capital in those industries and total long-term capital employed in enterprises controlled by non-residents in those industries.

The estimated book value of total long-term capital, debt and equity employed in non-financial industries in Canada amounted to $147.3 billion at the end of 1975, an increase of 14% from 1974. Foreign-owned capital comprised 33% of this total, a drop from the level of 34% which had prevailed since 1974. Investment by residents of the United States rose by 12%, compared to an advance of 10% in 1974 to $39.4 billion. Foreign control of these industries which remained unchanged from the previous year at 33% was projected to have dropped by one percentage point each in the two following years to 31% at the end of 1977.

Among the five major industrial groups, foreign control ranged from a high of 74% in the petroleum and natural gas industry to a low of 1% in the railways. Foreign-controlled capital in manufacturing comprised 56% and in mining 60%. In the other utilities category foreign control was 4%. The only increase in foreign control was in mining which rose to 60% from 58% at the end of 1974. There were decreases in control by non-residents in manufacturing, petroleum and natural gas and railways while other utilities remained unchanged from 1974.

Financial activity in Canada, 1979 23.7

The total volume of funds raised in credit markets by the domestic non-financial sectors of the Canadian economy fell by 3.8% in 1979 to $57.4 billion, following an extraordinary increase of 38.7% in 1978 over 1977. The rest of the world sector showed the largest decrease in funds supplied, down to $5.4 billion in 1979 from $7.9 billion in 1978. Funds supplied to credit markets by the chartered banks continued to run at a high rate of $21.1 billion in 1979, up 3.8% over the previous year.

Borrowing by general government in 1979 fell to less than half the 1978 value. A contributing factor was the federal government repayment of more than $1.5 billion in loans from Canadian and foreign banks. Net new bond issues fell to $8.1 billion from $11.9 billion in 1978, reflecting decreases at all levels of government. If Canada savings bonds are separated from marketable Canada bonds, it is apparent that net issues of the latter increased while net sales of Canada savings bonds dropped precipitously. This drop was a result of high redemptions and low sales caused by steeply rising interest rates offered on competitive instruments. The federal government helped finance its large deficit by running down its cash balances during 1979.

Borrowing by non-financial government enterprises fell to $3.7 billion, from $6.0 billion in 1978, primarily due to a decline in net new stock issues. The large stock issues concentrated in the fourth quarter of 1978 were in the form of term preferred shares. In the fall of 1978, the tax advantages of this form of financing were severely reduced, all but eliminating this instrument from the market in 1979. This factor also influenced new stock issues of non-financial private corporations, but a booming stock market more than compensated for this factor and funds raised via stocks increased to $5.3 billion from $4.8 billion in 1978.

The shorter-term borrowing by domestic non-financial sectors increased to $22.7 billion in 1979 or 39.6% of the total raised of $57.4 billion, compared to 36.4% in 1978. Steeply rising interest rates during the latter half of the year may have created a fear on the part of borrowers of committing themselves to long-term debt at high rates. Over the year, the yield on three-month treasury bills rose by 320 basis points to 13.66% and the yield on long-term Canada bonds rose by 164 basis points to 11.32%. These movements were concentrated in the fall and largely reflect the credit tightening actions taken in the United States by the federal reserve to fight inflation. Short-term US rates climbed steeply during the fall, peaking in October, falling sharply, then rising again.

The Bank of Canada continued its policy of restraining the rate of growth of the narrowly defined stock of money within a previously defined target range and M1 (currency and demand deposits in Canada) grew by 6.9% during the year, compared to 10.1% in 1978. The bank's actions, as in other years, were influenced by the need to maintain higher Canadian interest rates in relation to US rates. This is necessary to avoid