

CURRENT ACCOUNT DEFICIT WITH OTHER COUNTRIES

\$467 MILLION: Canada's current transactions in all goods and services with other countries resulted in a deficit of \$467 million in the year 1953 compared with a surplus of \$157 million in 1952. Most of this change occurred in the alteration in the merchandise trade account, from an export to an import balance. This made up \$546 million of the net change in the year of \$624 million from a current account surplus to a deficit.

About one-third of the change in the commodity account was due to a drop in the value of exports, and the remaining two-thirds to the rise in Canadian imports. The deficit from all other current transactions rose by \$78 million. This latter change was mainly due to larger military expenditures by Canada abroad, a deficit on freight account and some increase in official contributions to other countries. Not included are goods and services of \$246 million provided by the Canadian Government in 1953 as Mutual Aid to North Atlantic Treaty countries.

STERLING AREA

The re-appearance of a current account deficit was mainly due to the decrease in the surplus with overseas countries from \$1,015 million to \$481 million. About half of this decline was with the sterling area. There was also an increase in the deficit with the United States from \$858 million to \$948 million.

While there was a deficit in every quarter of 1953, most of the total deficit developed during the first half of the year, with deficits of \$189 million and \$190 million in the first and second quarters, respectively. The deficit in the third quarter was \$16 million and in the fourth, \$72 million. The striking increase in the volume of imports, which was mainly responsible for the appearance of the 1953 deficit, was reversed in the fourth quarter when import volume and value fell below the corresponding 1952 levels.

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VICTORY LOAN REDEMPTIONS: The Minister of Finance, Mr. Abbott has authorized the Bank of Canada to give notice that the Government will redeem both the Third and Fourth Victory Loans prior to maturity in accordance with the provisions of the terms of these issues.

Third Victory Loan 3% Bonds issued on November 1, 1942 to mature on November 1, 1956 will be redeemed on June 1, 1954 at a price of 101.26 to holders. This price included 1% redemption premium in accordance with the terms of issue and also includes .26% which is interest accrued at the coupon rate for the period from May 1, 1954 to June 1, 1954. The

Transactions on current account have led to deficits in three of the last four years. The principal source of the deficits has been the payments made abroad by Canada on interest and dividend account and for services, in the absence of an export surplus on merchandise trade. But the leading changes from year to year have been the fluctuations in the merchandise trade balance, with the disappearance of an export balance in 1951 and 1953, and only a negligible balance in 1950. The current account surplus in 1952 was due to a large export balance associated with a sharp fall in import prices for much of that year coupled with a large increase in exports of grain.

INVESTMENT

The emergence of deficits has been closely related to the rapid increase in investment since 1949 and rising consumer expenditures. During this period there have also been substantial contributions of Mutual Aid by Canada to NATO and other defence expenditures both in Canada and abroad which have had the effect of increasing the deficit in the balance of payments. In relation to total current transactions the deficits have been small; that of 1953 was only 4% of total current transactions and about 8% of total current receipts.

The most important single change in the current account was the appearance of a merchandise trade deficit of \$55 million (after adjustment for balance of payments purposes) in sharp contrast to the surplus of \$491 million in 1952. While merchandise exports fell by \$185 million, imports rose by \$361 million. The rise in imports was due wholly to a rise of 9% in the volume of imports, with average prices almost unchanged. The decline in exports reflects a fall of less than 2% in volume and about 3% in price. The slight deterioration in the terms of trade in 1953 contributed to the appearance of a deficit on merchandise trade, but by far the most important factor was the increase in import volume.

total amount of the Third Victory Loan issue outstanding is \$847,136,050.

Fourth Victory Loan 3% Bonds issued on May 1, 1943 to mature on May 1, 1957 will be redeemed on October 1, 1954 at a price of 101.26 to holders. This price includes 1.26% which is interest accrued at the coupon rate for the period May 1, 1954 to October 1, 1954. The total amount of the Fourth Victory Loan issue outstanding is \$1,111,261,650.

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4,068,516 fine ounces of gold were mined last year, 403,209, or 9% less than in 1952.