

CATALOGUE No.

67-201

ANNUAL



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Jan Pattison

THE CANADIAN BALANCE
OF
INTERNATIONAL PAYMENTS, 1961 and 1962
AND
INTERNATIONAL INVESTMENT POSITION

DOMINION BUREAU OF STATISTICS
National Accounts and Balance of Payments Division
Balance of Payments Section



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Published by Authority of
The Minister of Trade and Commerce

August 1964
2206-501

Price: \$1.00

AREA CLASSIFICATION OF CANADA'S INTERNATIONAL TRANSACTIONS

United States

United Kingdom

Other Sterling Area includes the countries of the Commonwealth, United Kingdom dependencies, Ireland, Iceland, Burma, Jordan, Libya, and Iraq until 1959.

Other OECD Countries include all the countries participating in the Organisation for Economic Co-operation and Development, except the United States, United Kingdom, Ireland, Iceland (and Canada). These are Austria, Belgium, Luxembourg, Denmark together with Greenland, France, Federal Republic of Germany, Greece, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and Turkey. Prior to 1962, this group was called the Organisation for European Economic Co-operation, in which Canada and the United States held only associate membership.

All Other Countries include countries in Latin America, Africa and Asia outside the Sterling Area, the Soviet Area, international financial agencies (unless otherwise indicated), and all other countries not specified above.

International Financial Agencies, where mentioned in this report, cover 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.
- * revised figures.
- x new series not strictly comparable with earlier years.

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

Remittances should be in the form of cheque or money order, made payable to the Receiver General of Canada and forwarded to the Publications Distribution Unit, Financial Control Section, Dominion Bureau of Statistics, or to the Queen's Printer, Ottawa, Canada.

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THE CANADIAN BALANCE

OF

INTERNATIONAL PAYMENTS 1961 and 1962

Summary

The size and direction of Canada's commercial and financial transactions with other countries are reflected in statements of the Canadian balance of international payments. The statements provide analytical summaries of economic relations between the domestic economy and the rest of the world and their impact. In the current account are set out Canada's "commercial" transactions in goods and services with other countries together with such transfers as grants and contributions, remittances and migrants' funds and inheritances. In the capital account, a summary of statistics of "financial" transactions, capital movements are presented which have effects upon Canada's external assets and liabilities. Her international investment position is also affected by changes in position which do not appear in balance of payments statements such as retained earnings and changes in valuations.

Over a period of years Canada's current account in goods and services with other countries has been characterized by deficits reflecting imports of capital. Each year since 1950, with the exception of 1952, the current expenditures abroad have exceeded external income, by as much as \$1,504 million in

1959. These current deficits have been financed by substantial inflows of capital. From the peak level of 1959, however, the deficits have been reduced to \$982 million in 1961 and \$848 million in 1962. In each of these years the reappearance of export balances on merchandise account has been a major factor in the improvement together with substantial reductions in the deficit on travel account from the record level in 1960. The trend towards improvement has been extended in 1963.

Notwithstanding this improvement during recent years, developments during 1962 were extraordinary, and the accounts show two distinct periods which are described under "Quarterly Highlights". During most of the past decade the largest part of this imbalance from an excess of current payments over receipts has originated from non-merchandise transactions. The deficit from this source, which exceeded \$1 billion in each of the years 1959 to 1962, rose rapidly each year to 1961; and in most years until then there were as well import balances on merchandise account of varying magnitudes. The export balances on merchandise account which reappeared in 1961 and continued in 1962 and 1963 contributed to an easing of the current account deficits in each of these years.

STATEMENT 1. Summary of the Balance of Payments between Canada and All Countries, 1955 - 62

Account	1955	1956	1957	1958	1959	1960	1961	1962	Change in 1962
millions of dollars									
Merchandise exports (adjusted)	4,332	4,837	4,894	4,887	5,150	5,392	5,889	6,364	+475
Merchandise imports (adjusted)	4,543	5,565	5,488	5,066	5,572	5,540	5,716	6,209	+493
Balance on merchandise trade	-211	-728	-594	-179	-422	-148	+173	+155	-18
Other current receipts	1,518	1,784	1,621	1,550	1,642	1,718	1,845	1,984	+139
Other current payments	2,005	2,422	2,482	2,502	2,724	2,813	3,000	2,987	-13
Balance on non-merchandise transactions	-487	-638	-861	-952	-1,082	-1,095	-1,155	-1,003	+152
Current account balance	-698	-1,366	-1,455	-1,131	-1,504	-1,243	-982	-848	+134
Direct investment in Canada	+417	+583	+514	+420	+550	+650	+520	+555	+35
Net new issues of Canadian securities	-18	+526	+665	+519	+449	+182	+238	+397	+159
Net trade in outstanding Canadian securities ..	-27	+199	+92	+88	+201	+54	+100	-52	-152
All other capital movements	+326	+58	+184	+104	+304	+357	+124	-52	-176
Net capital movement	+698	+1,366	+1,455	+1,131	+1,504	+1,243	+982	+848	-134

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

The current account deficit has been both financed and influenced by capital inflows from other countries. A leading form of capital movement has been large predominantly inward movements of investment capital for direct investment in Canadian businesses by non-resident corporations. Other large capital inflows originated from borrowing through net sales of Canadian securities including new and outstanding issues. These two broad groups of capital inflows, with some others as well, have continued to add each year to the total of foreign-owned long-term investments in Canada and have

been leading elements contributing to the rising balance of Canadian indebtedness to other countries. Other capital movements, mainly of a short-term character, have been more variable, although mainly inward in recent years, and retained earnings which are not included in the direct investment inflows have also added greatly to the net indebtedness position. By the end of 1962 Canadian liabilities to other countries exceeded external assets by some \$19 billion, a balance which has risen over three times during the past decade.

Much of the recent shape of Canada's balance of payments has been influenced by certain predominant elements in Canadian development during the past decade. During this period Canadian investment sources were strongly supplemented by capital from sources external to Canada. In a large part of the period, particularly after 1955, foreign sources financed one-third or more of net capital formation in this country. Canadian liabilities to other countries as well as the balance of her international indebtedness consequently rose rapidly. Between 1955 and 1961 alone there was more than a doubling in Canada's net liabilities to other countries, with further increases thereafter.

This rapid increase in indebtedness to other countries has contributed directly to the growing current deficit on non-merchandise transactions through an expansion in a variety of current payments abroad. The most apparent of these have, of course, been the interest and dividends which cover the largest part of the remittances of earnings on foreign capital invested in Canada. Net payments of interest and dividends have been rising each year and are now much higher than a decade ago, and at \$570 million in 1962 constituted more than half of the deficit from all non-merchandise transactions.

Besides payments in these forms there are other types of income transfers as well which in 1962 amounted to \$143 million on the payments side but considerably less than this on balance as there are also various receipts of miscellaneous income. In addition substantial payments abroad are made by corporations in Canada for a wide range of business services many of which reflect the varied forms of organization and of industrial development which have been under way. Many of these payments are part of the cost of new technology and industrial progress and involve payments for both technical and administrative services.

The increases in these payments connected in various ways with the servicing of Canada's indebtedness abroad and with the costs of acquiring new

industrial technology have so far been relatively less than the rise in the balance of indebtedness to other countries. This appears to be due to a diversity of lags in incomes earned or transferred, arising from production problems and tendencies to retain earnings in the early stages of new investments. Other lags evidently may be attributed to the existence of under-utilized capacity characteristic of some of the recent extension to Canadian industry. On the other hand, interest payments have risen in step with the volume of new borrowing, but of course, even here there is normally a lapse of six months between the time of delivery of new issues and the first interest payments.

Rising Canadian incomes accompanying domestic development have also been a major contributor to Canada's non-merchandise deficit. The most striking illustration of this has been in the travel account where the deficit increased steadily until 1959 and 1960, with Canadian expenditures abroad rising much more than Canadian receipts from international travel. In that period the high value of the Canadian dollar in relation to foreign currencies may have contributed to both of these trends. In addition, rapid improvements in international transportation added to the facility of Canadian travel abroad. In 1961 a much higher advance in receipts than in expenditures reduced the deficit materially. In 1962 the deficit on travel account was reduced even more sharply as receipts continued to gain and Canadian payments on travel abroad fell for the first time in more than a decade. Among new factors contributing to the development have been the devaluation of the foreign exchange price of the Canadian dollar, which first started in June 1961 and was followed by the subsequent stabilization in May 1962 at an equivalent of 92½ cents in terms of the United States dollar, and the reduction in duty-free privileges accorded to Canadian travellers returning from abroad. This was introduced in June, 1962 as part of a series of official measures with the object of stabilizing Canada's international transactions.

STATEMENT 2. Major Components of Canada's Current Account with All Countries, 1954-62

Account	1954	1955	1956	1957	1958	1959	1960	1961	1962	Change in 1962
millions of dollars										
Merchandise exports (adjusted)	3,929	4,332	4,837	4,894	4,887	5,150	5,392	5,889	6,364	+475
Merchandise imports (adjusted)	3,916	4,543	5,565	5,488	5,066	5,572	5,540	5,716	6,209	+493
Balance on merchandise trade	+ 13	-211	- 728	- 594	- 179	- 422	- 148	+ 173	+ 155	- 18
Gold production available for export	+155	+155	+ 150	+ 147	+ 160	+ 148	+ 162	+ 162	+ 165	+ 3
Travel expenditures	- 84	-121	- 161	- 162	- 193	- 207	- 207	- 160	- 50	+110
Interest and dividends	-276	-323	- 381	- 435	- 444	- 489	- 480	- 561	- 570	- 9
Freight and shipping	- 43	- 17	- 45	- 70	- 59	- 105	- 91	- 82	- 90	- 8
Inheritances and migrants' funds	- 5	- 19	- 16	- 33	- 48	- 56	- 79	- 71	- 39	+ 32
All other current transactions	-192	-162	- 185	- 308	- 368	- 373	- 400	- 443	- 419	+ 24
Balance on non-merchandise transactions	-445	-487	- 641	- 864	- 955	-1,082	-1,095	-1,155	-1,003	+152
Current account balance	-432	-698	-1,366	-1,455	-1,131	-1,504	-1,243	- 982	- 848	+134

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

The rise in the non-merchandise deficit has been of major significance in the current account because of the relatively small size of the export balance from merchandise trade that had so far emerged. While the export balances in 1961 and 1962 were in direct contrast to the import balances which preceded them for half a dozen years, they were still not relatively large, particularly in comparison with some years in earlier decades. When merchandise trade totals in 1962 are set alongside corresponding figures a decade earlier, in 1952 for example, the export balance is less than one-third that in the earlier year. The latter, however, was an exceptional year in that exports were higher than in adjacent years and imports lower. In the ensuing ten years exports rose in value by almost one-half and imports by more than this. Only a small part of the rise, particularly in the case of exports, was due to the effect of higher prices in 1962.

If Canadian productive resources had been more fully engaged in meeting both domestic and external demands, a very different result might have been realized. While it is not possible to express in simple statistical terms the extent to which Canadian industrial capacity was not fully utilized, the existence of significant proportions of unused capacity in many industries is well known.

Yet in this decade there were great developments in the range and depth of Canadian exports. By 1962 Canadian exports were much more diversified with large new sources of commodities which in 1952 either did not exist or were relatively small. Among the best known examples of these are iron ore, uranium and petroleum and natural gas. These exports alone in 1962 totalled some \$700 million, contributing to almost one-third of the rise in total exports in the decade. Another third or more was accounted for by increased shipments by basic industries of long-standing, such as forest products, smelting and refining industries. These have furnished industrial materials including lumber, pulp and paper and increasing amounts of non-ferrous metals such as nickel, copper and aluminum, offset to some extent by reduced values of lead and zinc

exports. There have also been large gains in exports of steel, chemicals and asbestos. In the field of secondary industry examples of growing exports in the decade have occurred in aircraft, industrial machinery and electrical apparatus, but these increases contrast with declines in such traditional exports as agricultural machinery and automobiles. Agricultural products now make up a smaller proportion of export totals than a decade earlier. But while there has recently been a lower volume of grain exported, some other farm and fishery exports have risen in the decade.

Important changes in Canada's export trade taking place in 1963 are not examined here in detail. This information is found in the relevant issues of the "Quarterly Estimates of the Canadian Balance of International Payments" (Catalogue No. 67-001). There was another large rise during 1963 in the total featured by much expanded sales of wheat and a further broadened export of the products of secondary industry.

Quarterly Highlights

In comparison with 1962, the course of the balance of payments during 1961 may not seem unusual. There were however such notable happenings as the exceptional shift of dividend payments from the previous year-end to the first quarter of 1961, which may have been influenced by changes in the withholding taxes introduced in the Budget of December 1960. There were also new basic departures during 1961 such as the decline to a discount in the foreign exchange value of the Canadian dollar during the month of June and the emergence of an export balance on merchandise account. And direct investment inflows showed more irregularity than in the previous year, being considerably lower by the second half. Also there were larger inflows on portfolio investment and of "other capital movements" and an outflow from reduced holdings of treasury bills. Following a sharp change from an inflow of about \$200 million in the March quarter to an outflow of nearly \$100 million in the last quarter of 1960,

STATEMENT 3. Quarterly Current Account Balances between Canada and the Principal Countries and Areas, 1960-62

Country or area	1960				1961				1962			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
millions of dollars												
United States	- 343	- 449	- 165	- 404	- 433	- 435	- 151	- 367	- 343	- 425	- 66	- 282
United Kingdom	+ 28	+ 12	+ 48	+ 78	+ 39	+ 27	+ 42	+ 79	+ 6	+ 48	+ 49	+ 110
Other sterling area	+ 17	+ 7	+ 7	+ 12	+ 28	+ 8	+ 1	- 10	+ 11	- 12	+ 1	+ 11
Other countries ¹	- 28	- 47	- 17	+ 1	+ 29	+ 89	+ 46	+ 26	- 7	+ 27	- 18	+ 42
All countries	- 326	- 477	- 127	- 313	- 337	- 311	- 62	- 272	- 333	- 362	- 34	- 119

¹ Includes other OECD countries.

substantial inflows followed in the first three quarters of 1961 from security transactions, in particular trade in both new and outstanding Canadian securities. The bonds of provincial and municipal governments figured most prominently in the large sales to non-residents of new securities during the first two quarters of 1960 and those of Canadian companies during 1961. Inflows from other capital movements covering loans, accounts receivable and inter-company short-term items were appreciably heavier in the first and final quarters of the year.

More major developments in Canada's balance of payments and in the background affecting it occurred during 1962. These have been described in detail in the published series on the Quarterly Estimates of the Canadian Balance of International Payments. Only the broadest outlines are repeated here of the year described in two distinct periods.

In the first half of the year 1962, the current account deficit remained at a high level, net movements of capital were outward and a substantial drain of foreign exchange holdings occurred, culminating in the exchange crisis in June. During this quarter a series of official measures were introduced with the object of stabilizing the international exchange value of the Canadian dollar and her international transactions. Besides the stabilization of the foreign exchange value of the Canadian dollar and a reduction in the amount of duty-free purchases of goods by Canadians travelling abroad, described elsewhere in the text, the remedial program included temporary graduated surcharges on approximately a half of Canada's imports, reductions in government expenditures and the fixing of the Bank Rate at 6 per cent. To reinforce the reserves, a massive international financial support of over \$1 billion in cash and stand-by credits was arranged with the co-operation of the International Monetary Fund and the authorities of the United States and United Kingdom. After drawing \$650 million of these resources, Canada's official holdings of gold and foreign exchange were raised to \$1,809 million at mid-year 1962.

In the second half of the year there was a rapid restoration of official holdings of foreign exchange, accompanying large capital inflows and a reduction in the current account deficit. A return of short-term capital from abroad contributed initially to the recovery of the reserves and the resumption of long-term capital inflows helped to consolidate the restoration. A progressive retirement of international financial assistance took place, and at the year end only the drawing of \$300 million from the International Monetary Fund remained outstanding. Surcharges on imports were partially withdrawn in 1962, and a complete removal occurred by the close of the first quarter of 1963.

From their low point in June 1962 the official holdings of gold and United States dollars increased rapidly to \$1,159 million at the end of the month, \$1,795 million at the end of the third quarter and \$2,239 million by the end of the year, expressed in United States funds and exclusive of the international financial assistance.

Some of the improvement in the current account deficit resulting from the official action was evident in the third quarter, particularly on travel account, with flourishing receipts from United States visitors to Canada together with a decided contraction in Canadian spending in the United States. This change appears to have been in part at least a response to the further depreciation of Canadian currency in May and the reduction in June in the privilege of duty-free purchases.

In the final quarter of the year the current deficit was sharply reduced with a large export balance on merchandise account coinciding with a considerable reduction in the deficit from non-merchandise transactions. Again the effects of the official measures introduced in the second quarter appear to have been a significant influence with exports rising more than imports and with a further improvement in the travel account. A variety of other non-merchandise items also contributed to the reduction in the deficit in this quarter.

STATEMENT 4. Foreign Exchange Rates: U.S. Dollar in Canada, 1961 and 1962

Quotations reported on transactions between banks in the exchange market

Quarter	1961			1962		
	High	Low	Noon average	High	Low	Noon average
Canadian cents per unit						
I	99.69	98.25	98.99	105.03	104.34	104.77
II	103.53	98.59	99.42	109.00	104.87	107.42
III	104.00	103.00	103.21	108.19	107.66	107.78
IV	104.38	103.00	103.61	107.81	107.53	107.63
Year	104.38	98.25	101.32	109.00	104.34	106.89

Note: Closing quotations: 1959, 95.22; 1960, 99.66; 1961, 104.34; 1962, 107.72.

Source: Bank of Canada.

Summary of Quarterly Trends in the Current Account (after removal of seasonal characteristics)

Following marked fluctuations during 1960, the current account deficit narrowed sharply from \$320 million, seasonally adjusted at quarterly rates, in the last quarter to about \$210 million in the second quarter of 1961. The deficit then moved in a range between this level and roughly \$260 million in the period up to the end of the third quarter of 1962. In the closing quarter of the year there was a substantial improvement in the imbalance to a rate of somewhat more than \$100 million. This marked amelioration was in part a response to the various official measures introduced in the second quarter of 1962, which have been described earlier.

A moderate trade surplus of between about \$20 million and \$60 million existed over most of 1961 and 1962, with the exception of a more sizable export balance in the last quarter of 1962 of nearly \$100 million, and of a small deficit in the preceding period. The uncertain course during 1960 in both merchandise exports and imports came to an end about the turn of the year. There followed a period of fairly sustained quarter-to-quarter growth, except for a shallow dip in exports in the third quarter of 1962 and a sharper drop in imports in the final quarter from the peak level of the preceding period. These irregular movements brought about a minor trade deficit in the third quarter, which was followed by a substantial export balance in the December quarter of 1962.

Save for the last two quarters, net payments on non-merchandise transactions accordingly exceeded

the current account deficit by between 10 per cent and 30 per cent. From a deficit of more than \$300 million, seasonally adjusted at quarterly rates, in the first quarter of 1961, net payments on non-merchandise transactions trended downwards, except for minor fluctuations, to a level of over \$200 million in the fourth quarter of 1962. The most striking improvement was recorded in the balance on travel expenditures, which responded more directly to the remedial measures referred to elsewhere. The deficit which stood in the opening quarter of 1961 at an adjusted level of some \$50 million (quarterly average for the 3 preceding years) declined steadily to a small surplus at the end of 1962. Travel receipts increased during 1961, but levelled off after the first quarter of 1962. Payments on travel account fluctuated within a narrow range until mid-1962, but declined in the second half of the year. Net payments on migrants' funds and inheritances declined over most of the two-year period, while the rate of gold production available for export remained on the whole unchanged. The deficit on freight and shipping was highest in the first quarter of 1962, and lowest in the last quarter. Net payments of interest and dividends and the deficit on other non-merchandise transactions fluctuated most irregularly. On account of the unusual concentration of dividend payments by subsidiaries, the peak deficit on interest and dividends appeared in the initial quarter of 1961. Net payments on miscellaneous transactions rose until the second quarter of 1962, except for a dip in the period preceding, but fell off substantially in the latter half of the year.

About the figures —

MERCHANDISE TRADE

Statistics of merchandise exports and imports are compiled from customs entries and published by the External Trade Division of the Dominion Bureau of Statistics. As the publications of that Division provide detailed presentations, only the main outline of the basis and content of the trade statistics are set forth here, because of the direct bearing on the balance of payments.

While these trade statistics form the basis of the merchandise item in statements of the balance of payments, some adjustments are necessary when these figures are used for this purpose. Basically the trade statistics cover physical movements of goods as they are reflected in customs documents received in any period, whereas the balance of payments statements are intended to cover with appropriate timing all economic transactions between residents and non-residents with financial implications for the balance of payments. Such transactions are not always reflected in the commodity flows covered in administrative documents.

The value of exports defined on the export entry is the actual amount received in Canadian dollars by the exporter, and the value of imports is usually that determined for customs duty purposes. The latter usually corresponds to the value on the invoice accompanying the goods, converted to Canadian dollars at "authorized" rates of exchange. Both export and import values are taken f.o.b. point of shipment in

Canada or in the foreign country. In the case of exports the point of shipment is where the goods were consigned for export. Such charges as freight, insurance, handling and taxes are not usually included in the totals of merchandise trade. Transportation transactions affecting the balance of payments are mainly covered in the Freight and Shipping item.

Embodied in the export statistics are "domestic exports" or exports of Canadian produce and "re-exports" or exports of foreign produce. The first group includes exports of previously imported goods, which have been further processed in Canada as well as commodities wholly produced in this country. Re-exports comprise only previously imported goods, which are exported from Canada in the same condition as when imported. Statistics of imports include goods entered for domestic consumption, i.e., commodities cleared by customs immediately on entry into Canada as well as out of customs warehouses, but not goods placed in these warehouses on entering the country.

Exports and imports are usually credited to the country to which the goods are consigned at the time of leaving Canada, or from which the commodities were consigned to this country. The country of consignment is the one to which goods are intended to go or have come without interruption of transit except for transfer from one means of conveyance to another. Exceptions

in the case of imports are goods, which originate in Central and South America and the Antilles, but which are consigned to Canada from the United States. These are credited to the country in which the goods originated.

Merchandise trade statistics exclude gold, but include products whose gold content is less than 80 per cent of the value of the commodity, and also gold scrap in the form of jewellers' sweepings. Other important exclusions are goods shipped to NATO partners under the Defence Appropriation Act, goods shipped to Canadian armed forces or diplomats abroad or imported for foreign diplomats or armed forces,

including United States forces stationed at treaty bases in Canada, bunker supplies and ships' stores sold to foreign vessels in Canada and bought by Canadian vessels abroad, private donations and gifts, tourist purchases, ships of British construction and registry imported for use in Canada, ships and aircraft purchased for use in foreign trade and settlers' effects.

As many of the foregoing items were excluded from the trade totals only since the beginning of 1960, adjustments of the figures for balance of payments purposes were more numerous and their effect on the merchandise trade balance was more important before that date.

STATEMENT 5. Adjustments to Merchandise Trade, Selected Years 1952-62

	1952		1955		1958		1962	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
millions of dollars								
Totals in trade returns	4,356.0	4,030.5	4,351.3	4,712.4	4,926.3	5,192.3	6,347.7	6,257.8
Tourist purchases	- 3.8	- 66.7	- 2.8	- 71.4	- 2.2	- 78.9	- 2.2	-
Settlers' effects	- 14.9	- 25.7	- 21.9	- 25.6	- 29.6	- 33.1	-	-
Wheat	- 10.4	-	- 1.8	-	- 2.3	-	+ 6.5	-
Warehousing	+ 13.6	+ 3.3	+ 4.2	+ 11.3	+ 4.4	+ 9.5	+ 11.0	+ 37.0
Ships and aircraft	-	-	-	+ 15.2	- 3.2	+ 24.6	+ 0.6	- 66.9
Advertising	-	- 5.1	-	- 7.4	-	- 8.7	-	- 8.1
All other adjustments	- 1.1	- 86.3	+ 3.1	- 91.9	- 6.3	- 39.8	-	- 11.1
Total adjustments	- 16.6	- 180.5	- 19.2	- 169.8	- 39.2	- 126.4	+ 15.9	- 49.1
Adjusted merchandise trade (Table II, items A1, B1)	4,339	3,850	4,332	4,543	4,887	5,066	6,364	6,209

These adjustments are designed to reflect more accurately all transactions having international financial implications. Some are for the purpose of correcting lags or deviations from balance of payments concepts resulting from administrative practices. Other adjustments remove duplication covered in other items or deal with abnormalities in certain large transactions. An instance of the latter is the elimination of movements of some commodities on government account, where payments arrangements are exceptional.

To compensate, for example, for delays in the receipt of customs documents for exports of wheat, more timely information from the Board of Grain Commissioners on the volume of wheat shipments is used in combination with relevant price data. In the same process destinations shown in this series are used in place of countries of consignment appearing in the export entries; and there have been times when these differences were very significant.

Other instances of adjustments with the objective of reflecting more clearly the timing of payments relate to the inclusion in merchandise imports of the goods placed in customs warehouses on entering Canada, and to purchases of capital goods, such as ships and aircraft. Periodic progress payments are entered in the balance of payments during the construction period, whose length varies with the size of the vessel or the number of aircraft under contract. Upon delivery, when these commodities appear in the customs entries for

tabulation in the trade total, they are excluded from the balance of payments, having already been counted at the time of payments.

Omissions from administrative practices exempting from customs documentation certain purchases of ships and aircraft are compensated for. On the other hand, while included in the "Trade of Canada" total, imports of certain defence goods under mutual defence arrangements are not pertinent to the balance of payments, when no outright cash payments take place, and are therefore excluded. At times this type of adjustment has been quite substantial as was the case in 1961 and 1962.

Some of the merchandise transactions, which are excluded from the trade statistics as indicated above, appear elsewhere in balance of payments statements. For example, tourist purchases of merchandise are a part of the estimated expenditures of international travellers covered in the item on Travel Expenditures. And fuel, stores and repairs acquired in Canadian ports by foreign vessels, and similar disbursements abroad on account of Canadian vessels, are included in expenditures on account of shipping in the item on Freight and Shipping Transactions. Further, in some annual statements of the balance of payments an item is introduced to cover Canadian Mutual Aid to NATO Countries, with corresponding offsetting entries shown on both sides of the current account. Likewise if they are desired for special purposes entries may be introduced to cover other unilateral transactions in kind.

Export Balance on Merchandise Trade in 1961 and 1962

Persistent import balances since the mid-fifties changed to a trade surplus of \$173 million in 1961, and this was maintained at a slightly lower level of \$155 million in 1962. Since 1954, when merchandise exports and imports were almost equal at \$3.9 billion, exports have increased to \$5,889 million in 1961 and to a record level of \$6,364 million in 1962, up more than 60 per cent over 1954. After rising more than 40 per cent in two years to \$5,565 million in 1956, the value of imports in current dollars remained at about this magnitude until 1960, except for a decline of nearly 8 per cent down to \$5,066 million in 1958. Imports rose 3 per cent to \$5,716 million in 1961 and a further 8 per cent and more to a peak value of \$6,209 million in 1962.

Among new influences in the background affecting the course of Canadian merchandise trade in 1961 and 1962 were of course the changes in the foreign exchange value of the Canadian dollar. This aided the competitive position of many Canadian industries, so encouraging exports and facilitating import replacement with Canadian production. The temporary surcharges introduced in June 1962 on a range of Canadian imports were also a factor reducing imports in the second half of the year.

The expansion in economic activity in Canada and the United States which resumed in 1961 was a leading influence on Canada's merchandise trade in 1961 and 1962. This occurred at a time when activity in many overseas countries tended to be more irregular, with a braking in activity in some of Canada's major markets.

Among prominent variables in Canadian trade in recent years have been sales of wheat to Communist countries which were a leading element in the upturn in 1961, receding in 1962, and again becoming of major importance in 1963. A strong upward movement in exports of manufactured goods is another factor of consequence based on the improved competitive position of Canadian industry in recent years.

The rise in wheat exports represented about half of the annual increase in 1961. Other important contributors to the increment were such commodities as nickel, forest products, notably wood pulp, petroleum and natural gas, cattle, aircraft, and a variety of other manufactured products. Exports of some other staple commodities were maintained. But offsetting a part of the increases were declines in shipments of such major commodities as uranium, iron ore, copper and aluminum.

A faster rate of economic expansion in 1961 in the United States as compared with elsewhere abroad raised demands for many types of Canadian industrial materials. During the year there was a steeply rising trend in exports to the United States, with the second half year 15 per cent higher than the first. The changes noted above in total exports of selected commodities were paralleled in shipments of Canadian goods to the United States.

Exports to overseas countries were also substantially above those of 1960, surpassing even the gain in shipments to the United States in 1961. This rise to the overseas reflected large sales of wheat to countries in Eastern Europe and to the Federal Republic of Germany and to some other countries in Western Europe, and of wheat and barley to Mainland China. With industrial production in overseas countries still rising or continuing at high levels, overseas demands for Canadian industrial materials and other primary products also remained high as a whole in 1961. There were, however, some considerable variations in shipments in individual commodities to some markets with, for example, nickel sales to the United Kingdom and Western Europe higher than in 1960 while other exports to these markets like iron ore, primary steel products, uranium and aluminum were down. Sales of both agricultural products and industrial materials to Japan continued to rise to new record levels. There were also increases in exports of a variety of secondary manufactured goods to many parts of the world.

Geographically, Canadian exports were notably higher to Japan and also to Latin America and to some countries in Western Europe. At the same time exports to the United Kingdom were maintained at the high level of the previous year, while shipments to other countries of the Sterling Area were only slightly lower. These changes had the effect of reducing the proportion of exports to the United States, United Kingdom and other Sterling Area countries and increasing the share of sales to other foreign countries in 1961.

In 1962 a sharp rise of over 16 per cent in shipments of Canadian goods to the United States was the outstanding development, while overseas exports remained relatively stable in total, although exports of wheat receded from the high levels of 1961. The expansion in exports to the United States continued in the first half of 1962, although at a reduced rate, and levelled off at a high plateau in the latter half year. The most remarkable increases to that country were in shipments of industrial materials including the products of resource industries such as iron ore, petroleum and natural gas, lumber, wood pulp, and various metals, and in such products of secondary industry as aircraft and machinery. A continued decline in deliveries of uranium was an important exception.

At the same time exports of industrial materials to overseas countries in 1962 were moderately lower with some decreases in both metals and chemicals. Larger declines in exports of wheat occurred, mainly in association with contracts with Eastern European countries. These losses however were partly offset by expanded exports of manufactured goods.

While exports to major overseas markets such as the United Kingdom and Western Europe were generally maintained there were, besides the decline to Eastern Europe, reductions in the totals to Japan and Commonwealth countries in Asia. On the other hand exports to Australia and other Commonwealth countries increased as did shipments to Communist China.

Imports

The rising level of activity in Canada in 1961 and 1962 was a leading influence on the expansion in imports as in similar stages in earlier business cycles. At somewhat better than 15 per cent, imports however still represented a smaller proportion of the national expenditure than in earlier periods of high activity such as 1956 and 1957. While increases were widely distributed, there were notable concentrations in a few commodities due to special circumstances, and significant reductions were recorded in some commodities where Canadian demand seemed to be more fully met from domestic sources. Most substantial advances occurred in imports of industrial materials including automobile parts and in investment goods. Various types of industrial materials shared in the increase in 1961, and metal materials, automobile parts, and machinery and parts most prominently in 1962. Some imports of consumer goods have also risen during this period but these gains have usually been relatively moderate except where temporary shortages of Canadian supplies existed. At the same time, some other groups of consumer goods have declined. The most significant reduction was in imports of passenger automobiles which dropped sharply in 1961, and again slightly in 1962, mainly from the United Kingdom. Imports of rolling mill products and petroleum products are other examples of significant contractions in 1961. In these and other areas domestic sources of supply covered larger parts of the Canadian requirements.

The lower foreign exchange value of the Canadian dollar in 1962 contributed to the rise of more than 8 per cent in the value of imports, adjusted for balance of payments use. When the impact of this change on average prices of imports is allowed for, the real increase in imports in 1962 would be about halved. On the other hand, the effects upon the volume of imports of the stabilization of the Canadian dollar at a lowered level of exchange and the imposition of temporary import surcharges appeared in the second half of 1962, when the general rise in imports under way for about two years was arrested temporarily.

Most of the countries and areas contributed to the import expansion of 1961 and 1962, except the United Kingdom, whose exports to Canada decreased slightly. About 65 per cent and 79 per cent respectively of the total increases in the two years originated in the United States, owing to the nature of the commodities involved. These changes and those pertaining to other countries in the Sterling Area, the OECD group and Latin America are examined in the section on bilateral transactions.

Prices

There were upward movements in both export and import prices in 1961 and 1962, following a considerable period of relative stability in the aggregate indexes. An important underlying influence on these changes was the devaluation of the Canadian dollar.

STATEMENT 6. Prices, Physical Volume and Terms of Trade of Domestic Exports and Imports, 1951-62
(1948 = 100)

Year and quarter	Price Indexes		Terms of trade	Volume indexes	
	Exports	Imports		Exports	Imports
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	123.0	115.5	106.5	140.2	181.3
1961	124.0	119.1	104.1	152.3	185.0
1962	128.1	124.5	102.9	158.3	192.0
1960 I	122.5	114.1	107.4	134.9	177.2
II	123.3	116.3	106.0	136.1	194.1
III	123.0	116.6	105.5	144.7	169.6
IV	122.9	115.7	106.2	145.8	183.2
1961 I	123.0	117.4	104.8	131.6	166.7
II	123.0	117.6	104.6	147.5	192.3
III	124.5	120.6	103.2	163.2	178.9
IV	125.8	121.1	103.9	166.3	201.2
1962 I	126.8	123.1	103.0	140.1	182.5
II	128.6	125.6	102.4	161.0	204.0
III	129.1	125.6	102.8	159.3	188.5
IV	128.8	125.1	103.0	171.5	190.7

The earlier peak period for these prices occurred in 1951 in association with the Korean War, when export prices averaged 123, in comparison with 1948 as 100, and import prices exceeded 126. But with the step-up in the value of the Canadian dollar in the foreign exchange market from a discount in 1951 to a premium in 1952, and with this position being maintained for about a decade, Canada's average export and import prices subsided fairly quickly. While the latter remained at a lower level for a longer period and neared the 1951 peak only in 1962, export prices regained the peak level in 1960 and continued to rise to a point 4 per cent higher by 1962.

The terms of Canada's trade, or the ratio of the indexes of export prices to those of import prices fluctuated between 103½ and about 107½ during the latter half of the fifties, and have declined from 106½ to roughly 104 and to 103 in the most current three-year period. The deterioration in the terms of trade

in the sixties followed a larger rise in average import prices than in export prices, the percentage increase being about twice as large for the former.

Average export prices increased noticeably only in 1962 although they had started to rise in the second half of 1961, while import prices advanced fairly substantially in both 1961 and 1962. All the commodity groups, except miscellaneous products, shared in the 3 per cent rise in average import prices between 1960 and 1961. Higher than this overall increase in important groups of commodities, such as agricultural and animal products, fibres and textiles and in particular iron and steel products, contributed to outweighing lesser advances on the part of other commodity classes. All the commodity groups together accounted for the 4½ per cent rise in import prices in 1962, and again iron and steel products most notably. The gain of some 3 per cent in average export prices during the year originated largely from food, beverages and tobacco and particularly from the group comprising inedible crude materials.

**STATEMENT 7. Current Non-Merchandise Transactions between Canada and Other Countries,
1952 and 1962**

Country or area	Receipts		Payments		Net transactions		Net change
	1952	1962	1952	1962	1952	1962	1952-62
millions of dollars							
United States:							
Gold production available for export	150	165	—	—	+ 150	+ 165	+ 15
Travel expenditures	257	510	294	420	- 37	+ 90	+ 127
Interest and dividends	85	124	344	655	- 259	- 531	- 272
Freight and shipping	174	260	302	350	- 128	- 90	+ 38
Inheritances and migrants' funds	38	61	77	127	- 39	- 66	- 27
All other current transactions	224	321	289	530	- 65	- 209	- 144
Total and balance on non-merchandise transactions	928	1,441	1,306	2,082	- 378	- 641	- 263
All overseas countries:							
Travel expenditures	18	50	47	190	- 29	- 140	- 111
Interest and dividends	60	87	69	126	- 9	- 39	- 30
Freight and shipping	209	238	73	238	+ 136	—	- 136
Inheritances and migrants' funds	47	63	17	36	+ 30	+ 27	- 3
Official contributions	—	—	16	32	- 16	- 32	- 16
All other current transactions	57	105	116	283	- 59	- 178	- 119
Total and balance on non-merchandise transactions	391	543	338	905	+ 53	- 362	- 415
All countries:							
Gold production available for export	150	165	—	—	+ 150	+ 165	+ 15
Travel expenditures	275	560	341	610	- 66	- 50	+ 16
Interest and dividends	145	211	413	781	- 268	- 570	- 302
Freight and shipping	383	498	375	588	+ 8	- 90	- 98
Inheritances and migrants' funds	85	124	94	163	- 9	- 39	- 30
Official contributions	—	—	16	32	- 16	- 32	- 16
All other current transactions	281	426	405	813	- 124	- 387	- 263
Total and balance on non-merchandise transactions	1,319	1,984	1,644	2,987	- 325	- 1,003	- 678

*About the figures —***GOLD PRODUCTION AVAILABLE FOR EXPORT**

Whether sold abroad or taken into the Canadian official reserves of gold and foreign exchange, Canada's gold production is a source of international credits no different from the proceeds of exporting other commodities. However the general use of gold as a monetary metal lends it special attributes that distinguish it from other commodities in trade. In particular, international movements of gold are determined more by financial factors rather than by ordinary commercial considerations. Gold not only does not have to surmount tariff barriers but is also universally acceptable at least at a fixed minimum price in the settlement of international obligations. This metal is often sold or bought internationally without actual physical movements, such transactions being reflected in changes in gold held under earmark, e.g. gold stored in the vaults of the central bank of one country for account of residents of another. Or it may be moved from one country to another across frontiers without change in ownership. For these reasons, gold production available for export representing nonmonetary gold is shown explicitly in the balance of payments tables among non-merchandise items of the current account.

In Canada, gold is produced primarily as an export commodity; and in the calculation of the item, production is taken at the stage after refining at the Royal Canadian Mint, when the metal is sold by the Minister of Finance to the Exchange Fund to become part of the official reserves, or to be sold abroad. Also included are sales for safekeeping in Canada and commercial gold exported directly by producers, as well as relatively small amounts of gold in ore or quartz sent

outside of Canada for refining. Excluded, however, is any gold held by producers before the refining stage, whether at the mines, in transit or at the mint.

In effect the estimates of gold appearing in the current account represent the value at the more final stages of production, less consumption of the metal by industry and the arts. These totals representing a source of credits in the current account are offset by debits in the capital account whenever either the official reserves of gold or of foreign exchange should rise as a result of new gold production. In other words, because of its characteristic of ready convertibility into foreign exchange, gold production is treated in the balance of payments as if it were an external asset; and net transactions in monetary gold contributing to changes in the official holdings of gold and foreign exchange are recorded in the capital account.

There are certain drawbacks in the above presentation such as the impracticability of distributing gold transactions with individual countries, on account of the method of calculation. Moreover when gold goes into monetary stocks it does not directly affect Canada's account with any one country. But because of the stimulus to production over the long run having arisen from the existence of the official buying price in the United States, which also has been the market for much of the Canadian gold production, the entire item of nonmonetary gold is shown in bilateral statements of the balance of payments in the account with the United States. Likewise changes in the Exchange Fund holdings of gold appear together with United States dollars in the capital account with that country.

Gold production available for export over the 13 years since 1950 has averaged about \$155 million annually, with the higher values occurring in the opening and terminal years of the period, when the

United States dollar was at a significant premium in Canada. The Canadian dollar value of gold production amounted to \$163 million in 1950, \$162 million in 1961 and \$165 million in 1962.

*About the figures —***TRAVEL EXPENDITURES**

In the travel account are covered receipts and payments for all expenditures incidental to travel such as international passenger fares, living expenses, including lodging, food, etc., entertainment, local transportation and purchases of other services and goods, including gifts. These are expenditures made by travellers on business or shopping, persons travelling for education, health or vacation, and also commuters, summer residents and intransit automobile, rail and bus passengers.

The primary source of detailed statistics and analysis of international travel is the publication of the Travel Statistics Unit, Balance of Payments Section, "Travel Between Canada and Other Countries" (Catalogue No. 66-201, Annual). A section on sources and methods of compiling international travel data is published in the 1960 report on pages 21 to 34. Some of the figures for the most recent year shown in the 1962 edition of this publication vary slightly from those appearing in Statement 8 which follows, due to incorporation of the estimates at differing stages of revision.

From a peak of \$207 million in 1959 and 1960, Canada's net travel payments were reduced to \$160 million in 1961, and were further cut down to \$50 million in 1962, which was about the level of the deficit on travel account in the early fifties. In both 1961 and 1962, the improvement occurred wholly in transactions with the United States. Receipts from

American visitors were up more than 15 per cent each year, while expenditures by Canadians visiting the United States declined, particularly in the latter year. The stabilization of the Canadian dollar at a lowered value of 92½ cents in terms of United States currency and the reduction late in the second quarter of 1962 in the privilege of duty-free purchases by

Canadians abroad were important factors behind the narrowing of the deficit. The customs exemption on merchandise purchased in the United States by Canadian visitors was reduced from \$100 to \$25 every four months, and from \$300 to \$100 annually on purchases made while travelling in overseas countries.

In the postwar period, Canada's transactions on travel account have been predominantly with the United States. More than 9/10 of the receipts originated from American travellers until about the mid-fifties. Subsequently for a number of years, there was a slight decline below 90 per cent until 1961 when this level was again exceeded. Travel payments were likewise preponderantly to the United States, with the peak share of 88 per cent occurring in 1951. Following this year, however, there has been a small but steady decline until the United States proportion of total travel payments dropped below 70 per cent in 1962.

Receipts from residents of the United States travelling in Canada, which surpassed the half billion dollar level for the first time in 1962, resulted

from increases in the number of visits together with a higher per capita spending. The number of trips made by Americans to Canada increased about 4 per cent to 31,700,000 during 1962. But more than two-thirds of this huge aggregate represented mainly local travel accounting for just over one-tenth of total expenditures. United States visitors travelling in automobiles continued to comprise the largest group, and averaged roughly 78 per cent in the three years, but accounted for smaller but increasing shares of expenditures, viz. 58½, 61½ and 63 per cent. Short-term visitors—those entering and leaving Canada on the same day—represented 65 per cent of all American visitors by automobile in 1962. But because this group did not require overnight accommodation, they accounted for less than 10 per cent of the expenditures. Longer-term visitors represented about 35 per cent of all arrivals by automobile but were responsible for over 90 per cent of the expenditures. American travellers using other types of transportation, such as plane, bus, rail and boat, represented 22 per cent of all visitors and accounted for 37 per cent of expenditures.

STATEMENT 8. Travel Expenditures between Canada and Other Countries, 1950-62

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								
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
1961	435	459	- 24	47	183	- 136	482	642	- 160
1962	510	420	+ 90	50	190	- 140	560	610	- 50

From a peak of \$462 million in 1960, Canadian expenditures for travel in the United States declined slightly to \$459 million in 1961 and then dropped to \$420 million. The duty-free purchases of Canadian travellers returning from the United States fell more than 40 per cent, from \$60 million in 1961 to under \$35 million in 1962, with the bulk of the reduction occurring in the second half of 1962. Canadians travelling by automobile accounted for one-third in numbers and about one-half of expenditures in 1962. Expenditures by Canadians using rail, bus and in particular plane, were higher than those of Americans using the same modes of transportation. The per

capita spending by Canadian long-term visitors at approximately \$74 in 1962 was much higher than the average American expenditure in Canada of \$45.

Although the number of Canadians returning from overseas sojourns has been relatively small, their share of total payments on travel account, as implied before, has been becoming increasingly important in recent years, accounting for more than 30 per cent of the total in 1962. The average duration of stay overseas is much longer than trips to the United States, and the cost of ocean and air transportation with foreign carriers represents substantial amounts.

Income Account

Net payments of interest and dividends have been growing in company with rising indebtedness to other countries and have usually been the largest single contributor to current account deficits. The only exceptions in the past decade have been larger import balances on merchandise account in 1956 and 1957, two years significant for the high level of capital expenditure by Canadian business. In 1962 the deficit of \$570 million on income account represented about two-thirds of Canada's current deficit, a higher proportion than ever before. Although this

deficit was much more than double that in 1946, the rise in the postwar period has been much less than has occurred in Canada's net indebtedness to other countries.

In this period receipts of interest and dividends roughly doubled from \$70 million in 1946 to \$145 million in 1952; and, after a period of considerable irregularity until 1956, receipts again advanced except for a hesitation in 1960 to \$211 million in 1962. This total was not only at the highest level recorded but was also about three times as large as the 1946 estimate.

About the figures —

INCOME ACCOUNT

Covered in this account are transfers between Canada and foreign countries of interest on bonds and debentures and dividends. These international receipts and payments represent major parts of the return on invested capital, but do not include undistributed income or "miscellaneous income". The latter item covers the return on foreign investments in Canadian securities held through financial intermediaries, and on mortgages, real estate and other assets where investments are included in the category Miscellaneous Investments. Also comprised are earnings from international operations of banks and insurance companies and interest paid on inter-company borrowings other than funded debt. The growing importance of miscellaneous income, other than income shown in the Interest and Dividends item, as a component of total remittances of investment income is described later in the section on Miscellaneous Current Transactions. About a quarter and 10 per cent respectively of all receipts and payments of income on investment were represented by miscellaneous income in the 17 postwar years covered in Statements 9H and 9L. The individual annual ratios exceeded the overall averages in each year after the mid-fifties.

Receipts of interest arise from inter-governmental loans and advances, including those under Part II of the Export Credits Insurance Act and the United Kingdom Financial Agreement Act. Covered also are interest and discount earned by the Exchange Fund Account and interest receipts on private holdings of foreign bonds; but interest receipts on direct investment are, due to the method of collection of statistics, lumped in with receipts of dividends.

Dividend payments are classified into those on direct investment and those on portfolio investment. The former type includes the net profits earned by unincorporated branches in Canada of foreign companies, apart from insurance companies, together with dividends remitted abroad by subsidiaries. Dividends on direct investment paid by public companies controlled abroad include dividends remitted to all shareholders in the country of control, while the dividends paid by the same companies to minority shareholders resident elsewhere abroad are classified as returns on portfolio investment.

Inter-company payments of interest on funded debt, modest in total, are embodied in the interest item. All remittances of interest and dividends are net of with-

holding tax paid to the Government of Canada, with the tax rate ranging between zero and 15 per cent; and with significant changes having been introduced in late December 1960, Government revenues from taxes on interest, dividends and other payments abroad rose from \$77 million in 1960 to \$107 million in 1961 and \$122 million in 1962.

Figures included in the income account do not correspond precisely with statistics on non-resident investments in Canada. The latter data are net of investments located abroad appearing in the balance sheets of companies in Canada. On the other hand interest and dividend payments are based on total transactions in these forms by Canadian companies regardless of whether the income was earned in Canada or elsewhere.

The transfer of income abroad has not normally followed directly the realization of profits, particularly in the case of subsidiary or other closely held companies. While many public companies distribute dividends to their shareholders on a fairly regular basis, this is a relatively minor part of the total going to non-resident owners. With this group of companies there are generally comparatively smaller variations in disbursements than in earnings, as a stable dividend rate is found attractive to portfolio investors.

On the other hand, in the direct investment group, which is the source of some three-quarters of total transfers, the range of choices open in the allocation of earnings is considerable. This is particularly the case with the controlling enterprise of wholly-owned subsidiaries. Decisions are usually based on internal administrative factors as to where funds are to be employed within the enterprise as a whole. Needs for cash within or outside Canada are governed by factors such as investment programs and requirements for inventory and working capital, and by tax considerations. Changes in interest, money market conditions and exchange rates may also influence the internal administrative decisions. Such circumstances have been ever shifting, and dividend remittances have fluctuated around the underlying growth trend. The ability to

make an actual income payment is closely related to the liquidity of the company. In general it may be said that, apart from the raising or redemption of capital, changes in liquidity reflect not only reported earnings but also the cash flows from non-cash charges, such as depreciation and depletion, offset by investment for capital expenditure and inventory. With the interplay of this set of variables, moderating economic activity could give rise to larger amounts of cash being available for transfer abroad.

Another aspect of this subject is the flexibility open to companies to utilize their cash position to retire debts rather than to transfer earnings. When the same parent company holds debt as well as equity investment, the distinction between a dividend payment on the one hand and a repayment of debt with a simultaneous growth in undistributed earnings on the other hand has only limited significance. The extent of this practice is, of course, limited by the amount of capital provided in the form of debt.

Payments of interest and dividends rose rapidly from \$312 million in 1946 to \$475 million in 1950, a year when the proportion of earnings distributed abroad as dividends was unusually high. Remittances then declined to \$404 million in 1953, but gained steadily thereafter to \$770 million in 1961 and \$781 million in 1962, but for a shallow dip in 1960. This was caused by a temporary lag into the first quarter of 1961 of payments of a substantial amount of dividends by a number of Canadian subsidiaries. As there was a considerable increase in the range of income subject to higher withholding taxes, the rise in gross income payments in 1961 was even larger than that in the net figures shown in this report.

In 1961, dividend payments on non-resident direct investment in Canada of \$405 million increased nearly 30 per cent over the total for the preceding year, and were more than 20 per cent above the 1958 level. Most of the increases in 1961 was concentrated in dividends remitted by companies controlled in the United States, engaged in manufacturing, mining and merchandising. Within manufacturing, fabricators of durable goods for the home market accounted for much of the increase, which was in part offset by lowered transfers of dividends by pulp, paper and chemicals manufacturers. Larger dividends originating from mining and smelting were caused in the main by substantial transfers in the first quarter of 1961, which normally would have been made in the last quarter of 1960. Payments of sizable non-recurring dividends caused the big gain in payments to the United States on direct investment in merchandising.

Dividend payments on direct investment were estimated at \$387 million in 1962, down more than 4 per cent from the peak in the previous year. As net profits of unincorporated branches advanced nearly \$10 million, the overall decline was ascribable to a fall in transfers, in particular by companies engaged in mining and trade, whose remittances in 1961 were extraordinarily high.

The steady rise in interest payments which started after the mid-fifties was maintained, although at a slower rate of increase, in 1961 and 1962. Interest payments in the two years were \$259 million and \$285 million, respectively, as compared with \$239 million in 1960 and \$128 million in 1956. The influence of new issues of bonds (largely corporate) and trade in outstanding issues offset in part by retirements and the growing impact of the withholding tax accounted for over 60 per cent of the \$26 million

increase in interest payments in 1962. The change in the foreign exchange rate over the year of the Canadian dollar was responsible for the rest.

Quarterly Estimates since 1949

As seen in Statement 9, a concentration of dividend payments, second in magnitude only to the record peak of the fourth quarter of 1959, took place in the December quarter of 1950. Higher earnings, impending tax changes in the United States and administrative modifications in the Canadian control of foreign exchange, permitting accelerated transfer of earnings, contributed to the large outflow, which accounted for more than 40 per cent of the annual total for 1950. Subsequently more than 30 per cent of the annual remittances has taken place in the final quarter, except in 1960 and 1961 when the proportions were a shade below this level. About one-fifth of the annual remittances has occurred in the March quarter, except in 1955 and 1961, when roughly 28 per cent was transferred. This swelling in dividend payments was largely attributable to a number of subsidiaries making unusually large remittances to their parents in the United States. In the first quarter of 1955, the concentration of payments appears to have been more fortuitous, while the expansion in the March quarter of 1961 was due more to a lagging in transfers from the preceding quarter in 1960. Since 1950, the two middle quarters of the year have each accounted for roughly 20 per cent to 25 per cent of the annual dividend payments abroad.

More than 94 per cent of interest payments and of dividend remittances abroad over the years for which figures are shown in Statement 9A flowed to the United States and United Kingdom, and the share of the income accruing to investors in other countries has been correspondingly small. Interest payments to the United States grew fairly steadily from 81 per cent of the total in 1946 to 88 per cent in 1962, while remittances to the United Kingdom declined from 17 per cent to 6 per cent over the same period. Irregular fluctuations were seen in the case of dividends, with remittances averaging about 82 per cent to the United States and 14 per cent to the United Kingdom. Returns on Canadian equity investment in the United States and the United Kingdom moved within a broad range of 80 per cent of total receipts at the top in 1946 and 1952 and 60 per cent in 1961; and dividend receipts on investment in other countries were thus larger than in the case of payments. More than two-fifths of interest receipts from non-residents, the lightest component of the income account, has originated in the United States over the period under review.

STATEMENT 9. Income Account with All Countries: Quarterly Estimates, 1949 - 62

Quarter	Receipts		Payments		Quarter	Receipts		Payments	
	Interest	Dividends	Interest	Dividends		Interest	Dividends	Interest	Dividends
millions of dollars					millions of dollars				
1949 I	4	13	22	53	1956 I	5	32	31	84
II	12	14	30	113	II	14	25	32	78
III	3	11	22	57	III	6	19	30	98
IV	7	19	30	63	IV	13	28	35	135
Year	26	57	104	286	Year	38	104	128	395
1950 I	3	10	23	71	1957 I	7	18	33	92
II	13	12	30	90	II	15	25	39	109
III	3	13	23	54	III	8	24	37	101
IV	9	28	33	151	IV	14	43	45	133
Year	28	63	109	366	Year	44	110	154	435
1951 I	4	12	26	74	1958 I	7	24	39	87
II	12	13	30	66	II	15	23	48	88
III	4	15	26	65	III	6	23	41	110
IV	34	21	32	131	IV	35	35	53	146
Year	54	61	114	336	Year	63	105	181	431
1952 I	4	13	25	57	1959 I	8	22	49	96
II	11	21	29	59	II	15	28	57	96
III	6	17	26	69	III	10	30	44	107
IV	39	34	35	113	IV	37	32	60	162
Year	60	85	115	298	Year	70	112	210	461
1953 I	7	20	26	60	1960 I	13	21	54	91
II	14	19	32	70	II	17	22	65	96
III	7	17	29	54	III	11	24	53	104
IV	35	46	34	99	IV	37	28	67	123
Year	63	102	121	283	Year	78	95	239	414
1954 I	5	19	25	63	1961 I	12	24	61	143
II	11	22	37	57	II	17	42	68	106
III	4	19	29	56	III	12	28	58	112
IV	33	34	39	117	IV	38	36	72	150
Year	53	94	130	293	Year	79	130	259	511
1955 I	5	21	33	98	1962 I	10	23	67	112
II	13	19	32	67	II	16	36	76	129
III	4	23	30	61	III	15	29	62	101
IV	32	43	32	130	IV	39	43	80	154
Year	54	106	127	356	Year	80	131	285	496

STATEMENT 9A. Receipts and Payments of Interest and Dividends between Canada and Other Countries, 1946 and 1950 - 62

Year	Account with United States					Account with United Kingdom					Account with all countries				
	Receipts		Payments		Net	Receipts		Payments		Net	Receipts		Payments		Net
	Inter- est	Divi- dends	Inter- est	Divi- dends		Inter- est	Divi- dends	Inter- est	Divi- dends		Inter- est	Divi- dends	Inter- est	Divi- dends	
	millions of dollars														
1946	8	39	101	149	- 203	1	6	21	33	- 47	13	57	125	187	- 242
1950	11	39	90	321	- 361	1	5	15	39	- 48	28	63	109	366	- 384
1951	15	42	95	287	- 325	24	6	15	42	- 27	54	61	114	336	- 335
1952	23	62	96	248	- 259	23	6	15	41	- 27	60	85	115	298	- 268
1953	24	77	101	233	- 233	24	4	16	41	- 29	63	102	121	283	- 239
1954	15	54	108	237	- 276	24	11	17	45	- 27	53	94	130	293	- 276
1955	15	63	107	281	- 310	25	16	16	59	- 34	54	106	127	356	- 323
1956	21	59	107	320	- 347	2	12	16	57	- 59	38	104	128	395	- 381
1957	27	68	129	351	- 385	2	8	17	61	- 68	44	110	154	435	- 435
1958	24	76	153	347	- 400	25	7	18	58	- 44	63	105	181	431	- 444
1959	31	68	179	368	- 448	24	11	20	70	- 55	70	112	210	461	- 489
1960	41	61	205	326	- 429	24	8	18	65	- 51	78	95	239	414	- 480
1961	40	69	225	417	- 533	25	9	17	69	- 52	79	130	259	511	- 561
1962	47	77	252	403	- 531	22	13	17	65	- 47	80	131	285	496	- 570

Dividend Payments by Industry Groups and Destination, 1960

While the geographical distribution of dividend payments over the four recent years from 1958 has shifted little, with 80 per cent on the average destined for the United States, 15 per cent to the United Kingdom and 5 per cent to other countries, larger changes are seen in a comparison by type of investment and by industry. More than 80 per cent of the dividends flowing to the United States originated from direct investment in both years, but the breakdown of payments to the United Kingdom was about fifty-fifty in 1960, as compared with 45 per cent on direct investment in 1958. More than three-quarters of remittances to other countries in 1960 arose from portfolio investment in Canada, and approximately three-fifths in the earlier year.

There was a net reduction of \$17 million in dividend payments to all countries from \$431 million to \$414 million in 1960. This net reduction was made up of a number of offsetting changes. There were declines of about \$24 million from mining and smelt-

ing, of \$11 million from merchandising and of \$7 million from utilities, which were offset by increases of roughly \$14 million from the integrated petroleum and natural gas industry, of \$5 million each from manufacturing and financial institutions, and \$1 million from other enterprises.

The reduction between 1958 and 1960 by \$24 million, or 30 per cent, in the transfers abroad by Canadian mining and smelting companies is an instance of the inherent volatility of dividend payments. Lower net profits and reduced dividend transfers by companies controlled in the United States accounted for most of this change. The incidence of substantial non-recurring dividends in 1958 together with large losses incurred in 1960 by some unincorporated branches of United States enterprises contributed to the 40 per cent drop in profit transfers from merchandising. Most of the \$7 million decline in dividend transfers from utilities arose from the winding-up of a number of shipping companies, whose control lay in the other countries group, and the consequent payment of liquidating dividends in 1958.

STATEMENT 9 B. Distribution by Industry and Destination of Dividend Payments on Direct¹ and Portfolio Investments, 1960

Industry	United States			United Kingdom			Other countries			All countries		
	Direct	Port- folio	Total	Direct	Port- folio	Total	Direct	Port- folio	Total	Direct	Port- folio	Total
millions of dollars												
Manufacturing:												
Vegetable products	10.6	6.8	17.4	4.8	1.2	6.0	0.3	0.5	0.8	15.7	8.5	24.2
Animal products	9.2	0.2	9.4	—	—	—	—	—	—	9.2	0.2	9.4
Textiles	1.4	0.2	1.6	1.7	0.5	2.2	—	—	—	3.1	0.7	3.8
Wood and paper products	32.1	7.9	40.0	8.1	1.6	9.7	—	0.7	0.7	40.2	10.2	50.4
Iron and its products	33.2	3.4	36.6	1.0	0.8	1.8	0.1	0.6	0.7	34.3	4.8	39.1
Non-ferrous metals	22.7	0.8	23.5	0.1	0.3	0.4	—	0.7	0.7	22.8	1.8	24.6
Non-metallic minerals	3.6	0.2	3.8	0.2	0.3	0.5	0.4	—	0.4	4.2	0.5	4.7
Chemicals and allied products	22.7	0.7	23.4	4.7	0.2	4.9	1.4	0.2	1.6	28.8	1.1	29.9
Miscellaneous manufactures	5.8	0.1	5.9	—	—	—	—	—	—	5.8	0.1	5.9
Sub-totals	141.3	20.3	161.6	20.6	4.9	25.5	2.2	2.7	4.9	164.1	27.9	192.0
Petroleum and natural gas	51.9	1.8	53.7	—	1.1	1.1	—	1.7	1.7	51.9	4.6	56.5
Mining and smelting	38.6	9.2	47.8	0.6	4.0	4.6	0.2	6.5	6.7	39.4	19.7	59.1
Utilities	5.7	11.1	16.8	0.7	10.7	11.4	0.1	3.9	4.0	6.5	25.7	32.2
Merchandising	8.1	0.8	8.9	6.9	0.1	7.0	0.6	0.1	0.7	15.6	1.0	16.6
Financial institutions	14.2	13.4	27.6	2.4	11.5	13.9	2.2	2.1	4.3	18.8	27.0	45.8
Other enterprises	9.7	0.4	10.1	1.2	—	1.2	—	0.2	0.2	10.9	0.6	11.5
Totals	269.5	57.0	326.5	32.4	32.3	64.7	5.3	17.2	22.5	307.2	106.5	413.7

¹ Dividends on direct investment include net profits of unincorporated branches amounting to \$28 million, but not interest of \$8 million paid to parent companies on funded debt.

Note: For corresponding estimates for 1958, see Statement 9 A in "The Canadian Balance of International Payments, 1959".

