

amount to about \$1.2 billion in fiscal 1969-70 on a net basis, that is after deducting principal repayments. This total compares with \$981 million in fiscal 1968-69 and \$1,351 million in fiscal 1967-68.

Since fiscal 1963-64, when net non-budgetary expenditures totalled \$232 million, there have been sharp increases in the federal government's lending and investment programs. These increases reflect the government's growing role as a financial intermediary. Almost \$750 million in direct loans to the private sector will be made, net of principal repayments, in the current fiscal year through government lending agencies such as the Central Mortgage and Housing Corporation, the Farm Credit Corporation, Export Development Corporation, and the Veterans' Land Act Fund. The rapid expansion in amounts disbursed on these lending operations, from about \$227 million in fiscal 1963-64 to current levels of expenditure, has been closely associated with the federal government's support of housing programs through CMHC. For example, in the last three years the federal government has lent an average of \$500 million a year to CMHC over and above repayments, compared with about \$200 million a year in the previous three years.

Federal government loans to and investments in Crown corporations carrying out commercial operations account for the bulk of other non-budgetary expenditures, which may total about \$472 million in fiscal 1969-70 compared with \$387 million in fiscal 1968-69 and only \$5 million in fiscal 1963-64. Generally speaking, these expenditures involved capital spending programs carried out by Crown corporations such as Air Canada, Atomic Energy of Canada Limited, and the Canadian National Railways. Advances to CNR are also made to finance maturing CNR loans held by the public.

In addition to its role as a financial intermediary, the federal government assists numerous lending operations in the private sector by guaranteeing or insuring loans made under certain federal government-sponsored programs. While no cash outlay is involved, except in the case of a default, these guarantees have resulted in a rapid increase in contingent liabilities of the federal government. At the end of fiscal 1968-69 these amounted to almost \$9 billion and they have been growing at over 6 per cent a year in recent years. These contingent liabilities arise under such programs as National Housing Act insured mortgages, Canadian Wheat Board financing, and Farm Improvement and Student Loans.

The non-resident sector

The current account deficit, that is, the difference between receipts and expenditures in current transactions with other countries, appears to have been about \$800 million in 1969, compared with the unusually low figure of \$111 million in 1968. This was not quite as rapid a change as in 1965 or as in the period of resource boom of the mid-1950s but is evidence, nevertheless, of both growth and inflation within the Canadian economy. The increase in the deficit occurred between the middle of 1968 and the middle of 1969, as a result of a rapid growth of imports which reflected the continuing expansion of the economy and the consequent upward trend of investment. The growth in both imports and exports flattened out during the course of 1969, but at levels which left the merchandise trade surplus well below the peak attained in 1968. The deficit on non-merchandise transactions continued to increase, with a rather sharper change than usual