

67 001
DOMINION BUREAU OF STATISTICS

OTTAWA - CANADA



Published by Authority of the Rt. Hon. C. D. Howe, Minister of Trade and Commerce

DOES NOT CIRCULATE

Vol. 2, No. 1

NE PAS PRÊTER

QUARTERLY ESTIMATES OF

THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

FIRST QUARTER 1954

\$1.00 a year

Canada's transactions in goods and services with other countries resulted in a current account deficit of \$170 million in the first quarter of 1954, compared with a deficit of \$184 million in the first quarter of 1953. Both merchandise exports and imports were lower than in the same period one year earlier but the greater fall in imports lowered the deficit on trade by \$34 million. Net payments for invisibles, on the other hand, were larger by \$20 million.

Very heavy receipts from the sale abroad of new issues of Canadian securities were virtually sufficient to cover this deficit, but there was a sharp decline in the import of capital for direct investment in foreign-controlled enterprises in Canada. The sum of the net capital inflows of foreign direct investment capital, portfolio security transactions and government loan repayments was however unchanged from the fourth quarter of the year. Total official holdings of gold and foreign exchange rose by \$4 million over the quarter; holdings of gold and United States dollars were increased by \$35 million in the first two months of the quarter but decreased by \$26 million in March. Other outflows of capital were much smaller in the first quarter of 1954. On the exchange market the noon average price of the United States dollar in Canadian funds was 97.01 cents compared with 97.77 cents over the last three months of 1953. This price had fallen month by month from 99.44 cents in June 1953 to 96.65 cents in February 1954. Through March a rising trend was in evidence and the noon average was 97.08 cents although market transactions were recorded on the final day at as high as 98.19 cents.

Canada has had quarterly deficits on current account continuously since the beginning of 1950, except for the fourth quarter of 1951 and during 1952. The current deficit was \$184 million and \$191 million in the first and second quarters of 1953, but was reduced to \$13 million and \$51 million in the next two quarters. The rapid rise in import volume in the first half of 1953 was the most important factor in the re-appearance of deficits after the small surpluses of 1952. Contributory factors were the relative stability of export volume in the first half of 1953 compared to the first half of 1952, some deterioration in the terms of trade, and a deficit on invisibles larger than that for any half year period since the war. The smaller current deficits of the second half of 1953 were due partly to seasonal improvement in merchandise trade and invisible items. An important part of the change, however, reflected a retardation in the growth of import volume after mid-1953. In the fourth quarter of 1953 both export and import volume fell below the levels of one year earlier, with wheat accounting for an important part of the fourth quarter drop in exports.

Commodity trade lower in value and volume

As usual, trade in the first quarter was subject to a variety of influences both inside and outside of Canada. While reduced incomes and production in the United States influenced some exports, demand for other commodities remained high and some contractions in receipts like the drop in non-monetary gold were the result of special or non-recurring factors. At the same time economic activity in many overseas countries continued high and this was partly reflected in the maintenance of Canadian exports overseas. The reduced level of Canadian imports seems partly a continuation of a reaction from the peak levels reached in the middle of the previous year, as well as reflecting reductions in the levels of production and some types of business activity in Canada.

Prepared in the Balance of Payments Section, International Trade Division.
7503-509 : 8-6-54

In the first quarter of 1954 the value of exports fell by \$49 million and imports by \$83 million compared to the period one year earlier. Both export price and volume were some three per cent lower. Import volume fell almost eight per cent. Import prices rose slightly by contrast, and the terms of trade deteriorated about 3.5 per cent compared to the first quarter of 1953. The decrease in export volume was entirely restricted to January of 1954, and that in import volume was sharpest in January but was also reflected in the other two months of the quarter.

The decline in both merchandise exports and imports with all countries was about the same as that in trade with the United States. While sales and purchases of merchandise with overseas countries as a whole remained virtually unchanged, this pattern was not repeated by major countries or areas. Exports to the United Kingdom were higher while imports fell, thus increasing Canada's trade surplus with the United Kingdom. The surplus with other sterling area countries, however, was reduced; exports to this group of countries were down sharply, particularly to India and Pakistan, while imports increased. The trade surplus with the remaining countries was not greatly altered. While OEEC countries took more exports and those to Japan were sharply increased, a number of Latin American countries decreased their purchases from Canada.

