

Capital inflows for direct investment by British businesses in Canadian branches and subsidiaries amounted to \$19,000,000 and \$28,000,000 in 1950 and 1951, respectively. These balance of payments transfers exclude reinvested earnings. In 1950, the value of all British direct investments in Canada increased by about \$40,000,000 to a total value of \$447,000,000.

Transactions with the United States.—In 1950, the current deficit with the United States was considerably reduced, declining from \$589,000,000 in 1949 to \$403,000,000 in 1950. The chief reason was a rise of exports to the United States, which reached an unprecedented 65 p.c. of all Canadian exports. Part of the tremendous rise in exports of \$525,000,000 was offset by an increase in imports of \$194,000,000, and by substantially larger net payments to the United States on all other current items that rose by \$145,000,000.

About \$300,000,000 of the increase in the value of exports in 1950 was concentrated in the forest-products group, particularly in lumber exports. Non-ferrous metals, and animals and products also showed important increases. The volume of imports was up sharply in the closing months of 1950, spurred by high levels of Canadian prosperity and development and a general desire to secure commodities while they were still available. With respect to invisible items, non-monetary gold available for export rose over 1949. Net receipts on tourist account declined, however, and net payments for other accounts increased. Income payments to the United States reached a new peak of \$410,000,000, an increase of \$85,000,000 over 1949, almost all of which occurred in dividend payments.

In 1951, the current account deficit with the United States more than doubled, rising to \$955,000,000. The largest single change responsible for this deterioration was the rise in imports of \$755,000,000, or 36 p.c. The increase in value of exports was \$280,000,000, and that in the import balance was \$475,000,000. This was about ten times the size of the adjusted import balance in 1950 but still much less than the import balance of \$890,000,000 in 1947.

The increase in imports was widespread and closely related to high levels of defence activity, investment and consumption. A significant part of the increase seems to have been related to the inventory rise which was heavy when imports were at a peak. Almost a half of the increase resulted from greater imports of iron and products, although large increases occurred in textiles and non-ferrous metals and products. Most fuel imports fell slightly, while crude petroleum decreased a third. While the rise in imports was due primarily to volume, the increase in exports was, generally, a reflection of higher export prices.

The largest change in invisibles in 1951 was a sharp drop in net receipts on travel account from \$67,000,000 to \$9,000,000, being the third consecutive decrease on this account. A large rise in the travel expenditure of Canadians in the United States was the principal reason for this reduction in the balance of receipts and represented an increase in volume and in average expenditure. The number of visitors from the United States increased but average expenditure fell. The deficit with the United States on account of interest and dividends was reduced by \$39,000,000 to \$321,000,000, which was still much higher than in the years preceding 1950. The deficits on freight and shipping account and on all other current transactions rose in 1951, as they had in the previous year.

Most of the capital movements which featured Canada's accounts in 1950 and 1951 were those arising from the predominant movement of capital from the United States to Canada (*see p. 977*). The net inflow of capital from the United