

reserves. The capital inflow in the latter half of the year has in fact tended to exceed the deficit on current account causing a firming in the external value of the Canadian dollar which toward the end of the year has been selling at a premium of close to 4 per cent on the U.S. dollar.

The imbalance in Canada's current external account is directly attributable to the stepped-up pace of industrial expansion. This growth is being achieved through increased reliance on financial and physical resources from abroad. The inflow of capital funds on the one hand and larger imports on the other provide the means whereby this foreign participation in Canada's growth is brought about.

Notwithstanding the size of the current deficit, the underlying soundness of Canada's external financial position is evidenced by the high cost to non-residents of Canadian dollars for investment in Canada. This position is further re-inforced by the current expansion in export industries and in other capacity which will provide domestic sources for goods now imported. . .

The Year Ahead

The Middle East crisis and other recent international events have introduced new elements of uncertainty into the world trade situation, the effects of which are not now discernible. Apart from these influences, the pressure of world demand on Canada's principal export materials is not presently as strong as a year ago. Nevertheless foreign markets for these commodities, with one or two exceptions, remain reasonably firm. In addition, expanded capacity in export industries will increase the volume of supplies available. The diversion of large quantities of Western Hemisphere oil to Europe will entail a further substantial rise in Canada's exports of petroleum, although distribution facilities will limit the extent of this movement. In addition much larger quantities of uranium concentrates will be moving into export channels during the coming year. More moderate increases will probably be realized in sales of a number of other commodities. Given sustained prosperity in the United States, total exports will continue at a high level.