

abroad for a variety of business services. Furthermore, some hundreds of millions of dollars of earnings, which accrued to foreigners but which were retained in Canada for reinvestment, are excluded from the current account.

The contribution by travel transactions of nearly one fifth of the deficit in 1960 contracted sharply in the following years, in particular after the lowering of the Canadian dollar in May 1962 to a fixed par value of 92½ cents (U.S.). Except for a small surplus in 1963, the travel deficit fluctuated within a narrow range of roughly \$40,000,000 to \$65,000,000 between 1962 and 1966. High travel receipts on an unprecedented scale were recorded in the spring and summer quarters of 1967 as a result of an influx of foreign visitors who were attracted by Expo 67 and other centennial celebrations. Net payments of migrants' funds and inheritances, which represented about 6.5 p.c. of the "invisible" deficit in 1961, declined gradually and changed to surpluses of \$5,000,000 and \$70,000,000 in 1965 and 1966, respectively, as the number of immigrants rose to about 147,000 and 195,000 in the two years. The deficit on freight and shipping services fluctuated between about 3 p.c. and 8.5 p.c. of the total in the period 1961-66, and the value of gold production available for export served to reduce the non-merchandise deficit by between 9 p.c. and 15.5 p.c. The substantial remaining portion of the deficit, fluctuating between 36 p.c. and 45 p.c., originated from other transactions, including miscellaneous investment income referred to previously, personal remittances, business services and official contributions; these stood at a record level of \$162,000,000 in 1966 on account of large donations of wheat.

The characteristic bilateral distribution of the Canadian current account balances was maintained in 1966; a surplus from transactions with overseas countries partially covered a deficit with the United States. A substantial surplus on current transactions with overseas countries of about \$1,200,000,000, amounting to nearly three quarters of the current deficit with the United States, contributed to reducing Canada's over-all current deficit in 1964 to \$424,000,000, the lowest in about a decade. While the deficit on transactions in goods and services with the United States expanded sharply in 1965 to \$1,937,000,000 and further to \$2,017,000,000, the current surplus with the overseas areas declined below \$900,000,000 and accounted for less than 45 p.c. of the deficit with the United States. Canada's current deficit with all foreign countries stood at \$1,130,000,000 and \$1,137,000,000 in 1965 and 1966, respectively. For the first time in the 1960s, Canada's current surplus with Britain narrowed from \$505,000,000 to \$421,000,000 in 1966, but the surplus with other countries rose about 50 p.c. from \$302,000,000 to \$459,000,000.

Capital Movements.—In 1966, Canada continued to draw substantially on the resources, both real and financial, of the other countries of the world, although the net capital inflow of \$778,000,000 (excluding the change in official monetary assets) was about 60 p.c. of the net inflow of \$1,287,000,000 in 1965 and was approximately the same as that in 1964. Capital movements in long-term forms—covering direct investment, portfolio security transactions, official loans and other long-term investments—amounted to \$1,024,000,000 in 1966, up nearly a fifth from the total of \$864,000,000 in the preceding year. During the past decade, these long-term inflows of capital exceeded the deficit on transactions in current goods and services in 1958, 1961, 1963 and 1964. During this period, capital movements in short-term forms were on balance inward, except for net outflows of \$33,000,000 in 1964 and \$246,000,000 in 1966. This outflow was in sharp contrast to the net inflow of \$423,000,000 in 1965, the wide swing being in large measure attributable to foreign currency transactions of the chartered banks.

From the low levels of \$280,000,000 in 1963 and \$270,000,000 in 1964, the net inflow of capital for direct investment in foreign-controlled enterprises in Canada rose to \$535,000,000 in 1965 and to a record high of \$710,000,000 in 1966. In the main, the inflow continued to reflect investment by foreign corporations in their subsidiaries and branches, which contributed to new capital formation in Canada; enterprises in manufacturing, petroleum and natural gas received the largest portions. The flow of direct investment abroad of Canadian capital was estimated at \$20,000,000 in 1966; this considerably smaller amount than the average outflow in recent years reflected a sale by a Canadian oil company