

Canada's international investment position, fourth quarter 2017

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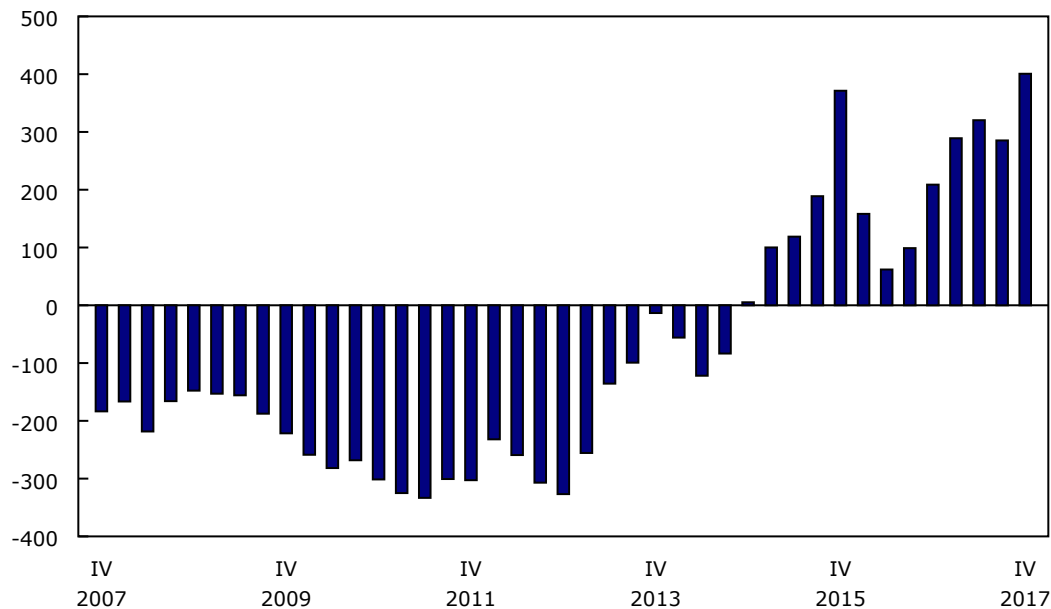
Canada's net foreign asset position rose by \$115.4 billion to a record \$400.7 billion in the fourth quarter. This increase mainly reflected the stronger performance of foreign stock markets relative to the Canadian stock market. Over the quarter, the US stock market rose 6.8% while the Canadian stock market increased 3.7%.

The revaluation effect (+\$20.3 billion) of a depreciating Canadian dollar against all major foreign currencies also contributed to the growth in Canada's net foreign asset position. At the end of 2017, 97% of Canada's international assets were denominated in foreign currencies, compared with a share of 38% for international liabilities. Over the quarter, the Canadian dollar lost 0.5% against the US dollar, 2.1% against the euro, 1.4% against the British pound and 0.4% against the Japanese yen.

However, the increase was moderated by net borrowings of \$9.7 billion from international financial transactions to finance the current account deficit.

