

increases in imports. The decline in exports to the United Kingdom resulted from reduced British buying in Canada of commodities like bacon and lumber, and the termination of other British purchases such as apples and beef. In contrast a major increase occurred in Canadian imports from the United Kingdom which rose from \$182,000,000 in 1947 to \$287,000,000 in 1948. This increase was the result of improving supplies in Britain, higher prices, and special opportunities for the expansion of British exports to Canada arising from quotas on certain imports, such as textiles and automobiles, introduced by the Canadian Government in November, 1947, as part of the remedial measures taken at that time. These were followed early in 1948 by the temporary suspension of Canadian customs duties on certain textiles. Although a substantial increase occurred in imports of cotton textiles particularly, the volume of these imports in 1948 was still less than the pre-war level and less than the export targets in the United Kingdom.

The current surplus with the remaining countries of the Sterling Area fell from \$241,000,000 in 1947 to \$129,000,000 in 1948. This group of countries sharply reduced purchases in Canada following the deterioration in the dollar position of the Sterling Area in 1947. There was a reintroduction or extension of import controls in these countries, resulting in widespread declines in exports of manufactured goods from Canada. The value of all Canadian exports to this group of countries declined to \$293,000,000 from the peak of \$366,000,000 in 1947.

In addition to these surpluses from commodity trade, other factors such as freight and shipping transactions contributed to the credit balance with the Sterling Area. 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 Commonwealth countries. In addition, the expenditures of British ships in Canadian ports were larger than freight earned by British ships carrying goods to Canada. Miscellaneous current transactions, including unilateral items like transfers of immigrants' funds and inheritances, also contributed to the credit balance with the Sterling Area. Offsetting some of these 'invisible' receipts were net payments of interest and dividends by Canadians on British investments in Canada. But these payments have been reduced significantly since before the War by redemptions of Canadian bonds formerly held in the United Kingdom and by other repatriations of securities. While Canadian travel expenditures in the United Kingdom have been increasing in recent years the balance of payments by Canada is still relatively small.

The principal special means of financing the British deficiency in Canada has been the Canadian loan of \$1,250,000,000 to the United Kingdom. Drawings on this loan to the end of 1948 totalled \$1,015,000,000. These drawings in 1947 had been reduced as Canada's U.S. dollar position placed limitations on the rate at which the loan might be drawn. Drawings in 1948 were further reduced, being limited to \$52,000,000 drawn in the early months of the year. Early in 1949 it was announced by the Government that drawings on the remainder of this loan at a rate of \$10,000,000 a month had been arranged for, beginning in January of that year.

The other major means of financing the deficiency has been through the receipt of gold and convertible exchange from the United Kingdom. In the three years 1946-48, \$1,252,000,000 was received in convertible exchange, \$597,000,000 of this amount being in 1948. Other capital movements between Canada and the United Kingdom were smaller in 1948 than in earlier years. Repatriations, amounting to