

Canada's international investment position, third quarter 2021

Released at 8:30 a.m. Eastern time in *The Daily*, Thursday, December 9, 2021

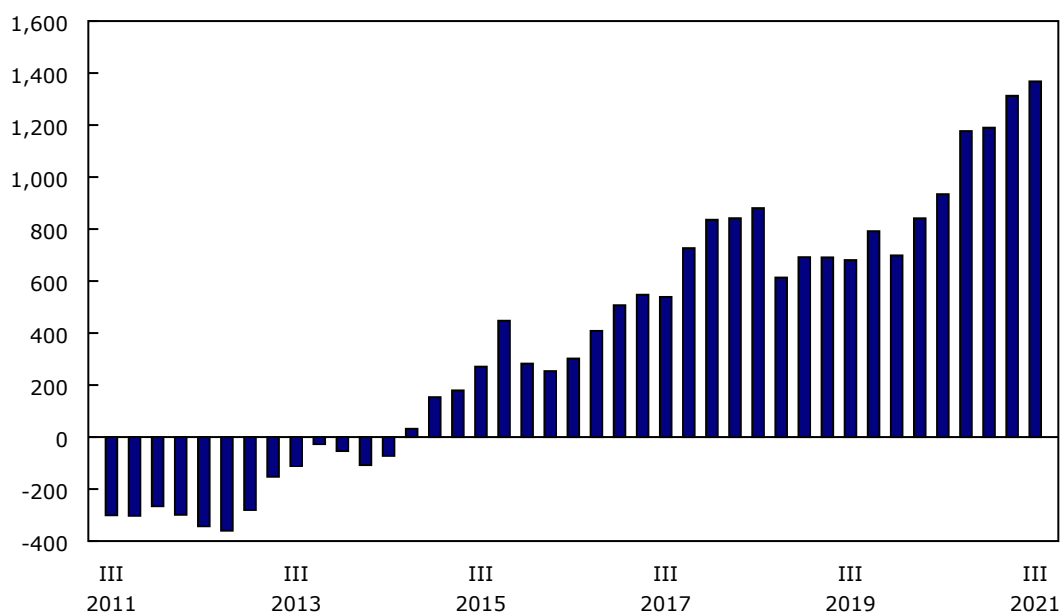
Canada's net foreign asset position

Canada's net foreign asset position, the difference between Canada's international financial assets and international liabilities, reached \$1,367.8 billion at the end of the third quarter, an increase of \$55.3 billion from the previous quarter.

The revaluation effect resulting from fluctuations in exchange rates (+\$76.0 billion) led the overall increase in Canada's net foreign asset position. Over the quarter, the Canadian dollar depreciated against most major foreign currencies. It lost 2.7% against the US dollar, 0.7% against the euro, and 1.9% against the Japanese yen. At the end of the quarter, 96.4% of Canada's international assets were denominated in foreign currencies, compared with 36.4% of its international liabilities.

