

in any previous peacetime year. The record size of these opposite types of disequilibrium together with the international financial difficulties of many of Canada's overseas customers produced a combination of conditions which led to heavy drains on Canada's official reserves even though there was still a surplus on current account with all countries.

The principal changes which took place in 1947, in comparison with 1946 when there was a much smaller loss of official reserves, were the reductions in the current account surplus to \$47,000,000 from the surplus of \$357,000,000 in 1946 and the widening of the gaps in both the accounts with the United States and with overseas countries. Canada's current deficit with the United States increased from \$613,000,000 in 1946 to \$1,138,000,000 in 1947. At the same time the current surplus with overseas countries increased from \$970,000,000 to \$1,185,000,000 of which export credits and loans by the Canadian Government financed \$563,000,000. The corresponding financial aid from Canada, in 1946, was \$750,000,000. Finally, other capital movements were outward in 1947 in contrast to inward movements in 1946.

Because of the loss of official reserves remedial measures referred to on p. 935 were introduced in November, 1947, by the Federal Government. These were to have far-reaching effects upon the Canadian balance of payments, being designed both to conserve the expenditure of United States dollars and to provide for increased receipts of dollars. At the same time, arrangements for a credit to the Federal Government of \$300,000,000 from the Export-Import Bank of Washington, to be available during 1948, were announced as a source of United States dollars to supplement the remaining official reserves.

Transactions with the Sterling Area.—The current surplus from net exports of goods and services to the countries of the Sterling Area rose from \$669,000,000 in 1946 to \$872,000,000 in 1947, the highest point reached in any peacetime year. Transactions with the United Kingdom accounted for \$632,000,000 and transactions with other Sterling Area countries amounted to \$240,000,000. Record peacetime levels of exports to both the United Kingdom and other Sterling Area countries were the principal factors contributing to the increased current surplus. British purchases of food and raw materials, much of which was covered by official contracts, made up most of the exports of \$750,000,000 to the United Kingdom. There was a general expansion in exports to other countries of the Sterling Area to a total of \$366,000,000 as supplies of Canadian commodities increased. The expansion was also affected by the general removal of import restrictions in these countries in 1946. Although many of these restrictions abroad were reimposed late in 1947 their restrictive effects on Canadian exports were not notable during the year. Increases in exports to Australia, Eire, New Zealand, the British West Indies and other Colonial areas were particularly notable with resulting substantial export balances. Exports to British South Africa and India were slightly less than in 1946, although in the former case the export balance was higher and continued to be the largest single source of net credits with other Sterling Area countries.

Other factors contributing to the credit balance with the Sterling Area are freight and shipping transactions. Besides the earnings of Canadian transportation companies on inland freight there were substantial earnings of Canadian shipping companies from carrying exports to the United Kingdom and other Empire countries. In addition, the expenditures of British ships in Canadian ports are large. Miscellaneous current transactions including unilateral items like transfers of immigrant funds and inheritances also contributed to the credit balance with the Sterling Area.