

Canada's international investment position, fourth quarter 2014

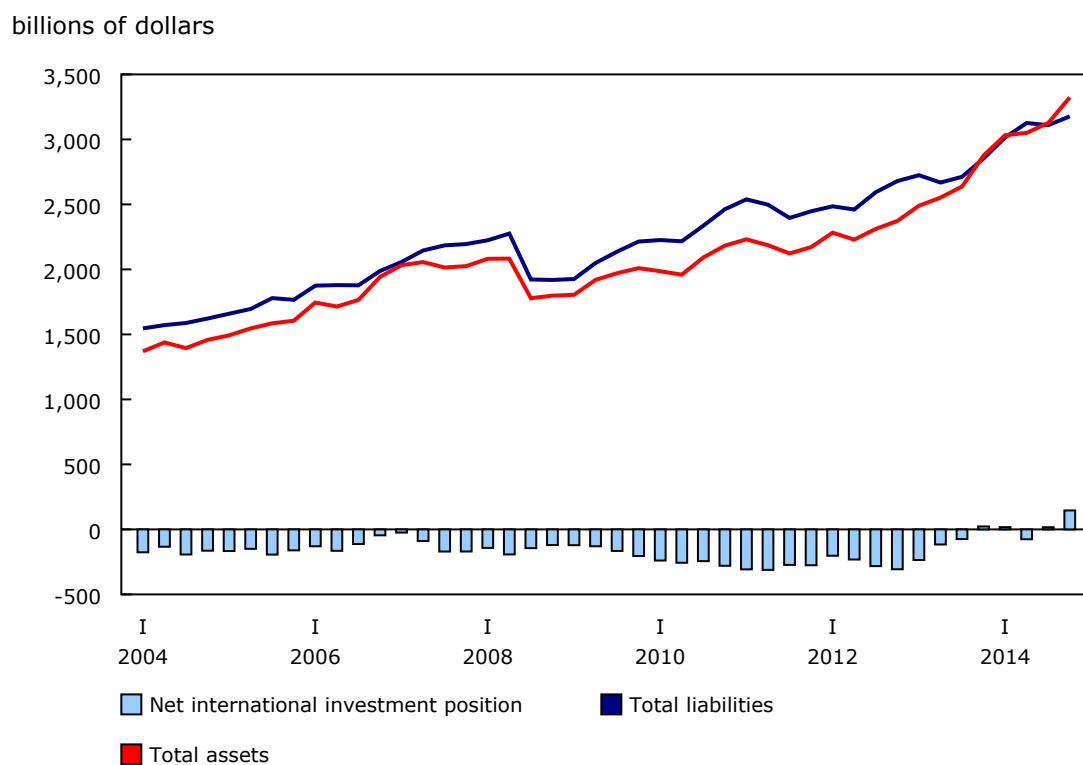
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Canada's net international asset position advanced \$129.0 billion in the fourth quarter to reach \$145.8 billion. The growth in the net asset position mainly reflected revaluations resulting from higher foreign equity prices on international assets and lower Canadian equity prices on international liabilities.

The general upward trend in Canada's net international investment position that began in 2013 continued, despite an ongoing trade-driven balance of payments current account deficit. The fourth quarter of 2014 marked the largest improvement in the net international investment position on record.

On a geographical basis, most of the change in the quarter reflected a lower net foreign debt position with the United States. Over the last two years, the net foreign debt position with the United States was reduced by more than half to \$217.9 billion. Canada maintained a net foreign asset position with the sum of all other countries at \$363.7 billion, which was largely unchanged in the fourth quarter.

Chart 1
Canada's international investment position



Source(s): CANSIM table [376-0142](#).

