payments .....	8,396	8,751	5,640	5,896	979	966	366	397	721	778	647	679
	Balance on merchandise trade .....	- 148	+ 173	- 673	- 615	+ 313	+ 331	+ 56	+ 33	+ 220	+ 202	- 64	+ 222
	Balance on other transactions, excluding B9 .....	- 1,034	- 1,099	- 688	- 771	- 144	- 144	+ 29	+ 43	- 230	- 232	- 1	+ 5
	Official contributions .....	- 61	- 56	—	—	- 3	—	- 42	- 49	- 4	- 1	- 12	- 6
C	Current account balance .....	- 1,243	- 982	- 1,361	- 1,386	+ 166	+ 187	+ 43	+ 27	- 14	- 31	- 77	+ 221
D	Capital account:												
	Direct investment:												
1	Direct investment in Canada .....	+ 650	+ 515	+ 446	+ 335	+ 115	+ 127	+ 6	+ 2	+ 82	+ 49	+ 1	+ 2
2	Direct investment abroad .....	- 50	- 80	- 19	- 26	- 14	- 14	- 3	- 29	- 16	+ 7	+ 2	- 18
	Canadian securities:												
3a	Trade in outstanding bonds and debentures .....	+ 3	+ 63	- 9	+ 76	- 13	- 12	—	—	+ 25	+ 1	—	- 2
3b	Trade in outstanding common and preference stocks .....	+ 51	+ 40	+ 56	+ 120	- 17	- 61	—	—	+ 12	- 19	—	—
4	New issues .....	+ 447	+ 533	+ 381	+ 473	+ 27	+ 25	—	—	+ 38	+ 20	+ 1	+ 15
5	Retirements .....	- 265	- 297	- 214	- 215	- 27	- 42	—	—	- 23	- 23	- 1	- 17
	Foreign securities:												
6	Trade in outstanding issues .....	- 19	- 5	+ 5	+ 6	- 2	- 9	—	—	- 1	- 2	- 21	—
7	New issues .....	- 18	- 37	- 13	- 18	—	- 2	- 1	- 13	—	—	- 4	- 4
8	Retirements .....	+ 18	+ 9	+ 12	+ 5	—	—	+ 1	+ 1	—	—	+ 5	+ 3
	Loans by Government of Canada:												
9	Drawings .....	—	—	—	—	—	—	—	—	—	—	—	—
10	Repayment of post-war loans .....	+ 32	+ 37	—	—	+ 17	+ 17	—	+ 5	+ 15	+ 15	—	—
13	Subscriptions in gold and U.S. dollars to international financial agencies .....	- 3	—	- 3	—	—	—	—	—	—	—	—	—
14	Change in Canadian dollar holdings of foreigners .....	+ 120	- 34	+ 60	- 23	+ 9	+ 1	- 3	+ 4	+ 7	+ 21	+ 47	- 37
16	Change in official holdings of gold, U.S. dollars and sterling (increase, minus) ..	+ 39	- 229	+ 39	- 227	—	- 2	—	—	—	—	—	—
17	Other capital movements .....	+ 238	+ 467	+ 285	+ 633	- 36	+ 23	- 9	- 7	+ 18	- 17	- 20	- 165
E	Net capital movement .....	+ 1,243	+ 982	+ 1,026	+ 1,139	+ 59	+ 51	- 9	- 37	+ 157	+ 52	+ 10	- 223
G	Balance settled by exchange transfers .....	—	—	+ 335	+ 247	- 225	- 238	- 34	+ 10	- 143	- 21	+ 67	+ 2
	Total financing of current account balance (item C) .....	+ 1,243	+ 982	+ 1,361	+ 1,386	- 166	- 187	- 43	- 27	+ 14	+ 31	+ 77	- 221

**Notes:**

- A2, B10 Mutual Aid is not included in figures for countries or areas, but is included in total receipts and total payments with all countries.  
D A minus sign indicates an outflow of capital from Canada. Some capital transactions with other sterling area are included under the United Kingdom, and with other overseas countries under the United States.  
D13 International Bank for Reconstruction and Development, International Monetary Fund, International Finance Corporation and International Development Association.  
D17 Also includes balancing item representing unrecorded capital movements and errors and omissions.

