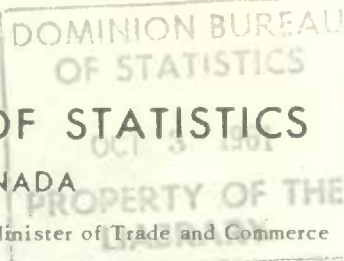




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QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

SECOND QUARTER 1961

Canada's current deficit from transactions in goods and services with other countries was less both in the second quarter and the first half of 1961 than in similar periods of recent years. At \$323 million in the second quarter and \$670 million in the half year these deficits compare with \$470 million and \$791 million respectively in the same periods of 1960, and are less than in corresponding periods since 1955, with the exception of the first half of 1958.

Sharp contraction in import balance on merchandise trade

The reduction in imbalance in the second quarter was almost all due to the sharp contraction in the import balance on merchandise trade. The latter was mainly brought about by a rise of more than 40 per cent in the value of exports to overseas countries other than the United Kingdom, together with a small reduction in imports from the United States and United Kingdom. The deficit from non-merchandise transactions of \$281 million remained about the same and represented a larger proportion of the current deficit than in the same period of last year.

In the six month period the reduction in imbalance was less than in the second quarter due to an increase which occurred in the first quarter. In the half year the reduction all occurred on merchandise account and was the joint effect of an increase in exports and a decrease in imports of generally similar size. On non-merchandise account the deficit of \$627 million was some 12 per cent greater than in 1960 and represented most of the current deficit of \$670 million. A large part of the increase in this part of the deficit originated from heavy dividend transfers in the first quarter rather than in the final quarter of 1960, and larger interest payments on bonds.

In the second quarter of 1961 the direction of Canadian exports again reflected strong overseas demands. The principal change from the previous year was the continued rise in exports overseas to countries other than the United Kingdom which were some 40 per cent higher than last year. The value of shipments to the United States in contrast was at about the same level as in 1960 but this marks an improvement over the same comparison for the first quarter when the export total to the United States was appreciably less than in 1960. And exports to the United Kingdom were moderately lower in the quarter.

A sharp rise in wheat shipments was the most important factor behind the second quarter increase in exports. The gain in wheat shipments overseas accounted for the largest part of the over-all increase in exports to overseas destinations. The relative stability in the total of exports to the United States was the result of a variety of offsetting increases and decreases. Gains in some major exports to that country offset declines in such commodities as uranium and iron ore.

In the half year the trend in merchandise exports has been a gain of over 3 per cent in the total to all countries. About half of the continued rise in the movement to overseas countries was offset by the drop in shipments to the United States which was concentrated in the first quarter. In the half year period, too, a special factor in the increase was the higher export of wheat.

Imports of merchandise into Canada continued to be characterized by the relative stability in totals. Changes on the whole have been small and the adjusted figures used in the balance of payments have been influenced by special factors connected with some commodities like aircraft, with the continued deliveries of commercial airliners. The relative stability appears in totals of commodities imported from both the United States and overseas. The same broad pattern applies to the half year as well, although there were more declines in that period in imports from the United States.

Prepared in the Balance of Payments Section, International Trade Division.

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The composition of imports has not shown sharp changes, although there has been a tendency for some commodities to either cease to rise or actually to decline, of which examples are provided by some kinds of machinery and equipment and by automobiles and rolling mill products. Examples of changes in the opposite direction have been the increased deliveries of commercial airliners already noted and rises in some industrial materials like crude petroleum.

Deficit from services and other non-merchandise items

The deficit on "invisible" transactions stood virtually unchanged at \$283 million and \$281 million, respectively, in the second quarter of 1960 and 1961, but represented three-fifths and seven-eighths of the current account deficits of the two periods, on account of the influence of the change in the merchandise trade balance. Moderate increases in net payments of government expenditures abroad, miscellaneous income, migrants' funds and personal remittances were more than counterbalanced by reductions in the deficits on travel and income accounts and by a higher value of gold production available for export.

