

Imports from the United Kingdom and from other countries of the Sterling Area were appreciably higher in 1947 than in 1946 due, notably, to important gains in imports of British textiles. Total current payments, however, to the United Kingdom by Canada were slightly less in 1947 because of the decline in overseas expenditures by the Federal Government, which amounted to \$73,000,000 in 1946. Payments of interest and dividends by Canada to the United Kingdom declined as compared with 1946, due mainly to a decrease in interest payable arising from the continued repatriation of bonds. At the same time, Canadian travel expenditures in the United Kingdom increased sharply following the return of some passenger liner services and the expansion of transatlantic air travel.

The principal methods of financing the British current account deficiency in Canada were by drawings on the Canadian loan and sales of convertible exchange. Drawings of \$423,000,000 on the \$1,250,000,000 Canadian loan covered about one-half of the current account balance with the Sterling Area in comparison with \$540,000,000 in 1946. Receipts of convertible exchange from the United Kingdom totalled \$505,000,000 during 1947. These negotiated receipts of convertible exchange in 1947 should be related to the total British drawings on the Canadian loan of \$963,000,000 to the end of 1947, as no convertible exchange had been received from the United Kingdom in 1946 following the receipt of gold in March of that year in connection with the settlement of war claims. While the United Kingdom at the beginning of 1947 introduced arrangements for the convertibility of sterling with respect to transactions with Canada and a number of other countries, it should be noted that these arrangements during the period up to August in which they were in effect, had only minor effects upon the way in which transactions were carried out between Canada and other countries. Other capital movements between Canada and the Sterling Area, in 1947, included outflows for the redemption of Canadian securities of approximately \$41,000,000 and repurchases of about \$9,000,000 of outstanding Canadian securities from the United Kingdom. In an opposite direction was the repayment by the United Kingdom of \$104,000,000 on the 1942 loan from the Federal Government.

**Current Deficit with the United States.**—A very large increase occurred in current expenditures by Canada in the United States in 1947. This led to an expansion in the current deficit with the United States which rose from \$613,000,000 in 1946 to \$1,138,000,000 in 1947.

The great rise in expenditures in the United States was affected by unprecedented demands, improving supplies of commodities in the United States at a time when supplies elsewhere were subnormal, and by the increase in the level of prices in that country. At the same time Canadian exports of many staple commodities to the United States were prevented from rising by available productive capacity in Canada which was fully utilized. Contributing to the unprecedented Canadian demands for United States goods was the exceptional volume of investment in Canada. Demands from these expenditures were superimposed upon existing heavy Canadian demands arising from the high levels of Canadian consumption stimulated by continued high incomes from exports as well as by exceptional investment activity. The accumulation of savings and deferred demands of the wartime period contributed further to the level of Canadian imports.

Of paramount importance as a factor in increasing imports in 1947 was the volume of domestic investment. Gross domestic investment in plants, equipment and housing increased by more than one-half in 1947 compared with 1946. The