

# Canada Weekly

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## The Canadian economy in 1975 and prospects for 1976

*The following passages are from a year-end review of Canada's economic situation in 1975 and outlook for 1976 by the Minister of Industry, Trade and Commerce, Don Jamieson:*

For the second year in a row Canada's output performance was better than most other major industrial countries. Canada's gross national product in real terms is expected to be approximately the same as in 1974 while other industrial countries were showing declines of between 1 and 4 per cent. While Canada's exports had declined in volume terms as a result of the most severe recession since the 1930s in much of the rest of the industrialized world, Canada's economy was sustained by rising consumer expenditures and the continuing strength of business capital investment. Government direct expenditures on goods and services were also an important stabilizing element.

In spite of the fact that there was no over-all gain in output during the year, total employment rose about 2 per cent but this was not enough to prevent unemployment from rising during the year to an average of 7 per cent of the labour force in 1975, compared to 5.5 per cent in 1974.

Inflation remained a major problem in 1975. About the middle of the year, rates of increases in prices and wages in Canada began to exceed the rates in most other industrial countries. It then became necessary to introduce a price and income guidelines program to slow down the rate of inflation and maintain Canada's international competitive position, particularly in the United States market.

At the year end, there are clear signs of a quickening tempo in the Canadian economy. The bottom of the business recession was reached in the first half of the year. While improvement in the Canadian economy may be restrained at first, a renewal of Canada's growth is expected to gain in breadth and strength during the coming year.

The more favourable prospects for the Canadian economy reflect the beginning of a recovery in the industrialized world, most notably in the United

States and Japan. Nevertheless, this recovery will be complicated by a stubbornly pervasive inflation in world prices. While inflation rates are expected to decline they will likely still be well above historical levels.

In 1975, Canada has a commodity trade deficit of upwards of \$1 billion, with an over-all current-account deficit around \$5 billion, up from a deficit of approximately \$1.6 billion in 1974. In 1976, if the recovery in export markets continues as expected, the renewed strength of exports would substantially reduce this deficit in the current-account balance of payments.

Canada's economic performance, even in the present unsatisfactory international economic conditions, has continued to show up relatively well among the major industrialized countries. Gross national product increased in 1975 by about 10 per cent to \$155 billion in current dollars. In real terms, Canada's output of goods and services was approximately the same as in the previous year but most major OECD countries experienced declines in real GNP ranging from 1 to 4 per cent.

The rate of over-all price increases as measured by the GNP price deflator was reduced in 1975 from about 14 per cent to around 10 per cent but the increase in consumer prices remained at about 11 per cent, the same as in 1974. The increase in consumer prices for 1975 as a whole was about the same in Canada as the average for other industrialized countries. Since the middle of the year, however, price and wage increases in Canada have tended to outpace those of most other industrialized nations and made necessary the program of price and income restraints which became law in the month of December.

### Labour markets

Despite the slackening pace of economic activity, total employment continued to increase in Canada in 1975

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The Prime Minister recently returned from an 11-day visit to Latin America. Details of the tour will appear in next week's issue.