Balance of international payments

The Canadian economy maintained its high level of activity in the second quarter of 1973 as the seasonally adjusted gross national product rose by 3 per cent in current dollars following even higher rates of growth in the preceding two quarters. This moderation in economic growth was accompanied by a strengthening of the current account of the balance of payments. The seasonally adjusted deficit was a bare $3 million, down $250 million from that of the first quarter of 1973. About three-fifths of the change was due to an increase in the trade surplus to $554 million, reflecting both a rise in exports and a decline in imports. The major shift in the service accounts was a decline in travel expenditures abroad.

Main export increases

Significant increases in exports were recorded for crude petroleum, lumber, iron ore, wheat, copper in ores, meat, woodpulp and agricultural machinery. There were reductions for chemicals, motor vehicle products, nickel in ores, fabricated aluminum and newsprint. Decreases occurred in imports of automotive products, fuel oil and other petroleum products, office machines, meat and fish and non-ferrous alloys. A rise in imports was recorded for communication equipment, agricultural machinery and crude petroleum.

Price increases were recorded for both exports and imports, associated with sharply rising world prices for many major primary commodities caused in part by widespread inflation, rising demand and shortages of supply. Counter measures adopted included price freezes in the United States and export controls on selected commodities by both the U.S. and Canada.

Capital movements, unadjusted for seasonal variations, led to a net capital inflow of $30 million, a decline of $334 million from that of the first quarter of 1973. This, with a seasonally unadjusted current account deficit of $137 million, resulted in a decrease of $107 million in Canada's official monetary assets.

Capital transactions in long-term forms recorded a net inflow of $230 million, up $30 million. The main factors were increases in foreign direct investment in Canada and new issues sold abroad and a return to net sales from transactions in outstanding foreign securities. Movements which led to increased outflows were larger retirements of Canadian securities, which included a Government of Canada Deutsche mark issue, export credits and Canadian repurchases of Canadian equities.

Capital movements in short-term forms resulted in a net outflow of $200 million, a swing of $364 million from the first quarter net inflow of $164 million. An increase in the chartered banks' net foreign currency position with non-residents (particularly to take advantage of attractive interest rates in New York), following a decrease in the previous quarter, was a significant factor in the net outflow. It was bolstered by a reduction of non-resident positions in Canadian money market instruments which were build up substantially in the first quarter. Factors working in the opposite direction were the deceleration in the growth in non-bank holdings of foreign currencies abroad and the swing to an inflow in other short-term capital transactions. The spot value of the U.S. dollar in Canadian terms ranged between 99.50 and 100.36 on the interbank market in Canada, closing the quarter at 99.82, down from 99.88 at the end of the previous quarter. Other major currencies again became more expensive although the rate of change was lower than during the first quarter. Spot changes ranged from an increase of about 9 per cent for the Deutsche mark to a change of less than 1 per cent for the Japanese yen from the end of the first quarter to the end of the second quarter. Price increases *vis-à-vis* the Canadian dollar ran 4 per cent for the pound and 7 per cent for both the French and the Swiss franc.

Packaging and labelling rules

Consumer and Corporate Affairs Minister Herb Gray has announced publication in the *Canada Gazette* of proposed regulations under the Consumer Packaging and Labelling Act. Consumers, dealers and other interested persons will have two months to make representations with respect to the proposals. It is intended that the Act be proclaimed in force by the end of this year, though a longer deadline will have to be given to enable manufacturers to make the detailed label changes under some provisions of the regulations.

The Act and its regulations, by providing fuller and more factual information on labels and protecting against fraud and deception in packaging and labelling, will help consumers in their choice of prepackaged goods. It will also lead to more uniformity of information on labels, and will ensure labelling in English and French.

Basic information on labels will include the net quantity, in metric as well as in traditional Canadian units. Labels will also show the identity and principal place of business of the manufacturer or distributor, and the identification of the product by its common or generic name or of its function.

It is estimated that the regulations will affect the packaging and labelling of some 80,000 domestically-produced products and 40,000 imports. The object is to have a system that is intelligible and workable for consumers and for producers and that it will be introduced in a way that will not create increased costs during the transitional period.

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