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NE PAS PRÉTER
 QUARTERLY ESTIMATES OF

THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

THIRD QUARTER, 1959

A further growth in the size of the current account deficit occurred in the third quarter. In the nine months this excess of expenditures by Canadians on goods and services in other countries over receipts of exports of goods and services amount to \$1,119 million. At this level the current deficit is 42 per cent more than the deficit of \$788 million for the same period of 1958 and only 4 per cent less than in the highest level for this period which occurred in 1957 when the deficit amounted to \$1,171 million.

In comparison with last year the largest part of the rise in the deficit has been from the merchandise trade deficit of \$426 million which compares with \$128 million in 1958. But the major source of the deficit, over 60 per cent, continues to arise from non-merchandise transactions. The deficit on the latter contributed \$693 million, a rise of some 5 per cent over the same period last year. In comparison with 1957 the merchandise deficit in 1959 was still less than then, although the deficit from non-merchandise transactions has grown by 15 per cent.

The current deficit at \$286 million in the third quarter was higher than in that period of any earlier year comparing with \$198 million in 1958, \$201 million in 1957, and \$216 million in 1956. Because of certain seasonal influences, particularly on merchandise trade, and the tourist trade, the factors making for a current deficit have usually been less strong in the third quarter than in any other period of the year. In this period of 1959 the rise in the deficit from the previous year was entirely on account of merchandise trade.

Capital inflows of a generally long-term character in the third quarter were relatively substantial in relation to the smaller size of the current deficit which occurred in the third quarter. At \$269 million inflows in these forms compare with \$261 million in the second quarter and \$268 million in the first quarter. In the two earlier periods the current deficits were much larger and substantial amounts were financed by capital inflows of a short-term type. In the first half year some 36 per cent of the current deficits was financed by net capital inflows in short-term forms. In the third quarter some types of short-term inflow continued, particularly in the earlier part of the period, but there were also outflows offsetting most of this group of inflows.

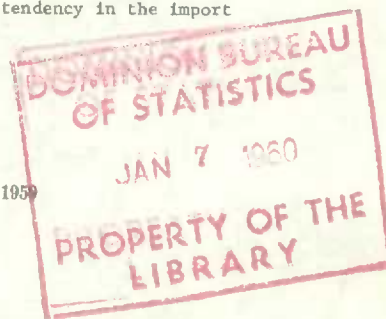
Higher levels of economic activity and stronger demands over the previous year have been reflected in the Canadian balance in 1959 in the larger current deficit in goods and services along with enlarged current receipts and payments. Because of the general nature of investment in Canada in 1959 and conditions affecting money markets a prominent part of the capital inflows has taken the form of sales to non-residents of new issues of government and municipal securities, particularly in the third quarter. Non-resident investments of this kind have been rising rapidly leading to commitments for interest and principal payments in the future. Inflows in connection with non-resident direct investments in Canada in the third quarter were on a reduced scale from the previous year.

Continuing rise in deficit on merchandise trade

The rise in the import balance on merchandise account in the third quarter of 1959 from the same period of 1958 was brought about by a greater rise in imports than in exports. Imports were 13 per cent higher than in the previous year compared with a rise of 6 per cent in exports, and the import balance of \$82 million compares with an export balance of \$12 million last year. This is a larger import balance for this quarter than in any earlier year except 1956 when the value of exports was appreciably less than in this quarter of 1959. In the third quarter the normal influences on the balance of commodity trade are in the direction of a sharp reduction in the pattern prevailing in the first half year. This was again the result in 1959 with a decline in the import balance in the third quarter to \$82 million from \$190 million in the second quarter as the volume of trade in mid-summer was reduced.

In the first three quarters of 1959 the import balance of \$426 million was more than three times the balance of \$128 million in the same period of 1958. Most of this change occurred in a sharp reduction in the export balance with overseas countries from \$297 million in 1958 to \$54 million this year, the result of a rapid rise in imports from overseas coinciding with a reduced export movement. The rise in imports was widely distributed as to sources while a large part of the reduction in exports was to Western Europe, with significant parts attributable to the absence this year of military aircraft delivered in 1958 to Belgium and Germany, and to reduced sales of grain. With the United States in the same period there was a rise in the import balance from commodity trade from \$425 million to \$480 million as a part of the increased imports from that country was offset by larger exports of many major commodities.

