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# QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

## FOURTH QUARTER AND PRELIMINARY ANNUAL

### 1969

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The basic historical record of the Canadian quarterly Balance of Payments with all countries (including bilateral transactions) may be obtained from the following publications.

<u>Catalogue Number</u>	<u>Title</u>	<u>Price per copy</u>
67-505	"The Canadian Balance of International Payments - A Compendium of Statistics from 1946 to 1965", for 1946 to 1964 .....	\$2.50
67-201	"The Canadian Balance of International Payments 1963, 1964 and 1965 and International Investment Position", for more detailed information .....	1.50
67-001	"Quarterly Estimates of the Canadian Balance of International Payments, Second Quarter 1967" revised 1965 .....	.50
67-001	"Quarterly Estimates of the Canadian Balance of International Payments, Second Quarter 1969" for revised bilateral data for 1966 and 1967 and for revised global data for 1968 .....	.50

Note: Additional subsidiary detail published regularly may be traced through the successive quarterly reports.

# QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

## FOURTH QUARTER 1969 AND PRELIMINARY ESTIMATES FOR THE YEAR 1969

In a year of continuing expansion, resulting in a more than 9 per cent gain in the value of the Nation's output, international transactions in goods and services both demanded and supplied by Canada rose sharply. The total value of goods and services imported rose 13 1/2 per cent, while exports advanced by 10 per cent. Reflecting these differing rates of growth in imports and exports the current account deficit in 1969 rose to \$722 million, some \$662 million above the 1968 level. The major factor in this change was the \$508 million reduction in the merchandise trade surplus to \$868 million. The export pattern was severely distorted by the curtailment of supplies from strike-bound industries while continued difficulties were also experienced in the marketing of commodities such as wheat. The exchange rate changes for the deutschmark and French franc are not yet thought to have had any noticeable impact on trading patterns. As an anti-inflationary measure, the timing of tariff reductions under the Kennedy Round was accelerated by the Canadian Government and reductions introduced in mid-year have had competitive effects for the products of certain industries. Non-merchandise transactions led to a larger deficit of \$1,590 million principally due to increased net disbursements on the travel account. The current account balance, adjusted for seasonal variations, was relatively strong in the fourth quarter of the year as the supply situation for exports returned to normal after the strikes experienced in previous quarters of the year.

### Summary Statement

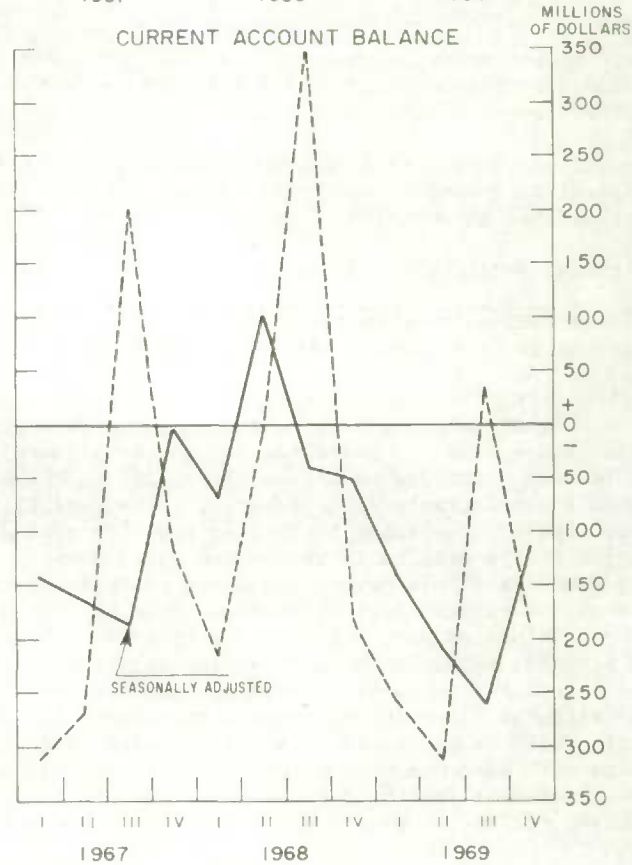
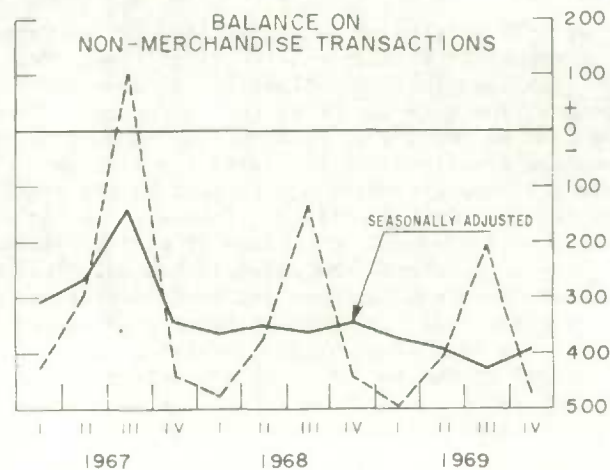
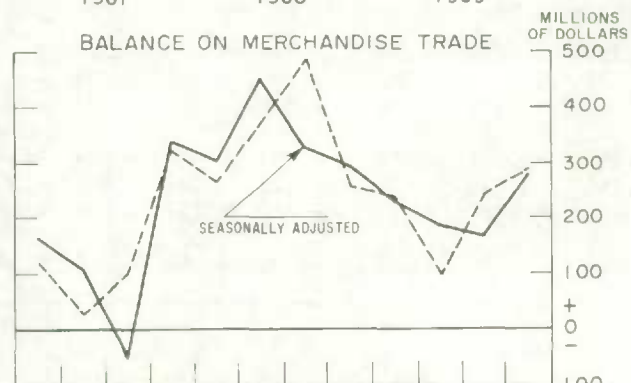
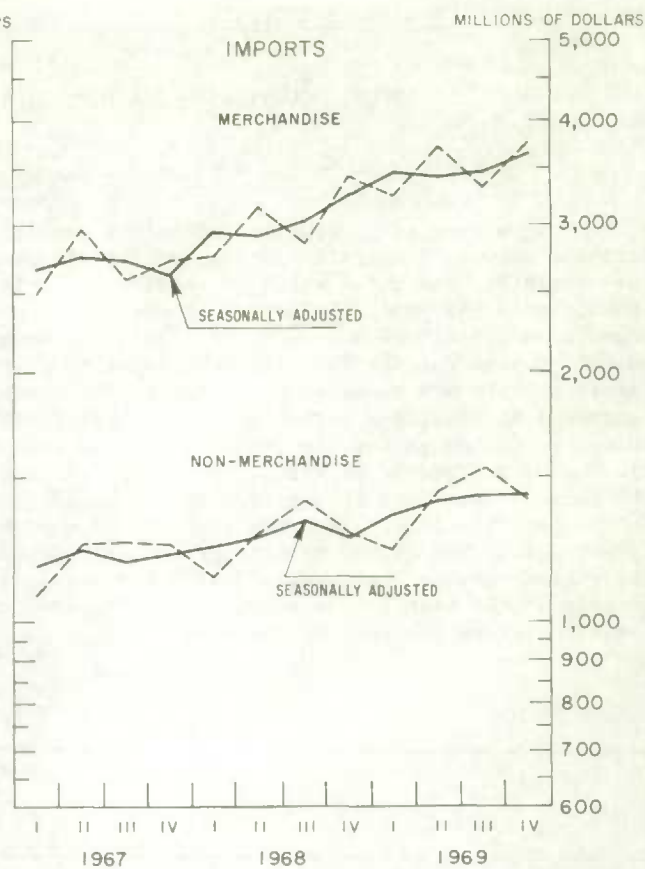
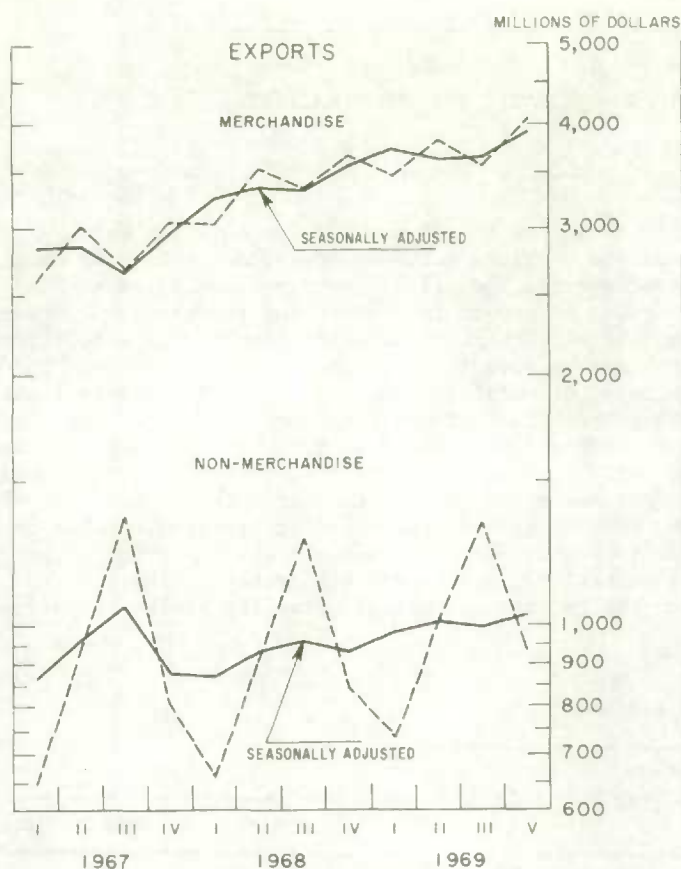
	1967	1968	1969	1968	1969				
				IV Q	I Q	II Q	III Q	IV Q	
	millions of dollars								
Merchandise trade balance .....	+ 566	+ 1,376	+ 868	+ 258	+ 239	+ 99	+ 241	+ 289	
Balance on non-merchandise transactions	- 1,065	- 1,436	- 1,590	- 442	- 497	- 410	- 208	- 475	
Current account balance .....	- 499	- 60	- 722	- 184	- 258	- 311	+ 33	- 186	
Capital movements in long-term forms ..	+ 1,347	+ 1,590	+ 2,162	+ 356	+ 543	+ 483	+ 624	+ 512	
Capital movements in short-term forms	- 828	- 1,181	- 1,375	+ 159	- 323	- 226	- 662	- 164	
Net capital movement(1) .....	+ 519	+ 409	+ 787	+ 515	+ 220	+ 257	- 38	+ 348	
Official monetary movements(2) .....	+ 20	+ 349	+ 65	+ 331	- 38	- 54	- 5	+ 162	

(1) Excluding items in final line.

(2) Change in international reserves and monetary liabilities.

Inflows of capital in long-term forms increased by \$572 million to \$2,162 million as new Canadian issues sold to non-residents rose by \$125 million to exceed \$2 billion for the first time. Resort to foreign borrowing on this scale reflected the extreme tightness in the availability of domestic funds and relatively lower interest rates prevailing abroad. The main factor in the increased inflow was, however, the swing in foreign security transactions from an outflow of \$468 million in 1968 to an inflow of \$96 million in the period under review, as Canadian investors, particularly institutions, adjusted their holdings in the light of their overall portfolio requirements and current market conditions. Short-term capital outflows rose by \$194 million to reach \$1,375 million. Increases in Canadian holdings of bank balances and other short-term funds abroad produced an outflow of \$1,609 million as interest rates in the Euro-dollar market rose appreciably above short-term rates in Canada. Included in short-term capital flows are amounts reflecting movements which have not yet been identified. As indicated later in this report the errors and omissions element of the Canadian balance of payments during 1969 as currently measured reflects unidentified net payments of about \$250 million. In accordance with past Canadian practice the figure has been included in the account with the United States as one element in item D 17.5, covering "all other transactions" in short-term forms. It may, of course, reflect in part transactions which properly belong to other categories.

# CURRENT ACCOUNT TRANSACTIONS



Canada's net official monetary assets increased by \$65 million over the year. Quarterly fluctuations in these assets were not nearly as volatile in 1969 as in the previous year when the Canadian dollar came under speculative attack. Speculative interest centred more on the role of gold and the strengths of the deutschemmark, French franc and sterling. By the end of the year conditions in foreign exchange markets generally were settled awaiting the introduction of the Special Drawing Rights system of the International Monetary Fund on January 1, 1970.

