

External Trade.—The composition of Canada's exports during the War has had a distinctly wartime character, resembling in this respect the financial background making possible the large outward movement of commodities. Manufactured products, made up mainly of munitions in the broader sense, represented a large proportion of total exports. Export commodities normally assigned for civilian use such as food, non-ferrous metals, lumber, pulp and paper, were consigned outward in a volume considerably augmented by wartime conditions. Probably not more than a quarter of the exports during the period of heightened war activity represented commercial trade on a normal footing. The story of exports amounting to about \$3,000,000,000 in 1943 and \$3,500,000,000 in 1944 loses some of its significance, when the underlying conditions are kept in mind. (See General Review of External Trade, pp. 459-463.)

The high level of production was reflected in the export trade which even in the first half of 1945 reached a total of just over \$1,745,000,000 not including the net export of non-monetary gold amounting to \$49,000,000. Imports as compared with this total amounted to \$798,700,000 leaving an active balance of trade of more than \$946,500,000. The main changes in the export side from the early part of 1944 were declines in wheat and in iron and its products and a fairly large increase in non-ferrous metals. A more active trade has subsequently developed in food-stuffs, notably in wheat.

Finance.—Government expenditure has been a dominant factor in the economic expansion of the war period. The magnitude of the country's war effort in a financial sense becomes readily apparent from a glance at the Dominion budgets of the six-year period. (See Section on Dominion Public Finance of Chapter XXIV, pp. 917-943.) The financing of the transitional period from a wartime to a peacetime economy will be of heavier proportions than is generally realized, public policy aiming at an abundant supply of credit and a low level of interest rates.

War expenditures receded from \$4,587,000,000 in the twelve months ended Mar. 31, 1944, to \$4,418,000,000 in the latest fiscal year, the Mutual Aid appropriation showing a decline of 22 p.c. In April, May and June of 1945, Government expenditures, owing mainly to the increase in Mutual Aid payments, were nearly 14 p.c. greater than in the same period of 1944.

Among the sources of the money supplied to the national economy by the chartered banks, investments in government obligations remain by far the most important single item. Compared with them, commercial, industrial and agricultural loans are now relatively insignificant, more than one-half of the assets of the chartered banks consisting of Dominion, provincial and other securities.

The steady rise in demand for currency is reflected in the increase in deposits subject to cheque and in notes and coin. The further advance in money supply during the twelve months ended August, 1945, was 14 p.c., the turnover of deposits having been almost maintained. A special feature of recent developments in the monetary situation was the appreciable increase in currency outside of banks.

Whatever the credit requirements of the post-war period may be, there is every reason to believe that they can be met without difficulty. Interest has centred recently in the increased investments of the banks and the maintenance of a strong liquid position. It is estimated that the total payments by cash and cheque rose 3.9 p.c. in the twelve months, the amount in June, 1945, having been \$9,600,000,000. The comparison clarifies the important position of the banks in facilitating the economic expansion occasioned by war operations.