

to non-resident investors reached \$978,000,000, transfers in other forms of investment income amounted to over \$180,000,000, and there were also growing payments abroad for a variety of business services. Furthermore, some hundreds of millions of dollars worth of earnings, which accrued to foreigners but were retained in Canada for reinvestment, are excluded from the current account.

Among non-merchandise transactions in 1964, a noteworthy change was the turnaround of \$74,000,000 in the balance on travel expenditures from a surplus of \$24,000,000 to a deficit of \$50,000,000. This resulted from a one-third decline in net receipts to \$109,000,000 on travel transactions with the United States and a 16-p.c. rise to \$159,000,000 in the deficit with overseas countries. Expenditures in Canada by United States visitors rose to a record \$590,000,000 and Canadian expenditures in the United States, after declining in the preceding two years, climbed to a high of \$481,000,000. Because the increase in Canadian spending overseas was much larger than that in receipts from overseas visitors, net travel payments rose to \$159,000,000 from \$137,000,000 in 1963. The deficit on interest and dividends widened by \$35,000,000 to reach \$665,000,000, as both receipts and payments advanced to record levels. Interest receipts were some \$20,000,000 lower, because of the deferment by British authorities of the regular interest on the 1946 inter-governmental loan, but dividend receipts rose from higher returns on direct investment, including large non-recurring dividend receipts. Sales of new government and corporation bonds to non-residents in 1963 and 1964 brought about increased interest payments and substantial transfers of dividends on direct investment made a considerable contribution to the higher total. The deficit increase of approximately \$30,000,000 in the miscellaneous group of current transactions was accounted for mainly by rising net payments for business services. Included also were official contributions (as distinct from Mutual Aid to NATO countries) of \$69,000,000, up from \$65,000,000 in 1963. Two accounts whose deficits were lower than in 1963 were freight and shipping services and inheritances and migrants' funds. Against the net payments was an amount of \$145,000,000 representing gold production available for export.

The characteristic bilateral distribution of the Canadian current account balances was maintained in 1964; a surplus from transactions with overseas countries partially covered a deficit with the United States. However, a rise of more than 40 p.c. in this deficit from \$1,162,000,000 in 1963 to \$1,655,000,000, which was considerably smaller than the almost twofold increase in the overseas surplus to \$1,222,000,000, contributed to reducing the over-all deficit from \$542,000,000 to \$433,000,000. In current dollars, the 1964 deficit with the United States exceeded the previous record level of \$1,639,000,000 reached in 1956; the surplus on current transactions with Britain rose from \$414,000,000 to a recent high level of \$607,000,000; and the surplus with other overseas countries nearly tripled to \$615,000,000 from \$206,000,000, the latter being just short of the earlier peak established in 1952.

Capital Movements.—Although Canada continued in 1964 to draw substantially on the resources, both real and financial, of the other countries of the world, the net capital inflow of \$796,000,000 (excluding the change in official monetary assets) was well below the \$1,000,000,000-to-\$1,500,000,000 level that prevailed from 1956 to 1962. It was only moderately larger than the net inflow of \$688,000,000 in 1963. Capital movements in long-term forms, covering direct investment, portfolio security transactions, official loans and other long-term investments, amounted to \$853,000,000 in 1964, up considerably from the total of \$637,000,000 in the previous year. The long-term capital inflow exceeded the current account deficit by about 18 p.c.; the years 1963 and 1964 were the first since 1956 in which this excess occurred. Capital movements in short-term forms were on balance outwards in 1964, the flow of \$57,000,000 roughly offsetting an equivalent inflow in 1963.

The net inflow in 1964 of \$255,000,000 of capital for direct investment in foreign-controlled enterprises in Canada was down moderately from 1963 and was the lowest on