The book value of Canada's balance of international indebtedness is estimated to have exceeded \$27 billion by the end of 1969. The increase of over \$1 billion during the year reflected the net earnings accruing but undistributed on international investment as well as the financing of the current account deficit. Long-term foreign investment in Canada was about \$40 billion and other claims of non-residents brought the total of Canada's external liabilities to about \$44 billion. Canadian assets abroad had a book value of about \$17 billion including long-term investments amounting to about \$9 1/2 billion. The most recent comprehensive estimates of the Canadian balance of international indebtedness were included in the report for the third quarter 1969.

### Merchandise Trade

Based on generally strong demand conditions in the United States and in Canada, which persisted in the face of severe anti-inflationary measures, merchandise trade continued to expand in 1969. World trade rose sharply during the year and Canadian exports and imports advanced at a pace more or less in line with this development, the former increasing by 10 per cent to \$14,886 million, while the latter, growing at a rate of 15 per cent, reached \$14,018 million. A significant part of the increased levels reflected price rises. The export growth rate which fell below that of imports contrasted with the 1968 performance when exports rose much the faster. As a result of the slowdown in the growth of exports and increased growth of imports, the merchandise trade surplus fell by about \$500 million to \$868 million. Except for 1968, however, the 1969 trade surplus was the highest recorded since the Second World War.

### Merchandise Exports 1969

Selected exports by destination with adjustments for Balance of Payments purposes

	Destination						Per cent of total domestic exports (Trade of Canada)
	United States	United Kingdom	Other Western Europe	Japan	Other countries	All countries	
	millions of dollars						
<u>DOMESTIC EXPORTS (Trade of Canada)</u>	10,215	1,096	1,133	625	1,373	14,442	100.0
Of which:							
Motor vehicles, engines and parts	3,297	6	15	-	185	3,503	24.2
Newsprint paper .....	920	61	13	18	114	1,126	7.7
Wood pulp .....	517	36	105	62	33	753	5.2
Crude petroleum and natural gas	702	-	-	-	-	702	4.8
Lumber .....	560	38	30	39	34	701	4.8
Copper ores and alloys .....	150	98	123	138	26	535	3.7
Aluminum ores and alloys .....	226	75	58	61	74	494	3.4
Wheat .....	1	88	108	76	198	471	3.3
Nickel ores and alloys .....	230	110	88	13	10	451	3.1
Iron ore .....	231	30	49	22	1	333	2.3
Aircraft, engines and parts .....	242	3	29	1	50	325	2.2
Fabricated iron and steel .....	228	13	17	8	35	301	2.1
<u>RE-EXPORTS (Trade of Canada) .....</u>	341	17	21	1	48	428	...
<u>ADJUSTMENTS</u>							
Wheat .....	-	+ 6	- 7	- 11	+ 23	+ 11	...
Automobiles .....	- 53	-	-	-	-	- 53	...
Aircraft and other adjustments ..	- 3	-	+ 61	-	-	+ 58	...
<u>EXPORTS (Adjusted for Balance of Payments) .....</u>	10,500	1,119	1,208	615	1,444	14,886	...

A combination of factors contributed to this change. In 1969 exports of metals tended to slow down due to the return to a more usual demand pattern following the settlement of labour problems in the United States in 1968; moreover supplies for export markets suffered because of prolonged strikes in the Canadian iron, steel, nickel and copper industries in 1969. Sales of wheat continued to decline reflecting increased production in importing countries and world oversupply. To meet the increasing competition which had driven prices below the International Grains Arrangement minimum, Canadian wheat prices were reduced in the second quarter of 1969. While there was a decline in the relative share of exports of crude materials from about 19 per cent in 1968 to 17 per cent in 1969 the share of the end products rose by nearly five percentage points to about 37 per cent of total domestic exports. Most of the advance in exports consisted of increased sales of automotive products but substantial increases were also recorded for lumber, woodpulp, newsprint, petroleum and various items of equipment. There were however significant reductions in exports of iron ore, nickel and copper. On a market basis, exports to the United States, France, West Germany, Spain, Sweden, South Africa, Japan, Argentina and Mexico increased, while sales to the United Kingdom, Norway, the U.S.S.R., India, China, Australia and Venezuela declined.

# Merchandise Imports 1969

Selected imports by source with adjustments for Balance of Payments purposes

	Source							Per cent of total imports (Trade of Canada)
	United States	United Kingdom	Other Western Europe	Japan	Venez- uela	Other countries	All countries	
	millions of dollars							
<u>IMPORTS (Trade of Canada)</u>	10,315	790	1,124	496	346	1,131	14,202	100.0
Of which:								
Motor vehicles, engines and parts .....	3,322	95	157	71	-	1	3,646	25.7
Chemicals and chemical products .....	526	35	84	10	-	7	662	4.7
Crude petroleum, fuel oil and other petroleum products .....	77	2	7	-	345	186	617	4.3
Fabricated iron and steel	277	35	70	54	-	24	460	3.2
Aircraft, engines and parts .....	367	26	7	-	-	1	401	2.8
Communication equipment	264	18	31	75	-	6	394	2.8
Tractors and agricultural machinery .....	312	22	16	1	-	-	351	2.5
Electronic computers and office equipment .....	223	12	24	7	-	2	268	1.9
<u>ADJUSTMENTS</u>								
Automotive products .....	- 180	-	-	-	-	-	- 180	...
Aircraft and other equipment .....	- 10	+ 27	-	-	-	-	+ 17	...
Other adjustments .....	- 16	- 4	- 1	-	-	-	- 21	...
<u>IMPORTS (adjusted for Balance of Payments)</u> ....	10,109	813	1,123	496	346	1,131	14,018	...

On the imports side the high level of demand in Canada, the disruptive effects of labour disputes on domestic supplies, the improvement in the export capability of Canada's suppliers of imports and the continuing effects of industrial rationalization particularly in the automobile industry gave new impetus to the upward trend in imports. The acceleration of the Kennedy Round tariff cuts introduced by the Canadian Government about the middle of 1969 to increase price competition and help check inflationary price rises was also a factor. Imports of automotive products increased brisk-

ly though less than exports of these commodities. Although increases were general, the more notable of these occurred in meat, raw sugar, petroleum, chemicals, fabricated iron and steel, copper, nickel and machinery. Imports from the United States, United Kingdom, France, West Germany, Italy, Japan, Australia and New Zealand increased; on the other hand there were reductions in imports from the U.S.S.R., Saudi Arabia and Venezuela.

In 1969 adjustments to recorded trade figures for balance of payments purposes amounted to a net addition of about \$16 million to exports and a net deduction of \$184 million from imports. Exports were substantially increased by the addition of progress payments received in respect of aircraft being built for a foreign purchaser, however this effect was largely offset by reductions in export totals made to reflect automobile interplant selling prices. Import adjustments mainly represented reductions to automotive totals recorded on a fair market value to reflect automobile interplant selling prices and special tooling charges. Additions to imports for progress payments on aircraft were largely balanced by deductions representing aircraft deliveries in 1969 for which progress payments had been made in the past. The trade balance has thus been improved by about \$200 million as a result of the balance of payments adjustments. Some details of the Trade of Canada totals and the balance of payments adjustments are given in the accompanying statements. A more detailed description of these balance of payments adjustments to recorded trade figures is given in the second quarter 1969 report in this series.

Export and import prices continued to increase in 1969 the former rising by over 4 per cent and the latter by about 3 per cent. Within the three main groups of commodities, the highest relative export price increase was recorded in the fabricated materials group principally in iron, steel, copper and nickel products; the lowest rise occurred in the end products group. Both import and export prices for the end products group of commodities increased at the same rate whereas import price increases in the other two major groups were smaller. The different rates of price increase were most noticeable in the fabricated materials group of commodities.

#### Non-merchandise Transactions

##### Balances on Principal Non-merchandise Transactions

	1967	1968	1969	Change in 1969
	millions of dollars			
Gold production available for export .....	+ 112	+ 120	+ 110	- 10
Travel expenditures .....	+ 423	- 23	- 201	- 178
Interest and dividends .....	- 916	- 959	- 958	+ 1
Freight and shipping .....	- 31	- 43	- 60	- 17
Inheritances and migrants' funds .....	+ 116	+ 161	+ 173	+ 12
Official contributions .....	- 182	- 133	- 143	- 10
All other current transactions .....	- 587	- 559	- 511	+ 48
Balance on non-merchandise transactions .....	- 1,065	- 1,436	- 1,590	- 154

In 1969 there was a deficit of \$1,590 million on non-merchandise transactions, an increase of \$154 million over the 1968 deficit. Total receipts rose by 9 per cent to \$4,001 million while total payments went up by about 10 per cent to \$5,591 million. The rise in the deficit on non-merchandise transactions was due principally to higher net disbursements on the travel account of \$178 million in 1969. Besides such factors as the increase in the number of residents travelling abroad and a rise in their average expenditures, higher travel payments to non-residents in 1969 also occurred as a result of the increased patronage by Canadians of foreign airlines during the Air Canada strike in the second quarter of the year. Rising prices in most of the major tourist centres were also a factor in the higher spending levels recorded in 1969.

# Travel Expenditures

	1967	1968(1)	1969	Change in 1969
millions of dollars				
United States:				
Receipts ...	1,164	886	969	+ 83
Payments ...	627	703	878	+ 175
Balance ....	+ 537	+ 183	+ 91	- 92
Overseas:				
Receipts ...	154	106	110	+ 4
Payments ...	268	312	402	+ 90
Balance ....	- 114	- 206	- 292	- 86
All countries:				
Receipts ...	1,318	992	1,079	+ 87
Payments ...	895	1,015	1,280	+ 265
Balance ....	+ 423	- 23	- 201	- 178

(1) Impending revisions to these data indicate a small increase in the overall deficit. Revisions in component series may be relatively more significant.

## Interest and Dividends

Period	Receipts		
	Total	Interest	Dividends
millions of dollars			
1967 .....	295	102	193
1968 .....	331	102	229
1969 .....	406	164	242
1968 I Q	61	10	51
II Q	78	30	48
III Q	78	28	50
IV Q	114	34	80
1969 I Q	83	32	51
II Q	114	36	78
III Q	80	31	49
IV Q	129	65	64
Payments			
millions of dollars			
1967 .....	1,211	471	740
1968 .....	1,290	548	742
1969 .....	1,364	650	714
1968 I Q	293	122	171
II Q	314	144	170
III Q	297	122	175
IV Q	386	160	226
1969 I Q	309	142	167
II Q	320	174	146
III Q	299	151	148
IV Q	436	183	253

The higher level of interest rates prevailing in 1969 exerted some moderating influence on the rise in the overall deficit on non-merchandise transactions. Although higher long-term rates on new bond issues increased payments of interest during the year, the earnings on short-term funds held abroad which can be rolled over more quickly to take advantage of changing interest rates more than offset the higher payments. These latter earnings are included in the miscellaneous income account.

The net balance from receipts and payments of interest and dividends was virtually unchanged moving from a deficit of \$959 million in 1968 to \$958 million in 1969. A relatively sharp rise occurred in income receipts, which increased by \$75 million to \$406 million in 1969, while total payments of interest and dividends rising by almost the same amount as in the previous year aggregated \$1,364 million. Interest payments continued to rise consistently increasing by \$102 million to \$650 million in 1969. More than three fourths of this increase was attributable to larger interest payments on bonds of municipal, provincial and federal governments held by non-residents. The rest of the increase was accounted for by the rise in interest payments on corporate bonds. Geographical distribution of interest payments retained in general a similar pattern to previous years although payments to countries of continental Europe increased at a faster rate. The increase in interest payments was to some extent offset by a decline of \$28 million in dividend payments and branch profits. Although the fourth quarter of 1969 recorded a \$27 million increase in dividend payments over the corresponding quarter of 1968 it was not sufficiently large to compensate for reduced payments in the first three quarters of 1969 as compared with the same period of 1968. Decreased profits of branch operations of foreign companies in the second and third quarters of 1969 were chiefly responsible for this decline as strikes in a key sector of the economy exerted an unfavourable impact on earnings.

Most of the increase of \$75 million in income receipts was due to a rise in interest receipts reflecting higher earnings on both private holdings of foreign bond issues and official holdings of foreign exchange. Further, interest receipts were also augmented by the payments made by the United Kingdom on the 1946 loan. In 1968 the United Kingdom had exercised its waiver rights under the 1946 loan agreement to defer interest payments. In spite of a drop in dividend receipts of \$16 million in the fourth quarter of 1969 total annual receipts exceeded those in 1968 by \$13 million resulting chiefly from exceptionally high dividend receipts in the second quarter of 1969. Geographically, nearly three fifths of total dividend receipts continued to be received from the United States. The net balance from receipts and payments of interest and dividends accounted for about 60 per cent of the deficit on non-merchandise transactions, some 7 percentage points lower than in 1968.

