

The task of our financial officials has been made easier because of some of the habits of our people. Last year Canadians saved more than 8 per cent of their disposable personal income; and total national savings amounted to approximately 20 per cent of the gross national product. As a result, we have been able to finance from domestic sources some 75 per cent both of the net and gross capital formation in Canada - only the remaining 25 per cent being financed directly from non-resident sources. At the same time, of course, Canadians themselves have been investing abroad. It may perhaps come as something of a surprise to you to learn that, per capita, Canadian investment in the United States is much greater than United States investment in Canada. In 1953 United States per capita long term investment in Canada amounted to \$52; Canadian per capita long term investment in the United States amounted to \$133. If account is taken of all Canadian investment abroad, it is accurate to say that Canadian sources of saving in the post-War period were large enough to finance all but 4 per cent of the net capital formation in Canada and all but 9 per cent of the gross capital formation.

I imagine that the sobriety which expresses itself in thrifty self-dependence in the financing of our economic development and in a sense of responsibility in the handling of our domestic and international affairs has had a good deal to do with the inflow of United States capital to Canada in recent years. Certainly the volume of that flow has been remarkable. United States investment in Canada increased by more than \$3½ billions from the end of 1945 to the end of 1953. Last year alone it increased by more than \$600 millions to reach a total of \$8,600 millions.

Since remarks on this subject may seem to lack authority unless they are strongly laced with statistics, I should perhaps go on and give you some idea of how that increment was made up. The largest part of it took the form of direct United States investment in new ventures in Canada and in branch plants. During 1953 United States direct investment in Canada reached a record of \$330 millions. You may also be interested to know that, from 1946 to 1953, 307 United States firms established branches in Canada. New Canadian issues also accounted for a large slice of the capital inflow from the United States last year. The value of new issues sold in the United States amounted to \$329 millions. Such flotations have now tapered off, largely no doubt because the gap between Canadian and United States interest rates has narrowed. In some years portfolio transactions between the United States and Canada in outstanding securities have resulted in a considerable net inflow. But last year the tide was running in the opposite direction. During the first quarter of 1954 United States buying of Canadian stocks and shares again rose sharply and the demand is continuing to be strong, buoyed particularly by the operation of United States investment trusts.