

residents of new Canadian issues reached a new high of \$2,437 million while retirements were \$485 million, the lowest level recorded since 1969. However, trading in outstanding Canadian securities resulted in a net capital outflow of \$72 million, a swing of \$79 million from the previous year's net inflow of \$7 million. Transactions in foreign securities produced a net inflow of \$25 million. Sales in Canada of new foreign securities amounted to \$26 million, retirements of foreign securities held by Canadians were estimated at \$12 million, and transactions in outstanding foreign securities resulted in a net inflow of \$39 million.

Long-term interest rates in Canada in 1974 increased more sharply than in either the United States or Europe providing an incentive for borrowers to seek funds abroad. Moreover, the attractiveness to foreign investors of certain Canadian issues was increased by the upgrading during 1974 of the credit rating of a number of Canadian borrowers. The Government of Canada and the provinces of Ontario, Manitoba and Quebec all received improved credit ratings from the influential Moody's Investors Service Inc. of the US.

Approximately 70% of new bond issues were denominated in United States dollars. About 27% of new issues, or \$647 million were denominated in Canadian dollars compared with 15% or \$210 million in 1973. The increase was a result of several large issues placed abroad being denominated in Canadian dollars. In previous years, sales to non-residents of Canadian pay issues largely occurred through non-residents buying a part of an issue placed in the Canadian market.

About three quarters of new Canadian issues were sold to United States residents. Over 17% of gross new issues were sold to residents of countries other than the United States, United Kingdom and continental Europe. This is in contrast to 1973 when only 1% of new issues had been sold to these countries. This large increase was mainly due to sales, particularly of provincial guaranteed issues, to Middle East nations.

Other capital flows in long-term forms. Assistance abroad by the Canadian government consists largely of payments of regular assessments to the international organizations of which Canada is a member, official contributions, intergovernmental loans, subscriptions to the capital of investment agencies and the extension of export credits. Assessments and contributions both form a part of Canada's payments on current account, while other transactions, to the extent that they give rise to claims on non-residents, are mainly reflected in capital movements in long-term forms. Aid to oil importing countries provided through the International Monetary Fund is, however, included in Canada's international reserves and does not appear in the capital account.

Development assistance outflows in the form of soft loans, advances and subscriptions from the Canadian government to developing countries and international development agencies totalled \$348 million during the year.

Repayments on outstanding postwar loans to European countries resulted in an inflow of \$37 million, down \$5 million from the inflow recorded in the previous year.

Transactions arising from the financing of medium- and long-term credits extended directly or indirectly at the risk of the Canadian government led to a net capital outflow of \$589 million, with grain export financing accounting for 53%.

Other capital movements in long-term forms, which include bank and other long-term loans, mortgage investments and movements of insurance funds, led to net inflows of \$149 million for the year.

Capital movements in short-term forms gave rise to a net inflow of \$957 million, the highest net annual inflow ever recorded for this item and the first annual net inflow since 1965. The major components of the 1974 inflow were a decrease of \$1,565 million in non-bank holdings by Canadians of foreign currencies abroad (largely offset by an increase of \$1,354 million in the net foreign currency claims position of Canadian chartered banks on non-residents) and an increase of \$592 million in non-resident holdings of Canadian dollar deposits.

Holdings by international agencies of Government of Canada demand notes increased, leading to a net capital inflow of \$45 million for the year. These non-interest bearing, non-negotiable notes are issued as part of Government of Canada loans and subscriptions to international agencies and are encashed by the recipients as funds are required.

Trading with non-residents in money market instruments (Government of Canada treasury bills, commercial paper, finance company paper and other short-term paper) resulted in a net inflow of \$79 million in 1974, down from the \$115 million net inflow recorded in 1973.