The deficit on freight and shipping transactions increased to \$60 million in 1969. Both the receipts and payments rose in line with the growing volume of trade but the greater increase in imports led to a higher rate of increase in transportation payments than in receipts. Despite a reduction of about 2 per cent in receipts, the surplus on migrants' transfers and inheritances rose by \$12 million to \$173 million. In 1969 there was a reduction of about 12 per cent in the total number of immigrants. The effect of the reduction in numbers, mainly from Western Europe, was however partly offset by an increase in per capita funds brought by immigrants particularly from the United States and the United Kingdom. The flow of immigrants and returning Canadians from the United States continued at about the same pace as in the previous year. Transfers of funds by emigrants were about 10 per cent less than in 1968 as the number of Canadians migrating to the United States declined, due in part to the imposition of restrictions on Canadians migrating to the United States through the introduction in 1968 of a common hemisphere quota and a selection system. The pattern of migration is influenced by such factors as fluctuations in the economic, social and political climate in Canada and other countries, changes in migration legislation and inter-country competition for immigrants.

#### All Other Current Transactions

	Receipts			Payments		
	1967	1968	1969	1967	1968	1969
	millions of dollars					
Government transactions, excluding official contributions .....	237	226	236	411	247	252
Personal and institutional remittances .....	43	43	44	138	110	123
Miscellaneous income .....	169	252	364	304	342	390
Business services and other transactions .....	414	442	465	779	823	855
Totals .....	863	963	1,109	1,632	1,522	1,620
Net balances .....	...	...	...	769	559	511

The "all other current transactions" item showed an improvement of \$48 million in the deficit which in 1969 amounted to \$559 million. The 1968 data for this item have been revised to include under miscellaneous income new estimates of the earnings of residents on their holdings of foreign currency. Receipts of miscellaneous income grew by about 45 per cent reflecting both a further build up in these holdings and higher interest rates. As a result the 15 per cent rate of increase of all other current receipts, has been more than twice that of the increase in all other current payments. Receipts from business services and other transactions increased by 5 per cent to \$465 million. Payments of miscellaneous income rose by 14 per cent to \$390 million while payments for business services and other transactions went up by 4 per cent to \$855 million.

At \$110 million, gold production available for export was \$10 million less than that in 1968. The segregation in March 1968 of monetary gold from non-monetary gold coupled with a two-tier pricing system has led to changes in the marketing of gold production. The price of gold on the non-monetary market which had been at a substantial premium over the official monetary price of US \$35 per ounce declined rapidly in the last quarter of 1969. Factors contributing to this decrease were the rising cost of financing holdings of this non-interest bearing asset, the imminent introduction by the International Monetary Fund of Special Drawing Rights and more stable conditions in the foreign exchange markets.

Official contributions which in 1968 had shown the first year-to-year decline in five years, resumed their upward trend increasing by 7 per cent to \$143 million. A slight decrease in international food aid program expenditures was more than offset by an increase in international economic, educational, and technical assistance.

Current Account Transactions in the Fourth Quarter - Seasonally Adjusted.

In the fourth quarter of 1969 the current account deficit, seasonally adjusted, fell to \$114 million. This was the lowest quarterly level of 1969 and marked a change in the trend of the current account balance which had shown increased quarter-to-quarter deficits since the third quarter of 1968. Total current receipts increasing by 6 per cent to \$4,936 million rose at twice the rate of current payments which increased by 3 per cent to \$5,050 million. The downward trend in the surplus balance on trade which had been evident since the third quarter of 1968 reversed in the fourth quarter when there was an increase of about 66 per cent in this surplus to \$280 million. Both merchandise exports and imports continued to increase, the former by 7 per cent to \$3,911 million and the latter increased by 4 per cent to \$3,631 million.

Balances on Current Transactions,  
Seasonally Adjusted

	Merchandise balance	Balance on non- merchandise transactions	Current account balance(1)
		millions of dollars	
1968			
I Q	+ 301	- 369	- 68
II Q	+ 453	- 352	+ 101
III Q	+ 327	- 368	- 41
IV Q	+ 295	- 347	- 52
Year	+ 1,376	- 1,436	- 60
1969			
I Q	+ 235	- 375	- 140
II Q	+ 184	- 391	- 207
III Q	+ 169	- 430	- 261
IV Q	+ 280	- 394	- 114
Year	+ 868	- 1,590	- 722

(1) Exports of goods and services as published in the National Income and Expenditure Accounts exclude inheritances and immigrants' funds and personal and institutional remittances. Imports of goods and services include withholding tax and exclude inheritances and emigrants' funds, personal and institutional remittances, official contributions and pension payments.

Note: Details of current account items, seasonally adjusted, may be found at the back of this report.

market rose by three percentage points to 70 per cent. About three quarters of the increase in exports to the United States consisted of end products, mainly automotive products. Merchandise imports from the United States, representing 72 per cent of total Canadian imports, rose by 14 per cent to \$10,109 million. The increase in merchandise imports from the United States accounted for 67 per cent of the total rise in merchandise imports, and as in exports, the bulk of the increase was in the end products group of commodities.

The deficit balance on non-merchandise transactions fell by about 8 per cent to \$394 million. The principal positive changes occurred in travel, migrants' funds and inheritances and all other current transactions. At \$46 million the total improvement in the balances on these items amounted to about four times the total negative change in the balances of gold production available for export and interest and dividends. The reduction in the deficit on invisibles accounted for about 25 per cent of the total improvement of \$147 million in the seasonally adjusted current account balance.

Transactions by Areas

Notwithstanding restrictive policies adopted in both the United States and Canada to curb excessive price increases and domestic demand a notable feature of transactions between Canada and the United States in 1969 has been the sustained and strong flow of goods and services between the two countries. Total receipts on current account rose by 14 per cent to \$13,207 million while total payments increased by 12 per cent to \$13,917 million. Thus in 1969 the current account deficit with the United States was reduced by about 10 per cent to \$710 million.

At \$1,384 million the increase in merchandise exports to the United States, which in 1969 reached a level of \$10,500 million, was about 3 per cent higher than the total increase in merchandise exports to all countries. In 1969 the United States share of Canada's total export

Quarterly Current Account Balances

	I Q	II Q	III Q	IV Q	Year
	millions of dollars				
United States:					
1968 .....	- 410	- 278	+ 168	- 272	- 792
1969 .....	- 385	- 306	+ 130	- 149	- 710
United Kingdom:					
1968 .....	+ 128	+ 134	+ 118	+ 98	+ 478
1969 .....	+ 115	+ 57	+ 10	+ 81	+ 263
Other countries:					
1968 .....	+ 67	+ 138	+ 59	- 10	+ 254
1969 .....	+ 12	- 62	- 107	- 118	- 275
All countries:					
1968 .....	- 215	- 6	+ 345	- 184	- 60
1969 .....	- 258	- 311	+ 33	- 186	- 722

On non-merchandise transactions the deficit with the United States increased by about 6 per cent to \$1,101 million mainly due to a decrease in the travel surplus which fell by over 50 per cent to \$91 million. The chief factor partly offsetting this negative change was an improvement in the flows of inheritances and migrants' funds, the balance of which swung to a surplus of \$31 million from a deficit of \$8 million in 1968.

If the credit from gold production available for export is excluded Canada's current account deficit with the United States in 1969 fell to \$820 million from \$912 million in 1968. Net capital movements between the two countries produced an inflow of \$1,042 million, a swing of about \$1,250 million from the previous year as long-term inflows increased by \$418 million to \$1,502 million while short-term outflows fell by \$835 million to \$460 million. In sum these transactions with the United States gave rise to net receipts by Canada of \$222 million. It should be noted, however, that the amounts representing

unidentified items have been conventionally attributed to the United States account. These amounts are included in capital movements in short-term forms and were considerably larger at annual levels in 1968 than in 1969.

Canada's Bilateral Accounts with the United States and the Rest of the World

	1967	1968	1969	1968 IV Q	1969 I Q	II Q	III Q	IV Q
	millions of dollars							
Transactions with the United States:								
Current account balance(1) .....	- 1,454	- 912	- 820	- 300	- 416	- 334	+ 101	- 171
Capital movements in long-term forms .....	+ 1,244	+ 1,084	+ 1,502	+ 328	+ 335	+ 329	+ 451	+ 387
Capital movements in short-term forms(2) .....	- 947	- 1,295	- 460	+ 186	- 149	+ 314	- 538	- 87
Totals .....	- 1,157	- 1,123	+ 222	+ 214	- 230	+ 309	+ 14	+ 129
Transactions with the rest of the world:								
Current account balance .....	+ 843	+ 732	- 12	+ 88	+ 127	- 5	- 97	- 37
Capital movements in long-term forms .....	+ 103	+ 506	+ 660	+ 28	+ 208	+ 154	+ 173	+ 125
Capital movements in short-term forms .....	+ 119	+ 114	- 915	- 27	- 174	- 540	- 124	- 77
Totals .....	+ 1,065	+ 1,352	- 267	+ 89	+ 161	- 391	- 48	+ 11
Gold production available for export .....	+ 112	+ 120	+ 110	+ 28	+ 31	+ 28	+ 29	+ 22
Official monetary movements(3) .....	+ 20	+ 349	+ 65	+ 331	- 38	- 54	- 5	+ 162

(1) Excludes gold production available for export shown separately below.

(2) Includes the balancing item representing the difference in the global accounts between direct measurements of the current and capital accounts.

(3) Change in international reserves and monetary liabilities.

In transactions with the United Kingdom the current account surplus in 1969 declined for the second consecutive year dropping to \$263 million some 45 per cent below the 1968 surplus. Total receipts from the United Kingdom fell by 3 per cent to \$1,591 million while total payments rose by 15 per cent to \$1,328 million. The deterioration in the overall current account balance was totally due to the drop in the trade surplus. Policies of restraint in the United Kingdom, including the continuation of the temporary deposit scheme applied to imports, together with a scarcity of nickel and copper supplies led to a reduction of 10 per cent to \$1,119 million in merchandise sales to the United Kingdom from the 1968 record level. Imports from the United Kingdom probably reflecting in part the effect of the 1967 devaluation of sterling as well as the speed up in Canadian tariff reductions made in June of 1969, rose by about 20 per cent to \$813 million. The deficit on non-merchandise transactions with the United Kingdom was reduced by 47 per cent to \$43 million.

Current Account Balances with Principal  
Countries and Areas

Area	1967	1968
	millions of dollars	
United States .....	- 1,342	- 792
Overseas:		
United Kingdom .....	+ 512	+ 478
Rest of Sterling Area ....	+ 181	+ 189
Other OECD (Europe) .....	- 153	- 249
Other countries .....	+ 303	+ 314
All countries .....	- 499	- 60
	1969	Change in 1969
United States .....	- 710	+ 82
Overseas:		
United Kingdom .....	+ 263	- 215
Rest of Sterling Area ....	+ 80	- 109
Other OECD (Europe) .....	- 354	- 105
Other countries .....	- 1	- 315
All countries .....	- 722	- 662

At \$866 million total current account receipts from the Rest of the Sterling Area were about 4 per cent above 1968 receipts, while total current payments increased by over 23 per cent to \$796 million, leading to a reduction of 63 per cent to \$70 million in the current account surplus with this group of countries. The balance on non-merchandise transactions remained practically unchanged from 1968 but the trade surplus, due mainly to higher imports, fell by about 77 per cent to \$37 million. There were relatively important increases in imports from Hong Kong, Singapore, Australia, New Zealand and Jamaica.

Current transactions with the OECD (Europe) group of countries produced a deficit of \$344 million, an increase of 38 per cent over 1968, as total current receipts rose by 14 per cent to \$1,497 million and total payments went up by about 18 per cent to \$1,841 million. A reduction in the merchandise trade surplus accounted for about 14 per cent of the increase in the deficit. Virtually all the non-merchandise items showed negative movements in the balance, the largest ones occurring in the travel, interest and dividend accounts. There were relatively significant increases in merchandise exports to France (the effects of the devaluation of the French franc had probably not as yet been fully felt), West Germany, Spain and Sweden, and a decline in exports to Norway. Imports from all the countries in this group increased.

Mainly owing to a decrease of about 84 per cent in the trade balance which dropped to \$49 million, the 1968 current account surplus of \$314 million with Other Countries disappeared giving place to a deficit of \$1 million. There was a reduction of 6 per cent in total receipts which declined to \$1,726 million and an increase of 14 per cent in total payments which climbed to \$1,727 million. The balance on the invisible trade items worsened in total by \$52 million, about 54 per cent of which was due to reduce inflows of immigrants' funds and increased net miscellaneous payments. Merchandise exports to the U.S.S.R., China, and Venezuela were significantly down, the reductions being partly offset by increases to South Africa, Japan, Argentina and Mexico. Import increases from Japan and Mexico were relatively sharp.

