

million. While the value of merchandise imports rose at about the same rate as exports, the rise in imports in terms of volume was higher than that shown by exports. The rise in import prices, however, was also substantial, especially in the food and crude materials sections.

Major currency realignments, vis-à-vis overseas currencies during the first half of the year and higher costs for petroleum in the last three months contributed to the rising price of imports into Canada. The largest increases in imports were recorded from the United States, Venezuela, the Federal Republic of Germany, France, Iran and the United Kingdom. The major commodities accounting for the expansion in imports included automotive products, crude petroleum, aircraft, live animals, telecommunications and related equipment, other transportation equipment, meat, and electronic computers.

The deficit on non-merchandise transactions continued to rise in 1973, and, at \$2,656 million, was \$356 million greater than in 1972. The net balances on all the service items worsened. The largest change occurred on the interest and dividends account, as a 17% increase in payments set against a 4% growth in receipts resulted in a \$270 million expansion in the deficit to \$1,344 million. More than two thirds of the growth in this deficit was due to net dividend payments. The deficits on travel, freight and shipping, and "other services" increased by \$62 million, \$44 million and \$15 million, respectively. Partially offsetting the larger net payments on services, there was a 24% increase in the surplus on unilateral transfers, to \$360 million. This was largely due to an increase in inheritances and immigrant receipts.

21.4.2 Capital movements

Capital movements between Canada and other countries in 1973 resulted in a net capital outflow of \$42 million, a change of \$916 million from net capital inflows of \$874 million in 1972. This movement together with a current account deficit of \$425 million, resulted in a decrease in Canadian official monetary assets of \$467 million.

The net capital inflow in long-term forms for direct investment in new and existing foreign controlled and partially controlled enterprises in Canada amounted to \$720 million during 1973, little changed from net inflows of \$715 million during 1972. During the year the total flows, both inward and outward, included a number of significant non-recurring transactions reflecting the takeover by Canadians of assets formerly owned by non-residents, and special financial restructuring programs.

Net capital outflows for Canadian direct investment abroad increased during the year to \$590 million from \$385 million during 1972.

Transactions between Canada and the rest of the world in all long-term portfolio securities during 1973 led to a net capital inflow of \$749 million, a reduction of \$947 million from a net inflow of \$1,696 million during 1972. The reduced net inflow was due primarily to a \$403 million reduction in sales of new Canadian securities abroad, a \$262 million reduction in net inflows from trading in outstanding Canadian bonds, a \$112 million increase in retirements of Canadian securities held abroad, and a \$277 million reduction in net sales of outstanding foreign securities.

Development assistance outflows in the form of soft loans and advances from the Canadian government to developing countries and international development agencies totalled \$249 million in 1973. Of the total, 60% went to Commonwealth countries, principally in Asia and Africa. Loans and subscriptions to international development agencies during 1973 amounted to \$93 million, down \$13 million from 1972 levels.

The soft loans program to assist developing countries was introduced by the Canadian government in the mid-sixties. The first contractual repayments under the initial loans became due during 1973. In the first quarter there was a repayment of \$5 million followed by a much smaller repayment in the third quarter. These repayments, together with those on outstanding postwar loans to European countries amounted to \$42 million during the year, \$30 million of which were made in the fourth quarter.

Transactions during 1973 arising from the financing of medium-and long-term export credits extended directly or indirectly at the risk of the Canadian government led to a net capital outflow of \$185 million, down \$66 million from the previous year. Of the total, \$77 million represented net credits extended for the purchase of wheat, down from \$94 million in 1972. The People's Republic of China accounted for more than one half of total credit transactions for wheat during the year. Net outflows for financing non-wheat exports amounted to \$108 million, a reduction of \$49 million from the previous year.