

CATALOGUE No.

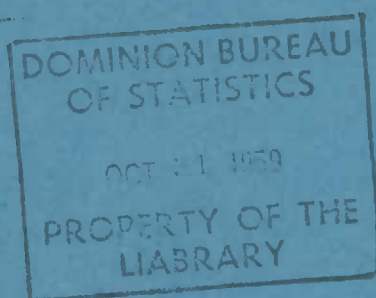
67-201

ANNUAL



CANADA

THE CANADIAN BALANCE
OF
INTERNATIONAL PAYMENTS, 1959
AND
INTERNATIONAL INVESTMENT POSITION



DOMINION BUREAU OF STATISTICS

International Trade Division

Balance of Payments Section

DOMINION BUREAU OF STATISTICS

International Trade Division

Balance of Payments Section

THE CANADIAN BALANCE
OF
INTERNATIONAL PAYMENTS, 1959
AND
INTERNATIONAL INVESTMENT POSITION

Published by Authority of

The Honourable Gordon Churchill, Minister of Trade and Commerce

October, 1960
7503-501

Price 75 cents

The Queen's Printer and Controller of Stationery, Ottawa, 1960

SYMBOLS

The interpretation of the symbols used in the tables throughout this publication is as follows:

- nil or less than \$0.5 million (less than \$50 million in case of tables in billions of dollars).
 - .. figures not available.
 - ° preliminary estimate.
 - * revised figures.
 - x new series not strictly comparable with earlier years.
-

Quarterly estimates of the Canadian Balance of International Payments are published under DBS Catalogue No 67-001 (quarterly) \$1.00 per year.

Subscription orders should be sent to the Information Services Division, Dominion Bureau of Statistics, Ottawa, Canada, with enclosed remittance made payable to the Receiver General of Canada.

TABLE OF CONTENTS

	Page
The Canadian Balance of International Payments, 1959:	
Summary	5
Variability in Balance on Merchandise Trade	6
Rising Deficit on Account of Non-Merchandise Transactions	7
Quarterly Movements	8
Bilateral Changes	10
Major Components of the Current Account	14
Capital Movements:	
Summary	29
Direct Investments	31
Transactions in Portfolio Securities	34
Other Capital Transactions	38

Canada's International Investment Position:

General Review	43
Foreign Financing of all Canadian Investment	47
Foreign Ownership and Control of Canadian Industry	49

LIST OF STATEMENTS

1. Summary of the Balance of Payments between Canada and All Countries, 1953-59	5
2. Quarterly Current Account Balances between Canada and the Principal Countries and Areas, 1957-59	8
3. Foreign Exchange Rates: U.S. Dollar in Canada, 1958 and 1959	9
4. Summary of Current Account Balances between Canada and the Principal Countries and Areas, 1949-59	10
4 A. Summary of Canada's Current Transactions with the United States and with Overseas Countries, 1949-59	11
4 B. Origin and Use of Multilateral Settlements between Canada and the United States, 1952 and 1959	14
5. Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports, 1950-59	17
6. Adjustments to Merchandise Trade, 1958 and 1959	17
7. Major Components of Canada's Current Account with All Countries, 1951-59	18
7 A. Non-Merchandise Current Transactions between Canada and Other Countries, 1949 and 1959	18
8. Travel Expenditures between Canada and Other Countries, 1948-59	19
9. Receipts and Payments of Interest and Dividends between Canada and Other Countries, 1946-59	20
9 A. Industrial Distribution of Dividend Payments on Direct and Portfolio Investments, 1958	21
9 B. Industrial and Country Distribution of Dividend Payments, Selected Years 1938-58	23
9 C. Industrial Distribution of Dividend Payments to Non-Residents, Selected Years 1939-58	24
9 D. Industrial Distribution of Dividend Payments to the United States by Canadian Companies Controlled in the United States, Selected Years 1938-58	25
10. Freight and Shipping Transactions between Canada and Other Countries, 1952-59	26
11. Miscellaneous Current Transactions with All Countries, 1952-59	29
11 A. Changing Character of Capital Movements, 1955-59	30
12. United States Direct Investment in Canada, 1946-59	32
12 A. Additional Detail of United States Direct Investment in Canada, 1958 and 1959	32
12 B. Estimated Profits Retained on Foreign Direct Investments in Canada, 1946-58	34
13. Transactions in Canadian Securities between Canada and Other Countries, 1958 and 1959	36
13 A. Contract and Delivery Dates of New Issues of Canadian Bonds and Debentures Sold to Residents of the United States, 1958 and 1959	37
14. Transactions in Foreign Securities between Canada and Other Countries, 1958 and 1959	38
14 A. Transactions with Non-Residents in Canadian Treasury Bills, 1959	39
15. Composition of "Other Capital Movements", 1946-59	42
16. Canada's Balance of International Indebtedness, Selected Year Ends, 1926-59	44
17. Value of Non-Resident Owned Investments in Canada, Selected Year Ends, 1900-59	44
18. Value of United States Investments in Canada, Selected Year Ends, 1926-59	44
19. Direct Investment in Canada by Countries other than the United States and United Kingdom, End of 1955 and 1957	45

TABLE OF CONTENTS – Concluded

	Page
20. Change in Recorded Number of Canadian Concerns in which Foreign Capital is Invested, 1958	46
21. Canadian Direct Investment Abroad, Geographical Distribution, Selected Year Ends, 1949-58.....	46
22. Canadian Investment in Latin American Republics, Selected Year Ends, 1954-58	47
23. Non-Resident Equity and Control of Canadian Direct Investments Abroad, Selected Year Ends, 1954-58	48
24. Foreign Financing of All Canadian Investment, 1946-59	49
25. Use of Foreign and Domestic Resources in Gross Capital Formation in Canada, 1946-59	50
26. Detail of Foreign Investment in "Miscellaneous Investments" Category, Year Ends, 1952-58.....	52

LIST OF TABLES

I. Current and Capital Account of the Canadian Balance of International Payments, 1958 and 1959	55
II. Annual Statements of the Canadian Balance of International Payments, 1946-59	56
III. Current Account Between Canada and All Countries, 1926-59	59
IV. Quarterly Estimates of the Canadian Balance of International Payments, 1957-59	60
V. The Canadian Balance of International Indebtedness, Selected Year Ends, 1926-59.....	64
VI. Canada's Official Holdings of Gold and United States Dollars, 1950-59	64
VII. Canadian Long-Term Investments Abroad, Selected Year Ends, 1926-58	65
VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930-58, by Type of Security and Nature of National Ownership	66
IX. Foreign Capital Invested in Canada, Selected Year Ends, 1930-58, by Type of Investment	68
X. Foreign Direct Investment in Canada, Selected Year Ends, 1930-58, by Type of Business	69
XI. Number of Canadian Concerns Controlled Abroad, End of 1958, by Country of Ownership and Type of Business	70
XII. Non-Resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-57	70
XIII. Estimates of Foreign Capital Invested in Canada, Selected Year Ends, 1900-59	71
XIV. Non-Resident Control as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-57	71
XV. Ownership and Control of Selected Canadian Industries, 1955-57	72
XVI. Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Industries, Year Ends, 1954-57	74

THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1959

Summary

The most outstanding features of the Canadian balance of payments in recent years have been the high levels of current transactions accompanied by a large imbalance on current account which has been financed by substantial inflows of capital. For a long period inflows of capital have consistently financed significant shares of investment in Canada and large amounts of inflows have been made up of transfers for direct investments initiated by non-residents as well as of borrowing by Canadian residents.

The deficits on current account have originated from transactions in both goods and services. In the case of the import balance from merchandise trade, these have fluctuated chiefly because of a greater variability in imports than in exports. Along with the deficit on merchandise trade there has been a growing imbalance from payments for services and other current transactions. This has represented a major proportion of the current account deficit in all but one year in the past decade.

In 1959 the imbalance from both merchandise trade and non-merchandise transactions rose raising the current account deficit from \$1,131 million in 1958 to \$1,429 million in 1959, a total only slightly less than the peak imbalance of \$1,455 million in 1957. The deficit on merchandise trade

more than doubled with a rise from \$179 million to \$380 million and the balance on non-merchandise transactions rose by more than 10 per cent from \$952 million to a new high level of \$1,049 million. While the deficit from merchandise trade was much less than in 1957, the deficit from other transactions was significantly larger than then and represented 73 per cent of the total. Increases in net payments arose from most types of transactions.

The rise in the current account deficit reflects higher economic activity both in Canada and abroad resulting from continued recovery from the recession of 1957 and 1958. The impact of rising demands was greater on imports of goods and services than on exports and was augmented by financial pressures affecting capital markets.

An unusual development in 1959 was the appearance of a deficit with overseas countries for the first time during the long period in which official balance of payments statements have been prepared. This current deficit with overseas countries of \$214 million contrasts with surpluses formerly characteristic of transactions with this group of countries, and is additional to the current deficit of \$1,215 million with the United States. The surpluses from transactions with overseas countries formerly characteristic had been contracting each year since 1952.

STATEMENT 1. Summary of the Balance of Payments between Canada and All Countries, 1953 - 59

Account	1953	1954	1955	1956	1957	1958	1959	Change in 1959
millions of dollars								
Merchandise exports (adjusted)	4,152	3,929	4,332	4,837	4,894	4,887	5,153	+266
Merchandise imports (adjusted)	4,210	3,916	4,543	5,565	5,488	5,066	5,533	+467
Balance on merchandise trade	- 58	+ 13	- 211	- 728	- 594	- 179	- 380	-201
Other current receipts	1,339	1,307	1,518	1,784	1,621	1,550	1,643	+ 93
Other current payments	1,724	1,752	2,005	2,422	2,482	2,502	2,692	+190
Balance on non-merchandise transactions	- 385	- 445	- 487	- 638	- 861	- 952	-1,049	- 97
Current account balance	- 443	- 432	- 698	-1,366	-1,455	-1,131	-1,429	-298
Direct investment in Canada	+ 426	+ 392	+ 417	+ 583	+ 514	+ 420	+ 500	+ 80
Net new issues of Canadian securities	+ 189	+ 128	- 18	+ 526	+ 665	+ 519	+ 459	- 60
Net trade in outstanding Canadian securities ..	- 31	+ 63	- 27	+ 199	+ 92	+ 88	+ 202	+114
All other capital movements	- 141	- 151	+ 326	+ 58	+ 184	+ 104	+ 268	+164
Net capital movement	+ 443	+ 432	+ 698	+1,366	+1,455	+1,131	+1,429	+298

Note: Mutual Aid to NATO countries is not included in either current receipts or payments.

Capital inflows in 1959 were less concentrated in business forms of investment than formerly as more of the total was made up of sales of government and municipal bonds to non-residents. More of Canadian investment in 1959 was in social capital and in other forms financed by government than was the case several years earlier. The total of all private and public investment in Canada was slightly larger in 1959 than in 1958 but less than in 1957 when investments of business capital were heaviest. And with conditions in changing Canadian capital markets and high interest rates there was more borrowing abroad through sales of government and municipal bonds. At the same time capital inflows for business forms of investment still made up the largest part of the total, although less than in preceding years. Less of the current account deficit was financed by long-term forms of capital in 1959 than in the previous year.

In recent years foreign resources have been used to finance a third or more of net capital formation in Canada. In some areas of investment the use of foreign resources has been relatively much more than this and in some resource industries and sectors of secondary industry a major share of financing has been from abroad. This has led to the rising ratios of non-resident ownership and control of Canadian industries described in detail elsewhere in this report.

A direct effect of the sustained imports of capital has been a rapid rise in Canadian indebtedness to other countries. In the decade there has been a fourfold rise in net indebtedness to other countries, from \$3.8 billion in 1949 to \$15.3 billion at the end of 1959 with the largest part of this rise occurring during the second half of the decade. The principal factor leading to this change has been the rise in long-term investments in Canada owned by non-residents which have risen from \$8 billion to \$20.7 billion. Although non-resident ownership is widely distributed throughout Canadian business and public issues of securities, the heaviest concentrations have been in industry, particularly in petroleum, and mining and smelting, and in other basic resource industries and in some groups of secondary manufacturing.

Variability in Balance on Merchandise Trade

The balance on merchandise trade has varied widely from year to year during the past decade. With such high levels of both exports and imports it has not taken much relative change in either to produce much greater proportional variations in the balance. Thus, the import balance more than doubled between 1958 and 1959 as the rate of increase in imports was greater than in exports. But the import balance itself of \$380 million in 1959 only represented a small ratio, less than 4 per cent, of a value of total merchandise trade of \$10.7 billion. In the final quarter of 1959 just the opposite change occurred as a small export balance appeared from a greater rise in exports than in imports. Import bal-

ances, however, have been generally characteristic of the past decade as both the value and volume of imports have risen much more than exports.

A great many developments both at home and abroad play their part in bringing about these variations in the merchandise balance, as the influences of such broad and diverse changes come together in the balance of payments. And the long-run consequences of such major changes as have occurred are in turn obscured by the more immediate changes brought about by shorter run variations in relative economic activity in Canada and elsewhere. Thus, the resource and industrial expansion in Canada which has been characteristic of the past decade has contributed to higher levels of both exports and imports, although with unequal effects in the various stages of development. Likewise expansion abroad has created changing sources of supply as well as altered external demands for Canadian commodities.

Much of Canadian development in the past decade has been directed towards the creation of new export capacity as new resources have been opened up or additional capacity added to existing facilities of older basic industries. Some new investments have also been in areas where they displaced imports. The process of this growth and expansion has at the same time acted to extend Canadian demands for imported goods and services in many ways both directly and indirectly.

Increased export capacity has been particularly notable in such basic fields as minerals, metals and forest products and has been leading to more diversification in Canadian exports. With such a concentrated expansion in production facilities not all of the capacity has been fully engaged. There was, consequently, scope for the sharp rise which occurred in Canadian exports in the latter part of 1959 when demands from overseas countries as well as from the United States rose. Up until then exports had not changed greatly in total for several years, although substantial changes were occurring in the composition of the totals as some commodities rose while other commodities fell off.

Canadian imports in turn have been influenced to a marked degree by changes in economic activity in Canada, and in the various areas of demand so affected. Usually fluctuations in imports have been considerably wider than variations in Canadian economic activity. At the same time there has been a general rise in the level of Canadian imports which seems to reflect rising population, higher and more widely distributed incomes, and changing tastes and sources of supply for many kinds of imports. Imports of fully manufactured goods in recent years have made up more than three-quarters of the total and this type of import has been rising sharply from overseas sources as well as from the United States.

The periods of highest imports in recent years have coincided with periods of heaviest pressures of internal demands like 1956-57 and 1959. The peak total occurred in 1956 when imports of steel,

pipe and machinery required for investment projects were at their greatest. The total of imports for 1959 while only slightly less contained larger amounts of many consumer goods and other commodities than in 1956, although less of the investment goods and materials which were such a significant part of the earlier period.

Rising Deficit on Account of Non-Merchandise Transactions

Besides commodity trade Canada has a large and growing volume of payments for non-merchandise transactions with other countries. These groups of transactions have comparable effects upon the balance of payments to commodity exports and imports as they represent for the most part receipt and expenditure of current income.

Payments made by Canada for non-merchandise transactions have been growing more than receipts during the post-war period. During the 1950's the excess of these payments over receipts has trebled with the sharpest gains in the past five years. The deficit from non-merchandise transactions which was \$344 million in 1950, and much less before then, has risen each year with the exception of 1952, and reached a level of \$1,049 million in 1959. Statistics showing the main components contributing to these deficits appear in Statements 7, 7A, 8, 9, 10, and 11.

The range of services and other items covered by non-merchandise transactions is very wide as economic contacts between Canada and other countries have increased in many ways. There have been such effects as those from the spreading network of international investments and from higher incomes combined with increased mobility and closer communications. Increased migration has also played a part. There have also been significant groups of transactions connected with joint defence undertakings and economic aid. Thus, large parts of the non-merchandise transactions are related to Canada's rising balance of indebtedness to other countries, while other parts seem to accompany rising incomes in Canada and changing international responsibilities of the Canadian nation. To no small extent an expansion in the volume and range of expenditures on services is a concomitant of high incomes and living standards in the contemporary world.

The rising balance of Canadian indebtedness, both directly and indirectly, contributes to the deficit from non-merchandise transactions. Net payments of interest and dividends to non-residents are the chief direct effect. These amounted to \$473 million in 1959 and in addition there were net payments of miscellaneous income items of \$42 million. There were also payments to head offices and related companies abroad on account of business services of various kinds arising out of the existence of the investments. Payments of this kind have been rising rapidly and now exceed \$125 million. Some of the payments are connected with the establishment of the investment, a stage when en-

gineering and technical services provided by head offices or related sources are used extensively. Later when the investment becomes a going concern payments arise out of operations, these being made to cover head office charges for services of various kinds and payments for business services provided by related sources outside of Canada.

The area of expenditures where higher Canadian incomes combined with increased mobility have had the most apparent effects has been international travel. Canadian expenditures on travel in the United States and overseas have risen much more sharply than non-resident travel expenditures in Canada, and net payments amounted to \$200 million in 1959. Wider ownership of automobiles in Canada and the increasing mobility which this brings have drawn many Canadian travellers to the United States, and the existence there of southern resorts and other year-round inducements to travel, combined with rapid communications have further stimulated the Canadian travel flow to the United States. The rapidly rising volume of Canadian travel overseas has been made possible by high incomes and widening facilities for extended travel. The large group of the Canadian population that has migrated to Canada during the post-war period has also increased the links with overseas and provided notable inducements for travel to the United Kingdom and Europe. On the other hand while non-resident travel to Canada has also been rising with a particularly notable rise in 1959, this has been rising less than United States travel overseas which has had the stimulus of new facilities including better communications to most parts of the overseas world.

Government expenditures have also been giving rise to net expenditures abroad in recent years in comparison with net receipts a few years earlier. For the most part these have arisen out of defence responsibilities and economic aid. While Canadian expenditures on official contributions of various kinds have been higher than formerly, there have been less expenditures by other governments on defence installations in Canada than occurred between 1955 and 1957. At the same time Canadian expenditures on the maintenance of military establishments in NATO countries abroad have continued to be substantial.

Various other factors have contributed to the rising payments to other countries. Deficits of significant size have arisen in recent years from freight and shipping transactions. These have been a reflection of changes in the direction and composition of trade as well as a growing dependence upon non-resident vessels for transportation as the Canadian merchant marine diminishes. Personal transfers from Canada of growing proportions have been the reflection of a large volume of migration in the post-war period. This has given rise to substantial remittances overseas by new residents and also to withdrawals of funds by outward migrants which exceed the large inward transfers of funds by immigrants.

The use of non-resident business services has been growing too for reasons not directly related to the establishment and growth of non-resident direct investments already referred to above. This often is a reflection of rising income creating new types of demands, changing technology, and a rise in the size and complexity of the business community and its needs. The rising costs of services which have often tended to lag behind other prices have also played a part in the higher levels of payments in recent years. It is also notable that gold production available for export, a substantial source of receipts classified among the non-merchandise transactions, has been subject for a long time to factors dampening its growth.

Quarterly Movements

The current account deficit which recorded a steady growth (after allowance for normal seasonal variations) during 1958, continued to rise in the first quarter, remained at the same level in the second, rose again in the third and fell sharply in the fourth quarter. Merchandise exports rose throughout 1959, while imports advanced for the first three quarters; and the singular development in the last quarter was attributable to a substantial rise in merchandise exports, a smaller decline in merchandise imports, offset in part by a gain in net payments on non-merchandise transactions. While the rising deficit was generally related to the higher levels of economic activity and incomes in Canada the decline in the final quarter partly reflects the special effects upon Canada's merchandise balance

of industrial disputes in the United States together with heavy overseas demands for Canadian exports.

All the non-merchandise items, with the exception of migrants' funds and inheritances, contributed to the rising course in most quarters and in the year in the deficit on "invisible" transactions. The declining tendency in 1958 in gold production available for export was extended in 1959. The level reached in the second half of 1958 in the deficit on travel account was fairly well maintained during 1959, except for a temporary amelioration in the second quarter. Receipts on travel account stabilized after rising until the second quarter, while payments continued to increase, except for heavier travel expenditures due to the earlier incidence of Easter in the first quarter of the year. Deficit on income account rose irregularly during the year, as did receipts and payments of interest and dividends. Net payments on freight and shipping remained stable during the twelve month period from the third quarter of 1958 to the second quarter of 1959, followed by a rise to a higher level. Payments for freight and shipping services increased steadily during the period, while receipts, which had remained relatively unchanged during the year ending in the March quarter, increased irregularly thereafter. Deficit arising from migrants' funds and inheritances fluctuated within a narrow range in 1959, when net payments were somewhat lower than in 1958. Deficit on other current transactions rose during 1959 when receipts flowed irregularly, and quarterly increases occurred in payments, as compared with a generally unchanging level over the quarters in 1958.

STATEMENT 2. Quarterly Current Account Balances between Canada and the Principal Countries and Areas, 1957-59

Country or area	1957				1958				1959			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
millions of dollars												
United States	-484	-565	-221	-309	-314	-389	-160	-313	-392	-365	-183	-275
United Kingdom	+ 19	+ 27	+ 45	+ 27	+ 1	+ 20	+ 20	+ 63	+ 12	+ 6	- 20	+ 49
Other sterling area	+ 10	- 8	- 12	+ 14	+ 37	+ 10	+ 5	+ 17	+ 27	- 11	+ 2	+ 6
Other countries ¹	+ 18	+ 1	- 24	+ 7	- 16	+ 28	- 72	- 68	- 62	- 63	-104	- 56
All countries	-437	-545	-212	-261	-292	-331	-207	-301	-415	-433	-305	-276

¹ Includes other OEEC countries.

In each quarter of the year 1959 the imbalance in the current account financed by capital inflows was substantial. Actual deficits in each of the four quarters of \$415, \$433, \$305, and \$276 millions respectively were higher than in 1958 in all except the fourth quarter. The higher of these amounts have only been exceeded in a few periods of heavy pressures in the past.

Movements into Canada of capital in the long-term forms shown separately in the quarterly estimates of the balance of payments have long tended to be less heavily concentrated in the early part of the year than the current account deficit. In 1958 some 55 per cent of the current account deficit was incurred in the first half, while some 53 per cent of the capital inflow in long-term forms occurred in

the same period. The relative difference had declined each year since 1953. In 1959 the direction of this trend was reversed. Relatively more of the current account deficit, 59 per cent, and relatively less of the capital inflow in long-term forms, 48 per cent, occurred in the first half than in 1958. This change occurred despite the incidence of some extraordinarily large non-recurring capital inflows in the first half of 1959.

During the first quarter of the year when 29 per cent of the current account deficit was incurred, 64 per cent of it was financed by capital inflows in long-term forms. Inflows of foreign direct investment capital were at their lowest level since 1955, but there were large inflows from security transactions. The decline in the proportion of the current account deficit covered by long-term inflows from 74 per cent a year earlier reflected widening imbalance on current account, as long-term inflows increased by almost a quarter. In the second quarter, when 30 per cent of the current account deficit was incurred, only 53 per cent was covered by long-term inflows in sharp contrast with the 98 per cent covered a year earlier. The second quarter was marked by a very sharp increase in inflows for direct investment. This included a substantial net movement for the acquisition of existing Canadian-owned interests in several concerns, although there were at the same time also several instances where Canadians acquired from non-residents control of concerns in Canada. The growth in direct investment inflows, however, was more than offset by a decline in net sales of Canadian securities from the extraordinarily high levels previously recorded.

The third quarter saw 21 per cent of the current account deficit, a somewhat higher proportion of the year's total than is customary. Direct investment inflows fell to their lowest level since 1952 but sales of Canadian securities rose, and inflows of capital in long-term forms covered 83 per cent of

the deficit. This was, however, the first year since the inauguration of official quarterly statistics of capital movements in which inflows in long-term forms in the third quarter failed to cover the deficit in this period. In the fourth quarter of 1959 this condition was reversed. After four consecutive quarters during which they covered a smaller proportion, capital inflows in long-term forms were 3 per cent larger than the current account deficit. The deficit in the fourth quarter fell below that in the third for the first time in many years, but inflows in long-term forms continued to rise. This change occurred despite a substantial quota payment in gold to the International Monetary Fund and reflected a very substantial growth of direct investment inflows to a near record. A smaller part of this movement than has been usual in periods of peak inflow in the past reflected non-recurring purchases of existing assets or anticipatory financing. Net sales of Canadian securities although somewhat reduced continued to reflect a very substantial inflow of capital.

The Canadian dollar continued to be in strong demand in the world's exchange markets in 1959. The price of the United States dollar in Canada fell from 96.44 cents at the end of 1958 to 95.22 cents at the end of 1959, the lowest year-end quotation for many decades. It moved through a high of 98.19 cents in February and a low of 94.56 cents in November, a trading range which was slightly wider than in 1958. In general the exchange value of the United States dollar in Canada rose until mid-February, then declined for more than eight months. A sharp rise of about one cent occurred in mid-November but was not sustained. The average noon rates from March to October were each lower than for the preceding month. Quarterly highs, lows and averages appear in Statement 3. The noon average for the year as a whole of 95.90 cents compared with 97.06 cents in 1958, and was about the same as in 1957.

STATEMENT 3. Foreign Exchange Rates: U.S. Dollar in Canada, 1958 and 1959

Quotations reported on transactions between banks in the exchange market

Quarter	1958			1959		
	High	Low	Noon average	High	Low	Noon average
Canadian cents per unit						
I	99.16	97.44	98.11	98.19	96.47	97.05
II	97.41	95.75	96.64	96.75	95.41	96.17
III	98.28	95.84	96.70	96.00	94.66	95.45
IV	97.59	96.31	96.79	95.59	94.56	94.97
Year	99.16	95.75	97.06	98.19	94.56	95.90

Note: Closing Quotations: 1957, 98.40625; 1958, 96.4375; 1959, 95.21875.
Source: Bank of Canada.

Bilateral Changes

A characteristic bilateral pattern of the Canadian balance of payments, which lasted over a long period covering a number of decades, was the existence of large current surpluses with overseas countries which were used to settle current deficits with the United States. This pattern has been undergoing significant changes and in 1959 a deficit with overseas emerged for the first time in many decades.

In the earlier post-war years the prevailing pattern was accentuated by shortages of commodities overseas and by the process of rehabilitation then

underway. In more recent years developments overseas have brought about many changes in world supply and these have contributed in many ways to the altered pattern in Canada's trade described below.

Recent changes in the pattern have been underway over a considerable period. Following 1955, while current surpluses with overseas continued to diminish, the current deficits with the United States shifted to much higher levels. Smaller surpluses with overseas countries resulted from a combination of growing deficits from non-merchandise transactions and a decline in surpluses from merchandise trade.

STATEMENT 4. Summary of Current Account Balances between Canada and the Principal Countries and Areas, 1949-59

Country or area	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	Change in 1959
millions of dollars												
United States	-601	-400	-951	-849	-904	-807	-1,035	-1,639	-1,579	-1,176	-1,215	- 39
United Kingdom	+446	+ 24	+223	+388	+133	+229	+ 330	+ 252	+ 118	+ 104	+ 47	- 57
Other sterling area	+135	- 23	- 24	+114	+ 83	+ 44	+ 60	+ 48	+ 4	+ 69	+ 24	- 45
Other OEEC countries ..	+176	+112	+218	+325	+172	+107	+ 51	+ 51	+ 67	+ 41	- 102	-143
Overseas territories ¹	+ 9	- 4	+ 5	+ 7	+ 1	- 14	- 27	- 34	- 37	- 33	- 42	- 9
Other countries	+ 12	- 43	+ 12	+179	+ 72	+ 9	- 77	- 44	- 28	- 136	- 141	- 5
All countries	+177	-334	-517	+164	-443	-432	- 698	-1,366	-1,455	-1,131	-1,429	-298

¹ Overseas territories of other OEEC countries.

The declining tendency accelerated in 1959, when the current account balance with overseas countries changed from a surplus of \$45 million in 1958 to a deficit of \$214 million, as seen in Statement 4A. This turn-around in the balance developed from a rise of more than 10 per cent in the current payments and a virtual stability in the receipts between the two recent years. The gain in payments was both for merchandise imports and for non-merchandise transactions, with the former advancing more sharply.

In comparison with 1949, when Canada had current account surpluses with each of the overseas areas, modest credit balances remained in 1959 with the United Kingdom and the Rest of the Sterling Area, while fairly substantial current deficits developed with the other OEEC countries, their overseas territories and all other countries. These overseas countries contributed over 60 per cent of the \$1.6 billion change during the eleven year period from a current account surplus of \$177 million in 1949 with all countries, to a deficit of \$1,429 million in 1959. Among the overseas group, the United Kingdom was responsible for 25 per cent and other OEEC and their dependent territories a further 20½ per cent of the change. The OEEC group of countries accounted for over 50 per cent of the 1959 rise in the current account deficit with all countries, when Canada's trade in goods and services with the other metropolitan OEEC countries recorded a deficit for the first time.

While commodity exports to the United States more than doubled between 1949 and 1959, exports to overseas countries increased approximately one-third, with the level of total shipments remaining unusually stable over the four years since 1956. Imports from overseas, which gained more strongly in 1959 than from the United States, more than doubled since 1949, which was a larger relative rise than has occurred in imports from the United States in the same period.

Following a decline in the previous year, receipts in 1959 from non-merchandise transactions with overseas countries recovered to about the level for 1956, and approximately 30 per cent above the total for 1949. Similar receipts from the United States were nearly 60 per cent higher than in 1949. Payments for services to overseas, which have risen steadily each year, were nearly 3 1/3 times the 1949 level, while payments to the United States had not quite doubled during the eleven year period.

In this period the balance on non-merchandise transactions with overseas countries turned from a surplus of a fair size to a heavier deficit, representing a net change of over \$450 million in enlarged net payments. This increase for overseas countries did not quite match a rise in deficit of \$475 million with the United States from the same group of transactions. Contributing to the growth in deficit with overseas countries have been higher payments on

STATEMENT 4 A. Summary of Canada's Current Transactions with the United States and with Overseas Countries, 1949-59

Year	Merchandise exports ¹		Other current receipts ¹		Total current receipts ¹		
	United States	Overseas countries	United States	Overseas countries	United States	Overseas countries	All countries
millions of dollars							
1949.....	1,521	1,468	748	352	2,269	1,820	4,089
1950.....	2,046	1,093	831	270	2,877	1,363	4,240
1951.....	2,326	1,624	852	364	3,178	1,988	5,166
1952.....	2,346	1,993	928	391	3,274	2,384	5,658
1953.....	2,458	1,694	985	354	3,443	2,048	5,491
1954.....	2,355	1,574	951	356	3,306	1,930	5,236
1955.....	2,598	1,734	1,102	416	3,700	2,150	5,850
1956.....	2,854	1,983	1,161	466	4,015	2,449	6,464
1957.....	2,931	1,963	1,139	482	4,070	2,445	6,515
1958.....	2,908	1,979	1,102	448	4,010	2,427	6,437
1959.....	3,193	1,960	1,183	460	4,376	2,420	6,796
Merchandise imports		Other current payments ¹		Total current payments ¹			
	United States	Overseas countries	United States	Overseas countries	United States	Overseas countries	All countries
millions of dollars							
1949.....	1,899	797	971	245	2,870	1,042	3,912
1950.....	2,093	1,036	1,184	261	3,277	1,297	4,574
1951.....	2,842	1,255	1,287	299	4,129	1,554	5,683
1952.....	2,817	1,033	1,306	338	4,123	1,371	5,494
1953.....	3,046	1,164	1,301	423	4,347	1,587	5,934
1954.....	2,800	1,116	1,313	439	4,113	1,555	5,668
1955.....	3,283	1,260	1,452	553	4,735	1,813	6,548
1956.....	4,021	1,544	1,633	632	5,654	2,176	7,830
1957.....	3,878	1,610	1,771	711	5,649	2,321	7,970
1958.....	3,443	1,623	1,743	759	5,186	2,382	7,568
1959.....	3,710	1,823	1,881	811	5,591	2,634	8,225
Net balance — Merchandise trade		Net balance — All other current transactions		Net balance — Current account			
	United States	Overseas countries	United States	Overseas countries	United States	Overseas countries	All countries
millions of dollars							
1949.....	- 378	+671	-223	+107	- 601	+ 778	+ 177
1950.....	- 47	+ 57	-353	+ 9	- 400	+ 66	- 334
1951.....	- 516	+369	-435	+ 65	- 951	+ 434	- 517
1952.....	- 471	+960	-378	+ 53	- 849	+1,013	+ 164
1953.....	- 588	+530	-316	- 69	- 904	+ 461	- 443
1954.....	- 445	+458	-362	- 83	- 807	+ 375	- 432
1955.....	- 685	+474	-350	-137	-1,035	+ 337	- 698
1956.....	-1,167	+439	-472	-166	-1,639	+ 273	-1,366
1957.....	- 947	+353	-632	-229	-1,579	+ 124	-1,455
1958.....	- 535	+356	-641	-311	-1,176	+ 45	-1,131
1959.....	- 517	+137	-698	-351	-1,215	- 214	-1,429

¹ Excludes Mutual Aid.

many accounts including travel, freight, government expenditures, personal remittances, official contributions and business services and miscellaneous income. Growing contacts between Canada and the United Kingdom and Western Europe, particularly in the spheres of defence, business and personal relationships have contributed to the rising level of net payments by Canada. It should be noted that this analysis and the statistics in Statements 4A and 7A do not include Mutual Aid to NATO countries in the form of shipments of military equipment and supplies or the provision of air training in Canada for these countries. This aid, which has been declining since reaching a peak of \$284 million in 1954, amounted to \$63 million in 1959.

Since the emergence in 1953 of a deficit on non-merchandise transactions with overseas countries, the export trade balances, while declining, were sufficient up to 1958 to more than offset the deficit each year. But in 1959, the rising deficit from "invisible" transactions continued together with a substantial fall in the export surplus. This meant that inflows of capital, principally from the United States, had to finance the current account deficit with the overseas world as well as the large deficit with the United States.

In the decade covered by the years from 1949 to 1958 Canada earned current account surpluses of \$3,906 million from overseas countries and received net capital transfers in the same period in a further amount of \$1,659 million. The total of \$5,565 million over the ten year period is in sharp contrast with the change of 1959 when Canada experienced a current deficit of \$214 million but received capital from overseas countries in a net amount of \$237 million, or net receipts on account of all transactions with overseas countries of \$23 million.

Following successive declines in the current account deficit with the United States of about 3½ per cent and 25½ per cent from a peak in 1956 of \$1,639 million, the imbalance increased by roughly 3 per cent to \$1,215 million in 1959. This change was the consequence of an extension in the non-merchandise deficit from \$641 million in 1958 to \$698 million in 1959, which was larger than the improvement in the import balance from \$535 million to \$517 million between the two years. Except for a smaller 1959 deficit in travel expenditures with the United States and a larger surplus in government account, the current deficits deepened with the United States for other non-merchandise items such as interest and dividends, freight and shipping, inheritances and migrants' funds, personal remittances, business services and miscellaneous income; and the value of gold production available for export was lower in 1959. The greater gain in travel receipts from residents of the United States could be traced to more numerous crossings into Canada together with higher average expenditure per visit. Larger net receipts in government account reflected in part an increase in current expenditures by the United States on defence installations in Canada.

After a minor decline in 1958 in merchandise exports to the United States, a substantial advance of nearly 10 per cent ensued to \$3,193 million in

1959, highest level on record. At the same time a rise of nearly 8 per cent occurred in imports from the United States, but following a sharp decline in the previous year, the 1959 total of \$3,710 million was considerably below the 1956 import peak of \$4,021 million. Increased exports to the United States comprised commodities such as iron ore, semi-fabricated steel, copper ingots, uranium and other metals and minerals, and leading forest products like lumber, pulp and newsprint. Shipments of some of the above metals and products were affected by prolonged industrial disputes in the United States. Exports of cattle and beef fell, as normal factors of demand were restored in the United States, and shipments of aluminum and certain types of pulpwood were also lower.

Fairly large gains were recorded in 1959 in imports from the United States of non-farm machinery, tractors, automobiles and their parts, electrical apparatus and rubber, imports of many of which commodities had declined more moderately in the preceding year. Gains in imports of farm implements were higher in 1959 than in 1958, while imports of raw cotton, fuel oil, engines and boilers, rolling mill products, pipes, tubes and fittings declined for the second year.

The steady yearly easing evident since 1955 in the current account surplus with the United Kingdom was extended in 1959, when the surplus was reduced from \$104 million in the previous year to \$47 million. Roughly three-fourths of the contraction was attributable to merchandise trade, with the imports increasing \$59 million, or 11 per cent, and the exports \$15 million, or 2 per cent. The bulk of the growth in imports was concentrated in iron and its products, and within this commodity group in passenger automobiles, whose imports advanced over \$30 million in 1959. Smaller gains were indicated in other iron and steel products, such as tractors and parts, engines and boilers, rolling mill products, in electrical apparatus and in fibres, textiles and their products; while minor losses were noted in pipes, tubes and fittings and non-farm machinery and parts. Shipments of uranium to the United Kingdom increased \$19 million during 1959. Exports of iron ore, copper, zinc and asbestos were also higher, but shipments of other metals and mineral products such as nickel, platinum and carbon graphite electrodes were lower. Exports of medicinal preparations, drugs and chemicals were also reduced. All the main "invisible" items contributed to a moderately larger deficit, except inheritances and migrants' funds and the government account. A revision of regulations in the United Kingdom permitted larger transfers to Canada of legacies and emigrants' funds, and lower net government payments reflected smaller defence expenditures in the United Kingdom and the non-recurrence in 1959 of special tax refunds by the Canadian Government.

