

As there were larger payments for imports on Government account in 1945, imports through other channels were somewhat less than in 1944. Freight and transportation costs originating mainly from the movement of imports to Canada, although continuing to decline, were still large. Payments of interest and dividends to investors in the United States declined relatively moderately in the aggregate in 1945. Total dividends paid by Canadian companies to residents of the United States were considerably lower than in 1944, mainly because of reduced distributions by Canadian subsidiaries to parent companies in the United States.

Transactions with Other Foreign Countries, 1945.—The very sharp increase that occurred in exports to other foreign countries resulted mainly from the liberation of Europe and the heavy shipments in the latter part of the year to the Continent financed by Mutual Aid, export credits, UNRRA and cash received from European Governments. Total exports on the account of other foreign countries amounted to \$569,000,000 compared with \$176,000,000 in 1944 and \$134,000,000 in 1938.

Exports to this group of countries directly financed by Federal Government expenditures totalled about \$312,000,000. Mutual Aid to China, France and Russia contributed \$102,000,000 of this, export credits \$53,000,000, interim advances to countries arranging for credits \$52,000,000, military relief \$71,000,000 and the Canadian contribution to UNRRA of \$34,000,000. There were also exports purchased by UNRRA with free funds and substantial cash purchases by European Governments. Commercial exports to other countries producing convertible exchange increased substantially in 1945. This private commercial trade was with the Latin American countries, some European countries and United States dependencies. There were appreciable gains in exports to practically every country included in this group. Imports from other foreign countries increased from approximately \$89,000,000 in 1944 to \$110,000,000 in 1945.

Capital Movements Between Canada and the United States Dollar Area, 1945.—Inflows of capital to Canada from the United States increased in 1945 even more than in the preceding three years of extraordinarily heavy inflows. Most of the inflows again took the form of sales by Canadians of outstanding Canadian and United States securities. The level in 1945 established a record for inflows of capital from sales of outstanding securities. The principal development in the security trade between Canada and the United States during the year was the very heavy United States demand for Canadian domestic bonds.

While the total of Canadian issues redeemed in 1945 was about the same size as in 1944, maturities were less and issues called for redemption were greater, many being refinanced by new issues sold in the United States. Other capital movements to Canada continued to be predominantly inwards, there being substantial inflows for direct investments, loans and advances and transfers into non-resident Canadian dollar accounts.

Capital payments being subject to restrictions imposed by exchange control continued to be, for the most part, for the redemption of securities or other debts. Although certain other exports of capital were permitted in 1945 as in 1944, the total amount of such transfers was relatively small. These transfers were mainly in connection with the extension of Canadian business activities outside of Canada. There were very large debit entries in the capital account reflecting the increase in official reserves of gold and United States dollars of \$606,000,000.