Total current and capital account transactions with the United Kingdom and other overseas countries led to net payments by Canada of \$267 million in 1969, a swing of over \$1,600 million from the 1968 inflow. The 1968 favourable current account of \$732 million swung to a deficit of \$12 million in 1969, the first net disbursement balance with this group of countries in a decade, reflecting in large part a \$650 million reduction in the merchandise trade surplus. Capital movements in long-term forms resulted in an inflow of \$660 million continuing the upsurge evident in 1968 due largely to new Canadian issues placed in Europe. Capital movements in short-term forms however, swung by over \$1 billion to a net outflow of \$915 million as Canadians increased their holdings of foreign currency deposits and short-term balances abroad.

The \$45 million difference between the net payments to overseas countries and the smaller net receipts from the United States together with the gold production available for export of \$110 million is reflected in the \$65 million increase in net official monetary assets.

### Capital Movements

#### Summary

Item	1967	1968	1969	1968	1969				
				IV Q	I Q	II Q	IIIQ	IV Q	
millions of dollars									
Capital movements in long-term forms	+ 1,347	+ 1,590	+ 2,162	+ 356	+ 543	+ 483	+ 624	+ 512	
Capital movements in short-term forms	- 828	- 1,181	- 1,375	+ 159	- 323	- 226	- 662	- 164	
Balance on goods and services .....	- 499	- 60	- 722	- 184	- 258	- 311	+ 33	- 186	
Official monetary movements(1) .....	+ 20	+ 349	+ 65	+ 331	- 38	- 54	- 5	+ 162	

(1) Change in international reserves and monetary liabilities.

The net inflow of capital into Canada almost doubled to \$787 million in 1969 from \$409 million in the previous year. Capital movements in long-term forms led to a net inflow of \$2,162 million for the year as inflows of approximately equal size occurred in each quarter while short-term transactions gave rise to outflows in each quarter, totalling \$1,375 million in the year. About half of this outflow (\$662 million) took place in the third quarter giving rise to a small outflow of \$38 million from all capital movements which was largely offset by a small current account surplus. In all other quarters total capital movements resulted in substantial inflows which coincided with current account deficits. Despite the large increase in the inflow from total capital movements in 1969 only \$65 million was added to Canada's official monetary assets as the year's current account deficit rose more sharply to \$722 million.

Categories of capital movements in long-term forms which led to the largest net inflows were sales of new issues of Canadian securities (accounting for exceptionally high capital imports of over \$2 billion), followed by direct investment in Canada and reductions by Canadians of their holdings in outstanding United States equities (involving a shift in capital movements of over \$0.5 billion). The principal outflows arose from retirements of Canadian securities held abroad, and direct investment abroad, which nearly doubled in 1969.

#### Capital Movements in Long-term Forms

Period	Actual inflow	Adjusted to reflect timing of security offerings
millions of dollars		
1967 .....	+ 1,347	+ 1,599
1968 .....	+ 1,590	+ 2,142
1969 .....	+ 2,162	+ 2,020
1968 I Q .....	+ 132	+ 198
II Q .....	+ 742	+ 660
III Q .....	+ 360	+ 367
IV Q .....	+ 356	+ 917
1969 I Q .....	+ 543	+ 565
II Q .....	+ 483	+ 483
III Q .....	+ 624	+ 477
IV Q .....	+ 512	+ 495

Sales of new issues of Canadian securities are taken into the balance of payments at the time of delivery. Offerings for later delivery were significantly down from the 1968 high but the undelivered balance at the end of 1969 remained substantial. The effect of adjusting the actual inflows to reflect the timing of security offerings is shown on the accompanying statement.

Capital movements in short-term forms in 1969 gave rise to a larger net outflow of \$1,375 million, compared with \$1,181 million in 1968, which somewhat masked very large opposing flows. The outflow for the acquisition by Canadians of foreign currency deposits and other short-term funds abroad almost quadrupled in the year to \$1,609 million. Partially offsetting inflows resulted from increased non-resident holdings of Canadian finance company paper and other short-term obligations. A large year-to-year reduction in outflows was evident in the "all other trans-

actions" category. This account includes changes in loans and accounts receivable and payable as well as the balancing item representing the difference between direct measurements of the current and capital accounts.

The total net capital inflow of \$787 million which occurred in 1969 was made up of outflows of \$520 million represented by increases by the chartered banks together with their domestic customers of net foreign currency claims on non-residents, and of inflows aggregating \$1,307 million from all other transactions. The increase in the banks' net foreign currency claims on non-residents of \$520 million reflected outflows of \$476 million and \$44 million to the United States and overseas countries, respectively. Details appear in the accompanying statement. The banks' net spot liabilities to Canadian

Foreign Currency Assets and Liabilities of Head Offices and Branches in Canada  
of the Canadian Chartered Banks, 1967-1969

	Net Transactions							Amount end of 1969	
	1967	1968	1969	I Q 69	II Q 69	III Q 69	IV Q 69		
millions of dollars									
Assets with residents of:									
United States .....	273	168	815	247	3	275	289	3,316	
Other countries .....	375	759	1,405	463	687	227	28	3,445	
Total non-resident .....	648	927	2,220	710	690	503	317	6,761	
Canada .....	(b)	- 103	- 50	215	- 60	217	10	48	1,060
Totals .....	545	877	2,435	650	907	513	365	7,821	
Liabilities with residents of:									
United States .....	77	- 296	339	170	79	- 57	147	878	
Other countries .....	187	701	1,361	478	304	438	141	3,763	
Total non-resident .....	264	405	1,700	648	383	381	288	4,641	
Canada - swapped deposits	165	- 141	792	122	587	160	- 77	1,551	
- other .....	198	330	460	44	202	221	- 7	1,738	
Total Canada .....	(a)	363	189	1,252	166	789	381	- 84	3,289
Totals .....	627	594	2,952	814	1,172	762	204	7,930	
Net assets with residents of:									
United States .....	196	464	476	77	- 76	333	142	2,438	
Other countries .....	188	58	44	- 15	383	- 211	- 113	- 318	
Total non-resident .....	384	522	520	62	307	122	29	2,120	
Canada .....	- 466	- 239	- 1,037	- 226	- 572	- 371	132	- 2,229	
Totals .....	(a)	- 82	283	- 517	- 164	- 265	- 249	161	- 109

Note: This statement shows the effect on Canada's balance of payments of foreign currency banking operations of the Canadian chartered banks. As described on page 14 of the report for the second quarter of 1965, the amounts identified as (a) are embodied within item D 17.1 (e.g. this item in 1969 led to a net outflow of \$735 million, reflecting an increase of \$1,252 million in residents' holdings of foreign currency deposits with Canadian chartered banks in Canada and a decrease of \$517 million in the net foreign currency holdings of these institutions); the amount identified as (b) is embodied within items D 13 and D 17.5 (e.g. in 1969 as an aggregate inflow of \$215 million). These amounts in sum are equivalent to the \$520 million outflow representing the 1969 increase in the banks' net assets with all non-residents. The transactions figures are based on data published monthly in the Statistical Summary of the Bank of Canada, but have been adjusted so as to eliminate changes in value resulting from variations in exchange rates. It should also be noted that there is a discontinuity in the above series as gold assets and liabilities have been included with the foreign currency data up to the end of March 1968 and excluded thereafter.

residents climbed by \$1,037 million reflecting substantial increases in both swapped and other deposit liabilities which were only partly offset by increased claims. Funds converted into a foreign currency, usually United States dollars, which have been placed on term deposit with a bank and which the same bank has undertaken through a forward contract to convert back into Canadian dollars at maturity; other deposits may, from the viewpoint of the holder be effectively swapped through independent spot and forward exchange transactions, sometimes termed "split swaps". The rise in swapped deposits so accelerated in the second quarter and in July that the Bank of Canada requested the chartered banks to limit these liabilities to the then current level of \$1,724 million. Following this request Canadian resident holdings of these deposits declined erratically to \$1,551 million at the end of the year. Canadian holdings of other foreign currency deposits were relatively firmer in the second half of the year and stood at \$1,738 million at the year end. It should also be noted that the banking guidelines which were introduced on May 3, 1968 were still current in 1969. These guidelines were designed to ensure that the chartered banks would not be a channel for the outflow of funds from the United States which impaired the balance of payments position of that country without improving Canada's external position. At the end of 1969 the Canadian banks had a net short spot foreign currency position overseas of \$318 million and a net long spot foreign currency position in the United States of \$2,438 million, which combined with a net short spot position to Canadian residents of \$2,229 million resulted in a net short spot position of \$109 million. In general, however, the overall foreign currency position of the chartered banks, including forward contracts, tends to be more stable than the spot position alone.

#### Direct Investment

Direct investment in foreign - controlled enterprises in 1969 gave rise to a moderately higher net capital inflow of \$625 million, as sharply lower inflows from the United Kingdom were more than offset by higher investment from the United States and other countries. About 70 per cent of the year's inflow came from the United States, and two fifths of it occurred in the second quarter.

By far the largest part of the inflow was allocated to the manufacturing and petroleum and natural gas industries. Capital inflows for the takeover of existing Canadian enterprises, notably ones engaged in the manufacture of food and beverages, forest products, electronics and steel, in asbestos production, finance and life assurance were substantially higher; the foreign investment in Salada Foods and Canadian Breweries, and the reverse flow for the repatriation by Canadian interests of Laura Secord being especially noteworthy.

The net outflow for direct investment abroad during 1969 reached a high \$255 million, or nearly double the 1968 outflow of \$135 million. About three fifths of this investment was in the United States, a fifth in Europe, and the remainder chiefly in other Western Hemisphere countries. The outflows, about half of which occurred in the second quarter, were directed to a wide variety of industries. Investments in manufacturing of food and alcoholic beverages, mainly in the United States, were particularly important, accounting for half of the total outflow and providing further evidence of diversification by tobacco products manufacturers. Investments in the steel and petroleum and natural gas industries in the United States, and shipping and air transportation in the Caribbean, also reached significant proportions.

#### Security Transactions

At \$1,841 million the net inflow from portfolio transactions in long-term securities in 1969 reached unprecedented proportions. It was 65 per cent higher than the 1968's record of \$1,113 million and almost three times the previous high of \$645 million registered for 1964. The two main elements accounting for the size of the 1969 inflow were the continued high level of sales of Canadian new issues abroad, which exceeded \$2 billion for the first time, and a sharp turnaround of over \$0.5 billion in trading in outstanding foreign securities. The net inflow of \$113 million from transactions in foreign securities, which ended five years of successive annual outflows, totalling \$1,252 million was largely attributable to transactions in United States equities. At a time when stock market prices were depressed in Canada and the United States, Canadians became net sellers of these securities (to the extent of \$124 million) for the first time since 1963.

Buoyant economic conditions and exceptionally high interest rates, both in Canada and abroad, had a far-reaching impact not only on stock market conditions, but also on the demand sources and type of financing adopted by Canadian borrowers. Canadian interest rates, already at very high levels at the end of 1968 continued to rise throughout 1969. In late December the yield on the index of 10 long-term industrial bonds produced by McLeod, Young, Weir had reached 9.29 per cent. Canadian borrowers

Portfolio Security Transactions Between Canada and Other Countries

Net sales (+) or purchases (-) by Canadians	Year			1968	1969			
	1967	1968	1969	IV Q	I Q	II Q	III Q	IV Q
millions of dollars								
Canadian securities:								
Outstanding - Bonds .....	- 57	- 69	+ 1	+ 7	+ 17	- 6	- 12	+ 2
Stocks .....	+ 12	+ 112	+ 61	+ 53	+ 37	+ 44	- 4	- 16
New issues .....	+ 1,307	+ 1,933	+ 2,058	+ 366	+ 637	+ 513	+ 573	+ 335
Retirements .....	- 357	- 395	- 375	- 114	- 70	- 126	- 49	- 130
Foreign securities:								
Outstanding issues .....	- 382	- 425	+ 113	- 102	- 49	- 6	+ 67	+ 101
New issues .....	- 65	- 70	- 43	- 24	- 11	- 21	- 5	- 6
Retirements .....	+ 15	+ 27	+ 26	+ 8	+ 2	+ 19	+ 2	+ 3
Totals, all countries .....	+ 473	+ 1,113	+ 1,841	+ 194	+ 563	+ 417	+ 572	+ 289
United States .....	+ 567	+ 665	+ 1,225	+ 158	+ 308	+ 275	+ 420	+ 222
United Kingdom .....	- 65	- 11	+ 44	- 7	+ 18	+ 9	- 7	+ 24
Other countries .....	- 29	+ 459	+ 572	+ 43	+ 237	+ 133	+ 159	+ 43

took advantage of the relatively lower rates abroad by continuing to raise large amounts of capital not only in the United States, but, for the second successive year, in Germany also. (Of interest in 1969 was the entry of municipalities into this market, which had been utilized almost exclusively by more senior governments and their agencies in 1968.) Provincial governments again borrowed heavily in Germany, so that inflows from new issues of Canadian securities in continental Europe rose from \$491 million in 1968 to \$535 million in 1969.

