

TRADE DEFICIT COVERED BY NET CAPITAL INFLOW

FIRST QUARTER 1954: Canada's transactions in goods and services with other countries resulted in a reduced current account deficit of \$170,000,000 in the first quarter of 1954, compared with a deficit of \$184,000,000 in the same 1953 period. Both merchandise exports and imports were lower than in the same period one year earlier but the greater fall in imports lowered the deficit on commodity trade by \$34,000,000. Net payments for invisibles, on the other hand, were larger by \$20,000,000, the Dominion Bureau of Statistics reported on June 15.

Canada has had quarterly deficits on current account continuously since the beginning of 1950, except for the fourth quarter of 1951 and during 1952. The current deficits of \$184,000,000 and \$191,000,000 in the first and second quarters of 1953, were reduced to \$13,000,000 and \$51,000,000 in the next two quarters.

Very heavy receipts from the sale abroad of new issues of Canadian securities were virtually sufficient to cover this year's first quarter deficit, but there was a sharp decline in the import of capital for direct investment in foreign-controlled enterprises in Canada. The sum of the net capital inflows of foreign direct investment capital, portfolio security transactions and government loan repayments was, however, unchanged from the fourth quarter of the year. Total official holdings of gold and foreign exchange rose by \$4,000,000 over the quarter; holdings of gold and United States dollars were increased by \$35,000,000 in the first two months but decreased \$26,-

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COARSE GRAINS EXPORT: Exports of Canadian oats, barley, rye and flaxseed were exceptionally large in the first nine months of the current crop year, the 143,200,000-bushel total of the four grains exceeding by some 8% the 132,800,000 bushels exported in the same 1952-53 period, according to the Bureau's coarse grains quarterly. Of the four, barley was the only grain moved in smaller volume than last year, but barley exports were at record levels in the 1952-53 crop year.

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Prince Edward Island is Canada's smallest province. Only about 120 miles long, it varies in width from two to 34 miles, has an area of 2,184 square miles. Its surface is rolling lowland and its soil is rich and sandy and of a dark red colour. About 85% of the area is cultivable and is particularly suited for growing potatoes which has become an Island specialty along with dairying and lobster fishing and canning.

000,000 in March. Other outflows of capital were much smaller.

On the exchange market the noon average price of the United States dollar in Canadian funds was 97.01 cents compared with 97.77 cents over the last three months of 1953. This price fell month by month from 99.44 cents in June, 1953, to 96.65 cents in February, 1954. Through March a rising trend was in evidence and the noon average was 97.08 cents, although market transactions were recorded on the final day at as high as 98.19 cents.

In the first quarter of 1954 the value of exports fell by \$49,000,000 and imports by \$83,000,000 compared to the period one year earlier. Both export price and volume were some 3% lower. Import volume fell almost 8%, but import prices rose slightly by contrast. The terms of trade deteriorated about 3.5% compared to the first quarter of 1953.

During the first quarter of 1954 portfolio security transactions resulted in a net capital inflow of \$171,000,000, which was the largest net quarterly movement into Canada since the spectacular inflow of \$304,000,000 in the third quarter of 1950, a period ending in the withdrawal of fixed exchange rates in Canada. The inflow reflected principally receipts of \$169,000,000 from the sale abroad of new issues of Canadian securities. A sharp decline occurred in the net inflow of foreign capital for direct investment in Canadian industry, which is tentatively estimated to have totalled \$65,000,000 in contrast to the inflows of \$108,000,000 in the preceding quarter and of \$103,000,000 in the corresponding quarter of 1953.

NEW COMMANDER: Brigadier Frederick A. Clift, DSO, ED, 46-year-old veteran infantry soldier of the Second World War and fourth officer to head a Canadian army operational force in peacetime, on June 11 arrived in Korea from Japan to take over the reins of command from Brig. Jean Victor Allard, who has led the Canadians for the past 14 months.

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LIAISON VISIT: Director of Military Training of Britain's War Office, Major-General R.C. Cottrell-Hill, CB, CBE, DSO, MC, will arrive in Ottawa later this month to start a three-week liaison visit to Canadian Army training schools and units.

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More than 1,000 soldiers of the 1st Commonwealth Division in Korea on June 11 participated in a late afternoon march past ceremony to celebrate the official birthday of Her Majesty, Queen Elizabeth II.