

in Canada by the United States Government was more than offset by Canadian Government spending abroad, including some special settlements of costs in Korea. On the other hand, there were larger net receipts by Canada on income account and on migrants' account and inheritances.

Capital Movements.—Persistent inflows of long-term capital to finance Canadian development continued, through 1953, to be the outstanding feature of the capital account in Canada's balance of payments. Of particular significance in 1953 was the net import of capital from overseas countries amounting to \$139,000,000. In only two other years since the War have net inflows occurred, and the amount in each case was less than half the figure for 1953. While repayments on official loans accounted for a substantial part of the inflow, there were also important transfers of private capital for direct and other long-term investment.

Inflows for direct investment in foreign-controlled companies and branches have risen year by year since the War and reached \$398,000,000 in 1953, a rise of 15 p.c. over 1952. Movements from the United Kingdom and other overseas countries rose significantly and were greater than in any two previous post-war years, but well over 80 p.c. of the net inflows continued to be from the United States. Slightly more than three-quarters of the gross inflows from that country were for mining, petroleum and related utilities. Movements of capital from Canada for direct investment abroad continued at a high level in 1953, totalling \$56,000,000, but failed to equal the record of the previous year.

A substantial volume of sales of new Canadian security issues abroad, mainly in the United States, contributed to a net capital inflow from transactions in Canadian securities. Trading in outstanding issues resulted in repatriation. Net repurchases of bonds and debentures of governments and municipalities totalled \$59,000,000, but were offset to the extent of \$28,000,000 by sales of corporate securities. While the general pattern of trading over the year as a whole was the same as in 1952, these opposite movements took place on a reduced scale and the net capital export was also smaller in 1953. Transactions with the United Kingdom led to an inflow of \$27,000,000, the first annual sales balance since 1937, and net sales of \$22,000,000 to other overseas countries were also higher than in 1952. The capital export to the United States fell from \$104,000,000 in 1952 to \$80,000,000 in 1953. Proceeds of the sales abroad of new issues totalled \$342,000,000; about two-thirds of this total represented borrowing by provincial governments and municipalities, while most of the balance covered new issues of corporation bonds and stocks. Retirements aggregating \$142,000,000 were dominated by the negotiated repurchase for Government account of \$75,000,000 of an external loan. Transactions in foreign securities were practically in balance and the result of all security transactions was a capital import of \$168,000,000.

Other capital movements in 1953 included the receipt by Canada of principal repayments of \$87,000,000 on loans to other governments, and a reduction of \$17,000,000 in Canadian dollar holdings of foreigners. Official holdings of gold and foreign exchange were reduced by \$38,000,000, which was less than the amount of the special repatriation transaction mentioned in the preceding paragraph.

The major change from 1952 to 1953 in the capital account was in "other capital movements", which resulted in a net outflow of \$179,000,000 in contrast to the spectacular outflow of over \$500,000,000 in 1952. These outflows followed