A larger rise in receipts than in payments of interest and dividends reduced the deficit on this account from \$124 million to \$117 million in the quarter. The expansion from \$40 million to \$56 million in the receipts was due primarily to a large transfer to Canada of earnings, which covered an extended period. Remittances abroad of interest were higher, as also were those of dividends, the income account payment totals being \$164 million and \$173 million respectively in the second quarter of 1960 and 1961. Following exceptionally large total remittances of dividends by subsidiaries to parents abroad in the March quarter, similar remittances in the second quarter resumed more normal proportions, and the moderate rise in aggregate dividends remitted was primarily due to items of a non-recurring nature. Net payments on income account represented 44 per cent and 42 per cent of the total deficit from non-merchandise transactions in the second quarter of 1960 and 1961. A rise in travel receipts from \$91 million to \$102 million and in payments for travel abroad from \$168 million to \$173 million had the effect of reducing the deficit on this account from \$77 million to \$71 million. Gold production available for export advanced from \$35 million to \$42 million in the June quarter of 1961. Net payments for freight and shipping services remained unchanged at \$22 million, as receipts and payments stood respectively at \$116 million and \$138 million, following slight gains from the second quarter of 1960.

A larger deficit on government account in the June quarter of 1961 was attributable to the payment of Canada's assessment towards financing the United Nations' operations in the Congo and in the Middle East and larger military expenditures in the United Kingdom, together with lower estimated defence expenditures in Canada by the United States. Conversely, official contributions, including aid under the Colombo Plan, are estimated \$3 million below the \$10 million total for the second quarter of 1960. A \$6 million decline in receipts of miscellaneous income was mainly due to a non-recurring compensation for contract cancellation in the 1960 quarter and also to somewhat lower transfers of various types of miscellaneous income. A reduction in the number of immigrants arriving in Canada together with more active emigration to the United States accounted for \$4 million rise to \$18 million in the deficit on migrants' funds and inheritances.

Transactions by areas

The reduction of \$147 million from a current deficit of \$470 million with all countries to that of \$323 million in the June quarter of 1961 was concentrated in the balance with Other Countries, where a turn-around of \$133 million occurred from a deficit of \$36 million to a surplus of \$97 million. The current account deficit with the United States was reduced and the surplus with the United Kingdom was increased by \$7 million in each case. The recovery in the current account balance with Other Countries was based on a gain of \$134 million in exports, supported by a reduction of \$8 million in the deficit on "invisible" transactions, but offset by about the same amount by larger imports. Within the Other Countries group, as the current account balance with the Rest of the Sterling Area was virtually unchanged between the second quarter of 1960 and 1961, and as the improvement with the OEEC group was limited to an estimated \$20 million, over four-fifths of the change was found in the balance with "other countries".

The decline in the deficit on current account with the United States from \$447 million to \$440 million followed a \$9 million reduction in the deficit on merchandise trade to \$231 million, together with a \$2 million increase to \$209 million in the deficit on non-merchandise transactions. Changes in the component totals were minor, considering the magnitude of the individual aggregates. The deficit on merchandise trade accounted for slightly more than one-half of the current account balance in the two periods under comparison.

Summary of Current Transactions with the
United States, United Kingdom and Other Countries, 1960 and 1961
and Change between the Periods

(millions of dollars)