The rising tendency in the prices of exports combined with a declining tendency in the import prices has led to a continuing improvement in the terms of trade during the year.



Imports into Canada in the third quarter of 1959 continued to show sharp gains over the previous year, and with a rise of 13 per cent, the total was higher in value than in any other third quarter. The increase in imports from the United States was not far below this in rate while imports from overseas sources rose even more. In the case of the United Kingdom the gain was 22 per cent.

Available details on the composition of imports in the third quarter suggest a pattern generally comparable with that in the earlier part of the year. Throughout the year imports of producers' materials have been rising with higher industrial production. Also prominent among increases have been automobiles, farm implements, and many consumer goods. Imports of industrial machinery and equipment have also shown some significant rises.

Exports of merchandise in the third quarter of 1959 were 6 per cent higher than in the same period last year, and also more than in any similar quarter of earlier years except 1957. The expansion in this quarter was comparable to that in the preceding quarter of this year and was distributed in trade to each main area except the OEEC countries and the United Kingdom. The gains were principally in shipments of forest products, iron ore, uranium and some other non-ferrous metals, but some declines continued in major commodities like wheat and other grains, cattle, fish, aluminum, and aircraft.

In nine months exports in 1959 were 3 per cent higher with increases in the second and third quarters being partly offset by a lower total in the first quarter this year. In this longer period trends in different commodities were also mixed. While significant gains occurred in many prominent commodities, there were some offsetting declines in other commodities than referred to above in the third quarter. There were, for instance, declines in petroleum, nickel, and pulp wood, which occurred in the first half of the year.

Continuing importance of large deficit from services and other non-merchandise items

The unfavourable balance on non-merchandise account increased from \$660 million for the first three quarters of 1958 to \$693 million during the corresponding period of 1959. While this represented a 5 per cent change, the contribution of the "invisible" items to the larger total deficit on current account fell from 84 per cent to 62 per cent during this period, owing to a much sharper rise in the deficit on merchandise trade.

The deterioration in the non-merchandise deficit in the nine months resulted from larger increases in payments than in receipts in nearly every component account. An exception was the government account, whose negative balance improved in the nine-month comparison largely due to the inclusion of payments by the Canadian Government of non-recurring tax refunds in the first half of 1958. Lower receipts from gold production available for export also contributed to increasing the unfavourable balance on non-merchandise transactions.

Interest receipts increased slightly, while interest payments rose considerably more, particularly in the first two quarters, reflecting such factors as the effects of new borrowing, general shift in the holdings, and the debt conversion in 1958. The gain in dividend payments was in the form of remittances by Canadian subsidiaries to their parents in the United Kingdom and, in particular, in the United States. The increased remittances were restricted to the first half of the year, as fairly large payments by several companies in the third quarter of 1958 were not made in the corresponding quarter of the current year.

Payments for freight and shipping gained considerably, as merchandise imports recorded sharp increases during 1959. Freight earnings also increased, but more moderately, as exports of bulk commodities such as iron ore picked up in the nine-month comparison. A higher level of withdrawals of funds by emigrants also prevailed, following the increased movement of Canadians abroad, and particularly to the United States. On the receipts side interactions occurred between factors such as the reduced number of immigrants to Canada in 1959 and the introduction of more liberal regulations in the United Kingdom on the transfer of legacies and emigrants' funds. In addition, United States expenditures on defence installations in Canada have also risen this year.

Contributions under the Colombo Plan were higher in the second and third quarters of 1959 than in the same period of the preceding year, as were other items such as donations of Canadian skimmed milk powder and other contributions.

In the third quarter the deficit from non-merchandise transactions was slightly less than in the previous year. This was to a considerable extent the result of a variety of unrelated factors and transfers in a single quarter in some accounts which are not indicative of changing trends. An example of this is the interest and dividend account where there was a reduction in the quarter in the net payments, largely due to the effects of various irregular corporate transfers, whereas the underlying trend is upward with the effects of heavy borrowing abroad through the sale of new issues and from other capital inflows financing the current account deficit. On the other hand a notable improvement occurred in the level of United States travel expenditures in Canada in the quarter which rose more than Canadian travel expenditures in the United States. Meanwhile there was a further rise in the deficit on travel account with overseas countries in the quarter.