The modest rise in total dividends paid abroad by the Canadian manufacturing industry (excluding petroleum refining) masked fairly large but offsetting changes in direct investment dividends flowing to the United States from a number of component industrial groups. Dividend payments originating from the iron and steel industry, including motor vehicle manufacturers, dropped nearly \$23 million between 1958 and 1960, and those from the food and beverages group of the vegetable products industry more than \$4 million. On the other hand, larger remittances were recorded from the wood and paper products, animal products and chemical and allied products groups of \$18 million, \$6 million and \$3 million, respectively. About \$3 million more dividends were transferred to the United Kingdom by Canadian subsidiaries engaged in the manufacture of wood and paper products. With increasing maturity of the investments, roughly one-half of the \$14 million gain on United States direct investment in the petroleum and natural gas complex arose from higher net profits from operations of oil companies engaged solely in extraction. Larger dividends from companies engaged in refining and distribution of petroleum products and natural gas as well as in extraction accounted for the balance of the increased dividend transfers in 1960.

The practices of direct investment companies in paying dividends abroad have varied widely in the postwar period as shown in Statement 9C. In the

five-year period 1946 to 1950 inclusive 56 per cent of total earnings was distributed. The average payment of 45 per cent over the following decade ranged between the high rate of 55 per cent in 1951 and the low of 38 per cent in 1956, with the proportion for 1960 being 51 per cent. The unusual concentrations of dividend remittances in the December quarter of 1950 and in the first quarter of 1961, referred to elsewhere in the text, were responsible for the high rates of 63 per cent and 58 per cent in the two respective years.

Conversely, retained earnings contracted 15 per cent from \$280 million in 1960 to \$240 million in 1961, owing largely to the carryover of the usual year-end dividends in 1960 to the following March quarter. In these two recent years on average about 60 per cent of all undistributed earnings was retained by non-resident controlled firms in manufacturing, a little more than 20 per cent in mining, petroleum and natural gas and the remainder in other industries, including utilities, merchandising and financial institutions.

About 95 per cent of the undistributed earnings in the two years vested in investors in the United States. Most of the retained earnings belonging to overseas investors was held by merchandising and financial institutions.

STATEMENT 9 C. Estimated Total Returns on Foreign Direct Investment in Canada, 1946 - 61

Year	Remitted income	Allowance for withholding tax	Undistributed earnings	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	22	310	571	42
1953	215	22	325	562	38
1954	229	22	315	566	40
1955	282	26	365	673	42
1956	309	26	470	805	38
1957	335	24	460	819	41
1958	337	23	260	620	54
1959	365	24	370	759	48
1960	315	28	280	623	51
1961	405	57	240	702	58
1962	387	54	..	..	..

Long-Term Trends in Dividend Payments

In a comparison in Statement 9D of dividend payments by industry for selected years over a 2-decade period, the returns on foreign investment in Canadian manufacturing fluctuated between 63 per cent of total profit transfers in 1950 and 36 per cent in 1939. The figures, however, would be somewhat higher if the net profits of unincorporated branches, amounting, for example, to about 6 per cent of total profit transfers in 1939, could be allocated industrially. In 1960, over 46 per cent of dividend payments pertained to manufacturing. In both 1939 and 1960, dividend remittances by firms engaged in

petroleum and natural gas industry accounted for nearly 14 per cent of total payments, but the proportions were smaller and fluctuated sharply in the intervening years. From a high level of well over 31 per cent in 1939, the percentage of dividends from mining and smelting declined to about 14 per cent in 1960, while the share of payments by the remaining industries (utilities, merchandising, finance and other enterprises) doubled from more than 12 per cent in 1939 to over 25 per cent in 1960. This sharp rise on the part of the service group was attributable to enhanced transfers in particular by financial institutions and utilities.

**STATEMENT 9D. Industrial Distribution of Dividend Payments to All Countries,
Selected Years 1939 - 60**

Industry	1939	1946	1950	1953	1958	1960
<i>millions of dollars</i>						
Manufacturing:						
Vegetable and animal products	22.6	23.9	42.8	26.2	31.4	33.6
Textiles	3.4	5.0	5.7	2.3	3.4	3.8
Wood and paper products	4.5	9.5	44.5	24.9	30.0	50.4
Iron and its products	9.4	20.2	66.3	34.6	62.9	39.1
Non-ferrous metals	5.1	15.4	29.3	26.3	22.9	24.6
Non-metallic minerals	2.7	3.5	11.6	8.4	4.9	4.7
Chemicals and allied products	13.5	10.1	23.4	19.5	27.0	29.9
Miscellaneous manufactures	0.5	0.6	6.3	5.0	4.3	5.9
Totals, manufacturing	61.7	88.2	229.9	147.2	186.8	192.0
Petroleum and natural gas	23.2	10.9	12.8	18.8	42.9	56.5
Mining and smelting	53.8	34.1	57.1	43.4	83.6	59.1
Utilities	8.5	26.8	23.7	28.2	39.0	32.2
Merchandising	5.5	6.9	16.2	15.0	28.1	16.6
Financial institutions	6.1	5.8	11.3	9.4	40.4	45.8
Other enterprises	1.4	2.0	7.0	5.8	10.1	11.5
Totals, non-manufacturing	98.5	86.5	128.1	120.6	244.1	221.7
Unclassified ¹	9.8	12.3	8.1	15.2	—	—
Totals	170.0	187.0	366.1	283.0	430.9	413.7

¹ Includes net profits of unincorporated branches, which are classified by industry only in 1958 and 1960.

Geographically, dividend payments to the United States and United Kingdom, as shown in Statement 9E, multiplied nearly 2½ times between 1938 and 1960, and about twice since 1946. The three-fold increase in transfers to other countries between 1938 and 1960, however, represented an absolute gain of only \$16 million. Dividend payments by Canadian manufacturing to the United States, which expanded over 3 times over this period, accounted for 37 per cent in 1938, 50 per cent in 1960 and 65 per cent of total payments in 1950. While larger in absolute

terms, dividend transfers from mining, smelting, petroleum and natural gas commanded lower proportions in 1960. Transfers to the United States by these companies in the manufacturing, petroleum, natural gas, mining and smelting industries accounted for 86 and 81 per cent of all dividend payments to that country in 1938 and 1960, respectively. Financial institutions, which remitted a fractional share of the total in 1938, increased their proportion to over 8 per cent in 1960.

**STATEMENT 9 E. Distribution by Industry and Destination of Dividend Payments,
Selected Years 1938 - 60**

Industry	United States					United Kingdom					Other countries				
	1938	1946	1950	1958	1960	1938	1946	1950	1958	1960	1938	1946	1950	1958	1960
millions of dollars															
Manufacturing	49.5	78.0	210.4	159.9	161.6	11.6	9.8	18.9	23.5	25.5	0.6	0.4	0.7	3.4	4.9
Petroleum and natural gas	27.5	10.6	12.5	39.7	53.7	1.3	0.1	0.1	0.9	1.1	—	0.2	0.2	2.3	1.7
Mining and smelting	38.7	28.7	51.0	73.6	47.8	6.4	4.1	4.4	4.2	4.6	4.0	1.3	1.7	5.8	6.7
Utilities	4.4	13.8	13.7	16.6	16.8	5.2	11.8	9.0	13.2	11.4	0.4	1.2	1.0	9.2	4.0
Merchandising	4.2	6.0	15.2	21.9	8.9	0.6	0.7	0.8	6.0	7.0	0.4	0.2	0.2	0.2	0.7
Financial institutions	1.1	2.2	6.1	25.9	27.6	1.3	3.3	4.3	10.8	13.9	0.5	0.3	0.9	3.7	4.3
Other enterprises ...	0.6	1.9	6.9	9.0	10.1	0.1	0.1	0.1	—	1.2	0.1	—	—	1.1	0.2
Unclassified ¹	8.0	7.8	6.0	—	—	0.5	3.1	1.0	—	—	1.0	1.4	1.0	—	—
Totals	134.0	149.0	321.8	346.6	326.5	27.0	33.0	38.6	58.6	64.7	7.0	5.0	5.7	25.7	22.5

¹ Includes net profits of unincorporated branches, which are classified by industry only in 1958 and 1960 when they totalled about \$41½ million and \$28 million, respectively.

At 92 per cent and 86 per cent, United States controlled companies engaged in manufacturing, petroleum, natural gas, mining and smelting were responsible for remitting in the beginning and terminal years of Statement 9F even higher shares of direct dividends than the proportions of all dividends destined for the United States from these industries. Dividends remitted by manufacturing concerns under United States control recorded more than a three-fold rise between 1939 and 1960. Within this group the proportion of dividends originating in direct investment in wood, iron and non-ferrous metal fabrication

gained but the proportion for chemicals, vegetable and animal products industries declined.

In 1938, manufacturing, mining, smelting and utilities represented 86 per cent of total dividends paid to the United Kingdom. About the same proportion was accounted for in 1960 by financial institutions together with the same three groups, whose individual shares had declined since 1938. Nearly 90 per cent of dividend remittances to other countries in 1960 originated from manufacturing, mining, smelting, utilities and financial institutions.

**STATEMENT 9 F. Industrial Distribution of Dividend Payments to the United States by
Canadian Companies Controlled in the United States, Selected Years 1938 - 60**

Industry	1938	1939	1946	1950	1953	1958	1960
millions of dollars							
Manufacturing:							
Vegetable and animal products .....	..	11.3	14.5	27.1	13.6	17.4	19.8
Textiles .....	..	1.4	3.4	3.3	0.5	1.6	1.4
Wood and paper products .....	..	3.7	7.7	32.6	13.4	15.0	32.1
Iron and its products .....	..	8.3	19.1	63.5	31.3	57.0	33.2
Non-ferrous metals .....	..	4.8	14.9	29.1	25.6	21.1	22.7
Non-metallic minerals .....	..	2.2	3.0	10.8	4.7	4.2	3.6
Chemicals and allied products .....	..	9.6	7.6	19.9	15.7	19.8	22.7
Miscellaneous manufactures .....	..	0.5	0.6	6.2	4.9	4.2	5.8
Totals, manufacturing	42.7	41.8	70.8	192.5	109.7	140.3	141.3
Petroleum and natural gas	27.0	22.3	10.0	11.5	17.9	38.4	51.9
Mining and smelting	26.7	32.8	23.4	44.1	29.3	67.7	38.6
Utilities	3.5	4.7	7.8	6.0	6.4	3.3	5.7
Merchandising	5.3	6.0	8.0	25.3	19.5	20.9	8.1
Financial institutions						12.4	14.2
Other enterprises						8.5	9.7
Totals, non-manufacturing	62.5	65.8	49.2	86.9	73.1	151.2	128.2
Totals¹	105.2	107.6	120.0	279.4	182.8	291.5	269.5

¹ Excludes minor "unclassified" transfers except in 1958 and 1960 when net profits of unincorporated branches controlled in the United States, of about \$35½ million and \$22½ million, respectively, were included and distributed industrially.

Interest Payments

Total interest payments to non-residents, as indicated in Statement 9G, were about 10 per cent lower in 1946 and in 1955 than in the last pre-World War II year of 1938. This decline was the effect of heavy wartime repatriation of railway, government and municipal bonds from the United Kingdom, offset in part by sales of the latter type of securities to the United States. From the common level of about \$125 million in 1946 and 1955, interest payments abroad increased by two-thirds to \$210 million in 1959 and doubled to \$259 million two years later. Large new issues of Canadian provincial and municipal government bonds and corporate debentures were sold since the mid-fifties, in particular, to investors in the United States.

Interest payments going to the United States accounted for ever-increasing proportions of the total as relatively few new issues have been placed overseas in recent decades. Investors in the United States received 60 per cent of interest remittances in 1938, 81 per cent in 1946 and 87 per cent in 1961.

On the other hand, 39 per cent of total interest was transferred to the United Kingdom in 1938, 17 per cent in 1946 and only about 6 per cent in 1961. From a negligible proportion in 1938, interest paid to investors in other countries grew to more than 6 per cent of the total in 1961.

The proportion of interest on bonds payable in Canadian currency only rose gradually from approximately 18 per cent of the total in 1946 to 24 per cent in 1955 and to over 27 per cent in 1961. Interest remitted on bonds payable solely in foreign currencies likewise increased from roughly 54 per cent in 1955 to more than 67 per cent of the total in 1961, reflecting the heavy new issues sold in the United States in recent years which are payable in United States funds. On the other hand, the proportion of interest received by non-resident holders of Canadian bonds payable optionally in one or more foreign currencies or in Canadian funds declined from 21 per cent of total interest payments in 1955 to 5 per cent in 1961, as older issues with multiple currency terms have been retired.

STATEMENT 9G. Interest Payments on Canadian Bonds and Debentures Held Abroad, by Groups of Issues and Currency of Payment, Selected Years 1938-61

	United States					United Kingdom					Total outside of Canada				
	1938	1946	1955	1959	1961	1938	1946	1955	1959	1961	1938	1946	1955	1959	1961
millions of dollars															
Government of Canada ¹	20	29	14	14	16	11	—	1	2	1	31	30	17	20	25
Provincial ¹	20	23	32	48	64	3	2	2	2	2	23	25	34	51	68
Municipal	9	9	15	32	45	7	4	1	1	1	16	13	16	34	47
Railway	20	20	9	5	6	28	11	7	8	7	48	32	17	14	15
Other corporation	15	20	37	80	94	5	4	5	7	6	21	25	43	91	104
Totals	84	101	107	179	225	54	21	16	20	17	139	125	127	210	259
Payable in:															
(a) Canadian dollars .....	..	..	21	35	47	..	..	7	12	12	..	22	31	56	71
(b) Foreign currencies .....	..	..	61	129	166	..	..	8	7	5	..		69	138	175
(c) Optionally in (a) or (b) ..	..	..	25	15	12	..	..	1	1	—	..	103	27	16	13

¹ Including guaranteed issues other than railways.

Interest Receipts

In contrast to the vigorous expansion, already described, in payments abroad of interest, which more than doubled since 1953, and of dividends, which rose 80 per cent, receipts of both interest and dividends increased about 25 per cent between 1953 and 1961. The year 1953 having been a high point in receipts of both interest on official loans and earnings of the Exchange Fund Account, this level for interest receipts was not exceeded until 1959. Following a saw-tooth course characteristic of dividend transfers, receipts of dividends were 7 per cent lower in 1960 than in 1953, but recovered sharply in 1961. The deferment in 1956 and 1957 of servicing of the official loan by the United Kingdom caused

interest receipts to fall. Higher receipts in three recent years have been attributable mainly to increased earnings of the Exchange Fund Account.

Dividend Receipts

Dividend receipts from subsidiaries abroad declined in 1960, while receipts on portfolio investment were unchanged. The Canadian parent firms concerned were engaged in manufacturing, mining and service industries. On the other hand, Canadian enterprises engaged in mining and manufacturing received substantially larger dividends from their subsidiaries abroad in 1961, and receipts on portfolio investment were also moderately higher.

Income Transfers on Direct and Portfolio Investments

With an average of over 40 per cent, dividend receipts on direct Canadian investment abroad as a proportion of all interest and dividends received ranged between 50 per cent in 1946 and 25 per cent in 1951. In 1962, the ratio was estimated at nearly 40 per cent. Conversely the returns on portfolio investment as a share of total interest and dividends stood in the same year at over 60 per cent, which was slightly higher than the overall average for the period as a whole. Of the dividends received on direct investment, 54 per cent originated in the United States, 12 per cent in the United Kingdom and 34 per cent in other countries. Canadian investments in these three areas returned 57, 21 and 22 per cent respectively of portfolio income.

Interest and dividends paid on foreign direct investment in Canada averaged about 55 per cent of total payments of interest and dividends over the postwar period; but during the span of 17 years there appeared to be two complete cycles in the fluctuation of the ratios. From a low point of 47 per cent in 1946, when the postwar upward shift in dividend payments was just beginning, the proportion relevant to direct investment rose to a record high level of 65 per cent in 1950 before subsiding to a trough of 54 per cent in 1954. The peak rate for 1950 was caused by a heavy concentration of dividend payments in the final quarter of the year. This phenomenally

large remittance was attributable to higher earnings, prospective tax revisions in the United States and an administrative change in Canadian foreign exchange control procedures. After a minor peak of 59 per cent in 1956, there has been a declining tendency, as interest payments which had stabilized over the preceding 4 years began to increase strongly. The proportion of 48 per cent for 1960, approximating the lowest ratio for 1946, resulted from the unusual carryover of dividend remittances by subsidiaries from the final quarter of 1960 to the following quarter in 1961.

Investors in the United States have received on the average roughly 90 per cent of interest and dividends paid on direct investment in Canada, with the shares dipping below this overall average after the early fifties. The proportion of portfolio interest and dividends going to the United States was not as high as that on direct investment but still averaged more than 70 per cent, and ranged between 68 per cent in 1947 and 75 per cent in 1960. In 1961 and 1962, the United States share rose to 77 per cent and over 79 per cent, on account of continuing increases in portfolio dividend remittances and, in particular, in interest payments. Over the period of 17 years, interest and dividends paid on British-owned portfolio investment averaged \$45 million but represented a declining proportion from more than 25 per cent in the early postwar years to about 12 per cent in 1962.

STATEMENT 9 H. Distribution of Investment Income: Receipts, 1946-62

Year	United States			United Kingdom			Other countries			All countries			Total
	Interest and dividends		Miscellaneous income	Interest and dividends		Miscellaneous income	Interest and dividends		Miscellaneous income	Interest and dividends		Miscellaneous income	
	Direct	Portfolio		Direct	Portfolio		Direct	Portfolio		Direct	Portfolio		
	millions of dollars												
1946	25	22	12	4	3	2	6	10	8	35	35	22	92
1947	15	21	4	5	3	4	10	10	3	30	34	11	75
1948	16	21	9	6	3	4	9	15	3	31	39	16	86
1949	15	25	19	3	6	5	8	26	4	26	57	28	111
1950	19	31	20	3	3	5	11	24	5	33	58	30	121
1951	18	39	18	4	26	5	7	21	6	29	86	29	144
1952	37	48	21	5	24	5	9	22	5	51	94	31	176
1953	51	50	19	2	26	5	15	21	6	68	97	30	195
1954	28	41	23	10	25	5	24	19	5	62	85	33	180
1955	38	40	28	15	26	5	25	16	7	78	82	40	200
1956	33	47	35	11	3	10	26	22	9	70	72	54	196
1957	43	52	43	7	3	6	28	21	6	78	76	55	209
1958	51	49	57	6	26	7	20	16	7	77	91	71	239
1959	42	57	62	10	25	4	33	15	5	85	97	71	253
1960	35	67	84	8	24	5	25	14	4	68	105	93	266
1961	40	69	72	8	26	5	50	16	5	98	111	82	291
1962	32	92	84	11	24	4	39	13	14	82	129	102	313

STATEMENT 91. Distribution of Investment Income: Payments, 1946-62

Year	United States			United Kingdom			Other countries			All countries			Total
	Interest and dividends		Miscellaneous income	Interest and dividends		Miscellaneous income	Interest and dividends		Miscellaneous income	Interest and dividends		Miscellaneous income	
	Direct	Portfolio		Direct	Portfolio		Direct	Portfolio		Direct	Portfolio		
	millions of dollars												
1946	134	116	22	11	43	7	2	6	4	147	165	33	345
1947	170	104	17	11	42	5	2	8	3	183	154	25	362
1948	162	105	19	10	40	6	2	6	3	174	151	28	353
1949	216	109	19	14	41	6	3	7	4	233	157	29	419
1950	292	119	17	15	39	5	2	8	3	309	166	25	500
1951	253	124	18	12	45	6	2	9	3	272	173	27	477
1952	216	128	26	18	38	8	5	8	5	239	174	39	452
1953	196	138	24	16	41	7	3	10	4	215	189	35	439
1954	204	141	25	22	40	7	3	13	5	229	194	37	460
1955	249	139	33	30	45	7	3	17	7	282	201	47	530
1956	279	143	44	28	45	8	2	21	12	309	214	64	587
1957	302	178	71	26	52	8	7	24	14	335	254	93	682
1958	301	199	80	26	50	7	10	26	14	337	275	101	713
1959	320	227	31	38	52	8	7	27	26	365	306	115	786
1960	277	254	93	32	51	11	6	33	31	315	338	135	788
1961	361	281	98	37	49	11	7	35	29	405	365	138	903
1962	342	313	101	35	47	11	10	34	31	387	394	143	924

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FREIGHT AND SHIPPING TRANSACTIONS

The freight and shipping account covers primarily receipts and payments for the movement of commodities between Canada and foreign countries when these involve an international exchange of services. Credits result from Canadian-operated carriers transporting merchandise exports both inland and beyond the borders of Canada and from conveying commodities between foreign countries or through Canada from one United States point to another. Debits arise from transportation by non-resident carriers of imports to Canada, including inland freight charges on imports from the United States and payments for handling Canadian commodities in transit through the United States by rail, trucks or pipelines. Other types of carriers involved are ocean ships, lake vessels and aircraft. Inland freight is taken into this account because both export and import values are taken f.o.b. point of shipment rather than at the Canadian border for exports and the frontier of a foreign country for imports.

Fees for chartering foreign vessels, wage payments to the crews, whenever called for under the charter agreement, the wage bill of Canadian-owned vessels when paid to non-resident crews and port expenditures, all represent Canadian payments to the rest of the world. Expenditures in Canada by foreign shipping companies, encompassing pilotage, canal dues, harbour charges, stevedoring, fueling, provisioning, advertising, agency fees, etc., are Canadian receipts. The declining participation of ships under the

Canadian registry in carrying Canada's foreign trade has been to a considerable extent counter-balanced by the chartering of foreign vessels. Accordingly, expenditures abroad on account of Canadian-operated carriers have grown, with some of these disbursements being external costs of transporting imports as well. At the same time revenues from carrying exports have also increased. The fact, however, that Canadian imports have consisted to a greater degree of fabricated commodities carried by liners with higher transportation charges has contributed to ocean freight payments being well above receipts. For the same reason, inland freight payments on imports from the United States have been higher, particularly in earlier years, than receipts of inland freight on Canadian exports to the United States and overseas. Reinforcing this imbalance have been the longer distances over which American goods often have to be carried before reaching the Canadian border.

Covered elsewhere in the balance of payments statements for convenience of accounting and for historical continuity are passenger fares, international airline expenditures and some railway expenditures, such as rental for freight cars. Passenger fares form an integral part of travel expenditures, while the latter two items are dealt with among other miscellaneous service transactions. As they do not represent international transactions, freight receipts on imports transported by Canadian carriers do not enter as a credit into the balance of payments.

Receipts on freight and shipping services, which exceeded payments by more than 40 per cent in 1946 and which were 20 per cent higher in 1949, slipped below the payments in the fifties, except for 1952, a year characterized by unusually large exports. Net payments in 1962 of \$90 million on freight and shipping transactions, which were at about the level of the average deficit for the four most recent years, were lower than the peak deficit of \$105 million in 1959 and \$91 million in 1960, but \$8 million more than that for 1961. Contracting net freight and shipping payments reflected the re-emergence of merchandise export balances, the first since 1954. Smaller deficits were attributed to a sizable increase

in receipts of inland freight, offset in part by a combination of a moderate rise in inland freight payments on Canadian imports in the United States and a decline in intransit revenues. Net payments on ocean shipping to foreign operators remained stable for the most part in recent years. Freight payments on imports brought by foreign carriers have been larger than their expenditures in Canadian ports, while payments by Canadian operators of charter fees and for expenditures in foreign ports have exceeded their earnings for carrying Canadian exports abroad and for transporting cargoes between foreign countries.

STATEMENT 10. Freight and Shipping Transactions between Canada and Other Countries, 1955-62

Item	1955	1956	1957	1958	1959	1960	1961	1962
millions of dollars								
Receipts by Canada								
Ocean shipping:								
Canadian operated ships:								
Gross earnings on exports	78	76	69	65	59	75	83	89
Charter receipts	9	20	21	9	4	3	2	3
Revenues between foreign ports	28	40	38	29	29	25	28	19
Sub-totals	115	136	128	103	92	103	113	111
Expenditures of foreign ships in Canada	45	48	44	43	48	55	67	74
Gross shipping receipts	160	184	172	146	140	158	180	185
Inland freight on exports	185	204	194	190	201	207	225	216
Intransit revenues	32	33	38	37	40	38	34	30
Other receipts	21	36	41	28	39	39	47	67
Gross receipts (Table II, item A 6)	398	457	445	401	420	442	486	498
Payments by Canada								
Ocean shipping:								
Expenditures abroad of Canadian shipping companies and charter payments	95	104	113	96	107	114	130	133
Freight on imports via Canadian ports	77	105	108	113	146	157	164	168
Gross shipping payments	172	209	221	209	253	271	294	301
Inland rail freight in U.S. on imports:								
Coal via vessel	40	53	50	34	36	35	37	39
Coal via rail	20	25	16	13	12	8	7	6
Other rail freight	121	143	142	114	121	110	98	96
Sub-totals	181	221	208	161	169	153	142	141
Miscellaneous payments	62	72	86	90	103	109	132	146
Gross payments (Table II, item B 6)	415	502	515	460	525	533	568	588
Deficit on freight and shipping transactions	- 17	- 45	- 70	- 59	- 105	- 91	- 82	- 90

In a comparison of the three years 1951, 1956 and 1961 in Statement 10A, net receipts for freight and shipping services from the United Kingdom and from other countries contracted sharply, particularly between the latter two years. A change from net receipts to net payments by Canadian operators of ocean shipping and to a position of heavier net pay-

ments to foreign operators in 1961 in each of the two areas accounted in the main for the deterioration. Net payments to the United States rose from \$112 million in 1951 to \$128 million in 1956 before subsiding to \$103 million in 1961, owing in large part to fluctuations in inland freight payments to the United States.

**STATEMENT 10 A. Freight and Shipping Transactions Between Canada and Other Countries,
1951, 1956 and 1961**

	United States			United Kingdom			Other countries			All countries		
	1951	1956	1961	1951	1956	1961	1951	1956	1961	1951	1956	1961
millions of dollars												
Ocean shipping												
(a) Canadian operators:												
Receipts:												
(i) Freight on exports from Canada	5	11	23	26	34	33	23	31	27	54	76	83
(ii) Interport and charter receipts	17	14	6	13	12	1	16	34	23	46	60	30
Sub-totals	22	25	29	39	46	34	39	65	50	100	136	113
Payments—Foreign port expenditures and time charter	25	18	19	21	29	43	14	57	68	60	104	130
Balance	- 3	7	10	18	17	- 9	25	8	- 18	40	32	- 17
(b) Foreign operators:												
Payments—Freight on imports	33	40	40	22	30	50	21	35	74	76	105	164
Receipts—Expenditures in Canadian ports	6	5	2	22	21	27	12	22	38	40	48	67
Balance	- 27	- 35	- 38	-	- 9	- 23	- 9	- 13	- 36	- 36	- 57	- 97
*Balance	- 30	- 28	- 28	18	8	- 32	16	- 5	- 54	4	- 25	- 114
Inland transportation												
(a) Intransit revenues	28	33	34	-	-	-	-	-	-	28	33	34
(b) Inland freight:												
Receipts:												
(i) Rail	102	124	118	..	..	..	..	..	..	..	..	..
(ii) Trucks, pipelines, vessels, etc.	6	36	47	..	..	..	..	..	..	..	..	..
Sub-totals	108	160	165	30	31	39	45	49	68	183	240	272
Payments:												
(i) Rail	135	168	105	-	-	-	-	-	-	135	168	105
(ii) Trucks, pipelines, vessels, etc.	83	125	169	-	-	-	-	-	-	83	125	169
Sub-totals	218	293	274	-	-	-	-	-	-	218	293	274
Balance on inland freight	- 110	- 133	- 109	30	31	39	45	49	68	- 35	- 53	- 2
*Balance	- 82	- 100	- 75	30	31	39	45	49	68	- 7	- 20	32
*Aggregate balance	- 112	- 128	- 103	48	39	7	61	44	14	- 3	- 45	- 82

Inheritances and Migrants' Funds

The estimates of migrants' funds cover transfers of money, but exclude exports and imports of migrants' personal and household effects. Following 1953, when receipts and payments of inheritances and migrants' funds were in balance, small net payments developed and grew to \$33 million in 1957. While this was the year when the peak of postwar immigration occurred, the per capita funds of the arrivals were unusually low, due in part to the inclusion in the immigrant total of a large number of refugees. Moreover the number of Canadian emigrants

to the United States in 1957 was higher than in any other year during the recent 8-year period. The deficit on account of migrants' funds and inheritances continued to increase until 1960 when payments exceeded receipts by \$79 million. But in the two subsequent years the deficit narrowed, with fewer Canadians leaving for residence in the United States and with a slow gain in legacy receipts from the United Kingdom after the relaxation in 1959 of transfer restrictions. The number of immigrants arriving in the two recent years were lower than in 1960, but the per capita immigrants' funds were much higher, particularly in 1962.

About the figures —

MISCELLANEOUS CURRENT TRANSACTIONS

Transactions covered in this group represent about one-fifth to one-quarter of total receipts on non-merchandise transactions and more than one-quarter of the payments. Items included under this heading are not shown individually in the quarterly accounts, except for official contributions. But an analysis of the principal components is published in annual reports.

Government Expenditures, n.o.p.

This item includes current international transactions on account of Canadian and foreign governments which are not covered elsewhere in the balance of payments. The largest components of this account are the costs of official representation and military expenditures of a service nature. The account also encompasses government travel promotion expenditures, the acquisition and disposal of property for diplomatic purposes, taxes, pensions, international postal transactions, contributions and membership assessments in international organizations (including among others the United Nations and the Specialized Agencies, the North Atlantic Treaty Organization and the Organisation for Economic Co-operation and Development). Prominent among credits are receipts from the United States for defence construction and the equipment and maintenance of establishments and personnel within Canadian borders.

A fairly sizable part of Canadian government expenditures abroad has taken the form of official contributions, which are shown explicitly on a quarterly basis. These represent shipments or outlays for Canada's economic and special aid programs. Included under economic aid are bilateral programs, featuring the Colombo Plan and several lesser schemes in aid of developing countries in the Commonwealth, and multilateral plans, mostly under the aegis of the United Nations through its Special Fund, Expanded Program for Technical Assistance and Children's Fund. Under special aid programs, Canada has contributed to the relief and resettlement of refugees and to the succour of victims of natural disaster and of famine. Donations of wheat, flour, skimmed milk powder and canned pork have been made for this purpose through the UNICEF, UNRWA and some private relief organizations in Canada.

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. To indicate, however, the magnitude of these contributions, equal amounts are entered on both the receipts and payments sides of the annual statements of the current account—in the global accounts with the rest of the world, but not with the countries or groups comprising Canada's NATO partners. Mutual Aid in the forms of transfer of military equipment and provision of aircrew training in Canada are not accompanied by international receipts or payments of cash. However, the third component of Mutual Aid, viz. contributions towards the NATO military budgets and infrastructure program, does represent cash payments, and the amounts are accordingly included with the regular government expenditures mentioned above. Infrastructure denotes fixed defence installations which are used by the armed forces of more than one country of the alliance.

Personal and Institutional Remittances

Transactions included in this group have some features in common. All are unilateral transfers in character giving rise to no quid pro quo. Other private unilateral transfers are covered in the item Inheritances and Migrants' Funds. Some others more difficult to isolate are included elsewhere among various current account items. Official transfers are represented in the items Official Contributions and Mutual Aid to NATO Countries. Personal remittances cover transfers of a non-commercial nature between individuals resident in Canada and abroad. Remittances by institutions are generally for relief, charitable, religious, educational or research purposes.

Miscellaneous Income

Under miscellaneous income are covered transfers of income or profits, other than those included in the Interest and Dividend Account. They pertain to branch operations of banks and insurance companies; interest paid on inter-company loans, mortgages, savings balances and treasury bills; interest received in more recent years by government corporations for credit extended on sales abroad of Canadian grain and capital goods; and rentals and fiduciary income from the administration of estates, trusts and agencies. The transactions relating to insurance companies represent transfers of net underwriting gain from branch operations, including returns on the employment of shareholders' capital and accumulated reserves, if any, but they also cover some services provided by home office departments. Income from premium collections, re-insurance and claims is dealt with in the business services component of Business and Other Services. Various kinds of personal income are also included in that group. In relating miscellaneous income to Canada's investment position it should be borne in mind that some elements of this income are from sources which are not included in long-term investment statistics.

Business and Other Services

The range of items covered in this group of transactions is extensive, but may broadly be classified as business, professional and personal services. Some of the largest components, particularly on the payments side, are transactions between branches, subsidiaries and other direct investment affiliates in Canada on one hand and their head offices abroad on the other. In the early stages of investment, significant elements of the outlays 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 appreciable fees for royalties and management and the apportionment of non-resident head office expenses, such as accounting, advertising and research.

It may be noted that due to a great diversity in accounting practices, there is a significant number of subsidiary companies in Canada, whose foreign parent companies have for one reason or another not made specific charges for the services supplied by them. The series for investment income and for business services are influenced by the extent to which these practices may change.

There is also a wide variety of receipts and payments between persons and between unaffiliated enterprises in Canada and abroad for the growing exchange of commercial, financial and professional services. 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, management, consulting and other professional services. Payments of rental for foreign films

and expenditures of international airlines and of railways, such as rental of freight cars, which are not included in the Freight and Shipping Account, are additional examples of items dealt with among business service transactions. The cost-sharing between Canada and the United States for power development, foreign expenditures of provincial administrations, earnings of international migrant labour and commuters, trade union transfers and sweepstakes remittances are also covered in this account.

The tripling of the deficit on miscellaneous current transactions from \$140 million in 1952 to \$419 million 10 years later took place in several stages. The deficit increased at an average annual rate of 8 per cent to \$185 million in 1956 with the widening in net payments of each item, except higher net receipts on government transactions, n.o.p. Transfers were particularly large in the latter year from the United States authorities in connection with the construction of the Dew Line and other defence installations. With each item contributing, the deficit on miscellaneous current transactions jumped 66 per cent in a single year to \$308 million in 1957. Government transactions accounted for nearly two-thirds of this deterioration in the balance, including increases both in official contributions and other government expenditures and a much sharper decline in receipts on government account from the United States, as the height of activity in defence construction was passing. The deficit climbed irregularly thereafter to a

peak of \$443 million in 1961 before subsiding slightly to \$419 million in 1962. About three-quarters of the expansion in the deficit between 1957 and 1961 was attributable to two items—one-half to government transactions and a quarter to business services. During the most recent year, net payments were reduced slightly for every item, except for business services. Only net payments on business services were accordingly at their peak in 1962, the deficits on other items being larger in absolute terms in 1961, except official contributions which reached their highest level in 1959 on account of relief shipments of grain to India and Pakistan. In 1962, net payments on business services accounted for nearly 60 per cent of the deficit of \$419 million on miscellaneous current transactions. Personal and institutional remittances contributed about 15 per cent, miscellaneous income 10 per cent, and official contributions and other government transactions each 8 per cent.

STATEMENT 11. Miscellaneous Current Transactions with All Countries, 1952-62

All countries	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
	millions of dollars										
Receipts:											
Government transactions	122	149	118	192	219	160	123	131	124	112	114
Personal and institutional remittances	20	22	22	22	23	24	24	24	23	24	26
Miscellaneous income	31	30	33	40	54	55	71	71	93	82	102
Business services and other transactions	108	118	125	137	146	149	157	166	179	185	184
Totals (Table II, item A 11)	281	319	298	391	442	388	375	392	419	403	426
Payments:											
Official contributions	16	25	11	24	30	40	53	72	61	56	32
Government transactions, n.o.p.	71	128	112	131	139	150	161	135	161	155	149
Personal and institutional remittances	50	55	65	71	79	83	85	95	97	98	91
Miscellaneous income	39	35	37	47	64	93	101	115	135	138	143
Business services and other transactions	245	247	265	280	315	330	343	348	365	399	430
Totals (Table II, items B 9, 11)	421	490	490	553	627	696	743	765	819	846	845
Net payments:											
Official contributions	- 16	- 25	- 11	- 24	- 30	- 40	- 53	- 72	- 61	- 56	- 32
Government transactions, n.o.p.	+ 51	+ 21	+ 6	+ 61	+ 80	+ 10	- 38	- 4	- 37	- 43	- 35
Personal and institutional remittances	- 30	- 33	- 43	- 49	- 56	- 59	- 61	- 71	- 74	- 74	- 65
Miscellaneous income	- 8	- 5	- 4	- 7	- 10	- 38	- 30	- 44	- 42	- 56	- 41
Business services and other transactions	-137	-129	-140	-143	-169	-181	-186	-182	-186	-214	-246
Totals	-140	-171	-192	-162	-185	-308	-368	-373	-400	-443	-419

STATEMENT 11 A. Miscellaneous Current Transactions by Countries, 1952 - 62

	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
	millions of dollars										
United States											
Receipts:											
Government transactions	108	130	98	169	194	133	93	111	101	90	91
Personal and institutional remittances	16	17	17	18	18	18	18	18	18	19	20
Miscellaneous income	21	19	23	28	35	43	57	62	84	72	84
Business services and other transactions	79	87	95	103	107	109	112	120	127	129	126
Totals (Table II, item A 11)	224	253	233	318	354	303	280	311	330	310	321
Payments:											
Official contributions	—	—	—	—	—	—	—	—	—	—	—
Government transactions, n.o.p.	20	25	32	30	24	28	30	29	38	36	40
Personal and institutional remittances	19	21	22	24	27	28	29	32	32	33	29
Miscellaneous income	26	24	25	33	44	71	80	81	93	98	101
Business services and other transactions	224	220	233	245	275	286	293	297	306	333	360
Totals (Table II, items B 9, 11)	289	290	312	332	370	413	432	439	469	500	530
Net payments:											
Official contributions	—	—	—	—	—	—	—	—	—	—	—
Government transactions, n.o.p.	+ 88	+105	+ 66	+139	+170	+105	+ 63	+ 82	+ 63	+ 54	+ 51
Personal and institutional remittances	- 3	- 4	- 5	- 6	- 9	- 10	- 11	- 14	- 14	- 14	- 9
Miscellaneous income	- 5	- 5	- 2	- 5	- 9	- 28	- 23	- 19	- 9	- 26	- 17
Business services and other transactions	-145	-133	-138	-142	-168	-177	-181	-177	-179	-204	-234
Totals	- 65	- 37	- 79	- 14	- 16	-110	-152	-128	-139	-190	-209
United Kingdom											
Receipts:											
Government transactions	8	9	11	12	12	11	9	8	13	11	12
Personal and institutional remittances	2	2	2	2	2	2	2	2	1	1	2
Miscellaneous income	5	5	5	5	10	6	7	4	5	5	4
Business services and other transactions	19	21	18	20	23	22	25	29	31	32	32
Totals (Table II, item A 11)	34	37	36	39	47	41	43	43	50	49	50
Payments:											
Official contributions	—	—	—	—	—	—	—	—	3	—	—
Government transactions, n.o.p.	22	62	30	26	33	39	45	34	35	34	34
Personal and institutional remittances	8	9	12	13	14	15	16	18	19	19	19
Miscellaneous income	8	7	7	7	8	8	7	8	11	11	11
Business services and other transactions	12	14	18	20	23	24	27	29	33	36	38
Totals (Table II, items B 9, 11)	50	92	67	66	78	86	95	89	101	100	102
Net payments:											
Official contributions	—	—	—	—	—	—	—	—	- 3	—	—
Government transactions, n.o.p.	- 14	- 53	- 19	- 14	- 21	- 28	- 36	- 26	- 22	- 23	- 22
Personal and institutional remittances	- 6	- 7	- 10	- 11	- 12	- 13	- 14	- 16	- 18	- 18	- 17
Miscellaneous income	- 3	- 2	- 2	- 2	+ 2	- 2	—	- 4	- 6	- 6	- 7
Business services and other transactions	+ 7	+ 7	—	—	—	- 2	- 2	—	- 2	- 4	- 6
Totals	- 16	- 55	- 31	- 27	- 31	- 45	- 52	- 46	- 51	- 51	- 52
Other countries											
Receipts:											
Government transactions	6	10	9	11	13	16	21	12	10	11	11
Personal and institutional remittances	2	3	3	2	3	4	4	4	4	4	4
Miscellaneous income	5	6	5	7	9	6	7	5	4	5	14
Business services and other transactions	10	10	12	14	16	18	20	17	21	24	26
Totals	23	29	29	34	41	44	52	38	39	44	55
Payments:											
Official contributions	16	25	11	24	30	40	53	72	58	56	32
Government transactions, n.o.p.	29	41	50	75	82	83	86	72	88	85	75
Personal and institutional remittances	23	25	31	34	38	40	40	45	46	46	43
Miscellaneous income	5	4	5	7	12	14	14	26	31	29	31
Business services and other transactions	9	13	14	15	17	20	23	22	26	30	32
Totals	82	108	111	155	179	197	216	237	249	246	213
Net payments:											
Official contributions	- 16	- 25	- 11	- 24	- 30	- 40	- 53	- 72	- 58	- 56	- 32
Government transactions, n.o.p.	- 23	- 31	- 41	- 64	- 69	- 67	- 65	- 60	- 78	- 74	- 64
Personal and institutional remittances	- 21	- 22	- 28	- 32	- 35	- 36	- 36	- 41	- 42	- 42	- 39
Miscellaneous income	—	+ 2	—	—	- 3	- 8	- 7	- 21	- 27	- 24	- 17
Business services and other transactions	+ 1	- 3	- 2	- 1	- 1	- 2	- 3	- 5	- 5	- 6	- 6
Totals	- 59	- 79	- 82	-121	-138	-153	-164	-199	-210	-202	-158

Of the growth of \$279 million in the imbalance on miscellaneous current transactions in the decade ending in 1962, business services accounted for nearly 40 per cent, government transactions, n.o.p. for over 30 per cent, personal remittances and miscellaneous income each about 12 per cent, and official contributions for 6 per cent. A significant factor behind the growth from \$137 million in 1952 to \$246 million in 1962 in the deficit on business services and other transactions has been the non-resident participation in Canada's active resource development, particularly after the middle of the fifties' decade. Businesses in other countries have sought out direct avenues of investment in Canada not only in petroleum exploration and drilling, construction of oil and natural gas transmission lines, and in other mining, but also in a widespread extension of manufacturing facilities. One result of this expansion through a variety of investment programs has been the spreading of corporate relationships across international borders, accompanied by a growing exchange of business services. Gains in Canadian receipts on these service transactions have been far outweighed by rises in payments to non-residents for services; and the sharper increases in payments in the most recent years may have been influenced by the quickening in the business activity and adjustments following fiscal changes in accounting practices with respect to home office services.

As mentioned before, fluctuations in receipts on government account have been largely influenced by activities connected with defence installations financed by the United States authorities. Defence spending has also been an important element in payments, representing nearly 60 per cent of Canadian government expenditures, n.o.p. abroad. This proportion has been much higher, being over 80 per cent, in transactions with other OECD countries, but about one-half of government expenditures in the United States and the United Kingdom. These defence expenditures in other OECD countries have represented Canadian 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 together with contributions to infrastructure and military budgets.

After a fairly steady advance from \$16 million in 1952, official contributions reached their peak level of \$72 million in 1959, but declined thereafter owing to temporary reductions in expenditures, in particular, for capital assistance under the Colombo Plan.

During the 13 years since its inception in 1950, Mutual Aid to NATO countries totalled nearly \$1,750 million, with contributions being \$57 million in 1950 and \$41 million in 1962. An amount of over \$950 million, or more than one-half of the total, was, however, dispensed in the 4-year period 1952 to 1955, inclusive, when transfers of military equipment were the heaviest and when air crew training in Canada was in full progress. With, however, the progressive re-establishment of the defence forces of NATO

partners in Europe and the build-up of their own air training facilities, transfers of equipment and air crew training in Canada tapered off.

Net payments of personal and institutional remittances more than doubled from \$30 million in 1952 to \$65 million in 1962, but the imbalance was more pronounced in two earlier years. While this class of receipts gained slightly in the decade, payments have nearly doubled. The inflow in the post-war period of over 2 million immigrants, 70 per cent of them arriving since 1952, and the steady rise in the income of Canadian workers have been important factors supporting the growth in personal remittances. In reflection in part of the origin of a large proportion of the immigrants from areas such as Western and Eastern Europe, China, South America, West Indies and Australia, about one-half of the \$41 million increase in remittances since 1952 took place to countries other than the United States and the United Kingdom.

Of the investment income total in recent years, about 30 per cent of receipts and 15 per cent of payments have been represented by miscellaneous income, the larger remainder being dividends and interest on bonds. As seen from Statements 9H and I, these proportions were lower in earlier years, e.g. about 15 per cent of receipts in 1953 and 6 per cent of payments in 1951. Net payments of miscellaneous income, which had not been much above \$10 million before 1957, shifted up to \$38 million in that year, due mainly to larger transfers by insurance companies and increased payments of interest on inter-company loans. In the years following the deficit on miscellaneous income moved irregularly but rose to the highest recorded level of \$56 million in 1961, before declining to \$41 million one year later. To yield the peak deficit, receipts of miscellaneous income increased more than 2½ times over 1952 to \$82 million and payments about 3½ times to \$138 million. In 1961, about 90 per cent of the receipts was represented by transfers of profits of financial institutions, and about the same proportion of payments comprised, besides similar transfers, interest on inter-company borrowings and income from assets managed or administered by trust and loan companies and other financial intermediaries. The decline in net payments on miscellaneous income in 1962 resulted from rather special factors such as interest receipts on credit extended on Canadian exports and receipts of compensation on contract cancellation.

Bilateral Changes

A characteristic bilateral distribution of the Canadian balance of payments has been the occurrence of large current surpluses from transactions with overseas countries, which contributed to covering current deficits with the United States. In the period immediately after the end of World War II, the underlying pattern was emphasized by shortages of numerous commodities and by the extensive rehabilitation of productive facilities in many devastated countries abroad. The basic character of Canada's

STATEMENT 11 B. Summary of Canada's Current Transactions with the United States and with Overseas Countries, 1952 - 62

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							
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	3,040	2,352	1,239	479	4,279	2,831	7,110
1961	3,213	2,676	1,297	548	4,510	3,224	7,734
1962	3,742	2,622	1,441	543	5,183	3,165	8,348
	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							
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	3,713	1,827	1,927	886	5,640	2,713	8,353
1961	3,828	1,888	2,068	932	5,896	2,820	8,716
1962	4,217	1,992	2,082	905	6,299	2,897	9,196
	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							
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	- 673	+ 525	- 688	- 407	- 1,361	+ 118	- 1,243
1961	- 615	+ 788	- 771	- 384	- 1,386	+ 404	- 982
1962	- 475	+ 630	- 641	- 362	- 1,116	+ 268	- 848

¹ Excludes Mutual Aid.

trade was, however, modified in later years by important events and developments such as the international incidents in Korea and the Suez, the progress of the reconstruction process and the resurgence of trading nations like West Germany and Japan, the dynamic growth in Canada in particular of the resource industries, the extension of economic and technical aid to developing countries, the evolution of regional trading groups such as the European Economic Community, the lowering of tariffs and easing of other trade restrictions and the return to convertibility of many currencies.

From a peak of over \$1 billion in 1952, the overseas surplus trended downwards until 1959 when there was a deficit of \$274 million, as recorded in Statement 11B. In the following two years, a strong improvement took place in the balance on current transactions, and the surplus of over \$400 million with the overseas for 1961 was higher than in any other year since 1953, but in 1962 it declined to \$268 million. The peak deficit with the United States of \$1,639 million was reached in 1956, and the estimate for 1961 was 15 per cent lower at \$1,386 million with a further reduction in 1962 to \$1,116 million. Rising deficits on non-merchandise transactions with both the United States and overseas, and import balances with the former, which were higher in most years than the trade surplus with overseas countries, were the basis of the development in the more recent period up to 1961. Changes in 1962 led to substantial reductions in deficits from each of these sources with the United States, but with overseas countries the drop of about the same magnitude in the export balance from merchandise trade exceeded a small reduction in the non-merchandise deficit.

Canada's traditional export balance on merchandise trade with overseas, ranging since 1951 between approximately \$100 million and over \$900 million, stood at \$788 million in 1961 and \$630 million in 1962. These totals were higher than the average

surplus of about \$500 million for the 12-year period, due mainly to sizable sales of grain to Communist nations. The recurring export balances have been ample to more than cover the deficit on non-merchandise transactions since 1953, except in 1959 when there was a sharp rise in imports while merchandise exports slipped down a little. Contributing to the expansion in the deficit on non-merchandise transactions with overseas have been higher net payments on many accounts, such as travel, interest and dividends, government expenditures, including official contributions, personal remittances and miscellaneous income. The rising level of net payments has been fostered in particular by ever-widening contacts between Canada and the United Kingdom and Western Europe in the fields of defence, business and personal relationships.

Within the overseas area, surpluses have occurred throughout the recent period shown in Statement 11C in transactions with the United Kingdom. In every year but two these surpluses have been larger than those with any other group of countries. At \$388 million, the surplus with the United Kingdom represented 38 per cent of the overseas total in 1952, and at \$213 million, accounted for nearly 80 per cent in 1962. Transactions with the other metropolitan OEFC (OECD) countries and their overseas associates, which accounted for a large part of the overseas surplus in the early years of the decade, subsequently declined and turned into a deficit in 1959 and thereafter. A small positive current account balance has existed in transactions with the Rest of the Sterling Area, except for a minor deficit in 1959. In transactions with the remaining countries the balance has been negative since the mid-fifties, except for 1961 and 1962. In these years large exports of grain to Communist countries converted the fairly moderate deficits of the preceding period into a substantial surplus, which in 1961 accounted for roughly 60 per cent of net receipts from overseas countries.

STATEMENT 11C. Summary of Current Account Balances between Canada and the Principal Countries and Areas, 1952-62

Country or area	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	Change in 1952
millions of dollars												
United States.....	-849	-904	-807	-1,035	-1,639	-1,579	-1,176	-1,230	-1,361	-1,386	-1,116	+270
United Kingdom.....	+388	+133	+229	+ 330	+ 252	+ 118	+ 104	+ 13	+ 166	+ 187	+ 213	+ 26
Other sterling area	+114	+ 83	+ 44	+ 60	+ 48	+ 4	+ 69	- 2	+ 43	+ 27	+ 11	- 16
Other OECD countries	+325	+172	+107	+ 51	+ 51	+ 67	+ 41	- 120	- 14	- 31	- 70	- 39
Overseas territories ¹	+ 7	+ 1	- 14	- 27	- 34	- 37	- 33	- 42	- 27	- 27	- 32	- 5
Other countries	+179	+ 72	+ 9	- 77	- 44	- 28	- 136	- 123	- 59	+ 248	+ 146	-102
All countries	+164	-443	-432	- 698	-1,366	-1,455	-1,131	-1,504	-1,243	- 982	- 848	+134

¹ Overseas countries associated with the other OECD group.

Merchandise Transactions with the United States

Total receipts from the United States for current transactions in goods and services advanced from \$4,279 million in 1960 to \$4,510 million in 1961 and by nearly 15 per cent to \$5,183 million in 1962. Changes in payments to the United States were more moderate, rising from \$5,640 million in 1960 to \$5,896 million and to \$6,299 million in 1962. In consequence, the current account imbalance widened slightly from \$1,361 million to \$1,386 million in 1961, but fell 20 per cent to \$1,116 million in 1962. This deficit compared roughly with the 1958 level of \$1,176 million.

The minor widening in the deficit in 1961 was derived from a 12 per cent increase in the deficit on non-merchandise transactions, partly offset by a reduction in the import balance. This latter decline resulted from a larger gain in exports than in imports, while a rise in payments, over double that in receipts, had the effect of adding to the deficit on non-merchandise transactions. Much larger gains in receipts than in payments for both merchandise and "invisible" transactions accounted for the sharp cut in 1962 in the current deficit with the United States.

Merchandise exports expanded nearly 6 per cent to \$3,213 million in 1961, and then by more than 16 per cent to the highest recorded level of \$3,742 million in 1962.

Shipments of nickel (after declining \$25 million in 1960) and petroleum each increased about \$60 million in 1961, while those of aircraft and parts advanced about \$45 million. Exports of natural gas rose about \$20 million, as did those of beef cattle and fresh meat together and of wood pulp, lumber and timber together. Reduced feed supplies from drought conditions caused a heavy movement of feeder cattle from the prairie provinces into the United States. While shipments of non-farm machinery gained about \$15 million as did those of scrap iron and semi-fabricated steel together, an increase of nearly \$10 million was recorded in exports of aluminum, following a drop of \$25 million in the preceding year. Among commodities whose shipments were lower in 1961, uranium fell most sharply, by over \$60 million, in continuation of a decline of more than \$40 million in 1960. Copper exports fell more than \$30 million, while reductions of about \$10 million each took place in shipments of iron ore, rolling mill products and farm implements.

Shipments of newsprint represented nearly one-fifth of all merchandise exports to the United States in 1961, while wood pulp accounted for over 8 per cent as did also lumber and timber. The share of each of the three groups—nickel, uranium, petroleum and natural gas—was roughly 5 per cent. The value of these half dozen commodities accounted for over one-half of the merchandise export total.

About four-fifths of the large export gain to the United States in 1962 involved commodities in the wood, iron and other metal and mineral groups. Ship-

ments of iron ore and crude petroleum rose over \$80 million each. The increase in exports of semi-fabricated aluminum and of lumber and timber was about half as great, and shipments of both natural gas and of aircraft and parts advanced roughly \$30 million. Exports of semi-fabricated nickel increased over \$20 million, but those of crude nickel were lower by \$5 million. In continuation of the decline in the two preceding years, shipments of uranium fell in 1962. The reduction of about \$25 million was, however, not as substantial as in 1960 or 1961. Exports of barley fell back \$10 million.

Except for a moderate decline in fuels and lubricants, each of the three groups of consumer goods, industrial materials and investment goods contributed to the \$115 million expansion to \$3,828 million in 1961 in imports from the United States. After adjustment to reflect aircraft purchases on the basis of progress payments, the large increase over the preceding year in the recorded value of deliveries in 1961 was materially reduced. Imports of passenger automobiles and rolling mill products were down nearly \$20 million in each case. Three groups of commodities—non-farm machinery and parts, automobile parts and electrical apparatus accounted for over one-fourth of total imports from the United States in each of the recent four years including 1961. In this year, imports of non-farm machinery and parts amounted to more than \$500 million, of automobile parts to nearly \$300 million and of electrical equipment to \$200 million.

Imports of industrial materials, automobiles and parts, machinery and parts and electrical apparatus largely accounted for the rise in imports from the United States in 1962 from \$3,828 million to \$4,217 million. About one-quarter of the increase was attributable to industrial materials and slightly higher proportions to machinery and to automobiles and parts.

Non-merchandise Transactions with the United States

The deficit on non-merchandise transactions with the United States rose \$83 million from \$688 million to a record high level of \$771 million in 1961, before subsiding in 1962 to \$641 million. In 1961, the United States share of the "invisible" deficit with all countries stood at nearly 67 per cent, as compared with almost 63 per cent and 64 per cent in the preceding and following years, respectively. An expansion in 1961 of \$104 million in the deficit on interest and dividends in itself exceeded the \$83 million increase in net payments on all service transactions. The deficit on government account, miscellaneous income and business services together widened over \$50 million. On the other hand, net payments of travel expenditures declined \$63 million, and the deficit on shipping services and migrants' funds narrowed more moderately.

The jump in 1961 of nearly 25 per cent in the income account deficit from \$429 million to \$533 million resulted mainly from a sharp rise in payments, as receipts of interest and dividends from the

United States increased also, but only by 7 per cent to \$109 million. Payments expanded more than 20 per cent from \$531 million to \$642 million, with interest payments rising 10 per cent to \$225 million and those of dividends gaining 28 per cent from \$326 million to \$417 million. Over a half of this sizable rise in dividend payments took place in the first quarter of 1961 when there was an unduly heavy concentration of dividend transfers by some Canadian subsidiaries to their parents in the United States, some of which normally would have been remitted in the closing quarter of 1960. Increased holdings of Canadian bonds through large sales in the United States market of new corporate, provincial and municipal debentures, offset in part by fairly substantial retirements, accounted for about two-thirds of the \$20 million increment in interest payments. The remaining third was due to the higher cost of meeting interest payable in foreign exchange, arising out of the devaluation of the Canadian dollar in terms of United States currency.

A further reduction in 1961 in outlays by the United States authorities for defence installations in Canada, partly offset by a small decline in payments, lowered the surplus on government account moderately. Lower current transfers to Canada by insurance companies, the absence in 1961 of fairly sizable receipts of compensation for contract cancellation and larger payments of miscellaneous income contributed to raise the deficit on these transactions by some \$17 million. The trend towards increases in payments to the United States for business services quickened in 1961, while receipts remained almost unchanged, thereby adding \$25 million to the deficit.

The acceleration in 1961 in the improvement in the travel balance with the United States, which started after 1958, was due to a more than 15 per cent rise in receipts to \$435 million, combined with a slight subsiding in payments from the peak of \$462 million in 1960. The significant increase in receipts stemmed from a larger number of visits and a higher average expenditure per visitor, up approximately 13 per cent over 1960. In 1961, United States residents made more than 30 million trips to Canada, which were nearly 3 per cent more numerous than in the previous year. Accordingly the share of the deficit on non-merchandise transactions ascribable to the travel account fell from more than 12 per cent in 1960 to 3 per cent.

With a smaller number of Canadians emigrating to the United States in 1961, net payments of migrants' funds were reduced, as receipts from immigration remained almost stable. The deficit on shipping services with the United States of \$103 million was little changed as receipts and payments showed corresponding gains. The contribution of these two accounts to the deficit on "invisible" transactions remained fairly important in 1961. The freight and shipping services and migrants' funds and inheritances accounted respectively for more than 13 per cent and nearly 11 per cent of the non-merchandise imbalance.

All the accounts, except business services and government expenditures, contributed to lowering the non-merchandise deficit by \$130 million from the 1961 peak to \$641 million in 1962, which was identical with the 1958 level. Nearly 90 per cent of this improvement was represented by a turn-around of \$114 million from a \$24 million deficit in the travel account to a sizable surplus of \$90 million, in a vigorous extension of the favourable course in evidence over the several preceding years. This surplus, first one since 1951, was brought about by a gain in receipts from American visitors of \$75 million, or 17 per cent, combined with a decline of some \$39 million in expenditures by Canadians travelling in the United States during 1962. Important factors generating the surplus included the stabilization of the Canadian dollar at a lower value in terms of foreign currency and the reduction about the mid-year in the privilege of duty-free purchases by Canadian tourists abroad.

In company with increased merchandise trade with the United States, both receipts and payments on freight and shipping services rose in 1962. But as the increase in receipts was nearly twice that of payments, the deficit on this account was reduced \$13 million to \$90 million. Receipts were higher in 1962 of inland freight, in particular, for rail and pipeline transportation of crude petroleum and other commodities exported to the United States. Similarly payments of inland freight in that country on Canadian imports increased, but more moderately, as did also payments for shipping services on United States vessels. The deficit on migrants' funds and inheritances was reduced further owing to higher per capita funds of immigrants arriving from the United States in 1962. After the extraordinary rise in 1961, net payments on interest and dividends declined a shade to \$531 million in 1962, as the increase in receipts slightly exceeded that of payments. This imbalance, as compared with the proportion of nearly 70 per cent in 1961, accounted for over 80 per cent of the narrowed deficit on all non-merchandise transactions with the United States, on account of the shift to a surplus position in the travel account in 1962. The value of gold production increased slightly to \$165 million.

With the rising production of goods and services in Canada, business service payments, covering items such as royalties, franchises, engineering and management fees to head offices and other non-residents in the United States increased some 8 per cent during the year. This change, together with a small decline in the surplus on government account but with moderate reductions in the deficit on miscellaneous income and personal and institutional remittances, resulted in widening the deficit on "all other current transactions" by nearly \$20 million to \$209 million in 1962.

Transactions with the United Kingdom in 1961

The current account surplus with the United Kingdom rose more than 12 per cent to \$187 million in 1961, as a result of a small increase in the trade surplus from \$313 million to \$331 million combined

with a minor reduction in the deficit on non-merchandise transactions to \$144 million. Total receipts from the United Kingdom were \$1,145 million in 1960 and \$1,153 million in 1961, while total payments were estimated at \$979 million and \$966 million in the two years. Commodity exports remained unchanged at the high level of \$924 million, while imports at \$593 million in 1961 were down moderately from the preceding year.

Exports of nickel and products gained \$35 million and those of platinum \$10 million, while about a \$7 million decline was recorded in shipments of uranium and also of aluminum and products. Barley exports declined nearly \$25 million, while shipments of iron ore and those of semi-processed steel products together dropped more than \$25 million from an extraordinarily high level in 1960. There were other smaller changes covering various commodities, but instances of increases outnumbered those of declines.

Among commodities imported from the United Kingdom, passenger automobiles recorded the sharpest decline of more than \$40 million from the peak level in 1960 of approximately \$105 million, which was \$20 million above the 1959 total. Imports of semi-fabricated steel products were about \$10 million lower in 1961. Imports of engines and boilers were considerably higher and of non-farm machinery moderately so. The sizable rise in aircraft imports reported in trade returns was not reflected in the balance of payments when account is taken of larger progress payments made by airlines during 1960.

Small and offsetting changes combined to reduce slightly the deficit on non-merchandise transactions with the United Kingdom from \$147 million to \$144 million. At \$52 million, net payments of interest and dividends accounted for 36 per cent of the "invisible" deficit with this country, as compared with \$51 million in 1960, representing nearly 35 per cent. The identical deficit on travel account of \$50 million represented between 34 and 35 per cent in the two years. Net payments of government expenditures of \$23 million and of personal remittances of \$18 million accounted for 16 per cent and more than 12 per cent respectively in 1961.