	All Countries			United States			United Kingdom			Other Countries		
	1960	1961	Change	1960	1961	Change	1960	1961	Change	1960	1961	Change
<u>Second Quarter</u>												
Merchandise exports (adjusted)	1,323	1,442	+ 119	765	764	- 1	231	217	- 14	327	461	+ 134
Merchandise imports (adjusted)	1,510	1,484	- 26	1,005	995	- 10	186	161	- 25	319	328	+ 9
Balance on merchandise trade	- 187	- 42	+ 145	- 240	- 231	+ 9	+ 45	+ 56	+ 11	+ 8	+ 133	+ 125
Other current receipts	417	442	+ 25	289	298	+ 9	54	53	- 1	74	91	+ 17
Other current payments	700	723	+ 23	496	507	+ 11	86	89	+ 3	118	127	+ 9
Balance on non-merchandise transactions	- 283	- 281	+ 2	- 207	- 209	- 2	- 32	- 36	- 4	- 44	- 36	+ 8
Current account balance	- 470	- 323	+ 147	- 447	- 440	+ 7	+ 13	+ 20	+ 7	- 36	+ 97	+ 133
<u>January to June</u>												
Merchandise exports (adjusted)	2,606	2,704	+ 98	1,534	1,435	- 99	440	440	-	632	829	+ 197
Merchandise imports (adjusted)	2,837	2,747	- 90	1,947	1,880	- 67	327	294	- 33	563	573	+ 10
Balance on merchandise trade	- 231	- 43	+ 188	- 413	- 445	- 32	+ 113	+ 146	+ 33	+ 69	+ 256	+ 187
Other current receipts	753	773	+ 20	531	538	+ 7	98	92	- 6	124	143	+ 19
Other current payments	1,313	1,400	+ 87	906	974	+ 68	169	179	+ 10	238	247	+ 9
Balance on non-merchandise transactions	- 560	- 627	- 67	- 375	- 436	- 61	- 71	- 87	- 16	- 114	- 104	+ 10
Current account balance	- 791	- 670	+ 121	- 788	- 881	- 93	+ 42	+ 59	+ 17	- 45	+ 152	+ 197

The \$7 million addition to the surplus on current account with the United Kingdom, which stood at \$20 million in the June quarter of 1961, resulted from a \$11 million gain in the trade surplus, offset by a \$4 million increase in the "invisible" deficit. Merchandise exports declined from \$231 million to \$217 million, while the fall in imports was almost twice as large, from \$186 million to \$161 million. In transactions with the Rest of the Sterling Area, an \$11 million decline in merchandise exports was covered by an improvement of \$13 million in the balance on non-merchandise transactions, including extraordinary transfers of income to Canada. An expansion of over 10 per cent in exports to OEEC countries, a decline of about one-half the magnitude in imports, together with a small increase in the net payments on services erased the current account deficit, which was estimated at \$20 million in the second quarter of 1960.

The substantial improvement in the current account balance with "other countries" was attributable to the approximate doubling of exports, which were valued at about \$110 million in the June quarter of 1960, offset by a much smaller increase in imports. At the same time non-merchandise transactions with these countries remained close to balance. Larger wheat shipments to Communist China, Czechoslovakia, Russia, Poland, Japan and Finland represented roughly two-thirds of the export gain between the two quarters.

During the first half of 1961, all the component areas, with the exception of the United States, contributed to the \$121 million reduction in Canada's current account deficit. The deficit with the United States gained \$93 million from \$788 million to \$881 million, while the balances improved moderately with the United Kingdom, the Rest of the Sterling Area and the OEEC group, and more substantially with "other countries". The balance on merchandise trade, which remained unchanged or became more favourable with every area, except the United States, yielded together a net reduction of \$188 million in the "visible" deficit from \$231 million in the six months of 1960 to \$43 million in the same period of the current year. On the other hand, the deficit on non-merchandise transactions continued to grow, with most of the \$67 million rise originating in transactions with the United States, and with the only partial offset occurring with the Rest of the Sterling Area.

Capital movements

During the second quarter portfolio capital re-asserted itself as the largest single source of capital inflow to Canada. More than one-quarter of it was for investment in corporate equities, and more than one-half for investment in corporate funded debt. A substantial part of this movement had been arranged earlier. Inflows for direct investment in foreign-controlled enterprises rose slightly. As might be expected in a period of change there were also shifts in movements of capital in short-term forms.

