

\$18,000,000, of Canadian securities were smaller as were repayments by the United Kingdom of \$64,000,000 on the 1942 loan. At the end of 1948 the amount of this loan outstanding was \$304,000,000.

Current Deficit with the United States.—A sharp reduction in the deficit on commodity account was responsible for most of the impressive reduction of \$734,000,000 in Canada's current deficit with the United States. Net payments for merchandise were reduced by \$601,000,000 during the year. The rapid expansion in Canadian exports to the United States accounted for 75 p.c. of this change in contrast to 1947 when the more dynamic change occurred in the rise in imports. Exports to the United States in 1948 were about 44 p.c. greater than in 1947. The remainder of the improvement in the balance in 1948 came in the decline in the value of imports.

The increase in the value of exports occurred in a great many commodities including the principal export staples. Some of these increases were due to diversions of exports, such as lumber and meat, from overseas markets when overseas demand was reduced and when export controls were removed. These had formerly limited or cut out shipments of many commodities to the United States because of the need to supply overseas countries or because of internal shortages. Improving supplies of other commodities also contributed to the higher exports to the United States when restrictions on exports were withdrawn. At the same time the market in that country for some commodities increased appreciably due to shortages of supplies and rising demands there, as in the case of the exceptionally high exports of Canadian non-ferrous metals. Reductions in the United States tariffs, resulting from the Geneva meetings of the Conference on Trade and Employment, also made for more favourable entry into the United States for many Canadian commodities. While price increases in 1948 contributed an important part to the rise in the value of Canadian exports, most of the impressive increase can be attributed to the increased volume arising from diversions of commodities, abnormal demands, and more favourable tariffs.

Canadian demands for United States commodities continued at exceptionally high levels due to the continuation of Canadian prosperity and investment activity. The volume of many types of imports from the United States, however, was reduced by the effects of the prohibitions and quotas imposed by the Emergency Exchange Conservation program introduced in November, 1947. While the volume of some imports, such as textiles and other consumer goods, was reduced by these restrictions, the value and volume of imports of some other groups of commodities rose as a result of higher volume as well as the higher prices generally prevailing for most imports from the United States in 1948.

The deficit from other current transactions with the United States in 1948 was \$133,000,000 less than in the preceding year. The most important change in the deficit in other current transactions was the reduction in travel expenditures by Canadians in the United States due to the restrictions upon pleasure travel involving expenditures of United States currency and the prohibitions on purchases by travellers introduced in November, 1947. Total Canadian expenditures in the United States on travel declined \$40,000,000 in 1948 to \$113,000,000. At the same time United States travel expenditures in Canada continued to increase with the result that the balance of receipts on travel account rose materially. Another appreciable gain in receipts from the United States was non-monetary gold, the production of which increased. A favourable trend also developed in freight and shipping payments, due mainly to the reduced commodity deficit with the United States. A minor decline