Transactions with the United Kingdom in 1962

Canada's current account surplus with the United Kingdom became again more favourable in 1962, by increasing \$26 million to \$213 million, which was the highest level since 1956. This continued advance resulted from a fall of nearly \$30 million in total payments on goods and services to \$938 million, offset by a very slight decline in total receipts to \$1,151 million. A rise in merchandise surplus contributed \$18 million and a reduction in net payments on "invisible" transactions \$8 million towards the improvement.

At \$924 million, merchandise exports to the United Kingdom remained unchanged in 1962 at the level for the two preceding years. Within the stable

totals, however, were fairly important changes covering a number of commodities. Aluminum shipments advanced \$10 million in 1962, as did also those of food, including cheese, dried lentils, and canned vegetables, fruit and salmon; and barley and soya bean products were each some \$7 million higher. Exports of tobacco, newsprint, container board, veneers and plywood recorded moderate gains. On the other hand, shipments of nickel were some \$18 million lower, and of semi-processed copper about \$9 million less. Exports of flaxseed and oil, iron ore, plastics and synthetic rubber declined more moderately.

The decline in merchandise imports from the United Kingdom was extended in 1962, when the total stood at \$575 million, \$18 million below \$593 million for 1961. Imports of aircraft and engines (adjusted to take account of progress payments) and aircraft parts together fell more than \$30 million in 1962; and those of automobiles and electrical apparatus were moderately lower. Larger imports were indicated in the cases of wool and synthetic materials, non-farm machinery, military weapons, aluminum plates and sheets and chemicals. Increases and decreases, mostly small, among non-merchandise transactions combined to reduce further the deficit on non-merchandise transactions with the United Kingdom from \$144 million to \$136 million in 1962. A \$4 million decline in payments of interest and dividends to \$82 million together with a slight rise in receipts reduced the deficit on the income account by \$5 million, on a preliminary basis, to \$47 million. A larger number of immigrants arriving in 1962 from the United Kingdom and a reduction in the number of emigrants from Canada combined to raise net receipts of migrants' funds and inheritances by \$8 million to \$10 million. On account of moderate declines in receipts and payments, the surplus on freight and shipping services was reduced to \$3 million.

Transactions with the Rest of the Sterling Area

The surplus on current transactions with the Rest of the Sterling Area declined from \$43 million in 1960 to \$27 million in 1961 and to \$11 million in 1962. Total receipts were estimated at \$409 million, \$424 million and \$421 million in the three years, while total payments rose successively from \$366 million to \$397 million and to \$410 million. Within these totals, the merchandise surplus declined from \$56 million to \$33 million and to \$9 million, while the balance on service transactions, including official contributions, improved slightly from deficits of \$13 million and \$6 million in 1960 and 1961 to a surplus of \$2 million in 1962.

Merchandise exports declined from \$340 million to \$331 million in 1961. Exports of lumber, timber, newsprint, aluminum, automobiles and parts fell noticeably from the high levels of 1960, with most of the reductions taking place in shipments to Australia and the Republic of South Africa. In partial offset, there were moderate increases in exports of wheat, flour and non-farm machinery. Higher imports of some commodities including sugar, vegetable oils,

jute fabrics, and bauxite alumina, offset in part by decreased imports of other commodities such as rubber and petroleum, caused merchandise imports from the Rest of the Sterling Area to move up from \$284 million to \$298 million in 1961.

Shipments of Canadian goods to the Rest of the Sterling Area increased by \$7 million to \$337 million in 1962. Exports to Australia were up substantially, and to Nigeria moderately, while exports were lower to such countries as India, Pakistan, Hong Kong and New Zealand. Shipments to Australia of automobiles and parts, semi-processed aluminum and steel, lumber and plastics were, among other commodities, higher, while newsprint exports declined slightly. Wheat and wheat flour accounted for the export increase to Nigeria. Lower shipments of wheat accounted for most of the decline to India and Pakistan. Exports of aluminum were reduced to India and to Hong Kong, and shipments of plastics declined to the latter country. Newsprint, semi-fabricated steel and pulp and paper machinery were involved in reduced export totals to New Zealand. Imports from the Rest of the Sterling Area rose 10 per cent to \$329 million in 1962, with the increments well distributed among the various component countries, but in particular India and Australia. Raw sugar and jute fabrics were featured prominently in larger imports from India, and fresh meat, dried fruits, wool and steel in increased imports from Australia. Crude rubber imports from Malaya were higher, but imports of petroleum from Kuwait were down \$10 million.

A gain in dividend receipts, including an extraordinary transfer during the first half of 1961, expanded the surplus on the interest and dividend account by \$25 million to \$42 million. But with smaller changes in the opposite direction, including a decline in the freight surplus and rises in the travel deficit and in official contributions, the non-merchandise deficit was about halved to \$6 million in 1961. The gift of two vessels from the Canadian Government to the West Indies Federation represented most of the rise in official contributions. A sharp drop took place in official contributions in the following year, particularly in shipments under the Colombo Plan, from \$49 million to \$25 million. Partial offsets were provided by a fall in receipts of interest and dividends and a small rise in the travel deficit.

Transactions with Other OEEC Countries in 1961

Between 1960 and 1961, the deficit on current transactions with other OEEC countries widened from \$14 million to \$31 million. This change was caused by a reduction in the export balance from \$220 million to \$202 million. The deficit on "invisibles" remained virtually unchanged at \$233 million. Total receipts were \$747 million in 1961, as compared with \$707 million in 1960; and total payments in the two years amounted to \$778 million and \$721 million. Merchandise exports rose from \$591 million to \$618 million, while imports grew from \$371 million to \$416 million. Exports of wheat, copper, asbestos and

aircraft and parts were up moderately in 1961, while shipments of nickel and aluminum declined more substantially. Larger imports from the OEEC countries occurred in industrial materials, investment and consumer goods.

Mainly modest and offsetting changes lowered the deficit on non-merchandise transactions with the other OEEC countries by \$1 million to \$233 million, which accounted for 20 per cent of Canada's non-merchandise deficit with all countries in 1961. In that year, net payments on government and on travel accounts covered more than one-half of the deficit with the other OEEC group. Net freight payments accounted for 20 per cent; and approximately 10 per cent each of the deficit on non-merchandise transactions was represented by interest and dividends, personal remittances and miscellaneous income.

With travel receipts remaining steady, larger payments were responsible for the \$7 million expansion in the travel deficit to \$59 million. The effect on expenditures of higher costs of foreign currencies and of the increase in the number of Canadian travellers to Western Europe was tempered somewhat by the shorter average length of their visits abroad in 1961. As in the case with travel expenditures, receipts on government account held unchanged, but expenditures fell \$10 million to \$66 million. Smaller contributions to the NATO infrastructure programme were mainly responsible for this reduction.

Transactions with Other OECD Countries in 1962

The current account deficit more than doubled to \$70 million in 1962, with most of the adverse change being attributable to commodity trade. An increase in merchandise imports of \$44 million was in part offset by a gain of \$6 million in exports. Within the OECD group, Canadian exports increased to countries such as the Netherlands, Italy and Greece and declined to others including France, West Germany, Belgium and Luxembourg. Small increases in shipments of commodities such as oil seeds, lumber, pulp, aircraft, engines and parts, aircraft instruments and ships were recorded, while exports of nickel, copper, semi-fabricated steel and other metals, and plastics and synthetic rubber were moderately lower. Rises in exports of aluminum to Sweden, Italy, Spain and the Netherlands were to a large extent counterbalanced by reduced shipments to West Germany.

Canada drew on nearly all the countries in the group for increased imports in 1962, but in particular on Norway and West Germany. Nickel bars and other non-ferrous metals and products accounted for the rise in imports from Norway; and imports of non-farm machinery and electrical apparatus were, among other commodities, larger from West Germany.

Although the 1962 deficit of \$234 million on non-merchandise transactions with the other OECD countries was practically unchanged from that for the two preceding years, there were offsetting

changes in the balances of some service items. Net payments on freight and shipping services and on income account worsened, while improvements were recorded in other items, including migrants' funds. A decline in receipts together with a rise in freight payments widened the deficit by nearly 20 per cent to \$56 million. Net freight payments together with a fairly sizable deficit on government account and on travel, which remained almost stable at \$60 million, accounted for about three-fourths of the deficit on all non-merchandise transactions with the other OECD countries in 1962.

Transactions with Other Countries in 1961

The sharp turn-around in 1961 of nearly \$300 million in the balance on current transactions with other countries than those described above from a deficit of \$77 million in 1960 to a surplus of \$221 million was largely attributable to a jump in merchandise exports. The balance on merchandise trade shifted from a deficit of \$64 million to a surplus of \$222 million. Over four-fifths of the rise in merchandise exports from \$497 million to \$803 million was ascribable to larger exports of grain, with most of the increase being concentrated in shipments to Mainland China and to other countries in the Communist group. Among the commodities which contributed to an increase of about \$50 million in exports to Japan were wheat, lumber, scrap and pig iron, and aluminum. In trade with Latin America shipments of newsprint, wood pulp, aluminum, asbestos and electrical apparatus were moderately higher in 1961. Commodity imports from the "other countries" group totalled \$581 million in 1961, up \$20 million from the preceding year. Included in this change were increases of \$25 million in imports of petroleum and fuel oils from Latin America and Saudi Arabia, offset by a reduction of nearly \$10 million from Iran.

Canada's service transactions with other countries have been near balance in recent years. A deficit of \$13 million was narrowed to that of \$1 million in 1961, owing to an increase in the freight account surplus and smaller official contributions, which were offset in part by heavier government expenditures over the area. Receipts for transportation services grew three times as much as payments, yielding an increase of \$14 million in the surplus. Donations of wheat flour declined in 1961, as did also shipments of other relief supplies. On the other hand, the Canadian Government made fairly sizable contributions in 1961 towards financing the United Nations operations in the Congo.

Transactions with Other Countries in 1962

Following the substantial improvement in 1961 to a surplus of \$221 million in current transactions with other countries, the surplus was just about halved to \$114 million in 1962, due to changes in merchandise trade. Exports declined 8 per cent to \$736 million, while imports increased 8 per cent to \$628 million. The cut in the value of wheat shipments to Eastern Europe was roughly equivalent

to the decline in exports to the entire other countries group. Exports fell also to other countries such as Cuba, Japan and Argentina, but exports increased to Mainland China, although not as substantially as in 1961. This rise was occasioned by growing shipments of wheat, offset in part by reduced exports of barley. Metals and minerals, such as scrap and pig iron, aluminum and zinc, accounted for most of the decline in exports to Japan. Crude copper was an exception, with shipments being higher in 1962. Exports of newsprint, semi-processed steel and aluminum were lower to Argentina.

About 60 per cent of the import increase originated in Latin America and the Netherlands Antilles. This rise was well spread among the constituent countries, but Venezuela and Mexico contributed more than others to the growth. Imports of crude petroleum from Venezuela were over \$15 million greater, but those of fuel oils lower. Imports of raw cotton, vegetables and other food products and some metals and minerals were higher from Mexico. Canada purchased \$10 million more crude petroleum from Iran in 1962.

A small surplus developed in 1962 in transactions with other countries in the "invisibles". Canada's contributions in this year towards the peace maintaining activities of the United Nations, particularly in the Congo, were lower. Receipts of interest were fairly sizable for extending credit on sales of grain to Mainland China and of other Canadian commodities to some other countries. In partial offset was a reduction in receipts for freight and shipping services provided to the other countries group.

Multilateral Settlements

After the temporary divergence in 1959, the traditional pattern of multilateral settlements between Canada and other countries was restored in 1960 and maintained in the following two years, as shown in Statement 11D. In 1961 a sharp reversal took place in the balances on transactions, both on current and capital accounts, with overseas countries other than the United Kingdom and other Sterling Area countries. A current account surplus of \$190 million occurred in 1961, as compared with a deficit of \$91 million in 1960 and even larger imbalances in the two preceding years. After increases in inflows in several preceding years to a peak of \$175 million in 1960, there were capital outflows totalling \$124 million to the other countries in 1961. A further outflow of \$60 million to international financial agencies, representing changes in Canadian dollar holdings and subscriptions, was higher than those of \$11 million and \$56 million respectively in 1960 and 1959. Combined with positive balances arising from transactions with the Sterling Area, which at about \$250 million were not much changed between 1960 and 1961, net credits available from transactions with the overseas countries amounted to \$332 million and \$259 million in the two respective years. In 1962, the current account surplus with the overseas countries declined by about a third to \$268 million, with the entire drop being attributable

to countries outside the Sterling Area. At \$72 million, capital outflows were somewhat lower in 1962, but the outward movement in that year of \$89 million was to the Sterling Area, while the outflow in 1961 of \$124 million was to other overseas countries. On the other hand a substantial inflow of \$374 million represented primarily international financial assistance in 1962, as compared with the \$60 million outflow in the previous year. Altogether net credits arising from transactions with all countries other than the United States more than doubled to \$570 million in 1962.

These credit balances were used to cover debit balances in transactions with the United States. Substantial inflows on direct and portfolio

investments and of other capital movements from that country were not sufficient to fully counter-balance deficits on current account, which remained nearly \$1.4 billion in 1960 and 1961. The inflow of capital on direct and portfolio investments from the United States increased to over \$800 million in 1962, but other capital movements changed from an inflow of more than \$370 million to an outflow of almost \$260 million. The net capital inflow from the United States covered just under one-half of the reduced current account deficit of \$1.1 billion with that country in 1962. The remainder was made up by net credits with overseas countries and changes in Canada's net position with the International Monetary Fund, included under international financial agencies.

STATEMENT 11 D. Origin and Use of Multilateral Settlements between Canada and the United States, 1952 and 1958-62

Item	1952	1958	1959	1960	1961	1962
	millions of dollars					
Net receipts (+) from overseas countries						
Current account balance:						
United Kingdom and other sterling area countries	+ 502	+ 173	+ 11	+ 209	+ 214	+ 224
Other overseas countries	+ 511	- 128	- 285	- 91	+ 190	+ 44
Sub-totals	+ 1,013	+ 45	- 274	+ 118	+ 404	+ 268
Capital transactions:						
United Kingdom and other sterling area countries	- 16	+ 91	+ 57	+ 50	+ 39	- 89
Other overseas countries	+ 11	+ 89	+ 95	+ 175	- 124	+ 17
International financial agencies ¹	- 1	- 1	- 56	- 11	- 60	+ 374
Sub-totals	- 6	+ 179	+ 96	+ 214	- 145	+ 302
Total balance settled by exchange transfers	+ 1,007	+ 224	- 178	+ 332	+ 259	+ 570
Net payments (-) to United States						
Current account balance	- 849	- 1,176	- 1,230	- 1,361	- 1,386	- 1,116
Capital transactions:						
Direct and portfolio investments	+ 417	+ 830	+ 886	+ 645	+ 755	+ 805
Other capital movements	- 575	+ 122	+ 522	+ 384	+ 372	- 259
Sub-totals	- 158	+ 952	+ 1,408	+ 1,029	+ 1,127	+ 546
Total balance settled by exchange transfers	- 1,007	- 224	+ 178	- 332	- 259	- 570

¹ Subscriptions and changes in short-term Canadian dollar holdings, including in 1962, \$326 million representing drawings of foreign currencies by Canada from the International Monetary Fund.

CAPITAL MOVEMENTS

Background and Summary

The outline of Canada's balance of international payments in the years 1960 through 1962, shown in statement 11 E, is deceptively simple. The deficit on current account continued to contract from the record level of \$1,504 million established in 1959. Capital inflows in long-term forms fell from \$1,148

million in 1959 to about \$900 million in 1960 and 1961 and to \$672 million in 1962, while capital inflows in short-term forms ranged between \$300 million and \$400 million in each year. On balance in both 1961 and 1962 practically all of the net capital inflow in long-term forms was from the United States.

STATEMENT 11 E. Summary of the Canadian Balance of International Payments, 1960-62

	1960	1961	1962	1960		1961		1962	
				First half	Second half	First half	Second half	First half	Second half
	millions of dollars								
Capital movements in long-term forms	900	910	672	682	218	525	385	- 24	696
Capital movements in short-term forms ¹	304	362	332	28	276	289	73	- 289	621
Balance on goods and services	- 1, 243	- 982	- 848	- 803	- 440	- 648	- 334	- 695	- 153
Change in official holdings of gold, foreign exchange, and net International Monetary Fund position, less special international financial assistance	- 39	+ 290	+ 156	- 93	+ 54	+ 166	+ 124	- 1, 008	+ 1, 164

¹ Excluding items in final line.

Note: Data are given on the basis of the presentation and revisions introduced in 1963.

Behind the annual totals lies concealed the anatomy of the severe exchange crisis experienced by Canada in the early summer of 1962 and the effects of remedial measures and other developments through the course of 1962 which stand out clearly in quarterly or semi-annual series.

Some of the balance of payments problems which Canada faced in the second quarter of 1962 were not new. The persistent deficits on current account, varying with changing commodity trade conditions but based on an apparently intractable deficit from non-merchandise transactions, had exceeded the capital inflow in long-term forms each year after 1956. By mid-1960 the accumulated current account balance since the end of World War II exceeded the corresponding capital movement in long-term forms; over the period Canada had begun to borrow "short".

The completion of some extended capital projects, unused productive capacity, and uncertainties arising at provincial and national levels added to the problems of the Canadian balance of payments.

Arising from the view that the balance of payments situation was inappropriate to the prevailing conditions, a number of steps were taken in the budget of December 1960 with the objective of helping the Canadian economy to achieve an improved equilibrium with the outside world. These included measures designed to encourage Canadian initiative and enterprise and to influence the volume

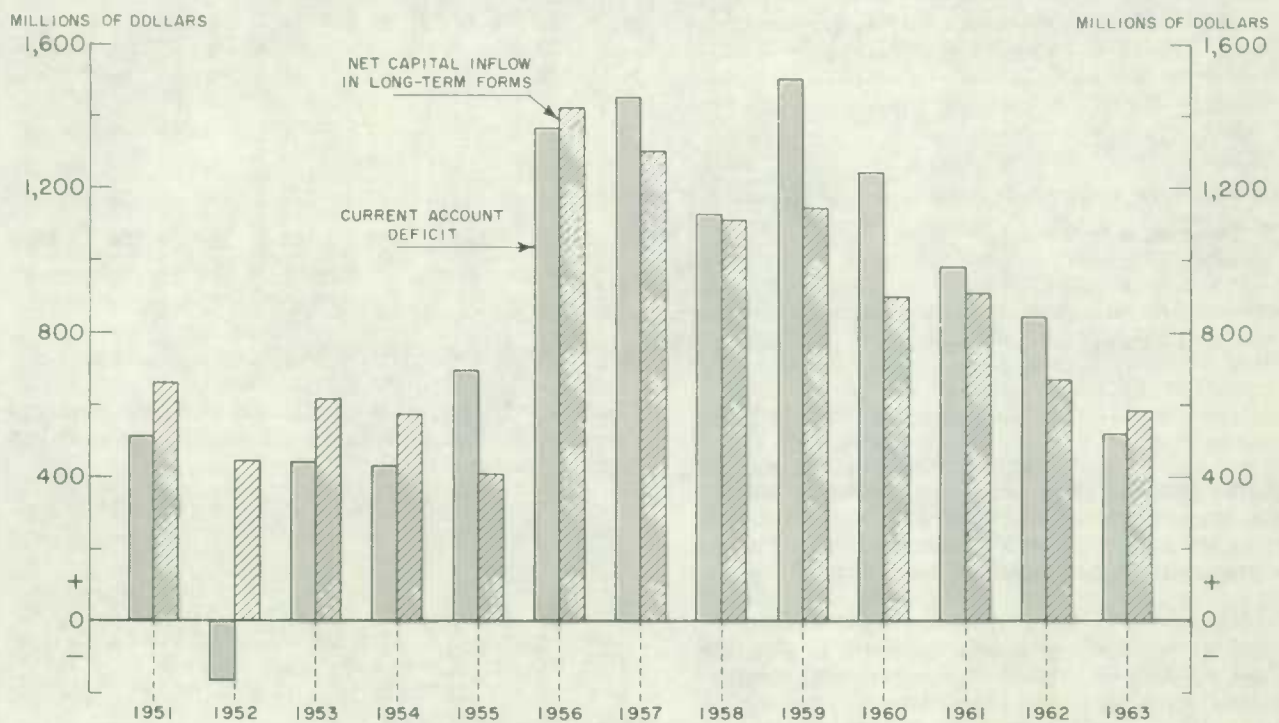
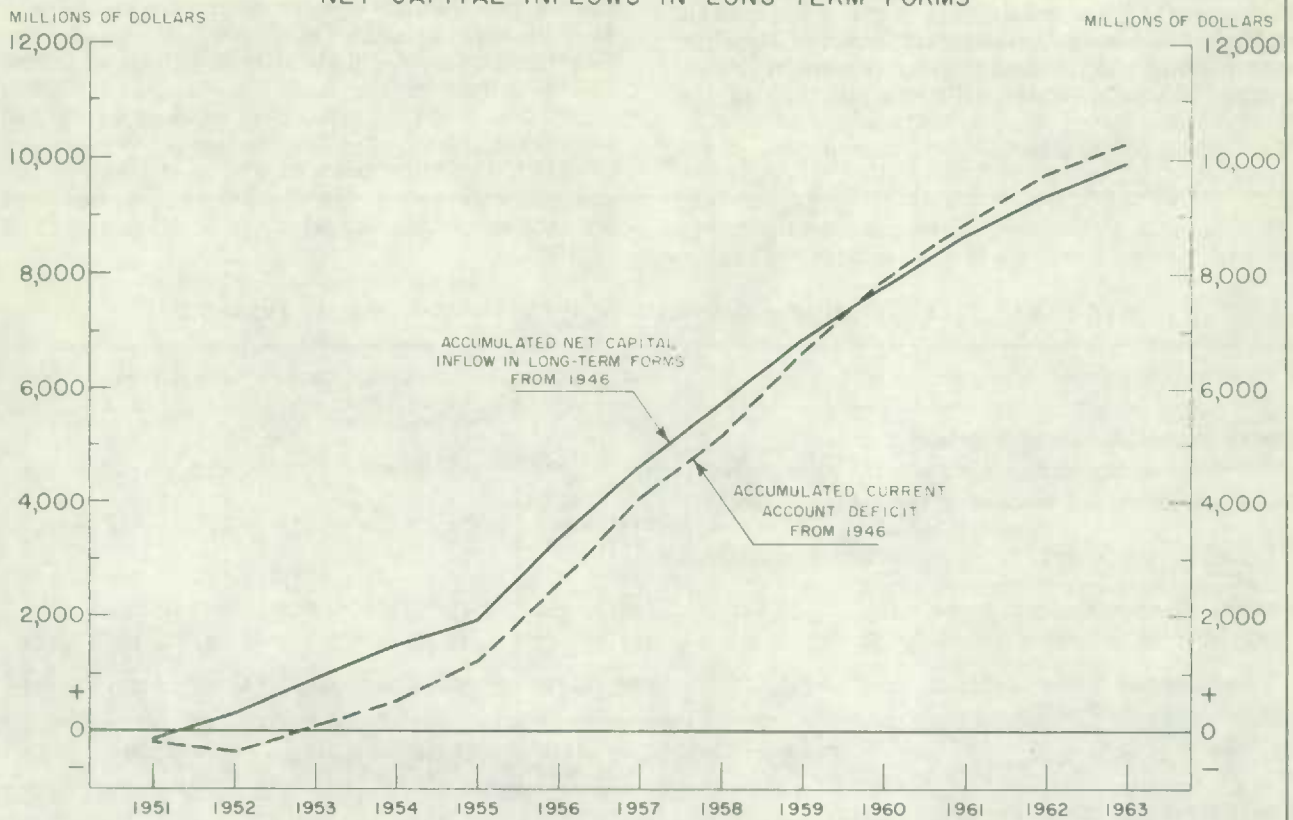
and character of Canadian savings, investment and capital flows. Further measures were announced in the budget of June 1961 to reduce the adverse balance on goods and services account. These included steps to narrow the interest differential between Canadian and foreign capital markets, and to reduce the high level of the exchange rate.

These measures to restore equilibrium were not fully effective in the situation which developed.

Capital movements in long-term forms continued to contract, and in the second quarter of 1962 turned outwards. With growing uncertainty, outward private movements in short-term forms developed on a substantial scale. The pressure of a substantial net export of private capital from Canada combined with the current account deficit to exert heavy demands on official holdings of gold and foreign exchange.

Following six successive months of decline in Canada's official holdings of gold and United States dollars, from a peak of \$2,110.6 million in terms of United States funds at the end of October 1961 to \$1,594.8 million at the end of April 1962, the Minister of Finance announced that effective May 3 the international exchange rate of the Canadian dollar was being stabilized at 92½ cents in terms of United States currency. The new rate had been formally established with the concurrence of the International Monetary Fund and the Government of Canada undertook to maintain it within the normal margin of one per cent on either side.

CURRENT ACCOUNT DEFICITS AND NET CAPITAL INFLOWS IN LONG-TERM FORMS



NOTE: DATA ARE CHARTED ON THE BASIS OF PRESENTATION AND REVISIONS INTRODUCED IN 1963

The reintroduction of a stabilized exchange rate ended the period of the "floating rate" which had prevailed since September 1950. In review, the Minister indicated that while this system had had certain advantages the Government had concluded that it would be desirable to give those engaged in international transactions firm assurance of stability with regard to the exchange rate. Canada had been confronted for a decade with large deficits in its international trade and payments associated with excessive capital imports and consequent overvaluation of its currency. To meet this situation the Government had taken a series of steps, already referred to, designed to facilitate an orderly movement of the exchange rate to a level more in keeping

with the country's balance of payments. Since June 1961, the exchange rate had been held within a narrow range. For some months during the autumn of 1961 the Government bought United States dollars on a large scale at about \$1.03. During the winter months from January through April when the demand for foreign exchange exceeded the supply the Government provided a substantial volume of United States dollars to the market at a price of about \$1.05. The new rate, equivalent to about \$1.08, had been established after assessment of the factors involved, including the attitudes in the foreign exchange market and the nature of the exchange transactions which had been taking place in recent months.

STATEMENT 11 F. Changing Composition of Capital Movements, 1955-62

	1955	1956	1957	1958	1959	1960	1961	1962
millions of dollars								
Transactions with non-residents affecting:								
Net external long-term debt of Canadian governments ¹	- 173	292	217	323	520	180	137	405
Foreign direct and portfolio investment in Canadian concerns	614	1,082	1,104	734	713	727	750	602
Canadian direct and portfolio investments abroad (increase, -)	- 80	- 102	- 62	- 45	- 113	- 69	- 109	- 195
Capital flows in long-term forms, n.i.e.	49	152	42	100	28	62	132	- 140
Capital flows in short-term forms	244	- 10	49	128	345	304	362	332
Total capital inflow	654	1,414	1,350	1,240	1,493	1,204	1,272	1,004
per cent								
Transactions with non-residents affecting:								
Net external long-term debt of Canadian governments ¹	- 26	21	16	26	35	15	11	40
Foreign direct and portfolio investment in Canadian concerns	94	76	82	59	48	61	59	60
Canadian direct and portfolio investments abroad (increase, -)	- 12	- 7	- 5	- 3	- 8	- 6	- 9	- 19
Capital flows in long-term forms, n.i.e.	7	11	3	8	2	5	10	- 14
Capital flows in short-term forms	37	- 1	4	10	23	25	29	33
Total capital inflow	100	100	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 to international investment agencies.

Note: Data are given on the basis of the presentation and revisions introduced in 1963.

With the stabilization of the exchange rate, the decline in official holdings of gold and United States dollars abated temporarily and holdings were reported to be \$1,492.8 million at the end of May. In June, however, the situation deteriorated rapidly and on June 24 the Prime Minister announced that a comprehensive programme had become necessary to relieve the pressure on the Canadian dollar in the exchange field, to bring about a greater stability in Canada's international transactions and to strengthen the exchange reserves. The deficit in the current account remained a continuing problem. Canada had become accustomed to large capital inflows from abroad, and the immediate difficulties had been precipitated by the drying-up of the net capital inflow, and subsequently a net capital outflow. The

excess of imports of goods and services over exports had been paid for out of reserves of gold and United States dollars.

The measures introduced by the Government included temporary graduated surcharges ranging between 5 and 15 per cent on approximately one-half of all imports.¹ There was also a temporary reduction in the amount of goods which Canadians travelling abroad were permitted to bring duty-free into Canada. These two measures were expected to lead to a significant improvement in the Canadian international account.

¹ These surcharges were rapidly withdrawn as Canada's position improved and were completely eliminated by April 1963.

The third course of action involved reductions in Government expenditures amounting to \$250 million, which, when combined with the import surcharges, were expected to narrow the budgetary deficit by about \$450 million in a full year. Further,

the Minister of Finance would earmark for financing increases in the exchange reserves Canadian dollar cash balances equivalent to the sales of exchange from the reserves.

STATEMENT 11 G. International Monetary Fund: Canada's Position, 1947-63

Year and quarter	Certain Transactions			End of Period		
	Net drawings of foreign currencies by Canada	Net drawings (-) of Canadian dollars by other countries	Sales of Canadian dollars to IMF for gold	IMF holdings of Canadian dollars ¹	Canada's gross IMF position ²	Canada's net IMF position ³
millions of United States dollars						
1947	—	—	—	225	375	75
1956	—	- 15	—	210	390	90
1959	—	—	—	397	703	153
1961 I	—	—	—	398	702	152
II	—	- 10	—	388	712	162
III	—	- 75	25	338	762	212
1962 I	—	10	—	348	752	202
II	300	40	—	688	412	- 138
1963 III	- 80	—	—	608	492	- 58

¹ Apart from the transactions shown, these holdings reflect mainly Canada's quota payments made in Canadian dollars. Since members are obligated to maintain the gold value of the IMF's holdings of their currencies, there have also been adjustment payments between the IMF and Canada in Canadian dollars arising from changes in the exchange rate, which are not reflected because the series are shown in United States dollar equivalents.

² This "total tranche position" is a measure of Canada's drawing potential, i.e. the amount Canada could draw without raising the IMF's holdings of Canadian dollars beyond 200 per cent of quota.

³ This is a cumulative measure of the net resources provided by Canada to the IMF.

The Prime Minister stated that at the time of the introduction of these measures Canada's official holdings of gold and United States dollars stood at \$1,100 million. At the beginning of 1962 they had been \$2,056 million. To reinforce these reserves Canada had arranged for international financial support of well over \$1 billion. This massive assistance took the form of a drawing from the International Monetary Fund of various foreign currencies equivalent to \$300 million in United States funds. This drawing was made in pounds sterling (\$100 million), deutsche mark (\$80 million), French francs (\$80 million), Belgian francs (\$20 million) and Netherlands guilders (\$20 million). Reciprocal currency arrangements were entered into with the Federal Reserve System of the United States and with the Bank of England under which \$250 million and \$100 million respectively, in terms of United States funds, were made available to Canada. In all this aid amounted to a credit of \$707 million in the second quarter. A short-term line of credit in the amount of \$400 million authorized by the Export-Import Bank of Washington to assure maintenance of Canada's trade with the United States was not used. Apart from these special arrangements it has been disclosed by United States authorities that immediately following the introduction of the Canadian stabilization programme, but before its effects had made themselves felt in the exchange market, the Treasury made market purchases of Canadian dollars in small amounts; later,

when the exchange rate had strengthened, the Treasury used these Canadian dollars to cover United States expenditures in Canada.

The Governor of the Bank of Canada has recorded publicly his appreciation for the assistance provided by the Federal Reserve System and the Bank of England, and for intimations received in the latter part of June that certain central banks in Western Europe were ready, if this were desired, to place additional funds at the disposal of the Bank of Canada.² It is generally accepted that the speed and effectiveness of international financial co-operation in repelling the 1962 attack on the Canadian dollar had a useful chastening effect on speculative activity in exchange markets throughout the world.³

Simultaneously with the announcement by the Prime Minister, the Governor of the Bank of Canada announced that the Bank Rate had been fixed at 6%, emphasizing the determination of the central bank to discharge the duty placed on it by the preamble of the Bank of Canada Act "... to protect the external value of the national monetary unit." The Bank Rate was reduced first to 5½% on September 7 and later in the year to 5% and 4%. The monetary

² Bank of Canada, *Annual Report of the Governor to the Minister of Finance for the Year 1962*.

³ *Federal Reserve Bulletin*, March 1963.

policy followed in response to the exchange emergency had as its immediate objective the restoration of confidence in the country's ability and determination to maintain the exchange rate. Further analysis will be found in the Annual Report of the Governor of the Bank of Canada for 1962.

The detail and extent of forward operations entered into on behalf of the Exchange Fund Account during the period of crisis was subsequently revealed in the House of Commons. On June 22 there were net forward sale commitments of \$239 million in United States funds; on the same date official holdings of gold and United States dollars amounted to \$1,215 million in United States funds.

From their low point in June 1962, as confidence was restored, official holdings of gold and United States dollars rose rapidly to \$1,159 million at the end of the month, to \$1,795 million at the end of the third quarter and \$2,239 million at the end of the year, expressed in United States funds and after deduction of the special international financial assistance extended to Canada.

The drawings of \$350 million under the reciprocal currency arrangements with the Federal Reserve System in the United States and with the

Bank of England were fully repaid in the fourth quarter of the year. The unused line of credit from the Eximbank was reduced in the third quarter and finally cancelled in the last quarter of the year. The cancellation of \$250 million of this line in the third quarter coincided with the sale in September by the Government of Canada to institutions in the United States of an issue of \$250 million of United States dollar 5% 25 year bonds. One-half of this issue was delivered in the fourth quarter and one-half in the first quarter of 1963.

A more detailed look at the crisis quarter and the quarter immediately following it is given in Statement 11H. During the second quarter of 1962 Canada found it necessary to use some \$634 million of official holdings of gold and foreign exchange and special international financial assistance. In the third quarter Canada was able to add \$686 million to these holdings. These unprecedented changes represented a swing of \$1,320 million from the second to the third quarters. The summary shows the principal groups of transactions contributing to the swing.

Four features stand out. First, the substantial improvement in the current account deficit, which is seasonally characteristic.

**STATEMENT 11H. Summary of the Canadian Balance of International Payments
Second and Third Quarters, 1962**

	II Q	III Q	Change
	millions of dollars		
Balance on goods and services	- 362	- 34	+ 328
Capital movements in:			
Long-term forms	- 29	238	+ 267
Foreign currency holdings of residents (increase, -)	- 208	242	+ 450
Other short-term forms ¹	- 35	240	+ 275
Change in official holdings of gold, foreign exchange, and net International Monetary Fund position, less special international financial assistance	- 634	686	+ 1,320

¹ Excluding items in final line.

Note: Data are given on the basis of the presentation and revisions introduced in 1963.

Second, the re-emergence of a significant capital inflow in long-term forms, reflecting a variety of investment and borrowing transactions, and including some takeover money and a loan prepayment to Canada by France. A great many factors undoubtedly influenced this group of transactions. Among them the new exchange level for the Canadian dollar would enhance the attraction of investment in Canada, interest differentials were attractive, the reserve position of France enabled her to make prepayments to the United States and Canada, and confidence in Canada's foreign exchange positions was restored by the measures taken in the second quarter and by subsequent developments.

The effects of the crisis of confidence in the second quarter were also evident in the third feature, the movement from Canadian to foreign currency in the second quarter, and the reverse movement in the third quarter, of several hundred millions of dollars of Canadian bank balances and

other short-term funds, amounting in all to a swing of more than half a billion dollars.

And fourth, there was a smaller but nonetheless significant change in capital movements in other short-term forms, of which the largest part represented borrowing in foreign currency by residents of Canada in the third quarter.

It is not possible to separate quantitatively the effects of changing interest rate differentials, exchange rate expectations, and other developments and factors. Inferences from capital movements about the influences of exchange rate changes, actual or anticipated, are at times misleading because the existence of swap and other forward market facilities makes possible the creation or transfer of exchange positions between various sectors of the economy without reflection on the statements.

Nevertheless, it seems clear from analyses of the data available that a major part of the movements both from Canada in the second quarter and to it in

the third represented the movement of Canadian capital. The growth of Canadian private holdings of foreign currency bank balances and similar short-term funds abroad represented an outflow in the second quarter of \$208 million and Canadian direct and portfolio investment abroad added a further \$65 million to outflows. These items alone were as large as the net outflow of all types of capital. But there are some types of movement whose motivation cannot be clearly established and the movement of Canadian funds abroad may have included some amounts representing shifts in the working capital of foreign controlled concerns in Canada.

There is little evidence that the taking of short-term Canadian dollar positions by non-residents contributed in any significant measure to the growth of Canada's official holdings of gold and foreign exchange in the third quarter. This was in sharp contrast to the situation twelve years earlier when an increase of \$690 million official holdings of gold and foreign exchange (including float) was occasioned largely by a run to the Canadian dollar by non-residents.

Direct Investment in Canada

The net movement of foreign capital to Canada for direct investment in foreign controlled enterprises during 1962 amounted to \$555 million, some \$35 million higher than in 1961. This substantial total was exceeded in only two earlier postwar years, 1956 and 1960.

Well over a quarter of the movement in 1962 represented net inflows for the acquisition of existing concerns and interests and for refinancing, etc., having no counterpart in current new capital formation in Canada. This was an unusually large proportion, such inflows being more than four times their size in 1961. The largest part of them was related to the takeover of a number of petroleum enterprises and a retail chain, but there were also significant amounts to acquire major interests in manufacturing concerns and commercial real estate. Not all the takeovers were by non-residents, and the figures reflect some offsetting capital outflows whereby control of various enterprises was repatriated to Canada, as well as refinancing of foreign controlled concerns through issues of securities. Apart from the direct effects of capital movements, control of a number of other concerns passed into non-resident hands through exchanges of stocks. Also in some cases the existence of debt or other securities gave leverage to the capital flow, resulting in a larger increase in the amount of investment controlled by non-residents than the actual increase in their ownership.

The net movement was heavily concentrated in the latter part of the year with successive quarterly totals of \$114 million, \$87 million, \$147 million and \$207 million. There was accordingly an increase of \$153 million in the second half of the year compared with the first; in 1961 there had been a decrease of \$62 million. About two-thirds of the decrease between the first and second halves of 1961 and all of the corresponding increase in 1962 were caused by takeovers and refinancing operations.

Industrially the petroleum industry continued in first place in attracting direct investment inflows, although mining would have replaced it due to continuing high inflows for iron ore development, had it not been for a number of takeover transactions. Merchandising appears to have followed with an important takeover contributing to its prominence, then manufacturing where the movement as usual tended to be less one-sided, with substantial repayments to parents offsetting a significant part of other inflows.

Geographically, direct investment inflows from overseas countries other than the United Kingdom increased sharply in 1962. At about double their 1961 size they accounted for some 20 per cent in 1962 compared with just over 10 per cent in the earlier year. Movements from the United States increased moderately over the same period to maintain that country's share of direct investment inflows at just over three-fifths of the total while those from the United Kingdom decreased appreciably dropping its contribution from about one-quarter in 1961 to 15 per cent of the net inflow in 1962.

The industrial distribution of movements of capital for United States direct investment in Canada from the end of World War II to 1961 is given in Statement 12. Data in this form are not yet available for 1962. The statement shows that about 60 per cent of the net inflow of United States capital for direct investment in Canada in 1961 was directed to the petroleum and natural gas industry and mining, compared with about 75 per cent in 1960. The net amounts of inflow to these extractive industries were \$198 million in 1961 and \$341 in 1960, with two-thirds of the decrease attributable to reductions in mining investment. When other capital movements affecting direct investment are taken into account, however, the net capital inflow to this sector from the United States increased slightly from \$356 million in 1960 to \$366 million in 1961. Net inflows of \$130 million to all other industrial groups were up \$25 million from \$105 million in 1960. Increases occurred in the manufacturing, merchandising and miscellaneous industry groups while decreases were recorded for the utilities and financial groups.

The other capital movements adding to the value of United States investment in all United States controlled concerns in Canada totalled \$251 million in 1961, over triple the 1960 inflow of \$78 million. Most of this investment went into the petroleum and natural gas industry, mining and financial enterprises. Taken together with the inflows recorded for direct investment, the net capital movement adding to the total value of United States direct investment in Canada amounted to \$579 million in 1961, 10 per cent above the 1960 total of \$524 million. All other factors, including undistributed earnings, revaluations, reclassifications and similar accounting adjustments are estimated to have added a further \$156 million in 1961. The recorded net increase in the book value of United States direct investment in Canada in 1961 was \$735 million, almost \$100 million more than the 1960 increase.

The sixteen years of the postwar period from 1946 to 1961 have seen gross inflows from the United States for direct investment aggregating

\$5.658 million; 60 per cent of it to the petroleum, natural gas and mining industries. During the same period some \$1,391 million of United States direct investment in Canada was repatriated, but this was almost offset by inflows of \$1,359 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 \$5.626 million. Undistributed earnings, reclassifications, etc. led to a further rise of \$3.354 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 \$11,284 million at the end of 1961.

Finance and real estate investments accounted for about two-fifths of the net direct investment inflow from the United Kingdom in 1961 with take-overs of insurance interests in the second quarter of the year being particularly prominent, while the share of the inflow going to the petroleum and natural gas industry declined to approximately 30 per cent from about 50 per cent in 1960. Almost three-fifths of the net direct investment inflows from other overseas countries in 1961 was to the petroleum and natural gas industry with most of the remainder being split not too unevenly between mining, manufacturing and financial and real estate investments.

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 factor contributing to the rapid growth of the equity of non-residents in Canadian industry and commerce. The retention of earnings on portfolio investment in Canada includes passive or involuntary reinvestment by foreign shareholders (although, of course, they may dispose of their investment if they choose to do so). On the other hand the retention of earnings on foreign direct investments in Canada arises from the decision or acquiescence of non-resident investors in a position to control the company. It is, therefore, tantamount to the introduction of additional capital from abroad.

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 \$220 million in 1961. 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.

STATEMENT 12. United States Direct Investment in Canada, 1946-61

Account	1953	1954	1955	1956	1957	1958	1959	1960	1961	1946-1961 ¹
millions of dollars										
Gross inflows of new capital:										
Petroleum and natural gas industry ²	172	187	195	243	260	217	196	170	152	2,322
Mining, n.i.e.	104	66	60	63	78	79	138	205	141	1,116
Pulp and paper	1	23	35	42	48	16	18	26	12	316
Manufacturing, n.i.e.	52	41	77	108	111	91	153	132	133	1,904
Utilities, n.i.e.	6	2	9	2	3	3	4	14	6	
Merchandising, n.i.e.	31	9	21	16	27	11	33	18	27	
Financial	13	15	17	16	21	5	31	34	37	
Miscellaneous	4	7	9	16	17	14	15	22	40	
Sub-totals	383	350	423	506	565	436	588	621	548	5,658
Return of capital	37	62	117	100	175	133	164	175	220	1,391
Net capital inflow for direct investment (Table II B item D1)	346	288	306	406	390	303	424	446	328	4,267
Net other identified capital movements affecting the investment of United States residents in United States controlled enterprises ³	- 3	36	63	269	240	170	110	78	251	1,359
Net capital inflow	343	324	369	675	630	473	534	524	579	5,626
Undistributed earnings and other factors including revaluations, reclassifications, and similar accounting adjustments	333	257	357 ⁴	204 ⁴	450	100	333	113 ⁴	156	3,354
Net increase in book value - Table X (B)	676	581	726	879	1,080	573	867	637	735	8,980

¹ For annual detail 1946-51 and 1952 see Statement 12 in issues for 1956 and 1960 respectively of *The Canadian Balance of International Payments and International Investment Position* (DBS Catalogue No. 67-201).

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.

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

STATEMENT 12 A. United States Direct Investment in Canada, Details for 1960 and 1961

Industry	1960					1961				
	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	170	- 21	149	- 10	139	152	- 50	102	86	188
Mining, n.i.e.	205	- 13	192	25	217	141	- 45	96	82	178
Pulp and paper	26	- 13	13	19	32	12	- 3	9	1	10
Manufacturing, n.i.e.	132	- 84	48	- 9	39	133	- 59	74	7	81
Utilities, n.i.e.	14	- 2	12	- 15	- 3	6	- 8	- 2	13	11
Merchandising, n.i.e.	18	- 24	- 6	7	1	27	- 19	8	11	19
Financial	34	- 6	28	63	91	37	- 23	14	62	76
Miscellaneous	22	- 12	10	- 2	8	40	- 13	27	- 11	16
Totals	621	-175	446	78	524	548	-220	328	251	579

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.

Estimates of the total undistributed earnings on foreign direct investments appear in Statements 12B and 12C. Earnings retained during 1961 are estimated to have amounted to about \$240 million. The accumulation of undistributed earnings has added \$4,310 million to Canada's external indebtedness in the sixteen years from 1946 to 1961. Retained earnings on foreign portfolio investment in Canada add further large amounts. The estimates show that

undistributed earnings of foreign direct investment in Canada have been smaller in the more recent years than in the fifties. The trend was typical of the undistributed earnings of all Canadian corporations, although the share of foreign direct investment has been declining. Many extensive enterprises owned in Canada by non-residents have not yet reached the stage of significant earnings.

STATEMENT 12 B. Estimated Constituents in the Change in the Value of Foreign Direct Investment in Canada, 1946 - 61

Year	Net capital inflow for direct investment (Table II)	Undistributed earnings	Other factors ¹	Net increase in book value (Table X)
millions of dollars				
1956	583	470	87	1,140
1957	514	460	287	1,261
1958	420	260	71	751
1959	550	370	106	1,026
1960	650	280	36	966
1961	520	240	105	865
Totals, 1946-61	5,615	4,310	1,099	11,024

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.

Note: For detail 1946-55, see Statement 12B *The Canadian Balance of International Payments, 1960 and International Investment Position* (DBS Catalogue No. 67-201).

**STATEMENT 12 C. Estimated Undistributed Earnings on Foreign Direct Investment in Canada
classified by Industry and Country, 1960 and 1961**

Industrial classification	1960	1961
	millions of dollars	
Manufacturing:		
Vegetable products	24	22
Animal products	- 1	6
Textiles	2	3
Wood and paper products	9	29
Iron and its products	95	14
Non-ferrous metals	15	24
Non-metallic minerals	5	8
Chemicals and allied products	21	32
Miscellaneous manufacturers	7	1
Sub-totals (excluding petroleum refining)	177	139
Petroleum and natural gas	2	51
Other mining and smelting	41	13
Public utilities	1	- 2
Merchandising	42	10
Financial	13	19
Other enterprises	4	10
Totals	280	240
Country classification		
United States direct investment in Canada	265	234
Other foreign direct investment in Canada	15	6
Totals	280	240

Note: Remittances of earnings on foreign direct investment were unusually low in 1960. See Statement 9 C.

Direct Investment Abroad

Net outflows of Canadian capital for direct investment abroad totalled a record \$125 million in 1962, \$50 million more than in 1961 and substantially above the previous high of \$104 million recorded in 1956. The total reflects a multiplicity of trans-

actions having little in common with respect to origin or destination. About three-quarters of net direct investment abroad went to manufacturing enterprises with mining and miscellaneous industries, including international communications, getting a large share of the rest.

Over four-fifths of the net outflow was to overseas countries, other than the United Kingdom, in particular sterling area and continental European countries. This reflects a sharp relative and absolute increase in investment in 1962 as this area in 1961 received less than half of the total net direct investment abroad. Also of significance is the small net inflow of \$6 million resulting from the liquidation of Canadian assets in the United States. This inflow resulted entirely from the withdrawal of funds by a Canadian parent from its United States subsidiary. Without this transaction there would have been an outflow for net direct investment in the United States of about two-thirds of the 1961 total. In rising to \$25 million in 1962 from \$16 million in the previous year, outflows to the United Kingdom accounted in each year for about one-fifth of total Canadian direct investment abroad.

Summary of Transactions in Portfolio Securities

Direct investment continued in 1961 and 1962 to be Canada's largest source of foreign capital, however transactions in portfolio securities were responsible for sizable capital inflows amounting in the two years to \$304 million and \$275 million respectively. In both these years the totals were equal to almost a third of the current account deficit which in 1962 reached its lowest level since 1955.

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 \$718 million but there were offsetting retirements of \$321 million of foreign held Canadian securities. Trade in outstanding Canadian securities resulted in a repurchase balance of \$52 million bringing the net movement from transactions in Canadian securities to \$345 million. In the opposite direction there was a net capital export of \$70 million from all transactions by Canadians in foreign securities.

The overall inflow of portfolio security capital in 1962 came on balance entirely from the United States with small inflows from the other sterling area and "other countries" being overshadowed by outflows to the United Kingdom and other OECD countries. In 1961 net capital outflows were recorded to all areas except the United States.

The net capital inflow from security transactions with the United States totalled \$445 million in 1962, almost unchanged from \$449 million in 1961. The movement in 1962 included net sales of \$507 million of Canadian securities, comprising \$83 million of outstanding bonds and debentures and \$679 million of new issues, offset by retirements of \$244 million and net repurchases of \$11 million of outstanding stocks. The inflow from transactions in outstanding bonds and debentures, which followed a similar sales balance in 1961, was in contrast to the pattern of net repurchases which were typical of

the period 1950 to 1960. The net repurchase balance of \$11 million for outstanding Canadian stocks was the first recorded since before 1950, and was concentrated in the second half of 1962 when outflows totalled \$23 million, more than offsetting the \$12 million sales balance of the first six months of the year. Transactions with the United States in foreign securities led to a capital outflow of \$62 million, much larger than the \$7 million net outflow recorded for 1961. This was entirely the result of a net purchase balance of \$66 million for outstanding issues.

Security transactions with the United Kingdom in 1962 led to a capital outflow of \$91 million. This was the third successive annual outflow following a period of net capital inflow from 1952 to 1959. It took the form of net repurchases by Canadians of \$65 million of outstanding Canadian stocks as well as the retirement of \$42 million of various Canadian issues and net purchases of \$2 million of foreign securities offset by sales to residents of the United Kingdom of \$18 million of new issues of Canadian bonds and stocks (principally provincial and Government of Canada bonds).

For the second year in succession a net capital outflow was recorded in 1962 to other overseas countries, aggregating \$79 million in that year and \$43 million in 1961. These outflows were the first recorded after an eight-year period of net capital inflows. Contributing to the 1962 total were net repurchases of \$40 million of outstanding Canadian bonds and debentures, \$19 million of outstanding Canadian stocks, \$35 million for the retirement of foreign held Canadian issues and \$6 million for the acquisition of foreign issues. Against these outflows there was an inflow of \$21 million from the sale of new Canadian issues.

A high volume of international security movements of portfolio capital between Canada and other countries is normal. In 1962 the total value of transactions leading to the net inflow of \$275 million was a record \$4.6 billion, more than \$440 million above the previous high established in 1961.

Foreign savings invested in provincial securities were equal to 19 per cent of the net new supply in 1962 compared with 1 per cent in 1961 and 8 per cent in 1960, the sharp increase in 1962 being particularly striking since net new borrowing by provinces fell more than 25 per cent. Foreign investment in municipals equalled about a quarter of net new issues in 1962 compared with only 6 per cent of the supply in 1961. In the case of corporate and institutional bonds and debentures, on the other hand, net purchases by non-residents fell to 42 per cent of the net new supply in 1962 compared with about 53 per cent in the previous year. However when transactions in stocks are combined with those in corporate and institutional bonds and debentures, net purchases of the net new supply by

non-residents fell to 6 per cent in 1962 from 37 per cent in 1961 mainly because of the large repurchase balance for Canadian stocks which contrasted sharply with the sales balances of previous years. Although the proportion of the net new supply of corporate and institutional bonds and debentures

absorbed by non-residents dropped between 1961 and 1962, the level was still very high compared even with the boom years of the fifties. However if some unusual refinancing transactions were excluded the proportion would be reduced to approximately 20 per cent.

About the figures —

TRANSACTIONS IN PORTFOLIO SECURITIES

Additional comment and statistical detail of 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.

The Bureau's monthly series of *Sales and Purchases of Securities Between Canada and Other Countries* has been collected and compiled since 1933 with the co-operation of banks, investment dealers, stock brokers, and other financial institutions and investors in Canada. Monthly data covering trade in outstanding issues are supplemented at quarterly intervals with figures covering new issues and retirements between Canada and other countries, and also annually with some additional transactions in outstanding securities. Final figures correspond with items D. 3 to D. 8 in the capital account of the Canadian balance of international payments.

The basic source of the monthly data is Schedule ISM, which is reproduced herewith. The instructions which are appended indicate the conceptual basis of the series.

In addition to reports from the institutions named in the instructions, figures are obtained under special arrangements, at monthly or in some cases less frequent intervals, from financial intermediaries or investors who engage directly in transactions with dealers or brokers abroad, e.g., trust companies, certain investment funds, and some non-financial corporations.

Besides providing data covering trade in outstanding issues, reflected in items D. 3 and D. 6, Schedule ISM provides figures for foreign participation in new issues on Canadian markets and some Canadian participation in new issues of non-Canadian securities. These figures are not published separately but are incorporated with data from many other sources (e.g. official announcements and prospectuses, market information, balance of payments returns of Canadian borrowers and other enterprises, and analyses of transactions in Canadian securities by some major foreign life insurance companies) to produce the comprehensive estimates of new issues and retirements published quarterly and reflected in items D. 4, 5, 7, and 8.

Some transactions in short-term securities and other investment forms are also reported on Schedule ISM but are not included with security transactions covered in the monthly reports, or in items D. 3 to D. 8, as they are shown elsewhere in statements of the Canadian balance of international payments. These include transactions related to non-resident participation in Canadian short-term money markets, which are discussed in a later note, as well as any transactions in mortgages or export finance paper.

Other types of security transactions which represent direct movements by the principal owners of an enterprise are excluded from this series, being more appropriately regarded as direct investment. Examples are subscriptions by parent companies for new stock offered to shareholders by companies with some public ownership, transactions arising from the acceptance of takeover bids, and exchanges of stock under corporate reorganizations and mergers.

Although a very large volume of transactions is covered in the series—including new issues and retirements, but apart from short-term money market transactions, the gross turnover in recent years has been well over \$4,000 million—it is, of course, always possible that the series is not complete. The most likely area of incomplete coverage lies in the primary distribution of some mining stock. Transactions of most established distributors are covered and their reports are supplemented by estimates based on balance of payments questionnaires received from many of the mining companies themselves. In any event it does not appear that the volume of net inflows from these transactions is as high as is sometimes thought. Other possibilities of incomplete coverage lie in the role of intermediaries in foreign investment whose function may not be clear to the reporting agencies. Special arrangements have been made to cover many of these, either through obtaining reports from them or by having reporting agencies themselves treat the intermediaries as non-residents. Nevertheless, some investments made through such intermediaries as legal firms may have been omitted.

It should also be noted that some types of security transactions by internationally situated enterprises are purposely kept out of the series when they do not reflect international transactions of relevance to the Canadian balance of payments. Examples of these are provided by most security transactions in Canada of Canadian branches of foreign insurance companies and other concerns, and by transactions abroad of foreign branches of Canadian financial institutions and concerns.

DOMINION BUREAU OF STATISTICS

Balance of Payments Section

OTTAWA, CANADA

Schedule
ISM

SALES AND PURCHASES OF SECURITIES BETWEEN CANADA AND OTHER COUNTRIES

SALES	To all countries	To United States	To United Kingdom	To Other Countries
(Canadian dollars - omit cents)				
Bonds, Debentures, Notes, etc. (original term over one year)				
Canadian issues:				
New issues (Indicate issue if amount over \$50,000)				
.....				
.....				
.....				
Outstanding issues:				
Government of Canada - direct:				
Under buy-back agreements				
Other sales				
Government of Canada - guaranteed				
Provincial - direct and guaranteed				
Municipal				
Railway, not guaranteed by Government				
Other				
United States issues:				
Government				
Other				
United Kingdom issues:				
Government				
Other				
Other countries				
Common and Preference Stocks				
Canadian:				
New issues				
Outstanding issues				
United States				
United Kingdom				
Other countries				
Short Term Securities (original term one year or less)				
Government of Canada issues				
Canadian commercial paper				
Canadian finance paper				
Other Canadian				
All other countries				
Other Securities				
N.H.A. mortgages on Canadian real estate				
Other mortgages on Canadian real estate				
Other Canadian				
ECIC guaranteed export finance paper				
Other foreign				
TOTAL SALES				

Schedule
ISM

PURCHASES	From all countries	From United States	From United Kingdom	From Other Countries
(Canadian dollars - omit cents)				
Bonds, Debentures, Notes, etc. (original term over one year)				
Canadian issues:				
Government of Canada - direct:				
Under buy-back agreements				
Other purchases				
Government of Canada - guaranteed				
Provincial - direct and guaranteed				
Municipal				
Railway, not guaranteed by Government				
Other				
United States issues:				
New issues:				
Government			xxxxxx	xxxxxx
Other			xxxxxx	xxxxxx
Outstanding issues:				
Government				
Other				
United Kingdom issues:				
Government				
Other				
Other countries				
Common and Preference Stocks				
Canadian				
United States:				
New issues			xxxxxx	xxxxxx
Outstanding issues				
United Kingdom				
Other countries				
Short Term Securities (original term one year or less)				
Government of Canada issues				
Canadian commercial paper				
Canadian finance paper				
Other Canadian				
All other countries				
Other Securities				
N.H.A. mortgages on Canadian real estate				
Other mortgages on Canadian real estate				
Other Canadian				
ECIC guaranteed export finance paper				
Other foreign				
TOTAL PURCHASES				

Report of

Month

Signature of responsible officer

Schedule
ISM

INSTRUCTIONS

1. Object of the Return – This return is intended to cover international transactions in securities. The guiding principle is a change in ownership from one nation to another. International transactions ordinarily involve a movement of funds from one country to another, but include also exchanges of securities involving purchases and sales between residents and non-residents.

2. Responsibility for Reporting – The institution or firm in Canada which actually executes or arranges the security transaction outside Canada is to report the transaction. If, for example, a bank sells a security through a Canadian firm for a client in London, and the firm in turn sells the security in New York, the bank is to report a purchase from the United Kingdom and the firm is to report a sale to the United States, even though each may be aware of the complete transaction.

If firm "A" purchases a security through firm "B", which is a Canadian branch of a United States firm, firm "A" is to make no report because, insofar as it is directly concerned, the security is purchased through a firm in Canada; if the security is purchased in the United States by firm "B", the latter will report the transaction.

Similar reports in respect of Canadian offices or branches are made by members of the Investment Dealers' Association of Canada, the Canadian Bankers' Association, Canadian stock exchanges, and foreign investment houses operating in Canada; care must therefore be taken to avoid duplication.

Firms which are members of more than one of the groups listed above must select their channels of reporting so that double counting will not occur.

3. Nationality – All transactions between a principal domiciled or located in Canada and a principal domiciled or located in another country are to be covered, regardless of the nationality of the vendor or the purchaser. For example, a sale by a vendor located in Canada to a foreign branch of a Canadian firm is to be reported, whereas if the purchaser were a Canadian branch of a foreign firm the transaction should not be recorded.

Insurance Companies – The business in Canada of foreign insurance companies is regarded as that of a Canadian "branch". Accordingly transactions in connection with securities deposited in Canada under Insurance Acts or otherwise held in respect of liabilities to Canadian policy-holders are regarded as transactions with Canadians and are not to be reported. Similarly, the business abroad of Canadian insurance companies is regarded as that of a non-resident branch and transactions between Canada and such branches are to be reported.

Non-Resident Owned Investment Companies and Investment Trusts – The country of residence of holding companies is established by the residence of their beneficial owners where known.

4. Transactions – All securities are classified by the nationality of the issuer. The currency in which a security may be expressed has no significance for

the purpose of this return. Securities of Canadian companies whose principal operations are outside Canada should however be classified as "foreign".

Location – Location of a bond, debenture, or share certificate is not relevant; for example, a purchase by a non-resident from a Canadian is to be reported regardless of whether the security is to be lodged in Canada or delivered abroad. Similarly a sale to a non-resident for delivery, against payment, to a bank in Canada should be reported by the dealer, as a change of ownership between Canada and a foreign country has occurred. (For special treatment of insurance company transactions see section 2 above).

New Issues – Include new, refunding, and conversion issues. For practical purposes the dividing line between new and outstanding issues may be taken as immediately after wholesale distribution by the originating group or purchasing syndicate. An issue is classed as outstanding, therefore, after it has been distributed at wholesale to a selling group. (Rights and warrants are to be treated as outstanding securities).

Redemptions – Repurchases for governments or corporations in a market outside Canada of their own bonds, debentures, or stock are to be reported, but maturing bonds or debentures, and issues called for complete or partial redemption are to be excluded.

Buy Backs – Sales and purchases reflecting buy-back transactions are to be reported. Separate lines are provided for Government of Canada Direct issues with original terms over one year. Other issues should be included in the appropriate categories but need not be specifically segregated.

Bankers' Acceptances – Bankers' acceptances should be included with "Other Canadian" short term securities.

Timing – Delivery dates are a more appropriate basis for the compilation of this return than are contract dates. Where practical reasons necessitate the general use of contract dates it is essential that arrangements be made to adjust the returns to a delivery basis in respect of buy-back and other important deferred delivery transactions.