Net inflows from the United States almost doubled in 1969, and, at \$1,225 million, exceeded net inflows from all sources for 1968. The significant change took place almost exclusively in trading in outstanding foreign securities. Transactions with residents of the United Kingdom gave rise to an inflow of \$44 million, ending ten years of consecutive annual outflows from portfolio security transactions.

New issues of Canadian securities abroad gave rise to inflows of record amounts in 1969. At \$2,058 million proceeds were in excess of \$2 billion for the first time, and some 6 per cent above the previous record of \$1,933 million set in 1968. A slight decline in the sale to non-residents of new bond issues to \$1,861 million was more than offset by increased sales of new common and preference shares (to \$197 million or more than treble the 1968 level) as more corporations apparently sought this means of avoiding the high costs of servicing debt issues. The sale of new bond issues of the Government of Canada declined sharply from \$290 million in 1968 to \$34 million, but new corporate issues were only moderately lower at \$547 million and sales of all other new issues registered gains. Provincial government issues raised significantly higher proceeds of \$1,065 million.

Increased borrowing in continental Europe, a trend first apparent in 1968, continued in 1969 prior to revaluation of the Deutschmark. Municipalities (including educational institutions and hospitals) became large-scale borrowers in Germany for the first time with new issues amounting to \$90 million, compared with \$22 million in 1968. Governments at all levels obtained considerable funds from Germany, and were responsible for \$467 million, or 87 per cent, of total proceeds of \$535 million resulting from new Canadian issues in continental Europe.

New Issues of Canadian Bonds Sold to  
United States Residents

Period	Offer- ings	De- liveries	Unde- livered(1)
	millions of dollars		
1967 .....	1,466	1,214	374
1968 .....	1,907	1,355	926
1969 .....	1,180	1,322	784
1968 I Q ...	399	333	440
II Q ...	348	430	358
III Q ...	284	277	365
IV Q ...	876	315	926
1969 I Q ...	392	370	948
II Q ...	296	296	948
III Q ...	256	403	801
IV Q ...	236	253	784

(1) At end of period.

Total bond offerings of \$1,180 million to residents of the United States were 38 per cent less than in 1968. It should be noted that a portion of new Canadian issues placed with United States underwriters (and included here in United States figures) is sometimes resold to residents of other foreign countries. On a quarterly basis, offerings remained fairly stable, although they declined progressively over the year. Deliveries outstripped offerings for the year as a whole, thereby reducing the level of undelivered issues from \$926 million at the beginning of the year to \$784 million by the year-end.

Retirements of Canadian securities held by non-residents fell in 1969 to approximately \$375 million, compared with \$395 million for the previous year. Retirements were substantially less in 1969 in the corporate sector (including railways not guaranteed by governments), while retirements of municipalities and the federal government increased. The sale of new issues of foreign securities in Canada was substantially lower than in 1968. The net outflow totalled \$43

million in 1969, compared with \$70 million in the previous year. New issues by the United States and other countries accounted for outflows of \$27 million and \$16 million respectively. Retirements of foreign securities held by Canadians were recorded at \$26 million, showing little change from the \$27 million inflow in 1968.

A sharp turnaround in international capital movements arising from outstanding security transactions resulted in a net inflow of \$175 million in 1969. This represented a swing of \$557 million from the \$382 million net outflow in 1968, and ended seven years of successive annual outflows totalling almost \$2 billion. The major part of this change was attributable to transactions in United States equities, which gave rise to a net inflow of \$124 million in 1969 compared with an outflow of \$384 million in 1968. Of the total net inflow, \$94 million came from the United States, \$28 million from the United Kingdom, and \$53 million from other countries. The net inflow of \$61 million resulting from trading in Canadian common and preference stock represented a reduction of 46 per cent from the corresponding inflow of \$112 million for 1968. An unusually large proportion—some 75 per cent—of this inflow came from countries other than the United States and United Kingdom. Transactions in Canadian bonds and debentures led to a small inflow of \$1 million, the first since 1965. A net outflow of \$28 million, mainly attributable to re-purchases by Canadians of provincial issues, took place in trading with the United States while net inflows of \$20 million resulted from trading with the United Kingdom, and of \$9 million from trading with other countries. Trading in foreign securities resulted in a net inflow of \$113 million compared with net outflows of \$425 million in 1968 and \$382 million in 1967. Transactions in United States equities, totalling \$4,076 million, represented 92 per cent of gross trading in foreign securities.

Long-term interest rates in both Canada and the United States, already at their highest levels since the Second World War, continued to rise at an even faster rate in 1969. Over-the-year, yields on representative long-term government bonds rose by 131 basis points in Canada and by 163 basis points in the United States. Interest rate differentials between these bonds varied from about 1.58 per cent in April to about 1.14 per cent in September. Common stock prices in Canada (as measured by the Dominion Bureau of Statistics Investors' Index) were virtually unchanged during 1969. United States common stock prices (as measured by Standard and Poor's '500' Index) fell by 13 per cent.

A more detailed review of international security movements in 1969 will be found in the December issue of "Sales and Purchases of Securities Between Canada and Other Countries" (DBS Catalogue No. 67-002) which also contains information relating to international transactions in Canadian short-term money market instruments.

Other Capital Flows in Long-term Forms

Non-military assistance abroad by the Canadian Government in 1969 consisted largely of payments of the regular assessments by the international organizations of which Canada is a member, official contributions, intergovernmental loans, subscriptions to the capital of investment agencies and the exten-

sion or guarantee of export credits. Both assessments and contributions form a part of Canada's payments on current account, while other transactions, to the extent that they give rise to claims on non-residents, are mainly reflected in capital movements in long-term forms.

Disbursements on intergovernmental loans extended by Canada in 1969 increased by \$11 million to \$59 million as amounts previously committed for specific projects under the development loan program were drawn by recipient countries. Disbursements are expected to continue to grow in succeeding years as drawings so far constitute only a fraction of the aid commitments.

Detail of Long-Term Capital Transactions n.i.e.  
Item D13

Year and quarter	Export credits(1)						Sub-total	Other trans- actions	Total
	Wheat			Other commodities					
	Ad- vances	Repay- ments	Net	Ad- vances	Repay- ments	Net			
	millions of dollars								
1967 .....	- 91	+ 219	+ 128	- 60	+ 39	- 21	+ 107	+ 161	+ 268
1968 .....	- 143	+ 216	+ 73	- 89	+ 45	- 44	+ 29	- 42	- 13
1969 .....	- 101	+ 119	+ 18	- 76	+ 49	- 27	- 9	- 5	- 14
1968 I Q .....	- 25	+ 76	+ 51	- 19	+ 12	- 7	+ 44	- 15	+ 29
II Q .....	- 45	+ 57	+ 12	- 14	+ 10	- 4	+ 8	+ 12	+ 20
III Q .....	- 45	+ 48	+ 3	- 25	+ 14	- 11	- 8	- 66	- 74
IV Q .....	- 28	+ 35	+ 7	- 31	+ 9	- 22	- 15	+ 27	+ 12
1969 I Q .....	- 25	+ 20	- 5	- 20	+ 12	- 8	- 13	- 71	- 84
II Q .....	- 39	+ 15	- 24	- 17	+ 11	- 6	- 30	+ 7	- 23
III Q .....	- 18	+ 32	+ 14	- 22	+ 15	- 7	+ 7	- 5	+ 2
IV Q .....	- 19	+ 52	+ 33	- 17	+ 11	- 6	+ 27	+ 64	+ 91

(1) Medium and long-term export credits extended from Canada directly or indirectly at risk of the Government of Canada.

Subscriptions to the capital of international agencies in 1969 amounted to \$30 million. This amount, made up of payments to the International Development Association and the Asian Development Bank, was paid in the form of non-negotiable, non-interest bearing Canadian dollar demand notes. Changes in these obligations are reflected in item D 14.2 of the capital account covering Government of Canada demand liabilities.

During the year Canada received higher repayments of \$22 million of principal on inter-governmental loans extended earlier. The increase of \$17 million over 1968 largely reflected receipt of \$20 million from the United Kingdom on the 1946 loan, repayment of which was waived in 1968. The remainder of the 1969 receipt came chiefly from Belgium. In addition to the repayments of principal there were receipts of \$25 million during 1969 on account of interest. These receipts form part of the current account item comprising Canada's receipts of interest and dividends.

Receipts from the United States associated with the Columbia River Treaty declined to \$32 million from \$88 million in 1968. The 1968 inflow included receipt of US \$52 million, the second and largest flood control payment under the Treaty, as well as of US \$30 million representing a further annual maturity of the medium-term non-marketable United States Government securities acquired in connection with the Treaty arrangements. Holdings of these securities stood at US \$54 million at the end of 1968.

Transactions arising from the financing of medium and long-term export credits extended from Canada directly or indirectly at the risk of the Government of Canada resulted in a net outflow of \$9 million during 1969. This contrasted with net inflows of \$107 million and \$29 million in 1967 and 1968 and was attributable to a sharp fall of \$97 million in repayments of export credits on wheat. This decrease was partially offset by lower advances, particularly for wheat.

The remaining capital movements in long-term forms, which include bank and other long-term loans, mortgage investments and movements of insurance funds, led to a net outflow of \$5 million a reduction of \$37 million from the 1968 outflow of \$42 million. Changes in the long-term liabilities of Canadian corporations with foreign banks largely accounted for a significant outflow of \$71 million in the first quarter and a partially offsetting inflow of \$64 million in the fourth quarter.

#### Capital Movements in Short-term Forms

Capital movements in short-term forms (apart from changes in official holdings of gold, foreign exchange and Canada's balance with the International Monetary Fund) led to a net capital outflow of \$1,375 million, or \$194 million more than in 1968.

The year was one of unusually large countervailing movements. Canadian residents increased their holdings of bank balances and other short-term funds abroad by very substantial amounts, apparently attracted by unusually high interest rates abroad and to some extent the expected revaluation of the Deutschmark. At the same time there was exceptional activity in the Canadian money market. The volume of business expanded substantially as an increasing number of corporations and institutions resorted to short-term borrowing, sometimes as a means of financing essentially long-term needs but avoiding long-term commitments at record high long-term interest rates. A major part of this borrowing took place in the United States where lower interest rates and a significant premium on the forward rate for the Canadian dollar provided important advantages. This was reflected in a huge increase in the volume of international trading and a large net inflow of short-term capital into Canadian paper.

Canadian dollar deposits of non-residents rose by \$61 million over the year. Residents of the United States and the United Kingdom increased their holdings by \$40 million and \$33 million, respectively. Other foreign countries reduced their holdings by \$12 million, partially offsetting the other increases. At the year-end, deposit liabilities to non-residents aggregated about \$750 million, of which some \$450 million were held by United States residents, \$100 million by United Kingdom residents, and \$200 million by residents of other foreign countries. Government of Canada demand liabilities in the form of interest-free demand notes issued to international investment agencies declined by \$34 million in 1969. The amount outstanding was approximately \$16 million.

Non-residents increased their holdings of Canadian treasury bills by \$32 million to \$104 million in 1969 as private non-residents became, on balance, large purchasers of these instruments. In comparison with 1968, net purchases by foreign official institutions were relatively small.

#### Composition of "Other Capital Movements" (A minus sign indicates an outflow of capital from Canada)

Transactions with all countries	1967	1968	1969	1968	1969				
				IV Q	I Q	II Q	III Q	IV Q	
millions of dollars									
17.1 Bank balances and other short-term funds abroad (excluding official reserves) .....	- 284	- 409	- 1,609	- 164	- 156	- 569	- 622	- 262	
17.2a Canadian commercial paper .....	- 13	+ 2	+ 43	+ 1	- 1	+ 23	- 15	+ 36	
17.2b Other short-term paper .....	+ 24	+ 1	+ 3	+ 12	- 2	- 20	- 5	+ 24	
17.3 Canadian finance company paper ....	- 54	- 131	+ 176	-	+ 159	+ 71	- 71	+ 17	
17.4 Canadian finance company obligations, n.i.e. ....	+ 34	+ 19	+ 116	+ 34	+ 23	+ 28	+ 3	+ 62	
17.5 All other transactions(1) .....	- 559	- 802	- 157	+ 182	- 347	+ 251	+ 46	- 107	
Total (Item D 17) .....	- 852	- 1,320	- 1,434	+ 65	- 324	- 216	- 664	- 230	

(1) Includes changes in loans and accounts receivable and payable, and also balancing item representing difference between direct measurements of current and capital accounts.

