

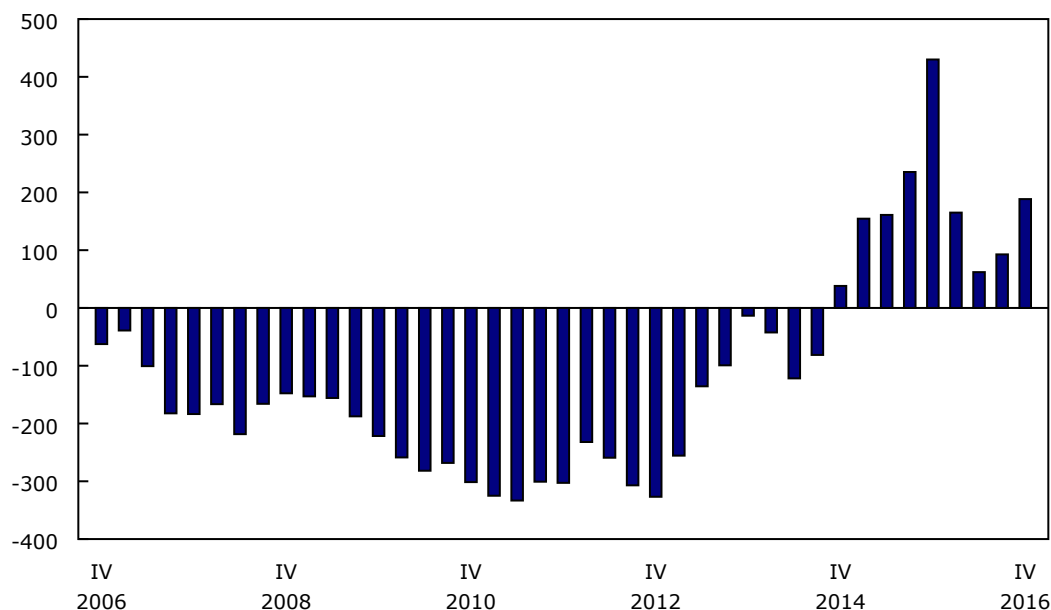
Canada's international investment position, fourth quarter 2016

Released at 8:30 a.m. Eastern time in *The Daily*, Tuesday, March 14, 2017

Canada's net foreign asset position increased by \$95.7 billion in the fourth quarter to \$188.4 billion. The revaluation effect of stronger equity prices was higher on Canada's international assets than liabilities. About 70% of Canada's international assets are in the form of equity compared with less than 50% for international liabilities. Net borrowings of \$14.1 billion from abroad to finance the current account deficit moderated the overall increase in the quarter.

