

Canada's international transactions in securities, December 2020

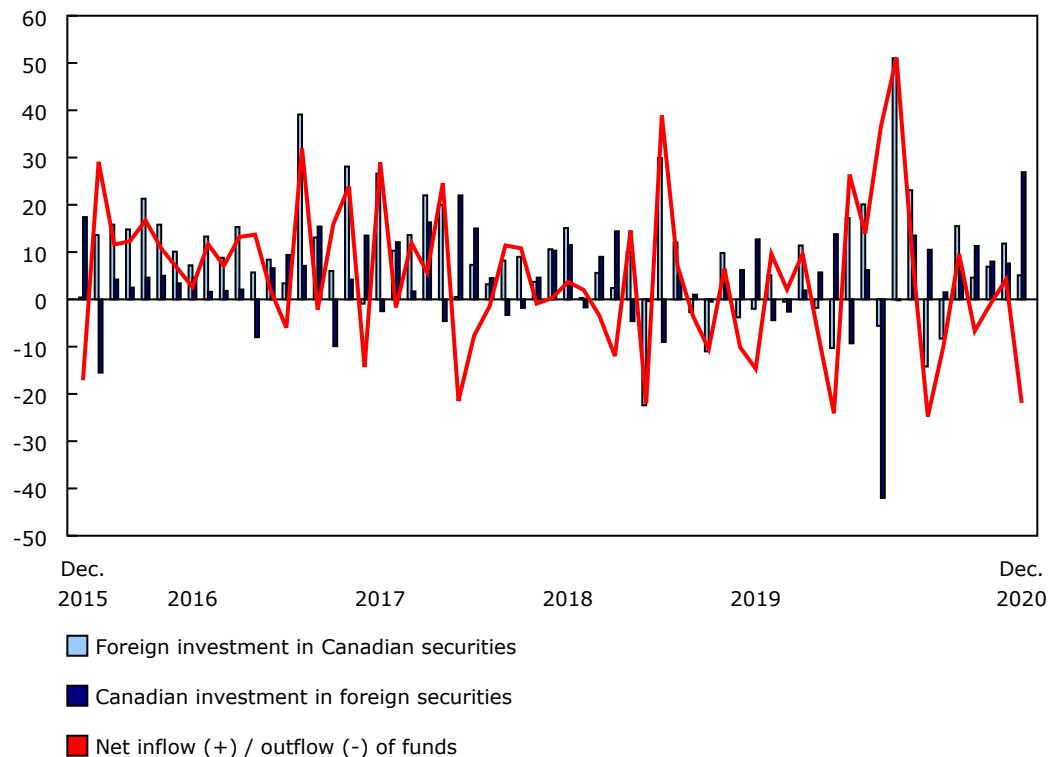
Released at 8:30 a.m. Eastern time in *The Daily*, Tuesday, February 16, 2021

Canadian investors acquired an unprecedented \$26.9 billion of foreign securities in December, largely purchases of US shares. Meanwhile, non-residents added \$5.1 billion of Canadian securities to their holdings, the lowest investment in three months.

As a result, international transactions in securities generated a net outflow of funds of \$21.9 billion from the Canadian economy in December. Nonetheless, for the whole year, cross-border portfolio investment generated a net inflow of funds in the economy of \$87.1 billion in 2020.