Transactions by areas

The exceptional deficit with overseas countries as a group which had emerged in the first half year further widened in the third quarter. For the three quarters of 1959 the current deficit with all overseas countries totalled \$200 million compared with a surplus of \$40 million in the same period of 1958. The change was brought about by the sharp contraction in the merchandise trade export balance with overseas which was greatly reduced to \$54 million as imports rose while exports fell. The deficit of \$200 million on current account resulted from the net payments of \$254 million which Canada made to overseas countries for a variety of services and remittances. Substantial deficits with overseas, particularly with the United Kingdom and Western Europe, resulted from payments for travel, transportation, interest and dividends, military expenditures, personal remittances, and business services. There have also been large official contributions to countries in Asia. Included in the above current account deficit is a small deficit with the United Kingdom which appeared for the first time in the third quarter as the export balance from trade with that country contracted to less than the deficit on non-merchandise transactions. Current deficits with overseas countries present, of course, a striking contrast with the substantial surpluses which used to be a feature of the triangular nature of Canada's trade in which surplus balances with overseas played a part in the settlement of deficits with the United States.

The largest part of the above changes occurred in the merchandise trade balance with the "Other Countries" group, shown in the summary of current transactions published in this report. Further, roughly one-half of the increase in the deficit in the trade account with all countries resulted from a shrinkage in the positive trade balance with the OEEC countries from \$167 million in the first three quarters of 1958 to an estimated \$21 million in the same period of 1959. A major factor of special character contributing to this development is the delivery to the Federal Republic of Germany and Belgium in 1958 of military aircraft worth \$65 million, which did not recur in 1959. Along with this, shipments of wheat to Belgium, the Netherlands and Switzerland fell more than \$28 million. Other sizeable reductions included exports of some metals and seeds to various major markets in Western Europe, although there were, of course, increases in the exports of some other commodities to these countries. A fact of some interest is that over one-half of the sharp change in the merchandise balance with "Other Countries" took place in the second quarter of 1959, the period in 1958 when the above aircraft deliveries were highest. There was a deficit of \$138 million on non-merchandise account with "Other Countries", only slightly less than in the previous year, which was the source of over 70 per cent of the current deficit. The amount of the current deficit with OEEC countries contained in the group "Other Countries" was over \$100 million in the nine months, more than double the deficit of \$50 million with OEEC countries in the first half of 1959, which compares with a surplus of almost the same size in the corresponding period of 1958. With the Rest of the Sterling Area, also included in "Other Countries", there was a current surplus of \$19 million in the nine months, as compared with that of \$53 million in the same period of 1958.

Notwithstanding the singular development described above the largest part, or over 80 per cent, of Canada's current account deficit was with the United States, which stood at \$919 million for the first nine months of 1959. As compared with the same period of the preceding year, the deficit increased \$91 million, of which \$55 million pertained to trade and \$36 million to non-merchandise transactions. Most of the rise in the current account deficit with the United States took place in the first quarter of 1959, as an improvement in the trade deficit occurred in the second quarter and a reduction in the non-merchandise deficit in the third quarter. Among factors contributing to the latter was a substantial rise in travel expenditures in Canada by visitors from the United States in the summer, and higher expenditures by the United States authorities for defence installations in Canada.

A surplus of \$44 million on current account with the United Kingdom for the first three quarters of 1958 changed to a small deficit in the corresponding period of 1959. This unusual turn resulted from a rise of nearly 12 per cent in the imports from the United Kingdom, while the value of Canadian exports to that country and the negative balance on non-merchandise transactions remained about the same.

Summary of Current Transactions with the
United States, United Kingdom and Other Countries, 1958 and 1959

(millions of dollars)

	<u>All Countries</u>		<u>United States</u>		<u>United Kingdom</u>		<u>Other Countries</u>	
	1958	1959	1958	1959	1958	1959	1958	1959
<u>Third quarter</u>								
Merchandise exports (adjusted)	1,218	1,286	757	806	192	189	269	291
Merchandise imports (adjusted)	1,206	1,368	798	887	127	155	281	326
Balance on merchandise trade	+ 12	- 82	- 41	- 81	+ 65	+ 34	- 12	- 35
Balance on non-merchandise trade	- 210	- 204	- 107	- 93	- 49	- 54	- 54	- 57
Current account balance	- 198	- 286	- 148	- 174	+ 16	- 20	- 66	- 92
<u>First nine months</u>								
Merchandise exports (adjusted)	3,583	3,702	2,127	2,311	555	553	901	838
Merchandise imports (adjusted)	3,711	4,128	2,552	2,791	397	443	762	894
Balance on merchandise trade	- 128	- 426	- 425	- 480	+158	+110	+139	- 56
Balance on non-merchandise trade	- 660	- 693	- 403	- 439	-114	-116	-143	-138
Current account balance	- 788	-1,119	- 828	- 919	+ 44	- 6	- 4	-194