With the Rest of the Sterling Area, the current surplus eased down from \$69 million to \$24 million, somewhat below the average positive balance for the current 10-year period. With higher dividend receipts offset by larger gifts of wheat to India and Pakistan and more contributions under the Colombo

Plan, the deficit from other "invisible" transactions was slightly larger in 1959. The 1958 merchandise trade surplus of \$87 million, considerably above the level for recent years, was reduced to \$47 million, as a consequence of a \$30 million rise in imports, 3 times greater than the loss in exports during 1959. Gains were recorded in imports of unrefined sugar, crude and semi-fabricated rubber, fibres, textiles and products, fuel oil and crude petroleum. A decline in exports of rolling mill products of \$13.5 million took place as shipments of railway rails to the Union of South Africa were smaller, and to India were not repeated in 1959; and exports of pipes and tubing to the latter country were reduced. Sales of lumber and passenger automobiles were lower to the Rest of the Sterling Area, while shipments of newsprint, pulp, aluminum and chemicals were moderately higher.

A pronounced downswing of \$143 million in the current balance with other metropolitan OEEC countries transformed a surplus of \$41 million in 1958 into a deficit of \$102 million in 1959, while the deficit with their overseas territories increased slightly. With the small rise in the non-merchandise deficit spread over most of the "invisible" items, the unusually large turn-around in the current account balance issued from a heavy decline in exports together with a rise in imports, almost as big. The contraction of over \$80 million, due to the non-recurrence in 1959 of the sizable shipments in the previous year of aircraft to the Federal Republic of Germany and to Belgium, accounted for more than the whole loss of \$73 million in exports to the other OEEC countries. Shipments of wheat, seeds, pigs, ingots, blooms and billets of iron, copper, lead, and zinc were also lower, but exports of other non-ferrous metals and products, such as aluminum and nickel, asbestos, and some animal products were higher. More than 60 per cent of the \$62 million increment in Canadian imports from other metropolitan OEEC countries was derived from iron and its products; and within this group, the largest increases occurred in automobiles and rolling mill products. Less substantial import gains were indicated in animals, fibres, textiles and their products.

A moderate deterioration in the balance on other current transactions, comprising relatively minor changes in a variety of services, was the factor raising the current account deficit with Other Countries from \$136 million in 1958 to \$141 million in 1959, as there was a minor improvement in the merchandise trade deficit. The comparative superficial stability, however, in the merchandise trade balance between the two years resulted from advances of \$48 million and \$39 million, respectively, in Canadian exports and imports. Exports to Japan expanded \$35 million and to Poland \$15 million, and more moderately to Colombia, Czechoslovakia and Iraq, while shipments were lower in 1959 to Brazil, China, Mexico, and the U.S.S.R. Increased sales to Japan comprised commodities such as wheat and flour, seeds, pulp, metals and minerals, and wheat and barley represented most of the additional exports to Poland. With respect to imports, Japan accounted for over \$30 million of the rise,

and Iran for another \$11 million. Gains in imports from Japan covered electrical apparatus, apparel and a host of consumer goods, while crude petroleum accounted for the enlarged imports from Iran.

Capital movements are discussed in greater detail in a later section of this report. In brief the United States supplied \$1,192 million, an amount large enough to cover 98 per cent of the current account deficit with it or 83 per cent of the deficit with all countries. Inflows of capital for direct investment in foreign controlled enterprises totalled \$388 million which was \$85 million higher than in 1958. Net inflows for the acquisition of Canadian stocks and bonds totalled \$516 million, \$12 million lower than in 1958. Outflows for direct and portfolio investment in the United States totalled \$37 million in 1959 compared with \$1 million in the previous year. Capital inflows in all other forms from the United States were \$325 million in 1959 compared with \$122 million in 1958. For the most part these amounts represented increases in net short-term liabilities.

Net capital inflows from the United Kingdom were \$54 million in 1959 and \$127 million in 1958. Among the factors contributing to the decline were the completion in 1958 of repayments on the Canadian loan of 1942, and unusually large outflows in 1959 for Canadian direct investment in the United Kingdom. Net capital outflows are characteristic to other sterling area countries and totalled \$22 million in 1959 compared with \$36 million in 1958 when there were large extensions of credit by Canada to finance the purchase of wheat and wheat flour. There were capital inflows of \$199 million to Canada from other OEEC countries in 1959. The increase from \$104 million in the previous year reflected larger transfers both for direct investment in Canadian enterprises and for the acquisition of Canadian stocks and bonds. The capital inflow from all other countries was also larger in 1959 than in 1958, an inflow of \$6 million replacing an outflow of \$16 million. Smaller Canadian outflows for direct investment abroad, and inflows from the sale of Canadian securities contributed to the change.

Taking into account Canada's overall balance of payments, it will be evident from the foregoing that the traditional triangular characteristic all but disappeared in 1959. Underlying this change have been significant developments in the world economic environment, led by the very real and substantial growth in the economic strength of Western Europe in recent years. These developments have been a major contributor to the changes in the balance of payments positions of most European countries on the one hand and both the United States and Canada on the other hand. The emergence of Western Europe as an increasingly efficient producer of goods and services was one factor in the sharp reversal of Canada's surplus of \$41 million on current account with non-sterling area OEEC countries in 1958 to a deficit of \$102 million in 1959, and a corresponding change in the United States position vis-a-vis non-sterling area Western European countries from a deficit of \$791 million

in 1958 to one of \$1,784 million in 1959.¹ Similar if more moderate changes are characteristic of the balances with other economic regions.

The changing conditions in the overseas world have led to a sharp contraction in the amounts of exchange which Canadian transactions with overseas countries made available for settlement of transactions with the United States, notwithstanding a substantial balance of net capital transfers to Canada. In 1959 net capital inflows from over-

seas countries of \$237 million were nearly all required to finance the current account deficit of \$214 million with these countries. There remained only \$23 million, in contrast with \$224 million in 1958 and a figure of \$783 million as recently as 1956. In 1952 such multilateral settlements applied to the United States account amounted to over one billion dollars. The changing structure of Canada's balance of payments implied in the reductions of these inter-area transfers is reflected in Statement 4B.

STATEMENT 4B. Origin and Use of Multilateral Settlements between Canada and the United States, 1952 and 1959

Item	1952		1959	
	millions of dollars			
Net receipts (+) from overseas countries				
Current account balance:				
United Kingdom and other sterling area countries	+502		+ 71	
Other overseas countries	+511	+1,013	-285	- 214
Capital transactions:				
United Kingdom and other sterling area countries	- 16		+ 32	
Other overseas countries	+ 10	- 6	+205	+ 237
Total balance settled by exchange transfers		+1,007		+ 23
Net payments (-) to United States				
Current account balance				
		- 849		-1,215
Capital transactions:				
Direct and portfolio investments	+417		+867	
Other capital movements	-575	- 158	+325	+1,192
Total balance settled by exchange transfers		-1,007		- 23

Major Components of the Current Account

Merchandise Trade

The variability of the balance on merchandise trade has been referred to above. In 1959 the import balance increased to \$380 million from \$179 million in 1958 due to a larger increase in imports than exports. During the year imports rose 9 per cent while exports rose 5 per cent. The increase in exports in the latter part of the year to a new peak contrasts with the relative stability in total for several years while the rise in imports again showed a greater amplitude reflecting as it does changes in the Canadian economy associated with increasing activity and high incomes.

The import balance in 1959 was considerably less than the peak imbalance of \$728 million in

1956 and \$594 million in 1957. In those years the level of exports was significantly less than in 1959 while the import total was slightly more than in 1959 in 1956 and only slightly less in 1957. Industrial expansion in Canada in those years gave rise to special demands for some imports which have not recurred on the same scale, although imports of other commodities have been higher. At the same time increased export capacity was used in 1959.

Exports

During the three years 1956-58 the total value of Canadian exports was relatively stable. Within this period there were significant variations in the trend of different commodities, but the changes in these were mainly offsetting in annual totals. Some new or growing export industries contributed to these results as demands for other products receded. And some unusual factors played a special part in export shipments of some commodities.

But in 1959 a general upturn occurred which significantly increased the total value of exports. From a low volume in the first quarter exports rose

¹ Source: Survey of Current Business, June 1960 (United States Department of Commerce, Office of Business Economics). Amounts are expressed in United States dollars and include grants, excluding military transfers, of \$315 million and \$310 million respectively.

in the final quarter of the year to a new high level with increases in the latter period in demands from both the United States and overseas.

During the year as a whole a gain in exports to the United States of about 10 per cent was the chief factor in bringing the total to all countries to a new high level of \$5,153 million, higher by 5 per cent than ever before. The increases in shipments by many basic export industries like forest products and metals were considerably more than this. In contrast, exports were appreciably less of some commodities like aircraft, cattle, and meat that had been unusually strong in the previous year due to special factors. There were also some declines in exports of agricultural products like grains and seeds.

The rise in exports to the United States brought the total to that country to a new peak of \$3,193 million in 1959 which represented almost 62 per cent of Canada's total exports and about one-fifth of United States imports. The rise in United States demand was widely distributed among the main industrial materials usually exported there by Canada. This included substantial rises in major forest products and non-ferrous metals and some minerals including relatively new commodities like uranium. Exports of iron ore were up sharply and exports of steel products also rose sharply with the unusual demands resulting from the prolonged strike in the steel industry in the United States. Demand for Canadian copper was also enhanced by industrial disputes in the United States. Declines which did occur in exports to the United States in 1959 included agricultural products like grains, cattle and meat and aluminum and some fish.

While the total exported to overseas countries of \$1,960 million in 1959 remained close to the total of the previous three years, there were some significant rises to individual countries. These included a sharp rise of one-third in exports to Japan and a gain of some 2 per cent in exports to the United Kingdom. But such increases were offset by a marked decline in shipments to Europe and lower levels to other Commonwealth countries and Latin America.

A gain in exports to the United Kingdom of 2 per cent to \$781 million brought the total higher than in any peace-time year except 1956. The largest increase was in exports of uranium which more than doubled. Other increases were distributed among other industrial materials including iron ore, copper, zinc, asbestos and newsprint. Among agricultural products which were appreciably higher were tobacco, butter, cheese, and oil seed cake and meal. Other major exports like aluminum, wood pulp, wheat and flax seed remained largely unchanged while shipments of lumber, barley, nickel, lead, and chemicals were among those which declined during the year.

Exports to other OEEC countries had been unusually high in 1958 including substantial deliveries of military aircraft to West Germany and Belgium.

As these special exports did not recur in 1959 the total was reduced sharply to \$462 million by almost as much as the value of these deliveries. Changes in exports of other commodities were chiefly offsetting. While there were declines in wheat and seeds, some steel items and copper, lead, and zinc, there were gains in such commodities as aluminum, nickel, asbestos, some chemicals, and dairy products. Besides declines in totals to Belgium and Germany, mainly due to the absence of aircraft deliveries, there were lower totals to the Netherlands, France and Switzerland. In contrast, there were higher totals to Austria, Denmark, Italy, Norway, and Sweden.

Exports to the Rest of the Sterling Area at \$289 million were slightly less in 1959 than in 1958. While numerous changes occurred in countries and commodities, these were largely offsetting. The largest reduction in the leading commodity, wheat, occurred in shipments to India compared with 1958 when large shipments had been financed under credit as well as aid arrangements. On the other hand there were substantial sales of wheat to the Union of South Africa in 1959, while the unusual wheat sales to Australia of the previous year did not recur. While exports of pulp and paper and non-ferrous metals and products rose, there was a decline in lumber sales and in automobiles and steel products. Exports to Commonwealth countries financed under the Colombo Plan and other forms of contribution rose from \$49 million in 1958 to \$64 million in 1959.

Trade with other countries rose substantially in total to \$428 million in 1959 mainly due to sharp increases in shipments to Japan and to Poland. With Poland sales of wheat accounted for the change, while with Japan increases were distributed over a number of industrial materials as well as wheat. In contrast to these rises there were declines to Latin American countries as a group.

Imports

Merchandise imports have been more variable than exports in recent years, being responsive to changes in Canadian demands and economic activity. In 1959 there was a rise in the value of over 9 per cent and in volume of some 11 per cent, bringing the total value of goods imported to \$5,533 million, not far from the peak figure of \$5,565 million in 1956. Increases in imports which occurred in 1959 were widely distributed as is usually the case in a period of rising economic activity. Although the total value was less than in 1956, the volume of many imports in 1959 was greater than then, including some consumer goods and industrial materials of which examples are provided by food items, some textiles and automobiles and chemicals. On the other hand some commodities, on which there had been exceptional import dependence in the earlier period of concentrated expansion in business investment, were imported in significantly smaller volume in 1959. Examples of these are provided by primary steel, steel pipe, and some kinds of industrial machinery. Some of the increases between 1958 and 1959, however, were in the latter

group of commodities, although difficulties of supply due to industrial disputes in the United States tended to hold down the total. In addition there were larger imports of many industrial materials used by Canadian industry in a higher level of activity.

The rise in imports was widely distributed as to sources and there was, therefore, less concentration than formerly from the United States which took some 67 per cent of imports. The United States accounted for something more than one-half of the rise during the year but the rates of increase in imports from overseas sources of manufactured goods were much more. This applies particularly to imports from countries like the United Kingdom, most Western European countries and Japan which all supplied increasing proportions of Canadian imports.

With an increase of nearly 8 per cent, imports from the United States at \$3,710 million were still less than in 1957 or 1956. It had been in those years that Canadian demands for steel pipe and many kinds of machinery bought in the United States were at peak levels. Imports of some of these commodities again fell in 1959 with changing demands as well as curtailed supplies in the United States. Increases which did occur in this kind of item in 1959 were less than the reductions which had taken place in 1958. But such increases in machinery and equipment represented large parts of the total rise in purchases from the United States. Increases also occurred in many other groups of commodities including automobile parts and other industrial materials and declines tended to be exceptional.

In the case of the United Kingdom imports at \$596 million were higher than ever before, having risen by some 11 per cent in the year. About one-half of the rise was in imports of automobiles which again rose sharply following a steep rise in 1958. There were also substantial rises in tractors, electrical apparatus, and some other metal products, although machinery and pipe and aircraft were lower in value. A number of smaller increases occurred among other commodities including some in textiles and chemicals.

Imports from other OEEC countries and territories rose even more sharply than from the United Kingdom to a new peak of \$419 million in 1959, some 20 per cent over the previous year. Again imports of automobiles made up a substantial part of the rise, but relatively more of the increases were spread among other commodities than in the case with the United Kingdom. Imports of textile products also rose substantially and there were increases in a variety of other manufactured goods including machinery, steel, and chemicals.

A rise also occurred in imports from the Rest of the Sterling Area to \$242 million. This was chiefly due to larger purchases of sugar, rubber, and other agricultural commodities from various Commonwealth sources.

Imports from all other countries of \$566 million were also higher in total in 1959. A good deal

of the rise can be attributed to larger purchases from Japan which rose by 47 per cent, distributed among textiles, electrical apparatus, and a variety of other manufactured goods. On the other hand imports from Latin America were moderately lower than in the previous year with lower values of petroleum and of coffee and other primary products purchased from that region. Petroleum and products purchased from other overseas sources were in contrast higher.

Further more detailed analysis of Canada's international commodity trade will be found in the publication of the External Trade Section, *Review of Foreign Trade*, Catalogue No. 65-205, Annual.

Prices

Following a deterioration in the two preceding years, the terms of Canada's trade, or the ratio between the indexes of export and import prices, recovered in 1959, up to about the level reached in 1956, as the export prices gained nearly 2 per cent while the average of import prices declined by about the same amount. The gain of over $3\frac{1}{2}$ per cent in the terms of trade in 1959 compares with a fractional loss in 1958 and a fall of 3 per cent in the preceding year.

The largest relative advance in 1959 of more than 3 per cent was recorded in the prices of agricultural and animal products, of nearly 3 per cent in iron and steel products, and of about one per cent in wood, non-ferrous metals and their products. Minor upward or downward changes took place in the export prices of fibres, non-metallic minerals, chemicals, fertilizer and miscellaneous products. The strengthening in the export prices occurred for the most part in the first and second quarters, after which the average of the prices remained stable. Within the year, the prices of many commodity groups and component items traced flat or irregular movements, but the prices of newsprint and non-ferrous metals advanced, while iron ore prices declined fairly sharply.

Contributing to the fall during 1959 of nearly 2 per cent in the average price of all imports were declines of 9 per cent in the prices of agricultural and animal products, of 5 per cent in fibres and textiles, of $4\frac{1}{2}$ per cent in non-metallic minerals and of $1\frac{1}{2}$ per cent in chemicals and fertilizer. Offsetting changes were recorded by minor increases in the import prices of iron and steel, wood products and paper; and non-ferrous metals gained moderately, while the prices of miscellaneous products rose more substantially. Average prices of all imports followed a downward course throughout most of the year, as did also the prices of iron and steel products, including rolling mill products and automobiles, non-metallic minerals, chemicals and fertilizer.

A general tendency for the price of the Canadian dollar to rise in foreign exchange markets during most of 1959 played a significant part in the above price trends.

**STATEMENT 5. Prices, Physical Volume and Terms of Trade of Domestic Exports
and Imports, 1950-59**

(1948 = 100)

Year and quarter	Price indexes		Terms of trade	Volume indexes	
	Exports	Imports		Exports	Imports
1950	108.3	110.3	98.2	93.6	109.2
1951	123.0	126.2	97.5	103.5	122.7
1952	121.3	110.4	110.3	114.9	138.0
1953	118.3	109.4	108.1	113.2	151.0
1954	115.1	109.5	105.1	109.6	141.0
1955	117.7	110.5	106.5	118.5	157.9
1956	121.4	113.0	107.4	128.5	187.5
1957	121.0	116.4	104.0	129.3	179.6
1958	120.6	116.5	103.5	130.4	165.6
1959	122.8	114.4	107.3	134.2	183.9
1958 I	121.0	119.0	101.7	115.0	149.7
II	121.0	116.5	103.9	136.4	176.7
III	120.2	115.4	104.2	131.0	158.3
IV	121.1	115.5	104.8	138.2	177.5
1959 I	122.1	115.6	105.6	110.3	160.9
II	122.9	114.7	107.1	140.9	204.5
III	123.0	113.9	108.0	135.0	181.7
IV	123.0	113.7	108.2	150.8	188.2

Note: Indexes indicate movements in unadjusted trade data.

Merchandise Adjustment

As statistics of merchandise trade generally cover movements of goods through customs channels, there are included some non-commercial and special transactions which have no international financial implications. These are either not relevant for balance of payments purposes, such as settlers' effects and imports of military goods on account of other countries, or are covered in other items in the balance of payments account, such as tourist exports. In addition private donations are also excluded because of their special character and the incomplete coverage of this type of transaction. In order to avoid duplication and to achieve a truer picture of the merchandise trade component of the balance of payments, it is thus necessary to adjust

the regularly published statistics of the Trade of Canada;² and the character and magnitudes of the adjustments are shown in Statement 6.

In 1958 and 1959, the size of the net deductions did not change materially, and had the effect of reducing the deficit on merchandise account by \$87 million and \$94 million, respectively, from that shown by the Trade of Canada totals. In addition to the items appearing explicitly in Statement 6, there were other significantly variable adjustments covering transactions on wheat and on defence account and purchases of ships and aircraft.

² Commencing with the issue for January 1960 of the *Trade of Canada*, both Exports and Imports, some special items are excluded from totals of trade and shown separately in a new section "Special Transactions - Non-Trade".

STATEMENT 6. Adjustments to Merchandise Trade, 1958 and 1959

Exports	1958	1959	Imports	1958	1959
	millions of dollars			millions of dollars	
Domestic exports in trade returns	4,824.3	5,061.0	Imports in trade returns	5,192.3	5,654.2
Exports of foreign produce	102.0	118.6			
Total exports	4,926.3	5,179.6			
Adjustments:			Adjustments:		
Tourist exports	- 2.2	- 2.7	Tourist imports	- 78.9	- 81.0
Settlers' effects	- 29.6	- 36.1	Settlers' effects	- 33.1	- 28.5
Private donations	- 2.3	- 2.9	Advertising	- 8.7	- 9.0
Warehousing	+ 4.4	+ 3.7	Warehousing	+ 9.5	+ 20.9
All other adjustments	- 9.5	+ 11.0	All other adjustments	- 15.2	- 23.6
Total adjustments	- 39.2	- 27.0	Total adjustments	- 126.4	- 121.2
Merchandise exports (adjusted)	4,887.1	5,152.6	Merchandise imports (adjusted)	5,065.9	5,533.0
(Table 1, item A1)			(Table 1, item B1)		

STATEMENT 7. Major Components of Canada's Current Account with All Countries, 1951-59

Account	1951	1952	1953	1954	1955	1956	1957	1958	1959	Change in 1959
millions of dollars										
Merchandise exports (adjusted)	3,950	4,339	4,152	3,929	4,332	4,837	4,894	4,887	5,153	+266
Merchandise imports (adjusted)	4,097	3,850	4,210	3,916	4,543	5,565	5,488	5,066	5,533	+467
Balance on merchandise trade	- 147	+ 489	- 58	+ 13	- 211	- 728	- 594	- 179	- 380	-201
Gold production available for export	+ 150	+ 150	+ 144	+ 155	+ 155	+ 150	+ 147	+ 160	+ 148	- 12
Travel expenditures	- 6	- 66	- 63	- 84	- 121	- 161	- 162	- 193	- 200	- 7
Interest and dividends	- 335	- 268	- 239	- 276	- 323	- 381	- 435	- 444	- 473	- 29
Freight and shipping	- 3	+ 8	- 56	- 43	- 17	- 45	- 70	- 59	- 90	- 31
Inheritances and migrants' funds	+ 7	- 9	-	- 5	- 19	- 16	- 33	- 48	- 45	+ 3
All other current transactions	- 183	- 140	- 171	- 192	- 162	- 185	- 308	- 368	- 389	- 21
Balance on non-merchandise transactions	- 370	- 325	- 385	- 445	- 487	- 638	- 861	- 952	-1,049	- 97
Current account balance	- 517	+ 164	- 443	- 432	- 698	-1,366	-1,455	-1,131	-1,429	-298

Note: Mutual Aid to NATO countries is not included in either current receipts or payments.

STATEMENT 7 A. Non-Merchandise Current Transactions between Canada and Other Countries, 1949 and 1959

Country or area	Receipts		Payments		Net transactions		Net change
	1949	1959	1949	1959	1949	1959	1949-1959
millions of dollars							
United States:							
Gold production available for export	139	148	-	-	+139	+ 148	+ 9
Travel expenditures	267	351	165	445	+102	- 94	-196
Interest and dividends	40	97	325	537	-285	- 440	-155
Freight and shipping	126	232	193	324	- 67	- 92	- 25
Inheritances and migrants' funds	18	48	44	113	- 26	- 65	- 39
All other current transactions	158	307	244	462	- 86	- 155	- 69
Total and balance on non-merchandise transactions	748	1,183	971	1,881	-223	- 698	-475
All overseas countries:							
Travel expenditures	18	42	28	148	- 10	- 106	- 96
Interest and dividends	43	86	65	119	- 22	- 33	- 11
Freight and shipping	177	190	60	188	+117	+ 2	-115
Inheritances and migrants' funds	50	61	15	41	+ 35	+ 20	- 15
Official contributions	-	-	6	71	- 6	- 71	- 65
All other current transactions	64	81	71	244	- 7	- 163	-156
Total and balance on non-merchandise transactions	352	460	245	811	+107	- 351	-458
All countries:							
Gold production available for export	139	148	-	-	+139	+ 148	+ 9
Travel expenditures	285	393	193	593	+ 92	- 200	-292
Interest and dividends	83	183	390	656	-307	- 473	-166
Freight and shipping	303	422	253	512	+ 50	- 90	-140
Inheritances and migrants' funds	68	109	59	154	+ 9	- 45	- 54
Official contributions	-	-	6	71	- 6	- 71	- 65
All other current transactions	222	388	315	706	- 93	- 318	-225
Total and balance on non-merchandise transactions	1,100	1,643	1,216	2,692	-116	-1,049	-933

Gold

The item "gold production available for export" at \$148 million was considerably less than \$160 million in the previous year. This series does not coincide precisely with the mine production which

was only slightly less than in 1958, as it is computed at a different stage. Excluded are changes in stocks such as those held in safe-keeping at the Mint for the account of mines and other stocks of producers. The item since November 1, 1951 has

reflected the sale of gold to the Exchange Fund by the Mint, a small amount exported in the form of concentrates, and sales abroad of commercial gold by producers. Also included since April 1956 have been sales by mines not receiving financial assistance from the government, to non-residents or residents either for export or safe-keeping in Canada. The latter change followed removal of the remaining restrictions on the sale of gold in Canada or elsewhere announced by the Minister of Finance in March 1956.

Travel Expenditures

Although net payments on travel account increased further in 1959 to a new high level of \$200 million from \$193 million in 1958, there was a contraction in the gap between payments and receipts on United States account. The latter net payments declined to \$94 million from \$104 million as receipts from expenditures of United States visitors in Canada rose more than payments for Canadian travel in the United States. At the same time rising Canadian travel overseas led to a rise in the travel deficit with overseas countries from \$89 million to \$106 million.

Travel between Canada and the United States reached a new high level in 1959 as personal in-

comes and consumer expenditures continued to rise in both countries. Increasing personal mobility over the years as well as higher incomes has been an important factor in raising the volume of travel between the two countries. The rise in United States expenditures in Canada was much greater than has occurred in earlier years during the past decade and contrasts with the relative stability in some years and the decline which occurred in 1958. On the other hand the rise in Canadian expenditures in the United States continued throughout the decade and while substantial in 1959 was exceeded in several earlier years like 1952 and 1955. The rise in United States expenditures in Canada mostly occurred in the summer vacation season and was a reflection both of a larger volume of traffic and higher average expenditures. Increases occurred in both automobile traffic and in other movements of travellers. The rise in Canadian expenditures in the United States in 1959 mostly occurred in the first and third quarters of the year reflecting mainly southern and Easter travel in the earlier period and summer vacation movements in the latter. Gains in expenditures were greatest in travel by automobile and airplane. Shopping expeditions were apparently relatively less significant than in earlier periods as tax exempt tourist purchases in the United States declared at \$72.8 million were not significantly different from the previous year.

STATEMENT 8. Travel Expenditures between Canada and Other Countries, 1948-59

Year	Account with United States			Account with overseas countries			Account with all countries		
	Receipts	Payments	Net	Receipts	Payments	Net	Receipts	Payments	Net
millions of dollars									
1948	267	113	+154	12	21	- 9	279	134	+145
1949	267	165	+102	18	28	- 10	285	193	+ 92
1950	260	193	+ 67	15	33	- 18	275	226	+ 49
1951	258	246	+ 12	16	34	- 18	274	280	- 6
1952	257	294	- 37	18	47	- 29	275	341	- 66
1953	282	307	- 25	20	58	- 38	302	365	- 63
1954	283	320	- 37	22	69	- 47	305	389	- 84
1955	303	363	- 60	25	86	- 61	328	449	-121
1956	309	391	- 82	28	107	- 79	337	498	-161
1957	325	403	- 78	38	122	- 84	363	525	-162
1958	309	413	-104	40	129	- 89	349	542	-193
1959	351	445	- 94	42	148	-106	393	593	-200

The widening in the deficit with overseas countries resulted from a sharper rise in Canadian travel overseas than has occurred in any post-war year except 1956. Most of the expenditures of \$148 million by Canadians were in the United Kingdom

and Europe and this trans-Atlantic travel accounted for most of the rise, although expenditures in the Caribbean and Central America and elsewhere overseas also continued to rise. The number of Canadians returning directly from abroad rose to 156,806

which is more than double the figure five years earlier. The sharp growth in overseas travel by Canadians appears to be a reflection of higher incomes, increasing facilities, and a larger population in Canada with close overseas connections. Travel to Canada from overseas continued to rise and was less subject to restrictions in expenditures but is still relatively much less than the movements of Canadians overseas.

More detailed presentations of statistics relating to Canadian international travel account will be found in the annual publication of the Balance of Payments Section, *Travel Between Canada and Other Countries*, Catalogue No. 66-201, Annual.

Income Account

As the income account includes payments and receipts of interest and dividends arising out of Canada's international investment position this item reflects some of the most direct effects of the growing indebtedness of Canada to other countries. Net payments of interest and dividends have usually been the largest single contributor to current account deficits, the only exceptions being the import balance on merchandise account in several years, 1956 and 1957 in the past decade. Net payments of \$473 million in 1959 were higher than ever before comparing with \$444 million in 1958, \$307 million in 1949, and \$249 million in 1939.

While net payments of interest and dividends are closely related to the rising balance of indebtedness of Canada to other countries, it will be

observed that the rise in income payments has been much less than that in the balance of indebtedness. The balance of indebtedness had risen by the end of 1959 to more than four times the level at the end of 1949 and non-resident long-term investments in Canada had in the same period risen from \$8.0 billion to \$20.7 billion, whereas net payments of interest and dividends in 1959 were only higher by a little more than one-half in 1949. Although a close coincidence in the changes in such large and diverse aggregates is hardly to be expected, there would nevertheless seem to be evidently a significant lag in the net payments of income. Relationships between investments and income are complex and vary with the different forms of international assets and liabilities entering the investment position. Among the most immediate effects of borrowing through the sale of bonds abroad are interest payments on these securities held abroad, but even in this case the interest usually follows the change in investment by an interval of some six months. In the case of direct investments in the development of new resource industries some of the greatest lags occur as a considerable period of time may elapse before the investments mature to a point where regular remittances of income occur. This has been an important factor in such major areas of direct investment as petroleum and natural gas and mining where exceptionally large investments must be made over an extended period. Furthermore, in many industries substantial portions of earnings are normally retained in Canada for additional investment. Estimates of the profits retained on foreign direct investments in Canada 1946-1958 appear in Statement 12B, and comments appear below on the wide variations between remitted earnings and the capital invested in different groups of direct investments.

STATEMENT 9. Receipts and Payments of Interest and Dividends between Canada and Other Countries, 1946-59

Year	Account with United States					Account with United Kingdom					Account with all countries				
	Receipts		Payments		Net	Receipts		Payments		Net	Receipts		Payments		Net
	Inter- est	Divi- dends	Inter- est	Divi- dends		Inter- est	Divi- dends	Inter- est	Divi- dends		Inter- est	Divi- dends	Inter- est	Divi- dends	
	millions of dollars														
1946	8	39	101	149	-203	1	6	21	33	-47	13	57	125	187	-242
1950	11	39	90	321	-361	1	5	15	39	-48	28	63	109	366	-384
1951	15	42	95	287	-325	24	6	15	42	-27	54	61	114	336	-335
1952	23	62	96	248	-259	23	6	15	41	-27	60	85	115	298	-268
1953	24	77	101	233	-233	24	4	16	41	-29	63	102	121	283	-239
1954	15	54	108	237	-276	24	11	17	45	-27	53	94	130	293	-276
1955	15	63	107	281	-310	25	16	16	59	-34	54	106	127	356	-323
1956	21	59	107	320	-347	2	12	16	57	-59	38	104	128	395	-381
1957	27	68	129	351	-385	2	8	17	61	-68	44	110	154	435	-435
1958	24	76	153	347	-400	25	7	18	58	-44	63	105	181	431	-444
1959	31	66	172	365	-440	24	10	19	61	-46	70	113	203	453	-473

Total payments of interest and dividends rose to a new peak of \$656 million in 1959 from \$612 million in 1958. The total in 1959 is made up of interest of \$203 million and dividends of \$453 million. Both are higher than in any earlier year and the rise of \$44 million being evenly divided between the two reflects a proportionately much higher rate of increase in interest than in dividends. In addition, there were payments of \$111 million of miscellaneous income which are included in the item, Miscellaneous Current Transactions, and as well substantial earnings retained in Canada which in recent years have not been less than several hundreds of millions of dollars annually.

The rapid rise in payments of interest reflects the large scale borrowing abroad through the sale of new issues of Canadian bonds and debentures to investors in other countries. Most of this borrowing has been through the sale of new issues of provincial, municipal, and corporation bonds. The rise in payments in three years has been from \$128 million in 1956 to \$203 million in 1959 and now exceeds the level of net payments of \$180 million in 1931 which was the earlier peak.

Payments of dividends to non-residents rose by some 5 per cent in 1959 to a new peak of \$453 million. Most of the increase occurred in dividends

on direct investments but the total on portfolio investments also was larger, and some small increases occurred in payments to overseas countries as well as the main increase to the United States.

At \$183 million, interest and dividends received by residents of Canada in 1959, which were up \$15 million over 1958, were also larger than in any previous year, with both the receipts of interest of \$70 million and of dividends of \$113 million standing at the highest recorded levels. The rise of \$7 million in interest receipts during 1959 originated in the United States, but dividend receipts from direct investments in this country fell about \$10 million. Dividends received from subsidiaries in the United Kingdom gained slightly, while receipts from direct investments in the Rest of the Sterling Area recovered more than the sizable reduction which occurred in 1958.

Not included in the interest and dividend receipts are receipts of miscellaneous income which were estimated at \$69 million in 1959, and are described in the analysis accompanying Statement 11.

Industrial Distribution of Dividend Payments

Statement 9A provides a breakdown by type of investment and industry of the 1958 dividend payments shown in Statement 9.

STATEMENT 9A. Industrial Distribution of Dividend Payments by Canadian Companies on Direct and Portfolio Investments by Non-residents, 1958

Industry	United States			United Kingdom			Other countries			All countries		
	Direct	Portfolio	Total	Direct	Portfolio	Total	Direct	Portfolio	Total	Direct	Portfolio	Total
millions of dollars												
Manufacturing:												
Vegetable products	14.6	7.4	22.0	4.5	1.3	5.8	0.2	0.3	0.5	19.3	9.0	28.3
Animal products	2.8	0.2	3.0	0.1	—	0.1	—	—	—	2.9	0.2	3.1
Textiles	1.6	0.2	1.8	1.0	0.6	1.6	—	—	—	2.6	0.8	3.4
Wood and paper products	15.0	7.5	22.5	5.2	1.7	6.9	—	0.6	0.6	20.2	9.8	30.0
Iron and its products ..	57.0	2.6	59.6	1.8	1.0	2.8	0.1	0.4	0.5	58.9	4.0	62.9
Non-ferrous metals	21.1	0.9	22.0	0.1	0.3	0.4	0.1	0.4	0.5	21.3	1.6	22.9
Non-metallic minerals	4.2	0.2	4.4	0.4	0.1	0.5	—	—	—	4.6	0.3	4.9
Chemicals and allied products	19.8	0.5	20.3	5.2	0.2	5.4	1.2	0.1	1.3	26.2	0.8	27.0
Miscellaneous manufacturers	4.2	0.1	4.3	—	—	—	—	—	—	4.2	0.1	4.3
Sub-totals	140.3	19.6	159.9	18.3	5.2	23.5	1.6	1.8	3.4	160.2	26.6	186.8
Petroleum and natural gas	38.4	1.3	39.7	—	0.9	0.9	—	2.3	2.3	38.4	4.5	42.9
Mining and smelting	67.7	5.9	73.6	0.4	3.8	4.2	0.1	5.7	5.8	68.2	15.4	83.6
Utilities	3.3	13.3	16.6	0.4	12.8	13.2	5.0	4.2	9.2	8.7	30.3	39.0
Merchandising	20.9	1.0	21.9	5.7	0.3	6.0	0.1	0.1	0.2	26.7	1.4	28.1
Financial institutions	12.4	13.5	25.9	1.6	9.2	10.8	1.9	1.8	3.7	15.9	24.5	40.4
Other enterprises	8.5	0.5	9.0	—	—	—	1.1	—	1.1	9.6	0.5	10.1
Totals	291.5	55.1	346.6	26.4	32.2	58.6	9.8	15.9	25.7	327.7	103.2	430.9

Note: Dividends on direct investment include net profits of unincorporated branches amounting to \$41.4 million, but not interest payments of \$8.7 million to parent companies on funded debt.