Chart 1
Canada's net international investment position

billions of dollars

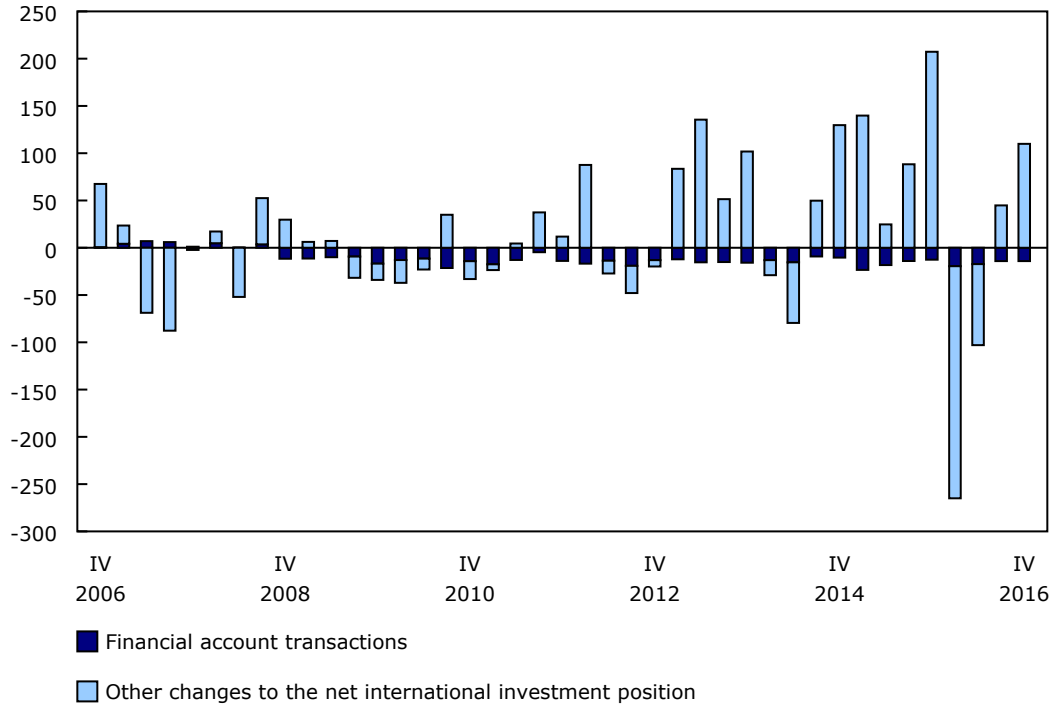


Source(s): CANSIM table [376-0142](#).

Despite the gains in the second half of the year, Canada's net foreign asset position was reduced by \$241.6 billion in 2016. This decline mainly reflected the stronger performance of the Canadian stock market relative to foreign stock markets during the year, pushing international liabilities up by more than assets.

Chart 2
Contributors to the quarterly change in the net international investment position

billions of dollars



Source(s): CANSIM tables [376-0104](#), [376-0142](#) and [376-0149](#).

Canada's international assets increase on higher foreign stock prices

Canada's international assets were up \$196.7 billion to \$4,312.1 billion at the end of the fourth quarter. Higher foreign equity prices as well as cross-border investment were the main contributors to the increase. The revaluation effect of the weaker Canadian dollar against the US dollar also added to the growth.

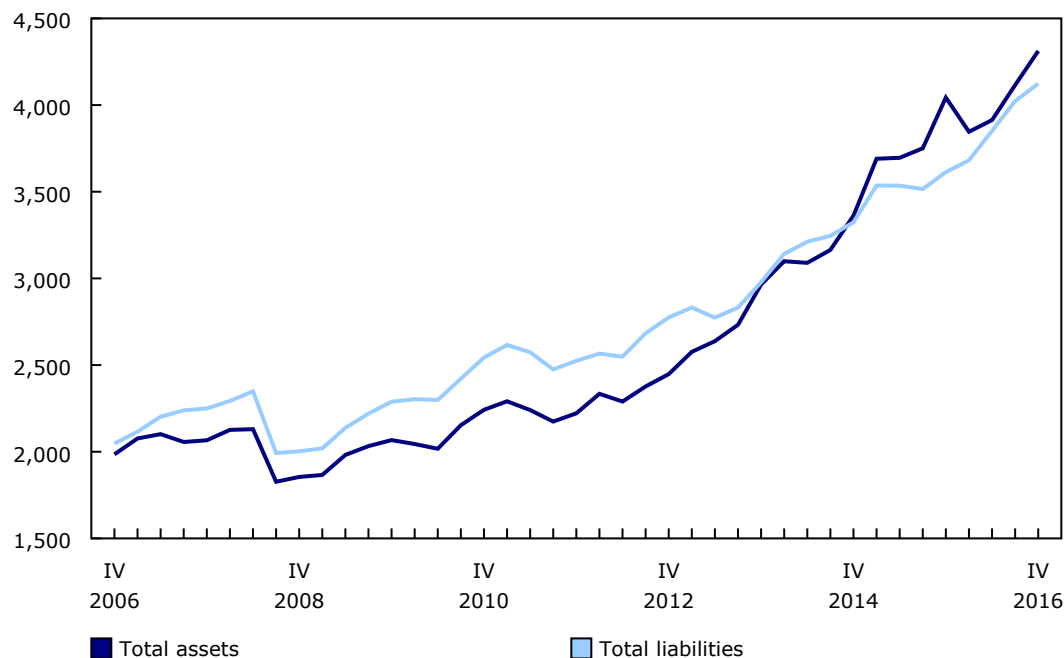
Over the quarter, the Canadian dollar lost 2.3% against the US dollar but gained 4.0% against the euro, 12.5% against the Japanese yen and 2.7% against the British pound. Since most of Canada's international assets are denominated in US dollars, the upward effect of the depreciating Canadian dollar against the US dollar more than offset the downward effect resulting from its appreciation against other foreign currencies.

