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THE CANADIAN BALANCE
OF
INTERNATIONAL PAYMENTS, 1960
AND
INTERNATIONAL INVESTMENT POSITION

DOMINION BUREAU OF STATISTICS

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Balance of Payments Section

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Other Sterling Area includes the countries of the Commonwealth, United Kingdom dependencies, and Ireland, Iraq (1959), 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.

All Other Countries includes Latin America, non-sterling area countries in Asia, continental European countries not in OEEC, international financial agencies (unless otherwise indicated), and all other countries not specified above.

International Financial Agencies as used in this report covers the International Bank for Reconstruction and Development, International Monetary Fund, International Finance Corporation, and International Development Association.

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.
- ^p preliminary estimate.
- ^r revised figures.
- * new series not strictly comparable with earlier years.

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THE CANADIAN BALANCE

OF

INTERNATIONAL PAYMENTS, 1960

Summary

Canada's international accounts provide a means of observing the large volume and direction of the nation's dealings with other countries and their impact upon the international investment position. Both commercial and financial transactions with other countries are unusually large in relation to production and capital markets in Canada.

Some of the main outlines of Canada's balance of payments have been outstanding features for a period of years. Among these features which continued in 1960 were the large volume of transactions and wide imbalance on current account which was financed by inflows of capital chiefly for long-term investment. For a long period capital inflows have included such leading types as direct investments in Canadian industry, initiated by non-resident companies, and inflows arising from borrowing abroad by Canadians.

The largest outstanding change in 1960 was the contraction in the current account deficit from \$1,504 million in 1959 to \$1,217 million in 1960. This was brought about mainly by a rise in merchandise exports which reduced the import balance on merchandise trade from \$422 million to \$145 million. At the same time the current deficit continued to be large in relation to most earlier years mainly due to the deficit of \$1,072 million from non-merchandise transactions which remained close to the record level of the previous year. Capital inflows for long-term investment continued to be large in total with a new peak of \$645 million in the inflow for direct investment, along with, however, a sizable contraction in inflows into portfolio securities.

Among major external influences was the strong overseas demand for Canadian exports, originating in the United Kingdom and other countries in Western Europe and in certain countries elsewhere. Conditions overseas contrasted with the more hesitant economic conditions in the United States and Canada which contributed to reduced exports to the United States and to relatively stable levels of Canadian imports.

Influenced by these factors the contraction in the current deficit originated entirely in transactions with overseas countries where a moderate surplus of \$139 million reappeared in 1960 following the unusual deficit of about twice that size in 1959. At the same time the current deficit with the United States rose to \$1,356 million, a level higher than in the two preceding years but less than in either 1956 or 1957.

Persistent deficits on current account have had their counterpart in increased net foreign investment in Canada. Canada's gross external liabilities and gross external assets, including equity investments, both increased in 1960, and Canada's net international indebtedness rose by \$1.4 billion to \$16.9 billion. Gross liabilities of \$26 billion were about nine-tenths in long-term form, and one-half represented direct foreign-controlled investment in Canadian industry and commerce. More than a third of Canada's gross assets which exceeded \$9 billion was in short-term form, and well over a third represented assets of the Government of Canada ranging from long-term loans and investments to official holdings of gold and foreign exchange. The largest part of the expansion in this excess of international liabilities over assets has occurred in the past half decade during which period the balance has more than doubled.

STATEMENT 1. Summary of the Balance of Payments between Canada and All Countries, 1953-60

Account	1953	1954	1955	1956	1957	1958	1959	1960	Change in 1960
millions of dollars									
Merchandise exports (adjusted)	4,152	3,929	4,332	4,837	4,894	4,887	5,150	5,400	+250
Merchandise imports (adjusted)	4,210	3,916	4,543	5,565	5,488	5,066	5,572	5,545	- 27
Balance on merchandise trade	- 58	+ 13	-211	- 728	- 594	- 179	- 422	- 145	+277
Other current receipts	1,339	1,307	1,518	1,784	1,621	1,550	1,642	1,724	+ 82
Other current payments	1,724	1,752	2,005	2,422	2,482	2,502	2,724	2,796	+ 72
Balance on non-merchandise transactions	-385	-445	-487	- 638	- 861	- 952	-1,082	-1,072	+ 10
Current account balance	-443	-432	-698	-1,366	-1,455	-1,131	-1,504	-1,217	+287
Direct investment in Canada	+426	+392	+417	+ 583	+ 514	+ 420	+ 550	+ 690	+140
Net new issues of Canadian securities	+189	+128	- 18	+ 526	+ 665	+ 519	+ 449	+ 194	-255
Net trade in outstanding Canadian securities	- 31	+ 63	- 27	+ 199	+ 92	+ 88	+ 201	+ 52	-149
All other capital movements	-141	-151	+326	+ 58	+ 184	+ 104	+ 304	+ 281	- 23
Net capital movement	+443	+432	+698	+1,366	+1,455	+1,131	+1,504	+1,217	-287

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

Variations in Balances on Merchandise Trade

Wide variations from year to year have characterized the balances from Canada's merchandise trade during the past decade. In 1960 there was a sharp decline in the size of the import balance to \$145 million from \$422 million in 1959, following a rise of almost as much in that year. This imbalance was as high as \$728 million in 1956. The change in 1960 was the result of a rise in exports, while the chief factor in the change in the preceding year was a greater rise in imports than the relatively small increase in exports in 1959.

For a period of some three years until the latter part of 1959 and 1960 the greatest variations in Canadian trade occurred in imports which were closely affected by changes in Canadian economic demand. Exports in contrast did not fluctuate widely in total for the three years from 1956 to 1958, but in latter part of 1959 Canadian exports rose and larger shipments to overseas countries continued throughout 1960. Exports to the United States, on the other hand, fell off during the year from high levels at the beginning.

These fluctuating merchandise balances have been responsive to changing economic conditions both in Canada and abroad and to relative variations in strengths of demand inside and outside of Canada. Cyclical changes in particular appear to have more immediate effects upon merchandise trade than upon the non-merchandise elements of the balance of payments.

Of outstanding importance in affecting the levels and balances of merchandise trade has been the great economic expansion of the past decade made possible by supplementing Canadian with foreign resources. The rate and direction of Canadian development for over a decade has had close effects upon the trends of Canadian exports and imports.

In a part of this period import demands were particularly swollen by exceptionally heavy requirements for investment goods and some industrial materials. And larger incomes in Canada have led to rising imports of consumer goods and of many industrial materials used in manufacturing in Canada. But new Canadian productive sources now displace some foreign sources particularly in fuels and some industrial materials.

The expansion in Canadian productive facilities has led to many increases in Canada's export capacity. Some of this has been in wholly new areas of production which have contributed to a diversification of Canadian exports. Other important increases have occurred in the capacity of export industries which have been established for longer periods than the new areas of production. Expansion has been particularly notable in such metals as iron ore, uranium, aluminum, copper and nickel and in the forest industries like pulp, paper and lumber, and in such mineral industries as petroleum, natural gas, and asbestos. Recently some longer established manufacturing industries have also contri-

buted significantly to new and rising exports of which some examples are provided by chemicals and steel.

With so much new export capacity coming into production over an extended period the analysis of export trends has been complicated. Often the new export capacity coming into production has been a sustaining factor in maintaining export totals when demands for other commodities have fallen off. And the supply produced abroad of some major staples of Canadian trade has also been increasing. Over a considerable period significant parts of Canadian export potential have not been fully realized. This under-utilization consequently takes on an added significance in the balance of payments when so much of the deficits from non-merchandise transactions originates in investments made during the past decade.

Being related to the rise in international indebtedness and the general rapid growth in the Canadian economy, much of the increase in the deficits from non-merchandise transactions is also associated with new export and other productive capacity built up in Canada. It has been the general absence of export surpluses from merchandise trade which has added significance to the size of the non-merchandise deficits. Even though much new productive capacity exists, this has not been fully utilized.

Wide Imbalances Arising from Non-Merchandise Transactions

One of the outstanding features of the Canadian balance of payments during the past decade has been the persistent rise in the deficit from non-merchandise transactions. This rise has continued throughout the post-war period with only a few interruptions. But the greatest rises have been in the past decade, particularly since 1952. By 1959 and 1960 the levels of the deficits from non-merchandise sources of \$1,082 million and \$1,072 million respectively were almost three times as high as the average in the first half of the decade of the 1950's, having risen particularly sharply each year between 1955 and 1959. The interruption in the rise in 1960 was partly the result of unusual delays in dividend transfers which were customarily made in the final quarter of the year, but were not completed until the first quarter of 1961.

Deficits from non-merchandise transactions have many of the effects on the balance of payments possessed by import balances on merchandise account. They are the result of payments for services and other income transfers exceeding receipts from the sale of services to other countries. Factors contributing to this imbalance, however, are generally different in origins and relative effects. Consequently non-merchandise transactions respond very differently to adjusting influences which in contrast seem to give rise to wide swings in the balances from merchandise trade. The size and direction of non-merchandise transactions have so far not been greatly affected by relatively small fluctuations in general economic activity.

The non-merchandise deficits are closely related to the rapid growth in the Canadian economy in the 1950's which was financed to such a significant extent by non-resident capital. This has led to sharp rises in non-resident investments in Canada with resulting increases in income payments to non-residents and in related payments for business services. The network of investment and business relationships which Canada has with other countries has been widely spread in this process. But the related payments to other countries have not yet risen relatively as much as might eventually be anticipated.

Besides this extension in business relationships there has been much more international interchange from personal relationships as well. The most typical of these have arisen from travel and from migration, with rising incomes and more widespread prosperity stimulating these movements and related expenditures. The effects of international migration have been to contribute to the deficit in recent years by growing personal transfers of various kinds. Transfers to families abroad by the large number of post-war immigrants and other outward transfers connected with migration from Canada have in recent years coincided with receding transfers into Canada of immigrants' funds. Much of the travel to overseas countries has also originated in this group of new Canadians.

The Canadian Government too has responsibilities involving outlays outside of Canada, particularly those arising out of defence and economic aid to other countries. Other parts of the deficit can be traced to the sharp curtailment in Canada's merchant marine and to a high volume of imports, particularly from overseas, on which there are substantial costs for transportation provided by non-Canadian carriers.

The largest and most apparent single influence upon the expansion in the deficit has been the sharp change in Canada's international investment position in which non-resident investments in Canada and other liabilities to non-residents have risen much more rapidly than Canada's external assets. Already more than half of the current deficits from non-merchandise transactions is directly traceable to this factor. The rise in indebtedness inevitably has led to larger transfers of interest and dividends abroad, although there have been important lags in the process. The largest of these transfers has been dividends which, for four years at much over \$400 million, have been higher than ever before. Interest payments also have risen sharply since 1956, from \$128 million to \$239 million in 1960, following the great rise in sales of Canadian bonds abroad. Other kinds of income transfers have also been rising. And besides transfers of income there have been large amounts retained in Canada. In some recent years the amount of income retained in Canada in the direct investment group of companies alone has exceeded all dividends paid to non-residents.

In addition, the great spread in international investment relationships has led to more exchanges than ever before of a great variety of business services. Many of the resulting payments constitute charges for management and other head office services paid for by subsidiaries of foreign enterprises to parent companies abroad. Other exchanges of business services have been increasing also between other concerns with the spread in international business relationships. Manufacturing arrangements and licensing of industrial processes are examples of arrangements contributing to the rise in business services.

While there are naturally direct relationships between income transfers to non-residents and the rise in non-resident investments in Canada, the rise in transfers has so far been relatively much less than the growth in these investments. This has been due to the large retained earnings already referred to and to a variety of lags between the establishment of the investment and the earning and remittance of income. The extent of divergence between rates of increase in income remittances and in investments is simply illustrated by comparison of a rise of well under one-half in total remittances of interest and dividends to non-residents between 1950 and 1960 with the much larger rise of more than one-and-a-half times in the value of investments owned abroad in the same decade.

Some of this disparity can be traced to retained earnings. Income retained in branches and subsidiaries between 1950 and 1960 rose from an estimated \$155 million to \$350 million in 1960. When there is included with this retained income the income transferred to non-residents, the apparent total income to non-residents from investments in Canada shows a rise in a decade from some \$650 million to more than \$1,100 million, an increase of almost three-quarters, which is still less than half the rise of over one-and-a-half times in the value of non-resident investments in Canada.

The widest variations in transfers of income occurred in the direct investment sector. With this group of companies a marked flexibility exists with respect to these transfers in comparison with public companies. Many public companies distribute dividends to their shareholders on a regular and continuing basis, with, in general, relatively smaller changes in rates of distribution than in earnings. With the direct investment group on the other hand, particularly in the case of wholly-owned subsidiaries, there is a considerable range of choices open to decision by the controlling enterprise. Such decisions usually rest upon internal administrative factors relating to where cash is to be employed within the enterprise as a whole, and many considerations may be brought into play in the process. Actual cash flows rather than conventional measures of earnings are likely to be the most significant variable. Needs for cash or earnings within or outside of Canada are affected by such factors as investment programmes, inventory and working capital requirements, the incidence of taxation, etc.

Changing interest and money market conditions and exchange rates also play their part in the internal administrative decisions. Such circumstances are constantly changing and the levels of remittance consequently vary accordingly. In the past decade and a half, however, as shown in Statement 9A remittances for this group of companies as a whole have never approached the levels of earnings, although in some individual companies this may not have been the case.

The effects of higher and more widely distributed incomes of Canadians upon non-merchandise transactions are most clearly evident in the travel account where the change in ten years has been from a surplus of \$49 million in 1950 to a deficit of \$207 million in 1960. This has been brought about by a much greater increase in Canadian travel abroad than in non-resident travel in Canada. Canadian expenditures abroad are now almost three times as high as in 1950, when there were still some Canadian restrictions on pleasure travel and before the great extension in facilities for overseas travel. In the same period non-resident expenditures in Canada underwent a more moderate growth rising in value by something over one-half.

Expenditures on most international pleasure travel represent outlays of discretionary income remaining after more essential consumption. Rising incomes in Canada have greatly increased the number of persons with income available for this purpose, and more widely available facilities encouraging travel to other countries have combined to augment the outward movement. Travel mobility has been greatly extended by a wider ownership of automobiles and by improved public transportation, with the most flexible new facilities being provided by air travel to all parts of the world as well as by improvements in other more traditional means.

Canada's geographical location and climate also appear to have contributed to the growth in a debit balance on travel account. A characteristic of the movement of Canadians abroad is the way in which it is spread throughout the year, being stimulated by the severity of Canada's climate which in turn tends to limit most non-resident travel to Canada to a short period in the summer. And many of the regions abroad visited by Canadians, particularly in the winter and spring, are very distant requiring long journeys abroad to reach them. Moreover at all times of the year considerable amounts are spent on transportation even for visits to the United States as destinations there tend to be well within that country and most of the Canadian population lives close to the international border with usually convenient access to the United States.

The widespread influences of many media of communications in the United States, and prevailing tastes in consumption also work towards stimulating the southward movement of Canadian travellers. And a substantial part of the expenditures of Canadian travellers there are for merchandise often

bought on special shopping expeditions: Canadian travel to overseas countries is subject to other special influences. Family, personal and cultural relations have always drawn Canadians to visit European countries and these have been strengthened in the post-war period by the increased number of persons in the Canadian population born in the United Kingdom and Western Europe, and by the large numbers of Canadians who had war-time service overseas. Furthermore, the cost of trans-Atlantic and other overseas travel appears to have come within the reach of more Canadians than formerly, being relatively lower in relation to incomes than in earlier decades.

While Canada's tourist trade from non-resident visitors expanded during the 1950's, the growth was less rapid than in the case of Canadian travel abroad. This appears to have been partly due to growing competition from other sources, within and outside of the United States. Some of this growing competition has been brought about by the same forces which diverted Canadian travel to many destinations abroad. The development of facilities outside of Canada and rapid means of getting to them have created new conditions of competition. One result may have been to influence the character of travel to Canada with its special appeal to the outdoors traveller for short periods concentrated during the summer months. Places visited in Canada, too, particularly by the automobile tourist, are often contiguous to the northern periphery of a mobile vacation trip which includes areas in the United States. This may tend to make the duration of visits in Canada dependent upon many transitory and variable factors which during the past decade have included the depreciation of the United States dollar, as well as the weather, and variable conditions related to available accommodation. Other factors, too, have tended to give United States travel to Canada some special features, such as the usually short trip into Canada characteristic of travel to many popular destinations which are comparatively close to the border, the extent of visiting friends and relatives, and the often reported limited interest or success in shopping for merchandise specialties.

The large degree of concentration in United States travel to Canada with more than half in the third quarter of the year is an over-riding characteristic carrying with it the problems of providing capacity for handling such a huge and mobile volume of visitors in a short period. And such a restless group of travellers is used to taking many comforts for granted as part of their standard of living. The number of overnight visitors to Canada accommodated in a short season appears from available statistics to be far greater than crosses the frontiers of other nations. But even this group is a small part of the total entries of non-resident visitors which were not far below 30,000,000 in 1960 when all local and commuting crossings are included. In that year there were over 8,700,000 visitors to Canada from the United States who were accom-

modated overnight, but well over half of these stayed only one or two nights. In the case of visitors by automobile the group staying one night alone numbered 3,659,000, and another 1,186,500 remained in Canada only two nights. The group staying from three to seven nights was about one-quarter of the total staying overnight, and all visitors remaining over eight days numbered a little over 1,000,000, or approximately 12 per cent of all persons accommodated over night.

Quarterly Movements

In contrast to the quarter-to-quarter gain in the current account deficit (after allowance for normal seasonal variations) during 1958, the fluctuations in the deficit traced a saw-tooth course in 1959. This irregular pattern was continued in 1960, with the imbalance in the second and fourth quarters of the year being at about the same level as the final quarter of 1959. The deficits for the first and third quarters were about 10 per cent and one-third lower, respectively, than the average level of the higher quarters. About four-fifths of the substantial third quarter shrinkage in the current account deficit was attributable to merchandise trade, in which a surplus emerged for the first time since mid-1955, after regular seasonal fluctuations are taken into account. In reflection of the slowing of the tempo of economic activity in 1960, merchandise imports peaked in the first quarter, then settled down to a plateau about 4 per cent lower for the remainder of the year, but with a further shallow dip in the third quarter. Merchandise exports, on the other hand, were higher in the first and third quarters, and were at about the same level in the second and fourth quarters, about 6 per cent below the other two quarters.

Net payments on non-merchandise transactions were higher in the initial half of the year, and lowest in the third quarter. The range of fluctuations, however, during 1960 was much narrower for the deficit on "invisibles" than that for merchandise trade, notwithstanding the fact that the former accounted for at least 80 per cent of the current account imbalance in each of the quarters. With the annual deficit on non-merchandise transactions being practically unchanged at \$1,082 million in 1959 and \$1,072 million in 1960, quarterly fluctuations in the individual accounts were offsetting, and contributed to the stability. The first quarter net payments for travel, interest and dividends were above those in the final quarter, with the 1960 peak level occurring in the second quarter. Both gold production available for export and net payments for freight and shipping services were at about the same level in the opening and closing quarters. Within the year the former stood highest in the third quarter and the latter lowest, also in the third. Net payments of inheritances and migrants' funds were fairly level over the four quarters, while the deficit on "all other current transactions" closed the year at an appreciably higher level than the other quarters, with the smallest imbalance occurring in the second quarter. In sum, the deficit on non-merchandise transactions during 1960 was highest in the second and lowest in the third quarter. And these, in combination with the second highest merchandise trade deficit in the second and the only surplus in the third quarter, produced the highest current account deficit in the second quarter and the lowest in the third. At annual rates the second quarter deficit was about 15 per cent higher and the third quarter deficit about 25 per cent lower than the 1960 current account deficit of \$1,217 million.

STATEMENT 2. Quarterly Current Account Balances between Canada and the Principal Countries and Areas, 1958 - 60

Country or area	1958				1959				1960			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
millions of dollars												
United States	-314	-389	-160	-313	-388	-368	-187	-287	-341	-447	-166	-402
United Kingdom	+ 1	+ 20	+ 20	+ 63	+ 5	- 5	- 28	+ 41	+ 29	+ 13	+ 48	+ 81
Other sterling area	+ 37	+ 10	+ 5	+ 17	+ 20	- 16	- 4	- 2	+ 16	+ 7	+ 8	+ 14
Other countries ¹	- 16	+ 28	- 72	- 68	- 65	- 62	-103	- 55	- 25	- 43	- 12	+ 3
All countries	-292	-331	-207	-301	-428	-451	-322	-303	-321	-470	-122	-304

¹ Includes other OEEC countries.

During the first quarter of the year when 26 per cent of the current account deficit was incurred, 44 per cent of the inflows of capital in long-term forms occurred, some 20 per cent more than the deficit. Inflows of foreign direct investment capital reached a peak of \$196 million in this period and receipts from international transactions in Canadian securities were not much smaller than this. This was the only first quarter since 1954 when the

inflows in long-term forms exceeded the current account deficit. This condition changed markedly in the second quarter which saw 39 per cent of the current deficit or a larger proportion than for any year since 1954. Some 31 per cent of the inflow of capital in long-term forms occurred in this quarter, equivalent to about 58 per cent of the deficit as inflows for both direct and portfolio investment contracted.

In the third quarter net inflows in long-term forms continued to decline, but not as rapidly as the current account deficit. Direct investment receipts from security transactions fell sharply. About 10 per cent of the current account deficit occurred in this period, the lowest proportion since 1954, as did about 18 per cent of the inflow in long-term forms, which were in total some 25 per cent above the deficit; this general relationship is seasonally normal. The final quarter was responsible for some 25 per cent of the current account deficit for 1960, and only 7 per cent of the inflow of capital in long-term forms occurred in this period. This was the lowest percentage recorded for any quarter covered by official estimates. These inflows were equivalent to 21 per cent of the deficit and represented a smaller proportion than for any earlier quarter. Most of the reduction arose from a shift in portfolio security transactions which led to a substantial outflow, offsetting a significant part of other inflows.

The Canadian dollar continued to be a "strong" currency in the world's exchange markets during 1960, although there was at the end of the year some moderation from the very high levels of recent years. The exchange value of the United States

dollar in Canada was 95.22 cents at the end of 1959. A tendency to rise was in evidence before the end of March, and this movement continued, with a pause in the latter part of April, until late May when the price reached 99.00 cents. By mid-year this rate was down to 98.03 cents and the trend continued until mid-August when it has declined to 96.62 cents. With the exception of this period centred about the May peak, rates were relatively stable until the last ten days of December. The price of the United States dollar in Canada then rose sharply by more than 1½ cents to close the year at 99.66 cents. Among factors contributing to this change may have been some uncertainty related to the introduction of the Budget late in the month.

The highest rate for the United States dollar recorded during the year was 99.81 cents on December 28, which was 0.25 cents below the high for 1955, and the lowest was 94.94 cents recorded early in March. The trading range for the year as a whole was 4.87 cents which was somewhat larger than in recent years. The noon average price of the United States dollar in Canada was 96.97 cents in 1960, compared with 95.90 cents in 1959 and 97.06 cents in 1958.

STATEMENT 3. Foreign Exchange Rates: U.S. Dollar in Canada, 1959 and 1960

Quotations reported on transactions between banks in the exchange market

Quarter	1959			1960		
	High	Low	Noon average	High	Low	Noon average
Canadian cents per unit						
I	98.19	96.47	97.05	95.81	94.94	95.18
II	96.75	95.41	96.17	99.00	95.56	97.49
III	96.00	94.66	95.45	98.31	96.62	97.33
IV	95.59	94.56	94.97	99.81	97.22	97.92
Year	98.19	94.56	95.90	99.81	94.94	96.97

Note: Closing Quotations: 1957, 98.40625; 1958, 96.4375; 1959, 95.21875; 1960, 99.65625.

Source: Bank of Canada.

Bilateral Changes

A characteristic bilateral course of the Canadian balance of payments, long established, has been the existence of large current surpluses from transactions with overseas countries, which helped to settle current deficits with the United States. The overseas surplus, which has been declining in the recent period, turned into a deficit in 1959, but was re-established in 1960.

In the earlier post-war years the underlying pattern was emphasized by shortages of many com-

modities and by the process of rehabilitation of productive facilities then underway in overseas countries. But the subsequent progress and completion of reconstruction, repercussions of international incidents such as Korea and the Suez, evolution of regional trading groups as exemplified by the European Economic Community, expansion of economic and technical assistance to underdeveloped countries and the resurgence of trading nations such as Western Germany and Japan have contributed to modifying the pattern of Canada's trade.

**STATEMENT 4. Summary of Current Account Balances between Canada and the
Principal Countries and Areas, 1950-60**

Country or area	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	Change in 1960
millions of dollars												
United States	-400	-951	-849	-904	-807	-1,035	-1,639	-1,579	-1,176	-1,230	-1,356	-126
United Kingdom	+ 24	+223	+388	+133	+229	+ 330	+ 252	+ 118	+ 104	+ 13	+ 171	+158
Other sterling area	- 23	- 24	+114	+ 83	+ 44	+ 60	+ 48	+ 4	+ 69	- 2	+ 45	+ 47
Other OEEC countries	+112	+218	+325	+172	+107	+ 51	+ 51	+ 67	+ 41	- 120	- 1	+119
Overseas territories ¹ ..	- 4	+ 5	+ 7	+ 1	- 14	- 27	- 34	- 37	- 33	- 42	- 27	+ 15
Other countries	- 43	+ 12	+179	+ 72	+ 9	- 77	- 44	- 28	- 136	- 123	- 49	+ 74
All countries	-334	-517	+164	-443	-432	- 698	-1,366	-1,455	-1,131	-1,504	-1,217	+287

¹ Overseas territories of other OEEC countries.

While current surpluses with overseas started on a declining trend in the early fifties, current deficits with the United States exceeded one billion dollars in 1955 and have since remained above this level. This development was a result of rising deficits from non-merchandise transactions with each of the two areas and of higher import balances with the United States.

Following an acceleration in the declining tendency in 1959, when a surplus with overseas countries of \$45 million in the previous year changed to a deficit of \$274 million, a sharper turn-around of \$413 million took place in 1960, when a surplus of \$139 million was realized from transactions with overseas countries. This substantial change was attributable mainly to a 20 per cent rise in exports, as imports remained about the same and the gain in receipts from "invisible transactions" just about offset increased payments.

Although the current account surplus with overseas in 1960 was more than double that of 1950, this was due to the surplus in that early year being exceptionally small for that period. In other years of the early period surpluses with overseas were very much larger than in 1950 or 1960.

The changes between 1960 and the early period have been rather variable in the case of the balance from merchandise trade. The enlarged export balance in 1960 from trade with overseas countries was still less than in several early years. But the trend in the balance from non-merchandise transactions shows clearly a transition from surpluses to a rising deficit of substantial proportions.

The regional sources of the changes in overseas transactions have also undergone a variety of shifts. But the current surplus with the United Kingdom and the Rest of the Sterling Area were

still less in 1960 than in most of the early years shown in Statement 4. And the surplus with other OEEC countries, and with other countries in most years as well, had disappeared and turned into deficits.

Canada's traditional export balance from merchandise trade with overseas, ranging in the current ten-year period between approximately \$100 million and over \$900 million, was \$531 million in 1960. This total was higher than the average surplus over the decade due to such factors as the incidence in 1960 of hesitant business activity in Canada in contrast with a condition of economic boom in Western Europe, the United Kingdom, Australia and Japan and the removal of restrictions against imports from Canada.

Contributing to the expansion in the deficit on non-merchandise transactions with overseas have been higher payments on most accounts, including travel, income, freight, government expenditures, personal remittances, official contributions, business services and miscellaneous income. The rising level of net payments has been fostered particularly by growing contacts between Canada and the United Kingdom and Western Europe in the fields of defence, business and personal relationships. It should be noted that Statements 4A and 7A do not include Mutual Aid to NATO countries in the form of transfers of military equipment, contributions towards infrastructure programmes and provision of aircrew training in Canada for these countries. From a peak of \$284 million in 1954, this aid has been declining as the defence forces of European partners have been rebuilt, and amounted to \$43 million in 1960. Since the emergence in 1953 of a deficit on non-merchandise transactions with overseas countries, the export trade balances have been sufficient to cover the deficit each year, with the exception of 1959.

STATEMENT 4 A. Summary of Canada's Current Transactions with the United States and with Overseas Countries, 1949-60

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	3,191	1,959	1,189	453	4,380	2,412	6,792
1960	3,039	2,361	1,242	482	4,281	2,843	7,124
	millions of dollars						
	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	3,727	1,845	1,883	841	5,610	2,686	8,296
1960	3,715	1,830	1,922	874	5,637	2,704	8,341
	millions of dollars						
	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	- 536	+114	-694	-388	-1,230	- 274	-1,504
1960	- 676	+531	-680	-392	-1,356	+ 139	-1,217

¹ Excludes Mutual Aid.

Following reductions in successive years of about 28 per cent from a peak in 1956, the current account deficit with the United States turned up again in 1959, and was estimated at \$1,356 million in 1960, about the average deficit for the six recent years. The 10 per cent increase in the deficit in 1960 was almost wholly ascribable to a fall from the record high total of \$3,191 million in 1959, of about 5 per cent in Canadian exports, owing to the static condition of business activity in the United States in 1960. Merchandise imports were also down, by a shade, as were net payments on services and other non-merchandise transactions. Both exports and imports in 1960 were much higher than in 1950, although the rise in imports has been much greater.

The deficit on "invisible" transactions with the United States has grown fairly steadily in the recent past, almost doubling from \$353 million in 1950 to \$680 million in 1960. As seen from Statement 7A, payments for services expanded more both in absolute and relative terms (by \$738 million or 62 per cent) than receipts, which rose \$411 million or about 50 per cent. Larger increases were likewise recorded by payments for each of the component items shown in the table, except in the case of "all other current transactions", which total was affected in 1960 by fairly sizable non-recurring receipts. The considerably larger expansion of \$269 million in expenditures by Canadian visitors to the United States than of \$115 million in receipts from American tourist spending in Canada produced a shift in the travel balance of \$154 million from a surplus of \$67 million in 1950 to a deficit of \$87 million in 1960. The deficit arising from the income account represented a predominant share of net total payments for "invisibles" in the two years. In 1950, the deficit from this source of \$361 million was higher than the total of \$353 million; and out of a total of \$680 million in 1960 from non-merchandise transactions, the income account deficit accounted for \$443 million. At \$163 million and \$162 million, respectively, in the two terminal years of the period, gold production available for export was practically unchanged.

In comparison with 1959, the 1960 deficit on non-merchandise transactions was a shade lower, due to such factors as a higher value of gold production available for export and non-recurring miscellaneous income receipts, combined with slightly lower net payments for travel and income accounts, partially offset by larger deficits for freight services and inheritances and migrants' funds. The reduced deficit in the income account reflected delays in the final quarter of the year in some dividend transfers to parent companies in the United States, which were not completed until after the opening of 1961.

The steady yearly easing evident since 1955 in the current account surplus with the United Kingdom was reversed in 1960, when the surplus turned up to \$171 million from \$13 million in the previous year. The 1960 total, which was about one-half of that of \$330 million in 1955, approximated the average level of the surplus for the 6-year

period from that year on. The improvement in the current account surplus with the United Kingdom in 1960 was materially attributable to the substantial rise in merchandise exports to a peacetime record, while both imports and net payments on non-merchandise transactions were also slightly lower in 1960. The widely distributed nature of the increases in exports is described in the section of this report dealing with merchandise trade which follows. At \$924 million exports compared with \$469 million a decade earlier in 1950 while imports at \$611 million compared with \$399 million in that earlier year.

The deficit on non-merchandise transactions with the United Kingdom tripled to \$142 million in 1960 from \$46 million in 1950 which, however, was the only deficit in the period from 1946 to 1952. The largest contributions to the expanded deficit on "invisibles", of about \$38 million each, were attributable to the travel account and to "all other current transactions", and another \$21 million originated in the freight account. The income account deficit of \$48 million, as seen from Table II, more than accounted for the whole of net service payments of \$46 million in 1950, while the deficits on travel account and on "all other current transactions" were each about one-fourth the magnitude of that on interest and dividends. Freight and shipping still yielded a substantial surplus of \$25 million in 1950, which was lower than that of contiguous years due to reduced exports and fewer ships operated by Canadians.

In 1960, the deficit on non-merchandise transactions was distributed about equally among travel, income and "all other current transactions". The 1959 deficit was somewhat higher owing to small net payments for freight services and a larger deficit on income account than in 1960, offset in part by lower net travel payments.

In the current account balance with the Rest of the Sterling Area there was a shift from a small deficit of \$2 million in 1959 to a surplus of \$45 million in 1960. The export balance from merchandise trade doubled as exports rose more than imports while the deficit from non-merchandise transactions contracted with a decline in official contributions. Both exports and imports of merchandise were considerably higher than in 1950.

In transactions on "invisibles" with the Rest of the Sterling Area, a deterioration of about \$30 million occurred from a surplus of \$20 million in 1950 to a deficit of \$11 million in 1960. Small positive changes of \$12 million, \$9 million and \$4 million were recorded, respectively, in the freight and income accounts and inheritances and migrants' funds, while net payments on travel and "all other current transactions" rose moderately. The largest source of the expanded deficit was, however, official contributions, which were estimated at \$41 million in 1960. These contributions, which bulked even higher at \$64 million in 1959, covered capital assistance and technical aid, and wheat and other commodities under the Colombo Plan.

Current transactions with the other metropolitan OEEC countries in 1960 were close to balance in contrast to the substantial deficit of \$120 million which first appeared in 1959. The principal factor contributing to the change was the sharp rise in Canadian exports of merchandise to this group of countries. These rose by one-third and represented a major part of the total gain in exports to all destinations. Increases which were widely distributed by commodities were most prominent among the industrial materials. Further details on these movements appear under "Merchandise Trade". Other changes in 1960 with effects opposite to the large rise in exports were a slight increase in imports of merchandise and a further rise of about 10 per cent to \$229 million in the deficit from non-merchandise transactions. The latter deficit exceeded the export surplus on merchandise account by about \$1 million in 1960, whereas in 1959 the net deficit was \$120 million because of the smaller export surplus.

Striking changes in the balance on non-merchandise transactions with the other Metropolitan OEEC countries have developed in the past decade. There has been a change from a surplus of \$21 million in 1950 to a deficit of \$229 million in 1960. Contributing to this deterioration were the income, travel and freight accounts and "all other current transactions", each of which shifted either from a modest surplus or deficit in 1950 to large deficits in 1960. The rise of \$24 million in 1960 in the non-merchandise deficit with the OEEC group was due to substantially increased government expenditures for co-operative defence programmes and to larger net payments of interest and dividends offset by a smaller deficit for freight services.

The current deficit with all other countries in 1960 was reduced to \$76 million, which was less than half the deficit of \$165 million in 1959. Again the largest single change was a rise in merchandise exports from \$441 million to \$498 million; and was chiefly in exports to Japan, Latin America and Communist China. But also contributing to the reduced deficit was a decline in imports from \$600 million in 1959 to \$564 million in 1960, mainly in imports from Latin America. On the other hand there was a small increase from \$6 million to \$10 million in the deficit from non-merchandise transactions.

Between 1950 and 1960, the balance on "invisible" transactions with Other Countries changed from a surplus of \$14 million to a deficit of \$10 million. This deterioration of \$24 million was distributed to the extent of about \$10 million each to the travel account, official contributions, representing relief shipments both direct and through the auspices of the United Nations agencies, and to "all other current transactions". These changes were counterbalanced in part by small increases in surpluses from inheritances and migrants' funds and shipping services.

Capital movements are discussed in greater detail in a later section of this report. In brief the United States supplied \$979 million, an amount

large enough to cover 72 per cent of the current account deficit with it or 80 per cent of the deficit with all countries. Inflows of capital for direct investment in United States controlled enterprises totalled \$437 million which was \$13 million higher than in 1959. Net inflows for the acquisition of Canadian stocks and bonds by United States residents totalled \$226 million, \$279 million lower than in 1959. Outflows for direct and portfolio investment in the United States totalled \$45 million in 1960 compared with \$43 million in the previous year. Capital inflows in all other forms from the United States were \$361 million in 1960 compared with \$463 million in 1959; for the most part these amounts represented increases in net short-term liabilities.

Net capital inflows from the United Kingdom totalled \$53 million in 1960 and \$97 million in 1959. Among the factors contributing to the change were larger inflows for direct investment in Canada, smaller outflows for direct investment in the United Kingdom, a shift from net sales to the United Kingdom of Canadian securities to net repurchases, and outflows in short-term forms. Net capital outflows are characteristic to other sterling area countries, but in 1960 net inflows of \$5 million occurred compared with the net outflow of \$40 million recorded for 1959. Most of the change occurred in movements of capital in short-term forms. From other OEEC countries there was a net capital inflow of \$162 million in 1960, some \$57 million higher than in 1959. Portfolio investments in Canadian securities attracted reduced amounts of capital, but inflows for direct investment increased and there was a major shift in movements in short-term forms from a significant outflow in 1959 to an inflow in 1960. The net movement from all other countries changed from an outflow of \$7 million in 1959 to an inflow of \$18 million in 1960. The largest change was in Canadian dollar holdings of residents of these countries.

In 1959 the traditional triangular nature characteristic of Canada's balance of payments disappeared. Underlying this change were a series of developments in world economic environment which are referred to elsewhere in this report. But in 1960 the traditional pattern was re-established. In this year net capital transfers from overseas countries of \$238 million were added to current account surpluses aggregating \$139 million and gave rise to multilateral settlements of \$377 million applied to the United States account. In the previous year there were current account deficits of \$274 million with overseas countries and the net capital inflows from them at \$155 million fell far short of this amount. Multilateral settlements of \$119 million arising from transactions with the United States were applied to the overseas account. The extraordinary developments in 1959 are in sharp contrast with the situation in earlier years; in 1952, the year of peak bilateral imbalance, overseas multilateral settlements applied to the United States account reached more than one billion dollars. Statement 4B shows the elements contributing to variations in multilateral settlements in 1952 and in 1958 to 1960.

**STATEMENT 4 B. Origin and Use of Multilateral Settlements between Canada and the United States,
1952 and 1958-60**

Item	1952	1958	1959	1960
Net receipts (+) from overseas countries				
Current account balance:				
United Kingdom and other sterling area countries	+ 502	+ 173	+ 11	+ 216
Other overseas countries	+ 511	- 128	- 285	- 77
Sub-totals	+1,013	+ 45	- 274	+ 139
Capital transactions:				
United Kingdom and other sterling area countries	- 16	+ 91	+ 57	+ 58
Other overseas countries	+ 10	+ 88	+ 98	+ 180
Sub-totals	- 6	+ 179	+ 155	+ 238
Total balance settled by exchange transfers	+1,007	+ 224	- 119	+ 377
Net payments (-) to United States				
Current account balance	- 849	-1,176	-1,230	-1,356
Capital transactions:				
Direct and portfolio investments	+ 417	+ 830	+ 886	+ 618
Other capital movements	- 575	+ 122	+ 463	+ 361
Sub-totals	- 158	+ 952	+1,349	+ 979
Total balance settled by exchange transfers	-1,007	- 224	+ 119	- 377

Major Components of the Current Account

Merchandise Trade

Variations in the balances on merchandise trade have been particularly wide. Relatively small fluctuations in such large aggregates as Canadian exports and imports may give rise to large and significant changes in the balance. As pointed out elsewhere the size of the import balance contracted from \$422 million in 1959 to \$145 million in 1960, following a change in the opposite direction of almost as much in the previous year. A fairly substantial rise in exports in 1960 mainly brought this about, as imports were only slightly less than in 1959. In contrast, between 1958 and 1959 there had been a larger rise in imports than in exports, leading to a growth in the import balance in that year.

The peak import balance of \$728 million occurred in 1956 when imports were at their highest level up to then, being particularly stimulated by strong investment demands. At that time exports were at a considerably lower level than has since been reached. The rise in exports has been pronounced since the latter part of 1959, following a period from 1956 to 1958 in which the totals did not change markedly.

Statistics on merchandise trade and the trade balance used in balance of payments statements are based on trade statistics, adjusted for this special purpose, as described elsewhere below.

Exports

The strong demands from overseas for many Canadian commodities provided the special factor which led to the outstanding Canadian export performance in 1960, in the face of declines in exports to the United States. These demands originated in a number of countries including the United Kingdom, the OEEC countries, Japan, Australia and several countries in Latin America. Exports to some of these overseas destinations were higher than ever before in peace time, and even in the case of the United States where declines occurred in the total during the year, that aggregate was still higher than in any year before 1959.

The increasing strength in overseas demands for Canadian exports appeared in the latter part of 1959. Exports overseas continued at high levels throughout 1960 and were at even higher levels towards the end of the year than those prevailing at the beginning of the year. The total value exported to overseas countries in 1960 was 20 per cent higher than in 1959. Exports to the United States, in contrast, started the year at a higher level but by the second quarter a downward trend was evident which continued during the remainder of the year. As a result of these trends the United States took 56 per cent of Canada's exports in 1960 compared with almost 62 per cent in the previous year.

Most of the increases in exports occurred in a number of major industrial materials which are prominent in Canadian trade. Metals, minerals and forest products each shared in the rise with particularly large gains in such metals as aluminum, copper, nickel and steel shipped to the United Kingdom and Europe, and in newsprint and lumber to various destinations. Other significant gains occurred in a variety of manufactured goods which again were able to enter some overseas markets, particularly Europe and the United Kingdom. But on the other hand wheat sales to some countries contracted, and there were also smaller shipments to the United Kingdom of some other commodities like grain, canned fish and uranium.

In the case of the United States decreases in shipments of a variety of commodities exceeded increases in others with the result that there was a reduction of some 5 per cent in the 1960 total to \$3,039 million. This figure represented about 56 per cent of Canada's total exports, and the relative share was lower than that in any year since 1952, the average for this eight-year period being about 60 per cent. Exports in 1960 of uranium fell over \$40 million, with the extension of the period of deliveries on contracts, while aluminum and nickel together fell by some \$50 million. Decreases of between \$20 million and \$30 million were recorded in shipments of each of the following groups: iron ore, scrap, pigs, ingots, blooms and billets; rolling mill products, pipes, tubes, fittings and wire; and farm implements. Exports of cattle were down nearly \$15 million, those of tractors, automobile parts, aircraft and parts more than \$12 million, and those of furs, skins, hides and leather were about \$6 million lower as were shipments of lime, plaster and cement. On the other hand, exports of crude and partly refined petroleum rose \$20 million, those of newsprint and electrical apparatus increased about \$14½ million in each case and those of copper roughly \$13 million. Increases in exports of contractors' supplies, fertilizers and non-farm machinery ranged between about \$5 million and \$8 million. The following commodities comprised approximately two-thirds of merchandise exports to the United States in 1960, and the parenthetical figures represent the individual shares of the total: newsprint \$631 million (21 per cent), lumber, timber, plywood and veneer \$281 million (9 per cent), wood pulp \$256 million (8 per cent), uranium \$237 million (8 per cent), iron ore \$102 million (3 per cent), crude and partly refined petroleum \$94 million (3 per cent), primary and semi-fabricated nickel \$89 million (3 per cent), copper \$85 million (3 per cent), farm implements \$76 million (3 per cent), unmanufactured asbestos \$54 million (2 per cent), primary and semi-fabricated aluminum \$54 million (2 per cent), and fertilizers \$47 million (2 per cent).

The expansion of exports to the United Kingdom in 1960 of some 18 per cent, to a peace time record of \$924 million, was shared by a number of commodities, many of which have been traditionally important in trade with the United Kingdom. The export of each of the two groups of lumber, timber, plywood and veneers, and of pigs, ingots, blooms, billets and steel rolling mill products advanced about \$28 million, while gains of approximately \$21 million

were recorded in shipments of each of the following three groups of commodities: nickel, copper, and other non-ferrous metals, including aluminum, lead, zinc and platinum. Increases in exports of newsprint; wood pulp, pulp board and paper board; and iron ore ranged between \$5 million and \$11 million. On the other hand, contractions in exports of wheat and barley amounted to \$20 million, of canned fish \$11 million and of uranium nearly \$7 million.

Exports of more than \$135 million of wheat accounted for nearly 15 per cent of total exports to the United Kingdom in 1960; and shipments of aluminum amounted to \$80 million, and represented about 8½ per cent. Exports of copper and nickel were valued at about \$70 million for each metal, and together accounted for 15 per cent of total exports. Shipments of lumber, timber, plywood and veneers amounted to nearly \$65 million and that of newsprint somewhat less.

The changes which contributed to the advance in exports to the Rest of the Sterling Area from \$288 million in 1959 to \$340 million in 1960 were concentrated in a relatively few broad groups of commodities. An expansion of about \$20 million took place in each of the two groups: motor vehicles and parts, and lumber, timber, woodpulp and newsprint, while about a \$13 million gain was seen in exports of primary and semi-fabricated aluminum and also in those of fertilizers, plastics, drugs and chemicals. Smaller increases of under \$4 million were recorded in each of the three following groups: canned meat and fish, synthetic yarn and fabrics, and rolling mill products. A decline of \$27 million in shipments of wheat represented the largest single offsetting loss, while exports of wheat flour declined about \$3 million as did those of electrical apparatus. The 80 per cent expansion in exports of Canadian produce to Australia from \$54 million to \$99 million in 1960 accounted for about two-thirds of the increase in shipments to the Rest of the Sterling Area of lumber, wood pulp and newsprint, about one-half of those of automobiles and parts and roughly one-third of those of aluminum and also of plastics, fertilizers and chemicals. Exports of primary aluminum and plastics figured prominently in the doubling of shipments from \$11 million to \$22½ million to Hong Kong. An increase in exports to New Zealand of about the same magnitude covered, besides newsprint, plastics, automobiles and non-ferrous metals commodities such as canned salmon, and semi-fabricated steel. Lower shipments of wheat constituted the principal factor in declines of \$17 million and \$5 million, respectively, in exports to India and Pakistan. Other shipments financed by official contributions to these two countries continued to be substantial.

An increase of one-third, or \$150 million, in exports to the other metropolitan OEEC countries, which represented 60 per cent of the export expansion to all countries in 1960, was distributed over a number of important items. Shipments of the following three groups of commodities each expanded between \$20 million and \$25 million: nickel; iron ore, pigs, ingots, blooms, billets, scrap iron and rolling mill products; and aluminum. Exports of the two groups—wheat, barley and flaxseed; and

copper—both advanced about \$15 million, while those of the groups including synthetics, plastics, drugs and chemicals; and comprising lumber, timber and wood pulp recorded gains, respectively, of about two-thirds and one-half of the magnitude of the first two groups. The commodities mentioned in the foregoing comparison represented nearly three-fourths of the aggregate exports of \$599 million to this area in 1960; and the non-ferrous metals referred to accounted for about one-third and wheat shipments more than one-fifth of total exports.

The rise in exports to other countries from \$441 million to \$498 million in 1960 was largely concentrated in Canada's trade with the three component areas: Japan, Latin America and Communist China, while exports to Eastern European countries remained practically unchanged. Nearly two-thirds of the gain was recorded in larger exports to Japan and about one-fourth in increased shipments to Latin America. Exports of ores, metals and minerals to Japan rose about \$26 million and of wheat about \$13 million, while shipments of barley were down by about \$5 million and those of pulp about \$4 million. The \$7 million advance in exports to Communist China included a \$3 million rise in aluminum shipments and another of \$2½ million in chemical products. Figuring prominently in the net export increase of about \$13 million to Latin America were semi-fabricated steel products (principally rolling mill products), which expanded about \$10½ million, aluminum, up about \$5½ million, and wood pulp and newsprint, which increased more than \$3½ million; and a decline in shipments of food commodities, including wheat, eggs, malt and cured fish, of about \$10 million. Among individual countries in Latin America, exports expanded nearly \$12½ million to Argentina, nearly \$10½ million to Mexico and over \$5½ million to Brazil; but shipments declined \$10½ million to Venezuela and about \$5 million to Peru and Cuba together.

Imports

The outstanding feature of Canadian imports in 1960 was the relative steadiness in totals compared with the changes in preceding years. This stability also applied to import totals from both the United Kingdom and the United States and from all other countries as a group. There were, however, some shifts in the composition of commodities imported, but these were neither as numerous as formerly, nor highly significant in themselves. The effects of commodity shifts were to maintain generally imports of consumers goods and many industrial materials at the high levels reached in the preceding year. While there were contractions in some kinds of machinery and other investment goods, most of these were offset by larger purchases of aircraft and parts. Among the more specific changes in commodity composition were further gains in imports of automobiles from both overseas and the United States and larger imports of some kinds of food and textile materials and products. On the other hand declines were most numerous in various kinds of machinery and equipment and industrial materials.

Merchandise imports from the United States, totalling \$3,715 million in 1960, dipped very slightly below the 1959 level and represented in the two years 67 per cent of Canada's imports from all countries. This relative share was below that of more than 70 per cent, which prevailed in the several preceding years of dynamic capital expenditure in resource industries and manufacturing. The small decline in imports in 1960 resulted from generally minor and offsetting changes covering many commodities. Imports of tractors fell nearly \$40 million and reductions ranging from \$10 million to about \$15 million took place in each of the following groups of commodities: logs, timber, lumber, plywood and veneers; rails, pipes, tubes, fittings and wire; farm implements and non-farm machinery; and fuel oil and gasoline. Smaller cuts, but amounting to more than \$5 million in each case, occurred in imports of crude and semi-fabricated rubber, trucks, cooking and heating apparatus, refrigerators and freezers, and coal. Imports of aircraft, parts and engines rose about \$30 million (including adjustment to a payments basis) due largely to the acquisition of a full jet type of equipment by a major Canadian airline. Raw cotton imports from the United States increased \$27 million (but purchases from Mexico fell \$17 million); and imports of iron ore expanded over \$20 million. Gains in imports of between \$7 million and about \$15 million covered each of the following groups: fresh vegetables, soya beans and Indian corn; fresh pork and poultry; rolling mill products; automobiles and parts; and plastics.

The decline of \$7 million in imports from the United Kingdom from \$618 million in 1959 to \$611 million in 1960 was distributed over industrial materials and investment goods, with the exception of a moderate increase in the arrival of aircraft and parts. Fairly small reductions in imports individually involved wool fabrics, steel castings, forging and rolling mill products and electrical apparatus. Conversely, a substantial rise of about \$20 million was registered in imports of automobiles, and receipts of platinum metal gained about \$6½ million.

An 8 per cent rise in imports from \$263 million to \$284 million from the Rest of the Sterling Area was an outcome of an increase of \$9 million each in receipts of two commodities: crude petroleum and alumina, and of about \$4 million each in the two groups: cocoa beans, coffee and black tea, and raw wool, cotton fabrics and apparel, offset partially by declines of about \$5 million in raw sugar imports and of about \$3 million in those of fresh and canned meat.

A slight rise from \$364 million to \$371 million in imports from the other metropolitan OEEC countries resulted from reductions of \$6 million in imports of rolling mill products and of about \$7 million in automobile imports. These and other more modest declines were outweighed, however, by small increases in imports of a wide range of commodities, including non-farm machinery. The diversity of commodities imported from this area is suggested by the fact that the three items mentioned above, totalling nearly \$100 million in 1960, represented a little more than one-quarter of total imports.

The sharp reduction in imports from Latin America represented nearly the whole of the \$36 million decline in imports from Other Countries, from \$600 million in 1959 to \$564 million in 1960. With the exception of a \$3½ million gain in imports from Ecuador, no other increases of substance took place in imports from any other country in Latin America. Conversely, imports from Mexico dropped \$13 million, with raw cotton receipts falling even more than this amount, and those from Venezuela slid down \$9½ million, which was the net result of a \$12½ million decline in crude petroleum imports, offset in part by increased imports of petroleum products. Imports from Cuba declined nearly \$5 million, and about a \$3 million reduction was recorded in imports from each of the three countries: Brazil, Colombia and El Salvador.

Lower imports of petroleum products accounted for about a \$14½ million fall in imports from the Netherlands Antilles, while crude petroleum imports from Saudi Arabia (adjusted in 1959 trade statistics to exclude Kuwait) were less by an estimated amount of \$10 million. On the other hand, nearly \$20 million more crude petroleum arrived from Iran; and Japan was the only other country in the Other Countries group showing an increase in exports to Canada in 1960 of nearly \$8 million.

A 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

As seen in Statement 5, the average prices of both merchandise exports and imports subsided fairly quickly after the flare-up in prices associated

with the Korean War; and since 1954 trends have been gently upward, increasing 7 per cent and 6 per cent, respectively, to 1960. Within this seven-year period, the terms of Canada's trade, or the ratio of the indexes of export prices to those of import prices, have fluctuated within a rather narrow range of 107.4 in 1956 and 103.5 in 1958, based on 1948 as 100. At 106.1, the terms of trade for 1960 were below that of 107.3 for 1959 and were at the level about mid-way between the indexes of 105.1 and 106.5 for 1954 and 1955, respectively.

This slight deterioration in the terms of trade in 1960 resulted from the combination of a rise of about 1½ per cent in the average import prices (following a dip of about the same magnitude in 1959) and of a practical stability in the average export prices. The major groups of commodities imported in 1960 contributed to the 1½ per cent advance in the level of average prices, with the exception of a 2½ per cent decline in the prices of non-metallic minerals and a negligible dip in those of agricultural and other primary products. Non-metallic minerals represented 12 per cent and the primary group 15 per cent of the total value of imports in 1960. Prices of iron and steel products, which accounted for about three-eighths of imports, increased about 1½ per cent, as did also those of wood products and paper. Prices of non-ferrous metals and products, accounting for 9 per cent of the import total, rose about 2½ per cent, while those of fibres and textiles and miscellaneous commodities, each of which represented 8 per cent of the value of imports, climbed 7 per cent and 8½ per cent, respectively.

STATEMENT 5. Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports, 1950-60
(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.....	121.8	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
1960.....	123.2	116.1	106.1	140.3	180.7
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
1960 I.....	122.7	114.6	107.1	134.9	176.8
II.....	123.6	116.7	105.9	135.9	193.7
III.....	123.2	117.0	105.3	144.6	169.2
IV.....	123.2	116.3	105.9	145.6	182.7

Note: Indexes indicate movements in unadjusted trade data.

Average export prices of wood products and paper, which accounted for over 30 per cent of the export value of Canadian produce, decline 1½ per cent in 1960. This change was more than offset by price increases in other exports, ranging from 3½ per cent for non-ferrous metals and products, representing over 20 per cent of total exports, to fractional magnitudes on the part of other commodity groups.

Merchandise Adjustment

As statistics of merchandise trade generally cover movements of goods through customs channels, there have been included in regularly published trade statistics some non-commercial and other special items having no international financial implications in themselves. Examples of these up until 1960 have been settlers' effects and imports of military goods on account of other governments, which are not relevant for balance of payments purposes, and tourists' purchases and donations, which are covered under other accounts in balance of payments statements. In order, therefore, to avoid duplication and to derive a more accurate picture of the merchandise trade component, it has been necessary to adjust the regularly published statis-

tics in the "Trade of Canada" reports; and the character and magnitude of the adjustments are shown in Statement 6. These adjustments resulted in reducing the deficit on merchandise account by \$53 million in 1959, and by \$87 million in 1958.

With the January 1960 issue of the official reports and imports, several special items, including settlers' effects, donations and tourist imports were segregated into a new "special transactions: non-trade" section, and are not included in the tabulated trade totals. The effect of the remaining adjustments in 1960, in contrast to the earlier years, was to increase the deficit by about \$48 million. This addition was mostly accounted for by items not shown explicitly in Statement 6, such as aircraft and ship purchases and transactions on defence account and wheat movements. The object of most of these remaining adjustments is to record the transactions at the most relevant time for balance of payments purposes rather than to reflect the transactions at the time they may have been recorded in customs documents. Thus data covering aircraft, ships and defence purchases are usually included on the basis of progress payments rather than shipments, and wheat movements are based largely on statistics of clearances rather than customs entries.

STATEMENT 6. Adjustments to Merchandise Trade, 1959 and 1960

Exports	1959	1960	Imports	1959	1960
	millions of dollars			millions of dollars	
Domestic exports in trade returns	5,061.0	5,264.1	Imports in trade returns	5,654.2	5,492.3
Exports of foreign produce	118.6	131.2			
Total exports	5,179.6	5,395.3			
Adjustments:			Adjustments:		
Tourist exports	- 2.7	-2.3	Tourist imports	-81.0	-
Settlers' effects	-36.1	-	Settlers' effects	-28.5	-
Private donations	- 2.9	-	Advertising	- 9.0	- 9.4
Warehousing	+ 3.7	+3.4	Warehousing	+20.9	+12.3
All other adjustments	+ 8.9	+3.8	All other adjustments	+15.5	+50.1
Total adjustments	-29.1	+4.9	Total adjustments	-82.1	+53.0
Merchandise exports (adjusted)..... (Table 1, item A1)	5,150.5	5,400.2	Merchandise imports (adjusted)..... (Table 1, item B1)	5,572.1	5,545.3

Note: Commencing 1960, special items, such as settlers' effects, donations and tourist imports were excluded from tabulated totals of trade returns.

STATEMENT 7. Major Components of Canada's Current Account with All Countries, 1952-60

Account	1952	1953	1954	1955	1956	1957	1958	1959	1960	Change in 1960
millions of dollars										
Merchandise exports (adjusted)	4,339	4,152	3,929	4,332	4,837	4,894	4,887	5,150	5,400	+250
Merchandise imports (adjusted)	3,850	4,210	3,916	4,543	5,565	5,488	5,066	5,572	5,545	- 27
Balance on merchandise trade	+489	- 58	+ 13	-211	- 728	- 594	- 179	- 422	- 145	+277
Gold production available for export	+150	+144	+155	+155	+ 147	+ 144	+ 157	+ 148	+ 162	+ 14
Travel expenditures	- 66	- 63	- 84	-121	- 161	- 162	- 193	- 207	- 207	-
Interest and dividends	-268	-239	-276	-323	- 381	- 435	- 444	- 489	- 491	- 2
Freight and shipping	+ 8	- 56	- 43	- 17	- 45	- 70	- 59	- 105	- 91	+ 14
Inheritances and migrants' funds	- 9	-	- 5	- 19	- 16	- 33	- 48	- 56	- 79	- 23
All other current transactions	-140	-171	-192	-162	- 185	- 308	- 368	- 373	- 366	+ 7
Balance on non-merchandise transactions	-325	-385	-445	-487	- 641	- 864	- 955	-1,082	-1,072	+ 10
Current account balance	+164	-443	-432	-698	-1,369	-1,458	-1,134	-1,504	-1,217	+287

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, 1950 and 1960

Country or area	Receipts		Payments		Net transactions		Net change
	1950	1960	1950	1960	1950	1960	1950-1960
	millions of dollars						
United States:							
Gold production available for export	163	162	—	—	+163	+ 162	- 1
Travel expenditures	260	375	193	462	+ 67	- 87	-154
Interest and dividends	50	105	411	548	-361	- 443	- 82
Freight and shipping	157	220	240	324	- 83	- 104	- 21
Inheritances and migrants' funds	31	50	47	141	- 16	- 91	- 75
All other current transactions	170	330	293	447	-123	- 117	+ 6
Total and balance on non-merchandise transactions	831	1,242	1,184	1,922	-353	- 680	-327
All overseas countries:							
Travel expenditures	15	45	33	165	- 18	- 120	-102
Interest and dividends	41	73	64	121	- 23	- 48	- 25
Freight and shipping	127	222	61	209	+ 66	+ 13	- 53
Inheritances and migrants' funds	26	52	14	40	+ 12	+ 12	—
Official contributions	—	—	5	60	- 5	- 60	- 55
All other current transactions	61	90	84	279	- 23	- 189	-166
Total and balance on non-merchandise transactions	270	482	261	874	+ 9	- 392	-401
All countries:							
Gold production available for export	163	162	—	—	+163	+ 162	- 1
Travel expenditures	275	420	226	627	+ 49	- 207	-256
Interest and dividends	91	178	475	669	-384	- 491	-107
Freight and shipping	284	442	301	533	- 17	- 91	- 74
Inheritances and migrants' funds	57	102	61	181	- 4	- 79	- 75
Official contributions	—	—	5	60	- 5	- 60	- 55
All other current transactions	231	420	377	726	-146	- 306	-160
Total and balance on non-merchandise transactions	1,101	1,724	1,445	2,796	-344	-1,072	-728

Gold

The item "gold production available for export", rising to \$162 million in 1960 from \$148 million in 1959, was close to the level in 1958. Being computed at a different stage, this series

does not coincide precisely with mine production which has been less variable. Excluded are changes in stocks such as those held in safe-keeping at the Royal Canadian Mint for the account of mines and those 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 both non-residents and residents for either export or safe-keeping in Canada. The latter change followed removal of the remaining restrictions on the sale of gold in Canada or elsewhere.

Travel Expenditures

A summary showing the trend in totals of international travel expenditures appears in Statement 8. Other comments on the background affecting international travel appear on page 8. And detailed presentations of statistics will be found in the annual publication of the Balance of Payments Section, *Travel Between Canada and Other Countries*, Catalogue No. 66-201, Annual.

In 1960 both receipts and payments rose by similar amounts with the result that the balance of payments remained unchanged at the peak level of \$207 million in each of 1959 and 1960. This followed a period of about a decade during which the deficit from these transactions rose substantially in most years. The trend over this period was the

result of much larger rises in travel expenditures by Canadians outside of Canada than in receipts from outlays in Canada by travellers from other countries. While Canadian expenditures in both the United States and overseas rose consistently each year during the decade, the rises in United States travel disbursements in Canada were generally more moderate and less consistently upward.

But in both 1959 and 1960 there were substantial rises in United States expenditures in Canada which were greater than the rises in Canadian expenditures in the United States, with the result that the Canadian deficit with the United States was reduced in both recent years, being at \$87 million in 1960, only a little higher than in 1956. A further gain occurred in United States expenditures in Canada following a substantial rise in 1959. Most of the rise was in automobile travel, although gains also occurred in expenditures of travellers by bus and aeroplane. In 1960 there was only a small rise in expenditures of Canadian travellers in the United States of some 2 per cent. There were small declines in expenditures of automobile travellers, although the numbers travelling to the United States for longer visits rose slightly. And purchases of merchandise declared under the \$100 exemption privilege were also less than in 1959. On the other hand travel to the United States by bus and aeroplane continued to rise while rail travel declined.

STATEMENT 8. Travel Expenditures between Canada and Other Countries, 1948 - 60

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	448	- 97	40	150	-110	391	598	-207
1960	375	462	- 87	45	165	-120	420	627	-207

The deficit from the overseas travel of Canadians has meanwhile been rising each year and in each of the past two years has made up more than one-half of the total deficits on the travel account. At \$120 million in 1960 the deficit from overseas travel was more than six times that in 1950. Canadian travel overseas has been rising in all direc-

tions throughout the world. The largest parts of total expenditures of \$165 million continued to be in the United Kingdom and Western Europe which made up some four-fifths of the total spent overseas in 1960. But winter travel in the Caribbean and Central America and elsewhere is also rising.

Income Account

Covered in this account are Canada's international receipts and payments of interest and dividends, representing the return on invested capital, as distinct from income derived from service transactions, which constitute a component in the Miscellaneous Current Transactions Account, described later in the text. Net payments of interest and dividends have usually been the largest single contributor to current account deficits, the only exceptions in the past decade being the import balance on merchandise account in 1956 and 1957, the two years significant for the high level of capital expenditure by Canadian business. Receipts of interest and dividends roughly doubled from \$70

million in 1946 to \$145 million in 1952; and, after a period of considerable irregularity receipts advanced from this level to \$182 million in 1959, followed again by a dip to \$178 million in 1960. Payments of interest and dividends rose rapidly from \$312 million in 1946 to \$475 million in 1950, a year when the rate of dividend remittances was unusually high, declined to \$404 million in 1953, and then gained steadily to \$671 million in 1959. In 1960 the total remained close to this level at \$669 million. Although interest payments rose rapidly to a new peak in this latter year the total of dividends remitted was less because of reduced remittances at the close of the year. These were followed however by unusually heavy transfers early in 1961.

STATEMENT 9. Receipts and Payments of Interest and Dividends between Canada and Other Countries, 1946 - 60

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	293	-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	123	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	68	179	368	-448	24	11	20	70	-55	70	112	210	461	-489
1960	41	64	205	343	-443	24	10	18	63	-47	78	100	239	430	-491

As commented upon earlier in the text of this report, the relationship between profits and income payments abroad is not nearly as direct and immediate as is sometimes supposed, particularly in the case of subsidiary or other closely held companies. Decisions with respect to the transfer of their earnings are presumably influenced primarily by the relative needs for funds. In the absence of immediate and pressing requirements, conditions in the money and exchange markets assume importance. Other possible determining influences may include effects on the corporation's over-all tax position. 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 distribu-

tions represent a financial disposition of resources and for whose shareholders the relatively stable dividend rate generally has attraction.

As indicated in Statement 9A, the dividend payment practices of direct investment companies have varied considerably over the post-war period. Until the end of 1951 nearly 60 per cent of direct investment earnings were distributed. In the period since that time distributions have averaged about 44 per cent of earnings, and ranged between 39 per cent in 1953 and 1956 and 55 per cent in 1958. This has been below the average for all companies in Canada, which, between 1952 and 1960, paid out about half of earnings.

STATEMENT 9 A. Estimated Total Returns on Foreign Direct Investment in Canada, 1946 - 60

Year	Remitted income	Allowance for withholding tax	Undistributed profits	Total earnings	Percentage of earnings distributed abroad
millions of dollars					
1946	147	12	120	279	53
1947	183	15	125	323	57
1948	174	14	160	348	50
1949	233	19	155	407	57
1950	309	25	155	489	63
1951	272	23	200	495	55
1952	239	21	310	570	42
1953	220	20	325	565	39
1954	230	21	315	566	41
1955	282	25	365	672	42
1956	310	25	470	805	39
1957	341	23	460	824	41
1958	337	21	260	618	55
1959	365	23	380	768	48
1960	329	21	350 ¹	700	47

¹ Tentative estimate.

The ability to make an actual income payment is, of course, closely tied to the liquidity of the company. In general it may be said that, apart from the raising or return of capital, changes in liquidity reflect not only profits, but also the cash flows to the company arising from non-cash charges less the amounts used for capital expenditure and inventory changes. The importance of non-cash outlays as a source of liquidity is apparent from figures included in Canada's National Accounts. In 1960 corporation profits after taxes amounted to \$1,750 million while capital consumption allowances (and miscellaneous valuation adjustments) in the corporate sector totalled \$2,330 million. Given a high level of cash flows from these charges it is possible for a moderate decline in profits after taxation to be more than compensated for by reductions in capital expenditures, and for moderating economic activity to give rise, under certain conditions, to larger amounts of funds being available for transfer abroad.

Another aspect of this subject which should not be overlooked is the flexibility open to companies to use available excess funds to pay off debts rather than to transfer earnings. When the holder of the debt is also the holder of the equity investment, the economic distinction between the payment of a dividend on the one hand, and the repayment of debt with a simultaneous growth in surplus, on the other hand, has only limited significance. For example, substantial dividend payments abroad during a part of the 30's included withdrawals which were greatly in excess of current earnings, and in this period were, therefore, tanta-

mount to a withdrawal of capital. On the other hand, in recent years there have been substantial repayments of capital to parent companies, which have not represented a reduction of the parent company investment in Canada because there was an offsetting growth in undistributed earnings. The extent to which this practice can occur is, of course, limited by the amount of capital originally supplied in the nominal form of debt. Many motives may lie behind the choice of the original capital structure and the subsequent accounting treatment for transfers of funds. Most of the influences probably lie in the fields of administrative regulation, legal and tax considerations and accounting effects.

Of total dividends of \$430 million paid to non-residents in 1960, \$321 million, or roughly three-quarters, originated from direct investment and the remainder from portfolio investment in Canada. Figures for dividends on direct investments include net profits earned by unincorporated branches of foreign companies as well as dividends remitted abroad by subsidiaries and other companies in Canada. Dividends on direct investments paid by Canadian public companies controlled abroad include dividends remitted to all shareholders in the country of control, while dividends paid by the same companies to shareholders resident elsewhere abroad are classified as returns on portfolio investments. Inter-company payments of interest on funded debt, amounting to about \$8 million in 1960, are embodied in the interest item, while interest on inter-company borrowings and other unfunded forms of debt fall under the miscellaneous income component of the Miscellaneous Current Transactions

Account. Also included with this latter group, rather than in the Income Account, are a significant amount of dividends accruing to non-residents on stocks held in Canada through intermediaries.

Over four-fifths of dividend remittances of \$343 million to the United States in 1960 was estimated to be returns on direct investment, and similar proportions for the United Kingdom and the other countries at nearly 50 per cent and 30 per cent, respectively, were much lower. Remittances to the United States represented nearly 90 per cent of total dividends paid abroad on direct investment, and the small payment of interest of \$8 million on bonds held by parent companies was also destined for the United States.

Dividends on portfolio investments make up the the remainder of dividend payments by Canadian companies to shareholders resident abroad. For the most part these are amounts declared by public companies on shares held in the names of minority shareholders residing abroad. Income of Canadian companies retained in Canada do not form part of dividend payments on either direct or portfolio investments. All amounts of dividend payments are net of withholding tax paid to the Government of Canada, with the tax rate ranging between zero and 15 per cent.

The bulk of dividend remittances has flowed to the United States, accounting for roughly four-fifths of the total in 1960 and in the other years from the mid-fifties, for 88 per cent in 1950 and for about 80 per cent in 1946. Investors in the United Kingdom received 15 per cent of all dividends remitted outside of Canada in 1960, about this share in each of the other years since 1950, 11 per cent in that year and 18 per cent in 1946.

As shown in Statement 9B found on page 25 of *The Canadian Balance of International Payments, 1959*, somewhat under one-half of dividend payments to the United States in 1958 represented returns on investments in the manufacturing industry, excluding petroleum refining. This proportion exceeded 50 per cent in 1959, when payments to a number of parent companies in the United States were either larger than those in the preceding year or were in contrast to the absence of remittance by the firms in 1958. The share of dividends attributable to manufacturing subsided in 1960 to about the level of 1958, as payments by this group of Canadian subsidiaries were smaller or did not recur in 1960. Mining, together with the integrated petroleum and gas industry, accounted for about one-third of the dividend transfers to the United States in each of the three recent years, while the dividends returned on investment in merchandising, at about $6\frac{1}{2}$ per cent of the total in 1958, were higher than in the two succeeding years, due to a number of extraordinary

dividend payments; and similarly the proportion remitted by financial institutions was higher in 1959 than in the preceeding or following year.

Of total dividends remitted to the United Kingdom, the proportion derived from manufacturing declined from nearly one-half in 1949 to about 40 per cent in 1958 and 1960. A 20 per cent rise in dividend payments to this country in 1959 was ascribable in the main to extraordinary transfers of profits in merchandising and to some dividend payments, which occurred only in that year. With \$24 million, the utilities and financial institutions accounted for another 40 per cent of the dividends remitted to the United Kingdom in 1958, and payments arising from these industries in the two ensuing years stood at about the same absolute level.

In recent years the total of interest paid on Canadian bonds and debentures owned outside of Canada has increased rapidly to new levels higher than ever before due mainly to the large sales of new issues of bonds in the United States during the past half decade. The total interest paid abroad has almost doubled since 1955 and payments of \$239 million in 1960 compare with \$180 million in 1951, the largest total in the interwar period. Payments were reduced from that earlier peak by retirements and refinancing during the 1930's, and by the large wartime repatriations of bonds held in the United Kingdom, followed by further retirements in the early post-war years.

At \$125 million in 1946, interest represented 40 per cent of total interest and dividends paid abroad in that year. The total declined to \$104 million in 1949, then tended upwards in the mid-fifties to about \$130 million, which accounted for under 30 per cent of investment income payments. A higher rate of increase started in 1957 when interest remittances advanced 20 per cent and continued to rise at high rates thereafter, although two percentage points lower each successive year. These payments amounted in 1960 to \$239 million, or 14 per cent greater than in 1959, and accounted for 36 per cent of interest and dividend remittances, as the latter class of payments was lower in 1960.

As indicated in Statement 9B, very large increases have occurred in interest payments to non-residents by provinces, municipalities and corporations. The share of interest originating from the bonds and debentures of corporations, other than railways, doubled from 20 per cent in 1946 to 40 per cent in 1960. Over the same period, the share of interest on the bonds of the two lower levels of government rose from 30 per cent to nearly 45 per cent, while that on "Canadas" fell from 24 per cent to 10 per cent, and the proportionate share of total interest payments associated with railway bonds likewise declined from 25 per cent to about 6 per cent.

**STATEMENT 9B. Interest Payments on Canadian Bonds and Debentures Held Abroad,
by Groups of Issues and Currency of Payment, Selected Years**

	United States				United Kingdom				Total outside of Canada			
	1946	1955	1959	1960	1946	1955	1959	1960	1946	1955	1959	1960
	millions of dollars											
Government of Canada ¹	29	14	14	14	—	1	2	2	30	17	20	23
Provincial ¹	23	32	48	61	2	2	2	2	25	34	51	64
Municipal	9	15	32	40	4	1	1	1	13	16	34	42
Railway	20	9	5	6	11	7	8	6	32	17	14	14
Other corporation	20	37	80	84	4	5	7	7	25	43	91	96
Total Interest paid to non-residents	101	107	179	205	21	16	20	18	125	127	210	239
Payable in Canadian dollars .....	..	21	35	41	..	7	12	12	22	31	56	64
Payable in foreign currencies .....	..	61	129	150	..	8	7	6	103	69	138	160
Payable optionally in Canadian or foreign currencies .....	..	25	15	14	..	1	1	—		27	16	15

¹ Including guaranteed issues other than railways.

In the years prior to World War II, investors in the United Kingdom received about 40 per cent of interest paid by Canada, and those in the United States almost all the remainder. However, on account of the large repatriations of bonds in the war period, the share of Canadian interest destined for the United Kingdom dropped below 20 per cent in 1946, and most of this reduction pertained to the Government of Canada bonds and the funded debt of the railways. As seen from Statement 9B, interest paid to the United Kingdom continued to decline, to less than 10 per cent of payments to all non-residents in 1960, but almost counterbalancing gains took place in interest payments to the United States, which represented about 85 per cent of total interest remittances in 1960. More than this proportion went to the United States in all groups of issues, except the railways and the "Canadas".

With a substantial increase of 65 per cent in interest payments abroad from \$127 million in 1955 to \$239 million in 1960, the proportions, however, between payments in Canadian funds and payments solely or optionally in foreign currency did not change materially—the latter group representing 75 per cent in 1955 and 73 per cent in 1960. Payments in Canadian currency increased from 25 per cent to 27 per cent, those in foreign funds rose from 54 per cent to 67 per cent, while those paid optionally in Canadian or foreign currency dropped from 21 per cent to 6 per cent. A recent significant development has been the change in the exchange rate of the Canadian dollar from a premium to a discount in the third quarter of 1961. The discount of about 3 per cent prevailing during the last half of 1961, if applied for a full year to the level and composition of interest payments to non-residents in 1960, would have increased them by about \$10 million.

In contrast to the extensive growth, already described, in payments abroad of interest, which almost doubled since 1953, and of dividends, which increased half as much again, receipts of both interest and dividends hardly changed between 1953 and 1960, although the former dipped until

1956 before recovering. The temporary suspension of servicing of the official loan by the United Kingdom accounted for reduced receipts of interest in 1956 and 1957, but the interest payments were resumed in 1958. The increase therefore in receipts in the most recent years has been attributable to other interest, principally earnings of the Exchange Fund Account. At \$63 million, interest receipts represented 38 per cent of total interest and dividend receipts in 1953, at \$38 million, 27 per cent of the 1956 total; and interest receipts were estimated at \$78 million in 1960, which accounted for 44 per cent of total income receipts.

Freight and Shipping Transactions

The deficit on freight and shipping account contracted as receipts rose more than payments, but at \$91 million it was greater than in any earlier year except that of \$105 million in 1959. While this change was to some extent a reflection of the reduction in the import balance on merchandise account, the change was also affected by increased earnings by Canadian operators of chartered vessels in the carriage of exports from Canada to overseas. There was consequently a surplus of \$13 million with overseas countries compared with a deficit in 1959, but the deficit with the United States was larger at \$104 million.

Total payments on freight and shipping account were slightly higher than in 1959. Reductions in inland freight charges on a reduced volume of some imports from the United States were more than offset by further increases in payments for ocean freight to foreign operators on imports from overseas and some higher payments by Canadian operators for time charters and other expenses in foreign ports.

The larger receipts on freight and shipping account were from inland freight on rising exports to overseas countries, increased earnings on export traffic by Canadian operators of foreign ships, and higher port expenditures in Canada by overseas operated vessels.

STATEMENT 10. Freight and Shipping Transactions between Canada and Other Countries, 1953 - 60

Item	1953	1954	1955	1956	1957	1958	1959	1960
millions of dollars								
Receipts by Canada								
Ocean shipping:								
Canadian operated ships:								
Gross earnings on exports	58	61	78	76	69	65	59	75
Charter receipts	7	3	9	20	21	9	4	3
Revenues between foreign ports	17	18	28	40	38	29	29	25
Sub-totals	82	82	115	136	128	103	92	103
Expenditures of foreign ships in Canada	41	35	45	48	44	43	48	55
Gross shipping receipts	123	117	160	184	172	146	140	158
Inland freight on exports	161	159	185	204	194	190	201	207
Intransit revenues	29	29	32	33	38	37	40	38
Other receipts	5	8	21	36	41	28	39	39
Gross receipts (Table 1, item A 6)	318	313	398	457	445	401	420	442
Payments by Canada								
Ocean shipping:								
Expenditures abroad of Canadian shipping companies and charter payments	60	67	95	104	113	96	107	114
Freight on imports via Canadian ports	75	66	77	105	108	113	146	157
Gross shipping payments	135	133	172	209	221	209	253	271
Inland rail freight in U.S. on imports:								
Coal via vessel	48	39	40	53	50	34	36	35
Coal via rail	26	22	20	25	16	13	12	8
Other rail freight	121	112	121	143	142	114	121	110
Sub-totals	195	173	181	221	208	161	169	153
Miscellaneous payments	44	50	62	72	86	90	103	109
Gross payments (Table 1, item B 6)	374	356	415	502	515	460	525	533

Inheritances and Migrants' Funds

After 1953, when receipts and payments of inheritances and migrants' funds were equal, small net payments developed, and grew to \$33 million in 1957 although in that year the post-war peak of immigration occurred. Of over 282,000 immigrants landing in Canada in 1957, nearly 40 per cent arrived from the United Kingdom, a slightly smaller proportion from the OEEC countries, 4 per cent from the United States, and 20 per cent from the remaining countries. The deficit on this account widened half as much again in 1958, and continued to increase in 1959 and 1960, when payments exceeded receipts of migrants' funds by \$79 million. These larger deficits in the most recent years were derived from a sharply reduced inflow of immigrants, who numbered somewhat over 104,000 persons in 1960, growing migration of Canadians to the United States, offset in part by higher per capita immigrants' funds and by a rise in legacy receipts after the removal by the United Kingdom authorities in 1959 of restrictions on the transfer of legacies abroad.

Miscellaneous Current Transactions

The deficit from miscellaneous current transactions, which increased at an average annual rate of about 8 per cent from \$140 million in 1952 to \$185 million in 1956 (as shown in Statement 11),

soared 66 per cent in 1957, and rose a further 19 per cent to \$368 million in 1958, but steadied at this level in the following two years. The imbalance of \$366 million for 1960 was more than 2½ times as large as that for 1952 and nearly double the 1956 deficit. Because of even sharper gains, however, in deficits on other "invisible" items, the share of the total non-merchandise deficit covered by miscellaneous current transactions declined from 43 per cent in 1952 to 29 per cent in 1956 and 34 per cent in 1960. The upward shift in the deficit on miscellaneous current transactions was attributable mainly to the change from a positive to a negative balance in government transactions in 1958, augmented official contributions and increasing net payments for business services, personal and institutional remittances.

After a fairly steady advance from \$16 million in 1952, official contributions reached their recent peak level of \$72 million in 1959, but were down to \$60 million in the following year. The total of capital aid, other goods shipped under the Colombo Plan, and technical assistance has been valued annually at about \$40 million in the four years since 1957. The relief shipments of wheat to India and Pakistan in 1958 and 1959 were the unusual element that raised the total of official contributions in those years. Although donations of wheat to Asian countries were less in 1960, there were larger gifts of some other commodities. These included

wheat flour to mark the end of the World Refugee Year and for setting up NATO food banks in the United Kingdom and Norway, milk powder to international agencies such as the United Nations Children's Fund and the United Nations Relief and Works Agency for Palestine Refugees, and other gifts of food commodities for earthquake and general relief.

The shift in 1958 from a positive to a negative balance in government transactions arose mainly from a combination of two factors. The more important of these, as indicated by the detailed figures in Statement 11A, was the occurrence in 1958 of the last of several sharp downward steps, before levelling off, in expenditures by the United States authorities for defence construction in Canada; and the other was the payment by the Canadian Government of substantial refunds of a non-recurring nature for tax previously withheld.

In a comparison of 1952 and 1960, government receipts, from each of the three areas shown in Statements 11 and 11A, did not change materially in total, but receipts from the United States for construction and other defence purposes were considerably less than in the peak years 1955 and 1956 when the Dew Line construction activity was concentrated. Receipts from other governments for aircrew training in Canada represented a substantial addition to receipts from Other Countries in 1958.

Larger gains in government payments were recorded to the United States, United Kingdom and, in particular, to the other countries group between 1952 and 1960. About one-half of government ex-

penditures in the United States and United Kingdom was related to defence activities and more than four-fifths in the OEEC countries, an important component of the other countries group. Over all, defence spending represented a little under two-thirds of total government payments abroad in 1959 and 1960.

About 60 per cent of these defence expenditures has been made in the OEEC countries to finance contributions to the collective defence and deterrent forces of the North Atlantic Treaty Organization. Canada's share has comprised the maintenance in Europe of an army brigade group and an air division and the provision of financial contributions for the budgets of the NATO military headquarters, international staff secretariat, and common infrastructure programmes.

Infrastructure denotes fixed installations which are necessary for the deployment of the armed forces but which by their nature cannot be considered to be primarily the responsibility of any one nation of the alliance to provide. Examples include airfields, naval base and fleet facilities, fuel pipelines and storage, radar warning installations, navigational aids and telecommunications and military headquarters. The Canadian Government meets the cost of accommodating its personnel as well as the cost of facilities over and above the standards of the Supreme Headquarters, Allied Powers in Europe. There has also been the Canadian share of the cost of maintaining the United Nations Emergency Force in Egypt and also of contributing much smaller groups of service personnel to truce commissions in several parts of the world.

STATEMENT 11. Miscellaneous Current Transactions with All Countries, 1952-60

All countries	1952	1953	1954	1955	1956	1957	1958	1959	1960	Change 1952-1960
	millions of dollars									
Receipts:										
Government transactions	122	149	118	192	219	160	123	131	124	+ 2
Personal and institutional remittances	20	22	22	22	23	24	24	24	24	+ 4
Miscellaneous income	31	30	33	40	54	55	71	71	93	+ 62
Business services and other transactions	108	118	125	137	146	149	157	166	179	+ 71
Totals (Table 1, item A 11)	281	319	298	391	442	388	375	392	420	+139
Payments:										
Official contributions	16	25	11	24	30	40	53	72	60	+ 44
Government transactions, n.o.p.	71	128	112	131	139	150	161	135	160	+ 89
Personal and institutional remittances	50	55	65	71	79	83	85	95	97	+ 47
Miscellaneous income	39	35	37	47	64	93	101	115	116	+ 77
Business services and other transactions	245	247	265	280	315	330	343	348	353	+108
Totals (Table 1, items B 9, 11)	421	490	490	553	627	696	743	765	786	+365
Net payments:										
Official contributions	- 16	- 25	- 11	- 24	- 30	- 40	- 53	- 72	- 60	- 44
Government transactions, n.o.p.	+ 51	+ 21	+ 6	+ 61	+ 80	+ 10	- 38	- 4	- 36	- 87
Personal and institutional remittances	- 30	- 33	- 43	- 49	- 56	- 59	- 61	- 71	- 73	- 43
Miscellaneous income	- 8	- 5	- 4	- 7	- 10	- 38	- 30	- 44	- 23	- 15
Business services and other transactions	-137	-129	-140	-143	-169	-181	-186	-182	-174	- 37
Totals	-140	-171	-192	-162	-185	-308	-368	-373	-366	-226

STATEMENT 11A. Miscellaneous Current Transactions with All Countries, 1952 - 60

	1952	1953	1954	1955	1956	1957	1958	1959	1960	Change 1952 - 60
millions of dollars										
United States										
Receipts:										
Government transactions	108	130	98	169	194	133	93	111	101	- 7
Personal and institutional remittances	16	17	17	18	18	18	18	18	18	+ 2
Miscellaneous income	21	19	23	28	35	43	57	62	84	+ 63
Business services and other transactions	79	87	95	103	107	109	112	120	127	+ 48
Totals (Table 1, item A 11)	224	253	233	318	354	303	280	311	330	+106
Payments:										
Official contributions	-	-	-	-	-	-	-	-	-	-
Government transactions, n.o.p.	20	25	32	30	24	28	30	29	38	+ 18
Personal and institutional remittances	19	21	22	24	27	28	29	32	32	+ 13
Miscellaneous income	26	24	25	33	44	71	80	81	80	+ 54
Business services and other transactions	224	220	233	245	275	286	293	297	297	+ 73
Totals (Table 1, items B 9, 11)	289	290	312	332	370	413	432	439	447	+158
Net payments:										
Official contributions	-	-	-	-	-	-	-	-	-	-
Government transactions, n.o.p.	+ 88	+105	+ 66	+139	+170	+105	+ 63	+ 82	+ 63	- 25
Personal and institutional remittances	- 3	- 4	- 5	- 6	- 9	- 10	- 11	- 14	- 14	- 11
Miscellaneous income	- 5	- 5	- 2	- 5	- 9	- 28	- 23	- 19	+ 4	+ 9
Business services and other transactions	-145	-133	-138	-142	-168	-177	-181	-177	-170	- 25
Totals	- 65	- 37	- 79	- 14	- 16	-110	-152	-128	-117	- 52
United Kingdom										
Receipts:										
Government transactions	8	9	11	12	12	11	9	8	13	+ 5
Personal and institutional remittances	2	2	2	2	2	2	2	2	2	-
Miscellaneous income	5	5	5	5	10	6	7	4	5	-
Business services and other transactions	19	21	18	20	23	22	25	29	30	+ 11
Totals (Table 1, item A 11)	34	37	36	39	47	41	43	43	50	+ 16
Payments:										
Official contributions	-	-	-	-	-	-	-	-	3	+ 3
Government transactions, n.o.p.	22	62	30	26	33	39	45	34	36	+ 14
Personal and institutional remittances	8	9	12	13	14	15	16	18	19	+ 11
Miscellaneous income	8	7	7	7	8	8	7	8	9	+ 1
Business services and other transactions	12	14	18	20	23	24	27	29	33	+ 21
Totals (Table 1, items B 9, 11)	50	92	67	66	78	86	95	89	100	+ 50
Net payments:										
Official contributions	- 14	-	-	-	-	-	-	-	- 3	- 3
Government transactions, n.o.p.	- 21	- 53	- 19	- 14	- 21	- 28	- 36	- 26	- 23	- 9
Business and institutional remittances	- 6	- 7	- 10	- 11	- 12	- 13	- 14	- 16	- 17	- 11
Miscellaneous income	- 3	- 2	- 2	- 2	+ 2	- 2	-	- 4	- 4	- 1
Business services and other transactions	+ 7	+ 7	-	-	-	- 2	- 2	-	- 3	- 10
Totals	- 16	- 55	- 31	- 27	- 31	- 45	- 52	- 46	- 50	- 34
Other countries										
Receipts:										
Government transactions	6	10	9	11	13	16	21	12	10	+ 4
Personal and institutional remittances	2	3	3	2	3	4	4	4	4	+ 2
Miscellaneous income	5	6	5	7	9	6	7	5	4	- 1
Business services and other transactions	10	10	12	14	16	18	20	17	22	+ 12
Totals	23	29	29	34	41	44	52	38	40	+ 17
Payments:										
Official contributions	16	25	11	24	30	40	53	72	57	+ 41
Government transactions, n.o.p.	29	41	50	75	82	83	86	72	86	+ 57
Personal and institutional remittances	23	25	31	34	38	40	40	45	46	+ 23
Miscellaneous income	5	4	5	7	12	14	14	26	27	+ 22
Business services and other transactions	9	13	14	15	17	20	23	22	23	+ 14
Totals	82	108	111	155	179	197	216	237	239	+157
Net payments:										
Official contributions	- 16	- 25	- 11	- 24	- 30	- 40	- 53	- 72	- 57	- 41
Government transactions, n.o.p.	- 23	- 31	- 41	- 64	- 69	- 67	- 65	- 60	- 76	- 53
Personal and institutional remittances	- 21	- 22	- 28	- 32	- 35	- 36	- 36	- 41	- 42	- 21
Miscellaneous income	-	+ 2	-	-	- 3	- 8	- 7	- 21	- 23	- 23
Business services and other transactions	+ 1	- 3	- 2	- 1	- 1	- 2	- 3	- 5	- 1	- 2
Totals	- 59	- 79	- 82	-121	-138	-153	-164	-199	-199	-140

Among expenditures of civilian departments are included items such as the cost of maintaining Canadian diplomatic, trade and other departmental representations abroad, government advertising, budgetary contributions to the United Nations and its Specialized Agencies and to international commissions, remittances of military and social security pensions abroad, payments for international transportation of mail and parcels and for infrequent acquisition of official property.

Canada's contribution of Mutual Aid to NATO countries is in addition to the foregoing government expenditures, but because of the special character of the military assistance, it is not reflected in the current balances. Equal amounts are entered in the annual statements of current account with all countries: on the receipt side to cover the export of goods and services provided as Mutual Aid and on the payment side to represent the contributions. These exports do not appear in totals in regular statistics of Canada's trade with NATO partners, nor in the balance of payments statements with individual countries or groups of countries. During the 11 years since the inception in 1950, Mutual Aid to NATO countries totalled over \$1,650 million, with contributions in the terminal years being \$57 million in 1950 and \$43 million in 1960. An amount of over \$950 million, or nearly 60 per cent of the aid total, was, however, dispensed in the 4-year period 1952 to 1955, inclusive, when transfers of equipment from existing service stocks and some transfers from new production were the heaviest, and when aircrew training in Canada for other NATO countries was at the peak level of activity. Mutual Aid transfers included armament, explosives, ammunition, vehicles, radar and communication sets, minesweepers, a large number of Sabre jet fighter aircraft, Harvard trainer aircraft and Otter aircraft, spare parts and engines, etc. With, however, the progressive re-armament of the defence forces of Canada's allies and the build-up of their own aircrew training programmes, transfers of equipment and aircrew training in Canada tapered off after 1956, and only the contributions to infrastructure and NATO budgets have been maintained at about the same level in recent years.

Among some of the underlying influences behind the growth from \$137 million in 1952 to \$174 million in 1960 in the deficit from business services and other transactions has been the non-resident participation in Canada's vigorous resource development, particularly after the middle of the decade. Non-resident investment has sought out avenues such as petroleum exploration and drilling, construction of oil and natural gas transmission lines and widespread expansion of manufacturing facilities. This extension of international direct investment and the varied investment programmes emanating from them have led to the spreading of corporate relationships between Canada, United States, United Kingdom and Europe, and have been accompanied by a large international exchange of business services. Between 1952 and 1960, payments by Canada for services have been expanded more than

receipts, partly reflecting the greater growth in non-resident direct investment in Canada than in Canadian direct investment abroad. Concomitant, however, with the hesitant tempo of business activity in Canada in the most recent years, the rate of increase in payments for business services has slowed down while receipts have maintained a modest rate of gain; thus the preliminary 1960 estimate of \$174 million for the deficit from these transactions was under the level of \$186 million for 1958. The proportionate contribution of business services to the deficit from all "miscellaneous current transactions", which stood at 98 per cent and 91 per cent, respectively, in 1952 and 1956, when net receipts on government account were substantial, fell to 59 per cent in 1957 and to 48 per cent in 1960. At about 71 per cent in 1960, the proportion from the United States of total receipts for business services was lower than in earlier years, and the proportion of payments to the United States at 84 per cent of total remittances for business services in 1960 was also reduced from 1952.

The range of specific items covered in this group of transactions is extensive, but may broadly be classified as business, professional and personal services. Further, some of the largest components, particularly on the payments side, are transactions between non-resident head offices and their branches, subsidiaries and other direct investment affiliates in Canada. Large elements of cost for initial investment represent fees for non-resident design, engineering, consulting and other services for industrial techniques and processes, and in some cases, rental of special equipment and machinery. Subsequently in the operational phase, there are usually appreciable fees for royalties, management, and apportionment of non-resident head office expenses, such as accounting, advertising and research. These payments to head offices outside Canada have risen proportionately from about one-fourth in 1952 to over two-fifths of all business service payments in 1960, and totalled nearly \$150 million in the latter year.

There is also a wide variety of payments and receipts for services between unaffiliated enterprises and persons in Canada and abroad for the growing exchange of commercial, financial and professional services, which form integral parts of Canada's business life. Included are items such as licensing fees for manufacturing patents, processes and trade-marks, franchises, authors' and composers' royalties, copyrights, royalties for master recordings, syndicated features and cartoons, commissions and fees for legal, accounting and management and for other consulting and professional services. Rentals of foreign films, expenditures of international airlines and other transportation payments not embodied in the freight and shipping account are some additional examples of importance included among business service transactions. Also covered in this account are estimates of earnings of migrant labour and international commuters, remittances for international sweepstakes, and trade union transfers.

Net payments on account of personal and institutional remittances continued to increase in 1960, when the deficit from this source was estimated at \$73 million. Personal remittances comprise non-commercial payments between Canadian residents and individuals resident abroad, and institutional remittances originate from charitable, religious and educational organizations. While this class of receipts has gained only slightly, payments have almost doubled between 1952 and 1960, when the total amounted to \$97 million. Elements in the growth of personal remittances have been the substantial arrival of immigrants, who numbered over 2 million persons from 1946 until the end of 1960 (with more than two-thirds of the inflow occurring since 1952), and the steady advance in the total earnings of Canadian paid workers. In reflection in part of the origin of a large proportion of the immigrants from areas such as Western and Eastern Europe, Hong Kong, China and Australia, about one-half of the \$47 million increase in the remittances since 1952 took place to countries other than the United States and the United Kingdom. Some part of the 1960 increase in remittances was attributable to the efforts of private groups in Canada in support of the World Refugee Year to collect funds for activities such as refugee camp clearance in Europe and the establishment of vocational training centres for Arab refugees in the Middle East.

Representing the service on capital, about 70 per cent of receipts and 85 per cent of payments of income on investment in recent years have been embodied in the Interest and Dividends Account. Included with the Miscellaneous Income item of the

Miscellaneous Current Transactions Account are the other transfers of income or profits, such as from branch operations of banks and insurance companies; interest on inter-company loans, mortgages, savings balances and treasury bills; and rentals and fiduciary income from the administration of estates, trust and agencies. Net payments of miscellaneous income, which had not been larger than \$10 million until 1956, shifted up sharply in the following year, due to higher remittances, particularly of insurance company profits and interest on inter-company loans, and stood in 1959 at \$44 million, before declining to \$23 million in 1960. To yield this last deficit, a three-fold increase was recorded since 1952 both for receipts to \$93 million and for payments to \$116 million in 1960. In this year roughly four-fifths of the receipts was represented by transfers of profits of financial institutions, and about the same proportion of payments was made up of interest on inter-company borrowings, income from assets managed or administered by trust and loan companies and other financial intermediaries, and profits of insurance companies.

These profits of insurance companies represent for the most part transfers of net underwriting profits from branch operations including earnings on the employment of shareholders' capital and surplus, if any, but they also cover in some cases the provision of services by head office departments. Income from premium collections, reinsurance and claims is covered in the Business Services item. Since it is the usual practice of insurance companies to invest reserves in the country of risk, international transfers of premiums and claims are not large and tend to be offsetting.

CAPITAL MOVEMENTS

Background and Summary

The year 1960 has been described as being for the Canadian economy one of special complexity. A high level of economic activity was continued; on the other hand there was also a substantial amount of unused capacity, human and material.¹ Among the broad developments against which the movement of capital to and from Canada in 1960 must be viewed were the dismantling of direct controls in many other parts of the world on the international movement of goods and capital, and the further extension in Canada and abroad of effective money markets introducing new flexibilities and fluidities into domestic and international financial relationships.

Against this background Canada continued to draw heavily on the physical and financial resources of the rest of the world in 1960, although the net import of \$1,217 million of capital was somewhat reduced from the record level of 1959.

Movements of capital in long-term forms² were also smaller than in 1959, amounting to \$873 million in 1960 compared with \$1,089 million in the previous year. These amounts were each equal to 72 per cent of the respective current account deficits, proportions which were smaller than in the earlier post-war years in which Canada incurred current account deficits with the single exception of 1955.

Government financing played a very much smaller role in Canadian capital movements in 1960 than in many recent years. As shown in Statement 11B capital inflows taking the form of increases in the net external long-term debt of the various levels of government in Canada fell sharply and were at their lowest level in five years. Net inflows in other long-term forms, mainly business investment, were substantially unchanged although well below the very high levels the order of one billion dollars established in 1956 and 1957. Capital inflows in other forms were somewhat smaller in amount than in 1959 but made up a somewhat larger proportion of the total capital movement.

¹ Economic Review of 1960 included in the Budget Papers presented in connection with the Budget of 1961-62 (reprinted with the official report of *House of Commons Debates*, June 20, 1961).

² Direct investment, portfolio stocks and bonds, official loans, and other long-term investments.

STATEMENT 11 B. Changing Character of Capital Movements, 1955-60

	1955	1956	1957	1958	1959	1960	1955	1956	1957	1958	1959	1960
	millions of dollars						percentage					
Transactions with non-residents affecting:												
Net external long-term debt of Canadian governments ¹	-173	291	217	323	461	198	-25	21	15	29	31	16
Foreign direct and portfolio investment in Canadian concerns	614	1,082	1,104	734	713	722	88	79	76	65	47	60
Canadian long-term investments abroad excluding investments by governments (increase, -)	- 80	-102	-62	-45	-113	-105	-11	-7	-4	-4	-8	-9
Other external liabilities, net	337	95	196	119	443	402	48	7	13	10	30	33
Total capital inflow	698	1,366	1,455	1,131	1,504	1,217	100	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.

Turning to the more conventional groupings of capital movements, it may be noted that the net inflow of foreign capital for direct investment in foreign-controlled concerns in Canada totalled a record \$645 million, and transactions in portfolio Canadian securities led to a further inflow of \$246 million. These two groups of transactions added \$891 million to Canadian external liabilities in long-term forms. In 1959 direct investment added \$550 million and Canadian securities \$650 million, a total of \$1,200 million. On the long-term asset side in 1960 there were outflows of \$85 million for Canadian direct investment abroad, \$20 million for the purchase of foreign securities, and \$3 million for subscriptions in foreign exchange to international financial agencies, which were partially offset by repayments of \$32 million on post-war loans extended by Canada to overseas countries. This net outflow of capital in long-term forms amounting to \$76 million compared with a net outflow of \$139 million in 1959 which included a gold payment of \$59 million to the International Monetary Fund.

Geographically, about 78 per cent of the net capital inflow in long-term forms during 1960 was supplied by the United States. In 1959, the proportion was about 84 per cent. (Neither of these calculations takes into account, as a capital movement with the United States, Canada's subscription payments in gold or United States dollars to international financial agencies, which would have the effect of reducing the 1959 figure to 78 per cent.) Changes in statistical classifications referred to later had the effect of reducing somewhat in 1960 proportions attributed to the United States and increasing correspondingly the proportions from other areas. The United Kingdom provided about 10 per cent of the long-term net inflow during 1960 compared with 9 per cent in the earlier year. The share of other overseas countries was unchanged

amounting to 12 per cent in both 1959 and 1960. In the case of both the United Kingdom and other overseas countries, direct investment inflows were higher but inflows of portfolio capital fell sharply.

Transactions in the long-term forms described above, together with those appearing in Statement 15, led to a net capital import of \$873 million in 1960 compared with \$1,089 million in 1959. 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 \$344 million in 1960 and \$415 million in 1959.

Over the post-war period as a whole inflows in long-term forms have been equivalent to all but three per cent of the net current account deficit. The correlation between current account deficits and capital inflows in long-term forms was less marked through 1960 than has been the case for many years past. For the first time in the ten years of current account deficit covered by official quarterly estimates, the proportion of capital inflows in long-term forms which occurred in the first half of the year was greater than the proportion of the current account deficit incurred. About 75 per cent of the inflows in long-term forms occurred in the first half when 65 per cent of the deficit was experienced. In the final quarter of the year these capital inflows were equivalent to only 21 per cent of the deficit; 7 per cent of the inflows occurred in this period, but 25 per cent of the deficit.

Direct Investment in Canada

The net movement of foreign capital to Canada for direct investment in foreign-controlled enterprises during 1960 amounted to \$645 million. This is \$95 million higher than in 1959 and slightly over \$60 million above the largest figure recorded previously.

While an appreciable amount of this inflow was directed to the acquisition by non-residents of existing concerns and interests, it does not appear to have been any larger than in 1959. A few large transactions of this sort are important in the totals, and many small concerns were also acquired by non-residents, while there were some significant transfers in the opposite direction. During 1960 public announcement was made of plans for a number of mergers or other important corporate changes, some of which would give rise to non-resident control of concerns previously controlled by residents of Canada. Not all of these arrangements had been consummated at the year-end, nor would all of them involve international movements of capital.

The inference that most of the increase of over 17 per cent in the net movement into Canada in 1960 of foreign direct investment capital was for new investment or the provision of working capital stands out sharply against a level of business gross fixed capital formation taking the form of new non-residential construction and new machinery and equipment which was practically unchanged from the previous year.

Although investments in many hundreds of enterprises contribute to these totals, inflows for investment in a relatively few major enterprises account for a very large part. This tendency has been rising. The eight largest elements accounted for 42 per cent of net direct investment inflows in 1958, 48 per cent in 1959, and 59 per cent in 1960. The substantial increase in direct investment inflows noted in 1960 was more than accounted for by these large investments.

Net inflows from the United States rose by 3 per cent, or \$13 million, to \$437 million in 1960. Those from the United Kingdom rose by 37 per cent, or \$32 million, to total \$119 million. The sharpest increase occurred in respect of direct investment inflows from other overseas countries which more than doubled, rising from \$39 million in 1959 to \$89 million in 1960. It should be noted, however, that a substantial part, perhaps half, of the increase in inflows from the United Kingdom and other overseas countries arose from a new statistical treatment adopted in 1960 in respect of a group of internationally owned oil companies to more closely correspond with their ultimate corporate ownership, and that this change resulted in a correspondingly smaller capital inflow being recorded from the United States in 1960 than would have been shown on the basis followed in 1959. Geographically in 1960, 68 per cent of the net movement was from the United States, 18 per cent from the United Kingdom, and 14 per cent from other overseas countries.

Industrially, on balance, almost all the increase in direct investment inflows was accounted for by the mining and smelting industry. The petroleum and natural gas industry also received much larger amounts than in 1959, but there was a considerable decline in the net inflow into manufacturing.

The largest part of the net inflow for direct investment, probably amounting to two-fifths of the total was directed to the petroleum and natural gas industry. This was a somewhat higher proportion than in 1959, and is of course much larger in absolute terms. Most of the funds were directed to exploration and development and to production facilities. A significant part of the increase covered the acquisition of resident-owned enterprises. The financing of transportation and distribution systems for natural gas was not in relative terms an important factor.

Mining concerns received nearly one-third of the net movement compared with about a fifth of the smaller total in 1959. Iron ore projects and ancillary facilities made up the largest part.

On the other hand net inflows to manufacturing fell to about half the level of 1959, and accounted for about a tenth of the total movement compared with about a quarter in 1960. There was an increased inflow to pulp and paper companies which was more than offset by a decline in the inflow to other manufacturing concerns. The largest part of the decline is explained by a reduction in the inflows of foreign capital for the acquisition of existing Canadian interests, but there was also evident a somewhat higher repayment of capital from continuing foreign direct investments in Canada.

Other significant inflows occurred for investment in financial concerns, real estate, etc.

There was some tendency for inflows of direct investment capital to be larger in the early part of the year. To a considerable extent, although not wholly, this arose from the timing of special transactions involving the acquisition of existing assets.

The industrial distribution of movements of capital for United States direct investment in Canada is given as usual in Statement 12 and 12A. These show that about 85 per cent of the net inflow of United States capital for direct investment in Canada in 1960 was directed to the petroleum and natural gas industry and mining, compared with about 65 per cent in 1959. It should be borne in mind, however, that the non-resident acquisition of existing concerns although about equal in the two years was more heavily concentrated in other industries in the earlier year, while on the other hand the change in statistical treatment referred to earlier reduced the amount of inflows in 1960 to the petroleum and natural gas industry attributed to the United States. The net amounts of inflow to these industries were \$375 million in 1960 and \$272 million in 1959, the increase being practically all accounted for by mining. (The increase in gross inflows was somewhat smaller). There was a sharp change in the net movement of United States direct investment capital to manufacturing which fell from \$99 million to \$24 million, mainly reflecting reduced acquisitions of existing interests. Net inflows of \$38 million to all other industrial groups were down from \$53 million in 1959.

STATEMENT 12. United States Direct Investment in Canada, 1946 - 60

Account	1952	1953	1954	1955	1956	1957	1958	1959	1960 ^P	1946 - 60 ¹
millions of dollars										
Gross inflows of new capital:										
Petroleum and natural gas industry ² ..	178	172	187	195	243	260	217	196	189	2,189
Mining, n.i.e.	98	104	66	60	63	78	79	138	218	988
Pulp and paper	7	1	23	35	42	48	16	18	29	307
Manufacturing, n.i.e.	71	52	41	77	108	111	91	153	82	1,597
Utilities, n.i.e.	2	6	2	9	2	3	3	4	14	
Merchandising, n.i.e.	5	31	9	21	16	27	11	33	19	
Financial	1	13	15	17	15	21	5	31	21	
Miscellaneous	2	4	7	9	16	17	14	15	20	
Sub-totals	364	383	350	423	506	565	436	588	592	5,081
Return of capital	45	37	62	117	100	175	133	164	155	1,151
Net capital inflow for direct investment (Table I, item D 1)	319	346	288	306	406	390	303	424	437	3,930
Net other identified capital movements affecting the investment of United States residents in United States controlled enterprises ³	135	- 3	36	63	269	240	170	110	90	1,120
Net capital inflow	454	343	324	369	675	630	473	534	527	5,050
Undistributed earnings and other factors including revaluations, reclassifications, and similar accounting adjustments	180 ⁴	333	257	357 ⁴	204 ⁴	450	100	333	186 ^{4,5}	3,271
Net increase in book value - Table X (B)	634	676	581	726	879	1,080	573	867	713	8,321

¹ For annual detail 1946 to 1951 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 United States direct and other 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 12A. Additional Detail of United States Direct Investment in Canada, 1959 and 1960

Industry	1959					1960 ^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	196	- 31	165	19	184	189	- 20	169	-16	153
Mining, n.i.e.	138	- 31	107	45	152	218	- 12	206	23	229
Pulp and paper	18	- 24	- 6	- 1	- 7	29	- 9	20	17	37
Manufacturing, n.i.e.	153	- 48	105	12	117	82	- 78	4	- 8	- 4
Utilities, n.i.e.	4	- 1	3	- 8	- 5	14	- 1	13	-15	- 2
Merchandising, n.i.e.	33	- 18	15	- 2	13	19	- 22	- 3	9	6
Financial	31	- 2	29	46	75	21	- 5	16	85	101
Miscellaneous	15	- 9	6	- 1	5	20	- 8	12	- 5	7
Totals	588	-164	424	110	534	592	-155	437	90	527

¹ 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.

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

The other capital movements adding to the value of United States investment in United States controlled concerns in Canada totalled \$90 million in 1960, compared with \$110 million in 1959. Taken together with the movements recorded for direct investment, the net capital movement adding to the total value of United States direct investment in Canada amounted to \$527 million in 1960, only slightly below the total for 1959, despite the change in methodology. All other factors, including undistributed earnings, accounting adjustments, etc. and taking into account also the transfer of some major investments to other categories, are estimated to have added a further \$186 million in 1960. The recorded net increase in the book value of United States direct investments in Canada in 1959 was \$867 million and the estimated increase in 1960 was \$713 million.

The fifteen years of the post-war period have seen gross inflows from the United States for direct investment aggregating \$5,081 million, more than 60 per cent of it to the petroleum, natural gas, and mining industries. During the same period some \$1,151 million of United States direct investment capital in Canada was repatriated, but this was almost offset by inflows of \$1,120 million in other forms which added to the value of United States owned and controlled investment, making a total movement of United States capital of \$5,050 million. Undistributed earnings, reclassifications, etc. led to a further rise of \$3,271 million in the period, bringing the total book value of United States direct investment in Canada from \$2,304 million at the end of 1945 to \$10,625 million at the end of 1960.

The petroleum and natural gas industry attracted nearly half of the net direct investment inflow from the United Kingdom in 1960, while finance and real estate investments accounted for perhaps a quarter. More than a third of the net direct investment inflows from other overseas countries were to manufacturing enterprises including some important acquisitions of Canadian-owned enterprises. Inflows to the petroleum and natural gas industry also represented more than a quarter of the total.

It may be noted 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 of acquiescence of non-resident investors in a position to control the company. It is, therefore, tantamount to the introduction of additional capital from abroad.

Some of the factors affecting the distribution or retention of earnings have been discussed earlier in comment on the income account. Statements 12 and 12A show substantial outflows in the direct investment account representing the return of capital to its foreign owners, amounting to some \$155 million in 1960. A part of these outflows reflects the withdrawal of foreign investors from some enterprises, but by far the largest part seems to cover capital repayments arising from cash flows generated in the enterprise in Canada, and may often be substantially offset by the retention in Canada of undistributed earnings accruing beneficially to non-residents. Such outflows may in a sense be regarded as really transfers of income although they take a capital form.

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 1959 are estimated to have amounted to about \$380 million, and their total for 1960 is tentatively placed at \$350 million. These are well above the amount shown for 1959 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 \$4,150 million to Canada's external indebtedness in the fifteen years from 1946 to 1960. 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 12 B. Estimated Undistributed Earnings on Foreign Direct Investments in Canada, 1946 - 60 and Other Factors Affecting Total Value

Year	Net increase in book value Table X	Net capital inflow for direct investment Table II	Other factors ¹	Undistributed earnings
millions of dollars				
1946	113	40	-47	120
1947	160	61	-26	125
1948	284	71	53	160
1949	316	94	67	155
1950	389	222	12	155

See footnote at end of table.

**STATEMENT 12 B. Estimated Undistributed Earnings on Foreign Direct Investments in Canada,
1946 - 60 and Other Factors Affecting Total Value — Concluded**

Year	Net increase in book value Table X	Net capital inflow for direct investment Table II	Other factors ¹	Undistributed earnings
millions of dollars				
1951	545	309	36	200
1952	698	346	42	310
1953	785	426	34	325
1954	761	392	54	315
1955	964	417	182	365
1956	1,140	583	87	470
1957	1,261	514	287	460
1958	751	420	71	260
1959	1,026	550	96	380
1960	1,069	645	74	350 ²
Totals, 1946 - 60	10,262	5,090	1,022	4,150

¹ New issues, retirements, borrowing, investment abroad, etc. affecting the total value of foreign direct investment in Canada, and other factors including revaluations, reclassifications, and similar accounting adjustments.

² Tentative estimate.

Direct Investment Abroad

Net outflows of Canadian capital for direct investment abroad totalled \$85 million in 1960 which compares with \$80 million in 1959. The outflow in 1960 was with one exception the largest in the post-war period; in 1956 there was an outflow of \$104 million but a significant part represented the acquisition by Canadians of major interests in existing concerns abroad. If one aspect of these flows stands out in 1960 it is the degree to which the total reflects a multiplicity of varied transactions having little in common with respect to origin, industry or destination; in the past totals have shown a tendency to be dominated by a relatively few very large transactions.

More than half of the net outflow was to the United States which received \$48 million in 1960 in contrast to \$7 million in 1959; the disposal of some petroleum interests in that country reduced the total in 1959. The figure for 1958 was also reduced by the sale of some Canadian interests, and the total for 1960 corresponded more closely with the levels in earlier years since the termination of exchange control in Canada. The net outflow to the United Kingdom fell sharply from \$44 million in 1959 to \$15 million in 1960 reflecting largely the absence in the latter year of important transactions involving the purchase of manufacturing undertakings in that country. Net outflows of other overseas countries at \$22 million were \$7 million below the figure recorded for 1959.

About the figures —

Foreign Direct Investment in Canada

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. While some parent companies are supplying additional capital to finance expansion in Canada, others find that the funds generated in Canada from earnings, depreciation, etc. are greater than their foreseeable needs in this country and there is always some significant return of capital from Canada.

It is never possible to measure precisely the part of direct investment flows 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 shifting the nature of their financial liabilities from one form to another, in accordance with changing circumstances.

Annual estimates of the total value of direct investments cover the total value of 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.

Summary of Transactions in Portfolio Securities

Although in 1960 direct investment re-asserted itself as Canada's largest source of foreign capital, transactions in portfolio securities contributed a sizable \$226 million equivalent to nearly a fifth of the current account deficit. This net inward movement was much smaller than for the years 1956 to 1959 when the inflow aggregating \$2,717 million was equivalent to about half of the current account in the four year period, but it was larger than in all but two of the preceding post-war years.

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 \$447 million, but there were offsetting retirements of

\$253 million of foreign-held Canadian securities. Trade in outstanding Canadian securities resulted in a sales balance to non-residents of \$52 million, bringing the net movement from transactions in Canadian securities to \$246 million. In the opposite direction there was a net capital export of \$20 million from all transactions by Canadians in foreign securities.

The over-all movement of portfolio security capital in 1960 came on balance entirely from the United States. There were outflows to the United Kingdom sufficient to more than offset the inflows from all other overseas countries. In 1959 residents of the United States accounted for 76 per cent of the very much larger inflow of \$617 million, with residents of the United Kingdom supplying 5 per cent and other overseas countries 19 per cent.

About the figures -

Transactions in Portfolio Securities

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* (Catalogue No. 67-002), particularly the December issues which contain an annual review. Due to revisions the figures

appearing in this report will differ in some cases from those published in the earlier monthly reports.

A description of statistical sources and methods will be found on pages 26 to 30 of the December 1960 issue.

The net capital inflow to Canada from security transactions with the United States totalled \$229 million in 1960, compared with \$469 million in 1959. The movement included net sales of \$226 million of Canadian securities, comprising \$54 million of outstanding stocks and \$381 million of new issues, offset by retirements of \$200 million and net repurchases of \$9 million of outstanding bonds and debentures. This repurchase balance re-established a pattern of annual repurchases from the United States of outstanding Canadian bonds and debentures broken since 1950 only in the year 1959. On the whole there tended to be sales of outstanding government issues and repurchases of outstanding corporate issues which, as noted later, may have been influenced by sinking fund requirements. Transactions with the United States in foreign securities led a capital inflow of \$3 million.

Security transactions with the United Kingdom in 1960 led to a capital outflow of \$33 million in contrast with the inflow of \$28 million in 1959. This net outflow was the first since 1952. It took the form of net repurchases by Canadians of \$13 million of outstanding Canadian bonds and debentures (mainly corporate) and \$16 million of outstanding Canadian stocks, as well as the retirement of \$27 million of various Canadian issues and net purchases of \$3 million of foreign securities (principally United Kingdom bonds), offset by sales to residents of the United Kingdom of \$26 million of a variety of new issues of Canadian bonds and stocks.

This outflow to the United Kingdom slightly more than offset an inflow of \$30 million from other overseas countries. The inflow from these countries compared with the record of \$120 million established in 1959. Contributing to the total were net sales of \$25 million of outstanding Canadian bonds and debentures (mainly Government of Canada), \$11 million of outstanding Canadian stocks, and \$40 million of new Canadian issues. Against these inflows were retirements of \$26 million of foreign-held Canadian issues and a further outflow of \$20 million for the acquisition of foreign issues, a significant part being United States obligations.

A high volume of international security movements of portfolio capital between Canada and other countries is normal. In 1960 the total value of transactions leading to the net inflow of \$226 million was nearly \$2.6 billion. In 1959 gross transactions approached \$3.1 billion, and in 1958 the turn-over amounted to \$2.5 billion.

Foreign savings made available to Canada through the acquisition of Canadian provincial, municipal and corporate securities in 1960 were equal to somewhat more than 15 per cent of the net new supply of these securities. In 1959 when net new issues of these types of securities were somewhat larger, non-resident acquisitions were equal to about 40 per cent. Canadian investors absorbed a much greater amount of the new offerings of these classes of securities in 1960 than was the case in 1959. Relatively, Canadian capital supplied a

greater proportion of this financing than in any year since 1955, although the actual amount was smaller than in the first three years of this period.

debentures; the 1959 figure was made up of \$110 million of stocks and \$91 million of bonds and debentures. Details will be found in Statement 13.

Transactions in Outstanding Canadian Securities

The capital inflow of \$52 million produced by trade in outstanding Canadian securities during 1960 was much smaller than in 1959 when the corresponding figure was \$201 million. The total in 1960 was made up of \$49 million of common and preference stocks and \$3 million of bonds and

Taken as a whole, trade in outstanding Canadian securities produced \$32 million in the first quarter of 1960, and \$39 million in the second, while there were outflows of \$9 million and \$10 million in the third and fourth quarters respectively. These outflows arose entirely from trade in outstanding Canadian bonds and debentures; there were net sales of outstanding stocks in each quarter as there have been for many years past.

STATEMENT 13. Transactions in Canadian Securities between Canada and Other Countries, 1959 and 1960

A minus sign indicates an outflow of capital from Canada

Account	Trade in outstanding issues		Proceeds of new issues		Retirements		Total	
	1959	1960	1959	1960	1959	1960	1959	1960
millions of dollars								
By type of security								
Bonds and debentures:								
Government of Canada, direct	+105	+34	+ 42	+ 19	-101	- 58	+ 46	- 5
Government of Canada, guaranteed	+ 13	+15	+ 14	+ 12	—	—	+ 27	+ 27
Provincial government (including guaranteed)	- 5	- 8	+334	+102	- 41	- 51	+288	+ 43
Municipal government	+ 2	+ 4	+158	+135	- 34	- 35	+126	+104
Railways, not guaranteed by government	- 2	- 4	—	—	- 9	- 2	- 11	- 6
Other corporations	- 22	-38	+112	+153	- 56	- 98	+ 34	+ 17
Sub-totals: bonds and debentures	+ 91	+ 3	+660	+421	-241	-244	+510	+180
Common and preference stocks	+110	+49	+ 47	+ 26	- 17	- 9	+140	+ 66
Totals (Table 1, items D3, 4, 5)	+201	+52	+707	+447	-258	-253	+650	+246
By country								
United States	+ 94	+45	+622	+381	-211	-200	+505	+226
United Kingdom	+ 11	-29	+ 45	+ 26	- 30	- 27	+ 26	- 30
Other sterling area	—	—	—	—	—	—	—	—
Other OEEC countries	+ 92	+36	+ 40	+ 39	- 16	- 25	+116	+ 50
Other countries	+ 4	—	—	+ 1	- 1	- 1	+ 3	—
Totals (Table 1, items D3, 4, 5)	+201	+52	+707	+447	-258	-253	+650	+246
By quarter								
First quarter	+ 65	+32	+180	+209	- 42	- 50	+203	+191
Second quarter	+ 48	+39	+117	+146	- 84	- 78	+ 81	+107
Third quarter	+ 58	- 9	+213	+ 52	- 61	- 32	+210	+ 11
Fourth quarter	+ 30	-10	+197	+ 40	- 71	- 93	+156	- 63
Totals (Table 1, items D3, 4, 5)	+201	+52	+707	+447	-258	-253	+650	+246

Since mid-1954 ten special income-accumulating funds have been organized in Canada with important advantages to United States investors under the tax structure 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.

Again in 1960, as in 1959, redemptions by these funds of their own shares exceeded sales. The liquidation amounted to about \$30 million, compared with \$10 million in 1959. Since the funds retain their net income and since they also invest in other countries, the effect on Canada's balance of payments does not correspond with the redemption of their shares. The market value of their holdings of Canadian securities fell by about \$56 million during the year to about \$275 million at the end. Between

\$30 and \$35 million of the decline is estimated to have reflected declining market values, and the balance actual net sales of Canadian holdings.

At the end of 1960 the total investment in the funds was about \$329 million including about \$3 million from realized and unrealized capital appreciation. About \$48 million of the total was invested in foreign securities, mainly European, and a further \$6 million took the form of cash balances and other current assets. The investment in Canadian securities had a market value of \$275 million, including \$267 million of equities. About \$265 million of this total is estimated to have been owned by United States investors.³

Common stock prices in Canada, as measured by the DBS Investors Index, were about 2 per cent higher at the end of 1960 than at the beginning of the year. On the other hand common stock prices in the United States as measured by Standard and Poor's "500" Index fell about 3 per cent. (During 1959 stock prices in Canada had risen about one per cent compared with an increase of more than ten per cent in the United States). The average in Canada over the year 1960 was about six per cent less than in 1959, and the average in the United States was about three per cent lower. 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

³ Estimates in these paragraphs are based on balance sheet data which do not correspond precisely with the calendar year.

not all of the issues listed are available for trading. Gross sales to non-residents, which were almost a third smaller in value than in 1959, accounted for somewhat more than one-fifth of the value of shares traded on the principal exchanges in Canada, about the same proportion as in the preceding year.

New Issues and Retirements of Canadian Securities

Canada received \$447 million from the sale of new issues of Canadian securities to non-residents in 1960. This figure was much below the totals for the four preceding years, but was well above the levels of earlier post-war years. Details of the new issues, classified by issuer and by currency of payment, will be found in Statements 13 and 13A. They show that the proceeds of new issues sold to non-residents were heavily concentrated in the first half of the year, particularly in the first quarter. They record a notable decline in the borrowing abroad by provincial and to a lesser extent municipal authorities. On the other hand, it may be noted that sales to non-residents of new issues of corporate securities were higher in 1960 than in 1959.

Residents of the United States bought about 85 per cent of the new issues sold to non-residents during 1960, or a slightly smaller proportion than in 1959 when the total amount was much larger. 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 70 per cent in 1960 and about 80 per cent in 1959.

STATEMENT 13 A. Proceeds of New Issues of Canadian Securities Sold to Non-Residents, 1952-60

Account	1952	1953	1954	1955	1956	1957	1958	1959	1960	1952-60
millions of dollars										
Bonds and debentures payable optionally or solely in foreign currencies:										
Government of Canada, direct	—	—	—	—	—	—	—	—	—	—
Government of Canada, guaranteed	—	—	—	—	—	—	—	—	—	—
Provincial government (incl. guaranteed)	101	136	114	—	212	130	162	321	93	1,269
Municipal government	43	66	34	40	106	115	143	148	119	814
Railways, not guaranteed by government	—	—	24	—	—	—	—	—	—	24
Other corporations	116	39	72	5	190	393	189	54	83	1,141
Totals	260	241	244	45	508	638	494	523	295	3,248
Bonds and debentures payable in Canadian dollars only:										
Government of Canada, direct	1	6	5	5	9	16	67	42	19	170
Government of Canada, guaranteed	—	—	4	—	—	—	9	14	12	39
Provincial government (incl. guaranteed)	6	7	12	3	12	6	6	13	9	74
Municipal government	3	9	11	4	6	8	5	10	16	72
Railways, not guaranteed by government	2	—	1	—	—	—	1	—	—	4
Other corporations	21	26	35	46	62	69	52	58	70	439
Totals	33	48	68	58	89	99	140	137	126	798
Bonds and debentures:										
Government of Canada, direct	1	6	5	5	9	16	67	42	19	170
Government of Canada, guaranteed	—	—	4	—	—	—	9	14	12	39
Provincial government (incl. guaranteed)	107	143	126	3	224	136	168	334	102	1,343
Municipal government	46	75	45	44	112	123	148	158	135	886
Railways, not guaranteed by government	2	—	25	—	—	—	1	—	—	28
Other corporations	137	65	107	51	252	462	241	112	153	1,580
Sub-totals, bonds and debentures	293	289	312	103	597	737	634	660	421	4,046
Common and preference stocks	23	46	19	63	70	61	43	47	26	398
Totals	316	335	331	166	667	798	677	707	447	4,444

**STATEMENT 13 B. Contract and Delivery of New Issues of Canadian Bonds and Debentures
Sold to Residents of the United States, 1957 - 60**

Year and Quarter	Sales contracts entered into	Add deliveries of prior sales	Deduct sales for later delivery	Proceeds of new issues (Table I, item D4)
millions of dollars				
1956 .....	..	..	-122	557
1957	656	122	- 80	698
1958	574	79	- 70	583
1959	575	64	- 35	604
1960	438	41	-110	369
1957 I	277	82	-126	233
II	265	63	- 61	267
III	68	77	- 20	125
IV	46	27	-	73
1958 I	161	9	- 9	161
II	260	32	- 40	252
III	20	73	- 5	88
IV	133	5	- 56	82
1959 I	98	58	- 4	152
II	164	6	- 72	98
III	177	73	- 57	193
IV	136	48	- 23	161
1960 I	182	27	- 24	185
II	100	28	- 3	125
III	53	11	- 31	33
IV	103	3	- 80	26

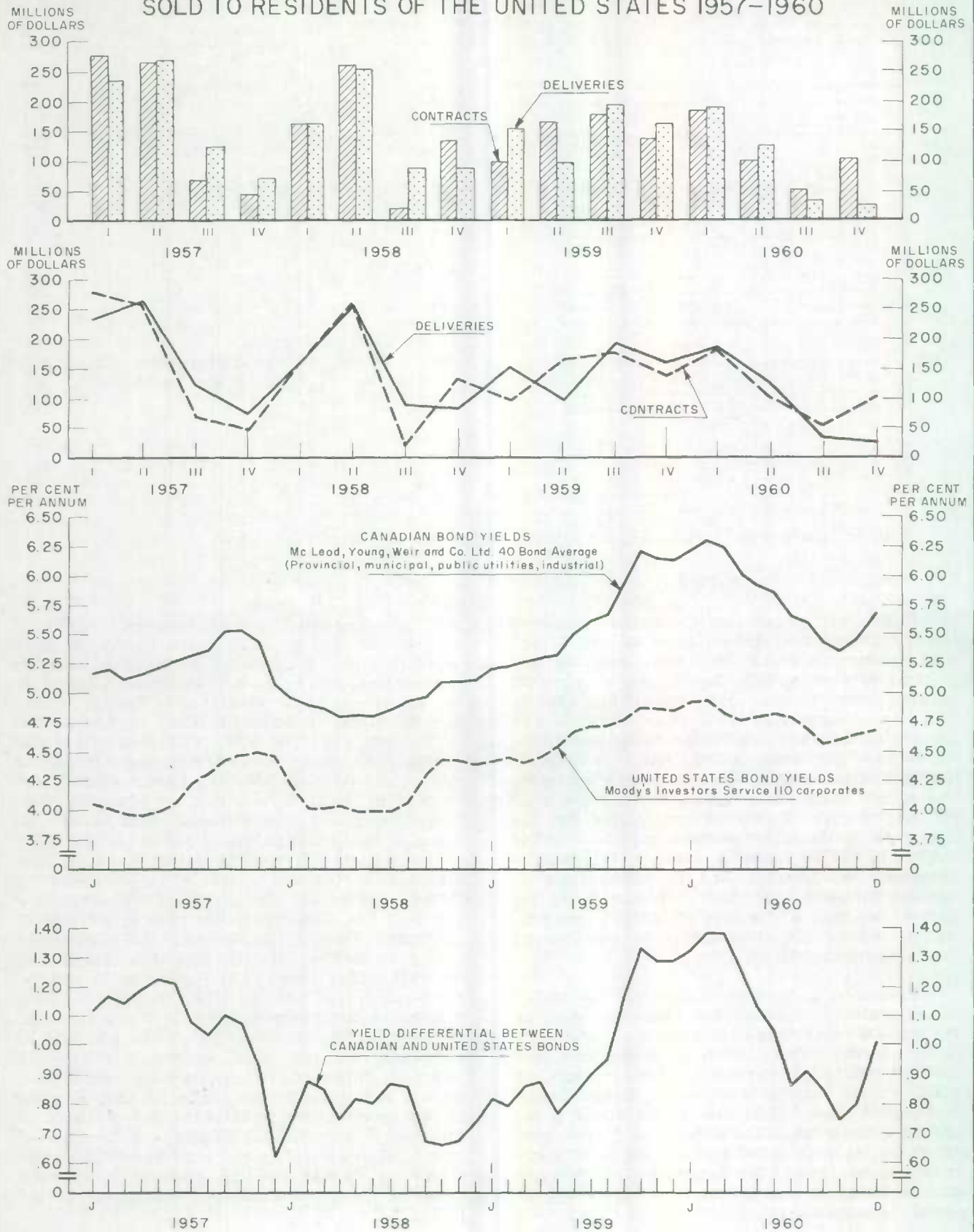
Note: As details of all contracts are not available, deferred deliveries may be understated.

Statement 13B sets out the contracts entered into covering sales to residents of the United States of new Canadian bonds and debentures, and delivery data appropriate for balance of payments purposes, over the four year period from 1957 to 1960. An accompanying chart relates these data to average bond yields in both Canada and the United States over the same period. While there is in evidence a relationship between new issues contracted and yield differentials, the correlation is far from precise. It may be conjectured that the magnitude of financing involved and the possible saturation of the Canadian market, the relative standings in Canadian and foreign markets of various borrowers and their relationship to the markets, as well as the type of industry involved, may be among the additional factors determining the source of capital.

Interest rates in both Canada and the United States tended to decline over 1960. The yield on the representative long-term Government of Canada issue shown in Table 7 fell 19 base points from 5.60 per cent to 5.41 per cent. At the same time the yield on the roughly comparable United States Government issue fell 61 base points from 4.41 per cent to 3.80 per cent. The differential for the dates shown in the table varied between 108 base points in September and 161 base points in December. At no time during the year did the yield differential between these issues fall below one per cent per an-

num. The comparison of yields between central government issues may not, however, be the one most appropriate for analysis of international security transactions. Markets for these instruments appear at times to have reflected special local domestic monetary and fiscal situations. It is not improbable that an investor may give to the securities of his own central government a specially preferred position, and may equate the securities of a foreign central government in his portfolio with those of a high grade junior government or corporation. Special tax considerations in the United States add to the difficulty of comparisons. It may be noted, however, that differentials between industrial bond yields in Canada and in the United States did not follow precisely the same trend over 1960 as for central government issues. In general the differential tended to decline over the first three quarters of the year falling from about 1½ per cent to perhaps three-quarters of one per cent. During the fourth quarter the differential rose to about one per cent. Over the year the industrial differential was reduced somewhat while the central government differential increased somewhat. Yet another yield comparison, perhaps more valid for the evaluation of total sales of new issues to residents of the United States, is given in the chart. This compares an average of provincial, municipal, public utilities and industrial issues in Canada with an average of corporate railways, public utilities and industrials in the United States.

CONTRACTS AND DELIVERIES OF NEW ISSUES OF CANADIAN BONDS & DEBENTURES SOLD TO RESIDENTS OF THE UNITED STATES 1957-1960



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 1960 was \$381 million. This included \$12 million from the sale of Canadian stocks, \$89 million from the sale of Canadian bonds and debentures payable optionally or solely in Canadian funds, and \$280 million from the sale of Canadian bonds and debentures payable in United States funds only. The par value of the latter issues was \$295 million, from which there was deducted about \$4 million for discounts, underwriting commissions, and other expenses, and \$11 million for discount on the United States dollar.

Retirements of foreign-held Canadian securities totalled \$253 million in 1960 compared with \$258 million in 1959. These high levels have not been exceeded since 1950. A large volume of retirements is of course to be expected following increases in foreign-held debt. Retirements required by the operation of sinking funds are often satisfied through the surrender of bonds acquired in the market and consequently some of the repurchases of outstanding issues in effect also represent debt retirement. There was a sharp increase in retirements of corporate debt, from \$65 million in 1959 to \$100 million in 1960, almost \$20 million of which can be attributed to the retirement of obligations of uranium companies. Retirements of Government of Canada debt totalling \$58 million, mainly issues

sold in the late fifties, were only slightly more than half the 1959 total, but were more than double those of the previous year. There were increases in retirements in most other categories of funded debt, but smaller stock retirements. The geographic pattern of the outflows for debt retirement was similar to previous years, with over three-quarters being to the United States, and the rest divided about equally between the United Kingdom and other overseas countries.

Transactions in Foreign Securities

For the second successive year there was an outflow in 1960 to cover net purchases by Canadians of foreign securities. The figure of \$20 million arose entirely from trade in outstanding issues, as purchases of new issues were offset on balance by retirements. Net purchases of outstanding foreign securities included \$14 million of bonds; Canadians purchased on balance \$19 million of long-term United States Government issues and \$4 million of obligations of residents of other countries but resold \$9 million of United States corporate issues. The figures include some special transactions in United States Government issues. Net Canadian purchases of outstanding foreign stocks, mainly European, totalled \$6 million. Geographically, trade in outstanding foreign securities is made up of net purchases of \$3 million and \$21 million from the United Kingdom and other overseas countries, offset by net resales of \$4 million to the United States.

STATEMENT 14. Transactions in Foreign Securities between Canada and Other Countries, 1959 and 1960

A minus sign indicates an outflow of capital from Canada

Account	Trade in outstanding issues		Proceeds of new issues		Retirements		Total	
	1959	1960	1959	1960	1959	1960	1959	1960
millions of dollars								
By type of security								
Foreign bonds and debentures	-12	-14	- 7	-10	+11	+ 9	- 8	-15
Foreign common and preference stocks	-20	- 6	- 6	- 8	+ 1	+ 9	-25	- 5
Totals (Table I, items D6, 7, 8)	-32	-20	-13	-18	+12	+18	-33	-20
By country								
United States	-34	+ 4	- 8	-13	+ 6	+12	-36	+ 3
United Kingdom	+ 2	- 3	-	-	-	-	+ 2	- 3
Other sterling area	-	-	-	- 1	+ 2	+ 1	+ 2	-
Other OEEC countries	-	- 1	-	-	-	-	-	- 1
Other countries	-	-20	- 5	- 4	+ 4	+ 5	- 1	-19
Totals (Table I, items D6, 7, 8)	-32	-20	-13	-18	+12	+18	-33	-20
By quarter								
First quarter	- 5	+ 7	- 3	- 2	+ 3	+ 6	- 5	+11
Second quarter	-12	- 5	- 2	- 3	+ 2	+ 3	-12	- 5
Third quarter	- 7	+ 2	- 1	- 2	+ 3	+ 7	- 5	+ 7
Fourth quarter	- 8	-24	- 7	-11	+ 4	+ 2	-11	-33
Totals (Table I, items D6, 7, 8)	-32	-20	-13	-18	+12	+18	-33	-20

Canadians in 1960 purchased \$18 million of new foreign securities including issues of borrowers in the United States, Israel, and other countries. Retirements of Canadian-held foreign securities in the same period totalled \$18 million including investments in the United States, Latin America, other countries, and international financial organizations.

Long-Term Investments Abroad by the Government of Canada

All the aid extended in 1960 by Canada directly to overseas governments took the form of official contributions, and there were consequently no increases in outstanding loans. Repayments of principal on earlier intergovernmental loans totalled \$32 million, including amounts from the United Kingdom, Belgium, France and The Netherlands. In addition to the principal repayments there were receipts of \$32 million on account of interest in 1960; this is a part of the item in the current account covering Canada's receipts from interest and dividends.

By the end of 1960 the outstanding balances on loans of \$2,485 million extended by Canada since the beginning of World War II amount to \$1,386 million.⁴ The amount of principal outstanding on the United Kingdom loan of 1946 was \$1,047 million, and a further \$339 million was outstanding by other overseas countries on post-war loans made under Part II of the Export Credits Insurance Act, special wheat and flour loans, 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 1960 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 \$1,418 million outstanding.

During 1960 Canada's additional subscription to the capital stock of the International Bank for Reconstruction and Development involved a net payment of about \$3 million. About \$1 million of this was paid in United States dollars, and the balance accomplished through adjustment of the Bank's holdings of Canadian dollars. (The subscriptions and adjustment in Canadian funds, together with the Bank's holdings of Canadian funds, are included in the item "other capital movements"). In addition to the capital subscription to the International Bank for Reconstruction and Development, Canada's initial participation in the recently established International Development Association involved an outlay in the fourth quarter

of between \$8 million and \$9 million. Nearly \$2 million of this was paid in United States funds, and the balance in Canadian funds. This latter part of the subscription and the Canadian dollar holdings arising from it are, as in the case of the other international financial agencies, included as "other capital movements". The International Development Association is to provide assistance to less developed areas of the world covered by the membership. Further subscriptions are to be made over a four year period.

Change in Canadian Dollar Holdings of Foreigners

The capital inflow taking the form of increased holdings of Canadian dollars by non-residents during 1960 was the largest over the past decade. The net movement amounted to \$120 million. In quarterly succession there were minor reductions of \$2 million each in the first half of the year followed by mounting accumulations of \$45 million and \$79 million by the end of the year.

Geographically, residents of the United States increased their holdings by \$60 million, residents of the United Kingdom by \$9 million and residents of other overseas countries by \$51 million.

The steady development of the short-term money market in Canada, its relationship to markets in other countries, and its effect on the Canadian balance of international payments is again indicated by the prominence of transactions by non-residents in Canadian treasury bills, a major factor in the Canadian dollar holdings of foreigners.

Over the course of the year non-residents purchased about \$380 million of Canadian treasury bills; this was somewhat above the total of \$369 million for the previous year when, moreover, non-residents had acquired some one year bills under an exchange offer. As most of the bills acquired by non-residents naturally matured or were repurchased by Canadians in the same year, the net holdings by non-residents rose by \$56 million in 1960 as against \$14 million in the previous year. Total non-resident-owned holdings at the end of 1960 were \$120 million. More than three-quarters were holdings of residents of the United States who held \$93 million. In contrast, at the end of 1959 residents of the United States held only \$22 million out of \$64 million total foreign holdings.

Statement 14A gives monthly figures for 1959 and 1960 of sales to non-residents of Canadian treasury bills and of repurchases and maturities of foreign-held Canadian treasury bills, together with the amounts so held at the end of each month. While the total volume of transactions in 1960 was somewhat smaller than for 1959, holdings rose by a larger net amount.

⁴ Excludes \$44 million deferred interest on the loan of 1946 to the United Kingdom.

**STATEMENT 14 A. Transactions in Canadian Treasury Bills between Canada
and Other Countries, 1959 - 60**

Month	Sales		Repurchases and maturities		Net change in holdings		Holdings at month-end	
	1959	1960	1959	1960	1959	1960	1959	1960
millions of dollars								
January	17	20	20	12	- 5	8	47	72
February	28	16	10	29	18	-13	65	59
March	18	21	33	24	-15	- 3	50	56
April	30	16	13	12	17	4	67	60
May	28	18	19	20	9	- 2	76	58
June	59	19	22	31	37	-12	113	46
July	39	43	30	17	9	26	122	72
August	43	36	26	17	17	19	139	91
September	15	28	40	46	-25	-18	114	73
October	13	68	45	36	-32	32	82	105
November	31	49	41	14	-10	35	72	140
December	48	46	56	66	- 8	-20	64	120
Year	369	380	355	324	14	56	64	120

Notes: The figures include minor unidentified amounts of commercial paper.
An increase in holdings (+) reflects a capital inflow.

The page of charts showing the transactions in 1960 also illustrates the factors influencing interest arbitrage movements of capital from the United States to Canada.⁵ Corresponding charts for 1959 appeared in the report for that year, although it may be noted that the scales employed were somewhat different. 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 term of the investment. In theory, movements of interest arbitrage capital may be expected to continue to a point where the cost of exchange protection offsets any remaining interest differential. Not all purchases of treasury bills are covered in this manner. Some investors may choose to accept the risk of exchange rate fluctuations; others may have an ultimate use for the currency and may therefore not be concerned with repatriation of the proceeds of maturing bills. In the latter part of both 1959 and 1960 some of the bills acquired by non-residents fell into this category.

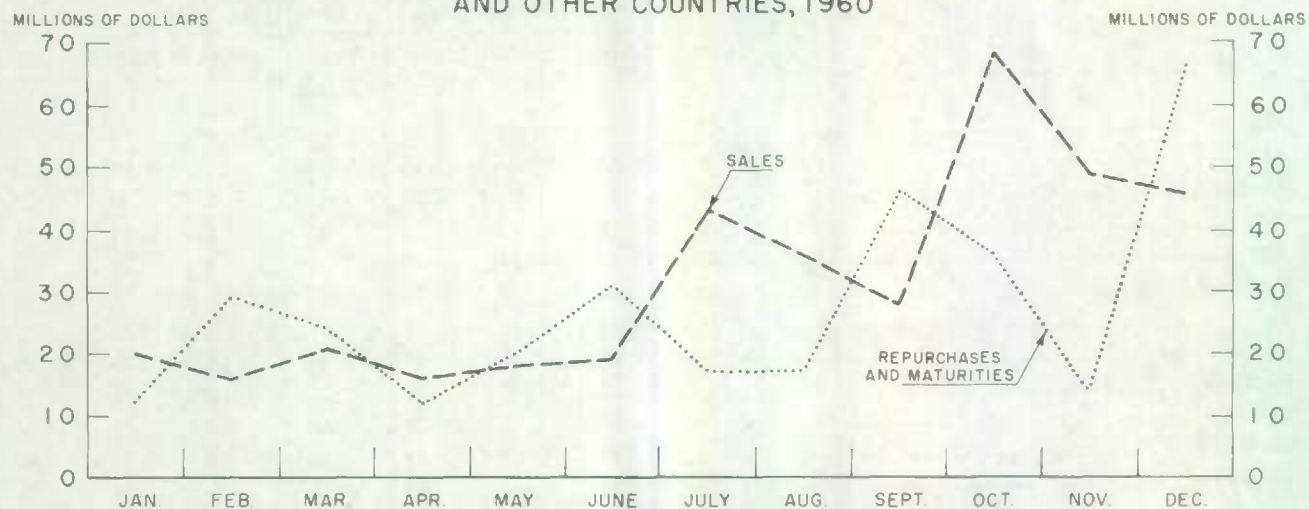
Yields on 3 month treasury bills moved through a wider range in 1960 than in 1959 in both Canada and the United States. For a short period of the year the yield on Canadian treasury bills fell as much as $\frac{3}{4}$ per cent below the United States' yield while throughout 1959 it had been $\frac{1}{4}$ per cent or

more above. At its greatest point, however, the spread of about 1.64 per cent in 1960 was much lower than in 1959, when it reached about 2.96 per cent. As was to be expected under these conditions the premium on 90-day forwards in United States funds was also much smaller in 1960 than in 1959. It was at a maximum of around one per cent in the very early days of the year and again near the end, in contrast with a maximum of nearly 3 per cent the previous year. During part of 1960 there was a discount for the first time since the fall of 1958. As the result of the divergent influences, the net nominal yield differential adjusted for the cost of exchange protection reached nearly one per cent in June and July and exceeded this figure at times during the final quarter. Earlier the differential in favour of arbitrage movements from Canada to the United States (i.e. in the reverse direction) had at one time reached one-half of one per cent. In 1959 the protected differential varied between about three-quarters of one per cent in favour of Canadian bills and one per cent in favour of United States bills.

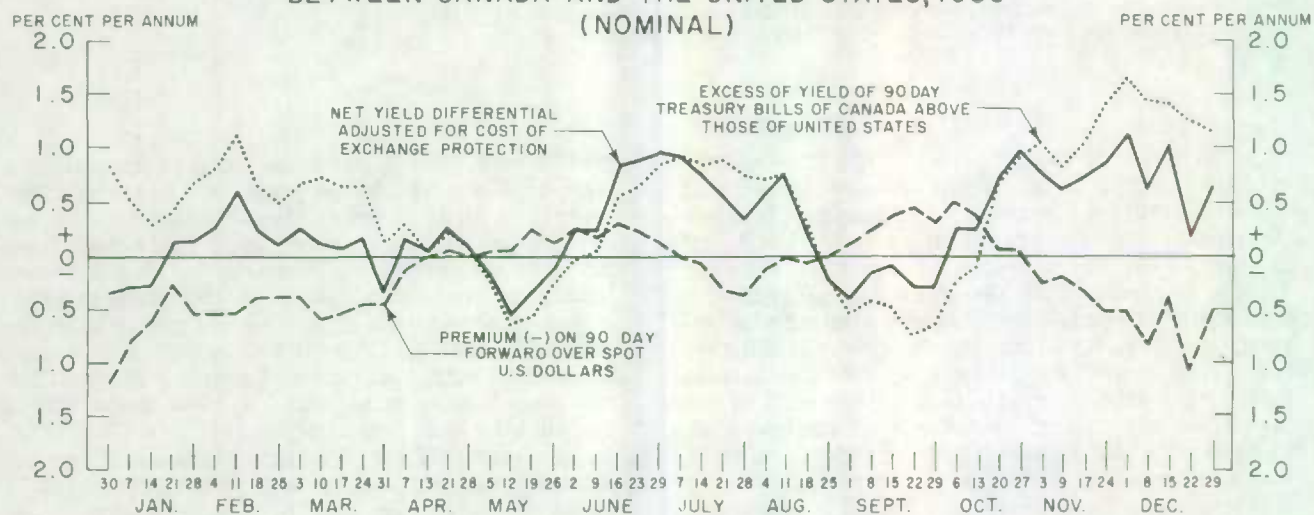
At the close of 1960 non-residents' holdings of Canadian dollars totalled \$600 million, including \$120 million of Canadian treasury bills. These figures are apart from holdings of international financial agencies. (Changes in these holdings are shown in "other capital movements"). In addition to treasury bills, Canadian dollar holdings of non-residents took the form of deposits with the Chartered Banks, the Bank of Canada, and Bank Trust Companies, as well as some official accounts with the Government of Canada or its agencies.

⁵ Quotations upon which the interest differentials are based are subject to technical factors but are sufficiently accurate to illustrate the broad character of the changes.

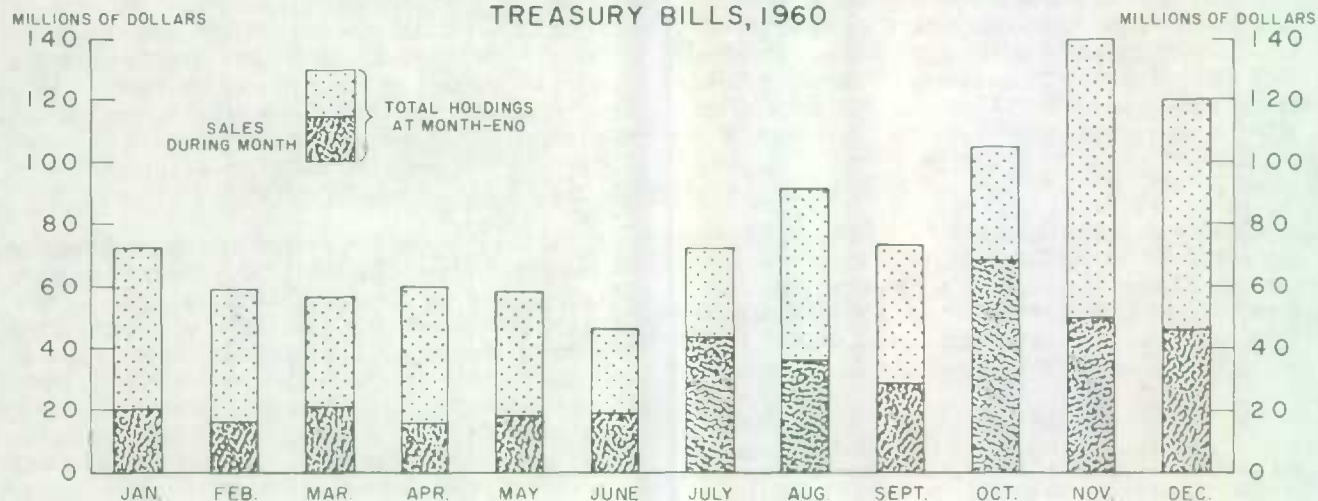
SALES, REPURCHASES, AND MATURITIES, OF CANADIAN TREASURY BILLS BETWEEN CANADA AND OTHER COUNTRIES, 1960



SHORT-TERM INTEREST AND EXCHANGE DIFFERENTIALS BETWEEN CANADA AND THE UNITED STATES, 1960 (NOMINAL)



HOLDINGS BY NON-RESIDENTS OF CANADIAN TREASURY BILLS, 1960



Change in Official Holdings of Gold and Foreign Exchange

Canada's official holdings of gold and foreign exchange were reduced during 1960. This reduction in Canadian assets abroad represents an import of capital amounting to \$39 million, and it followed a similar import of \$70 million in 1959 (mainly offset by Canada's gold subscription in that year to the International Monetary Fund). In 1958 Canada's official holdings of gold and foreign exchange were increased by an outflow of \$109 million. The capital inflow in 1960 occurred in the first half of the year, and was partly offset by outflows in the latter half. All the movement reflected a net reduction of Canada's holdings of gold and United States dollars; official holdings of other currencies are generally limited to working balances.

In terms of United States dollars, official holdings of gold and United States funds fell from \$1,869.2 million at the end of 1959 to \$1,829.2 million at the end of 1960. The month-end figures through 1960 did not again reach the level at the beginning of the year. The closing total was, however, well above the month-end low point of \$1,740.3 million recorded for May. Official holdings of sterling are limited to working balances and were of the order of \$7 million at the end of 1960.

Other Capital Movements

All other capital movements are estimated to have led to a net capital inflow of \$243 million in 1960, compared with the exceptionally large figure of \$360 million for 1959. The 1959 inflow from these groups of transactions greatly exceeded 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, together with quarterly totals, in Statement 15. It may be of interest to note that there have been inflows from these transactions in the second quarter and outflows in the third in seven of the last eight years. While seasonal factors are clearly in evidence in the totals, the individual components have not all been obtainable on a quarterly basis with sufficient precision to facilitate research into their behaviour in the past. It is hoped that quarterly detail can be made available on a continuing basis from 1960.

The group of entries related to Canada's participation in international financial agencies requires little comment. A description of them has already appeared earlier in this report.

Many different types of movement, in both directions, contributed to the net inflow of \$58 million arising from other long-term capital transactions. Among them were transfers of capital by insurance companies, long-term bank loans, trade credits and other borrowing.

A more homogeneous component was the borrowing from non-residents by Canadian finance companies totalling \$65 million. With the exception of 1959 this was a record. Most of the movement occurred in the last quarter of the year when some \$54 million came into Canada for the purpose. The net borrowing abroad of \$321 million between 1952 and 1960 may be compared with a growth in this period of \$797 million in the total outstanding notes and debentures of instalment and other finance companies. While the borrowings from non-residents include some open account borrowing from affiliates, on the other hand there are long-term debentures held abroad whose sale was included with portfolio transactions in corporation bonds and debentures. 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 nine-year period included \$288 million of chartered bank loans and \$449 million growth in capital, reserves, and "other" liabilities.⁶ There is, of course, some substantial foreign direct investment capital included in this group.

Among the particularly interesting components shown in Statement 15 is the growth of bank balances and other short-term funds abroad, apart from official holdings of gold and foreign exchange. The net capital outflow for this purpose from 1946 to 1960 was \$989 million.⁷ These private and banking holdings of exchange were placed at \$1,168 million at the end of 1960. For the most part they take the form of deposits of residents represented by claims in United States dollars or of United States short-term securities held for the account of residents.

In the light of the net increase in these holdings of about \$61 million in 1960, it will be of some interest to note that total foreign currency deposits with the Chartered Banks of Canada as a whole rose in the same period from about \$2,372 million to \$2,654 million, while their net foreign assets, after provision for reserves, increased from \$21 million to \$71 million. There are many factors entering into the reconciliation between the series appropriate for the balance of payments and the Statutory Returns of the Chartered Banks. Some of the reported deposits form part of the operations outside Canada of the banks, while some which are in Canada are not assets of Canadian residents or are associated with loans in foreign currency to Canadian residents and are not foreign assets from the point of view of the Canadian economy as a whole. On the other hand there are important foreign currency deposits held directly outside Canada by residents other than the banks.

Reference has already been made in the earlier section discussing changes in Canadian dollar holdings of foreigners to varying conditions in the international money market.

⁶ Bank of Canada Statistical Summary, August 1961.

⁷ Because of exchange rate changes the capital movements are not equivalent to changes in the value of holdings.

STATEMENT 15. Composition of Other Capital Movements, 1953-60

A minus sign indicates an outflow of capital from Canada

Transactions with all countries	1953	1954	1955	1956	1957	1958	1959	1960 ^P				
								Year	IQ	IIQ	IIIQ	IVQ
	millions of dollars											
By type												
International financial agencies: ¹												
Canadian dollar subscriptions	-	29	-4	- 1	8	- 3	-178	- 9	-	- 1	- 2	-6
Short-term Canadian dollar holdings ..	- 18	-42	-5	- 16	- 7	2	181	5	-	3	2	-
Loans by Government of United Kingdom to a Canadian Corporation	20	-	-	-	-	-	-	-	-	-	-	-
Other long-term capital transactions	- 10	29	49	152	42	100	28	58	3	43	- 3	15
Borrowings from non-residents by finance companies	19	11	23	64	7 ^r	24 ^r	73	65	- 6	11	6	54
Bank balances and other short-term funds abroad (excluding official reserves) ²	- 79	-75	91	-215	-274	- 58	-120	-61	32	-79	-87	73
All other transactions including changes in loans and accounts receivable and payable ³	-117	20	50	168	350 ^r	57 ^r	376	185	-100	185	45	55
Totals (Table I, item D17)	-185	-28	204	152	126	122	360	243	- 71	162	-39	191
By quarter												
First quarter	- 90	-62	1	206	124	131	118	-71	- 71	-	-	-
Second quarter	41	92	111	93	114	19	201	162	-	162	-	-
Third quarter	- 14	-35	-5	-103	-109	-137	37	-39	-	-	-39	-
Fourth quarter	-122	-23	97	- 48	- 3	109	4	191	-	-	-	191
Totals (Table I item D17)	-185	-28	204	148	126	122	360	243	- 71	162	-39	191

¹ International Bank for Reconstruction and Development, International Monetary Fund, and International Development Association.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.**Note:** For annual detail 1946-52, see Table I in *Canada's Short-term External Assets and Liabilities, 1945-57* (DBS Catalogue No. 67-504).

In the light of these factors there were at times in 1960, as in 1959, substantial purchases by Canadians of foreign treasury bills. Available statistical sources do not permit the complete segregation of these transactions. It is clear, however, that over the course of the year Canadians purchased, apart from official and banking funds, some hundreds of millions of dollars of treasury bills and similar short-term securities, of the United States and United Kingdom. Because of the short term of these instruments, the net capital movement in any period of the year and the holdings at any one time were of course much lower than the magnitude of gross purchases might imply. From the evidence available it appears that because of maturities and resales Canadian holdings actually fell somewhat over the year as a whole. Movements into United States short-term securities on an interest arbitrage basis were particularly attractive in the last half of 1959 and private Canadian holdings at the beginning of 1960 were of the order of \$100 million. This advantage disappeared in the early weeks of 1960 to reappear significantly only briefly during May. Holdings declined in most months of 1960, and

were of the order of \$25 million at the year end. Interest arbitrage movements from Canada to the United Kingdom were theoretically advantageous in all but two weeks of 1960, although in many of these the margins of advantage were too narrow to motivate actual transactions. In the months from March to May and August to October, however, the nominal advantage exceeded one per cent per annum and it is significant that in the second and third quarters Canadian owned United Kingdom treasury bills held directly rose by about \$25 million, while other private and banking holdings of sterling funds, which could also be motivated in part by similar influences, also rose sharply. Much of this capital was repatriated in the closing quarter.

All other movements led to an inflow of \$185 million in 1960, following an inflow of \$376 million in 1959. This category reflects the change in net short-term loans and accounts payable. In addition to recorded receivables and payables, it includes the balancing item representing the difference between direct measurements of the current and capital accounts.

In view of the extraordinarily large and seasonally atypic total of this group of movements in the final quarter of 1960, it may be of value to record some of the influences which might have been expected to affect this period. Among them were changing short-term interest differentials, making the employment of money in Canada significantly more attractive than in the United States, both before and after provision for forward exchange protection. The corresponding differentials between Canada and the United Kingdom also changed, reducing the attraction for Canadians of the London money market. New bank instruments came into use in Canada competing for funds with other types of medium term borrowers. A heavy volume of Canadian borrowing in the form of sales to non-residents of commercial paper also began to

appear. Some Canadian banking interests abroad were disposed of. The introduction of Canadian budgetary measures affected withholding taxes on income paid to non-residents and some other aspects of international investment, and there were some similar effects arising from the operation of reciprocal tax agreements; there was only a brief period before the end of the year for appraisal by those affected of the incidence of these changes. To these possible factors there may be added effects of the constantly changing pattern of Canada's trade and its financing. In the quarter, too, there was a sharp change in the external value of the Canadian dollar which, possibly reflecting the incidence of some transactions and expectations, may have contributed to other shifts.

CANADA'S INTERNATIONAL INVESTMENT POSITION

General Review

Canada's net balance of international indebtedness^a rose by \$1.4 billion to \$16.9 billion in 1960. This increase was smaller than for any year since 1955, although it should be noted that the lower year-end value of the Canadian dollar added more than \$0.2 billion to the value of Canada's external assets. The principal factors contributing to the increased indebtedness were Canada's net current account deficit of \$1.2 billion and the net balance of earnings accruing but not paid on foreign investments in Canada less those on Canadian investments abroad. Net indebtedness of Canada to investors in other countries is estimated to have been \$16.9 billion at the end of 1960, having shown a persistent growth from its post-war low of \$3.8 billion eleven years earlier.

A variety of classifications of the components could be established as the framework for the consideration of this aspect of Canada's international economic and financial relationships from different points of view. For some purposes interest might be directed to a distinction between long-term and short-term components, for others to components providing for contractual repayment or carrying service obligations in foreign currency at a predetermined rate, or to the range of yields immediate or accrued attaching to their term and liquidity, or to the division of them between the private and public sectors. All of these might have meaning in the context of particular studies. While it is not possible to compile all the components of Canada's international investment position in such a way as to permit precise classifications on all these bases, a great many combinations to meet

particular purposes are made possible by the variety of detail included in Tables V to XIII at the end of this report and in some of the Statements in this section.

Foreign long-term investment in Canada is estimated to have totalled \$22.3 billion at the end of 1960, up from \$20.8 billion at the earlier year-end and \$7.1 billion at the beginning of the post-war period. Direct investments in foreign-controlled enterprises amounting to \$13.0 billion make up more than half the total, and have been growing more rapidly over the period than portfolio investments. Other liabilities to non-residents bring Canada's total external liabilities to \$26.1 billion. Canadian long-term investments abroad totalled about \$5.9 billion at the end of 1960 (about \$1.5 billion of them are directly offset by items included among other liabilities to cover the equity in them of non-residents, or short-term Canadian dollar liabilities arising from Canada's subscriptions to international financial agencies). They include \$3.8 billion of private direct and portfolio investment abroad, and \$2.0 billion of Government of Canada loans and investments. To the total of long-term investments must be added other short-term assets abroad including Canada's official holdings of gold and foreign exchange, private and banking holdings of foreign funds, and accounts receivable, bringing gross assets to \$9.3 billion.

Effective in 1960 the statistical treatment accorded some international groups of companies has been changed to reflect more closely their ultimate corporate ownership. The net effect of these changes is to reduce United States owned investments in Canada and to increase those owned by residents of the United Kingdom and of other overseas countries. The effects are concentrated in several industrial groupings.

^a The term includes equity investments as well as contractual borrowings and is used in the broad sense generally accepted in balance of payments terminology.

**STATEMENT 16. Canada's Balance of International Indebtedness,
Selected Year Ends, 1926-60**

Item	1926	1930	1939	1945	1949	1955	1956	1957	1958	1959	1960 ^P
	billions of dollars										
Gross liabilities to other countries	6.4	8.0	7.4	8.0	9.3	15.3	17.7	19.9	21.8	24.3	26.1
Gross external assets	1.3	1.5	1.9	4.0	5.5	7.4	7.7	8.1	8.4	8.8	9.3
Net indebtedness	5.1	6.5	5.5	4.0	3.8	7.9	10.0	11.8	13.4	15.5	16.9

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, 1900-60**

Owned by residents of	1900 ¹	1914 ¹	1918 ¹	1926	1930	1939	1945	1955	1958	1959	1960 ^P
	millions of dollars										
United States	168	881	1,630	3,196	4,660	4,151	4,990	10,275	14,436	15,811	16,850
United Kingdom	1,050	2,778	2,729	2,637	2,766	2,476	1,750	2,356	3,088	3,199	3,400
Other countries	14	178	177	170	188	286	352	842	1,481	1,823	2,075
Total book value	1,232	3,837	4,536	6,003	7,614	6,913	7,092	13,473	19,005	20,833	22,325

¹ Privately estimated; for sources see Table XIII.

**STATEMENT 18. Value of United States Investments in Canada,
Selected Year Ends, 1926-60**

Classification	1926	1930	1945	1949	1955	1956	1957	1958	1959	1960 ^P
	millions of dollars									
Direct investment	1,403	1,993	2,304	3,095	6,513	7,392	8,472	9,045	9,912	10,625
Government and municipal bonds ..	909	1,205	1,450	1,534	1,640	1,872	2,061	2,344	2,764	2,902
Other portfolio investments	799	1,368	1,106	1,107	1,585	1,802	1,987	2,174	2,242	2,418
Income accumulating investment funds	—	—	—	—	170	249	255	342	321	265
Miscellaneous investments	85	94	130	170	367	474	489	531	572	640
Total book value	3,196	4,660	4,990	5,906	10,275	11,789	13,264	14,436	15,811	16,850

Foreign Financing of all Canadian Investment

Statements 19 and 20 show the substantially increased importance of non-resident investment in Canada in the last decade. 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. For the years 1956 to 1960 during which tremendous capital formation occurred, these ratios rose to more than one-third and more than two-fifths respectively. Each measure has special meaning. From 1956 to 1960 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 formation 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.)

STATEMENT 19. Foreign Financing of all Canadian Investment, 1946-60

Measure	1946-1949	1950-1955	1956-1960
	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

STATEMENT 20. Use of Foreign and Domestic Resources in Gross Capital Formation in Canada 1946-60

Year	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	8.0	6.0	2.0
1959	8.7	6.2	2.6
1960 ^P	8.5	6.3	2.2

For statistical method see measure A 1 in accompanying note.

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.

*About the figures -***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 have been adopted. The first attempts 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 the return 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 may be regarded as being substantially for additions to the stock of capital rather than for its 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 | <p><i>Current account deficit</i> (net), adjusted for <i>retained earnings</i> of foreign direct investments in Canada and Canadian direct investments abroad, plus <i>capital consumption allowances</i> and <i>depletion</i> on foreign direct investments in Canada</p> <hr/> <p>Total private and public investment in Canada, plus value of physical change in inventories</p> |
| 2 | <p>As in A1 but excluding capital consumption allowances</p> <hr/> <p>As in A1 but net of business capital consumption allowances and miscellaneous valuation adjustments</p> |

B. Direct Foreign Financing of Investment

- | | |
|---|--|
| 1 | <p><i>Direct investment</i> in Canada, plus <i>retained earnings</i> on foreign direct investments, <i>new issues</i> of Canadian securities sold to non-residents,⁹ other <i>long-term financing</i>, changes in <i>accounts payable</i>, and <i>capital consumption allowances</i> and <i>depletion</i> on foreign direct investments in Canada</p> <hr/> <p>Total private and public domestic investment in Canada, plus value of physical change in inventories</p> |
| 2 | <p>As in B1 but excluding capital consumption allowances</p> <hr/> <p>As in B1 but net of business capital consumption allowances and miscellaneous valuation adjustments</p> |

The results of these measurements are summarized in Statements 19 and 20.

When interpreting the ratios it should be borne in mind that they cover the whole field of private and public capital formation, and they include 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.

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.

⁹ Other than government borrowing of \$150 million in 1948 which served to replenish official holdings of exchange.

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 \$610 million at the end of 1959, having grown tenfold in the post-war years. More than half of the increase occurred in the four years 1956 to 1959, when the book value rose by nearly 90 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 1960 these investments are estimated to have increased further to \$775 million, although it may be noted that part of the increase reflects a change in the statistical treatment of some international companies.

Statement 21 shows the geographic distribution of ownership of these investments at the end of 1955, 1957 and 1959. It reveals the exceptionally rapid growth of direct investment by the Federal Republic of West Germany which increased from \$14 million to \$82 million in the four year period. The next largest increases were in investments by Belgium, France, Switzerland, and the Netherlands. Belgium was the leading country at the end of 1959 as in 1955. French direct investments grew more rapidly in the four year period than those of Switzerland, and France and Switzerland interchanged places as the fourth and fifth largest sources of direct investment capital. German investments were the next largest group. 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 \$489 million at the end of 1959. 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 1959 amounted to \$724 million, preclude identification by country of ownership, but the overwhelming part of the total may be considered to be owned in Western Europe.

STATEMENT 21. Direct Investment in Canada by Countries other than the United States and United Kingdom, Selected Year Ends, 1955 - 59

Country of ownership	Book value 1955	Book value 1957	Book value 1959
millions of dollars			
Australia	6	6	7
Other sterling area	8	14	31
Sub-totals, sterling area excluding United Kingdom	14	20	38
Belgium	107	139	164
Denmark	7	7	9
France	64	92	107
Germany	14	56	82
Netherlands	9	23	34
Sweden	12	19	27
Switzerland	72	92	101
Other OEEC countries	3	4	4
Sub-totals, OEEC countries other than sterling area	288	432	528
Panama	2	6	6
Other Latin American countries	1	3	2
Sub-totals, Latin America	3	9	8
Other countries ¹	20	33	36
Totals²	325	494	610

¹ Includes mainly foreign controlled investments whose beneficial ownership has not been identified by country.

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

Distribution of Ownership of Net Canadian Long-Term Funded Debt

Statement 22 provides a detailed classification of the estimated distribution of the ownership of Canadian long-term funded debt by currency of payment at the end of 1954 and 1959 (net of sinking funds). Over this period of five years, outstanding funded debt is estimated to have risen by 34 per cent to \$32 billion of which about 14 per cent currently provides for payment solely or optionally in foreign currency. At the end of 1959 such issues accounted for one per cent of Government of Canada debt (excluding railway debt), 26 per cent of provincial debt, 25 per cent of municipal debt, 22 per cent of railway debt, and 21 per cent of other corporate funded debt. They represented 23 per cent

of all funded debt other than Government of Canada direct issues. Total non-resident ownership rose by 53 per cent to \$5.8 billion. Perhaps one-third of this total represents investment from the United States by United States insurance companies; some of these companies also have large investments in Canadian securities arising from their Canadian business. Securities owned by non-residents accounted for 4 per cent of the Government of Canada debt, 28 per cent both of provincial debt and municipal debt, 24 per cent of railway debt and 30 per cent of corporate funded debt. This was 18 per cent of all funded debt or 29 per cent of all funded debt except Government of Canada direct issues. Additional ratios, including those for rates of increase, appear in Statement 23.

**STATEMENT 22. Estimated Distribution of Ownership of Net Canadian Long-Term Funded Debt
Classification by Currency of Payment, End of 1954 and 1959**

Debtor and currency	Amounts outstanding		Distribution of ownership							
			Canada		United States		United Kingdom		Other countries	
	1954	1959	1954	1959	1954	1959	1954	1959	1954	1959
millions of dollars										
Government of Canada, direct and guaranteed excluding railways:										
Payable in Canadian dollars only ¹	12,640	13,554	12,284	13,068	265	291	22	29	69	156
Payable in foreign currencies only	392	185	97	59	242	92	49	31	4	3
Payable optionally in Canadian or foreign currencies	9	—	1	—	8	—	—	—	—	—
Sub-totals	13,041	13,739	12,382	13,127	515	383	71	60	73	169
Provincial, direct and guaranteed excluding railways:										
Payable in Canadian dollars only	2,543	4,188	2,456	4,040	45	80	30	44	12	24
Payable in foreign currencies only	512	1,283	1	7	510	1,272	1	—	—	4
Payable optionally in Canadian or foreign currencies	388	171	22	10	359	157	7	4	—	—
Sub-totals	3,443	5,642	2,479	4,057	914	1,509	38	48	12	28
Municipal:										
Payable in Canadian dollars only	1,491	2,401	1,389	2,276	72	92	26	24	4	9
Payable in foreign currencies only	285	750	14	1	267	742	3	6	1	1
Payable optionally in Canadian or foreign currencies	87	63	27	22	54	38	6	3	—	—
Sub-totals	1,863	3,214	1,430	2,299	393	872	35	33	5	10
Railways:										
Payable in Canadian dollars only	895	1,576	850	1,514	30	15	7	20	8	27
Payable in foreign currencies only	422	420	—	4	133	143	287	271	2	2
Payable optionally in Canadian or foreign currencies	253	36	116	22	111	1	4	—	22	13
Sub-totals	1,570	2,032	966	1,540	274	159	298	291	32	42
Other corporations:										
Payable in Canadian dollars only	3,193	5,834	2,779	5,073	249	484	142	192	23	85
Payable in foreign currencies only	689	1,400	9	36	664	1,328	11	13	5	23
Payable optionally in Canadian or foreign currencies	86	153	18	37	68	112	—	1	—	3
Sub-totals	3,968	7,387	2,806	5,146	981²	1,924²	153	206	28	111
Total bonds and debentures:										
Payable in Canadian dollars only	20,762	27,553	19,758	25,971	661	962	227	309	116	311
Payable in foreign currencies only	2,300	4,038	121	107	1,816	3,577	351	321	12	33
Payable optionally in Canadian or foreign currencies	823	423	184	91	600	308	17	8	22	16
Totals	23,885	32,014	20,063	26,169	3,077	4,847	595	638	150	360

¹ Excludes treasury bills and notes 1,530 2,077

² Includes corporate bonds held by United States parent companies and affiliates:

Payable in Canadian dollars only	7	28
Payable in foreign currencies only	142	130
Payable optionally in Canadian or foreign currencies	39	35

Totals **188** **193**

STATEMENT 23. Selected Ratios Relating to Canadian Long-Term Funded Debt, 1954-59

	Government of Canada ¹	Pro- vin- cial ¹	Muni- cipal	Rail- ways	Other cor- pora- tions	Total	Total excluding Government of Canada ¹
Distribution of long-term debt outstanding:	per cent						
1954	54	14	8	7	17	100	..
1959	43	18	10	6	23	100	..
Proportion of debt owned by non-residents:							
1954	5	28	23	38	29	16	29
1959	4	28	28	24	30	18	29
Rate of increase in long-term debt outstanding 1954-59:							
Totals	5	64	73	29	86	34	69
Payable in Canadian dollars only	7	65	61	76	83	33	72
Payable in foreign currencies only	- 53	151	163	—	103	76	102
Payable optionally in Canadian or foreign currencies ..	-100	-56	-28	-86	78	-49	-48
Proportion of increase 1954-59 represented by:							
Debt payable solely or optionally in foreign currency	- 31	25	33	-47	23	16	21
Debt owned by non-residents	- 7	28	36	-24	31	25	28

¹ Other than railways.

Financial Institutions and Companies

Details of the components of the financial category of the international investment statistics for the end of 1956 and of 1959 are given in Statement 24. This group of investments has grown rapidly. Foreign investments in the group totalled \$548 million at the end of 1949 when they repre-

sented 6.9 per cent of total foreign long-term investment in Canada. The total of \$2,190 million a decade later represents a rise to 10.5 per cent of all investments. Some categories of these investments are similar in character to parts of "miscellaneous investments" which are the subject of later comment.

STATEMENT 24. Detail of Foreign Investment in Financial Category End of 1956 and 1959

Type	Direct investment							
	United States		United Kingdom		Other countries		Total	
	1956	1959	1956	1959	1956	1959	1956	1959
millions of dollars								
Banks, trust, loan and mortgage companies, investment services, brokers, insurance agents	271	408	18	28	40	50	329	486
Insurance companies	228	436	56	81	27	49	311	566
Real estate companies	29	40	13	27	23	44	65	111
Income accumulating funds	—	—	—	—	—	—	—	—
Other holding companies	23	20	28	32	62	74	113	126
Totals as in Tables IX and X	551	904	115	168	152	217	818	1,289
Total (Direct and portfolio investment)								
Type	United States		United Kingdom		Other countries		Total	
	1956	1959	1956	1959	1956	1959	1956	1959
	millions of dollars							
Banks, trust, loan and mortgage companies, investment services, brokers, insurance agents	378	581	151	235	48	75	577	891
Insurance companies	282	479	61	83	29	50	372	612
Real estate companies	37	58	21	36	37	59	95	153
Income accumulating funds	249 ¹	321 ¹	—	—	—	—	249	321
Other holding companies	37	32	51	59	107	122	195	213
Totals as in Tables IX and X	983	1,471	284	413	221	306	1,488	2,190

¹ Investment in Canadian securities only; minor investment by United Kingdom and other countries is included with "other holding companies".

Miscellaneous Investments

Statement 25 provides detailed estimates of the components of the "Miscellaneous Investments" category of foreign investment in Canada. The large total of foreign investment in Canada held by intermediaries of one type or another and covered in this statement is a measure of the complex channels sometimes followed by international investment. The largest part of the total of over one and a quarter billion dollars is represented by investment

in Canadian securities, conservatively estimated at \$776 million at the end of 1959. Perhaps three-fifths 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 \$310 million; most of this investment is by United States financial institutions. Real estate and all other investments in Canada held through these channels totalled \$175 million.

**STATEMENT 25. Detail of Foreign Investment in "Miscellaneous Investments" Category
Year Ends, 1952-59**

Type	Year end								Country of ownership 1959		
	1952	1953	1954	1955	1956	1957	1958	1959	United States	United Kingdom	Other countries
	millions of dollars										
Canadian securities	225	243	302	313	413	479	613	776	142	171	463
Mortgages on Canadian real estate	77	76	109	168	250	255	295	310	303	3	4
Real estate in Canada	120	118	115	120	125	115	115	140	110	15	15
Other investments	25	30	35	40	30	30	35	35	17	11	7
Totals as in Tables VIII and IX	447	467	561	641	818	879	1,058	1,261	572	200	489

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

About the figures -

Miscellaneous Investments

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.

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 *Miscellaneous Investments* also reflects investment in private real estate holding companies.

Investments in Canadian securities by ten income-accumulating investment funds established for portfolio investment by United States investors are excluded from *Miscellaneous Investments* and shown as a separate category elsewhere.

Number of Concerns

Table XI shows the number of Canadian concerns controlled abroad, which rose to 6,712 by the end of 1959. The increase during the year was 357. As will be seen in Statement 26 the Bureau's records covered over 9,400 Canadian

concerns in which non-resident capital was directly or indirectly invested in significant amounts at the end of 1959. The total number of Canadian corporations of all sorts in that year was about 113,500. Statement 26 also shows the great corporate activity in the field of foreign investment.

STATEMENT 26. Change in Recorded Number of Canadian Concerns in which Foreign Capital is Invested, 1959

Item	Controlled in					Total
	United States	United Kingdom	Other foreign countries	All foreign countries	Canada	
Number at beginning of year	4,671	1,210	474	6,355	2,348	8,703
Add						
New concerns with foreign capital	+352	+48	+39	+439	+104	+543
Transfers of control	+ 23	+10	+ 7	+ 40	+ 19	+ 59
Subtract						
Transfers of control	- 22	- 4	- 4	- 30	- 29	- 59
Concerns now wholly-owned by Canadians	- 18	- 1	-	- 19	- 15	- 34
Concerns liquidated, merged, etc.	-116	-26	- 7	-149	- 38	-187
Add						
Net formation of new Canadian subsidiaries by these concerns	+ 27	+40	+ 9	+ 76	+ 94	+170
Number at end of year (Table XI)	4,917	1,277	518	6,712	2,483	9,195

Note: These numbers exclude about 225 non-resident owned investment corporations whose Canadian assets are measured indirectly and are a component of the "Miscellaneous Investments" group.

About the figures -

Industrial Classifications

The book value series in statistics of international investment in corporations are generally derived from consolidated balance sheet data of the ENTERPRISES in Canada. (Enterprises are defined broadly as firms or aggregations of firms under common ownership and financial control*.)¹⁰ As a result the entire investment in Canada of a corporation together with its subsidiaries is normally attributed to their principal activity. Moreover a company established to provide facilities for a particular enterprise is normally classified with it. These two principles have far reaching effects on figures for some industrial sub-divisions.

As an example of the first, railway subsidiaries established by mining companies, primarily to provide transportation of their output, are included as investment in the category OTHER MINING AND SMELTING in preference to the railway category. Under the second principle, companies established in connection with the lease-back of service station properties are shown with PETROLEUM AND NATURAL GAS, and companies established to provide specific chain or department store properties are included with MERCHANDISING.

These examples may serve to alert the careful user to the necessity of applying to the data his own knowledge of the corporate structure and output characteristic of enterprises engaged in the particular group in which he may be interested. The direct comparison of industrial statistics compiled on the basic establishments, the normally accepted industrial concept, and financial statistics for corporations or enterprises classified industrially, is not possible. The complexities of industrial organization are such that it would be impracticable to identify here all the

potential points of difficulty which may lie in each industrial sub-division, but the principles given above, together with the following comment on particular categories and on the major exceptions to these principles, should be helpful.

PETROLEUM AND NATURAL GAS taken as a whole is treated as one industry because of the typically high level of integration and of the nature of the statistical sources available. Thus there are grouped together enterprises whose primary activity may be refining (manufacturing), exploration and development (mining), pipe lines, tankers, and other transportation facilities (utilities), and wholesale and retail distribution (merchandising). The group includes some important petrochemical activities. These components of the petroleum and natural gas industry are, of course, all excluded from the categories in which they might otherwise have appeared.

The MANUFACTURING category as a whole includes substantial investment devoted to non-manufacturing activities such as the production of power for use within the enterprise or even for sale, transportation facilities, merchandising, etc. And within the finer sub-divisions investment attributed to one heading may include substantial amounts more relevant to some other manufacturing activity because of the product mix of the enterprise.

The MINING AND SMELTING category is limited to native ores, the smelting of alumina, for example, being included with manufacturing. It has already been noted that the category includes ancillary transportation investments, but excludes petroleum and natural gas.

The separate RAILWAYS category covers investments in the whole range of activity by the principal railways, including their investments in rolling stock production and maintenance, ships, airlines, trucking,

¹⁰ Standard Industrial Classification Manual, DBS Catalogue No. 12-501. Occasional.

hotels, telegraphs, etc. But railway investments in mining companies have been transferred to the mining and smelting group. The railway category, it should be noted, includes foreign investment through holdings of funded debt of the Canadian National Railways and provincial railways. This treatment has its roots deep in Canadian history and in the original financing abroad of some of the undertakings.

The same treatment has not, however, been applied throughout the statistics to other categories of public enterprises, and the substantial foreign investment in their debentures guaranteed by provinces and municipalities is included with investment in government securities; the magnitudes involved will be evident from the footnote to Table IX. An exception has been made, however, in respect of the category OTHER UTILITIES when shown in Tables XII, XIV and XVI where the foreign investment includes ownership of the debentures associated with public enterprises in these fields.

Some special comment is therefore appropriate in respect of the category of "Other Utilities" used in these particular aggregative statistics embracing Canadian as well as foreign capital. The category includes electric power production and distribution, telephone, radio and television (except for the international service of the Canadian Broadcasting Corporation), airlines, shipping and trucking not included with railways, international bridges and tunnels, ferries, local transit systems, etc., whether public or private enterprises. Other items such as street lighting systems, waterworks, highways (including toll highways), local bridges, canals, in which private enterprise has not normally been associated, are excluded.

The same general perimeters apply to other categories of the aggregative series in Tables XII, XIV and XVI. Public enterprises such as Atomic Energy of Canada Limited, Polymer Corporation, National Film Board, Eldorado Mining and Refining

Limited, and Northern Ontario Pipeline Crown Corporation, are included as well as similar undertakings by other levels of government.

Returning to the general classifications, the MERCHANDISING category includes enterprises engaged primarily in that field, and embraces both wholesaling and retailing. It ranges from great enterprises whose activities extend also into manufacturing, real estate ownership, and financing, to small distributing branches in Canada of foreign corporations. But even some of the latter may engage in assembly operations. The category excludes, of course, a great range of merchandising activity carried out by other enterprises, particularly those classified as manufacturing and as petroleum and natural gas. In the tables which cover also Canadian investment, the totals are founded on less satisfactory data than for other sectors because of the multiplicity of Canadian firms involved and the significant part represented by non-corporate enterprises which has had to be estimated.

The FINANCIAL category includes not only banks, trust companies, insurance companies and other institutions providing financial services, but also real estate and holding companies except, as has been indicated earlier, those which are associated with investment and management in a particular industrial sector.

The category of OTHER ENTERPRISES covers a wide variety of activities including logging, engineering services, construction, film distribution, entertainment, advertising, hotel operation, cartage, shipping agents, stevedoring, geophysical services, etc.

There is also a sizeable foreign investment in forms, or through intermediaries, which preclude inclusion with the basic statistics classified industrially, and which is accordingly shown in a category of MISCELLANEOUS INVESTMENTS. Some detail appears in Statement 25.

Canadian Direct Investment Abroad

Canadian direct investment abroad has continued to rise reflecting capital outflows and undistributed earnings. Details by area and industry at the end of 1959 and some earlier years appear in Statements 27 and 28, while the following section of this report discusses the underlying ownership

and control of these investments by Canadians and non-residents. Influenced partly by the rising value of foreign currencies in terms of Canadian funds, the value of these Canadian direct investments abroad is estimated to have risen from \$2.3 billion at the end of 1959 to \$2.6 billion at the end of 1960. Canadian capital invested abroad in other forms is shown in Tables V and VII.

**STATEMENT 27. Canadian Direct Investment Abroad, Geographical Distribution,
Selected Year Ends 1949-59**

Area	1949	1954	1958	1959
	millions of dollars			
United States	721	1,240	1,465	1,495
United Kingdom	59	119	201	265
Latin America	47	77	137	154
Other America	25	55	155	168
Africa	20	48	64	65
Europe	19	34	62	72 ¹
Australia	25	40	56	65
Asia	10	15	35	25
Totals	926	1,628	2,175	2,309

¹ Includes 41 in European Economic Community (Common Market)

Note: For industrial distribution see Statement 28 and Table VII.

STATEMENT 28. Canadian Direct Investment Abroad, Industrial Detail, End of 1954 and 1959

Classification	United States		United Kingdom		Other Commonwealth countries		Other countries		Total	
	1954	1959	1954	1959	1954	1959	1954	1959	1954	1959
millions of dollars										
Railways	273	271	—	—	—	—	—	—	273	271
Other utilities	117	109	1	10	4	8	32	55	154	182
Industrial and commercial	695	874	118	253	74	120	57	126	944	1,373
Mining	39	43	—	—	60	152	34	61	133	256
Petroleum ¹	106	147	—	—	—	1	6	12	112	160
Financial	3	23	—	1	—	2	—	1	3	27
Other	7	28	—	1	—	8	2	3	9	40
Totals	1,240	1,495	119	265	138	291	131	258	1,628	2,309

¹ Excludes pipelines which account for most of "other utilities" in the United States.

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 29. 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.

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 29. Non-Resident Equity and Control of Canadian Direct Investments Abroad, Selected Year Ends, 1954-59

Item	End of 1954		End of 1957		End of 1958		End of 1959	
	Millions of dollars	Per cent	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	845	37
United Kingdom residents	85	5	85	4	92	4	101	4
Other non-residents	35	2	64	3	69	3	72	3
Sub-total: non-residents	604	37	834	40	940	43	1,018	44
Canadian residents	1,024	63	1,251	60	1,235	57	1,291	56
Totals	1,628	100	2,085	100	2,175	100	2,309	100
Control								
United States controlled Canadian companies	425	26	691	33	798	36	847	37
Other foreign controlled Canadian companies	21	1	29	2	36	2	44	2
Sub-totals: foreign control	446	27	720	35	834	38	891	39
Canadian controlled companies and resident Canadian individuals	1,182	73	1,365	65	1,341	62	1,418	61
Totals	1,628	100	2,085	100	2,175	100	2,309	100

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

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 investment abroad (and Canadian liabilities correspondingly reduced) because their international transactions are of no real relevance to the Canadian balance of payments. The group includes Canadian investment and holding companies wholly-owned abroad whose assets are also wholly situated abroad, the foreign ownership in some Canadian companies operating only abroad in which beneficial Canadian ownership is minor, and some subsidiaries abroad of operating companies wholly-owned abroad if the operations abroad are not directly related to the Canadian functions.

The investments outside of Canada referred to in the preceding paragraph amount to well over \$3 billion, quite apart from the substantial assets held abroad by Canadian banks and insurance companies in respect of their liabilities to non-residents. Taking into account all types, the total investment abroad of Canadian corporations and institutions held beneficially for non-residents is of the order of \$7.5 billion.

Foreign Ownership and Control of Canadian Industry

The estimates appearing in Tables XII to XVI and in the Statements in this section bring forward to the end of 1959 book value data which show the relative positions of Canadian and foreign investment in Canadian industry and commerce. In the two years for which data have become available since the last annual report in this series, there have continued to be slow but persistent growths in the relative positions of foreign capital in a number of the sectors measured. Foreign ownership of manufacturing has risen from 50 per cent to 51 per cent, while in mining and smelting the non-resident-owned proportions have risen from 56 per cent to 59 per cent with some very large increases reflecting the development of iron ore properties and ancillary facilities. There was also a small gain to 15 per cent in the non-resident-owned proportion of utilities other than railroads. In the petroleum and natural gas industry non-resident ownership was unchanged in relative terms at 63 per cent; Canadian ownership plays a bigger part in the distribution and marketing of natural gas than in petroleum. The declining role of foreign capital in railways, generally characteristic of the period since the beginning of World War II, continued, and is reflected in a reduction of the non-resident-owned proportion to 27 per cent. Taking into account the foregoing sectors and also merchandising and construction, non-resident ownership of these selected industries as a group remained unchanged at 34 per cent for the third successive year; the share of United States investors was 26 per cent.

Similar tendencies are evident in series covering foreign control of these sectors. In manufacturing this rose from 56 per cent to 57 per cent

in the two year period, but foreign control of the petroleum and natural gas industry fell slightly to 75 per cent for the reason indicated above. Foreign control of the other sectors for which ownership ratios have been given above remained unchanged, as did the proportion for the whole group which was controlled 32 per cent by all non-residents and 26 per cent by residents of the United States.

Perhaps the most striking feature of these series, viewed in the perspective of a third of a century, embracing depression and boom, war and peace, is the consistency of the direction of the changes. Foreign ownership of Canadian manufacturing has inched up from 38 per cent in 1926 to 51 per cent in 1959 and control has gone from 35 per cent to 57 per cent. Foreign ownership of mining and smelting has also reflected an almost uninterrupted growth from 37 per cent in 1926 to 59 per cent in 1959 and control has risen from 38 per cent to 61 per cent. Apart from these industries there has developed a substantial petroleum and natural gas industry which is 63 per cent foreign owned and 75 per cent foreign controlled. On the other hand foreign ownership and control have both declined in railways and in other utilities. Since 1926 United States ownership has risen from 19 per cent to 26 per cent of the industries covered in these comparisons, while ownership by other non-residents has fallen relatively from 18 per cent to 8 per cent. United States control of the group has risen from 15 to 26 per cent, and control by residents of other countries from 2 per cent to 6 per cent. The marked disparity between the ownership and control ratios reflects inter alia the substantial repatriation of railway and other utility investments from the United Kingdom during the war.

Estimates of book values, upon which these ratios are based, will be found in Table XVI, and a summary of the changes in the five years ending 1959 is given in Statement 30. These reveal that much the major parts of the growth of manufacturing, of petroleum and natural gas, and of mining and smelting, are represented by increased ownership and control by non-residents of each of these industrial sectors. At the same time the predominant part of increased investment in railways, other utilities, and merchandising and construction, is represented by domestic capital.

Other light on the control of these industries is given in Statement 31, which also shows separately those parts of each sector represented by government enterprises at the end of 1948 and of 1959.

More detailed industry data for the ownership and control of Canadian industry appear in Table XV and in Statement 32 which cover 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. Ten separate industrial groupings in manufacturing are

isolated, and in the five years preceding 1959 non-resident ownership has grown faster than resident ownership in seven of these groups but has fallen in two. It ranges from 89 per cent in the case of the manufacture of automobiles and parts and 86 per cent in the case of rubber, to 25 per cent in the case of primary iron and steel and 22 per cent in textiles. In six of the ten groups non-resident

ownership represents more than half the total. There is in addition a large group of companies classified in the table simply as "other manufacturing" but which accounts for nearly 46 per cent of all manufacturing; this group is 52 per cent foreign-owned, a proportion which has risen somewhat more than in the case of the ten identified groups as a whole.

STATEMENT 30. Ownership and Control of Selected Canadian Industries Net Change in Book Values, Five Years Ending 1959

Item	Manu- facturing	Petroleum and natural gas	Mining and smelting	Railways	Other utilities	Merchandising and construction	Total
billions of dollars							
Ownership							
United States	1.7	1.7	0.6	-0.2	0.5	0.2	4.5
Other foreign	0.5	0.3	0.2	0.1	0.1	0.1	1.3
Sub-totals	2.1	2.0	0.8	—	0.6	0.3	5.8
Canadian	1.2	1.0	0.4	1.1	3.0	3.1	9.8
Totals	3.4	3.0	1.2	1.1	3.5	3.4	15.5
Control							
United States	1.7	2.1	0.7	—	—	0.2	4.6
Other foreign	0.8	0.3	0.2	—	0.1	0.1	1.5
Sub-totals	2.4	2.4	0.9	—	0.1	0.3	6.1
Canadian	0.9	0.6	0.3	1.1	3.5	3.1	9.5
Totals	3.4	3.0	1.2	1.1	3.5	3.4	15.5

STATEMENT 31. Analysis of Control of Selected Canadian Industries, Year Ends 1948 and 1959

Industry classification	Controlled in					Controlled in				
	Total	Canada		United States	Other foreign	Total	Canada		United States	Other foreign
		Government enterprises	Private enterprises				Government enterprises	Private enterprises		
	billions of dollars					per cent				
End of 1948 ¹										
Manufacturing	5.7	—	3.2	2.2	0.3	100	1	56	39	4
Mining and smelting	1.1	—	0.6	0.4	—	100	1	59	37	3
Railways	3.4	2.0	1.3	0.1	—	100	60	37	3	—
Other utilities	2.5	1.2	0.7	0.6	—	100	48	28	24	—
Merchandising ² and construction	3.2	0.1	2.8	0.2	0.1	100	2	89	6	3
Totals of above	15.8	3.3	8.6	3.5	0.4	100	21	54	22	3
End of 1959										
Manufacturing	11.7	0.1	4.8	5.1	1.6	100	1	42	44	13
Petroleum and natural gas	5.5	0.1	1.2	3.7	0.3	100	2	23	69	6
Other mining and smelting	3.0	0.1	1.1	1.6	0.3	100	2	37	53	8
Railways	5.2	3.5	1.6	0.1	—	100	67	31	2	—
Other utilities	8.8	5.5	2.8	0.4	0.1	100	63	32	4	1
Merchandising ² and construction	9.5	0.1	8.6	0.6	0.3	100	1	90	6	3
Totals of above	43.7	9.4	20.2	11.5	2.5	100	22	46	26	6

¹ Components of the petroleum and natural gas industry are not grouped separately. Concerns engaged in refining were classified under manufacturing. Those engaged primarily in exploration and development were included under mining and smelting. Concerns engaged primarily in transportation, whether by pipeline or other means, were shown as utilities, and those engaged primarily in marketing and distribution were included under merchandising. (The book value of the industry as a whole was estimated to be \$0.4 billion in 1945 and \$2.5 billion in 1954; comparable estimates for intervening years are not available.)

² 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.

STATEMENT 32. Ownership and Control of Selected Canadian Industries
End of 1954, 1957 and 1959

Company classification	Foreign ownership			Foreign control		
	1954	1957	1959	1954	1957	1959
	per cent					
Manufacturing:						
Beverage	29	28	26	20	13	13
Rubber	78	84	86	93	97	98
Textiles	21	21	22	18	19	23
Pulp and paper	51	53	51	56	55	49
Agricultural machinery ¹	37	37	43	35	38	55
Automobiles and parts	78	78	89	95	95	97
Transportation equipment n.o.p.	34	47	58	36	67	73
Primary iron and steel	16	24	25	6	26	23
Electrical apparatus	70	70	74	77	77	81
Chemicals	64	62	61	75	75	77
Other manufacturing ²	46	50	52	52	57	61
Sub-totals	47	50	51	51	56	57
Petroleum and natural gas	60	63	63	69	76	75
Mining:						
Smelting and refining of non-ferrous native ores ..	59	54	56	55	66	66
Other mining	55	56	60	49	59	59
Sub-totals	56	56	59	51	61	61
Totals of above industries	51	54	56	55	61	63

¹ Includes enterprises also engaged in the manufacture of other heavy equipment which tends to over-state foreign-owned and controlled proportion of capital actually engaged in the manufacture of agricultural implements only.

² Includes "other enterprises".

In the briefer period of two years covered for the first time in this report, there were increases in non-resident ownership of seven of the ten specified manufacturing fields, while three fell. Among the larger changes were sharp growths in the proportions of the automobile and parts industry owned by non-residents, reflecting mainly the purchase of resident-owned interests, and in the transportation equipment industry n.o.p. reflecting in part some refinancing. In the case of "other manufacturing" non-resident ownership also rose in the two year period.

The large group of companies classified as "other manufacturing" shown in line 11 of Table XV is quite heterogeneous. The group is made up of industrial sub-groups which cannot be shown separately either because of difficulties of arriving at the total investment and consequently the Canadian investment from secondary sources outside of

the records of international investments, or due to the need to avoid disclosing investments in individual enterprises. The value of the estimated total investment and the Canadian investment shown are therefore subject to some reservations because of the variety of sources which have had to be employed in estimating these investments.

The heterogeneous nature of the group is indicated by Statement 33 showing the industrial classification of the foreign investment in companies according to broad groups presented in Table IX. It will be observed that the group "other manufacturing" includes primary export industries such as the aluminum and lumber industries and a great variety of secondary industries mainly producing for the Canadian market, such as food, tobacco, building and construction materials and many kinds of machinery and metal processing.

STATEMENT 33. Analysis of Foreign Investments in "Other Manufacturing" 1959
Shown in Line 11 of Table XV

	Owned in			
	United States	United Kingdom	Other countries	Total
	millions of dollars			
Other vegetable products, including various foods and tobacco	244	103	22	369
Other animal products, including meat, dairy and leather products	115	7	6	128
Other wood products, including saw and other wood processing mills, furniture, and printing	205	28	11	244
Other iron products, including non-agricultural machinery and metal fabricating	559	51	76	686
Other non-ferrous metal products, including aluminum and metal fabricating	589	164	13	766
Non-metallic minerals, including cement, glass, and other building materials and products	142	45	40	227
Miscellaneous	86	5	1	92
Other enterprises	225	45	14	284
Totals, other manufacturing	2,165	448	183	2,796

Ownership of the petroleum and natural gas industry has increased only moderately from 60 per cent to 63 per cent in the five years ending 1959 reflecting in part, as has already been noted, the more recent growth of the natural gas industry in which Canadian capital plays an important part. Smelting and refining of non-ferrous native ores shows some decline in non-resident ownership over the five year period, although for the most part this reflects the reclassification of investment in a Crown corporation from "other mining". Over the more recent two-year period non-resident ownership has increased, and this is true of other mining and of mining as a whole in the case of both periods. Included in the figures, but spread over the two sub-divisions is the Canadian uranium industry about three-fifths of the book value of which is Canadian owned and somewhat more than half of which is Canadian controlled.

Corresponding figures measuring foreign control of Canadian industry indicate that over the five years from 1954 to 1959 non-resident control has risen in eight of the groups shown separately and fallen in two. It ranges from 98 per cent in the case of rubber manufacturing and 97 per cent in the case of automobiles and parts, to 23 per cent in the case of primary iron and steel and of textiles and 13 per cent in the case of beverages. In addition non-resident control of the "other manufacturing" category has risen and is now 61 per cent.

Again in the more recent period of two years there have been increases in seven of the ten manufacturing industries shown, as well as in the other

manufacturing category, and decreases in two. One of the latter is the pulp and paper category, and it may be noted that the decline here is practically all due to corporate mergers as a result of which large operations formerly attributed to "other wood and products" industries are included with pulp and paper under the statistical procedures described in the accompanying note. Foreign ownership and control of the agricultural machinery group of companies have both been growing but it should be noted that the category includes enterprises also engaged in the manufacture of other heavy equipment which tends to overstate the foreign-owned and controlled proportion of capital actually engaged in the manufacture of agricultural implements only.

Foreign control of the petroleum and natural gas industry as a whole has risen over the five year period, but has been falling somewhat recently as the natural gas industry which tends to be more heavily financed and controlled in Canada has grown. The foreign control of Canadian smelting and refining and of other mining has also risen over the five year period but has been relatively unchanged over the last two years of it.

Taking the three main groups, manufacturing, petroleum and natural gas, and mining, as a whole, non-resident ownership has risen by 5 percentage points in the five year period and to 56 per cent at the end of 1959. Foreign control has risen by 8 percentage points in the five year period to 63 per cent. In each case two percentage points of the growth occurred in the more recent two year period.

About the figures -

**Estimated Values of Total Capital and Resident-owned Capital
in Some Areas of National Wealth**

(as used in Statements 30 to 32 and Tables XII and XIV to XVI)

This note describes the method whereby figures of foreign investment in Canada are related to the aggregate capital value of selected Canadian industries, since there are certain statistical problems of great difficulty involved.

It is pointed out that estimates of all capital invested in Canadian industry are only possible for some separate industrial subdivisions. This is because of the limiting factors inherent in using corporate financial data originating from different sources. The other important aspect of the data to bear in mind is that the statistics on investments in industry which have been presented only cover that sector of Canada's National Wealth. Not covered are large sectors of Canadian wealth which are predominantly Canadian owned and controlled such as investments in agriculture and social capital, other kinds of personal property and Canadian investments outside of Canada.

Briefly, while the principal source of the Bureau's estimates of the foreign investment position is the capital structure reflected on **Consolidated** Balance Sheets of **enterprises** classified according to the principal activity pursued, the source utilized most extensively for estimating the comparable aggregate capital value of selected Canadian industries is the summation of **Unconsolidated** Balance Sheets of fully tabulated **companies** found in *Taxation Statistics*, as compiled by the Department of National Revenue, classified according to the activity of the individual company. Additional difficulties of comparison arise from variations in accounting practices, in reporting dates, in the classifications of incorporated enterprises, and the inclusion or exclusion of non-corporate enterprises, Crown corporations, and of foreign branches and subsidiaries. These necessitate further adjustments in order to provide a more accurate statistical basis for comparison. The balance of this note is devoted to a more detailed description of these problems.

For some years past the Balance of Payments Section has made estimates of the book value of the aggregate investment in selected Canadian industries, for comparison with corresponding values of foreign investment in Canada compiled within the Section. These figures are in turn the basis of estimated percentages of the industries owned or controlled by non-residents. Considerable difficulty is experienced in producing the estimates and only limited resources can be made available for this area of research. In developing a method consideration has had to be given to changing sources of information and forms of presentation over the period covered. Comparability of results has been preserved as far as possible. But it should be emphasized that the data are approximations arrived at through the combination of a number of series whose coverage and comparability may in some cases be open to question. Nevertheless it is considered that the material will be of value to readers in assessing the relative positions of domestic and foreign capital in some areas of the economy.

In the post-war years the series have made extensive use of the Condensed Balance Sheets published by the Department of National Revenue in

the annual report on Taxation Statistics. As this material does not become available for a considerable period after the time to which it relates, the Bureau's series involving Canadian as well as foreign investment cannot be produced as currently as statistics of international investment. The Condensed Balance Sheet figures are not ideal for estimating the total value of selected Canadian industries comparable to the foreign investment record. Corporations are not permitted by the Department of National Revenue to file consolidated reports, while for obvious reasons consolidated balance sheets are used wherever possible in the records of international investment. One of the first problems encountered therefore is to convert the summations of balance sheets appearing in Taxation Statistics to a corresponding consolidated balance sheet basis.

For this purpose the general procedure has been to total the items of funded debt, capital stock, and surplus less deficit, and to subtract from the total the investment in subsidiaries and in non-Government securities. Study of the descriptions of these items appearing in Taxation Statistics will reveal that the method followed will approximate the book value approach used in the international investment statistics, although it will be understated through the elimination of certain elements such as the short-term component of investment in affiliated, subsidiary or allied companies, and obligations of the non-corporate sector, and by the amount of agreements for sale and other contractual corporate obligations having a term of one year or less. But on the other hand there may be offsetting elements of coverage within the estimates. The procedure followed results in a book value series which excludes all investment in foreign subsidiaries. (Where the enterprise involves a Canadian holding company classified as such in Taxation Statistics, the foreign subsidiaries will not be reflected in the industrial groups used in the series. Where an operating company has a foreign subsidiary it will have been eliminated from the aggregate value through the deduction of the investment in all subsidiaries.) This does not apply, however, to unincorporated branches abroad, but these fortunately are not large in relation to the magnitudes under discussion.

Subject to the exceptions mentioned in the preceding paragraph, which are probably of relatively limited significance, the broad aggregate series are comparable in concept although there is a difference in timing. The balance sheet data published in Taxation Statistics cover all fiscal years ending within a calendar year. The international investment statistics on the other hand are based on the calendar year end or the fiscal year end falling between June 1 of the year and May 30 of the next year.

The differing stages of consolidation and classification used in the compilation of Taxation Statistics and of the Bureau's records of international investment create other problems, but these affect the totals less in the case of the broad industrial groups than in the finer subdivisions where there is greater danger of lack of comparability. In the statistics of international investment the entire enterprise is allocated industrially

on the basis of the principal activity. Because the balance sheets used in Taxation Statistics are unconsolidated, if there is more than one firm in the enterprise the aggregate book value (as adjusted) may be spread over a number of classifications in the latter series. A somewhat similar problem arises in respect of holding companies classified as such in Taxation Statistics. This group is not used in the construction of the aggregate value series, as Canadian subsidiaries will themselves appear elsewhere in Taxation Statistics. To the extent however, that the holding company itself may hold significant working capital in addition to investments in operating subsidiaries this capital will not appear in the aggregate series. It is not possible as a general rule to overcome these problems other than through the overall adjustments mentioned later, although occasionally it has been apparent from a comparison of the material that an entire enterprise has been classified differently in the two series and in these instances specific corrections have been made.

Further adjustments are made to the adjusted consolidated balance sheet data. For example, long-term loans and advances to the companies covered in the Bureau's records are added, as well as allowances for Crown corporations and other classes of investment not included in the companies fully tabulated in Taxation Statistics. The calculation of many of these items is complicated and involves a considerable amount of research. The figures are increased where appropriate, on the basis of available data, to allow for investment represented by individual ownerships, partnerships and cooperatives. An adjustment is made in the case of unincorporated branches in Canada of foreign petroleum companies where the basis of reporting to the Bureau leads to figures significantly higher than those derived from Taxation Statistics. In the case of public utilities other than railways, additions are made in respect of government and municipal enterprises, either on the basis of balance sheet data or of relevant funded debt where balance sheet values are not available. The figures of foreign investment used in relation to these series are consequently larger than those generally shown for investment in other utilities by reason of the foreign-owned part of this funded debt of governments or municipalities.

Figures for the total value of investment in railways and in merchandising do not make use of Taxation Statistics. The railway figure is compiled independently from balance sheet data. The figure for merchandising is also an independent estimate but is founded on less satisfactory data than for other series and must be regarded as illustrating broad relative magnitudes only.

In compiling the aggregate data for the sub-classifications appearing in Table XV it has been apparent that in some cases differing classification either of an enterprise as a whole or of major component firms invalidated comparison with the Bureau's records. This type of disparity tended to arise particularly in some of the industry sub-classifications where vertical integration or ancillary activities of the corporations would be typical. In such cases where the total domestic and foreign capital invested in companies covered in the Bureau's series was larger, and where it appeared that the Bureau's records of companies in which foreign capital was invested would cover most of the field, the aggregate series was adjusted upwards to correspond.

Figures of total capital for selected industries for 1926, 1930, and 1939 were derived from "capital employed" statistics available for most industries from annual returns to the Bureau until discontinued after 1943.

It should again be emphasized that the series and comparisons cover only 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 the net stock of capital represented by expenditure 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).¹² 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.

¹² 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.

BALANCE OF PAYMENTS PRESENTATIONS

The balance of payments has been defined by the International Monetary Fund¹³ 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.¹⁴

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.

¹³ Balance of Payments Manual, Third Edition, July 1961.

¹⁴ 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, 1959 and 1960

No.	Account	All countries		United States		United Kingdom		Other sterling area		Other OEEC countries		All other countries	
		1959	1960 ^P	1959	1960 ^P	1959	1960 ^P	1959	1960 ^P	1959	1960 ^P	1959	1960 ^P
		millions of dollars											
A	Current receipts:												
1	Merchandise exports (adjusted)	5,150	5,400	3,191	3,039	781	924	288	340	449	599	441	498
2	Mutual Aid to NATO countries	63	43	..	..	..	..	..	..	..	..	..	..
3	Gold production available for export	148	162	148	162	—	—	—	—	—	—	—	—
4	Travel expenditures	391	420	351	375	18	20	6	6	11	13	5	6
5	Interest and dividends	182	178	99	105	35	34	28	18	11	11	9	10
6	Freight and shipping	420	442	228	220	80	93	26	31	49	57	37	41
7	Inheritances and immigrants' funds	109	102	52	50	26	26	7	6	16	15	8	5
11	All other current receipts	392	420	311	330	43	50	7	6	20	20	11	12
12	Total current receipts	6,855	7,167	4,380	4,281	983	1,147	362	409	556	715	511	572
B	Current payments:												
1	Merchandise imports (adjusted)	5,572	5,545	3,727	3,715	616	611	263	284	364	371	600	564
4	Travel expenditures	598	627	448	462	62	70	13	14	60	65	15	16
5	Interest and dividends	671	669	547	548	90	81	1	1	31	37	2	2
6	Freight and shipping	525	533	326	324	85	89	3	4	95	99	16	17
7	Inheritances and emigrants' funds	165	181	123	141	26	25	3	2	11	11	2	2
9	Official contributions	72	60	—	—	—	3	64	41	1	4	7	12
10	Mutual Aid to NATO countries	63	43	..	..	..	..	..	..	..	..	..	..
11	All other current payments	693	726	439	447	89	97	17	18	114	129	34	35
12	Total current payments	8,359	8,384	5,610	5,637	970	976	364	364	676	716	676	648
	Balance on merchandise trade	- 422	- 145	- 536	- 676	+163	+313	+25	+56	+ 85	+228	-159	-66
	Balance on other transactions, excluding B9	-1,010	-1,012	- 694	- 680	-150	-139	+37	+30	-204	-225	+ 1	+ 2
	Official contributions	- 72	- 60	—	—	—	- 3	-64	-41	- 1	- 4	- 7	-12
C	Current account balance	-1,504	-1,217	-1,230	-1,356	+ 13	+171	- 2	+45	-120	- 1	-165	-76
D	Capital account:												
	Direct investment:												
1	Direct investment in Canada	+ 550	+ 645	+ 424	+ 437	+ 87	+119	- 1	+ 5	+ 40	+ 83	—	+ 1
2	Direct investment abroad	- 80	- 85	- 7	- 48	- 44	- 15	- 8	- 4	- 5	- 15	- 16	- 3
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	+ 91	+ 3	+ 19	- 9	+ 4	- 13	—	—	+ 64	+ 25	+ 4	—
3b	Trade in outstanding common and preference stocks	+ 110	+ 49	+ 75	+ 54	+ 7	- 16	—	—	+ 28	+ 11	—	—
4	New issues	+ 707	+ 447	+ 622	+ 381	+ 45	+ 26	—	—	+ 40	+ 39	—	+ 1
5	Retirements	- 258	- 253	- 211	- 200	- 30	- 27	—	—	- 16	- 25	- 1	- 1
	Foreign securities:												
6	Trade in outstanding issues	- 32	- 20	- 34	+ 4	+ 2	- 3	—	—	—	- 1	—	-20
7	New issues	- 13	- 18	- 8	- 13	—	—	—	- 1	—	—	- 5	- 4
8	Retirements	+ 12	+ 18	+ 6	+ 12	—	—	+ 2	+ 1	—	—	+ 4	+ 5
	Loans by Government of Canada:												
9	Drawings	- 1	—	—	—	—	—	- 1	—	—	—	—	—
10	Repayment of post-war loans	+ 34	+ 32	—	—	+ 16	+ 17	—	—	+ 18	+ 15	—	—
11	Repayment of war loans	—	—	—	—	—	—	—	—	—	—	—	—
13	Subscriptions in gold and U.S. dollars to international financial agencies	- 59	- 3	- 59	- 3	—	—	—	—	—	—	—	—
14	Change in Canadian dollar holdings of foreigners	+ 13	+ 120	+ 8	+ 60	- 10	+ 9	- 9	- 3	+ 10	+ 7	+ 14	+47
16	Change in official holdings of gold, U.S. dollars and sterling (increase, minus) ..	+ 70	+ 39	+ 67	+ 39	+ 3	—	—	—	—	—	—	—
17	Other capital movements	+ 380	+ 243	+ 447	+ 265	+ 17	- 44	-23	+ 7	- 74	+ 23	- 7	- 8
E	Net capital movement	+1,504	+1,217	+1,349	+ 979	+ 97	+ 53	-40	+ 5	+105	+162	- 7	+18
G	Balance settled by exchange transfers	—	—	- 119	+ 377	-110	-224	+42	-50	+ 15	-161	+172	+58
	Total financing of current account balance (item C)	+1,504	+1,217	+1,230	+1,356	- 13	-171	+ 2	-45	+120	+ 1	+165	+76

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.

D13 International Bank for Reconstruction and Development, International Monetary Fund, International Finance Corporation and International Development Association.

