

Federal Government of maintaining armed forces in Europe as part of Canada's contribution to the North Atlantic Treaty Organization defence plans, and goods and services financed by Canada's contribution to the Colombo Plan. In addition, there was a marked growth in overseas remittances from Canada, particularly by recent immigrants from Western Europe. By the end of 1956, total immigration to Canada in the postwar years had reached 1,400,000.

At the same time, there were increased receipts of migrants' funds as the result of a large inflow of immigrants to Canada in 1956. Total receipts for non-merchandise transactions also rose over the two years, although not as much as payments. The major increases were for freight and shipping services, particularly earnings of inland freight on new exports of bulk commodities, and for expenditures by the United States on defence establishments in Canada.

An important feature of the growth of Canada's current account deficit in 1955 and 1956 was the growth in the deficit with the United States. The deficit with all countries increased by about \$940,000,000 from 1954 to 1956; the deficit with the United States rose by \$833,000,000. The predominant role played by the United States reflected the growth in imports of investment and consumer goods, and in larger payments by Canadians for non-merchandise items. These included expenditures for travel, substantially larger remittances of interest and dividends arising in part from an increased non-resident participation in Canadian equity capital, and larger net payments for freight and shipping services.

The bilateral account with overseas countries showed a decline in surplus from \$375,000,000 in 1954 to \$268,000,000 in 1956. These totals conceal a variety of divergent movements. In 1955, the surplus with the United Kingdom rose by almost \$100,000,000 to \$330,000,000, largely as a result of increased exports from Canada. By 1956 most of this increase in surplus over 1954 had disappeared as a result of increased merchandise imports, particularly investment goods, a dropping off in exports of lumber to the United Kingdom, and larger net payments for non-merchandise items. The surplus with the remainder of the Sterling Area changed little from 1954 to 1956, although there was a notable rise in exports to Commonwealth countries in 1955, which somewhat increased the surplus in that year.

The surplus with other OEEC (Organization for European Economic Co-operation) countries declined from \$93,000,000 in 1954 to \$12,000,000 in 1956. There were roughly comparable absolute increases in both exports and imports from this group of countries, stimulated by high levels of activity both in Canada and overseas. The decline in the surplus relates to increased net payments for a majority of non-merchandise transactions, including travel expenditure, remittances of investment income, payments for freight and shipping services, other miscellaneous payments for services, and government defence expenditures abroad in connection with Canada's participation in NATO. In addition to the above direct military expenditures, there was Canada's contribution of Mutual Aid to NATO countries, which amounted to some \$222,000,000 in 1955 and \$157,000,000 in 1956, bringing the total contribution from 1950 to over \$1,300,000,000. Being a contribution of military aid in this form, Mutual Aid has not been taken into the current account balance, although the item may be included as a credit for exports and offset by a debit representing the contribution.

The small surplus with other overseas countries in 1954 became a deficit of \$79,000,000 in 1955 and \$36,000,000 in 1956. The major factor in this was the development of deficits on merchandise trade. In 1955 exports declined and imports rose; in 1956 both exports and imports rose but the export gains were relatively larger, and the deficit declined somewhat. At the same time there was a larger surplus on non-merchandise account, primarily as a result of increased income receipts.

Capital Movements.—The forms of capital movements that financed the greatly enlarged current deficits in 1955 and 1956, and the related monetary background, were quite different in the two years. The greatest of these changes was the wide fluctuation in the