



CANADA

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## INTERNATIONAL PAYMENTS

The shape of the Canadian balance of payments in the second quarter of 1962 reflected many important developments. There was an enlargement in the current-account deficit to \$377 million from \$353 million in the first quarter and a sharp rise in net capital outflows (before changes in official holdings of gold and foreign exchange and special financing) to \$216 million from \$11 million. Official exchange holdings that fell by \$364 million in the first quarter fell by a much larger amount in the second, until the announcement of a comprehensive government programme to relieve the pressure on the Canadian dollar in the exchange field, to bring about a greater stabilization in Canada's international transactions and to strengthen the exchange reserves. After receipt of special international borrowing with a Canadian dollar value of \$707 million, there was an increase of \$114 million in official exchange holdings during the quarter.

The increase of \$62 million in the current-account deficit in the second quarter over the same period of the previous year was chiefly from a further widening to \$333 million in the imbalance from non-merchandise transactions, owing mainly to larger payments to non-residents of interest and dividends and for business and other services. On merchandise account there was a small increase, to \$44 million in the import balance, with both exports and imports of merchandise rising to new peak values. Demands from the United States for exports were particularly strong in this period, and

there were also increases over the previous year in shipments to Britain and the OECD nations.

## CAPITAL OUTFLOW

Much greater changes occurred on capital account with the rapid expansion in the net outward movement to \$216 million, made up of net outflows in long-term forms of \$48 million and in short-term forms of \$168 million. This contrasts with the predominant inflows on long-term account characteristic of a prolonged period before this year. In the June quarter there was a contraction in net inflows of direct investment in Canada to the lowest levels for many years, combined with a variety of outflows through portfolio-security transactions and various short-term channels. The largest item of capital outflow was \$242 million, covering increases in Canadian holdings of foreign bank balances and similar short-term funds abroad, apart from official holdings. The movement brought the estimated total of these holdings to nearly \$1,300 million.

Canada's merchandise trade with other countries in the first half of 1962 rose to unprecedentedly high levels, both for exports and imports, the rising trend continuing into the second quarter. Some of the increases in the values of both kinds of trade are a reflection on the change in the foreign-exchange value of the Canadian dollar; but increases in volume were also substantial. As the increases in both exports and imports, when adjusted for balance-of-payments purposes, were of comparable magnitude, there was only a relatively small balance on mer-