

Convertible exchange from the United Kingdom and from other overseas countries of \$638,000,000 was received in the financing of part of the credit balance on current account with overseas countries of \$1,185,000,000. In addition, there were net capital outflows of \$163,000,000 to the United States dollar area and Canada's gold subscription to the International Monetary Fund of \$74,000,000 which also contributed to the reduction in official liquid reserves during 1947 of \$743,000,000. These reserves amounted to \$502,000,000 at the end of 1947 compared with \$1,245,000,000 at the end of 1946.

The general effect of these changes on capital account with the United States dollar area was to increase the balance of Canadian indebtedness to the United States dollar area by close to one-half billion dollars when account is taken of the decline in official reserves. Capital movements within the United States dollar area, apart from the reduction in the official reserves, had the effect of reducing Canadian indebtedness to the United States as there were predominant outflows of capital from the redemption of securities which were only partly offset by inflows for direct investment in Canada and other purposes.

Security transactions made up the largest part of the capital movements as in recent years but the principal group of transactions in 1947 was the redemption of issues held in the United States and other foreign countries which amounted to \$223,000,000 during the year. Besides normal maturities there were some substantial issues called in advance of maturity. Other transactions in Canadian securities were largely offsetting in contrast to the predominant capital inflows from the sale of outstanding securities characteristic of early years. Capital movements which were not in connection with security transactions resulted in net inflows of capital to Canada both through liquidations of Canadian assets abroad and increases in Canadian liabilities to the United States, including inflows of capital for direct investment in Canada.

In addition to the gold subscription to the International Monetary Fund there was the subscription made in Canadian currency, \$194,000,000 in the form of non-interest bearing demand notes and about \$31,000,000 in the form of a cash balance. Canada's subscription made to the International Bank for Reconstruction and Development in 1947 was in the form of non-interest bearing demand notes totalling \$32,500,000.

Transactions with Other Foreign Countries.—Net exports of goods and services to other foreign countries amounted to \$351,000,000 in 1947 but a major part of this current surplus did not yield convertible exchange as a large volume of exports was financed by export credits or other Government assistance. Official contributions of relief made up \$38,000,000 of the above current account balance leaving \$313,000,000 to be financed by capital outflows or receipts of convertible exchange. Net export credits from the Federal Government financed \$140,000,000, of this current balance compared with \$209,700,000 in 1946 and \$104,600,000 in 1945. Net receipts of convertible exchange from foreign countries overseas as a group are estimated at \$133,000,000 in 1947. Most of these net receipts originated in trade with Europe.