D 17 Also includes balancing item representing unrecorded capital movements and errors and omissions.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-60
A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960 ^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	5,150	5,400
2	Mutual Aid to NATO countries	—	—	—	—	57	145	200	246	284	222	157	107	142	63	43
3	Gold production available for export	96	99	119	139	163	150	150	144	155	155	150	147	160	148	162
4	Travel expenditures	221	251	279	285	275	274	275	302	305	328	337	363	349	391	420
5	Interest and dividends	70	64	70	83	91	115	145	165	147	160	142	154	168	182	178
6	Freight and shipping	311	322	336	303	284	351	383	318	313	398	457	445	401	420	442
7	Inheritances and immigrants' funds ..	65	69	84	68	57	77	85	91	89	86	99	124	97	109	102
11	All other current receipts	209	220	229	222	231	249	281	319	298	391	442	388	375	392	420
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	6,855	7,167
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	5,572	5,545
4	Travel expenditures	135	167	134	193	226	280	341	365	389	449	498	525	542	598	627
5	Interest and dividends	312	337	325	390	475	450	413	404	423	483	523	589	612	671	669
6	Freight and shipping	219	278	279	253	301	354	375	374	356	415	502	515	460	525	533
7	Inheritances and emigrants' funds ..	35	49	50	59	61	70	94	91	94	105	115	157	145	165	181
9	Official contributions	97	38	23	6	5	9	16	25	11	24	30	40	53	72	60
10	Mutual Aid to NATO countries	—	—	—	—	57	145	200	246	284	222	157	107	142	63	43
11	All other current payments	382	295	287	315	377	423	405	465	479	529	597	656	690	693	726
12	Total current payments	3,002	3,699	3,696	3,912	4,631	5,828	5,694	6,180	5,952	6,770	7,967	8,077	7,710	8,359	8,384
	Balance on merchandise trade	+571	+188	+432	+293	+10	-147	+489	-58	+13	-211	-728	-594	-179	-422	-145
	Balance on other transactions, excluding B9	-111	-101	+42	-110	-339	-361	-309	-360	-434	-463	-608	-821	-899	-1,010	-1,012
	Official contributions	-97	-38	-23	-6	-5	-9	-16	-25	-11	-24	-30	-40	-53	-72	-60
C	Current account balance	+363	+49	+451	+177	-334	-517	+164	-443	-432	-698	-1,366	-1,455	-1,131	-1,504	-1,217
D	Capital account:															
	Direct investment:															
1	Direct investment in Canada	+40	+61	+71	+94	+222	+309	+346	+426	+392	+417	+583	+514	+420	+550	+645
2	Direct investment abroad	-14	+6	+15	+13	+36	-20	-77	-63	-81	-74	-104	-68	-48	-80	-85
	Canadian securities:															
3a	Trade in outstanding bonds and debentures	+194	-13	+3	+8	+329	+38	-166	-52	-66	-165	+11	-45	—	+91	+3
3b	Trade in outstanding common and preference stocks							+72	+21	+129	+138	+188	+137	+88	+110	+49
4	New issues	+218	+95	+150	+105	+210	+411	+316	+335	+331	+166	+667	+798	+877	+707	+447
5	Retirements	-539	-364	-114	-147	-284	-184	-89	-146	-203	-164	-141	-133	-158	-258	-253
	Foreign securities:															
6	Trade in outstanding issues	+25	+1	-7	+22	+70	+15	+12	+22	+7	+25	+20	+24	+13	-32	-20
7	New issues	-4	-3	-3	-4	-2	-3	-20	-23	-33	-48	-18	-24	-17	-13	-18
8	Retirements	+13	+7	+2	+2	+8	+3	—	+1	+2	+17	—	+6	+7	+12	+18
	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	+32
11	Repayment of war loans	+94	+109	+84	+5	+51	+34	+23	+50	+30	+30	+30	+30	+30	—	—
13	Subscriptions in gold and U.S. dollars to international financial agencies ..	-8	-74	—	—	—	—	—	—	—	—	—	—	—	-59	-3
14	Change in Canadian dollar holdings of foreigners	+70	-26	-21	+40	+233	-192	-66	-18	+34	+89	-24	-35	+106	+13	+120
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	+39
17	Other capital movements	+31	-27	+7	-80	+210	+128	-511	-185	-28	+204	+152	+126	+122	+360	+243
E	Net capital movement	-363	-49	-451	-177	+334	+517	-164	+443	+432	+698	+1,366	+1,455	+1,131	+1,504	+1,217

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, 1946-60 - Continued
B. BETWEEN CANADA AND THE UNITED STATES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960 ^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	3,191	3,039
2	Gold production available for export ..	96	99	119	139	163	150	150	144	155	155	150	147	160	148	162
4	Travel expenditures	216	241	267	267	260	258	257	282	283	303	309	325	309	351	375
5	Interest and dividends	47	36	37	40	50	57	85	101	69	78	80	95	100	99	105
6	Freight and shipping	101	104	131	128	157	164	174	164	169	203	223	222	206	228	220
7	Inheritances and immigrants' funds	19	18	18	18	31	32	38	41	42	45	45	47	47	52	50
11	All other current receipts	140	153	187	158	170	191	224	253	233	318	354	303	280	311	330
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	4,380	4,281
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	3,727	3,715
4	Travel expenditures	130	152	113	165	193	246	294	307	320	363	391	403	413	448	482
5	Interest and dividends	250	274	267	325	411	382	344	334	345	388	427	480	500	547	548
6	Freight and shipping	169	221	213	193	240	276	302	296	261	287	351	351	294	326	324
7	Inheritances and emigrants' funds	31	37	37	44	47	55	77	74	75	82	94	124	104	123	141
11	All other current payments	216	211	213	244	293	328	289	290	312	332	370	413	432	439	447
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	5,610	5,637
	Balance on merchandise trade	-430	-890	-289	-378	-47	-516	-471	-588	-445	-685	-1,167	-947	-535	-536	-676
	Balance on other transactions	-177	-244	-104	-223	-353	-435	-378	-316	-362	-350	-472	-632	-641	-694	-680
C	Current account balance	-607	-1,134	-393	-601	-400	-951	-849	-904	-807	-1,035	-1,639	-1,579	-1,176	-1,230	-1,356
D	Capital account:															
	Direct investment:															
1	Direct investment in Canada	+ 38	+ 58	+ 61	+ 84	+200	+270	+319	+348	+288	+ 306	+406	+390	+303	+424	+437
2	Direct investment abroad	- 7	+ 6	+ 15	+ 16	+ 41	- 4	- 42	- 33	- 48	- 56	- 70	- 35	- 3	- 7	- 48
	Canadian securities:															
3a	Trade in outstanding bonds and debentures	+241	- 3	+ 5	+ 25	+362	+ 20	- 170	- 85	- 87	- 159	- 35	- 70	- 10	+ 19	- 9
3b	Trade in outstanding common and preference stocks							+ 66	+ 5	+ 87	+ 92	+ 69	+ 5	+ 70	+ 75	+ 54
4	New issues	+216	+ 95	+150	+105	+210	+404	+315	+322	+299	+127	+601	+722	+600	+622	+381
5	Retirements	-460	-313	- 96	-136	-263	-159	- 75	-132	-184	-169	-133	-105	-132	-211	-200
	Foreign securities:															
8	Trade in outstanding issues	+ 21	- 2	- 9	+ 19	+ 68	+ 18	+ 9	+ 20	+ 6	+ 31	+ 10	+ 20	+ 11	- 34	+ 4
7	New issues	- 4	- 3	- 3	- 4	- 2	- 3	- 5	- 18	- 3	- 8	- 13	- 15	- 13	- 8	- 13
8	Retirements	+ 8	+ 3	+ 1	+ 1	+ 7	+ 2	-	+ 1	+ 1	+ 2	-	+ 4	+ 4	+ 8	+ 12
13	Subscriptions in gold and U.S. dollars to international financial agencies ..	- 8	- 74	-	-	-	-	-	-	-	-	- 4	-	-	- 59	- 3
14	Change in Canadian dollar holdings of foreigners	+ 27	- 3	- 14	- 8	+ 69	- 53	- 37	- 1	+ 19	+ 66	- 48	- 10	+ 83	+ 8	+ 60
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	-106	+ 67	+ 39
17	Other capital movements	+ 8	- 2	+ 1	- 38	+249	+ 59	-458	-223	+ 16	+151	+107	+ 58	+147	+447	+265
E	Net capital movement	+331	+505	-385	- 70	+267	+515	- 158	+244	+277	+425	+856	+1,068	+952	+1,349	+979
G	Balance settled by exchange transfers ..	+278	+629	+778	+671	+133	+436	+1,007	+660	+530	+610	+783	+511	+224	-119	+377
	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	+1,230	+1,356

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-60 - Continued
C. BETWEEN CANADA AND THE UNITED KINGDOM

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960 ^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	924
4	Travel expenditures	3	7	9	11	7	8	10	12	13	13	14	18	18	18	20
5	Interest and dividends	7	8	9	9	6	30	29	28	35	41	14	10	32	35	34
6	Freight and shipping	107	114	105	89	61	91	105	79	73	97	98	95	84	80	93
7	Inheritances and immigrants' funds	45	47	52	38	12	14	20	18	19	20	24	40	17	26	26
11	All other current receipts	52	42	44	49	35	42	34	37	36	39	47	41	43	43	50
12	Total current receipts	840	967	922	897	590	821	925	830	836	982	1,015	938	960	983	1,147
B	Current payments:															
1	Merchandise imports (adjusted)	138	182	287	300	399	417	350	463	391	406	493	520	537	618	611
4	Travel expenditures	3	9	12	17	19	20	27	31	35	40	46	47	52	62	70
5	Interest and dividends	54	53	50	55	54	57	56	57	62	75	73	78	76	90	81
6	Freight and shipping	32	32	34	32	36	43	42	42	39	49	59	69	70	85	89
7	Inheritances and emigrants' funds	3	8	7	10	10	10	12	12	13	16	14	20	26	26	25
9	Official contributions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3
11	All other current payments	110	50	46	37	48	51	50	92	67	66	78	86	95	89	97
12	Total current payments	340	334	436	451	566	598	537	697	607	652	763	820	856	970	976
	Balance on merchandise trade	+488	+567	+416	+401	+70	+219	+377	+193	+269	+366	+325	+214	+229	+163	+313
	Balance on other transactions, excluding B9	+ 12	+ 66	+ 70	+ 45	-46	+ 4	+ 11	- 60	- 40	- 36	- 73	- 96	-125	-150	-139
	Official contributions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3
C	Current account balance	+500	+633	+486	+446	+24	+223	+388	+133	+229	+330	+252	+118	+104	+ 13	+171

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	288	340
4	Travel expenditures	1	1	1	2	3	3	3	3	3	4	4	5	6	6	6
5	Interest and dividends	2	6	4	4	8	4	7	13	17	21	21	22	13	28	18
6	Freight and shipping	34	39	34	30	18	23	20	18	18	27	29	27	24	26	31
7	Inheritances and immigrants' funds	—	1	2	1	1	3	3	4	4	4	5	8	13	7	6
11	All other current receipts	3	3	4	3	3	3	5	7	7	8	9	7	8	7	8
12	Total current receipts	309	416	338	340	234	301	331	296	255	318	324	315	363	362	409
B	Current payments:															
1	Merchandise imports (adjusted)	129	160	192	187	244	310	185	172	183	211	222	239	212	283	284
4	Travel expenditures	1	3	4	4	5	5	5	6	7	8	8	11	11	13	14
5	Interest and dividends	1	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	4
7	Inheritances and emigrants' funds	—	—	1	2	1	1	1	1	1	1	1	2	2	3	2
9	Official contributions	5	—	—	—	—	—	15	18	8	22	28	38	49	64	41
11	All other current payments	3	5	4	6	4	4	6	10	9	12	13	18	16	17	18
12	Total current payments	145	174	209	205	257	325	217	213	211	258	276	311	294	364	364
	Balance on merchandise trade	+140	+206	+101	+113	-43	-45	+108	+79	+23	+43	+34	+ 7	+87	+25	+56
	Balance on other transactions, excluding B9	+ 29	+ 46	+ 28	+ 22	+20	+21	+ 21	+22	+29	+39	+42	+35	+31	+37	+30
	Official contributions	- 5	—	—	—	—	—	- 15	-18	- 8	-22	-28	-38	-49	-64	-41
C	Current account balance	+164	+242	+129	+135	-23	-24	+114	+83	+44	+60	+48	+ 4	+69	- 2	+45

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-60 - 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	1960 ^P
millions of dollars																
C	Current account balance	+664	+875	+615	+581	+ 1	+199	+502	+216	+273	+390	+300	+122	+173	+11	+216
D	Capital account:															
	Direct investment:															
1	Direct investment in Canada	+ 2	+ 3	+ 10	+ 13	+ 19	+ 30	+ 15	+ 45	+ 75	+ 68	+ 98	+ 68	+ 91	+86	+124
2	Direct investment abroad	- 10	- 3	- 2	- 3	- 4	- 6	- 19	- 22	- 23	- 9	- 27	- 11	- 16	-52	- 19
	Canadian securities:															
3a	Trade in outstanding bonds and debentures	- 48	- 11	- 4	- 16	- 35	- 16	+ 3	+ 20	-	- 2	+ 11	-	+ 3	+ 4	- 13
3b	Trade in outstanding common and preference stocks							- 6	+ 7	+ 21	+ 28	+ 72	+ 87	+ 4	+ 7	- 16
4	New issues	-	-	-	-	-	+ 7	+ 1	+ 7	+ 20	+ 15	+ 36	+ 59	+ 41	+45	+ 26
5	Retirements	- 77	- 42	- 14	- 10	- 19	- 24	- 9	- 11	- 17	- 11	- 2	- 21	- 16	-30	- 27
	Foreign securities:															
6	Trade in outstanding issues	+ 1	+ 3	+ 2	+ 2	+ 1	-	+ 3	+ 3	+ 2	- 9	+ 4	+ 2	+ 2	+ 2	- 3
7	New issue	-	-	-	-	-	-	-	-	- 1	- 21	-	-	-	-	- 1
8	Retirements	+ 5	+ 1	+ 1	+ 1	+ 1	+ 1	-	-	+ 1	-	-	-	+ 1	+ 2	+ 1
	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	+ 17
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	+ 6
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	- 6	- 37
E	Net capital movement	-491	-357	+ 7	- 87	+ 13	- 23	- 16	+129	+ 94	+177	+261	+228	+ 91	+57	+ 58
G	Balance settled by exchange transfers:															
	Official settlements	-150	-505	-597	-466	+ 4	-165	-486	-345	-367	-567	-561	-350	-264	-68	-274
	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	-11	-216

TABLE III. Current Account Between Canada and All Countries, 1926-60

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	5,858	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	6,855	8,296	-1,441	- 63	-1,504
1960 ^P	7,167	8,341	-1,174	- 43	-1,217

¹ Including Mutual Aid exports.

² Excluding Mutual Aid offsets.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1958-60
A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1958				1959				1960p			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
millions of dollars													
A	Current receipts:												
1	Merchandise exports (adjusted)	1,084	1,277	1,219	1,307	1,060	1,355	1,286	1,449	1,283	1,323	1,400	1,394
3	Gold production available for export	44	39	39	38	37	41	33	37	44	35	42	41
4	Travel expenditures	32	76	186	55	32	85	213	61	36	91	221	72
5	Interest and dividends	31	38	29	70	30	43	40	69	36	40	36	66
6	Freight and shipping	98	102	98	103	93	112	105	110	102	115	118	107
7	Inheritances and immigrants' funds	18	27	26	26	18	34	33	24	18	29	31	24
11	All other current receipts	96	91	87	101	94	95	106	97	100	107	111	102
12	Total current receipts	1,403	1,650	1,684	1,700	1,364	1,765	1,816	1,847	1,619	1,740	1,959	1,806
B	Current payments:												
1	Merchandise imports (adjusted)	1,154	1,361	1,202	1,349	1,218	1,551	1,380	1,423	1,327	1,510	1,318	1,390
4	Travel expenditures	100	140	191	111	117	144	216	121	119	168	213	127
5	Interest and dividends	126	136	151	199	145	153	151	222	149	164	161	195
6	Freight and shipping	95	114	127	124	99	133	149	144	114	137	141	141
7	Inheritances and emigrants' funds	29	36	39	41	31	39	47	48	38	43	50	50
9	Official contributions	12	18	12	11	9	22	22	19	10	10	16	24
11	All other current payments	179	176	169	166	173	174	173	173	183	178	182	183
12	Total current payments	1,695	1,981	1,891	2,001	1,792	2,216	2,138	2,150	1,940	2,210	2,081	2,110
	Balance on merchandise trade	- 70	- 84	+ 17	- 42	-158	-196	- 94	+ 26	- 44	-187	+ 82	+ 4
	Balance on other transactions, excluding B9	-210	-229	-212	-248	-261	-233	-206	-310	-257	-273	-188	-284
	Official contributions	- 12	- 18	- 12	- 11	- 9	- 22	- 22	- 19	- 10	- 10	- 16	- 24
C	Current account balance	-292	-331	-207	-301	-428	-451	-322	-303	-321	-470	-122	-304
D	Capital account:												
	Direct investment:												
1	Direct investment in Canada	+ 93	+ 94	+103	+130	+101	+181	+ 85	+183	+196	+144	+168	+137
2	Direct investment abroad	- 20	- 23	+ 6	- 11	- 25	- 13	- 24	- 18	- 15	- 25	- 29	- 16
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	- 2	- 12	- 7	+ 21	+ 33	+ 15	+ 32	+ 11	+ 19	+ 15	- 19	- 12
3b	Trade in outstanding common and preference stocks	+ 3	+ 17	+ 35	+ 33	+ 32	+ 33	+ 26	+ 19	+ 13	+ 24	+ 10	+ 2
4	New issues	+179	+295	+102	+101	+180	+117	+213	+197	+209	+146	+ 52	+ 40
5	Retirements	- 30	- 50	- 27	- 51	- 42	- 84	- 61	- 71	- 50	- 78	- 32	- 93
	Foreign securities:												
6	Trade in outstanding issues	+ 4	- 1	+ 3	+ 7	- 5	- 12	- 7	- 8	+ 7	- 5	+ 2	- 24
7	New issues	- 4	- 7	- 2	- 4	- 3	- 2	- 1	- 7	- 2	- 3	- 2	- 11
8	Retirements	+ 2	+ 1	+ 2	+ 2	+ 3	+ 2	+ 3	+ 4	+ 6	+ 3	+ 7	+ 2
	Loans by Government of Canada:												
9	Drawings	- 16	- 8	-	- 10	- 1	-	-	-	-	-	-	-
10	Repayment of post-war loans	-	+ 9	-	+ 25	-	+ 9	-	+ 25	-	+ 7	-	+ 25
11	Repayment of war loans	+ 7	+ 8	+ 7	+ 8	-	-	-	-	-	-	-	-
13	Subscriptions in gold and U.S. dollars to international financial agencies	-	-	-	-	-	-	-	- 59	-	-	- 1	- 2
14	Change in Canadian dollar holdings of foreigners	- 16	+ 41	+ 90	- 9	- 12	+ 47	+ 22	- 44	- 2	- 2	+ 45	+ 79
16	Change in official holdings of gold and foreign exchange (increase, minus)	- 39	- 52	+ 32	- 50	+ 49	- 43	- 3	+ 67	+ 11	+ 82	- 40	- 14
17	Other capital movements	+131	+ 19	-137	+109	+118	+201	+ 37	+ 4	- 71	+162	- 39	+191
E	Net capital movement	+292	+331	+207	+301	+428	+451	+322	+303	+321	+470	+122	+304

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, 1958-60 - Continued
B. BETWEEN CANADA AND THE UNITED STATES

No.	Account	1958				1959				1960			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
A	Current receipts:												
1	Merchandise exports (adjusted)	650	719	757	782	652	851	806	882	769	765	769	736
3	Gold production available for export	44	39	39	38	37	41	33	37	44	35	42	41
4	Travel expenditures	28	62	171	48	28	70	198	55	32	74	205	64
5	Interest and dividends	22	22	21	35	22	25	21	31	27	24	28	26
6	Freight and shipping	49	51	55	51	48	61	59	60	51	59	59	51
7	Inheritances and immigrants' funds	10	12	14	11	10	14	16	12	9	12	17	12
11	All other current receipts	73	67	63	77	74	75	86	76	79	85	87	79
12	Total current receipts	876	972	1,120	1,042	871	1,137	1,219	1,153	1,011	1,054	1,207	1,009
B	Current payments:												
1	Merchandise imports (adjusted)	831	927	799	886	865	1,044	891	927	942	1,005	853	915
2	Travel expenditures	80	113	136	84	94	113	155	86	91	131	151	89
5	Interest and dividends	92	115	122	171	108	127	120	192	113	135	131	169
6	Freight and shipping	57	73	86	78	57	84	96	89	65	87	88	84
7	Inheritances and emigrants' funds	23	24	28	29	25	27	35	36	32	32	38	39
11	All other current payments	107	109	109	107	110	110	109	110	109	111	112	115
12	Total current payments	1,190	1,361	1,280	1,355	1,259	1,505	1,406	1,440	1,352	1,501	1,373	1,411
C	Current account balance	-314	-389	-160	-313	-388	-368	-187	-287	-341	-447	-166	-402
D	Capital account:												
	Direct investment:												
1	Direct investment in Canada	+ 65	+ 75	+ 61	+102	+ 80	+164	+ 57	+123	+131	+109	+100	+ 97
2	Direct investment abroad	- 4	- 12	+ 15	- 2	- 2	- 4	+ 3	- 4	- 6	- 10	- 18	- 14
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	- 6	- 5	- 9	+ 10	+ 16	- 2	+ 9	- 4	+ 4	+ 3	- 16	-
3b	Trade in outstanding common and preference stocks	+ 7	+ 11	+ 27	+ 25	+ 28	+ 27	+ 17	+ 3	+ 5	+ 22	+ 14	+ 13
4	New issues	+164	+258	+ 92	+ 86	+160	+100	+198	+164	+191	+129	+ 34	+ 27
5	Retirements	- 28	- 40	- 25	- 39	- 34	- 71	- 45	- 61	- 43	- 57	- 28	- 72
	Foreign securities:												
6	Trade in outstanding issues	+ 3	- 1	+ 4	+ 5	- 5	- 13	- 7	- 9	+ 7	- 5	+ 2	-
7	New issues	- 4	- 6	- 1	- 2	- 1	- 1	- 1	- 5	- 1	- 1	- 2	- 9
8	Retirements	+ 1	+ 1	+ 1	+ 1	+ 2	+ 1	+ 2	+ 1	+ 5	+ 2	+ 4	+ 1
13	Subscriptions in gold and U.S. dollars to international financial agencies	-	-	-	-	-	-	-	- 59	-	-	- 1	- 2
14	Change in Canadian dollar holdings of foreigners	-	+ 35	+ 75	- 27	- 1	+ 25	+ 17	- 33	- 13	+ 2	+ 28	+ 43
16	Change in official holdings of gold and U.S. dollars (increase, minus)	- 39	- 52	+ 33	- 50	+ 49	- 44	- 4	+ 66	+ 13	+ 80	- 38	- 16
17	Other capital movements	+143	+ 28	-133	+109	+127	+233	+ 53	+ 34	- 88	+179	- 10	+184
E	Net capital movement	+302	+292	+140	+218	+419	+415	+299	+216	+205	+453	+ 69	+252
G	Balance settled by exchange transfers	+ 12	+ 97	+ 20	+ 95	- 31	- 47	-112	+ 71	+136	- 6	+ 97	+150
	Total financing of current account balance (item C)	+314	+389	+160	+313	+388	+368	+187	+287	+341	+447	+166	+402

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1958-60 — Continued
C. BETWEEN CANADA AND THE UNITED KINGDOM

No.	Account	1958				1959				1960			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
		millions of dollars											
A	Current receipts:												
1	Merchandise exports (adjusted).....	153	206	193	214	163	202	189	227	209	231	243	241
4	Travel expenditures	2	7	7	2	2	7	7	2	2	8	6	4
5	Interest and dividends	2	3	1	26	1	5	2	27	3	3	1	27
6	Freight and shipping	21	22	19	22	20	22	19	19	21	24	25	23
7	Inheritances and immigrants' funds	4	5	4	4	4	7	7	8	6	7	7	6
11	All other current receipts	11	11	10	11	10	11	11	11	12	12	14	12
12	Total current receipts	193	254	234	279	200	254	235	294	253	285	296	313
B	Current payments:												
1	Merchandise imports (adjusted).....	113	162	122	140	115	177	162	164	141	186	140	144
4	Travel expenditures	7	9	26	10	9	11	25	17	8	15	29	18
5	Interest and dividends	25	12	20	19	28	18	23	21	26	19	21	15
6	Freight and shipping	17	18	17	18	19	22	22	22	22	22	22	23
7	Inheritances and emigrants' funds	3	7	8	8	3	8	8	7	3	7	8	7
9	Official contributions	—	—	—	—	—	—	—	—	—	—	—	3
11	All other current payments	27	26	21	21	21	23	23	22	24	23	28	22
12	Total current payments	192	234	214	216	195	259	263	253	224	272	248	232
C	Current account balance	+ 1	+20	+20	+ 63	+ 5	- 5	-28	+41	+29	+13	+48	+ 81
D	Capital account:												
	Direct investment:												
1	Direct investment in Canada	+19	+13	+34	+ 21	+17	+11	+22	+37	+40	+17	+32	+ 30
2	Direct investment abroad	- 3	- 2	- 1	+ 1	-15	- 4	-20	- 5	- 4	- 6	- 3	- 2
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	—	- 1	—	+ 4	—	+ 2	+ 4	- 2	- 2	—	- 6	- 5
3b	Trade in outstanding common and preference stocks	- 4	+ 3	+ 3	+ 2	- 3	- 3	+ 2	+11	+ 5	- 2	- 7	- 12
4	New issues	+11	+18	+ 4	+ 8	+15	+ 9	+ 9	+12	+ 8	+10	+ 5	+ 3
5	Retirements	- 1	- 6	- 2	- 7	- 6	- 9	-10	- 5	- 6	-11	- 2	- 8
	Foreign securities:												
6	Trade in outstanding issues	+ 1	—	—	+ 1	+ 1	—	—	+ 1	+ 1	+ 1	—	- 5
7	New issues	—	—	—	—	—	—	—	—	—	—	—	—
8	Retirements	+ 1	—	—	—	—	—	—	—	—	—	—	—
	Loans by Government of Canada:												
10	Repayment of post-war loans	—	—	—	+ 16	—	—	—	+16	—	—	—	+ 17
11	Repayment of war loans	+ 7	+ 8	+ 7	+ 8	—	—	—	—	—	—	—	—
14	Change in Canadian dollar holdings of foreigners	-13	+ 1	+ 8	+ 8	-14	+10	+ 5	-11	- 3	- 3	+23	- 8
16	Change in official holdings of sterling (increase, minus)	—	—	- 1	—	—	+ 1	+ 1	+ 1	- 2	+ 2	- 2	+ 2
17	Other capital movements	-20	- 8	- 1	- 10	+ 1	+11	+ 6	- 1	+ 6	-25	-41	+ 16
E	Net capital movement	- 2	+26	+51	+ 52	- 4	+28	+19	+54	+43	-17	- 1	+ 28
G	Balance settled by exchange transfers	+ 1	-46	-71	-115	- 1	-23	+ 9	-95	-72	+ 4	-47	-109
	Total financing of current account balance (item C)	- 1	-20	-20	- 63	- 5	+ 5	+28	-41	-29	-13	-48	- 81

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1958-60 - Concluded
D. BETWEEN CANADA AND OTHER COUNTRIES

No.	Account	1958				1959				1960 ^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	78	83	62	76	65	75	70	78	72	66	86	96
	Other current receipts	13	16	15	20	15	17	26	16	14	18	18	19
12	Total current receipts	91	99	77	96	80	92	96	94	86	104	104	115
B 1	Merchandise imports	36	64	53	59	42	79	73	69	49	78	78	79
	Other current payments	18	25	19	20	18	29	27	27	21	19	18	22
12	Total current payments	54	89	72	79	60	108	100	96	70	97	96	101
C	Current account balance	+37	+10	+ 5	+17	+20	-16	- 4	- 2	+16	+ 7	+ 8	+14
Non-sterling area overseas countries:													
A 1	Merchandise exports	203	269	207	235	180	227	221	262	233	241	302	321
	Other current receipts	40	56	46	46	33	55	45	44	36	56	50	48
12	Total current receipts	243	325	253	283	213	282	266	306	269	297	352	369
B 1	Merchandise imports	174	208	228	264	196	251	254	263	195	241	247	252
	Other current payments	85	89	97	87	82	93	115	98	99	99	117	114
12	Total current payments	259	297	325	351	278	344	369	361	294	340	364	366
C	Current account balance	-16	+28	-72	-68	-65	-62	-103	-55	-25	-43	-12	+ 3
C	Current account balance with above areas	+21	+38	-67	-51	-45	-78	-107	-57	- 9	-36	- 4	+17
D Capital account:													
Direct investment:													
1	Direct investment in Canada	+ 9	+ 6	+ 8	+ 7	+ 4	+ 6	+ 6	+23	+25	+18	+36	+10
2	Direct investment abroad	-13	- 9	- 8	-10	- 8	- 5	- 7	- 9	- 5	- 9	- 8	-
Canadian securities:													
3a	Trade in outstanding bonds and debentures	+ 4	- 6	+ 2	+ 7	+17	+15	+ 19	+17	+17	+12	+ 3	- 7
3b	Trade in outstanding common and preference stocks	-	+ 3	+ 5	+ 6	+ 7	+ 9	+ 7	+ 5	+ 3	+ 4	+ 3	+ 1
4	New issues	+ 4	+19	+ 6	+ 7	+ 5	+ 8	+ 6	+21	+10	+ 7	+13	+10
5	Retirements	- 1	- 4	-	- 5	- 2	- 4	- 6	- 5	- 1	-10	- 2	-13
Foreign securities:													
6	Trade in outstanding issues	-	-	- 1	+ 1	- 1	+ 1	-	-	- 1	- 1	-	-19
7	New issues	-	- 1	- 1	- 2	- 2	- 1	-	- 2	- 1	- 2	-	- 2
8	Retirements	-	-	+ 1	+ 1	+ 1	+ 1	+ 1	+ 3	+ 1	+ 1	+ 3	+ 1
Loans by Government of Canada:													
9	Drawings	-16	- 8	-	-10	- 1	-	-	-	-	-	-	-
10	Repayment of post-war loans	-	+ 9	-	+ 9	-	+ 9	-	+ 9	-	+ 7	-	+ 8
14	Change in Canadian dollar holdings of foreigners	- 3	+ 5	+ 7	+10	+ 3	+12	-	-	+14	- 1	- 6	+44
17	Other capital movements	+ 8	- 1	- 3	+10	-10	-43	- 22	-29	+11	+ 8	+12	- 9
E	Net capital movement	- 8	+13	+16	+31	+13	+ 8	+ 4	+33	+73	+34	+54	+24
G	Balance settled by exchange transfers	-13	-51	+51	+20	+32	+70	+103	+24	-64	+ 2	-50	-41
Total financing of current account balance (item C)													
		-21	-38	+67	+51	+45	+78	+107	+57	+ 9	+36	+ 4	-17

TABLE V. The Canadian Balance of International Indebtedness, Selected Year Ends, 1926-60¹

Item	1926	1930	1933	1939	1945	1949	1951	1953	1954	1955	1956	1957	1958	1959	1960 _p
billions of dollars															
Canadian liabilities:															
Direct investments VIII, X	1.8	2.4	2.4	2.3	2.7	3.6	4.5	66.0	6.0	7.7	8.9	10.1	10.9	11.9	13.0
Government and municipal bonds IX	1.4	1.7	1.7	1.7	1.7	1.8	2.1	2.1	2.1	1.9	2.1	2.3	2.6	3.1	3.3
Other portfolio investments VIII	2.5	3.2	3.0	2.6	2.4	2.3	2.5	2.9	3.1	3.1	3.5	3.9	4.1	4.2	4.5
Income accumulating investment funds	—	—	—	—	—	—	—	—	0.1	0.2	0.2	0.3	0.3	0.3	0.3
Miscellaneous investments VIII	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.5	0.6	0.6	0.8	0.9	1.1	1.3	1.4
Foreign long-term investments in Canada VIII, IX	6.0	7.6	7.4	6.9	7.1	8.0	9.5	11.5	12.5	13.5	15.6	17.5	19.0	20.8	22.3
Equity of non-residents in Canadian assets abroad	..	..	..	0.2	0.2	0.3	0.4	0.6	0.6	0.7	0.8	0.8	0.9	1.0	1.1
Canadian dollar holdings of non-residents	..	..	..	0.3	0.3	0.4	0.4	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.6
Canadian short-term assets of international financial agencies	—	—	—	—	—	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.4	0.4
Gross liabilities²	6.4	8.0	7.7	7.4	7.6	8.9	10.6	12.6	13.7	14.8	17.0	18.9	20.6	22.7	24.6
United States ³	3.5	4.9	4.7	4.5	5.4	6.4	7.9	9.5	10.3	11.1	12.6	14.2	15.5	16.9	18.1
United Kingdom ³	2.7	2.9	2.8	2.6	1.8	1.8	1.9	2.2	2.3	2.5	2.8	3.1	3.3	3.4	3.6
Other countries ^{3,4}	0.2	0.2	0.2	0.3	0.4	0.7	0.8	1.0	1.0	1.2	1.5	1.7	1.9	2.4	2.8
Short-term commercial payables ⁴	..	..	..	..	0.4	0.4	0.7	0.3	0.4	0.5	0.7	1.0	1.2	1.6	1.7
Gross liabilities	6.4²	8.0²	7.7²	7.4²	8.0	9.3	11.3	12.9	14.1	15.3	17.7	19.9	21.8	24.3	26.1
Canadian assets:															
Direct investments VII	0.4	0.4	0.4	0.7	0.7	0.9	1.2	1.5	1.6	1.8	1.9	2.1	2.2	2.3	2.6
Portfolio investments VII	0.5	0.8	0.9	0.7	0.6	0.6	0.6	0.9	0.9	1.0	1.0	1.1	1.1	1.1	1.2
Government of Canada loans and advances VII	—	—	—	—	0.7	2.0	1.9	1.8	1.7	1.6	1.6	1.5	1.5	1.5	1.4
Government of Canada subscriptions to international financial agencies	—	—	—	—	—	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.6	0.6
Canadian long-term investments abroad	0.9	1.3	1.3	1.4	2.0	4.0	4.1	4.5	4.6	4.7	4.8	5.0	5.1	5.5	5.9
Government of Canada holdings of gold and foreign exchange VI	..	..	..	0.5	1.7	1.2	1.8	1.8	1.9	1.9	1.9	1.8	1.9	1.8	1.8
Bank balances and other short-term funds abroad	s	s	s	—	0.1	0.1	0.1	0.3	0.4	0.3	0.6	0.9	1.0	1.0	1.2
Gross assets²	1.3	1.5	1.4	1.9	3.8	5.2	6.0	6.6	6.9	7.0	7.3	7.7	7.9	8.3	8.9
Government of Canada holdings of gold and foreign exchange	—	—	—	0.5	1.7	1.2	1.8	1.8	1.9	1.9	1.9	1.8	1.9	1.8	1.8
United States ^{3,6}	0.7	0.9	0.8	0.9	0.9	1.1	1.4	2.0	2.1	2.2	2.6	3.0	3.1	3.3	3.6
United Kingdom ^{3,6}	0.1	0.1	—	0.1	0.7	1.6	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.5
Other countries ^{3,3}	0.5	0.5	0.6	0.4	0.5	1.3	1.3	1.4	1.4	1.4	1.4	1.5	1.6	1.9	1.9
Short-term commercial receivables ⁴	..	..	..	..	0.1	0.2	0.2	0.2	0.3	0.3	0.4	0.4	0.5	0.5	0.4
Gross assets	1.3³	1.5³	1.4³	1.9²	4.0	5.5	6.3	6.9	7.2	7.4	7.7	8.1	8.4	8.8	9.3
Canadian net international indebtedness:															
Net liabilities	5.1²	6.5²	6.3²	5.5²	4.0	3.8	5.0	6.0	6.8	7.9	10.0	11.8	13.4	15.5	16.9
Government of Canada holdings of gold and foreign exchange	—	—	—	-0.5	-1.7	-1.2	-1.8	-1.8	-1.9	-1.9	-1.9	-1.8	-1.9	-1.8	-1.8
United States ^{3,6}	2.8	4.0	3.9	3.6	4.6	5.3	6.5	7.5	8.2	8.8	10.0	11.2	12.4	13.7	14.5
United Kingdom ^{3,6}	2.6	2.8	2.8	2.5	1.1	0.2	0.4	0.7	0.9	1.1	1.4	1.7	1.9	2.0	2.1
Other countries ^{3,3}	-0.3	-0.3	-0.4	-0.1	-0.1	-0.6	-0.5	-0.4	-0.4	-0.2	—	0.1	0.3	0.6	0.8
Short-term commercial indebtedness ⁴	..	..	..	..	0.3	0.2	0.5	0.1	0.1	0.2	0.3	0.6	0.7	1.1	1.3

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 Includes international financial agencies.