The larger declines in export values in the first quarter of 1954 were in wheat, automobiles and base metals. Lower wheat exports reflect particularly the large shipments made in the first quarter of 1953 to India and Pakistan. The decline in exports of wheat in the fourth quarter of 1953 and first quarter of 1954 together accounted for almost half of the fall in exports compared to the corresponding quarters of 1952 and 1953. The largest group of exports and Canada's largest export product, the wood products group and newsprint respectively, continued at high levels. Exports of wood pulp increased, while planks and boards were lower. All major base metals except nickel fell in export value, reflecting mainly lower volume. Chemical products and exports of some animal products were higher.

The decline in imports was heavily concentrated in the fibres and textiles group and the iron and steel group, and for both groups generally reflects volume rather than price decreases. The decline in textile imports was widely spread throughout both raw materials and finished products, but mainly in cotton and products. Imports of farm implements and machinery were greatly reduced, and automobiles and parts were somewhat lower. Non-farm machinery was, however, at approximately the level of the first quarter of 1953. The retardation of the rapid growth in import volume in the third quarter of 1953 and the declines in volume since then reflect in part the relatively high level of inventories and cessation of growth in inventories in some industries.

Larger deficit on invisibles

Net payments for invisibles rose by \$20 million to \$120 million in the first quarter of 1954 compared to the same period of 1953. This change was due to a fall in receipts of \$20 million while payments were unchanged. Non-monetary gold available for export accounted for \$13 million of the fall in current receipts. This decrease reflects the high levels of the first quarter of 1953 and the fact that the strike in the mines was in effect for part of the first quarter of 1954. Larger net payments of interest and dividends accounted for the remainder of the increase. While dividend receipts have risen sharply in the last few years payments have fallen. In some cases the lower payments in recent quarters reflect lower earnings, but in part they also reflect decisions to retain earnings in Canadian subsidiaries. Receipts and payments on freight and shipping account were both lower, reflecting in part the lower volume of trade. Travel receipts and payments were virtually the same as in the first quarter of 1953. The other invisible items were also relatively unchanged.

While merchandise trade has played the leading role in the deficits since the first quarter of 1953, larger net payments for invisibles have also contributed to the change. The deficit on these items in 1953 was the largest since the war, and that for the first quarter of 1954 has been exceeded only twice in the post-war period. Increased deficits on invisibles in recent years arose particularly from the appearance of deficits on travel and freight and shipping accounts, and larger payments for government military services. In contrast, net payments for interest and dividends have tended to fall.

Transactions by Areas

In 1953 the current account deficit with the United States had widened by \$75 million to \$924 million while the surplus with overseas countries was sharply reduced by \$528 million to \$485 million. About four-fifths of the deterioration in the trade balance and all of the increased net payments for invisibles in 1953 were due to transactions with overseas countries. In the first quarter of 1954 the overall deficit was somewhat reduced from that of the same quarter of 1953, with a small decrease in the deficit with the United States and a small increase in the surplus with overseas countries.

Exports and imports with the United States were both lower compared to the first quarter of 1953, but with the greater fall in imports the trade deficit with the United States was reduced. Increased net payments for invisibles offset most of this however. The largest declines in exports were in base metals, although nickel exports were higher. Reductions also occurred in exports of farm machinery and planks and boards, but wood pulp exports and some animal products were higher and newsprint was well maintained. The fall in imports was mainly in three groups of commodities. Textile products were down by almost one-third, some iron products were lower and especially farm implements and machinery, and imports of fuels were lower.

While exports to and imports from overseas countries were about the same as in the corresponding quarter of 1953, the pattern was not consistent throughout. Exports rose to the United Kingdom and fell to other overseas countries while the reverse was the case with imports. The unusual deficit on invisibles with overseas countries was continued.

Exports to the United Kingdom had fallen in the first half of 1953 but exceeded the levels of one year earlier by the second half. The increase in the first quarter of 1954 over the same period of 1953 was concentrated mainly in agricultural products and wood products. Wheat and flour exports were about the same, but some other agricultural products such as barley and particularly tobacco were higher. Exports of several wood products were higher, including pulp and newsprint. While the picture was mixed for non-ferrous metals and products the group as a whole was lower. The decline in imports from the United Kingdom was mainly concentrated in the textiles group.

Trade with other overseas countries indicates a small decrease in exports and somewhat higher imports. The fall in exports can be traced partly to lower shipments of wheat to India and Pakistan and lower shipments of automobiles to a number of sterling area and Latin American countries.