Of the total dividends of \$431 million paid to non-residents in all countries, \$328 million, or three-quarters of the amount originated from direct investment and the remainder from portfolio investment in Canada. Dividends on direct investments include net profits earned by unincorporated branches in Canada of foreign companies as well as dividends of Canadian subsidiaries and other companies which have been paid out to non-resident shareholders. Inter-company payments in the form of interest on funded debt appear in the interest item while interest on inter-company borrowings and other unfunded forms of debt are included in the miscellaneous income segregated as part of the larger item "Miscellaneous Current Transactions". Statistics on portfolio investments include dividends paid by Canadian companies to shareholders who are non-residents of Canada. Income of Canadian companies not paid out but retained in Canada is not included in the case of either direct or portfolio investments. In the statistics which are analysed below dividends on direct investments paid by public companies in Canada controlled abroad include all dividends paid to shareholders residing in the country of control, whereas dividends paid by the same companies to shareholders residing elsewhere abroad are classified as dividends on portfolio investments. All the amounts shown are net of withholding tax paid to the Government of Canada, with the rates of tax varying between zero and fifteen per cent. It should be noted that some significant amounts of dividends accruing to non-residents are not shown in the statistics of dividend payments being included in the Miscellaneous Income Account of the item, Miscellaneous Current Transactions, mainly because of stock being held through intermediaries in Canada.

Dividend payments to the United States were preponderantly from direct investment, but portfolio investments accounted for over half and 60 per cent of the remittances respectively to the United Kingdom and to other countries; and over half flowed from manufacturing and utilities and nearly one-fifth from mining and smelting. A total of \$160 million, or nearly half of dividend payments were on direct investment in the manufacturing industry, and within this group, the heaviest concentration was in iron and products, followed by chemicals and allied products, non-ferrous metals, wood and paper products and vegetable products. Utilities accounted for nearly 30 per cent of the dividend payments on portfolio investment of \$103 million, manufacturing and financial institutions approximately one-half.

An amount of \$347 million or more than four-fifths of dividend payments was received by non-residents in the United States, 13½ per cent by those in the United Kingdom and 6 per cent by those in the remaining countries. Of the dividend remittances to the United States, 84 per cent, or \$292 million, was based on direct investment, and the industries responsible for over 70 per cent of the amount were manufacturing (\$140 million) and mining and smelting (\$68 million). Within man-

ufacturing, the same five groups referred to above which accounted for over 90 per cent of the payments to all countries were responsible for the same proportion of the transfers to the United States. Portfolio dividend payments of \$55 million were derived over one-third from manufacturing and nearly a quarter each from utilities and financial institutions.

More than 90 per cent of dividend payments of \$26 million to the United Kingdom on direct investment were concentrated in manufacturing and merchandising, while 84 per cent of portfolio dividend remittances were derived from railways and other utilities, financial institutions and manufacturing. Nearly 60 per cent of the total of \$26 million transferred to other countries in dividends originated from utilities, mining and smelting.

A review of the country distribution of the two types of investment within the industry groups clearly shows that with certain exceptions most of the dividends flowed to the United States. The entire amount of \$38 million of dividends on direct investment in petroleum and natural gas was paid to the United States. Non-residents in the same country received more than 89 per cent of dividends from similar investments in mining and smelting, manufacturing, merchandising and financial institutions. The utilities group was the only one where less than 40 per cent of dividends on direct investment went to the United States, as non-residents in "other countries" received nearly 60 per cent. More than 70 per cent of dividends to non-residents from portfolio investment in manufacturing and merchandising was remitted to the United States; and between this limit and 35 per cent in financial institutions, utilities, mining and smelting. Between about 35 per cent and 50 per cent of the payments on portfolio type investment were to the United Kingdom in utilities and financial institutions, and to "other countries" in petroleum and natural gas and mining and smelting.

Analysts may seek some pattern of yields on foreign equity investment in Canada based on these industrial distributions. It should be pointed out, however, that special reservations must be attached to any such data. Wide variations occur in the ratios for different industries. Some of these arise from different practices with respect to transfers of earnings within individual enterprises. Normally substantial amounts of earnings are retained in Canada for further investment but variations in practices often give rise to major variations in the ratios of remittances because of this factor alone. Other complicating factors which affect the comparisons arise out of the capital structure of enterprises, their accounting practices and methods of operating. Some of these are outlined below.

A review of the material confirms, however, that the net return on investments in the petroleum and natural gas industry is exceptionally low, as

might be expected from the stage of development and conditions in much of this industry. In contrast, mining shows the highest transfers relative to book values. Ratios for manufacturing and utilities lie in between these extremes. Analysis of the basic data also reveals that the behaviour of the units within each industrial category is so disparate as to destroy the usefulness of averages. Nevertheless the outlines which are derived are relatively clear and are additional evidence of the large amounts of foreign capital in Canada which have not yet given rise to significant debits in the income account.

Among the technical problems involved in interpreting the data is the fact that dividends paid abroad by Canadian companies may reflect the transfer of substantial earnings which themselves arose outside of Canada. Figures of foreign long-term investment in Canada used in this report are shown after a deduction to eliminate assets which lie outside Canada. But even eliminating the effects of this adjustment and producing figures on an industrial basis comparable with the statement of dividend payments and profit transfers by recording the book value of common and preferred stocks on a consolidated basis, including subsidiaries abroad, together with the net assets in Canada of unincorporated branches of non-Canadian corporations, there remain other difficulties. In the case of many wholly-owned subsidiaries in Canada of foreign corporations, it has been the practice to provide substantial amounts of long-term capital in the form of term or demand notes or even an open account. Sometimes the major part of the investment takes this form. In the case of some companies these obligations carry interest at normal rates, but in the case of others they are interest free. To the extent that the interest is lower than would be the

case in a transaction at arms length it would be necessary to include an allowance for this debt before arriving at a satisfactory basis for the calculation of meaningful yields.

Another problem arises from variations in valuation practices which may exist between subsidiaries and public companies. There are some grounds for believing that the wholly-owned subsidiary often tend to carry assets at a more conservative figure than do public companies. Variations in valuation practices invalidate yield comparisons. Moreover in the case of the extractive industries a significant part of the total foreign investment is through unincorporated branches in Canada of non-Canadian corporations. As a general rule the statistical treatment which has to be applied to these undertakings is to record as a payment to the head office the net profit after taxes from the Canadian operations and to show an inward capital movement to the extent that transfers from Canada during the period did not fully account for the profits. As a result of this convention a larger part of the earnings of the extractive industries tends to be reflected in the income account than is the case with other industrial groupings.

The section in this report dealing with direct investment in Canada points out the difference in earnings distribution policy between privately and publicly owned companies. Even if satisfactory data on yields were available, a calculation of earnings ratios would necessitate the addition of withholding taxes, where applicable, and retained earnings; at the present time it is not possible to construct on a consistent basis an industrial distribution of the latter component.

STATEMENTS 9 B. Industrial and Country Distribution of Dividend Payments by Canadian Companies, Selected Years 1938-58

Industry	United States				United Kingdom				Other countries				Total outside Canada			
	1938	1946	1950	1958	1938	1946	1950	1958	1938	1946	1950	1958	1938	1946	1950	1958
millions of dollars																
Manufacturing	49.5	78.0	210.4	159.9	11.6	9.8	18.9	23.5	0.6	0.4	0.7	3.4	61.7	88.2	230.0	186.8
Petroleum and natural gas	27.5	10.6	12.5	39.7	1.3	0.1	0.1	0.9	—	0.2	0.2	2.3	28.8	10.9	12.8	42.9
Mining and smelting	38.7	28.7	51.0	73.6	6.4	4.1	4.4	4.2	4.0	1.3	1.7	5.8	49.1	34.1	57.1	83.6
Utilities	4.4	13.8	13.7	16.6	5.2	11.8	9.0	13.2	0.4	1.2	1.0	9.2	10.0	26.8	23.7	39.0
Merchandising	4.2	6.0	15.2	21.9	0.6	0.7	0.8	6.0	0.4	0.2	0.2	0.2	5.2	6.9	16.2	28.1
Financial institutions	1.1	2.2	6.1	25.9	1.3	3.3	4.3	10.8	0.5	0.3	0.9	3.7	2.9	5.8	11.3	40.4
Other enterprises	0.6	1.9	6.9	9.0	0.1	0.1	0.1	—	0.1	—	—	1.1	0.8	2.0	7.0	10.1
Unclassified ¹	8.0	7.8	6.0	—	0.5	3.1	1.0	—	1.0	1.4	1.0	—	9.5	12.3	8.0	—
Totals	134.0	149.0	321.8	346.6	27.0	33.0	38.6	58.6	7.0	5.0	5.7	25.7	168.0	187.0	366.1	430.9

¹ Includes remittances of net profits by unincorporated branches, which are classified by industry only in 1958 when they totalled \$41.4 million.

Long-term Trends in Dividend Payments

In a fairly long-term comparison shown in Statement 9B covering an interval of two decades, dividend payments of \$431 million in 1958 were about $2\frac{1}{2}$ times as large as the 1938 total of \$168 million. Over this period, the proportion of remittances to the United States remained about 80 per cent, except in 1950. On the other hand, the relative share of the United Kingdom declined moderately while the proportion of dividend payments going out to other countries gained slightly between the two terminal years.

Industrially, manufacturing, mining and smelting and petroleum and natural gas accounted for 83 per cent of dividend payments in 1938, and 71 per cent, 82 per cent and 73 per cent of the total in 1946, 1950 and 1958, respectively. The relative share of payments derived from manufacturing rose,

while the proportions accounted for by petroleum and natural gas and mining and smelting dropped substantially on account of the relatively high payments from the two groups of industries in 1938, which were affected by special circumstances at that time. Dividend payments to non-residents from the remaining industries tended to grow over the years.

As shown in Statement 9C, within the manufacturing group, approximately 90 per cent of dividend payments in each of the selected years arose from vegetable and animal products, wood and paper products, iron and its products, non-ferrous metals and chemicals and allied products. Of these groups, the proportions of dividend payments declined for vegetable and animal products and chemicals and allied products, and increased for the other three groups covering industries producing forest and metal products.

STATEMENT 9C. Industrial Distribution of Dividend Payments by Canadian Companies to Non-residents, Selected Years 1939-58

Industry	Total outside Canada				
	1939	1946	1950	1953	1958
	millions of dollars				
Manufacturing:					
Vegetable and animal products	22.6	23.9	42.8	26.2	31.4
Textiles	3.4	5.0	5.7	2.3	3.4
Wood and paper products	4.5	9.5	44.5	24.9	30.0
Iron and its products	9.4	20.2	66.3	34.6	62.9
Non-ferrous metals	5.1	15.4	29.3	26.3	22.9
Non-metallic minerals	2.7	3.5	11.6	8.4	4.9
Chemicals and allied products	13.5	10.1	23.4	19.5	27.0
Miscellaneous manufactures	0.5	0.6	6.3	5.0	4.3
Totals, manufacturing	61.7	88.2	229.9	147.2	186.8
Petroleum and natural gas	23.2	10.9	12.8	18.8	42.9
Mining and smelting	53.8	34.1	57.1	43.4	83.6
Utilities	8.5	26.8	23.7	28.2	39.0
Merchandising	5.5	6.9	16.2	15.0	28.1
Financial institutions	6.1	5.8	11.3	9.4	40.4
Other enterprises	1.4	2.0	7.0	5.8	10.1
Totals, non-manufacturing	98.5	86.5	128.1	120.6	244.1
Unclassified ¹	9.8	12.3	8.1	15.2	—
Totals	170.0	187.0	366.1	283.0	430.9

¹ Includes remittances of net profits by unincorporated branches, which are classified by industry only in 1958.

Trends in payments between 1950 and 1958 are of interest as a great increase has occurred in non-resident investments in Canadian industry in this period. In the earlier year total payments of dividends to non-residents were higher than ever before

and were not exceeded again until the years 1956-59. The high level in 1950 was affected by changes in administrative factors influencing transfers of earnings from Canada at that time as well as a high proportion of earnings being remitted. It is notable

that dividend payments by manufacturing concerns in 1950 to non-residents were considerably higher than in 1958 whereas dividends paid out by all other industrial groups rose sharply between the two years, being in 1958 almost double the total in 1950.

Dividend payments to the United States by Canadian companies controlled in the United States (Statement 9D) accounted for about two-thirds of total dividends to all non-residents in 1939, 1946, 1953 and 1958, and more than three-quarters in 1950. Dividend payments arising from United States direct investments in Canadian manufacturing

ranged between nearly 40 per cent of the total in 1939 and nearly 70 per cent in 1950, with the 1958 proportion sliding down to 48 per cent. The proportion accounted for by petroleum and natural gas fell from 21 per cent in 1939 to 13 per cent in 1958, as did mining and smelting from 30 per cent to 23 per cent. As already noted these payments in the earlier period were affected by special circumstances. The relative shares of these two groups were lower in 1950 at 4 per cent and 16 per cent, respectively. Dividend remittances from the group comprising merchandising, financial and other enterprises (other than utilities) more than doubled its relative share between 1939 and 1958.

**STATEMENT 9D. Industrial Distribution of Dividend Payments to the United States
by Canadian Companies Controlled in the United States, Selected Years 1938-58**

Industry	1938	1939	1946	1950	1953	1958
millions of dollars						
Manufacturing:						
Vegetable and animal products .....	..	11.3	14.5	27.1	13.6	17.4
Textiles .....	..	1.4	3.4	3.3	0.5	1.6
Wood and paper products .....	..	3.7	7.7	32.6	13.4	15.0
Iron and its products .....	..	8.3	19.1	63.5	31.3	57.0
Non-ferrous metals .....	..	4.8	14.9	29.1	25.6	21.1
Non-metallic minerals .....	..	2.2	3.0	10.8	4.7	4.2
Chemicals and allied products .....	..	9.6	7.6	19.9	15.7	19.8
Miscellaneous manufactures .....	..	0.5	0.6	6.2	4.9	4.2
Totals, manufacturing	42.7	41.8	70.8	192.5	109.7	140.3
Petroleum and natural gas	27.0	22.3	10.0	11.5	17.9	38.4
Mining and smelting	26.7	32.8	23.4	44.1	29.3	67.7
Utilities	3.5	4.7	7.8	6.0	6.4	3.3
Merchandising	5.3	6.0	8.0	25.3	19.5	20.9
Financial institutions						12.4
Other enterprises						8.5
Totals, non-manufacturing	62.5	65.8	49.2	86.9	73.1	151.2
Totals¹	105.2	107.6	120.0	279.4	182.8	291.5

¹ Excludes minor "unclassified" transfers except in 1958, when net profits of unincorporated branches controlled in the United States, of about \$35½ million were included and distributed industrially.

Freight and Shipping Transactions

The deficit on freight and shipping account increased to \$90 million which is larger than in any earlier year. This change reflected in the main a widening in the gap on merchandise trade with a greater increase in payments than in receipts.

Larger payments for transportation resulted from the greater volume of imports particularly in the case of ocean transportation on the relatively sharp increase in imports from overseas countries. Larger payments were also made for the charter of foreign vessels and for inland freight in the United

States on imports to Canada. Receipts from ocean shipping were less in 1959 with reduced revenues from the smaller fleet of Canadian owned and operated vessels, but expenditures of foreign ships in Canadian ports were higher along with larger inland freight earnings on Canadian exports by all types of carrier.

Most of the enlarged deficit was with overseas countries, foreign operators providing most of the additional transportation services carrying goods from overseas. A deficit with the United States was only slightly larger with both receipts and payments rising by about the same amounts.

STATEMENT 10. Freight and Shipping Transactions between Canada and Other Countries, 1952-59

Item	1952	1953	1954	1955	1956	1957	1958	1959
millions of dollars								
Receipts by Canada								
Ocean shipping:								
Canadian operated ships:								
Gross earnings on exports	56	58	61	78	76	69	65	58
Charter receipts	13	7	3	9	20	21	9	4
Revenues between foreign ports	33	17	18	28	40	38	29	27
Sub-totals	102	82	82	115	136	128	103	89
Expenditures of foreign ships in Canada	43	41	35	45	48	44	43	48
Gross shipping receipts	145	123	117	160	184	172	146	137
Inland freight on exports	201	161	159	185	204	194	190	201
Intransit revenues	29	29	29	32	33	38	37	39
Other receipts	8	5	8	21	36	41	28	45
Gross receipts (Table 1, item A 6)	383	318	313	398	457	445	401	422
Payments by Canada								
Ocean shipping:								
Expenditures abroad of Canadian shipping companies and charter payments	64	60	67	95	104	113	96	105
Freight on imports via Canadian ports	71	75	66	77	105	108	113	135
Gross shipping payments	135	135	133	172	209	221	209	240
Inland rail freight in U.S. on imports:								
Coal via vessel	48	48	39	40	53	50	34	36
Coal via rail	33	26	22	20	25	16	13	12
Other rail freight	117	121	112	121	143	142	114	121
Sub-totals	198	195	173	181	221	208	161	169
Miscellaneous payments	42	44	50	62	72	86	90	103
Gross payments (Table 1, item B 6)	375	374	356	415	502	515	460	512

Inheritances and Migrants' Funds

Developing deficits since 1953, a year of balance in this account, stood at \$45 million in 1959, as a net result of a growth of 20 per cent in receipts and nearly 70 per cent in payments. In 1957, peak year of post-war immigration, the receipts of immigrants' funds and inheritances were 36 per cent above the 1953 total, when nearly 169,000 immigrants arrived in Canada. In 1957, nearly 40 per cent of over 282,000 immigrants originated in the United Kingdom, slightly smaller proportion from the OEEC countries, 4 per cent from the United States and 20 per cent from the remaining countries. Two years later, the much reduced total of about 107,000 immigrants was distributed 17 per cent from the United Kingdom, 55 per cent from the OEEC, 10½ per cent from the United States and 17½ per cent from the other countries.

Concomitant with the rise and decline in immigration and the maintenance of emigration at higher levels in the more recent years has been the increase in per capita migrants' funds. At the same time a small rise took place in payments of legacies and inheritances, while receipts of legacies rose fairly substantially following the removal by the United Kingdom authorities in early 1959 of restrictions on the transfer of legacies to Canada, including legacies blocked since 1951.

Miscellaneous Current Transactions

The deficit from miscellaneous current transactions stood at \$389 million in 1959, up nearly 6 per cent over that of \$368 million for the preceding year; and deficits were larger in 1959 for every item in the miscellaneous group, except other government transactions. The annual deficit from miscellaneous current transactions has grown fairly progressively since 1952, as shown in Statement 11; and the 1959 total was about 2¼ times as large as that of \$140 million for 1952, and over twice the size of the deficit of \$185 million for a year as recent as 1956. In this development, receipts from miscellaneous current transactions gained 38 per cent from \$281 million in 1952 to \$388 million in 1959, while payments advanced 85 per cent from \$421 million to \$777 million between the two years. Notwithstanding the substantial rise in the miscellaneous account deficit, however, its share of the imbalance from all non-merchandise transactions declined from 43 per cent in 1952 to 37 per cent in 1959, due to the diversity in the rates of change in the deficit from other "invisible" items.

The 6 per cent growth in 1959 in the deficit from miscellaneous current transactions resolves itself into increases of \$13 million, or 3½ per cent, in receipts and of \$34 million, or 4½ per cent, in payments. Receipts from government transactions

and from business services gained moderately, while payments increased fairly substantially for every item in the miscellaneous group, except government transactions, excluding official contributions.

Following an expansion of \$18 million, official contributions paid by the Canadian Government reached a record level of \$71 million in 1959. Over one-half of the total represented capital aid and technical assistance under the Colombo Plan, and more than one-third covered special grants of wheat to India and Pakistan for relief of food shortages, while grants of skimmed milk powder and of wheat flour to international agencies were continued for relief of children and the Palestine refugees in Middle Eastern countries.

The deficit from other government transactions fell sharply from \$38 million in 1958 to \$7 million in 1959 due to a small rise in receipts combined with a substantial decline in payments. Larger expenditures by the United States Government for defence installations in Canada, offset in part by shrinking receipts under special arrangements with certain European countries for provision of pilot training facilities in Canada, resulted in a net increase of \$6 million in receipts. The payment in 1958 of large tax refunds and a moderate decline in defence service expenditures in the United Kingdom during 1959 accounted for the fall of \$25 million in payments for other government transactions.

At \$129 million in 1959, receipts from government transactions stood somewhat higher than in 1952, but receipts had reached peak levels of \$192 million and \$219 million in 1955 and 1956, when large expenditures were made by the United States defence authorities towards the installation of the Dew Line and for other defence construction in Canada. Payments on government account, other than official contributions, have also shown some irregularity over the years. These expenditures of the Canadian Government abroad expanded sharply between 1952 and 1953 with settlements for the costs of the Korean War. Thereafter with Canada's military commitments to NATO the total continued to grow until 1957, when the total reached \$150 million. The extended rise in 1958 and the fall in the subsequent year reflect the extraordinary tax refunds in 1958, mentioned above.

Most of the payments in recent years have been related to defence activities; and about 60 per cent of defence expenditures outside Canada has been made in the OEEC countries to support NATO with provision of armed forces in the form of an Army Brigade Group and an air division of 12 jet fighter squadrons. There have also been cash contributions to the NATO Headquarters budget and to a common infrastructure programme of military construction, such as airfields, telecommunications networks, war headquarters, jet fuel pipelines and naval bases facilities. There has also been the Canadian share of the support to the United Nations Emergency Force in the Middle East. Among ex-

penditures of civilian departments are included items such as the cost of Canadian diplomatic, commercial, and other departmental representation abroad, government advertising abroad, budgetary contributions to the United Nations and its specialized agencies and to international commissions, remittances of Canadian pensions abroad and payments for international transportation of mail and parcel.

Canada's contribution of Mutual Aid to NATO countries is in addition to the above expenditures, and is shown as separate offsetting items in the annual statements of current account. Declining fairly steadily since the 1954 peak of \$284 million, contributions of \$63 million in 1959 were down to about the level of the initial year of operation of the aid programme in 1950. The decline in mutual aid in 1959 was mainly ascribable to the continued reduction in the amount of equipment transferred from the Canadian forces. The cost of NATO aircrew training was also down with the conclusion of the original scheme during the year. Only contributions to infrastructure and NATO military budgets, chargeable to Mutual Aid, were maintained at the general level of the preceding few years. Since the inception in 1950 of the programme, the cumulative total of mutual aid extended up to the end of 1959 exceeded \$1.6 billion. Because of the special character of this military assistance, Mutual Aid to NATO countries has not been reflected in current balances. Equal amounts are entered in annual current account statements with all countries in current receipts to cover the export of goods and services, and in current payments to represent the contributions. These special exports do not appear in totals in regular statistics of Canada's trade with NATO partners, nor in balance of payments statements with individual countries or groups of countries.

The deficit from "business services and other transactions" continued to increase in 1959 and stood at \$198 million, following a larger advance in payments than in receipts during the year, when a recovery in level of economic activity took place. As compared with 1952, the deficit from this source was 45 per cent higher, representing the net result of a rise of 54 per cent in receipts and that of 49 per cent in payments, with the absolute value of the latter being more than twice that of the former both in 1952 and 1959. Receipts from business services and other transactions represented nearly two-fifths of the total receipts from all miscellaneous current transactions in 1952, and somewhat more than 40 per cent of the total for 1959. Business service payments accounted for nearly three-fifths of total payments for miscellaneous current transactions in 1952, but the proportion declined one-fifth in 1959.

Among some of the underlying influences behind the growth in these transactions during the past decade have been the sustained non-resident participation in Canada's vigorous resource development, typified by such activities as petroleum exploration

and drilling, construction of oil and gas transmission lines and widespread expansions of manufacturing facilities and utilities. The great extension of international direct investment and the varied investment programmes emanating from them have led to the spreading of corporate relationship between Canada, United States, United Kingdom and Europe, and have been accompanied by a large international exchange of business services. Payments by Canada for services have been expanded more than receipts as investment movements in recent years have led to a greater growth in non-resident direct investment in Canada than in Canadian direct investments abroad. The effects of new investment on net payments for services have been both immediate and continuing. Large elements of costs for the initial investments have been incurred for non-resident design, engineering, consulting and other technical services used in the projects. And subsequent to the establishment of the direct investments, there are usually appreciable fees for royalties and management and the allocation of other non-resident head office expenses incurred in operations.

The range of specific items covered in this group of transactions is extensive, but may broadly be classified as business and personal services. As already pointed out some of the largest groups of these transactions are those between non-resident home offices and their branches, subsidiaries and other direct-investment affiliates in Canada. The payments for these transactions, covering import of technical know-how in the form of design and engineering services, industrial techniques and processes, together with, in some cases, the rental of special equipment and machinery, management, research and advertising, have been rising and in recent years have been above \$125 million annually. There is also a great variety of payments and receipts for services between unrelated companies and persons in Canada and abroad for the growing exchange of commercial, financial and professional services, which are integral parts of Canada's business life. Included are items such as patents, licences, royalties, copyrights, trade-marks, franchises, commissions and other consulting and professional services. Earnings of migrant labour and international commuters are also entered in this account, and there are large entries for rentals of foreign films, for the expenditures of international airlines and other transportation expenses not forming part of the freight and shipping account, and for power transactions with the United States. Some international sweepstakes, trade union and insurance transactions are included in the item of business services, but these are not relatively large and are mostly offsetting, as most insurance transactions affecting the balance of payments are covered under miscellaneous income in the case of profit transfers and among security transactions in the case of capital movements.

Net payments on account of personal and institutional remittances continued to increase in 1959, when the deficit from this source was esti-

mated at \$71 million. Personal remittances cover noncommercial payments between Canadian residents and individuals resident abroad, and institutional remittances originate from charitable, religious and educational organizations. While this group of receipts has gained slightly, payments have nearly doubled between 1952 and 1959, when the total stood at \$95 million. The waves of immigrants mainly from the United Kingdom and European countries and the sustained rise in the Canadian labour income in the post-war period have been elements in the growth of personal remittances. Since the end of World War II, nearly two million immigrants have landed in Canada up to the end of 1959, of whom about two-thirds arrived since 1952.

While the major part of investment income transfers is included in the Interest and Dividends Item there are a number of other income transfers covered under the Miscellaneous Income subgroup of the item Miscellaneous Current Transactions.

The miscellaneous income account comprises on the receipts side transfers by Canadian financial institutions of earnings from branch operations abroad along with other types of income receipt not included elsewhere. Payments cover remittances of profits of Canadian branches of foreign insurance companies; of interest on inter-company borrowing, bank loans, mortgages, savings balances and treasury bills; and of income by trust companies and other nominees administering non-resident estates or assets in Canada. The deficit from miscellaneous income transactions, which had not exceeded \$10 million in the period before 1957, shifted up thereafter to a higher level of \$30 million and over, owing to larger increases in payments than in receipts in the more recent three-year period. Among the receipts, profits of Canadian financial institutions from their operations abroad rose in 1957, and have continued to grow appreciably since. Substantial gains occurred in remittances of profits to head offices by foreign insurance companies operating in Canada, interest payments by subsidiaries on long-term loans and advances from non-resident parents, and transfers of income on non-resident assets managed by Canadian trust companies.

In 1959, the major share of the miscellaneous income receipts was derived from bank and insurance company profits, and a significant proportion of payments was accounted for by interest in inter-company and bank loans, insurance company profits and income from trust company-managed assets. Other smaller receipts include items such as loan and rental income and interest on non-government holdings of treasury bills, while some other items of miscellaneous income payments are interest on non-resident holdings of Canadian treasury bills, savings balances of banks, trusts and loan companies and mortgages held by head offices of non-resident insurance companies; income from securities and real estate held by non-resident investment corporations and individuals; and profits of foreign shipping companies.

STATEMENT 11. Miscellaneous Current Transactions with All Countries, 1952-59

	1952	1953	1954	1955	1956	1957	1958	1959
	millions of dollars							
Receipts:								
Government transactions, n.o.p.	122	149	118	192	219	160	123	129
Personal and institutional remittances	20	22	22	22	23	24	24	24
Miscellaneous income	31	30	33	47	54	55	71	69
Business services and other transactions	108	118	125	130	146	149	157	166
Totals (Table 1, item A 11)	281	319	298	391	442	388	375	388
Payments:								
Official contributions	16	25	11	24	30	40	53	71
Government transactions, n.o.p.	71	128	112	131	139	150	161	136
Personal and institutional remittances	50	55	65	71	79	83	85	95
Miscellaneous income	39	35	37	55	64	93	101	111
Business services and other transactions	245	247	265	272	315	330	343	364
Totals (Table 1, items B 9, 11)	421	490	490	553	627	696	743	777
Net payments:								
Official contributions	- 16	- 25	- 11	- 24	- 30	- 40	- 53	- 71
Government transactions, n.o.p.	+ 51	+ 21	+ 6	+ 61	+ 80	+ 10	- 38	- 7
Personal and institutional remittances	- 30	- 33	- 43	- 49	- 56	- 59	- 61	- 71
Miscellaneous income	- 8	- 5	- 4	- 8	- 10	- 38	- 30	- 42
Business services and other transactions	-137	-129	-140	-142	-169	-181	-186	-198
Totals, net payments	-140	-171	-192	-162	-185	-308	-368	-389

Capital Movements

Summary

The emergence of the Canadian economy from a mild recession in 1958 and continued recovery and expansion in 1959 had an immediate impact on Canada's balance of payments. The enlarged imbalance reflected Canada's draughts, real and financial, on the rest of the world. The forms in which real resources were made available have been discussed in the sections dealing with the current account. The financing of this balance is shown in the capital account.

Another aspect of Canada's international financial relationships reflected in the capital account, which has at times been important, is the extent to which other countries have served Canada not only as a source of capital but as a capital market, from which Canadians have drawn foreign savings but into which, at the same time, they have directed savings with different characteristics. This role, which is not dissimilar from that of financial intermediaries in the domestic capital market, is often not as clearly recognized as the relationship between the net movement of financial capital and its counterpart in goods and services.

In the period from 1946 to 1949 Canada had a current account surplus aggregating \$1,040 million. The existence of this excess of Canadian savings over domestic requirements did not however eliminate Canadian imports of foreign savings, as witness, for example, net direct investment inflows

aggregating \$266 million. A decade later Canada incurred current account deficits aggregating \$5,381 million in the four year period ending 1959. Nevertheless during this period of heavy demand for funds in Canada, Canadian savings flowed abroad in net amounts of \$290 million for Canadian direct investment abroad, \$25 million to acquire additional foreign securities, and \$688 million to add to Canadian (non-official) holdings of foreign exchange, as well as into some other forms.

Under the conditions existing in recent years the intermediary role was, of course, overshadowed by the sheer magnitude of the imbalance, but it will be recognized that the forms taken even by a preponderantly unidirectional capital movement have implications for short-term international liquidity, for the possibility of future transfer problems and for the long-run trend of ownership and control of industry.

Financial conditions in Canada in 1959 reflected the growing demand for funds which naturally accompanies economic expansion and recovery. They also reflected a number of other influences of a more deep-seated nature which were at work both at home and abroad.³ Interest rates and bond yields were higher in 1959 than in 1958, and the differentials between rates in Canada and in the United States tended to be wider.

³ For a review of financial developments see the Budget Papers presented in connection with the Budget of 1960-61 (reprinted with the official report of House of Commons Debates, March 31, 1960).

Movements of capital for direct investment, portfolio stocks and bonds, official loans, and other long-term investments, led to a slightly lower inflow than in 1958. They were adequate to finance only about 74 per cent of the rising deficit on current account in 1959, compared with 98 per cent in 1958. Canada incurred a deficit on current account in nine of the fourteen years since World War II. Only in 1955 and in the years from 1957 to 1959 was the inflow in long-term forms less than the deficit, and over the fourteen years as a whole it was larger. Only in 1955 was a lower percentage than in 1959 met by net capital inflows in long-term forms. That year the deficit was less than half the size it was in 1959, and the capital inflow in short-term forms was smaller in amount than in 1959.

In general, the seasonal pattern characteristic of recent years continued. More than half of the current account deficit, but relatively less of the capital inflow in long-term forms, occurred in the first half of the year. The relative difference increased in 1959 compared with 1958 and 1957. In 1959 some 59 per cent of the current account deficit occurred in the first half, while 48 per cent of the inflows in long-term forms occurred in this period. In 1958, 55 per cent of the deficit and 53 per cent of the capital inflows in long-term forms occurred in the first half, and the relative difference was smaller than in most recent years.

Capital inflows taking the form of increases in the outstanding net external long-term debt of the various levels of government in Canada rose again in 1959 both in absolute terms and relatively. At the same time, despite the greatly increased current account deficit, the net inflows in other long-term forms, mainly business investment, contracted.

These trends have been characteristic of the Canadian balance of payments for several years and are shown clearly in Statement 11A.⁴ It will be noted that despite the contraction, investment inflows from non-residents into Canadian businesses amounted to \$671 million, and the growth of these investments was much larger because of the substantial amounts of earnings ploughed back.

Turning to the more conventional presentation, the net inflow of foreign capital for direct investment in foreign-controlled enterprises in Canada totalled \$500 million, and transactions in portfolio Canadian securities led to a further inflow of \$661 million. These two groups of transactions added \$1,161 million to Canadian external liabilities in long-term forms. In 1958 direct investment added \$420 million and Canadian securities \$607 million, a total of \$1,027 million. On the long-term asset side in 1959 there were outflows of \$70 million for Canadian direct investment abroad and of \$36 million for the purchase of foreign securities, which were partially offset by net repayments of \$33 million on post-war loans extended by Canada to overseas countries. This net outflow of capital amounting to \$73 million compared with a net outflow of \$15 million in 1958. A non-recurring type of long-term outflow in 1959 was a gold payment of \$59 million to the International Monetary Fund as part of Canada's increased quota.

⁴ The figure for governments in 1959 takes account of the gold portion of Canada's increased quota in the International Monetary Fund: excluding this transaction, which was financed directly by a transfer from official holdings of gold regarded as short-term, the increase of net external long-term debt of governments would have been \$523 million.

STATEMENT 11 A. Changing Character of Capital Movements, 1955 - 59

	1955	1956	1957	1958	1959	1955	1956	1957	1958	1959
	millions of dollars					percentage				
Transactions with non-residents affecting:										
Net external long-term debt of Canadian governments ¹	-173	291	217	323	464	- 25	21	15	29	32
Foreign direct and portfolio investment in Canadian concerns	614	1,082	1,104	734	671	88	79	76	65	47
Canadian long-term investments abroad excluding investments by governments (increase, -)	- 80	- 102	- 62	- 45	- 106	- 11	- 7	- 4	- 4	- 7
Other external liabilities, net	337	95	196	119	400	48	7	13	10	28
Total capital inflow	698	1,366	1,455	1,131	1,429	100	100	100	100	100

¹ Increase in holdings by non-residents of Government of Canada, provincial and municipal bonds, less net repayments on intergovernmental loans and subscriptions in gold and foreign currencies to international financial organizations.

Transactions in the long-term forms described above, together with those appearing in Statement 15, led to a net capital import of \$1,062 million in 1959 compared with \$1,112 million in 1958 and larger amounts in the two previous years. The decline of 4 per cent in 1959 may be contrasted with the increase of 26 per cent in the current account deficit. Including changes in Canadian dollar holdings of non-residents, and in official holdings of gold and foreign exchange, other capital movements led to a net inflow of \$367 million in 1959, in contrast with a net inflow of \$19 million in the preceding year of easier demand pressures.

The United States supplied a slightly smaller amount of capital in long-term forms in 1959 than in 1958. It is striking that despite changes in the composition, this movement has varied in the last four years by only \$69 million or about 8 per cent from the lowest to the highest level. The United States share of the total was 85 per cent in 1959, 83 per cent in 1958.⁵ The capital in long-term forms supplied by the United Kingdom represented about 7 per cent of the movement in 1959 compared with about 15 per cent in 1958. Most of the change reflected two developments, the completion in 1958 of repayment of the Canadian loan of 1942, and unusually large outflows from Canada in 1959 for direct investment in the United Kingdom. Net inflows in long-term forms from other overseas countries, on the other hand, were much larger in 1959 for both direct and portfolio security investments, and there were no large extensions of inter-governmental loans. As a result the amount and the proportion of the net long-term inflow attributable to these countries rose sharply.

Direct Investment in Canada

The net movement of foreign capital to Canada for direct investment in foreign-controlled enterprises during 1959 amounted to \$500 million. This compares with \$420 million for 1958. It was exceeded only in 1957, and in 1956 when a record of \$583 million was established. Some special factors contributed to the high level in 1959, and must be taken into consideration in assessing its significance.

Capital movements for direct investment include a great variety of transactions, large and small, inwards and outwards, recurring and non-recurring. They include funds to finance capital formation in Canada involving the use of Canadian labour, machinery and equipment. They include the financing of machinery and equipment imported from outside Canada, ranging from small components to massive installations of custom built equipment. They include the acquisition from residents of existing assets, such as land, or buildings, or going concerns. They include the provision of basic working capital necessary to finance normal inventory investment, receivables from customers, etc. The net movement of \$500 million in 1959 contained amounts directed to all these purposes. A

few undertakings accounted for some \$200 million of the total, half covering non-recurring transactions, and half the peak level of some major developments. While some parent companies were supplying additional capital to finance expansion in Canada, others found that the funds generated in Canada from earnings, depreciation, etc., were greater than their foreseeable needs in this country and there was some significant return of capital from Canada.

