

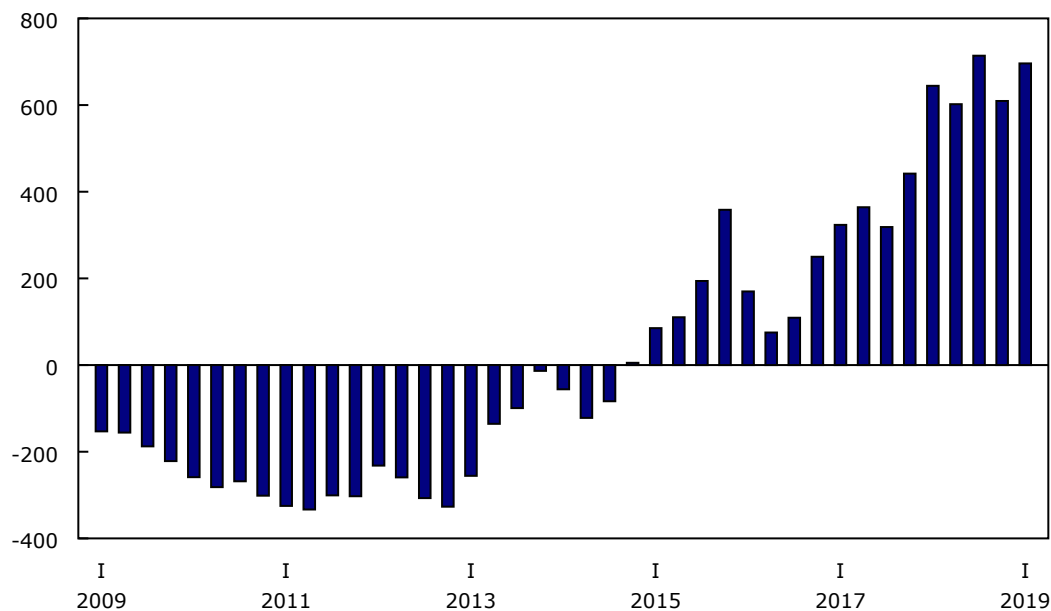
Canada's international investment position, first quarter 2019

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Canada's net foreign asset position was up by \$86.7 billion in the first quarter, to \$696.1 billion. This increase mainly reflected higher equity prices and was moderated by the appreciation of the Canadian dollar against all major foreign currencies.

Chart 1
Canada's net international investment position

billions of dollars



Source(s): Table 36-10-0485-01.

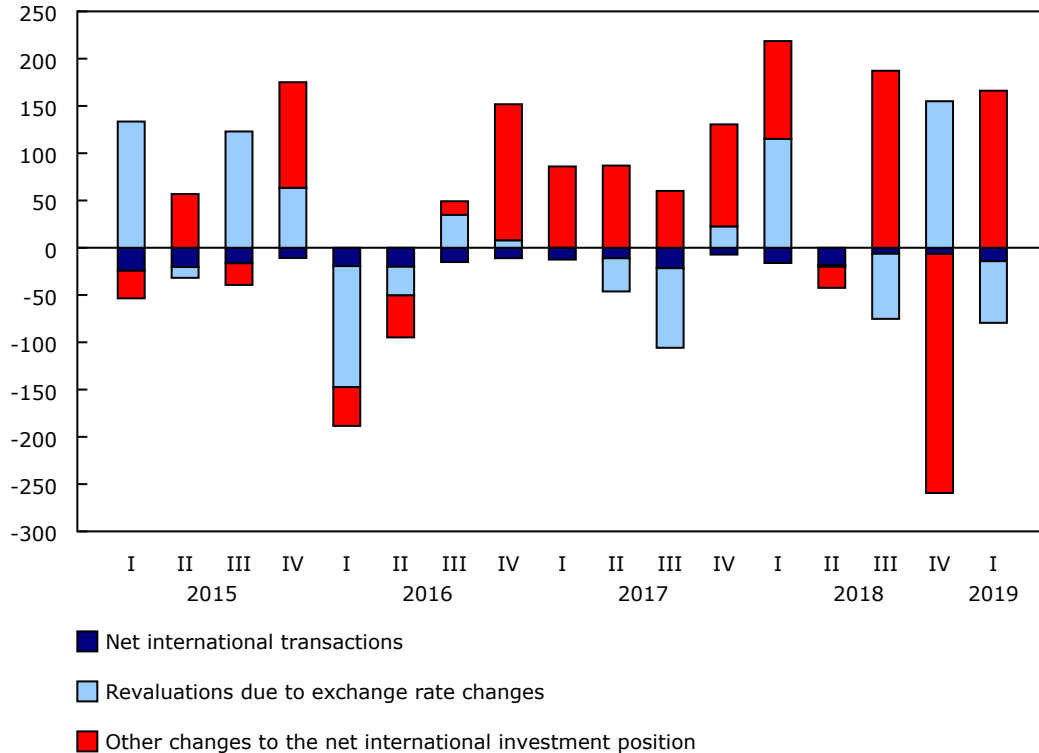
Global stock markets increased significantly in the first quarter, following notable declines in the fourth quarter of 2018. The Canadian stock market increased by 12.4%, while the US (+13.1%) and European (+11.7%) stock markets were also up.