On an instrument basis, Canadian holdings of foreign equity instruments increased \$184.4 billion to \$2,931.3 billion, while holdings of debt instruments edged up \$12.3 billion to \$1,380.8 billion.

At the end of 2016, about 55% of Canada's international assets were in the United States, a level last seen in 2001. For the year as a whole, Canada's financial assets held in the United States rose by \$232.7 billion to \$2,366.3 billion, compared with a \$36.2 billion increase of financial assets held in all other countries. Cross-border investments were responsible for the bulk of these gains.

Chart 3
International assets and liabilities

billions of dollars



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

Canada's international liabilities up on large inflows

Canada's international liabilities rose \$101.0 billion to \$4,123.7 billion in the fourth quarter. Inflows of funds totalling \$78.5 billion contributed to the increase in the quarter.

Canadian equity instruments held by foreign investors were up \$71.9 billion, mainly on the effect of higher stock prices as well as foreign acquisitions. The Standard and Poor's/Toronto Stock Exchange Composite Index gained 3.8% over the quarter.

Canadian debt instruments, also referred to as Canada's gross external debt, grew by \$29.1 billion to \$2,340.6 billion at the end of the quarter. The increase was led by inflows of funds, mainly in the form of currency and deposits, and was moderated by lower Canadian debt securities prices. Canadian long-term interest rates were up by 75 basis points in the fourth quarter.

Nearly 60% of all Canada's international liabilities were held by US investors at the end of 2016, a share that has remained relatively stable for seven years. Canada's international liabilities vis-à-vis the United States increased \$331.5 billion to \$2,442.2 billion in 2016, while its liabilities vis-à-vis all other countries rose \$179.0 billion to \$1,681.5 billion.



In celebration of the country's 150th birthday, Statistics Canada is presenting snapshots from our rich statistical history.

Data on Canada's international investment position are available from 1926. In 1926, Canada was a net borrower from the rest of the world and its international liabilities were almost five times the size of its international assets.

Today, Canada is a net lender to the rest of the world and has been since 2014.

