

1959. The rise of nearly \$500,000,000 in imports in 1962 was distributed widely over industrial materials, investment goods and consumer commodities. Each of the latter two groups accounted for just under one third of total imports in 1962, while industrial materials together with fuels and lubricants accounted for the remainder (see also Part I of Chapter XX on Foreign Trade).

The deficit on non-merchandise transactions of \$1,003,000,000, down 13 p.c. from the high level of \$1,155,000,000 of the preceding year, was over eight times as great as that of 1949 and double that of as recent a year as 1955. This expansion was attributable largely to the continuing rapid growth in Canada's indebtedness to foreign countries and to the rising population with higher per capita incomes. A total of \$570,000,000, or over one half of the 1962 deficit on "invisibles", was directly related to Canada's indebtedness abroad, with total interest and dividend payments by Canadians to non-resident investors reaching \$781,000,000. In addition, transfers in other forms of investment income amounted to well over \$100,000,000, and there were also substantial payments for a variety of business services by Canadian subsidiaries to their home offices and to other non-residents. Furthermore, some hundreds of millions of dollars worth of earnings, which accrued to foreigners but were retained in Canada for re-investment, are excluded from the current account.

From a peak of \$207,000,000 in 1959 and 1960, net travel payments were reduced to \$160,000,000 in 1961, and were further cut down to \$50,000,000 in 1962, which was about the level of the deficit on travel account in the early 1950's. In both 1961 and 1962, the improvement occurred wholly in transactions with the United States. Receipts from American visitors were up more than 15 p.c. each year, while expenditures by Canadians visiting the United States declined, particularly in the latter year. The stabilization of the Canadian dollar at a lowered value in terms of foreign currency and the additional restriction in the second quarter of 1962 to the privilege of duty-free purchases by Canadians abroad were important factors behind the narrowing of the deficit. To these net payments were added deficits of \$90,000,000 on freight and shipping services, \$39,000,000 on inheritances and transfers by migrants and \$419,000,000 covering government transactions, personal remittances, business services and miscellaneous income. Included in government expenditures were official contributions amounting to \$32,000,000, which compared with \$56,000,000 in the previous year. Against the expenditures in 1962 was an amount of \$155,000,000, representing gold production available for export.

The characteristic bilateral distribution of the Canadian balance of payments was maintained in 1962; a surplus from transactions with overseas countries partially covered a deficit—four times as large in absolute terms—with the United States. However, a larger decline in this deficit from \$1,386,000,000 to \$1,116,000,000 than in the surplus with overseas countries from \$404,000,000 to \$268,000,000 contributed to reducing the over-all deficit from \$982,000,000 to \$848,000,000. In current dollars, the 1962 deficit with the United States approximated the level in 1958 and was much higher than in any year before 1956. The surplus on current transactions with Britain continued to grow in 1962—from \$26,000,000 to \$213,000,000—while the substantial surplus of 1961 with other overseas countries was reduced by three quarters to \$55,000,000.

Capital Movements.—In 1962, Canada continued to draw substantially on the resources, both real and financial, of the other countries of the world. The outline of Canada's balance of international payments for the year, as traced out in capital movements and in the current account deficit, was broadly similar to that for 1961. But encompassed within the 1962 total were the exchange crisis of early summer, the effects of remedial measures and other developments through the course of the year. Capital movements in long-term forms, including direct investment, portfolio stocks and bonds, official loans and other long-term investments, totalled \$693,000,000 in 1962, as compared with