

steel products, crude rubber and petroleum products were in part offset by gains in imports of varied commodities such as aircraft, automobiles, vegetables and cotton and products. Details of Canada's foreign trade are covered in Parts I and II of this Chapter.

The 1960 deficit on non-merchandise transactions of \$1,072,000,000 was over nine times as great as that in 1949 and more than twice as great as that for as recent a year as 1955. This rise was largely attributable to the continued rapid growth in Canada's indebtedness to other countries and to the high level of incomes spent by an enlarged population. Roughly one-half of this deficit in 1960 was directly related to Canada's indebtedness abroad and subject to the effects of continued growth, with total interest and dividend payments by Canadians to other countries reaching \$669,000,000. Other forms of transfer of investment income added over \$100,000,000 of related payments, and there were also large payments by Canadian subsidiaries to parent companies for services. Net payments of interest and dividends totalled \$491,000,000 while the net payments on account of all the above groups of transactions which are related to foreign investment amounted to well over \$600,000,000, apart from some hundreds of millions of dollars accruing to non-residents which were retained in Canada for further investment and are not included in the current account.

The travel account involves substantial net outlays and reflects high levels of income in Canada. In 1960 net expenditures amounted to \$207,000,000. To these payments were added net deficits of \$91,000,000 from freight and shipping transactions, \$79,000,000 from inheritances and transfers by migrants, and very large net payments of \$366,000,000 covering business services, miscellaneous income, government transactions, and personal remittances. Against these expenditures there was \$162,000,000 available from new gold production.

The outstanding development in the bilateral pattern of Canada's current account in 1960 was the sharp reversal in the decline, which began in 1953, in the surplus with overseas countries. The re-emergence of a surplus of \$139,000,000 following a deficit of \$274,000,000 in 1959 restored the traditional pattern of the surplus with overseas countries, contributing to settle Canada's chronic current deficit with the United States. This replacement of a deficit with a surplus was wholly attributable to the improvement in the merchandise trade surplus with overseas countries, as the deficit on 'invisible' transactions continued to widen slightly in 1960. The current account surplus with the United Kingdom was augmented by \$158,000,000, and the deficit with other overseas countries was reduced by \$255,000,000. The current deficit with the United States of \$1,356,000,000 was higher than for any year except 1956 and 1957.

**Capital Movements.**—In 1960, Canada again 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 1960 was placed at \$690,000,000, over \$100,000,000 above the largest figure previously recorded. Transactions in Canadian securities led to a further inflow of \$246,000,000, down sharply from the \$650,000,000 recorded in 1959. These two groups of transactions added \$936,000,000 to Canadian external liabilities in long-term forms. On the long-term assets side, there were outflows of \$85,000,000 for direct investment abroad and \$20,000,000 for the acquisition of foreign stocks and bonds, but inflows of \$32,000,000 from repayments on inter-governmental loans. Transactions in all long-term forms led to a net capital import of about \$918,000,000 which was sufficient to finance about 75 p.c. of the current account deficit; the corresponding inflows of \$1,089,000,000 in 1959 were equivalent to 72 p.c. of the larger deficit in that year. Including inflows from a reduction in official holdings of gold and foreign exchange, and from increased holdings of Canadian dollars by non-residents, all other capital movements in short-term forms led to a net capital inflow of \$299,000,000 in 1960. In both 1959 and 1960 about 80 p.c. of the movement of capital in long-term forms was from the United States.