

worsening of the terms of trade in 1953, compared with 1952; the terms of trade in 1953, however, were still substantially more favourable than those of any year from 1948 to 1951. This was a reflection of the fact that the rapid rise in export and import prices in 1951 had since been largely reversed for imports but not for exports; import prices in 1952 and 1953 were at about the 1950 average, while export prices were well above that average.

The decrease in export values in 1953 was spread over a number of leading commodities. The improved supply situation abroad was an important factor in the 8.5 p.c. decline of wheat exports, but the 1953 total of \$568,000,000 was above that of any post-war year except 1952. Sales of newsprint rose to an all-time peak of \$619,000,000, but sales of wood and other wood products fell, owing partly to lower prices. Exports of aluminum, copper and nickel were higher, but these gains were more than offset by the lower values of zinc and lead exports which were particularly affected by low prices. There were some substantial decreases in the value of exports of manufactured goods. Exports of automobiles were well below the exceptional levels of 1952. Unusually high sales in earlier years, combined with declining farm income in the United States and exchange difficulties overseas, contributed to the decline in exports of farm implements.

The decrease in exports was concentrated in overseas markets. Exports of grains to the United Kingdom rose in 1953, particularly exports of barley, and increases occurred in some other products; sharp decreases in exports of beef, lumber, zinc and aluminum more than offset these increases. Most other sterling-area countries also reduced their imports from Canada; the major exceptions were the Union of South Africa and Pakistan. Large exports of wheat, some of which were financed under the Colombo Plan, raised exports to the latter country. Exports to OEEC countries in Europe and their dependencies fell sharply. The drop in exports of grains to this group of countries (which included Belgium, Canada's third largest market in 1952) was the major factor in the over-all decline. Exports to other foreign countries were generally lower. The major exceptions were Japan and Korea; the former was Canada's third largest export market in 1953. In contrast to overseas markets, purchases by the United States increased. With prices somewhat lower, the increase in value reflected an appreciable increase in volume. Seven of the nine groups of exports to the United States were higher in value in 1953.

For most groups of imports, prices were only slightly different from the 1952 levels. Group price indexes were substantially lower for fibres and textiles and the miscellaneous products groups. Volume indexes were significantly higher in all import groups except non-metallic minerals. The increases are, of course, closely related to the heavy spending on consumption and investment which characterized the Canadian economy in 1953. Import volume from the United States rose by almost 8 p.c. as major increases occurred in the value of imports of electrical apparatus and automobiles and parts. Imports from overseas countries generally rose, the United Kingdom accounting for most of the increase.

The deficit on non-merchandise items in 1953 was \$382,000,000, an increase of \$57,000,000 over 1952. Large payments on income account and for business services lead each year to substantial net payments on account of this group of transactions. The largest contributor to the change from 1952 was the freight and shipping account where the effects of a much larger volume of imports and a small reduction in the volume of exports led to a significant deficit. Miscellaneous current transactions also led to an increased deficit. Higher defence expenditure