5. Amounts to be Reported – All values should be expressed in terms of Canadian currency. Please omit cents.

Transactions executed outside Canada – Report as sales the amount credited on transactions for a Canadian client or for your own account (proceeds of sales less commissions and taxes outside Canada). Report as purchases the amount debited for these accounts (cost of purchases plus commissions and taxes).

Transactions executed in Canada – Report as sales the amount debited on transactions for a non-resident purchaser (cost of securities plus commissions and taxes in Canada). Report as purchases the amount credited on transactions for a non-resident seller (proceeds of sales less commissions and taxes in Canada).

Margin Accounts – Transactions in margin accounts should be treated in exactly the same manner as other transactions.

REMARKS: Any comments or qualifications which you feel might be usefully added to this material would be appreciated.

Transactions in Outstanding Canadian Securities

As shown in Statement 13, trade in outstanding Canadian securities in 1962 led to a net capital outflow for the first time since 1955 as net repurchases from non-residents of \$116 million of common and preference stocks exceeded net sales of \$64 million of outstanding bonds by \$52 million. This situation is very different from the pattern of the period from 1950 to 1961 when substantial

capital inflows from the net sale of outstanding stocks occurred in most years, reaching a peak of \$188 million in 1956 and gradually declining to \$39 million in 1961. During this period the net capital movements generated by trading in outstanding Canadian bonds and debentures oscillated frequently between net outflows and inflows, reaching relatively high levels of net inflows in 1961 and 1962 of \$61 and \$64 million respectively.

STATEMENT 13. Transactions in Canadian Securities between Canada and Other Countries, 1960-62

Account	Trade in outstanding issues			Proceeds of new issues			Retirements			Total		
	1960	1961	1962	1960	1961	1962	1960	1961	1962	1960	1961	1962
millions of dollars												
By type of security												
Bonds and debentures:												
Government of Canada, direct	+ 34	+ 52	+ 54	+ 19	+ 37	+ 156	- 57	- 46	- 72	- 4	+ 43	+ 138
Government of Canada, guaranteed	+ 14	+ 23	- 4	+ 11	-	-	-	- 2	- 15	+ 25	+ 21	- 19
Provincial government (incl. guaranteed)	- 7	- 10	+ 9	+ 103	+ 66	+ 142	- 57	- 24	- 22	+ 39	+ 32	+ 129
Municipal government	+ 4	+ 3	+ 11	+ 133	+ 47	+ 78	- 38	- 38	- 39	+ 99	+ 12	+ 50
Railways, not guaranteed by government	- 4	- 3	- 3	-	-	-	- 15	- 2	- 12	- 19	- 5	- 15
Other corporations	- 38	- 4	- 3	+ 155	+ 343	+ 326	- 89	- 133	- 126	+ 28	+ 206	+ 197
Sub-totals: bonds and debentures	+ 3	+ 61	+ 64	+ 421	+ 493	+ 702	- 256	- 245	- 286	+ 168	+ 309	+ 480
Common and preference stocks	+ 51	+ 39	- 116	+ 26	+ 45	+ 16	- 9	- 55	- 35	+ 68	+ 29	- 135
Totals (Table II, items D 3, 4, 5)	+ 54	+ 100	- 52	+ 447	+ 538	+ 718	- 265	- 300	- 321	+ 236	+ 338	+ 345
By country												
United States	+ 47	+ 196	+ 72	+ 381	+ 479	+ 679	- 214	- 219	- 244	+ 214	+ 456	+ 507
United Kingdom	- 30	- 73	- 65	+ 27	+ 24	+ 18	- 27	- 41	- 42	- 30	- 90	- 89
Other sterling area	-	- 3	-	-	-	-	-	-	-	-	- 3	-
Other OECD countries	+ 37	- 20	- 59	+ 38	+ 20	+ 21	- 23	- 20	- 35	+ 52	- 20	- 73
Other countries	-	-	-	+ 1	+ 15	-	- 1	- 20	-	-	- 5	-
Totals (Table II, items D 3, 4, 5)	+ 54	+ 100	- 52	+ 447	+ 538	+ 718	- 265	- 300	- 321	+ 236	+ 338	+ 345
By quarter												
First quarter	+ 32	+ 42	- 17	+ 212	+ 105	+ 53	- 58	- 73	- 72	+ 186	+ 74	- 36
Second quarter	+ 40	+ 65	- 40	+ 143	+ 192	+ 194	- 80	- 89	- 71	+ 103	+ 168	+ 83
Third quarter	- 9	- 11	+ 13	+ 52	+ 123	+ 85	- 34	- 32	- 53	+ 9	+ 80	+ 45
Fourth quarter	- 9	+ 4	- 8	+ 40	+ 118	+ 386	- 93	- 106	- 125	- 62	+ 16	+ 253
Totals (Table II, items D 3, 4, 5)	+ 54	+ 100	- 52	+ 447	+ 538	+ 718	- 265	- 300	- 321	+ 236	+ 338	+ 345

Note: A minus sign indicates an outflow of capital from Canada.

It is interesting to note the geographical pattern of the change in the net capital flows. Up to 1960 capital inflows resulted regularly with all major areas from trade in outstanding Canadian common and preference stocks. In that year however a net outflow was recorded to the United Kingdom, which was strengthened in the following two years. Although lagging a year a similar trend became evident in transactions with other overseas countries, particularly those of continental Europe, when a capital outflow was recorded in 1961 which was doubled in 1962. In 1962 a small repurchase balance resulted from trade in outstanding stocks with the United States. A similar bilateral pattern is evident in the trading of outstanding Canadian bonds and debentures, with outflows being recorded for the United Kingdom in the period 1960 to 1962 and for other overseas countries in the latter two years. In transactions with the United States however a net sales balance occurred in each of the last three years. An unusual feature of the trade in outstanding Canadian stocks between Canada and the United States is that the income accumulating funds (details of which are provided below) started to liquidate their holdings of Canadian securities in 1959 and the resulting net capital outflow was up to 1962 offset by inflows from other United States residents. In 1962, however, the inflow from the latter source was insufficient to offset the repurchase balance on the activities of the income accumulating funds.

Many factors could have influenced foreign investors in their trading of Canadian securities. Among these would be apparently better investment opportunities elsewhere after the slackening of the Canadian boom of the mid-fifties; the controversy over the takeover of public utilities by provincial authorities, the generally unsettled political climate; the narrowing of interest rate differentials between Canada and the United States and some of the European capital-exporting countries, and the decreasing foreign exchange value of the Canadian dollar.

Taken as a whole, trade in outstanding Canadian securities produced net outflows in all quarters of 1962 except the third when a small inflow occurred following the successful defence of the new exchange value of the Canadian dollar. In 1961 there were significant sales balances in the first two quarters followed by a minor net capital outflow and inflow in the third and fourth quarters respectively. The net sales balances for outstanding common and preference stocks which had persisted for many years ceased in the third quarter of 1961 when total repurchases balanced total sales. Net outflows were recorded for the fourth quarter of 1961 and all four quarters of 1962.

In 1954 and the years following ten special income accumulating funds were organized in Canada with important advantages to United States investors under the tax structure in that country. Their essential characteristic was portfolio investment, and notwithstanding their legal status as Canadian corporations, they have been treated as representing

United States portfolio investors. Their transactions in Canadian securities are included in statistics of international security trading.

Since 1959 redemptions by these funds of their own shares have exceeded sales. This trend has been encouraged by changes in United States tax policy in 1962 which eliminated most of the special tax advantages. The liquidation amounted to over \$50 million in 1962 following a larger amount in 1961. Because all the funds up to the end of 1962 retained their net income and because they also invested in other countries, their impact on Canada's balance of payments cannot be measured by the redemption of their shares. The market value of their holdings of Canadian securities fell during 1962 by about \$95 million to approximately \$180 million at the end of the year.

At the end of 1962 the total investment in the funds was some \$255 million including about \$40 million remaining from realized and unrealized capital appreciation. Almost \$50 million of the total was invested in foreign securities, mainly European, and a further \$25 million took the form of cash balances and other current assets. The investment in Canadian securities, practically all equities, had a market value of \$180 million. Most of this total is estimated to have been owned by United States investors.

Common stock prices in Canada, as measured by the DBS Investors Index decreased about 11 per cent during 1962 compared with a decline in United States common stock prices of 13 per cent as measured by Standard and Poor's "500" Index. In contrast sharp rises of about 27 per cent were experienced in each country in 1961.

The roughly parallel movement in stock prices in the two countries mirrors the similarity of market influences as well as the interlisting of issues. Gross sales to non-residents in 1962 of over \$690 million of outstanding Canadian stocks were about \$40 million lower than in 1961 and amounted to slightly less than one-fifth of the value of shares traded on the principal exchanges in Canada. This proportion was somewhat smaller than in either 1960 or 1961.

New Issues and Retirements of Canadian Securities

Canada's receipts of \$718 million from the sale of new issues of Canadian securities to non-residents in 1962 was the second highest since the war, being exceeded only in 1957. Details of the new issues classified by issuer and by currency of payment are found in Statements 13 and 13A. They show that the proceeds of new issues sold to non-residents were heavily concentrated in the second half of the year, particularly in the fourth quarter. The 1962 data included \$125 million of new borrowing to refinance other types of external indebtedness as well as \$135 million of Government borrowing outside Canada, the first since 1950, which acted as a lead to other sections of the long-term capital market. The very sharp declines in borrowing abroad by provincial

and municipal authorities in 1960 and 1961 from the high level of 1959 were reversed in 1962 with significant increases being recorded for these borrowers. The sales to non-residents of new issues of corporate securities reached \$388 million in 1961, second largest total after the record \$523 million of 1957, before dropping moderately to \$342 million in 1962.

Residents of the United States bought about 95 per cent of the new issues sold to non-residents during 1962 compared with 90 per cent of the smaller 1961 amount. 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 just over 80 per cent in 1962 and about 75 per cent in 1961.

STATEMENT 13 A. Proceeds of New Issues of Canadian Securities Sold to Non-Residents, 1952-62

Account	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
	millions of dollars										
Bonds and debentures payable optionally or solely in foreign currencies:											
Government of Canada, direct	—	—	—	—	—	—	—	—	—	—	135
Government of Canada, guaranteed	—	—	—	—	—	—	—	—	—	—	—
Provincial government (incl. guaranteed)....	101	136	114	—	212	130	162	321	93	32	111
Municipal government	43	66	34	40	106	115	143	148	118	29	64
Railways, not guaranteed by government...	—	—	24	—	—	—	—	—	—	—	—
Other corporations	116	39	72	5	190	393	189	54	87	308	277
Totals	260	241	244	45	508	638	494	523	298	369	587
Bonds and debentures payable in Canadian dollars only:											
Government of Canada, direct	1	6	5	5	9	16	67	42	19	37	21
Government of Canada, guaranteed	—	—	4	—	—	—	9	14	11	—	—
Provincial government (incl. guaranteed)....	6	7	12	3	12	6	6	13	10	34	31
Municipal government	3	9	11	4	6	8	5	10	15	18	14
Railways, not guaranteed by government...	2	—	1	—	—	—	1	—	—	—	—
Other corporations	21	26	35	46	62	69	52	58	68	35	49
Totals	33	48	68	58	89	99	140	137	123	124	115
Bonds and debentures:											
Government of Canada, direct	1	6	5	5	9	16	67	42	19	37	156
Government of Canada, guaranteed	—	—	4	—	—	—	9	14	11	—	—
Provincial government (incl. guaranteed)....	107	143	126	3	224	136	168	334	103	66	142
Municipal government	46	75	45	44	112	123	148	158	133	47	78
Railways, not guaranteed by government...	2	—	25	—	—	—	1	—	—	—	—
Other corporations	137	65	107	51	252	462	241	112	155	343	326
Sub-totals, bonds and debentures	293	289	312	103	597	737	634	660	421	493	702
Common and preference stocks	23	46	19	63	70	61	43	47	26	45	16
Totals	316	335	331	166	667	798	677	707	447	538	718

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 seven-year period 1956 to 1962. Apart from differences in bond yields between Canada and the United States other additional

factors in determining the source of capital probably would be 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.

STATEMENT 13 B. Contract and Delivery of New Issues of Canadian Bonds and Debentures sold to Residents of the United States, 1957-62¹

Year and quarter	Sales contracts entered into	Deliveries of prior sales	Sales for later delivery	Proceeds of new issues ²	Undelivered balance at end of period
millions of dollars					
1956 .....	..	..	122	557	122
1957	656	122	80	698	80
1958	574	79	70	583	71
1959	575	64	35	604	42
1960	431	41	104	368	105
1961	355	85	3	437	23
1962	954	23	306	671	306
1960 I	184	27	24	187	39
II	99	28	3	124	14
III	52	11	31	32	34
IV	96	3	74	25	105
1961 I	130	52	93	89	146
II	90	73	6	157	79
III	65	48	13	100	44
IV	70	24	3	91	23
1962 I	141	7	109	39	125
II	76	118	7	187	14
III	365	5	295	75	304
IV	372	152	154	370	306

¹ For quarterly detail 1957 to 1959, see Statement 13B, *The Canadian Balance of International Payments, 1960 and International Investment Position* (DBS Catalogue No. 67-201).

² Proceeds of new issues (part of item D.4, Table IIB) = "sales contracts entered into" + "deliveries of prior sales" - "sales for later delivery".

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

The changes in interest rates in Canada and the United States during 1961 and 1962 were not as sympathetic as they had been in the immediately preceding years. Interest rates in Canada tended to decline in 1961 and increase in 1962 while the converse was true in the United States. The yield on the representative long-term Government of Canada⁴ issue shown in Statement 13C fell 45 base points from 5.41 per cent to 4.96 per cent during 1961 and rose 11 base points to 5.07 per cent in December 1962. In the same period the yield on the roughly comparable United States Government⁴ issue increased 31 base points in 1961 from 3.80 per cent to 4.11 per cent and then declined 27 base points to 3.84 per cent at the end of 1962. In 1962 the differential varied between 83 base points in January and 152 in August. The yield differential declined to

significantly below one per cent per annum for the first time since 1958 in the fourth quarter of 1961 where it remained only until the beginning of May 1962. At that time a substantial increase occurred following the devaluation of the Canadian dollar and the reintroduction of a fixed rate of exchange. 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.

⁴ For the last Wednesday in each month.

STATEMENT 13 C. Yields on Representative Long-Term Government Bonds

Last Wednesday	Canada ¹	United States ²	Differential
	per cent		
1960 - Dec.	5.41	3.80	1.61
1961 - Mar.	5.18	3.80	1.38
June	4.99	3.97	1.02
Sept.	5.02	4.03	.99
Dec.	4.96	4.11	.85
1962 - Mar.	4.86	3.99	.87
June	5.23	3.91	1.32
Sept.	5.38	3.91	1.47
Dec.	5.07	3.84	1.23

¹ 3¾% Jan. 15/75-78.

² 3¼% June 15/78-83.

The growth in Canada's external liabilities from the sale to non-residents of new issues of Canadian bonds and debentures is naturally somewhat greater than the proceeds derived from the transactions. The total proceeds of new issues of these Canadian securities sold to non-residents in 1962 was \$702 million. This included \$115 million from the sale of Canadian bonds and debentures payable in Canadian funds and \$587 million payable optionally or solely in foreign currencies. As many bond issues are sold at a discount, the par values at which they should be redeemed (unless repurchased through the market) are, of course, somewhat above the amounts received by the borrowers. In addition there may be certain underwriting costs to pay in foreign currencies when the issues are floated abroad.

Retirements of Canadian securities totalled \$321 million in 1962, the largest amount recorded since the early postwar years when retirements were motivated by circumstances advantageous to refunding. Gradually mounting repayments can be expected to keep pace with the massive volume of bonds sold abroad in recent years. In addition to calls and maturities of funded debt, the series also reflects retirements of preferred stocks and special repurchases of some common stocks such as those arising from the acquisition by provincial authorities of private utility companies.

Transactions in Foreign Securities

The outflow of funds to cover net purchases by Canadians of foreign securities was extended to four years in 1962 rising to a record \$70 million in that year, over double the 1961 total. The 1962 outflow arose entirely from trade in outstanding issues, as purchases of new issues were more than offset by retirements. Net purchases of outstanding foreign securities were confined almost wholly to common and preference stocks with net outflows for bonds and debentures accounting for only 5 per cent

of the total. The largest purchase balances occurred between March and July coinciding with the decline in the exchange value of the Canadian dollar. Apart from exchange rate considerations many other influences having a long-term effect on the attractiveness of investment in foreign securities to Canadian investors were felt in recent years. Some of these factors would be the relative economic conditions and expectations in Canada and other countries, the limited opportunity for investment in publicly-owned Canadian companies in some industries and investment indirectly in a wholly-owned Canadian subsidiary through ownership of shares of the foreign parent company; the increasing difficulty of large Canadian institutional investors to trade on a relatively small market without affecting prices significantly; and the decrease in certain types of public utility securities available for investment. Recent years have seen increased portfolio investment abroad by some Canadian investment managers and the creation of some mutual funds for such investment.

Geographically, trade in outstanding foreign securities in 1962 resulted in net capital outflows to the United States, the United Kingdom and other OECD countries and a small inflow from other countries. The overwhelming proportion of these funds went to the United States.

Canadians in 1962 purchased \$16 million of new foreign securities. This was smaller than the outflow of \$38 million recorded in 1961 when the Commonwealth of Australia offered Canadian dollar bonds in the Canadian capital market. Most of the purchases by Canadians in 1962 were bonds or stocks of the United States and Israel. Retirements of Canadian held foreign securities in 1962 were exceptionally high at \$20 million and included mainly investments in the United States, although there was also a scattering of issues of other countries and of international investment organizations.

**STATEMENT 14. Transactions in Foreign Securities between Canada and Other Countries,
1960-62**

Account	Trade in outstanding issues			Proceeds of new issues			Retirements			Total		
	1960	1961	1962	1960	1961	1962	1960	1961	1962	1960	1961	1962
millions of dollars												
By type of security												
Foreign bonds and debentures.....	- 13	+ 13	- 4	- 10	- 30	- 14	+ 9	+ 9	+ 20	- 14	- 8	+ 2
Foreign common and preference stocks.	- 6	- 18	- 70	- 8	- 8	- 2	+ 9	-	-	- 5	- 26	- 72
Totals (Table I, items D6, 7, 8)	- 19	- 5	- 74	- 18	- 38	- 16	+ 18	+ 9	+ 20	- 19	- 34	- 70
By country												
United States	+ 5	+ 7	- 66	- 13	- 19	- 12	+ 12	+ 5	+ 16	+ 4	- 7	- 62
United Kingdom	- 2	- 10	- 2	-	- 2	-	-	-	-	- 2	- 12	- 2
Other sterling area	-	-	-	- 1	- 13	-	+ 1	+ 1	+ 1	-	- 12	+ 1
Other OECD countries	- 1	- 2	- 8	-	-	-	-	-	-	- 1	- 2	- 8
Other countries	- 21	-	+ 2	- 4	- 4	- 4	+ 5	+ 3	+ 3	- 20	- 1	+ 1
Totals (Table I, items D6, 7, 8)	- 19	- 5	- 74	- 18	- 38	- 16	+ 18	+ 9	+ 20	- 19	- 34	- 70
By quarter												
First quarter	+ 7	+ 3	- 29	- 3	- 5	- 2	+ 6	+ 2	+ 5	+ 10	-	- 26
Second quarter	- 5	-	- 35	- 2	- 19	- 4	+ 3	+ 2	+ 5	- 4	- 17	- 34
Third quarter	+ 3	+ 2	- 7	- 3	- 7	- 5	+ 7	+ 3	+ 5	+ 7	- 2	- 7
Fourth quarter	- 24	- 10	- 3	- 10	- 7	- 5	+ 2	+ 2	+ 5	- 32	- 15	- 3
Totals (Table I, items D6, 7, 8)	- 19	- 5	- 74	- 18	- 38	- 16	+ 18	+ 9	+ 20	- 19	- 34	- 70

Note: A minus sign indicates an outflow of capital from Canada.

Long-Term Investments Abroad by the Government of Canada

As in 1961 Canadian Government assistance abroad in 1962 took the form largely of official contributions, payments of the regular assessments from international agencies of which Canada is a member, and guarantees of credit provided directly or indirectly from private sources. Only the latter transactions which give rise to claims on non-residents are reflected in the capital account, while the contributions and assessments form a part of Canada's current payments.

There were no loans made directly by the Government in 1961; however in 1962 Canada subscribed \$7 million for bonds of the United Nations (item D. 9), together with \$1 million in foreign currency (item D. 13) and \$49 million in Canadian funds (included in item D. 17) to inter-

national financial agencies. The Canadian dollar payments were largely offset by increased short-term Canadian dollar liabilities to these institutions.

While there were no direct loans made by the Government of Canada to other national governments in either 1961 or 1962, repayments of principal on earlier loans totalled some \$38 million and \$129 million in 1961 and 1962 respectively. The unusually large total for 1962 included, besides normal amortization, accelerated repayments of \$67.6 million by France in the third quarter and of \$32.1 million by the Netherlands in the final quarter. Other countries from whom there were receipts included the United Kingdom, India, Belgium and Ceylon. The loan amortization by national governments in 1962 aggregated \$10 million in the first half of the year and \$119 million in the latter half, when the net effect of accelerated repayments was \$91 million. In addition to the principal repayments,

there were receipts of \$27 million on account of interest in 1962 somewhat below the \$32 million received in 1961; these are a part of the item in the current account covering Canada's receipts of interest and dividends.

By the end of 1962 the outstanding balances on loans of \$2,485 million extended by Canada since the beginning of World War II amounted to \$1,220 million.⁵ The amount of principal outstanding on the United Kingdom loan of 1946 was \$1,013 million, and a further \$207 million was outstanding by other overseas countries on postwar loans made under Part II of the Export Credits Insurance Act, special wheat and flour loans, etc. There was in addition \$31 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 1962 payments were overdue on the intergovernmental loans made in the interwar years and on the postwar loan to China. These inactive loans amounted to \$80 million out of the total of \$1,251 million outstanding.

The export credits extended by Canada are described later in the section on "Other Capital Movements".

Change in Canadian Dollar Holdings of Foreigners

In sharp contrast to the capital inflow of unusually high proportions due to the increase in holdings of Canadian dollars by non-residents in 1960, there were capital outflows in both 1961 and 1962 of \$35 million and \$24 million respectively as foreign investors reduced their Canadian dollar holdings. On a quarterly basis net outflows were recorded for the first three quarters of 1961, particularly the second quarter, while a substantial inflow occurred in the last quarter of that year. In

⁵ Excludes \$44 million deferred interest on the loan of 1946 to the United Kingdom.

1962 there were sharp fluctuations between quarters with sizable inflows in the second and fourth quarters being overshadowed by the larger outflows of the first and third quarters.

Geographically, residents of the United States increased their holdings by \$24 million in 1962 while those of United Kingdom and other countries, particularly in continental Europe, were reduced by \$13 million and \$35 million respectively. This pattern was rather different from that of 1961 when United States investors reduced their holdings by \$22 million, while those of United Kingdom residents were increased by \$1 million. The holdings of residents of other overseas countries in 1961 were reduced in total by \$14 million with increased holdings of continental European residents being more than offset by decreases in those of investors elsewhere.

The continuing 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 are 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 1962 non-residents purchased about \$460 million of Canadian treasury bills, up significantly over the total of \$375 million for 1961, which also was approximately the annual level of sales in the two preceding years. As most of the bills acquired by non-residents matured or were repurchased by Canadians in the same year, the net holdings rose by only \$4 million in 1962 following a reduction of \$58 million in the previous year. Total non-resident owned holdings at the end of 1962 were \$66 million. Residents of the United States held two-thirds of this amount, a sharp increase from the two-fifths of the slightly smaller amount outstanding at the end of 1961 held by investors of that country.

About the figures —

CANADIAN DOLLAR HOLDINGS OF FOREIGNERS

Total deposits in Canada of non-residents are obtained annually, classified by areas and by nature of holder and account, from the Bank of Canada, the chartered banks, trust and loan companies, and other depositories. Quarterly data are obtained from the Bank of Canada and the chartered banks. Estimates of Canadian treasury bills held by non-residents are based on reported transactions and identifiable holdings as described in the note "About the figures — Non-resident

Participation in Canadian short-term Money Markets". Holdings of the international financial agencies are excluded from item D. 14 but are included in item D. 17.⁶

⁶ Under the new presentation introduced in 1963, but not followed in the body of this report, holdings of international investment agencies are included in item D. 14 and of the International Monetary Fund in item H. 2.

Statement 14A gives monthly figures for 1960, 1961 and 1962 of sales to non-residents of Canadian treasury bills and of repurchases and maturities of their holdings, together with the amounts held at the end of each month. Holdings reached a month end high in 1961 of \$163 million in April, and a low

of \$43 million in August. The 1962 peak of \$147 million was reached in May (when it may be presumed that most of the holdings were hedged by forward exchange contracts), and the holdings were at their low of \$66 million at the year end.

**STATEMENT 14 A. Transactions in Canadian Treasury Bills between Canada
and Other Countries, 1960-62**

Month	Sales			Repurchases and maturities			Net change in holdings			Holdings at month end		
	1960	1961	1962	1960	1961	1962	1960	1961	1962	1960	1961	1962
millions of dollars												
January	20	45	21	12	46	11	+ 8	- 1	+ 10	72	119	72
February	16	30	31	29	43	20	- 13	- 13	+ 11	59	106	83
March	21	86	28	24	39	31	- 3	+ 47	- 3	56	153	80
April	16	45	77	12	35	28	+ 4	+ 10	+ 49	60	163	129
May	18	18	36	20	29	18	- 2	- 11	+ 18	58	152	147
June	19	15	45	31	89	62	- 12	- 74	- 17	46	78	130
July	43	16	61	17	45	50	+ 26	- 29	+ 11	72	49	141
August	36	10	27	17	16	38	+ 19	- 6	- 11	91	43	130
September	28	14	35	46	13	38	- 18	+ 1	- 3	73	44	127
October	68	18	19	36	14	54	+ 32	+ 4	- 35	105	48	92
November	49	17	27	14	11	32	+ 35	+ 6	- 5	140	54	87
December	46	61	53	66	53	74	- 20	+ 8	- 21	120	62	66
Year	380	375	460	324	433	456	+ 56	- 58	+ 4	120	62	66

Notes: The figures for 1960 include minor unidentified amounts of commercial paper.
An increase in holdings (+) reflects a capital inflow.

The charts showing the transactions in 1961 and 1962 also illustrate some of the factors influencing interest arbitrage movements of capital from the United States to Canada.⁷ Yield on 91-day Canadian treasury bills moved through a range in 1962 which was more than double that in 1961. The average tender rate was at its low point of 3.04 per cent in the second week of April and reached a high of 5.51 per cent in the third week of July. During 1961 yields ranged between 2.26 per cent and 3.34 per cent. Yields on corresponding United States treasury bills showed greater stability, and the range from 2.64 per cent to 2.95 per cent through 1962 was narrower than in 1961. Throughout 1962 the Canadian yield remained above the United States counterpart. The narrowest differentials, occurring in the early months of the year, were never less than one-quarter of one per cent, widening to a peak of 2.65 per cent by mid-year and remaining in excess of 2 per cent during the third quarter. By the close of the year the differential was just over one per cent.

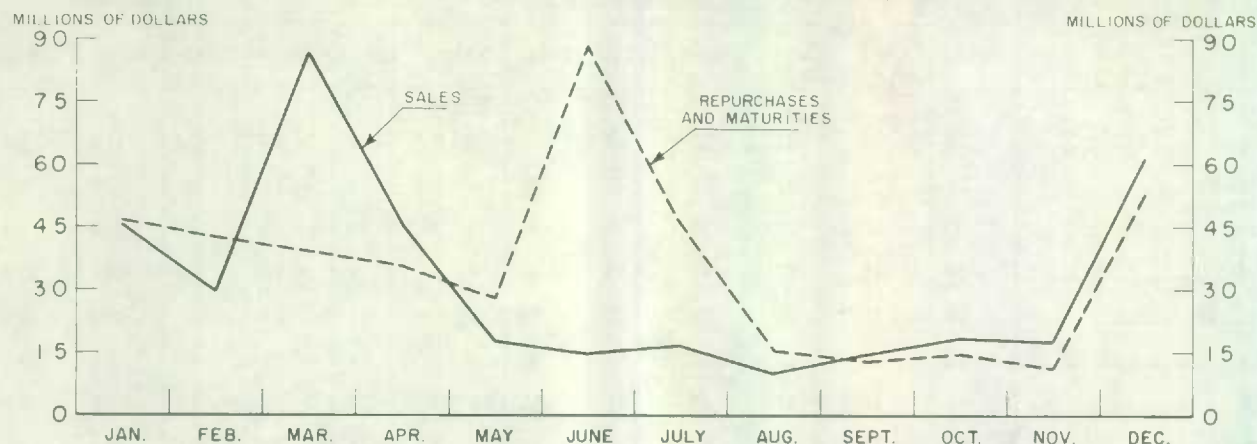
Forward exchange cover for United States dollars was generally more costly during 1962 than in 1961, reducing the net nominal yield differential (adjusted for the cost of exchange protection) to

less than one per cent throughout the year. The maximum protected differential was about 0.80 per cent at the end of June, and in 38 of 52 Thursdays during the year the differential was one-half of one per cent or less. Theoretically movements of interest arbitrage capital may be expected to continue to a point where the cost of exchange protection offsets any remaining interest differential. In practice nominal differentials may be too narrow to motivate actual transactions. Not all purchases by non-residents of treasury bills are hedged by forward exchange contracts. 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 the repatriation of the proceeds of the maturing bills. Purchases by non-residents in the last quarter of each year tend to include amounts of this nature.

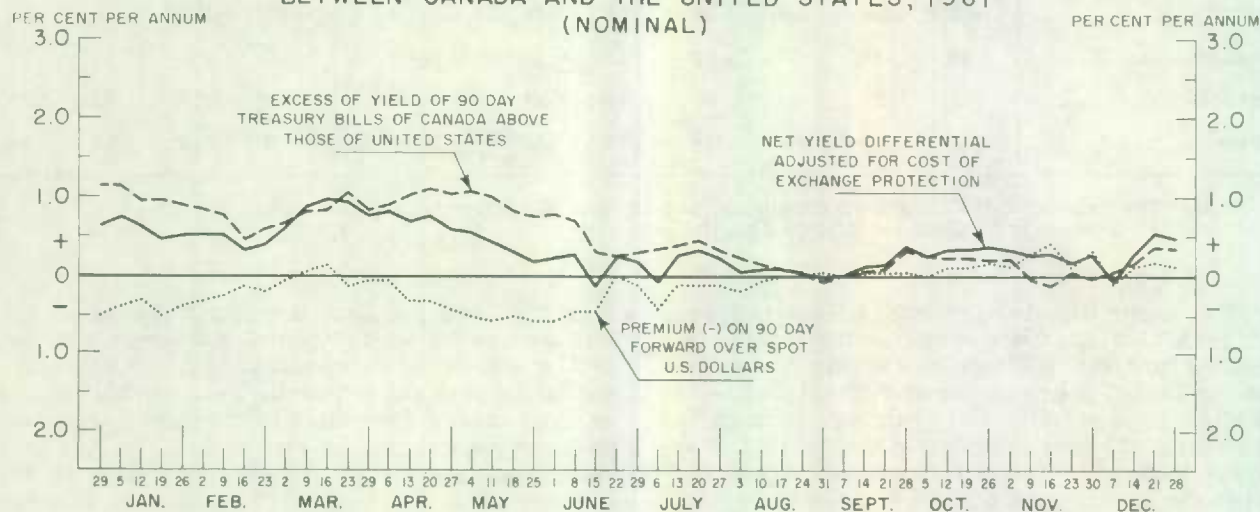
At the close of 1962 non-residents' holdings of Canadian dollars totalled \$540 million including \$66 million of Canadian treasury bills. About \$340 million of this total belonged to residents of the United States. These figures are apart from holdings of international investment agencies. (Changes in these holdings are shown in "Other capital movements"). In addition to treasury bills, Canadian dollar holdings of foreigners took the form of deposits with the chartered banks, the Bank of Canada, and trust companies, as well as some official accounts with the Government of Canada or its agencies.

⁷ Quotations upon which the interest differentials are based are not technically comparable but are sufficiently accurate to illustrate the broad character of the changes.

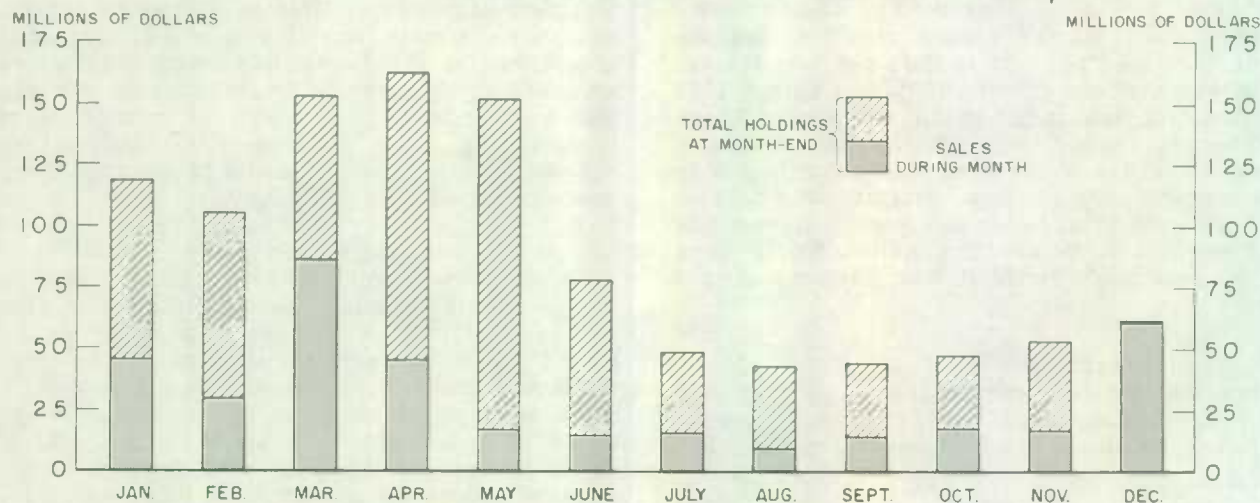
SALES, REPURCHASES AND MATURITIES OF CANADIAN TREASURY BILLS BETWEEN CANADA AND OTHER COUNTRIES, 1961



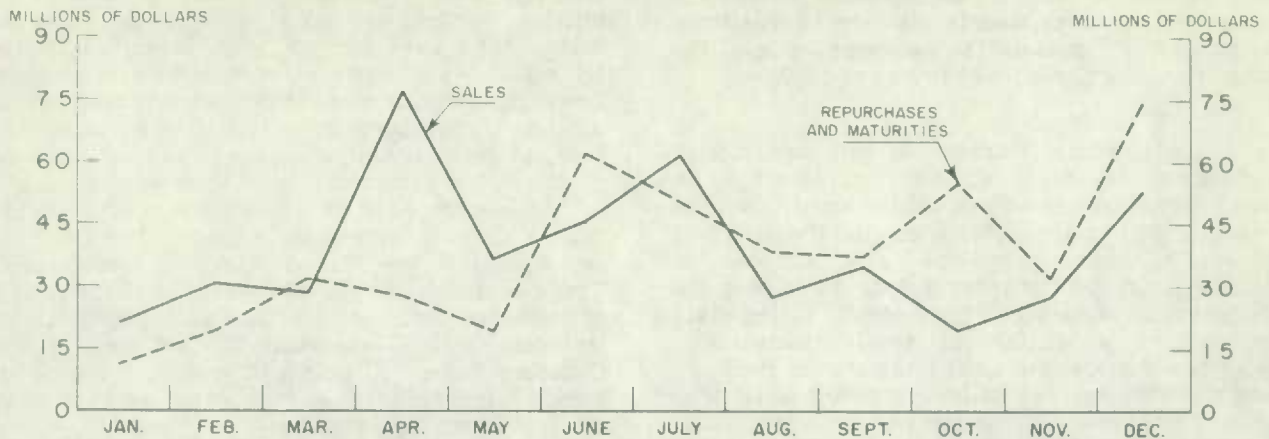
SHORT-TERM INTEREST AND EXCHANGE DIFFERENTIALS BETWEEN CANADA AND THE UNITED STATES, 1961 (NOMINAL)



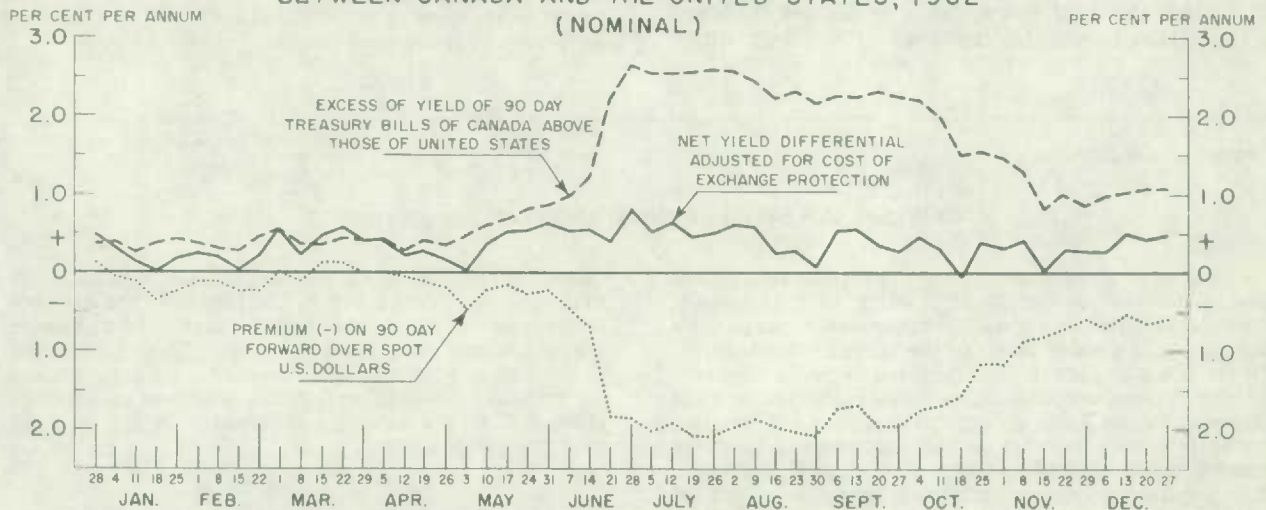
HOLDINGS BY NON-RESIDENTS OF CANADIAN TREASURY BILLS, 1961



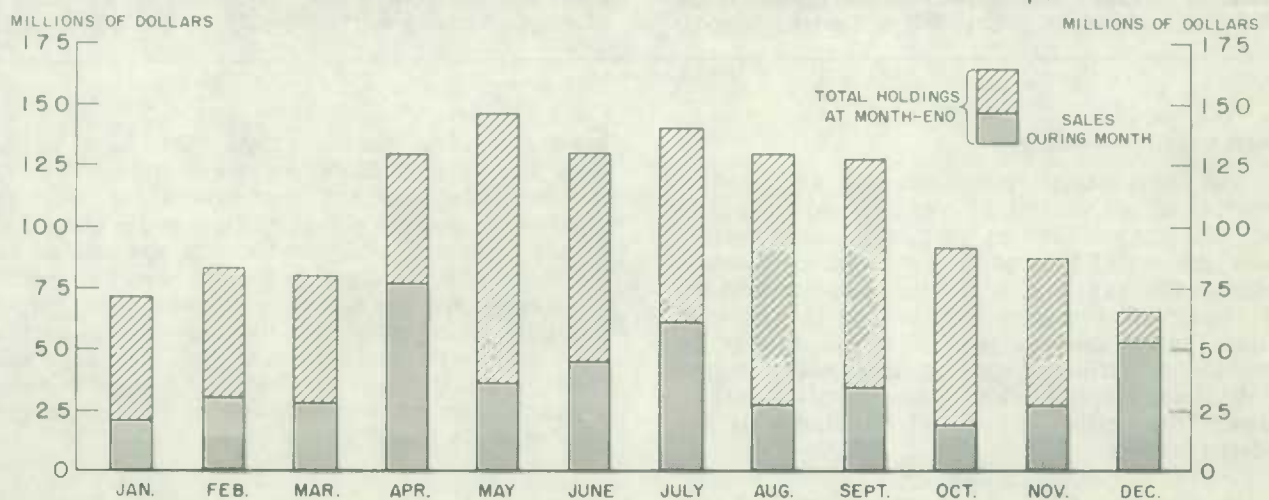
SALES, REPURCHASES AND MATURITIES OF CANADIAN TREASURY BILLS BETWEEN CANADA AND OTHER COUNTRIES, 1962



SHORT-TERM INTEREST AND EXCHANGE DIFFERENTIALS BETWEEN CANADA AND THE UNITED STATES, 1962 (NOMINAL)



HOLDINGS BY NON-RESIDENTS OF CANADIAN TREASURY BILLS, 1962



Change in Official Holdings of Gold and Foreign Exchange

During 1961 and 1962 there were wide fluctuations in official holdings of gold and foreign exchange which culminated in massive international co-operation to maintain the exchange value of the Canadian dollar established in May of 1962.

In 1961 official holdings of gold and foreign exchange increased by \$229 million expressed in Canadian dollars. About \$10 million and \$52 million were provided in the second and third quarters of the year to Australia and the United Kingdom respectively against Canadian dollars drawn from the International Monetary Fund. After taking into consideration a similar but smaller transaction, the increase in Canada's net International Monetary Fund position was \$61 million; therefore apart from these special transactions the rise in official holdings of gold and foreign exchange was \$290 million in 1961. The overall annual change was the largest since the withdrawal of fixed exchange rates in 1951. Over the year there was a small net increase of \$2 million in official holdings of sterling, while

the remainder of the net movement was reflected by increased holdings of gold and United States dollars.

The major factors affecting the change in official holdings of gold and foreign exchange during 1962 have already been described in the Background and Summary section of this chapter. However, it may be noted that apart from the drawing of U.S. \$300 million in various foreign currencies from the International Monetary Fund in the second quarter of 1962, repurchases of their own currencies in the amount of U.S. \$10 million and U.S. \$40 million were made in Canadian funds from the Fund by Australia and United Kingdom respectively. These repurchases were made in the first and second quarters of 1962 before the Fund's holdings of Canadian dollars exceeded 75 per cent of the Canadian quota. After the Canadian purchase of foreign currencies, the Fund's holdings of Canadian dollars were 125 per cent of Canada's quota. Although Canada's net International Monetary Fund position has not been included in this report with the official holdings of gold and foreign exchange, nevertheless, as was demonstrated in 1962, it forms in a very real sense a second line of reserve.

About the figures —

OFFICIAL HOLDINGS OF GOLD AND FOREIGN EXCHANGE

Figures of official holdings of gold and United States dollars are published monthly in the Bank of Canada *Statistical Summary*; the separate components are shown in greater detail in the annual "Supplement" to the Summary, which also includes annual statements of the assets and liabilities of the Exchange Fund Account. Corresponding official holdings of sterling normally appear monthly in the International Monetary Fund's publication, *International Financial Statistics*. The capital movements reflecting changes in official holdings of gold and foreign exchange appear as item D. 16 in estimates of the Canadian balance of international payments. The figures represent the sum of the changes in holdings (expressed in foreign currency)

converted to Canadian dollars at the average noon exchange rate for the month. Consequently the amounts differ from the change in holdings expressed in foreign currencies and also from the change from the beginning to the end of a period in the Canadian dollar equivalent of holdings. Changes in official holdings of gold are attributed in the bilateral statements to the account with the United States.

Corresponding holdings of other foreign currencies of a working balance nature only are not sizable. They have been included with "Bank balances and other short-term funds abroad" in item D. 17.

Other Capital Movements

All other capital movements are estimated to have led to net capital inflows of \$460 million in 1961 and \$253 million in 1962, extending to eight years the run of inflows from this group of transactions. The 1961 inflow greatly exceeded that for all other years including the previous high of \$360 million established in 1959 (although it may be noted that an outflow of a greater magnitude occurred in 1952) and represented a greater capital import on balance than either net direct investment or net security trading.

A summary of the diverse components of this category of the Canadian balance of payments for the years 1956 to 1962 appears in Statement 15 while quarterly details for the years 1960 to 1962

are presented in Statement 15A. Taken as a whole, there have been inflows from these transactions in the second quarter and outflows in the third in eight of the last ten years. While it would seem that seasonal factors are in evidence in the totals, the individual components have not all been obtainable on a quarterly basis with sufficient precision to facilitate examination into their behaviour in the past. However, improvements in coverage and statistical techniques initiated in 1960 will make available more reliable estimates of the components on a quarterly basis.

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

STATEMENT 15. Composition of Other Capital Movements, 1956-62

(A minus sign indicates an outflow of capital from Canada)

Transactions by type and quarter	1956	1957	1958	1959	1960	1961	1962
millions of dollars							
By type							
International financial agencies: ¹							
Canadian dollar subscriptions	- 1	8	- 3	- 178	- 10	- 17	- 49
Short-term Canadian dollar holdings	- 16	- 7	2	181	5	- 43	98 ⁴
Other long-term capital transactions	152	42	100	28	62	132	- 140
Borrowings from non-residents by finance companies	64	7	24	73	70	100	146
Non-resident holdings of commercial paper .....	..	..	..	..	..
Bank balances and other short-term funds abroad (excluding official reserves) ²	- 215	- 274	- 58	- 120	- 60	140	94
All other transactions including changes in loans and accounts receivable and payable ³	168	350	57	376	171	148	104
Totals (Table II, item D 17)	152	126	122	360	238	460	253
By quarter							
First quarter	206	124	131	118	- 77	260	- 26
Second quarter	93	114	19	201	157	144	- 377
Third quarter	- 99 ^f	- 109	- 137	37	- 31	- 189	552
Fourth quarter	- 48	- 3	109	4	189	245	104
Totals (Table II, item D 17)	152^f	126	122	360	238	460	253

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.⁴ Excludes counterpart of special financial assistance to Canada which is included in item D 15.**Note:** For annual detail 1946-55, see Table I in *Canada's Short-term External Assets and Liabilities, 1945-57* (DBS Catalogue No. 67-504).**STATEMENT 15 A. Composition of Other Capital Movements by Quarters, 1960-62**

(A minus sign indicates an outflow of capital from Canada)

Transactions by type	1960				1961				1962			
	I Q	II Q	III Q	IV Q	I Q	II Q	III Q	IV Q	I Q	II Q	III Q	IV Q
millions of dollars												
International financial agencies: ¹												
Canadian dollar subscriptions	-	- 2	- 2	- 6	-	- 9	-	- 8	- 22	- 12	- 7	- 8
Short-term Canadian dollar holdings	-	3	2	-	2	-	- 52	7	33	54 ⁴	1	10
Other long-term capital transactions	3	45	- 2	16	35	11	32	54	- 21	- 141	24	- 2
Borrowings from non-residents by finance companies	- 5	13	6	56	72	15	- 3	16	28	15	35	68
Non-resident holdings of commercial paper .....	..	..	..	..				
Bank balances and other short-term funds abroad (excluding official reserves) ²	32	- 79	- 86	73	142	49	- 124	73	41	- 208	242	19
All other transactions including changes in loans and accounts receivable and payable ³	-107	177	51	50	9	78	- 42	103	- 85	- 85	257	17
Totals (Table IV, item D 17)	- 77	157	- 31	189	260	144	- 189	243	- 26	- 377	552	104

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.⁴ Excludes counterpart of special financial assistance to Canada which is included in item D 15.**Note:** For quarterly totals 1953-55, see *The Canadian Balance of International Payments, 1960 and International Investment Position* (DBS Catalogue No. 67-201).

Many different types of movement, in both directions, contributed to the net inflow of \$132 million in 1961 and the first outflow since 1953 of \$140 million in 1962 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 significant contribution to the net inflow for 1961 were payments re-

ceived under the uranium stretch-out agreements. Receipts under these agreements diminished substantially in 1962. In the latter year about four-fifths of the total net outflow covered substantial repayments of bank loans which were financed from the sale to non-residents of a new corporate bond issue in the second quarter.

*About the figures -***NON-RESIDENT PARTICIPATION IN CANADIAN SHORT-TERM MONEY MARKETS**

Non-resident participation in the short-term money markets in Canada is reflected in several places in the published statements of the Canadian balance of international payments. Transactions in Government of Canada Treasury Bills are included with "Change in Canadian dollar holdings of foreigners" shown as item D. 14 in the capital account. The group of transactions shown under item D. 17 as "Other capital movements" includes transactions in Canadian commercial and finance paper and in other finance company obligations (bank loans, intercompany accounts, notes, etc., which have not been included with the security transactions reflected in items D. 3, 4 and 5). Beginning in 1963 it also includes "buy-back transactions", involving simultaneous purchase and resale contracts, based on Government of Canada securities having an original term over one year; these transactions were not segregated until 1963 from the normal trade in outstanding issues of this type shown in item D. 3.

In general the data for these short-term money market transactions are derived from reports submitted by the security dealers and other financial intermediaries in Canada which are the basis of the monthly series covering security trading between Canada and other countries, for which quarterly totals also appear in items D. 3 and D. 6. These reports are supplemented by some returns from principals.

A special problem arises in the calculation of data covering repurchases and maturities (outflows), because the reporting agencies may not be involved. The estimated repurchases and maturities are, therefore, made up of reported repurchases and an allowance for maturities based on some arbitrary assumptions as to term. In the determination of these assumptions special assistance is obtained from some of the larger firms.

The net export credits extended by Canada directly or indirectly under guarantee at risk of the Government of Canada, as measured for balance of payments purposes, and including both long and short-term credits, amounted to about \$130 million in 1961 and \$60 million in 1962. It may be noted that most of the reduction reflects substantial repayments, some of which have been made in advance of their due date. Net capital outflows originating from these trade credits are smaller than the net credits extended because some paper is rediscounted with non-residents or into Canadian banking assets abroad, while additional amounts are financed by borrowing abroad; such types of financing are estimated to have accounted for about two-fifths of the totals in 1961 and 1962. The net movements remaining after the above financing are included in the items of "Other capital movements" appropriate to their term. This financing contributed in 1962 between \$40 and \$50 million to the outward amount in long-term forms, included in the item "other long-term capital transactions", and somewhat less than half this amount in 1961. (Short-term movements are included in "all other transactions including changes in loans and accounts receivable and payable".)

Important types of Canadian money market instruments, apart from treasury bills (described earlier under "Change in Canadian Dollar Holdings of Foreigners"), are commercial and finance paper. Details of transactions in these instruments are included in the items "borrowings from non-residents by finance companies" and "non-resident holdings of commercial paper". The net capital inflow from these transactions totalled \$100 million and \$146 million in 1961 and 1962 respectively. These amounts were substantially above those for previous years; however, it should be noted that commercial paper borrowings were not included prior to 1961. In 1961 most of the movement occurred in the first quarter when some \$72 million flowed into Canada. Inflows were more evenly spread throughout 1962,

although they were particularly large in the fourth quarter. The borrowings from non-residents include some open account advances from affiliates, but the sale abroad of their long-term debentures has been included with portfolio transactions in corporation bonds and debentures.

An interesting change occurred in 1961 and 1962 in the composition of bank balances and other short-term funds abroad, apart from official holdings of gold and foreign exchange. After five consecutive annual outflows there was a sharp reversal of the trend in both 1961 and 1962 resulting in inflows of \$140 million and \$94 million respectively. These private and banking holdings of exchange amounted to just over \$1 billion at the end of 1962 compared with about \$1.1 billion at the end of 1960. Due to variations in the foreign exchange value of the Canadian dollar, the change in the value of these assets between the end of 1960 and 1962 does not correspond with the capital inflows. Nearly \$150 million of the inflow in the two years was offset by increases in the value of these holdings due to the devaluation of the Canadian dollar over the period. For the most part these assets 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 decrease in these holdings equivalent to about \$94 million in 1962, 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 \$3,488 million to \$3,958 million, while their net foreign assets, after provision for reserves, decreased from \$21 million to a short position of \$82 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 of the banks outside Canada, while some which are in Canada are not assets of Canadian

residents or are associated with loans in foreign currency to Canadian residents. They are accordingly 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 banks.

Figures of bank balances and other short-term funds abroad include holdings by Canadians of foreign treasury bills and similar instruments. 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. As a result of these factors there were at times in 1961 and 1962 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 two-year period Canadians purchased, apart from official and banking funds, substantial amounts of treasury bills and similar short-term securities of the United States and the 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 purchases and resales Canadian holdings fell somewhat during 1961 and recovered most of this decrease in 1962. Movements into United States short-term securities on an interest arbitrage basis were not attractive over the two year period but a con-

siderable outflow occurred in the first half of 1962 which was subsequently largely reversed. The net effect of the movements in 1962 was an increase of almost \$5 million in holdings of United States short-term instruments to between \$35 and \$40 million at the end of the year. Interest arbitrage movements from Canada to the United Kingdom were theoretically advantageous during much of the first quarter of 1961 and in the fall of that year. In 1962 such movements were advantageous during most of the first and last quarters of the year. In both years changes in Canadian holdings of United Kingdom short-term securities were largely in sympathy with the interest arbitrage position. During 1961 Canadian purchases were reported in the first and third quarters, but were permitted to run off in the second and fourth quarters, with a net decrease in holdings over the year of about \$6 million. In 1962 there were purchases reported in the first and fourth quarters and decreases in the rest of the year; holdings rose by somewhat less than \$3 million.

All other movements led to inflows of \$148 million in 1961 and \$104 million in 1962. This category reflects the change in net short-term banking and other loans and accounts payable, including the short-term export credits referred to earlier. In addition it includes the balancing item representing the difference between direct measurements of the current and capital accounts. Increased bank borrowings by Canadians in foreign currencies were of the order of \$175 million in 1962 and all other transactions, including the balancing item, produced a net outflow.

About the figures —

BANK BALANCES AND OTHER SHORT-TERM FUNDS ABROAD (excluding Official Reserves)

For convenience of description these holdings may be divided into two parts, (1) the spot positions or net holdings in foreign currencies of the head offices and branches in Canada of the chartered banks, which are exclusive of the cover for deposit liabilities in foreign currencies, and (2) foreign currency deposits of other residents of Canada whether with banks in Canada or abroad, together with their holdings of foreign treasury bills, etc.

In the case of the net holdings of foreign currencies by the head offices and branches in Canada of the chartered banks, it should perhaps be noted that these institutions have an extensive international banking business. To the extent that foreign currency deposits are obtained from non-residents and employed directly outside Canada, this foreign currency business gives rise to no net capital movements to or from Canada, and it has always been treated in the Canadian balance of payments as "extra-Canadian". This is not the case in the statistics of some other countries where the character of the business of Canadian banks cannot be as clearly distinguished. The difference in treatment affects bilateral statements and sometimes leads to comments on capital "movements" to or from Canada which do not appear in official Canadian statistics.

The net banking position is estimated from data obtained from the banking system and changes in it,

expressed in foreign currency, are converted to Canadian dollars at the average noon rates for the period covered. As the purpose is to measure capital flows, the series used have been selected to eliminate the effects of changes in reserves against foreign currency assets.

The second part of the holdings is more difficult to measure. A considerable part of the balances is reflected on questionnaires collected from some thousands of Canadian corporations, but the schedules do not, of course, cover all the resident holders of foreign currency. A more comprehensive figure of the change may be derived through the use of aggregative banking statistics where these are available. Use is made of the deposit liabilities in foreign currencies payable to residents of Canada at head offices and branches in Canada of Canadian chartered banks together with estimates of additional foreign currency held by residents with institutions directly outside the country. Among the supplementary sources employed in the latter estimates are the data reported by United States banks to the Treasury Department of that country covering their short-term liabilities in United States dollars to residents of Canada other than banks and official institutions. There are included additionally in the series minor working balances of the Bank of Canada and Government of Canada in currencies other than United States dollars and sterling.

CANADA'S INTERNATIONAL INVESTMENT POSITION

General Review

Estimates of the various external assets and liabilities relating to the nation's international investment position are presented in Tables V to XIII at the end of this report and appear in summary form in Statements 16 to 18. The difference between the assets and liabilities is described as the Canadian balance of international indebtedness.⁸ This balance arises from the amount by which foreign investments in Canada and other kinds of liabilities abroad exceed external assets owned by Canadians.

A variety of classifications of the components could be established as the framework for the consideration from different points of view of this aspect of Canada's international economic and financial relationships. For some purposes there would be special interest in 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 and in some of the statements in this section.

Canada's balance of international indebtedness rose by 6½ per cent or \$1.1 billion to \$17.9 billion in 1961. This increase was smaller than for any year since 1955, although the net indebtedness of Canada to investors in other countries has shown a persistent growth from its postwar low of \$3.8 billion in 1949. The principal factors contributing to the growth of this indebtedness are Canada's current account deficit and the net balance of earnings accruing but not paid on foreign investments in Canada less those on Canadian investments abroad. One factor contributing to the more moderate rise in 1961 has been the addition of some quarter of a billion dollars to the value of Canada's external assets resulting from the lower foreign exchange value of the Canadian dollar. Reduced capital inflows and lower income of non-residents reinvested in Canada also contributed to the smaller increase in 1961.

STATEMENT 16. Canada's Balance of International Indebtedness, Selected Year Ends 1926-61

Item	1926	1930	1939	1945	1949	1956	1957	1958	1959	1960	1961
billions of dollars											
Gross liabilities to other countries	6.4	8.0	7.4	8.0	9.3	17.7	19.9	21.8	24.3	26.1	27.8
Gross external assets	1.3	1.5	1.9	4.0	5.5	7.7	8.1	8.4	8.8	9.3	9.8
Net indebtedness	5.1	6.5	5.5	4.0	3.8	10.0	11.8	13.4	15.4	16.8	17.9

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

The major contributor to the increased balance of indebtedness in both the year and the decade has been the expansion in foreign long-term investments in Canada. These have been rising over a long period, being a prominent source of the financing of investment in Canada. Their value totalled \$23.6 billion at the end of 1961, up from \$22.2 billion a year earlier and \$7.1 billion at the beginning of the postwar period. The rates of increase of over 6 per

cent in 1960 and again in 1961 are less than in some earlier periods. The largest parts of the increases in the value of this group of investments have come from inflows of capital to Canada which are reflected in the capital account of the balance of payments. In addition, other significant parts of the growth have originated in the retention in Canada of parts of the earnings on investments accruing to non-residents.

STATEMENT 17. Value of Non-Resident Owned Investments in Canada, Selected Year Ends 1900-61

Owned by residents of	1900 ¹	1914 ¹	1918 ¹	1926	1930	1939	1945	1955	1959	1960	1961
millions of dollars											
United States	188	881	1,630	3,196	4,660	4,151	4,990	10,275	15,826	16,718	17,966
United Kingdom	1,050	2,778	2,729	2,637	2,768	2,476	1,750	2,356	3,199	3,359	3,385
Other countries	14	178	177	170	188	286	352	842	1,832	2,137	2,219
Total book value	1,232	3,837	4,536	6,003	7,614	6,913	7,092	13,473	20,857	22,214	23,570

¹ Privately estimated; for sources see Table XIII.

Most of the recent increases have been due to the expansion in direct investments in business enterprises which are controlled abroad. Totalling \$13.7 billion these make up nearly three-fifths of the total, and have been growing more rapidly over the period than portfolio investments. The increases in direct investments are distributed among primary and secondary industries with gains in manufacturing being almost as large as in the petroleum and mining industries. There were also sizable rises in the financial field, but in merchandising and in utilities other than pipelines the gains were more moderate. There was a proportionately large gain in non-resident holdings of government and municipal bonds, mainly arising from sales of new issues outside of Canada. But in the case of other portfolio investments the increase was relatively small, except in the case of miscellaneous investments which are held mainly through intermediaries.

Investments owned in the United States accounted for most of the increase in the total, rising to \$18.0 billion at the end of 1961 from \$16.7 billion in 1960. The direct investment group with a book value of \$11.3 billion was again the main source of the rise, with other substantial gains in United States holdings of Canadian government and municipal bonds, other portfolio holdings and miscellaneous investments. Investments owned in the United Kingdom rose only moderately in 1961 to a

total of \$3.4 billion, and investments owned in other countries showed a somewhat larger gain to a total of \$2.2 billion.

Other liabilities to non-residents brought Canada's total external liabilities at the end of 1961 to \$27.8 billion. Canadian long-term investments abroad totalled about \$6.1 billion (about \$1.6 billion of them being directly offset by items included among other liabilities to cover the equity in them of non-residents, or by short-term Canadian dollar liabilities arising from Canada's subscriptions to international financial agencies). They include \$4.1 billion of private direct and portfolio investments 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 \$9.8 billion.

It may be noted that 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.

