Canada's international transactions in securities, April 2020

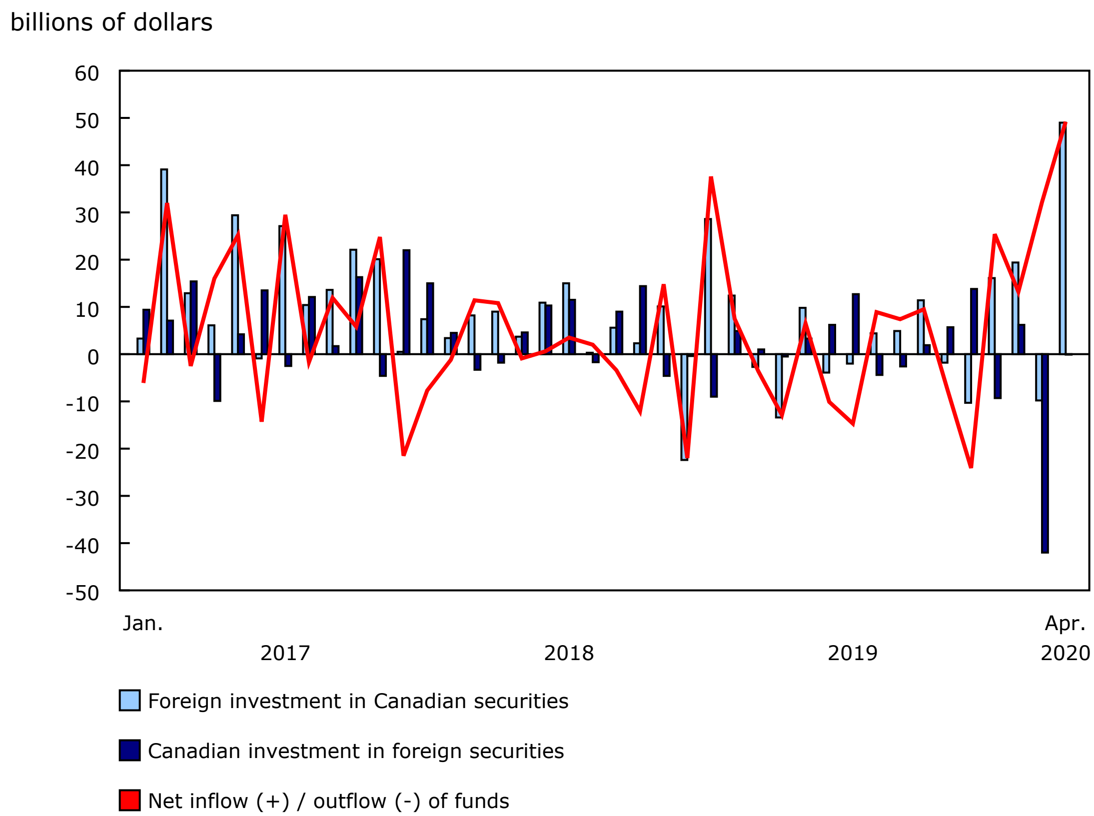
Released at 8:30 a.m. Eastern time in The Daily, Tuesday, June 16, 2020

Foreign investment in Canadian securities reached a record-high of $49.0 billion in April, all in debt securities. Meanwhile, Canadian divestment in foreign securities eased considerably to $134 million, following a record-level divestment in March.

As a result, Canada's international transactions in securities generated a record net inflow of funds in the Canadian economy of $49.2 billion in April, for a total of $120.0 billion since the beginning of the year.

Borrowing needs from governments increased substantially in April to support Canadian enterprises and households impacted by the COVID-19 pandemic. Foreign creditors contributed strongly to these financing activities.

