

the United States and in Western Europe rose less rapidly in 1956 than in the preceding year, but international trade in these areas and elsewhere moved steadily upward. In these circumstances external markets for Canada's goods have continued to grow.

On the basis of ten month figures, it now appears that merchandise exports will approximate \$4.85 billion for the full year, 12 per cent higher than in 1955. Larger shipments of wheat account for more than one-third of this increase. Wheat shipments this year are the highest since the banner sales of 1952, despite difficulties arising from the United States surplus disposal program. Crude petroleum exports now exceed \$100 million annually, a four-fold increase from the preceding year, and foreign sales of iron ore have risen from \$100 million to approximately \$160 million. Other items which have contributed significantly to the increase in total sales include newsprint, copper, chemicals and aircraft. Lumber has been the only major export commodity to show a significant decline.

Merchandise imports have increased from \$4.7 billion in 1955 to approximately \$5.8 billion in 1956, nearly twice as much as exports. This heavy influx of goods from abroad reflects the tremendous upsurge in demand, particularly for expansion purposes. Accordingly, most of the increase in imports has consisted of machinery and equipment, steel and other industrial materials needed for the production of capital goods. Imports of consumer items have risen also but on a more moderate scale. By and large the increase in imports has not prevented an expansion in the business handled by domestic producers. A major portion of the increase in shipments from abroad has consisted of items not made in Canada or of requirements in excess of the productive capacities of domestic industries. In those lines most subject to foreign competition, such as textiles, electric appliances and industrial machinery, shipments from Canadian factories have, in most cases, kept pace with the upward trend of imports.

As regards the geographic pattern of Canada's foreign trade in 1956, sales to and purchases from the United States have both increased roughly in proportion with the change in overall exports and imports. In the United Kingdom, the measures designed to restrain excessive internal demands have had the intended effect of holding down imports, and Canada's sales to that country have remained at about the level of the previous year. On the other hand sales of British goods in Canada have risen by more than one-fifth, thus providing a significant measure of support to the foreign balance position of the United Kingdom. Elsewhere in the Commonwealth, intensified import controls in Australia and New Zealand have reduced Canada's exports in these markets. A notable development in Canada's trade with other overseas countries has been the substantial increase in sales to and purchases from Germany and Japan. Canada retains a large favourable balance with each of these countries. Canada's trade with Iron Curtain countries has, for the first time, assumed significant proportions with the sale in 1956 of nearly 40 million bushels of wheat in this area.

Balance of Payments

The sharper increase in imports than in exports has resulted in a much greater imbalance in Canada's commodity trade. In addition, higher costs for shipping, travel and various other items have added to the non-merchandise deficit. Canada's deficit on all current transactions for the first three-quarters of 1956 rose to an annual rate of more than \$1¼ billion. This is more than one-fifth of total current receipts. This current deficit has been met by an inflow of capital funds of about the same magnitude, while there has been little change in official holdings of gold and U.S. dollar