

distinct changes under way in each. Whereas imports were rising rapidly in 1956, a decline occurred in 1957 which became quite pronounced by the last quarter. The highest levels were reached in the latter part of 1956 and were carried over into the early part of 1957. Details of Canada's foreign trade are covered more extensively in Parts I and II of this Chapter.

The deficit on non-merchandise transactions has continued to grow with a persistence and significance characteristic of this type of transaction for some years. The advance of nearly 30 p.c. brought the total deficit to \$821,000,000 in 1957. More than half was occasioned by net payments of interest and dividends. Tremendous growth in Canada's net international indebtedness has added significantly to net payments on income account notwithstanding the fact that some hundreds of millions of dollars of profits accruing to non-residents are each year retained in Canada for further investment. In both 1956 and 1957 total earnings, distributed and undistributed, on all non-resident-owned investments in Canada were in the neighbourhood of \$1,000,000,000.

The travel account is another which involves substantial net outlays by Canada. During both 1956 and 1957 net expenditures were approximately \$160,000,000. To these payments were added net deficits from freight and shipping transactions, and very large net payments—about \$289,000,000 in 1957—covering business services, miscellaneous income, government transactions, and remittances. Against these expenditures there were amounts available from new gold production, which in recent years have been around \$150,000,000, and a minor amount in 1957 from inheritances and migrants' transfers.

The most outstanding feature of the bilateral pattern in Canada's current account in 1957 was, as in 1956, the exceptionally large size of the deficit with the United States. In each year, current payments to the United States for goods and services exceeded receipts by well over \$1,500,000,000; this compares with much smaller deficits in earlier years, which exceeded \$1,000,000,000 in only two years before 1956. Changes in the size of this deficit between 1956 and 1957 were comparatively small with a decline in total from \$1,639,000,000 to \$1,551,000,000, mostly concentrated in the final quarter. The sources of the deficit with the United States underwent more changes than the total between the two years. The adjusted import balance on commodity account fell \$220,000,000 to \$947,000,000, while the deficit from non-commodity current transactions rose \$132,000,000 to \$604,000,000. Trends in both imports and exports contributed to the first change. The main declines in Canadian imports that occurred in the latter part of 1957 were concentrated in purchases from the United States and were particularly substantial in groups of commodities, like machinery and equipment and other metal products, which had been at very exceptional levels in the period of peak imports. In contrast, special strength in exports to the United States in a few commodities like uranium, cattle and petroleum was sufficient to raise the total exports to that country even though demand softened for some leading commodities going to the United States. The gain of \$132,000,000 in the deficit from non-commodity transactions with the United States was mainly attributed to rises of \$48,000,000 in net income remittances and \$80,000,000 in miscellaneous transactions.

With the United Kingdom there was a sharp contraction in Canada's current surplus from \$252,000,000 in 1956 to \$142,000,000 in 1957. This was a smaller surplus than in any other postwar year except 1950 and 1953. The change resulted from a reduction on commodity account of \$96,000,000 and an enlarged deficit from all other transactions, which was greater by \$14,000,000. There was a contraction of \$12,000,000 in the surplus with other overseas countries, which fell to \$9,000,000 in 1957.

Capital Movements.—Capital investment in Canada for the year 1957 was even higher than the unprecedented levels of 1956. Total private and public capital formation rose by more than 9 p.c. (compared with 28 p.c. in 1956), and amounted to 28 p.c. of the gross national product (compared with 27 p.c. in the previous year). In both years Canada drew substantially on the resources, real and financial, of the remainder of the world.

The inflow of capital for direct investment in foreign-controlled establishments during 1957 was placed at \$520,000,000. Transactions in Canadian securities led to a further inflow of \$747,000,000, including \$175,000,000 of equities. These two groups of trans-