Chart 1
Canada's international transactions in securities



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

Unprecedented foreign investment in Canadian debt securities

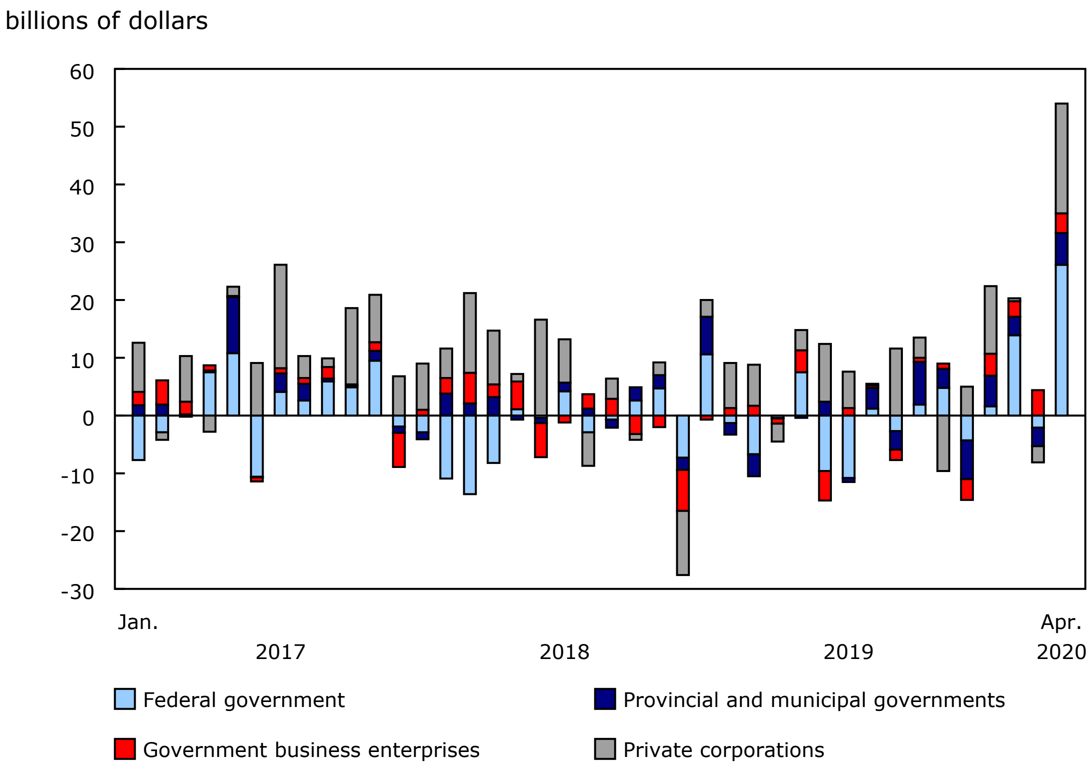
Foreign investors acquired $54.0 billion of Canadian debt securities in April, following a $39.1 billion investment in the first quarter. April's record foreign investment occurred against the backdrop of a surge in borrowing activities.

In April, the federal government raised a total of $136.8 billion of funds from the issuance of debt securities. This overall borrowing activity led to strong foreign investment on the secondary market, as non-resident investors acquired $15.8 billion of federal government outstanding bonds and $10.2 billion of federal government money market instruments.

Foreign investment in provincial government debt securities amounted to $5.3 billion in April, driven by new issuances of bonds, mainly denominated in non-US foreign currencies, and money market instruments on the international market. Private corporations, led by chartered banks and investment firms, issued a record $25.0 billion of new bonds abroad. A reduction in foreign holdings of Canadian private corporate paper of $6.4 billion moderated the overall inflow of funds in the month.

From December 2019 to April 2020, Canadian long-term interest rates fell 105 basis points to a record low of 0.56%. Meanwhile, Canadian short-term interest rates fell 140 basis points to 0.26%, their lowest level in more than a decade. Long-term interest rates in the US and major European markets continued their downward trend in April, though rates in Canada and the United States generally stood above those of many European countries by month's end. The Canadian dollar posted small gains against most major foreign currencies, following three consecutive months of depreciation.

Chart 2
Foreign investment in Canadian debt securities, by sector of issuer



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

Foreign divestment in Canadian shares continues

Non-resident investors reduced their holdings of Canadian shares by $4.9 billion in April, a seventh straight month of divestment. As in March, shares from the banking sector accounted for the largest foreign divestment activity in April. Canadian equity prices rose 10.5% in April, after falling 17.7% in March. Despite the overall increase in stock prices in April, the banking sector, as measured by the S&P/TSX composite sector index for banks, posted a 1.5% decline, after losing 16.4% in March.