Chart 1 Canada's net international investment position

billions of dollars



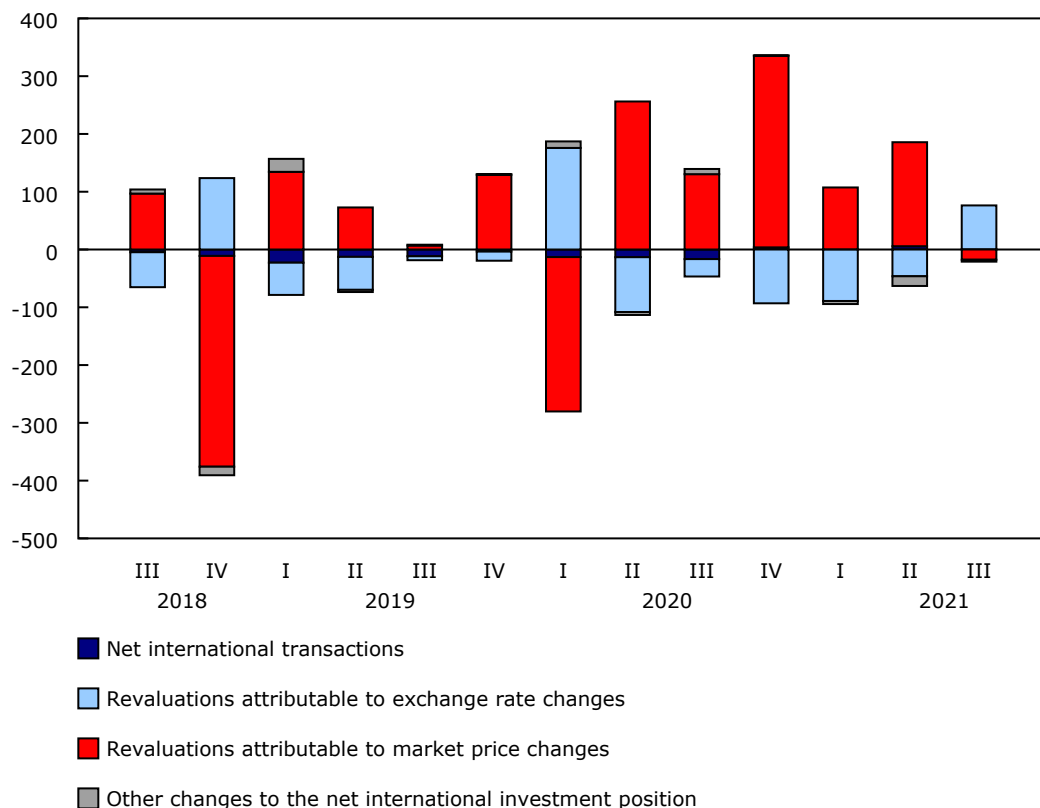
Source(s): Table 36-10-0485-01.

Market price variations had a limited impact on the revaluation of Canada's international assets and liabilities in the third quarter, following a significant contribution in each of the previous five quarters. Overall, changes in market prices resulted in a \$17.7 billion decline in Canada's net foreign asset position in the third quarter. Global stock markets moved in different directions: the US stock market grew by a modest 0.2%, while the Canadian (-0.5%) and European (-0.4%) stock markets were both down. Stock market conditions impact Canada's international assets more than its liabilities, as a higher proportion of international assets (72.8%) are held in the form of equities than liabilities (44.8%).



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

billions of dollars



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

On a geographical basis, Canada's net foreign asset position with the United States was up by \$123.2 billion to \$888.0 billion at the end of the third quarter—but was down by \$67.9 billion to \$479.8 billion with the rest of the world. Canada's net foreign asset position with the United States has rapidly grown in the past decade on the strength of market prices. Canada was in a net debt position of \$516 billion with the United States at the end of 2012.

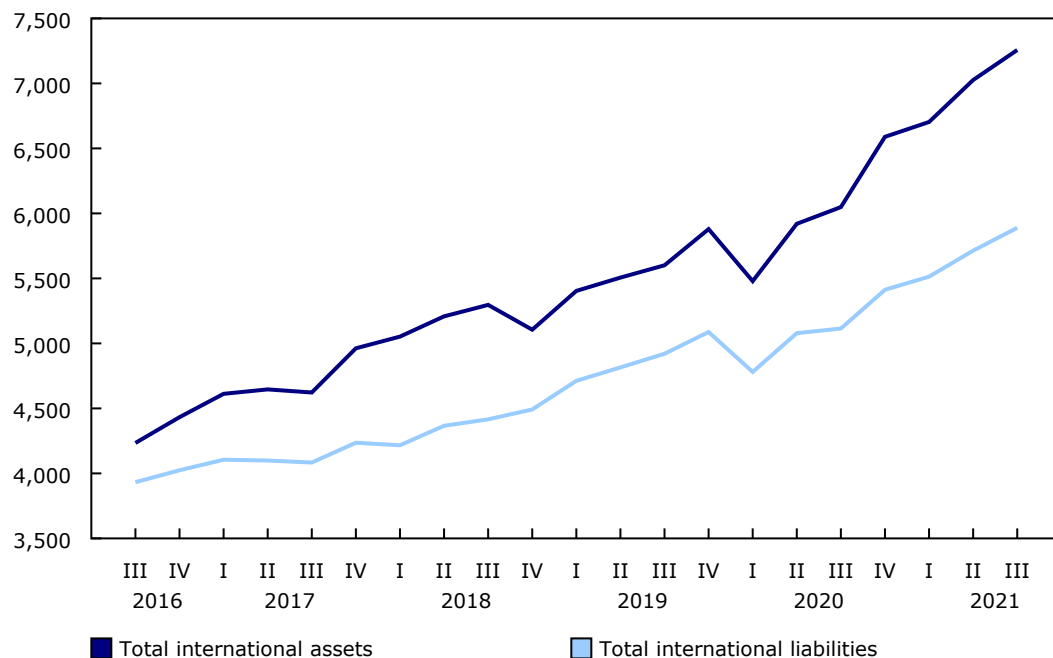
Canada's international assets and liabilities up

