

to move upward in the latter months of the year. For 1952, the value of imports was 1 p.c. below that of 1951. However, for the same period, average prices of imported goods were 12 p.c. lower so that, in unit volume terms, foreign buying was again significantly higher.

Because of the sharper rise in imports than in exports during the 1950-51 boom period, in the calendar year 1951 a deficit on Canada's merchandise trade account was encountered for the first time in many years. Adding an increased deficit on non-merchandise items there was an over-all deficit on current international account of \$524,000,000. However, in 1952, the continued increase in the value of exports and the decline in imports realized a sizable balance on merchandise account sufficient to offset, approximately, the continuing deficit on invisible items. As a result of the rising trend of imports late in 1952 this favourable trend in the current account position appeared to have been reversed at least temporarily.

Meanwhile, the international capital position was also changing. The net inflow of capital into Canada which had reached the record amount of more than \$1,000,000,000 in 1950 declined to little more than 50 p.c. of this figure in 1951 which was, nevertheless, roughly sufficient to offset the deficit on current account. However, for 1952, the considerable volume of investment funds still moving into Canada were more than counter-balanced by funds moving out.

The foregoing changes in current and capital account were accompanied during most of the period by an appreciation in the foreign exchange value of the Canadian dollar, which rose from a discount of more than 6 p.c. on the American dollar in June 1951 to a premium of more than 4 p.c. in September 1952.

During the two year period under review, Canada's pattern of trade, area-wise, gradually moved away from the more evenly balanced position with major trading areas which had existed in 1950. The decline in the over-all merchandise balance in 1951 was associated with an even larger increase in the deficit with the United States (a \$479,000,000 deficit in 1951 compared with \$80,000,000 in 1950). On the other hand, the surplus with the Sterling Area rose. British purchases from Canada were considerably higher (particularly lumber and metals), whereas strong competing demands for United Kingdom products, coupled with a softening in the Canadian market for various consumer goods, particularly automobiles, tended to limit British sales to this country. In 1952, Canada's merchandise position with the United States remained about the same as in 1951; however, the surplus in trade continued to grow with the Sterling Area and with other non-dollar countries. In 1952 exports to countries, other than to the United States and the Sterling Area, increased by 33 p.c. over 1951, whereas in the same period imports from these countries decreased by 7 p.c.

The rise in exports to sterling countries in 1951-52 was realized notwithstanding a new exchange crisis encountered by the Sterling Area. The closing months of 1952 saw a major improvement in the foreign balance position of the Sterling Area and the measures taken further to restrict purchasing from dollar areas were beginning to reflect themselves in Canadian export figures. Throughout the period a collective approach to mutual problems of Commonwealth trade was taken by such means as the semi-annual meetings of the United Kingdom-Canada Continuing Committee on Trade and Economic Affairs, the meetings of the Commonwealth Finance Ministers, in January 1952, and the Commonwealth Economic Conference in November of the same year.