An increase by Canadian residents of their holdings of foreign currency bank balances and other short-term funds abroad produced a net capital outflow of \$1,609 million, almost four times the comparable 1968 build-up. A rise of \$520 million in the Canadian chartered banks foreign currency net asset

position with non-residents was a significant factor in this movement. This covered only about half of the increased net foreign currency liabilities to residents. A sharp increase in residents' holdings of foreign currency swapped deposits with the chartered banks during the year was accompanied by a significant rise in their holdings of other foreign currency deposits, some of which may, however, have been protected by forward exchange cover through other channels.

There was a sharp turn-around from transactions in Canadian finance company paper (including that of manufacturing and retail enterprises) as non-residents increased their holdings by \$176 million. In contrast there was an outflow of \$135 million in 1968. Geographically the 1969 movement was made up of a net inflow of \$188 million from the United States and small outflows of \$11 million and \$1 million to the United Kingdom and other foreign countries, respectively.

Transactions in other finance company obligations of a short-term nature consisting of bank loans and inter-company accounts were also significantly greater than in 1968. Net inflows were registered in each quarter of the year, amounting in total to \$116 million, compared with \$19 million in 1968. In addition there were other finance company transactions not identified separately, which have been included with capital movements in long-term forms, notably in new issues and retirements of Canadian securities. All in all, capital flows associated with the international borrowing of these companies showed a net inflow of about \$300 million, as net inflows of about \$190 million, \$100 million and \$85 million in the first, second, and fourth quarters were reduced by a third quarter outflow of \$75 million.

Transactions in commercial paper resulted in increased net inflows in 1969 rising to \$43 million compared with \$1 million in 1968. The value of gross trading increased sharply to over two and a half times the 1968 level. Transactions in other short-term paper, which includes notes of banks, mortgage loan companies, and municipal and provincial governments, led to a lower net outflow of \$3 million compared with \$12 million in 1968. The reduced volume of transactions in these instruments in 1969 contrasted with the increased turnover in other types of paper.

The existence of unusually large interest rate differentials between the world's major financial centres was a primary factor influencing the huge movements of short-term capital which occurred between Canada and other countries during 1969. Of most significance, perhaps, was the very rapid increase in interest rates for short-term Euro-dollar deposits (to over 11 per cent at their peak in September). At the same time, interest rates in most major financial centres also reached exceptionally high levels. Yields on Canadian finance and commercial paper, which usually attract the bulk of the short-term funds invested in Canadian money market instruments by non-residents, followed this general pattern. Interest rates paid by finance companies for 90 day paper climbed from 6.54 per cent near the end of 1968 to 8.97 per cent at the end of 1969. During the year the bank rate in Canada was raised successively to 7 per cent on March 3, to 7 1/2 per cent on June 11 and to 8 per cent on July 16.

All other transactions led to a net capital outflow of \$157 million, a decline of \$645 million from the 1968 net disbursement figure. The identified items included in this account demonstrated widely divergent movements during the year. Recorded transactions related to intercompany account receivables showed significantly smaller net outflows in 1969 than in 1968. There were on balance large inflows arising from increased bank loans to residents. However, the largest component in 1969 comprised the balancing item representing the difference between the direct measurements of the current and capital accounts. This item amounted to a net payment balance of about \$250 million in the year, approximately one third the level of the net outflow for the previous year.

#### Official International Monetary Assets and Liabilities

Canada's net official monetary assets totalled US \$3,105 million at December 31, 1969 an increase of US \$60 million over the year. A large increase of US \$150 million in the fourth quarter more than offset the decreases which took place in the first three quarters of 1969.

Holdings of United States dollars decreased by US \$221 million over the year following large decreases in the first three quarters totalling US \$297 million and an increase in the fourth quarter of US \$76 million. Holdings of other convertible currencies were unchanged at US \$12 million although there were relatively large movements in both directions during the year.

Sales of Canadian dollars to the IMF for gold resulted in a US \$9 million increase in holdings of monetary gold for the year.

Canada's reserve position with the IMF totalled US \$478 million an increase of US \$272 million for 1969. Drawings by the United Kingdom, Belgium and Germany accounted for US \$167.5 million in the

period. Numerous other smaller drawings as well as the acquisition of a claim on the IMF under the General Arrangements to Borrow of US \$30 million issued previously to Germany helped to make up the balance of the increase. In the second and third quarters of the year Canada had augmented the Fund's Canadian dollar resources by making two loans to that institution under GAB equivalent to US \$65.5 million. This together with the acquisition from Germany brought Canada's claims on the IMF under GAB to US \$95.5 million at the end of the year.

These transactions together resulted in an overall increase of US \$60 million in official international reserves from US \$3,046 million at the end of 1968 to US \$3,106 million at the end of 1969. Total official monetary liabilities remained constant over the year at US \$1 million. The annual change expressed in Canadian dollars showed an increase in net official monetary assets of \$65 million, all reflecting the rise in international reserves as changes in associated liabilities, as noted above, were negligible in the year.

In 1969 the spot value of the United States dollar on the Canadian exchange market closed at 107.28 cents. This reflected a significant premium on the Canadian dollar above the official parity of Canadian 108.108 cents per US dollar. This strength was apparent throughout much of the year with the Canadian dollar falling below its official parity for a brief period in July.

United States Dollar in Canada

Pound Sterling in Canada

Period	High	Low	Close	Noon average	High	Low	Close	Noon average
Canadian cents					Canadian cents			
1968 .....	109.00	107.25	107.28	107.75	262.63	255.25	255.82	257.94
1969 .....	108.25	107.25	107.28	107.68	258.89	255.72	257.55	257.39
1968 I Q ....	109.00	108.09	108.28	108.56	262.63	259.56	260.07	261.24
II Q ....	108.25	107.50	107.59	107.83	260.43	256.16	256.35	257.95
III Q ....	107.59	107.25	107.25	107.31	257.10	255.59	256.27	256.48
IV Q ....	107.38	107.25	107.28	107.29	256.56	255.25	255.82	256.11
1969 I Q ....	107.84	107.25	107.66	107.46	258.05	255.72	257.82	256.83
II Q ....	108.16	107.50	108.09	107.76	258.62	256.32	258.52	257.53
III Q ....	108.25	107.66	107.91	107.90	258.89	256.38	257.17	257.54
IV Q ....	108.06	107.28	107.28	107.60	258.27	257.25	257.55	257.65
October .....	108.06	107.47	107.63	107.79	258.01	257.28	257.92	257.65
November .....	107.69	107.41	107.41	107.58	258.27	257.42	257.42	257.81
December .....	107.53	107.28	107.28	107.42	257.73	257.25	257.55	257.52

## Canada's Official International Monetary Assets and Liabilities

		Assets					Liabilities				
		Official holdings of foreign exchange		Monetary gold	Reserve position in IMF	Total official international reserves (1)	Use of IMF credit (2)	Foreign exchange deposit liabilities	Reported use of central bank reciprocal credit facilities	Total official monetary liabilities (3)	Net official monetary assets
		U.S. dollars	Other convertible currencies								
expressed in millions of United States dollars											
At end of period											
1968	I Q .....	1,269	16	976	-	2,261	-	1	250	251	2,010
	II Q .....	1,649	15	926	121	2,711	-	1	125	126	2,585
	III Q .....	1,672	16	863	186	2,737	-	1	-	1	2,736
	IV Q .....	1,965	12	863	206	3,046	-	1	-	1	3,045
1969	I Q .....	1,918	9	863	221	3,011	-	1	-	1	3,010
	II Q .....	1,758	15	866	322	2,961	-	1	-	1	2,960
	III Q .....	1,668	14	872	402	2,956	-	1	-	1	2,955
	IV Q .....	1,744	12	872	478	3,106	-	1	-	1	3,105
October .....		1,758	13	872	407	3,050	-	1	-	1	3,049
November .....		1,742	16	872	445	3,075	-	1	-	1	3,074
December .....		1,744	12	872	478	3,106	-	1	-	1	3,105

(1) As published by the Minister of Finance. The change in this total, expressed in Canadian dollars, is given in item H4 of the main balance of payments table.

(2) Transactions with the IMF when that institution holds Canadian dollars in excess of 100 per cent of the Canadian quota.

(3) The change in this total, expressed in Canadian dollars, is given in item H5 of the main balance of payments table.

Note: This statement does not include holdings by the Government of Canada at December 31, 1969 of \$54 million of medium-term non-marketable securities of the United States Government, acquired in 1964 in connection with the Columbia River Treaty arrangements.

Canada's Accounts with the International Monetary Fund

Period	Canadian assets			Canadian liabilities = IMF holdings of Canadian dollars					Canada's net balance with IMF(1)
	Transactions		Total assets	Transactions					
	Subs- crip- tion (Quota)	Loans (GAB)		Subs- crip- tions and loans	Net drawings of foreign currencies by Canada	Net drawings (-) of Cana- dian dollars by other countries	Other transact- ions	Total liabi- lities	
millions of United States dollars									
1947-1966	740.0	50.0	790.0	605.0	54.3	- 379.3	61.5(2)	341.5	448.5
1967 .....		- 15.0	775.0	- 15.0		15.1		341.6	433.4
1968 .....		- 35.0	740.0	- 35.0	361.2	- 131.2	- 2.8(3)	533.8	206.2
1969 .....		95.5	835.5	65.5		- 250.3	8.4	357.4	478.1
1968 I Q		- 35.0	740.0	- 35.0	426.0	7.3		739.9	0.1
II Q			740.0			- 121.0		618.9	121.1
III Q			740.0		- 64.8			554.1	185.9
IV Q			740.0			- 17.5	- 2.8(3)	533.8	206.2
1969 I Q			740.0			- 15.0		518.8	221.2
II Q		40.0	780.0	40.0		- 103.5	2.5(2)	457.8	322.2
III Q		25.5	805.5	25.5		- 86.2	6.1(2)	403.2	402.3
IV Q		30.0(4)	835.5			- 45.6	- 0.2(3)	357.4	478.1

(1) This is a cumulative measure of the net resources provided by Canada to the IMF including loans under the General Arrangements to Borrow (GAB). Canada's net balance with the IMF, when positive, represents its reserve position in the IMF. This may be drawn by Canada virtually automatically on statement of balance of payments need, but Canada would then be under an obligation to restore its net balance to 25 per cent of its quota which is currently \$740 million, i.e. to \$185 million. The Canadian dollar equivalent of changes in positive balances appears as a component of item H4 in the main balance of payments statement. Changes in negative balances, i.e. use of IMF credit, are shown as a component of item H5.

(2) Sales of Canadian dollars to IMF for gold.

(3) Dividend payment to Canada.

(4) Acquisition of GAB notes issued previously to another IMF member.

Note: The statement is expressed in terms of United States dollar equivalents in accordance with IMF practice. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, from time to time there have been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate. These transactions are not reflected above because the series are shown in United States dollar equivalents, and do not appear in the balance of payments statements because only the change in Canada's net asset is shown. The adjustment transactions affect the Public Accounts of Canada.

