



Statements and Speeches

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THE ECONOMIC SITUATION

Statement by the Minister of Finance, the Honourable John N. Turner, at the opening in Ottawa on April 9, 1975, of the Conference of First Ministers.

In the last few months, several important developments in the world economic situation have taken place.

First and foremost, the recession in the industrial countries has become more widespread and more serious than had been expected. There has been a veritable parade of revised forecasts, each one predicting lower levels of activity than its predecessor. It is still expected that a recovery will set in during the second half of this year. But the earlier optimism that this recovery would develop into a vigorous expansion in 1976 has been replaced by the general expectation that the OECD (Organization for Economic Co-operation and Development) countries are likely to continue to experience a substantial degree of slack through 1976.

Secondly, with the recession of activity some decline in commodity prices has set in, and the prospects for moderation of price increases have improved. These prospects vary from country to country depending upon the course of domestic cost-determining factors. Indeed, in some of the OECD countries the forces of inflation emanating from domestic cost developments have become more virulent in recent months.

Thirdly, the recession, the break in the acceleration of prices and deliberate policy measures have all combined to produce a lower level of interest-rates around the industrial world.

Finally, while the balance-of-payments deficits of the oil-importing countries burgeoned much as had been expected, it would probably be fair to say that concern over the great oil-deficit problem is somewhat less now than it was some months ago, though it properly remains high. The moderating of concern emanates from three facts: the oil-exporting countries have shown a higher propensity to import goods and services than had been expected; oil imports by consuming countries levelled off dramatically and the international price of oil ceased to rise, so that there are some signs of an oversupply in the international markets; and, finally, the recycling of oil funds has proceeded with considerable smoothness as official bodies and the private markets have both operated effectively.
