

than in 1976. Exports of automotive products accounted for the largest share of the overall increase in exports, rising by more than \$2 billion to over \$10 billion. Natural gas shipments rose sharply by over \$450 million due mainly to price increases. Reflecting the maintenance of strength in the construction industry in the United States, exports of lumber continued the strong trend which began in 1976 and rose by over 40% to \$2.4 billion. Newsprint sales increased by over \$370 million but exports of woodpulp remained virtually static. In total, these commodities accounted for almost two-thirds of the growth in exports in 1977. Other significant increases were recorded for exports of aluminum and alloys, wheat, electricity, iron and steel, and chemicals. Exports of crude petroleum fell, despite price increases, by more than \$400 million as the volume shipped dropped by almost one-third, in line with Canadian government policy to reduce Canada's crude petroleum exports.

Imports of automotive products increased by about \$2 billion to account for over two-fifths of the growth of merchandise imports. Other increases occurred in a large number of commodities, the most notable being coffee, telecommunication equipment, iron and steel, chemicals and electronic computers. Reduced imports were recorded for wearing apparel, nickel and alloys, and office machinery.

Trade in crude petroleum yielded a deficit of nearly \$1.5 billion compared to \$1.1 billion in 1976. This was entirely due to the drop in the value of exports of crude petroleum as the level of imports was almost unchanged from 1976.

The deficit on non-merchandise transactions increased by more than one-third to \$7.1 billion. Almost three-quarters of this increase was brought about by enlarged deficits on the interest and dividends and international travel accounts. Net payments of interest and dividends, consistently the largest component of the non-merchandise deficit, were more than \$900 million higher than in 1976. Interest payments to non-residents surged ahead by almost 45% to nearly \$2.7 billion due mainly to the servicing of the large foreign debt incurred by the provinces and their agencies. Interest receipts, which came mainly from earnings on Canadian monetary reserves, declined slightly again in 1977. Net payments of dividends at approximately \$1 billion were 5% higher than 1976.

International travel transactions produced a deficit of over \$1.6 billion, almost \$500 million greater than in 1976. Canadians travelling abroad spent nearly \$3.7 billion, an increase of \$540 million. But non-resident travel expenditures in Canada rose by only 4% to \$2 billion. In volume terms, Canadian travellers abroad increased by about 6% while non-resident travellers entering Canada dropped by approximately 2%.

#### 21.4.2 Capital account

Capital movements during 1977 led to a net inflow of \$2.8 billion comprising long-term inflows of nearly \$4.4 billion and short-term outflows of \$1.5 billion.

New issues of Canadian securities sold to non-residents provided an inflow of nearly \$5.8 billion, the largest single component of the capital account. Although substantially lower than the corresponding inflow for 1976, which exceeded \$9 billion, it was the second highest new issue inflow on record. Transactions in outstanding Canadian securities gave rise to offsetting movements, with a net inflow from trading in debt issues of \$299 million and a net outflow from equity transactions of \$91 million.

Foreign direct investment in Canada increased during 1977, resulting in a net capital inflow of \$410 million following an outflow in 1976 due to repatriation of foreign-owned assets by Canadian government entities. Canadian direct investment abroad returned to the level of previous years, amounting to \$790 million for the year, following a decline to \$555 million in 1976.

Outflows due to loans and subscriptions by the federal government to foreign governments and international agencies increased substantially during 1977. At \$522 million, the annual net outflow was about one-third higher than in 1976. Export credits directly or indirectly at the risk of the Canadian government also increased sharply, more than doubling in 1977 to lead to a net capital outflow of \$532 million.

Short-term capital transactions resulted in a net outflow of \$1.5 billion during the year. There were, however, substantial inflows in a number of categories. These