New issues higher, direct investment lower

During the first quarter of 1954 portfolio security transactions resulted in a net capital inflow of \$171 million. This was the largest net quarterly movement into Canada since the spectacular inflow of \$304 million which occurred in the third quarter of 1950, a period ending in the withdrawal of fixed exchange rates in Canada. The inflow reflected principally receipts of \$169 million from the sale abroad of new issues of Canadian securities. Provincial direct and guaranteed debentures accounted for the largest part of the total but corporate and municipal bonds were also of importance. Interest rates in both Canada and the United States fell over the first quarter of the year, but the spread between them narrowed, reducing the interest-cost advantage of seeking capital in foreign markets.

A sharp decline occurred in the net inflow of foreign capital for direct investment in Canadian industry, which is tentatively estimated to have totalled \$65 million in contrast to the inflows of \$108 million in the preceding quarter and of \$103 million in the corresponding quarter of 1953. The inflow was smaller than for many quarters past. Capital imports for petroleum exploration and development appear to have been maintained but there were other large transactions in the first and final quarters of 1953 which did not recur. Some of the major investment programmes of foreign companies are approaching completion and their financial requirements are becoming smaller. Direct investment inflows from the United States, the United Kingdom and from other overseas countries were all smaller than in the fourth quarter of 1953.

One of the largest changes in the capital account was the reduction of the outflow on account of "capital movements n.o.p." from the very high levels recorded in the first and fourth quarters of 1953 and in most of 1952. Detail is not yet available to permit authoritative analysis of these movements. It is clear, however, that a wide variety of inflows and outflows was involved. Companies engaged in the consumer credit field were substantial importers of capital. Important movements both inwards and outwards occurred in the short-term financing of companies engaged in capital expansion programmes in Canada. There is some evidence of a further growth of Canadian holdings of bank deposits in the United States which may reflect the partial deferral of the transfer of proceeds of new security issues. It seems likely that the contracting values of trade, and the rising value of the United States dollar in terms of Canadian funds in the latter part of the quarter, may have given rise to shifts in Canada's international accounts receivable and payable.

Current Transactions	All Countries		United States		United Kingdom		Other Countries	
	1953	1954	1953	1954	1953	1954	1953	1954
First Quarter								
Exports (adjusted)	918	869	590	539	119	134	209	196
Imports (adjusted)	1,002	919	759	679	103	93	140	147
Balance on trade	- 84	- 50	- 169	- 140	+ 16	+ 41	+ 69	+ 49
Other transactions (net)	- 100	- 120	- 79	- 101	- 14	- 13	- 7	- 6
Current account balance	- 184	- 170	- 248	- 241	+ 2	+ 28	+ 62	+ 43

QUARTERLY ESTIMATES OF THE CANADIAN

Note: Data for 1954 are preliminary and

		1951	1952			
		IV	I	II	III	IV
A	Current Receipts					
1	Merchandise exports (adjusted).....	1,139	1,010	1,124	1,049	1,156
3	Gold production available for export	35	41	35	37	37
4	Travel expenditures	43	24	53	156	42
5	Interest and dividends	55	17	32	23	73
6	Freight and shipping.....	106	84	98	98	103
7	Inheritances and immigrants' funds	22	17	27	22	19
11	All other current receipts	62	58	67	67	89
12	Total Current Receipts	1,462	1,251	1,436	1,452	1,519
B	Current Payments					
1	Merchandise imports (adjusted).....	876	890	985	937	1,038
4	Travel expenditures	56	63	97	110	71
5	Interest and dividends	163	82	88	95	148
6	Freight and shipping.....	100	65	98	105	107
7	Inheritances and emigrants' funds	19	21	24	24	25
9	Official contributions	3	11	-	-	5
11	All other current payments.....	109	91	100	106	108
12	Total Current Payments	1,326	1,223	1,392	1,377	1,502
	Balance on Merchandise Trade	+ 263	+ 120	+ 139	+ 112	+ 118
	Balance on Other Transactions, excluding B 9	- 124	- 81	- 95	- 37	- 96
	Official Contributions.....	- 3	- 11	-	-	- 5
C	Current Account Balance	+ 136	+ 28	+ 44	+ 75	+ 17
D	Capital Account					
	Direct Investment					
1	Direct investment in Canada	+ 135	+ 71	+ 78	+ 106	+ 91
2	Direct investment abroad	- 9	- 9	- 21	- 19	- 28
	Canadian Securities					
3	Trade in outstanding issues	- 37	-	- 19	- 51	- 24
4	New issues.....	+ 154	+ 88	+ 159	+ 23	+ 46
5	Retirements	- 55	- 12	- 41	- 7	- 29
	Foreign Securities					
6	Trade in outstanding issues	+ 4	+ 6	+ 3	+ 3	-
7	New issues.....	- 1	- 19	- 1	-	-
8	Retirements	+ 1	-	-	-	-
	Loans by Government of Canada					
10	Repayment of post-war loans	+ 27	-	+ 9	-	+ 24
11	Repayment of war loans.....	+ 7	+ 2	+ 6	+ 8	+ 7
14	Change in Canadian dollar holdings of foreigners ..	- 82	- 4	+ 4	+ 2	- 68
16	Change in official holdings of gold and foreign exchange (increase, minus).....	- 185	+ 24	- 32	- 25	- 4
17	Capital movements, n.o.p.	- 95	- 175	- 189	- 115	- 32
E	Net Capital Movement	- 136	- 28	- 44	- 75	- 17

