

duction has expanded imports of materials, fuel, and components have also grown and represent a major part of the increases. An important part of these United States dollar requirements arises from the United States dollar content of production in Canada for the United Kingdom.

While exports to the United States dollar area have increased each year during the War, there has been less regularity in the increases than in the rise in imports; the greatest expansion occurred in 1942, principally as a result of transactions under the Agreements entered into between the Canadian Prime Minister and the President of the United States at Hyde Park in April, 1941 (see p. 494), although a considerable part of the increase occurred in normal exports other than "Hyde Park items" so that the value of raw materials and other civilian commodities exported to the United States in 1942 was at a record level.

Net exports of non-monetary gold produced \$184 million in 1942 compared with \$204 million in 1941. Gold production in 1942 declined as a result of manpower transfers and higher costs.

Tourist and travel expenditures produced net credits of \$55 million in 1942 compared with \$90 million in 1941 (see Table 4) p. 500.

The reduction in net payments to the United States dollar area on account of interest and dividends was the result of increased income from Canadian-owned investments in non-Empire countries, particularly from direct investments in the United States.

Net debits on account of freight and shipping with the United States dollar area continued to grow rapidly in 1942, principally because of the large increase in ocean shipping costs brought about by the sharp rises in shipping and war risks insurance rates. Although payments for inland freight on coal and other commodities imported from the United States continued to mount, these increases were more than offset by increased receipts by Canadian railways carrying exports to the United States border.

All other current transactions resulted in a credit balance of \$43 million compared with substantial debit balances in preceding years. As it includes unusual transactions, the composition of this item varies in the different years. War-time factors were particularly significant in producing the credit balance in 1942. Expenditures by the United States Government on the construction of the Alaska Highway and other developments in Canada were substantial. Newfoundland's balance of United States dollar receipts, which were also included, were particularly heavy in 1942 because of expenditures by the United States Government on defence bases there.

**Capital Account Transactions.**—*Empire Countries.*—Gross capital receipts by Canada from Empire countries in 1942 were \$884 million. The largest element in this figure, however, is \$818 million representing the net decline in 1942 in the sterling balances which had been accumulated by Canada in the earlier years of the War. The principal part of the decline, \$700 million, resulted from the conversion of an equivalent amount of sterling into a special loan to the Government of the United Kingdom. Most of the remaining \$66 million of capital credits is made up of \$58 million expenditures by the United Kingdom on fixed capital invested in Canada for the production of munitions and for air training.

Gross capital debits, exclusive of the \$1,000 million gift and the special purchase of gold, amounted to \$1,129 million in 1942. Private retirements of securities, purchases of securities, repayments of mortgages and loans, settlements of estates