

## CAPITAL MOVEMENTS

Capital movements in such long-term forms as direct investment, portfolio security transactions and official loans led to an inflow of \$214 million or about 73 per cent of the current account deficit. In the final quarter of 1957 the corresponding inflow amounted to \$211 million or 82 per cent of the somewhat smaller current account deficit, and in the first quarter of that year the figure was \$317 million or 76 per cent.

A very sharp contraction appears to have occurred in the rate of inflow of capital for direct investment in foreign-controlled enterprises in Canada. This is tentatively placed at \$75 million or at about half the figure for the final quarter of 1957. But it should be remembered that the fourth quarter movement was extraordinarily high and that the first quarter inflow has customarily been lower than average. Preliminary data indicate that inflows to manufacturing fell sharply, and that inflows to the petroleum industry and mining accounted for a very high proportion of the total. The decline from the fourth quarter occurred about proportionately in the net movements from the United States, from the United Kingdom, and from other overseas countries. The net outflow of capital from Canada for direct investment abroad is placed at \$5 million, or about the same level as in the fourth quarter of 1957.

Transactions in Canadian portfolio securities led to a net inflow of \$145 million. Trade in outstanding issues resulted in a net outflow of \$3 million and retirements of foreign-held Canadian debt amounted to \$16 million, the lowest figure recorded in any quarter since 1953. Against these outflows of capital there were receipts of \$164 million representing the proceeds of new issues sold to non-residents. This figure was well above the levels of the third or fourth quarters of 1957 but greatly below the peak of \$293 million reached in the second quarter. Transactions in foreign portfolio securities led to a net capital inflow of \$8 million as a result of trade in outstanding issues, purchases of new issues and retirements.

A feature of the Canadian balance of payments in the first quarter which has been absent since 1950 was the extension of Government credit to an overseas government. Advances to cover purchases of Canadian wheat by India amounted to \$16 million. There were no repayments due during the quarter on Canada's active post-war loans, but the regular quarterly principal repayment of \$7.5 million was made by the United Kingdom in respect of the \$700 million interest free loan of 1942 on which the balance outstanding now amounts to \$22.5 million. Canadian dollar holdings of non-residents were reduced by \$23 million during the quarter. More than half this de-

cline was in holdings of residents of the United Kingdom.

A capital outflow amounting to \$39 million also occurred from the exchange transactions of the Government of Canada, including the operations of the Exchange Fund Account. Official holdings of gold and United States dollars, expressed in terms of United States currency, were increased from \$1,828.3 million at December 31, 1957, to \$1,867.7 million at March 31, 1958. Other capital movements appear on balance to have resulted in an inflow of \$141 million; large inflows in this item also occurred in the first quarters of 1956 and 1957.

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## ECOSOC CONVENES

The Economic and Social Council convened its 26th session at the Palais des Nations at Geneva on July 1. It is expected that the session will last until August 2, 1958. Canada's third three-year term on the Council will expire at the end of the current year.

The Council has the responsibility of discharging, under the authority of the General Assembly, the responsibilities of the United Nations in the economic and social fields. It initiates studies and reports and makes recommendations on economic, social, cultural, educational and health matters to the General Assembly, to members of the United Nations and to the Specialized Agencies concerned. The Council is also concerned with the promotion of universal respect for and observance of human rights and fundamental freedoms.

At the present session the Council will consider the world economic situation and questions relating to employment and to the expansion of world trade. The Council will also discuss the financing of economic development of under-developed countries, governmental policies affecting the international flow of private capital, and studies concerning the taxation of foreign private capital in capital-exporting and capital-importing countries.

One of the more important subjects before the Council will be the establishment of a special fund which would supplement the work presently being done by the Technical Assistance Programme to aid under-developed countries in developing their economic resources.

The Council's agenda also includes international commodity questions and matters relating to the establishment of a world food reserve. Other items which have a place on the Council's agenda are the Report of the Statistical Commission, United Nations Activities under the Regular and Expanded Programmes of Technical Assistance, a proposal for the establishment of an International Administrative Service, the Reports of the Commission on the Status of Women and the Human Rights Commis-