Change in Canada's Official International Monetary Assets and Liabilities

Period	Assets					Liabilities (minus = increase)				Net official monetary assets	Conversion series <sup>4</sup>
	Official holdings of foreign exchange		Monetary gold	Reserve position in IMF <sup>3</sup>	Total official international reserves <sup>1</sup>	Use of IMF credit <sup>2</sup>	Foreign exchange deposit liabilities	Reported use of central bank reciprocal credit facilities	Total official monetary liabilities <sup>3</sup>		
	U.S. dollars	Other convertible currencies									
expressed in millions of Canadian dollars											
1961:											
I Q .....	106	2	- 1	-	107	-	- 1	-	- 1	106	+
II Q .....	32	1	21	10	64	-	- 3	-	- 3	61	-
III Q .....	- 84	1	22	51	- 10	-	-	-	-	- 10	+
IV Q .....	115	-	20	-	135	-	-	-	-	135	-
Year .....	169	4	62	61	296	-	- 4	-	- 4	292	+ 2
1962:											
I Q .....	- 381	- 2	18	- 11	- 376	-	-	-	-	- 376	- 1
II Q .....	433	2	- 320	- 217	- 102	- 150	-	- 381	- 531	- 633	+
III Q .....	663	-	21	-	684	-	2	-	2	686	-
IV Q .....	80	- 1	22	-	101	-	- 1	377	376	477	- 1
Year .....	795	- 1	- 259	- 228	307	- 150	1	- 4	- 153	154	- 1
1963:											
I Q .....	40	1	25	-	66	-	-	-	-	66	-
II Q .....	75	12 <sup>4</sup>	24	-	111	-	-	-	-	111	-
III Q .....	- 155	- 13 <sup>4</sup>	22	-	- 146	86	-	-	86	- 60	- 1
IV Q .....	- 21	-	46	-	25	-	3	-	3	28	-
Year .....	- 61	-	117	-	56	86	3	-	89	145	- 1
1964:											
I Q .....	- 199	13	58	21	- 107	64	2	-	66	- 41	+
II Q .....	7	- 11	65	6	67	-	1	-	1	68	-
III Q .....	35	-	63	59	157	-	-	-	-	157	+
IV Q .....	14	-	39	127	180	-	-	-	-	180	- 1
Year .....	- 143	2	225	213	297	64	3	-	67	364	+
1965:											
I Q .....	- 150	14	20	46	- 70	-	-	-	-	- 70	+
II Q .....	- 128	- 13	49	93	1	-	-	-	-	1	-
III Q .....	120	- 3	25	82	224	-	-	-	-	224	- 2
IV Q .....	12	3	42	- 53	4	-	-	-	-	4	+ 2
Year .....	- 146	1	136	168	159	-	-	-	-	159	+ 2
1966:											
I Q .....	- 96	5	- 70	28	- 133	-	-	-	-	- 133	+
II Q .....	- 116	- 6	- 66	64	- 124	-	1	-	1	- 123	- 6
III Q .....	- 88	- 1	- 17	20	- 86	-	-	-	-	- 86	- 1
IV Q .....	- 50	2	40	- 9	- 17	-	-	-	-	- 17	+ 2
Year .....	- 350	-	- 113	103	- 360	-	1	-	1	- 359	-
1967:											
I Q .....	- 77	- 1	41	22	- 15	-	-	-	-	- 15	- 2
II Q .....	- 19	- 2	- 19	- 17	- 53	-	1	-	1	- 52	+ 2
III Q .....	18	- 1	36	1	54	-	2	-	2	56	-
IV Q .....	142	2	- 91	- 22	31	-	-	-	-	31	+ 2
Year .....	64	2	- 33	- 16	17	-	3	-	3	20	+ 2
1968:											
I Q .....	16	2	- 42	- 471	- 495	-	2	- 271	- 269	- 764	+
II Q .....	410	-	- 54	130	486	-	- 1	135	134	620	-
III Q .....	25	1	- 68	70	28	-	-	134	134	162	+
IV Q .....	314	- 5	-	22	331	-	-	-	-	331	- 6
Year .....	765	- 2	- 164	- 249	350	-	1	- 2	- 1	349	- 4
1969:											
I Q .....	- 51	- 3	-	16	- 38	-	-	-	-	- 38	- 1
II Q .....	- 172	6	3	109	- 54	-	-	-	-	- 54	+
III Q .....	- 98	-	7	86	- 5	-	-	-	-	- 5	- 1
IV Q .....	82	- 2	-	82	162	-	-	-	-	162	- 1
Year .....	- 239	1	10	293	65	-	-	-	-	65	+ 2

<sup>1</sup> Item H 4 of the main balance of payments table.

<sup>2</sup> Transactions with the IMF when that institution holds Canadian dollars in excess of 100 per cent of the Canadian quota.

<sup>3</sup> Item H 5 of the main balance of payments table.

<sup>4</sup> The change in the reserve presentation has shifted some minor balances from D 17.1 into the reserves. This column shows what change should be made to the D 17.1 series published prior to this report to provide a consistent historical series.

### Changes in presentation

The news release issued by the Minister of Finance on February 3, 1970 covering the level and composition of Canada's official international reserves contained certain changes from the coverage of previous statements. The balance of payments format in respect of reserve movements has been altered correspondingly. Changes in the assets included in the Minister's statement are now shown under item H4, while changes in associated liabilities (which do not appear on the monthly release) are given in item H5. Apart from the inclusion of the Special Drawing Rights allocated to Canada by the International Monetary Fund on January 1, 1970 and subsequent transactions in them the net effect of the changes on the balance payments statement is not large.

Accounts formerly shown in item H1 "change in official holdings of gold and foreign exchange" are now included in H4. In addition H4 includes deposit balances of foreign currencies other than the US dollar which are defined as convertible by the IMF and held by the Exchange Fund Account, the Receiver General and the Bank of Canada. These convertible currencies were previously included in item D 17.1 of the balance of payments with the exception of sterling which had consistently been included with the reserves in balance of payments statements.

It should be noted that the Bank of Canada's liquid foreign currency assets are now being included in official international reserves without deduction of the Bank's foreign currency liabilities to non-residents. Formerly only the net holdings were included. In the new presentation of the balance of payments these liabilities form a part of item H5.

The Minister has now included as part of the reserves the whole of Canada's reserve position in the IMF which is defined as the amount of foreign exchange that Canada is entitled to draw from the Fund on demand for balance of payments purposes. The monthly statement of Canada's official reserves had previously treated as equivalent to reserves only that part of the reserve position in the Fund called the net creditor position, which is the amount of credit Canada has provided to other countries through the IMF. The balance of payments presentation had, however, included the whole of the reserve position in the IMF in item H2 "changes in net International Monetary Fund position". This asset now forms part of item H4. Item H2 also included Canada's net liability to the IMF when that institution held Canadian dollars in excess of 100 per cent of Canada's quota. (This situation has only occurred in the exchange crises of 1962 and the period immediately following when the liability incurred was being liquidated). In the new presentation liabilities of this type are included in item H5.

Also included in H5 are amounts previously shown under item H3 and earlier called "Other special international financial assistance" or more recently "Reciprocal swap facility with Federal Reserve System".

The accompanying statement shows changes in reserves on the new basis back to 1961 and also indicates in the final column the net effects of the change on other accounts in the balance of payments.

### First Estimates

Very preliminary data of the Canadian balance of payments for the fourth quarter and year 1969 were released in the DBS Daily of February 16, 1970. It should be noted that these first estimates relate only to very broad aggregates and that the current quarterly report expands and updates these estimates by incorporating the latest available data.

Summary of Current Transactions with the United States, United Kingdom, Rest of Sterling Area, Other OECD Countries in Europe and Other Countries

Fourth Quarters 1968 and 1969 and Changes between the Periods

	1968	1969	Change	1968	1969	Change
millions of dollars						
	All Countries			United States		
Merchandise exports (adjusted) .....	3,667	4,055	+ 388	2,532	2,938	+ 406
Merchandise imports (adjusted) .....	3,409	3,766	+ 357	2,465	2,711	+ 246
Balance on merchandise trade .....	+ 258	+ 289	+ 31	+ 67	+ 227	+ 160
Other current receipts .....	840	931	+ 91	550	588	+ 38
Other current payments .....	1,282	1,406	+ 124	889	964	+ 75
Balance on non-merchandise transactions ...	- 442	- 475	- 33	- 339	- 376	- 37
Total receipts .....	4,507	4,986	+ 479	3,082	3,526	+ 444
Total payments .....	4,691	5,172	+ 481	3,354	3,675	+ 321
Current account balance .....	- 184	- 186	- 2	- 272	- 149	+ 123
	United Kingdom			Rest of Sterling Area		
Merchandise exports (adjusted) .....	303	268	- 35	149	156	+ 7
Merchandise imports (adjusted) .....	181	193	+ 12	140	173	+ 33
Balance on merchandise trade .....	+ 122	+ 75	- 47	+ 9	- 17	- 26
Other current receipts .....	95	133	+ 38	57	66	+ 9
Other current payments .....	119	127	+ 8	43	45	+ 2
Balance on non-merchandise transactions ...	- 24	+ 6	+ 30	+ 14	+ 21	+ 7
Total receipts .....	398	401	+ 3	206	222	+ 16
Total payments .....	300	320	+ 20	183	218	+ 35
Current account balance .....	+ 98	+ 81	- 17	+ 23	+ 4	- 19
	Other OECD (Europe)			Other Countries		
Merchandise exports (adjusted) .....	283	324	+ 41	400	369	- 31
Merchandise imports (adjusted) .....	285	315	+ 30	338	374	+ 36
Balance on merchandise trade .....	- 2	+ 9	+ 11	+ 62	- 5	- 67
Other current receipts .....	64	70	+ 6	74	74	-
Other current payments .....	152	180	+ 28	79	90	+ 11
Balance on non-merchandise transactions ...	- 88	- 110	- 22	- 5	- 16	- 11
Total receipts .....	347	394	+ 47	474	443	- 31
Total payments .....	437	495	+ 58	417	464	+ 47
Current account balance .....	- 90	- 101	- 11	+ 57	- 21	- 78

Note: Exports of goods and services as published in the National Income and Expenditure Accounts exclude inheritances and immigrants' funds and personal and institutional remittances. Imports of goods and services include withholding tax and exclude inheritances and emigrants' funds, personal and institutional remittances, official contributions and pension payments.

Summary of Current Transactions with the United States, United Kingdom, Rest of Sterling Area, Other OECD Countries in Europe and Other Countries

Years 1968 and 1969 and Changes between the Periods

	1968	1969	Change	1968	1969	Change
	millions of dollars					
	All Countries			United States		
Merchandise exports (adjusted) .....	13,538	14,886	+ 1,348	9,116	10,500	+ 1,384
Merchandise imports (adjusted) .....	12,162	14,018	+ 1,856	8,867	10,109	+ 1,242
Balance on merchandise trade .....	+ 1,376	+ 868	- 508	+ 249	+ 391	+ 142
Other current receipts .....	3,670	4,001	+ 331	2,483	2,707	+ 224
Other current payments .....	5,106	5,591	+ 485	3,524	3,808	+ 284
Balance on non-merchandise transactions	- 1,436	- 1,590	- 154	- 1,041	- 1,101	- 60
Total receipts .....	17,208	18,887	+ 1,679	11,599	13,207	+ 1,608
Total payments .....	17,268	19,609	+ 2,341	12,391	13,917	+ 1,526
Current account balance .....	- 60	- 722	- 662	- 792	- 710	+ 82
	United Kingdom			Rest of Sterling Area		
Merchandise exports (adjusted) .....	1,241	1,119	- 122	615	625	+ 10
Merchandise imports (adjusted) .....	682	813	+ 131	457	588	+ 131
Balance on merchandise trade .....	+ 559	+ 306	- 253	+ 158	+ 37	- 121
Other current receipts .....	392	472	+ 80	219	241	+ 22
Other current payments .....	473	515	+ 42	188	208	+ 20
Balance on non-merchandise transactions	- 81	- 43	+ 38	+ 31	+ 33	+ 2
Total receipts .....	1,633	1,591	- 42	834	866	+ 32
Total payments .....	1,155	1,328	+ 173	645	796	+ 151
Current account balance .....	+ 478	+ 263	- 215	+ 189	+ 70	- 119
	Other OECD (Europe)			Other Countries		
Merchandise exports (adjusted) .....	1,039	1,208	+ 169	1,527	1,434	- 93
Merchandise imports (adjusted) .....	941	1,123	+ 182	1,215	1,385	+ 170
Balance on merchandise trade .....	+ 98	+ 85	- 13	+ 312	+ 49	- 263
Other current receipts .....	275	289	+ 14	301	292	- 9
Other current payments .....	622	718	+ 96	299	342	+ 43
Balance on non-merchandise transactions	- 347	- 429	- 82	+ 2	- 50	- 52
Total receipts .....	1,314	1,497	+ 183	1,828	1,726	- 102
Total payments .....	1,563	1,841	+ 278	1,514	1,727	+ 213
Current account balance .....	- 249	- 344	- 95	+ 314	- 1	- 315

Note: Exports of goods and services as published in the National Income and Expenditure Accounts exclude inheritances and immigrants' funds and personal and institutional remittances. Imports of goods and services include withholding tax and exclude inheritances and emigrants' funds, personal and institutional remittances, official contributions and pension payments.