**STATEMENT 18. Value of United States Investments in Canada,
Selected Year Ends 1926-61**

Classification	1926	1930	1945	1949	1956	1957	1958	1959	1960	1961
	millions of dollars									
Direct investment	1,403	1,993	2,304	3,095	7,392	8,472	9,045	9,912	10,549	11,284
Government and municipal bonds	909	1,205	1,450	1,534	1,872	2,061	2,344	2,764	2,903	3,049
Other portfolio investments	799	1,368	1,106	1,107	1,802	1,987	2,174	2,242	2,349	2,533
Income accumulating investment funds	—	—	—	—	249	255	342	321	264	266
Miscellaneous investments	85	94	130	170	474	489	536	587	653	834
Total book value	3,196	4,660	4,990	5,906	11,789	13,264	14,441	15,826	16,718	17,966

Foreign Financing of all Canadian Investment

Statements 19 and 20 show the heightened importance of non-resident investment in Canada in the past decade or so. Over the period 1950 to 1955 Canada's net use of foreign resources amounted to about one-fifth and (direct) foreign financing to one-third of net capital formation. For the period 1956 to 1960, years of intense capital formation, these ratios rose to more than one-third and well over two-fifths respectively. In the following two years, the financing of net capital formation directly

by non-residents was practically unchanged, but the percentage use of foreign resources declined one-fifth to 29 per cent, in reflection mainly of the sharp narrowing in Canada's current account deficit with the rest of the world.

The specific significance of these measures together with their definitions is described in "About the figures—Foreign Financing of All Canadian Investment", found on page 50 of the 1960 edition of *The Canadian Balance of International Pay-*

ments and International Investment Position. As indicated by ratio A2, Canadian savings were adequate to finance 64 per cent of net capital formation between 1956 and 1960 and 71 per cent during 1961 and 1962. But not all domestic savings were used for new investment in Canada. A portion of Canadian savings was, for example, invested abroad, while some savings were employed for the

retirement of debts contracted abroad in earlier periods. Accordingly, Canadian savings directly financed since 1956 a smaller part of net capital formation in Canada, i.e. roughly 55 per cent, and direct foreign financing in ratio B2 accounted for the remaining 45 per cent. Comprised in these non-resident savings were retained earnings generated within the Canadian economy.

STATEMENT 19. Foreign Financing of all Canadian Investment, 1946-62

Measure	1946-1949	1950-1955	1956-1960	1961-1962
	percentages			
A. Use of foreign resources as a percentage of:				
1 gross capital formation	—	17	28	24
2 net capital formation	— 11	19	36	29
B. Direct foreign financing of:				
1 gross capital formation	19	25	33	32 ¹
2 net capital formation	24	33	45	46 ¹

¹ The incidence of an unusually large takeover transaction and of a new issue placed abroad by the Government of Canada has been eliminated.

Note: For a description of statistical methods, see "About the figures—Foreign Financing of All Canadian Investment" in *The Canadian Balance of International Payments, 1960 and International Investment Position*, p. 50.

STATEMENT 20. Use of Foreign and Domestic Resources in Gross Capital Formation in Canada, 1946-62

Year	Gross capital formation	Net use of domestic resources	Net use of foreign resources ¹
	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	5.5	.5
1953	6.6	5.4	1.1
1954	5.6	4.4	1.2
1955	6.6	4.9	1.6
1956	9.1	6.6	2.5
1957	8.9	6.4	2.6
1958	8.0	6.0	2.1
1959	8.9	6.3	2.6
1960	8.6	6.3	2.3
1961	8.0	6.0	2.1
1962	9.3	7.3	2.0

¹ For definition see measure A1 in the source referred to in footnote to Statement 19.

Canada was a net exporter of capital in the immediate postwar years 1946 to 1949, and also for some years before not shown in Statement 20. In this period no net foreign resources were utilized in domestic capital formation, as Canada on balance was able to invest abroad. Direct foreign financing was still about a quarter of net capital formation, however. With the turn of the decade, the tempo of foreign investment in Canada increased. The use of foreign resources as a proportion of gross investment averaged 17 per cent for the first half of the fifties, rose to 28 per cent in the latter half, before declining to 24 per cent in the years 1961 and 1962.

The ratios to net capital formation for these three periods were 19 per cent, 36 per cent and 29 per cent. A third of gross capital formation was financed directly in recent years by foreign capital, as compared with a fifth in the early postwar years, and direct foreign financing of net investment almost doubled from 24 per cent to 46 per cent over the span of years. Around 1929 and 1930, however, foreign capital was relatively even more important than in recent years. Direct foreign financing was estimated to represent at least one-half of net capital formation.

Distribution of Ownership of Net Canadian Long-Term Funded Debt

Statement 21 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 1960 (net of sinking funds). Over this period of six years, outstanding funded debt is estimated to have risen by 42 per cent to \$33.9 billion of which about 13 per cent provided for payment solely or optionally in foreign currency. At the end of 1960 such issues accounted for one per cent of Government of Canada debt (excluding railway debt), 24 per cent of provincial debt, 25 per cent of municipal debt, 19 per cent of railway debt, and 20 per cent of other corporate

funded debt. They represented 22 per cent of all funded debt other than Government of Canada direct issues. Total non-resident ownership rose by 59 per cent to \$6.1 billion. Perhaps one-third of this total represented investment from the United States by 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, 27 per cent of provincial debt, 29 per cent of municipal debt, 21 per cent of railway debt and 30 per cent of other corporate funded debt. This was 18 per cent of all funded debt or 28 per cent of all funded debt except Government of Canada direct issues.

STATEMENT 21. Estimated Distribution of Ownership of Net Canadian Long-Term Funded Debt
Classification by Currency of Payment, End of 1954 and 1960

Debtor and currency	Amounts outstanding		Distribution of ownership							
			Canada		United States		United Kingdom		Other countries	
	1954	1960	1954	1960	1954	1960	1954	1960	1954	1960
millions of dollars										
Government of Canada, direct and guaranteed excluding railways:										
Payable in Canadian dollars only ¹	12,640	13,917	12,284	13,424	265	290	22	25	69	178
Payable in foreign currencies only	392	183	97	65	242	92	49	23	4	3
Payable optionally in Canadian or foreign currencies	9	—	1	—	8	—	—	—	—	—
Sub-totals	13,041	14,100	12,382	13,489	515	382	71	48	73	181
Provincial, direct and guaranteed excluding railways:										
Payable in Canadian dollars only	2,543	4,660	2,456	4,496	45	92	30	44	12	28
Payable in foreign currencies only	512	1,353	1	5	510	1,335	1	—	—	13
Payable optionally in Canadian or foreign currencies	388	132	22	12	359	117	7	3	—	—
Sub-totals	3,443	6,145	2,479	4,513	914	1,544	38	47	12	41
Municipal:										
Payable in Canadian dollars only	1,491	2,686	1,389	2,534	72	117	26	24	4	11
Payable in foreign currencies only	285	839	14	1	267	827	3	5	1	6
Payable optionally in Canadian or foreign currencies	87	57	27	21	54	33	6	3	—	—
Sub-totals	1,863	3,582	1,430	2,556	393	977	35	32	5	17
Railways:										
Payable in Canadian dollars only	895	1,890	850	1,818	30	18	7	12	8	42
Payable in foreign currencies only	422	413	—	—	133	133	287	278	2	2
Payable optionally in Canadian or foreign currencies	253	36	116	22	111	1	4	—	22	13
Sub-totals	1,570	2,339	966	1,840	274	152	298	290	32	57
Other corporations:										
Payable in Canadian dollars only	3,193	6,190	2,779	5,331	249	570	142	198	23	91
Payable in foreign currencies only	689	1,382	9	42	664	1,305	11	14	5	21
Payable optionally in Canadian or foreign currencies	86	146	18	36	68	105	—	2	—	3
Sub-totals	3,968	7,718	2,806	5,409	981²	1,980²	153	214	28	115
Total bonds and debentures:										
Payable in Canadian dollars only	20,762	29,343	19,758	27,603	661	1,087	227	303	116	350
Payable in foreign currencies only	2,300	4,170	121	113	1,816	3,692	351	320	12	45
Payable optionally in Canadian or foreign currencies	823	371	184	91	600	256	17	8	22	16
Totals	23,885	33,884	20,063	27,807	3,077	5,035	595	631	150	411

¹ Excludes treasury bills and notes 1954 1960
1,530 1,985

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

Payable in Canadian dollars only	7	20
Payable in foreign currencies only	142	98
Payable optionally in Canadian or foreign currencies	39	32
Totals	188	150

Financial Institutions and Companies

Details of the components of the financial category of the international investment statistics for the end of 1956, 1960 and 1961 are given in Statement 22. This group of investments has grown very rapidly. Foreign investments in the group totalled \$595 million at the end of 1951 when they

represented more than 6 per cent of total foreign long-term investment in Canada. The total of \$2,614 million a decade later represents a rise to over 11 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 22. Detail of Foreign Investment in Financial Category, Selected Year Ends 1956-61

Type	Direct investment											
	United States			United Kingdom			Other countries			Total		
	1956	1960	1961	1956	1960	1961	1956	1960	1961	1956	1960	1961
millions of dollars												
Banks, trust, finance, mortgage companies, investment services, brokers, insurance agents	271	502	559	18	30	35	40	58	58	329	590	652
Insurance companies	228	461	486	56	88	129	27	61	66	311	610	681
Real estate companies	29	49	104	13	45	48	23	47	53	65	141	205
Other holding companies	23	16	22	28	35	34	62	72	66	113	123	122
Totals as in Table X	551	1,028	1,171	115	198	246	152	238	243	818	1,464	1,660
Total (Direct and portfolio investment)												
	United States			United Kingdom			Other countries			Total		
	1956	1960	1961	1956	1960	1961	1956	1960	1961	1956	1960	1961
	millions of dollars											
Banks, trust, finance, mortgage companies, investment services, brokers, insurance agents	378	733	849	151	244	241	48	81	79	577	1,058	1,169
Insurance companies	282	499	499	61	91	131	29	62	67	372	652	697
Real estate companies	37	62	127	21	73	77	37	67	69	95	202	273
Income accumulating funds ¹	249	264	266	²	²	²	²	²	²	249	264	266
Other holding companies	37	29	32	51	61	63	107	114	114	195	204	209
Totals as in Table IX	983	1,587	1,773	284	469	512	221	324	329	1,488	2,380	2,614

¹ Investment in Canadian securities only.

² Minor investment by United Kingdom and other countries is included with "Other holding companies".

Miscellaneous Investments

Statement 23 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 \$1,681 million is represented by investment in Canadian securities, conservatively estimated at \$996 million at the end

of 1961. Perhaps two-thirds of this covers investment in Canadian stocks, some of public companies, some of private, and the balance investment in Canadian bonds. The next largest component is investment in mortgages on Canadian real estate, totalling \$440 million; most of this investment is by United States financial institutions. Real estate and all other investments in Canada held through these channels totalled \$245 million.

The 1960 report in this series contained a note "About the figures—Miscellaneous Investments".

**STATEMENT 23. Detail of Foreign Investment in "Miscellaneous Investments"¹ Category
Year Ends 1956-61²**

Type	Year end						Country of ownership					
							1960			1961		
	1956	1957	1958	1959	1960	1961	United States	United Kingdom	Other countries	United States	United Kingdom	Other countries
	millions of dollars											
Canadian securities	413	479	613	785	863	996	146	181	536	215	191	590
Mortgages on Canadian real estate	250	255	295	310	355	440	349	3	3	434	3	3
Real estate in Canada	125	115	115	150	160	180	130	15	15	145	16	19
Other investments	30	30	40	40	50	65	28	12	10	40	13	12
Totals as in Tables VIII and IX	818	879	1,063	1,285	1,428	1,681	653	211	564	834	223	624

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

² For years 1952-55, see Statement 25, *The Canadian Balance of International Payments, 1960 and International Investment Position*.

Number of Concerns

Table XI shows the number of Canadian concerns controlled abroad, which rose to 7,250 by the end of 1961. The increase during the year was 318. As seen in Statement 24 the Bureau's records covered more than 10,000 Canadian concerns in

which non-resident capital was directly or indirectly invested in significant amounts at the end of 1961. The total number of Canadian corporations of all sorts at the beginning of that year was about 125,000. Statement 24 also shows the great corporate activity in the field of foreign investment.

STATEMENT 24. Change in Recorded Number of Canadian Concerns in which Foreign Capital is Invested, 1960 and 1961

Item	Controlled in					
	United States	United Kingdom	Other foreign countries	All foreign countries	Canada	Total
1960						
Number at beginning of year	4,917	1,277	518	6,712	2,483	9,195
Add						
New concerns with foreign capital	+ 302	+ 75	+ 58	+ 435	+ 120	+ 555
Transfers of control	+ 23	+ 11	+ 7	+ 41	+ 14	+ 55
Subtract						
Transfers of control	- 17	- 3	- 3	- 23	- 32	- 55
Concerns now wholly-owned by Canadians	- 19	- 5	- 2	- 26	- 10	- 36
Concerns liquidated, merged, etc.	- 168	- 39	- 18	- 225	- 44	- 269
Add						
Net increase in Canadian subsidiaries of these concerns	+ 40	+ 56	+ 20	+ 116	+ 52	+ 168
Number at end of year (Table XI)	5,078	1,372	580	7,030	2,583	9,613
1961						
Number at beginning of year	5,078	1,372	580	7,030	2,583	9,613
Add						
New concerns with foreign capital	+ 246	+ 38	+ 23	+ 307	+ 56	+ 363
Transfers of control	+ 31	+ 13	+ 10	+ 54	+ 33	+ 87
Subtract						
Transfers of control	- 40	- 12	- 6	- 58	- 29	- 87
Concerns now wholly-owned by Canadians	- 23	- 6	- 5	- 34	- 32	- 66
Concerns liquidated, merged, etc.	- 170	- 50	- 22	- 242	- 50	- 292
Add						
Net increase in Canadian subsidiaries of these concerns	+ 83	+ 68	+ 42	+ 193	+ 74	+ 267
Number at end of year (Table XI)	5,205	1,423	622	7,250	2,635	9,885

Note: These numbers exclude about 270 non-resident owned investment corporations whose Canadian assets are measured indirectly and are a component of the "Miscellaneous Investments" group.

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 1961 and some earlier years appear in Statements 25 to 27, 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 at the end of 1961. Canadian capital invested abroad in other forms is shown in Tables V and VII, with a more extended note later in the text on Canadian portfolio investment in stocks of United States corporations.

**STATEMENT 25. Canadian Direct Investment Abroad, Geographical Distribution,
Selected Year Ends 1949-61**

Area	1949	1954	1958	1959	1960	1961
millions of dollars						
United States	721	1,231	1,440	1,498	1,632	1,747
United Kingdom	59	119	200	235	257	288
Latin America	47	77	137	161	158	153
Other America	25	55	155	168	173	176
Africa	20	48	64	65	68	44
European Economic Community (Common Market)	19	34	62	41	45	60
Other Europe				36	45	34
Australasia	25	40	56	65	71	76
Asia	10	15	35	26	32	41
Totals	926	1,619	2,149	2,295	2,481	2,619

Note: For industrial distribution see Statement 27 and Table VII.

**STATEMENT 26. Canadian Direct Investment in European Economic Community (Common Market)
End of 1960 and 1961**

Country	1960	1961
millions of dollars		
France	24	28
West Germany	10	16
Italy	8	12
Belgium and Luxembourg	2	2
Netherlands	1	2
Totals	45	60

**STATEMENT 27. Canadian Direct Investment Abroad, Industrial Detail, End of 1954
1960 and 1961**

Classification	United States			United Kingdom			Other Commonwealth countries			Other countries			Total		
	1954	1960	1961	1954	1960	1961	1954	1960	1961	1954	1960	1961	1954	1960	1961
millions of dollars															
Railways	273	271	278	—	—	—	—	—	—	—	—	—	273	271	278
Other utilities	117	103	135	1	14	12	4	10	15	32	58	58	154	185	220
Industrial and commercial	686	971	1,016	118	240	271	74	121	97	57	150	181	935	1,482	1,565
Mining	39	53	50	—	—	—	60	156	145	34	66	45	133	275	240
Petroleum ¹	106	170	190	—	—	—	—	—	—	6	14	14	112	184	204
Financial	3	25	37	—	2	2	—	3	4	—	2	2	3	32	45
Other	7	39	41	—	1	3	—	9	19	2	3	4	9	52	67
Totals	1,231	1,632	1,747	119	257	288	138	299	280	131	293	304	1,619	2,481	2,619

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

Equity of Non-Residents in Canadian Assets Abroad

Non-residents 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.⁹ 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 28. The total capital at the disposition of Canadian direct investment companies abroad is 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

⁹ 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.

balance of payments is an important criterion for inclusion of investments abroad of Canadian companies.

There are other important instances where investments outside Canada of Canadian companies or of branches of non-resident concerns are excluded from the statistics of Canadian 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 about \$3 billion and are quite apart from the substantial assets of nearly \$6 billion 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 fell not far short of \$10 billion at the end of 1961.

**STATEMENT 28. Non-Resident Equity and Control of Canadian Direct Investment Abroad,
Selected Year Ends 1954-61**

Item	1954		1958		1959		1960		1961	
	Millions of dollars	Per cent	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	778	36	835	36	947	38	995	38
United Kingdom residents	76	5	79	4	85	4	86	3	88	3
Other non-residents	35	2	69	3	72	3	91	4	99	4
Sub-totals, non-residents	595	37	926	43	992	43	1,124	45	1,182	45
Canadian residents	1,024	63	1,223	57	1,303	57	1,357	55	1,437	55
Totals	1,619	100	2,149	100	2,295	100	2,481	100	2,619	100
Control										
United States controlled Canadian companies	425	26	798	37	847	37	967	39	957	36
Other foreign controlled Canadian companies	12	1	23	1	31	1	74	3	97	4
Sub-totals, foreign control	437	27	821	38	878	38	1,041	42	1,054	40
Canadian controlled companies and resident Canadian individuals	1,182	73	1,328	62	1,417	62	1,440	58	1,565	60
Totals	1,619	100	2,149	100	2,295	100	2,481	100	2,619	100

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

Canadian Portfolio Investment in Stocks of United States Corporations

In the last few years there has been developing a sharp increase in Canadian interest in stocks of United States and European companies. This section presents new data on Canadian portfolio investments in United States equities.

Statement 29 presents estimates of the book values of Canadian holdings of United States stocks

at selected year ends from 1939 to 1961, together with some related series for the years from 1955. Statement 30 provides detail for the end of 1960 of the industrial and size distributions, by book and market values, of holdings by all Canadian residents. A supplementary analysis has revealed that about 80 per cent of the book value of Canadian portfolio investment in United States stocks at the end of 1960 was channelled into enterprises having branches, subsidiaries or affiliates in Canada.

STATEMENT 29. Canadian Portfolio Holdings of United States Corporation Stocks
Book Values at Selected Year Ends 1955¹ - 61 and Related Data

Year end	Book value	Transactions			Received through exchange offers	Reclassifications, etc. ²	Other ³ factors	Net dividends received
		Out-standing issues	New issues	Retire-ments				
	millions of dollars							
1955	539	- 26	4	- 2	7	2	64	26
1956	569	- 5	4	-	5	-	26	27
1957	593	- 47	8	-	4	2	57	28
1958	659	- 10	4	-	2	38	32	29
1959	734	24	7	- 1	6	-	39	32
1960	827	2	7	- 2	3	-	83	34
1961	938	6	6	-	8	- 6	97	39

¹ Year end book values in millions of dollars for 1939 and 1945 were 380 and 317; and for the period 1951 to 1954 were 289, 450, 469 and 490.

² Includes minority ownership in companies previously controlled by residents of Canada.

³ Includes earnings ploughed back and variations due to exchange rate and market fluctuations.

Canadian holdings of United States stocks were built up over a long period and for diverse reasons. Before the growth of the Canadian capital market greater opportunities for investment in some types of securities existed in capital markets abroad, particularly in periods of abnormal investment or speculative activity such as occurred in the twenties. Over the years some United States securities have been regarded as the most satisfactory vehicle for participation in particular Canadian industries; holdings have also been acquired under mergers in exchange for interests in Canadian concerns, and under stock option and employee stock purchase plans extended to staffs of Canadian subsidiaries. Inheritances from relatives abroad have led to ownership by Canadians of a greater variety of foreign securities than might normally have been bought by them. Still further ownership has originated in the immigration to Canada of persons of means.

Many holdings by Canadians were acquired in the twenties when interest in the New York Stock Exchange was high. With the collapse of the New

York stock market in 1929 there was a contraction in Canadian holdings and the trend in the thirties was generally downward. In the case of United States securities a less clear-cut trend was evident in the period of exchange control from the outbreak of World War II to the end of 1951. During this period there were restrictions on the export of capital from Canada and Canadians tended, on balance, to liquidate holdings. But at the same time the book value of Canadian holdings rose substantially as a result of the high earnings of United States companies in the period and of their tendency to plough back some part. There were also times when Canadians increased holdings through permitted switchings of securities.

During the fifties when there was a very high level of investment activity in Canada, the tendency to liquidate holdings of United States stocks continued, although the book value of holdings rose under the influence of retained earnings. Another likely factor in this process was the special tax credit available from 1948 to Canadian residents on dividends from taxable Canadian corporations.

STATEMENT 30. Canadian Portfolio Holdings of United States Corporation Stocks, Industrial and Size Distribution, End of 1960

Industry	Number	Book value	Market value	Size of total Canadian holdings by book value	Number	Book value	Market value
		millions of U.S. dollars				millions of U.S. dollars	
Pulp and paper	10	77	229	Over \$10 million	12	267	498
Automobiles	5	55	90	Between \$5-\$10 million	21	150	298
Petroleum	39	147	191	Between 3- 5 "	28	100	158
Industrials n.i.e.	271	316	676	Between 2- 3 "	34	80	132
Transportation	48	72	26	Between 1- 2 "	71	99	167
Utilities	53	95	169	\$1 million and under	315	109	205
Merchandising	30	16	24	Holdings n.i.e. (say) .....	...	25	45
Financial	25	27	53	Totals	481+	830	1,503
Holdings n.i.e. (say) .....	...	25	45	Canadian dollar equivalent	481+	827	1,498
Totals	481+	830	1,503				

The long period of repatriation of Canadian investments in United States stocks came to an end in 1959 and since then Canadians have added significantly to their holdings through net purchases. Contributing to this development have been the

emergence of new investment media specifically designed to facilitate Canadian investment in foreign securities, and diversification into foreign investment by some media previously directed largely to Canadian issues.

About the figures -

CANADIAN PORTFOLIO INVESTMENT IN STOCKS OF UNITED STATES CORPORATIONS

Data covering Canadian portfolio investments in United States stocks are obtained by surveys carried out at irregular intervals. Estimates of the value of holdings for other year-ends are projected on the basis of reported transactions and estimates of the effects of retained earnings, exchange rate variations and other factors.

The most detailed information available on Canadian holdings of foreign securities relates to 1939 when an analysis was made of the declarations of Canadian holdings required under the Foreign Exchange Control Order. At that time Canadian portfolio investments in United States stocks had a book value of \$380 million. These totals comprised a great variety of United States stocks, although holdings for a relatively small number of issues of prominent United States corporations constituted a large part of the total. About 70 per cent of the total of \$380 million of United States stocks held at that time was made up of industrial and commercial issues and 15 per cent was in public utility issues other than railroads. The remainder was distributed in smaller amounts among railroads, mines, and financial and other companies.

A survey of Canadian holdings of stocks of about 115 United States companies was carried out in 1953-1954, and was the basis of a new estimate of \$450 million for holdings of United States stocks in 1952. This survey concentrated on stock issues which were held by Canadians in substantial amounts in 1939. It showed that changes in holdings of individual issues varied greatly in both direction and rate. Among issues showing reduced holdings were railroads and public utilities in which the market interest had been less than in the case of the market leaders which were featured in the group of stocks where Canadian holdings had risen.

A new survey of holdings was carried out in 1961-1962. Within this period about 500 United States corporations were requested to supply figures of the number of their shares held by residents of Canada. This list included the companies surveyed previously, other United States companies whose stocks are inter-listed on Canadian and United States stock exchanges, companies in which Canadians were known to have acquired blocks of stocks through takeover offers, and a selection of other important United States companies from FORTUNE'S lists of the 500 largest United States industrial corporations and the 50 largest banks, merchandising, transportation, life insurance and utility companies. The response to the latest survey was well over 90 per cent. The accompanying statements provide detail of the new estimate of \$827 million established for the end of 1960.

This figure reflects an increase of \$337 million in the book value of holdings from \$490 million at the end of 1954, some \$50 million higher than the projected change. In the six-year period Canadians sold on balance about \$62 million of holdings (at market values). They acquired some \$34 million of new issues, and about \$5 million of existing holdings were retired. These transactions accordingly reflected a net disposal of holdings (on a transactions value basis) of \$33 million. Some \$27 million of United States stocks was acquired by residents under offers in exchange for Canadian investments, transactions which are not recorded in the capital account of the balance of payments. A further addition of about \$42 million was made to Canadian portfolio holdings of United States stock as the result of shifts in the position of Canadian investors to a minority role in some corporations which had previously been controlled by Canadians and shown as direct investments. All the foregoing factors together would

account for an increase in Canadian holdings of about \$36 million, or perhaps \$45 million on a book value basis. Allowance for variations in the exchange rate would add \$12 million to the Canadian dollar value of holdings, leaving an increase of about \$275 million attributable to internally generated growth through the retention of earnings.

The estimate for the end of 1954 of \$505 million, expressed in United States funds, was based on a total of \$421 million covered through returns from the 115 United States corporations which participated, plus the provision of a further net amount estimated at \$84 million to cover holdings in other corporations and adjustments arising from nominee holdings. By comparison the estimate for 1960 was based on a total of \$488 million then invested in the group also covered for 1954, plus \$317 million for 369 companies newly approached, and an allowance of \$25 million for other holdings.

Holdings of United States stocks covered in these estimates are confined to those owned beneficially by residents of Canada. Substantial additional amounts are

held by Canadian intermediaries for the benefit of non-residents of Canada.

The book values used in the construction of the estimates are derived from the financial statements of the companies concerned. They take account of the paid-in capital, and earned (appropriated or unappropriated), appraisal or similar capital surpluses, less any accumulated deficit, on the basis of the consolidated balance sheet. They bear no relationship to the cost or carrying value which might be recorded by the investor. The market values are based upon the reported average price for the last day of trading in 1960. The resulting figures have, in each case, been converted to Canadian dollar equivalents at the appropriate exchange rate.

The benchmark estimates are important, not only for the new detail which they reveal in themselves, but also as the basis for future estimates of income receipts from these holdings, capital flows arising from offerings to shareholders, retirements, etc. It will be noted that they are made possible through the voluntary co-operation of a large number of United States corporations whose assistance is gratefully acknowledged.

Foreign Ownership and Control¹⁰ of Canadian Industry

The estimates appearing in Tables XII to XVI and in the statements in this section bring forward to the end of 1961 book value data which show the relative positions of Canadian and foreign investment in Canadian industry and commerce.¹¹ In the two years for which data have become available, there has been a growth of \$4.6 billion or more than 10 per cent in the estimated total capital employed in the selected areas of Canadian industry for which measurements have been possible, e.g. manufacturing, petroleum and natural gas, mining and smelting, railways, other utilities, merchandising and construction. Non-resident owned capital financed \$1.7 billion of the increase, and this was also the amount of the increase attributable to externally controlled enterprises. These amounts were somewhat smaller than in the previous two-year period reviewed in the last report but they represented larger proportions of the growth.

Taken as a group, the proportion of these industries owned by non-residents remained at 34 per cent, unchanged since 1957. The share of United States investors which had been 26 per cent since

1956 rose to 27 per cent in 1960. Foreign ownership of manufacturing has risen in the years 1960 and 1961 from 51 per cent to 54 per cent, while in mining and smelting the non-resident owned proportions have risen from 58 per cent to 62 per cent, with some very large increases reflecting the development of iron ore properties and ancillary facilities. Non-resident ownership in the petroleum and natural gas industry fell from 62 per cent to 60 per cent, with Canadian ownership playing 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 by two percentage points to 25 per cent. There was also a small reduction to 13 per cent in the non-resident owned proportion of utilities other than railroads.

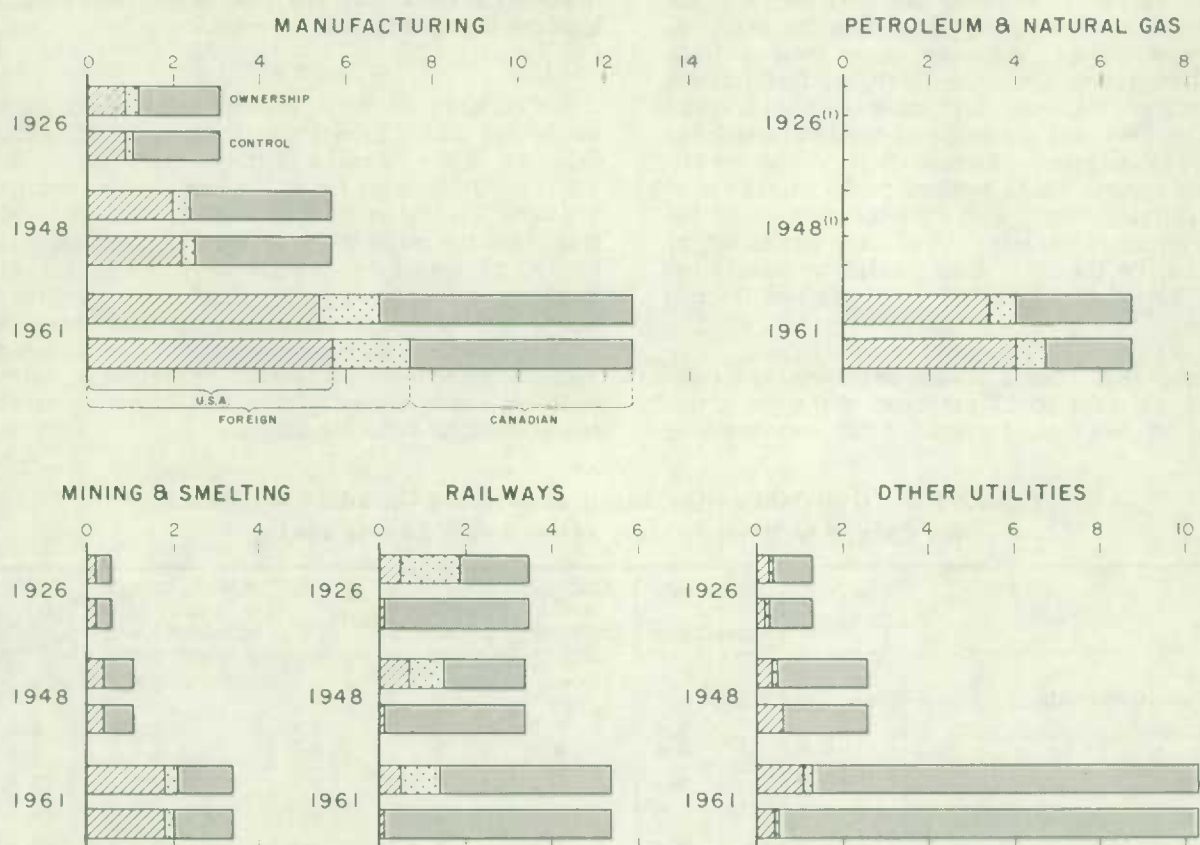
Similar tendencies are evident in series covering foreign control of these sectors. In the whole group of industries for which estimates are possible, the foreign controlled share, which had been 32 per cent since 1957, edged up by one percentage point in 1960, but with the United States proportion unchanged since 1958 at 26 per cent. In manufacturing non-resident control rose in the two-year period from 57 per cent to 59 per cent, but control of the petroleum and natural gas industry fell from 73 per cent to 69 per cent for the reason indicated above. The foreign controlled proportion of mining and smelting declined in the two years from 61 per cent to 59 per cent. This change was in contrast to the increase of four percentage points in foreign ownership in this area. While there was a substantial growth in new projects owned and controlled by non-residents, the control of some enterprises in which there had been significant minority Canadian investment shifted from foreign to Canadian interests. Foreign control of the other sectors for which ownership ratios have been given above remained unchanged.

¹⁰ The term "control" as used throughout this report relates to the aggregate investments in Canada in companies whose principal owners are non-residents. Most instances are subsidiaries or branches of business enterprises located outside Canada. The essential characteristic of the group of companies is a relationship implying potential control. No attempt is made in classifying companies to measure the actual exercise of control in practice. A detailed description of the principles followed in classifying companies in the direct investment group appears in the note "About the figures—Foreign Ownership and Control".

¹¹ Changes in industrial classifications in certain series used in the construction of the estimates appear to have given rise to some discontinuities for which adjustments have been made wherever possible. Some of the remaining changes may reflect those in the statistical source material. (For a technical note on the statistics see *The Canadian Balance of International Payments, 1960 and International Investment Position*, DBS Catalogue No. 67-2011, pp. 62-63).

OWNERSHIP AND CONTROL OF SELECTED CANADIAN INDUSTRIES

BILLIONS OF DOLLARS

TOTAL OF INDUSTRIES SHOWN AND MERCHANDISING⁽²⁾

(1) Data not available separately until 1954 (refining previously included with manufacturing; exploration and development with mining and smelting; transportation with other utilities; marketing and distribution with merchandising). Aggregate book value estimates 1930—\$0.3 billion; 1945—\$0.4 billion; 1954—\$2.5 billion.

(2) Time intervals vary. Years selected on the basis of availability and growth phases.

In longer perspective, foreign ownership of Canadian manufacturing has increased gradually from 38 per cent in 1926 to 54 per cent in 1961 and control has expanded from 35 per cent to 59 per cent. Foreign ownership of mining and smelting has also reflected an almost uninterrupted growth from 37 per cent in 1926 to 62 per cent in 1961 and control has risen from 38 per cent to 59 per cent, which however was somewhat lower than in 1959. Apart from these industries there has developed a substantial petroleum and natural gas industry which in 1961 was 60 per cent foreign owned and 69 per cent foreign controlled. Both foreign ownership and control which reached peaks in 1956 have been declining since, with the expansion of natural gas enterprises largely owned and controlled by residents. 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 27 per cent of the industries covered in these comparisons, while ownership by

other non-residents has fallen relatively from 18 per cent to 7 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 7 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, are found in Table XVI, and a summary of the changes in the seven years ending 1961, the full period for which comparable detail is available, is given in Statement 31. These reveal that much the major parts of the growth of manufacturing, petroleum and natural gas, and 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.

**STATEMENT 31. Ownership and Control of Selected Canadian Industries,
Net Change in Book Values, Seven Years Ending 1961**

Item	Manu- facturing	Petroleum and natural gas	Mining and smelting	Railways	Other utilities	Merchandising and construction	Total
billions of dollars							
Ownership							
United States	2.3	2.0	1.0	- 0.1	0.5	0.2	5.9
Other foreign	0.6	0.5	0.2	0.1	0.1	0.1	1.5
Sub-totals	2.9	2.5	1.1	- 0.1	0.6	0.3	7.4
Canadian	1.4	1.7	0.4	1.3	4.4	3.3	12.6
Totals	4.4	4.2	1.5	1.2	5.0	3.7	20.0
Control							
United States	2.2	2.4	0.8	—	—	0.2	5.7
Other foreign	1.0	0.6	0.2	—	0.1	0.3	2.1
Sub-totals	3.2	2.9	1.0	—	0.1	0.5	7.8
Canadian	1.2	1.3	0.5	1.2	4.9	3.2	12.3
Totals	4.4	4.2	1.5	1.2	5.0	3.7	20.0

Note: As figures are individually rounded, totals do not necessarily equal the sum of their component parts.

More detailed data on the ownership and control of Canadian industry appear in Table XV and in Statement 32, covering most of the commodity-producing industries other than agriculture. In the manufacturing sector ten identified industrial groupings show the marked variation in the degree of non-resident ownership and control. In six of these subgroups non-resident ownership represents more than half of the total investment, and ranges between roughly 90 per cent for rubber and automobiles and parts and 25 per cent for beverages and textiles. Over the seven-year period covered in Statement 32, non-resident ownership has grown faster than domestic ownership in eight of the groups, rubber, textiles, agricultural machinery, automobiles and parts, transportation equipment, iron and steel mills,

and electrical apparatus, and chemicals. It has fallen slightly in beverages and has remained relatively stable in pulp and paper. Non-resident ownership advanced 24 percentage points between the end of 1954 and of 1961 in transportation equipment and between 14 and 10 percentage points in iron and steel mills, automobiles and parts, rubber, and agricultural machinery enterprises.

Investment by non-residents is also important in the areas of manufacturing for which separate estimates are not available. This group accounts for well over 40 per cent of the value of manufacturing enterprises. Non-resident ownership represents about 55 per cent and has grown faster than for manufacturing as a whole.

STATEMENT 32. Ownership and Control of Selected Canadian Industries, Selected Year Ends 1954 - 61

Enterprise classification	Foreign ownership				Foreign control			
	1954	1957	1959	1961	1954	1957	1959	1961
	per cent							
Manufacturing:								
Beverages	29	28	26	26	20	13	13	14
Rubber	78	84	86	88	93	97	98	99
Textiles	21	21	22	24	18	19	23	23
Pulp and paper	51	53	52	51	56	55	49	46
Agricultural machinery ¹	37	37	43	47	35	38	55	54
Automobiles and parts	78	78	89	90	95	95	97	97
Transportation equipment n.o.p.	34	47	58	58	36	67	73	71
Primary iron and steel	16	24	25	..	6	26	23	..
Iron and steel mills .....	..	..	..	30	..	..	..	25
Electrical apparatus	70	70	74	73	77	77	81	78
Chemicals	64	62	61	65	75	75	77	79
Other manufacturing	46	50	52	55	52	57	61	66
Sub-totals (excluding petroleum refining)	47	50	51	54	51	56	57	59
Petroleum and natural gas	60	63	62	60	69	76	73	69
Mining:								
Smelting and refining of non-ferrous native ores	59	54	56	55	55	66	66	55
Other mining	55	56	59	64	49	59	59	60
Sub-totals	56	56	58	62	51	61	61	59
Totals of above industries	51	54	55	56	55	61	62	62

¹ 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.

This 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 subgroups which cannot be shown separately either because of difficulties of arriving at the total investment (and consequently the Canadian investment) using a variety of secondary sources in addition 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.

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.

While foreign ownership of the petroleum and natural gas industry stood at 60 per cent at the beginning and end of the seven-year period, it was higher in intervening years, such as 1957 and 1959. As has already been noted, the more recent growth of the natural gas industry in which Canadian capital plays an important part has contributed to lowered foreign ownership. Non-resident ownership of smelting and refining of non-ferrous native ores declined from 59 per cent to 55 per cent over the seven year period, but non-resident ownership of mining as a whole has increased on account of the rise in other mining.

STATEMENT 33. Analysis of Foreign Investments in "Other Manufacturing", 1961
(Shown in Line 11 of Table XV)

Industry classification	Owned in			
	United States	United Kingdom	Other countries	Total
	millions of dollars			
Other vegetable products, including various foods and tobacco	296	105	24	425
Animal products, including meat, dairy and leather products	132	7	6	145
Other wood products, including saw and other wood processing mills, furniture, and printing	245	26	12	283
Other iron products, including non-agricultural machinery and metal fabricating	612	59	67	738
Other non-ferrous metal products, including aluminum and metal fabricating	589	145	15	749
Non-metallic minerals, including cement, glass, and other building materials and products	158	54	74	286
Miscellaneous	101	6	1	108
Other enterprises	282	50	16	348
Totals, other manufacturing	2,415	452	215	3,082

Corresponding figures measuring foreign control of Canadian industry indicate that over the seven years from 1954 to 1961 non-resident control has risen in all the subgroups of manufacturing, except two. It ranged in 1961 from 99 per cent and 97 per cent in the cases of rubber and of automobiles and parts, respectively, to 23 per cent in textiles and 14 per cent in beverages. In addition non-resident control of the "other manufacturing" category has risen to 66 per cent.

Foreign control of the petroleum and natural gas industry as a whole rose sharply in the early part of the period, to 76 per cent in 1957, but subsided by the end of 1961 to 69 per cent, which was the level of 1954. This decline in recent years was caused by the growth of the natural gas industry which tends to be more heavily financed and controlled in Canada. Foreign control of Canadian smelting and refining followed a similar pattern of increase and decline, and at 55 per cent at the end of 1961 was no higher than in 1954. On the other hand there has been a substantial growth of foreign control of other mining, and of mining as a whole.

Taking together 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 seven-year period to 56 per cent at the end of 1961. At the same time foreign control has risen by 7 percentage points to 62 per cent.

Structure of Investment and Ownership in Foreign Controlled Enterprises

Readers of the descriptive note "About the Figures—Foreign Ownership and Control" will be aware that direct investment in many foreign controlled enterprises falls short of the total value by reason of the participation of minority investors or lenders resident in either Canada or in third countries. Statement 34 shows the structure for United States controlled enterprises in Canada at the end of 1945, 1954 and 1960, together with corresponding data at the end of the last year for enterprises controlled in the United Kingdom and in other overseas countries.

STATEMENT 34. Structure of Investment and Ownership of Foreign Controlled Enterprises in Canada

Ownership of investments by residents of	United States controlled			United Kingdom controlled	Other foreign controlled	Total 1960
	1945	1954	1960	1960	1960	
	percentage					
Controlling country:						
Branches	9	14	10	6	6	9
Canadian corporations	71	64	69	52	65	66
Sub-totals	80	78	79	58	71	75
Canada:						
Debt	4	8	9	18	16	11
Equity	11	11	9	16	7	10
Sub-totals	15	19	18	34	23	21
Other countries	5	3	3	8	6	4
Totals	100	100	100	100	100	100

The figures show that investment from Canada or third countries tends to represent a smaller proportion of the total value in the case of enterprises controlled in the United States than in those controlled in other countries. They reveal some tendency for the extension of the branch form of organization which has been customary for the insurance business and which has been very prominent in the case of the extractive industries where it may hold tax advantages to United States investors.

While there has been a tendency for direct investment by residents of the United States to grow at a slightly smaller rate than the total investment in United States controlled enterprises, for the most part this reflects borrowing in Canada by subsidiaries through issues of bonds and debentures or other loans, rather than increased equity ownership by residents of Canada. The latter has not kept

pace with the total growth, partly because the typical foreign controlled enterprise has not found it desirable or practicable to make stock publicly available, and partly because of successful competition by some non-resident investors for the minority stock which is available.

Statements 35 and 35A provide the basic value data from which summary Statement 34 was produced, and also show the industrial detail. Changes in the value and structure of United States controlled enterprises in Canada over fifteen years since World War II are given in Statement 36 separately for the nine-year period ending in 1954 and the six-year period ending in 1960. Readers acquainted with the evolution of Canadian industrial structure and organization will find in the statements reflections of much of recent Canadian corporate history.

STATEMENT 35. Canadian and Foreign Ownership of Investments in Canada Controlled in the United States
Classification by Types of Business, Selected Year Ends 1945-60

Type of business	Total United States controlled investment in Canada	Ownership of investment by						
		Canadians			Non- residents excluding United States	United States residents		
		Debt	Equity	Total		Canadian corporations	Unin- corporated branches	Total
millions of dollars								
End of 1945								
Manufacturing:								
Vegetable products	151	1	10	11	—	138	2	140
Animal products	49	—	—	—	5	44	—	49
Textiles	31	1	2	3	—	24	4	28
Wood and paper products	331	4	10	14	1	313	3	316
Iron and products	292	—	19	19	1	245	27	272
Non-ferrous metals	307	16	32	48	56	200	3	203
Non-metallic minerals	41	—	2	2	—	37	2	39
Chemicals and allied products	152	—	17	17	17	108	10	118
Miscellaneous manufactures	31	—	—	—	—	31	—	31
Sub-totals (excluding petroleum refining)	1,385	22	92	114	80	1,140	51	1,191
Petroleum and natural gas	210	10	52	62	7	132	9	141
Other mining and smelting	316	—	61	61	40	214	1	215
Utilities (excluding pipelines)	552	70	118	186	8	334	24	358
Merchandising	154	—	7	7	—	143	4	147
Financial	204	2	3	5	1	41	157	198
Other enterprises	64	5	4	9	1	51	3	54
Totals	2,885	109	335	444	137	2,055	249	2,304
End of 1954								
Manufacturing:								
Vegetable products	303	9	17	26	—	274	3	277
Animal products	78	1	1	2	—	76	—	76
Textiles	51	3	1	4	—	47	—	47
Wood and paper products	777	97	36	133	2	638	4	642
Iron and products	677	4	65	69	2	544	62	606
Non-ferrous metals	889	117	103	220	125	539	5	544
Non-metallic minerals	105	8	11	19	4	79	3	82
Chemicals and allied products	351	42	18	60	—	266	25	291
Miscellaneous manufactures	79	1	1	2	—	76	1	77
Sub-totals (excluding petroleum refining)	3,310	282	253	535	133	2,539	103	2,642
Petroleum and natural gas	1,677	141	174	315	12	870	480	1,350
Other mining and smelting	918	13	187	200	68	491	159	650
Utilities (excluding pipelines)	477	56	117	173	6	258	40	298
Merchandising	372	3	20	23	1	307	41	348
Financial	538	131	6	137	2	215	184	399
Other enterprises	147	2	21	23	1	109	14	123
Totals	7,439	628	778	1,406	223	4,789	1,021	5,810
End of 1960								
Manufacturing:								
Vegetable products	528	12	28	40	—	482	6	488
Animal products	113	1	1	2	—	111	—	111
Textiles	85	11	2	13	—	72 ¹	—	72
Wood and paper products	1,003	81	35	116	1	883	3	886
Iron and products	1,301	55	46	101	2	1,164	34	1,198
Non-ferrous metals	1,241	97	126	223	128	887	3	890
Non-metallic minerals	167	15	8	23	10	129	5	134
Chemicals and allied products	570	61	25	66	8	460	18	478
Miscellaneous manufactures	94	1	1	2	1	89 ¹	2 ¹	91
Sub-totals (excluding petroleum refining)	5,102	334	272	606	148	4,277	71	4,348
Petroleum and natural gas	3,857	392	504	896	76	2,227	658	2,885
Other mining and smelting	1,750	40	284	324	78	1,220	128	1,348
Utilities (excluding pipelines)	476	143	105	248	4	179	45	224
Merchandising	573	30	41	71	1	463	38	501
Financial	1,337	228	39	267	42	606	422	1,028
Other enterprises	270	37	17	54	1	196	19	215
Totals	13,365	1,204	1,262	2,466	350	9,168	1,381	10,549

¹ Adjusted to prevent disclosure.

STATEMENT 35 A. Canadian and Foreign Ownership of Investments in Canada Controlled in all Foreign Countries
Classification by Types of Business, End of 1960

Type of business	Total foreign controlled investment in Canada	Ownership of investment by						
		Canadians			Non-residents excluding country of control	Residents of country of control		
		Debt	Equity	Total		Canadian corporations	Unincorporated branches	Total
millions of dollars								
Controlled in United Kingdom								
Manufacturing:								
Vegetable products	251	42	75	117	10			124
Animal products	7	1	—	1	—			6
Textiles	51	—	1	1	5			45
Wood and paper products	315	37	104	141	36			138
Iron and products	299	22	78	100	14			185
Non-ferrous metals	139	51	3	54	20	detail		65
Non-metallic minerals	58	7	12	19	1			38
Chemicals and allied products	233	47	18	65	6	not		162
Miscellaneous manufactures	6	—	1	1	—	publishable		5
Sub-totals (excluding petroleum refining)	1,359	207	292	499	92			768
Petroleum and natural gas	291	65	8	73	10			208
Other mining and smelting	236	30	66	96	74			66
Utilities (excluding pipelines)	70	16	1	17	13			40
Merchandising	357	93	52	145	4			208
Financial	247	38	3	41	8			198
Other enterprises	79	23	5	28	4			47
Totals	2,639	472	427	899	205	1,381	154	1,535
Controlled in foreign countries other than United States and United Kingdom								
Manufacturing:								
Vegetable products	32	—	7	7	—			25
Animal products	5	—	—	—	—			5
Textiles	1	—	—	—	—			1
Wood and paper products	22	—	—	—	13			9
Iron and products	80	20	1	21	1	detail		58
Non-ferrous metals	33	4	—	4	1			28
Non-metallic minerals	149	49	19	68	13	not		68
Chemicals and allied products	43	5	6	11	1			31
Miscellaneous manufactures	1	—	—	—	—	publishable		1
Sub-totals (excluding petroleum refining)	366	76	33	111	29			226
Petroleum and natural gas	282	30	20	50	12			220
Other mining and smelting	37	—	6	6	6			25
Utilities (excluding pipelines)	31	1	3	4	6			21
Merchandising	54	4	1	5	1			48
Financial	320	63	10	73	9			238
Other enterprises	14	1	1	2	2			10
Totals	1,104	177	74	251	65	724	64	788
Controlled in all foreign countries								
Manufacturing:								
Vegetable products	811	54	110	164	10	detail		637
Animal products	125	2	1	3	—			122
Textiles	137	11	3	14	5	not		118
Wood and paper products	1,340	118	139	257	50	publishable		1,033
Iron and products	1,680	97	125	222	17			1,441
Non-ferrous metals	1,413	152	129	281	149			983
Non-metallic minerals	374	71	39	110	24			240
Chemicals and allied products	846	113	49	162	13			671
Miscellaneous manufactures	101	1	2	3	1			97
Sub-totals (excluding petroleum refining)	6,827	619	597	1,216	269	5,249	93	5,342
Petroleum and natural gas	4,430	487	532	1,019	98	2,653	660	3,313
Other mining and smelting	2,023	70	356	426	158	1,310	129	1,439
Utilities (excluding pipelines)	577	160	109	269	23	232	53	285
Merchandising	984	127	94	221	6	635	122	757
Financial	1,904	329	52	381	59	944	520	1,464
Other enterprises	363	61	23	84	7	250	22	272
Totals	17,108	1,853	1,763	3,616	620	11,273	1,599	12,872

STATEMENT 36. Canadian and Foreign Ownership of Investments in Canada Controlled in the United States, Net Change in Book Values, Classification by Types of Business, Nine Years Ending 1954 and Six Years Ending 1960

Type of business	Period	Total United States controlled investment in Canada	Ownership of investment by						
			Canadians			Non- residents excluding United States	United States residents		
			Debt	Equity	Total		Canadian corporations	Unin- corporated branches	Total
			millions of dollars						
Manufacturing:									
Vegetable products	1946-54	+ 152	+ 8	+ 7	+ 15	—	+ 136	+ 1	+ 137
	1955-60	+ 225	+ 3	+ 11	+ 14	—	+ 208	+ 3	+ 211
Animal products	1946-54	+ 29	+ 1	+ 1	+ 2	- 5	+ 32	—	+ 32
	1955-60	+ 35	—	—	—	—	+ 35	—	+ 35
Textiles	1946-54	+ 20	+ 2	- 1	+ 1	—	+ 23	- 4	+ 19
	1955-60	+ 34	+ 8	+ 1	+ 9	—	+ 25 ¹	—	+ 25
Wood and paper products	1946-54	+ 446	+ 93	+ 26	+ 119	+ 1	+ 325	+ 1	+ 326
	1955-60	+ 226	- 16	- 1	- 17	- 1	+ 245	- 1	+ 244
Iron and products	1946-54	+ 385	+ 4	+ 46	+ 50	+ 1	+ 299	+ 35	+ 334
	1955-60	+ 624	+ 51	- 19	+ 32	—	+ 620	- 28	+ 592
Non-ferrous metals	1946-54	+ 582	+ 101	+ 71	+ 172	+ 69	+ 339	+ 2	+ 341
	1955-60	+ 352	- 20	+ 23	+ 3	+ 3	+ 348	- 2	+ 346
Non-metallic minerals	1946-54	+ 64	+ 8	+ 9	+ 17	+ 4	+ 42	+ 1	+ 43
	1955-60	+ 62	+ 7	- 3	+ 4	+ 6	+ 50	+ 2	+ 52
Chemicals and allied products	1946-54	+ 199	+ 42	+ 1	+ 43	- 17	+ 158	+ 15	+ 173
	1955-60	+ 219	+ 19	+ 7	+ 26	+ 6	+ 194	- 7	+ 187
Miscellaneous manufactures	1946-54	+ 48	+ 1	+ 1	+ 2	—	+ 45	+ 1	+ 46
	1955-60	+ 15	—	—	—	+ 1	+ 13 ¹	+ 1 ¹	+ 14
Sub-totals (excluding petroleum re- fining)	1946-54	+ 1,925	+ 260	+ 161	+ 421	+ 53	+ 1,399	+ 52	+ 1,451
	1955-60	+ 1,792	+ 52	+ 19	+ 71	+ 15	+ 1,738	- 32	+ 1,706
Petroleum and natural gas	1946-54	+ 1,467	+ 131	+ 122	+ 253	+ 5	+ 738	+ 471	+ 1,209
	1955-60	+ 2,180	+ 251	+ 330	+ 581	+ 64	+ 1,357	+ 178	+ 1,535
Other mining and smelting	1946-54	+ 602	+ 13	+ 126	+ 139	+ 28	+ 277	+ 158	+ 435
	1955-60	+ 832	+ 27	+ 97	+ 124	+ 10	+ 729	- 31	+ 698
Utilities (excluding pipelines)	1946-54	- 75	- 14	+ 1	- 13	- 2	- 76	+ 16	- 60
	1955-60	- 1	+ 87	- 12	+ 75	- 2	- 79	+ 5	- 74
Merchandising	1946-54	+ 218	+ 3	+ 13	+ 16	+ 1	+ 164	+ 37	+ 201
	1955-60	+ 201	+ 27	+ 21	+ 48	—	+ 156	- 3	+ 153
Financial	1946-54	+ 334	+ 129	+ 3	+ 132	+ 1	+ 174	+ 27	+ 201
	1955-60	+ 799	+ 97	+ 33	+ 130	+ 40	+ 391	+ 238	+ 629
Other enterprises	1946-54	+ 83	- 3	+ 17	+ 14	—	+ 58	+ 11	+ 69
	1955-60	+ 123	+ 35	- 4	+ 31	—	+ 87	+ 5	+ 92
Totals	1946-54	+ 4,554	+ 519	+ 443	+ 962	+ 86	+ 2,734	+ 772	+ 3,506
	1955-60	+ 5,926	+ 576	+ 484	+ 1,060	+ 127	+ 4,379	+ 360	+ 4,739

¹ Adjusted to prevent disclosure.

Statements 37 and 38 provide detail of Canadian ownership in the equity of foreign controlled enterprises in Canada. The first statement gives the values, and breaks the data into three types of

enterprises the book value of whose investment in Canada aggregates \$25 million or more, as well as smaller enterprises, while the second expresses Canadian ownership as percentages of the total.

STATEMENT 37. Canadian Equity Investment in Foreign Controlled Enterprises in Canada, End of 1960

Item	Number of enterprises ¹	Book value of investment in Canada		Equity investment			Canadian equity ownership		
		Total	Direct ²	Preferred stock	Common stock ^{2,3}	Total	Preferred stock	Common stock ⁴	Total
millions of dollars									
United States controlled									
1. Aggregate investment in Canada \$25 million or more:									
Branches and wholly-owned subsidiaries	52	3,713	3,482	12	2,496	2,508	—	—	—
Partly owned subsidiaries	28	3,684	2,453	170	2,333	2,503	138	472	610
Other companies	10	1,554	854	86	799	885	81	286	367
Sub-totals	90	8,951	6,789	268	5,628	5,896	219	758	977
2. Smaller enterprises	3,596	4,414	3,760	..	..	3,407	..	..	285
Totals	3,686	13,365	10,549	..	..	9,303	..	..	1,262
Other foreign controlled									
1. Aggregate investment in Canada \$25 million or more:									
Branches and wholly-owned subsidiaries	5	266	207	46	151	197	—	—	—
Partly owned subsidiaries	12	1,434	783	126	739	865	62	163	225
Other companies	5	561	183	138	176	314	110	69	179
Sub-totals	22	2,261	1,173	310	1,066	1,376	172	232	404
2. Smaller enterprises	1,132	1,482	1,150	..	..	1,046	..	..	97
Totals	1,154	3,743	2,323	..	..	2,422	..	..	501
Total foreign controlled									
1. Aggregate investment in Canada \$25 million or more:									
Branches and wholly-owned subsidiaries	56	3,979	3,689	58	2,647	2,705	—	—	—
Partly owned subsidiaries	40	5,118	3,236	296	3,072	3,368	200	635	835
Other companies	15	2,115	1,037	224	975	1,199	191	355	546
Sub-totals	111	11,212	7,962	578	6,694	7,272	391	990	1,381
2. Smaller enterprises	4,728	5,896	4,910	..	..	4,453	..	..	382
Totals	4,839	17,108	12,872	..	..	11,725	..	..	1,763

¹ Reduced where necessary to eliminate the numerical effect of allocating international corporations to more than one area.

² Investment in all long-term forms by residents of the country in which the enterprise is controlled.

³ Includes also the net assets in Canada of branches of companies incorporated outside Canada.

⁴ The value of investments outside Canada belonging to the enterprise has been deducted pro rata to ownership from the book value of common stock.

In the case of the large United States controlled enterprises more than 42 per cent of the recorded equity investment is in wholly-owned subsidiaries and branches. Including the other large enterprises, Canadian ownership covers about 82 per cent of the preferred stock and about 13 per cent of the common, or about 17 per cent of the total equity.

Wholly-owned subsidiaries and branches represent under 15 per cent of the recorded equity investment in large enterprises controlled in other countries. Canadian ownership amounts to 55 per cent of the preferred and 22 per cent of the common equity, or 29 per cent overall, in the total group of large enterprises controlled overseas.

STATEMENT 38. Canadian Ownership of Equity Investment¹ in Foreign Controlled Enterprises in Canada as a Percentage of Total, End of 1960

Item	Preferred stock of enterprises controlled in			Common stock ² of enterprises controlled in			Total equity of enterprises controlled in		
	United States	Other countries	Total	United States	Other countries	Total	United States	Other countries	Total
	per cent								
1. Aggregate investment in Canada \$25 million or more:									
Branches and wholly-owned subsidiaries	—	—	—	—	—	—	—	—	—
Partly owned subsidiaries	81	49	68	20	22	21	24	26	25
Other companies	94	80	85	36	39	36	41	57	46
Sub-totals	82	55	68	13	22	15	17	29	19
2. Smaller enterprises under \$25 million .....	..	..	..	..	..	..	8	9	9
Totals .....	..	..	..	..	..	..	14	21	15

¹ Residents of Canada have some further beneficial interest through portfolio investments in the equity of foreign parent companies.

² Includes also the net assets in Canada of branches of companies incorporated outside Canada.

A variety of historical, geographical and institutional factors have undoubtedly contributed to the differences in the structure of ownership between the United States and the other non-resident controlled large enterprises.

Canadian ownership accounts for about 8 per cent of equity investment in smaller enterprises controlled in the United States and about 9 per cent of equity investment in smaller enterprises controlled elsewhere outside Canada.

Size Distribution of Foreign Controlled Enterprises

Throughout the industrial world the tendency for the size of business enterprises to grow has been particularly marked in recent decades. To an important degree the extension of non-resident con-

trolled enterprises in Canada has followed this world-wide trend to larger-scale operations.

Foreign control of the largest enterprises in some major areas of economic activity has increased in recent years. Statement 39 shows absolute estimates and percentage breakdown of the total investment for the years 1953 and 1960 for manufacturing, petroleum and natural gas, and mining and smelting in enterprises having a value of \$25 million or more (considered as a group). In 1960, some 36 per cent by number of the large enterprises in these fields was controlled in Canada, compared with 46 per cent in 1953; the United States, the United Kingdom and other foreign countries all increased their share of control. In terms of the total amount of investment involved, Canadian control dropped from 37 per cent to 30 per cent. The share of large investment controlled in the United States declined from 59 per cent to 56 per cent, while proportions controlled in the United Kingdom and in other foreign countries rose respectively from 4 per cent

to 11 per cent and from nothing to 3 per cent in 1960. United States investment in the group of these large enterprises controlled in the United States represented 78 per cent of the value in 1960.

In the case of the enterprises controlled in the United Kingdom and in other overseas countries the direct investment by residents of these areas represented 49 per cent and 68 per cent respectively.

**STATEMENT 39. Control of Total Manufacturing, Petroleum and Natural Gas, and Mining and Smelting Enterprises in Canada with Aggregate Investment of \$25 Million or more
End of 1953 and 1960**

Controlled in	Enterprises		Aggregate investment in Canada		Enterprises		Aggregate investment in Canada	
	1953	1960	1953	1960	1953	1960	1953	1960
	number		millions of dollars		per cent			
United States	42	74	3,339	7,530	49	52	59	56
United Kingdom	4	14	243	1,395	5	10	4	11
Other foreign countries	—	6	—	447	—	4	—	3
Sub-totals, outside Canada	46	92¹	3,582	9,372	54	64¹	63	70
Canada	40	51	2,136	4,087	46	36	37	30
Totals, all private enterprises	86	143	5,718	13,459	100	100	100	100
Government enterprises .....	..	1	..	408				

¹ Reduced to eliminate the numerical effect of allocating international corporations to more than one area.

In manufacturing industries (excluding petroleum) the Canadian share of control of the large firms increased a little between 1946 and 1953 and then declined more sharply between 1953 and 1960. The data are shown for 1946, 1953 and 1960 in Statement 40. Some 43 per cent of investment in the large enterprises was controlled in Canada in 1946, 46 per cent in 1953, and 39 per cent in 1960. The share of the United Kingdom fell between 1946 and 1953 but rose even more sharply between 1953 and 1960. By 1960, other foreign countries controlled 3 per cent of investment in the large enterprises, having controlled none in the two earlier years. The United States share of control rose from 45 per cent of the total in 1946 to 47 per cent in 1953, before receding to 44 per cent in 1960. United States ownership accounted for 81 per cent of book value of large manufacturing enterprises controlled in that country. For the large enterprises controlled in the United Kingdom and in other overseas countries the corresponding ownership ratios were 48 per cent and 52 per cent respectively.

