

*Government financing*

Reflecting efforts to restrain expenditures, and the limited availability and high cost of funds in the Canadian bond market, net new direct and guaranteed issues of marketable bonds by all levels of government declined in 1969 to about \$1.5 billion, half the level of the previous year. While provincial and municipal governments reduced their reliance on the capital markets, this significant reduction was accounted for almost entirely by the swing in the federal government's position.

In sharp contrast to 1968, when the federal government borrowed heavily in the bond market, in 1969 it was a small net source of funds. The government did, however, receive \$330 million from net sales of non-marketable Canada Savings Bonds.

Provincial governments' direct and guaranteed market issues have consistently exceeded \$1 billion in the past four years. These governments have significantly increased their recourse to foreign markets in this period. Whereas 70 per cent of provincial bond financing was done in Canada in 1966, in 1969 all but a small proportion was done in the United States and Europe. The other major source of funds for the provinces was the Canada Pension Plan which provided \$805 million or almost 40 per cent of their total borrowings in 1969<sup>(1)</sup>. Provinces also reduced their cash balances by about \$200 million, or 50 per cent, over the year.

Total net new issues of securities by municipalities declined by about 14 per cent in 1969, their foreign borrowings declining somewhat more than their new issues in Canada. This is in striking contrast to the provincial experience. Municipalities increased their bank borrowing by about 14 per cent or \$95 million to help meet their financial requirements.

The deterioration of the long-term market in Canada as the inflationary psychology retained its control over investors accounted for the increased reliance of provinces and municipalities on foreign markets. It also meant that to the extent that funds were available in Canada, they were for shorter terms. In an attempt to overcome this problem and to attract lenders, the provinces made considerable use of bonds with an extendible feature.

*Government of Canada cash requirements*

Our discussion of the current developments in the government sector has used the national accounts framework for the presentation of material. We conclude with a statement of Government of Canada cash requirements and a description of recent developments in lending activities, which comprise the main non-budgetary outlays of the Government of Canada.

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<sup>(1)</sup>The operations of the Quebec Pension Plan also provide a source of funds to the Quebec government. The funds are managed by "la Caisse de Dépôt et Placement". To the extent that the funds are used to buy issues of the Quebec government these purchases are reflected in the figures of the province's market issues.