

# Canada Weekly

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## Canada's economy — a review of 1974 and prospects for 1975

*The Minister of Industry, Trade and Commerce, Alastair Gillespie, issued the following year-end statement on Canada's economic situation:*

Almost alone among the industrialized countries of the world, Canada again achieved a significant rise in over-all production and employment in 1974. Gross national product in Canada increased by about 4 per cent in real terms, compared to zero growth for OECD countries as a whole and a decline in output in the United States. Employment also rose by about 4 per cent.

In dollar terms, gross national product rose to nearly \$140 billion, an increase of over 17 per cent. Much of this rise was accounted for by the high rates of inflation now facing the industrial world. While the rate of inflation in Canada was somewhat below the average of other industrial countries, it was still considerably above 1973 rates.

Much of the increase in output occurred as a result of rising industrial activity early in the year. In more recent months, the upward tempo in economic activity has slowed in response to the international economic climate.

This change to a slower pace followed more than three years of above-average rates of growth, during which the Canadian economy has operated at levels close to capacity.

### Labour markets

Favourable business conditions supported a generally strong labour market situation in 1974. Employment again rose faster than in most postwar years. There were about 350,000 additional jobs, representing an increase of about 4 per cent over the 1973 figure.

Despite this increase in jobs and a high job-vacancy rate, unemployment remained at about 5.5 per cent of the labour force, about the same rate as in 1973. The labour force continued to grow at an unusually high rate.

### Domestic demand influences

Canada's superior economic performance was due principally to the continued strength of domestic demand. A

major stimulus was provided by a 21 per cent increase in total capital investment by manufacturing firms which went largely to expand plant capacity and thus to eliminate shortages.

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.

In sharp contrast to the situation in the United States, however, 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's 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 gross national product....

### Foreign trade

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 major commodity exports such as wheat and other grains, petroleum, woodpulp, copper and zinc. The physical volume of Canada's total exports declined somewhat from 1973 levels.

Exports to the United States, Can-