Chart 1
Canada's net international investment position

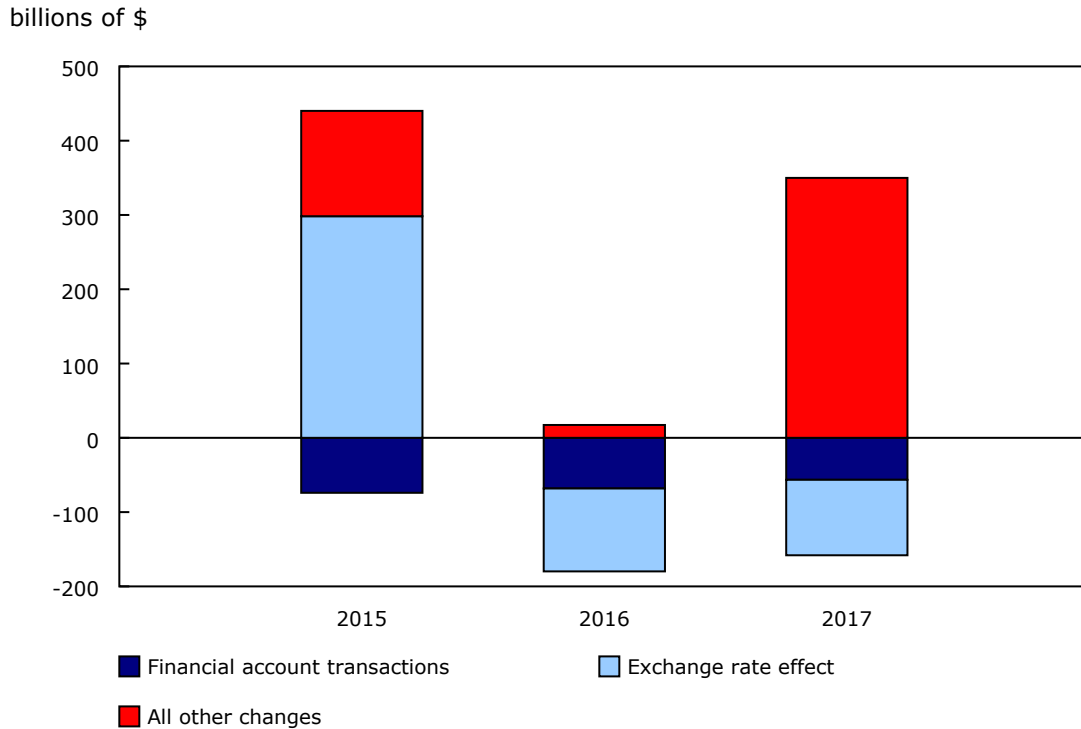
billions of dollars



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

For the year, Canada's net foreign asset position increased by \$191.9 billion, led by the stronger increase of foreign equity prices over Canadian equity prices. Net borrowings of \$56.5 billion from abroad and the revaluation effect (-\$101.6 billion) of an appreciating Canadian dollar, mostly against the US dollar, moderated the overall increase in the year. In comparison, Canada's net foreign asset position declined by \$162.5 billion in 2016, mainly due to the revaluation effect (-\$111.6 billion) of the appreciating Canadian dollar.

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



Source(s): CANSIM tables [376-0102](#) and [376-0150](#).

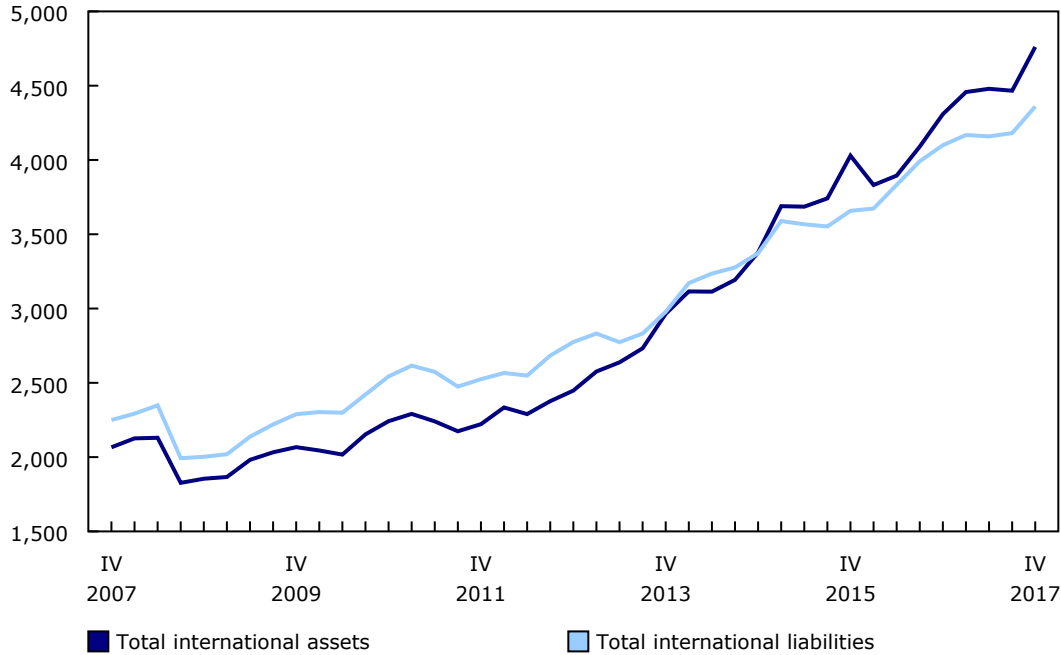
Canada's international assets up on higher foreign stock prices

