

British South Africa and India concentrated in 1949 which did not recur in 1950. This type of export offset sharp declines in Canadian exports to other parts of the Sterling Area such as the British West Indies. By the first half of 1950 the export balance had been greatly reduced.

There was only a moderate rise in Canadian imports from the United Kingdom in 1949. The largest increases were in automobiles and other metal products, partly offset by reduced imports of other commodities, particularly certain types of textiles. Supplies of commodities in the United Kingdom continued to be limited in relation to the exceptionally heavy demands in the Sterling Area and elsewhere. The most notable change in imports in 1949 from the rest of the Sterling Area was a diversion of sugar purchases to Commonwealth countries; this increase was offset by declines in some other commodities like jute and rubber. Following the devaluation of sterling in September, 1949, the volume of imports increased in the later months of the year and in early 1950.

The above changes in the commodity trade with the United Kingdom led to a reduction of only \$15,000,000 in the export balance for 1949. Most of the reduction of \$43,000,000 in the current account surplus with the United Kingdom occurred in other current items. Prominent among these changes were declines in receipts from freight and shipping transactions and in transfers of immigrants' funds to Canada. The decline in receipts from shipping transactions was due to reduced expenditures in Canadian ports by British ships and lower revenues of Canadian shipping companies carrying exports to the United Kingdom. The decline in immigrants' funds reflected the sharp reduction in the volume of immigration combined with the effects of British restrictions on transfers by immigrants introduced in 1948. There were appreciable increases in the travel expenditures of Canadians in the United Kingdom, in interest and dividend payments to investors there, and in transfers of emigrants' funds and inheritances from Canada. The expenditures of Canadian travellers in the United Kingdom rose by one-third over the previous year.

The principal special means of financing the British deficiency in Canada has been the Canadian loan of \$1,250,000,000 on which drawings to the end of 1949 totalled \$1,135,000,000. Drawings on this loan, which had been heaviest in 1946 and 1947, were limited in 1949 to \$120,000,000. They continued at the same rate of \$10,000,000 a month in the opening months of 1950.

All other capital movements were inward on balance in 1949, due to a large increase in Sterling Area balances in Canada. Repayments on the 1942 loan of \$5,200,000 were much less than in preceding years: there remained \$298,900,000 of this loan outstanding at the end of 1949.

The other major means of financing the deficiency has been through the receipt of gold and convertible exchange from the Sterling Area. Receipts in the three years from 1947 to 1949 totalled \$1,589,000,000, most of which was received on United Kingdom account. Total receipts of convertible exchange on Sterling Area account in 1949 were \$487,000,000.

Transactions with the United States.—The sharp increase in the current deficit with the United States was the principal change in Canada's current account in 1949. This deterioration was due to many factors, the chief of which was an increase in the merchandise deficit, which accounted for \$89,000,000 of the rise of \$201,000,000 to a total of \$594,000,000.