

Section 7.—Foreign Exchange

Subsection 1.—Exchange Rates

A brief account of foreign exchange rates to 1948 is given at p. 1052 of the 1948-49 Year Book.

Since then, under pressure of dollar shortage and dwindling resources of the Commonwealth pool's dollar holdings, the pound was devalued, Sept. 18, 1949, by 30.5 p.c. to the new rate of \$2.80 in U.S. currency. Almost all Sterling Area (with the exception of Pakistan and British Honduras) and many other countries devalued their rates of exchange by 8 to 33 p.c. On Sept. 19, a new rate of exchange for the Canadian dollar was established at about 10 p.c. below the old, the new buying rate for the U.S. dollar being set at \$1.10 Canadian.

Subsection 2.—The Foreign Exchange Control Board*

The following paragraphs cover the main operations of the Foreign Exchange Control Board during 1948 and the first half of 1949. They are based largely on the Board's Report for 1948. Reviews of the Board's activities in earlier years may be found in previous Year Books.

Changes in Canada's Foreign Exchange Reserves.—The variations in Canada's holdings of gold and U.S. dollars since the commencement of exchange control are given in Table 26. The developments in the balance of international payments which gave rise to the increase during 1948 are reviewed in the Foreign Trade Chapter at pp. 945-952.

26.—Canada's Holdings of Gold and United States Dollars, as at Dec. 31, 1939-49
(Millions of U. S. Dollars)

Year	Exchange Fund Account and Bank of Canada		Other Government of Canada Accounts	Total ¹	Year	Exchange Fund Account and Bank of Canada		Other Government of Canada Accounts	Total ¹
	Gold	U.S. Dollars	U.S. Dollars	Gold and U.S. Dollars		Gold	U.S. Dollars	U.S. Dollars	Gold and U.S. Dollars
1939 ²	204.9	33.8	22.4	393.1	1944....	293.9	506.2	102.1	902.2
1939.....	218.0	54.8	33.4	404.2	1945.....	353.9	922.0	232.1	1,508.0
1940.....	136.5	172.8	20.8	332.1	1946.....	536.0	686.3	22.6	1,244.9
1941.....	135.9	28.2	23.5	187.6	1947.....	286.6	171.8	43.3	501.7
1942.....	154.9	88.0	75.6	318.5	1948.....	401.3	574.5	22.0	997.8
1943.....	224.4	348.8	76.4	649.6	1949.....	486.4	594.1	36.6	1,117.1 ³

¹ Includes private holdings, exclusive of working balances, of \$132,000,000 at Sept. 15, 1939, \$98,000,000 at Dec. 31, 1939, and \$2,000,000 at Dec. 31, 1940. ² Sept. 15. ³ Excludes \$18,200,000 borrowed in the United States in August, 1949, and set aside for the retirement, on Feb. 1, 1950, of a security issue guaranteed by the Federal Government and payable at the holder's option in United States dollars.

Changes in Exchange Control Policies and Methods.—Since the latter part of 1948, sympathetic consideration has been given by the Foreign Exchange Control Board to applications by residents who wish to obtain United States dollars to exploit patent rights abroad, acquire distribution franchises abroad similar to those operated in Canada and to establish businesses abroad of the same type as those carried on in Canada by the applicants. Prior to that time, applications to make new direct capital investments in United States dollars were approved only in cases where they would produce exports from Canada or secure necessary sources of imports. In both types of applications, where appreciable amounts are involved, financing through non-resident sources is ordinarily required.

* Revised under the direction of R. H. Tarr, Secretary, Foreign Exchange Control Board, Ottawa.