

comparison. The contribution by non-residents and foreign controlled companies to all types of investment in Canada, less Canadian contributions to investment abroad, was about one-seventh in these two years. If only foreign participation in Canadian investment is considered the proportion was still less than one-fifth. In contrast, Canada was a net exporter of capital for a long period before 1950.

Transactions with the Sterling Area.—A striking feature of current transactions in recent years has been the substantial changes in the credit balance with the Sterling Area. In 1950, the disequilibrium in Canada's current account with this group almost disappeared, the current surplus amounting to only \$5,000,000 compared with a credit balance of \$574,000,000 in 1949, and a post-war record surplus of \$874,000,000 in 1947. In 1951, however, the credit balance was again substantial, rising to \$191,000,000. The current account surplus with the United Kingdom accounted for the largest absolute changes, declining from \$439,000,000 in 1949 to \$28,000,000 in 1950 and rising to \$220,000,000 in 1951. For the rest of the Sterling Area the current account surplus of \$135,000,000 in 1949 changed to deficits of \$23,000,000 and \$29,000,000 in 1950 and 1951, respectively.

The most important factor leading to the virtual disappearance of the surplus in 1950 was the large decrease in exports, about a half of which resulted from lower wheat shipments to the United Kingdom, although forest products and non-ferrous metals also fell significantly. In the case of other Sterling Area countries, lower exports of Canadian manufactured goods were particularly notable. The devaluations of 1949 and import restrictions on purchases in the dollar area were two of the factors at work here. While exports fell, Canadian imports from the Sterling Area rose, owing primarily to larger imports of metal products from the United Kingdom, and particularly the impressive increase in the volume of imports of British automobiles. A large increase in imports from other Sterling Area countries also occurred in 1950, owing partly to conspicuous increases in sterling prices of some commodities purchased by Canada from these countries. The balance of receipts from non-merchandise transactions with the Sterling Area declined. Lower receipts of inheritances and of immigrant funds, and lower freight and shipping receipts because of a decrease in exports, were the main factors in this connection.

One of the principal means of financing the large current account surpluses with the Sterling Area in earlier post-war years was the drawings on the 1946 loan to the United Kingdom. These drawings were reduced to \$50,000,000 in 1950. The United Kingdom made a repayment of some \$42,000,000 on the loan of \$700,000,000 extended in 1942, and a repayment of \$9,100,000 on the wartime loan from the Government of Newfoundland. With respect to private capital movements, there were repurchases by Canadians of Canadian securities amounting to some \$35,000,000, and redemptions of \$18,000,000. In 1950, there occurred also a significant outflow from Canada of capital connected mainly with changing positions of short-term commercial indebtedness.

In 1951, repayment by the United Kingdom consisted of the first instalment of \$14,000,000 on the post-war loan of 1946 and \$33,800,000 on the war loan of 1942. The amount outstanding on the post-war loan was reduced to \$1,171,000,000, while the war loan of \$700,000,000 was reduced to approximately \$222,700,000. Redemptions of Canadian securities, owned mainly in the United Kingdom, were \$24,000,000, and repurchases \$16,000,000. There were, however, some new issues for refinancing purposes. In contrast to 1950, multilateral settlements of \$174,000,000 once more became important, as they were in 1946 to 1949 when large current surpluses existed in Canada's transactions with the Sterling Area.