

necessitating much change in world production. Foreign sales, however, account for a large proportion of total Canadian production of most of the important export commodities, and to permit a major increase in exports a considerable increase in productive capacity is necessary, if existing capacity is already fully employed. Expansion of capacity is often a slow process, requiring much investment and development work. While a large part of the investment in Canada in recent years will eventually increase export capacity (or reduce import requirements), many major projects had not reached the production stage by 1953.

Grain is among the few important exports of which supplies can be rapidly increased in the short run, weather permitting. The Canadian harvest was exceptional in each year from 1951 to 1953, while 1951 was a year of poor harvests in many important overseas countries. Foreign demand for Canadian grain was therefore very strong in 1951, 1952 and much of 1953. Exports of wheat, barley, oats and rye accounted for about 55 p.c. of the increase in total export volume in 1951 and 72 p.c. of the further increase in 1952. The easing of grain exports in the latter part of 1953, after foreign harvests had improved and grain stocks had been rebuilt, was also the principal cause of the slight decline in export volume in that year.

Most of Canada's important imports increased substantially from 1950 to 1953 but the increase was especially pronounced in the case of investment goods and consumer durables. Imports of business and industrial machinery were 80 p.c. greater in value in 1953 than in 1950 and those of electrical apparatus 140 p.c. greater. Purchases of refrigerators and freezers from foreign countries were 261 p.c. greater than in 1950, those of cooking and heating apparatus 125 p.c. greater and those of household machinery 44 p.c. greater. Thus it appears that the value of imports of investment goods and consumer durable goods increased about twice as rapidly as that of imports in general.

Fuels are among the few items to show no increase in import volume in these years. Oil produced in Canada displaced imported petroleum in an increasing part of the Canadian market, and oil also, to an increasing extent, displaced coal in many domestic and industrial uses. These trends were responsible for a gradual decline in Canadian imports of coal and petroleum.

**Trade Balance Changes.**—The period 1951-53 was marked by very sharp swings in Canada's trade balance. A small import balance appeared on commodity trade in 1950 for the first time since the end of World War II and grew to \$121,500,000 in 1951. Especially important in creating this balance was the rapid deterioration in the terms of trade following the outbreak of the Korean war, although the more rapid growth of import than export volume was already important. In the latter part of 1951, the terms of trade improved as import prices fell while export prices continued to rise, and throughout the first half of 1952 the fall in import prices was more rapid than that in export prices. This change in relative prices was sufficient to far outweigh the continued greater growth in import volume than in export volume, and resulted in a large export balance of \$325,500,000 on trade in 1952.

After the middle of 1952, import prices recovered moderately and export prices continued a slow decline. About the same time the growth in export volume ceased, while that in import volume continued almost unabated. The result of