

The various steps taken by the government a year ago to deal with the exchange situation are well known to you. What essentially had to be done was to increase our net earnings, i.e. to raise our current account surplus from the low level of \$85 million to which it had fallen in 1947, and to bring our foreign lending into better relationship with our earnings. The policies for the first part of this programme fell into two parts, one negative and the other positive. The negative part consisted of reducing our outlays for imports, particularly imports from the United States, and reducing our travel expenditures in the United States. The positive part consisted mainly in various attempts to increase our earnings of United States dollars by increasing our exports to U.S. dollar markets.

I think that it is accurate to say that our over-all balance of payments situation has improved much more during the past year than was anticipated when remedial action was taken last autumn. Official figures regarding our over-all balance of payments as a whole are not currently available, but from the merchandise trade figures of the first 10 months of this year and from one's knowledge of the behavior of the more important "invisible" items it now seems likely that we shall have a current account balance of payments surplus in the neighborhood of \$450 million in 1948. This compares with a surplus of only \$85 million in 1947. The improvement is due mainly to increased exports, which are likely to be about \$250 million higher than last year. Our over-all import figures will probably be about the same as last year since a reduction of about \$200 million in our imports from the United States will be just about balanced by an increase in our imports from other countries. Our net commodity exports, which amounted to about \$175 million in 1947 should exceed \$400 million in 1948.

Apart from this improvement in our merchandise balance, the major source of improvement in our current account has been in the travel item. Net tourist receipts are expected to be approximately \$60 million higher this year than last: this improvement is due in approximately equal measure to higher receipts from American tourists and reduced expenditures by Canadian tourists. There is some satisfaction in knowing that the travel restrictions on Canadians, irksome though they are, have produced so much in the way of exchange saving.

I propose to comment in more detail now on recent developments in our international trade because international trade is, of course, the backbone of our balance of payments.

Our aggregate exports to all countries in 1948 will amount to very nearly \$3 billion, a figure which was exceeded only in 1943, 1944 and 1945 when our exports were greatly swollen by war goods. The increase of approximately \$250 million, or about 9 per cent, over 1947 appears to have been almost entirely due to price increases. We have been exporting certain goods, such as beef cattle and beef to the United States, in greater volume than last year, but such increases in volume have apparently been just about balanced by reductions in exports of other goods, so that the over-all volume of our exports this year will be just about what it was in 1947.

Undoubtedly the most important recent development in our trade has been in its geographical distribution. The percentage by value of our exports going to the United States has risen from just under 40 per cent to just under 50 per cent. There has been some decline in the percentage of our exports going to the United Kingdom, but the decline has been concentrated mainly in exports going to the other sterling area and other E.R.P. countries. These will be about \$120 million less in 1948 than they were in 1947 - a decline of about 20 per cent.