Canada's international financial assets were up \$294.7 billion to \$4,760.7 billion at the end of the fourth quarter. The growth in foreign stock prices, combined with sizable cross-border investments, were mainly responsible for the overall increase. The upward revaluation of \$30.3 billion in Canada's international assets due to the depreciation of the Canadian dollar against major foreign currencies also contributed to the rise.

On an instrument type basis, Canadian holdings of foreign equity instruments increased by \$237.8 billion to \$3,416.6 billion in the fourth quarter. In addition to higher foreign stock prices, investment by Canadian investors in foreign equities contributed to the growth. More specifically, Canadian holdings of US portfolio shares increased by \$92.0 billion to \$981.6 billion in the quarter, reflecting higher prices and strong purchases by Canadian investors. Meanwhile, Canadian holdings of foreign debt instruments were up by \$56.9 billion to \$1,344.1 billion, mainly on higher deposit and loan assets.

Chart 3
International assets and liabilities

billions of dollars



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

Large inflows push Canada's international liabilities up

Canada's international liabilities were up \$179.3 billion to \$4,360.0 billion in the fourth quarter. The increase mainly resulted from large funds injected in Canada by foreign investors, mainly in debt instruments. Higher Canadian stock prices and, to a lesser extent, a weaker Canadian dollar also contributed to the increase in international liabilities over the quarter.

Canadian equity instruments held by foreign direct and portfolio investors increased by \$68.2 billion to \$1,903.3 billion at the end of the quarter, led by higher equity prices. Foreign holdings of Canadian debt instruments, also referred to as Canada's gross external debt, were up by \$111.1 billion to \$2,456.7 billion in the fourth quarter. The increase mainly resulted from strong foreign investments in Canadian bonds and from higher deposits held by non-residents in Canada. Almost 90% of the increase was in corporate debt owed to non-residents.

Table 1
Canada's international investment position at period end

	Fourth quarter 2016	First quarter 2017	Second quarter 2017	Third quarter 2017	Fourth quarter 2017	Third quarter to fourth quarter 2017
	billions of dollars					difference in billions of dollars
Assets	4,308.2	4,457.2	4,479.0	4,466.0	4,760.7	294.7
Direct investment assets	1,731.5	1,802.0	1,807.7	1,820.5	1,923.5	103.0
Equity	1,596.7	1,668.0	1,676.6	1,691.7	1,792.8	101.1
Debt instruments	134.8	133.9	131.1	128.8	130.7	1.9
Canadian portfolio investment	1,741.4	1,839.0	1,865.1	1,867.4	2,007.9	140.5
Foreign debt securities	383.1	386.0	385.0	380.4	384.1	3.7
Foreign money market instruments	3.1	5.4	6.0	6.5	6.4	-0.2
Foreign bonds	380.0	380.6	379.0	373.9	377.8	3.9
Foreign equity and investment fund shares	1,358.3	1,453.0	1,480.1	1,487.0	1,623.8	136.8
Official international reserves	111.1	109.8	109.8	105.7	110.1	4.5
Other Canadian investment	724.2	706.4	696.4	672.4	719.2	46.7
Loans	246.3	258.9	246.6	238.3	259.2	21.0
Currency and deposits	399.6	371.9	375.4	358.1	380.2	22.0
Trade credits and advances	8.7	8.0	8.4	8.9	8.9	-0.0
Other accounts receivable	69.6	67.6	65.9	67.1	70.9	3.8
Liabilities	4,099.3	4,168.0	4,158.7	4,180.7	4,360.0	179.3
Direct investment liabilities	1,358.6	1,365.6	1,339.0	1,374.1	1,416.5	42.5
Equity	1,155.4	1,161.9	1,142.8	1,174.4	1,216.7	42.3
Debt instruments	203.2	203.8	196.2	199.7	199.9	0.2
Foreign portfolio investment	1,946.2	2,011.3	2,037.3	2,064.7	2,140.8	76.0
Canadian debt securities	1,361.8	1,373.9	1,401.3	1,404.0	1,454.2	50.2
Canadian money market instruments	96.8	93.4	92.8	84.9	79.0	-5.9
Canadian bonds	1,265.1	1,280.5	1,308.5	1,319.1	1,375.1	56.1
Canadian equity and investment fund shares	584.3	637.4	636.0	660.7	686.6	25.9
Other foreign investment	794.6	791.1	782.4	741.9	802.6	60.8
Loans	110.9	110.8	112.0	108.0	113.1	5.1
Currency and deposits	645.7	642.0	631.7	595.8	650.9	55.1
Special drawing rights	10.8	10.9	10.8	10.6	10.7	0.1
Trade credits and advances	11.8	11.6	11.7	11.1	11.1	0.0
Other accounts payable	15.4	15.8	16.2	16.5	16.9	0.4
Net international investment position	208.8	289.1	320.3	285.3	400.7	115.4

