

prices as the volume was only slightly greater than in the preceding year. On the other hand, the volume of imports of goods and services was reduced appreciably, chiefly because of the effects of the Emergency Exchange Conservation program introduced in November, 1947.

During 1948 there was a great alteration in the direction of Canada's international trade. The current account deficit with the United States declined sharply from \$1,135,000,000 in 1947 to \$401,000,000 in 1948. This arose mainly from the unprecedented rise in the value of Canadian exports of goods and services to the United States which coincided with a reduction in the value of imports due to reductions in the volume of commodity imports from the United States and in other current expenditures. In 1948 almost 50 p.c. of Canadian commodity exports were to the United States compared with 39 p.c. in 1947 and a smaller ratio before the War.

This reduction in the disequilibrium with the United States was accompanied by appreciable declines in the export surplus with the United Kingdom, the rest of the Sterling Area, and with other overseas countries. The current surplus with all overseas countries dropped from \$1,220,000,000 in 1947 to \$873,000,000 in 1948.

At the same time the amount of Canadian exports financed by the Canadian Government through post-war loans and export credits was much less in 1948 than in the two preceding years, declining to \$126,000,000 from \$563,000,000 in 1947 and \$750,000,000 in 1946. There was consequently a large amount of convertible exchange received from trade with overseas countries in 1948 even though the current account surplus with this group of countries declined.

Other capital movements in 1948 contributed to accretions in the official reserves in contrast to the preceding year when they led to the use of reserves. Chief among these capital movements was the sale of \$150,000,000 of bonds by the Federal Government to a group of insurance companies at New York for the purpose of repaying amounts drawn earlier in the year from the credit extended by the Export-Import Bank of Washington. Similarly redemptions of Canadian securities owned in the United States were much smaller in 1948 than in 1947 when there had also been the gold contribution of \$74,000,000 by Canada to the International Monetary Fund.

These fluctuations in net exports of goods and services and in capital movements have had direct effects upon the size of the official liquid reserves of United States dollars and gold which declined in 1947 by \$743,000,000 and recovered again in 1948 by \$496,000,000. As a result, these reserves amounted to \$997,800,000 by the end of 1948. But by the middle of June, 1949, the reserves were slightly lower at about \$977,000,000, indicating that the rapid improvement in Canada's exchange position which occurred in 1948 did not continue in 1949. In the first half of 1949 Canada's balance of commodity exports was only \$29,000,000 compared with \$149,000,000 in the same period of 1948.

**Transactions with the Sterling Area.**—A sharp reduction occurred in the current account surplus from Canadian exports of goods and services to the United Kingdom and the rest of the Sterling Area. Reduced to \$617,000,000 in 1948 from \$874,000,000 in 1947, this surplus was the lowest of any post-war year but was still much higher than before the War: the corresponding figure in 1938 was \$171,000,000. The current account surplus with the United Kingdom alone declined from \$633,000,000 in 1947 to \$488,000,000 in 1948 due to reductions in exports and