It is never possible to measure precisely the part of direct investment inflows devoted to new capital formation or investment in a physical sense. While some transfers occur specifically for the purpose of acquiring existing concerns, property, etc., others represent only an additional source of financing for active companies which are constantly acquiring or disposing of existing interests, or are shifting the nature of their financial liabilities, from one form to another, in accordance with changing circumstances. Despite difficulties of measurement, there is evidence that most if not all of the increased net movement to Canada in 1959 of foreign direct investment capital was related to the acquisition of existing assets rather than to new capital formation. It is interesting to note that foreign direct investment inflows rose by 19 per cent in 1959 while business gross fixed capital formation remained relatively unchanged.

Net inflows from the United States rose by 28 per cent, or by \$85 million, to \$388 million in 1959. A drop of 30 per cent or \$26 million occurred in inflows from the United Kingdom, which amounted in 1959 to \$61 million, while inflows from other overseas countries rose by 70 per cent or \$21 million to total \$51 million in 1959. Geographically in 1959 78 per cent of the net movement was from the United States, compared with 72 per cent in 1958. The United Kingdom supplied 12 per cent in 1959 compared with 21 per cent a year earlier, and other overseas countries 10 per cent compared with 7 per cent.

Industrially most of the increase in 1959 in net inflows to Canada of foreign direct investment capital was for manufacturing, accounting for about one quarter of the net movement during the year. A substantial part represented the purchase by non-residents of existing interests in the field of automobiles and sugar. In 1959 for the second successive year there was a reduction in the net inflow to the petroleum and natural gas industry. This no doubt reflected the moderation in rate of growth undertaken by the industry. However, the drop was largely offset by increased inflows for mining. Some of the new major developments in mining probably approached in 1959 a peak level of capital expenditure. Together petroleum, natural gas and mining accounted for about 60 per cent of the net movement. This was a smaller proportion than in 1958 when these industries received about three-quarters of the total movement, although a part of the difference is explained by the special inflows for manufacturing in 1959. Other significant inflows occurred for investment in financial concerns, property, etc.

⁵ Canada's increased quota in the International Monetary Fund has not been regarded as a transaction with the United States in these calculations.

STATEMENT 12. United States Direct Investment in Canada, 1946-59

Account	1951	1952	1953	1954	1955	1956	1957	1958	1959 ^P	1946-1959 ¹
millions of dollars										
Gross inflows of new capital:										
Petroleum and natural gas industry ²	140	178	172	187	195	243	260	217	185	1,989
Mining, n.i.e.	37	98	104	66	60	63	78	79	131	763
Pulp and paper	31	7	1	23	35	42	48	16	18	278
Manufacturing, n.i.e.	101	71	52	41	77	108	111	91	143	1,400
Utilities, n.i.e.		2	6	2	9	2	3	3	2	
Merchandising, n.i.e.		5	31	9	21	16	27	11	20	
Financial		1	13	15	17	16	21	5	16	
Miscellaneous		2	4	7	9	16	17	14	14	
Sub-totals	309	364	383	350	423	506	565	436	529	4,430
Return of capital	39	45	37	62	117	100	175	133	141	973
Net capital inflow for direct investment (Table 1, item D 1).....	270	319	346	288	306	406	390	303	388	3,457
Net other identified capital movements affecting the investment of United States residents in United States controlled enterprises ³	34	129	- 2	22	32	225	219	168	139	942
Net capital inflow	304	448	344	310	338	631	609	471	527	4,399
Retention of profits and other factors including revaluations, reclassifications, and similar accounting adjustments	166	186 ⁴	332	271	391 ⁴	247 ⁴	483	106	260 ⁴	3,147
Net increase in book value—Table X (B).....	470	634	676	581	729	878	1,092	577	787	7,546

¹ For annual detail 1946 to 1950 see Statement 12, "The Canadian Balance of International Payments, 1956, and International Investment Position".

² Exploration, development, refining, transportation, distribution and marketing.

³ New issues, retirements, borrowing, investment abroad, etc., affecting the total value of investment in Canada by United States residents in United States controlled enterprises; also includes classification adjustments in respect of direct investment transactions representing significant investment in non-United States controlled enterprises.

⁴ This figure is affected by unusually large reclassifications between direct and portfolio investments.

⁵ Provisional estimate subject to revision.

Note: In addition to investment in new construction and new machinery and equipment included in gross business fixed capital formation as published in the National Accounts, the above figures reflect investment in other forms and the acquisition of existing assets and resources of Canadians. For these and other reasons the series are not strictly comparable.

STATEMENT 12 A. Additional Detail of United States Direct Investment in Canada, 1958 and 1959

Industry	1958					1959 ^P				
	Direct investment transactions			Other capital movements ¹	Net capital inflow	Direct investment transactions			Other capital movements ¹	Net capital inflow
	Inflows	Out-flows (-)	Net inflow			Inflows	Out-flows (-)	Net inflow		
	millions of dollars									
Petroleum and natural gas industry ²	217	- 8	209	35	244	185	- 22	163	20	183
Mining, n.i.e.	79	- 8	71	54	125	131	- 24	107	49	156
Pulp and paper	16	- 24	- 8	- 5	- 13	18	- 30	- 12	- 1	- 13
Manufacturing, n.i.e.	91	- 58	33	54	87	143	- 40	103	17	120
Utilities, n.i.e.	3	- 1	2	- 2	-	2	-	2	- 8	- 6
Merchandising, n.i.e.	11	- 18	- 7	3	- 4	20	- 17	3	6	9
Financial	5	- 4	1	30	31	16	- 1	15	57	72
Miscellaneous	14	- 12	2	- 1	1	14	- 7	7	- 1	6
Totals	436	-133	303	168	471	529	-141	388	139	527

¹ For annual detail 1946 to 1950 see Statement 12, "The Canadian Balance of International Payments, 1956, and International Investment Position".

² Exploration, development, refining, transportation, distribution and marketing.

The capital inflow for direct investment was about equal in the two halves of 1959, but the special transactions already referred to affected this timing. Excluding these, there appears to have been some increase in the rate of inflow in the last half of 1959.

The industrial distribution of movements of capital for United States direct investment in Canada is given as usual in Statements 12 and 12A. These show that 70 per cent of the net inflow of United States capital for direct investment in Canada in 1959 was directed to the petroleum and natural gas industry and mining, down from 92 per cent in 1958. The net amount involved was little different in the two years, \$270 million in 1959 and \$280 million in 1958, with a reduction in inflows for petroleum and natural gas being partly offset by an increase for mining. (The differences in gross direct investment inflows to these industries were somewhat larger). In contrast with the relative stability in petroleum, natural gas and mining, there was a sharp change in the net movement of United States direct investment capital to manufacturing which rose from \$25 million in 1958 to \$91 million in 1959 under the impact of some of the special transactions already referred to. Net inflows of United States direct investment capital to all other industrial groups of \$27 million in 1959 replaced net outflows of \$2 million in 1958.

Annual estimates of the total value of direct investments cover the total investments owned by all residents of the country in which control lies, in contrast with estimates of direct investment flows shown in balance of payments statements which are confined to those affecting the investment of controlling or affiliated interests. As a consequence there are capital movements recorded in the statements under categories other than direct investment which directly affect the estimated value of direct investments. These movements are also shown in Statements 12 and 12A. They totalled \$168 million in 1958 and \$139 million in 1959. The largest changes were sharp declines in the use of medium term bank credits and to a lesser extent corporate bond offerings in the United States by manufacturing concerns, partially offset by larger borrowings there by finance companies. Taken together, the net capital movement adding to United States direct investment in Canada amounted in 1958 to \$471 million and in 1959 to \$527 million. All other factors, including the retention of profits, accounting adjustments, etc., added a further \$106 million in 1958 and an estimated \$260 million in 1959. The recorded increase in the book value of United States direct investment in 1958 was \$577 million and the estimated increase in 1959 was \$787 million. The 1959 figure was considerably below 1956 and 1957 but larger than in earlier years.

In the fourteen years of the post-war period there have been gross inflows from the United States for direct investment in Canada aggregating \$4,430 million, of which more than 60 per cent went

to the petroleum, natural gas, and mining industries. During the same period some \$973 million of United States direct investment capital was returned to that country, but movements of portfolio capital added a further \$942 million to the value of United States investment in United States-controlled enterprises in Canada, making a total movement of United States capital of \$4,399 million. Retention of profits, reclassifications, etc., led to a further rise of \$3,147 million in the period, raising the book value of United States direct investments in Canada from \$2,304 million at the end of 1945 to \$9,850 million at the end of 1959.

Inflows of direct investment capital from the United Kingdom in 1959 were directed largely to petroleum and natural gas which accounted for 40 per cent, and to manufacturing which accounted for only a slightly smaller proportion, although this category included important amounts for the acquisition of existing interests. The declines from 1958 (when the total also included a significant amount which did not give rise to new capital expenditures in that year) were general. Net direct investment inflows from other overseas countries, mainly Western European, which totalled \$51 million were up sharply over 1958 but did not reach the levels of 1956 and 1957. Manufacturing, mining, and financial concerns all attracted significant inflows.

It will have been evident from the discussion above that estimates of the Canadian balance of payments do not reflect the accrual to non-residents of undistributed earnings on Canadian investments. Such earnings are an important source of corporate financing, and have been a contributing factor to the rapid growth of the equity of non-residents in Canadian industry and commerce. The retention of earnings on portfolio investments in Canada includes passive or involuntary reinvestment by foreign shareholders (although, of course, they may dispose of their investment if they choose to do so). On the other hand the retention of earnings on foreign direct investments in Canada arises from the decision or acquiescence of non-resident investors in a position to control the company. It is, therefore, tantamount to the introduction of additional capital from abroad.

Decisions with respect to the transfer of earnings between subsidiaries and parent companies are presumably dictated primarily by the relative need for funds in Canada or abroad. In the absence of immediate and pressing need for the funds, conditions in the money and exchange markets assume importance. Other possible determining influences may include effects on the corporation's overall tax position or on its published accounts. These types of consideration are believed to be more important in the subsidiary-parent relationship typical of direct investment than in the public company whose profit distributions represent a final disposition of resources and for whose shareholders a relatively stable dividend rate generally has attraction. The dividend payment practices of direct

investment companies have varied considerably over the post-war period. Until the end of 1951 about 60 per cent of direct investment earnings were distributed. In the period since that time distributions have averaged about 46 per cent of earnings. This has been below the average for all companies in Canada, which, between 1952 and 1959, paid out some 49 per cent of earnings.

Estimates of the total retained earnings on all foreign direct investments appear in Statement 12B. (Figures are not available separately by country nor for Canadian direct investment abroad). Earnings retained during 1958 are estimated to have amounted to about \$250 million. This was below the amount

retained in recent years but the calculation involves timing and valuation difficulties and only limited significance should be attached to an annual variation. The accumulation of undistributed earnings has added \$3,420 million to Canada's external indebtedness in the thirteen years between 1946 and 1958. Retained earnings on foreign portfolio investment in Canada add further large amounts. The significance of this sum, large as it is, is given added emphasis by the generally rising trend evident in the figures. And of even greater significance is the fact that many extensive enterprises owned in Canada by non-residents have not yet reached the stage of significant earnings.

STATEMENT 12B. Estimated Profits Retained on Foreign Direct Investments in Canada, 1946-58
(Millions of dollars)

Year	Amount	Year	Amount	Year	Amount
1946	120	1951	200	1956	480
1947	125	1952	290	1957	475
1948	160	1953	340	1958	250
1949	155	1954	300		
1950	155	1955	370	Total 1946-58	3,420

Direct Investment Abroad

Net outflows of Canadian capital for direct investment abroad totalled \$70 million in 1959 which compares with a revised estimate of \$48 million for 1958. Acquisitions of interests in existing concerns contributed to the total for 1959, while the disposal in 1958 of some interests acquired earlier reduced the net outflow in that year. Net movements between Canada and the United States, outflows of \$1 million in 1959 and \$3 million in 1958, were negligible in comparison with the movements with other countries and with transactions with the United States in the years intervening since the termination of exchange control. The sale of petroleum interests in 1959 and the disposal of controlling interests in several concerns in 1958 were factors reducing the net outflows in these years to minor proportions. The largest part of the net outflow in 1959 was to the United Kingdom, and the movement of \$43 million was in sharp contrast with the figure of \$5 million in 1958. Among the important transactions with the United Kingdom in 1959 were purchases of manufacturing undertakings in that country. Net outflows to other overseas countries totalled \$26 million in 1959 compared with \$40 million in 1958. In 1959 they comprised \$9 million to sterling area countries other than the United Kingdom, \$5 million to other OEEC countries, and \$12 million to all other countries.

Canada's direct investments abroad are spread over a wide variety of industrial and commercial

enterprises including beverages, aluminum, farm implements, other manufacturing, mining, oil, utilities, and distribution.

Summary of Transactions in Portfolio Securities

For four consecutive years portfolio security transactions have been Canada's largest source of foreign capital, supplying in 1959 an amount equivalent to 44 per cent of the deficit on current account. This was 9 per cent lower than for 1956, 1957, or 1958. In the ten years prior to this, inflows for portfolio security investment were exceeded by those for direct investment each year except 1950. The net inflow of \$625 million in 1959 was slightly larger than the total of \$610 million recorded for 1958, but in that year the current account deficit was much smaller and security transactions were equivalent to a higher proportion. Even larger amounts of capital were imported in this form the two preceding years, \$727 million in 1956 and \$763 million in 1957, and in the four year period the net capital inflow from security transactions has totalled \$2,725 million. The capital movement of \$625 million in 1959 may be compared with the figure of \$331 million established in the atmosphere of exchange rate speculation in 1950, a record which was not surpassed until 1956.

The great inflows in recent years have for the most part represented the sale of issues payable in United States dollars, and have been initiated by Canadian borrowers who actively sought out

foreign sources of financing. In contrast, in 1950 most of the inflow was initiated by non-resident investors who came into the Canadian market to acquire Canadian securities payable in Canadian funds.

Statements 13 and 14 give details of the transactions in Canadian and foreign issues respectively. The proceeds of new issues of Canadian securities sold to non-residents amounted to \$704 million, but there were offsetting retirements of \$245 million of foreign-held Canadian securities. Trade in outstanding Canadian securities resulted in a sales balance to non-residents of \$202 million, bringing the net movement from transactions in Canadian securities to \$661 million. In the opposite direction there was a net capital export of \$36 million from all transactions by Canadians in foreign securities.

Geographically, in percentage terms, the overall movement of portfolio security capital in 1959 came 77 per cent from the United States, 5 per cent from the United Kingdom, and 18 per cent from other overseas countries. In 1958 the proportion from the United States was 87 per cent, that from the United Kingdom 6 per cent, and that from the other overseas countries 7 per cent.

In amounts, the net inflow to Canada from security transactions with the United States totalled \$480 million in 1959. This compared with \$530 million in 1958, \$561 million in 1957, and \$499 million in 1956. For earlier years the amounts were very much smaller. The movement in 1959 included net sales of \$516 million of Canadian securities, comprising \$21 million of outstanding bonds and debentures, \$74 million of outstanding common and preference stocks, and \$621 million of new issues, offset by retirements of \$200 million of United States-owned Canadian securities. Against this net inflow was a net outflow of \$36 million from all transactions in foreign securities. The sales balance on account of trade in outstanding Canadian bonds and debentures was the first since 1950. It arose from marked interest by United States investors in Government of Canada direct and guaranteed issues, leading to net sales of \$45 million. There were net repurchases by Canadians of issues of most other classes of borrower. Net sales of outstanding Canadian stocks were larger than they have been since 1955. The total proceeds of new issues sold to residents of the United States was exceeded only in 1957 while repatriation through retirements was larger than for many years, and was up 50 per cent over 1958. As the volume of debt outstanding in non-resident hands rises, increasing retirements may be expected, although under present conditions a significant part may take the form of repurchases in the open market which are reflected in the trade of outstanding issues. Canadians added on balance to their holdings of foreign securities through transactions with the United States in 1959. The net capital outflow for this purpose was the fourth since World War II, and by far the largest.

The net capital inflow from all portfolio security transactions between Canada and the United Kingdom amounted to \$30 million in 1959. The

movement was broadly similar in total and composition with that of the previous year, but it fell far short of 1956 and 1957 in each of which there were net movements of more than \$120 million to Canada.

Transactions in securities with other overseas countries produced \$115 million in 1959, two and a half times their amount in 1958, and more than the previous record of \$107 million established in 1956. Contributing to the balance was more than \$68 million net sales of outstanding Government of Canada direct and guaranteed issues.

A very high volume of international security movements of portfolio capital between Canada and other countries is normal. In 1959 gross transactions approached \$3.1 billion, up more than 20 per cent over the turn-over of \$2.5 billion recorded in 1958. Corresponding figures for 1956 and 1957 were \$3.2 billion and \$3.0 billion respectively.

The figures for 1959 reveal increased reliance by Canada on foreign investors to supply portfolio security capital. The foreign savings made available to Canada through sale of Canadian stocks and bonds in 1959 were equivalent to somewhat more than 40 per cent of the net new supply of such securities. In 1958, when the Government of Canada was a substantial borrower of funds in Canada, sales to non-residents were equivalent to about 19 per cent of the new supply. Excluding Government of Canada direct and guaranteed issues, the percentage in 1958 was 28. Non-resident acquisitions of securities of provincial and municipal governments and of corporations, taken as a group, were larger in 1959 than in 1958, notwithstanding the fact that the net new issues of such securities were smaller.

Additional comment and statistical detail on movements of portfolio capital, including quarterly figures classified by debtor, will be found in the DBS monthly reports, "Sales and Purchases of Securities Between Canada and Other Countries", particularly the December issues which contain an annual review.⁶

Transactions in Outstanding Canadian Securities

The capital inflow of \$202 million produced by trade in outstanding Canadian securities was the largest since 1950. It included on balance \$93 million of Canadian bonds and debentures and \$109 million of Canadian stocks. Details will be found in Statement 13.

Net sales of outstanding bonds and debentures occurred in every month of 1959 except one, and their total was the largest since 1950. In 1958 there was no net movement from trading in bonds, and in 1957 trading resulted in a repurchase balance of \$45 million. Net sales to non-residents during 1959 of \$119 million of Government of Canada direct and guaranteed issues were offset to the extent of \$26 million by net repurchases of issues of other Canadian debtors, some of which may reflect transactions of sinking funds.

⁶ Catalogue No. 67-002. Due to revisions the figures appearing in this report will differ in some cases from those published in the earlier monthly reports.

**STATEMENT 13. Transactions in Canadian Securities between Canada and Other Countries,
1958 and 1959**

A minus sign indicates an outflow of capital from Canada

Account	Trade in outstanding issues		Proceeds of new issues		Retirements		Total	
	1958	1959	1958	1959	1958	1959	1958	1959
millions of dollars								
By type of security								
Bonds and debentures:								
Government of Canada, direct	+21	+106	+ 67	+ 42	- 25	-101	+ 63	+ 47
Government of Canada, guaranteed	- 1	+ 13	+ 9	+ 14	-	-	+ 8	+ 27
Provincial government (including guaranteed)	-18	- 4	+168	+334	- 45	- 41	+105	+289
Municipal government	- 1	+ 1	+148	+159	- 30	- 33	+117	+127
Railways, not guaranteed by government	- 3	- 2	+ 1	-	- 2	- 5	- 4	- 7
Other corporations	+ 2	- 21	+241	+113	- 40	- 52	+203	+ 40
Sub-totals: bonds and debentures	-	+ 93	+634	+662	-142	-232	+492	+523
Common and preference stocks	+88	+109	+ 43	+ 42	- 16	- 13	+115	+138
Totals (Table 1, items D3, 4, 5)	+88	+202	+677	+704	-158	-245	+607	+661
By country								
United States	+60	+ 95	+600	+621	-132	-200	+528	+516
United Kingdom	+ 7	+ 11	+ 41	+ 43	- 16	- 27	+ 32	+ 27
Other sterling area	-	-	-	-	-	-	-	-
Other OEEC countries	+31	+ 92	+ 26	+ 40	- 10	- 18	+ 47	+114
Other countries	-10	+ 4	+ 10	-	-	-	-	+ 4
Totals (Table 1, items D3, 4, 5)	+88	+202	+677	+704	-158	-245	+607	+661
By quarter								
First quarter	+ 1	+ 65	+179	+186	- 30	- 41	+150	+210
Second quarter	+ 5	+ 48	+295	+111	- 50	- 78	+250	+ 81
Third quarter	+28	+ 58	+102	+210	- 27	- 59	+103	+209
Fourth quarter	+54	+ 31	+101	+197	- 51	- 67	+104	+161
Totals (Table 1, items D3, 4, 5)	+88	+202	+677	+704	-158	-245	+607	+661

Net sales to non-residents of outstanding Canadian common and preference stocks produced \$109 million, larger than the figure of \$88 million for 1958 but smaller than in the other years since 1953. There were net sales of outstanding Canadian stocks in every month of 1959; in the past six years there have been only four months in which a sales balance did not occur. During this period non-residents have purchased on balance nearly \$800 million of outstanding Canadian equity securities, apart from direct investments in subsidiaries.

Nine special income-accumulating investment funds have been organized in Canada by United States interests. These diversified management investment companies were established since mid-1954 following a change at that time in United States administrative arrangements which facilitated their formation. They provide important advantages to United States investors under the tax structure in effect in that country. As their essential characteristic is portfolio investment, notwithstanding their legal status as Canadian corporations, they are treated as representing United States portfolio investors, and their transactions in Canadian securities are included in statistics of international security trading.

The year 1959 was the first since the funds were organized when redemptions of their own shares exceeded sales. The liquidation amounted to about \$10 million, compared with net sales of about \$7 million in the previous year. Since the funds retain their net income the decline in their value, apart from realized and unrealized capital gains, was only about \$1 million in 1959, contrasted with an increase of about \$16 million in 1958. The effect on Canada's balance of payments was somewhat larger because the funds have been adding moderately to their holdings of foreign securities. In 1959 they sold on balance about \$12 million of their Canadian securities; this capital outflow contrasted with an inflow of about \$14 million in 1958. It will be seen from this that neither in 1958 nor 1959 were the funds so important a factor in the securities market as in earlier years. In the four years from 1954 to 1957 they purchased a total of \$272 million of Canadian securities and acquired a further \$21 million by merger, but in the two most recent years they purchased on balance only an additional \$2 million.

At the end of 1959 the total investment in the funds was about \$384 million including about \$36 million of realized and unrealized appreciation.

About \$43 million of the total was invested in foreign securities, mainly European, and a further \$10 million took the form of cash balances and other current assets. The investment in Canadian securities at market values was about \$331 million, of which about \$320 million is estimated to have been owned by United States investors.⁷

Common stock prices in Canada, as measured by the DBS Investors' Index, were only about one per cent higher in December 1959 than a year earlier. On the other hand common stock prices in the United States as measured by Standard and Poor's "500" Index were up more than ten per cent. The net sales to non-residents of Canadian stocks represented only a small part of the quoted value of listings on the principal exchanges in Canada, but it should be borne in mind that not all of the issues listed are available for trading. Gross sales to non-residents of outstanding issues, which rose by about 25 per cent compared with 1958, accounted for somewhat more than one-fifth of the value of shares traded on the principal exchanges in Canada in 1959, up slightly from the proportion in the previous year. In the final months of 1959 gross sales to non-residents were equal to more than a quarter of the total.

New Issues and Retirements of Canadian Securities

Canada received \$704 million from the sale of new issues of Canadian securities to non-residents

in 1959. This represented an increase of \$27 million over 1958, and was exceeded only by the inflow of \$798 million in 1957. Details of the new issues, classified by issuer, appear in Statement 13. Gross new corporate issues dropped to \$155 million, from \$285 million in 1958 and \$523 million in 1957. In both those years, however, there was a significant volume of deliveries of pipe line bonds sold earlier. On the other hand sales to non-residents of new issues of governments rose to new heights of \$549 million in 1959, increasing by over one-third over the previous year.

Residents of the United States bought nearly 90 per cent of the new issues sold to non-residents in both 1958 and 1959. The proportion of new issues of Canadian bonds and debentures sold to non-residents which provided for payment either optionally or solely in foreign currency was nearly 80 per cent in each year.

Statement 13A provides a quarterly reconciliation between contracts entered into covering sales to residents to the United States of new Canadian bonds and debentures, and the delivery data appropriate for balance of payments purposes. The statement has some significance for analysis of the relationship of capital movements to concurrent conditions in the international capital and exchange markets.

STATEMENT 13 A. Contract and Delivery Dates of New Issues of Canadian Bonds and Debentures Sold to Residents of the United States, 1958 and 1959

Account	1958					1959				
	IQ	IIQ	IIIQ	IVQ	Year	IQ	IIQ	IIIQ	IVQ	Year
	millions of dollars									
Sales contracts entered into during period	161	260	15	132	568	104	161	177	133	575
Add sales in earlier periods for delivery in period ..	9	32	73	5	79	58	6	73	47	64
Deduct sales in period for delivery later	- 9	- 40	-	- 55	- 64	- 4	- 74	- 57	- 18	- 33
Proceeds of new issues during period (included in Table I, item D4)	161	252	88	82	583	158	93	193	162	606

Note: As details of all contracts are not available, deferred deliveries may be understated.

Interest rates in both Canada and the United States rose sharply during 1959, and there was a tendency for the differential to be greater than in 1958. For example, the yield on the Government of Canada 3½% issue due 15 January 1975-78 rose 84 base points from 4.76 per cent to 5.60 per cent. At the same time the yield on the United States Government 3¼% issue due 15 June 1978-83, a roughly comparable bond, rose 58 base points, from

3.83 per cent to 4.41 per cent. The differential for the last Wednesday of each month varied between 83 and 152 base points. It reached more than 1½ percentage points near the end of October.

The growth in Canada's external liabilities from the sale to non-residents of new issues of Canadian securities is naturally somewhat greater than the proceeds derived from the transactions. The total proceeds of new issues of Canadian securities sold to residents of the United States in 1959 was \$621 million. This included \$15 million from

⁷ Estimates in these paragraphs are based on balance sheet data which do not correspond precisely with the calendar year.

the sale of Canadian stocks, \$96 million from the sale of Canadian bonds and debentures payable optionally or solely in Canadian funds, and \$510 million from the sale of Canadian bonds and debentures payable in United States funds only. The par value of the latter issues was \$540 million, from which there was deducted about \$8 million for discounts, underwriting commissions, and other expenses, and \$22 million for discount on the United States dollar.

In the eight years from 1952 to 1959 Canada sold to non-residents new issues valued at \$3,994 million, about three-quarters of which was payable solely or at the holders' option in foreign currency. The sum included \$2,171 million of issues by governments and \$1,823 million of corporate issues.

Retirements of foreign-held Canadian securities totalled \$245 million in 1959, compared with \$158 million in 1958. Much of the increase covered Government of Canada issues. This is the largest figure for retirements for many years. It is no doubt a reflection of the growing volume of funded debt outstanding in the hands of non-residents. Since retirements required by the operation of sinking funds may often be satisfied through the surrender of bonds acquired in the market, it may be sur-

mised that in addition some current retirements took the form of repurchases of outstanding securities.

Transactions in Foreign Securities

Transactions in foreign securities gave rise to a net capital outflow of \$36 million in 1959. There were net purchases by Canadians of \$33 million of outstanding foreign issues. The only other year since the end of World War II in which Canadians added to their holdings of foreign securities through purchases of outstanding issues was in 1948 when there was a net outflow of \$7 million. Net purchases occurred in each quarter of 1959 and largely represented, on balance, the purchase of foreign bonds, particularly United States Government issues. Canadians also purchased \$13 million of new issues of foreign securities but \$10 million of existing Canadian-owned issues were retired.

Long-term Investments Abroad by the Government of Canada

Canadian aid abroad in 1959 in the form of loans to overseas governments consisted of \$1 million credit extended to Ceylon and to India to finance the purchase of Canadian wheat and flour.

STATEMENT 14. Transactions in Foreign Securities Between Canada and Other Countries, 1958 and 1959

A minus sign indicates an outflow of capital from Canada

Account	Trade in outstanding issues		Proceeds of new issues		Retirements		Total	
	1958	1959	1958	1959	1958	1959	1958	1959
millions of dollars								
By type of security								
Foreign bonds and debentures	+ 3	-27	-13	- 7	+7	+10	-3	-24
Foreign common and preference stocks	+10	- 6	- 4	- 6	—	—	+6	-12
Totals (Table I, items D6, 7, 8)	+13	-33	-17	-13	+7	+10	+3	-36
By country								
United States	+11	-34	-13	- 8	+4	+ 6	+2	-36
United Kingdom	+ 2	+ 3	—	—	+1	—	+3	+ 3
Other sterling area	—	—	—	—	—	+ 2	—	+ 2
Other OEEC countries	—	- 2	—	—	—	—	—	- 2
Other countries	—	—	- 4	- 5	+2	+ 2	-2	- 3
Totals (Table I, items D6, 7, 8)	+13	-33	-17	-13	+7	+10	+3	-36
By quarter								
First quarter	+ 4	- 5	- 4	- 3	+2	+ 3	+2	- 5
Second quarter	- 1	-12	- 7	- 2	+1	+ 2	-7	-12
Third quarter	+ 3	- 8	- 2	- 1	+2	+ 2	+3	- 7
Fourth quarter	+ 7	- 8	- 4	- 7	+2	+ 3	+5	-12
Totals (Table I, items D6, 7, 8)	+13	-33	-17	-13	+7	+10	+3	-36

In the previous year credits totalling \$34 million were extended for this purpose. Repayments of principal on earlier intergovernmental loans totalled \$34 million, including amounts from the United Kingdom, Belgium, France, the Netherlands, and Norway; the repayment by Norway was the final payment on a loan of \$23 million made between 1945 and 1948. In 1958 repayments to Canada totalled \$64 million, but that total included \$30 million repaid on the loan of 1942 to the United Kingdom which had been fully repaid by the end of the year. In addition to the principal repayments Canada received in 1959 \$33 million of interest on intergovernmental loans; this is a part of the item in the current account covering Canada's receipts of interest and dividends.

By the end of 1959 the outstanding balances on loans of \$2,485 million extended by Canada since the beginning of World War II amounted to \$1,419 million.* The amount of principal outstanding on the United Kingdom loan of 1946 was \$1,064 million, and a further \$355 million was outstanding by other overseas countries on post-war loans made under Part II of the Export Credits Insurance Act, the special wheat and flour loans referred to earlier, etc. There was in addition \$32 million owing to Canada on intergovernmental loans extended following World War I and on account of military relief settlements arising out of World War II. At the end of 1959 payments were overdue on the intergovernmental loans made in the inter-war years and on the post-war loan to China. These inactive loans amounted to \$80 million out of the total of \$1,451 million outstanding.

During 1959 an amendment to the Bretton Woods Agreements Act was passed providing for increases in Canada's quota in the International

* Excludes \$44 million deferred interest on the loan of 1946 to the United Kingdom.

Monetary Fund and subscription to the International Bank for Reconstruction and Development. There were general increases of 50 per cent in the quotas for the IMF and of 100 per cent in the subscriptions to the IBRD. Canada was among the countries for which special increases exceeding these percentages were recommended. As a result, Canada's quota in the IMF was raised from \$300 million to \$550 million, and its subscription to the IBRD from \$325 million to \$750 million, all of these amounts being expressed in United States funds. The increased quota for IMF involved the payment of US \$62.5 million in gold, and US \$187.5 million in Canadian funds. A capital outflow of \$59 million appears separately in the fourth quarter in the balance of payments statements, representing the Canadian dollar equivalent of the payment in gold. The transaction is recorded in the account with the United States to which changes in official holdings of gold are conventionally attributed. (The impact of this payment on Canada's official holdings of gold and foreign exchange is a capital inflow in a later item). Since it has been the practice to record quota and subscription payments in Canadian funds to these institutions, with changes in short-term Canadian dollar holdings by them, in the item "other capital movements" the payment in Canadian dollars to the IMF has no immediate effect on the main balance of payments statements. Canada's increased subscription to the IBRD will involve payment of \$1 million in gold or United States dollars, and \$9 million in Canadian funds, with the remainder of \$415 million to remain on call to serve as an increased guarantee of IBRD obligations; these transactions had not been completed at the end of 1959.

Change in Canadian Dollar Holdings of Foreigners

A capital inflow of \$12 million was reflected in increased holdings of Canadian dollars by non-residents during 1959. This inflow was much smaller than the increase of \$106 million for 1958, when

STATEMENT 14 A. Transactions with Non-residents in Canadian Treasury Bills, 1959

Month	Sales	Repurchases and maturities	Net change in holdings	Holdings at month-end
millions of dollars				
1958 - December .....	...	...	...	50
1959 - January	17	20	- 3	47
February	28	10	+ 18	65
March	18	33	- 15	50
April	30	13	+ 17	67
May	28	19	+ 9	76
June	59	22	+ 37	113
July	39	30	+ 9	122
August	43	26	+ 17	139
September	15	40	- 25	114
October	13	45	- 32	82
November	31	41	- 10	72
December	48	56	- 8	64
Year	369	355	+ 14	64

Note: An increase in holdings (+) reflects a capital inflow.

part of the change was caused by the creation of the special account for the United States Government described in greater detail in last year's report. Variations over the course of 1959 were more significant than the change for the year as a whole. A decline of \$12 million in the first quarter of the year was followed by increases of \$46 million and \$22 million in the second and third quarters respectively. These capital inflows were reversed as to \$44 million by an outflow in the final quarter of the year.

Geographically there were also variations. The holdings of residents of the United States rose by \$7 million during the year, those of the United Kingdom and other sterling area countries fell by \$19 million, while those of other overseas countries rose by \$24 million.

Over the course of 1959 transactions by non-residents in Canadian Treasury Bills, which are included in these figures of Canadian dollar holdings of foreigners, were of more than usual importance in the Canadian balance of international payments, again affording evidence of the growing role of the short-term money market in Canada and its relationship to markets in other countries.

During the year non-residents purchased \$369 million of Canadian treasury bills. Most of these matured or were repurchased by Canadians during the year and the net holdings by non-residents rose by only \$14 million. Over shorter periods, however, the transactions played an important role in the financing of Canada's international accounts. Statement 14A shows that in the five months from April to August there occurred a net capital inflow of \$89 million for the purchase of bills, followed by a net outflow of \$75 million in the succeeding four months. Investors in the United States, the United Kingdom, and other overseas countries each participated in significant amounts in these movements. (There was at times during 1959 also a considerable volume of purchases by Canadians of United States treasury bills which is included with the item for bank balances and other short-term funds abroad shown in Statement 15, but Canadian statistical sources make it difficult to isolate the data.)

The page of charts showing these transactions also illustrates the factors influencing interest arbitrage movements of capital from the United States to Canada.⁹ Pure interest arbitrage necessarily involves entering into a forward exchange contract to protect the investor against fluctuations in the spot rate of exchange over the period of investment. In theory, of course, movements of interest arbitrage capital continue to a point where the cost of exchange protection offsets the interest differential. Not all purchases of treasury bills are covered in this manner. Some investors may

choose to assume the risk of fluctuations, although it seems unlikely that this was the case to any considerable extent with the movements which occurred in 1959. Where the investor has an ultimate use for the currency there would ordinarily be no point to selling the exchange forward. In such cases it is the interest rate differential alone rather than the covered differential which is relevant. A substantial part of the sales of Canadian treasury bills during the fourth quarter of 1959 fell into this category.

The report in this series for 1955 gave corresponding details for a significant movement of Canadian capital to the United Kingdom for purchase of treasury bills of that country during 1955. The covered differentials at that time were much wider than in the current case. To some extent this condition may reflect the development of a more effective money market, although the situations were not completely comparable. The movement to London was inhibited by some institutional problems which were not likely of equal importance in the recent movement from other countries to Canada. And the triangular nature of the exchange market for forward sterling also made adjustment more difficult.

Total Canadian dollar holdings of all non-residents other than the International Bank for Reconstruction and Development and the International Monetary Fund amounted at the end of 1959 to about \$495 million. Changes in holdings of the international financial agencies, amounting at the end of 1959 to nearly \$400 million, are reflected in a later category of the capital account.