Capital movements in the long-term forms shown separately in statements of the Canadian balance of payments led to a net capital inflow of \$252 million in the second quarter, equivalent to 78 per cent of the current account deficit in the period. The inflow in these forms of \$148 million in the first quarter was equivalent to 43 per cent, and in the preceding quarter it had been equivalent to only 19 per cent.

Geographically in the first half of 1961 about 90 per cent of the net capital inflow in these long-term forms came from the United States, and about 15 per cent from the United Kingdom, while there were net outflows on balance to other overseas countries.

Special capital transactions of the Commonwealth of Australia during the second quarter were reflected in several places in the Canadian capital account. Late in March the Commonwealth had arranged the sale to Canadian underwriters of an issue of \$20 million 5½% Twenty Year Bonds payable in Canadian dollars for delivery in April. The proceeds were to be applied towards capital works expenditures being financed under the loan programmes approved by the Australian Loan Council for the Governments of the Commonwealth and the States. There was some non-resident participation, and net Canadian purchases are included under new issues of foreign securities in the second quarter.

Late in April the International Monetary Fund announced that it had agreed to a drawing by the Government of Australia in currencies held by the Fund equivalent to \$175 million in United States funds, and had also entered into a stand-by agreement to cover additional drawings (which Australia is since reported to have terminated). The purpose was to support the Australian Government in its efforts to improve its foreign payments position. The funds drawn included about \$10 million in Canadian dollars. (This was the second occasion upon which a member country has purchased Canadian dollars from the Fund; in 1956 Egypt purchased nearly \$15 million.) The Fund's

holdings of Canadian dollars were largely replenished by a co-incidental payment by Canada of \$9 million representing adjustment of Canada's subscription arising from exchange rate changes.

The net inflow of capital for direct investment in foreign-controlled enterprises in Canada is tentatively estimated at \$140 million in the second quarter, compared with \$125 million in the preceding quarter and with \$155 million in the corresponding quarter of last year. About three-fifths of the net movement was directed to the mining, petroleum and natural gas industries. The financial group accounted for about one-quarter, with inflows for the acquisition by United Kingdom and United States interests of existing insurance companies particularly prominent in the total; these inflows were offset in part by outflows to previous owners resident outside Canada.

During the second quarter the inflow of capital for the acquisition of existing enterprises was greater than in the first, but the outflow for the repatriation of ownership of Canadian concerns was also larger, and the increase in the net inflow for direct investment did not arise from these special types of transactions. Repatriation of ownership included mining and merchandising concerns.

Geographically, about half the net inflow of capital for direct investment in foreign-controlled Canadian enterprises in the second quarter came from the United States, while more than two-fifths is estimated to have come from the United Kingdom. The proportion from the United States has tended in recent periods to be between 70 and 80 per cent, but the acquisition of insurance companies referred to earlier led in the second quarter to inflows from the United Kingdom and outflows to the United States.

The net outflow of Canadian capital for direct investment abroad during the quarter is tentatively estimated at \$35 million, the same figure as for the first quarter. The total of \$70 million for the first half of 1961 compares with \$85 million for the whole of 1960. In contrast to the first quarter when perhaps half the outflow was to the United States, over two-thirds of the outflow in the second quarter was to overseas countries.

Transactions in long-term Canadian securities led to a capital inflow of \$152 million in the second quarter, compared with \$55 million in the first quarter of the year and with \$107 million in the second quarter of 1960. Among the outstanding features was the net sale of \$66 million of outstanding Canadian securities, which was as large as any since the third quarter of 1956; nearly half the amount represented net sales of stocks. Residents of the United States acquired \$80 million of the outstanding issues sold by Canadians, while residents of the United Kingdom resold to Canadians some \$15 million. Residents of other overseas countries added \$1 million to their holdings through trade in outstanding issues.