Statement 40 also shows the data on area of control for the large enterprises in petroleum and natural gas for the years 1953 and 1960. During this period the Canadian share of control remained stable at 19 per cent, due largely to the develop-

ment of natural gas transmission and marketing systems, controlled domestically; while overseas countries had acquired control of a significant proportion of 11 per cent by 1960, having had none in 1953. The United States share accordingly fell from 81 per cent to 70 per cent of the total, but a part of these changes are due to a revision in the statistical treatment of some international concerns. United States investment in the large United States controlled enterprises in petroleum and natural gas represented 74 per cent of their book value, roughly corresponding to the ratio in the case of enterprises controlled in overseas countries.

Between 1953 and 1960 the Canadian share of control in the large enterprises in the mining and smelting industry fell significantly, as is shown in Statement 40. Overseas countries had acquired control of 9 per cent of major investment in the industry by 1960, having had none in 1953. As a result of these changes, the share of the United States dropped from 68 per cent to 64 per cent. United States investment accounted for 79 per cent of the book value of large United States controlled mining enterprises. The corresponding direct investment from overseas in large mining and smelting enterprises controlled overseas was 24 per cent.

**STATEMENT 40. Control of Manufacturing, Petroleum and Natural Gas, and Mining and Smelting Enterprises in Canada with Aggregate Investment of \$25 Million or more
Selected Year Ends 1946-60**

Controlled in	Manufacturing			Petroleum and natural gas		Mining and smelting	
	1946	1953	1960	1953	1960	1953	1960
	Millions of dollars						
United States	464	1,634	2,969	1,029	3,248	676	1,313
United Kingdom	118	243	960	—	510	—	180
Other foreign countries	—	—	192	—	—	—	—
Sub-totals, outside Canada	582	1,877	4,121	1,029	3,758	676	1,493
Canada	436	1,572	2,630	245	892	319	565
Totals, all private enterprises	1,018	3,449	6,751	1,274	4,650	995	2,058
Government enterprises .....	..	..	229	..	128	..	51
	Per cent						
United States	45	47	44	81	70	68	64
United Kingdom	12	7	14	—	11	—	9
Other foreign countries	—	—	3	—	—	—	—
Sub-totals, outside Canada	57	54	61	81	81	68	73
Canada	43	46	39	19	19	32	27
Totals, all private enterprises	100	100	100	100	100	100	100

Data which have been compiled covering the size distribution of United States controlled manufacturing enterprises in Canada at the end of 1946, 1953, and 1960 show increasing concentration in the larger manufacturing enterprises with a parallel movement in the United States owned investment in

these enterprises. This is shown in Statement 41. It should be noted, of course, that some of the shifts of enterprises into higher size groups indicated in this and later statements reflect the rising cost of new and replacement investment in the period.

STATEMENT 41. United States Controlled Manufacturing Enterprises¹ in Canada, Classification by Size of Investment, Selected Year Ends 1946-60

Aggregate investment in Canada	Enterprises			Aggregate investment in Canada			United States ownership		
	1946	1953	1960	1946	1953	1960	1946	1953	1960
	Number			Millions of dollars					
More than \$25 million	8	22	36	464	1,634	2,969	329	1,084	2,417
\$10 to \$25 million	22	29	43	362	401	654	331	370	563
1 " 10 "	118	251	394	340	749	1,190	331	699	1,120
Less than \$1 million	742	855	1,039	300	315	289	272	294	248
Totals	890	1,157	1,512	1,466	3,099	5,102	1,263	2,447	4,348
	Per cent								
More than \$25 million	1	2	2	32	53	58	26	44	55
\$10 to \$25 million	3	2	3	25	13	13	26	15	13
1 " 10 "	13	22	26	23	24	23	26	29	26
Less than \$1 million	83	74	69	20	10	6	22	12	6
Totals	100	100	100	100	100	100	100	100	100

¹ Data exclude petroleum refiners shown elsewhere.

In 1946, 83 per cent of all United States controlled manufacturing enterprises involved investments of less than \$1 million, but by 1960 the proportion had fallen to 69 per cent. Each of the larger size groups, \$1 to \$10 million, \$10 to \$25 million, and over \$25 million investment, had grown in relative importance at the expense of the smaller enterprises. The enterprises in more than \$25 million group constituted more than 2 per cent of the total number in 1960, compared with less than 1 per cent in 1946. Aggregate investment in the smallest group had fallen from 20 per cent of the total in 1946 to 6 per cent in 1960. The relative position of the \$1 to \$10 million group changed but little over the period. The proportion of investment of the \$10 to \$25 million group declined from 25 per cent in 1946 to 13 per cent in 1960. The proportion of aggregate investment in the largest enterprises—more than \$25 million—had almost doubled, rising from 32 per cent in 1946 to 58 per cent in 1960.

United States ownership, or direct investment, in United States controlled manufacturing enterprises in Canada of over \$25 million rose from 26 per cent of the total of all United States controlled manufacturing enterprises in Canada in 1946 to 55 per cent in 1960. The proportion of United States ownership in the size group \$1 to \$10 million, which was 26 in 1960, remained fairly stable over the period. United States ownership in the size group \$10 to \$25 million was halved from 26 per cent in 1946 to 13 per cent in 1960, and the proportion in the smallest size group, the under \$1 million, dropped from 22 per cent to 6 per cent of the total.

Further analysis of the data in Statement 41 shows that United States direct investment tends to represent a somewhat smaller proportion of the capital employed in United States controlled manufacturing enterprises falling in the largest size group than in the smaller enterprises. In the case of the largest size group United States direct investment accounts for 81 per cent, followed in descending order by 86 per cent, 94 per cent and 86 per cent. The proportion for all United States controlled manufacturing enterprises was 85 per cent. The greater association of other capital in the largest group no doubt reflects the existence of some major

direct investment enterprises in which public participation has been characteristic for many years, the ability of this size group to arrange senior financing, remnants of Canadian investment in companies whose control has been purchased by United States corporations, etc. Over the postwar period as a whole the proportion by value of United States ownership in the larger United States controlled manufacturing enterprises has risen from 71 per cent at the end of 1946 to 81 per cent at the end of 1960. From 1946 to 1953, there was a decline of 5 percentage points, and in the succeeding seven years an increase of 15 points. Taking in all size groups, the proportion of United States ownership fell 7 percentage points from 1946 to 1953 and subsequently rose 6 points to 85 per cent in 1960. Changes in these ratios arose from the net effect of many divergent movements and influences. The period under review saw the reclassification from United States to Canadian control of some major companies in which United States ownership gradually declined, takeovers by United States interests and some reverse transactions, the occasional offering in Canada of stock of subsidiaries, a tendency initially towards the reduction of corporate debt, followed by rapid increases in it with the investment boom, the rise through the size groups both through growth and corporate merger, as well as the birth of great new enterprises taking the form of wholly-owned subsidiaries. It may be noted that a takeover by United States interests may have the effect of decreasing the overall proportion of United States ownership in United States controlled enterprises. This will happen when the remaining capital supplied by residents of Canada or of third countries is relatively larger than in the group of previously controlled enterprises.

Additional size distributions are available for the first time for 1960 covering foreign controlled enterprises in Canada in the industrial groups already discussed, and in the remaining sectors. These data appear in Statements 42 to 48. The last statement indicates that the top size group, covering only about 2 per cent of all foreign controlled enterprises in Canada, accounted for over 65 per cent of the total investment controlled by non-residents.

STATEMENT 42. Foreign Controlled Manufacturing, Petroleum and Natural Gas, and Mining and Smelting Enterprises in Canada, classified by Size of Investment, End of 1960

Aggregate investment in Canada	All foreign controlled			United States controlled			Other foreign controlled		
	Enter- prises ¹	Aggregate invest- ment	Direct invest- ment	Enter- prises	Aggregate invest- ment	Direct invest- ment	Enter- prises ¹	Aggregate invest- ment	Direct invest- ment
	number	millions of dollars		number	millions of dollars		number	millions of dollars	
More than \$25 million	92	9,372	6,836	74	7,530	5,849	19	1,842	987
\$10 to \$25 million	95	1,493	1,167	74	1,172	969	21	321	198
1 " 10 "	625	1,972	1,731	514	1,637	1,462	111	335	269
Less than \$1 million	1,483	443	360	1,289	370	301	194	73	59
Totals	2,295	13,280	10,094	1,951	10,709	8,581	345	2,571	1,513

¹ Reduced to eliminate the numerical effect of allocating international corporations to more than one area.

**STATEMENT 43. Foreign Controlled Manufacturing Enterprises in Canada, classified by
Size of Investment, End of 1960**

Aggregate investment in Canada	All foreign controlled			United States controlled		
	Enterprises	Aggregate investment	Direct investment	Enterprises	Aggregate investment	Direct investment
	number	millions of dollars		number	millions of dollars	
More than \$25 million	51	4,121	2,982	36	2,969	2,417
\$10 to \$25 million	60	909	738	43	654	563
1 " 10 "	477	1,447	1,323	394	1,190	1,120
Less than \$1 million	1,202	350	299	1,039	289	248
Totals	1,790	6,827	5,342	1,512	5,102	4,348
	United Kingdom controlled			Other foreign controlled		
	Enterprises	Aggregate investment	Direct investment	Enterprises	Aggregate investment	Direct investment
	number	millions of dollars		number	millions of dollars	
More than \$25 million	11	960	465	4	192	100
\$10 to \$25 million	11	153	111	6	102	64
1 " 10 "	66	202	156	17	55	47
Less than \$1 million	108	44	36	55	17	15
Totals	196	1,359	768	82	366	226

**STATEMENT 44. Foreign Controlled Petroleum and Natural Gas Enterprises in Canada,
classified by Size of Investment, End of 1960**

Aggregate investment in Canada	All foreign controlled			United States controlled			Other foreign controlled		
	Enter- prises	Aggregate invest- ment	Direct invest- ment	Enter- prises	Aggregate invest- ment	Direct invest- ment	Enter- prises	Aggregate invest- ment	Direct invest- ment
	number	millions of dollars		number	millions of dollars		number	millions of dollars	
More than \$25 million	} 47	4,073	3,027	25	3,248	2,398	} 4	532	389
\$10 to \$25 million				19	293	240			
1 " 10 "				70	275	224			
Less than \$1 million	104	46	27	92	41	23	12	5	4
Totals	235	4,430	3,313	206	3,857	2,885	30	573	428

**STATEMENT 45. Foreign Controlled Mining and Smelting Enterprises in Canada,
classified by Size of Investment, End of 1960**

Aggregate investment in Canada	All foreign controlled			United States controlled			Other foreign controlled		
	Enter- prises	Aggregate invest- ment	Direct invest- ment	Enter- prises	Aggregate invest- ment	Direct invest- ment	Enter- prises	Aggregate invest- ment	Direct invest- ment
	number	millions of dollars		number	millions of dollars		number	millions of dollars	
More than \$25 million	} 29	1,762	1,256	13	1,313	1,034	} 4	224	56
\$10 to \$25 million				12	225	166			
1 " 10 "				50	172	118			
Less than \$1 million	177	47	34	158	40	30	19	7	4
Totals	270	2,023	1,439	233	1,750	1,348	37	273	91

**STATEMENT 46. Foreign Controlled Utility, Merchandising, Financial and Other Enterprises
in Canada, classified by Size of Investment, End of 1960**

Aggregate investment in Canada	Utility			Merchandising		
	Enterprises	Aggregate investment	Direct investment	Enterprises	Aggregate investment	Direct investment
	number	millions of dollars		number	millions of dollars	
More than \$25 million.....	4	350	107	7	402	258
\$10 to \$25 million.....	5	76	61	7	114	89
1 " 10 "	36	131	108	106	273	245
Less than \$1 million	60	20	9	1,093	195	165
Totals.....	105	577	283	1,213	984	757
	Financial			Other		
	Enterprises	Aggregate investment	Direct investment	Enterprises	Aggregate investment	Direct investment
	number	millions of dollars		number	millions of dollars	
More than \$25 million.....	11	956	681	4	69	25
\$10 to \$25 million.....	16	241	167			
1 " 10 "	179	539	469	70	193	155
Less than \$1 million	465	168	147	515	101	92
Totals.....	671	1,904	1,464	589	363	272

**STATEMENT 47. Control of Utilities, Merchandising, Financial and Miscellaneous Enterprises and
of All Enterprises in Canada with Aggregate Investment of \$25 Million or more, End of 1960**

Controlled in	All enterprises ¹		Railways and other utilities	Merchan- dising	Financial	Other enterprises
	Enterprises	Aggregate investment				
	number	millions of dollars				
United States	90	8,951	detail not publishable	171	detail not publishable	detail not publishable
United Kingdom	16	1,705		231		
Other foreign countries	7	556		—		
Sub-totals, outside Canada	111 ²	11,212	350	402	956	
Canada — Private enterprises	105	12,240	4,367	610	3,148	
Government enterprises.....	12	9,078	8,643	27	—	
Totals, all enterprises	228	32,530	13,010	1,039	4,104	

¹ Corrected for the exceptional allocation of enterprises to more than one industrial group.

² Reduced to eliminate the numerical effect of allocating international corporations to more than one area.

**Statement 48. Total Foreign Controlled Enterprises in Canada, classified by
Size of Investment,¹ End of 1960**

Aggregate investment in Canada	All foreign controlled			United States controlled		
	Enterprises ²	Aggregate investment	Direct investment	Enterprises	Aggregate investment	Direct investment
	number	millions of dollars		number	millions of dollars	
More than \$25 million	111	11,212	7,962	90	8,951	6,789
\$10 to \$25 million	123	1,923	1,478	93	1,474	1,171
1 " 10 "	998	3,052	2,658	723	2,276	2,019
Less than \$1 million	3,607	921	774	2,780	664	570
Totals	4,839	17,108	12,872	3,686	13,365	10,549
	United Kingdom controlled			Other foreign controlled		
	Enterprises	Aggregate investment	Direct investment	Enterprises	Aggregate investment	Direct investment
	number	millions of dollars		number	millions of dollars	
More than \$25 million	16	1,705	813	7	556	360
\$10 to \$25 million	16	217	147	14	232	160
1 " 10 "	187	536	436	88	240	203
Less than \$1 million	519	181	139	308	76	65
Totals	738	2,639	1,535	417	1,104	788

¹ Corrected for the exceptional allocation of enterprises to more than one industrial group.

² Reduced to eliminate the numerical effect of allocating international corporations to more than one area.

About the figures -

FOREIGN OWNERSHIP AND CONTROL

The concept of DIRECT INVESTMENT adopted by the International Monetary Fund¹² is

"... investment made to create or expand some kind of permanent interest in an investment; it implies a degree of control over its management. In the case of portfolio investment, on the other hand, the investor has no intention of playing a major role in the direction of policies of the enterprise; he is influenced by such considerations as marketability, income yield, possibilities for capital appreciation, tax advantages, exchange rate prospects, and safety of principal. Borderline cases exist between direct and portfolio investment, but a larger part of all investment can in practice be distinguished as belonging to one or the other category.

Most direct investment is made to expand an enterprise beyond the national boundaries of its home country, either by establishing factories

and sales organizations abroad or by producing or procuring goods abroad for import into the home country or export to third countries. It is characteristic of direct investment that the investor possesses managerial control over the enterprise in which the investment is made and that he also makes available to it his technical knowledge (know-how). For such reasons, some of the obstacles that usually stand in the way of international flows of private capital are absent in the case of direct investment.

Direct investment is distinguished as a separate category because it constitutes a significant part of the international flow of capital and has a behavior that is rather different from that of other types of capital movements. Since it is intended to create or expand a permanent interest in a business, direct investment is usually made in accordance with programs that cannot readily be modified in the short run, although changes of interest rates in the capital market may influence the degree to which the investor

¹² *Balance of Payments Manual*, Third Edition, July, 1961.

invites the participation of local capital. Once direct investment flows have taken place, they are not likely to be reversed, except through depreciation of assets or the liquidation of the investment. Direct investment is therefore less likely to vary in the short run with interest and exchange rates than are most other types of capital movements, although surplus funds of direct investment companies may move in response to these factors. Moreover, short-term fluctuations in direct investment may arise from changes in inventories, from payments of taxes to the country in which the investment is made, or from the accumulation and distribution of profits.

From the point of view of the country of location, resident direct investment enterprises may be defined to include the following categories:

(a) Branches of foreign enterprises, incorporated or unincorporated, i.e., including branches of foreign sole proprietorships and partnerships.

(b) Other unincorporated enterprises operating separately in the compiling country but owned by non-residents or in which non-residents are controlling partners.

(c) Incorporated enterprises (such as subsidiaries) operating in the compiling country, in whose policies non-residents exercise an important voice. In the absence of other information, the representation of specific groups of non-residents on the board of directors, or the ownership of 25 per cent of the voting stock by a closely organized group of non-residents, may be taken as evidence of direct control. When there is no evidence of direct control in local hands, ownership of 50 per cent of the voting stock by residents of one foreign country or of 75 per cent by all non-residents may be taken as evidence of direct foreign control.

(d) Commercial real estate owned by non-residents, if this category of direct investment enterprise does not take any of the forms mentioned above.

The foreign investment in resident direct investment enterprises consists of two types of capital: direct investment capital and other capital. Direct investment capital is the (net) amount invested by the foreigners that have a material influence on the policies of the enterprise; it includes all investment in resident branches. "Other capital" in resident direct investment enterprises is the amount of capital invested in these enterprises by other foreigners."

Generally speaking most private investment not regarded as direct is described as **PORTFOLIO INVESTMENT**.

Although the statistical results do not differ greatly, many countries in practice apply slightly different criteria to measures of direct investment. In Canada these are derived from the basic organization of the statistical records of international investment, extending back to the early work in the field. These records cover each company in which any foreign capital is invested directly or indirectly.

Each enterprise¹³ and in turn each company is classified primarily according to country or area of control. The concept of **CONTROL** needs to be carefully examined before conclusions are drawn from the data. In general an enterprise is considered to be foreign controlled if 50% or more of its voting stock is known to be held in one country outside Canada. The group is modified by the addition or deletion, as appropriate, of concerns where it is believed that because of the distribution of the stock effective control is held with less than 50% of the voting stock. (Since complete knowledge of the share owners may not be available the classification of borderline cases involves a measure of judgment based upon all the known factors which could be relevant.) The enterprise includes all the corporations over which the group itself is in a position to exercise control. The concept of control which has been adopted is, therefore, one of potential control through stock ownership, and the degree, if any, of local autonomy permitted in practice by the owners is not relevant.

An exception is made in respect of companies established for the purpose of making portfolio investments in Canada. These have not been treated as foreign controlled regardless of their ownership, since they do not in fact give rise to any measure of "control" over Canadian industry. Thus a number of investment funds established in Canada by United States interests are classified as portfolio rather than direct, despite the fact that the management and practically all the capital involved are of United States origin, because the funds' investments are widely diversified and have no entrepreneurial association.

There are, of course, concerns wholly or substantially owned beneficially by Canadians and so excluded from statistics of foreign controlled in Canada's international investment position, which may in fact be controlled through processes other than investment, e.g. licensing, franchises, exclusive supply contracts, captive markets, etc.

Foreign controlled enterprises range from unincorporated branches of foreign corporations operating in Canada, through wholly or partially-owned Canadian subsidiaries of foreign corporations, to Canadian private or public companies which have no parent concern but whose stock ownership is held substantially in a country outside Canada. (The Canadian data show as Canadian subsidiaries some companies incorporated outside Canada substantially for the purpose of engaging in business in Canada; figures for foreign investment in Canadian subsidiaries are consequently higher, and figures for foreign investment in branches lower, than would be the case if the strict basis of incorporation were followed.)

In Canadian statistics of international investment, direct investment covers that part of the total long-term investment in Canada¹⁴ in foreign controlled companies, which has been provided by all the residents of the country in which control is deemed to lie. It will be noted that investment in the sense used here covers the net provision to Canada of long-term capital in the form of debt as well as share ownership.

¹³ Enterprises are defined broadly as firms or aggregations of firms under common ownership and financial control. See the *Standard Industrial Classification Manual*, DBS Catalogue No. 12-501. Occasional.

¹⁴ For a description of the statistical technique used to derive estimates of foreign investment in Canada see page 67 *Canada's International Investment Position 1926-1954*, DBS Catalogue No. 67-503. Occasional.

(The concept of direct investment followed in Canadian statistics of capital movements, as distinct from the investment ownership, is somewhat different. While year end estimates of the total value of direct investments include the total value of long-term investments in Canada owned by all residents of the country in which control lies, the flows shown as direct investment in balance of payments statements are confined to those of the controlling, affiliated, or principal owners.)

The distinction between long and short-term capital in Canadian data covering this field is based on probable behaviour rather than on strict form. Respondents are asked to classify as long-term those claims which are intended or likely to remain outstanding for more than one year from the date incurred. This concept has proved more meaningful than adherence to the strict term of claims because demand obligations or open account claims are frequently applied in parent company—subsidiary accounting to capital having an essentially long-term function. In general, therefore, the definitions adopted approximate the "normal" capital employed. Short-term claims and changes in them which are excluded from direct investment under these definitions are included respectively in other categories of the investment position and in the "other capital movements" group of transactions.

Foreign OWNERSHIP of Canadian concerns is used synonymously with foreign investment and includes both direct and portfolio capital. Since the total investment in Canada in an enterprise is recorded as foreign controlled or Canadian controlled, but in either case parts of the investment may be owned either in Canada or abroad, the value of foreign controlled investment may either exceed or fall short of foreign ownership depending upon the mix and structure of the enterprises included.

In some large Canadian companies controlled abroad there are substantial minority holdings of securities owned in Canada or in some other countries than the country of control. This type of situation gives rise to instances where investments controlled abroad are greater than investments owned in the country of control. The petroleum and non-ferrous smelting and refining industries and some fields of manufacturing like chemicals provide examples where this has been the case. In contrast in some other areas of manufacturing such as beverages and pulp and paper there are enough foreign owned portfolio investments in Canadian controlled companies to give rise to the opposite type of relationship.

Analysis of changes in the value of foreign controlled investments, especially over relatively short periods, calls for constant awareness of the various factors giving rise to changes. The most typical, of

course, is growth within the enterprise arising from the introduction of new capital and the retention of earnings; this growth may take the form of newly created assets or may involve the acquisition of additional existing undertakings. The most publicised and most dramatic changes are frequently those where, through a major transaction, control of an existing enterprise is acquired directly from residents by a foreign corporation or group of owners, or, less frequently, there is change in the opposite direction. But there have also been major shifts in the data caused by the cumulative effects of transactions spread over an extended period. As a result the introduction to Canada of a relatively small amount of additional capital has sometimes represented the culmination of a process whereby a substantial aggregate of Canadian and foreign capital previously invested in an enterprise has passed from resident to non-resident control.

In Canada's case the term FOREIGN PORTFOLIO INVESTMENTS is usually applied to the wide range of non-resident holdings of public issues of Canadian stocks and bonds where these holdings are not sufficiently concentrated to constitute control. These investments for the most part represent widely dispersed ownership which in comparison with direct investments is relatively passive in character. But although large segments of these investments are held for periods of long duration by institutional and other investors, there are some elements which are subject to more volatile considerations. The term Portfolio Investments is sometimes broadened when used in this series of reports to include the category Miscellaneous Investments¹⁵ as well as holdings of securities. Included in this category are securities held through intermediaries as well as mortgages, real estate and various other investments.

In the field of corporation securities portfolio investments tend to be mainly in the issues of several thousands of Canadian companies controlled in Canada, including most of the leading issues traded on the stock exchanges. Another prominent part of portfolio investment is in the bonds and debentures of Canadian governments, municipalities and utilities. There is also a substantial total of minority holdings abroad of securities of Canadian companies controlled abroad. Large parts of portfolio investments have arisen from the sale of new issues of Canadian securities outside of Canada while other parts have resulted from the large volume of international trading in outstanding securities. Included are many securities payable only in Canadian currency as well as securities payable in foreign currencies.

¹⁵ See "About the figures—Miscellaneous Investments", *The Canadian Balance of International Payments, 1960 and International Investment Position*, p. 54.

PRELIMINARY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1963

For the convenience of users there is reproduced in the following section of this report the body of the Dominion Bureau of Statistics publication, *Quarterly Estimates of the Canadian Balance of International Payments, Fourth Quarter 1963*, Catalogue No. 67-001.

This material is included in order to make available more recent figures and in order to provide a statistical bridge between statements of the balance of payments as currently published quarterly and statements as used in the general body of this annual report, the statistical presentation in which has not yet been revised.

About the figures -

CHANGES IN PRESENTATION 1963

During 1963 several changes to improve the presentation of the statistics were made in the principal statements of the balance of payments. These changes (unless otherwise indicated) have not been carried through the body of this report, but they are reflected in the supplementary section dealing with the Canadian balance of payments in 1963.

Within the capital account as it appears in the main table the figures for transactions in foreign securities previously shown in the separate components D. 6 (Trade in outstanding issues), D. 7 (New issues), and D. 8 (Retirements) have been consolidated into a single line, although the detail continues to be available in a subsidiary statement.

A change has been made in the statistical presentation of transactions with international financial agencies with the effect of consolidating in one place changes in Canada's net International Monetary Fund position and showing elsewhere the transactions with other international investment agencies. The change in Canada's net International Monetary Fund position appears as a new item H. 2 referred to below. Subscriptions to the other international financial agencies (the International Bank for Reconstruction and Development, International Finance Corporation, and International Development Association) appear in a new component of item D. 17 (Other capital movements) shown in detail in a subsidiary statement. Changes in their short-term Canadian dollar holdings have been incorporated into item D. 14 (Change in Canadian dollar holdings of foreigners), which has been subdivided to show separately deposits, Government of Canada demand liabilities

and Canadian treasury bills. This redistribution of the items covering the international financial agencies replaces items D. 13 (Subscriptions in gold and United States dollars to international financial agencies), D. 15 (Special international financial assistance—except insofar as it originated from foreign central banks and is reflected in a new item H. 3) and the elements specified for international financial agencies in D. 17 (Other capital movements).

The transactions specifically related to Canada's official exchange position appear as a new item H. 1 at the bottom of the statement. This treatment of official holdings of gold and foreign exchange was followed in Canadian presentations prior to the withdrawal of fixed exchange rates in 1950. Item H. 1 represents the change in official holdings of gold, United States dollars, and sterling; it corresponds to item D. 16 used previously but the sign is opposite since the changes are presented as the result of all other transactions in the statement rather than as an independent capital movement. Item H. 2 covers changes in Canada's net International Monetary Fund position representing the net resources supplied to or received from that institution. Item H. 3 covers other special international financial assistance.

In order that those who wish to do so may be in a position to adjust the annual data for earlier years consistently with the new presentation, the following summary shows the new distribution of the capital movements previously attributed to international financial agencies and other special international financial assistance in items D. 13, 15 and 17.

	D 14	D 17	H 2 ¹		D 14	D 17	H 2 ¹
	millions of dollars				millions of dollars		
1946	26	- 33	- 1	1955	- 9	-	-
1947	33	- 33	- 74	1956	- 2	- 3 ²	- 15
1948	-	-	-	1957	1	-	-
1949	1	- 6	-	1958	- 1	-	-
1950	- 5	-	-	1959	3	-	- 59
1951	- 4	-	-	1960	3	- 11	-
1952	- 1	-	-	1961	9	- 8	- 61
1953	- 18	-	-	1962	12	- 15	377
1954	- 13	-	-				

¹ Expressed as a capital movement.

² Reflects revision of + 1.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

FOURTH QUARTER 1963 AND PRELIMINARY ESTIMATES FOR THE YEAR 1963

There was a further contraction in the size of the deficit in Canada's international current account to \$521 million in 1963 from \$848 million in 1962. This improvement was distributed over each quarter of the year. It was brought about by a tripling in the size of the export balance from merchandise trade with the larger expansion in exports than in imports. This export balance of \$484 million was close to half as much as the deficit of \$1,005 million from all non-merchandise transactions. The latter balance was virtually unchanged from 1962 because of offsetting movements in leading components. While a further improvement in travel led to a small credit balance, there were in the opposite direction larger transfers of interest and dividends and an increased volume of exports financed by official contributions.

A significant part of the expansion in exports in 1963 was the larger sale of wheat which made up more than \$200 million of the total rise of \$700 million in the year. The major new element in this rise was the deliveries to the Soviet Union which were concentrated in the final quarter of the year. Larger and more diversified exports of manufactured goods made up another significant part of the export rise, and there were also varied gains in sales of various metals, forest products and other primary products. In the fourth quarter the current account deficit was slightly reduced to \$108 million from the deficit in the same quarter of 1962. A larger export balance on merchandise account which reflects large sales of wheat to the U.S.S.R. was partly offset by larger transfers of interest and dividends and increased official contributions.

Among leading factors in the economic background influencing the balance of payments were rising economic activity in North America and in major markets abroad such as the United Kingdom, Japan and some countries of Western Europe. Along with this combination of strong influences was an apparent improvement in the competitive position of Canadian industry. Besides the increased export of many products there has been an extension in the range of Canadian consumption which has been met from production in Canada. This has had the effect of replacing merchandise imports which represented a smaller ratio of national expenditure than in similar stages of earlier periods of expansion. The devaluation of the Canadian dollar in 1962 together with tendencies to rising relative prices and costs in manufacturing countries abroad, has contributed to these changes. Official measures such as export credits, industry policies, defence sharing and the temporary import surcharges which were still in effect in the early months of 1963 have also contributed to the change.

Summary Statement

	1959	1962	1963	1962	1963				
				IV Q	I Q	II Q	III Q	IV Q	
	millions of dollars								
Merchandise trade balance ...	- 422	+ 155	+ 484	+ 138	+ 70	+ 72	+ 144	+ 198	
Deficit on non-merchandise transactions	- 1,082	- 1,003	- 1,005	- 257	- 308	- 261	- 130	- 306	
Current account balance	- 1,504	- 848	- 521	- 119	- 238	- 189	+ 14	- 108	
Capital movements(1)	+ 1,493	+ 1,004	+ 667	+ 597	+ 304	+ 300	- 73	+ 136	
Long-term forms	+ 1,148	+ 672	+ 584	+ 458	+ 373	+ 200	+ 34	- 23	
Short-term forms	+ 345	+ 332	+ 83	+ 139	- 69	+ 100	- 107	+ 159	
Change in official exchange holdings(2)	- 11	+ 156	+ 146	+ 478	+ 66	+ 111	- 59	+ 28	

(1) Excluding change in official exchange holdings.

(2) Gold, foreign exchange, and net International Monetary Fund position, less special international financial assistance.

Capital movements in 1963 were influenced by various new background factors. Among these was the interest equalization tax legislation announced by the President of the United States in July. This affected the investment climate immediately and contributed to the very different patterns of capital flows in the second half from those in the earlier part of the year. Whereas in the first two quarters there were substantial inflows in long-term forms, mainly arising through a concentration of borrowing in the United States, in the third quarter the net inflow in these forms was sharply reduced and was accompanied by net outflows in short-term forms. In the fourth quarter the net movement in long-term forms was outward while short-term movements were inward. Another influence on the size of some capital flows like direct investments was the existence of fewer very large investment projects financed by this type of movement and of fewer "takeovers".

The current account deficit in 1963 was approximately one-third of the peak imbalance of \$1,504 million which occurred in 1959. In that year there was a large negative balance on merchandise account in contrast to the positive balance which featured 1963, and the favourable change in the balances between the two years was \$906 million due to a much larger rise in exports than in imports. On non-merchandise account there has been a reduction since 1959 of \$77 million in the overall deficit, which was mainly the result of the improvement on travel account. But while there was a favourable change in the travel balance of \$220 million in this period, this was partly offset by larger payments of interest and dividends and for business services. Important elements in the rise in exports between 1959 and 1963 from \$5,150 million to \$7,064 million have been increased sales of wheat, metals, forest products, petroleum and natural gas, and manufactured goods.

Canada's balance of international indebtedness continues to rise, although at a somewhat reduced rate. This measure is the amount by which the value of foreign investments in Canada and other kinds of liabilities abroad exceeds external assets owned by Canadians. By the year end it was of the order of \$19 1/2 billion. This rise from \$17.9 billion at the end of 1961 reflects principally the net capital inflow in the two-year period and the net undistributed earnings accruing to non-residents during it, tempered by increases in the value of Canada's external assets arising from the increased value of foreign currencies in terms of Canadian funds. At \$19 1/2 billion the balance has grown in the last seven years nearly as much as the total accumulated balance of indebtedness up to that time.

The fourth quarter

Canada's deficit with all countries narrowed about 10 per cent from \$119 million to \$108 million between the December quarters of 1962 and 1963. This change was brought about by an increase from \$138 million to \$198 million in the commodity surplus, counterbalanced by a widening in the non-merchandise deficit from \$257 million to \$306 million. As the deficit with the United States on merchandise account more than doubled from \$78 million to \$162 million, the amelioration occurred wholly in trade with overseas countries. Within this group, huge shipments of wheat to the U.S.S.R. represented one outstanding element in the favourable trade situation in the closing quarter of 1963. The merchandise trade balance with the United Kingdom was unchanged while the balances with the Rest of the Sterling Area and other OECD countries deteriorated moderately in comparison with the final quarter of 1962.

Most of the \$49 million expansion in the deficit on "invisibles" occurred in transactions with the United States. A substantial rise in interest and dividend payments, particularly on direct investment, and more moderately higher net payments on other items such as freight services and migrants' funds and inheritances contributed to widening the over-all deficit on non-merchandise transactions with the United States. Increases in receipts of interest and dividends and in net travel receipts provided minor offsets.

After allowance for normal seasonal variations, the deficit with the rest of the world in the fourth quarter stood almost 20 per cent below the level for 1963 as a whole, but was substantially less than the high rate in the third quarter. In the last quarter, the surplus on merchandise account was some 20 per cent above the 1963 level. During the year, the merchandise surplus was highest in the June and December quarters, but changes in the individual balances of service items were generally not pronounced. Freight and shipping recorded the widest deficit in the September quarter and net payments of interest and dividends increased appreciably in the same quarter.

The shape of the capital account in the fourth quarter was greatly altered, reflecting in part at least the continuation of trends established earlier and the impact of previous developments. Long-term capital inflows continued to contract from the low levels (apart from deferred deliveries of new issues) characteristic after the first quarter of 1963. The phasing out of some direct investment projects played a part, and the bite of the United States interest equalization tax proposal became increasingly felt in the figures, although a number of other influences can also be pointed to,

including the earlier prepayment of intergovernmental debt. The result was a small outflow in long-term forms. Movements in short-term forms, on the other hand, were inwards and large. Commercial and finance company paper was one important form of inflow. It seems clear that some major re-evaluations of economic and financial prospects followed the announcement in September of the new wheat contracts and were a pervasive influence in the international movement of short-term capital quite apart from the actual export transactions themselves.

Export balance on merchandise trade

The surplus on Canada's merchandise trade tripled from \$155 million in 1962 to \$484 million in 1963. In current dollars, this positive balance just about equalled an exceptional surplus in 1952. After adjustment for balance of payments purposes, exports expanded \$700 million, or 11 per cent, from \$6,364 million in 1962 to \$7,064 million in 1963. At the same time imports rose from \$6,209 million to \$6,580 million, or up 6 per cent. Both trade totals stood at the highest recorded levels, following uninterrupted gains in exports after 1959 and with imports increasing in successive years after 1960.

Export gains were widespread over many commodities, and significant declines in shipments during 1963 were seen for a relatively small number of commodities. Shipments of wheat recorded the sharpest increase of well over \$200 million, due mainly to large sales to the U.S.S.R. and to some other countries in Eastern Europe. Exports of lumber and other wood materials advanced \$70 million, those of railway rolling stock, automobiles and other vehicles over \$50 million, and those of iron ore about the same amount. Shipments of machinery rose about \$45 million and those of wood pulp and semi-fabricated steel each about \$35 million. The value of exports of navigational systems and electronic control equipment almost doubled to \$64 million in 1963. Gains covering aluminum, newsprint and other paper materials, and fertilizers were smaller, with aluminum increasing over \$20 million and the other two groups each about \$15 million. While recorded exports of aircraft declined from the unusually high level of 1962, there were offsetting prepayments referred to later in connection with adjustments to merchandise trade for balance of payments purposes. In 1962 there had been deliveries abroad of a large number of Canadian-built swing-tail jet cargo aircraft. The decline in uranium exports was extended in 1963 with a reduction of nearly \$30 million. Shipments of cattle to the United States were valued at about \$25 million below 1962.

On account of the huge Russian wheat purchase, the proportion accounted for by the group covering food, beverage and tobacco of total Canadian commodities exported rose from 19 per cent to over 21 per cent in 1963. The share of this group in 1961 was nearly 21 per cent. The proportion for crude and fabricated materials declined from 69 per cent in 1961 and 1962 to 66 per cent in 1963, while that for manufactured products rose from nearly 9 per cent to 10 1/2 per cent and to almost 11 1/2 per cent during the three-year period.

Adjustments to regular statistics on the Trade of Canada added in excess of \$80 million to the export trade total, in comparison with about \$15 million in the preceding year; and they covered in 1963 items such as progress payments on manufacture in Canada of aircraft for overseas NATO countries under United States military assistance, clearances of wheat and shipments from custom warehouses. The positive adjustment to the import trade aggregate, analyzed below, was much smaller, and comprised among other items imports into custom warehouses and progress payments on civil aircraft and for defence. The corresponding adjustment for 1962 was a sizable negative one to take account primarily of non-cash acquisition of defence goods.

As indicated earlier the rise in imports has been relatively less than in former periods of general business expansion. There has been an evident tendency for more import replacement by Canadian producers than formerly, which has been encouraged by exchange devaluation and temporary import surcharges still in effect in the first quarter of 1963.

The 6 per cent expansion in imports from \$6,209 million to \$6,580 million in 1963 was distributed over industrial materials, machinery and consumer goods. In a comparison of 11-month totals of the two years, imports of raw sugar were about \$60 million higher in 1963, and the increase covering fruits and fresh meat was about half as large. Imports of farm equipment and tractors rose over \$60 million, of crude petroleum and products more than \$30 million. Less substantial increases occurred in imports of iron ore and scrap iron; semi-fabricated steel; tools; and engines. A gain in 1963 in imports of automobile parts slightly exceeded the decline in purchases from abroad of automobiles. Following an increase of some 20 per cent between 1961 and 1962 in the imports of automobiles, automobile parts and other vehicles, the rise for this group in 1963 was only about 1/10 as great. After appreciable increases in 1962 of about \$60 million and \$70 million respectively in the imports of electrical apparatus and non-farm machinery, imports of some commodities within these groups declined moderately in 1963. With adjustment for balance of payments use, imports of aircraft were also moderately lower in 1963.

As there was only a small rise in export prices of around one per cent in 1963 most of the increase in export values was in the volume of exports. In comparing corresponding months of the two years, most of the price rise was seen during the first half year. The Canadian dollar was devalued and stabilized in May 1962. With imports on the other hand there were more significant price increases within the year, but these were concentrated in the prices of sugar and a few other primary commodities. In addition there were the effects of the devaluation of the Canadian dollar upon import prices in comparisons with earlier months of 1962. Consequently only a part of the increased value of imports for the year as a whole reflects a rise in volume, although gains in volume were general in the latter part of the year.

Deficit on services and other non-merchandise items

The imbalance on non-merchandise transactions was practically unchanged at a deficit of \$1,005 million in 1963, following a 13 per cent decline in the deficit on these transactions from the peak of

Major Items in the Balance on Non-Merchandise Transactions

	1961	1962	1963	Change in 1963
	millions of dollars			
Gold production available for export	+ 162	+ 165	+ 166	+ 1
Travel	- 160	- 50	+ 13	+ 63
Interest and dividends ...	- 561	- 570	- 614	- 44
Freight and shipping	- 82	- 90	- 85	+ 5
Inheritances and migrants' funds	- 71	- 39	- 33	+ 6
Official contributions ...	- 56	- 32	- 61	- 29
All other current transac- tions	- 387	- 387	- 391	- 4
Balance on non-merchandise transactions	- 1,155	- 1,003	- 1,005	- 2

\$1,155 million in 1961 to \$1,003 million in 1962. Among service items, the most noteworthy change in the year was a turn-around of \$63 million in the travel balance from a deficit of \$50 million to a surplus of \$13 million in 1963. Although the improving trend was evident since 1960, this betterment was less than in 1962. On the other hand, net payments of interest and dividends increased \$44 million, or by 8 per cent, and official contributions at \$61 million, up \$29 million from \$32 million in 1962, were restored to the average level of contributions for recent years. Deficits on freight and shipping and on inheritances and migrants' funds narrowed moderately, and the value of gold production

available for export at \$166 million was a shade higher in 1963, while a small rise took place in the deficit on all other current transactions.

The proportion of the "invisible" deficit attributable to interest and dividends expanded from 57 per cent in 1962 to 61 per cent in 1963. The changes in the shares of other items were smaller, except travel expenditures, which accounted for 14 per cent and 5 per cent of net service payments in 1961 and 1962 respectively, but which yielded a small surplus in 1963.

Travel Expenditures

	1960	1961	1962	1963	Change in 1963
	millions of dollars				
Receipts:					
United States	375	435	510	549	+ 39
Overseas	45	47	50	53	+ 3
All countries	420	482	560	602	+ 42
Payments:					
United States	462	459	420	392	- 28
Overseas	165	183	190	197	+ 7
All countries	627	642	610	589	- 21
Balance					
United States	- 87	- 24	+ 90	+ 157	+ 67
Overseas	- 120	- 136	- 140	- 144	- 4
All countries	- 207	- 160	- 50	+ 13	+ 63

Successive improvements in the travel balance from the record level deficit of \$207 million in 1959 and 1960 was extended in 1963, with the emergence of a small surplus of \$13 million, the first since 1950. This improvement has been concentrated in transactions with the United States as the deficit with the overseas has risen very gradually over the three recent years, with the Canadian expenditures for travel overseas increasing slightly more than receipts in Canada from visitors from overseas countries. Canadian travel expenditures overseas however have not risen proportionately as much as the volume of this group of travellers.

In transactions with the United States, expenditures by American visitors have increased nearly 50 per cent from \$375 million in 1960 to \$549 million in 1963, while travel outlays by Canadians in the United States have declined, but less substantially from \$462 million in 1960 to \$392 million in 1963. In this year alone the rise in receipts amounted to \$39 million, or over 7 per cent, while the contraction in payments was estimated at \$28 million, or nearly 7 per cent. Visitors to Canada arriving by automobile accounted for most of the gain in receipts, and longer visits as well as more visitors contributed to this gain. On the other hand, although more Canadians visited the United States, average expenditures tended to be lower than in the previous year. Duty-free tourist purchases in the United States declined well over \$10 million, and as the privilege was curtailed at the end of June 1962, the contraction in these imports occurred between the first halves of 1962 and 1963.

The deficit on interest and dividends widened nearly 8 per cent from \$570 million to the highest recorded level of \$614 million in 1963. Both receipts at \$228 million and payments at \$842 million were higher than ever before, but the absolute increase in payments was more than three times as large as

Interest and Dividends: Payments				
Period		Total	Interest	Dividends
millions of dollars				
1961		770	259	511
1962		781	285	496
1963		842	317	525
1962	I Q	179	67	112
	II Q	205	76	129
	III Q	163	62	101
	IV Q	234	80	154
1963	I Q	196	70	126
	II Q	192	89	103
	III Q	181	70	111
	IV Q	273	88	185

that in receipts during 1963. The latter rose from \$211 million to \$228 million, from enhanced receipts of interest, which were largely represented by increased earnings on official account. Payments of interest and dividends advanced nearly 8 per cent from \$781 million to \$842 million, with the increase distributed nearly evenly between the two components. Interest payments rose over 10 per cent to \$317 million. Sales to non-residents of new bonds were the largest factor in enhanced interest payments. Trade in outstanding securities accounted for a much smaller increment, but retirements of Canadian bonds had the effect of partially offsetting the increase. Roughly 90 per cent of the additional interest, arising from new sales of bonds, was paid in the last three quarters of 1963. Large sales of Government of Canada and provincial issues and corporation bonds in 1962 produced increased interest payments in the second quarter of 1963, and in addition substantial sales of corporate bonds in the June quarter yielded higher interest payments in the last quarter of 1963.

Dividend payments rose nearly 6 per cent from \$496 million in 1962 to \$525 million in 1963; and under two-thirds of this increase was attributable to dividends on direct investment. The remainder of the rise was divided about equally between dividends paid on portfolio investment and net profits of unincorporated branches in Canada of foreign companies. Transfers of dividends by subsidiaries followed an irregular course during the year. Payments in the second quarter were much less than in the previous year while the first, third and fourth quarters were higher, with the main increase occurring in the final quarter.

A new factor applying to transfers in the second half was introduced in the June Budget with the lowering in the withholding tax rate from 15% to 10% on dividends paid to non-residents by certain Canadian companies. On the other hand non-resident holdings of stocks have been reduced by persistent liquidations over the past several years.

With expanding exports and imports, both receipts and payments on freight and shipping services rose, the former by 10 per cent to \$550 million and the payments by 8 per cent to \$635 million. The deficit on transportation accordingly narrowed \$5 million to \$85 million. Higher receipts of inland freight on exports accounted for a large proportion of the gain in freight receipts, and expenditures of foreign ships in Canada were also greater, but more moderately so. Likewise, inland freight on imports from the United States and expenditures abroad of Canadian shipping lines accounted for most of the additions to freight payments.

Increases of \$25 million and \$19 million respectively in receipts and payments of migrants' funds and inheritances raised these totals to \$149 million and \$182 million, and reduced the deficit \$6 million to \$33 million. The rise in receipts was attributable to a 25 per cent gain in the number of immigrants in 1963, offset by slightly lower per capita funds from the unusually high average of the preceding year. An increase in the number of Canadians leaving the country for residence abroad brought about the rise in payments. Following an increase of \$1 million to \$166 million, the value of gold production available for export in 1963 stood slightly above the average for this item in the sixties.

Among the other "invisibles", so far not described, official contributions registered the largest change in expanding from an unusually low level of \$32 million in 1962 to \$61 million in 1963.

Miscellaneous Current Transactions

	Receipts		Payments	
	1962	1963	1962	1963
	millions of dollars			
Government, excluding official contributions ..	114	120	149	161
Personal and institutional remittances	26	26	91	94
Miscellaneous income	102	94	143	140
Business services	184	204	430	440
Total	426	444	813	835
Balance	-	-	- 387	- 391

The provision of capital assistance and technical aid under the Colombo Plan doubled in the year to nearly \$50 million. Fairly small and offsetting changes in net payments on other items such as other government expenditures, business services, miscellaneous income and personal remittances raised the deficit from \$387 million to \$391 million in 1963.

Transactions by areas

A sharp rise in the surplus on current transactions of \$369 million, or nearly 140 per cent, with overseas countries, offset in part by a slight widening in the deficit with the United States of less than 4 per cent, or \$42 million, combined to produce the fall in Canada's overall deficit on current account from \$848 million to \$521 million in 1963. This was the reversal of the change that took place in 1962, when the deficit with the United States narrowed about one-fifth and the surplus with

overseas countries fell about a third. Within the overseas group, about one-half of the change was ascribable to transactions with the United Kingdom alone. Increased shipments of wheat to the U.S.S.R. were large enough to account for the remainder of the expansion in the overseas surplus.

With the United States

The small increase in the deficit on Canada's transactions with the United States from \$1,116 million to \$1,158 million followed about a 5 per cent increase in both receipts and payments for goods and services. Total receipts were up \$291 million to \$5,474 million in 1963, while total payments grew \$333 million to \$6,632 million. Both merchandise exports and imports rose nearly 6 per cent, the former from \$3,742 million to \$3,952 million, up \$210 million. Merchandise imports increased \$247 million to \$4,464 million. Among exports to the United States, shipments of iron ore and concentrates advanced over 20 per cent to \$214 million. Shipments of softwood lumber rose 10 per cent to over \$313 million, those of aluminum 18 per cent to \$120 million, and those of wood pulp 4 per cent to \$310 million. More moderate increases were recorded in exports of a variety of other commodities such as whisky, nickel ores, farm machinery, electronic equipment and fertilizers. A sizable fall of over \$50 million took place in shipments of uranium; and exports of cattle declined more moderately.

A large part of the \$247 million increase in merchandise imports from the United States covered commodities of iron and steel, such as automobile parts, farm equipment and tractors and parts. On the basis of 11-month totals, imports of automobiles and some types of non-farm machinery were lower in 1963.

The deficit on non-merchandise transactions with the United States increased \$5 million to \$646 million. A substantial expansion of roughly 75 per cent on net travel receipts was more than counterbalanced by widened deficits on some other non-merchandise items. References to these changes appear in the section on an overall consideration of service transactions.

With the United Kingdom

The rising course since 1959 of Canada's surplus in transactions with the United Kingdom was extended in 1963, when the largest expansion in this recent period of \$181 million occurred. The surplus of \$394 million, arising from total receipts of \$1,279 million and payments of \$885 million, was the highest since 1949, and stood slightly above that of \$388 million in 1952. Nearly 80 per cent of the improvement was ascribable to merchandise trade, the surplus going up some 40 per cent to \$492 million.

Summary of Current Transactions with the United States, United Kingdom and
Other Countries 1962 and 1963, and Changes Between the Periods

	1962	1963	Change	1962	1963	Change
	millions of dollars					
	All countries			United States		
<u>Fourth quarter</u>						
Merchandise exports (adjusted)	1,721	2,009	+ 288	978	1,030	+ 52
Merchandise imports (adjusted)	1,583	1,811	+ 228	1,056	1,192	+ 136
Balance on merchandise trade	+ 138	+ 198	+ 60	- 78	- 162	- 84
Other current receipts	488	529	+ 41	327	345	+ 18
Other current payments	745	835	+ 90	531	593	+ 62
Balance on non-merchandise transactions	- 257	- 306	- 49	- 204	- 248	- 44
Total receipts	2,209	2,538	+ 329	1,305	1,375	+ 70
Total payments	2,328	2,646	+ 318	1,587	1,785	+ 198
Current account balance	- 119	- 108	+ 11	- 282	- 410	- 128
<u>Calendar year</u>						
Merchandise exports (adjusted)	6,364	7,064	+ 700	3,742	3,952	+ 210
Merchandise imports (adjusted)	6,209	6,580	+ 371	4,217	4,464	+ 247
Balance on merchandise trade	+ 155	+ 484	+ 329	- 475	- 512	- 37
Other current receipts	1,984	2,139	+ 155	1,441	1,522	+ 81
Other current payments	2,987	3,144	+ 157	2,082	2,168	+ 86
Balance on non-merchandise transactions	- 1,003	- 1,005	- 2	- 641	- 646	- 5
Total receipts	8,348	9,203	+ 855	5,183	5,474	+ 291
Total payments	9,196	9,724	+ 528	6,299	6,632	+ 333
Current account balance	- 848	- 521	+ 327	- 1,116	- 1,158	- 42
	United Kingdom			Other countries		
<u>Fourth quarter</u>						
Merchandise exports (adjusted)	249	266	+ 17	494	713	+ 219
Merchandise imports (adjusted)	131	147	+ 16	396	472	+ 76
Balance on merchandise trade	+ 118	+ 119	+ 1	+ 98	+ 241	+ 143
Other current receipts	75	84	+ 9	86	100	+ 14
Other current payments	83	86	+ 3	131	156	+ 25
Balance on non-merchandise transactions	- 8	- 2	+ 6	- 45	- 56	- 11
Total receipts	324	350	+ 26	580	813	+ 233
Total payments	214	233	+ 19	527	628	+ 101
Current account balance	+ 110	+ 117	+ 7	+ 53	+ 185	+ 132
<u>Calendar year</u>						
Merchandise exports (adjusted)	924	1,017	+ 93	1,698	2,095	+ 397
Merchandise imports (adjusted)	575	525	- 50	1,417	1,591	+ 174
Balance on merchandise trade	+ 349	+ 492	+ 143	+ 281	+ 504	+ 223
Other current receipts	227	262	+ 35	316	355	+ 39
Other current payments	363	360	- 3	542	616	+ 74
Balance on non-merchandise transactions	- 136	- 98	+ 38	- 226	- 261	- 35
Total receipts	1,151	1,279	+ 128	2,014	2,450	+ 436
Total payments	938	885	- 53	1,959	2,207	+ 248
Current account balance	+ 213	+ 394	+ 181	+ 55	+ 243	+ 188

Merchandise exports increased from \$924 million to \$1,017 million, up 10 per cent, while merchandise imports contracted nearly 10 per cent from \$575 million to \$525 million. In 1963, shipments of uranium rose \$24 million, followed by those of wheat, which advanced about \$20 million. Following a fairly sizable decline in 1962, exports of iron ore gained more than \$11 million. Other increases were recorded in exports of oil cake and meal, lumber, wood pulp, copper and nickel, while declines occurred in exports of tobacco and newsprint. Most of the \$50 million reduction to \$525 million in imports from the United Kingdom occurred in commodities of iron and steel, and in particular, automobiles.

Current Account Balances with
Principal Countries and Areas

	1961	1962	1963	Change in 1963
	millions of dollars			
United States	- 1,386	- 1,116	- 1,158	- 42
Overseas:	+ 404	+ 268	+ 637	+ 369
United Kingdom	+ 187	+ 213	+ 394	+ 181
Other Sterling Area	+ 27	+ 11	- 20	- 31
Other OECD countries	- 31	- 70	- 86	- 16
Other countries	+ 221	+ 114	+ 349	+ 235
All countries	- 982	- 848	- 521	+ 327

With "other countries"

The substantial improvement in Canada's surplus in transactions with other countries took place with countries outside the Sterling Area and other OECD groups. With respect to the two latter areas, there was a deterioration amounting to \$47 million. With the remaining countries, however, the surplus tripled from \$114 million to \$349 million; and nearly 90 per cent of this gain was concentrated in commodity trade. Merchandise exports increased about 40 per cent from \$736 million to \$1,024 million, while imports rose over 10 per cent from \$628 million to \$706 million. In reflection of poor crop conditions overseas, clearances of wheat to Russia alone in 1963 amounted to nearly \$180 million, with none being shipped in 1962, but shipments of wheat to Mainland China declined almost \$50 million from the peak in 1962. In addition barley exports to China were more than \$10 million lower in 1963. Exports to Japan, on the other hand, rose nearly 40 per cent to a shade under \$300 million. Exports to Latin America were up about \$50 million, or 20 per cent, to almost \$290 million. Within this area the largest gains appeared in exports to Argentina and Mexico, and smaller increases to Colombia, Peru, Venezuela and Cuba. The rise to Argentina was mainly in locomotives, and this commodity was featured also in increased exports to Mexico. About one-half of the \$78 million increase in imports from the other countries group was accounted for by larger imports of raw sugar from Cuba and greater purchases of crude petroleum from countries including Iran, Saudi Arabia and Venezuela. A sizable gain in earnings on inland freight on exports accounted for an appreciable share of the \$25 million expansion to \$31 million in the surplus on service transactions.

With Rest of the Sterling Area and other OECD countries

A slow deterioration since 1960 in the balance of current transactions with the Rest of the Sterling Area and the other OECD countries continued in 1963. A surplus with the former area of \$11 million in 1962 changed into a deficit of \$20 million in 1963, while the deficit with the latter group rose slightly from \$70 million to \$86 million. Most of the change with the Rest of the Sterling Area was due to larger official contributions, and with the OECD group, a greater expansion in net payments on service transactions outweighed the gain in commodity surplus. The swing from a near balance in service transactions with the Rest of the Sterling Area to a deficit of \$20 million was attributable to higher official contributions, in particular to the recovery of disbursements financing exports under the Colombo Plan. The change in merchandise trade balance with the RSA, which resulted from over 20 per cent rises in both exports and imports in 1963, was only slight, but a factor in the former was the financing by official contributions of a larger volume of goods. Largest gains took place in exports to the Republic of South Africa and to India. Wheat accounted for most of the increase to the former but shipments of lumber, automobiles and trucks were up as well. Larger exports to India included

The deficit of \$136 million in 1962 on non-merchandise transactions with the United Kingdom was reduced nearly 30 per cent to \$98 million. This change of \$38 million was derived from increased net receipts amounting together to \$30 million on freight and shipping services and migrants' funds and inheritances. In addition there was a cut of some \$20 million in the deficit on "miscellaneous current transactions", which was in part offset by a widening by a smaller degree in net payments on travel, interest and dividends. Expenditures on government account, including defence, were down, and the deficits on other items of miscellaneous current transactions were also lower.

rails, copper, asbestos, turbines and wheat. Raw sugar was the most important single commodity contributing to enhanced imports from the RSA with prices considerably higher in 1963.

On merchandise account with the other OECD countries, a 6 per cent advance in exports offset by that of over 3 per cent in imports added some \$20 million, or 13 per cent, to the surplus. On the other hand, the deficit from non-merchandise transactions with the other OECD countries rose to a new peak and continued to exceed the merchandise surplus by a wide margin. With the exception of slightly larger receipts of migrants' funds and inheritances, the deficits on other non-merchandise items, in particular government expenditures, widened in 1963.

Capital Movements

The effects of some of the developments described earlier can be readily identified in the statistics of capital movements between Canada and other countries in 1963. Capital in long term forms began to flow into Canada again on a substantial scale following the crisis of mid-1962. It continued to do so on a reducing scale until the final quarter of 1963 being equivalent over the year as a whole to 112 per cent of the current account deficit. Portfolio investment, mainly taking the form of purchases by non-residents of new issues of Canadian securities, accounted for a major part of the inflow in 1963, supplanting direct investment which had held prime place since 1950 with the exception of the four years from 1956 to 1959.

A series adjusting the inflows to reflect the timing of contracts for the sale of new issues of Canadian bonds and debentures rather than deliveries made in subsequent quarters (at which time actual capital movements occur) shows them to have been heavily concentrated in the last half of 1962 and the first quarter of 1963. It is perhaps to this series that one should relate the Canadian budgetary measures introduced in mid-June and the special message to Congress by the President of the United States in mid-July. These policy measures no doubt also contributed to the swings in movements of capital in short-term forms, as did the announcement in mid-September of major wheat export contracts. The impact of the latter transactions themselves and of their contribution to the general economic outlook was clearly diffused through a number of the short-term capital items.

Movements of capital for direct investment, portfolio stocks and bonds, official loans, and other long-term investments resulted in a net inflow of \$584 million in 1963. Their total was smaller than in 1962, and indeed less than for any year since 1955, but for the first time since 1956 they were greater than the current account deficit incurred in the year. In 1956 the inflows in long-term forms aggregated a record \$1,424 million while the current account deficit was \$1,366 million, a figure subsequently exceeded on two occasions. In 1962 the inflow of \$672 million in long-term forms was equivalent to about 80 per cent of the current account deficit of \$848 million in that year.

Summary	1962				1963			
	I Q	II Q	III Q	IV Q	I Q	II Q	III Q	IV Q
	millions of dollars							
Capital movements in long-term forms	+ 5	- 29	+ 238	+ 458	+ 373	+ 200	+ 34	- 23
Capital movements in short-term forms(1)	- 46	- 243	+ 482	+ 139	- 69	+ 100	- 107	+ 159
Balance on goods and services	- 333	- 362	- 34	- 119	- 238	- 189	+ 14	- 108
Change in official holdings of gold, foreign exchange, and net International Monetary Fund position, less special international financial assistance	- 374	- 634	+ 686	+ 478	+ 66	+ 111	- 59	+ 28

(1) Excluding items in final line.

In contrast to 1962 when the capital inflows in long-term forms occurred entirely in the second half of the year, following the action taken to restore balance in Canada's external finances, the inflows in 1963 were largely confined to the first half of the year. Broadly speaking it may be said that 1962 was divided by the exchange crisis which occurred in June, while the year 1963 found a dividing point in the announcement of tax measures in Canada and in the United States. But these watersheds represent an oversimplification which may conceal or obscure both the interaction of developing situations and the lags between decisions and flows which were of some real significance in these years.

Capital Inflows in Long-Term Forms

Period	Actual Inflow	Adjusted to reflect timing of security contracts
	millions of dollars	
1962 First Quarter	+ 5	+ 107
Second "	- 29	- 140
Third "	+ 238	+ 534
Fourth "	+ 458	+ 460
1963 First Quarter	+ 373	+ 503
Second "	+ 200	- 38
Third "	+ 34	- 42
Fourth "	- 23	- 35

Geographically net capital inflows in long-term forms are attributed wholly to the United States in 1963. Although aggregating about \$800 million, they fell well short of the current account deficit with the United States. The outflows of some two hundred million dollars to overseas countries reflected primarily continued disposal by overseas residents of Canadian securities together with the extension by Canada of export credits.

Capital inflows in short-term forms produced \$83 million, net, in contrast to the very substantial inflow of \$332 million in 1962. These capital movements together provided the financing for the current account deficit of \$521 million in 1963 and also permitted an improvement of \$146 million in Canada's official reserve position.

