

Canada's international transactions in securities, August 2018

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Foreign investment in Canadian securities slowed to \$2.8 billion in August, down from \$15.3 billion in July. At the same time, Canadian investors reduced their holdings of foreign securities by \$194 million as they acquired bonds but sold equities.

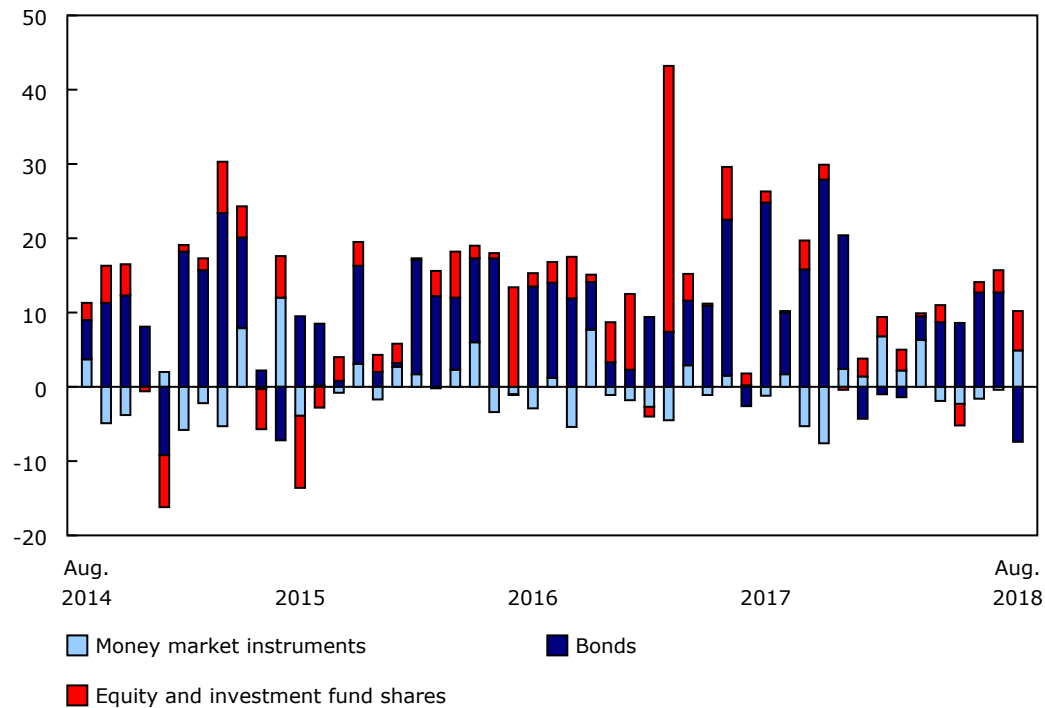
As a result, Canada's international transactions in securities generated a net inflow of funds in the economy of \$3.0 billion in August.

Foreign investment in Canadian securities slows

Foreign investment in Canadian securities slowed to \$2.8 billion in August, the lowest monthly investment since the beginning of the year. Foreign investors acquired Canadian shares and money market instruments but reduced their exposure to Canadian bonds in the month.

Chart 1
Foreign investment in Canadian securities

billions of dollars



Source(s): Table 36-10-0028-01.

Foreign holdings of Canadian bonds were down \$7.4 billion in August, as non-residents reduced their holdings of both government and corporate bonds. This decline followed investment of \$12.7 billion in July. The reduction in holdings of government bonds in August was all in federal bonds (-\$3.8 billion). Foreign investors reduced their exposure to federal government bonds for the eighth time in nine months, totalling \$33.1 billion over the period.