Sales to non-residents of \$182 million of new issues were more than twice the total for the first quarter of 1961 and four times that for the final quarter of 1960, but there were two earlier periods in which the total had been as high as \$295 million. The large total of proceeds of sales of new issues to non-residents in the second quarter was influenced by the delivery of some issues for whose sale contractual arrangements had been completed earlier. A comparison of the data in respect of sales of new issues of Canadian bonds to residents of the United States is given alongside, and a more complete statement appears on page eleven. The total sales of new issues to all non-residents in the second quarter included \$136 million of corporate bonds and stocks, the highest level for this category since the second quarter of 1957. Some \$28 million of municipal issues together with \$15 million of Government of Canada issues and \$3 million of provincial issues made up the balance of the total.

New Issues of Canadian Bonds Sold to
United States Residents

<u>Quarter</u>		<u>Contracts</u>	<u>Deliveries</u>
		(millions of dollars)	
1960	I Q	182	185
	II Q	100	125
	III Q	53	33
	IV Q	103	26
1961	I Q	160	119
	II Q	63	149

Retirements of foreign-held Canadian securities totalled \$96 million and were larger than for any quarter in the last decade. Corporate issues accounted for \$41 million, Government of Canada direct and guaranteed issues for \$33 million, and provincial and municipal issues for \$22 million. All these figures are apart from transactions in Government of Canada treasury bills and Canadian commercial and finance paper which are the subject of later comment.

Transactions in long-term foreign securities led to a net capital outflow of \$13 million. Trade in outstanding issues was in near balance despite a turn-over of nearly a quarter of a billion dollars in the quarter. Canadians paid out \$15 million for the purchase of new issues of foreign securities and received \$2 million from the retirement of previously held issues.

Regular instalments of principal fell due during the second quarter on intergovernmental loans to Belgium and The Netherlands, giving rise to a capital inflow of \$8 million.

CHANGE

Quarter	Canadian Dollar Holdings	Canada Treasury Bills	Deposits etc.
	(millions of dollars)		
1960 I Q	- 2	- 8	+ 6
II Q	- 2	- 10	+ 8
III Q	+45	+ 27	+ 18
IV Q	+79	+ 47	+ 32
1961 I Q	- 8	+ 30	- 38
II Q	-70	- 72	+ 2

Canadian dollar holdings of non-residents fell by \$70 million during the quarter. Most of the decline was in holdings of Government of Canada treasury bills. These fell by \$72 million in the quarter, and by \$74 million in the month of June alone reflecting the maturity of exceptionally heavy sales in March. During most of that month treasury bill yield differentials between Canada and the United States, after exchange protection, ranged between three-quarters and one per cent. These differentials did not continue and on the whole over June tended to be less than one-quarter of one per cent.

Geographically Canadian dollar holdings in the form of treasury bills and deposits by residents of the United States fell by about \$100 million, but holdings of Continental Europe and the United Kingdom rose respectively by \$19 million and \$8 million.

Canada's official holdings of gold and foreign exchange were increased again during the second quarter, but the rise was smaller than in the first quarter. These increases in external assets represented capital exports of \$51 million in the second quarter and \$105 million in the first. The movement in the second quarter included an increase of about \$1 million in official holdings of sterling, but apart from this the entire movement was in holdings of gold and United States funds. Canada's official holdings of these, expressed in terms of United States dollars, rose from \$1,935 million at the end of the first quarter to \$1,985 million at the end of the second. At this level they were \$12 million above the previous month-end record of \$1,973 million for July, 1957. Some \$36 million of the increase in the more recent quarter occurred in June.

In his Budget Address delivered to the House of Commons on June 20th the Minister of Finance announced that the Government had reached certain policy conclusions relating to the flows of capital and terms of lending within Canada, the import of capital from abroad, the level of the Canadian dollar, and the deficit in Canada's current international transactions. These conclusions are set out on page ten. In his remarks the Minister indicated the Government would like to see the spreads narrowed between interest rates in Canada and those in the United States and some of the European capital-exporting countries. Dealing with exchange operations he announced that:

" the exchange fund will be prepared, as and when necessary, to add substantial amounts to its holdings of United States dollars through purchases in the exchange market. This would have the effect of increasing the foreign exchange reserves available to Canada to be used in case of need. As many competent observers have pointed out, these reserves have not grown over the past decade in line with Canada's international transactions. Once an exchange rate more closely in line with Canada's economic position is achieved, the government will use the resources of the exchange fund to ensure that the rate is kept within a range appropriate to Canada's changing economic situation. The value of our currency must, of course, ultimately depend upon our pursuit of appropriate economic policies. "

The Canadian dollar weakened on the world's exchange markets during the quarter. The United States dollar had closed at 98.91 cents in Canadian funds at the end of March, while at the end of June the closing quotation was 103.50 cents. The low for the quarter was 98.59 cents and the high was 103.53 cents. This was its highest level since 1951; in the intervening period the United States dollar had traded in Canada down to 94.22 cents. The largest part of the change occurred between June 12 and June 23 when the noon average rose by more than four cents. The noon averages for the months of the second quarter were successively 98.89 cents, 98.75 cents and 100.55 cents. The average for the quarter as a whole of 99.42 cents compared with 98.99 cents in the first quarter and 96.97 cents for 1960 as a whole.

All other capital movements were inward during the second quarter as they have been with one exception each second quarter since 1950 when official quarterly estimates comparable to the present series were commenced. Publication for the first time in a statement on this page of the principal components identifiable quarterly is a further step in the effort to provide useful detail for those interested in this group of movements whose statistical measurement has presented major difficulties. Although a great deal of work has been done in the development of these data, they are necessarily less precise than for other accounts in the main balance of payments statement.

Among the features which stand out in the statement are the return to Canada of a considerable volume of Canadian private and banking holdings of foreign exchange, in contrast to the outflows which augmented these holdings during most of last year. The inflow of \$183 million in the first half of 1961 was greater than the net outflow for the whole of 1960. Concealed within the movements in 1961 was a significant outflow to the United Kingdom in the first quarter, which was more than reversed in the second.

Also of interest was the substantial inflow arising from borrowings from non-residents by finance companies and the growth in holdings by non-residents of Canadian commercial paper. In the first half of 1961 these together accounted for an inflow of \$144 million.

The "all other" category includes a mixture of many types of movement both inward and outward. Among the more prominent groups are changes in inter-company accounts, short-term loans, accounts payable and receivable, and also the balancing item reflecting the difference between the estimated current account balance and the capital movements for which quarterly data have become available.

Broadly speaking the interest arbitrage movement of funds from the United States to Canada became less attractive as the second quarter progressed, while differentials, after exchange protection, were not sufficiently large in the quarter to attract funds from the United Kingdom to Canada with the exception of a brief period at the beginning and again at the end.

Composition of "Other Capital Movements"

	1960				1961	
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter
	(millions of dollars)					
Transactions with all countries						
International Financial Agencies (1)						
Canadian dollar subscriptions	-	- 1	- 2	- 6	-	- 9
Short-term Canadian dollar holdings	-	2	2	-	1	-
Other long-term capital transactions	3	43	- 3	15	-10	- 4
Bank balances and other short-term funds abroad (excluding official reserves)	32	-79	-87	-34	110	73
Borrowings from non-residents by finance companies, and non-resident holdings of commercial paper (1961 only)	- 6	11	6	54	71	73
All other transactions including changes in loans and accounts receivable and payable (2)	-112	175	34	151	140	59
TOTAL (Item D 17)	- 83	151	-50	180	312	192

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

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

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

A minus sign indicates an outflow of capital from Canada.

