

# Canada's international transactions in securities, December 2014

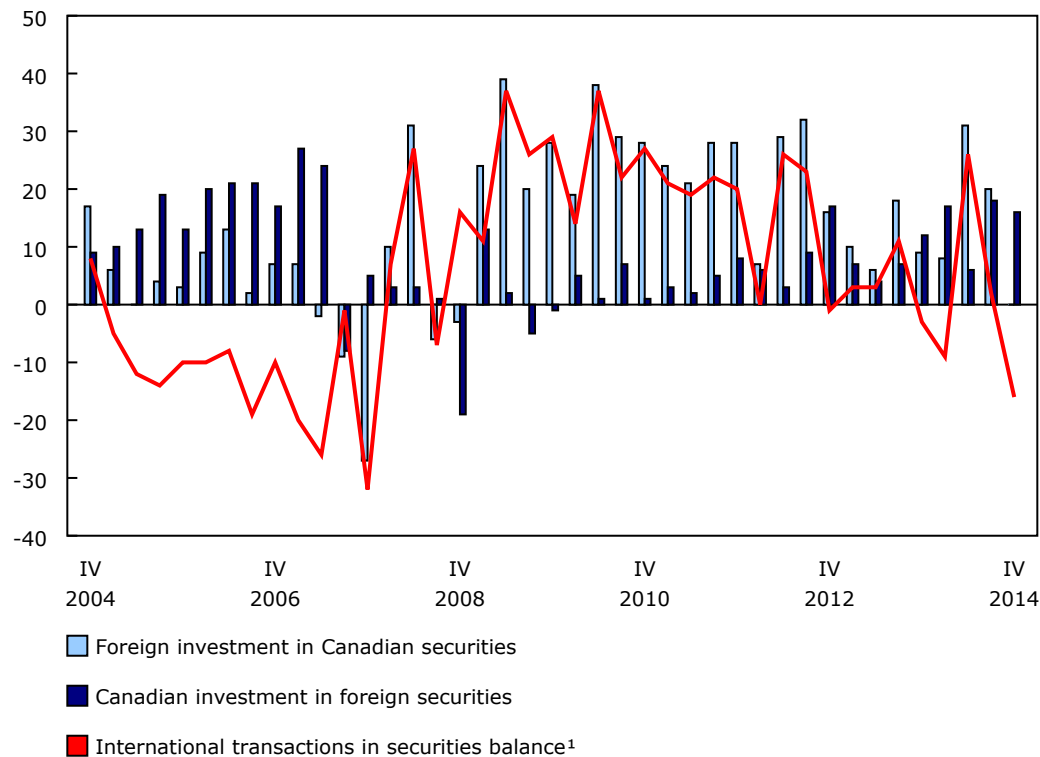
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Foreign investors reduced their holdings of Canadian securities by \$13.5 billion in December, led by sizable divestments in bonds and equities. Meanwhile, Canadian investors acquired \$13.9 billion of foreign securities with the bulk of the activity in US instruments.

As a result, Canada's international transactions in securities posted a net outflow of funds from the economy of \$27.4 billion in December. For the fourth quarter of 2014, the net outflow on portfolio investment was \$15.7 billion, reflecting the moderating effect of investment activity in October and November.

**Chart 1**  
**Canada's international transactions in securities, quarterly**

billions of dollars



1. A positive value denotes a net inflow of funds and a negative value denotes a net outflow of funds.  
Source(s): CANSIM table [376-0132](#).

On an annual basis, these transactions generated a net inflow of funds to the Canadian economy of \$3.4 billion. This marked a seventh straight year of net inflows in this type of investment, but the lowest since 2008 during the global financial crisis.

## **Foreign investors reduce their exposure to Canadian securities**

Foreign holdings of Canadian debt securities declined by \$6.5 billion in December, the largest reduction in a year. This activity reflected a divestment in Canadian bonds, partially offset by an investment in Canadian money market instruments.

Foreign holdings of Canadian bonds were down by \$8.5 billion, led by retirements in both government and corporate Canadian dollar denominated instruments. For federal government bonds, retirements exceeded foreign secondary market purchases by \$3.8 billion. The remainder of the divestment activity in the month was almost equally split between provincial government bonds, government business enterprise bonds and private corporate bonds.

