1947. At the end of 1972, United States long-term investment in Canada at $38.6 billion comprised about 77% of all non-resident long-term investment in Canada (Table 21.36). This was down, however, from the high of approximately 81% recorded in 1967. About 61% of the stock of US investment at 1972 year-end was direct while 19% or $7.2 billion was invested in government bonds.

United Kingdom long-term investments in Canada totalled $4.5 billion at the end of 1972. As a proportion of total non-resident investments in Canada, the United Kingdom's share was 9%, well below their 36% share at the end of 1939 before wartime repatriations. After reaching a low point in 1948, the value of United Kingdom investments in Canada increased each year until 1962. In 1963 repatriation of investments in railways, (in Canada) and further provincial takeovers of other utilities caused a slight decline. Since that time, however, United Kingdom investment in Canada has grown slightly.

Long-term investment by residents of countries other than the United States and the United Kingdom amounted to $6.8 billion at the end of 1972. The growth rate of long-term investment from this source continued to outpace both the United States and the United Kingdom. They comprised just under 10% of total foreign long-term investment in 1968, 11.5% in 1970 and approximately 13.6% in 1972. About 46% of total long-term investment owned by residents of this group of countries was direct investment while government bonds comprised 27% of this total.

21.5.3 Foreign investment in Canadian industry

Foreign investment in Canadian industry is measured in terms of both the proportion of foreign-owned capital to long-term capital employed in selected industry groups and the proportion of total capital employed in non-resident controlled enterprises. The estimated book value of total long-term capital employed in non-financial enterprises rose to $105 billion at the end of 1972, a steady annual increase of about 7% over the 1969-72 period. Foreign-owned investment as a percentage of this stock of capital dropped from 35% in 1970 to 34% in 1971 and 1972.

In the manufacturing sector, the degree of foreign ownership remained relatively stable at 53%. The proportion of foreign control, on the other hand, declined by three percentage points in 1971 to 58% of the total. Since 1969, the share of Canadian ownership of total investment in petroleum and natural gas has risen successively each year by two percentage points to reach 43% at the end of 1972. Over 60% of net new long-term capital invested in this industry during this period was sourced in Canada. In contrast, Canadian control of capital has declined to a low of 23% at 1971 year-end.

In the mining and smelting industry, the reclassification of The International Nickel Company of Canada, Limited to Canadian control caused a sharp decline in the percentage of foreign-controlled capital from 71% to 58% of total capital utilized in the industry. Foreign ownership also decreased, although much less dramatically, dropping from 59% to 56% over the 1970-72 period. Foreign control and ownership of capital employed in the railways and other public utilities remained at the relatively low levels typical of these sectors.

21.6 Financial flow accounts

Despite the increasing weakness in economic activity in 1974, the volume of funds channelled through Canadian capital markets reached a new record level during the year. Total borrowing by non-financial sectors of the economy through conventional credit market instruments (consumer credit, bank and other loans, short-term debt instruments, mortgages, bonds, stocks and foreign securities) rose from $22.4 billion in 1973 to $31.2 billion in 1974.

Reflecting the strong increase in plant and equipment outlays, and the large accumulation in inventories, the net financing requirements of non-financial private corporations in 1974 were about twice as large as during the previous year. The greater needs for external financing reflected also the slower rate of increase in internally generated funds; corporation profits, although showing a substantial increase over the year as a whole, fell considerably in the fourth quarter of the year, and did not keep pace with the fixed capital expenditures and the build-up in inventories.

Although reliance on long-term credit market instruments increased somewhat in 1974, a much larger proportion of the increase in funds raised by non-financial private corporations was obtained in short-term forms. A record amount of funds was raised through bank loans