Exports and Imports of Goods and Services, Seasonally Adjusted, 1967-69

Acct. No.	Line No.		1967					
			I Q	II Q	III Q	IV Q	Year	
			millions of dollars					
			<u>Receipts</u>					
A	1	1	Merchandise exports (adjusted) .....	2,836	2,863	2,675	2,964	11,338
	3	2	Gold production available for export .....	30	29	26	27	112
	4	3	Travel expenditures .....	244	368	438	268	1,318
	5	4	Interest and dividends .....	83	58	78	76	295
	6	5	Freight and shipping .....	204	207	207	212	830
	7	6	Inheritances and migrants' funds .....	81	85	83	80	329
	11	7	All other transactions .....	222	214	216	211	863
		8	Sub-totals, non-merchandise transactions	864	961	1,048	874	3,747
	12	9	Totals .....	3,700	3,824	3,723	3,838	15,085
			<u>Payments</u>					
B	1	10	Merchandise imports (adjusted) .....	2,672	2,757	2,720	2,623	10,772
	4	11	Travel expenditures .....	225	226	217	227	895
	5	12	Interest and dividends .....	275	292	323	321	1,211
	6	13	Freight and shipping .....	217	216	212	216	861
	7	14	Inheritances and migrants' funds .....	51	51	56	55	213
	11	15	All other transactions (including official contributions) .....	403	448	381	400	1,632
		16	Sub-totals, non-merchandise transactions	1,171	1,233	1,189	1,219	4,812
	12	17	Totals .....	3,843	3,990	3,909	3,842	15,584
			<u>Balance</u>					
C	1	18	Merchandise trade (adjusted) .....	+ 164	+ 106	- 45	+ 341	+ 566
		19	Gold production available for export .....	+ 30	+ 29	+ 26	+ 27	+ 112
		20	Travel expenditures .....	+ 19	+ 142	+ 221	+ 41	+ 423
		21	Interest and dividends .....	- 192	- 234	- 245	- 245	- 916
		22	Freight and shipping .....	- 13	- 9	- 5	- 4	- 31
		23	Inheritances and migrants' funds .....	+ 30	+ 34	+ 27	+ 25	+ 116
		24	All other transactions (including official contributions) .....	- 181	- 234	- 165	- 189	- 769
	2,3	25	Sub-totals, non-merchandise transactions	- 307	- 272	- 141	- 345	-1,065
	4	26	Totals .....	- 143	- 166	- 186	- 4	- 499

Exports and Imports of Goods and Services, Seasonally Adjusted, 1967-69

1968					1969					Line No.
I Q	II Q	III Q	IV Q	Year	I Q	II Q	III Q	IV Q	Year	
millions of dollars										
3,268	3,361	3,334	3,575	13,538	3,718	3,607	3,650	3,911	14,886	1
31	28	32	29	120	29	29	28	24	110	2
241	257	252	242	992	272	274	266	267	1,079	3
71	85	94	81	331	97	117	97	95	406	4
220	223	222	229	894	229	230	233	242	934	5
77	90	109	94	370	88	89	87	99	363	6
230	240	243	250	963	257	270	284	298	1,109	7
870	923	952	925	3,670	972	1,009	995	1,025	4,001	8
4,138	4,284	4,286	4,500	17,208	4,690	4,616	4,645	4,936	18,887	9
2,967	2,908	3,007	3,280	12,162	3,483	3,423	3,481	3,631	14,018	10
240	239	278	258	1,015	299	326	339	316	1,280	11
321	337	336	296	1,290	341	343	337	343	1,364	12
228	232	232	245	937	244	247	248	255	994	13
56	58	48	47	209	52	52	45	41	190	14
394	409	426	426	1,655	411	432	456	464	1,763	15
1,239	1,275	1,320	1,272	5,106	1,347	1,400	1,425	1,419	5,591	16
4,206	4,183	4,327	4,552	17,268	4,830	4,823	4,906	5,050	19,609	17
+ 301	+ 453	+ 327	+ 295	+ 1,376	+ 235	+ 184	+ 169	+ 280	+ 868	18
+ 31	+ 28	+ 32	+ 29	+ 120	+ 29	+ 29	+ 28	+ 24	+ 110	19
+ 1	+ 18	- 26	- 16	- 23	- 27	- 52	- 73	- 49	- 201	20
- 250	- 252	- 242	- 215	- 959	- 244	- 226	- 240	- 248	- 958	21
- 8	- 9	- 10	- 16	- 43	- 15	- 17	- 15	- 13	- 60	22
+ 21	+ 32	+ 61	+ 47	+ 161	+ 36	+ 37	+ 42	+ 58	+ 173	23
- 164	- 169	- 183	- 176	- 692	- 154	- 162	- 172	- 166	- 654	24
- 369	- 352	- 368	- 347	- 1,436	- 375	- 391	- 430	- 394	- 1,590	25
- 68	+ 101	- 41	- 52	- 60	- 140	- 207	- 261	- 114	- 722	26

# QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1968 and 1969 are preliminary and data for 1967 are mostly final.

Acct. No.		1967	1968			
		IV	I	II	III	IV
		millions of dollars				
<b>A</b>	<b>Current receipts:</b>					
1	Merchandise exports (adjusted) .....	3,048	3,017	3,512	3,342	3,667
3	Gold production available for export .....	26	33	27	32	28
4	Travel expenditures .....	166	79	235	548	130
5	Interest and dividends .....	107	61	78	78	114
6	Freight and shipping .....	222	192	229	234	239
7	Inheritances and immigrants' funds .....	73	55	99	131	85
11	All other current receipts .....	208	236	242	241	244
12	<b>Total current receipts</b> .....	<b>3,850</b>	<b>3,673</b>	<b>4,422</b>	<b>4,606</b>	<b>4,507</b>
<b>B</b>	<b>Current payments:</b>					
1	Merchandise imports (adjusted) .....	2,725	2,754	3,140	2,859	3,409
4	Travel expenditures .....	155	209	258	375	173
5	Interest and dividends .....	413	293	314	297	386
6	Freight and shipping .....	225	193	243	247	254
7	Inheritances and emigrants' funds .....	59	47	54	57	51
9	Official contributions .....	29	14	40	50	29
11	All other current payments .....	361	378	379	376	389
12	<b>Total current payments</b> .....	<b>3,967</b>	<b>3,888</b>	<b>4,428</b>	<b>4,261</b>	<b>4,691</b>
<b>C</b>	<b>Current account balance:</b>					
1	Merchandise trade .....	+ 323	+ 263	+ 372	+ 483	+ 258
2	Other transactions, excluding B 9 .....	- 411	- 464	- 338	- 88	- 413
3	Official contributions .....	- 29	- 14	- 40	- 50	- 29
4	<b>Total</b> .....	<b>- 117</b>	<b>- 215</b>	<b>- 6</b>	<b>+ 345</b>	<b>- 184</b>
<b>D</b>	<b>Capital account:</b>					
	<b>Direct investment:</b>					
1	Direct investment in Canada .....	+ 185	+ 20	+ 229	+ 178	+ 183
2	Direct investment abroad .....	- 38	- 66	+ 17	- 9	- 77
	<b>Canadian securities:</b>					
3.1	Trade in outstanding bonds and debentures .....	- 14	- 52	- 11	- 13	+ 7
3.2	Trade in outstanding common and preference stocks .....	+ 52	+ 15	+ 34	+ 10	+ 53
4	New issues .....	+ 424	+ 407	+ 708	+ 452	+ 366
5	Retirements .....	- 98	- 124	- 120	- 37	- 114
6,7,8	Foreign securities .....	- 138	- 89	- 129	- 132	- 118
	<b>Loans and capital subscriptions by Government of Canada:</b>					
9	Advances, etc. ....	- 23	- 10	- 8	- 16	- 44
10	Repayments to Canada .....	+ 20	+ 2	+ 2	+ 1	-
11	Columbia River Treaty, net .....	+ 44	-	-	-	+ 88
13	Long-term capital transactions n.i.e. ....	+ 93	+ 29	+ 20	- 74	+ 12
	<b>Change in Canadian dollar holdings of foreigners:</b>					
14.1	Deposits .....	+ 28	+ 8	+ 4	+ 4	+ 54
14.2	Government of Canada demand liabilities .....	+ 11	- 4	- 3	+ 1	+ 27
14.3	Canadian treasury bills .....	- 2	+ 23	+ 1	+ 11	+ 13
17	Other capital movements .....	- 396	- 708	- 118	- 559	+ 65
<b>E</b>	<b>Net capital movement (excluding monetary items shown below) in:</b>					
1	Long-term forms (D1 to D13) .....	+ 507	+ 132	+ 742	+ 360	+ 356
2	Short-term forms (D14 to D17) .....	- 359	- 681	- 116	- 543	+ 159
3	<b>Total</b> .....	<b>+ 148</b>	<b>- 549</b>	<b>+ 626</b>	<b>- 183</b>	<b>+ 515</b>
<b>H = C+E</b>	<b>Official monetary movements:</b>					
4	Official international reserves .....	+ 31	- 495	+ 486	+ 28	+ 331
5	Official monetary liabilities .....	-	- 269	+ 134	+ 134	-
6	<b>Net official monetary assets</b> .....	<b>+ 31</b>	<b>- 764</b>	<b>+ 620</b>	<b>+ 162</b>	<b>+ 331</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 B 1) the annual reports on "The Canadian Balance of International Payments".

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

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1968 and 1969 are preliminary and data for 1967 are mostly final.

1969				Annual Totals			Acct. No.
I	II	III	IV	1967	1968	1969	
millions of dollars							
3,469	3,805	3,557	4,055	11,338	13,538	14,886	<b>A</b> 1
31	28	29	22	112	120	110	3
90	260	585	144	1,318	992	1,079	4
83	114	80	129	295	331	406	5
201	236	243	254	830	894	934	6
62	100	109	92	329	370	363	7
264	272	283	290	863	963	1,109	11
4,200	4,815	4,886	4,986	15,085	17,208	18,887	12
3,230	3,706	3,316	3,766	10,772	12,162	14,018	<b>B</b> 1
260	346	468	206	895	1,015	1,280	4
309	320	299	436	1,211	1,290	1,364	5
207	260	262	265	861	937	994	6
44	50	53	43	213	209	190	7
16	48	46	33	182	133	143	9
392	396	409	423	1,450	1,522	1,620	11
4,458	5,126	4,853	5,172	15,584	17,268	19,609	12
+ 239	+ 99	+ 241	+ 289	+ 566	+ 1,376	+ 868	<b>C</b> 1
- 481	- 362	- 162	- 442	- 883	- 1,303	- 1,447	2
- 16	- 48	- 46	- 33	- 182	- 133	- 143	3
- 258	- 311	+ 33	- 186	- 499	- 60	- 722	4
+ 130	+ 240	+ 95	+ 160	+ 691	+ 610	+ 625	<b>D</b> 1
- 55	- 110	- 30	- 60	- 125	- 135	- 255	2
+ 17	- 6	- 12	+ 2	- 57	- 69	+ 1	3.1
+ 37	+ 44	- 4	- 16	+ 12	+ 112	+ 61	3.2
+ 637	+ 513	+ 573	+ 335	+ 1,307	+ 1,933	+ 2,058	4
- 70	- 126	- 49	- 130	- 357	- 395	- 375	5
- 58	- 8	+ 64	+ 98	- 432	- 468	+ 96	6,7,8
- 11	- 43	- 15	- 20	- 38	- 78	- 89	9
-	+ 2	-	+ 20	+ 34	+ 5	+ 22	10
-	-	-	+ 32	+ 44	+ 88	+ 32	11
- 84	- 23	+ 2	+ 91	+ 268	- 13	- 14	13
- 10	+ 25	- 4	+ 50	+ 24	+ 70	+ 61	14.1
- 2	- 30	+ 1	- 3	- 4	+ 21	- 34	14.2
+ 13	- 5	+ 5	+ 19	+ 4	+ 48	+ 32	14.3
- 324	- 216	- 664	- 230	- 852	- 1,320	- 1,434	17
+ 543	+ 483	+ 624	+ 512	+ 1,347	+ 1,590	+ 2,162	<b>E</b> 1
- 323	- 226	- 662	- 164	- 828	- 1,181	- 1,375	2
+ 220	+ 257	- 38	+ 348	+ 519	+ 409	+ 787	3
- 38	- 54	- 5	+ 162	+ 17	+ 350	+ 65	<b>H = C+E</b> 4
-	-	-	-	+ 3	- 1	-	5
- 38	- 54	- 5	+ 162	+ 20	+ 349	+ 65	6

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

D 1,2 Exclusive of undistributed profits.

D 17 This item includes mainly changes in private and chartered bank holdings of exchange, international money market transactions, loans, and changes in open account commercial indebtedness. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

H For details see statement on page 24.

H 5 A minus sign indicates a receipt by Canada.

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