Canada's international assets were up by \$230.8 billion to a record \$7,256.8 billion at the end of the third quarter. The revaluation due to exchange rate fluctuations (+\$119.4 billion) and significant investments abroad (+\$118.3 billion) contributed to the increase. On an instrument basis, Canadian holdings of foreign debt (+\$117.4 billion) and foreign equity (+\$113.4 billion) instruments increased by a similar amount. The revaluation due to market price changes resulted in a modest depreciation (-\$7.2 billion) in the value of the assets.

On the other side of the ledger, Canada's international liabilities amounted to \$5,889.0 billion at the end of the third quarter, an increase of \$175.5 billion. This increase was mainly due to investments from abroad of \$118.0 billion, mainly in the form of debt securities. The revaluation due to exchange rate movements (+\$43.5 billion) and, to a lesser degree, market price changes (+\$10.5 billion), contributed to increasing Canada's liabilities with the rest of the world.

Chart 3
Canada's international assets and liabilities

billions of dollars



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

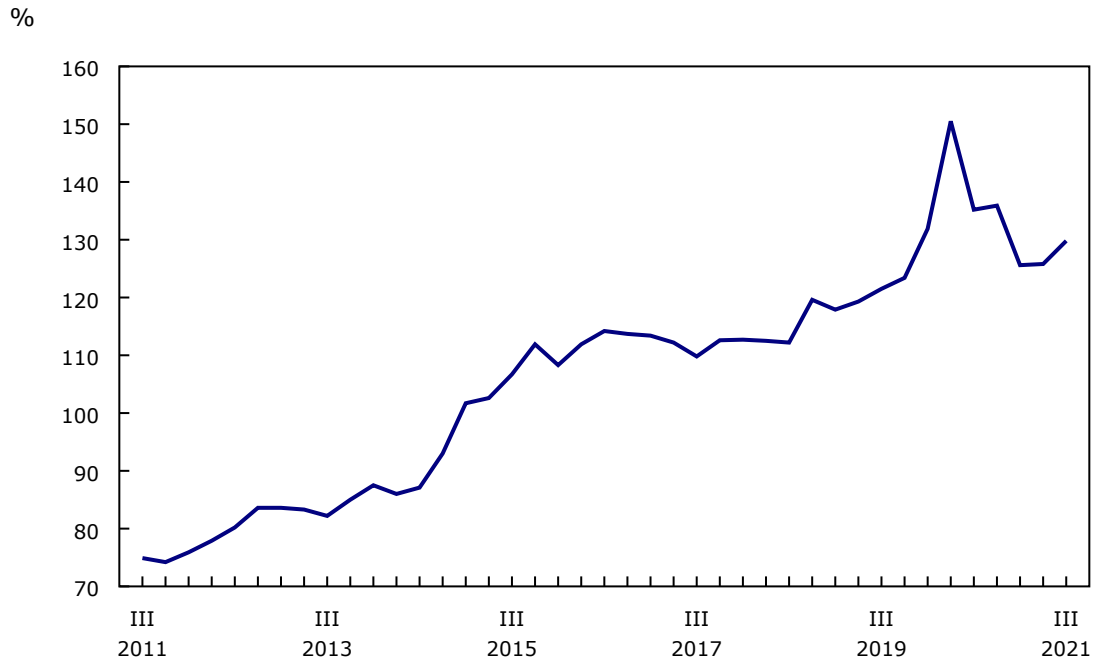
Canada's gross external debt increases

Canada's gross external debt, or the value of Canadian debt instruments held by foreign investors, was up by \$167.3 billion to \$3,251.3 billion at the end of the third quarter. It represented 129.8% of the gross domestic product, up compared with 125.8% at the end of the second quarter.

The government sector's gross external debt grew by \$29.3 billion to \$651.2 billion, and the financial sector—mainly deposit-taking corporations—saw its gross external debt increase by \$119.0 billion to reach \$1,828.1 billion at the end of September. The financial sector still contributed to the highest proportion of Canada's gross external debt at 56.2%, followed by the government sector at 20.0%.

Overall, close to two-thirds of Canada's gross external debt is denominated in foreign currencies, mostly long-term instruments, with original maturity greater than one year, such as bonds.

Chart 4
Canada's gross external debt as a percentage of gross domestic product