Capital movements

The net inflow of capital into Canada from transactions in the form of long-term direct investment and portfolio security transactions totalled \$269 million in the third quarter, equivalent to 94 per cent of the current account deficit in this period. This is the first occasion since the beginning of official quarterly estimates of capital movements when inflows in long-term forms during the third quarter were smaller than the deficit. Direct investment flows were lower than usual, but the proceeds of Canadian securities sold to non-residents, mainly new issues by governments and municipalities, rose sharply. Sales of new issues to non-residents were the highest ever recorded in a third quarter.

Comparing the first nine months of 1959 with the same period of 1958, there was little difference in the amount of net inflows in such long forms as direct investment, portfolio securities, and official loans. The figures were \$798 million in 1959 and \$793 million in 1958, although totals for the more recent period include in the second quarter some inflows of an extraordinary character. Moreover, although the inflows in 1958 were sufficient to finance the current account deficit incurred in this period, in 1959 they fell far short of the greatly enlarged deficit, and inflows in other forms, mainly of a short-term character, were required to finance nearly 29 per cent of the current account deficit.

Geographically slightly more than 80 per cent of the capital inflows in long-term forms during the first nine months have come from the United States. This was also the experience in 1958. Net inflows from the United Kingdom represented less than 5 per cent of the movement in 1959 compared with about 15 per cent in 1958. A considerable part of the change reflected outflows from Canada for direct investment in the United Kingdom, although the completion in 1958 of repayments by the United Kingdom on the \$700 million loan of 1942 was also an important factor, and inflows from the United Kingdom to Canada both for direct investment in Canada and for the purchase of Canadian securities were smaller. Inflows in long-term forms from other overseas countries, on the other hand, were larger in 1959 both for direct and portfolio security investments, and there were no large extensions of intergovernmental loans; as a result the proportion of the net long-term inflow attributable to those countries rose from less than 5 per cent in 1958 to 15 per cent this year.

The net inflow of capital for direct investment in foreign-controlled enterprises in Canada during the third quarter of 1959 is tentatively estimated at \$85 million. This is the same as for the first quarter but is down sharply from the figure of \$180 million for the second quarter, which was influenced by some large transactions of a non-recurring character. Not all the difference arose from these changes in ownership of existing investments, and there appears to have been some decline in the third quarter in the rate of other net movements for direct investment.

Well over half the net movement in the third quarter was directed to the petroleum and mining industries, although the amounts in each case were smaller than in the second quarter. The decline in the net inflow for mining reflected outflows of a seasonal character. Established manufacturing concerns withdrew capital from Canada during the quarter through repayment of long-term liabilities to parent companies. So far as can be determined this process reflected the transfer of liquid assets available in amounts greater than impending cash requirements, and arising perhaps from the substantial cash flowing into such concerns in the form of undistributed profits and depreciation allowances. No significant part of the outflows has been related to the disposal of plant or equipment. (A similar tendency towards the settlement of short-term payables to parent companies was evident). In other industrial sectors, there were, on balance, capital inflows arising to a considerable extent from the purchase by non-residents of interests in existing merchandising and financial institutions. About three-fifths of the net inflow in the third quarter for direct investment in Canada came from the United States.

Transfers of capital from Canada for direct investment abroad are tentatively placed at \$15 million in the third quarter. This outflow followed similar movements of \$20 million and \$5 million in the first and second quarters respectively.

Transactions in Canadian portfolio securities led to a capital inflow of \$202 million in the third quarter compared with \$85 million in the second quarter and \$204 million in the first. The growth in the third quarter of non-resident holdings of provincial, municipal, and corporate securities was equivalent to 56 per cent of the net new issues of such securities. In the second quarter the acquisitions by foreign investors equalled 22 per cent of the net new issues, and in the first quarter 41 per cent.