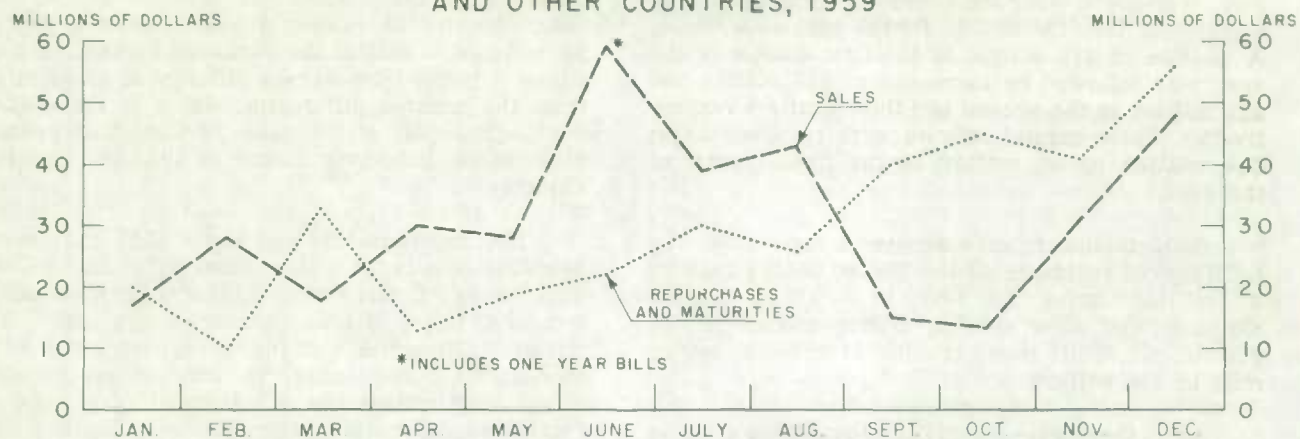
Change in Official Holdings of Gold and Foreign Exchange

There was a net capital inflow of \$70 million in 1959 reflecting changes in Canada's official holdings of gold and foreign exchange. An inflow of \$49 million in the first quarter through a reduction of official holdings was followed by outflows of \$43 million and \$3 million as holdings were increased in the second and third quarters. There followed an inflow of \$67 million in the final quarter of the year. As has been noted previously \$59 million of this reflected the reduction of holdings resulting from payment of Canada's increased quota in the International Monetary Fund. This quota might be regarded as a second line of reserve. Reductions in official holdings of gold and United States dollars accounted for \$67 million of the net inflow in 1959, and reductions in official holdings of sterling for \$3 million.

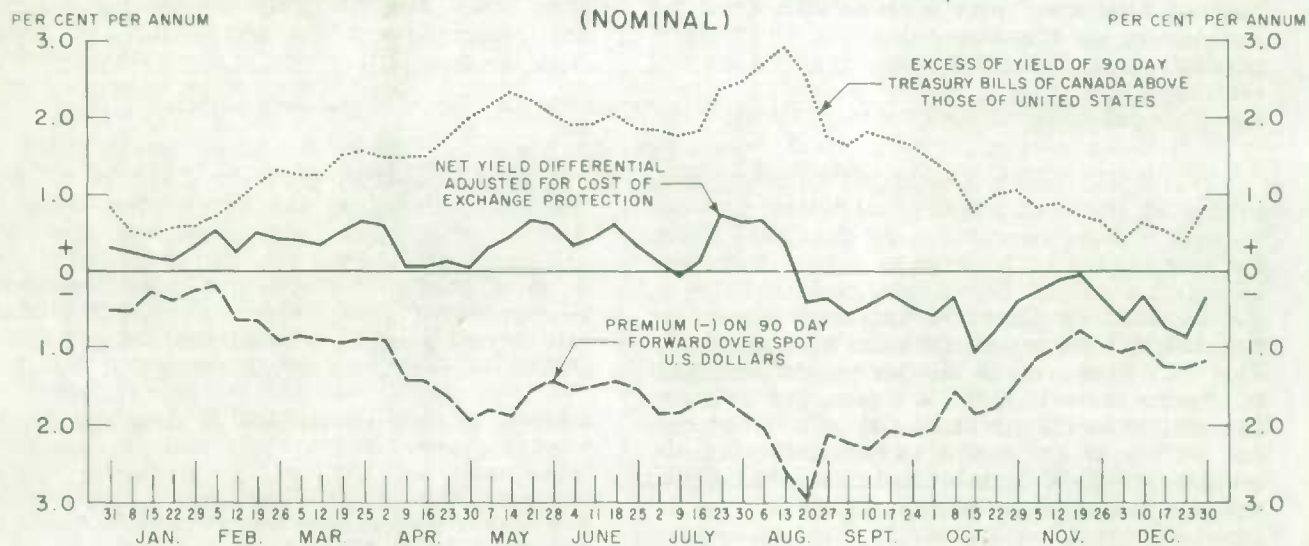
Official holdings of gold and United States dollars fell from \$1,939.1 million, expressed in United States funds, at the beginning of the year, to \$1,869.2 million at the end. The highest level of month-end holdings was reached in September when the total was \$1,938.3 million. Holdings of sterling are limited to working balances and were of the order of \$7 million at the end of 1959.

⁹ Quotations upon which the interest differential is based are subject to technical factors but are sufficiently accurate to illustrate the broad character of the changes.

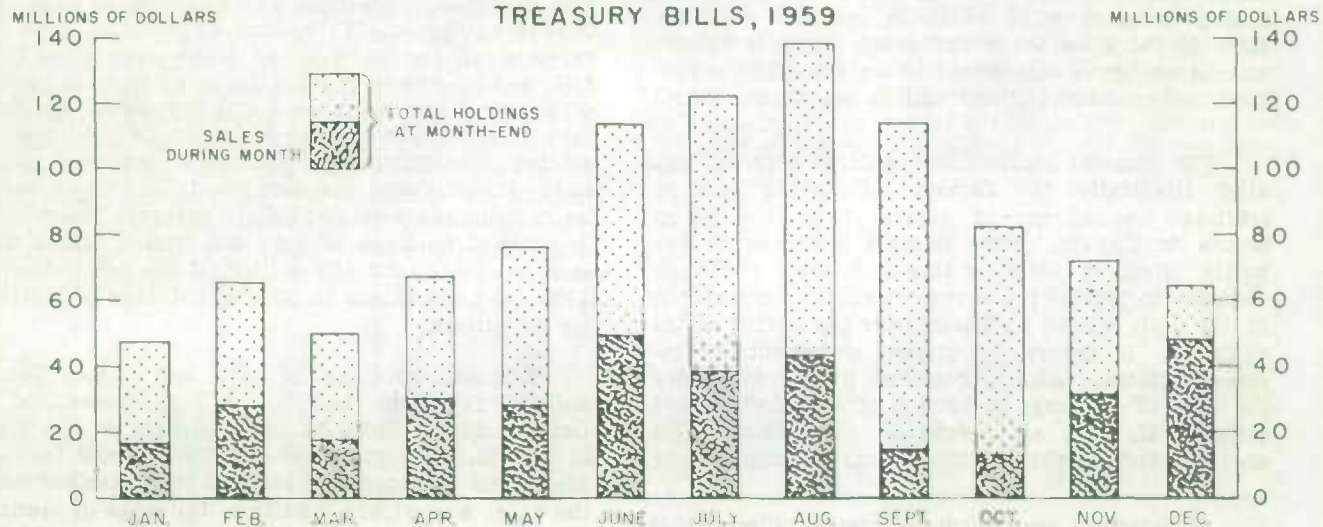
SALES, REPURCHASES, AND MATURITIES, OF CANADIAN TREASURY BILLS BETWEEN CANADA AND OTHER COUNTRIES, 1959



SHORT-TERM INTEREST AND EXCHANGE DIFFERENTIALS BETWEEN CANADA AND THE UNITED STATES, 1959 (NOMINAL)



HOLDINGS BY NON-RESIDENTS OF CANADIAN TREASURY BILLS, 1959



STATEMENT 15. Composition of "Other Capital Movements", 1946-59

A minus sign indicates an outflow of capital from Canada

Transaction with all countries	1953	1954	1955	1956	1957	1958	1959 ^P	Total 1946- 59 ¹
millions of dollars								
Loans by Government of United Kingdom to a Canadian Corporation	20	—	—	—	—	—	—	67
Canadian dollar subscriptions to International Bank for Reconstruction and Development and International Monetary Fund	—	29	- 4	- 1	8	- 3	-178	-460
Short-term Canadian dollar holdings of International Bank for Reconstruction and Development and International Monetary Fund	- 18	-42	- 5	- 16	- 7	2	181	391
United Kingdom Financial Settlement and Interim Advances (net)	—	—	—	—	—	—	—	38
Other long-term capital transactions	- 10	29	49	152	42	100	33	320
Borrowings by Canadian finance companies	19	11	23	64	5	19	68	244
Bank balances and other short-term funds abroad (excluding official reserves) ²	- 79	-75	91	-215	-274	- 58	-121	-929
All other transactions including changes in loans and accounts receivable and payable ³	-117	20	50	168	352	62	335	796
Totals (Table 1, item D17)	-185	-28	204	152	126	122	318	467

¹ For annual detail 1946-52, see Table I in "Canada's Short-term External Assets and Liabilities, 1945-57" (DBS Catalogue No. 67-504).

² Estimated partly from United States and other non-Canadian sources, as Canadian data do not cover all holdings.

³ Includes also balancing item representing difference between direct measurements of current and capital accounts.

Other Capital Movements

All other capital movements are estimated to have led to a net capital inflow of \$318 million in 1959. Revisions to 1958 data give a corresponding inflow of \$122 million in that year. The 1959 inflow is extraordinarily large and greatly exceeds that for any earlier year covered by official estimates (although it may be noted that an outflow of greater magnitude occurred in 1952).

A summary of the diverse components of this category in the Canadian balance of payments appears in Statement 15. The transactions with the International Bank for Reconstruction and Development and the International Monetary Fund were described earlier in the section on "Long-Term Investments Abroad by the Government of Canada", and the net effect is largely offset within this category.

A mixture of movements in both directions led to a net inflow of \$33 million from other long-term capital transactions. A more homogeneous component was the borrowing abroad of \$68 million by Canadian finance companies. Most of this movement occurred in the last half of the year, and the total was slightly higher than that for 1956 which was a record. The net borrowing abroad of \$244 million between 1952 and 1959 may be compared with a growth in this period of \$689 million in the total outstanding notes and debentures of instalment and other finance companies. Since additional amounts of long-term debentures were sold abroad but are

included with corporation bonds and debentures among movements of portfolio security capital, it will be evident that a substantial amount of the capital provided in these forms comes from non-residents. Aside from the increase in notes and debentures outstanding, further financing in the eight-year period included \$326 million of chartered bank loans and \$382 million growth in capital, reserves, and "other" liabilities.¹⁰ There is, of course, some substantial foreign direct investments included in the latter category.

Canadians continued to add to their holdings of bank balances and other short-term funds abroad. The outflow for this purpose in 1959 was \$121 million, most of which is estimated to have occurred in the last half of the year. All other movements led to an inflow of \$335 million, following an inflow in 1958 now estimated at \$62 million. This category reflects the change in net loans and accounts payable. In addition to recorded receivables and payables, it includes the balancing item representing the difference between direct measurements of the revenue and capital accounts.

The Bureau has published a reference paper entitled, *Canada's External Short-Term Assets and Liabilities, 1945-1957*, (Catalogue No. 67-504, Occasional) which deals at greater length with these capital movements.

¹⁰ Bank of Canada Statistical Summary, June, 1960.

CANADA'S INTERNATIONAL INVESTMENT POSITION

General Review

Canada's indebtedness to other countries has been rising sharply during the past decade as a direct consequence of the exceptionally heavy inflows of capital described above. Net indebtedness of Canada to investors in other countries has risen from \$3.8 billion at the end of 1949 to \$15.3 billion at the end of 1959, which compares with \$5.5 billion in 1939 and \$6.5 billion in 1930, the highest pre-war total. The largest changes occurred in the second half of the past decade.

The principal factor bringing about this growth in net indebtedness has been the rise in non-resident long-term investments in Canada, which have risen from \$8.0 billion in 1949 to \$20.7 billion by the end of 1959. Canadian investments abroad have risen more moderately in this decade following a sharper rise in the early post-war years when loans by the Canadian government to overseas countries were a large factor.

The rise in non-resident investments in Canada has been heavily concentrated in Canadian industry throughout the decade and more recently significant increases have also occurred in holdings of government and municipal securities. The unique place which non-resident ownership occupies in Canadian industry is clearly illustrated in the section which follows on "foreign ownership and control of Canadian industry". Significantly high ratios of non-resident ownership and control occur throughout most Canadian industries with relatively few exceptions and with so much of the post-war industrial expansion of Canada financed from external sources ratios are highest in some of the areas of more recent development, particularly in resource industries like petroleum and mining and smelting and some other basic industries.

While this increase in indebtedness abroad may have been less than the rate of increase over the long-run in some measures of Canadian growth such as the gross national product over a period of several decades, to take one example, it has been a major contributor to the pattern in Canada's international accounts which has been described elsewhere. One impact of these changes in the balance of payments so far has been to increase the level of transfers of interest and dividends and other forms of income. In addition substantial amounts of earnings have been retained and reinvested in Canadian industry. Payments arising from such transfers of income are high in relation to receipts of income and this rising factor has consequently been a major contributor to rising current account deficits, particularly when there have also been import balances on merchandise account. Other effects of the changing foreign indebtedness position upon the balance of payments are less readily isolated as they are interrelated with the industrial expansion and the transformation which this has brought about in the Canadian economy with new levels of incomes and expenditure patterns. The degree to which Canadian export capacity is em-

ployed is also a highly significant variable factor. It is clear, however, that the impact of the high balance of Canadian indebtedness to other countries upon the international accounts is relatively much greater than it would be if Canada had a substantial export surplus from merchandise trade.

While the largest inflows of capital have been consistently from the United States, overseas countries have also been important sources, giving rise to rapid rates of increase. In 1959 the proportion of investments owned in the United States remained the same as in 1950 at 76 per cent, while a decline in the ratio owned in the United Kingdom from 20 per cent in 1950 dropped further to 16 per cent, being offset by a rise in investments owned elsewhere overseas from 4 per cent to 8 per cent.

The total of all long-term investments in Canada was at a new peak in 1959 of \$20.7 billion, having risen 9 per cent in the year following rises of 9 per cent and 12 per cent in the two preceding years. The total has virtually doubled since 1952 and is not far from three times the value at the beginning of the post-war period.

The rise in United States investments in Canada of \$1.3 billion to a new record total of \$15.7 billion in 1959 followed an increase of about similar magnitude in the previous year. Since 1955 there have been substantial rises in portfolio investments as well as in direct investments and this trend continued in 1959 as United States holdings of Canadian government and municipal bonds in particular, continued to rise rapidly. At the same time the major part of increases each year except 1958 has been in direct investments which are widely distributed throughout Canadian industry and business. This group of investments has risen significantly each year during the post-war period, both through reinvestments of earnings and transfers of capital as important areas of industrial development in Canada described elsewhere in this report were financed through these channels. Greatest increases in United States direct investments have been in petroleum, mining and manufacturing.

British investments in Canada have been increasing each year since 1948 when the low point of \$1,610 million reflected the effects of repatriations of investments in Canada used to finance war-time expenditures. The continued rise in 1959 carried the total to over \$3.2 billion which is twice the value at the low point and moderately higher than the earlier peak of \$2,766 million which occurred in 1930. The largest part of the increase has been in direct investments in Canada by British companies which are now almost four times as large as at the beginning of the post-war period. In recent years these have shown significant growth in primary industries as well as in the areas of secondary industry and finance where they have been traditionally prominent. While portfolio investments have been rising, particularly in recent years, the total of this group of investments is still less than the value before the war-time repatriations.

Investments in Canada in 1959 owned by countries other than the United Kingdom and the United States valued at \$1.7 billion were five times the value in 1949 having risen significantly each year during the 1950's. While the most rapid expansion has been in direct investments, there have also been substantial increases in portfolio investments. Europe has been the source of most of this capital

with appreciable amounts originating in most countries of Western Europe as indicated in Statement 19 which shows the countries of ownership of direct investments. The increases in investments have been widely distributed in the different areas of industry and business. Holdings of government bonds and public corporation securities have also risen rapidly.

STATEMENT 16. Canada's Balance of International Indebtedness, Selected Year Ends, 1926-59

Item	1926	1930	1939	1945	1949	1954	1955	1956	1957	1958	1959 ^P
billions of dollars											
Gross liabilities to other countries	6.4	8.0	7.4	8.0	9.3	14.1	15.3	17.7	19.9	21.8	24.1
Gross external assets	1.3	1.5	1.9	4.0	5.5	7.2	7.4	7.7	8.1	8.4	8.8
Net indebtedness	5.1	6.5	5.5	4.0	3.8	6.8	7.9	10.0	11.8	13.4	15.3

Note: For details see Table V. As figures are rounded, totals do not necessarily equal the sum of their component parts.

STATEMENT 17. Value of Non-Resident Owned Investments in Canada, Selected Year Ends, 1900-59

Owned by residents of	1900 ¹	1914 ¹	1918 ¹	1926	1930	1939	1945	1955	1957	1958	1959 ^P
millions of dollars											
United States	168	881	1,630	3,196	4,660	4,151	4,990	10,278	13,276	14,441	15,725
United Kingdom	1,050	2,778	2,729	2,637	2,766	2,476	1,750	2,356	2,918	3,067	3,250
Other countries	14	178	177	170	188	286	352	842	1,282	1,482	1,700
Total book value	1,232	3,837	4,536	6,003	7,614	6,913	7,092	13,476	17,476	18,990	20,675

¹ Privately estimated; for sources see Table XIII.

STATEMENT 18. Value of United States Investments in Canada, Selected Year Ends, 1926-59

Classification	1926	1930	1945	1949	1954	1955	1956	1957	1958	1959 ^P
millions of dollars										
Direct investment	1,403	1,993	2,304	3,095	5,787	6,516	7,394	8,486	9,063	9,850
Government and municipal bonds ..	909	1,205	1,450	1,534	1,822	1,639	1,871	2,059	2,344	2,767
Other portfolio investments	799	1,368	1,106	1,107	1,651	1,586	1,814	1,987	2,171	2,238
Income accumulating investment funds	—	—	—	—	102	170	249	255	342	320
Miscellaneous investments	85	94	130	170	302	367	474	489	521	550
Total book value	3,196	4,660	4,990	5,906	9,664	10,278	11,802	13,276	14,441	15,725

Direct Investment in Canada by Countries Other Than the United States and United Kingdom

Direct investment in Canada by countries other than the United States and United Kingdom amounted to \$537 million at the end of 1958, having grown nearly ninefold in the post-war years. About one-third of the increase since 1945 occurred in the two years between 1955 and 1957, when the book value rose by 50 per cent. This rate of growth was considerably higher than for either the United States or United Kingdom, although of course the amounts involved are smaller. By the end of 1959 these investments are estimated to have increased further to \$600 million.

Statement 19 shows the geographic distribution of ownership of these investments at the end of 1955 and of 1957. It reveals the exceptionally rapid growth of direct investment by the Federal Republic of West Germany which quadrupled in the two year period. The next largest increases were in investments by Belgium, France, and Switzerland. Belgium was the leading country at the end of 1957 as in

1955. French direct investments grew more rapidly in the two year period than those of Switzerland, the values being equal at the end of 1957. German investments were the next largest group at the end of 1957. The largest part of Belgian investment was in the petroleum industry. French and Swiss investments were largely in the financial category, which includes also real estate ownership. German investments on the other hand were largely in the manufacturing field.

The figures do not include "miscellaneous investments" in real estate, mortgages, assets administered for non-residents, private investment companies, etc., which amounted to \$329 million at the end of 1958. Some of these investments are similar in character to the direct investment covered in the statement.

The channels used by many overseas countries for portfolio investment in Canada, which at the end of 1958 amounted to \$616 million, preclude identification by country of ownership, but the overwhelming part of the total may be considered to be owned in Western Europe.

STATEMENT 19. Direct Investment in Canada by Countries other than the United States and United Kingdom, End of 1955 and 1957

Country of ownership	Book value 1955	Book value 1957
millions of dollars		
Australia	6	6
Other sterling area	8	14
Sub-totals, sterling area excluding United Kingdom	14	20
Belgium	107	139
Denmark	7	7
France	64	92
Germany	14	56
Netherlands	9	23
Sweden	12	19
Switzerland	72	92
Other OEEC countries	3	4
Sub-totals, OEEC countries other than sterling area	288	432
Panama	2	6
Other Latin American countries	1	3
Sub-totals, Latin America	3	9
Other countries ¹	20	32
Totals²	325	493

¹ Includes some \$19 million in 1955 and \$32 million in 1957 whose beneficial ownership has not been identified by country.

² Distribution of these totals by industry will be found in Table X, part D.

Number of Concerns

Table XI shows the number of Canadian concerns controlled abroad, which rose to 6,355 by the end of 1958. The increase during the year was 350. As will be seen in Statement 20 the Bureau's records covered nearly 9,000 Canadian concerns in which non-resident capital was directly or indirectly invested in significant amounts at the end of 1958. The total number of Canadian corporations of all sorts at the beginning of that year was about 93,800. Statement 20 also shows the great corporate activity in the field of foreign investment in 1958.

Canadian Capital Invested Abroad

Canadian long-term external investments have also been rising, although the rates of growth have been more moderate in recent years than in the case of long-term non-resident owned investments in Canada. Excluding Canada's subscriptions to the capital of international financial institutions, against which there are substantial short-term liabilities, Canadian long-term external assets are placed at \$4.9 billion at the end of 1959. The growth of nearly 15 per cent since the end of 1954 is in sharp contrast with the growth by nearly two-

thirds for long-term non-resident-owned investments in Canada.

Some 30 per cent of Canadian long-term investments abroad are in the form of Government of Canada loans and advances which are being re-

duced by annual principal payments. About 23 per cent of the total is represented by portfolio holdings of foreign stocks and bonds, while the largest part, 47 per cent, is in the form of Canadian direct investment abroad.

STATEMENT 20. Change in Recorded Number of Canadian Concerns in which Foreign Capital is Invested, 1958

Item	Controlled in					Total
	United States	United Kingdom	Other foreign countries	All foreign countries	Canada	
Number at beginning of year	4,449	1,121	435	6,005	2,284	8,289
Add						
New concerns with foreign capital	+ 305	+ 50	+ 39	+ 394	+ 63	+ 457
Transfers of control	+ 12	+ 6	+ 10	+ 28	+ 20	+ 48
Subtract						
Transfers of control	- 23	- 4	- 7	- 34	- 14	- 48
Concerns now wholly-owned by Canadians	- 22	- 4	- 2	- 28	- 17	- 45
Concerns liquidated, merged, etc.	- 128	- 18	- 7	- 153	- 31	- 184
Add						
Net formation of new Canadian subsidiaries by these concerns	+ 78	+ 59	+ 6	+ 143	+ 43	+ 186
Number at end of year (Table XI)	4,671	1,210	474	6,355	2,348	8,703

Note: These numbers exclude more than 200 non-resident owned investment corporations whose Canadian assets are measured indirectly and are a component of the "Miscellaneous Investments" group.

It should be borne in mind that there is a substantial beneficial ownership by non-residents in Canadian investment abroad, and that it has been a rising proportion of the total. A later section of this report reveals that at the end of 1958 some \$0.9 billion or 43 per cent of Canadian direct investment abroad, equivalent to about 29 per cent of all private Canadian long-term investments abroad, was owned indirectly by non-residents.

The industrial detail of Canadian direct investment abroad, and some geographical detail, will be found in Table VII. A more detailed regional analysis appears in Statement 21, while a special

analysis of total Canadian investment in Latin America will be found below.

Canadian Investments in Latin America

Canada's private long-term assets in Latin American republics and United States possessions were valued at \$329 million at the end of 1958. This represented about 10 per cent of total private Canadian investment abroad, or nearly one-third of the investment outside of the United States. While the total value has not changed much since 1954, the relative position of investments in Latin America among Canada's external assets has, of course, declined.

STATEMENT 21. Canadian Direct Investment Abroad, Geographical Distribution, Selected Year Ends 1949-58

Area	1949	1954	1958
	millions of dollars		
United States	721	1,240	1,465
United Kingdom	59	119	200
Latin America	47	77	137
Other America	25	55	155
Africa	20	48	64
Europe	19	34	62
Australia	25	40	56
Asia	10	15	35
Totals	926	1,628	2,174

Note: For industrial distribution see Table VII.

As has been the case for many years, Canadian investment in Latin America is heavily concentrated in a relatively few companies. While a number of Canadian banks and insurance companies operate in Latin America, their capital investment is on balance small because of the nature of their operations, and it is not included in the total.

Although a trend toward increased diversification is evident in Statement 22, the Canadian total continues to be dominated by long-standing Cana-

dian investment in utilities in Latin America, in a number of which Canadian capital is associated with important investment from other countries. The total investment in Latin America of all companies incorporated in Canada is very much larger than the actual investment owned by Canadians because of substantial non-Canadian interest in some of these companies. In 1954 the total was estimated to be of the order of \$1.1 billion and it has grown further since that time to about \$1.5 billion.

STATEMENT 22. Canadian Investment in Latin American Republics¹
Selected Year Ends, 1954 and 1958

Book value of direct and portfolio investments	1954	1958
	millions of dollars	
Utilities	245	213
Industrial and commercial concerns	20	53
Petroleum	19	13
Mining	20	34
Other investments	18	16
Totals	322	329
Mexico, Central America, and Antilles	33	60
South America	289	269
Totals	322	329

¹ Includes also United States possessions.

Equity of Non-Residents in Canadian Assets Abroad

Non-residents of Canada have an important equity in Canadian direct investments abroad through their ownership of Canadian corporations. For this reason figures of Canadian long-term investments abroad cannot be set directly against the total of non-resident long-term investments in Canada.¹¹ This non-resident equity arises from foreign ownership in whole or in part of Canadian companies having subsidiaries or branches in other parts of the world. Details appear in Statement 23. The total capital at the disposition of Canadian direct investment companies abroad would be larger than is indicated by the total value of Canadian direct investments abroad which reflects only investment from Canada. Some of the foreign companies concerned have in addition non-Canadian participation through ownership of their funded debt or stock.

Total direct investments abroad of Canadian companies are frequently more significant for the Canadian balance of payments than the Canadian equity. For example, it is the total capital movements and the total income transfers arising from these investments that are relevant. Effect on the

balance of payments is an important criterion for inclusion of investments abroad of Canadian companies. There are other important instances where investments outside Canada of Canadian companies or of branches of non-resident concerns are excluded from the statistics of Canadian direct investment abroad because their international transactions are of no relevance to the Canadian balance of payments.

Foreign Financing of all Canadian Investment

Measurement of the extent to which non-residents have financed total private and public domestic investment involves difficult problems both of a conceptual and of a statistical nature. Two approaches to the question which may be of general interest have been adopted. The first is an attempt to measure the net contribution of non-residents to the savings used for all types of physical investment in Canada or, expressed differently, the extent to which Canada has drawn on or added to the resources of other countries. The second approach is concerned with the extent to which foreign capital has directly financed Canadian investment, disregarding outflows of Canadian capital to participate in investment abroad and of non-resident capital formerly brought to Canada. In each approach it is of interest to ask the extent to which non-residents have financed both gross and net investment. The significance of the latter comparison lies partly in the fact that new financing

¹¹ For a description of the statistical technique followed to derive estimates of foreign investment in Canada see, *Canada's International Investment Position 1926-1954*, page 67.

**STATEMENT 23. Non-resident Equity and Control of Canadian Direct Investments Abroad,
Selected Year Ends, 1954-58**

Item	End of 1954		End of 1957		End of 1958	
	Millions of dollars	Per cent	Millions of dollars	Per cent	Millions of dollars	Per cent
Equity						
United States residents	484	30	685	33	779	36
United Kingdom residents	85	5	85	4	92	4
Other non-residents	35	2	64	3	69	3
Sub-total: non-residents	604	37	834	40	940	43
Canadian residents	1,024	63	1,250	60	1,234	57
Totals	1,628	100	2,084	100	2,174	100
Control						
United States controlled Canadian companies	425	26	691	33	798	36
Other foreign controlled Canadian companies	21	1	29	2	36	2
Sub-totals: foreign control	446	27	720	35	834	38
Canadian controlled companies and resident Canadian individuals	1,182	73	1,364	65	1,340	62
Totals	1,628	100	2,084	100	2,174	100

Note: Values given above do not reflect ownership by non-residents held directly in the enterprises abroad.

from abroad is normally for additions to the stock of capital rather than for replacement. The various measures which have been used are expressed in the following formula; for further technical data the reader is referred to pages 45 to 47 of "Canada's International Investment Position 1926-1954".

A. Use of Foreign Resources

- 1 { *Current account deficit (net), adjusted for retained earnings of foreign direct investments in Canada and Canadian direct investments abroad, plus capital consumption allowances and depletion on foreign direct investments in Canada*
 Total private and public investment in Canada, plus value of physical change in inventories
- 2 { *As in A1 but excluding capital consumption allowances*
As in A1 but net of business capital consumption allowances and miscellaneous valuation adjustments

B. Direct Foreign Financing of Investment

- 1 { *Direct investment in Canada, plus retained earnings on foreign direct investments, new issues of Canadian securities sold to non-residents,¹² other long-term financing, changes*

¹² Other than government borrowing of \$150 million in 1948 which served to replenish official holdings of exchange.

- 1 { *in accounts payable, and capital consumption allowances and depletion on foreign direct investments in Canada*

Total private and public domestic investment in Canada, plus value of physical change in inventories

- 2 { *As in B1 but excluding capital consumption allowances*
As in B1 but net of business capital consumption allowances and miscellaneous valuation adjustments

The results of these measurements are portrayed in the charts and summarized in Statement 24. These show the substantially increased importance of non-resident investment in Canada in the 1950's to date. Over the period 1950 to 1955 Canada's net use of foreign resources amounted to one-fifth and direct foreign financing to one-third of net capital formation. And for the years 1956 to 1959 during which tremendous capital formation occurred, these ratios rose to more than one-third and more than two-fifths respectively. The two measures have special meaning. From 1956 to 1959 Canadian sources of savings were sufficiently large to finance nearly two-thirds of net capital formation (as reflected in measure A2), but they were not all used for new investment in Canada. Some Canadian savings were, for example, used for investment abroad, while other parts were used for the retirement of debts contracted abroad in earlier periods. As a consequence Canadian sources of savings directly financed a smaller part of net capital for-

mation in Canada, with non-residents directly financing the balance of about 45 per cent as shown in measure B2. (The Canadian economy generated a part of these non-resident savings in the form of retained earnings which enlarged foreign direct investment in Canada or were allocated for its ultimate replacement.)

In the post-war 1940's (and for some years before), Canada was a net exporter of capital. From 1946 to 1949 the net use of foreign resources was negative—Canada was on balance able to invest abroad—although direct foreign financing even in that period amounted to nearly one-quarter of net capital formation. In the short period 1929-1930 foreign capital was relatively even more important than in recent times, and both the use of foreign resources and direct foreign financing appear to have represented more than one-half of net capital formation.

When interpreting the ratios developed in this section of this report, it should be borne in mind that they cover the whole field of private and public

capital formation. The chart showing the individual components will serve to remind readers of the large elements of housing and other social capital in the financing of which foreign capital plays only a minor role. The investment series elsewhere in this report relate foreign ownership and control to the specific sectors in which it plays a particularly significant part.

A potent force underlying the differences between the measures is the direct association of particular entrepreneurial skills, techniques and objectives with large sources of savings both inside and outside Canada. These combinations may result in decisions outside the domestic economy to undertake specific investments which are quite unrelated to either the availability of domestic savings or the need to import financial capital to finance a draught on external physical resources. But detailed study of the structure of industry and of the capital market and its relationship to the mobilization and direction of domestic savings all lie beyond the field of this report.

STATEMENT 24. Foreign Financing of all Canadian Investment, 1946-59

Measure	1946-1949	1950-1955	1956-1959
	percentages		
A. Use of foreign resources as a percentage of:			
1 gross capital formation	—	17	27
2 net capital formation	-11	19	35
B. Direct foreign financing of:			
1 gross capital formation	19	25	33
2 net capital formation	24	33	45

Foreign Ownership and Control of Canadian Industry

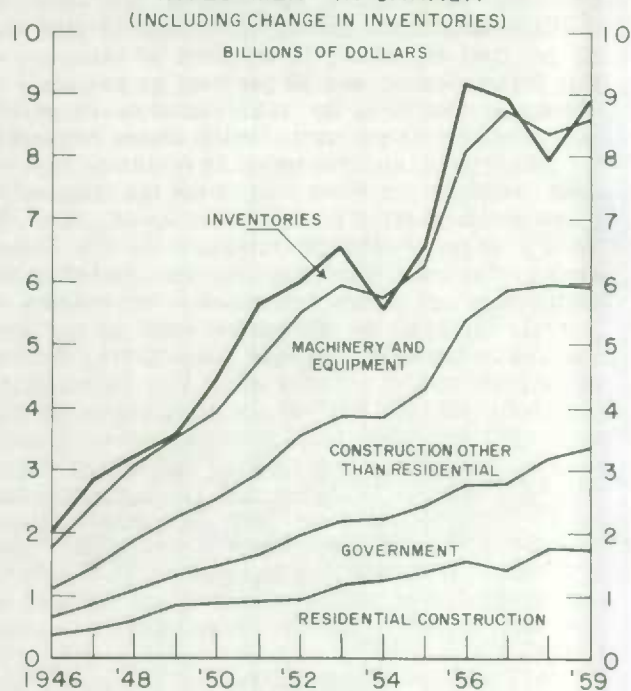
The estimates appearing in Tables XII to XVI bring forward to 1957 book value data which show the relative positions of Canadian and foreign investment in Canadian industry and commerce. The figures were originally published in a supplement to the last report in this series, but have been revised. Later data are not yet available on the Canadian-owned portion of the investments.

The large volume of business fixed capital formation undertaken in 1956 and 1957 was accompanied by increased non-resident ownership and control. In each year more than half of the increases in the book values of the manufacturing industry and the petroleum and natural gas industry were reflected in increased non-resident ownership and control, while over the two year period this was also true of the increase in book value of mining and smelting.

The non-resident-owned proportion of the manufacturing, mining, utilities and merchandising industries, taken as a group, rose to nearly 35 per cent, an increase in the two years of more than two percentage points from the figure of over 32 per cent, which had remained relatively unchanged since 1948. In the three year period between the end of 1954, when estimates for the petroleum and natural gas industry as a whole first became available, and the end of 1957, the proportions of this industry owned by non-residents rose from 60 per cent to 64 per cent. The growth of natural gas transmission lines controlled and financed in part in Canada, and the coincident renovation and expansion of natural gas distribution systems in which Canadian capital has been prominent, have had an important influence on the total, reflected in an actual reduction of one percentage point in the non-resident-owned share in 1957. The non-resident-owned proportion of manufacturing and of utilities other than railways (excluding in each case com-

FINANCING OF ALL CANADIAN INVESTMENT

COMPONENTS OF PRIVATE AND PUBLIC INVESTMENT IN CANADA

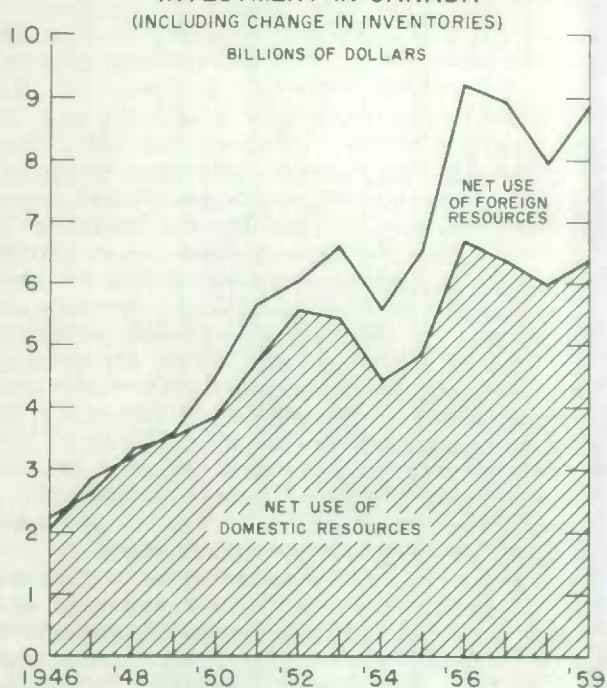


STATEMENT 25. Use of Foreign and Domestic Resources in Gross Capital Formation in Canada 1946 - 59

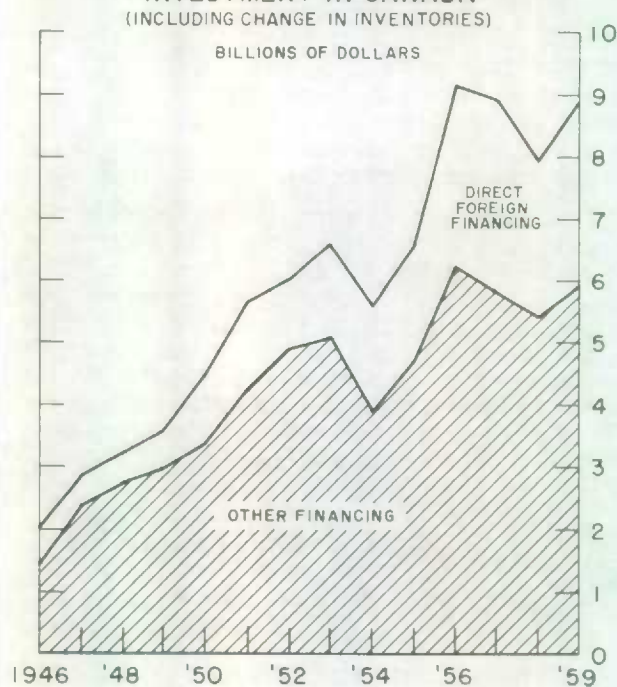
	Gross capital formation	Net use of domestic resources	Net use of foreign resources
billions of dollars			
1946.....	2.0	2.2	-.2
1947.....	2.8	2.6	.2
1948.....	3.2	3.3	-.1
1949.....	3.6	3.5	.1
1950.....	4.5	3.8	.6
1951.....	5.7	4.8	.9
1952.....	6.0	5.6	.4
1953.....	6.6	5.4	1.2
1954.....	5.6	4.4	1.2
1955.....	6.6	4.9	1.7
1956.....	9.1	6.7	2.4
1957.....	8.9	6.3	2.6
1958.....	7.9	5.0	2.0
1959.....	8.9 ^P	6.4 ^P	2.5 ^P

For statistical method see measure A1 in accompanying text.

PRIVATE AND PUBLIC INVESTMENT IN CANADA



PRIVATE AND PUBLIC INVESTMENT IN CANADA



ponents of the petroleum and natural gas industry), each rose by three percentage points in 1956 and 1957, to 50 per cent and 15 per cent respectively. On the other hand, over the two year period non-resident ownership of Canadian mining and smelting fell by one percentage point to 56 per cent, and of Canadian railways by three percentage points to 30 per cent.

This pattern has been broadly characteristic of the change over the period since 1926 covered by comparable estimates. Proportions of Canadian manufacturing, petroleum and natural gas, and mining and smelting owned by non-residents have been increasing, but non-resident ownership of utilities has been declining relative to resident ownership. The substantial growth in government-owned hydro-electric installations and railways has contributed to the increased Canadian ownership, which in turn has been the principal factor in reducing the non-resident ownership of Canadian industry and commerce generally from 37 per cent in 1926 to 35 per cent in 1957.

The proportion of Canadian industry and commerce represented by companies controlled by non-residents has continued to rise. For manufacturing, mining, utilities, and merchandising, taken as a whole, the non-resident-controlled proportion climbed three percentage points in 1956 and 1957, to 33 per cent. This compared with 25 per cent in 1948. In the three year period since the end of 1954, non-resident control of the petroleum and natural gas industry as a whole rose from 69 per cent to 76 per cent. The effect of the development of the natural gas industry on this proportion was mentioned earlier. For other mining and smelting the non-resident-controlled proportion rose in 1956 and 1957 from 57 per cent to 61 per cent. Important in this change was the growing proportion of investment controlled in overseas countries. This rose from 2 per cent to 9 per cent reflecting in part the development of British-controlled uranium enterprises. Non-resident control of railways remained unchanged at 2 per cent and non-resident control of other utilities fell from 7 per cent to 5 per cent. Here, again, the pattern was characteristic of the development over the period since 1926, with significant growths of non-resident control in the manufacturing, petroleum and natural gas, and mining and smelting industries, and decreasing non-resident control in the utilities sector.

The Canadian controlled proportion of investment in Canada in the industries under review amounted to 67 per cent at the end of 1957. About 20 percentage points represent investment in government enterprises. These investments are heavily concentrated in railways, where government enterprises account for 64 percentage points of the 98 per cent controlled by residents, and in other utilities where they account for 62 percentage points of the 95 per cent controlled by residents. There are other government enterprise elements included in manufacturing and mining and smelting, but they

are relatively insignificant. The data for merchandising make no allowance for provincially-owned liquor distribution systems.

Other facets of non-resident ownership and control which should be mentioned in any review of long-run developments include the increased dependence on the United States as a source of investment capital. Again taking the group manufacturing, petroleum and natural gas, mining and smelting, utilities and merchandising, ownership in 1926 was 63 per cent Canadian, 19 per cent by residents of the United States, and 18 per cent by residents of overseas countries. By 1957 Canadian ownership accounted for 65 per cent, United States ownership for 27 per cent, and ownership by residents of overseas countries for 8 per cent. Over the intervening years the most rapid growth in the investments was in the group owned by residents of the United States. The trend was even more pronounced in the distribution of these investments by country of control. In 1926 the industries were 83 per cent Canadian-controlled, 15 per cent United States-controlled, and 2 per cent controlled by residents of other countries. By 1957 the Canadian-controlled proportion had fallen to 67 per cent, and the proportions controlled by residents of the United States and of overseas countries had risen respectively to 27 per cent and 6 per cent. The growth in the underlying equity investments owned by non-residents which gave rise to these shifts in control has been one of the more significant features of the development of foreign investment in Canada.

These percentages of foreign ownership and control of selected Canadian industry are given in Tables XII and XIV. The book value estimates on which they are based appear in Table XVI, and here the non-resident contribution is again strikingly revealed. The book value of the manufacturing industry, excluding petroleum refining, is estimated to have grown by \$2.3 billion between 1954 and 1957. Non-resident ownership accounted for \$1.4 billion of the growth, compared with the \$0.9 billion represented by Canadian ownership. Non-resident-controlled manufacturing rose even more by \$1.8 billion, with resident-controlled manufacturing rising by \$0.7 billion. For the petroleum and natural gas industry as a whole, the book value rose by \$2.0 billion of which \$1.4 billion was non-resident-owned and \$1.7 billion non-resident-controlled. For mining and smelting, excluding petroleum and natural gas exploration and development, the book value rose \$0.9 billion and non-resident ownership and control accounted respectively for \$0.6 billion and \$0.7 billion of this growth. These were, of course, the more dynamic sectors of the economy where non-resident activity was concentrated. In manufacturing, petroleum and natural gas, mining and smelting, utilities, merchandising and construction, as a whole, the book value of investment rose in the three years by \$9.0 billion. Non-resident-owned investments contributed \$3.8 billion or somewhat more than 40 per cent of the growth. Non-resident-controlled investments contributed \$4.2 billion.

It should again be emphasized that these comparisons relate only to selected Canadian industries, and that there are other broad areas of national wealth including, for example, agriculture and social capital, in which non-resident ownership and control is relatively insignificant. The financial book value series which appear in this report include land, inventories, and financial working capital in addition to capital expended on construction, machinery and equipment; for this reason and because of varying methods of reflecting capital consumption and changes in price levels, they are not directly comparable with other estimates of capital formation and of the stock of capital. As some indication of the magnitude of national wealth falling outside the areas encompassed within the above ratios, it is of interest to note that the net stock of social capital (government, housing and institutions) has been estimated as being not greatly smaller than the net stock of industrial capital (including agriculture).¹³ And there are still other important areas of Canadian wealth such as Canada's external investments, not to mention the significant savings represented by ownership of automobiles and other durables, non-industrial land and such intangible social investment as education.

More detailed industry data for the ownership and control of Canadian industry appear in Table XV which covers most of the commodity-producing industries other than agriculture. In particular the figures show the marked variation in the degree of non-resident ownership and control in various types of manufacturing. A notable change occurred in 1957 in the primary iron and steel category where non-resident ownership increased from 16 per cent to 24 per cent, and control from 7 per cent to 26 per cent. Non-resident ownership of the transportation equipment industry, on the other hand, fell

¹³ Wm. C. Hood and Anthony Scott: *Output, Labour and Capital in the Canadian Economy* (A Study for the Royal Commission on Canada's Economic Prospects). pp. 450-451.

from 58 per cent to 47 per cent reflecting stock issues and other financing carried out by a foreign-controlled concern in Canada. The sub-divisions, smelting and refining of non-ferrous native ores, and other mining, are affected by the reclassification of a Crown corporation from the latter to the former classification.

It should be noted that book value series are based on corporate classifications, and that consequently the entire investment in Canada of the corporation and its subsidiaries is normally attributed to its principal activity. In the case of some of the industrial sub-divisions shown this could have significant effects.

Miscellaneous Investments

Statement 26 provides detailed estimates of the components of the "Miscellaneous Investments" category of foreign investment in Canada. These investments include Canadian securities, real estate, mortgages, and other assets held or administered for non-residents by trustees, agents, or nominees, private investment companies, etc. Measurement is necessarily not as precise as the direct ownership of Canadian concerns and securities by non-residents.

The large total of foreign investment in Canada held by these intermediaries of one type or another is a measure of the complex channels sometimes followed by international investment. The largest part of the total of over one billion dollars is represented by investment in Canadian securities, conservatively estimated at \$613 million. Perhaps two-thirds of this covers investment in Canadian stocks, some of public companies, some of private, and the balance investment in Canadian bonds. The next largest component is investment in mortgages on Canadian real estate, totalling \$285 million; most of this investment is by United States financial institutions. Real estate and all other investments in Canada held through these channels totalled \$150 million.

**STATEMENT 26. Detail of Foreign Investment in "Miscellaneous Investments" Category
Year Ends, 1952 - 58**

Type	Year end							Country of ownership 1958		
	1952	1953	1954	1955	1956	1957	1958	United States	United Kingdom	Other countries
	millions of dollars									
Canadian securities	225	243	302	313	413	479	613 ^x	142	173	298 ^x
Mortgages on Canadian real estate	77	76	109	168	250	255	285	279	3	3
Real estate in Canada	120	118	115	120	125	115	115	83	13	19
Other investments	25	30	35	40	30	30	35	17	9	9
Totals as in Tables VIII and IX	447	467	561	641	818	879	1,048	521	198	329

¹ Real estate, mortgages, assets administered for non-residents, private investment companies, etc.

Many other non-resident holdings of the types of assets shown in the statement are covered, although not similarly classified, in other categories of non-resident-owned investments shown in Tables VIII and IX. Mortgage debt of Canadian companies which is held directly by non-resident investors appears, for example, among "other corporation assets" in Table VIII. Large amounts of real estate

are owned by Canadian companies classified by industrial function in Table IX, the companies formed specifically for the holding of real estate or mortgages being grouped with financial institutions. A part of the unclassified Canadian securities component of Statement 26 also reflects investment in private real estate holding companies.

BALANCE OF PAYMENTS PRESENTATIONS

The balance of payments has been defined by the International Monetary Fund¹⁴ as a system of accounts to record systematically (1) flows of real resources, including the services of the original factors of production, between the domestic economy of a country and the rest of the world, (2) changes in the country's foreign assets and liabilities that arise from economic transactions, and (3) transfer payments, which are the counterpart of real resources or financial items provided to, or received from, the rest of the world without any quid pro quo. Canadian balance of payments statistics conform in most respects to internationally accepted concepts.¹⁵

The balance of payments, as a system of accounts, lends itself to a variety of possible arrangements to serve various analytic ends. The basic presentation retained in Canadian publications emphasizes the aspects of international economic relations set out in the preceding paragraph. The current account deficit is a measure of the extent to which Canada draws on balance on the real resources of the rest of the world to provide for consumption and investment. The capital account shows the financing involved in this process, and indicates the changes in Canada's external assets and liabilities arising from financial transactions as well. This presentation is particularly suited to Canada's circumstances, and draws attention on the whole to rather longer term implications of Canada's characteristic balance of payments.

Other presentations may be more suitable under different circumstances. When transfer payments are of greater relative significance in the balance of payments than is currently the case in Canada, they are given greater prominence in the statistical presentation. Thus, for the wartime period when great transfer payments were made by Canada to finance external costs of the war efforts of allies, they were shown in a category separate from the current account. When short-run adjustments in a nation's external accounts are reflected largely in variations in the level of official holdings of gold and foreign exchange, these are given special prominence. Thus, when Canada adhered to fixed exchange rates and adjustment of Canada's external accounts was achieved largely by direct controls

and by changes in official holdings of gold and foreign exchange, these changes were shown as the residual total of all Canada's current and other capital transactions.

This concept of international liquidity is also of great importance to countries whose currencies are widely held as international reserves, and varying combinations of short-term liabilities and assets are segregated from the rest of the balance of payments to leave a key figure which is sometimes referred to as "the" balance of payments. Thus, attention in the United States tends to be focused on the substantial increases of foreign gold and liquid dollar assets through transactions with the United States, while in contrast in Canada it tends to be focused on the recurring large current account deficits and their effect on Canada's foreign indebtedness. This financing is largely in long-term forms, and although Canada's current deficit (including transfer payments) is relatively many times that of the United States, the liquidity aspect is of much less significance at the present time than the size. These preoccupations emphasize the difference in the balance of payments "problems" and the character of any relevant policy decisions for the two countries.

Yet another presentation of the balance of payments is appropriate for analysis of exchange rate fluctuations. For this purpose it would be most useful to rank all balance of payments transactions in order from those which are least, to those which are most, responsive to exchange rate considerations. A balance of payments statement presented on this basis showing the changing primary forces of supply and demand acting on the exchange rate, and the reactions of other items serving in an equilibrating role, will go some way towards explaining fluctuations in the rate. But in practice this subjective division can be extremely difficult. Two examples of the difficulties may suffice. Particular categories of transactions may at one time tend to play an equilibrating role in the exchange market, but at another an autonomous one, e.g., sales of Canadian bonds have sometimes occurred because of exchange rate considerations, and at other times despite them. And an intimate knowledge of the basic data reveals that a given category may contain at the same time a mixture of both autonomous and induced transactions, e.g. the flow of direct investment capital, often thought to be practically uninfluenced by short-run exchange rate changes, may be speeded up through transfers in excess of immediate requirements or deferred through temporary local borrowing because of exchange rate expectations.

¹⁴ Balance of Payments Manual, final draft, Third Edition, February 1960.

¹⁵ The flow of real resources and transfer payments are combined in the current account in Canadian data, but the major transfer payments may be readily segregated, comprising items A7, B7, B9 and B10 in their entirety, and the personal and institutional remittances included in items A11 and B11 as shown in Statement 11.

TABLE I. Current and Capital Account of the Canadian Balance of International Payments, 1958 and 1959

No.	Account	All countries		United States		United Kingdom		Other sterling area		Other OEEC countries		All other countries	
		1958	1959 ^P	1958	1959 ^P	1958	1959 ^P	1958	1959 ^P	1958	1959 ^P	1958	1959 ^P
millions of dollars													
A	Current receipts:												
1	Merchandise exports (adjusted)	4,887	5,153	2,908	3,193	766	781	299	289	522	449	392	441
2	Mutual Aid to NATO countries	142	63	..	..	..	..	..	..	..	..	..	..
3	Gold production available for export	160	148	160	148	—	—	—	—	—	—	—	—
4	Travel expenditures	349	393	309	351	18	18	6	6	11	12	5	6
5	Interest and dividends	168	183	100	97	32	34	13	28	13	14	10	10
6	Freight and shipping	401	422	206	232	84	79	24	26	46	49	41	36
7	Inheritances and immigrants' funds	97	109	47	48	17	26	13	9	14	17	6	9
11	All other current receipts	375	388	280	307	43	42	8	8	29	19	15	12
12	Total current receipts	6,579	6,859	4,010	4,376	960	980	363	366	635	560	469	514
B	Current payments:												
1	Merchandise imports (adjusted)	5,066	5,533	3,443	3,710	537	596	212	242	302	364	572	621
4	Travel expenditures	542	593	413	445	52	61	11	13	52	57	14	17
5	Interest and dividends	612	656	500	537	76	80	1	1	33	36	2	2
6	Freight and shipping	460	512	294	324	70	82	3	3	79	88	14	15
7	Inheritances and emigrants' funds	145	154	104	113	26	26	2	2	11	11	2	2
9	Official contributions	53	71	—	—	—	—	49	64	1	1	3	6
10	Mutual Aid to NATO countries	142	63	..	..	..	..	..	..	..	..	..	..
11	All other current payments	690	706	432	462	95	88	16	17	116	105	31	34
12	Total current payments	7,710	8,288	5,186	5,591	856	933	294	342	594	662	638	697
	Balance on merchandise trade	- 179	- 380	- 535	- 517	+229	+185	+ 87	+ 47	+220	+ 85	-180	-180
	Balance on other transactions, excluding B9	- 899	- 978	- 641	- 698	-125	-138	+ 31	+ 41	-178	-186	+ 14	+ 3
	Official contributions	- 53	- 71	—	—	—	—	- 49	- 64	- 1	- 1	- 3	- 6
C	Current account balance	-1,131	-1,429	-1,176	-1,215	+104	+ 47	+ 69	+ 24	+ 41	-102	-169	-183
D	Capital account:												
	Direct investment:												
1	Direct investment in Canada	+ 420	+ 500	+ 303	+ 388	+ 87	+ 61	+ 4	- 1	+ 28	+ 53	- 2	- 1
2	Direct investment abroad	- 48	- 70	- 3	- 1	- 5	- 43	- 11	- 9	- 5	- 5	- 24	- 12
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	—	+ 93	- 10	+ 21	+ 3	+ 4	—	—	+ 17	+ 64	- 10	+ 4
3b	Trade in outstanding common and preference stocks	+ 88	+ 109	+ 70	+ 74	+ 4	+ 7	—	—	+ 14	+ 28	—	—
4	New issues	+ 677	+ 704	+ 600	+ 621	+ 41	+ 43	—	—	+ 26	+ 40	+ 10	—
5	Retirements	- 158	- 245	- 132	- 200	- 16	- 27	—	—	- 10	- 18	—	—
	Foreign securities:												
6	Trade in outstanding issues	+ 13	- 33	+ 11	- 34	+ 2	+ 3	—	—	—	- 2	—	—
7	New issues	- 17	- 13	- 13	- 8	—	—	—	—	—	—	- 4	- 5
8	Retirements	+ 7	+ 10	+ 4	+ 6	+ 1	—	—	+ 2	—	—	+ 2	+ 2
	Loans by Government of Canada:												
9	Drawings	- 34	- 1	—	—	—	—	- 34	- 1	—	—	—	—
10	Repayment of post-war loans	+ 34	+ 34	—	—	+ 16	+ 16	—	—	+ 18	+ 18	—	—
11	Repayment of war loans	+ 30	—	—	—	+ 30	—	—	—	—	—	—	—
13	Subscriptions in gold and U.S. dollars to IBRD, IFC and IMF	—	- 59	—	- 59	—	—	—	—	—	—	—	—
14	Change in Canadian dollar holdings of foreigners	+ 106	+ 12	+ 83	+ 7	+ 4	- 10	+ 5	- 9	+ 4	+ 10	+ 10	+ 14
16	Change in official holdings of gold, U.S. dollars and sterling (increase, minus) ..	- 109	+ 70	- 108	+ 67	- 1	+ 3	—	—	—	—	—	—
17	Other capital movements	+ 122	+ 318	+ 147	+ 310	- 39	- 3	—	- 4	+ 12	+ 11	+ 2	+ 4
E	Net capital movement	+1,131	+1,429	+ 952	+1,192	+127	+ 54	- 36	- 22	+104	+199	- 16	+ 6
G	Balance settled by exchange transfers	—	—	+ 224	+ 23	-231	-101	- 33	- 2	-145	- 97	+185	+177
	Total financing of current account balance (item C)	+1,131	+1,429	+1,176	+1,215	-104	- 47	- 69	- 24	- 41	+102	+169	+183

Notes: Other Sterling Area includes the countries of the Commonwealth, United Kingdom dependencies, and Ireland, Iraq, Iceland, Burma, Libya and Jordan. Other OEEC Countries includes all the countries participating in the Organization for European Economic Co-operation which are not also members of the sterling area; namely, Austria, Belgium, Luxembourg, Denmark, France, West Germany, Greece, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and Turkey. The All Other Countries group includes Latin America, non-sterling area countries in Asia, continental European countries not in OEEC, the IBRD, IFC and IMF and all other countries not specified above.

A2,B10 Mutual Aid is not included in figures for countries or areas, but is included in total receipts and total payments with all countries.

D A minus sign indicates an outflow of capital from Canada. Some capital transactions with other sterling area are included under the United Kingdom, and with other overseas countries under the United States.

D17 Also includes balancing item representing unrecorded capital movements and errors and omissions.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-59
A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959 ^P
millions of dollars															
A	Current receipts:														
1	Merchandise exports (adjusted).....	2,393	2,723	3,030	2,989	3,139	3,950	4,339	4,152	3,929	4,332	4,837	4,894	4,887	5,153
2	Mutual Aid to NATO countries	—	—	—	—	57	145	200	246	284	222	157	107	142	63
3	Gold production available for export ..	96	99	119	139	163	150	144	155	155	150	150	147	160	148
4	Travel expenditures	221	251	279	285	275	274	275	302	305	328	337	363	349	393
5	Interest and dividends	70	64	70	83	91	115	145	165	147	160	142	154	168	183
6	Freight and shipping	311	322	336	303	284	351	383	318	313	398	457	445	401	422
7	Inheritances and immigrants' funds	65	69	84	68	57	77	85	91	89	86	99	124	97	109
11	All other current receipts	209	220	229	222	231	249	281	319	298	391	442	388	375	388
12	Total current receipts	3,365	3,748	4,147	4,089	4,297	5,311	5,858	5,737	5,520	6,072	6,621	6,622	6,579	6,859
B	Current payments:														
1	Merchandise imports (adjusted).....	1,822	2,535	2,598	2,696	3,129	4,097	3,850	4,210	3,916	4,543	5,565	5,488	5,066	5,533
4	Travel expenditures	135	167	134	193	226	280	341	365	389	449	498	525	542	593
5	Interest and dividends	312	337	325	390	475	450	413	404	423	483	523	589	612	656
6	Freight and shipping	219	278	279	253	301	354	375	374	356	415	502	515	460	512
7	Inheritances and emigrants' funds	35	49	50	59	61	70	94	91	94	105	115	157	145	154
9	Official contributions	97	38	23	6	5	9	16	25	11	24	30	40	53	71
10	Mutual Aid to NATO countries	—	—	—	—	57	145	200	246	284	222	157	107	142	63
11	All other current payments	382	295	287	315	377	423	405	465	479	529	597	656	690	706
12	Total current payments	3,002	3,699	3,696	3,912	4,631	5,828	5,694	6,180	5,952	6,770	7,987	8,077	7,710	8,288
	Balance on merchandise trade	+ 571	+ 188	+ 432	+ 293	+ 10	- 147	+ 489	- 58	+ 13	- 211	- 728	- 594	- 179	- 380
	Balance on other transactions, excluding B9	- 111	- 101	+ 42	- 110	- 339	- 361	- 309	- 360	- 434	- 463	- 608	- 821	- 899	- 978
	Official contributions	- 97	- 38	- 23	- 6	- 5	- 9	- 16	- 25	- 11	- 24	- 30	- 40	- 53	- 71
C	Current account balance	+ 363	+ 49	+ 451	+ 177	- 334	- 517	+ 164	- 443	- 432	- 698	-1,366	-1,455	-1,131	-1,429
D	Capital account:														
	Direct investment:														
1	Direct investment in Canada	+ 40	+ 61	+ 71	+ 94	+ 222	+ 309	+ 346	+ 426	+ 392	+ 417	+ 583	+ 514	+ 420	+ 500
2	Direct investment abroad	- 14	+ 6	+ 15	+ 13	+ 36	- 20	- 77	- 63	- 81	- 74	- 104	- 68	- 48	- 70
	Canadian securities:														
3a	Trade in outstanding bonds and debentures	+ 194	- 13	+ 3	+ 8	+ 329	+ 38	- 166	- 52	- 66	- 165	+ 11	- 45	-	+ 93
3b	Trade in outstanding common and preference stocks							+ 72	+ 21	+ 129	+ 138	+ 188	+ 137	+ 88	+ 109
4	New issues	+ 218	+ 95	+ 150	+ 105	+ 210	+ 411	+ 316	+ 335	+ 331	+ 166	+ 667	+ 798	+ 677	+ 704
5	Retirements	- 539	- 364	- 114	- 147	- 284	- 164	- 89	- 146	- 203	- 184	- 141	- 133	- 158	- 245
	Foreign securities:														
6	Trade in outstanding issues	+ 25	+ 1	- 7	+ 22	+ 70	+ 15	+ 12	+ 22	+ 7	+ 25	+ 20	+ 24	+ 13	- 33
7	New issues	- 4	- 3	- 3	- 4	- 2	- 3	- 20	- 23	- 33	- 48	- 18	- 24	- 17	- 13
8	Retirements	+ 13	+ 7	+ 2	+ 2	+ 8	+ 3	-	+ 1	+ 2	+ 17	-	+ 6	+ 7	+ 10
	Loans by Government of Canada:														
9	Drawings	- 750	- 565	- 142	- 120	- 50	-	-	-	-	-	-	-	- 34	- 1
10	Repayment of post-war loans	-	+ 2	+ 16	+ 13	+ 23	+ 34	+ 33	+ 37	+ 42	+ 39	+ 39	+ 20	+ 34	+ 34
11	Repayment of war loans	+ 94	+ 109	+ 64	+ 5	+ 51	+ 34	+ 23	+ 50	+ 30	+ 30	+ 30	+ 30	+ 30	-
13	Subscriptions in gold and U.S. dollars to IBRD, IFC and IMF	- 8	- 74	-	-	-	-	-	-	-	-	- 4	-	-	- 59
14	Change in Canadian dollar holdings of foreigners	+ 70	- 26	- 21	+ 40	+ 233	- 192	- 66	- 18	+ 34	+ 89	- 24	- 35	+ 106	+ 12
16	Change in official holdings of gold and foreign exchange (increase, minus) ..	+ 267	+ 742	- 492	- 128	- 722	- 56	- 37	+ 38	- 124	+ 44	- 33	+ 105	- 109	+ 70
17	Other capital movements	+ 31	- 27	+ 7	- 80	+ 210	+ 128	- 511	- 185	- 28	+ 204	+ 152	+ 126	+ 122	+ 318
E	Net capital movement	- 363	- 49	- 451	- 177	+ 334	+ 517	- 164	+ 443	+ 432	+ 698	+1,366	+1,455	+1,131	+1,429

Notes:

AB 11 Includes receipts of \$24 million and payments of \$127 million for war services in 1946.

D17 Includes for years 1946 to 1950 transactions shown separately under items D 12 and 15 in "The Canadian Balance of International Payments in the Post-War Years, 1946-1952".

A-G For other notes applicable to this table see notes to Table 1.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-59 - Continued
B. BETWEEN CANADA AND THE UNITED STATES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959 ^P
millions of dollars															
A	Current receipts:														
1	Merchandise exports (adjusted)	948	1,061	1,508	1,521	2,046	2,326	2,346	2,458	2,355	2,598	2,854	2,931	2,908	3,193
2	Gold production available for export	96	99	119	139	163	150	150	144	155	155	150	147	160	148
4	Travel expenditures	216	241	267	267	260	258	257	282	283	303	309	325	309	351
5	Interest and dividends	47	36	37	40	50	57	85	101	69	78	80	95	100	97
6	Freight and shipping	101	104	131	126	157	164	174	164	169	203	223	222	206	232
7	Inheritances and immigrants' funds	19	18	18	18	31	32	38	41	42	45	45	47	47	48
11	All other current receipts	140	153	167	158	170	191	224	253	233	318	354	303	280	307
12	Total current receipts	1,567	1,712	2,247	2,269	2,877	3,178	3,274	3,443	3,306	3,700	4,015	4,070	4,010	4,376
B	Current payments:														
1	Merchandise imports (adjusted)	1,378	1,951	1,797	1,899	2,093	2,842	2,817	3,046	2,800	3,283	4,021	3,878	3,443	3,710
4	Travel expenditures	130	152	113	165	193	246	294	307	320	363	391	403	413	445
5	Interest and dividends	250	274	267	325	411	382	344	334	345	388	427	480	500	537
6	Freight and shipping	169	221	213	193	240	276	302	296	261	287	351	351	294	324
7	Inheritances and emigrants' funds ..	31	37	37	44	47	55	77	74	75	82	94	124	104	113
11	All other current payments	216	211	213	244	293	328	289	290	312	332	370	413	432	462
12	Total current payments	2,174	2,846	2,640	2,870	3,277	4,129	4,123	4,347	4,113	4,735	5,654	5,649	5,186	5,591
	Balance on merchandise trade	- 430	- 890	- 289	- 378	- 47	- 516	- 471	- 568	- 445	- 685	-1,167	- 947	- 535	- 517
	Balance on other transactions	- 177	- 244	- 104	- 223	- 353	- 435	- 378	- 316	- 362	- 350	- 472	- 632	- 641	- 698
C	Current account balance	- 607	-1,134	- 393	- 601	- 400	- 951	- 849	- 904	- 807	-1,035	-1,639	-1,579	-1,176	-1,215
D	Capital account:														
	Direct investment:														
1	Direct investment in Canada	+ 38	+ 58	+ 61	+ 84	+ 200	+ 270	+ 319	+ 346	+ 288	+ 306	+ 406	+ 390	+ 303	+ 388
2	Direct investment abroad	- 7	+ 6	+ 15	+ 16	+ 41	- 4	- 42	- 33	- 46	- 56	- 70	- 35	- 3	- 1
	Canadian securities:														
3a	Trade in outstanding bonds and debentures	+ 241	- 3	+ 5	+ 25	+ 362	+ 20	- 170	- 85	- 87	- 159	- 35	- 70	- 10	+ 21
3b	Trade in outstanding common and preference stocks	+ 66	+ 5	+ 87	+ 92	+ 69	+ 5	+ 70	+ 74						
4	New issues	+ 218	+ 95	+ 150	+ 105	+ 210	+ 404	+ 315	+ 322	+ 299	+ 127	+ 601	+ 722	+ 800	+ 621
5	Retirements	- 460	- 313	- 96	- 136	- 263	- 159	- 75	- 132	- 184	- 169	- 133	- 105	- 132	- 200
	Foreign securities:														
6	Trade in outstanding issues	+ 21	- 2	- 9	+ 19	+ 68	+ 18	+ 9	+ 20	+ 6	+ 31	+ 10	+ 20	+ 11	- 34
7	New issues	- 4	- 3	- 3	- 4	- 2	- 3	- 5	- 18	- 3	- 8	- 13	- 15	- 13	- 8
8	Retirements	+ 6	+ 3	+ 1	+ 1	+ 7	+ 2	-	+ 1	+ 1	+ 2	-	+ 4	+ 4	+ 6
13	Subscriptions in gold and U.S. dollars to IBRD, IFC and IMF	- 8	- 74	-	-	-	-	-	-	-	-	4	-	-	59
14	Change in Canadian dollar holdings of foreigners	+ 27	- 3	- 14	- 8	+ 89	- 53	- 37	- 1	+ 19	+ 66	- 48	- 10	+ 83	+ 7
16	Change in official holdings of gold and U.S. dollars (increase, minus) ..	+ 251	+ 743	- 496	- 134	- 694	- 39	- 80	+ 42	- 121	+ 42	- 34	+ 104	- 108	+ 67
17	Other capital movements	+ 8	- 2	+ 1	- 38	+ 249	+ 59	- 458	- 223	+ 18	+ 151	+ 107	+ 58	+ 147	+ 310
E	Net capital movement	+ 331	+ 505	- 385	- 70	+ 267	+ 515	- 158	+ 244	+ 277	+ 425	+ 856	+1,068	+ 952	+1,192
G	Balance settled by exchange transfers	+ 276	+ 629	+ 778	+ 671	+ 133	+ 436	+1,007	+ 660	+ 530	+ 610	+ 783	+ 511	+ 224	+ 23
	Total financing of current account balance (Item C)	+ 607	+1,134	+ 393	+ 601	+ 400	+ 951	+ 849	+ 904	+ 807	+1,035	+1,639	+1,579	+1,176	+1,215

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-59 - Continued
C. BETWEEN CANADA AND THE UNITED KINGDOM

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959 ^P
millions of dollars															
A	Current receipts:														
1	Merchandise exports (adjusted)	626	749	703	701	469	636	727	656	660	772	818	734	766	781
4	Travel expenditures	3	7	9	11	7	8	10	12	13	13	14	18	18	18
5	Interest and dividends	7	8	9	9	6	30	29	28	35	41	14	10	32	34
6	Freight and shipping	107	114	105	89	61	91	105	79	73	97	98	95	84	79
7	Inheritances and immigrants' funds	45	47	52	38	12	14	20	18	19	20	24	40	17	26
11	All other current receipts	52	42	44	49	35	42	34	37	36	39	47	41	43	42
12	Total current receipts	840	967	922	897	590	821	925	830	836	982	1,015	938	960	980
B	Current payments:														
1	Merchandise imports (adjusted)	138	182	287	300	399	417	350	463	391	406	493	520	537	596
4	Travel expenditures	3	9	12	17	19	20	27	31	35	40	46	47	52	61
5	Interest and dividends	54	53	50	55	54	57	56	57	62	75	73	78	76	80
6	Freight and shipping	32	32	34	32	36	43	42	42	39	49	59	69	70	82
7	Inheritances and emigrants' funds	3	8	7	10	10	10	12	12	13	16	14	20	26	26
11	All other current payments	110	50	46	37	48	51	50	92	67	66	78	86	95	88
12	Total current payments	340	334	436	451	566	598	537	697	607	652	763	820	856	933
	Balance on merchandise trade	+488	+567	+416	+401	+ 70	+219	+377	+193	+269	+366	+325	+214	+229	+185
	Balance on other transactions	+ 12	+ 66	+ 70	+ 45	- 46	+ 4	+ 11	- 60	- 40	- 36	- 73	- 96	-125	-138
C	Current account balance	+500	+633	+486	+446	+ 24	+223	+388	+133	+229	+330	+252	+118	+104	+ 47

D. BETWEEN CANADA AND OTHER STERLING AREA COUNTRIES

A	Current receipts:														
1	Merchandise exports (adjusted)	269	366	293	300	201	265	293	251	206	254	256	246	299	289
4	Travel expenditures	1	1	1	2	3	3	3	3	3	4	4	5	6	6
5	Interest and dividends	2	6	4	4	8	4	7	13	17	21	21	22	13	28
6	Freight and shipping	34	39	34	30	18	23	20	18	18	27	29	27	24	26
7	Inheritances and immigrants' funds	—	1	2	1	1	3	3	4	4	4	5	8	13	9
11	All other current receipts	3	3	4	3	3	3	5	7	7	8	9	7	8	8
12	Total current receipts	309	416	338	340	234	301	331	296	255	318	324	315	363	366
B	Current payments:														
1	Merchandise imports (adjusted)	129	160	192	187	244	310	185	172	183	211	222	239	212	242
4	Travel expenditures	1	3	4	4	5	5	5	6	7	8	8	11	11	13
5	Interest and dividends	1	1	1	1	—	—	—	—	—	1	1	1	1	1
6	Freight and shipping	6	5	7	5	3	5	5	6	3	3	3	2	3	3
7	Inheritances and emigrants' funds	—	—	1	2	1	1	1	1	1	1	1	2	2	2
9	Official contributions	5	—	—	—	—	—	15	18	8	22	28	38	49	64
11	All other current payments	3	5	4	6	4	4	6	10	9	12	13	18	16	17
12	Total current payments	145	174	209	205	257	325	217	213	211	258	276	311	294	342
	Balance on merchandise trade	+140	+206	+101	+113	- 43	- 45	+108	+ 79	+ 23	+ 43	+ 34	+ 7	+ 87	+ 47
	Balance on other transactions, excluding B9	+ 29	+ 36	+ 28	+ 22	+ 20	+ 21	+ 21	+ 22	+ 29	+ 39	+ 42	+ 35	+ 31	+ 41
	Official contributions	- 5	—	—	—	—	—	- 15	- 18	- 8	- 22	- 28	- 38	- 49	- 64
C	Current account balance	+164	+242	+129	+135	- 23	- 24	+114	+ 83	+ 44	+ 60	+ 48	+ 4	+ 69	+ 24

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-59 - Concluded
E. BETWEEN CANADA AND THE UNITED KINGDOM AND OTHER STERLING AREA COUNTRIES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959 ^P
millions of dollars															
C	Current account balance	+ 664	+ 875	+ 615	+ 581	+ 1	+ 199	+ 502	+ 216	+ 273	+ 390	+ 300	+ 122	+ 173	+ 71
D	Capital account:														
	Direct investment:														
1	Direct investment in Canada	+ 2	+ 3	+ 10	+ 13	+ 19	+ 30	+ 15	+ 45	+ 75	+ 68	+ 98	+ 68	+ 91	+ 60
2	Direct investment abroad	- 10	- 3	- 2	- 3	- 4	- 6	- 19	- 22	- 23	- 9	- 27	- 11	- 16	- 52
	Canadian securities:														
3a	Trade in outstanding bonds and debentures							+ 3	+ 20	-	- 2	+ 11	-	+ 3	+ 4
3b	Trade in outstanding common and preference stocks	- 48	- 11	- 4	- 16	- 35	- 16	- 6	+ 7	+ 21	+ 28	+ 72	+ 87	+ 4	+ 7
4	New issues	-	-	-	-	-	+ 7	+ 1	+ 7	+ 20	+ 15	+ 36	+ 59	+ 41	+ 43
5	Retirements	- 77	- 42	- 14	- 10	- 19	- 24	- 9	- 11	- 17	- 11	- 2	- 21	- 16	- 27
	Foreign securities:														
6	Trade in outstanding issues	+ 1	+ 3	+ 2	+ 2	+ 1	-	+ 3	+ 3	+ 2	- 9	+ 4	+ 2	+ 2	+ 3
7	New issue	-	-	-	-	-	-	-	-	- 1	- 21	-	-	-	-
8	Retirements	+ 5	+ 1	+ 1	+ 1	+ 1	+ 1	-	-	+ 1	-	-	-	+ 1	+ 2
	Loans by Government of Canada:														
9	Drawings	- 540	- 423	- 52	- 120	- 50	-	-	-	-	-	-	-	- 34	- 1
10	Repayment of post-war loans	-	-	-	-	-	+ 14	+ 14	+ 14	+ 15	+ 15	+ 15	-	+ 16	+ 16
11	Repayment of war loans	+ 89	+ 104	+ 64	+ 5	+ 51	+ 34	+ 23	+ 50	+ 30	+ 30	+ 30	+ 30	+ 30	-
14	Change in Canadian dollar holdings of foreigners	+ 32	- 4	- 20	+ 62	+ 116	- 128	- 22	- 17	+ 6	+ 11	+ 14	- 20	+ 9	- 19
16	Change in official holding of sterling (increase, minus)	+ 16	- 1	+ 4	+ 6	- 28	- 17	+ 43	- 4	- 3	+ 2	+ 1	+ 1	- 1	+ 3
17	Other capital movements	+ 39	+ 16	+ 18	- 27	- 39	+ 82	- 62	+ 37	- 32	+ 60	+ 9	+ 33	- 39	- 7
E	Net capital movement	- 491	- 357	+ 7	- 87	+ 13	- 23	- 16	+ 129	+ 94	+ 177	+ 261	+ 228	+ 91	+ 32
G	Balance settled by exchange transfers:														
	Official settlements	- 150	- 505	- 597	- 466	+ 4	- 165	- 486	- 345	- 367	- 567	- 561	- 350	- 264	- 103
	Private settlements	- 23	- 13	- 25	- 28	- 18	- 11	-	-	-	-	-	-	-	-
	Total financing of current account balance (item C)	- 664	- 875	- 615	- 581	- 1	- 199	- 502	- 216	- 273	- 390	- 300	- 122	- 173	- 71

TABLE III. Current Account Between Canada and All Countries, 1926-59

Year	Current receipts ¹	Current payments ²	Net balance including Mutual Aid exports	Wartime Grants and Mutual Aid	Net balance on current account indicating net movement of capital
millions of dollars					
1926	1,665	1,538	+ 127	-	+ 127
1927	1,633	1,643	- 10	-	- 10
1928	1,788	1,820	- 32	-	- 32
1929	1,646	1,957	- 311	-	- 311
1930	1,297	1,634	- 337	-	- 337
1931	972	1,146	- 174	-	- 174
1932	808	904	- 96	-	- 96
1933	829	831	- 2	-	- 2
1934	1,020	952	+ 68	-	+ 68
1935	1,145	1,020	+ 125	-	+ 125
1936	1,430	1,186	+ 244	-	+ 244
1937	1,593	1,413	+ 180	-	+ 180
1938	1,361	1,261	+ 100	-	+ 100
1939	1,457	1,331	+ 126	-	+ 126
1940	1,776	1,627	+ 149	-	+ 149
1941	2,458	1,967	+ 491	-	+ 491
1942	3,376	2,275	+ 1,101	- 1,002	+ 99
1943	4,064	2,858	+ 1,206	- 518	+ 688
1944	4,557	3,539	+ 1,018	- 960	+ 58
1945	4,456	2,910	+ 1,546	- 858	+ 688
1946	3,365	2,905	+ 460	- 97	+ 363
1947	3,748	3,699	+ 49	-	+ 49
1948	4,147	3,696	+ 451	-	+ 451
1949	4,089	3,912	+ 177	-	+ 177
1950	4,297	4,574	- 277	- 57	- 334
1951	5,311	5,683	- 372	- 145	- 517
1952	5,658	5,494	+ 364	- 200	+ 164
1953	5,737	5,934	- 197	- 246	- 443
1954	5,520	5,668	- 148	- 284	- 432
1955	6,072	6,548	- 476	- 222	- 698
1956	6,621	7,830	- 1,209	- 157	- 1,366
1957	6,622	7,970	- 1,348	- 107	- 1,455
1958	6,579	7,568	- 989	- 142	- 1,131
1959 ^P	6,659	8,225	- 1,566	- 63	- 1,429

¹ Including Mutual Aid exports.