Source(s): Tables [36-10-0104-01](#) and [36-10-0469-01](#).

Table 1
Canada's international investment position at period end

	Third quarter 2020	Fourth quarter 2020	First quarter 2021	Second quarter 2021	Third quarter 2021	Second quarter to third quarter 2021
	billions of dollars					difference in billions of dollars
Assets	6,048.5	6,589.1	6,703.2	7,026.0	7,256.8	230.8
Direct investment assets	2,367.9	2,606.5	2,718.2	2,848.8	2,886.3	37.4
Equity	2,150.2	2,395.4	2,517.1	2,654.0	2,682.0	27.9
Debt instruments	217.7	211.1	201.2	194.8	204.3	9.5
Canadian portfolio investment	2,660.6	2,897.3	2,932.5	3,136.1	3,244.0	107.8
Foreign debt securities	660.1	644.2	604.4	624.1	646.5	22.4
Foreign money market instruments	8.8	8.9	8.9	8.9	6.3	-2.6
Foreign bonds	651.3	635.3	595.5	615.2	640.2	25.0
Foreign equity and investment fund shares	2,000.4	2,253.1	2,328.1	2,512.0	2,597.5	85.5
Official international reserves	120.3	115.1	104.8	110.2	135.4	25.2
Other Canadian investment	899.7	970.1	947.6	930.9	991.1	60.3
Loans	378.7	401.6	375.5	348.0	394.5	46.5
Currency and deposits	453.3	495.4	499.5	509.4	527.8	18.4
Trade credits and advances	9.6	9.0	9.4	9.5	9.7	0.1
Other accounts receivable	58.1	64.2	63.2	63.9	59.2	-4.7
Liabilities	5,114.4	5,412.4	5,513.4	5,713.6	5,889.0	175.5
Direct investment liabilities	1,577.0	1,691.8	1,835.0	1,929.6	1,947.7	18.1
Equity	1,337.0	1,458.2	1,590.3	1,686.2	1,700.2	14.0
Debt instruments	240.1	233.6	244.8	243.5	247.5	4.1
Foreign portfolio investment	2,504.7	2,545.9	2,561.6	2,649.2	2,741.1	91.9
Canadian debt securities	1,749.5	1,737.1	1,671.4	1,705.8	1,803.6	97.7
Canadian money market instruments	122.1	127.7	115.1	141.3	148.5	7.2
Canadian bonds	1,627.4	1,609.4	1,556.3	1,564.5	1,655.1	90.5
Canadian equity and investment fund shares	755.2	808.8	890.2	943.4	937.5	-5.9
Other foreign investment	1,032.7	1,174.7	1,116.7	1,134.7	1,200.2	65.5
Loans	289.1	329.8	316.5	302.1	345.0	42.9
Currency and deposits	675.8	778.0	733.7	765.2	767.9	2.7
Special drawing rights	11.2	11.1	10.7	10.6	29.8	19.2
Trade credits and advances	16.1	15.4	15.6	16.0	16.2	0.3
Other accounts payable	40.4	40.4	40.3	40.8	41.3	0.5
Net international investment position	934.0	1,176.7	1,189.8	1,312.5	1,367.8	55.3

