

As a result of these various non-recurrent developments, the current account deficit with the United States was reduced to negligible size in 1943. In 1944, however, the unusual sources of receipts were so heavy there was a substantial surplus from current transactions in the United States before taking account of the large special payments to the United States Treasury in that year. When these payments are included in the current account, however, it is brought close to equilibrium for the year as a whole, there being a relatively small credit balance. These special payments were in connection with the termination of the financial aspects of the Hyde Park agreements and included various war expenditures such as reimbursements to the United States for airfields and telephone lines constructed in Canada.

**Developments in 1944.**—Canadian war production was at its peak in 1944 and this is reflected in the balance of payments in various ways. In the balance of payments between Canada and the Sterling Area the effects of maximum production were to increase gross expenditures of the Sterling Area in Canada, including the expenditure of Mutual Aid funds on Sterling Area account as well as the disbursement of the greatly augmented amount of funds actually received by the Sterling Area from payments by the Canadian Government of overseas war expenditures.

Food and munitions shipped to the British were at record levels. Exports of lumber and other wood products were also heavier than in the previous year but there was some recession in shipments of non-ferrous metals and miscellaneous commodities to the United Kingdom, arising mainly from reduced requirements for aluminum. One of the greatest relative increases in the expenditures of the Sterling Area in Canada was in the value of exports on other Sterling Area account. This was partly a result of the development of Mutual Aid to Australia with the consequent direct financing of some commodities to that country which formerly had been financed through United Kingdom channels. But exports of civilian commodities to the other Sterling Area countries were much heavier in 1944 as well, with the result that the requirements of the other Sterling Area countries added a considerable amount to the direct requirements of the United Kingdom itself.

Sterling Area expenditures for war services were about the same in 1944 as in 1943. Payments to Canada for freight were higher, reflecting the increased movement of commodities from Canada and the increased earnings by the growing fleet of Canadian-operated merchant vessels. Total current expenditures of the Sterling Area in Canada increased from \$2,066,000,000 in 1943 to \$2,307,000,000 in 1944. This was between four and five times the size of Empire purchases of Canadian commodities and services in 1939.

The more normal sources of Canadian dollars which the Sterling Area has to meet these liabilities did not vary much in total in 1944. The value of imports from the Sterling Area into Canada showed little change and Canadian payments to the United Kingdom for freight, interest and dividends and other normal current services were only slightly higher in 1944. The most important change in the Sterling Area's supply of Canadian dollars, of course, came through the great increase in the payments by the Canadian Government to the United Kingdom for the expenses of the Canadian Forces overseas. These increased from \$499,000,000 in 1943 to \$1,085,000,000 in 1944.

As a result of these transactions, the Sterling Area had net current account deficits of \$879,000,000 in 1944 compared with \$1,216,000,000 in 1943. Mutual Aid provided a means of financing \$834,000,000 of the deficit in 1944. Such aid