Chart 1
Canada's international transactions in securities

billions of dollars



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

Unprecedented investment in US shares

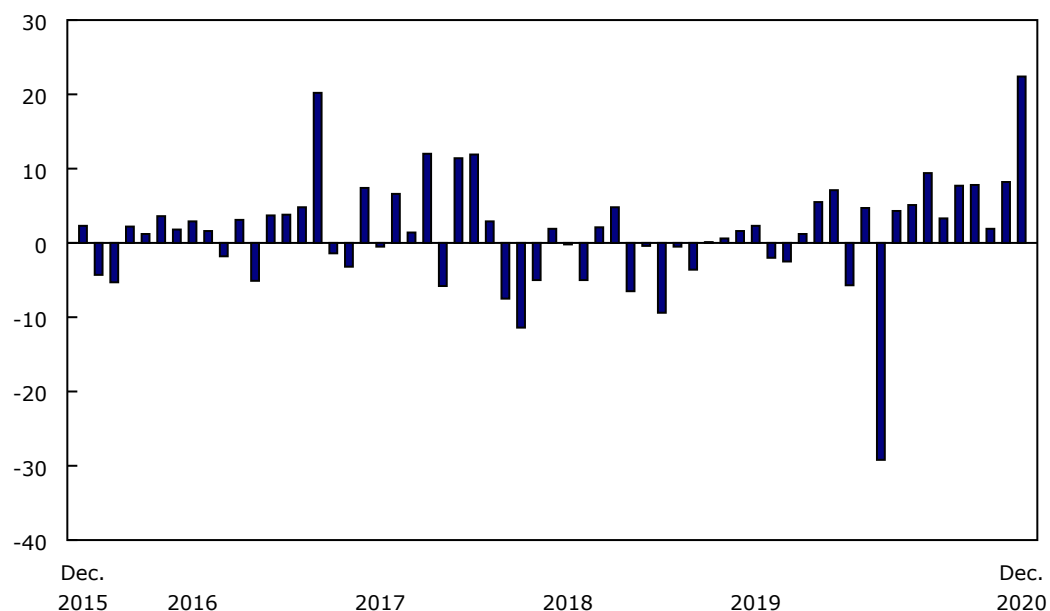
Canadian investment in foreign securities amounted to an unprecedented \$26.9 billion in December, marking an eighth consecutive month of net purchases. Investment activity of the month was nearly all in foreign shares.



Canadian investors acquired a record \$22.4 billion of US shares in December. Acquisitions mainly targeted investment fund shares tracking broad US market indices, as well as shares of large capitalization technology and pharmaceutical firms. In addition, investors added \$4.4 billion of non-US foreign shares to their portfolio, following five months of divestment totalling \$8.2 billion. Most major stock markets closed the month at record high levels.

Chart 2 Canadian investment in US equity and investment fund shares

billions of dollars



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

Foreign investment in Canadian shares reaches the highest level since January 2019

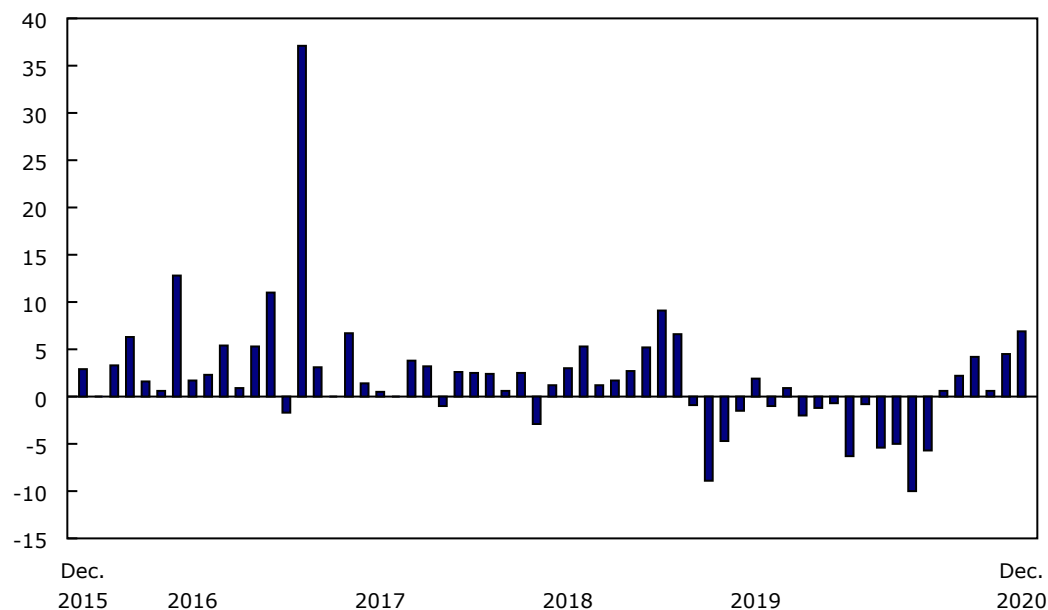
Foreign investment in Canadian securities totalled \$5.1 billion in December. The activity in the Canadian debt market reflected foreign acquisitions of private corporate paper moderated by a divestment in federal government enterprise bonds. Foreign investment in the Canadian stock market reached its highest level since January 2019.