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

Table 2
Quarterly change in Canada's international investment position

	Third quarter 2021					Position at end of period
	Position at beginning of period	Financial account transactions	Revaluations attributable to exchange rate changes	Revaluations attributable to market price changes	All other changes to the position	
	billions of dollars					
Assets	7,026.0	118.3	119.4	-7.2	0.2	7,256.8
Direct investment assets	2,848.8	21.2	25.7	-16.4	6.9	2,886.3
Canadian portfolio investment	3,136.1	27.6	71.1	9.7	-0.6	3,244.0
Foreign debt securities	624.1	8.2	16.1	-2.2	0.4	646.5
Foreign equity and investment fund shares	2,512.0	19.4	55.0	11.9	-0.9	2,597.5
Official international reserves	110.2	23.3	2.4	-0.5	0.0	135.4
Other Canadian investment	930.9	46.2	20.2	-0.0	-6.1	991.1
Liabilities	5,713.6	118.0	43.5	10.5	3.5	5,889.0
Direct investment liabilities	1,929.6	18.2	0.7	-1.7	0.8	1,947.7
Foreign portfolio investment	2,649.2	56.9	22.8	12.2	0.1	2,741.1
Canadian debt securities	1,705.8	55.3	22.8	19.6	0.1	1,803.6
Canadian equity and investment fund shares	943.4	1.6	0.0	-7.5	0.0	937.5
Other foreign investment	1,134.7	43.0	20.0	-0.0	2.6	1,200.2
Net international investment position	1,312.5	0.3	76.0	-17.7	-3.3	1,367.8

Note(s): Other changes to the position include volume changes (write-offs, reclassifications or residency changes), 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

Definitions

The **international investment position** is 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, a gross basis) in the international investment position. Foreign direct investment can also be presented on a directional principle basis (that is, a net basis), as shown in supplementary foreign direct investment tables 36-10-0008-01, 36-10-0009-01 and 36-10-0659-01. 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 liabilities.

Revisions

This release incorporates statistical revisions back to 2018 as part of the annual revision exercise of the Canadian System of Macroeconomic Accounts. Revisions reflect the integration of new data sources and benchmark survey data as well as enhanced methodologies. Specifically, newest annual benchmark surveys for foreign direct investment, released in April, were integrated this quarter. In addition, updates to debt securities data result from the integration of additional details related to the geographical distribution of investors.

Next release

International investment position data for the fourth quarter of 2021 will be released on March 10, 2022.

Available tables: [36-10-0038-01](#), [36-10-0039-01](#), [36-10-0412-01](#), [36-10-0443-01](#), [36-10-0446-01](#), [36-10-0454-01](#), [36-10-0469-01](#), [36-10-0474-01](#), [36-10-0485-01](#) and [36-10-0593-01](#).

Definitions, data sources and methods: survey numbers 1534 and 1537.

The [Economic Accounts Statistics](#) and [International Trade Statistics](#) portals are available from the Subjects module of our website.

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 through 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.

The product [Canada's international trade and investment country fact sheet \(71-607-X\)](#) is available online. This product provides easy and centralized access to Canada's international trade and investment statistics, on a country-by-country basis. It contains annual information for nearly 250 trading partners in summary form, including charts, tables and a short analysis that can also be exported in PDF format.

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.

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; infostats@statcan.gc.ca) or Media Relations (statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca).