

rise in travel receipts exceeded 7 p.c. while the contraction in payments was over 6 p.c. Following the reduction at the end of June 1962 in the privilege of duty-free tourist purchases, the value of these imports recorded from the United States was well over \$10,000,000 lower in the first half of 1963 than in the corresponding period of the preceding year. Other non-merchandise transactions yielded deficits of \$81,000,000 on freight and shipping services, \$33,000,000 on inheritances and transfers by migrants and \$474,000,000 covering government transactions, personal remittances, business services and miscellaneous income. Included in government expenditures were official contributions amounting to \$61,000,000, up considerably from the unusually low total of \$36,000,000 in 1962. Against these net payments was an amount of \$154,000,000 representing gold production available for export.

The characteristic bilateral distribution of the Canadian current account balances was maintained in 1963; a surplus from transactions with overseas countries partially covered a deficit with the United States. However, an approximate 5-p.c. rise in this deficit from \$1,122,000,000 to \$1,183,000,000, which was considerably smaller than the more than twofold increase in the overseas surplus to \$626,000,000, contributed to reducing the over-all deficit from \$874,000,000 to \$557,000,000. In current dollars, the 1963 deficit with the United States approximated the 1958 level and was much higher than in any year before 1956. The surplus on current transactions with Britain continued to grow in 1963—from \$218,000,000 to \$400,000,000—while the surplus with other overseas countries more than tripled to \$108,000,000, following the substantial decline in the previous year from the large surplus of \$217,000,000 in 1961.

**Capital Movements.**—In 1963, Canada continued to draw substantially on the resources, both real and financial, of the other countries of the world. However, the net capital inflow (excluding the change in official exchange holdings) of \$703,000,000 was less than 70 p.c. of the inward movement of \$1,029,000,000 in 1962 and was of the same order of magnitude as 1955, before the crest of the investment boom in the resource industries. Over 80 p.c. of the decline in 1963 was attributable to short-term forms of capital. The estimate of \$90,000,000 was only one fourth as large as the 1962 total and was about the same fraction of the average for the four years 1959-62. Capital movements in long-term forms, covering direct investment, portfolio security transactions, official loans and other long-term investments, totalled \$613,000,000 in 1963, down 8 p.c. from \$668,000,000 in the year before. The long-term capital inflow exceeded the current account deficit by 10 p.c. in 1963. This was the first year since 1956 that long-term investment was ample to cover the deficit on current transactions. In the intervening years, the financing of the current account deficits by long-term capital ranged between 72 p.c. and 98 p.c.; the proportion for the whole period since the conclusion of World War II averaged more than 95 p.c.

The net inflow in 1963 of \$240,000,000 of capital for direct investment in foreign-controlled enterprises in Canada was less than one half the movement of \$495,000,000 in 1962 and was the lowest on record since 1950. In 1962 there was a sizable net inflow of capital for take-over of Canadian business and for refinancing but in 1963 outflows covering repurchase of Canadian enterprises exceeded by a small margin inflows for take-over of existing concerns by non-residents. This change in the direction of movement accounted for well over one half of the \$255,000,000 drop in net inflow of direct investment capital in 1963. In the main, however, the inflows in 1963 continued to reflect investment by foreign corporations in their subsidiaries and branches, which contributed to new capital formation in Canada. Petroleum and natural gas received the largest share of net direct investment inflows, followed by manufacturing and mining. Over 70 p.c. of the reduced inflows originated from the United States compared with more than 60 p.c. in 1962, and the balance