QUARTERLY ESTIMATES OF THE CANADIAN

Note: Data for 1961 are preliminary and

		1959			1960
		II	III	IV	I
A	Current Receipts				
1	Merchandise exports (adjusted)	1,355	1,286	1,449	1,283
3	Gold production available for export	41	33	37	44
4	Travel expenditures	85	213	61	36
5	Interest and dividends	43	40	69	36
6	Freight and shipping	112	105	110	102
7	Inheritances and immigrants' funds	34	33	24	18
11	All other current receipts	95	106	97	100
12	Total Current Receipts	1,765	1,816	1,847	1,619
B	Current Payments				
1	Merchandise imports (adjusted)	1,551	1,380	1,423	1,327
4	Travel expenditures	144	216	121	119
5	Interest and dividends	153	151	222	149
6	Freight and shipping	133	149	144	114
7	Inheritances and emigrants' funds	39	47	48	38
9	Official contributions	22	22	19	10
11	All other current payments	174	173	173	183
12	Total Current Payments	2,216	2,138	2,150	1,940
	Balance on Merchandise Trade	- 196	- 94	+ 26	- 44
	Balance on Other Transactions, excluding B 9	- 233	- 206	- 310	- 267
	Official Contributions	- 22	- 22	- 19	- 10
C	Current Account Balance	- 451	- 322	- 303	- 321
D	Capital Account				
	Direct Investment				
1	Direct investment in Canada	+ 181	+ 85	+ 183	+ 208
2	Direct investment abroad	- 13	- 24	- 18	- 15
	Canadian Securities				
3a	Trade in outstanding bonds and debentures	+ 15	+ 32	+ 11	+ 19
3b	Trade in outstanding common and preference stocks	+ 33	+ 26	+ 19	+ 13
4	New issues	+ 117	+ 213	+ 197	+ 209
5	Retirements	- 84	- 61	- 71	- 50
	Foreign Securities				
6	Trade in outstanding issues	- 12	- 7	- 8	+ 7
7	New issues	- 2	- 1	- 7	- 2
8	Retirements	+ 2	+ 3	+ 4	+ 6
	Loans by Government of Canada				
9	Drawings	-	-	-	-
10,11	Repayments	+ 9	-	+ 25	-
13	Subscriptions in gold and U.S. dollars to IBRD, IFC and IMF	-	-	- 59	-
14	Change in Canadian dollar holdings of foreigners	+ 47	+ 22	- 44	- 2
16	Change in official holdings of gold and foreign exchange (increase, minus)	- 43	- 3	+ 67	+ 11
17	Other capital movements	+ 201	+ 37	+ 4	- 83
E	Net Capital Movement	+ 451	+ 322	+ 303	+ 321

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

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

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

BALANCE OF INTERNATIONAL PAYMENTS

data for 1960 are subject to revision.

1960			1961		Annual Totals			Four Quarters ending June 30, 1961	
II	III	IV	I	II	1958	1959	1960		
(millions of dollars)									
1,323	1,400	1,394	1,262	1,442	4,887	5,150	5,400	5,498	A
35	42	41	41	42	160	148	162	166	1
91	221	72	38	102	349	391	420	433	3
40	36	66	35	56	168	182	178	193	4
115	118	107	99	116	401	420	442	440	5
29	31	24	19	28	97	109	102	102	6
107	111	102	99	98	375	392	420	410	7
									11
1,740	1,959	1,806	1,593	1,884	6,437	6,792	7,124	7,242	12
1,510	1,318	1,390	1,263	1,484	5,066	5,572	5,545	5,455	B
168	213	127	126	173	542	598	627	639	1
164	161	195	204	173	612	671	669	733	4
137	141	141	114	138	460	525	533	534	5
43	50	50	40	46	145	165	181	186	6
10	16	24	12	7	53	72	60	59	7
178	182	183	181	186	690	693	726	732	9
									11
2,210	2,081	2,110	1,940	2,207	7,568	8,296	8,341	8,338	12
- 187	+ 82	+ 4	- 1	- 42	- 179	- 422	- 145	+ 43	
- 273	- 188	- 284	- 334	- 274	- 899	-1,010	-1,012	-1,080	
- 10	- 16	- 24	- 12	- 7	- 53	- 72	- 60	- 59	
- 470	- 122	- 304	- 347	- 323	-1,131	-1,504	-1,217	-1,096	C
+ 155	+ 179	+ 148	+ 125	+ 140	+ 420	+ 550	+ 690	+ 592	D
- 25	- 29	- 16	- 35	- 35	- 48	- 80	- 85	- 115	1
+ 15	- 19	- 12	+ 31	+ 34	-	+ 91	+ 3	+ 34	2
+ 24	+ 10	+ 2	+ 13	+ 32	+ 88	+ 110	+ 49	+ 57	3a
+ 146	+ 52	+ 40	+ 80	+ 182	+ 677	+ 707	+ 447	+ 354	3b
- 78	- 32	- 93	- 69	- 96	- 158	- 258	- 253	- 290	4
- 5	+ 2	- 24	+ 3	-	+ 13	- 32	- 20	- 19	5
- 3	- 2	- 11	- 5	- 15	- 17	- 13	- 18	- 33	6
+ 3	+ 7	+ 2	+ 2	+ 2	+ 7	+ 12	+ 18	+ 13	7
-	-	-	-	-	- 34	- 1	-	-	8
+ 7	-	+ 25	+ 3	+ 8	+ 64	+ 34	+ 32	+ 36	9
-	- 1	- 2	-	-	-	- 59	- 3	- 3	10,11
- 2	+ 45	+ 79	- 8	- 70	+ 106	+ 13	+ 120	+ 46	13
+ 82	- 40	- 14	- 105	- 51	- 109	+ 70	+ 39	- 210	14
+ 151	- 50	+ 180	+ 312	+ 192	+ 122	+ 360	+ 198	+ 634	16
+ 470	+ 122	+ 304	+ 347	+ 323	+1,131	+1,504	+1,217	+1,096	17
									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.

