

\$71,000,000 from inheritances and transfers by migrants, and very large net payments of \$443,000,000 covering business services, miscellaneous income, government transactions, and personal remittances. Against these expenditures there was \$162,000,000 available from new gold production.

The bilateral distribution of the improvement in the current account deficit in 1961 was similar to that of 1960, but the increase in the surplus with the overseas countries was not as great as in 1960 and the widening of the deficit with the United States was appreciably reduced. The establishment of the surplus with the overseas countries at \$404,000,000 in 1961, following a smaller one in 1960 of \$118,000,000 and a deficit of \$274,000,000 in 1959, again reflects the traditional pattern of Canada's chronic current deficit with the United States being offset in part at least by a surplus with overseas countries. Over nine-tenths of the addition to the overseas surplus in 1961 arose from merchandise trade with countries outside Western Europe and outside the Sterling Area. The current account surplus with Britain increased \$16,000,000 to \$182,000,000 in 1961. The current deficit with the United States of \$1,386,000,000 was higher than for any year except 1956 and 1957.

Capital Movements.—In 1961, Canada again drew substantially on the resources, real and financial, of the rest of the world. The inflow of capital for direct investment in foreign-controlled establishments during the year was placed at \$420,000,000, roughly two-thirds of the highest figure recorded in the previous year and identical with the 1958 inflow. Transactions in Canadian securities led to a further inflow of \$303,000,000, up about one-quarter over 1960 but down sharply from the \$650,000,000 recorded in 1959. These two groups of transactions added \$723,000,000 to Canadian external liabilities in long-term forms. On the long-term assets side, there were outflows of \$110,000,000 for direct investment abroad and \$30,000,000 for the acquisition of foreign stocks and bonds, but inflows of \$38,000,000 from repayments on inter-governmental loans. Transactions in all long-term forms led to a net capital import of about \$604,000,000 which was sufficient to finance about 62 p.c. of the current account deficit; the corresponding inflows of \$873,000,000 in 1960 were equivalent to 70 p.c. of the larger deficit in that year. Including outflows taking the form of a sizable increase in official holdings of gold and foreign exchange, and reductions in holdings of Canadian dollars by non-residents, all other capital movements in short-term forms led to a net capital inflow of \$378,000,000 in 1961. In that year the net capital inflow in long-term forms from the United States exceeded that from all countries as there were outflows on balance to other countries; in 1960 the net inward movement of capital in long-term forms was about 78 p.c. from the United States.

Inflows in 1961 of \$420,000,000 of capital for direct investment in foreign-controlled enterprises, while substantially below the peak figure of \$645,000,000 in 1960, were only slightly lower than their average level for the period since 1950. During this period, these direct investment inflows have been a specially significant element in the capital account of the Canadian balance of payments. Persistent and substantial, these receipts were directed particularly to resource development and associated industries, and by far the largest part of the new capital went into the petroleum and natural gas industry, which was one of the dynamic developments in the Canadian economy in this period. Substantial amounts also went into other mining industries, particularly for the development of iron ore, and to various branches of manufacturing.

From 1956 to 1959, the inflow for direct investment, large though it was, was less than the inflow of portfolio capital. This arose in part from substantial sales of outstanding Canadian stocks as non-resident investors added to their stake in Canadian growth. The largest factor, however, was the sharply increased demands on the Canadian capital market, some of which were diverted to foreign capital markets through the sale to non-residents of new issues of Canadian bonds and debentures. Corporations, provincial governments and municipalities were all important borrowers abroad in this period.