The main factor contributing to the increased inflow in the third quarter was an increase of \$90 million in sales to non-residents of new issues of Canadian securities. New issues outside Canada by Canadian municipalities accounted for more than half of the increase although sales to non-residents of new issues by provincial governments and the Government of Canada were also significant factors. There were net sales to non-residents of \$58 million of outstanding Canadian securities, and retirements of \$56 million of foreign-held Canadian securities. Transactions in Canadian treasury bills are not included in the foregoing figures but are referred to below.

Transactions in foreign securities led to a net capital outflow of \$3 million in the third quarter compared with \$9 million in the second.

For the first time since 1950 when official quarterly estimates of capital movements were commenced, there were in the third quarter of 1959 neither drawings nor repayments of Government of Canada loans to overseas governments.

Canadian dollar holdings of foreigners rose by \$22 million during the third quarter. This followed an increase of \$45 million in the second quarter and a decrease of \$12 million in the first. The largest part of the increase was in holdings by residents of the United States. In the second quarter non-residents added more than \$60 million to their holdings of Canadian treasury bills, at the same time reducing their Canadian dollar deposits by \$15 million. In contrast over the third quarter as a whole there was no significant change in the holdings of Canadian treasury bills by foreigners, but they increased their Canadian dollar balances by \$22 million. Because of maturities the maintenance of

the treasury bill holdings necessitated a substantial volume of new sales. In the succeeding months of the third quarter non-residents purchased \$38 million, \$42 million, and \$14 million. Non-resident owned holdings reached a month-end peak of about \$140 million in August but fell by about \$25 million in the final month of the quarter. These developments were, of course, related to the prevailing conditions on the money and exchange markets. While Canadian treasury bills continued to carry appreciably higher yields than United States issues, the differential narrowed somewhat in the latter part of August and after allowing for the cost of exchange protection through forward transactions the employment of United States funds in Canadian treasury bills ceased to be advantageous.

There was only a small net movement of capital, an outflow of \$3 million, reflecting changes during the third quarter of 1959 in Canada's official holdings of gold and foreign exchange. During the first quarter there had been an inflow of \$49 million as official holdings were reduced, and in the second quarter an outflow of \$43 million reflecting increased holdings. Official holdings of gold and United States dollars rose from \$1,934.2 million, expressed in terms of United States funds, at the beginning of the third quarter, to \$1,938.3 million at the end. There was a decline of \$16.9 million in July, but this was more than offset by increases in the following months. (Canada's increased subscriptions to the International Bank for Reconstruction and Development and to the International Monetary Fund were not paid in until the fourth quarter.)

The net movement of capital in other forms during the third quarter amounted only to an outflow of \$2 million following inflows of \$95 million and \$170 million in the first and second quarters respectively. Transactions which have meaning against the background of prevailing monetary condition and in the settlement of Canada's international accounts may lie concealed within the balance of such a group of amorphous movements. Broadly speaking three major elements, each of the order of \$100 million or more, stand out in the third quarter: a reduction in the net spot holdings of foreign exchange by Canadian banks, a substantially greater increase in the holdings by non-bank sectors of the Canadian economy, and an inward balance from other types of transactions which are believed to have taken mainly the form of increased short-term payables.

The capital inflow implied in the reduction of net foreign assets of the Canadian banks is undoubtedly related to the heavy demands on the resources of the banking system during this period. No information is available which reveals the characteristics of the co-incidental and substantially larger growth of deposits in foreign currency held by other Canadians. The opposite direction of the movements suggests that one may be partly explained by the other, but in the absence of greater statistical detail it is not possible to determine what significance they may hold for the balance of payments.

On the basis of partial data it would appear that an inflow of about \$100 million has occurred during each quarter of 1959 to date from increases in net open account and commercial indebtedness. These inflows presumably reflect provision of credit to some sectors in their search for financial resources.

The Canadian dollar showed strength on the international exchange market during the third quarter. The noon average price for the United States dollar in Canada averaged 95.45 cents, compared with 96.17 cents in the second quarter. This was the lowest average since the third quarter of 1957. The rate at the end of June was 95.44 cents, and it fell over the quarter to close at 94.66 cents. The trading range between the high of 96.00 cents reached on July 23 and the low which closed the quarter was 1.34 cents. This range was the same as in the second quarter.

