

This table should be regarded as providing only a general impression of business financing developments; a more precise analysis will only become possible as experience in using the newly published Financial Flow Accounts develops. It is not yet possible to generalize about the liquid asset position of business in 1969. Moreover, this table does not include the major sources of funds to government-owned enterprises which are provided directly or indirectly by their parent governments. The main outlines of private business financing, however, are clear. There was a sharp increase in the total recourse to outside sources of funds in 1969 after a period of little growth. A shift to borrowing on short-term is apparent, owing to the trend of interest rates during the year, and the preferences of investors. Heavy demands were placed upon the chartered banks, which were able to lend large sums to businesses, as their liquid assets were relatively ample at the beginning of the year following the period of monetary easing in mid-1968. The table does not include foreign currency loans to Canadian residents, which also increased in 1969. This situation changed in the course of 1969, however. As bank financing became less readily available, business turned increasingly to other sources, such as the sales finance companies and especially the market for short-term paper and bankers' acceptances. There was no increase in net new issues of corporate bonds in 1969, as a result of the high and rising level of long-term interest rates and the associated expectation of continuing inflation. About half of the issues continued to be placed in foreign capital markets. On the other hand the net new issues of stocks more than doubled in 1969 and surpassed the volume of bond issues. Throughout much of the year it was evident that investors were much more interested in acquiring stocks than bonds. Direct investment from abroad did not increase significantly, reflecting the growing financial pressures on parent corporations, and to some extent the industrial distribution of the 1969 investment program.

Government sector

Perspective on the government sector

The consolidated net general expenditures of all levels of government in Canada have grown from a little less than 29 per cent of GNE in 1960 to close to 32.5 per cent in 1969. The developments over the decade are the result of the responses of the different levels of government to the changing demands upon them, the productivity of the economy, the rising costs of government and the economic stabilization function performed by the Government of Canada.

The real economic growth and stable prices of the early 1960s rapidly increased public revenues relative to expenditure costs. This apparent fiscal dividend, at a time when the demands for education and other public services were multiplying, helped finance a steady growth in the quantity and an improvement in the quality of public services.

The shift to a much higher rate of price increase in late 1964 was more pronounced in the labour-intensive public sector than in the economy as a whole. Over-all expenditure growth, which had averaged 7.6 per cent annually between the fiscal years 1960-61 and 1964-65, grew by over 10 per cent in 1965-66 and by