Table 1
Canada's international investment position at period end

	Fourth quarter 2015	First quarter 2016	Second quarter 2016	Third quarter 2016	Fourth quarter 2016	Third quarter to fourth quarter 2016
	billions of dollars					difference in billions of dollars
Assets	4,043.2	3,846.0	3,913.4	4,115.4	4,312.1	196.7
Direct investment assets	1,567.0	1,502.7	1,511.4	1,602.8	1,714.2	111.3
Equity	1,414.1	1,354.5	1,369.8	1,458.5	1,568.9	110.4
Debt instruments	152.8	148.2	141.5	144.3	145.2	0.9
Canadian portfolio investment	1,682.0	1,574.0	1,595.5	1,689.8	1,750.3	60.6
Foreign debt securities	387.3	384.0	389.7	401.4	388.0	-13.4
Foreign money market instruments	4.9	3.5	3.4	4.2	3.1	-1.1
Foreign bonds	382.4	380.5	386.3	397.2	384.8	-12.4
Foreign equity and investment fund shares	1,294.7	1,190.0	1,205.8	1,288.4	1,362.4	74.0
Official international reserves	110.4	106.7	107.9	110.4	111.1	0.6
Other Canadian investment	683.8	662.6	698.7	712.3	736.5	24.2
Loans	243.1	249.6	252.0	253.7	248.9	-4.8
Currency and deposits	363.7	341.0	373.9	386.2	413.2	26.9
Trade credits and advances	5.7	5.8	5.5	5.5	6.0	0.6
Other accounts receivable	71.4	66.1	67.3	66.9	68.4	1.5
Liabilities	3,613.1	3,681.0	3,851.4	4,022.7	4,123.7	101.0
Direct investment liabilities	1,133.2	1,214.0	1,283.9	1,334.7	1,359.8	25.1
Equity	934.6	1,012.6	1,079.0	1,133.6	1,166.6	32.9
Debt instruments	198.6	201.4	205.0	201.1	193.3	-7.8
Foreign portfolio investment	1,706.2	1,755.5	1,826.8	1,921.6	1,957.8	36.2
Canadian debt securities	1,229.4	1,250.9	1,284.8	1,344.0	1,341.2	-2.8
Canadian money market instruments	95.2	95.5	96.9	90.7	96.8	6.1
Canadian bonds	1,134.2	1,155.4	1,188.0	1,253.3	1,244.4	-8.9
Canadian equity and investment fund shares	476.8	504.6	542.0	577.6	616.6	39.0
Other foreign investment	773.7	711.6	740.7	766.4	806.2	39.7
Loans	106.5	105.0	105.7	105.6	112.3	6.6
Currency and deposits	632.7	572.3	601.3	627.0	660.1	33.1
Special drawing rights	11.5	10.9	10.9	11.0	10.8	-0.2
Trade credits and advances	9.1	9.4	8.9	8.8	8.9	0.1
Other accounts payable	13.8	13.9	14.0	14.0	14.1	0.1
Net international investment position	430.0	165.0	62.0	92.7	188.4	95.7

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

Table 2
Quarterly change in Canada's international investment position

	Fourth quarter 2016			Position at end of period
	Position at beginning of period	Financial account transactions	All other changes to the position	
	billions of dollars			
Assets	4,115.4	64.4	132.3	4,312.1
Direct investment assets	1,602.8	29.8	81.6	1,714.2
Equity	1,458.5	29.7	80.8	1,568.9
Debt instruments	144.3	0.1	0.8	145.2
Canadian portfolio investment	1,689.8	0.7	59.8	1,750.3
Foreign debt securities	401.4	-9.4	-4.0	388.0
Foreign equity and investment fund shares	1,288.4	10.1	63.8	1,362.4
Official international reserves	110.4	1.8	-1.2	111.1
Other Canadian investment	712.3	32.1	-7.9	736.5
Liabilities	4,022.7	78.5	22.5	4,123.7
Direct investment liabilities	1,334.7	9.7	15.3	1,359.8
Equity	1,133.6	17.5	15.5	1,166.6
Debt instruments	201.1	-7.7	-0.1	193.3
Foreign portfolio investment	1,921.6	33.3	2.9	1,957.8
Canadian debt securities	1,344.0	16.3	-19.1	1,341.2
Canadian equity and investment fund shares	577.6	17.0	22.0	616.6
Other foreign investment	766.4	35.5	4.2	806.2
Net international investment position	92.7	-14.1	109.8	188.4

Note(s): Other changes to the position include the revaluation of assets and liabilities caused by fluctuations in prices and exchange rates, as well as volume changes (write-offs, reclassifications or residency changes). They also include other changes to the position resulting from discrepancies between flow and stock data sources, as well as the integration of new survey results.

Source(s): CANSIM table [376-0149](#).

Note to readers

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

Available in CANSIM: tables [376-0059](#), [376-0067](#), [376-0140](#), [376-0142](#), [376-0144](#), [376-0148](#) and [376-0149](#).

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

The *Methodological Guide: Canadian System of Macroeconomic Accounts* ([13-607-X](#)) is available.

The *User Guide: Canadian System of Macroeconomic Accounts* ([13-606-G](#)) is also available. This publication will be updated to maintain its relevance.

For more information, contact us (toll-free 1-800-263-1136; 514-283-8300; STATCAN.infostats-infostats.STATCAN@canada.ca).

To enquire about the concepts, methods or data quality of this release, contact Marie-Josée Lamontagne (613-790-8463; marie-josée.lamontagne@canada.ca), International Accounts and Trade Division.