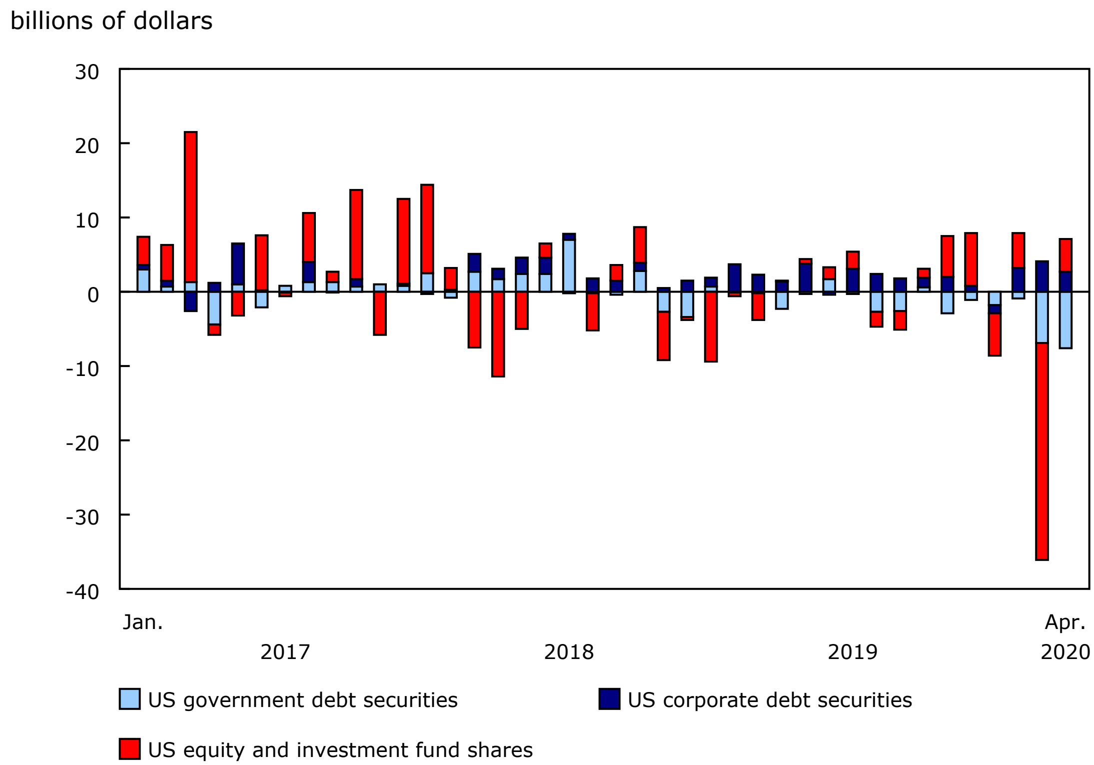
Canadian investors sell US government bonds and acquire US corporate securities

Canadian investors sold $134 million of foreign securities in April, following a record divestment in March, when global stock markets fell sharply. The activity in April reflected large sales of US government bonds, which were almost completely offset by acquisitions of US corporate securities.

Resident investors reduced their holdings of US Treasury bonds by $8.8 billion in April, for a total of $19.2 billion since the beginning of the year. Long-term interest rates in the United States fell 120 basis points during this period to 0.66%. April's divestment in US government bonds was moderated by a $1.2 billion investment in US government short-term debt securities.

Canadian investors added $4.4 billion of US shares to their portfolio in April, after selling off $29.2 billion in March. US equity prices swung from a 12.5% decline in March to a 12.7% increase in April. Canadian investment focussed on market index funds and shares issued by large capitalization technology firms. In addition, Canadians invested in US corporate bonds for a third consecutive month, adding $2.3 billion to their holdings during the month.

Chart 3
Canadian investment in US securities, by type of instruments



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 May will be released on July 16.

Table 1
Canada's international transactions in securities

	February 2020	March 2020	April 2020	January to April 2019	January to April 2020
	millions of dollars				
Foreign investment in Canadian securities	**19,395**	**-9,815**	**49,035**	**24,913**	**74,739**
Debt securities	20,326	-3,629	53,962	18,878	93,099
Money market instruments	-2,192	-6,759	7,029	-5,211	-919
Governments	2,545	-6,868	12,590	-1,899	5,645
Federal government	3,643	-3,347	10,207	2,758	8,793
Other governments	-1,098	-3,521	2,383	-4,657	-3,147
Corporations	-4,737	109	-5,561	-3,312	-6,565
Government business enterprises	1,326	5,047	829	-2,122	7,830
Private corporations	-6,063	-4,938	-6,390	-1,190	-14,395
Bonds	22,518	3,130	46,932	24,089	94,018
Governments	14,521	1,559	18,945	4,708	44,585
Federal government	10,271	1,284	15,847	-527	30,750
Other governments	4,249	274	3,098	5,235	13,833
Corporations	7,997	1,571	27,988	19,381	49,434
Government business enterprises	1,405	-600	2,571	3,533	6,569
Private corporations	6,593	2,172	25,416	15,848	42,866
Equity and investment fund shares	-931	-6,186	-4,927	6,036	-18,360
Shares	-497	-5,377	-4,458	5,407	-16,266
Investment fund shares	-434	-809	-469	628	-2,094
Canadian investment in foreign securities	**6,195**	**-42,030**	**-134**	**-3,671**	**-45,248**
Debt securities	145	-12,713	-4,965	8,900	-15,311
Money market instruments	2,155	-1,432	1,407	-478	3,086
Bonds	-2,009	-11,281	-6,372	9,376	-18,396
Equity and investment fund shares	6,049	-29,316	4,831	-12,572	-29,936

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.

The data visualization product "Securities statistics," part of the series *Statistics Canada – Data Visualization Products* (**71-607-X**), is available online.

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.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; **STATCAN.infostats-infostats.STATCAN@canada.ca**) or Media Relations (613-951-4636; **STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca**).