Balance-of-Payments Deficit

In addition to a large deficit in our merchandise trade, we also have a growing net deficit on non-merchandise items, such as freight and shipping, tourist expenditures and interest and dividends on our foreign borrowings and on foreign investments in our country. The excess of our total payments for these so-called invisible items, over our receipts of the same nature, continues to grow and is approaching the level of one billion dollars per annum. Our merchandise trade, so far from being adequate to enable us to pay these costs, is itself also on the deficit side to the extent of about half a billion dollars a year.

The development of a balance-of-payments deficit of this magnitude might be tolerable if it occurred under emergency and temporary conditions which it was clear could and would be rectified by policies being adopted for that purpose. A glance back over the Canadian balance of payments since the war shows that our situation is not temporary but is becoming chronic.

The last year in which we had a favourable balance of payments on current account was in 1952. Deficits of $400 million a year in 1953 and 1954 were followed by an increase to $700 million in 1955. The deficit almost doubled again in 1956, increased a bit more in 1957, declined moderately in 1958, increased again in 1959 perhaps to the 1956 level, and seems likely to increase in 1960 to a new record high figure of $1,500 million or more.

We have had for years, of course, a large deficit in our trade and payments with the United States. For a time it seemed possible that this would be largely balanced by a surplus in our trade and payments with the rest of the world. That surplus averaged over half a billion dollars a year in the early fifties but has declined every year without exception since 1952, virtually disappeared in 1958, has been converted into a deficit in 1959 and probably will be a bigger deficit in 1960.

Imports of Investment Goods

In the field of merchandise trade an important item in our trade deficit has been the volume of investment-type goods imported, that is, machinery and equipment for use in construction or for the expansion of physical facilities in Canada. The peak in the importation of investment-type goods or capital goods appears to have been reached in 1956; imports of this type declined slightly in 1957, and substantially in 1958, showed a moderate increase in 1959 over 1958, and in 1960 are likely to approach if not reach the 1956 volume. Even without exceeding the level of four years ago, it is a high volume and symptomatic of capital spending at a rate which is greater than can be provided out of our own national savings.