Non-resident investors added \$7.7 billion of private corporate paper to their holdings in December, marking the largest investment since October 2016. This activity mostly reflected new issues of US dollar-denominated paper by Canadian banks. At the same time, foreign investors reduced their holdings of federal government enterprise bonds by \$6.9 billion, mainly retirements of Canadian dollar-denominated instruments.

Foreign investment in Canadian shares totalled \$6.9 billion in December, the largest investment since January 2019. This activity was led by acquisitions of shares from all major industries except the banking sector. Canadian equity prices, as measured by the S&P/TSX composite index, edged up in the month to end the year at a record high level.

Chart 3 Foreign investment in Canadian equity and investment fund shares

billions of dollars



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

Record foreign investment in Canadian debt securities in 2020

On an annual basis, foreign investors acquired a record amount of \$141.1 billion of Canadian debt securities in 2020. In comparison, during the global financial crisis, in 2009, this activity totalled \$86.5 billion. Federal government debt securities accounted for more than half of the foreign investment in 2020, as non-resident investors purchased \$38.3 billion of federal government bonds and \$37.3 billion of federal government money market instruments in the year. The overall borrowing needs from the federal government increased substantially in 2020 to support Canadian enterprises and households impacted by the COVID-19 pandemic. Foreign creditors contributed significantly to these financing activities, particularly in the first half of the year.

Overall, foreign investors reduced their holdings of Canadian equities by \$14.1 billion in 2020. The investment trend changed over the year as they sold \$33.2 billion of Canadian shares in the first half of the year but purchased \$19.1 billion in the second half.

Canadian investment in foreign securities focuses on US shares in 2020

In 2020, Canadian investors acquired \$40.0 billion of foreign securities, compared with acquisitions of \$8.7 billion in 2009. The investment activity resumed strongly following a record divestment of \$42.0 billion in March, when the global pandemic intensified and major stock markets posted substantial losses.

The bulk of the activity in 2020 was in US shares. After an unprecedented divestment of \$29.2 billion in March, Canadians bought \$70.2 billion of US shares in rest of the year. US share prices, as measured by the S&P 500 composite index, ended the year with a record high level, up 43.7% from March.

Meanwhile, resident investors added \$20.9 billion of US corporate bonds and sold \$21.5 billion of US government bonds.

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 or shares of investment funds. For the sake of brevity, the terms "shares" and "equity and investment fund shares" can have the same meaning.

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 January will be released on March 16.

Table 1
Canada's international transactions in securities

	October 2020	November 2020	December 2020	2019	2020
	millions of dollars				
Foreign investment in Canadian securities	6,930	11,782	5,081	36,165	127,061
Debt securities	6,349	7,297	-1,819	38,562	141,126
Money market instruments	-390	1,100	6,870	4,528	20,052
Governments	-1,764	6,614	329	463	31,713
Federal government	-767	5,933	-359	-2,552	37,264
Other governments	-997	681	688	3,014	-5,550
Corporations	1,374	-5,514	6,541	4,065	-11,663
Government business enterprises	-699	-5,212	-1,169	-1,097	-7,096
Private corporations	2,073	-302	7,710	5,161	-4,568
Bonds	6,739	6,197	-8,690	34,036	121,073
Governments	11,826	6,637	-2,870	-2,447	66,578
Federal government	4,628	4,272	-2,302	-7,316	38,266
Other governments	7,199	2,365	-568	4,869	28,311
Corporations	-5,087	-440	-5,820	36,486	54,495
Government business enterprises	449	1,576	-6,939	-867	7,042
Private corporations	-5,536	-2,016	1,119	37,350	47,454
Equity and investment fund shares	581	4,485	6,901	-2,397	-14,064
Shares	652	5,580	6,588	23	-9,662
Investment fund shares	-94	-1,119	294	-2,420	-4,386
Canadian investment in foreign securities	7,975	7,562	26,941	32,961	39,966
Debt securities	6,422	475	158	27,484	1,663
Money market instruments	-394	-53	1,174	-1,471	1,857
Bonds	6,816	527	-1,016	28,954	-194
Equity and investment fund shares	1,552	7,087	26,783	5,473	38,303

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-ligneinformedias.STATCAN@canada.ca).