of still lower prices to come. Other important influences included the desire to reduce high-priced inventories and the restriction of the Canadian market for some goods by credit controls. As these influences declined in importance, the volume of imports turned upward in the first half of 1952 but was not significantly greater than in the corresponding period of 1951. The rise in import volume continued throughout the second half of 1952 and into 1953, with only a slight pause in the first quarter of 1953. Heavy domestic investment, high consumer incomes and large defence purchases were the basic influences in this renewed increase of imports, as in that of 1950-51.

While imports continued to rise, export volume fell off in the second half of 1952. This reflected, in part, the slackening of world demand for some products, particularly forest products, and, in part, the intensification of exchange controls in some countries in the latter half of 1952, notably in certain Commonwealth members and Brazil. Another influence was the lack of further exportable surpluses of many Canadian products still in good demand abroad. A period of heavy domestic investment, such as 1950-53, creates a strong immediate demand for goods for use in the investment program, but only as investment projects are completed do increased supplies of goods for export become available. The import balances on commodity trade in most of the period since 1950 reflected this situation, as did the slower rise in export volume than in import volume in this period. The large export balances of late 1951 and much of 1952 resulted rather from an unusual relation between export and import prices than from any reversal of these basic conditions.

Trade Prices in the Post-War Period.—Except for a short period in 1949, the trend of Canada's export and import prices was steadily upwards from the close of World War II until the latter half of 1951. At this point the trend was halted and, especially in the case of imports, reversed. The accompanying chart depicts the movement of export and import prices since the War together with the price of the United States dollar in Canada. An important influence on the high and rising level of trade prices in the post-war period has been the strong demand for foods and materials resulting from the high level of employment and production in many countries. Most changes in these prices have been influenced by several other factors as well.

Canada's export and import price indexes show movements in terms of Canadian dollars. The prices of most goods exported and imported by Canada are not set in the Canadian market but rather in world markets in which the bulk of transactions are conducted by non-Canadians. Although Canada ranks third in world trade, its share of the total is only about 5 p.c. and its share in the consumption of many important commodities entering international trade is even smaller. The value of the Canadian dollar in relation to other important currencies is, therefore, important in determining the level of export and import prices expressed in Canadian dollars.

For this purpose the most important currency is the United States dollar, since that currency is fully convertible and generally acceptable, and since the United States conducts by far the largest single share of world trade. The contract prices of many Canadian exports, including wheat and newsprint, are actually expressed in United States dollars, and that country has provided more than 70 p.c. of Canada's post-war imports. The line on the chart giving the value of the United States dollar in Canada can be taken as roughly representing the relation between the currency in which Canada's price indexes are expressed and those in terms of which world prices are set.