

Foreign currency borrowing is shown under "Foreign Exchange Transactions". At the time of the borrowing, assuming the funds are not immediately converted into Canadian dollars, there are two offsetting entries: a positive entry under the "Unmatured Debt Outstanding — Payable in Foreign Currency" sub-heading which represents the Canadian dollar value of the foreign currency borrowed, and a negative entry included in "Other Foreign Exchange Transactions" which reflects the 'use' of the funds to add to our foreign exchange reserves. The \$850 million positive entry shown for "Unmatured Debt Payable in Foreign Currency" in 1977-78 represents the value, in Canadian dollars, of the \$750 million U.S. drawing in 1977-78 under the standby credit facility with the Canadian chartered banks. (The recent borrowing of \$750 million U.S. through an issue of marketable securities dated April 1, 1978 will appear in this category in 1978-79.) The \$320 million shown for "Other Foreign Exchange Transactions" in 1977-78 is the net result of the source of funds which arose from exchange market intervention and other transactions, and the 'use' of funds corresponding to the replenishment of the reserves from the foreign currency borrowing.

"Total Financial Requirements" represents the total requirements for Canadian funds arising from budgetary and non-budgetary transactions and foreign exchange transactions. These requirements are equal to the increase in unmatured debt less the increase in cash balances.

Direct Borrowing by Government Agencies

Direct market borrowings, of \$463 million in 1976-77 and some \$350 million in 1977-78, by agent Crown corporations, specifically Petro-Canada, the Export Development Corporation, and Eldorado Nuclear, which have been authorized to borrow under their respective statutes, are not included in Government of Canada financial requirements. In the projection of financial requirements for 1978-79, it is envisaged that such direct borrowings by agent corporations will continue, and that in particular the Export Development Corporation will raise the bulk of its requirements through direct borrowing. In addition, the 1978-79 requirement for loans to Central Mortgage and Housing Corporation is reduced due to the anticipated sale of mortgages by CMHC from its existing holdings.

Canada Savings Bond Interest and Financial Requirements in 1978-79

Provision for interest on Canada Savings Bonds, including an allowance for the accumulating liability under the compound interest and bonus interest features of bonds issued prior to 1974, is made each year on an accrual basis and forms part of the "public debt charges" component of total budgetary expenditures. To the extent that interest accruals exceed interest actually paid in a particular year, because some holders of Canada Savings Bonds allow coupons to accumulate uncashed and/or because the compound coupon or the bonus payment do not come due in that year, the government is provided with a source of funds which is included in "Other non-budgetary transactions" in Table 1. The accumulated amounts