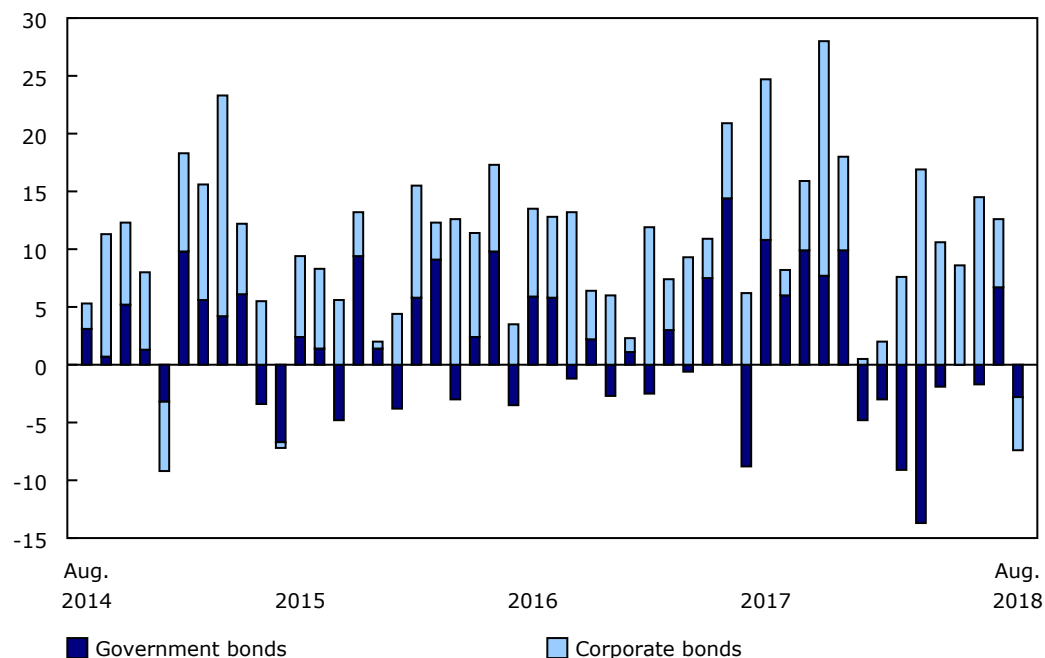
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Meanwhile, non-residents reduced their holdings of private corporate bonds by \$3.3 billion, the first divestment since June 2015. New issues abroad by Canadian private corporate firms were at their lowest level in 30 months. From July 2015 to July 2018, foreign investment in Canadian private corporate bonds totalled \$242.9 billion, largely new issues denominated in foreign currencies.

Chart 2 Foreign investment in Canadian bonds

billions of dollars



Source(s): Table 36-10-0028-01.

Foreign acquisitions of Canadian equities reached \$5.3 billion in August, the third straight month of investment and the highest level since May 2017. Foreign purchases targeted shares from every sector of the Canadian economy during August. Canadian stock prices were down by 1.0% in the month, following growth of nearly 7% from March to July.

Foreign investors resumed their acquisitions of Canadian money market instruments by adding \$4.9 billion worth to their holdings in August, the first investment in five months. Foreign purchases of federal government business enterprise paper accounted for the bulk of the investment.

Canadian short-term interest rates increased by 14 basis points to close the month at their highest level since the end of 2008. Canadian long-term rates were up four basis points and the Canadian dollar appreciated slightly against its US counterpart in the month.

Canadian investors reduce their holdings of US equities

Canadian investors sold \$194 million of foreign securities in August. A divestment in foreign equities was moderated by purchases of foreign debt securities.

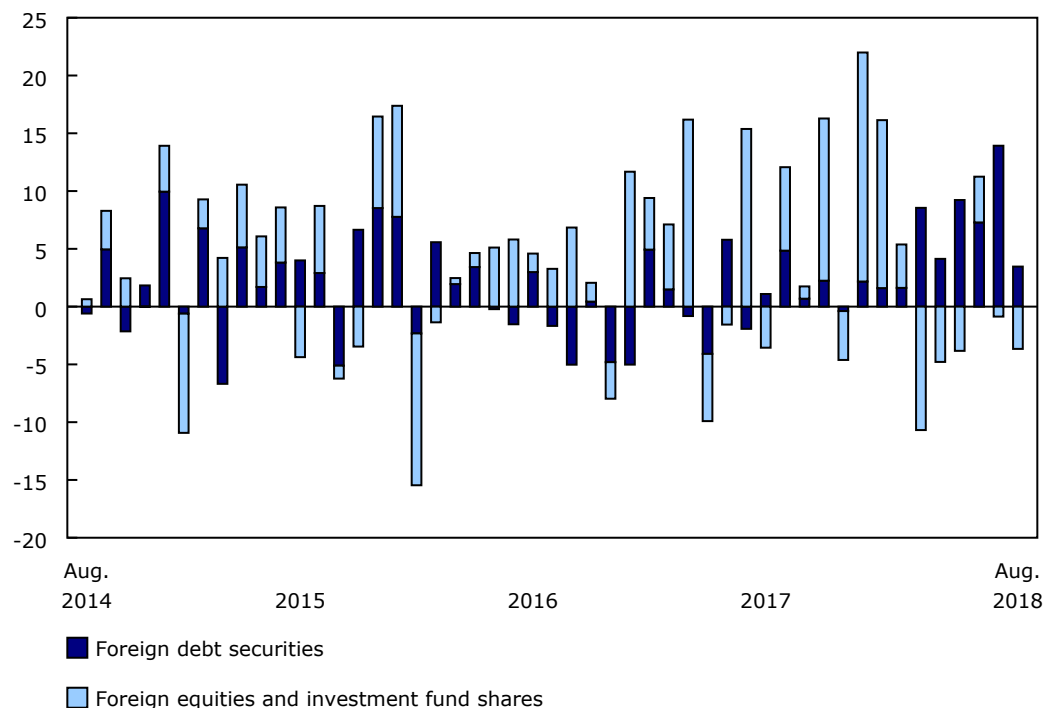
Canadian investors reduced their holdings of foreign equities by \$3.7 billion in August, the fifth month of divestment in the last six months. Overall, Canadian investors have reduced their holdings of foreign equities by \$19.9 billion since March 2018. The divestment was all in US shares (-\$27.0 billion) and followed strong acquisitions of these instruments in the previous 15 months (+\$75.2 billion). Sales of US shares were moderated by purchases of non-US shares in August.

