Imports from the United Kingdom reflected the decline in demand for textiles and associated sharp price decreases, as well as reduced imports of automobiles, although imports of machinery increased. Sharp drops in the prices of rubber, wool and other imports were mainly responsible for decreased imports from other sterling area countries. Imports from countries in Western Europe were affected by the fall in the demand for textiles and also by a decrease in imports of rolling-mill products.

When adjusted for balance-of-payments purposes, the decrease in the value of imports in 1952 was larger than that shown in the trade returns. Apart from the usual adjustments for non-commercial items and duplication with other parts of the current account, adjustments in 1951 and 1952 take account of the re-appearance of abnormal movements of commodities on government account. Payments on defence contracts have been substituted for the actual movements of the defence commodities. Since payments in 1951 exceeded actual imports, this adjustment increased the deficit on trade. On the other hand, in 1952 actual defence imports exceeded payments and the net effect of all adjustments was to raise by one-half the trade surplus as shown by the customs returns.

The deficit on non-merchandise items in 1952 was $339,000,000, a decrease of $31,000,000 from 1951. While the balance on travel account and inheritances and migrants' account deteriorated, improvements in other items, particularly on interest and dividend account, more than offset the deterioration. The deficit from all these transactions continued to be high because of large payments on income and travel account and for business services.

Capital Movements.—Inflows of long-term capital to finance Canadian development continued to be the dominant factor in the capital account in 1952. But, in contrast to earlier years, the coincidence of a current account surplus with these inflows led to a dramatic rise in the exchange value of the Canadian dollar and to equilibrating outflows of capital through the repatriation of Canadian bonds and debentures held abroad and through short-term capital movements.

Inflows for direct investment in foreign-controlled companies and branches have risen year by year since the end of the War and reached $332,000,000 in 1952, about nine-tenths being from the United States. Investment in various phases of the petroleum industry accounted for more than one-half of the total and investment in mining and petroleum together represented nearly four-fifths.

There was a very substantial increase in outflows of capital from Canada for direct investment abroad, totalling $64,000,000 in 1952 compared with $20,000,000 in the preceding year. Most of the movement was to the United States where investment in beverage and other manufacturing industries, petroleum and other mining enterprises, and real estate were all important factors. Other outflows included the provision of additional capital for Canadian enterprises in Latin America and elsewhere. Retention of profits also contributed substantially to the growth of international direct investment between Canada and other countries.

Because of the flotation of new Canadian issues in the United States, there continued in 1952 to be a net capital inflow from transactions in Canadian securities, but trading in outstanding issues led on balance, for the first time since 1947, to an outflow. Net repurchases of bonds and debentures of governments and municipalities totalled $184,000,000 but were offset to the extent of $89,000,000 by sales