International assets advance strongly on revaluations

Canada's international assets increased by \$196.7 billion to \$3,322.9 billion at the end of the fourth quarter. This growth largely reflected upward revaluations that were the result of higher foreign equity prices. The upward revaluation effect of a weaker Canadian dollar also contributed to the increase in the foreign currency denominated



international assets in the quarter. Approximately half of these assets constitute investments in the United States, and the Canadian dollar lost 3.5% against the US dollar in the quarter. Moderating these gains was the revaluation effect of the Canadian dollar's appreciation against the euro (+0.8%), the British pound (+0.5%) and the Japanese yen (+5.5%). Canadian investment abroad of \$51.0 billion also added to the overall increase in assets in the quarter.

International liabilities up on inflows of funds

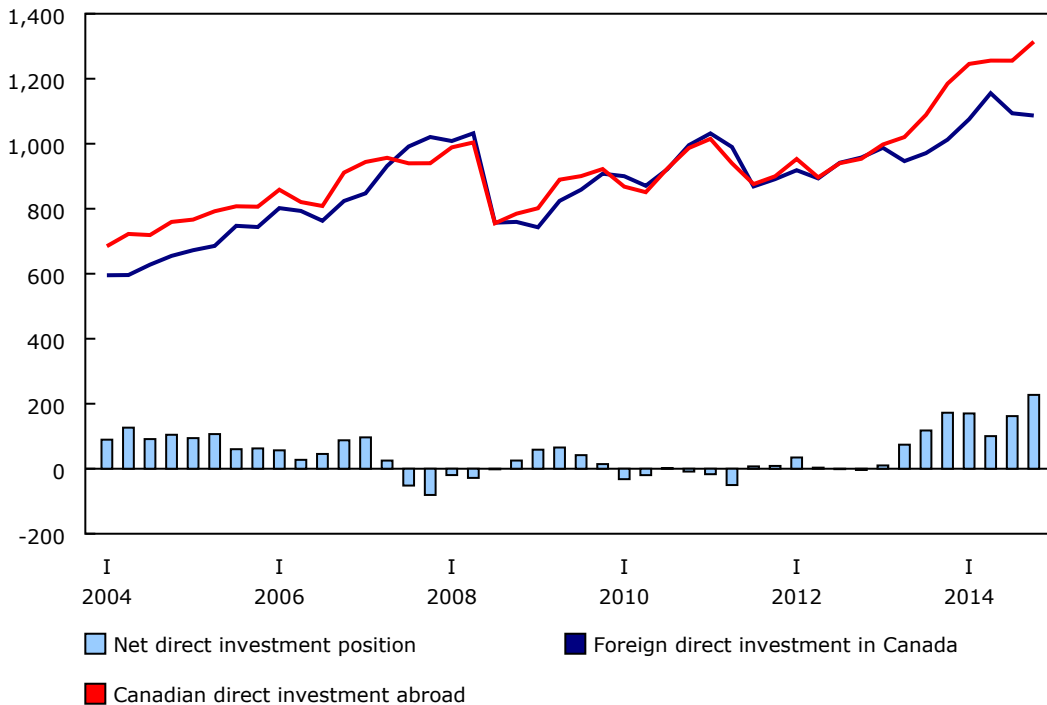
Canada's international liabilities advanced at a slower pace, up \$67.7 billion to \$3,177.1 billion. The increase was mainly the result of a \$57.9 billion foreign investment in Canada in the fourth quarter. The upward revaluation effect of the depreciation of the Canadian dollar on US dollar denominated liabilities also added to the growth in international liabilities. Meanwhile, declines in Canadian equity markets during the quarter moderated the overall increase.

Net direct investment position improves

The net direct investment asset position was up \$65.3 billion to a record high \$227.2 billion in the fourth quarter. Canadian direct investment abroad increased by \$58.3 billion to \$1,313.9 billion, mainly on strong outward investment flows and a weaker Canadian dollar. On the other side of the ledger, foreign direct investment in Canada was down \$7.0 billion to \$1,086.7 billion. A downward revaluation resulting from lower Canadian equity prices was moderated by inward direct investment flows in the quarter.

Chart 2
Direct investment position

billions of dollars



Source(s): CANSIM table [376-0142](#).

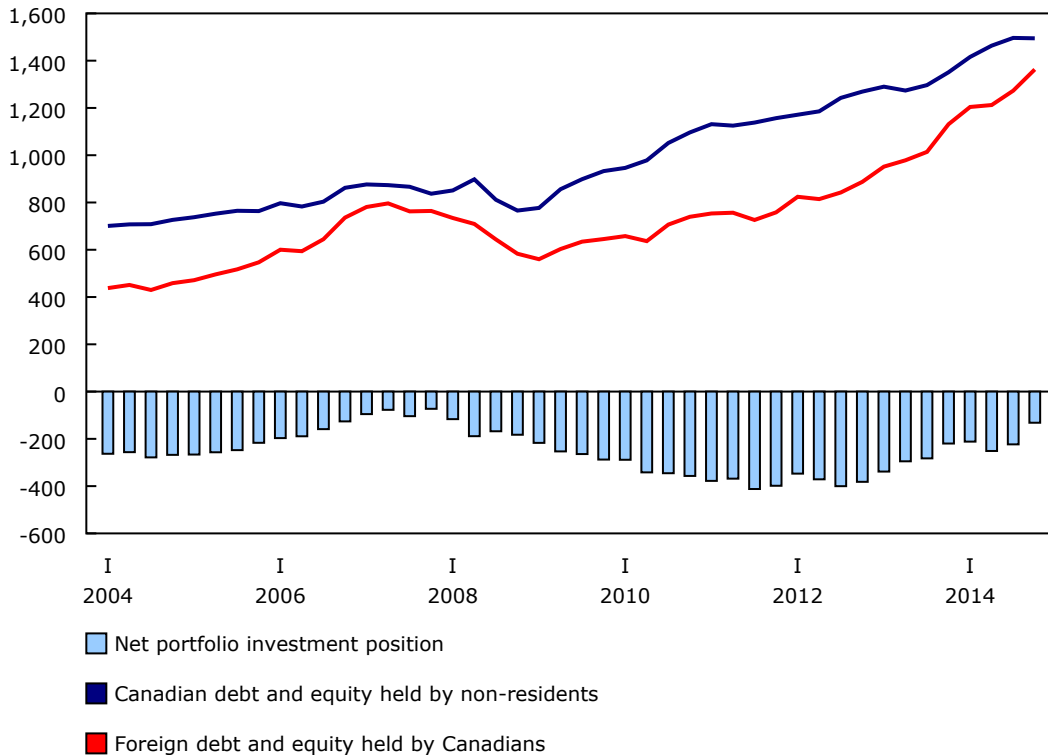
Canada's net portfolio investment liability position down notably

Canadian holdings of foreign securities advanced strongly, up \$89.7 billion to \$1,362.8 billion at the end of the fourth quarter. This change was mostly the result of gains in major foreign equity markets, as well as the upward revaluation effect of a relatively stronger US dollar on these assets.

In contrast, Canadian securities held by non-residents fell \$1.7 billion to \$1,494.6 billion. Holdings of Canadian equities declined in the quarter, primarily as a result of lower Canadian stock prices. However, foreign holdings of Canadian bonds were up, with continued acquisitions of US dollar denominated corporate bonds. The upward revaluation effect of a weaker Canadian dollar on US dollar denominated Canadian debt securities also moderated the overall decline in Canadian securities.

Chart 3
Portfolio investment position

billions of dollars



Source(s): CANSIM table [376-0142](#).

As a result, the net foreign liability position on portfolio investment declined by a record \$91.4 billion to reach \$131.8 billion. This was the lowest level since the first quarter of 2008, before the full onset of the global financial crisis.

Banking sector liabilities increase

The other investment liabilities category of the international investment position was up \$76.4 billion in the fourth quarter. Increased foreign currency deposits held in Canada by non-residents accounted for the bulk of the increase. This activity had a moderating effect on the overall improvement of Canada's net asset position in the quarter.

