

In the post-war years there was a substantial increase in the value of United States capital invested in Canada. The largest increases occurred in the years following 1948, particularly in 1950 and 1951 when there were substantial net inflows of United States capital. The increase in the value of United States investments in Canada in the six years 1946 to 1951 amounted to about \$2,250,000,000. The growth in direct investments in Canadian branches, subsidiaries and controlled companies accounted for approximately \$1,600,000,000 of this increase and increased holdings of government and municipal bonds for about \$450,000,000. The accelerated rate in the later post-war years was due to the development of petroleum production and other resources. Throughout the period, reinvested earnings accounted for more than one-half the increased investment. Portfolio holdings of government and other securities increased each year, except for 1947. There were particularly large increases in holdings of Government of Canada issues in 1950 through a demand for outstanding domestic issues, and in 1951 in holdings of provincial and municipal bond sales in the United States. Direct investments in companies in Canada controlled in the United States made up the largest part of United States investments. In 1950, such investments were valued at \$3,442,000,000 in 2,568 concerns. By the end of 1951 the value of this group of investments had risen to \$3,900,000,000 out of total investments of United States capital in Canada of approximately \$7,235,000,000.

At the end of 1951, British investments of \$1,772,000,000 were only slightly higher in value than at the end of World War II. A considerable increase in these investments occurred in 1950 and 1951 in the direct investment group, and the totals since 1949 also increased significantly by the inclusion of British investments in Newfoundland. The principal change in the post-war period in investments of other countries in Canada occurred in 1951, when a substantial increase took place, mainly through larger portfolio holdings of Canadian stocks.

Canadian capital has been the principal source of financing for Canadian development in the past 20 years or more. Investment, which was subnormal during the 1930's, showed notable expansion in certain fields during World War II and rose to peak levels in the post-war years. Even in 1950 and 1951, when capital inflows were very substantial, the proportion of investment financed by non-resident capital was minor. In those years the net contribution by non-residents and foreign controlled companies to the savings used for all types of investment in Canada was only about one-seventh of the total.

Thus, the ratio of investments of external capital, in relation to total investments of capital in Canada, has been declining for some years. It is difficult to express this relationship in terms of any simple ratio, however, because of the variety of types of investment which must be compared. Important changes have taken place also in the relative positions of different types of investment. Non-resident holdings of Canadian bonds constitute a much smaller proportion of the outstanding funded debt of Canadian governments and corporations than before World War II. The external holdings of Canadian bonds represented only about 15 p.c. of the total Canadian funded debt at the end of 1951 compared with about one-third of the bonds outstanding in 1939. The most conspicuous feature in this change in ownership has been the great increase in Canadian holdings. As a result of wartime financing, Canadian holdings of Canadian bonds rose from about \$6,500,000,000 in 1939 to \$19,200,000,000 in 1951. Non-resident holdings did not change much in total between these two years and a decline in British holdings, through wartime repatriation, was offset by a rise in United States holdings in the past few years.