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CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Canada's deficit from current transactions in goods and services with other countries was reduced to \$1,112 million in 1958 from \$1,400 million in 1957, according to the Dominion Bureau of Statistics. This current deficit was still larger than in any year before 1956, even though the import balance from merchandise trade was sharply reduced by \$405 million to \$174 million in the year. An excess of expenditures over receipts on account of non-merchandise transactions was responsible for over four-fifths of the deficit in 1958. This deficit of \$938 million from "invisible" transactions grew by \$117 million in the year and here more than doubled in four years. Almost half of the deficit from "invisibles" originated in income payments on foreign investments in Canada, and large amounts of the remainder were for travel, transportation, and business services and personal remittances.

In each of the first three quarters the total current deficit from all transactions was less than in the corresponding quarters of 1957, because of declines in the balance of merchandise imports. But by the fourth quarter the latter balance exceeded the deficit from merchandise trade in the fourth quarter of 1957, and in each quarter of 1958 the deficit from non-merchandise transactions was higher than in 1957. The rising trend in this group of transactions in 1958 was mainly due to larger official contributions by the Canadian Government, larger Canadian expenditures on

travel abroad, reductions in inflows of immigrants' funds, and in current expenditures by the United States Government on defence installations in Canada. Maintenance of a high total of interest and dividend payments was partly offset by the resumption of receipts of interest from the United Kingdom on the post-war loan.

Among leading factors in the economic background influencing the shape of Canada's international accounts in 1958 have been the changing character of investment in Canada, and the altered rate of general growth. While business investment involving many expenditures has been reduced, investment outlays by public bodies have risen and levels of business inventories also fluctuated in a manner to reduce imports in most of 1958. At the same time, higher levels of personal consumption and government expenditures, and the maintenance of commodity exports have continued to contribute to high levels of production and to many types of Canadian expenditure abroad. Some of the effects of the high rate of growth of earlier years have shown themselves in new Canadian export capacity and in "invisible" items leading to larger external outlays for such purposes as interest and dividend payments, and travel and business services. Related to the higher level of income payments is the mounting size of Canada's net international indebtedness, which has more than doubled in half a decade resulting from the

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