

### Developments in 1946

In 1946, the volume of current transactions and the net balance of current credits were considerably less than in 1945, reflecting reconversion from the wartime period. The net credit balance of \$458,000,000 was, nevertheless, much larger than in any other peacetime year. This balance includes \$107,000,000 of exports financed as official contributions of relief. The remainder of the current balance, \$351,000,000, was accompanied by capital transactions which acted towards reducing Canada's net debtor position during the year. But the disequilibrium in Canada's accounts with the Sterling Area and the countries receiving export credits was much greater than this as there was a large deficit in the current account with the United States. The record peacetime credit balance with overseas countries was financed chiefly by drawings by the United Kingdom of \$540,000,000 on the new loan of \$1,250,000,000, and by net export credits of \$210,000,000 to foreign countries. The unprecedented current deficit of \$603,000,000 with the United States was covered only to the extent of \$237,000,000 by current receipts of convertible exchange from the United Kingdom and other overseas countries. The remainder of the deficit was met by a reduction of \$263,000,000 in Canada's official reserves, and by capital inflows.

**Transactions With the Sterling Area.**—While many of the abnormal commodity movements, like shipments of munitions, naturally ceased at the end of the War, there remained unusual British demands for Canadian food and raw materials. Consequently, exports to the United Kingdom reached a peacetime record in 1946 of \$626,000,000 even though they were much less in total than at the wartime peak. But, since 1946 was a year of reconversion for the British economy, commodities available in the United Kingdom for export were limited by prevailing shortages. The result was that Canadian imports from the United Kingdom valued at \$138,000,000 in 1946, represented a considerably smaller volume than imports before the War.

There continued to be appreciable Canadian Government expenditures in the United Kingdom during the early part of the year on account of the Canadian Forces overseas which amounted to \$73,000,000 during the year compared with \$696,000,000 in 1945. Most important among the other current payments to the United Kingdom were interest and dividends of \$54,000,000 paid to British investors, an amount sharply reduced by wartime repatriations. While there were payments to the United Kingdom for shipping services these were much less than British expenditures on inland freight in Canada on the large volume of exports, some of which were also carried on Canadian ships. British expenditures on war services in Canada declined sharply in 1946. Prominent among other current receipts from the United Kingdom were inheritances and emigrants funds. Normal exchanges of other services between the two countries resulted in the usual moderate net payments by Canada on their account. As a result of all current exchanges of commodities and services between Canada and the United Kingdom in 1946, there was a credit balance of \$495,000,000 compared with one of \$928,000,000 in 1945. Trade between Canada and other Empire countries which also customarily results in a credit balance further increased the shortage of Canadian dollars in the whole Sterling Area. This trade is now much larger than before the War and the disequilibrium in the current account with these countries in 1946 was \$167,000,000 compared with \$24,000,000 in 1937.