

Canada's economic prospects in 1975

It is evident that the rate of economic growth in Canada has lost some of its earlier momentum in recent months following an extended period of rapid advance. At the same time, there are clear indications of considerable resilience in important domestic market demand sectors, which may be expected to support continuing real growth in 1975, although at a somewhat slower pace than in 1974. The Canadian economic performance is expected to continue to be superior to that of our principal trading partners, as it has been in the past year.

International factors

The principal threat to the growth of production and employment in Canada in 1975 comes from abroad. No matter what may be done by Canadian Governments to stimulate domestic demand, Canada, with its heavy dependence on sales to world markets, cannot fully escape the effects of an international recession.

The current expectations are that a widespread recovery in economic growth will not occur in Canada's major trading partners until well into 1975. Any major external stimulus to the Canadian economy will be similarly delayed.

The slack in world industrial economies suggests less-intense upward pressure on world prices in the coming year. Other factors indicating a modest slowing in inflation are the apparent elimination of most material shortages, a reasonable likelihood of better harvests, and the possibility of better productivity performance once world economies resume growth. These factors, together with the decline that has already taken place in the prices of some industrial commodities and a marked easing in the rate of increase in energy and food costs, make the prospect increasingly favourable for a generally more moderate rise in prices in 1975. However, upward pressures on costs are expected to continue and the rate of inflation will remain high by historic standards.

Domestic demand factors

As in 1974, the strongest element in Canada's domestic demand in 1975 is likely to be business-capital investment. Important indicators of business intentions, and the large volume of work already in progress, signal a continuation in 1975 of vigorous business-capital spending trends, despite increased uncertainties about costs and softer markets.

An October survey by the Department of Industry, Trade and Commerce of 220 large corporations representing a substantial part of Canadian industry indicates substantial new growth in capital spending. These large corporations plan to raise their expected outlays on new construction, machinery and equipment by 30 per cent in 1975, which would imply a somewhat greater advance in volume than had been estimated for 1974. All industrial sectors, other