DIRECT INVESTMENT

The net movement of foreign capital to Canada for direct investment in foreign-controlled enterprises during 1963 is estimated to have totalled \$210 million, or about 38 per cent of the \$555 million recorded in 1962. This was a lower level than had prevailed during and since the 1950's. In the main the inflows in 1963 reflect additional investment by foreign corporations in their Canadian subsidiaries or branches, contributing to new capital formation in Canada. On balance outflows from Canada covering the repurchase of Canadian enterprises exceeded inflows for the take-over of existing concerns by non-residents. This is a reversal of the situation in recent years, particularly 1962, when net inflows for the take-over of Canadian enterprises and for refinancing etc., having no counterpart in current new capital formation in Canada, accounted for more than a quarter of the net movement. Indeed the swing in this type of transaction serves to explain half the decline in the inflow from 1962 to 1963.

Approximately one third of the net movement, or about \$75 million, occurred in the first quarter of the year while the remainder was spread evenly over the last three quarters with successive quarterly totals of \$40 million, \$50 million and \$45 million. The decrease in importance of take-overs contributed to the more even inflow of direct investment funds throughout 1963 than in the previous year. Apart from the special transactions the inflows have declined moderately in each of the last five quarters. It should be noted that the net movement of direct investment capital reflects very much larger flows in both directions. There have been sizable outward movements in recent years by companies whose operations are well established and successful. Such movements frequently do not reflect any reduction in the value of foreign investment in Canada but may merely represent the transfer of cash resources generated from current operations. To the extent that this is the case such transfers may take the place of dividends which would have appeared as a current account payment.

Petroleum and natural gas still appears to be the industry receiving the largest proportion of net direct investment inflows although at a considerably reduced rate from previous years when the influence of take-overs was more prominent. A significant development however is that for the first time in recent years the manufacturing industry appears to have supplanted mining as the second largest recipient of foreign capital. The main reason for this change was a sharp drop in net inflows for mining, but the absence in 1963 of some major outflows which reduced the net movement into manufacturing in 1962 also contributed to this result. The generation of funds internally by foreign-owned branches and subsidiaries seems to have reduced reliance on net direct investment inflows while changes in corporate structure have also been important in the petroleum industry.

Geographically, direct investment inflows from each area decreased sharply from 1962 levels, with inflows from the United States falling by about half and inflows from other areas falling by much larger proportions. As a result the proportion provided by residents of the United States rose from 64 per cent in 1962 to about 80 per cent in 1963.

Preliminary estimates of the movement of capital for direct investment abroad indicate a net outflow of \$80 million compared with \$125 million in 1962. Perhaps one third of the 1963 net outflow was for manufacturing while outflows for investment in merchandising and financial concerns each represented approximately one quarter of the total. Roughly half of the net movement appears to have been to the United Kingdom.

SECURITY TRANSACTIONS

A capital inflow of \$527 million resulted from transactions in portfolio securities between Canada and other countries during 1963. It was the largest since 1959, greatly exceeding the inflow for direct investment in foreign-controlled enterprises - usually the major type of capital inflow. By mid-year the net inflows totalled \$552 million but transactions over the latter half produced a small net outflow of \$25 million.

The main factors responsible for an increase of \$252 million in the net capital inflow over 1962 were a growth of \$246 million in new borrowings from non-residents by Canadian governments and corporations and a swing of \$90 million in capital flows from transactions in foreign securities from purchases by Canadians in 1962 to sales in 1963. These changes were tempered by an increase of \$84 million in the net repatriation of outstanding Canadian securities held abroad.

Net sales (+) or purchases (-) by Canadians	I	II	III	IV	Year
millions of dollars					
Canadian securities:					
Outstanding - Bonds ...	+ 23	+ 27	- 7	- 4	+ 39
Stocks ..	- 56	- 44	- 27	- 42	- 169
New issues	+ 411	+ 393	+ 109	+ 51	+ 964
Retirements	- 54	- 174	- 34	- 65	- 327
Foreign securities:					
Outstanding issues	+ 4	+ 21	- 4	+ 19	+ 40
New issues	- 6	- 3	- 5	- 26	- 40
Retirements	+ 5	+ 5	+ 5	+ 5	+ 20
Total - All countries	+ 327	+ 225	+ 37	- 62	+ 527
United States	+ 350	+ 264	+ 65	- 41	+ 638
United Kingdom	- 15	- 33	- 28	- 10	- 86
Other countries	- 8	- 6	-	- 11	- 25

A summary shows the composition of the transactions in 1963. The proceeds of new issues reached an unprecedented total of \$964 million. This exceeded by \$166 million the previous record set in 1957. In the four quarters ending September 30, the capital inflows in this form fell just short of \$1,300 million. These movements were dominated by two major borrowings arranged in the United States market. The first was an issue of US \$250 million placed by Government of Canada for delivery in equal instalments in the final quarter of 1962 and the first quarter of 1963. The second was an issue of US \$300 million placed by Quebec Hydro in the first quarter of 1963 of which US \$200 million had been delivered by the year-end. These and other issues contributed to wide disparities between the timing of contractual

arrangements and of resulting capital flows. In fact the sale to non-residents of new issues of Canadian securities, on a contractual timing basis, was drastically curtailed between the first and second quarters, although deliveries were little changed. Late in June the Canadian budget introduced a number of measures designed to influence the balance of payments, including a measure to relieve certain non-resident purchasers of Canadian bonds of the burden of Canadian withholding tax. The effect of this measure was nullified by the proposal to the United States Congress in early July to introduce an interest equalization tax designed to increase by about one per cent the per annum cost to most foreigners of long-term borrowing in that country. Although an intention of exempting Canadian borrowers was announced shortly thereafter, the existing uncertainty largely dominated the United States capital market as a source of long-term financing for Canada in the rest of the year.

New Issues of Canadian Bonds Sold to United States Residents

Period		Contracts	Deliveries	Undelivered*
millions of dollars				
1962	Year	960	671	312
1963	Year	714	910	116
1963	I Q	530	400	442
	II Q	131	369	204
	III Q	28	104	128
	IV Q	25	37	116

* At end of period.

Trade in outstanding issues was dominated in 1963 by the repatriation of \$169 million Canadian common and preference stocks held abroad. Canadians on balance sold \$39 million Canadian bonds and debentures and relinquished \$40 million of foreign portfolio securities. In 1962 the net capital outflow of \$126 million resulted from net purchase balances of \$116 million for the repurchase of Canadian common and preference stocks and \$74 million for the acquisition

of foreign securities from non-residents (including \$69 million for foreign stocks), while Canadians sold on balance \$64 million of Canadian bonds, debentures and other securities.

By mid-1963 net sales of outstanding Canadian bonds and debentures had attracted about \$50 million from abroad but trade over the latter half of the year led to a repurchase balance of \$11 million.

Net repurchases of outstanding Canadian common and preference stocks held abroad continued during each quarter of 1963. The capital outflow of \$169 million for the year as a whole topped the record net capital outflow of \$116 million set in 1962. Net repurchases of \$98 million, \$54 million and \$17 million were made from residents of the United States, the United Kingdom and other overseas countries respectively. Net repurchases from the United States were very much larger than in 1962, when they first appeared in the second quarter after a long series of sales balances. The net repurchases from the United Kingdom and from other overseas countries each fell in 1963. Repurchases from these areas have been characteristic since 1960.

After net purchases of outstanding foreign securities every year since 1959, Canadians resold on balance \$40 million in equal amounts of their holdings of stocks and bonds and debentures to non-residents in 1963. Some of the proceeds appear to have been employed in the purchase of new issues.

Retirements of Canadian securities held by non-residents involved outflows of \$327 million, only slightly higher than in 1962. A large and rising volume of retirements is to be expected in the light of the substantial increasing holdings of Canadian bonds and debentures by non-residents. The series also reflect retirements of preferred stocks and special repurchases of some common stocks such as those arising from the acquisition by provincial authorities of private utility companies.

For the third successive year the United States was the sole net provider of portfolio security capital contributing \$638 million in 1963 compared with \$445 million in 1962. Net outflows of \$86 million and \$25 million to the United Kingdom and other overseas countries respectively, compared with \$91 million and \$79 million to the same countries in 1962.

Notwithstanding the absorption by non-residents of \$139 million of Government of Canada direct and guaranteed issues during 1963, \$20 million more than in 1962, their net acquisition of the net new supply of these securities fell by almost five percentage points to 18 per cent of the larger amounts raised. The net acquisitions by non-residents of provincial, municipal and corporate securities were equal to about a third of the net new supply. This was about the level which prevailed between 1956 and 1959 and about twice as high as percentages in the intervening years since.

A more extended review of international security movements in 1963 will be found in the December issue of "Sales and Purchases of Securities between Canada and Other Countries". (DBS Catalogue No. 67-002).

OTHER CAPITAL FLOWS IN LONG TERM FORMS

As in previous years Canadian Government non-military aid abroad in 1963 took the form largely of payment of the regular assessments from international agencies of which Canada is a member, official contributions and the extension or guarantee of export credits. While assessments and contributions form a part of Canada's current payments, the latter transactions, which give rise to claims on non-residents, are reflected in the capital account under item D 17.

In addition in 1963 the Government of Canada made loans totalling \$10 million to other national governments while receiving repayments of \$25 million. The new loans represented advances to India in connection with the purchase of aircraft. Re-payments dropped sharply below the \$129 million in the previous year when accelerated prepayments of principal amounting to \$91 million served to ease Canada's international financial position. The accelerated prepayments made in 1962 have had the long-term effect of reducing prematurely inflows of capital from this source.

The major repayment in 1963 was received from the United Kingdom with other amounts coming from India, Belgium and Ceylon. After the unusual transactions of 1962 which upset the seasonal variation of repayments the normal pattern is apparent again in 1963 with repayments concentrated in the second and particularly the fourth quarters of the year. In addition to these principal repayments, there were receipts of \$26 million on account of interest in 1963; these are a part of the item in the current account covering Canada's receipts of interest and dividends.

Among other movements of official capital in long-term forms was the regular subscription payment by Canada to the International Development Association of \$8 million made in the fourth quarter.

This institution was established to assist in economic development in less developed countries whose ability to make good use of capital exceeds their capacity to service loans extended on conventional terms. To date Canada has paid in to the Association about \$33 million. Not all of these funds have yet been used by the Association, and the offsetting liability appears mainly in the item for Government of Canada demand liabilities.

Composition of "Other Capital Movements"
(A minus sign indicates an outflow of capital from Canada)

Transactions with all countries	1961	1962	1963	1963			
				I Q	II Q	III Q	IV Q
				millions of dollars			
Subscriptions to international investment agencies(1)	- 8	- 15	- 8	-	-	-	- 8
Long-term capital transactions n.i.e.	132	- 140	- 80	- 4	- 46	- 30	-
Bank balances and other short-term funds abroad (excluding official reserves)	140	94	- 252	- 59	- 80	- 136	23
Canadian commercial paper			(- 23	- 39	15	- 11	12
Canadian finance paper	100	146	(47	8	- 3	11	31
Canadian finance company obligations n.i.e.			(49	- 12	24	11	26
All other transactions including changes in loans and accounts receivable and payable(2)	148	104	248	53	126	12	57
Total (Item D 17)	512	189	- 19	- 53	36	- 143	141

(1) International Bank for Reconstruction and Development, International Development Association, and International Finance Corporation.

(2) Includes also balancing item representing difference between direct measurements of current and capital accounts.

The remaining capital movements in long-term forms led in 1963 to an outflow of \$80 million most of which occurred in the second and third quarters. In 1962 there was an outflow of \$140 million following an inflow of \$132 million from this group of transactions in 1961. The composition of these movements was somewhat more diverse in 1963 than in 1962 when about four-fifths of the total covered substantial re-payments of bank loans which were financed from the sale to non-residents of a new corporate bond issue. Apart from the effects of this transaction about half the change from 1962 to 1963 is estimated to have covered a reversal in the direction of capital flows associated with uranium, which gave rise to outflows in 1963 in contrast to the inflows which occurred in the earlier phases of the stretch-out agreements. Also contributing to the outflows have been the extension by Canada of medium and long-term export credits, repayments by Canadian corporations on foreign bank loans and the flows of capital between branches and home offices of insurance companies in Canada and abroad.

The net export credits extended by Canada directly or indirectly under guarantee or at risk of the Government of Canada, as measured for balance of payments purposes, and including both long and short term credits, amounted to about \$25 million in 1963. Although the figure is well below the totals of about \$60 million for 1962 and \$130 million for 1961 it may be noted that most of the reductions reflect substantial repayments, some of which have been made in advance of their due dates. Net capital outflows originating from these trade credits are smaller than the net credits extended because some paper is rediscounted with non-residents or into Canadian banking assets abroad, while additional amounts are financed by borrowing abroad; such types of financing are estimated to have accounted for the total in 1963 and for about two-fifths in 1962 and 1961. The net movements remaining after the above financing are included in the items of "other capital movements" appropriate to their term, contributing between \$40 and \$50 millions to the outward movement in long term forms in 1962 and 1963, and somewhat less than half this amount in 1961.

CAPITAL MOVEMENTS IN SHORT TERM FORMS

Capital movements in short-term forms, apart from changes in official holdings of gold, foreign exchange and net International Monetary Fund position, led to a net inflow of \$83 million in 1963. In 1962 the comparable group of movements led to an inflow of \$332 million.

Canadian dollar deposits of non-residents rose by \$40 million in 1963 as a result of large increases in the second and fourth quarters, partially offset by decreases in the first and third quarters. About seventy per cent of the increase was in deposits of residents of the United States but it may be noted that there was a decrease nearly as large in holdings of Canadian treasury bills by residents of that country. Canadian dollar deposits of non-residents at the year end were of the order of \$520 million. These deposit liabilities included about \$320 million payable to residents of the United States, \$60 million payable to residents of the United Kingdom and about \$70 million payable to residents of Continental Europe.

Government of Canada demand liabilities payable to non-residents rose during the year by \$1 million. The amount outstanding at the year end totalled \$26 million, mainly in the form of interest free demand notes issued to international investment agencies.

Holdings by non-residents of Canadian treasury bills were reduced by \$27 million in 1963. By the end of the year the holdings had been reduced to \$39 million of which \$21 million were those of residents of the United States. More than half the remainder were obligations to international investment agencies. The year end holdings were lower than for any month-end in the past five years. At their month-end peak in April 1961 they reached \$163 million.

Sales to non-residents of Canadian treasury bills aggregated \$312 million in 1963, with repurchases and maturities totalling \$339 million. In 1962 when the volume was at peak levels, the corresponding totals were \$460 million and \$456 million. Outflows in the second and fourth quarters of 1963 were partially offset by inflows in the other quarters.

Other types of Canadian money-market instruments which were important in short-term capital movements between Canada and other countries in 1963 included Canadian commercial and finance paper. Some \$138 million of the former was reported to have been sold to non-residents, but repurchases and maturities are estimated to have totalled \$161 million, giving rise to a net capital outflow of \$23 million. Transactions in Canadian finance paper, on the other hand, gave rise to an inflow of \$47 million reflecting gross sales to non-residents of \$340 million and repurchases and maturities totalling \$293 million. Additionally Canadian finance companies borrowed some \$49 million in forms not shown elsewhere in the balance of payments. A related form of capital movement (which is not shown separately in the tables) was the net sale to non-residents on a buy-back basis of about \$9 million of Government of Canada obligations of an original term of over one year. The volume of such transactions was of the order of \$40 million in 1963 in contrast to 1962 when it exceeded \$350 million.

Capital movements of a money market character are determined primarily by short-term interest rates. Money market instruments vary as to term, currency, credit risk, etc, while the lenders vary also in character, requirements and relationships. A wide variety of interest differentials may, therefore, be appropriate to a consideration of the capital flows, but treasury bill yields in Canada and in the United States may serve as a bell-wether.

Yields on 91-day Canadian treasury bills were at their highest in the early part of the year as they continued their descent from the very high level of 5.51 per cent per annum established on July 19, 1962. By January 3, 1963 the yield was 3.94 per cent and it trended downward to 3.19 per cent on May 30 and again on June 13. Consonant with later developments, to some of which reference has already been made, the yield then rose, reaching 3.78 per cent on September 12. With the announcement of major wheat export contracts yields showed some tendency to decline until mid-October but by the end of the year they had regained the level of mid-September. The range through the year was three-quarters of one per cent. In contrast to the situation in Canada where yields were at their highest at the beginning of the year, yields on 3-month treasury bills of the United States were at their lowest point. From 2.83 per cent yields tended to rise through the year, reaching 3.52 per cent in November and closing the year near that figure. The differential in favour of Canadian bills, without allowance for the cost of exchange protection, was at its high of 1.11 per cent at the beginning of the year, nearly disappearing in October and then rising to 0.27 per cent at the year-end.

The cost of forward exchange cover for United States dollars ranged between one half and one per cent in the first four months of the year but then declined to negligible proportions except for a period in the summer. The protected differential exceeded one-half of one per cent only briefly in January and April. Theoretically movements of interest arbitrage capital should continue to a point where the cost of exchange protection offsets any remaining interest differential. In practice nominal differentials are often too narrow to motivate transactions. Moreover, not all purchases by non-residents of Canadian money market instruments are hedged by forward exchange contracts. 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 the repatriation of maturities.

The bank balances and other short-term funds held abroad by Canadian residents increased during 1963 leading to a net capital outflow of \$252 million. This movement is in accordance with the trend since World War II which was reversed in 1961 and 1962 by capital inflows of \$140 million and \$94 million respectively. Holdings of these assets in 1963 advanced to a record year-end total of about \$1.3 billion. There were wide fluctuations in movements throughout 1963 with capital outflows rising steeply up to the end of the third quarter when a reversal occurred resulting in a small inflow of \$23 million.

Apart from the items specified, the final category "all other transactions including changes in loans and accounts receivable and payable" also covers flows in the short-term element of export credits and includes the balancing item representing the difference between direct measurements of the current and capital accounts. The net balance for these items in 1963 was an inflow of \$248 million, half of which was concentrated in the second quarter with the remainder largely split between the first and fourth quarters of the year.

Official Holdings of Gold and Foreign Exchange

Canada's external reserves rose by a smaller amount in 1963 than in either 1961 or 1962. Official holdings of gold and foreign exchange increased by \$60 million and Canada's net International Monetary Fund position by \$86 million.

United States Dollar in Canada

Period	High	Low	Close	Noon average
Canadian cents				
1962 IV Q	107.81	107.53	107.72	107.63
1963 I Q	107.94	107.59	107.81	107.76
II Q	107.97	107.59	107.81	107.74
III Q	108.57	107.63	107.78	108.08
IV Q	108.09	107.72	108.06	107.83

Most of Canada's official holdings of gold and foreign exchange take the form of gold and United States funds. Expressed in terms of United States dollars, these holdings rose from \$2,539 million at the end of 1962 to \$2,595 million at the end of 1963. The peak month-end was May when holdings totalled \$2,712 million. A sharp drop from \$2,692 million to \$2,501 million occurred in July. In that month Canada made a partial repayment of nearly \$80 million to the International Monetary Fund, but the greater part of the decline occurred in a short period following the Presidential proposal to the United States Congress for the imposition of the "Interest Equalization Tax" and prior to the

announcement that Canadian new issues were to be exempted. Later in the third quarter major contracts for the sale of Canadian wheat were announced, and by the end of the quarter official holdings of gold and foreign exchange were rising rapidly.

On a quarterly basis, and expressed in Canadian funds, official holdings of gold and foreign exchange rose by \$66 million and \$111 million in the first and second quarters respectively, fell by \$145 million in the third quarter, and rose by \$28 million in the final quarter of the year. Offsetting part of the decline in the third quarter was an increase of \$86 million in Canada's net position in the International Monetary Fund. Details of those transactions were given in the report for the third quarter.

Official Holdings of Gold and United States Dollars, and Related Items

End of period	Official holdings of Gold and United States Dollars	Net International Monetary Fund Position	Other Special International Financial Assistance(1)	Total of Foregoing Items
millions of United States dollars				
1962 I Q	1,709	202	-	1,911
II Q	1,809	- 138	- 350	1,321
III Q	2,445	- 138	- 350	1,957
IV Q	2,539	- 138	-	2,401
1963 I Q	2,600	- 138	-	2,462
II Q	2,692	- 138	-	2,554
III Q	2,568	- 58	-	2,510
IV Q	2,595	- 58	-	2,537
October	2,581	- 58	-	2,523
November	2,631	- 58	-	2,573
December	2,595	- 58	-	2,537

(1) A minus sign (-) indicates assistance to Canada.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for ¹⁹⁶²1963 are preliminary and data for 1961 are subject to revision

No.		1961	1962		
		IV	I	II	III
		millions of dollars			
A	Current receipts:				
1	Merchandise exports (adjusted)	1,619	1,395	1,620	1,628
3	Gold production available for export	38	43	42	39
4	Travel expenditures	85	46	126	294
5	Interest and dividends	74	33	52	44
6	Freight and shipping	129	104	128	133
7	Inheritances and immigrants' funds	25	20	31	42
11	All other current receipts	98	107	104	108
12	Total current receipts	2,068	1,748	2,103	2,288
B	Current payments:				
1	Merchandise imports (adjusted)	1,559	1,402	1,665	1,559
4	Travel expenditures	125	130	178	200
5	Interest and dividends	222	179	205	163
6	Freight and shipping	159	125	153	158
7	Inheritances and emigrants' funds	47	34	40	44
9	Official contributions	20	7	12	5
11	All other current payments	208	204	212	193
12	Total current payments	2,340	2,081	2,465	2,322
	Balance on merchandise trade	+ 60	- 7	- 45	+ 69
	Balance on other transactions, excluding B9	- 312	- 319	- 305	- 98
	Official contributions	- 20	- 7	- 12	- 5
C	Current account balance	- 272	- 333	- 362	- 34
D	Capital account:				
	Direct investment:				
1	Direct investment in Canada	+ 106	+ 114	+ 87	+ 147
2	Direct investment abroad	- 17	- 29	- 31	- 25
	Canadian securities:				
3 a	Trade in outstanding bonds and debentures	+ 9	- 3	+ 4	+ 39
3 b	Trade in outstanding common and preference stocks	- 5	- 14	- 44	- 26
4	New issues	+ 118	+ 53	+ 194	+ 85
5	Retirements	- 106	- 72	- 71	- 53
6,7,8	Foreign securities	- 15	- 26	- 34	- 7
	Loans by Government of Canada:				
9	Drawings	-	-	-	- 7
10	Repayments	+ 27	+ 3	+ 7	+ 68
	Change in Canadian dollar holdings of foreigners:				
14 a	Deposits	+ 35	- 45	- 13	- 46
14 b	Government of Canada demand liabilities	- 2	- 3	- 2	- 3
14 c	Canadian treasury bills	+ 18	+ 18	+ 50	- 3
17	Other capital movements	+ 239	- 37	- 419	+ 551
E	Net capital movement, exclusive of change in official holdings of gold and foreign exchange	+ 407	- 41	- 272	+ 720
H	Official holdings of gold and foreign exchange:				
1	Change in holdings	+ 135	- 364	+ 114	+ 686
2	Net International Monetary Fund position	-	- 10	- 367	-
3	Other special international financial assistance	-	-	- 381	-

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

A 1) Merchandise trade statistics are adjusted for use in this statement. Details of these adjustments are shown in B 1) the annual reports on "The Canadian Balance of International Payments".

A 11) This item includes government transactions n.o.p., personal and institutional remittances, miscellaneous income, B 11) insurance transactions, and business services.

QUARTERLY ESTIMATES OF THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Note: Data for 1962 are preliminary and data for 1961 are subject to revision
1963

1962	1 9 6 3				Annual Totals				
IV	I	II	III	IV	1960	1961	1962	1963	No.
millions of dollars									
1,721	1,482	1,772	1,801	2,009	5,392	5,889	6,364	7,064	A
41	45	41	38	42	162	162	165	166	1
94	50	132	320	100	420	482	560	602	3
82	43	56	43	86	173	209	211	228	4
133	114	139	143	154	442	486	498	550	5
31	27	38	48	36	102	103	124	149	6
107	110	111	112	111	419	403	426	444	7
2,209	1,871	2,289	2,505	2,538	7,110	7,734	8,348	9,203	11
									12
1,583	1,412	1,700	1,657	1,811	5,540	5,716	6,209	6,580	B
102	117	158	207	107	627	642	610	589	1
234	196	192	181	273	653	770	781	842	4
152	125	160	175	175	533	568	588	635	5
45	38	42	49	53	181	174	163	182	6
8	15	17	15	14	61	56	32	61	7
204	206	209	207	213	758	790	813	835	9
2,328	2,109	2,478	2,491	2,646	8,353	8,716	9,196	9,724	11
									12
+ 138	+ 70	+ 72	+ 144	+ 198	- 148	+ 173	+ 155	+ 484	
- 249	- 293	- 244	- 115	- 292	-1,034	-1,099	- 971	- 944	
- 8	- 15	- 17	- 15	- 14	- 61	- 56	- 32	- 61	
- 119	- 238	- 189	+ 14	- 108	-1,243	- 982	- 848	- 521	C
									D
+ 207	+ 75	+ 40	+ 50	+ 45	+ 650	+ 520	+ 555	+ 210	1
- 40	- 25	- 25	- 15	- 15	- 50	- 75	- 125	- 80	2
+ 24	+ 23	+ 27	- 7	- 4	+ 3	+ 61	+ 64	+ 39	3 a
- 32	- 56	- 44	- 27	- 42	+ 51	+ 39	- 116	- 169	3 b
+ 386	+ 411	+ 393	+ 109	+ 51	+ 447	+ 538	+ 718	+ 964	4
- 125	- 54	- 174	- 34	- 65	- 265	- 300	- 321	- 327	5
- 3	+ 3	+ 23	- 4	- 2	- 19	- 34	- 70	+ 20	6,7,8
-	-	-	- 8	- 2	-	-	- 7	- 10	9
+ 51	-	+ 6	-	+ 19	+ 32	+ 37	+ 129	+ 25	10
+ 92	- 29	+ 38	- 12	+ 43	+ 79	+ 34	- 12	+ 40	14 a
+ 4	-	- 3	- 1	+ 5	- 12	- 2	- 4	+ 1	14 b
- 61	+ 9	- 17	+ 19	- 38	+ 56	- 58	+ 4	- 27	14 c
+ 94	- 53	+ 36	- 143	+ 141	+ 232	+ 512	+ 189	- 19	17
+ 597	+ 304	+ 300	- 73	+ 136	+1,204	+1,272	+1,004	+ 667	E
									H
+ 101	+ 66	+ 111	- 145	+ 28	- 39	+ 229	+ 537	+ 60	1
-	-	-	+ 86	-	-	+ 61	- 377	+ 86	2
+ 377	-	-	-	-	-	-	- 4	-	3

Notes: D A minus sign indicates an outflow of capital from Canada.

D 1,2 Exclusive of undistributed profits.

D 17 This item includes mainly short-term capital movements in the form of changes in international open account commercial indebtedness, private and chartered bank holdings of exchange, and loans between private unrelated parties. It also includes the balancing item representing unrecorded capital movements and errors and omissions throughout the accounts.

H 3 A minus sign indicates a receipt by Canada.

TABLE 1. Current and Capital Accounts of the Canadian Balance of International Payments, 1960, 1961 and 1962

No.	Account	All countries			United States		
		1960	1961 ^P	1962 ^P	1960	1961 ^P	1962 ^P
millions of dollars							
A	Current receipts:						
1	Merchandise exports (adjusted)	5,392	5,889	6,364	3,040	3,213	3,742
2	Mutual Aid to NATO countries.....	43	35	41	..	..	..
3	Gold production available for export.....	162	162	165	162	162	165
4	Travel expenditures.....	420	482	560	375	435	510
5	Interest and dividends.....	173	209	211	102	109	124
6	Freight and shipping	442	486	498	220	230	260
7	Inheritances and immigrants' funds	102	103	124	50	51	61
11	All other current receipts	419	403	426	330	310	321
12	Total current receipts	7,153	7,769	8,389	4,279	4,510	5,183
B	Current payments:						
1	Merchandise imports (adjusted)	5,540	5,716	6,209	3,713	3,828	4,217
4	Travel expenditures.....	627	642	610	462	459	420
5	Interest and dividends.....	653	770	781	531	642	655
6	Freight and shipping	533	568	588	324	333	350
7	Inheritances and emigrants' funds	181	174	163	141	134	127
9	Official contributions	61	56	32	—	—	—
10	Mutual Aid to NATO countries	43	35	41	..	..	..
11	All other current payments	758	790	813	469	500	530
12	Total current payments	8,396	8,751	9,237	5,640	5,896	6,299
	Balance on merchandise trade	- 148	+ 173	+155	- 673	- 615	- 475
	Balance on other transactions, excluding B9.....	-1,034	-1,099	-971	- 688	- 771	- 641
	Official contributions	- 61	- 56	- 32	—	—	—
C	Current account balance	-1,243	- 982	-848	-1,361	-1,386	-1,116
D	Capital account:						
	Direct investment:						
1	Direct investment in Canada	+ 650	+ 520	+555	+ 446	+ 328	+ 354
2	Direct investment abroad	- 50	- 75	-125	- 19	- 22	+ 6
	Canadian securities:						
3a	Trade in outstanding bonds and debentures	+ 3	+ 61	+ 64	- 9	+ 74	+ 83
3b	Trade in outstanding common and preference stocks ..	+ 51	+ 39	-116	+ 56	+ 122	- 11
4	New issues	+ 447	+ 538	+718	+ 381	+ 479	+ 679
5	Retirements	- 265	- 300	-321	- 214	- 219	- 244
	Foreign securities:						
6	Trade in outstanding issues	- 19	- 5	- 74	+ 5	+ 7	- 66
7	New issues	- 18	- 38	- 16	- 13	- 19	- 12
8	Retirements	+ 18	+ 9	+ 20	+ 12	+ 5	+ 16
	Loans by Government of Canada:						
9	Drawings	—	—	- 7	—	—	- 7
10	Repayment of postwar loans	+ 32	+ 37	+129	—	—	—
13	Subscriptions in gold and U.S. dollars to international financial agencies	- 3	—	- 1	- 3	—	- 1
14	Change in Canadian dollar holdings of foreigners	+ 120	- 35	- 24	+ 60	- 22	+ 24
15	Special international financial assistance	—	—	+330	—	—	+ 3
16	Change in official holdings of gold, U.S. dollars and sterling (increase, minus).....	+ 39	- 229	-537	+ 39	- 227	- 538
17	Other capital movements	+ 238	+ 460	+253	+ 285	+ 621	+ 259
E	Net capital movement	+1,243	+ 982	+848	+1,026	+1,127	+ 545
G	Balance settled by exchange transfers	—	—	—	+ 335	+ 259	+ 571
	Total financing of current account balance (Item C)	+1,243	+ 982	+848	+1,361	+1,386	+1,116

Notes:

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.

TABLE I. Current and Capital Accounts of the Canadian Balance of International Payments, 1960, 1961 and 1962

United Kingdom			Other sterling area			Other OECD countries			All other countries			No.
1960	1961 ^P	1962 ^P	1960	1961 ^P	1962 ^P	1960	1961 ^P	1962 ^P	1960	1961 ^P	1962 ^P	
millions of dollars												
924	924	924	340	331	336	591	618	624	497	803	736	A 1
..	..	..	..	..	..	..	..	..	..	..	..	2
—	—	—	—	—	—	—	—	—	—	—	—	3
20	21	22	6	7	8	13	13	14	6	6	6	4
32	34	35	18	43	29	12	13	12	9	10	11	5
93	100	92	31	27	28	57	67	64	41	62	54	6
26	25	28	6	6	8	15	15	19	5	6	8	7
50	49	50	8	10	10	19	21	24	12	13	21	11
1,145	1,153	1,151	409	424	421	707	747	757	570	900	836	12
												B
611	593	575	284	298	329	371	416	460	561	581	628	1
70	71	72	14	21	25	65	72	74	16	19	19	4
83	86	82	1	1	1	36	39	41	2	2	2	5
89	93	89	4	4	4	99	114	120	17	24	25	6
25	23	18	2	4	4	11	11	11	2	2	3	7
3	—	—	42	49	25	4	1	1	12	6	6	9
..	..	..	..	..	..	..	..	..	..	..	..	10
98	100	102	19	20	22	135	125	120	37	45	39	11
979	966	938	366	397	410	721	778	827	647	679	722	12
+313	+331	+349	+ 56	+ 33	+ 9	+220	+202	+184	-64	+222	+108	
-144	-144	-136	+ 29	+ 43	+27	-230	-232	-233	- 1	+ 5	+ 12	
- 3	—	—	- 42	- 49	-25	- 4	- 1	- 1	-12	- 6	- 6	
+166	+187	+213	+ 43	+ 27	+11	- 14	- 31	- 70	-77	+221	+114	C
												D
+115	+127	+ 83	+ 6	+ 8	+ 6	+ 82	+ 55	+106	+ 1	+ 2	+ 6	1
- 14	- 16	- 25	- 3	- 20	-44	- 16	—	- 37	+ 2	- 17	- 25	2
- 13	- 12	—	—	—	—	+ 25	- 1	- 19	—	—	—	3a
- 17	- 61	- 65	—	- 3	—	+ 12	- 19	- 40	—	—	—	3b
+ 27	+ 24	+ 18	—	—	—	+ 38	+ 20	+ 21	+ 1	+ 15	—	4
- 27	- 41	- 42	—	—	—	- 23	- 20	- 35	- 1	- 20	—	5
- 2	- 10	- 2	—	—	—	- 1	- 2	- 8	-21	—	+ 2	6
—	- 2	—	- 1	- 13	—	—	—	—	- 4	- 4	- 4	7
—	—	—	+ 1	+ 1	+ 1	—	—	—	+ 5	+ 3	+ 3	8
—	—	—	—	—	—	—	—	—	—	—	—	9
+ 17	+ 17	+ 17	—	+ 5	+ 5	+ 15	+ 15	+107	—	—	—	10
—	—	—	—	—	—	—	—	—	—	—	—	13
+ 9	+ 1	- 13	- 3	+ 3	- 1	+ 7	+ 20	- 30	+47	- 37	- 4	14
—	—	+ 1	—	—	—	—	—	—	—	—	+326	15
—	- 2	+ 1	—	—	—	—	—	—	—	—	—	16
- 36	+ 33	- 10	- 9	—	-19	+ 18	- 25	- 11	-20	-169	+ 34	17
+ 59	+ 58	- 37	- 9	- 19	-52	+157	+ 43	+ 54	+10	-227	+338	E
-225	-245	-178	- 34	- 8	+41	-143	- 12	+ 16	+67	+ 6	-452	G
-166	-187	-213	- 43	- 27	-11	+ 14	+ 31	+ 70	+77	-221	-114	

Notes:

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

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

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-62

A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961 ^P	1962 ^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	5,392	5,889	6,364
2	Mutual Aid to NATO countries	-	-	-	-	57	145	200	246	284	222	157	107	142	63	43	35	41
3	Gold production available for export	96	99	119	139	163	150	150	144	155	155	150	147	160	148	162	162	165
4	Travel expenditures	221	251	279	285	275	274	275	302	305	328	337	363	349	391	420	462	560
5	Interest and dividends	70	64	70	63	91	115	145	165	147	160	142	154	168	162	173	209	211
6	Freight and shipping	311	322	336	303	284	351	383	318	313	398	457	445	401	420	442	486	498
7	Inheritances and immigrants' funds	65	69	84	68	57	77	85	91	89	86	99	124	97	109	102	103	124
11	All other current receipts	209	220	229	222	231	249	281	319	298	391	442	388	375	392	419	403	426
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	7,153	7,769	8,389
B	Current payments:																	
1	Merchandise imports (adjusted)....	1,622	2,535	2,598	2,696	3,129	4,097	3,850	4,210	3,916	4,543	5,565	5,468	5,066	5,572	5,540	5,716	6,209
4	Travel expenditures	135	167	134	193	226	280	341	365	369	449	498	525	542	596	627	642	610
5	Interest and dividends	312	337	325	390	475	450	413	404	423	483	523	589	612	671	653	770	781
6	Freight and shipping	219	278	279	253	301	354	375	374	356	415	502	515	460	525	533	568	588
7	Inheritances and emigrants' funds	35	49	50	59	61	70	94	91	94	105	115	157	145	165	181	174	163
9	Official contributions	97	38	23	6	5	9	18	25	11	24	30	40	53	72	61	56	32
10	Mutual Aid to NATO countries	-	-	-	-	57	145	200	246	264	222	157	107	142	63	43	35	41
11	All other current payments	382	295	287	315	377	423	405	465	479	529	597	656	690	693	756	790	813
12	Total current payments	3,002	3,699	3,696	3,912	4,631	5,828	5,694	6,180	5,952	6,770	7,987	8,077	7,710	6,359	8,396	8,751	9,237
	Balance on merchandise trade	+571	+186	+432	+293	+10	-147	+489	-58	+13	-211	-728	-594	-179	-422	-146	+173	+155
	Balance on other transactions, excluding B9	-111	-101	+42	-110	-339	-361	-309	-360	-434	-463	-608	-621	-899	-1,010	-1,034	-1,099	-971
	Official contributions	-97	-38	-23	-6	-5	-9	-16	-25	-11	-24	-30	-40	-53	-72	-61	-56	-32
C	Current account balance	+363	+49	+451	+177	-334	-517	+164	-443	-432	-698	-1,366	-1,455	-1,131	-1,504	-1,243	-982	-848
D	Capital account:																	
	Direct investment:																	
1	Direct investment in Canada	+40	+61	+71	+94	+222	+309	+346	+426	+392	+417	+583	+514	+420	+550	+650	+520	+555
2	Direct investment abroad	-14	+6	+15	+13	+38	-20	-77	-63	-81	-74	-104	-68	-48	-80	-50	-75	-125
	Canadian securities:																	
3a	Trade in outstanding bonds and debentures	+194	-13	+3	+8	+329	+38	-166	-52	-66	-165	+11	-45	-	+91	+3	+61	+64
3b	Trade in outstanding common and preference stocks							+72	+21	+129	+136	+188	+137	+88	+110	+51	+39	-116
4	New issues	+218	+95	+150	+105	+210	+411	+316	+335	+331	+166	+667	+798	+677	+707	+447	+538	+718
5	Retirements	-639	-364	-114	-147	-284	-184	-89	-146	-203	-184	-141	-133	-158	-258	-265	-300	-321
	Foreign securities:																	
6	Trade in outstanding issues	+25	+1	-7	+22	+70	+15	+12	+22	+7	+25	+20	+24	+13	-32	-19	-5	-74
7	New issues	-4	-3	-3	-4	-2	-3	-20	-23	-33	-48	-18	-24	-17	-13	-16	-38	-16
8	Retirements	+13	+7	+2	+2	+8	+3	-	+1	+2	+17	-	+6	+7	+12	+18	+9	+20
	Loans by Government of Canada:																	
9	Drawings	-750	-565	-142	-120	-50	-	-	-	-	-	-	-	-34	-1	-	-	-7
10	Repayment of postwar loans	-	+2	+16	+13	+23	+34	+33	+37	+42	+39	+39	+20	+34	+34	+32	+37	+129
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	-	-	-	-	-	-	-	-	-4	-	-	-59	-3	-	-1
14	Change in Canadian dollar holdings of foreigners	+70	-28	-21	+40	+233	-192	-66	-18	+34	+89	-24	-35	+106	+13	+120	-35	-24
15	Special international financial assistance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	+330
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	-229	-537
17	Other capital movements	+31	-27	+7	-80	+210	+128	-511	-185	-28	+204	+152	+126	+122	+360	+238	+460	+253
E	Net capital movement	-363	-49	-451	-177	+334	+517	-164	+443	+432	+698	+1,366	+1,455	+1,131	+1,504	+1,243	+982	+848

Notes: D17 includes for years 1946 to 1950 transactions shown separately under items D12 and 15 in *The Canadian Balance of International Payments in the Post-War Years, 1946-1952*.

For other notes applicable to this table see notes to Table 1.

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-62 - 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	1961 ^P	1962 ^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	3,040	3,213	3,742
3	Gold production available for export	96	99	119	139	163	150	150	144	155	155	150	147	160	148	162	162	165
4	Travel expenditures	216	241	267	267	260	258	257	282	283	303	309	325	309	351	375	435	510
5	Interest and dividends	47	36	37	40	50	57	85	101	69	78	80	95	100	99	102	109	124
6	Freight and shipping	101	104	131	128	157	164	174	164	169	203	223	222	206	228	220	230	260
7	Inheritances and immigrants' funds	19	18	18	18	31	32	38	41	42	45	45	47	47	52	50	51	61
11	All other current receipts	140	153	167	158	170	191	224	253	233	318	354	303	280	311	330	310	321
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	4,279	4,510	5,183
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	3,713	3,828	4,217
4	Travel expenditures	130	152	113	165	193	246	294	307	320	363	391	403	413	448	462	459	420
5	Interest and dividends	250	274	267	325	411	382	344	334	345	388	427	480	500	547	531	642	655
6	Freight and shipping	169	221	213	193	240	276	302	296	261	287	351	351	294	326	324	333	350
7	Inheritances and emigrants' funds	31	37	37	44	47	55	77	74	75	82	94	124	104	123	141	134	127
11	All other current payments	216	211	213	244	293	328	289	290	312	332	370	413	432	439	489	500	530
12	Total current payments	2,174	2,848	2,640	2,870	3,277	4,129	4,123	4,347	4,113	4,735	5,654	5,649	5,186	5,610	5,640	5,896	6,299
	Balance on merchandise trade	-430	-890	-289	-378	-47	-516	-471	-588	-445	-685	-1,167	-947	-535	-536	-673	-615	-475
	Balance on other transactions	-177	-244	-104	-223	-353	-435	-378	-316	-362	-350	-472	-632	-641	-694	-688	-771	-641
C	Current account balance	-607	-1,134	-383	-601	-400	-951	-849	-904	-807	-1,035	-1,639	-1,579	-1,176	-1,230	-1,361	-1,386	-1,116
D	Capital account:																	
	Direct investment:																	
1	Direct investment in Canada	+ 38	+ 58	+ 61	+ 84	+200	+270	+ 319	+346	+288	+ 306	+ 406	+ 390	+ 303	+ 424	+ 446	+ 328	+ 354
2	Direct investment abroad	- 7	+ 6	+ 15	+ 16	+ 41	- 4	- 42	- 33	- 46	- 56	- 70	- 35	- 3	- 7	- 19	- 22	+ 6
	Canadian securities:																	
3a	Trade in outstanding bonds and debentures	+241	- 3	+ 5	+ 25	+362	+ 20	- 170	- 65	- 87	- 159	- 35	- 70	- 10	+ 19	- 9	+ 74	+ 83
3b	Trade in outstanding common and preference stocks	+ 66	+ 5	+ 87	+ 92	+ 69	+ 5	+ 70	+ 75	+ 56	+ 122	- 11						
4	New issues	+218	+ 95	+150	+105	+210	+404	+ 315	+322	+299	+ 127	+ 601	+ 722	+ 600	+ 622	+ 381	+ 479	+ 679
5	Retirements	-460	- 313	- 96	-136	-263	-159	- 75	-132	-184	- 169	- 133	- 105	- 132	- 211	- 214	- 219	- 244
	Foreign securities:																	
6	Trade in outstanding issues	+ 21	- 2	- 9	+ 19	+ 68	+ 18	+ 9	+ 20	+ 6	+ 31	+ 10	+ 20	+ 11	- 34	+ 5	+ 7	- 66
7	New issues	- 4	- 3	- 3	- 4	- 2	- 3	- 5	- 18	- 3	- 8	- 13	- 15	- 13	- 8	- 13	- 19	- 12
8	Retirements	+ 6	+ 3	+ 1	+ 1	+ 7	+ 2	-	+ 1	+ 1	+ 2	-	+ 4	+ 4	+ 6	+ 12	+ 5	+ 16
9	Loans by Government of Canada:																	
	Drawings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	- 7
13	Subscriptions in gold and U.S. dollars to international financial agencies	- 8	- 74	-	-	-	-	-	-	-	-	- 4	-	-	- 59	- 3	-	- 1
14	Change in Canadian dollar holdings of foreigners	+ 27	- 3	- 14	- 8	+ 89	- 53	- 37	- 1	+ 19	+ 66	- 48	- 10	+ 83	+ 8	+ 60	- 22	+ 24
15	Special international financial assistance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	+ 3
16	Change in official holdings of gold and U.S. dollars (increase, minus)	+251	+ 743	-496	-134	-694	- 39	- 80	+ 42	-121	+ 42	- 34	+ 104	- 108	+ 67	+ 39	- 227	- 538
17	Other capital movements	+ 8	- 2	+ 1	- 38	+249	+ 59	- 458	-223	+ 18	+ 151	+ 107	+ 58	+ 147	+ 447	+ 285	+ 621	+ 259
E	Net capital movement	+331	+ 505	-385	- 70	+267	+515	- 158	+244	+277	+ 425	+ 856	+1,068	+ 952	+1,349	+1,026	+1,127	+ 545
G	Balance settled by exchange transfers	+276	+ 629	+778	+671	+133	+436	+1,007	+660	+530	+ 610	+ 783	+ 511	+ 224	- 119	+ 335	+ 259	+ 571
	Total financing of current account balance (item C)	+807	+1,134	+383	+601	+400	+951	+ 849	+904	+807	+1,035	+1,639	+1,579	+1,176	+1,230	+1,361	+1,386	+1,116

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-62 - 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	1961 ^P	1962 ^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	924	924
4	Travel expenditures	3	7	9	11	7	8	10	12	13	13	14	18	18	18	20	21	22
5	Interest and dividends	7	8	9	9	6	30	29	28	35	41	14	10	32	35	32	34	35
6	Freight and shipping	107	114	105	89	61	91	105	79	73	97	98	95	84	80	93	100	92
7	Inheritances and immigrants' funds	45	47	52	38	12	14	20	18	19	20	24	40	17	26	26	25	28
11	All other current receipts	52	42	44	49	35	42	34	37	36	39	47	41	43	43	50	49	50
12	Total current receipts	840	967	922	897	590	821	925	830	836	982	1,015	938	960	983	1,145	1,153	1,151
B	Current payments:																	
1	Merchandise imports (adjusted)....	138	182	287	300	399	417	350	463	391	406	493	520	537	618	611	593	575
4	Travel expenditures	3	9	12	17	19	20	27	31	35	40	46	47	52	62	70	71	72
5	Interest and dividends	54	53	50	55	54	57	56	57	62	75	73	78	76	90	83	86	82
6	Freight and shipping	32	32	34	32	36	43	42	42	39	49	59	69	70	85	89	93	89
7	Inheritances and emigrants' funds	3	8	7	10	10	10	12	12	13	16	14	20	26	26	25	23	18
9	Official contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-	-
11	All other current payments	110	50	46	37	48	51	50	92	67	66	78	86	95	89	98	100	102
12	Total current payments	340	334	436	451	566	598	537	697	607	652	763	820	856	970	979	966	938
	Balance on merchandise trade	+488	+567	+418	+401	+70	+219	+377	+193	+269	+366	+325	+214	+229	+163	+313	+331	+349
	Balance on other transactions, excluding B9	+ 12	+ 66	+ 70	+ 45	-46	+ 4	+ 11	- 60	- 40	- 36	- 73	- 96	-125	-150	-144	-144	-136
	Official contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-	-
C	Current account balance	+500	+633	+486	+446	+24	+223	+388	+133	+229	+330	+252	+118	+104	+ 13	+166	+187	+213

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	331	338
4	Travel expenditures	1	1	1	2	3	3	3	3	3	4	4	5	6	6	6	7	8
5	Interest and dividends	2	6	4	4	8	4	7	13	17	21	21	22	13	28	18	43	29
6	Freight and shipping	34	39	34	30	18	23	20	18	18	27	29	27	24	26	31	27	28
7	Inheritances and immigrants' funds	-	1	2	1	1	3	3	4	4	4	5	8	13	7	6	6	8
11	All other current receipts	3	3	4	3	3	3	5	7	7	8	9	7	8	7	8	10	10
12	Total current receipts	309	416	338	340	234	301	331	296	255	318	324	315	363	362	409	424	421
B	Current payments:																	
1	Merchandise imports (adjusted)....	129	160	192	187	244	310	185	172	183	211	222	239	212	263	284	298	329
4	Travel expenditures	1	3	4	4	5	5	5	6	7	8	8	11	11	13	14	21	25
5	Interest and dividends	1	1	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	4	4
7	Inheritances and emigrants' funds	-	-	1	2	1	1	1	1	1	1	1	2	2	3	2	4	4
9	Official contributions	5	-	-	-	-	-	15	18	8	22	28	38	49	64	42	49	25
11	All other current payments	3	5	4	6	4	4	6	10	9	12	13	18	16	17	19	20	22
12	Total current payments	145	174	209	205	257	325	217	213	211	258	276	311	294	364	366	397	410
	Balance on merchandise trade	+140	+206	+101	+113	-43	-45	+108	+79	+23	+43	+34	+ 7	+87	+25	+56	+33	+ 9
	Balance on other transactions, excluding B9	+ 29	+ 36	+ 28	+ 22	+20	+21	+ 21	+22	+29	+39	+42	+35	+31	+37	+29	+43	+27
	Official contributions	- 5	-	-	-	-	-	- 15	-18	- 8	-22	-28	-38	-49	-64	-42	-49	-25
C	Current account balance	+164	+242	+129	+135	-23	-24	+114	+83	+44	+60	+48	+ 4	+69	- 2	+43	+27	+11

TABLE II. Annual Statements of the Canadian Balance of International Payments, 1946-62 - 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	1961 ^P	1962 ^P
millions of dollars																		
C	Current account balance	+664	+875	+615	+581	+ 1	+199	+502	+216	+273	+390	+300	+122	+173	+11	+209	+214	+224
D	Capital account:																	
	Direct investment:																	
1	Direct investment in Canada.....	+ 2	+ 3	+ 10	+ 13	+ 19	+ 30	+ 15	+ 45	+ 75	+ 88	+ 98	+ 68	+ 91	+ 86	+121	+135	+ 89
2	Direct investment abroad	- 10	- 3	- 2	- 3	- 4	- 6	- 19	- 22	- 23	- 9	- 27	- 11	- 16	- 52	- 17	- 36	- 69
	Canadian securities:																	
3a	Trade in outstanding bonds and debentures	- 48	- 11	- 4	- 16	- 35	- 16	{ + 3			- 2	+ 11	-	+ 3	+ 4	- 13	- 12	-
3b	Trade in outstanding common and preference stocks							{ - 6										
4	New issues	-	-	-	-	-	+ 7	+ 1	+ 7	+ 20	+ 15	+ 36	+ 59	+41	+45	+ 27	+ 24	+ 18
5	Retirements	- 77	- 42	- 14	- 10	- 19	- 24	- 9	- 11	- 17	- 11	- 2	- 21	-16	-30	- 27	- 41	- 42
	Foreign securities:																	
6	Trade in outstanding issues	+ 1	+ 3	+ 2	+ 2	+ 1	-	+ 3	+ 3	+ 2	- 9	+ 4	+ 2	+ 2	+ 2	- 2	- 10	- 2
7	New issue	-	-	-	-	-	-	-	-	- 1	- 21	-	-	-	-	- 1	- 15	-
8	Retirements	+ 5	+ 1	+ 1	+ 1	+ 1	+ 1	-	-	+ 1	-	-	-	+ 1	+ 2	+ 1	+ 1	+ 1
	Loans by Government of Canada:																	
9	Drawings	-540	-423	- 52	-120	- 50	-	-	-	-	-	-	-	-34	- 1	-	-	-
10	Repayment of postwar loans	-	-	-	-	-	+ 14	+ 14	+ 14	+ 15	+ 15	+ 15	-	+ 16	+16	+ 17	+ 22	+ 22
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	+ 4	- 14
15	Special international financial assistance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	+ 1
16	Change in official holding of sterling (increase, minus)	+ 16	- 1	+ 4	+ 6	- 28	- 17	+ 43	- 4	- 3	+ 2	+ 1	+ 1	- 1	+ 3	-	- 2	+ 1
17	Other capital movements	+ 39	+ 16	+ 18	- 27	- 39	+ 82	- 62	+ 37	- 32	+ 60	+ 9	+ 33	- 39	- 6	- 45	+ 33	- 29
E	Net capital movement	-491	-357	+ 7	- 87	+ 13	- 23	- 16	+129	+ 94	+177	+261	+228	+ 91	+57	+ 50	+ 39	- 89
G	Balance settled by exchange transfers:																	
	Official settlements	-150	-505	-597	-466	+ 4	-165	-486	-345	-367	-567	-561	-350	-264	-68	-259	-253	-135
	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	-209	-214	-224

TABLE III. Current Account Between Canada and All Countries, 1926-62

Year	Current receipts ¹	Current payments ²	Balance including Mutual Aid Exports	Wartime grants and Mutual Aid	Balance on current account indicating net movement of capital	Year	Current receipts ¹	Current payments ²	Balance including Mutual Aid Exports	Wartime grants and Mutual Aid	Balance on current account indicating net movement of capital
millions of dollars						millions of dollars					
1926	1,665	1,538	+ 127	-	+ 127	1945	4,456	2,910	+1,546	-858	+ 688
1927	1,633	1,643	- 10	-	- 10	1946	3,365	3,002	+ 363	-	+ 363
1928	1,788	1,820	- 32	-	- 32	1947	3,748	3,699	+ 49	-	+ 49
1929	1,646	1,957	- 311	-	- 311	1948	4,147	3,696	+ 451	-	+ 451
1930	1,297	1,634	- 337	-	- 337	1949	4,089	3,912	+ 177	-	+ 177
1931	972	1,146	- 174	-	- 174	1950	4,297	4,574	- 277	- 57	- 334
1932	806	904	- 96	-	- 96	1951	5,311	5,683	- 372	-145	- 517
1933	829	831	- 2	-	- 2	1952	5,858	5,494	+ 364	-200	+ 164
1934	1,020	952	+ 68	-	+ 68	1953	5,737	5,934	- 197	-246	- 443
1935	1,145	1,020	+ 125	-	+ 125	1954	5,520	5,668	- 148	-284	- 432
1936	1,430	1,186	+ 244	-	+ 244	1955	6,072	6,548	- 476	-222	- 698
1937	1,593	1,413	+ 180	-	+ 180	1956	6,621	7,830	-1,209	-157	-1,366
1938	1,361	1,261	+ 100	-	+ 100	1957	6,622	7,970	-1,346	-107	-1,455
1939	1,457	1,331	+ 126	-	+ 126	1958	6,579	7,568	- 989	-142	-1,131
1940	1,776	1,627	+ 149	-	+ 149	1959	6,855	8,296	-1,441	- 63	-1,504
1941	2,458	1,967	+ 491	-	+ 491	1960	7,153	8,353	-1,200	- 43	-1,243
1942	3,376	2,275	+1,101	-1,002	+ 99	1961 ^P	7,769	8,716	- 947	- 35	- 982
1943	4,064	2,858	+1,206	- 518	+ 688	1962 ^P	8,389	9,196	- 807	- 41	- 848
1944	4,557	3,539	+1,018	- 960	+ 58						

¹ Including Mutual Aid exports.² Excluding Mutual Aid offsets.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1960-62

A. BETWEEN CANADA AND ALL COUNTRIES

No.	Account	1960				1961 ^P				1962 ^P			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
millions of dollars													
A	Current receipts:												
1	Merchandise exports (adjusted)	1,281	1,321	1,398	1,392	1,266	1,447	1,557	1,619	1,395	1,620	1,628	1,721
3	Gold production available for export	44	35	42	41	41	42	41	38	43	42	39	41
4	Travel expenditures	36	91	221	72	39	103	255	85	46	126	294	94
5	Interest and dividends	34	39	35	65	36	59	40	74	33	52	44	82
6	Freight and shipping	102	115	118	107	102	120	135	129	104	128	133	133
7	Inheritances and immigrants' funds	18	29	31	24	19	28	31	25	20	31	42	31
11	All other current receipts	100	107	111	101	103	103	99	98	107	104	108	107
12	Total current receipts	1,615	1,737	1,956	1,802	1,606	1,902	2,158	2,068	1,748	2,103	2,288	2,209
B	Current payments:												
1	Merchandise imports (adjusted)	1,324	1,508	1,316	1,392	1,260	1,478	1,419	1,559	1,402	1,665	1,559	1,583
4	Travel expenditures	119	168	213	127	129	168	220	125	130	178	200	102
5	Interest and dividends	145	161	157	190	204	174	170	222	179	205	163	234
6	Freight and shipping	114	137	141	141	116	142	151	159	125	153	158	152
7	Inheritances and emigrants' funds	38	43	50	50	35	43	49	47	34	40	44	45
9	Official contributions	10	10	17	24	13	8	15	20	7	12	5	8
11	All other current payments	191	187	189	191	186	200	196	208	204	212	193	204
12	Total current payments	1,941	2,214	2,083	2,115	1,943	2,213	2,220	2,340	2,081	2,465	2,322	2,328
	Balance on merchandise trade	- 43	-187	+ 82	-	+ 6	- 31	+138	+ 60	- 7	- 45	+ 69	+138
	Balance on other transactions, excluding B9	-273	-280	-192	-289	-330	-272	-185	-312	-319	-305	- 98	-249
	Official contributions	- 10	- 10	- 17	- 24	- 13	- 8	- 15	- 20	- 7	- 12	- 5	- 8
C	Current account balance	-326	-477	-127	-313	-337	-311	- 62	-272	-333	-362	- 34	-119
D	Capital account:												
	Direct investment:												
1	Direct investment in Canada	+205	+147	+159	+139	+137	+154	+123	+106	+114	+ 87	+147	+207
2	Direct investment abroad	- 7	- 13	- 21	- 9	- 26	- 21	- 11	- 17	- 29	- 31	- 25	- 40
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	+ 19	+ 15	- 19	- 12	+ 30	+ 33	- 11	+ 9	- 3	+ 4	+ 39	+ 24
3b	Trade in outstanding common and preference stocks	+ 13	+ 25	+ 10	+ 3	+ 12	+ 32	-	- 5	- 14	- 44	- 26	- 32
4	New issues	+212	+143	+ 52	+ 40	+105	+192	+123	+118	+ 53	+194	+ 85	+386
5	Retirements	- 58	- 80	- 34	- 93	- 73	- 89	- 32	-106	- 72	- 71	- 53	-125
	Foreign securities:												
6	Trade in outstanding issues	+ 7	- 5	+ 3	- 24	+ 3	-	+ 2	- 10	- 29	- 35	- 7	- 3
7	New issues	- 3	- 2	- 3	- 10	- 5	- 19	- 7	- 7	- 2	- 4	- 5	- 5
8	Retirements	+ 6	+ 3	+ 7	+ 2	+ 2	+ 2	+ 3	+ 2	+ 5	+ 5	+ 5	+ 5
	Loans by Government of Canada:												
9	Drawings	-	-	-	-	-	-	-	-	-	-	- 7	-
10	Repayment of postwar loans	-	+ 7	-	+ 25	+ 3	+ 7	-	+ 27	+ 3	+ 7	+ 68	+ 51
13	Subscriptions in gold and U.S. dollars to international financial agencies	-	-	- 1	- 2	-	-	-	-	-	-	-	- 1
14	Change in Canadian dollar holdings of foreigners	- 2	- 2	+ 45	+ 79	- 6	- 73	- 1	+ 45	- 31	+ 34	- 53	+ 26
15	Special international financial assistance	-	-	-	-	-	-	-	-	-	+707	-	-377
16	Change in official holdings of gold and foreign exchange (increase, minus)	+ 11	+ 82	- 40	- 14	-105	- 51	+ 62	-135	+364	-114	-686	-101
17	Other capital movements	- 77	+157	- 31	+189	+260	+144	-189	+245	- 26	-377	+552	+104
E	Net capital movement	+326	+477	+127	+313	+337	+311	+ 62	+272	+333	+362	+ 34	+119

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 1.

