

actions added \$1,267,000,000 to Canadian external liabilities in long-term forms. On the long-term assets side, there were outflows of \$65,000,000 for direct investment abroad, but inflows of \$19,000,000 and \$50,000,000 respectively occurred from transactions in foreign securities and repayments on inter-governmental loans. Transactions in all these and other long-term forms led to a net capital import of \$1 307,000,000 which was sufficient to finance more than 93 p.c. of the current account deficit; the corresponding inflows of \$1,423,000,000 in 1956 were 4 p.c. greater than the deficit in that year. Including inflows from a reduction in official holdings of gold and foreign exchange, offset to some extent by a reduction of holdings of Canadian dollars by non-residents, other capital movements led to a net capital inflow of \$93,000,000 in 1957.

The movement of capital in long-term forms from the United States was practically the same in 1957 as in 1956, but the movement from the United Kingdom and other overseas countries fell by some 20 p.c. and the share of the United States rose from about 68 p.c. to 73 p.c.

Inflows of capital for direct investment in foreign-controlled enterprises have dominated the capital account of the Canadian balance of payments in most of the postwar years. These persistent and substantial receipts have been directed particularly to resource development and associated industries. By far the largest part of the new capital has gone into the petroleum and natural gas industry which has been one of the great dynamic developments in the Canadian economy since the 1940's. Substantial amounts have also gone into other mining industries, particularly for the development of iron ore, and to various branches of manufacturing.

Although the inflow for direct investment has been the dominant feature of postwar capital movements, it has been dwarfed since 1956 by the inflow of portfolio capital. This arose in part from substantial sales of outstanding Canadian stocks as the non-resident investor added to his stake in Canadian growth. The largest factor in the increase, however, has been the voracious demands in the Canadian capital market, some of which have been diverted to foreign capital markets through the sale to non-residents of new issues of Canadian bonds and debentures. Corporations, provincial governments and municipalities have all been important borrowers abroad in recent years.

Comments and statistics on the effects of the unprecedented capital inflows of recent years upon the ownership of investments in Canada will be found in the Section on Canada's International Investment Position in Chapter XXIII.

### 1.—Current Account between Canada and All Countries, 1938-57

(Millions of dollars)

Year	Current Receipts <sup>1</sup>	Current Payments <sup>2</sup>	Net Balance including Mutual Aid Exports	Wartime Grants and Mutual Aid	Net Balance on Current Account indicating Net Movement of Capital
1938..	1,361	1,261	+100	—	+100
1939..	1,457	1,331	+126	—	+126
1940..	1,776	1,627	+149	—	+149
1941..	2,458	1,967	+491	—	+491
1942..	3,376	2,275	+1,101	-1,002	+99
1943..	4,064	2,858	+1,206	-518	+688
1944..	4,557	3,539	+1,018	-960	+58
1945..	4,456	2,910	+1,546	-852	+688
1946..	3,365	2,905	+460	-97	+363
1947..	3,748	3,699	+49	—	+49
1948..	4,147	3,696	+451	—	+451
1949..	4,089	3,912	+177	—	+177
1950..	4,297	4,574	-277	-57	-334
1951..	5,311	5,683	-372	-145	-517
1952..	5,858	5,494	+364	-200	+164
1953..	5,737	5,934	-197	-246	-443
1954..	5,520	5,668	-148	-284	-432
1955..	6,072	6,548	-476	-222	-698
1956 <sup>a</sup> ..	6,621	7,830	-1,209	-157	-1,366
1957 <sup>b</sup> ..	6,625	7,918	-1,293	-107	-1,400

<sup>1</sup> Includes Mutual Aid exports.

<sup>2</sup> Excludes Mutual Aid offsets.