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

Table 2
Quarterly change in Canada's international investment position

	Fourth quarter 2017			Position at end of period
	Position at beginning of period	Financial account transactions	All other changes to the position	
	billions of dollars			
Assets	4,466.0	106.4	188.2	4,760.7
Direct investment assets	1,820.5	19.4	83.6	1,923.5
Equity	1,691.7	18.3	82.8	1,792.8
Debt instruments	128.8	1.1	0.8	130.7
Canadian portfolio investment	1,867.4	33.7	106.8	2,007.9
Foreign debt securities	380.4	4.0	-0.3	384.1
Foreign equity and investment fund shares	1,487.0	29.6	107.1	1,623.8
Official international reserves	105.7	2.7	1.8	110.1
Other Canadian investment	672.4	50.7	-4.0	719.2
Liabilities	4,180.7	116.1	63.2	4,360.0
Direct investment liabilities	1,374.1	8.3	34.2	1,416.5
Equity	1,174.4	8.4	34.0	1,216.7
Debt instruments	199.7	-0.0	0.2	199.9
Foreign portfolio investment	2,064.7	37.9	38.1	2,140.8
Canadian debt securities	1,404.0	35.0	15.1	1,454.2
Canadian equity and investment fund shares	660.7	2.9	23.0	686.6
Other foreign investment	741.9	69.9	-9.1	802.6
Net international investment position	285.3	-9.7	125.0	400.7

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

The article [Currency composition of Canada's international investment position](#), which describes in detail the currency composition of Canada's international financial assets and liabilities as well as the impact of exchange rate fluctuations on the value of these financial instruments, is now available. The article also includes information on how Canada compares with other countries with respect to the currency exposure of its international assets and liabilities. Data on the currency composition of Canada's international investment position are available in CANSIM table 376-0150.

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. 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**.

Foreign direct investment is presented on an asset-liability principle basis (that is, gross basis) in the international investment position. Foreign direct investment can also be presented on a directional principle basis (that is, net basis), as shown in supplementary foreign direct investment tables, CANSIM [376-0051](#) and [376-0052](#). The difference between the two foreign direct investment conceptual presentations resides in the classification of reverse investment such as (1) Canadian affiliates' claims on foreign parents and (2) Canadian parents' liabilities to foreign affiliates. Under the asset/liability presentation, (1) is classified as an asset and included in direct investment assets, and (2) is classified as a liability and included in direct investment liability.

Available in CANSIM: tables [376-0059](#), [376-0067](#), [376-0068](#), [376-0140](#), [376-0142](#), [376-0144](#) and [376-0148 to 376-0150](#).

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

The article *Currency composition of Canada's international investment position*, part of *Latest Developments in the Canadian Economic Accounts* ([13-605-X](#)), is now available.

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.

The updated *Canada and the World Statistics Hub – United States* ([13-609-X](#)) is available from the home page of the Statistics Canada website. This new product illustrates the nature and extent of Canada's economic and financial relationship with the United States using interactive graphs and tables. This product provides easy access to information on trade, investment, employment and travel, including merchandise trade by Canadian provinces and US states.

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

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