Note: Data for 1962 are preliminary and

		1960	1961		
		IV	I	II	III
<b>A</b>	<b>Current Receipts</b>				
1	Merchandise exports (adjusted) .....	1,392	1,266	1,447	1,557
3	Gold production available for export .....	41	41	42	41
4	Travel expenditures .....	72	39	103	255
5	Interest and dividends .....	65	36	59	40
6	Freight and shipping .....	107	102	120	135
7	Inheritances and immigrants' funds .....	24	19	28	31
11	All other current receipts .....	101	103	103	99
12	<b>Total Current Receipts</b> .....	<b>1,802</b>	<b>1,606</b>	<b>1,902</b>	<b>2,158</b>
<b>B</b>	<b>Current Payments</b>				
1	Merchandise imports (adjusted) .....	1,392	1,260	1,478	1,419
4	Travel expenditures .....	127	129	168	220
5	Interest and dividends .....	190	204	174	170
6	Freight and shipping .....	141	116	142	151
7	Inheritances and emigrants' funds .....	50	35	43	49
9	Official contributions .....	24	13	8	15
11	All other current payments .....	191	186	200	196
12	<b>Total Current Payments</b> .....	<b>2,115</b>	<b>1,943</b>	<b>2,213</b>	<b>2,220</b>
	Balance on Merchandise Trade .....	-	+ 6	- 31	+ 138
	Balance on Other Transactions, excluding B 9 .....	- 289	- 330	- 272	- 185
	Official Contributions .....	- 24	- 13	- 8	- 15
<b>C</b>	<b>Current Account Balance</b> .....	<b>- 313</b>	<b>- 337</b>	<b>- 311</b>	<b>- 62</b>
<b>D</b>	<b>Capital Account</b>				
	Direct Investment				
1	Direct investment in Canada .....	+ 139	+ 140	+ 158	+ 117
2	Direct investment abroad .....	- 9	- 29	- 21	- 12
	Canadian Securities				
3a	Trade in outstanding bonds and debentures .....	- 12	+ 31	+ 34	- 11
3b	Trade in outstanding common and preference stocks .....	+ 3	+ 13	+ 32	-
4	New issues .....	+ 40	+ 101	+ 190	+ 125
5	Retirements .....	- 93	- 73	- 92	- 29
	Foreign Securities				
6	Trade in outstanding issues .....	- 24	+ 3	-	+ 2
7	New issues .....	- 10	- 5	- 18	- 7
8	Retirements .....	+ 2	+ 2	+ 2	+ 3
	Loans by Government of Canada				
9	Drawings .....	-	-	-	-
10,11	Repayments .....	+ 25	+ 3	+ 7	-
13	Subscriptions in gold and U.S. dollars to international financial agencies .....	- 2	-	-	-
14	Change in Canadian dollar holdings of foreigners .....	+ 79	- 5	- 72	- 1
15	Special international financial assistance .....	-	-	-	-
16	Change in official holdings of gold and foreign exchange (increase, minus) .....	- 14	- 105	- 51	+ 62
17	Other capital movements .....	+ 189	+ 261	+ 142	- 187
<b>E</b>	<b>Net Capital Movement</b> .....	<b>+ 313</b>	<b>+ 337</b>	<b>+ 311</b>	<b>+ 62</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 transactions, and business services.



## BALANCE OF INTERNATIONAL PAYMENTS

21

data for 1961 are subject to revision.

1961	1 9 6 2				Annual Totals				
IV	I	II	III	IV	1959	1960	1961	1962	
(millions of dollars)									
1,619	1,395	1,620	1,628	1,721	5,150	5,392	5,889	6,364	A 1
38	43	42	39	41	148	162	162	165	3
85	46	126	294	94	391	420	482	560	4
74	33	52	44	82	182	173	209	211	5
129	104	128	133	133	420	442	486	498	6
25	20	31	42	31	109	102	103	124	7
98	107	104	108	107	392	419	403	426	11
2,068	1,748	2,103	2,288	2,209	6,792	7,110	7,734	8,348	12
1,559	1,402	1,665	1,559	1,583	5,572	5,540	5,716	6,209	B 1
125	130	178	200	102	598	627	642	610	4
222	179	205	163	234	671	653	770	781	5
159	125	153	158	152	525	533	568	588	6
47	34	40	44	45	165	181	174	163	7
20	7	12	5	8	72	61	56	32	9
208	204	212	193	204	693	758	790	813	11
2,340	2,081	2,465	2,322	2,328	8,296	8,353	8,716	9,196	12
+ 60	- 7	- 45	+ 69	+ 138	- 422	- 148	+ 173	+ 155	
- 312	- 319	- 305	- 98	- 249	-1,010	-1,034	-1,099	- 971	
- 20	- 7	- 12	- 5	- 8	- 72	- 61	- 56	- 32	
- 272	- 333	- 362	- 34	- 119	-1,504	-1,243	- 982	- 848	C
+ 100	+ 110	+ 80	+ 145	+ 190	+ 550	+ 650	+ 515	+ 525	D 1
- 18	- 30	- 30	- 15	- 25	- 80	- 50	- 80	- 100	2
+ 9	- 3	+ 4	+ 39	+ 24	+ 91	+ 3	+ 63	+ 64	3a
- 5	- 14	- 44	- 26	- 32	+ 110	+ 51	+ 40	- 116	3b
+ 117	+ 52	+ 200	+ 87	+ 369	+ 707	+ 447	+ 533	+ 708	4
- 103	- 70	- 68	- 48	- 109	- 258	- 265	- 297	- 295	5
- 10	- 32	- 37	- 9	- 5	- 32	- 19	- 5	- 83	6
- 7	- 2	- 4	- 5	- 5	- 13	- 18	- 37	- 16	7
+ 2	+ 5	+ 5	+ 5	+ 5	+ 12	+ 18	+ 9	+ 20	8
-	-	-	- 7	-	- 1	-	-	- 7	9
+ 27	+ 3	+ 7	+ 68	+ 51	+ 34	+ 32	+ 37	+ 129	10,11
-	-	-	-	- 1	- 59	- 3	-	- 1	13
+ 44	- 32	+ 34	- 54	+ 24	+ 13	+ 120	- 34	- 28	14
-	-	+ 707	-	- 377	-	-	-	+ 330	15
- 135	+ 364	- 114	- 686	- 101	+ 70	+ 39	- 229	- 537	16
+ 251	- 18	- 378	+ 540	+ 111	+ 360	+ 238	+ 467	+ 255	17
+ 272	+ 333	+ 362	+ 34	+ 119	+1,504	+1,243	+ 982	+ 848	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.







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