Note to readers

The main measure of the International Investment Position Account now incorporates market valuation for tradable securities and foreign direct investment equity. This adds a further dimension to the analysis of Canada's net international investment position and more accurately reflects changes in that position. The international investment position at book value is still available, as the annual foreign direct investment release includes geographical and industry details. For more information, see [Valuation of assets and liabilities](#).

Currency valuation

The value of assets and liabilities denominated in foreign currency is converted to Canadian dollars at the end of each period for which a balance sheet is calculated. Most of Canada's foreign assets are denominated in foreign currencies while less than half of Canada's international liabilities are in foreign currencies. When the Canadian dollar is appreciating in value, the restatement of the value of these assets and liabilities in Canadian dollars lowers the recorded value. The opposite is true when the Canadian dollar is depreciating.

Definitions

The **international investment position** presents the value and composition of Canada's assets and liabilities to the rest of the world.

Canada's **net international investment position** is the difference between Canada's assets and liabilities to the rest of the world.

The excess of international liabilities over assets can be referred to as Canada's **net foreign debt**.

The excess of international assets over liabilities can be referred to as Canada's **net foreign assets**.

Table 1
Canada's international investment position at period end

	Fourth quarter 2013	First quarter 2014	Second quarter 2014	Third quarter 2014	Fourth quarter 2014	Third quarter to fourth quarter 2014
	billions of dollars					difference in billions of dollars
Assets	2,875.4	3,032.3	3,050.3	3,126.1	3,322.9	196.7
Canadian direct investment abroad	1,184.9	1,245.6	1,255.8	1,255.6	1,313.9	58.3
Canadian portfolio investment	1,131.1	1,204.1	1,212.3	1,273.0	1,362.8	89.7
Foreign debt securities	223.4	244.0	239.3	259.4	276.6	17.2
Foreign money market	5.0	5.1	6.4	4.4	5.3	0.9
Foreign bonds	218.4	238.9	232.9	255.0	271.2	16.3
Foreign equity and investment fund shares	907.7	960.1	973.0	1,013.7	1,086.2	72.5
Official international reserves	76.5	84.5	81.0	82.5	86.7	4.1
Other Canadian investment	482.9	498.1	501.3	515.0	559.6	44.6
Loans	144.4	147.1	155.3	167.4	186.6	19.2
Currency and deposits	269.3	281.1	276.4	277.3	302.0	24.7
Other assets	69.2	69.9	69.6	70.4	70.9	0.6
Liabilities	2,852.7	3,014.9	3,126.0	3,109.4	3,177.1	67.7
Foreign direct investment in Canada	1,012.6	1,075.4	1,155.5	1,093.7	1,086.7	-7.0
Foreign portfolio investment	1,351.0	1,415.8	1,463.5	1,496.3	1,494.6	-1.7
Canadian debt securities	863.3	895.1	903.8	931.5	945.7	14.2
Canadian money market	80.5	76.7	82.4	80.9	80.5	-0.4
Canadian bonds	782.8	818.4	821.3	850.6	865.2	14.6
Canadian equity and investment fund shares	487.7	520.7	559.7	564.7	548.9	-15.9
Other foreign investment	489.1	523.7	507.0	519.5	595.8	76.4
Loans	75.0	73.7	70.7	70.9	76.5	5.6
Currency and deposits	385.1	419.3	406.2	418.3	488.9	70.6
Special drawing rights	9.8	10.2	9.9	10.0	10.1	0.1
Other liabilities	19.2	20.5	20.3	20.2	20.3	0.1
Net international investment position	22.7	17.4	-75.8	16.7	145.8	129.0

Source(s): CANSIM table [376-0142](#).

Available in CANSIM: tables [376-0059](#), [376-0142](#) and [376-0144](#).

Definitions, data sources and methods: survey numbers [1534](#) and [1537](#).

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