CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

CURRENT ACCOUNT SURPLUS: Canada had a current account surplus of $151,000,000 in transactions with all countries in 1952 indicating a net export of capital, according to the Bureau's annual report on the Canadian Balance of International Payments released May 30. This surplus is in contrast to the deficits of 1950 and 1951 reflecting net imports of capital. In 1950 the excess of imports of goods and services was $334,000,000 while in 1951 the deficit rose to $517,000,000.

Most of this change occurred in the abrupt swing from a deficit to a surplus on commodity account. For the year as a whole, the trade balance shown in the balance of payments improved by $637,000,000 to reach a surplus of $490,000,000.

The main factor in the change in the trade balance was the improvement of the terms of trade by 13 per cent over 1951, which was due to a substantial fall in import prices while export prices were only slightly lower. The volume of both exports and imports increased sharply to new peaks. But as the percentage changes were not widely different, the effect of these increases on the commodity balance with all countries was overshadowed by the price changes.

The deficit on non-merchandise items was $339,000,000 in 1952, a decrease of $31,000,000 from 1951. While the balances on travel account and inheritances and migrants' account deteriorated, improvements in the other items and particularly on interest and dividend account more than offset this deterioration. The deficit from all of these transactions continues to be high because of large payments on income and travel account and for business services.

An important development in 1952 was the increase from $434,000,000 to $1,004,000,000 in the surplus with overseas countries. It was this change, rather than the decrease of $98,000,000 in the deficit with the United States, which mainly accounted for the improvement of $668,000,000 in the current account balance. Considering the post-war period only, the surplus of $1,004,000,000 with overseas countries in 1952 was exceeded only by the surplus of $1,183,000,000 in 1947.

The increase in the surplus with overseas countries was distributed over all the overseas areas or countries shown in the balance of payments, with the United Kingdom and other sterling area countries accounting for about half of the change.

Along with the improvement in the commodity balance, a dominating factor in the balance of payments in 1952 was the continued large inflow of funds for direct investment and from the sale of new Canadian issues abroad. While the change in the current account balance was the main factor in raising the exchange rate during 1952, the heavy capital inflows of the past few years have been a sustaining underlying force behind the high value of the Canadian dollar. The movement in the exchange rate during 1952 led, however, to heavy equilibrating outflows of capital through liquidations by non-residents of holdings of outstanding Canadian securities and through short-term movements. Capital outflows on balance actually exceeded the heavy inflows for long-term investment by $151,000,000.

Inflows of capital into Canada for direct investment in foreign-controlled companies and branches have risen year by year since the end of the war. Inflows in the past three years of large resource development have been particularly heavy, rising from $222,000,000 in 1950 to $309,000,000 in 1951 and $332,000,000 in 1952. Most of the inflows have been from the United States, and investments in petroleum exploration, development, and refining have been a major element of the total, amounting to $124,000,000 in 1952. In addition, inflows financing associated transportation facilities were heavy, bringing the total inflow into the petroleum industry to more than one-half the gross inflow for direct investment. Further financing of resource development were the inflows connected with mining, which rose sharply to $90,000,000 for the year.

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THE EXPANDING CANADIAN ECONOMY
(Continued from P.3)

Great Bear Lake is no longer our sole producer. Indeed, when Eldorado Mining and Refining's new property in the Beaverlodge Lake area of northern Saskatchewan comes into full operation its production may be more than double Port Radium's.

"And finally, let me just mention three developments in lead and zinc. First of all, in my native Nova Scotia the former Sterling mine on Cape Breton Island has been in full swing for a number of months now. The recent discovery of giant lead-zinc deposits in northwestern New Brunswick has been hailed as one of the most epic events in the whole history of the Canadian mining industry. Two thousand miles from there, extensive deposits at Pine Point on the south shore of Great Slave Lake are being thoroughly explored as the possible site of a really large-scale mining operation....

"One measure of this country's industrial growth is to be found in the use of our water-power resources. Our hydro-electric capacity has increased from 8.3 million horsepower in 1939 to 14.3 million horsepower today, or by nearly 75 per cent. We have been adding to it at more than two and one-half times the prewar rate. The total output of our manufacturing industries has grown to almost double its prewar size.