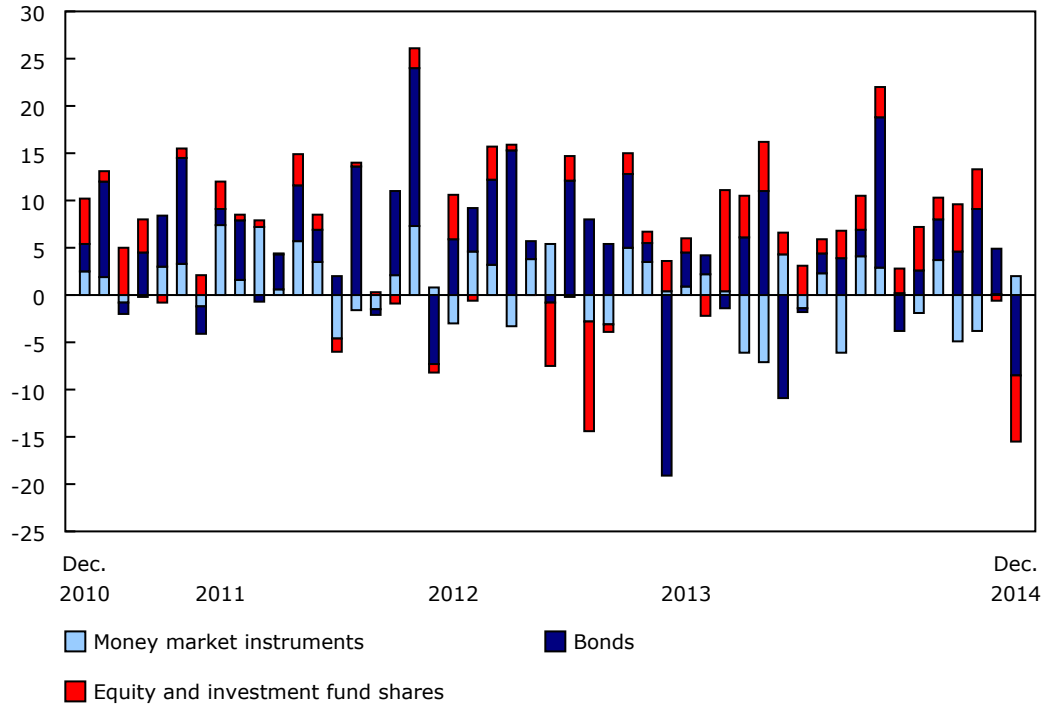
The overall level of Government of Canada bonds outstanding was down in December and Canadian long-term interest rates declined by 14 basis points. In 2014, non-resident investors reduced their exposure to federal government bonds for a second consecutive year after four years of investment totalling \$114.0 billion.

Non-resident investment in the Canadian money market was \$2.0 billion in December, moderating the overall divestments in the month. Most of the foreign acquisitions were in foreign currency denominated provincial paper while non-residents reduced their holdings of federal government paper. The Canadian dollar depreciated against its US counterpart by 1.2 US cents at the end of the month.

Foreign investors reduced their holdings of Canadian equities by \$7.0 billion in December. The largest such divestment since February 2013 was led by sales on the secondary market. This activity followed acquisitions of \$32.3 billion of Canadian stocks by non-residents between January and November of 2014. Canadian stock prices were down by 0.8% in December.

**Chart 2**  
**Foreign investment in Canadian securities**

billions of dollars



Source(s): CANSIM table 376-0131.

**Canadian investment in foreign securities reaches a 14-year high**

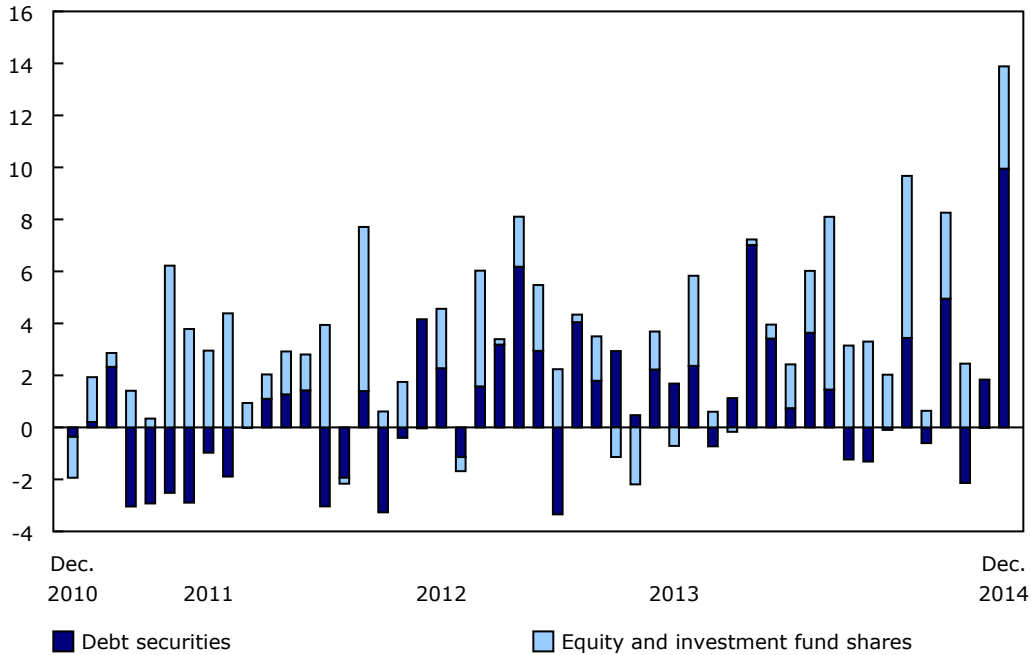
Canadian investors acquired \$13.9 billion of foreign securities in December, marking the highest such monthly investment since December 2000. Canadian investment in US securities accounted for the bulk of the activity.

