



The immediate post-war period was a time of strong emergency demands and of shortages of many important commodities. Production in Europe and Asia had been disrupted during the War. Supplies of many commodities were reduced as a result but, at the same time, the urgent need to restore wartime damage inflated the demand for most goods. These factors caused a sharp upward pressure on prices which was accentuated by the existence of unsatisfied demand in North and South America. This had been built up during the wartime period of high incomes and commodity scarcities. The abolition of wartime price controls in the United States in 1946 and their more gradual abandonment in Canada accentuated the upward pressure on prices. From January 1946 to January 1949, Canada's export prices increased by 38 p.c. and import prices by 39 p.c. These increases would have been even sharper except for the appreciation of the Canadian dollar in July 1946, which had the effect of offsetting the increase in export and import prices by about 10 p.c. in the last half of that year.

The rate of increase in export and import prices slackened towards the end of 1948 and in the early part of 1949 they showed some decline. The chief cause of this recession was a lowered level of business activity in the United States in this period. The diminishing strength of reconstruction needs was also influential. These factors reduced the demand for goods and permitted prices to decline for a time. The drop in United States imports which accompanied that country's business readjustments also aggravated the severe dollar shortage that was handicapping world trade. In September 1949, there was a general readjustment of