

Residential construction was strong in the first half of 1974, but activity slackened perceptibly in the housing industry toward the end of the year because of sharply higher mortgage interest rates and a reduction in available mortgage credit in the private sector.

Consumer expenditures maintained their upward trend, in part because of a further advance in real disposable income *per capita*. Large price increases, particularly for food, had some limiting effect on the increase in consumer expenditures in real terms.

But, in sharp contrast to the situation in the United States, the volume of Canadian car sales was only a little lower than the record level set in 1973. Canadians also increased their spending over the previous year for non-durable goods and consumer services. The demand for urban housing accommodation remains high even after record rates of construction in each of the past three years.

Government expenditures continued to be a major stabilizing factor. While rising quite strongly in dollar terms, government expenditures on goods and services declined slightly as a proportion of the G.D.P.

International influences

The international framework for the Canadian economy in 1974 has been one of increasing uncertainties. Because of the wholly changed oil-supply and -price situation, those major overseas countries dependent on imported oil for their energy needs have been faced with trade deficits of unprecedented magnitude.

Another problem has been the rate of inflation, which accelerated on a world-wide scale in 1974. The concerted effort by major industrial countries to deal with inflation and contain their balance payments deficits has led to a sharp curtailment of economic growth and thus to reduced demand for Canadian exports.

The decline in industrial output in the United States has naturally been of special concern to Canada. The exceptional weakness of automobile sales and of housing construction impinges particularly on the automobile and lumber industries in Canada.

Nevertheless, world markets continued strong throughout most of the year for many mineral products, and for most food products and capital goods.

Foreign trade

In dollar terms, Canada's exports rose by about 28 per cent over 1973 levels, to about \$32 billion in 1974, an increase even larger in percentage terms than the record increase achieved in 1973. This was mainly owing to large price increases in a number of Canada's major commodity exports, such as wheat and other grains, petroleum