Extract from the Budget Address delivered by the Honourable Donald M. Fleming, M.P.
Minister of Finance, to the House of Commons, June 20, 1961

" Accordingly, the government has reached certain policy conclusions relating to the flows of capital and terms of lending within Canada, the import of capital from abroad, the level of the Canadian dollar, and the deficit in our current international transactions. These conclusions may be set out as follows:

- (a) The current deficit in our balance of payments is in large measure inappropriate; with so much unused capacity in Canada, we should be exporting substantially more goods and services and importing much less.
- (b) An expansion in exports and a reduction in imports should not be brought about by export subsidies, or by higher tariff rates, or quotas, or other forms of government intervention or protection, but rather by encouraging our exchange rate to fall into a more appropriate relationship with our economic situation.
- (c) The appropriate method for relieving the exchange rate of undue and unwanted upward pressures is to take every practicable step to ensure that Canadians who might otherwise be raising funds abroad are, in future, satisfied from Canadian financial sources.
- (d) Since it will take time to divert demands for funds from foreign sources to Canadian sources, and since it is urgent to obtain relief from the resulting excess of imports of goods and services, the government has decided to use the exchange fund to neutralize, at least in some degree, the effects of the continuing capital inflows. "

Contract and Delivery of New Issues of
Canadian Bonds and Debentures sold to Residents
of the United States

Year and Quarter		Sales contracts entered into	Add Deliveries of prior sales	Deduct Sales for later delivery	Proceeds of New Issues
(millions of dollars)					
1956		- 122	557
1957		656	122	- 80	698
1958		574	79	- 70	583
1959		575	64	- 35	604
1960		438	41	- 110	369
1957	I	277	82	- 126	233
	II	265	63	- 61	267
	III	68	77	- 20	125
	IV	46	27	-	73
1958	I	161	9	- 9	161
	II	260	32	- 40	252
	III	20	73	- 5	88
	IV	133	5	- 56	82
1959	I	98	58	- 4	152
	II	164	6	- 72	98
	III	177	73	- 57	193
	IV	136	48	- 23	161
1960	I	182	27	- 24	185
	II	100	28	- 3	125
	III	53	11	- 31	33
	IV	103	3	- 80	26
1961	I	160	51	- 92	119
	II	63	86	-	149

Note: As details of all contracts are not available, deferred deliveries may be understated.

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