Canadians invested \$3.5 billion in foreign debt securities in August, down from a record high of \$13.9 billion in July. Acquisitions of non-US foreign bonds and, to a lesser extent, US corporate bonds were the main contributors to the investment activity. Since March 2018, Canadians have increased their exposure to US debt securities by \$25.1 billion, almost completely offsetting the divestment in US equities over the same period.

US short-term interest rates increased by eight basis points, while US long-term rates were unchanged in August.

Chart 3 Canadian investment in foreign securities

billions of dollars



Source(s): Table 36-10-0028-01.

Note to readers

The data series on international transactions in securities covers 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, which are 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.

Next release

Data on Canada's international transactions in securities for September will be released on November 16.

Table 1
Canada's international transactions in securities

	June 2018	July 2018	August 2018	January to August 2017	January to August 2018
	millions of dollars				
Foreign investment in Canadian securities	12,485	15,293	2,817	133,519	64,962
Debt securities	11,095	12,291	-2,480	84,734	50,125
Money market instruments	-1,650	-380	4,883	-3,019	14,016
Governments	382	-1,092	1,096	-7,581	-336
Federal government	-308	-1,053	860	-1,633	-2,151
Other governments	691	-39	236	-5,949	1,817
Corporations	-2,033	713	3,786	4,559	14,352
Government business enterprises	-2,243	-1,732	3,749	677	6,029
Private corporations	210	2,445	37	3,882	8,321
Bonds	12,745	12,671	-7,362	87,754	36,111
Governments	-1,730	6,736	-2,757	29,918	-25,399
Federal government	-98	5,224	-3,753	4,421	-32,462
Other governments	-1,631	1,512	996	25,496	7,064
Corporations	14,475	5,935	-4,605	57,835	61,509
Government business enterprises	-3,794	572	-1,256	10,433	5,394
Private corporations	18,269	5,363	-3,349	47,402	56,117
Equity and investment fund shares	1,390	3,002	5,297	48,783	14,835
Shares	1,349	3,039	4,837	49,237	14,829
Investment fund shares	41	-38	460	-455	7
Canadian investment in foreign securities	11,245	13,062	-194	49,253	48,236
Debt securities	7,284	13,923	3,464	11,315	49,798
Money market instruments	-842	1,423	-117	3,492	1,284
Bonds	8,126	12,500	3,581	7,822	48,515
Equity and investment fund shares	3,961	-862	-3,658	37,940	-1,563

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): Tables [36-10-0028-01](#) and [36-10-0583-01](#).

Available tables: [36-10-0028-01](#) to [36-10-0035-01](#) , [36-10-0444-01](#), [36-10-0475-01](#), [36-10-0486-01](#), [36-10-0583-01](#) and [36-10-0584-01](#).

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

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 regularly updated to maintain its relevance.

The updated *Canada and the World Statistics Hub* ([13-609-X](#)) is available online. This product illustrates the nature and extent of Canada's economic and financial relationship with the world using interactive graphs and tables. This product provides easy access to information on trade, investment, employment and travel between Canada and a number of countries, including the United States, the United Kingdom, Mexico, China and Japan.

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

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