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

A 1) As used in the balance of payments, merchandise trade is adjusted to exclude such non-commercial items as settlers' effects and
B 1) items like tourist purchases which are covered elsewhere in the accounts. Since 1951, furthermore, payments for defence purchases
by governments have been substituted for the actual physical movements of the commodities as reported in Customs trade statistics.

A 11) This item includes government transactions (except merchandise trade and interest), personal remittances, miscellaneous income,
B 11) insurance transactions, and business services.

BALANCE OF INTERNATIONAL PAYMENTS

data for 1953 are subject to revision.

1953				1954	Annual Totals			Four Quarters ending March 31, 1954	
I	II	III	IV	I	1951	1952	1953		
(millions of dollars)									
918	1,113	1,077	1,044	869	3,950	4,339	4,152	4,103	A 1
48	37	30	29	35	150	150	144	131	3
26	57	172	47	24	274	275	302	300	4
26	32	24	82	24	115	145	164	162	5
71	92	86	88	68	351	383	337	334	6
16	27	26	23	17	77	85	92	93	7
69	73	95	84	68	249	281	321	320	11
1,174	1,431	1,510	1,397	1,105	5,166	5,658	5,512	5,443	12
1,002	1,161	1,052	994	919	4,097	3,850	4,209	4,126	B 1
68	95	124	78	67	280	341	365	364	4
86	102	81	141	91	450	413	410	415	5
70	108	110	94	66	354	375	382	378	6
21	22	25	23	22	70	94	91	92	7
10	9	3	2	4	9	16	24	18	9
101	125	128	116	106	423	405	470	475	11
1,358	1,622	1,523	1,448	1,275	5,683	5,494	5,951	5,868	12
- 84	- 48	+ 25	+ 50	- 50	- 147	+ 489	- 57	- 23	
- 90	- 134	- 35	- 99	- 116	- 361	- 309	- 358	- 384	
- 10	- 9	- 3	- 2	- 4	- 9	- 16	- 24	- 18	
- 184	- 191	- 13	- 51	- 170	- 517	+ 164	- 439	- 425	C
+ 103	+ 90	+ 97	+ 108	+ 65	+ 309	+ 346	+ 398	+ 360	D 1
- 8	- 10	- 10	- 28	x	- 20	- 77	- 56	x	2
+ 10	- 36	- 4	- 1	+ 16	+ 38	- 94	- 31	- 25	3
+ 132	+ 60	+ 15	+ 135	+ 169	+ 411	+ 316	+ 342	+ 379	4
- 28	- 88	- 9	- 17	- 16	- 184	- 89	- 142	- 130	5
+ 2	+ 3	+ 1	+ 15	+ 4	+ 15	+ 12	+ 21	+ 23	6
- 1	- 2	- 1	- 19	- 2	- 3	- 20	- 23	- 24	7
+ 1	-	-	-	-	+ 3	-	+ 1	-	8
+ 2	+ 11	-	+ 24	+ 2	+ 34	+ 33	+ 37	+ 37	10
+ 4	+ 7	+ 39	-	+ 7	+ 34	+ 23	+ 50	+ 53	11
+ 45	+ 20	- 71	- 11	- 15	- 192	- 66	- 17	- 77	14
+ 16	+ 91	- 35	- 34	- 4	- 56	- 37	+ 38	+ 18	16
- 94	+ 45	- 9	- 121	- 56	+ 128	- 511	- 179	- 189	17
+ 184	+ 191	+ 13	+ 51	+ 170	+ 517	- 164	+ 439	+ 425	E

NOTES:

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

D1,2 Exclusive of undistributed profits.

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

x Included with D 17.

STATISTICS CANADA LIBRARY
BIBLIOTHEQUE STATISTIQUE CANADA



1010508049