² Excluding Mutual Aid offsets.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1957-59
A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1957				1958				1959P			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
millions of dollars													
A	Current receipts:												
1	Merchandise exports (adjusted)	1,099	1,213	1,303	1,279	1,084	1,277	1,219	1,307	1,061	1,356	1,286	1,450
3	Gold production available for export.....	39	31	27	50	44	39	39	38	38	40	33	37
4	Travel expenditures	31	76	197	59	32	76	186	55	33	85	214	61
5	Interest and dividends	25	40	32	57	31	38	29	70	30	43	40	70
6	Freight and shipping	108	117	117	103	98	102	98	103	92	112	105	113
7	Inheritances and immigrants' funds	25	42	34	23	18	27	26	26	18	34	33	24
11	All other current receipts	110	104	89	85	96	91	87	101	93	95	104	96
12	Total current receipts	1,437	1,623	1,799	1,656	1,403	1,650	1,684	1,700	1,365	1,765	1,815	1,651
B	Current payments:												
1	Merchandise imports (adjusted)	1,328	1,518	1,350	1,292	1,154	1,361	1,202	1,349	1,215	1,540	1,367	1,411
4	Travel expenditures	100	142	178	105	100	140	191	111	118	141	214	120
5	Interest and dividends	125	148	138	178	126	136	151	199	141	151	150	214
6	Freight and shipping	113	147	135	120	95	114	127	124	95	130	145	142
7	Inheritances and emigrants' funds	33	37	43	44	29	36	39	41	31	39	42	42
9	Official contributions	6	9	7	18	12	18	12	11	9	21	22	19
11	All other current payments	169	167	160	160	179	176	169	166	171	176	180	179
12	Total current payments	1,874	2,168	2,011	1,917	1,695	1,981	1,891	2,001	1,780	2,198	2,120	2,127
	Balance on merchandise trade	- 229	- 305	- 47	- 13	- 70	- 84	+ 17	- 42	- 154	- 184	- 81	+ 39
	Balance on other transactions, excluding B9	- 202	- 231	- 158	- 230	- 210	- 229	- 212	- 248	- 252	- 228	- 202	- 296
	Official contributions	- 6	- 9	- 7	- 18	- 12	- 18	- 12	- 11	- 9	- 21	- 22	- 19
C	Current account balance	- 437	- 545	- 212	- 261	- 292	- 331	- 207	- 301	- 415	- 433	- 305	- 276
D	Capital account:												
	Direct investment:												
1	Direct investment in Canada	+ 98	+ 155	+ 133	+ 128	+ 93	+ 94	+ 103	+ 130	+ 85	+ 162	+ 72	+ 181
2	Direct investment abroad	- 18	- 21	- 21	- 8	- 20	- 23	+ 6	- 11	- 24	- 12	- 22	- 12
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	- 10	- 4	- 15	- 16	- 2	- 12	- 7	+ 21	+ 33	+ 15	+ 33	+ 12
3b	Trade in outstanding common and preference stocks	+ 40	+ 48	+ 43	+ 6	+ 3	+ 17	+ 35	+ 33	+ 32	+ 33	+ 25	+ 19
4	New issues	+ 274	+ 295	+ 144	+ 85	+ 179	+ 295	+ 102	+ 101	+ 186	+ 111	+ 210	+ 197
5	Retirements	- 42	- 25	- 36	- 30	- 30	- 50	- 27	- 51	- 41	- 78	- 59	- 67
	Foreign securities:												
6	Trade in outstanding issues	- 12	+ 15	+ 13	+ 8	+ 4	- 1	+ 3	+ 7	- 5	- 12	- 8	- 8
7	New issues	- 5	- 4	- 8	- 7	- 4	- 7	- 2	- 4	- 3	- 2	- 1	- 7
8	Retirements	+ 1	+ 2	+ 1	+ 2	+ 2	+ 1	+ 2	+ 2	+ 3	+ 2	+ 2	+ 3
	Loans by Government of Canada:												
9	Drawings	-	-	-	-	- 16	- 8	-	- 10	- 1	-	-	-
10	Repayment of post-war loans	-	+ 11	-	+ 9	-	+ 9	-	+ 25	-	+ 9	-	+ 25
11	Repayment of war loans	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	-	-	-	-
13	Subscriptions in gold and U.S. dollars to IBRD, IFC and IMF	-	-	-	-	-	-	-	-	-	-	-	- 59
14	Change in Canadian dollar holdings of foreigners	- 33	- 27	+ 7	+ 18	- 16	+ 41	+ 90	- 9	- 12	+ 46	+ 22	- 44
16	Change in official holdings of gold and foreign exchange (increase, minus)	+ 13	- 22	+ 53	+ 61	- 39	- 52	+ 32	- 50	+ 49	- 43	- 3	+ 67
17	Other capital movements	+ 124	+ 114	- 109	- 3	+ 131	+ 19	- 137	+ 109	+ 113	+ 202	+ 34	- 31
E	Net capital movement	+ 437	+ 545	+ 212	+ 261	+ 292	+ 331	+ 207	+ 301	+ 415	+ 433	+ 305	+ 276

Notes: Quarterly totals in the account with all countries will not add to annual totals in Table I and Table IIA since Mutual Aid to NATO countries is not distributed by quarters.

For other notes applicable to this table see notes to Table I.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1957-59 - Continued
B. BETWEEN CANADA AND THE UNITED STATES

No.	Account	1957				1958				1959 ^P			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
millions of dollars													
A	Current receipts:												
1	Merchandise exports (adjusted)	654	725	794	758	650	719	757	782	652	853	806	882
3	Gold production available for export	39	31	27	50	44	39	39	38	38	40	33	37
4	Travel expenditures	27	64	184	50	28	62	171	48	28	70	198	55
5	Interest and dividends	19	19	25	32	22	22	21	35	21	25	21	30
6	Freight and shipping	53	59	61	49	49	51	55	51	48	61	59	64
7	Inheritances and immigrants' funds	9	13	14	11	10	12	14	11	9	13	15	11
11	All other current receipts	89	84	69	61	73	67	63	77	73	74	85	75
12	Total current receipts	890	995	1,174	1,011	876	972	1,120	1,042	869	1,136	1,217	1,154
B	Current payments:												
1	Merchandise imports (adjusted)	1,000	1,084	919	875	831	927	799	886	867	1,038	884	921
2	Travel expenditures	79	112	134	78	80	113	136	84	93	112	154	86
5	Interest and dividends	92	129	109	150	92	115	122	171	106	126	120	185
6	Freight and shipping	73	102	95	81	57	73	86	78	57	84	95	88
7	Inheritances and emigrants' funds	28	29	34	33	23	24	28	29	25	27	30	31
11	All other current payments	102	104	104	103	107	109	109	107	113	114	117	118
12	Total current payments	1,374	1,560	1,395	1,320	1,190	1,361	1,280	1,355	1,261	1,501	1,400	1,429
C	Current account balance	- 484	- 565	- 221	- 309	- 314	- 389	- 160	- 313	- 392	- 365	- 183	- 275
D	Capital account:												
	Direct investment:												
1	Direct investment in Canada	+ 79	+ 104	+ 107	+ 100	+ 65	+ 75	+ 61	+ 102	+ 70	+ 151	+ 50	+ 117
2	Direct investment abroad	- 8	- 11	- 9	- 7	- 4	- 12	+ 15	- 2	-	- 4	+ 4	- 1
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	- 19	- 11	- 15	- 25	- 6	- 5	- 9	+ 10	+ 17	- 2	+ 10	- 4
3b	Trade in outstanding common and preference stocks	+ 5	- 10	+ 7	+ 3	+ 7	+ 11	+ 27	+ 25	+ 27	+ 27	+ 17	+ 3
4	New issues	+ 247	+ 275	+ 126	+ 74	+ 164	+ 258	+ 92	+ 86	+ 165	+ 94	+ 197	+ 165
5	Retirements	- 27	- 21	- 32	- 25	- 28	- 40	- 25	- 39	- 32	- 66	- 45	- 57
	Foreign securities:												
6	Trade in outstanding issues	- 13	+ 15	+ 11	+ 7	+ 3	- 1	+ 4	+ 5	- 4	- 13	- 8	- 9
7	New issues	- 4	- 3	- 3	- 5	- 4	- 6	- 1	- 2	- 1	- 1	- 1	- 5
8	Retirements	+ 1	+ 1	+ 1	+ 1	+ 1	+ 1	+ 1	+ 1	+ 2	+ 2	+ 1	+ 1
13	Subscriptions in gold and U.S. dollars to IBRD, IFC and IMF	-	-	-	-	-	-	-	-	-	-	-	- 59
14	Change in Canadian dollar holdings of foreigners	- 2	- 15	+ 3	+ 4	-	+ 35	+ 75	- 27	- 1	+ 24	+ 17	- 33
16	Change in official holdings of gold and U.S. dollars (increase, minus)	+ 12	- 17	+ 49	+ 60	- 39	- 52	+ 33	- 50	+ 49	- 44	- 4	+ 66
17	Other capital movements	+ 107	+ 102	- 140	- 11	+ 143	+ 28	- 133	+ 109	+ 98	+ 211	+ 26	- 25
E	Net capital movement	+ 378	+ 409	+ 105	+ 176	+ 302	+ 292	+ 140	+ 218	+ 390	+ 379	+ 264	+ 159
G	Balance settled by exchange transfers	+ 106	+ 156	+ 118	+ 133	+ 12	+ 97	+ 20	+ 95	+ 2	- 14	- 81	+ 116
	Total financing of current account balance (item C)	+ 484	+ 565	+ 221	+ 309	+ 314	+ 389	+ 160	+ 313	+ 392	+ 365	+ 183	+ 275

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1957-59 — Continued
C. BETWEEN CANADA AND THE UNITED KINGDOM

No.	Account	1957				1958				1959 ^P			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
A	Current receipts:												
1	Merchandise exports (adjusted)	160	178	207	189	153	206	193	214	163	202	189	227
4	Travel expenditures	2	6	7	3	2	7	7	2	2	7	7	2
5	Interest and dividends	3	3	2	2	2	3	1	26	1	4	3	26
6	Freight and shipping	21	27	24	23	21	22	19	22	19	22	19	19
7	Inheritances and immigrants' funds	8	15	11	6	4	5	4	4	4	7	7	8
11	All other current receipts	11	10	10	10	11	11	10	11	10	11	10	11
12	Total current receipts	205	239	261	233	193	254	234	279	199	253	235	293
B	Current payments:												
1	Merchandise imports (adjusted)	114	144	132	130	113	162	122	140	110	172	156	158
4	Travel expenditures	6	12	18	11	7	9	26	10	9	10	25	17
5	Interest and dividends	25	12	22	19	25	12	20	19	27	14	21	18
6	Freight and shipping	16	18	17	18	17	18	17	18	17	21	22	22
7	Inheritances and emigrants' funds	2	5	6	7	3	7	8	8	3	8	8	7
11	All other current payments	23	21	21	21	27	26	21	21	21	22	23	22
12	Total current payments	186	212	216	206	192	234	214	216	187	247	235	244
C	Current account balance	+ 19	+ 27	+ 45	+ 27	+ 1	+ 20	+ 20	+ 63	+ 12	+ 6	- 20	+ 49
D	Capital account:												
	Direct investment:												
1	Direct investment in Canada	+ 8	+ 23	+ 15	+ 19	+ 19	+ 13	+ 34	+ 21	+ 10	+ 3	+ 15	+ 33
2	Direct investment abroad	+ 1	+ 1	+ 1	+ 1	- 3	- 2	- 1	+ 1	- 16	- 3	- 20	- 4
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	+ 1	+ 2	- 5	+ 2	-	- 1	-	+ 4	-	+ 2	+ 4	- 2
3b	Trade in outstanding common and preference stocks	+ 27	+ 42	+ 17	+ 1	- 4	+ 3	+ 3	+ 2	- 3	- 3	+ 2	+ 11
4	New issues	+ 23	+ 13	+ 14	+ 9	+ 11	+ 18	+ 4	+ 8	+ 15	+ 9	+ 7	+ 12
5	Retirements	- 14	- 2	- 1	- 4	- 1	- 6	- 2	- 7	- 6	- 8	- 8	- 5
	Foreign securities:												
6	Trade in outstanding issues	+ 1	- 1	+ 1	+ 1	+ 1	-	-	+ 1	+ 1	+ 1	-	+ 1
7	New issues	-	-	-	-	-	-	-	-	-	-	-	-
8	Retirements	-	-	-	-	+ 1	-	-	-	-	-	-	-
	Loans by Government of Canada:												
10	Repayment of post-war loans	-	-	-	-	-	-	-	+ 16	-	-	-	+ 16
11	Repayment of war loans	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	+ 7	+ 8	-	-	-	-
14	Change in Canadian dollar holdings of foreigners	- 16	- 16	+ 4	+ 10	- 13	+ 1	+ 8	+ 8	- 15	+ 10	+ 5	- 10
16	Change in official holdings of sterling (increase, minus)	+ 1	- 5	+ 4	+ 1	-	-	- 1	-	-	+ 1	+ 1	+ 1
17	Other capital movements	- 3	+ 5	+ 17	+ 16	- 20	- 8	- 1	- 10	- 4	+ 4	+ 4	- 7
E	Net capital movement	+ 36	+ 70	+ 74	+ 64	- 2	+ 26	+ 51	+ 52	- 18	+ 16	+ 10	+ 46
G	Balance settled by exchange transfers	- 55	- 97	- 119	- 91	+ 1	- 46	- 71	- 115	+ 6	- 22	+ 10	- 95
	Total financing of current account balance (item C)	- 19	- 27	- 45	- 27	- 1	- 20	- 20	- 63	- 12	- 6	+ 20	- 49

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1957-59 - Concluded
D. BETWEEN CANADA AND OTHER COUNTRIES

No.	Account	1957				1958				1959 ^P			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
	Rest of the Sterling Area:												
A 1	Merchandise exports	55	63	56	72	78	83	62	76	66	75	70	78
	Other current receipts	10	18	13	28	13	16	15	20	15	17	27	18
12	Total current receipts	65	81	69	100	91	99	77	96	81	92	97	96
B 1	Merchandise imports	40	70	67	62	36	64	53	59	37	74	87	64
	Other current payments	15	19	14	24	16	25	19	20	17	29	28	26
12	Total current payments	55	89	81	86	54	89	72	79	54	103	95	90
C	Current account balance	+ 10	- 8	- 12	+ 14	+ 37	+ 10	+ 5	+ 17	+ 27	- 11	+ 2	+ 6
	Non-sterling area overseas countries:												
A 1	Merchandise exports	230	247	246	260	203	269	207	235	180	226	221	263
	Other current receipts	47	61	49	52	40	56	46	48	36	58	45	45
12	Total current receipts	277	308	295	312	243	325	253	283	216	264	266	308
B 1	Merchandise imports	174	220	232	225	174	208	228	264	201	256	260	268
	Other current payments	85	87	87	80	85	89	97	87	77	91	110	96
12	Total current payments	259	307	319	305	259	297	325	351	278	347	370	364
C	Current account balance	+ 18	+ 1	- 24	+ 7	- 16	+ 28	- 72	- 68	- 62	- 63	-104	- 56
C	Current account balance with above areas	+ 28	- 7	- 36	+ 21	+ 21	+ 38	- 67	- 51	- 35	- 74	-102	- 50
D	Capital account:												
	Direct investment:												
1	Direct investment in Canada	+ 11	+ 28	+ 11	+ 9	+ 9	+ 6	+ 8	+ 7	+ 5	+ 8	+ 7	+ 31
2	Direct investment abroad	- 11	- 11	- 13	- 2	- 13	- 9	- 8	- 10	- 8	- 5	- 6	- 7
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	+ 8	+ 5	+ 5	+ 7	+ 4	- 6	+ 2	+ 7	+ 18	+ 15	+ 19	+ 18
3b	Trade in outstanding common and preference stocks	+ 8	+ 16	+ 19	+ 2	-	+ 3	+ 5	+ 6	+ 8	+ 9	+ 6	+ 5
4	New issues	+ 4	+ 7	+ 4	+ 2	+ 4	+ 19	+ 6	+ 7	+ 6	+ 8	+ 6	+ 20
5	Retirements	- 1	- 2	- 3	- 1	- 1	- 4	-	- 5	- 3	- 4	- 6	- 5
	Foreign securities:												
6	Trade in outstanding issues	-	+ 1	+ 1	-	-	-	- 1	+ 1	- 2	-	-	-
7	New issues	- 1	- 1	- 5	- 2	-	- 1	- 1	- 2	- 2	- 1	-	- 2
8	Retirements	-	+ 1	-	+ 1	-	-	+ 1	+ 1	+ 1	-	+ 1	+ 2
	Loans by Government of Canada:												
9	Drawings	-	-	-	-	- 16	- 8	-	- 10	- 1	-	-	-
10	Repayment of post-war loans	-	+ 11	-	+ 9	-	+ 9	-	+ 9	-	+ 9	-	+ 9
14	Change in Canadian dollar holdings of foreigners	- 15	+ 4	-	+ 4	- 3	+ 5	+ 7	+ 10	+ 4	+ 12	-	- 1
17	Other capital movements	+ 20	+ 7	+ 14	- 6	+ 8	- 1	- 3	+ 10	+ 19	- 13	+ 4	+ 1
E	Net capital movement	+ 23	+ 66	+ 33	+ 21	- 8	+ 13	+ 16	+ 31	+ 43	+ 38	+ 31	+ 71
G	Balance settled by exchange transfers	- 51	- 59	+ 3	- 42	- 13	- 51	+ 51	+ 20	- 8	+ 36	+ 71	- 21
	Total financing of current account balance (item C)	- 28	+ 7	+ 36	- 21	- 21	- 38	+ 67	+ 51	+ 35	+ 74	+102	+ 50

TABLE V. The Canadian Balance of International Indebtedness, Selected Year Ends, 1926-59¹

Item	1926	1930	1933	1939	1945	1949	1951	1952	1953	1954	1955	1956	1957	1958	1959 ^P
billions of dollars															
Canadian liabilities:															
Direct investments VIII, X	1.8	2.4	2.4	2.3	2.7	3.6	4.5	5.2	6.0	6.8	7.7	8.9	10.1	10.9	11.8
Government and municipal bonds IX	1.4	1.7	1.7	1.7	1.7	1.8	2.1	2.0	2.1	2.1	1.9	2.1	2.3	2.6	3.1
Other portfolio investments VIII	2.5	3.2	3.0	2.6	2.4	2.3	2.5	2.7	2.9	3.1	3.1	3.5	3.9	4.1	4.3
Income accumulating investment funds	—	—	—	—	—	—	—	—	—	0.1	0.2	0.2	0.3	0.3	0.3
Miscellaneous investments VII	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4 ^x	0.5	0.6	0.6	0.8	0.9	1.0	1.1
Foreign long-term investments in Canada VIII, IX	6.0	7.6	7.4	6.9	7.1	8.0	9.5	10.4	11.5	12.5	13.5	15.6	17.5	19.0	20.7
Equity of non-residents in Canadian assets abroad .....	..	..	..	0.2	0.2	0.3	0.4	0.4	0.6	0.6	0.7	0.8	0.8	0.9	1.0
Canadian dollar holdings of non-residents..	..	..	..	0.3	0.3	0.4	0.4	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.5
Canadian short-term assets of IBRD and IMF ²	—	—	—	—	—	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.4
Gross liabilities²	6.4	8.0	7.7	7.4	7.6	8.9	10.6	11.4	12.6	13.7	14.8	17.0	18.9	20.6	22.6
United States ²	3.5	4.9	4.7	4.5	5.4	6.4	7.9	8.5	9.5	10.3	11.1	12.6	14.2	15.5	16.9
United Kingdom ²	2.7	2.9	2.8	2.6	1.8	1.8	1.9	2.0	2.2	2.3	2.5	2.8	3.1	3.2	3.4
Other countries, IBRD and IMF ²	0.2	0.2	0.2	0.3	0.4	0.7	0.8	0.9	1.0	1.0	1.2	1.5	1.7	1.9	2.3
Short-term commercial payables ³ .....	..	..	..	..	0.4	0.4	0.7	0.5	0.3	0.4	0.5	0.7	1.0	1.2	1.5
Gross liabilities	6.4²	8.0²	7.7²	7.4²	8.0	9.3	11.3	11.9	12.9	14.1	15.3	17.7	19.9	21.8	24.1
Canadian assets:															
Direct investments VII	0.4	0.4	0.4	0.7	0.7	0.9	1.2	1.3	1.5	1.6	1.7	1.9	2.1	2.2	2.3
Portfolio investments VII	0.5	0.8	0.9	0.7	0.6	0.6	0.6	0.8 ^x	0.9	0.9	1.0	1.0	1.1	1.1	1.1
Government of Canada loans and advances VII	—	—	—	—	0.7	2.0	1.9	1.9	1.8	1.7	1.6	1.6	1.5	1.5	1.5
Government of Canada subscriptions to IBRD, IFC and IMF	—	—	—	—	—	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.6
Canadian long-term investments abroad..	0.9	1.3	1.3	1.4	2.0	4.0	4.1	4.4	4.5	4.6	4.7	4.8	5.0	5.1	5.5
Government of Canada holdings of gold and foreign exchange VI .....	..	..	..	0.5	1.7	1.2	1.8	1.8	1.8	1.9	1.9	1.9	1.8	1.9	1.8
Bank balances and other short-term funds abroad	4	4	4	—	0.1	0.1	0.1	0.3	0.3	0.4	0.3	0.6	0.9	1.0	1.1
Gross assets²	1.3	1.5	1.4	1.9	3.8	5.2	6.0	6.4	6.6	6.9	7.0	7.3	7.7	7.9	8.3
Government of Canada holdings of gold and foreign exchange	—	—	—	0.5	1.7	1.2	1.8	1.8	1.8	1.9	1.9	1.9	1.8	1.9	1.8
United States ²	0.7	0.9	0.8	0.9	0.9	1.1	1.4	1.7	2.0	2.1	2.2	2.6	3.0	3.1	3.3
United Kingdom ²	0.1	0.1	—	0.1	0.7	1.6	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.4
Other countries, IBRD, IFC and IMF ² ..	0.5	0.5	0.6	0.4	0.5	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.5	1.6	1.9
Short-term commercial receivables ³ .....	..	..	..	..	0.1	0.2	0.2	0.3	0.2	0.3	0.3	0.4	0.4	0.5	0.5
Gross assets	1.3²	1.5²	1.4²	1.9²	4.0	5.5	6.3	6.7	6.9	7.2	7.4	7.7	8.1	8.4	8.8
Canadian net international indebtedness:															
Net liabilities	5.1²	6.5²	6.3²	5.5²	4.0	3.8	5.0	5.1	6.0	6.8	7.9	10.0	11.8	13.4	15.3
Government of Canada holdings of gold and foreign exchange	—	—	—	-0.5	-1.7	-1.2	-1.8	-1.8	-1.8	-1.9	-1.9	-1.9	-1.8	-1.9	-1.6
United States ²	2.8	4.0	3.9	3.6	4.6	5.3	6.5	6.8	7.5	8.2	8.8	10.0	11.2	12.4	13.6
United Kingdom ²	2.6	2.8	2.8	2.5	1.1	0.2	0.4	0.5	0.7	0.9	1.1	1.4	1.7	1.9	2.0
Other countries, IBRD, IFC and IMF ² ..	-0.3	-0.3	-0.4	-0.1	-0.1	-0.6	-0.5	-0.5	-0.4	-0.4	-0.2	—	0.1	0.3	0.4
Short-term commercial indebtedness ³ ..	..	..	..	..	0.3	0.2	0.5	0.2	0.1	0.1	0.2	0.3	0.6	0.7	1.0

¹ For missing years after 1945 see Tables II and III in "Canada's Short-Term External Assets and Liabilities 1945-1957" (DBS catalogue No. 67-504)² Excludes short-term commercial indebtedness.³ Country distribution not available.⁴ Net external assets of the Chartered Banks of Canada amounted to \$370 million in 1926, \$180 million in 1930, and \$91 million in 1933.⁵ Excludes Government of Canada holdings of gold and foreign exchange.**Note:** As figures are rounded, totals do not necessarily equal the sum of their component parts. Roman numerals indicate tables in which further detail appears.**General note applicable to all statistics of foreign investments in Canada**

Common and preference stocks are included at book (equity) values as shown in the balance sheets of the issuing companies, bonds and debentures are valued at par, liabilities in foreign currencies being converted into Canadian dollars at the original par of exchange.

Investments in Canadian companies have been classified according to principal activities in Canada.

Investments in Canada shown as owned by residents of the United States and the United Kingdom include some investments held for residents of other countries.

For more detailed explanations see "Canada's International Investment Position, 1926-1954".

TABLE VI. Canada's Official Holdings of Gold and United States Dollars,¹ 1950-59

At end of	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
millions of U.S. dollars										
March	1,192.2	1,653.4	1,787.2	1,845.3	1,627.2	1,871.5	1,871.4	1,923.6	1,867.7	1,888.3
June	1,255.4	1,683.0	1,827.7	1,750.1	1,863.3	1,930.4	1,899.5	1,941.8	1,921.4	1,934.2
September	1,789.6	1,610.1	1,855.6	1,787.3	1,898.6	1,936.7	1,903.5	1,889.9	1,888.2	1,938.3
December	1,741.5	1,778.6	1,660.2	1,818.5	1,942.6	1,900.8	1,936.2	1,828.3	1,939.1	1,869.2

¹ Gold, United States dollars and short-term securities of the United States Government held by the Exchange Fund Account and other Government accounts, and net holdings of the Bank of Canada.

TABLE VII. Canadian Long-Term Investments Abroad,¹ Selected Year Ends, 1926-58

Location and year	Direct investment in branches subsidiaries and controlled companies					Portfolio investments in foreign securities			Total private long-term investments abroad	Government of Canada credits	Total
	Railways and utilities	Industrial and commercial	Mining and petroleum	Other concerns	Total direct investment	Stocks	Bonds	Total portfolio investment			
millions of dollars											
In all countries:											
1926	..	..	..	..	397	..	..	493	890	36	926
1930	..	..	..	..	443	..	..	789	1,232	31	1,263
1939	249	289	123	10	671*	511	202	719*	1,390	31	1,421
1945	239	337	138	6	720	454	167	621	1,341	707	2,048
1947	246	414	155	7	822	426	153	579	1,401	1,816	3,217
1949	276	553	91	6	926	477	161	638	1,564	2,000	3,564
1951	320	723	117	6	1,166	467	142	609	1,775	1,922	3,697
1952	326	771	163	11	1,271	669*	161	830	2,101	1,866	3,967
1953	402	859	215	9	1,485	690	179	869	2,354	1,778	4,132
1954	427	944	245	12	1,628	723	203	926	2,554	1,705	4,259
1955	438	1,002	291	20	1,751	767	224	991	2,740	1,635	4,375
1956	418	1,119	340	27	1,904	785	221	1,006	2,909	1,565	4,474
1957	425	1,210	410	39	2,084	797	257	1,054	3,132	1,515	4,647
1958	428	1,276	427	43	2,174	828	250	1,078	3,252	1,484	4,736
In the United States:											
1926	..	..	..	..	250	..	..	195	445	—	445
1930	..	..	..	..	260	..	..	459	719	—	719
1939	211	176	21	4	412*	380	121	501*	913	—	913
1945	212	214	25	4	455	317	92	409	864	—	864
1947	217	272	37	5	531	283	83	366	897	—	897
1949	247	413	58	3	721	345	98	443	1,164	—	1,164
1951	288	549	71	4	912	289	87	376	1,288	—	1,288
1952	293	572	95	8	968	450*	86	536	1,504	—	1,504
1953	365	632	123	7	1,127	469	95	564	1,691	—	1,691
1954	390	695	145	10	1,240	490	89	579	1,819	—	1,819
1955	393	719	175	15	1,302	539	89	628	1,929	—	1,929
1956	378	817	190	22	1,407	569	84	653	2,060	—	2,060
1957	380	845	206	32	1,463	579	118	697	2,160	—	2,160
1958	379	858	197	31	1,465	631	111	742	2,207	—	2,207
In the United Kingdom:											
1926	..	..	..	..	7	..	..	45	52	—	52
1930	..	..	..	..	14	..	..	45	59	—	59
1939	—	53	—	6	59*	22	21	43*	102	—	102
1945	—	53	—	1	54	26	27	53	107	561	668
1947	—	64	—	—	64	26	26	52	116	1,331	1,447
1949	—	58	—	1	59	21	19	40	99	1,434	1,533
1951	1	73	—	—	74	17	17	34	108	1,394	1,502
1952	1	80	—	—	81	17	14	31	112	1,357	1,469
1953	1	103	—	—	104	16	13	29	133	1,292	1,425
1954	1	116	—	—	119	17	14	31	150	1,247	1,397
1955	2	128	—	1	131	29	17	46	177	1,202	1,379
1956	3	135	—	1	139	30	16	46	185	1,157 ³	1,342
1957	3	168	—	1	172	33	15	48	214	1,127 ³	1,341
1958	3	196	—	1	200	27	14	41	241	1,080 ³	1,321
In other Commonwealth countries: ²											
1939	7	30	17	—	54	7	15	22	76	—	76
1945	7	34	28	—	69	7	12	19	88	—	88
1947	8	47	30	—	85	7	11	18	103	—	103
1949	6	51	19	—	76	6	8	14	90	—	90
1951	7	61	20	—	88	6	8	14	102	—	102
1952	7	70	35	—	112	6	8	14	126	—	126
1953	6	73	54	—	133	6	8	14	147	—	147
1954	4	74	60	—	138	6	7	13	151	—	151
1955	4	83	72	—	159	7	21	28	187	—	187
1956	8	85	98	—	191	7	21	28	219	—	219
1957	8	93	131	2	234	7	21	28	263	—	263
1958	7	102	150	7	266	8	21	29	295	34	329
In other foreign countries:											
1926	..	..	..	..	140 ⁴	..	..	253 ⁴	393 ⁴	36	429 ⁴
1930	..	..	..	..	169 ⁴	105	180	285 ⁴	454 ⁴	31	485 ⁴
1939	31	30	85	—	146*	102	51	153*	299	31	330
1945	20	36	85	1	142	104	36	140	282	146	428
1947	21	31	88	2	142	110	33	143	285	485	770
1949	23	31	14	2	70	105	36	141	211	566	777
1951	25	39	26	2	92	155	30	185	277	528	805
1952	25	49	33	3	110	196	53	249	359	509	868
1953	30	51	32	2	121	199	63	262	383	486	869
1954	32	57	40	2	131	210	93	303	434	458	892
1955	39	72	44	4	159	192	97	289	447	433	880
1956	29	82	52	4	167	179	100	279	445	408	853
1957	34	104	73	4	215	178	103	281	495	388	883
1958	39	120	80	4	243	162	104	266	509	370	879

¹ Figures exclude investments of insurance companies and banks which are held mainly against liabilities to non-residents, and subscriptions by the Government of Canada to the International Bank for Reconstruction and Development, the International Finance Corporation and the International Monetary Fund, which are partly offset by short term assets in Canada of these institutions (Table V). Figures include the equity of non-residents in assets abroad of Canadian companies (Table V).

² Includes investments in Newfoundland prior to 1949.

³ Excludes deferred interest amounting to \$22 million at the end of 1956, and to \$44 million at the end of subsequent years.

⁴ Includes investments in "Other Commonwealth countries".