Summary of Capital Movements, 1958 and 1959
(millions of dollars)

	1 9 5 8		1 9 5 9			1 9 5 8	1 9 5 9
	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	First nine months	First nine months
Direct investment in Canada	+ 105	+ 142	+ 85	+ 180	+ 85	+ 308	+ 350
Direct investment abroad	+ 14	- 3	- 20	- 5	- 15	- 17	- 40
Canadian securities:							
Trade in outstanding bonds	- 6	+ 21	+ 34	+ 16	+ 33	- 21	+ 83
Trade in outstanding stocks	+ 34	+ 31	+ 33	+ 34	+ 25	+ 53	+ 92
New issues	+ 100	+ 128	+ 175	+ 110	+ 200	+ 567	+ 485
Retirements	- 24	- 52	- 38	- 75	- 56	- 104	- 169
Foreign securities	+ 3	+ 6	-	- 9	- 3	-	- 12
Official loan repayments (net)	+ 7	+ 23	- 1	+ 10	-	+ 7	+ 9
Canadian dollar holdings of foreigners	+ 90	- 9	- 12	+ 45	+ 22	+ 115	+ 55
Official holdings of gold and foreign exchange (increase, -)	+ 32	- 50	+ 49	- 43	- 3	- 59	+ 3
Other capital movements	- 157	+ 60	+ 95	+ 170	- 2	- 61	+ 263
Net capital movement financing current account	+ 198	+ 297	+ 400	+ 433	+ 286	+ 788	+ 1,119

QUARTERLY ESTIMATES OF THE CANADIAN

Note: Data for 1959 are preliminary and

		1957		1958		
		III	IV	I	II	III
A	Current Receipts					
1	Merchandise exports (adjusted)	1,308	1,284	1,088	1,277	1,218
3	Gold production available for export	27	50	44	39	39
4	Travel expenditures	197	59	32	76	186
5	Interest and dividends	32	58	31	34	29
6	Freight and shipping	117	103	98	102	98
7	Inheritances and immigrants' funds	34	23	18	27	26
11	All other current receipts	89	85	94	88	85
12	Total Current Receipts	1,804	1,662	1,405	1,643	1,681
B	Current Payments					
1	Merchandise imports (adjusted)	1,350	1,292	1,151	1,354	1,206
4	Travel expenditures	178	105	100	140	191
5	Interest and dividends	137	173	116	133	141
6	Freight and shipping	135	120	95	114	127
7	Inheritances and emigrants' funds	43	44	29	36	39
9	Official contributions	7	17	11	16	12
11	All other current payments	155	164	170	173	163
12	Total Current Payments	2,005	1,915	1,672	1,966	1,879
	Balance on Merchandise Trade	- 42	- 8	- 63	- 77	+ 12
	Balance on Other Transactions, excluding B 9	- 152	- 228	- 193	- 230	- 198
	Official Contributions	- 7	- 17	- 11	- 16	- 12
C	Current Account Balance	- 201	- 253	- 267	- 323	- 198
D	Capital Account					
	Direct Investment					
1	Direct investment in Canada	+ 133	+ 128	+ 97	+ 106	+ 105
2	Direct investment abroad	- 21	- 8	- 15	- 16	+ 14
	Canadian Securities					
3a	Trade in outstanding bonds and debentures	- 15	- 16	- 3	- 12	- 6
3b	Trade in outstanding common and preference stocks	+ 43	+ 6	+ 3	+ 16	+ 34
4	New issues	+ 144	+ 85	+ 175	+ 292	+ 100
5	Retirements	- 36	- 30	- 29	- 51	- 24
	Foreign Securities					
6	Trade in outstanding issues	+ 13	+ 8	+ 5	-	+ 3
7	New issues	- 8	- 7	- 4	- 7	- 2
8	Retirements	+ 1	+ 2	+ 2	+ 1	+ 2
	Loans by Government of Canada					
9	Drawings	-	-	- 16	- 8	-
10,11	Repayments	+ 7	+ 17	+ 7	+ 17	+ 7
14	Change in Canadian dollar holdings of foreigners	+ 7	+ 18	- 16	+ 41	+ 90
16	Change in official holdings of gold and foreign exchange (increase, minus)	+ 53	+ 61	- 39	- 52	+ 32
17	Other capital movements	- 120	- 11	+ 100	- 4	- 157
E	Net Capital Movement	+ 201	+ 253	+ 267	+ 323	+ 198

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

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

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

BALANCE OF INTERNATIONAL PAYMENTS

data for 1958 are subject to revision.