Even if similar trends were observed in Canadian and foreign equity prices during the first quarter, the rise in stock prices resulted in a larger increase in the value of Canada's international assets than of its liabilities. International assets are more exposed to equity instruments (69% at the end of the first quarter) than are international liabilities (42%) and consequently, are more impacted by stock market fluctuations.

On a geographical basis, Canada's net asset position with the United States increased by \$53.6 billion, to \$162.6 billion at the end of the quarter. At the same time, Canada's net asset position with countries other than the United States increased by \$33.1 billion to \$533.5 billion.

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

billions of dollars



Source(s): Table 36-10-0454-01.

Canada's international assets and liabilities up on higher stock market prices

Canada's international assets increased by \$295.8 billion, to \$5,348.2 billion at the end of the first quarter, mostly on higher foreign equity prices. Outward mergers and acquisitions totalling \$16.9 billion also contributed to the increase.

On the other hand, Canada's international liabilities reached \$4,652.0 billion at the end of the first quarter, up \$209.1 billion from the previous quarter. The increase was mostly due to higher stock prices and was moderated by a \$49.1 billion reduction in non-residents' deposits in Canada.

Canada's gross external debt was down \$16.1 billion to \$2,684.1 billion, the first decline since the third quarter of 2017. This decrease was concentrated in the banking sector and followed an observed upward trend over the last few years.

During the first quarter, the Canadian dollar appreciated against all major foreign currencies, gaining 2.1% against the US dollar, 4.1% against the euro, 0.1% against the UK pound sterling, and 2.9% against the Japanese yen. The appreciation of the Canadian dollar led to a decline of \$105.0 billion in Canada's international assets, and of \$39.8 billion in its international liabilities. At the end of the first quarter, 96% of Canada's international assets were denominated in foreign currencies, compared with 40% of its international liabilities.

Net international investment position relative to the gross domestic product

The net international investment position can be expressed as a proportion of the gross domestic product (GDP), to illustrate its importance relative to the size of the economy.

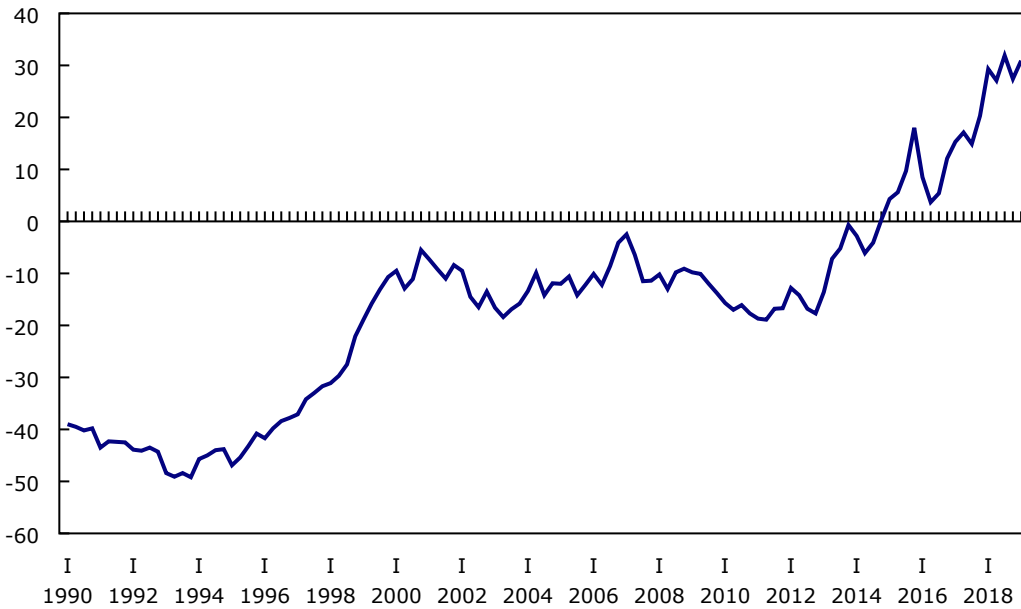
The ratio stood at 31% at the end of the first quarter, up from 27% in the previous quarter. This proportion has increased significantly since 2014 when Canada became a net lender to the rest of the world, on the strength of foreign equity prices.

After hitting lows of close to -50% in 1993, the period from 1995 to 2000 was marked by a strong increase in the ratio, again related to growing global stock markets.

Chart 3

Net international investment position as a percentage of gross domestic product

percentage (%)



Source(s): Tables [36-10-0104-01](#) and [36-10-0485-01](#).

