

official contributions amounted in the quarter to \$8 million compared to \$11 million in the same quarter of 1958. All other current transactions gave rise to a deficit of \$73 million in 1959 compared to \$79 million in the same quarter of 1958. This was partly because payments had been unusually high in this quarter last year due to some non-recurring government settlements. But while some other official transactions were also less this year, there were general increases in transactions in services by business and individuals.

TRANSACTIONS BY AREAS

The current account deficit with all countries rose even more sharply than with the United States, where the rise was about one-third from \$320 million in the first quarter of 1958 to \$428 million in the first quarter of 1959. This was because of an abrupt change in the account with overseas countries from a surplus of \$38 million to a deficit of \$22 million in 1959. This latter change was distributed among transactions with the rest of the Sterling Area, OEEC countries, and other foreign countries. The surplus with the United Kingdom continued at \$12 million.

CAPITAL MOVEMENTS

Capital movements in such long-term forms as direct investment, portfolio security transactions, and official loans led to a net capital inflow of \$235 million in the first quarter, equivalent to slightly more than half the deficit on current account in the period. Other capital movements mainly in short-term forms, totalled \$215 million. The inflow in long-term forms in the first quarter of the year customarily falls short of the current account deficit; on three earlier occasions in the 1950's the shortfall was relatively greater than in the current year.

The net movement of foreign capital into Canada for direct investment in foreign-controlled enterprises during the first quarter is tentatively placed at \$70 million which is close to the lowest level recorded since 1951. It represents a sharp drop from the movement of \$130 million in the final quarter of 1958, but that quarter was influenced by transfers in anticipation of 1959 capital requirements. The first quarter inflow has customarily been lower than average and the figure for 1959 may be compared to \$85 million for the corresponding quarter of 1958.

Inflows for the development of petroleum and mineral resources continued to represent by far the largest part of the net movement, although at a reduced level compared with a year earlier. The outline of the geographical origin of the inflows was broadly similar with some indication that a slightly higher proportion of the movement came from the United States.

It is tentatively estimated that no net balance resulted from movements of Canadian capital for direct investment abroad during

the quarter, outflows having been offset by roughly equivalent returns of capital. This result compared with outflows of \$5 million in the final quarter of 1958 and \$15 million in the first quarter of that year.

Transactions in Canadian portfolio securities led to a net capital inflow of \$163 million. This compared with \$124 million in the final quarter of 1958 and \$154 million in the first quarter of that year. The total of \$163 million included net sales to non-residents of \$35 million outstanding Canadian bonds and debentures, \$33 million outstanding Canadian common and preference stocks and \$133 million of new issues of Canadian securities, offset to the extent of \$38 million by retirements of foreign-held Canadian securities.

The substantial net sales of outstanding Canadian bonds and debentures, made up largely of Government of Canada direct and guaranteed issues represented a further growth over the fourth quarter, when net sales occurred for the first time since the first quarter of 1956. The sale to non-residents of \$133 million of new Canadian issues comprised \$112 million of government issues chiefly made up of provincial, and \$21 million of corporate bonds and stocks. More than half of the \$38 million of foreign-held bonds retired during the quarter were issues of the Government of Canada.

There was a capital outflow of \$14 million during the quarter arising from reductions in Canadian dollar holdings of foreigners. Outflows of \$9 million and \$16 million occurred, respectively, in the final and first quarters of 1958, but in the intervening quarters Canadian dollar holdings of foreigners rose by \$130 million.

A capital inflow of \$49 million occurred from the exchange transactions of the Government of Canada, including the operations of the Exchange Fund Account. Official holdings of gold and United States dollars, expressed in terms of United States currency, were decreased from \$1,939.1 million at December 31, 1958 to \$1,888.3 million at March 31, 1959.

Other capital movements appear on balance to have resulted in an inflow of \$180 million; large inflows in this item are characteristic of the first quarter.

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SEAWAY - FIRST MONTH

During May, the first complete month of operation of the St. Lawrence Seaway, 2,243,450 tons of cargo were carried through the St. Lawrence River canals, according to a preliminary statement of toll traffic issued by the Canadian and United States Seaway authorities. This volume of cargo was being transported by 980 vessels, the aggregate gross registered tonnage of which was 2,898,800. As compared with May 1958, when the 14-foot canals were in operation, the increase in cargo was 741,360 tons, or 49 per cent.