

suitable labour, the emergency assistance payments and more recently the devaluation of the Canadian dollar. Last year total production amounted to \$148 million and most of that served to increase our exchange reserves.

Apart from merchandise trade and gold production, there are of course several other factors which enter into our international balance of payments on current and capital account, including tourist expenditures here and abroad, interest and dividend payments and receipts, freight charges and earnings, and various types of capital inflow and outflow. It is the combined effect of all these factors which account for the net change in our reserves of gold and United States dollars during the course of a year. I do not wish to anticipate the report of the foreign exchange control board for 1949, which will be available in the very near future and will contain a detailed analysis of our balance of payments during the past year and of the factors accounting for the change in our reserve position. All I need say here is that our surplus on international current account according to preliminary estimates amounted to about \$193 million in 1949, a decline from the \$450 million surplus reported in 1948; and that in the capital account the features of note were total advances of \$120 million to the United Kingdom under the 1946 loan and a fairly substantial inflow of capital from the United States for direct investment, chiefly in connection with oil developments in western Canada. The end result of both current and capital transactions was a net increase of \$119 million in our exchange reserves, bringing them to a total of \$1,117.1 million on December 31 last, as I reported early in January.

This represents a very substantial increase from the low point of \$461 million to which they had fallen in December, 1947,--a point so far below a safe margin that we had to secure approval from parliament for special emergency powers to control imports. These special measures were effective, and by the end of 1948 our reserves had recovered to \$998 million. In the light of this improvement we were able to make extensive relaxations in our import restrictions, one result of which was that our rate of accumulation of reserves in 1949 was more moderate. However, with the improvement of \$119 million that did occur, I was able to announce early in February two further groups of relaxations to take effect April 1 and July 1 respectively. When these are in effect I estimate that we will have covered about half the road toward complete removal of the emergency import controls.

In the meantime our reserves have shown a further substantial increase. I shall be publishing the March 31 reserve figure sometime next week, but as we are now so close to the end of the month, I think I should depart from our usual practice of reporting the size of our reserves only after the end of each quarter and advise the house that at the close of business on Saturday last they had reached the figure of \$1,204.2 million. This represents an increase during the present quarter of about \$87 million. I should add, however, that a considerable part of the recent increase is accounted for by a rise in Canadian balances held by other governments. To the extent that these balances are abnormally high and will be subsequently reduced it means that some of our exports in coming months will be paid for out of these balances and will not bring in new receipts of exchange. To this extent our reserves at their current level include the proceeds of some future earnings which have in effect been received in advance. Moreover, the second quarter of the