Table 1
Canada's international investment position at period end

	First quarter 2018	Second quarter 2018	Third quarter 2018	Fourth quarter 2018	First quarter 2019	Fourth quarter 2018 to first quarter 2019
	billions of dollars					difference in billions of dollars
Assets	4,991.7	5,124.3	5,216.2	5,052.4	5,348.2	295.8
Direct investment assets	1,978.0	2,044.5	2,077.1	1,900.8	2,075.2	174.4
Equity	1,808.3	1,865.2	1,902.7	1,719.6	1,900.7	181.1
Debt instruments	169.8	179.3	174.4	181.1	174.5	-6.7
Canadian portfolio investment	2,166.8	2,218.8	2,277.5	2,182.2	2,340.6	158.4
Foreign debt securities	470.5	492.6	502.2	544.2	566.1	21.9
Foreign money market instruments	7.9	6.6	7.9	9.3	9.5	0.2
Foreign bonds	462.6	486.0	494.2	534.8	556.6	21.8
Foreign equity and investment fund shares	1,696.2	1,726.2	1,775.4	1,638.1	1,774.5	136.4
Official international reserves	107.4	107.7	104.4	114.5	111.5	-3.0
Other Canadian investment	739.5	753.3	757.2	854.9	820.9	-34.0
Loans	283.5	290.7	288.7	327.2	323.7	-3.6
Currency and deposits	384.0	390.9	398.3	454.4	431.2	-23.2
Trade credits and advances	9.2	10.1	10.5	11.0	10.8	-0.3
Other accounts receivable	62.9	61.6	59.6	62.2	55.2	-6.9
Liabilities	4,347.3	4,522.3	4,502.3	4,443.0	4,652.0	209.1
Direct investment liabilities	1,393.4	1,476.2	1,451.6	1,326.8	1,463.4	136.6
Equity	1,157.0	1,236.8	1,214.7	1,087.5	1,221.3	133.9
Debt instruments	236.4	239.4	236.9	239.3	242.1	2.8
Foreign portfolio investment	2,167.4	2,242.9	2,231.9	2,193.9	2,316.6	122.7
Canadian debt securities	1,496.4	1,518.0	1,512.2	1,538.6	1,570.1	31.4
Canadian money market instruments	102.5	98.0	107.3	106.4	103.8	-2.6
Canadian bonds	1,393.9	1,420.0	1,404.9	1,432.2	1,466.3	34.0
Canadian equity and investment fund shares	671.0	724.9	719.7	655.3	746.6	91.3
Other foreign investment	786.5	803.3	818.9	922.3	872.0	-50.3
Loans	118.9	120.7	126.8	138.4	137.0	-1.4
Currency and deposits	627.2	639.7	647.7	735.8	686.7	-49.1
Special drawing rights	11.2	11.1	10.8	11.4	11.1	-0.2
Trade credits and advances	11.7	12.5	12.7	14.1	13.3	-0.8
Other accounts payable	17.5	19.3	20.8	22.6	23.9	1.3
Net international investment position	644.4	602.0	713.9	609.4	696.1	86.7

Source(s): Table 36-10-0485-01.

Table 2
Quarterly change in Canada's international investment position

	First quarter 2019				Position at end of period
	Position at beginning of period	Financial account transactions	Revaluations due to exchange rate changes	All other changes to the position	
	billions of dollars				
Assets	5,052.4	3.6	-105.0	397.1	5,348.2
Direct investment assets	1,900.8	30.9	-37.9	181.4	2,075.2
Canadian portfolio investment	2,182.2	-0.9	-50.1	209.3	2,340.6
Foreign debt securities	544.2	11.8	-11.5	21.7	566.1
Foreign equity and investment fund shares	1,638.1	-12.7	-38.5	187.7	1,774.5
Official international reserves	114.5	-1.3	-2.5	0.8	111.5
Other Canadian investment	854.9	-25.1	-14.5	5.5	820.9
Liabilities	4,443.0	17.8	-39.8	231.1	4,652.0
Direct investment liabilities	1,326.8	12.2	-1.5	126.0	1,463.4
Foreign portfolio investment	2,193.9	39.9	-23.8	106.6	2,316.6
Canadian debt securities	1,538.6	24.9	-23.8	30.4	1,570.1
Canadian equity and investment fund shares	655.3	15.0	0.0	76.3	746.6
Other foreign investment	922.3	-34.3	-14.5	-1.6	872.0
Net international investment position	609.4	-14.2	-65.2	166.1	696.1

Note(s): Other changes to the position include the revaluation of assets and liabilities caused by fluctuations in prices, 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): Table 36-10-0454-01.

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. 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 international assets can be referred to as Canada's **net foreign debt**. An excess of international assets over international 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 36-10-0008-01 and 36-10-0009-01. 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 tables: [36-10-0039-01](#), [36-10-0368-01](#), [36-10-0412-01](#), [36-10-0443-01](#), [36-10-0446-01](#), [36-10-0454-01](#), [36-10-0469-01](#), [36-10-0485-01](#), [36-10-0581-01](#) and [36-10-0606-01](#).

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 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.

The *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.

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