

I am planning to visit several of the oil-producing countries in the Middle East later this month to discuss international economic problems with their economic and financial leaders. I do not believe in the economics of confrontation and I believe it is important that the industrial world develop its relations with these countries, which have a major role to play in the smooth functioning of the international monetary system, in the adjustment of payments balances and in the flow of aid to poorer countries. On my way, I expect to call on the Minister of Finance of France and the Chancellor of the Exchequer in Britain for further consultations on the world economic and financial prospects. Of course, I have frequent contact with the Secretary of the Treasury of the United States.

The changes in the world economic situation have affected Canada's performance and prospects and we have developed some trouble of our own.

The slowing-down of the industrial economies has adversely affected our own economic performance, although the slowdown in Canada has not reached the proportions that it has in the United States. Real gross national product (GNP) fell 2.2 per cent in 1974 in the United States; in Canada it rose 3.7 per cent. Last year the United States had four successive quarters of declining real output; in Canada, growth ceased after the first quarter of last year, was zero for the next two quarters and declined only in the fourth quarter.

The real demand for Canadian exports decreased last year. After the middle of the year, housing starts fell off rapidly. By the fourth quarter, the slowdown had spread in varying degrees to all the main categories of real domestic demand, with the exception of business investment. We were also plagued last year with serious loss of output owing to work stoppages arising from industrial disputes.

The current account of our balance of payments deteriorated by nearly \$1.5 billion last year. The surplus on trade account alone declined by some \$1.25 billion. The deterioration of the trade account was even larger in constant dollar terms, since the prices of our exports rose much more rapidly than those of our imports.

Employment grew strongly through most of last year. The unemployment rate first fell but then stabilized in mid-year. Towards the end of the year the decreases in output began to affect the growth of employment and the unemployment rate moved up.

Increases in prices in Canada in 1974 were a good deal larger than