1958	1 9 5 9			Annual Totals		Four Quarters Ending Sept. 30, 1959		
IV	I	II	III	1956	1957	1958		
(millions of dollars)								
1,307	1,061	1,355	1,286	4,837	4,909	4,890	5,009	A 1
38	37	40	32	150	147	160	147	3
55	33	87	214	337	363	349	389	4
72	28	41	37	142	154	166	178	5
103	98	112	102	457	445	401	415	6
20	17	29	31	99	124	91	97	7
99	91	92	101	442	388	366	383	11
1,694	1,365	1,756	1,803	6,464	6,530	6,423	6,618	12
1,349	1,215	1,545	1,368	5,565	5,488	5,060	5,477	B 1
111	117	139	216	498	525	542	583	4
196	131	151	138	523	587	586	616	5
124	98	126	134	502	515	460	482	6
41	33	42	44	115	157	145	160	7
11	8	19	22	30	37	50	60	9
159	163	167	167	597	645	665	656	11
1,991	1,765	2,189	2,089	7,830	7,954	7,508	8,034	12
- 42	- 154	- 190	- 82	- 728	- 579	- 170	- 468	
- 244	- 238	- 224	- 182	- 608	- 808	- 865	- 888	
- 11	- 8	- 19	- 22	- 30	- 37	- 50	- 60	
- 297	- 400	- 433	- 286	-1,366	-1,424	-1,085	-1,416	C
+ 142	+ 85	+ 180	+ 85	+ 583	+ 514	+ 450	+ 492	D 1
- 3	- 20	- 5	- 15	- 104	- 68	- 20	- 43	2
+ 21	+ 34	+ 16	+ 33	+ 11	- 45	-	+ 104	3a
+ 31	+ 33	+ 34	+ 25	+ 188	+ 137	+ 84	+ 123	3b
+ 128	+ 175	+ 110	+ 200	+ 667	+ 798	+ 695	+ 613	4
- 52	- 38	- 75	- 56	- 141	- 133	- 156	- 221	5
+ 8	-	- 9	- 4	+ 20	+ 24	+ 16	- 5	6
- 4	- 2	- 2	- 1	- 18	- 24	- 17	- 9	7
+ 2	+ 2	+ 2	+ 2	-	+ 6	+ 7	+ 8	8
- 10	- 1	-	-	-	-	- 34	- 11	9
+ 33	-	+ 10	-	+ 69	+ 50	+ 64	+ 43	10,11
- 9	- 12	+ 45	+ 22	- 24	- 35	+ 106	+ 46	14
- 50	+ 49	- 43	- 3	- 33	+ 105	- 109	- 47	16
+ 60	+ 95	+ 170	- 2	+ 148	+ 95	- 1	+ 323	17
+ 297	+ 400	+ 433	+ 286	+1,366	+1,424	+1,085	+1,416	E

NOTES:

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

D1,2 Exclusive of undistributed profits.

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



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Annual report

The report "The Canadian Balance of International Payments, 1958, and International Investment Position" has now been published. This annual report contains 65 pages of extended comment and statistics on Canada's international financial relationships including bilateral quarterly statements for major countries and areas, and details of Canada's international investment position. A supplement brings forward to 1957 detailed estimates of foreign ownership and control of Canadian industry. (Catalogue 67-201, price 75 cents).

New publication

Readers of this report may also be interested in a newly published Reference Paper which explores the subject of Canada's external short-term assets and liabilities and makes available for the first time totals and industrial classifications of Canadian creditors and debtors on international commercial account. At the end of 1958 Canadian short-term liabilities represented by inter-company and other accounts and loans payable totalled some \$1,000 million, while international assets of a corresponding nature totalled around \$300 million. Canada's total holdings of foreign exchange, apart from the official holdings, totalled some \$900 million at the end of 1958. Addition of the newly produced material places Canada's overall net balance of international indebtedness at \$13,500 million at the end of 1958.

The report is a technical one and includes descriptions of statistical sources and methods. It provides greater background knowledge than has heretofore been available in answer to a need by those interested in the mechanism of adjustment in the balance of payments, exchange rate behaviour, and related subjects. Catalogue 67-504: Canada's External Short-Term Assets and Liabilities 1945-1957 (Price 50 cents).