Canadian acquisitions of foreign debt securities reached \$9.9 billion in December, all bonds. Investment in US Treasury bonds reached a record \$8.5 billion in December. This activity followed a large divestment of \$7.1 billion recorded in October. US long-term interest rates were down by 12 basis points in the month.

Canadian investors added \$3.9 billion of foreign equities to their portfolio in December, mainly US shares. US stock prices rose by 0.7% in December. Canadian investment in foreign shares amounted to \$35.7 billion in 2014. This was the largest annual acquisition of these instruments by Canadians since 2000, with nearly two-third of the investment in non-US foreign shares.

**Chart 3**  
**Canadian investment in foreign securities**

billions of dollars



Source(s): CANSIM table [376-0131](#).

**Note to readers**

The data series on international transactions in securities cover portfolio transactions in equity and investment fund shares, bonds and money market instruments for both Canadian and foreign issues. This activity excludes transactions in equity and debt instruments between affiliated enterprises, classified as foreign direct investment in the international accounts.

**Equity and investment fund shares** include common and preferred equities as well as units / shares of investment funds.

**Debt securities** include bonds and money market instruments.

**Bonds** have an original term to maturity of more than one year.

**Money market instruments** have an original term to maturity of one year or less.

**Government of Canada paper** includes Treasury bills and US-dollar Canada bills.

All values in this release are net transactions unless otherwise stated.

**Table 1**  
**Canada's international transactions in securities**

	October 2014	November 2014	December 2014	January to December 2013	January to December 2014
millions of dollars					
<b>Foreign investment in Canadian securities</b>	<b>9,533</b>	<b>4,296</b>	<b>-13,547</b>	<b>43,088</b>	<b>59,795</b>
Debt securities	5,371	4,876	-6,502	24,190	34,578
Money market instruments	-3,766	121	2,038	-2,521	-2,747
Governments	-3,885	59	1,126	-6,901	-6,998
Federal government	2,747	-1,621	-1,657	-10,015	-6,776
Other governments	-6,632	1,680	2,783	3,115	-221
Corporations	119	62	913	4,380	4,250
Government business enterprises	-209	-365	801	272	1,897
Private corporations	329	427	112	4,107	2,353
Bonds	9,137	4,755	-8,540	26,711	37,325
Governments	5,556	954	-5,270	-10,270	-952
Federal government	3,660	423	-3,813	-7,162	-9,641
Other governments	1,896	531	-1,457	-3,106	8,688
Corporations	3,581	3,800	-3,271	36,981	38,273
Government business enterprises	649	2,693	-1,719	4,635	11,587
Private corporations	2,933	1,107	-1,552	32,345	26,689
Equity and investment fund shares	4,162	-580	-7,045	18,897	25,216
<b>Canadian investment in foreign securities</b>	<b>313</b>	<b>1,825</b>	<b>13,886</b>	<b>29,310</b>	<b>56,359</b>
Debt securities	-2,139	1,839	9,949	23,009	20,621
Money market instruments	817	-66	24	1,586	-87
Bonds	-2,957	1,905	9,925	21,423	20,707
Equity and investment fund shares	2,452	-14	3,937	6,304	35,740

**Note(s):** In this table, a positive value denotes an increase in investment and a negative value denotes a decrease in investment. Transactions are recorded on a net basis. Figures may not add up to totals as a result of rounding.

**Source(s):** CANSIM table [376-0131](#).

**Available in CANSIM: tables [376-0131](#) to [376-0138](#), [376-0145](#) and [376-0146](#).**

**Definitions, data sources and methods: survey number [1535](#).**

Data on Canada's international transactions in securities for January will be released on March 16.

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