

Developments in 1945

While 1945 was a year of transition, the balance of payments for the year as a whole retained some of the general outlines characteristic of the later war years. The high level of economic activity had the effect of producing a record total of credits in the current account, but smaller external government expenditures on war account reduced current debits. As a result, the balance of credits on current account rose to \$1,723,000,000, the highest level for any year in Canada's history. But, as the economic background following the end of the War was much different from that at the beginning of the year, some of the important changes occurring during the year are not apparent from annual summaries of the balance of payments. Heavy international transactions in the earlier part of the year while the War was continuing were instrumental in producing large annual totals.

The increase in total current account credits in 1945 occurred in exports to overseas countries other than the United Kingdom. Exports to both the United States and the United Kingdom were less in 1945 than in 1944, which was the peak year for both countries. Notable expansions occurred in exports to other Empire countries and to foreign countries overseas. The expansion in exports on account of these foreign countries increased sharply to a new record level as the result of shipments under export credits, UNRRA and military relief.

Transactions with the Sterling Area, 1945.—The current account deficit of the Sterling Area in Canada in 1945 of \$1,220,000,000 compares with \$879,000,000 in 1944, \$1,216,000,000 in 1943 and \$1,269,000,000 in 1942. Most of the change in 1945 originated in the sharp decline in Canadian overseas expenditures in the Sterling Area as total credits were slightly lower than in 1944.

Although total exports to the United Kingdom were lower than the peak level in 1944, exports of food expanded to a new record and exports of lumber and wood products remained close to the level of the previous year. Expenditures on account of munitions, including Mutual Aid, declined sharply after the first quarter of the year following the end of the European War and exports of non-ferrous metals were lower throughout the year as British stocks and other sources of supply were used. Following the end of the War, there was a considerable reduction in British expenditures on war services in Canada, declines occurring in expenditures for most purposes. The main group of Sterling Area expenditures to increase was exports to other Empire countries than the United Kingdom. There was also a significant increase in British expenditures on freight and shipping account, mainly reflecting larger earnings by the growing fleet of Canadian-owned merchant vessels.

The British supply of Canadian dollars from the more normal sources such as exports of merchandise to Canada and shipping services, and receipts of income on investments in Canada remained about the same in 1945 as in 1944. Canadian commercial imports from the United Kingdom were at about the same level in both 1945 and 1944. Imports from other Sterling Area countries were higher in 1945 than in 1944, while payments for freight and other services and interest and dividends to the United Kingdom were somewhat less in the aggregate.

The largest part of the Sterling Area current supply of Canadian dollars was provided by the payments from the Canadian Government to the United Kingdom for the expenses of the Canadian Forces overseas. These amounted to \$696,000,000 compared with \$1,085,000,000 in 1944, the decline in expenditures accompanying the end of the War, expenditures in the first quarter of the year being about \$335,000,000 and dropping down to \$77,000,000 in the fourth quarter.