⁴ Country distribution not available.

⁵ Net external assets of the Chartered Banks of Canada amounted to \$370 million in 1926, \$180 million in 1930, and \$91 million in 1933.

⁶ 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 refer to tables with further detail.

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 1950-60

At end of	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
millions of U.S. dollars											
March	1,192.2	1,653.4	1,787.2	1,845.3	1,827.2	1,871.5	1,871.4	1,923.6	1,867.7	1,888.3	1,856.1
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	1,773.9
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	1,813.0
December	1,741.5	1,778.6	1,860.2	1,818.5	1,942.6	1,900.8	1,936.2	1,828.3	1,939.1	1,869.2	1,829.2

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, 1926-59

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	208	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	2,742	1,635	4,377
1956	418	1,119	340	27	1,904	785	221	1,006	2,910	1,565	4,475
1957	425	1,210	410	40	2,085	797	257	1,054	3,139	1,515	4,654
1958	429	1,276	427	43	2,175	840	250	1,090	3,265	1,484	4,749
1959	453	1,373	416	67	2,309	892	249	1,141	3,450	1,451	4,901
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	1,930	—	1,930
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
1959	380	874	190	51	1,495	692	111	803	2,298	—	2,298
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	118	—	—	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 ²	1,342
1957	3	168	—	1	172	33	15	48	220	1,127 ²	1,347
1958	3	197	—	1	201	27	14	41	242	1,080 ²	1,322
1959	10	253	—	2	265	25	12	37	302	1,064 ²	1,366
In other Commonwealth countries: ³											
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	3	235	7	21	28	263	—	263
1958	7	102	150	7	266	8	21	29	295	34	329
1959	8	120	153	10	291	8	19	27	318	35	353
In other foreign countries:											
1926	..	..	..	..	104 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	38	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	448	433	881
1956	29	82	52	4	167	179	100	279	446	408	854
1957	34	104	73	4	215	178	103	281	496	388	884
1958	40	119	80	4	243	174	104	278	521	370	891
1959	55	126	73	4	258	167	107	274	532	352	884

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

³ Includes investments in Newfoundland prior to 1949.

⁴ Includes investments in "Other Commonwealth countries".

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930-59

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	1955	1956	1957	1958	1959	1930	1945	1955	1956	1957	1958	1959
	millions of dollars													
By type of assets														
Bonds and debentures:														
Government and municipal ¹	1,706	1,662	1,869	2,135	2,326	2,621	3,112	1,205	1,450	1,640	1,872	2,061	2,344	2,764
Railways	1,481	843	538	504	480	484	492	598	495	213	182	166	165	159
Other corporations	796	561	1,226	1,496	1,963	2,181	2,241	600	414	1,022	1,252	1,666	1,863	1,924
Sub-totals	3,983	3,066	3,633	4,135	4,769	5,286	5,845	2,403	2,359	2,875	3,306	3,893	4,372	4,847
Capital stock of Canadian companies	2,856	3,194	6,939	7,991	8,875	9,352	9,916	1,832	2,088	5,023	5,711	6,328	6,679	7,117
Other corporation assets ²	480	548	2,090	2,376	2,686	2,967	3,490	331	413	1,840	2,049	2,299	2,512	2,954
Income accumulating investment funds	—	—	170	249	255	342	321	—	—	170	249	255	342	321
Miscellaneous investments	295	284	641	818	879	1,058*	1,261	94	130	367	474	489	531	572
Total investments	7,614	7,092	13,473	15,569	17,464	19,005	20,833	4,660	4,990	10,275	11,789	13,264	14,436	15,811
By nature of national ownership														
I. Direct investments (controlled in country of ownership):														
Bonds and debentures:														
Railways	52	46	36	36	32	32	28	42	38	29	29	28	28	24
Other corporations	357	281	718	781	1,075	1,135	1,182	294	254	675	730	1,004	1,058	1,106
Sub-totals	409	327	754	817	1,107	1,167	1,210	336	292	704	759	1,032	1,086	1,130
Capital stock of Canadian companies	1,543	1,860	4,941	5,725	6,398	6,826	7,324	1,330	1,613	4,020	4,629	5,196	5,515	5,922
Other corporation assets ²	475	526	2,033	2,326	2,624	2,887	3,372	327	399	1,789	2,004	2,244	2,444	2,860
Total direct investments	2,427	2,713	7,728	8,868	10,129	10,880	11,906	1,993	2,304	6,513	7,392	8,472	9,045	9,912
II. Government and municipal bonds¹	1,706	1,662	1,869	2,135	2,326	2,621	3,112	1,205	1,450	1,640	1,872	2,061	2,344	2,764
III. Other portfolio investments (not controlled in country of ownership):														
Bonds and debentures:														
Railways — Controlled in Canada	1,427	795	499	467	447	451	462	556	457	184	153	138	137	134
— Controlled in other countries	2	2	3	1	1	1	2	—	—	—	—	—	—	1
Other corporations — Controlled in Canada	421	220	369	478	618	756	773	301	158	331	436	555	682	696
— Controlled in other countries	18	60	139	237	270	290	286	5	2	16	86	107	123	122
Sub-totals	1,868	1,077	1,010	1,183	1,336	1,498	1,523	862	617	531	675	800	942	953
Capital stock of Canadian companies:														
Companies controlled in Canada	1,233	1,249	1,839	2,063	2,228	2,274	2,322	484	462	961	1,041	1,058	1,081	1,100
Companies controlled in other countries	80	85	159	203	249	252	270	18	13	42	41	74	83	95
Other corporation assets: ²														
Companies controlled in Canada	5	16	42	34	46	59	93	4	13	38	32	43	53	79
Companies controlled in other countries	—	6	15	16	16	21	25	—	1	13	13	12	15	15
Income accumulating investment funds	—	—	170	249	255	342	321	—	—	170	249	255	342	321
Total other portfolio investments	3,186	2,433	3,235	3,748	4,130	4,446	4,554	1,368	1,106	1,755	2,051	2,242	2,516	2,563
IV. Miscellaneous investments:														
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	295	284	641	818	879	1,058*	1,261	94	130	367	474	489	531	572
SUMMARY														
I. Direct investments	2,427	2,713	7,728	8,868	10,129	10,880	11,906	1,993	2,304	6,513	7,392	8,472	9,045	9,912
II. Government and municipal bonds	1,706	1,662	1,869	2,135	2,326	2,621	3,112	1,205	1,450	1,640	1,872	2,061	2,344	2,764
III. Other portfolio investments	3,186	2,433	3,235	3,748	4,130	4,446	4,554	1,368	1,106	1,755	2,051	2,242	2,516	2,563
IV. Miscellaneous investments	295	284	641	818	879	1,058*	1,261	94	130	367	474	489	531	572
Total investments	7,614	7,092	13,473	15,569	17,464	19,005	20,833	4,660	4,990	10,275	11,789	13,264	14,436	15,811

See footnotes at end of table.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends, 1930-59 — 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	1955	1956	1957	1958	1959	1930	1945	1955	1956	1957	1958	1959
	millions of dollars													
By type of assets														
Bonds and debentures:														
Government and municipal ¹	486	157	141	152	145	145	141	15	55	88	111	120	132	207
Railways	862	316	296	296	290	292	291	21	32	29	26	24	27	42
Other corporations	171	116	157	172	200	207	206	25	31	47	72	97	111	111
Sub-totals	1,519	589	594	620	635	644	638	61	118	164	209	241	270	360
Capital stock of Canadian companies	942	973	1,426	1,646	1,835	1,934	1,983	82	133	490	634	712	739	816
Other corporation assets ²	134	103	179	234	270	312	378	15	32	71	93	117	143	158
Miscellaneous investments	171	85	157	168	177	198	200	30	69	117	176	213	329 ^x	489
Total investments	2,766	1,750	2,356	2,668	2,917	3,088	3,199	188	352	842	1,112	1,283	1,481	1,823
By nature of national ownership														
I. Direct investments (controlled in country of ownership):														
Bonds and debentures:														
Railways	10	8	7	7	4	4	4	—	—	—	—	—	—	—
Other corporations	49	13	11	19	42	45	39	14	14	32	32	29	32	37
Sub-totals	59	21	18	26	46	49	43	14	14	32	32	29	32	37
Capital stock of Canadian companies	200	226	694	789	850	936	972	13	21	227	307	352	373	430
Other corporation assets ²	133	101	178	233	267	309	369	15	26	66	89	113	134	143
Total direct investments	392	348	890	1,048	1,163	1,296	1,384	42	61	325	428	494	539	610
II. Government and municipal bonds ¹	486	157	141	152	145	145	141	15	55	88	111	120	132	207
III. Other portfolio investments (not controlled in country of ownership):														
Bonds and debentures:														
Railways — Controlled in Canada	850	306	286	288	285	287	286	21	32	29	26	24	27	42
— Controlled in other countries	2	2	3	1	1	1	1	—	—	—	—	—	—	—
Other corporations — Controlled in Canada	116	46	24	22	20	23	28	4	18	14	20	43	51	49
— Controlled in other countries	6	57	122	131	138	139	139	7	1	1	20	25	28	25
Sub-totals	974	411	435	442	444	450	454	32	49	44	66	92	106	116
Capital stock of Canadian companies:														
Companies controlled in Canada	685	691	673	783	910	923	935	64	96	205	239	260	270	287
Companies controlled in other countries	57	56	59	74	75	73	76	5	16	58	88	100	96	99
Other corporation assets: ³														
Companies controlled in Canada	1	2	1	1	2	1	4	—	1	3	1	1	5	10
Companies controlled in other countries	—	—	—	—	1	2	5	—	5	2	3	3	4	5
Total other portfolio investments	1,717	1,160	1,168	1,300	1,432	1,449	1,474	101	167	312	397	456	481	517
IV. Miscellaneous investments:														
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	171	85	157	168	177	198	200	30	69	117	176	213	329 ^x	489
SUMMARY														
I. Direct investments	392	348	890	1,048	1,163	1,296	1,384	42	61	325	428	494	539	610
II. Government and municipal bonds	486	157	141	152	145	145	141	15	55	88	111	120	132	207
III. Other portfolio investments	1,717	1,160	1,168	1,300	1,432	1,449	1,474	101	167	312	397	456	481	517
IV. Miscellaneous investments	171	85	157	168	177	198	200	30	69	117	176	213	329^x	489
Total investments	2,766	1,750	2,356	2,668	2,917	3,088	3,199	188	352	842	1,112	1,283	1,481	1,823

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, 1930-59
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	1955	1956	1957	1958	1959	1930	1945	1955	1956	1957	1958	1959
	millions of dollars													
Government securities:														
Dominion	682	726	529	502	501	564	612	440	682	393	340	342	396	383
Provincial	592	624	888	1,081	1,165	1,276	1,585 ¹	517	574	836	1,021	1,099	1,207	1,509
Municipal	432	312	452	552	660	781	915 ²	248	194	411	511	620	741	872
Sub-totals	1,706	1,662	1,869	2,135	2,326	2,621	3,112	1,205	1,450	1,640	1,872	2,061	2,344	2,764
Manufacturing:														
Vegetable products	208	268	483	524	577	608	664	123	199	365	401	440	469	509
Animal products	50	61	103	103	108	114	128	44	47	91	91	96	102	115
Textiles	49	83	122	128	128	135	140	26	41	65	70	71	73	79
Wood and paper products	586	455	993	1,108	1,166	1,200	1,211	489	383	823	938	986	1,021	1,026
Iron and products	262	319	894 ^x	1,083	1,198	1,312	1,451	233	297	769 ^x	891	971	1,038	1,172
Non-ferrous metals	125	274	783	895	1,031	1,103	1,153	118	209	616	700	813	879	928
Non-metallic minerals	24	57	136	170	179	207	227	19	48	87	109	111	129	142
Chemicals and allied products	122	169	452	500	582	617	660	89	124	304	344	418	444	473
Miscellaneous manufactures ..	33	37	59 ^x	68	82	85	92	33	34	53 ^x	62	76	79	86
Sub-totals (excluding petro- leum refining)	1,459	1,723	4,025	4,579	5,051	5,381	5,726	1,174	1,382	3,173	3,606	3,982	4,234	4,530
Petroleum and natural gas	150	157	1,854	2,275	2,849	3,187	3,455	147	149	1,716	2,063	2,570	2,866	3,108
Other mining and smelting	311	359	1,121	1,330	1,570	1,657	1,783	234	280	975	1,129	1,307	1,386	1,513
Public utilities:														
Railways	2,244	1,599	1,364	1,426	1,396	1,413	1,405	832	720	560	536	489	489	472
Other (excluding pipelines and public enterprises)	634	493	574	628	661	712	739	522	374	433	460	471	523	544
Sub-totals	2,878	2,092	1,938	2,054	2,057	2,125	2,144	1,354	1,094	993	996	960	1,012	1,016
Merchandising	190	220	618	683	715	784	878	125	158	448	496	508	549	612
Financial	543	525	1,231	1,488	1,782	1,938	2,190	251	285	816	983	1,202	1,314	1,471
Other enterprises	82	70	178	207	235	254	284	76	62	147	170	185	200	225
Miscellaneous investments	295	284	641	818	879	1,058 ^x	1,261	94	130	367	474	489	531	572
Total investments	7,614	7,092	13,473	15,569	17,464	19,005	20,833	4,660	4,990	10,275	11,789	13,264	14,436	15,811
	C. Owned by United Kingdom							D. Owned by all other countries						
	1930	1945	1955	1956	1957	1958	1959	1930	1945	1955	1956	1957	1958	1959
	millions of dollars													
Government securities:														
Dominion	235	—	67	72	64	85	60	7	44	69	90	95	103	169
Provincial	69	45	39	45	47	47	48	6	5	13	15	19	22	28
Municipal	182	112	35	35	34	33	33	2	6	6	6	6	7	10
Sub-totals	466	157	141	152	145	145	141	15	55	88	111	120	132	207
Manufacturing:														
Vegetable products	84	66	106	109	125	124	131	1	3	12	14	12	15	24
Animal products	5	6	6	6	6	6	7	1	8	6	6	6	6	6
Textiles	22	38	55	56	55	60	59	1	4	2	2	2	2	2
Wood and paper products	95	84	155	153	160	155	159	2	8	15	17	20	24	26
Iron and products	24	12	103 ^x	153	168	202	194	5	10	22	39	59	72	85
Non-ferrous metals	6	64	153	175	192	195	192	1	1	14	20	26	29	33
Non-metallic minerals	5	8	32	31	34	40	45	—	1	17	30	34	38	40
Chemicals and allied products	32	36	132	137	142	146	153	1	9	16	19	22	27	34
Miscellaneous manufactures ..	—	2	4 ^x	4	5	5	5	—	1	2	2	1	1	1
Sub-totals (excluding petro- leum refining)	273	296	746	824	887	933	945	12	45	106	149	182	214	251
Petroleum and natural gas	3	7	31	72	106	134	162	—	1	107	140	171	187	185
Other mining and smelting	72	60	86	118	162	171	160	5	19	60	83	101	100	110
Public utilities:														
Railways	1,352	806	698	765	784	794	783	60	73	106	125	123	130	150
Other (excluding pipelines and public enterprises)	100	90	86	97	112	115	125	12	29	55	71	78	74	70
Sub-totals	1,452	896	784	862	896	909	908	72	102	161	196	201	204	220
Merchandising	61	57	145	159	174	197	225	4	5	23	28	33	38	41
Financial	243	186	241	284	332	360	413	49	54	174	221	248	264	306
Other enterprises	5	6	25	29	36	41	45	1	2	6	8	14	13	14
Miscellaneous investments	171	85	157	168	177	198	200	30	69	117	176	213	329 ^x	489
Total investments	2,766	1,750	2,356	2,668	2,917	3,088	3,199	188	352	842	1,112	1,283	1,481	1,823

¹ Includes 1,127 direct and 458 other (mainly utility) debt.² Includes 806 direct and 109 other (mainly utility) debt.

TABLE X. Foreign Direct Investment¹ in Canada, Selected Year Ends, 1930-59
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	1955	1956	1957	1958	1959	1930	1945	1955	1956	1957	1958	1959
	millions of dollars													
Manufacturing:														
Vegetable products	165	200	397	441	492	521	578	94	140	302	339	375	403	442
Animal products	42	47	91	91	98	105	119	38	44	83	83	89	95	108
Textiles	33	56	98	105	108	115	117	20	28	53	58	62	63	68
Wood and paper products	378	348	809	874	924	945	951	334	316	684	753	798	819	822
Iron and products	203	277	805 ^x	978	1,089	1,205	1,345	199	272	706 ^x	816	896	961	1,095
Non-ferrous metals	116	211	624	728	867	926	977	113	203	585	663	789	845	892
Non-metallic minerals	20	43	122	143	157	174	198	17	39	79	91	101	110	127
Chemicals and allied products	102	144	431	480	561	595	637	86	118	291	331	405	434	460
Miscellaneous manufactures	31	33	57 ^x	66	80	82	89	31	31	52 ^x	61	75	76	83
Sub-totals (excluding petroleum re- fining)	1,090	1,359	3,434	3,906	4,376	4,668	5,011	932	1,191	2,835	3,195	3,590	3,806	4,097
Petroleum and natural gas	142	138	1,754	2,144	2,559	2,816	3,082	141	138	1,637	1,978	2,380	2,598	2,836
Other mining and smelting	217	240	811	908	1,044	1,116	1,223	191	218	781	857	971	1,030	1,148
Utilities (excluding pipelines)	450	375	320	292	286	287	262	423	358	270	223	215	216	217
Merchandising	160	202	538	605	821	684	761	109	147	377	428	423	458	505
Financial	304	339	706	818	1,026	1,073	1,289	136	198	475	551	719	750	904
Other enterprises	64	60	165	195	217	236	258	61	54	138	160	174	187	207
Totals	2,427	2,713	7,728	8,868	10,129	10,880	11,906	1,993	2,304	6,513	7,392	8,472	9,045	9,912
	C. Owned by United Kingdom							D. Owned by all other countries						
	1930	1945	1955	1956	1957	1958	1959	1930	1945	1955	1956	1957	1958	1959
	millions of dollars													
Manufacturing:														
Vegetable products	71	60	91	95	1110	108	117	—	—	4	7	7	10	19
Animal products	3	3	4	4	5	5	6	1	—	4	4	4	5	5
Textiles	13	26	45	47	46	51	49	—	2	—	—	—	1	—
Wood and paper products	44	30	124	120	125	125	127	—	2	1	1	1	1	2
Iron and products	3	4	87 ^x	134	147	186	180	1	1	12	28	46	58	70
Non-ferrous metals	3	8	27	49	61	63	64	—	—	12	16	17	18	21
Non-metallic minerals	3	4	26	23	26	30	34	—	—	17	29	30	34	37
Chemicals and allied products	15	19	129	135	139	143	150	1	7	11	14	17	18	27
Miscellaneous manufactures	—	2	4 ^x	4	4	5	5	—	—	1	1	1	1	1
Sub-totals (excluding petroleum re- fining)	155	156	537	611	663	716	732	3	12	62	100	123	146	182
Petroleum and natural gas	1	—	23	56	64	90	118	—	—	94	110	115	128	130
Other mining and smelting	25	22	26	48	68	77	68	1	—	4	3	5	9	9
Utilities (excluding pipelines)	27	16	33	39	37	41	40	—	1	17	30	34	30	25
Merchandising	48	51	139	151	167	191	219	3	4	22	26	31	35	37
Financial	133	98	109	115	131	142	168	35	43	122	152	176	181	217
Other enterprises	3	5	23	28	33	39	41	—	1	4	7	10	10	10
Totals	392	348	890	1,048	1,163	1,296	1,384	42	61	325	428	494	539	610

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 1959

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	154	7	161	48	—	48	13	—	13	222
Animal products	62	—	62	5	1	6	7	—	7	75
Textiles	94	1	95	26	1	27	6	—	6	128
Wood and paper products	234	15	249	42	2	44	12	—	12	305
Iron and products	478	21	499	93	1	94	27	—	27	620
Non-ferrous metals	266	9	275	42	—	42	20	—	20	337
Non-metallic minerals	74	4	78	46	—	46	11	—	11	135
Chemicals and allied products	310	31	341	60	1	61	14	2	16	418
Miscellaneous manufactures	110	7	117	11	—	11	4	—	4	132
Sub-totals (excluding petroleum refining)	1,782	95	1,877	373	6	379	114	2	116	2,372
Petroleum and natural gas	344	94	438	25	1	26	15	4	19	483
Other mining and smelting	300	34	334	61	—	61	17	2	19	414
Utilities:										
Railways	7	4	11	6	—	6	—	—	—	17
Other utilities (excluding pipelines)	103	20	123	33	4	37	34	7	41	201
Merchandising	865	144	1,009	345	35	380	133	7	140	1,529
Financial:										
Financial institutions except insurance	75	7	82	36	1	37	14	1	15	134
Insurance	19	162	181	27	86	113	12	42	54	348
Real estate	111	12	123	40	3	43	22	1	23	189
Other holding companies ²	47	10	57	36	1	37	42	2	44	138
Other enterprises	587	95	682	148	10	158	43	4	47	887
Totals, all companies, 1959 ³	4,240	677	4,917	1,130	147	1,277	446	72	518	6,712
Totals, all companies, 1945 ⁴	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. 986; in the U.K. 393; in other countries 72.⁴ 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, 1926-59¹

Industry classification	1926	1930	1939	1948	1951	1954	1954	1955	1956	1957	1958	1959
Percentage of total owned by all non-residents:	.	.	.	.	.	.	.	.	.	.	.	.
Manufacturing	38	40	42	42	45	48	47	47	48	50	51	51
Petroleum and natural gas	—	—	—	—	—	—	60	63	65	63	63	63
Mining and smelting	37	44	40	39	51	57	53	53	54	56 ²	56	59
Railways	55	56	57	45	50	35	35	33	33	30	29	27
Other utilities	32	36	27	20	17	17	14	13	14	14	14	15
Totals of above industries and merchandising ³	37	39	38	32	31	32	32	32	33	34	34	34
Percentage of total owned by United States residents:												
Manufacturing	30	33	34	35	37	39	37	37	38	39	40	41
Petroleum and natural gas	—	—	—	—	—	—	57	58	59	57	57	57
Mining and smelting	28	34	31	32	45	52	47	46	46	46 ²	47	50
Railways	15	21	18	21	18	15	15	13	12	11	10	9
Other utilities	23	30	20	16	15	15	12	10	11	11	12	12
Totals of above industries and merchandising ³	19	24	22	23	24	25	25	25	26	26	26	26

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 page 33, *The Canadian Balance of International Payments, 1957, and International Investment Position*.

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, 1900-60

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	4,689	8,664	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	7,728	5,745	13,473	76	18	6
1956	8,868	6,701	15,569	76	17	7
1957	10,129	7,335	17,464	76	17	7
1958	10,880	8,125	19,005	76	16	8
1959	11,906	8,927	20,833	76	15	9
1960	12,975 ^P	9,350 ^P	22,325 ^P	76	15	9
	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					
1900 ³	..	..	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	2,666	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	1,710
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	1,395	2,008
1954	5,787	3,877	9,664	759	1,418	2,177
1955	6,513	3,762	10,275	890	1,465	2,356
1956	7,392	4,397	11,789	1,048	1,620	2,668
1957	8,472	4,792	13,264	1,163	1,754	2,917
1958	9,045	5,391	14,436	1,296	1,792	3,088
1959	9,912	5,899	15,811	1,384	1,815	3,199
1960 ^P	10,625	6,225	16,850	1,575	1,825	3,400

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, 1926-59¹

Industry classification	1926	1930	1939	1948	1951	1954	1954	1955	1956	1957	1958	1959
Percentage of total control by all non-residents:												
Manufacturing	35	36	38	43	48	54	51	52	52	56	57	57
Petroleum and natural gas	—	—	—	—	—	—	69	79	80	76	75	75
Mining and smelting	38	47	42	40	53	57	51	57	58	61	60	61
Railways	3	3	3	3	2	2	2	2	2	2	2	2
Other utilities	20	29	26	24	20	11	8	8	6	5	5	5
Totals of above industries and merchandising ²	17	20	21	25	27	28	28	30	31	32	32	32
Percentage of total control by United States residents:												
Manufacturing	30	31	32	39	42	45	42	42	41	43	44	44
Petroleum and natural gas	—	—	—	—	—	—	67	73	73	70	69	69
Mining and smelting	32	42	38	37	51	54	49	55	52	52	51	53
Railways	3	3	3	3	2	2	2	2	2	2	2	2
Other utilities	20	29	26	24	20	11	7	6	4	4	4	4
Totals of above industries and merchandising ²	15	18	19	22	24	24	24	26	26	27	26	26

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 page 33, *The Canadian Balance of International Payments, 1957, and International Investment Position*.

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 1957-59²

No.	Company classification	Estimated total investment	Investment owned in:			
			Canada	United States	United Kingdom	Other countries
			millions of dollars			
	End of 1957 ³					
	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 ⁴	184	116	68 ⁵	..	..
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	4,968	2,499	1,919	410	140
12	Sub-totals	10,651	5,365	4,167	923	196
13	Petroleum and natural gas	4,483	1,634	2,570	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	17,961	8,256	8,044	1,193	468
	End of 1958 ³					
	Manufacturing:³					
1	Beverages	435	320	99	14	2
2	Rubber	184	28	145	13	—
3	Textiles	605	470	73	60	2
4	Pulp and paper	1,700	799	760	129	12
5	Agricultural machinery ⁴	201	130	71 ⁵	..	..
6	Automobiles and parts	382	83	297	1	1
7	Transportation equipment n.o.p.	275	116	69	90	—
8	Primary iron and steel	615	463	90	57	5
9	Electrical apparatus	504	139	312	36	17
10	Chemicals	993	376	444	146	27
11	Other	5,100	2,437	2,074	428	161
12	Sub-totals	10,994	5,359	4,434	974	227
13	Petroleum and natural gas	4,980	1,793	2,866	134	187
	Mining:					
14	Smelting and refining of non-ferrous native ores	880	397	359	68	56
15	Other mining	2,066	892	1,027	103	44
16	Sub-totals	2,946	1,289	1,386	171	100
17	Totals of above industries	18,920	8,441	8,686	1,279	514
	End of 1959					
	Manufacturing:³					
1	Beverages	456	335	104	15	2
2	Rubber	203	29	161	13	—
3	Textiles	622	482	79	59	2
4	Pulp and paper	1,888	922	821	131	15
5	Agricultural machinery ⁴	170	97	73 ⁵	..	..
6	Automobiles and parts	407	44	362	1	—
7	Transportation equipment n.o.p.	267	112	73	81	1
8	Primary iron and steel	707	533	105	61	8
9	Electrical apparatus	526	139	339	28	20
10	Chemicals	1,073	413	473	153	34
11	Other	5,351	2,555	2,165	446	183
12	Sub-totals	11,671	5,661	4,755	990	265
13	Petroleum and natural gas	5,453	1,998	3,108	162	185
	Mining:					
14	Smelting and refining of non-ferrous native ores	922	409	386	67	60
15	Other mining	2,121	851	1,127	93	50
16	Sub-totals	3,043	1,260	1,513	160	110
17	Totals of above industries	20,167	8,919	9,376	1,312	560

¹ The figures in this table are subject to important statistical qualifications which are described in the text under the note "About the figures—Estimated Values of Total Capital and Resident-owned Capital in Some Areas of National Wealth".

² For 1953 to 1956 see Table XV, *The Canadian Balance of International Payments, and International Investment Position for 1956, 1958, and 1959* respectively.

TABLE XV. Ownership and Control of Selected Canadian Industries,¹ 1957-59²

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							
361	51	6	72	23	4	1	87	12	1	1
5	157	15	16	77	7	—	3	89	8	2
494	65	50	12	79	9	—	81	11	8	3
737	704	198	47	44	8	1	45	43	12	4
114	70 ³	..	63	37 ³	..	..	62	38 ³	..	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	85	30	60	7	3	23	64	13	9
234	484	224	38	45	15	2	25	51	24	10
2,149	2,282	537	50	39	8	3	43	46	11	11
4,731	4,598	1,322	50	39	9	2	44	43	13	12
1,061	3,145	277	37	57	2	4	24	70	6	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	6	4	39	52	9	18
6,900	9,194	1,867	46	45	7	2	39	51	10	17
375	55	5	74	23	3	—	86	13	1	1
4	165	15	14	79	7	—	2	90	8	2
483	66	56	78	12	10	—	80	11	9	3
762	731	207	47	44	8	1	45	43	12	4
110	91 ³	..	65	35 ³	..	..	55	45 ³	..	5
13	369	—	22	78	—	—	3	97	—	6
83	89	123	42	25	33	—	70	25	45	7
462	51	102	75	15	9	1	35	8	17	8
105	328	71	28	62	7	3	21	65	14	9
255	506	232	38	44	15	3	26	51	23	10
2,078	2,390	632	48	41	8	3	41	47	12	11
4,730	4,821	1,443	49	40	9	2	43	44	13	12
1,227	3,456	297	36	57	3	4	25	69	6	13
307	573	—	45	41	8	6	35	65	—	14
862	922	282	43	50	5	2	41	45	14	15
1,169	1,495	282	44	47	6	3	40	51	9	16
7,126	9,772	2,022	44	46	7	3	38	51	11	17
394	56	6	74	23	3	—	87	12	1	1
5	182	16	14	79	7	—	2	90	8	2
479	88	55	78	13	9	—	77	14	9	3
961	721	207	49	43	7	1	51	38	11	4
77	93 ³	..	57	43 ³	..	..	45	55 ³	..	5
14	391	2	11	89	—	—	3	96	1	6
73	71	123	42	27	30	1	27	27	46	7
544	61	102	75	15	9	1	77	9	14	8
102	351	73	26	65	5	4	19	67	14	9
250	561	262	39	44	14	3	23	52	25	10
2,087	2,553	711	48	41	8	3	39	48	13	11
4,986	5,128	1,557	49	41	8	2	43	44	13	12
1,373	3,737	343	37	57	3	3	25	69	6	13
311	611	—	44	42	7	7	34	66	—	14
863	1,002	256	40	53	5	2	41	47	12	15
1,174	1,613	256	41	50	5	4	39	53	8	16
7,533	10,478	2,156	44	46	7	3	37	52	11	17

¹ Includes "Other enterprises".² Includes enterprises also engaged in the manufacture of other heavy equipment which tends to overstate foreign-owned and controlled proportion of capital actually engaged in the manufacture of agricultural implements only.³ 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, 1954-59¹**

Industry	1954	1955	1956	1957	1958	1959
billions of dollars						
Total capital employed:²						
Manufacturing	8.3	8.9	10.0	10.7	11.0	11.7
Petroleum and natural gas	2.5	3.0	3.5	4.5	5.0	5.5
Other mining and smelting	1.9	2.1	2.5	2.8	2.9	3.0
Railways	4.1	4.2	4.4	4.6	4.9	5.2
Other utilities	5.3	5.8	6.4	7.4	8.2	8.8
Merchandising ³ and construction	6.1	6.6	7.3	7.8	8.5	9.5
Totals of above	28.2	30.5	34.1	37.6	40.5	43.7
Resident owned capital:						
Manufacturing	4.4	4.7	5.2	5.4	5.4	5.7
Petroleum and natural gas	1.0	1.1	1.3	1.6	1.8	2.0
Other mining and smelting	0.9	1.0	1.1	1.3	1.3	1.3
Railways	2.7	2.8	2.9	3.2	3.5	3.8
Other utilities	4.6	5.0	5.5	6.3	7.0	7.5
Merchandising and construction	5.5	6.0	6.6	7.0	7.7	8.6
Totals of above	19.1	20.6	22.7	24.8	26.7	28.9
Non-resident owned capital:⁴						
Manufacturing	3.9	4.2	4.8	5.3	5.6	6.0
Petroleum and natural gas	1.5	1.9	2.3	2.8	3.2	3.5
Other mining and smelting	1.0	1.1	1.3	1.6	1.7	1.8
Railways	1.4	1.4	1.4	1.4	1.4	1.4
Other utilities	0.7	0.7	0.9	1.0	1.1	1.3
Merchandising	0.6	0.6	0.7	0.7	0.8	0.9
Totals of above	9.1	9.9	11.4	12.9	13.8	14.8
United States owned investments:⁴						
Manufacturing	3.1	3.3	3.8	4.2	4.4	4.8
Petroleum and natural gas	1.4	1.7	2.1	2.6	2.9	3.1
Other mining and smelting	0.9	1.0	1.1	1.3	1.4	1.5
Railways	0.6	0.6	0.5	0.5	0.5	0.5
Other utilities	0.6	0.6	0.7	0.8	0.9	1.1
Merchandising	0.4	0.4	0.5	0.5	0.5	0.6
Totals of above	7.0	7.6	8.7	9.9	10.7	11.5
Total Canadian and external investment in companies controlled outside Canada:						
Manufacturing	4.3	4.6	5.2	5.9	6.3	6.7
Petroleum and natural gas	1.7	2.3	2.8	3.4	3.8	4.1
Other mining and smelting	1.0	1.2	1.4	1.7	1.8	1.9
Railways	0.1	0.1	0.1	0.1	0.1	0.1
Other utilities	0.4	0.4	0.4	0.4	0.4	0.5
Merchandising	0.5	0.6	0.6	0.7	0.7	0.8
Totals of above	8.0	9.3	10.5	12.2	13.1	14.0
Total Canadian and external investment in companies controlled in the United States:						
Manufacturing	3.4	3.7	4.1	4.6	4.8	5.1
Petroleum and natural gas	1.7	2.2	2.6	3.1	3.5	3.7
Other mining and smelting	0.9	1.1	1.3	1.5	1.5	1.6
Railways	0.1	0.1	0.1	0.1	0.1	0.1
Other utilities	0.4	0.4	0.3	0.3	0.3	0.4
Merchandising	0.4	0.4	0.5	0.5	0.5	0.6
Totals of above	6.9	7.9	8.8	10.0	10.7	11.5

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

² Estimated from "Taxation Statistics" and other sources.

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, some of the year to year changes derived from the table may have only a limited significance and may from time to time be misleading.

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