

# Canada Weekly

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## Economic developments in Canada in 1974

Against the background of unfavourable economic conditions in the outside world, output and employment were relatively well sustained in Canada in 1974.

The reduced availability of international oil supplies in the early part of the year had little direct impact on economic activity in this country. Domestic spending remained relatively strong until well into the year, with business investment in expanded production facilities in particular continuing to provide strong support to the economy. However, as the year progressed the developing cyclical downturn abroad came increasingly to bear on demand and prices for Canada's major exports. In addition, some sectors of domestic demand, which had been extremely buoyant, began to soften; this was especially true of spending on housing, automobiles and other durable goods. With domestic demand still relatively strong, however, imports continued to rise rapidly, and in the second half of the year Canada was faced with an adverse movement in its terms of trade and a marked deterioration in the current account of the balance of payments. Towards year-end output declined, the growth of employment tapered off, and unemployment began to rise. At the same time, domestic prices continued to rise at a rapid rate and efforts by wage and salary earners to maintain and, in some instances, to improve their relative positions resulted in strong upward pressure on the structure of domestic costs.

### Increased spending

Information at hand suggests that total spending in money terms in Canada averaged some 17 percent higher in 1974 than in the previous year. Most of the increase in spending reflected a rise in the over-all price level of about 13 per cent. The growth in real output of goods and services, approximately 3.5 per cent on a year-to-year basis, was appreciably less than recorded in each of the three preceding years and was confined to the early part of 1974.

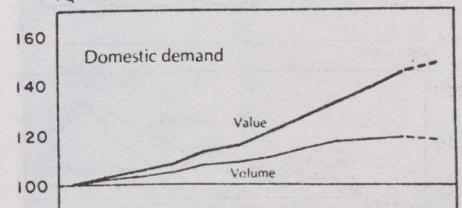
Following sharp gains in the closing months of 1973, total real output continued to expand at a very high rate in the early months of 1974, but it then remained approximately flat at a peak level until the last quarter, when it declined appreciably.

The spurt in production in late 1973 and early 1974 added to the pressures on capacity that had already been experienced during 1973, thereby limiting

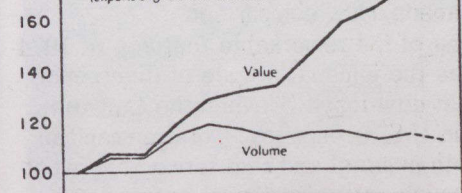
### Major Economic Indicators

Seasonally adjusted

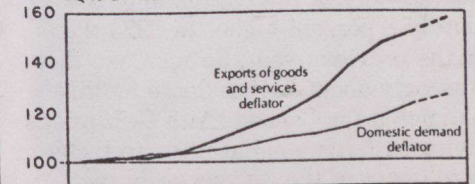
**Demand**  
1 Q 1972 = 100



**Foreign demand**  
(exports of goods and services)



**Prices**  
1 Q 1972 = 100



**Real domestic product**  
January 1972 = 100