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1960-62 - Continued

B. BETWEEN CANADA AND THE UNITED STATES

No.	Account	1960				1961 ^P				1962 ^P			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
millions of dollars													
A	Current receipts:												
1	Merchandise exports (adjusted)	769	765	769	737	677	770	864	902	658	945	961	978
3	Gold production available for export	44	35	42	41	41	42	41	38	43	42	39	41
4	Travel expenditures	32	74	205	64	35	85	238	77	42	107	276	85
5	Interest and dividends	26	23	28	25	25	23	31	30	25	26	31	42
6	Freight and shipping	51	59	59	51	49	55	64	62	58	67	69	66
7	Inheritances and immigrants' funds	9	12	17	12	10	13	16	12	9	15	23	14
11	All other current receipts	79	85	87	79	80	80	76	74	83	79	80	79
12	Total current receipts	1,010	1,053	1,207	1,009	917	1,068	1,330	1,195	1,118	1,281	1,479	1,305
B	Current payments:												
1	Merchandise imports (adjusted)	941	1,003	852	917	883	990	937	1,018	994	1,136	1,031	1,056
4	Travel expenditures	91	131	151	89	92	130	150	87	92	138	123	67
5	Interest and dividends	109	132	126	164	163	146	141	192	142	174	133	206
6	Freight and shipping	65	87	88	84	65	85	91	92	70	92	97	91
7	Inheritances and emigrants' funds	32	32	38	39	30	31	37	36	29	30	34	34
11	All other current payments	115	117	117	120	117	121	125	137	134	138	127	133
12	Total current payments	1,353	1,502	1,372	1,413	1,350	1,503	1,481	1,562	1,461	1,706	1,545	1,587
C	Current account balance	-343	-449	-165	-404	-433	-435	-151	-367	-343	-425	-66	-282
D	Capital account:												
	Direct investment:												
1	Direct investment in Canada	+140	+111	+94	+101	+95	+86	+84	+63	+86	+66	+101	+99
2	Direct investment abroad	-	-1	-12	-6	-8	-5	-4	-5	-	-	+4	+2
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	+4	+3	-16	-	+18	+33	+9	+14	-7	+27	+42	+21
3b	Trade in outstanding common and preference stocks	+6	+23	+14	+13	+21	+46	+23	+32	+16	-4	-5	-18
4	New issues	+193	+127	+33	+28	+96	+168	+112	+103	+42	+189	+75	+373
5	Retirements	-51	-59	-31	-73	-65	-61	-23	-70	-57	-49	-46	-92
	Foreign securities:												
6	Trade in outstanding issues	+7	-5	+3	-	+2	+6	+5	-6	-24	-30	-8	-4
7	New issues	-2	-1	-2	-8	-4	-5	-5	-5	-1	-3	-5	-3
8	Retirements	+5	+2	+4	+1	+1	+1	+2	+1	+4	+4	+4	+4
9	Loans by Government of Canada:												
	Drawings	-	-	-	-	-	-	-	-	-	-	-7	-
13	Subscriptions in gold and U.S. dollars to international financial agencies	-	-	-1	-2	-	-	-	-	-	-	-	-1
14	Change in Canadian dollar holdings of foreigners	-13	+2	+28	+43	+47	-103	+25	+9	+5	+49	-39	+9
15	Special international financial assistance	-	-	-	-	-	-	-	-	-	+272	-	-269
16	Change in official holdings of gold and U.S. dollars (increase, minus)	+13	+80	-38	-16	-105	-50	+63	-135	+363	-113	-686	-102
17	Other capital movements	-89	+180	+6	+188	+279	+192	-102	+252	+24	-450	+598	+87
E	Net capital movement	+213	+462	+82	+269	+377	+308	+189	+253	+451	-40	+28	+106
G	Balance settled by exchange transfers	+130	-13	+83	+135	+56	+127	-38	+114	-108	+465	+38	+176
	Total financing of current account balance (item C)	+343	+449	+165	+404	+433	+435	+151	+367	+343	+425	+66	+282

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1960-62 - Continued

C. BETWEEN CANADA AND THE UNITED KINGDOM

No.	Account	1960				1961 ^P				1962 ^P			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
millions of dollars													
A	Current receipts:												
1	Merchandise exports (adjusted)	209	231	244	240	223	217	236	248	192	238	245	249
4	Travel expenditures	2	8	6	4	2	9	6	4	1	9	7	5
5	Interest and dividends	2	2	1	27	1	4	1	28	1	6	2	26
6	Freight and shipping	21	24	25	23	22	24	27	27	20	24	24	24
7	Inheritances and immigrants' funds	6	7	7	6	5	6	7	7	8	7	8	7
11	All other current receipts	12	12	14	12	11	13	12	13	12	12	13	13
12	Total current receipts	252	284	297	312	264	273	289	327	232	296	299	324
B	Current payments:												
1	Merchandise imports (adjusted)	141	186	140	144	135	158	145	155	137	160	147	131
4	Travel expenditures	8	15	29	18	13	14	29	15	13	14	31	14
5	Interest and dividends	26	19	22	16	30	17	19	20	26	19	20	17
6	Freight and shipping	22	22	22	23	22	23	22	26	23	23	22	21
7	Inheritances and emigrants' funds	3	7	8	7	2	7	8	6	2	5	6	5
9	Official contributions	—	—	1	2	—	—	—	—	—	—	—	—
11	All other current payments	24	23	27	24	23	27	24	26	25	27	24	26
12	Total current payments	224	272	249	234	225	246	247	248	226	248	250	214
C	Current account balance	+28	+12	+48	+ 78	+39	+27	+42	+79	+ 6	+ 48	+49	+110
D	Capital account:												
	Direct investment:												
1	Direct investment in Canada	+40	+16	+30	+ 29	+27	+59	+18	+ 23	+ 7	+ 9	+22	+ 45
2	Direct investment abroad	- 3	- 5	- 3	- 3	- 4	- 2	- 7	- 3	- 7	- 11	- 3	- 4
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	- 2	—	- 6	- 5	—	—	- 9	- 3	+ 1	+ 1	—	- 2
3b	Trade in outstanding common and preference stocks	+ 4	- 2	- 7	- 12	- 3	-14	-14	- 30	-18	- 25	-15	- 7
4	New issues	+ 9	+10	+ 5	+ 3	+ 5	+11	+ 5	+ 3	+ 6	+ 2	+ 5	+ 5
5	Retirements	- 6	-11	- 2	- 8	- 7	- 8	- 6	- 20	- 6	- 16	- 4	- 18
	Foreign securities:												
6	Trade in outstanding issues	+ 1	+ 1	—	- 4	+ 2	- 5	- 4	- 3	- 2	- 2	+ 2	—
7	New issues	—	—	—	—	—	—	- 2	—	—	—	—	—
8	Retirements	—	—	—	—	—	—	—	—	—	—	—	—
	Loans by Government of Canada:												
10	Repayment of postwar loans	—	—	—	+ 17	—	—	—	+ 17	—	—	—	+ 17
14	Change in Canadian dollar holdings of foreigners	- 3	- 3	+23	- 8	-10	+ 8	+ 3	—	-13	- 7	—	+ 7
15	Special international financial assistance	—	—	—	—	—	—	—	—	—	+109	—	-108
16	Change in official holdings of sterling (increase, minus)	- 2	+ 2	- 2	+ 2	—	- 1	- 1	—	+ 1	- 1	—	+ 1
17	Other capital movements	+ 8	-24	-39	+ 19	-22	- 6	+ 7	+ 54	-21	+ 43	-33	+ 1
E	Net capital movement	+46	-16	- 1	+ 30	-12	+42	-10	+ 38	-52	+102	-28	- 61
G	Balance settled by exchange transfers	-74	+ 4	-47	-108	-27	-69	-32	-117	+46	-150	-23	- 49
	Total financing of current account balance (item C)	-28	-12	-48	- 78	-39	-27	-42	- 79	- 6	- 48	-49	-110

TABLE IV. Quarterly Estimates of the Canadian Balance of International Payments, 1960-62 - Concluded

D. BETWEEN CANADA AND OTHER COUNTRIES

No.	Account	1960				1961 ^P				1962 ^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	72	86	86	96	85	76	84	86	71	79	86	102
	Other current receipts	14	18	18	19	18	35	20	20	15	19	25	24
12	Total current receipts	86	104	104	115	103	111	104	106	86	98	111	126
B 1	Merchandise imports	48	78	78	80	50	81	80	87	52	88	93	96
	Other current payments	21	19	19	23	25	22	23	29	23	22	17	19
12	Total current payments	69	97	97	103	75	103	103	116	75	110	110	115
C	Current account balance	+17	+7	+7	+12	+28	+8	+1	-10	+11	-12	+1	+11
	Non-sterling area overseas countries:												
A 1	Merchandise exports	231	239	299	319	281	384	373	383	274	358	336	392
	Other current receipts	36	57	49	47	41	66	62	57	38	70	63	62
12	Total current receipts	267	296	348	366	322	450	435	440	312	428	399	454
B 1	Merchandise imports	194	241	246	251	192	249	257	299	219	281	288	300
	Other current payments	101	102	119	114	101	112	132	115	100	120	129	112
12	Total current payments	295	343	365	365	293	361	389	414	319	401	417	412
C	Current account balance	-28	-47	-17	+1	+29	+89	+46	+26	-7	+27	-18	+42
C	Current account balance with above areas	-11	-40	-10	+13	+57	+97	+47	+16	+4	+15	-17	+53
D	Capital account:												
	Direct investment:												
1	Direct investment in Canada	+25	+20	+35	+9	+15	+9	+21	+20	+21	+10	+24	+63
2	Direct investment abroad	-4	-7	-6	-	-14	-14	-	-9	-22	-20	-26	-38
	Canadian securities:												
3a	Trade in outstanding bonds and debentures	+17	+12	+3	-7	+12	-	-11	-2	+3	-24	-3	+5
3b	Trade in outstanding common and preference stocks	+3	+4	+3	+2	-6	-	-9	-7	-12	-15	-6	-7
4	New issues	+10	+6	+14	+9	+4	+13	+6	+12	+5	+3	+5	+8
5	Retirements	-1	-10	-1	-12	-1	-20	-3	-16	-9	-6	-3	-17
	Foreign securities:												
6	Trade in outstanding issues	-1	-1	-	-20	-1	-1	+1	-1	-3	-3	-1	+1
7	New issues	-1	-1	-1	-2	-1	-14	-	-2	-1	-1	-	-2
8	Retirements	+1	+1	+3	+1	+1	+1	+1	+1	+1	+1	+1	+1
	Loans by Government of Canada:												
10	Repayment of postwar loans	-	+7	-	+8	+3	+7	-	+10	+3	+7	+68	+34
14	Change in Canadian dollar holdings of foreigners	+14	-1	-6	+44	-43	+22	-29	+36	-23	-8	-14	+10
15	Special international financial assistance	-	-	-	-	-	-	-	-	-	+326	-	-
17	Other capital movements	+4	+1	+2	-18	+3	-42	-94	-61	-29	+30	-13	+16
E	Net capital movement	+67	+31	+46	+14	-28	-39	-117	-19	-66	+300	+32	+74
G	Balance settled by exchange transfers	-56	+9	-36	-27	-29	-58	+70	+3	+62	-315	-15	-127
	Total financing of current account balance (item C)	+11	+40	+10	-13	-57	-97	-47	-16	-4	-15	+17	-53

TABLE V. The Canadian Balance of International Indebtedness, Selected Year Ends 1926-61¹

Item	1926	1930	1933	1939	1945	1949	1951	1954	1955	1956	1957	1958	1959	1960	1961 ^P
billions of dollars															
Canadian liabilities:															
Direct investment VIII, X	1.8	2.4	2.4	2.3	2.7	3.6	4.5	6.8	7.7	8.9	10.1	10.9	11.9	12.9	13.7
Government and municipal bonds IX	1.4	1.7	1.7	1.7	1.7	1.8	2.1	2.1	1.9	2.1	2.3	2.6	3.1	3.3	3.4
Other portfolio investments VIII	2.5	3.2	3.0	2.6	2.4	2.3	2.5	3.1	3.1	3.5	3.9	4.1	4.2	4.4	4.4
Income accumulating investment funds	—	—	—	—	—	—	—	0.1	0.2	0.2	0.3	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	0.6	0.6	0.8	0.9	1.1	1.3	1.4	1.7
Foreign long-term investments in Canada VIII, IX	6.0	7.6	7.4	6.9	7.1	8.0	9.5	12.5	13.5	15.6	17.5	19.0	20.9	22.2	23.6
Equity of non-residents in Canadian assets abroad	..	..	..	0.2	0.2	0.3	0.4	0.6	0.7	0.8	0.8	0.9	1.0	1.1	1.2
Canadian dollars holdings of non-residents	..	..	..	0.3	0.3	0.4	0.4	0.3	0.4	0.4	0.4	0.5	0.5	0.6	0.6
Canadian short-term assets of international financial agencies	—	—	—	—	—	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.4	0.4	0.4
Gross liabilities²	6.4	8.0	7.7	7.4	7.6	8.9	10.6	13.7	14.8	17.0	18.9	20.6	22.7	24.3	25.7
United States ³	3.5	4.9	4.7	4.5	5.4	6.4	7.9	10.3	11.1	12.6	14.2	15.5	17.0	18.0	19.3
United Kingdom ^{3,4}	2.7	2.9	2.8	2.6	1.8	1.8	1.9	2.3	2.5	2.8	3.1	3.2	3.4	3.5	3.5
Other countries ^{3,4}	0.2	0.2	0.2	0.3	0.4	0.7	0.8	1.0	1.2	1.5	1.7	1.9	2.4	2.8	2.8
Short-term payables ⁴	..	..	..	..	0.4	0.4	0.7	0.4	0.5	0.7	1.0	1.2	1.6	1.7	2.1
Gross liabilities	6.4²	8.0²	7.7²	7.4²	8.0	9.3	11.3	14.1	15.3	17.7	19.9	21.8	24.3	26.1	27.8
Canadian assets:															
Direct investment VII	0.4	0.4	0.4	0.7	0.7	0.9	1.2	1.6	1.7	1.9	2.1	2.1	2.3	2.5	2.6
Portfolio investments VII	0.5	0.8	0.9	0.7	0.6	0.6	0.6	0.9	1.0	1.0	1.1	1.1	1.2	1.3	1.5
Government of Canada loans and advances VII	—	—	—	—	0.7	2.0	1.9	1.7	1.6	1.6	1.5	1.5	1.5	1.4	1.4
Government of Canada subscriptions to international financial agencies	—	—	—	—	—	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.6	0.6	0.6
Canadian long-term investments abroad	0.9	1.3	1.3	1.4	2.0	4.0	4.1	4.6	4.7	4.8	5.0	5.1	5.5	5.8	6.1
Government of Canada holdings of gold and foreign exchange VI	..	..	..	0.5	1.7	1.2	1.8	1.9	1.9	1.9	1.8	1.9	1.8	1.8	2.2
Bank balances and other short-term funds abroad	..	..	..	—	0.1	0.1	0.1	0.4	0.3	0.6	0.9	1.0	1.0	1.2	1.1
Gross assets²	1.3	1.5	1.4	1.9	3.5	5.2	6.0	6.9	7.0	7.3	7.7	8.0	8.4	8.8	9.4
Government of Canada holdings of gold and foreign exchange	—	—	—	0.5	1.7	1.2	1.8	1.9	1.9	1.9	1.8	1.9	1.8	1.8	2.2
United States ^{3,4}	0.7	0.9	0.8	0.9	0.9	1.1	1.4	2.1	2.2	2.6	3.0	3.1	3.3	3.7	3.8
United Kingdom ^{3,4}	0.1	0.1	—	0.1	0.7	1.6	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.5
Other countries ^{3,4}	0.5	0.5	0.6	0.4	0.5	1.3	1.3	1.4	1.4	1.5	1.5	1.6	1.9	1.9	1.9
Short-term receivables ⁴	..	..	..	..	0.1	0.2	0.2	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.5
Gross assets	1.3²	1.5²	1.4²	1.9²	4.0	5.5	6.3	7.2	7.4	7.7	8.1	8.4	8.8	9.3	9.8
Canadian net international indebtedness:															
Net liabilities	5.1²	6.5²	6.3²	5.5²	4.0	3.8	5.0	6.8	7.8	10.0	11.8	13.4	15.4	16.8	17.9
Government of Canada holdings of gold and foreign exchange	—	—	—	-0.5	-1.7	-1.2	-1.8	-1.9	-1.9	-1.9	-1.8	-1.9	-1.8	-1.8	-2.2
United States ^{3,4}	2.8	4.0	3.9	3.6	4.6	5.3	6.5	8.2	8.8	10.0	11.1	12.4	13.6	14.4	15.5
United Kingdom ^{3,4}	2.6	2.8	2.8	2.5	1.1	0.2	0.4	0.9	1.1	1.4	1.7	1.9	2.0	2.1	2.1
Other countries ^{3,4}	-0.3	-0.3	-0.4	-0.1	-0.1	-0.6	-0.5	-0.4	-0.2	—	0.1	0.3	0.5	0.9	0.9
Short-term indebtedness ⁴	..	..	..	..	0.3	0.2	0.5	0.1	0.2	0.3	0.7	0.7	1.1	1.3	1.6

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 1951-62

At end of	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
millions of U.S. dollars												
March	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	1,934.9	1,709.4
June	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	1,985.2	1,808.7 ²
September	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	1,924.3	2,444.6 ³
December	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	2,055.8	2,539.4 ³

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.² Includes \$650 million special international financial assistance.³ Includes \$300 million special international financial assistance.

TABLE VII. Canadian Long-Term Investments Abroad,¹ Selected Year Ends 1926-61

Location and year	Direct investment in branches subsidiaries and controlled companies					Portfolio investment in foreign security			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	765	163	11	1,265	669*	161	830	2,095	1,866	3,961
1953	402	851	215	9	1,477	690	179	869	2,346	1,778	4,124
1954	427	935	245	12	1,619	723	203	926	2,545	1,705	4,250
1955	438	993	291	20	1,742	767	224	991	2,733	1,635	4,368
1956	418	1,106	340	27	1,891	785	221	1,006	2,897	1,565	4,462
1957	425	1,198	410	40	2,073	811	257	1,068	3,141	1,515	4,656
1958	429	1,250	427	43	2,149	868	250	1,118	3,267	1,484	4,751
1959	457	1,343	417	78	2,295	934	249	1,183	3,478	1,451	4,929
1960	456	1,482	459	84	2,481	1,050	265	1,315	3,796	1,418	5,214
1961	498	1,565	444	112	2,619	1,189	276	1,465	4,084	1,379	5,463
In the United States:											
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	566	95	8	962	450*	86	536	1,498	—	1,498
1953	365	624	123	7	1,119	469	95	564	1,683	—	1,683
1954	390	686	145	10	1,231	490	89	579	1,810	—	1,810
1955	393	710	175	15	1,293	539	89	628	1,921	—	1,921
1956	378	804	190	22	1,394	569	84	653	2,047	—	2,047
1957	380	833	206	32	1,451	593	118	711	2,162	—	2,162
1958	379	833	197	31	1,440	659	111	770	2,210	—	2,210
1959	382	862	191	63	1,498	734	111	845	2,343	—	2,343
1960	374	971	223	64	1,632	827	120	947	2,579	—	2,579
1961	413	1,016	240	78	1,747	938	119	1,057	2,804	—	2,804
In the United Kingdom:											
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 ¹	1,342
1957	3	168	—	1	172	33	15	48	220	1,127 ¹	1,347
1958	3	196	—	1	200	27	14	41	241	1,080 ²	1,321
1959	10	224	—	1	235	25	12	37	272	1,064 ²	1,336
1960	14	240	—	3	257	26	16	42	299	1,047 ²	1,346
1961	12	271	—	5	288	45	16	61	349	1,030 ²	1,379
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	3	47	30	—	85	7	11	18	103	—	103
1949	6	51	19	—	76	6	8	14	90	—	90
1951	7	61	20	—	88	8	8	14	102	—	102
1952	7	70	35	—	112	6	8	14	126	—	126
1953	8	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
1960	10	121	156	12	299	10	18	28	327	35	362
1961	15	97	145	23	280	11	30	41	321	30	351
In other foreign countries:											
1939	31	30	85	—	146	102	51	153	299	31	330
1945	20	38	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	57	137	73	4	271	167	107	274	545	352	897
1960	58	150	80	5	293	187	111	298	591	336	927
1961	58	181	59	6	304	195	111	306	610	319	929

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.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends 1930-61

Classification by type of assets and nature of national ownership

Long-term investments in Canada	A. Owned by all non-residents								B. Owned in United States							
	1930	1945	1956	1957	1958	1959	1960	1961	1930	1945	1956	1957	1958	1959	1960	1961
	millions of dollars															
By type of assets																
Bonds and debentures:																
Government and municipal ¹	1,706	1,662	2,135	2,326	2,621	3,112	3,269	3,438	1,205	1,450	1,872	2,061	2,344	2,764	2,903	3,049
Railways.....	1,481	843	504	480	484	492	499	512	598	495	182	166	165	159	152	174
Other corporations.....	796	561	1,496	1,963	2,181	2,241	2,309	2,380	600	414	1,252	1,666	1,863	1,924	1,980	2,095
Sub-totals	3,983	3,066	4,135	4,769	5,286	5,845	6,077	6,330	2,403	2,359	3,306	3,893	4,372	4,847	5,035	5,318
Capital stock of Canadian companies	2,856	3,194	7,991	8,875	9,352	9,916	10,480	10,865	1,832	2,088	5,711	6,328	6,679	7,117	7,472	7,894
Other corporation assets ²	480	548	2,376	2,686	2,967	3,490	3,965	4,428	331	413	2,049	2,299	2,512	2,954	3,294	3,654
Income accumulating investment funds	—	—	249	255	342	321	264	266	—	—	249	255	342	321	264	266
Miscellaneous investments	295	284	818	879	1,063 ^x	1,285	1,428	1,681	94	130	474	489	536	587	653	834
Total investments	7,614	7,092	15,569	17,464	19,010	20,857	22,214	23,570	4,660	4,990	11,789	13,264	14,441	15,826	16,718	17,966
By nature of national ownership																
I. Direct investments (controlled in country of ownership):																
Bonds and debentures:																
Railways.....	52	46	36	32	32	28	14	13	42	38	29	28	28	24	10	10
Other corporations.....	357	281	781	1,075	1,135	1,182	1,211	1,346	294	254	730	1,004	1,058	1,106	1,116	1,255
Sub-totals	409	327	817	1,107	1,167	1,210	1,225	1,359	336	292	759	1,032	1,086	1,130	1,126	1,265
Capital stock of Canadian companies.....	1,543	1,860	5,725	6,398	6,826	7,324	7,839	8,190	1,330	1,613	4,629	5,196	5,515	5,922	6,263 ^x	6,579
Other corporation assets ²	475	526	2,326	2,624	2,887	3,372	3,808	4,188	327	399	2,004	2,244	2,444	2,860	3,160 ^x	3,440
Total direct investments ..	2,427	2,713	8,868	10,129	10,880	11,906	12,872	13,737	1,993	2,304	7,392	8,472	9,045	9,912	10,549	11,284
II. Government and municipal bonds ¹	1,706	1,662	2,135	2,326	2,621	3,112	3,269	3,438	1,205	1,450	1,872	2,061	2,344	2,764	2,903	3,049
III. Other portfolio investments (not controlled in country of ownership):																
Bonds and debentures:																
Railways:																
Controlled in Canada.....	1,427	795	467	447	451	462	483	497	556	457	153	138	137	134	141	163
Controlled in other countries.....	2	2	1	1	1	2	2	2	—	—	—	—	—	1	1	1
Other corporations:																
Controlled in Canada.....	421	220	478	618	756	773	809	771	301	158	436	555	682	696	749	742
Controlled in other countries.....	18	60	237	270	290	286	289	263	5	2	86	107	123	122	115	98
Sub-totals	1,868	1,077	1,183	1,336	1,498	1,523	1,583	1,533	862	617	675	800	942	953	1,006	1,004
Capital stock of Canadian companies:																
Companies controlled in Canada.....	1,233	1,249	2,063	2,228	2,274	2,322	2,340	2,395	484	462	1,041	1,058	1,081	1,100	1,104	1,215
Companies controlled in other countries.....	80	85	203	249	252	270	301	280	18	13	41	74	83	95	105	100
Other corporation assets: ²																
Companies controlled in Canada.....	5	16	34	46	59	93	129	197	4	13	32	43	53	79	117	187
Companies controlled in other countries.....	—	6	16	16	21	25	28	43	—	1	13	12	15	15	17	27
Income accumulating investment funds.....	—	—	249	255	342	321	264	266	—	—	249	255	342	321	264	266
Total other portfolio investments	3,186	2,433	3,748	4,130	4,446	4,554	4,645	4,714	1,368	1,106	2,051	2,242	2,516	2,563	2,613	2,799
IV. Miscellaneous investments:																
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.....	295	284	818	879	1,063 ^x	1,285	1,428	1,681	94	130	474	489	536	587	653	834
SUMMARY																
I. Direct investments	2,427	2,713	8,868	10,129	10,880	11,906	12,872	13,737	1,993	2,304	7,392	8,472	9,045	9,912	10,549	11,284
II. Government and municipal bonds	1,706	1,662	2,135	2,326	2,621	3,112	3,269	3,438	1,205	1,450	1,872	2,061	2,344	2,764	2,903	3,049
III. Other portfolio investments.....	3,186	2,433	3,748	4,130	4,446	4,554	4,645	4,714	1,368	1,106	2,051	2,242	2,516	2,563	2,613	2,799
IV. Miscellaneous investments	295	284	818	879	1,063 ^x	1,285	1,428	1,681	94	130	474	489	536	587	653	834
Total investments	7,614	7,092	15,569	17,464	19,010	20,857	22,214	23,570	4,660	4,990	11,789	13,264	14,441	15,826	16,718	17,966

See footnotes at end of table.

TABLE VIII. Foreign Capital Invested in Canada, Selected Year Ends 1930-61 -- Concluded

Classification by type of assets and nature of national ownership

Long-term investments in Canada	C. Owned in United Kingdom								D. Owned in all other countries							
	1930	1945	1956	1957	1958	1959	1960	1961	1930	1945	1956	1957	1958	1959	1960	1961
millions of dollars																
By type of assets																
Bonds and debentures:																
Government and municipal ¹	486	157	152	145	145	141	127	147	15	55	111	120	132	207	239	242
Railways	862	316	296	290	292	291	290	288	21	32	26	24	27	42	57	50
Other corporations	171	116	172	200	207	206	214	189	25	31	72	97	111	111	115	96
Sub-totals	1,519	589	620	635	644	638	631	624	61	118	209	241	270	360	411	388
Capital stock of Canadian companies	942	973	1,646	1,835	1,934	1,983	2,078	2,023	82	133	634	712	739	816	930	948
Other corporation assets ²	134	103	234	270	312	378	439	515	15	32	93	117	143	158	232	259
Miscellaneous investments	171	85	168	177	198	200	211	223	30	69	176	213	329 ^x	498	564	624
Total investments	2,766	1,750	2,668	2,917	3,088	3,199	3,359	3,385	188	352	1,112	1,283	1,481	1,832	2,137	2,219
By nature of national ownership																
I. Direct investments (controlled in country of ownership):																
Bonds and debentures:																
Railways	10	8	7	4	4	4	4	3	—	—	—	—	—	—	—	—
Other corporations	49	13	19	42	45	39	46	38	14	14	32	29	32	37	49	53
Sub-totals	59	21	26	46	49	43	50	41	14	14	32	29	32	37	49	53
Capital stock of Canadian companies	200	226	789	850	938	972	1,057 ^x	1,072	13	21	307	352	373	430	519 ^x	539
Other corporation assets ²	133	101	233	267	309	369	428 ^x	500	15	26	89	113	134	143	220 ^x	248
Total direct investments	392	348	1,048	1,163	1,296	1,384	1,535	1,613	42	61	428	494	539	610	788	840
II. Government and municipal bonds ¹	486	157	152	145	145	141	127	147	15	55	111	120	132	207	239	242
III. Other portfolio investments (not controlled in country of ownership):																
Bonds and debentures:																
Railways:																
Controlled in Canada	850	306	288	285	287	286	285	284	21	32	26	24	27	42	57	50
Controlled in other countries	2	2	1	1	1	1	1	1	—	—	—	—	—	—	—	—
Other corporations:																
Controlled in Canada	116	46	22	20	23	28	19	7	4	16	20	43	51	49	41	22
Controlled in other countries	6	57	131	138	139	139	149	144	7	1	20	25	28	25	25	21
Sub-totals	974	411	442	444	450	454	454	436	32	49	66	92	106	116	123	93
Capital stock of Canadian companies:																
Companies controlled in Canada	685	691	783	910	923	935	924	860	64	96	239	260	270	287	312	320
Companies controlled in other countries	57	56	74	75	73	76	97	91	5	16	88	100	96	99	99	89
Other corporation assets: ²																
Companies controlled in Canada	1	2	1	2	1	4	5	6	—	1	1	1	5	10	7	4
Companies controlled in other countries	—	—	—	1	2	5	6	9	—	5	3	3	4	5	5	7
Total other portfolio investments	1,717	1,160	1,300	1,432	1,449	1,474	1,486	1,402	101	167	397	456	481	517	546	513
IV. Miscellaneous investments:																
Real estate, mortgages, assets administered for non-residents, private investment companies, etc.	171	85	168	177	198	200	211	223	30	69	176	213	329 ^x	498	564	624
SUMMARY																
I. Direct investments	392	348	1,048	1,163	1,296	1,384	1,535	1,613	42	61	428	494	539	610	788	840
II. Government and municipal bonds	486	157	152	145	145	141	127	147	15	55	111	120	132	207	239	242
III. Other portfolio investments	1,717	1,160	1,300	1,432	1,449	1,474	1,486	1,402	101	167	397	456	481	517	546	513
IV. Miscellaneous investments	171	85	168	177	198	200	211	223	30	69	176	213	329 ^x	498	564	624
Total investments	2,766	1,750	2,668	2,917	3,088	3,199	3,359	3,385	188	352	1,112	1,283	1,481	1,832	2,137	2,219

¹ For division into 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 1945-61

Classification by type of investment

Long-term investments in Canada by type of investment	A. Owned by all non-residents							B. Owned in United States						
	1945	1956	1957	1958	1959	1960	1961	1945	1956	1957	1958	1959	1960	1961
millions of dollars														
Government securities:														
Dominion	726	502	501	564	612	611	657	682	340	342	396	383	382	416
Provincial	624	1,081	1,165	1,276	1,585	1,632	1,743	574	1,021	1,099	1,207	1,509	1,544	1,641
Municipal	312	552	660	781	915	1,026	1,038	194	511	620	741	872	977	992
Sub-totals	1,662	2,135	2,326	2,621	3,112	3,269	3,438	1,450	1,872	2,061	2,344	2,764	2,903	3,049
Manufacturing:														
Vegetable products	268	524	577	608	664	720	749	199	401	440	469	509	551	586
Animal products	61	103	108	114	128	132	145	47	91	96	102	115	118	132
Textiles	83	128	128	135	140	141	148	41	70	71	73	79	84	93
Wood and paper products	455	1,081	1,166	1,200	1,211	1,315	1,408	383	911	986	1,021	1,026	1,116	1,204
Iron and products	319	1,083	1,198	1,312	1,451	1,580	1,648	297	891	971	1,038	1,172	1,286	1,339
Non-ferrous metals	274	895	1,031	1,103	1,153	1,155	1,185	209	700	813	879	928	928	969
Non-metallic minerals	57	170	179	207	227	276	286	48	109	111	129	142	151	158
Chemicals and allied products	169	527	582	617	660	698	768	124	371	418	444	473	492	553
Miscellaneous manufactures ..	37	68	82	85	92	98	108	34	62	76	79	86	92	101
Sub-totals (excluding petro- leum refining)	1,723	4,579	5,051	5,381	5,726	6,115	6,445	1,382	3,606	3,982	4,234	4,530	4,818	5,135
Petroleum and natural gas	160	2,275	2,849	3,187	3,455	3,727	4,023	152	2,063	2,570	2,866	3,108	3,184 ^x	3,434
Other mining and smelting	356	1,330	1,570	1,657	1,783	1,977	2,089	277	1,129	1,307	1,386	1,513	1,701	1,818
Public utilities:														
Railways	1,599	1,426	1,396	1,413	1,405	1,406	1,366	720	536	489	489	472	479	506
Other (excluding pipelines and public enterprises)	493	628	661	712	739	743	649	374	460	471	523	544	551	506
Sub-totals	2,092	2,054	2,057	2,125	2,144	2,149	2,015	1,094	996	960	1,012	1,016	1,030	1,012
Merchandising	220	683	715	784	878	872	917	158	496	508	549	612	608	629
Financial	525	1,488	1,782	1,938	2,190	2,380	2,614	285	983	1,202	1,314	1,471	1,587	1,773
Other enterprises	70	207	235	254	284	297	348	62	170	185	200	225	234	282
Miscellaneous investments	284	818	879	1,063 ^x	1,285	1,428	1,681	130	474	489	536	587	653	834
Total investments	7,092	15,569	17,464	19,010	20,857	22,214	23,570	4,990	11,789	13,264	14,441	15,826	16,718	17,966
C. Owned in United Kingdom														
D. Owned in all other countries														
	1945	1956	1957	1958	1959	1960	1961	1945	1956	1957	1958	1959	1960	1961
millions of dollars														
Government securities:														
Dominion	—	72	64	65	60	48	50	44	90	95	103	169	181	191
Provincial	45	45	47	47	48	47	67	5	15	19	22	28	41	35
Municipal	112	35	34	33	33	32	30	6	6	6	7	10	17	16
Sub-totals	157	152	145	145	141	127	147	55	111	120	132	207	239	242
Manufacturing:														
Vegetable products	66	109	125	124	131	137	136	3	14	12	15	24	32	27
Animal products	6	6	6	6	7	8	7	8	6	6	6	6	6	6
Textiles	38	56	55	60	59	55	53	4	2	2	2	2	2	2
Wood and paper products	64	153	160	155	159	167	174	8	17	20	24	26	32	30
Iron and products	12	153	168	202	194	201	209	10	39	59	72	85	93	100
Non-ferrous metals	64	175	192	195	192	188	180	1	20	26	29	33	39	36
Non-metallic minerals	8	31	34	40	45	55	54	1	30	34	38	40	70	74
Chemicals and allied products ..	36	137	142	146	153	169	176	9	19	22	27	34	37	39
Miscellaneous manufactures ..	2	4	5	5	5	5	6	1	2	1	1	1	1	1
Sub-totals (excluding petro- leum refining)	296	824	887	933	945	985	995	45	149	182	214	251	312	315
Petroleum and natural gas	7	72	108	134	162	270 ^x	299	1	140	171	187	185	273 ^x	290
Other mining and smelting	60	118	162	171	160	152	147	19	83	101	100	110	124	124
Public utilities:														
Railways	806	765	784	794	783	755	699	73	125	123	130	150	172	161
Other (excluding pipelines and public enterprises)	90	97	112	115	125	125	75	29	71	78	74	70	67	68
Sub-totals	896	862	896	909	908	880	774	102	196	201	204	220	239	229
Merchandising	57	159	174	197	225	214	238	5	28	33	38	41	50	50
Financial	186	284	332	360	413	469	512	54	221	248	264	306	324	329
Other enterprises	6	29	36	41	45	51	50	2	8	14	13	14	12	16
Miscellaneous investments	85	168	177	198	200	211	223	69	176	213	329 ^x	498	564	624
Total investments	1,750	2,668	2,917	3,088	3,199	3,359	3,385	352	1,112	1,283	1,481	1,832	2,137	2,219

TABLE X. Foreign Direct Investment¹ in Canada, Selected Year Ends 1945-61
 Classification by type of business

Direct investment in Canada by type of business	A. Owned by all non-residents							B. Owned in United States						
	1945	1956	1957	1958	1959	1960	1961	1945	1956	1957	1958	1959	1960	1961
	millions of dollars													
Manufacturing:														
Vegetable products	200	441	492	521	578	637	648	140	339	375	403	442	488	504
Animal products	47	91	98	105	119	122	135	44	83	89	95	108	111	125
Textiles	56	105	108	115	117	118	122	28	58	62	63	68	72	78
Wood and paper products	348	847	924	945	951	1,033	1,064	316	726	798	819	822	886	939
Iron and products	277	978	1,089	1,205	1,345	1,441	1,504	272	816	896	961	1,095	1,198	1,248
Non-ferrous metals	211	728	867	926	977	983	1,020	203	663	789	845	892	890	931
Non-metallic minerals	43	143	157	174	198	240	249	39	91	101	110	127	134	140
Chemical and allied products	144	507	561	595	637	671	741	118	358	405	434	460	478	538
Miscellaneous manufactures	33	66	80	82	89	97	106	31	61	75	76	83	91	100
Sub-totals (excluding petroleum refining)	1,359	3,906	4,376	4,668	5,011	5,342	5,589	1,191	3,195	3,590	3,806	4,097	4,348	4,603
Petroleum and natural gas	141	2,144	2,559	2,816	3,082	3,313	3,534	141	1,978	2,380	2,598	2,836	2,885 ^x	3,060
Other mining and smelting	237	908	1,044	1,116	1,223	1,439	1,549	215	857	971	1,030	1,146	1,348	1,451
Utilities (excluding pipelines)	375	292	286	287	282	285	289	358	223	215	216	217	224	228
Merchandising	202	605	621	684	761	757	804	147	428	423	458	505	501	520
Financial	339	818	1,026	1,073	1,289	1,464	1,660	198	551	719	750	904	1,028	1,171
Other enterprises	60	195	217	236	258	272	312	54	160	174	187	207	215	251
Totals	2,713	8,868	10,129	10,880	11,906	12,872	13,737	2,304	7,392	8,472	9,045	9,912	10,549	11,284
	C. Owned in United Kingdom							D. Owned in all other countries						
	1945	1956	1957	1958	1959	1960	1961	1945	1956	1957	1958	1959	1960	1961
	millions of dollars													
Manufacturing:														
Vegetable products	60	95	110	108	117	124	123	—	7	7	10	19	25	21
Animal products	3	4	5	5	6	6	6	—	4	4	5	5	5	4
Textiles	26	47	46	51	49	45	43	2	—	—	1	—	1	1
Wood and paper products	30	120	125	125	127	138	115	2	1	1	1	2	9	10
Iron and products	4	134	147	186	180	185	191	1	28	46	58	70	58	65
Non-ferrous metals	8	49	61	63	64	65	65	—	16	17	18	21	28	24
Non-metallic minerals	4	23	26	30	34	38	37	—	29	30	34	37	68	72
Chemicals and allied products	19	135	139	143	150	162	170	7	14	17	18	27	31	33
Miscellaneous manufactures	2	4	4	5	5	5	5	—	1	1	1	1	1	1
Sub-totals (excluding petroleum refining)	156	611	663	716	732	768	755	12	100	123	146	182	226	231
Petroleum and natural gas	—	56	64	90	116	208 ^x	234	—	110	115	128	130	220 ^x	240
Other mining and smelting	22	48	68	77	68	66	62	—	3	5	9	9	25 ^x	36
Utilities (excluding pipelines)	16	39	37	41	40	40	38	1	30	34	30	25	21	23
Merchandising	51	151	167	191	219	208	231	4	26	31	35	37	48	53
Financial	98	115	131	142	168	198	246	43	152	176	181	217	238	243
Other enterprises	5	28	33	39	41	47	47	1	7	10	10	10	10	14
Totals	348	1,048	1,163	1,296	1,384	1,535	1,613	61	428	494	539	610	788	840

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, End of 1960 and 1961¹

Classification by type of business and country of ownership

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
1960										
Manufacturing:										
Vegetable products	161	6	167	62	—	62	15	—	15	244
Animal products	61	—	61	6	1	7	7	—	7	75
Textiles	94	1	95	25	1	26	6	—	6	127
Wood and paper products	246	15	261	51	3	54	14	—	14	329
Iron and products	503	20	523	97	1	98	31	—	31	652
Non-ferrous metals	287	10	297	46	1	47	21	—	21	365
Non-metallic minerals	69	4	73	45	—	45	13	—	13	131
Chemicals and allied products	314	29	343	61	1	62	15	2	17	422
Miscellaneous manufactures	117	8	125	13	—	13	4	—	4	142
Sub-totals (excluding petroleum refining)	1,852	93	1,945	406	8	414	126	2	128	2,487
Petroleum and natural gas	360	96	456	29	—	29	22	4	26	511
Other mining and smelting	299	36	335	58	—	58	19	3	22	415
Utilities:										
Railways	9	4	13	6	—	6	1	—	1	20
Other utilities (excluding pipelines)	103	19	122	33	4	37	31	7	38	197
Merchandising	901	140	1,041	395	36	431	145	9	154	1,626
Financial:										
Financial institutions except insurance	82	14	96	40	—	40	19	2	21	157
Insurance	23	166	189	25	83	108	18	41	59	356
Real estate	136	12	148	54	2	56	29	2	31	235
Other holding companies ²	46	6	52	35	1	36	43	2	45	133
Other enterprises	584	97	681	146	11	157	52	3	55	893
Totals, all companies ³	4,395	683	5,078	1,227	145	1,372	505	75	580	7,030
1961										
Manufacturing:										
Vegetable products	169	6	175	73	—	73	14	—	14	262
Animal products	57	—	57	7	1	8	6	—	6	71
Textiles	99	1	100	27	1	28	5	—	5	133
Wood and paper products	249	12	261	54	3	57	15	—	15	333
Iron and products	532	21	553	107	1	108	34	1	35	696
Non-ferrous metals	302	10	312	46	1	47	24	—	24	383
Non-metallic minerals	71	5	76	48	—	48	25	—	25	149
Chemicals and allied products	329	29	358	64	1	65	18	1	19	442
Miscellaneous manufactures	123	6	129	13	—	13	4	—	4	146
Sub-totals (excluding petroleum refining)	1,931	90	2,021	439	8	447	145	2	147	2,615
Petroleum and natural gas	367	86	453	30	—	30	26	4	30	513
Other mining and smelting	302	34	336	53	—	53	23	—	23	412
Utilities:										
Railways	8	5	13	6	—	6	1	—	1	20
Other utilities (excluding pipelines)	108	20	128	34	4	38	28	8	36	202
Merchandising	939	122	1,061	393	38	431	156	8	164	1,656
Financial:										
Financial institutions except insurance	98	15	113	43	—	43	17	3	20	176
Insurance	21	162	183	27	81	108	18	41	59	350
Real estate	145	11	156	64	2	66	29	2	31	253
Other holding companies ²	45	6	51	39	1	40	46	1	47	138
Other enterprises	604	86	690	152	9	161	60	4	64	915
Totals, all companies ⁴	4,568	637	5,205	1,280	143	1,423	549	73	622	7,250

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. 1,026; in the U.K. 449; in other countries 92.⁴ Includes wholly-owned subsidiaries of Canadian companies controlled in the U.S. 1,134; in the U.K. 517; in other countries 124.

TABLE XII. Non-Resident Ownership as a Percentage of Selected Canadian Industries, Selected Year Ends 1926-61¹

Industry classification	1926	1930	1939	1948	1951	1954	1954	1955	1956	1957	1958	1959	1960	1961
Percentage of total owned by all non-residents:														
Manufacturing	38	40	42	42	45	48	47	47	48	50	51	51	52	54
Petroleum and natural gas	—	—	—	—	—	—	60	63	65	63	62	62	62	60
Mining and smelting	37	44	40	39	51	57	53	53	54	56 ²	56	58	60	62
Railways	55	56	57	45	50	35	35	33	33	30	29	27	26	25
Other utilities	32	36	27	20	17	17	14	13	14	14	14	14	14	13
Totals of above industries and merchandising ³	37	39	38	32	31	32	32	32	33	34	34	34	34	34
Percentage of total owned by United States residents:														
Manufacturing	30	33	34	35	37	39	37	37	38	39	40	41	41	43
Petroleum and natural gas	—	—	—	—	—	—	57	58	59	57	56	55	53 ^x	51
Mining and smelting	28	34	31	32	45	52	47	46	46	46 ²	47	49	52	54
Railways	15	21	18	21	18	15	15	13	12	11	10	9	9	9
Other utilities	23	30	20	16	15	15	12	10	11	11	12	12	12	11
Totals of above industries and merchandising ¹	19	24	22	23	24	25	25	25	26	26	26	26	27	27

¹ For years 1952 and 1953, see Table XII, *The Canadian Balance of International Payments, 1957 and International Investment Position*.

² Commencing in 1957 the equity of non-residents in the holding of Consolidated Mining and Smelting Company of Canada Limited by Canadian Pacific Railway Company has been included under mining and smelting.

³ Corporations engaged in the construction industry are included in the postwar period.

* 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 1900-61

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	8,130	19,010	76	16	8
1959	11,906	8,951	20,857	76	15	9
1960	12,872	9,342	22,214	75	15	10
1961 ^p	13,737	9,833	23,570	76	14	10

See footnotes at end of table.

TABLE XIII. Estimates of Foreign Capital Invested in Canada, Selected Year Ends 1926-61¹ - Concluded

Year	Investment by residents of the United States			Investment by residents of the United Kingdom			Investment by residents of other countries		
	Direct	Portfolio ¹	Total	Direct	Portfolio ¹	Total	Direct	Portfolio ¹	Total
millions of dollars									
1900 ²	..	..	168	..	..	1,050	..	..	14
1914 ³	..	..	881	..	..	2,778	..	..	178
1918 ³	..	..	1,630	..	..	2,729	..	..	177
1926	1,403	1,793	3,196	336	2,301	2,637	43	127	170
1930	1,993	2,667	4,660	392	2,374	2,766	42	146	188
1933	1,933	2,559	4,492	376	2,307	2,683	43	147	190
1939	1,881	2,270	4,151	366	2,110	2,476	49	237	286
1945	2,304	2,686	4,990	348	1,402	1,750	61	291	352
1946	2,428	2,730	5,158	335	1,335	1,670	63	290	353
1947	2,548	2,653	5,201	372	1,275	1,647	66	277	343
1948	2,807	2,760	5,567	400	1,210	1,610	63	269	332
1949	3,095	2,811	5,906	428	1,289	1,717	63	277	340
1950	3,426	3,123	6,549	468	1,282	1,750	81	284	365
1951	3,896	3,363	7,259	497	1,281	1,778	127	313	440
1952	4,530	3,467	7,997	544	1,342	1,886	144	358	502
1953	5,206	3,664	8,870	612	1,396	2,008	185	398	583
1954	5,787	3,877	9,664	759	1,418	2,177	218	485	703
1955	6,513	3,762	10,275	890	1,465	2,356	325	517	842
1956	7,392	4,397	11,789	1,043	1,620	2,668	428	684	1,112
1957	8,472	4,792	13,264	1,163	1,754	2,917	494	789	1,283
1958	9,045	5,396	14,441	1,296	1,792	3,088	539	942	1,481
1959	9,912	5,914	15,826	1,384	1,815	3,199	610	1,222	1,832
1960	10,549	6,169	16,718	1,535	1,824	3,359	768	1,349	2,137
1961 ³	11,284	6,682	17,966	1,613	1,772	3,385	840	1,379	2,219

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 compiled by the Dominion Bureau of Statistics.TABLE XIV. Non-Resident Control as a Percentage of Selected Canadian Industries, Selected Year Ends 1926-60¹

Industry classification	1926	1930	1939	1948	1951	1954	1954	1955	1956	1957	1958	1959	1960	1961
Percentage of total control by all non-residents:	.	.	.	.	.	.	.	.	.	.	.	.	.	.
Manufacturing	35	36	38	43	48	54	51	52	52	56	57	57	59	59
Petroleum and natural gas	—	—	—	—	—	—	69	79	80	76	73	73	73	69
Mining and smelting	38	47	42	40	53	57	51	57	58	61	60	61	61	59
Railways	3	3	3	3	2	2	2	2	2	2	2	2	2	2
Other utilities	20	29	26	24	20	11	8	8	6	5	5	5	5	5
Totals of above industries and merchandising ²	17	20	21	25	27	28	28	30	31	32	32	32	33	33
Percentage of total control by United States residents:														
Manufacturing	30	31	32	39	42	45	42	42	41	43	44	44	44	45
Petroleum and natural gas	—	—	—	—	—	—	67	73	73	70	67	67	64 ³	60
Mining and smelting	32	42	38	37	51	54	49	55	52	52	51	53	53	52
Railways	3	3	3	3	2	2	2	2	2	2	2	2	2	2
Other utilities	20	29	26	24	20	11	7	6	4	4	4	4	4	4
Totals of above industries and merchandising ²	15	18	19	22	24	24	24	26	26	27	26	26	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 postwar 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, 1959-61¹

Company classification	Estimated total investment	Investment owned in:				Total Canadian and external capital in companies controlled in:			Percentage of capital employed owned in:				Percentage of capital employed controlled in:		
		Canada	United States	United Kingdom	Other countries	Canada	United States	Elsewhere outside Canada	Canada	United States	United Kingdom	Other countries	Canada	United States	Elsewhere outside Canada
		millions of dollars							per cent						
End of 1959 ²															
Manufacturing: ³															
Beverages	456	335	104	15	2	394	56	6	74	23	3	—	87	12	1
Rubber	203	29	161	13	—	5	182	16	14	79	7	—	2	90	8
Textiles	622	482	79	59	2	479	88	55	78	13	9	—	77	14	9
Pulp and paper	1,889	905	838	131	15	961	721	207	48	44	7	1	51	38	11
Agricultural machinery ³	170	97	73 ⁴	..	..	77	93 ⁴	..	57	43 ⁴	..	..	45	55 ⁴	..
Automobiles and parts	407	44	362	1	—	14	391	2	11	89	—	—	3	96	1
Transportation equipment n.o.p.	267	112	73	81	1	73	71	123	42	27	30	1	27	27	46
Primary iron and steel	707	533	105	61	8	544	61	102	75	15	9	1	77	9	14
Electrical apparatus	526	139	339	28	20	102	351	73	26	65	5	4	19	67	14
Chemicals	1,073	413	473	153	34	250	561	262	39	44	14	3	23	52	25
Other	5,351	2,572	2,148	448	183	2,087	2,553	711	48	41	8	3	39	48	13
Sub-totals	11,671	5,661	4,755	990	265	4,986	5,128	1,557	49	41	8	2	43	44	13
Petroleum and natural gas	5,609	2,154	3,108	162	185	1,529	3,737	343	38	55	3	4	27	67	6
Mining:															
Smelting and refining of non-ferrous native ores	922	409	386	67	60	311	611	—	44	42	7	7	34	66	—
Other mining	2,145	875	1,127	93	50	887	1,002	256	41	53	4	2	41	47	12
Sub-totals	3,067	1,284	1,513	160	110	1,198	1,613	256	42	49	5	4	39	53	8
Totals of above industries ..	20,347	9,099	9,376	1,312	560	7,713	10,478	2,156	45	46	6	3	38	51	11
End of 1960															
Manufacturing: ³															
Beverages	497	369	111	15	2	424	67	6	74	23	3	—	85	14	1
Rubber	221	28	178	15	—	4	200	17	13	80	7	—	2	90	8
Textiles	588	447	84	55	2	460	76	52	76	14	10	—	78	13	9
Pulp and paper	2,079	1,012	905	140	22	1,031	763	285	49	43	7	1	49	37	14
Agricultural machinery ³	191	109	77	1	4	94	93	4	57	41	—	2	49	49	2
Automobiles and parts	440	43	396	1	—	13	424	3	10	90	—	—	3	96	1
Transportation equipment n.o.p.	275	120	73	82	—	74	75	126	44	26	30	—	27	27	46
Iron and steel mills ⁴	781	535	155	63	28	562	108	111	68	20	8	4	72	14	14
Electrical apparatus	558	151	345	35	27	114	365	79	27	62	6	5	20	66	14
Chemicals	1,119	421	492	169	37	274	570	275	38	44	15	3	24	51	25
Other	5,498	2,600	2,236	460	202	2,007	2,631	860	47	41	8	4	37	48	15
Sub-totals	12,247	5,835	5,052	1,036	324	5,057	5,372	1,818	48	41	8	3	41	44	15
Petroleum and natural gas	6,054	2,327	3,184	270	273	1,624	3,857	573	38	53	4	5	27	64	9
Mining:															
Smelting and refining of non-ferrous native ores	936	428	386	65	57	335	601	—	46	41	7	6	36	64	—
Other mining	2,355	886	1,315	87	67	933	1,149	273	37	56	4	3	40	49	11
Sub-totals	3,291	1,314	1,701	152	124	1,268	1,750	273	40	52	4	4	39	53	8
Totals of above industries ..	21,592	9,476	9,937	1,458	721	7,949	10,979	2,664	44	46	7	3	37	51	12
End of 1961															
Manufacturing: ³															
Beverages	522	383	120	16	3	447	69	6	74	23	3	—	86	13	1
Rubber	211	26	170	15	—	2	192	17	12	81	7	—	1	91	8
Textiles	614	466	93	53	2	476	85	53	76	15	9	—	77	14	9
Pulp and paper	2,223	1,098	959	148	18	1,196	773	254	49	43	7	1	54	35	11
Agricultural machinery ³	173	92	77	—	4	79	90	4	53	45	—	2	46	52	2
Automobiles and parts	467	45	421	1	—	13	451	3	10	90	—	—	3	97	—
Transportation equipment n.o.p.	255	107	64	84	—	74	70	111	42	25	33	—	29	27	44
Iron and steel mills ⁴	873	614	165	65	29	651	114	108	70	19	8	3	75	13	12
Electrical apparatus	595	159	380	35	21	128	394	73	27	64	6	3	22	66	12
Chemicals	1,183	415	553	176	39	254	638	291	35	47	15	3	21	54	25
Other	5,552	2,470	2,415	452	215	1,889	2,795	868	45	43	8	4	34	50	16
Sub-totals	12,668	5,875	5,417	1,045	331	5,209	5,671	1,788	46	43	8	3	41	45	14
Petroleum and natural gas	6,717	2,694	3,434	299	290	2,057	4,038	622	40	51	5	4	31	60	9
Mining:															
Smelting and refining of non-ferrous native ores	968	432	421	62	53	434	534	—	45	44	6	5	45	55	—
Other mining	2,428	875	1,397	85	71	968	1,243	217	36	58	3	3	40	51	9
Sub-totals	3,396	1,307	1,818	147	124	1,402	1,777	217	38	54	4	4	41	52	7
Totals of above industries ..	22,781	9,876	10,669	1,491	745	8,668	11,486	2,627	44	47	6	3	38	50	12

¹ The figures in this table are subject to important statistical qualifications which are described under the note "About the figures—Estimated Values of Total Capital and Resident-owned Capital in Some Areas of National Wealth", on pages 62-63 of *The Canadian Balance of International Payments, 1960 and International Investment Position*.

² Includes "Other enterprises".

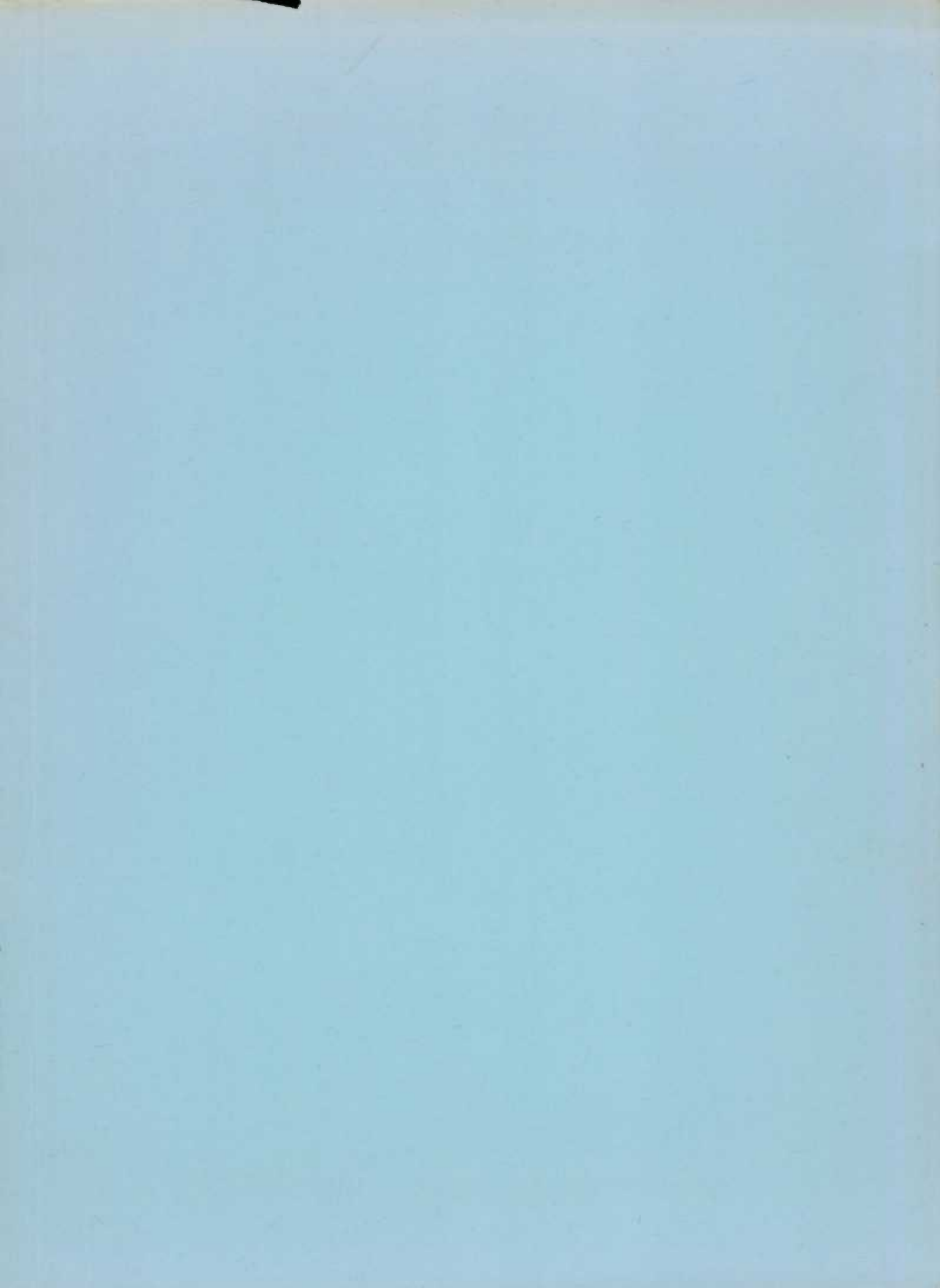
³ Includes enterprises also engaged in the manufacture of other heavy equipment which tends to overstate foreign owned and controlled proportion of capital actually engaged in the manufacture of agricultural implements only.

⁴ Includes minor amounts attributable to United Kingdom and other countries; an offsetting adjustment has been made in other manufacturing.

TABLE XVI. Estimated Book Value, Ownership and Control of Capital Employed in Selected Canadian Industries
Year Ends 1954-61¹

Industry	1954	1955	1956	1957	1958	1959	1960	1961
billions of dollars								
Total capital employed:²								
Manufacturing	8.3	8.9	10.0	10.7	11.0	11.7	12.2	12.7
Petroleum and natural gas	2.5	3.0	3.5	4.5	5.1	5.6	6.1	6.7
Other mining and smelting	1.9	2.1	2.5	2.8	2.9	3.1	3.3	3.4
Railways	4.1	4.2	4.4	4.6	4.9	5.2	5.3	5.4
Other utilities	5.3	5.8	6.4	7.4	8.0	8.5	9.2	10.3
Merchandising ³ and construction	6.1	6.6	7.3	7.8	8.5	9.5	9.4	9.8
Totals of above	28.2	30.5	34.1	37.6	40.5	43.6	45.6	48.2
Resident owned capital:								
Manufacturing	4.4	4.7	5.2	5.4	5.4	5.7	5.8	5.9
Petroleum and natural gas	1.0	1.1	1.3	1.6	2.0	2.2	2.3	2.7
Other mining and smelting	0.9	1.0	1.1	1.3	1.3	1.3	1.3	1.3
Railways	2.7	2.8	2.9	3.2	3.5	3.8	3.9	4.0
Other utilities	4.6	5.0	5.5	6.3	6.9	7.3	7.9	9.0
Merchandising and construction	5.5	6.0	6.6	7.0	7.7	8.6	8.5	8.9
Totals of above	19.1	20.6	22.7	24.8	26.7	28.8	29.9	31.7
Non-resident owned capital:⁴								
Manufacturing	3.9	4.2	4.8	5.3	5.6	6.0	6.4	6.8
Petroleum and natural gas	1.5	1.9	2.3	2.8	3.2	3.5	3.7	4.0
Other mining and smelting	1.0	1.1	1.3	1.6	1.7	1.8	2.0	2.1
Railways	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Other utilities	0.7	0.7	0.9	1.0	1.1	1.2	1.3	1.3
Merchandising	0.6	0.6	0.7	0.7	0.8	0.9	0.9	0.9
Totals of above	9.1	9.9	11.4	12.9	13.8	14.8	15.7	16.5
United States owned investments:⁴								
Manufacturing	3.1	3.3	3.8	4.2	4.4	4.8	5.1	5.4
Petroleum and natural gas	1.4	1.7	2.1	2.6	2.9	3.1	3.2 ⁵	3.4
Other mining and smelting	0.9	1.0	1.1	1.3	1.4	1.5	1.7	1.8
Railways	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5
Other utilities	0.6	0.6	0.7	0.8	0.9	1.0	1.1	1.1
Merchandising	0.4	0.4	0.5	0.5	0.5	0.6	0.6	0.6
Totals of above	7.0	7.6	8.7	9.9	10.7	11.5	12.1	12.9
Total Canadian and external investment in companies controlled outside Canada:								
Manufacturing	4.3	4.6	5.2	5.9	6.3	6.7	7.2	7.5
Petroleum and natural gas	1.7	2.3	2.8	3.4	3.8	4.1	4.4	4.7
Other mining and smelting	1.0	1.2	1.4	1.7	1.8	1.9	2.0	2.0
Railways	0.1	0.1	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	0.5	0.5
Merchandising	0.5	0.6	0.6	0.7	0.7	0.8	1.0	1.1
Totals of above	8.0	9.3	10.5	12.2	13.1	14.0	15.2	15.7
Total Canadian and external investment in companies controlled in the United States:								
Manufacturing	3.5	3.7	4.1	4.6	4.8	5.1	5.4	5.7
Petroleum and natural gas	1.7	2.2	2.6	3.1	3.5	3.7	3.9 ⁵	4.0
Other mining and smelting	0.9	1.1	1.3	1.5	1.5	1.6	1.7	1.8
Railways	0.1	0.1	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	0.4	0.4
Merchandising	0.4	0.4	0.5	0.5	0.5	0.6	0.6	0.6
Totals of above	6.9	7.9	8.8	10.0	10.7	11.5	12.0	12.6

¹ For selected year ends 1926 to 1958 (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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