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930-58

Classification by type of security and nature of national ownership

Long term investments in Canada	A. Owned by all non-residents							B. Owned by United States						
	1930	1945	1951	1955	1956	1957	1958	1930	1945	1951	1955	1956	1957	1958
	millions of dollars													
By type of assets														
Bonds and debentures:														
Government and municipal ¹	1,706	1,662	2,103	1,868	2,134	2,324	2,621	1,205	1,450	1,898	1,639	1,871	2,059	2,344
Railways	1,481	843	676	538	504	480	484	598	495	335	213	182	166	165
Other corporations	796	561	674	1,227	1,500	1,963	2,178	600	414	542	1,023	1,254	1,665	1,861
Sub-totals	3,983	3,066	3,453	3,633	4,138	4,767	5,283	2,403	2,359	2,775	2,875	3,307	3,890	4,370
Capital stock of Canadian companies	2,856	3,194	4,745	6,942	8,003	8,887	9,339	1,832	2,088	3,477	5,026	5,722	6,341	6,685
Other corporation assets ²	480	548	951	2,090	2,369	2,688	2,978	331	413	812	1,840	2,050	2,301	2,523
Income accumulating investment funds	—	—	—	170	249	255	342	—	—	—	170	249	255	342
Miscellaneous investments	295	284	328	641	818	879	1,048	94	130	195	367	474	489	521
Total investments	7,614	7,092	9,477	13,476	15,577	17,476	18,990	4,660	4,990	7,259	10,278	11,802	13,276	14,441
By nature of national ownership														
I. Direct investments (controlled in country of ownership):														
Bonds and debentures:														
Railways	52	46	36	36	36	32	32	42	38	29	29	29	28	28
Other corporations	357	281	346	719	782	1,074	1,132	294	254	319	676	729	1,003	1,056
Sub-totals	409	327	382	755	818	1,106	1,164	336	292	348	705	758	1,031	1,084
Capital stock of Canadian companies	1,543	1,860	3,205	4,944	5,732	6,410	6,814	1,330	1,613	2,750	4,022	4,635	5,209	5,525
Other corporation assets ²	475	526	933	2,033	2,315	2,626	2,897	327	399	798	1,789	2,001	2,246	2,454
Total direct investments	2,427	2,713	4,520	7,732	8,865	10,142	10,875	1,993	2,304	3,896	6,516	7,394	8,486	9,063
II. Government and municipal bonds¹	1,706	1,662	2,103	1,868	2,134	2,324	2,621	1,205	1,450	1,898	1,639	1,871	2,059	2,344
III. Other portfolio investments (not controlled in country of ownership):														
Bonds and debentures:														
Railways—Controlled in Canada	1,427	795	637	499	467	447	451	556	457	306	184	153	138	137
—Controlled in other countries	2	2	3	3	1	1	1	—	—	—	—	—	—	—
Other corporations—Controlled in Canada	421	220	239	369	478	618	756	301	158	214	331	436	555	682
—Controlled in other countries	18	60	89	139	240	271	290	5	2	9	16	89	107	123
Sub-totals	1,868	1,077	968	1,010	1,186	1,337	1,498	862	617	529	531	678	800	942
Capital stock of Canadian companies:														
Companies controlled in Canada	1,233	1,249	1,423	1,838	2,066	2,228	2,272	484	462	709	961	1,044	1,058	1,077
Companies controlled in other countries	80	85	117	160	205	249	253	18	13	18	43	43	74	83
Other corporation assets: ²														
Companies controlled in Canada	5	16	11	42	33	46	60	4	13	10	38	31	43	54
Companies controlled in other countries	—	6	7	15	21	16	21	—	1	4	13	18	12	15
Income accumulating investment funds	—	—	—	170	249	255	342	—	—	—	170	249	255	342
Total other portfolio investments	3,186	2,433	2,526	3,235	3,760	4,131	4,446	1,368	1,106	1,270	1,756	2,063	2,242	2,513
IV. Miscellaneous investments:														
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	295	284	328	641	818	879	1,048	94	130	195	367	474	489	521
SUMMARY														
I. Direct investments	2,427	2,713	4,520	7,732	8,865	10,142	10,875	1,993	2,304	3,896	6,516	7,394	8,486	9,063
II. Government and municipal bonds	1,706	1,662	2,103	1,868	2,134	2,324	2,621	1,205	1,450	1,898	1,639	1,871	2,059	2,344
III. Other portfolio investments	3,186	2,433	2,526	3,235	3,760	4,131	4,446	1,368	1,106	1,270	1,756	2,063	2,242	2,513
IV. Miscellaneous investments	295	284	328	641	818	879	1,048	94	130	195	367	474	489	521
Total investments	7,614	7,092	9,477	13,476	15,577	17,476	18,990	4,660	4,990	7,259	10,278	11,802	13,276	14,441

See footnotes at end of table.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930-58 — Concluded

Classification by type of security and nature of national ownership

Long term investments in Canada	C. Owned by United Kingdom							D. Owned by all other countries						
	1930	1945	1951	1955	1956	1957	1958	1930	1945	1951	1955	1956	1957	1958
millions of dollars														
By type of assets														
Bonds and debentures:														
Government and municipal ¹	486	157	146	141	152	145	145	15	55	59	88	111	120	132
Railways	862	316	309	296	296	290	292	21	32	32	29	26	24	27
Other corporations	171	116	104	157	174	201	207	25	31	28	47	72	97	110
Sub-totals	1,519	589	559	594	622	636	644	61	118	119	164	209	241	269
Capital stock of Canadian companies	942	973	1,044	1,426	1,647	1,835	1,914	82	133	224	490	634	711	740
Other corporation assets ²	134	103	110	179	231	270	311	15	32	29	71	88	117	144
Miscellaneous investments	171	85	65	157	168	177	198	30	69	68	117	176	213	329 ^x
Total investments	2,766	1,750	1,778	2,356	2,668	2,918	3,067	188	352	440	842	1,107	1,282	1,482
By nature of national ownership														
I. Direct investments (controlled in country of ownership):														
Bonds and debentures:														
Railways	10	8	7	7	7	4	4	—	—	—	—	—	—	—
Other corporations	49	13	13	11	21	42	45	14	14	14	32	32	29	31
Sub-totals	59	21	20	18	28	46	49	14	14	14	32	32	29	31
Capital stock of Canadian companies	200	226	369	695	790	850	918	13	21	86	227	307	351	371
Other corporation assets ²	133	101	108	178	230	267	308	15	26	27	66	84	113	135
Total direct investments	392	348	497	891	1,048	1,163	1,275	42	61	127	325	423	493	537
II. Government and municipal bonds¹	486	157	146	141	152	145	145	15	55	59	88	111	120	132
III. Other portfolio investments (not controlled in country of ownership):														
Bonds and debentures:														
Railways — Controlled in Canada	850	306	299	286	288	285	287	21	32	32	29	26	24	27
— Controlled in other countries	2	2	3	3	1	1	1	—	—	—	—	—	—	—
Other corporations — Controlled in Canada	116	46	11	24	22	20	23	4	16	14	14	20	43	51
— Controlled in other countries	6	57	80	122	131	139	139	7	1	—	1	20	25	28
Sub-totals	974	411	393	435	442	445	450	32	49	46	44	66	92	106
Capital stock of Canadian companies:														
Companies controlled in Canada	685	691	602	672	783	910	922	64	96	112	205	239	260	273
Companies controlled in other countries	57	56	63	59	74	75	74	5	16	26	58	88	100	96
Other corporation assets: ²														
Companies controlled in Canada	1	2	1	1	1	2	1	—	1	—	3	1	1	5
Companies controlled in other countries	—	—	1	—	—	1	2	—	5	2	2	3	3	4
Total other portfolio investments	1,717	1,160	1,070	1,167	1,300	1,433	1,449	101	167	186	312	397	456	484
IV. Miscellaneous investments:														
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	171	85	65	157	168	177	198	30	69	68	117	176	213	329 ^x
SUMMARY														
I. Direct investments	392	348	497	891	1,048	1,163	1,275	42	61	127	325	423	493	537
II. Government and municipal bonds	486	157	146	141	152	145	145	15	55	59	88	111	120	132
III. Other portfolio investments	1,717	1,160	1,070	1,167	1,300	1,433	1,449	101	167	186	312	397	456	484
IV. Miscellaneous investments	171	85	65	157	168	177	198	30	69	68	117	176	213	329^x
Total investments	2,766	1,750	1,778	2,356	2,668	2,918	3,067	188	352	440	842	1,107	1,282	1,482

¹ For division of Government of Canada, provincial and municipal see Table IX.² Includes net assets of unincorporated branches and other long term investments.

TABLE IX. Foreign Capital Invested in Canada, Selected Year Ends, 1930-58
Classification by type of investment

Long term investments in Canada by type of investment	A. Owned by all non-residents							B. Owned by United States						
	1930	1945	1951	1955	1956	1957	1958	1930	1945	1951	1955	1956	1957	1958
millions of dollars														
Government securities:														
Dominion	682	726	1,013	529	502	501	564	440	682	887	393	340	342	396
Provincial	592	624	771	888	1,081	1,165	1,276 ¹	517	574	732	836	1,021	1,099	1,207
Municipal	432	312	319	451	551	658	781 ²	248	194	279	410	510	618	741
Sub-totals	1,706	1,662	2,103	1,868	2,134	2,324	2,621	1,205	1,450	1,898	1,639	1,871	2,059	2,344
Manufacturing:														
Vegetable products	208	268	366	483	522	578	607	123	199	277	365	401	440	468
Animal products	50	61	74	103	104	108	114	44	47	64	91	91	96	102
Textiles	49	83	117	122	128	128	131	26	41	61	65	70	71	73
Wood and paper products	586	455	718	996	1,111	1,169	1,200	489	383	568	826	941	989	1,021
Iron and products	262	319	530	894 ^x	1,083	1,208	1,307	233	297	492	769 ^x	891	981	1,048
Non-ferrous metals	125	274	463	783	895	1,031	1,103	118	209	367	616	700	813	879
Non-metallic minerals	24	57	80	136	169	178	205	19	48	60	87	108	110	128
Chemicals and allied products	122	169	297	452	501	582	618	89	124	227	304	345	418	445
Miscellaneous manufactures	33	37	70	59 ^x	66	82	84	33	34	57	53 ^x	60	76	78
Sub-totals (excluding petroleum refining)	1,459	1,723	2,715	4,028	4,579	5,064	5,369	1,174	1,382	2,173	3,176	3,607	3,994	4,242
Petroleum and natural gas	150	157	693	1,854	2,275	2,853	3,192	147	149	682	1,716	2,063	2,574	2,871
Other mining and smelting	311	359	586	1,121	1,332	1,570	1,658	234	280	497	975	1,131	1,307	1,386
Public utilities:														
Railways	2,244	1,599	1,436	1,364	1,425	1,396	1,413	832	720	656	560	535	489	489
Other (excluding pipelines and public enterprises)	634	493	524	575	629	660	711	522	374	439	434	461	471	523
Sub-totals	2,878	2,092	1,960	1,939	2,054	2,056	2,124	1,354	1,094	1,095	994	996	960	1,012
Merchandising	190	220	377	616	685	715	783	125	158	260	448	499	508	549
Financial institutions	543	525	595	1,231	1,493	1,781	1,945	251	285	353	816	991	1,201	1,320
Other enterprises	82	70	120	178	207	234	250	76	62	106	147	170	184	196
Miscellaneous investments	295	284	328	641	818	879	1,048 ^x	94	130	195	367	474	489	521
Total investments	7,614	7,092	9,477	13,476	15,577	17,476	18,990	4,660	4,990	7,259	10,278	11,802	13,278	14,441
C. Owned by United Kingdom														
D. Owned by all other countries														
millions of dollars														
Government securities:														
Dominion	235	—	70	67	72	64	65	7	44	56	69	90	95	103
Provincial	69	45	38	39	45	47	47	6	5	1	13	15	19	22
Municipal	182	112	38	35	35	34	33	2	6	2	6	6	6	7
Sub-totals	486	157	146	141	152	145	145	15	55	59	88	111	120	132
Manufacturing:														
Vegetable products	84	66	80	106	107	126	124	1	3	9	12	14	12	15
Animal products	5	6	5	6	7	6	6	1	8	5	6	6	6	6
Textiles	22	38	52	55	56	55	56	1	4	4	2	2	2	2
Wood and paper products	95	64	140	155	153	160	155	2	8	10	15	17	20	24
Iron and products	24	12	28	103 ^x	153	168	186	5	10	10	22	39	59	73
Non-ferrous metals	6	64	91	153	175	192	195	1	1	5	14	20	26	29
Non-metallic minerals	5	8	20	32	31	34	40	—	1	—	17	30	34	37
Chemicals and allied products	32	36	60	132	137	142	146	1	9	10	16	19	22	27
Miscellaneous manufactures	—	2	12	4 ^x	4	5	5	—	1	1	2	2	1	1
Sub-totals (excluding petroleum refining)	273	296	488	746	823	888	913	12	45	54	106	149	182	214
Petroleum and natural gas	3	7	7	31	72	108	134	—	1	4	107	140	171	187
Other mining and smelting	72	60	58	86	118	162	170	5	19	31	60	83	101	102
Public utilities:														
Railways	1,352	806	704	698	765	784	794	60	73	76	106	125	123	130
Other (excluding pipelines and public enterprises)	100	90	56	86	97	112	115	12	29	29	55	71	77	73
Sub-totals	1,452	896	760	784	862	896	909	72	102	105	161	196	200	203
Merchandising	61	57	102	145	158	174	196	4	5	15	23	28	33	38
Financial institutions	243	186	142	241	286	332	361	49	54	100	174	216	248	264
Other enterprises	5	6	10	25	29	36	41	1	2	4	6	8	14	13
Miscellaneous investments	171	85	65	157	168	177	198	30	69	68	117	176	213	329 ^x
Total investments	2,766	1,750	1,778	2,356	2,668	2,918	3,067	188	352	440	842	1,107	1,282	1,482

¹ Includes 911 direct and 365 other (mainly utility) debt.² Includes 668 direct and 113 other (mainly utility) debt.

TABLE X. Foreign Direct Investment¹ in Canada, Selected Year Ends, 1930-58
Classification by type of business

Direct investment in Canada by type of business	A. Owned by all non-residents							B. Owned by United States						
	1930	1945	1951	1955	1956	1957	1958	1930	1945	1951	1955	1956	1957	1958
	millions of dollars													
Manufacturing:														
Vegetable products	165	200	291	397	439	492	521	94	140	214	302	339	375	403
Animal products	42	47	66	91	92	98	105	38	44	60	83	83	89	95
Textiles	33	56	86	98	105	108	109	20	28	46	53	58	62	63
Wood and paper products	378	348	564	812	877	927	945	334	316	454	687	756	801	819
Iron and products	203	277	467	805 ^x	978	1,099	1,200	199	272	451	706 ^x	816	906	970
Non-ferrous metals	116	211	375	624	728	867	926	113	203	362	585	663	789	845
Non-metallic minerals	20	43	74	122	142	156	172	17	39	59	79	90	100	109
Chemicals and allied products	102	144	257	431	481	561	597	86	118	219	291	332	405	435
Miscellaneous manufactures	31	33	68	57 ^x	64	80	82	31	31	56	52 ^x	59	75	76
Sub-totals (excluding petroleum refining)	1,090	1,359	2,248	3,437	3,906	4,388	4,657	932	1,191	1,921	2,838	3,196	3,602	3,815
Petroleum and natural gas	142	138	641	1,754	2,144	2,563	2,820	141	138	636	1,637	1,978	2,384	2,603
Other mining and smelting	217	240	419	811	908	1,044	1,119	191	218	397	781	857	971	1,033
Utilities (excluding pipelines)	450	375	361	320	291	285	287	423	358	341	270	222	215	216
Merchandising	160	202	361	538	607	621	680	109	147	249	377	431	423	456
Financial institutions	304	339	378	706	814	1,025	1,079	136	198	253	475	550	718	756
Other enterprises	64	60	112	166	195	216	233	61	54	99	138	160	173	184
Totals	2,427	2,713	4,520	7,732	8,865	10,142	10,875	1,993	2,304	3,896	6,516	7,394	8,486	9,063
	C. Owned by United Kingdom							D. Owned by all other countries						
	1930	1945	1951	1955	1956	1957	1958	1930	1945	1951	1955	1956	1957	1958
	millions of dollars													
Manufacturing:														
Vegetable products	71	60	74	91	93	110	108	—	—	3	4	7	7	10
Animal products	3	3	3	4	5	5	5	1	—	3	4	4	4	5
Textiles	13	26	38	45	47	46	46	—	2	2	—	—	—	—
Wood and paper products	44	30	109	124	120	125	125	—	2	1	1	1	1	1
Iron and products	3	4	14	87 ^x	134	147	170	1	1	2	12	28	46	60
Non-ferrous metals	3	8	10	27	49	61	63	—	—	3	12	16	17	18
Non-metallic minerals	3	4	15	26	23	26	30	—	—	—	17	29	30	33
Chemicals and allied products	15	19	30	129	135	139	144	1	7	8	11	14	17	18
Miscellaneous	—	2	12	4 ^x	4	4	5	—	—	—	1	1	1	1
Sub-totals (excluding petroleum refining)	155	156	305	537	610	663	696	3	12	22	62	100	123	146
Petroleum and natural gas	1	—	4	23	56	64	90	—	—	1	94	110	115	127
Other mining and smelting	25	22	18	26	46	68	77	1	—	4	4	3	5	9
Utilities (excluding pipelines)	27	16	16	33	39	37	42	—	1	4	17	30	33	29
Merchandising	48	51	97	139	150	167	189	3	4	15	22	26	31	35
Financial institutions	133	98	48	109	117	131	142	35	43	77	122	147	176	181
Other enterprises	3	5	9	24	28	33	39	—	1	4	4	7	10	10
Totals	392	348	497	891	1,048	1,163	1,275	42	61	127	325	423	493	537

¹ Direct investment covers investment in branches, subsidiaries, and controlled companies; the figures are part of the totals in Tables VIII and IX.

TABLE XI. Number of Canadian Concerns Controlled Abroad,¹ End of 1958

Classification by country of ownership and type of business

Type of business	Controlled in United States			Controlled in United Kingdom			Controlled in other countries			Controlled outside Canada
	Subsidiaries or controlled companies	Unincorporated branches	Total number	Subsidiaries or controlled companies	Unincorporated branches	Total number	Subsidiaries or controlled companies	Unincorporated branches	Total number	Total number
Manufacturing:										
Vegetable products	148	7	155	47	1	48	10	—	10	213
Animal products	59	—	59	5	1	6	7	—	7	72
Textiles	91	1	92	23	1	24	5	—	5	121
Wood and paper products	212	14	226	35	2	37	10	—	10	273
Iron and products	461	22	483	96	1	97	23	—	23	603
Non-ferrous metals	266	8	274	38	2	40	20	—	20	334
Non-metallic minerals	66	4	70	44	—	44	10	—	10	124
Chemicals and allied products	304	31	335	51	1	52	14	2	16	403
Miscellaneous manufactures	105	7	112	12	—	12	4	—	4	128
Sub-totals (excluding petroleum refining)	1,712	94	1,806	351	9	360	103	2	105	2,271
Petroleum and natural gas	347	84	431	17	2	19	13	2	15	465
Other mining and smelting	277	35	312	60	—	60	16	2	18	390
Utilities:										
Railways	7	4	11	5	—	5	—	—	—	16
Other utilities (excluding pipelines)	102	21	123	32	4	36	35	7	42	201
Merchandising	801	139	940	341	34	375	118	6	124	1,439
Financial:										
Financial institutions except insurance	65	9	74	30	1	31	12	1	13	118
Insurance	17	166	183	25	86	111	8	43	51	345
Real estate	94	12	106	33	2	35	21	1	22	163
Other holding companies ²	47	10	57	36	1	37	36	2	38	132
Other enterprises	524	104	628	133	8	141	40	6	46	815
Totals, all companies, 1958³	3,993	678	4,671	1,063	147	1,210	402	72	474	6,355
Totals, all companies, 1945⁴	1,594	391	1,985	320	135	455	56	26	82	2,522

¹ The book value of all investments in these companies by residents of the country in which control lies is shown as direct investment in preceding tables.² Excludes non-resident owned investment corporations included with portfolio investments.³ Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 959; in the U.K. 353; in other countries 63.⁴ Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 210; in the U.K. 58; in other countries 2.**TABLE XII. Non-Resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-57¹**

Industry classification	1926	1930	1939	1948	1951	1954	1954	1955	1956	1957
Percentage of total owned by all non-residents:										
Manufacturing	38	40	42	42	45	48	47	47	48	50
Petroleum and natural gas	—	—	—	—	—	—	60	63	65	64
Mining and smelting	37	44	40	39	51	57	53	53	54	56 ²
Railways	55	56	57	45	50	35	35	33	33	30
Other utilities	32	36	27	20	17	17	14	12	14	15
Totals of above industries and merchandising³	37	39	38	32	31	32	32	32	34	35
Percentage of total owned by United States residents:										
Manufacturing	30	33	34	35	37	39	37	37	38	39
Petroleum and natural gas	—	—	—	—	—	—	57	58	59	58
Mining and smelting	28	34	31	32	45	52	47	46	46	46 ²
Railways	15	21	18	21	18	15	15	13	12	11
Other utilities	23	30	20	16	15	15	12	10	11	12
Totals of above industries and merchandising³	19	24	22	23	24	25	25	25	26	27

¹ For years 1952 and 1953, see Table XII, "The Canadian Balance of International Payments, 1957, and International Investment Position".² Commencing in 1957 the equity of non-residents in the holding of Consolidated Mining and Smelting Company of Canada Limited by Canadian Pacific Railway Company has been included under mining and smelting.³ Corporations engaged in the construction industry are included in the post-war period.⁴ Petroleum and natural gas industry not available separately. For treatment see footnote 2 to Table XVI.

Note: For data from which this table was constructed and for further explanations see Table XVI.

TABLE XIII. Estimates of Foreign Capital Invested in Canada, Selected Year Ends, 1900-59

Year	Total non-resident investment			Percentage of total non-resident investment		
	Direct	Portfolio ¹	Total	United States	United Kingdom	Other countries
	millions of dollars			per cent		
1900 ²	..	..	1,232	14	85	1
1914 ³	..	..	3,837	23	72	5
1918 ³	..	..	4,536	36	60	4
1926	1,782	4,221	6,003	53	44	3
1930	2,427	5,187	7,614	61	36	3
1933	2,352	5,013	7,365	61	36	3
1939	2,296	4,617	6,913	60	36	4
1945	2,713	4,379	7,092	70	25	5
1946	2,826	4,355	7,181	72	23	5
1947	2,986	4,205	7,191	72	23	5
1948	3,270	4,239	7,509	74	22	4
1949	3,586	4,377	7,963	74	22	4
1950	3,975	4,669	8,644	76	20	4
1951	4,520	4,957	9,477	76	19	5
1952	5,218	5,167	10,385	77	18	5
1953	6,003	5,458	11,461	77	18	5
1954	6,764	5,780	12,544	77	17	6
1955	7,732	5,744	13,476	76	18	6
1956	8,865	6,712	15,577	76	17	7
1957	10,142	7,334	17,476	76	17	7
1958	10,875	8,115	18,990	76	16	8
1959	11,825 ^P	8,850 ^P	20,675 ^P	76	16	8
	Investment by residents of the United States			Investment by residents of the United Kingdom		
	Direct	Portfolio ¹	Total	Direct	Portfolio ¹	Total
	millions of dollars			millions of dollars		
1900 ²	..	..	168	..	..	1,050
1914 ³	..	..	881	..	..	2,778
1918 ³	..	..	1,630	..	..	2,729
1926	1,403	1,793	3,196	336	2,301	2,637
1930	1,993	2,667	4,660	392	2,374	2,766
1933	1,933	2,559	4,492	376	2,307	2,683
1939	1,881	2,270	4,151	366	2,110	2,476
1945	2,304	2,686	4,990	348	1,402	1,750
1946	2,428	2,730	5,158	335	1,335	1,670
1947	2,548	2,653	5,201	372	1,275	1,647
1948	2,807	2,760	5,567	400	1,210	1,610
1949	3,095	2,811	5,906	428	1,289	1,717
1950	3,426	3,123	6,549	468	1,282	1,750
1951	3,896	3,363	7,259	497	1,281	1,778
1952	4,530	3,467	7,997	544	1,342	1,886
1953	5,206	3,664	8,870	612	1,396	2,008
1954	5,787	3,877	9,664	759	1,418	2,177
1955	6,516	3,762	10,278	891	1,465	2,356
1956	7,394	4,408	11,802	1,048	1,620	2,668
1957	8,486	4,790	13,276	1,163	1,755	2,918
1958	9,063	5,378	14,441	1,275	1,792	3,067
1959	9,850 ^P	5,875 ^P	15,725 ^P	1,375 ^P	1,875 ^P	3,250 ^P

¹ Including miscellaneous investments.² Estimated by Dr. Jacob Viner, "Canada's Balance of International Indebtedness, 1900-1913", (Cambridge 1924).³ Estimated by Prof. F.A. Knox, Excursus appearing in "Canadian-American Industry" Marshall, Southard and Taylor, (New Haven, Toronto 1936). Statistics for 1926 and subsequent years are official data collected by the Dominion Bureau of Statistics.TABLE XIV. Non-Resident Control as a Percentage of Selected Canadian Industries, Selected Year Ends, 1926-57¹

Industry classification	1926	1930	1939	1948	1951	1954	1954	1955	1956	1957
Percentage of total control by all non-residents:										
Manufacturing	35	36	38	43	48	54	51	52	52	56
Petroleum and natural gas	—	—	—	—	—	—	69	79	80	76
Mining and smelting	38	47	42	40	53	57	51	57	58	61
Railways	3	3	3	3	2	2	2	2	2	2
Other utilities	20	29	26	24	20	11	8	7	6	5
Totals of above industries and merchandising ²	17	20	21	25	27	28	28	30	31	33
Percentage of total control by United States residents:										
Manufacturing	30	31	32	39	42	45	42	42	41	44
Petroleum and natural gas	—	—	—	—	—	—	67	73	73	71
Mining and smelting	32	42	38	37	51	54	49	55	52	52
Railways	3	3	3	3	2	2	2	2	2	2
Other utilities	20	29	26	24	20	11	7	6	4	4
Totals of above industries and merchandising ²	15	18	19	22	24	24	24	26	26	27

¹ For years 1952 and 1953, see Table XIV, "The Canadian Balance of International Payments, 1957, and International Investment Position".² Corporations engaged in the construction industry are included in the post-war period.³ Petroleum and natural gas industry not available separately. For treatment see footnote 2 to Table XVI.

Note: For data from which this table was constructed and for further explanations see Table XVI.

TABLE XV. Ownership and Control of Selected Canadian Industries,¹ 1955-57²

No.	Company classification	Estimated total investment	Investment owned in:			
			Canada	United States	United Kingdom	Other countries
millions of dollars						
End of 1955						
Manufacturing: ³						
1	Beverages	385	282	89	12	2
2	Rubber	139	26	102	11	—
3	Textiles	594	472	65	55	2
4	Pulp and paper	1,442	715	589	132	6
5	Agricultural machinery	160	102	58 ⁴	..	..
6	Automobiles and parts	335	66	267	1	1
7	Transportation equipment n.o.p.	242	139	43	60	—
8	Primary iron and steel	438	371	57	8	2
9	Electrical apparatus	411	100	274	26	11
10	Chemicals	737	260	329	132	16
11	Other	4,011	2,155	1,450	334	72
12	Sub-totals	8,894	4,688	3,323	771	112
13	Petroleum and natural gas	2,961	1,107	1,716	31	107
Mining:						
14	Smelting and refining of non-ferrous native ores	785	338	326	74	47
15	Other mining	1,315	572	675	48	20
16	Sub-totals	2,100	910	1,001	122	67
17	Totals of above industries	13,935	6,705	6,040	924	286
End of 1956						
Manufacturing: ³						
1	Beverages	383	282	87	12	2
2	Rubber	160	29	119	12	—
3	Textiles	588	460	70	56	2
4	Pulp and paper	1,617	759	721	129	8
5	Agricultural machinery	169	105	64 ⁴	..	..
6	Automobiles and parts	375	79	294	1	1
7	Transportation equipment n.o.p.	268	112	52	104	—
8	Primary iron and steel	549	463	71	11	4
9	Electrical apparatus	470	130	294	30	16
10	Chemicals	823	295	372	137	19
11	Other	4,540	2,442	1,633	360	105
12	Sub-totals	9,942	5,156	3,777	852	157
13	Petroleum and natural gas	3,500	1,225	2,063	72	140
Mining:						
14	Smelting and refining of non-ferrous native ores	844	358	347	81	58
15	Other mining	1,609	693	808	75	33
16	Sub-totals	2,453	1,051	1,155	156	91
17	Totals of above industries	15,895	7,432	6,995	1,080	388
End of 1957 ⁵						
Manufacturing: ³						
1	Beverages	418	304	97	15	2
2	Rubber	177	28	136	13	—
3	Textiles	609	481	71	55	2
4	Pulp and paper	1,639	771	727	133	8
5	Agricultural machinery	171	103	68 ⁴	...	...
6	Automobiles and parts	386	86	298	1	1
7	Transportation equipment n.o.p.	277	148	57	72	—
8	Primary iron and steel	557	422	79	51	5
9	Electrical apparatus	494	150	297	31	16
10	Chemicals	942	360	418	142	22
11	Other	4,924	2,443	1,930	411	140
12	Sub-totals	10,594	5,296	4,178	924	196
13	Petroleum and natural gas	4,456	1,603	2,574	108	171
Mining:						
14	Smelting and refining of non-ferrous native ores	893	411	350	70	62
15	Other mining	1,934	846	957	92	39
16	Sub-totals	2,827	1,257	1,307	162	101
17	Totals of above industries	17,877	8,156	8,059	1,194	468

¹ The figures in this table are subject to important statistical qualifications which are described in "Canada's International Investment Position, 1926-1954" pages 68 to 70. It should be emphasized that book value series are based on corporate classifications. Consequently the entire investment in Canada of a corporation and its subsidiaries is normally attributed to its principal activity; in the case of some industrial subdivisions this could have significant effects. The corporate classifications of foreign investment used herein have been altered in some cases from those appearing elsewhere in this report to correspond more closely with the classification of estimated total investment. The equity of non-residents in the holding of Consolidated Mining and Smelting Company of Canada Limited by Canadian Pacific Railway Company has been included under mining.

TABLE XV. Ownership and Control of Selected Canadian Industries,¹ 1955-57²

Total Canadian and external capital in companies controlled in:			Percentage of capital employed owned in:				Percentage of capital employed controlled in:			No.
Canada	United States	Elsewhere outside Canada	Canada	United States	United Kingdom	Other countries	Canada	United States	Elsewhere outside Canada	
millions of dollars			per cent							
333	50	2	73	23	3	1	86	13	1	1
3	122	14	19	73	8	—	2	88	10	2
488	57	49	80	11	9	—	82	10	8	3
657	626	159	50	41	9	—	46	43	11	4
107	53 ⁴	..	64	36 ⁴	..	..	67	33 ⁴	..	5
13	322	—	20	80	—	—	4	96	—	6
108	44	90	57	18	25	—	45	18	37	7
404	34	—	85	13	2	—	92	8	—	8
76	279	56	24	67	6	3	18	68	14	9
174	373	190	35	45	18	2	23	51	26	10
1,899	1,779	333	54	36	8	2	47	45	8	11
4,262	3,739	893	53	37	9	1	48	42	10	12
623	2,173	165	37	58	1	4	21	73	6	13
246	539	—	43	42	9	6	31	69	—	14
659	610	46	43	51	4	2	50	46	4	15
905	1,149	46	43	48	6	3	43	55	2	16
5,790	7,061	1,104	48	43	7	2	41	51	8	17
334	47	2	74	23	3	—	87	12	1	1
5	141	14	18	74	8	—	3	88	9	2
477	61	50	78	12	10	—	81	10	9	3
741	685	191	47	45	8	—	46	42	12	4
111	58 ⁴	..	62	38 ⁴	..	..	66	34 ⁴	..	5
19	356	—	21	79	—	—	5	95	—	6
103	53	112	42	19	39	—	38	20	42	7
511	38	—	84	13	2	—	93	7	—	8
109	296	65	28	63	6	3	23	63	14	9
206	416	201	36	45	17	2	25	51	24	10
2,170	1,957	413	54	36	8	2	48	43	9	11
4,786	4,108	1,048	52	38	8	2	48	41	11	12
699	2,570	231	35	59	2	4	20	73	7	13
258	586	—	42	41	10	7	31	69	—	14
772	683	154	43	50	5	2	48	42	10	15
1,030	1,269	154	43	47	6	4	42	52	6	16
6,515	7,947	1,433	47	44	7	2	41	50	9	17
361	51	6	72	23	4	1	87	12	1	1
5	157	15	16	77	7	—	3	89	8	2
494	65	50	79	12	9	—	81	11	8	3
737	704	198	47	44	8	1	45	43	12	4
101	70 ⁴	...	60	40 ⁴	...	...	59	41 ⁴	...	5
21	365	—	22	77	1	—	5	95	—	6
91	57	129	53	21	26	—	33	21	46	7
413	46	98	76	14	9	1	74	8	18	8
112	317	65	30	60	7	3	23	64	13	9
234	484	224	38	45	15	2	25	51	24	10
2,093	2,294	537	50	39	8	3	42	47	11	11
4,662	4,610	1,322	50	39	9	2	44	44	12	12
1,058	3,149	249	36	58	2	4	24	71	5	13
308	585	—	46	39	8	7	34	66	—	14
800	866	268	44	49	5	2	41	45	14	15
1,108	1,451	268	44	46	8	4	39	52	9	16
6,828	9,210	1,839	45	45	7	3	38	52	10	17

¹ For 1953 and 1954 see Table XV, "The Canadian Balance of International Payments, and International Investment Position" for 1956 and 1957 respectively.² Includes "Other enterprises".⁴ Includes minor amounts attributable to United Kingdom and other countries; an offsetting adjustment has been made in line 11.

TABLE XVI. Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Industries
Year Ends, 1954-57¹

Industry	1954	1955	1956	1957
billions of dollars				
Total capital employed:²				
Manufacturing	8.3	8.9	9.9	10.6
Petroleum and natural gas.....	2.5	3.0	3.5	4.5
Other mining and smelting.....	1.9	2.1	2.5	2.8
Railways	4.1	4.2	4.4	4.6
Other utilities	5.3	5.9	6.4	7.0
Merchandising ³ and construction	6.1	6.5	7.3	7.7
Totals of above.....	28.2	30.6	34.0	37.2
Resident owned capital:				
Manufacturing	4.4	4.7	5.1	5.3
Petroleum and natural gas.....	1.0	1.1	1.2	1.6
Other mining and smelting.....	0.9	1.0	1.2	1.3
Railways	2.7	2.8	3.0	3.2
Other utilities	4.6	5.2	5.5	6.0
Merchandising and construction	5.5	5.9	6.6	7.0
Totals of above.....	19.1	20.7	22.6	24.3
Non-resident owned capital:⁴				
Manufacturing	3.9	4.2	4.8	5.3
Petroleum and natural gas.....	1.5	1.9	2.3	2.9
Other mining and smelting.....	1.0	1.1	1.3	1.6
Railways	1.4	1.4	1.4	1.4
Other utilities	0.7	0.7	0.9	1.0
Merchandising	0.6	0.6	0.7	0.7
Totals of above.....	9.1	9.9	11.4	12.9
United States owned investments:⁴				
Manufacturing	3.1	3.3	3.8	4.2
Petroleum and natural gas.....	1.4	1.7	2.1	2.6
Other mining and smelting.....	0.9	1.0	1.1	1.3
Railways	0.6	0.6	0.5	0.5
Other utilities	0.6	0.6	0.7	0.8
Merchandising	0.4	0.4	0.5	0.5
Totals of above.....	7.0	7.6	8.7	9.9
Total Canadian and external investment in companies controlled outside Canada:				
Manufacturing	4.3	4.6	5.2	5.9
Petroleum and natural gas.....	1.7	2.3	2.8	3.4
Other mining and smelting.....	1.0	1.2	1.4	1.7
Railways	0.1	0.1	0.1	0.1
Other utilities	0.4	0.5	0.4	0.4
Merchandising	0.5	0.6	0.6	0.7
Totals of above.....	8.0	9.3	10.5	12.2
Total Canadian and external investment in companies controlled in the United States:				
Manufacturing	3.4	3.7	4.1	4.6
Petroleum and natural gas.....	1.7	2.2	2.6	3.1
Other mining and smelting.....	0.9	1.1	1.3	1.5
Railways	0.1	0.1	0.1	0.1
Other utilities	0.4	0.4	0.3	0.3
Merchandising	0.4	0.4	0.4	0.5
Totals of above.....	6.9	7.9	8.8	10.1

¹ For selected year ends 1926 to 1956 (without segregation of petroleum and natural gas industry--see footnote 2) see Table XVI, "The Canadian Balance of International Payments, 1958, and International Investment Position".

² Estimated from "Taxation Statistics" and other sources. Investment in the Petroleum and Natural Gas Industry: Estimates for years prior to 1954 have not been constructed for Tables XII, XIV, or XVI grouping data for the petroleum and natural gas industry as a whole, as is done for more recent years in these tables and for all years elsewhere in this report. Under procedures in use earlier, components of the industry have appeared under four separate categories of investment. Concerns engaged in refining have been classified under manufacturing. Those engaged primarily in exploration and development of petroleum and natural gas have been included under mining and smelting. Concerns engaged primarily in the transportation of petroleum and natural gas, whether by pipeline or other means, have been shown as utilities, and those engaged primarily in marketing and distribution have been included under merchandising. (For further explanation see page 33 of "The Canadian Balance of International Payments, 1957, and International Investment Position".)

³ Estimates of total capital employed in merchandising are founded on less satisfactory data than for other series and must be regarded as illustrating broad relative magnitudes only.

⁴ The figures shown are in some cases somewhat larger than the corresponding data in preceding tables. "Other enterprises" have been included with manufacturing, and some funded debt of governments and municipalities relevant to undertakings in "Other utilities" has also been included.

Note: Because of rounding and of possible statistical shortcomings in parts of the series, it should be recognized that some of the amounts of year to year changes, derived from the table as shown, may have only a limited significance and may from time to time be misleading.

STATISTICS CANADA LIBRARY
BIBLIOTHÈQUE STATISTIQUE CANADA



1010512225