Canada's international transactions in securities, December 2021

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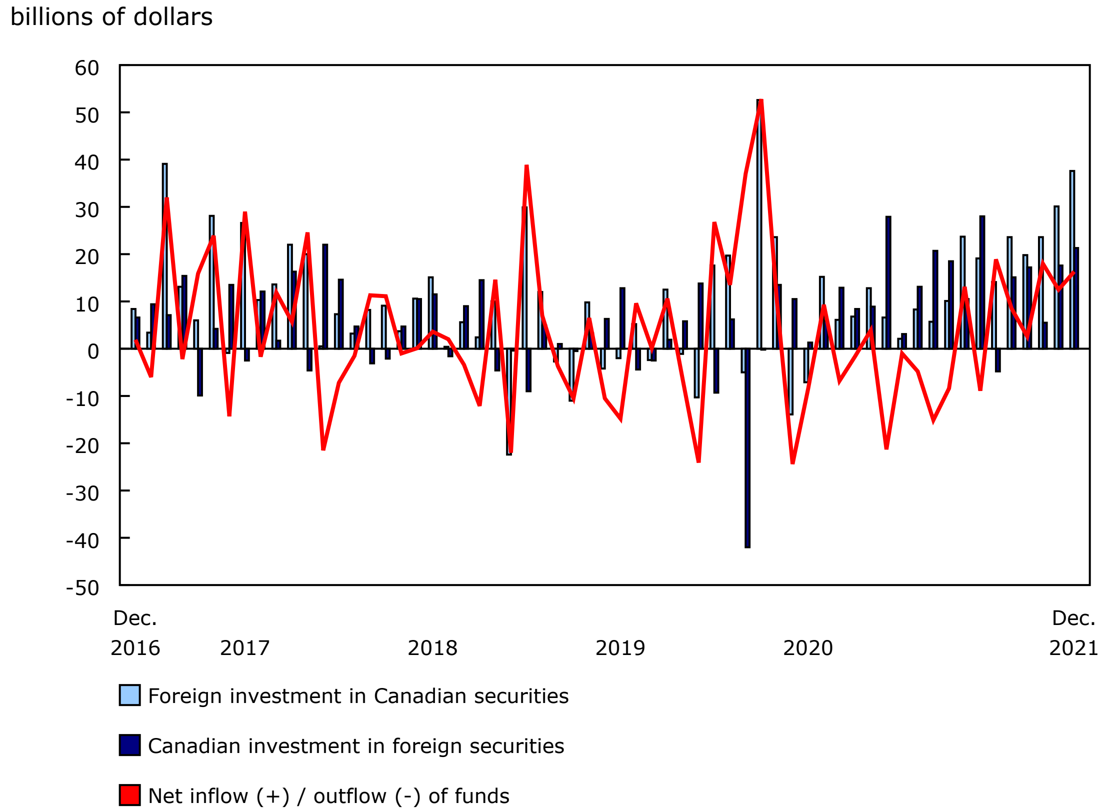
Foreign investment in Canadian securities totalled $37.6 billion in December, the largest investment since April 2020. At the same time, Canadian investors increased their holdings of foreign securities by $21.3 billion, led by purchases of US instruments.

As a result, international transactions in securities generated a net inflow of funds of $16.3 billion in the Canadian economy in December. For the whole year, cross-border portfolio investment reached unprecedented levels, both in Canada and abroad. This activity resulted in a net inflow of funds in the economy of $51.9 billion in 2021, down from $90.9 billion in 2020 on the strength of investment in foreign securities by Canadian investors.

Chart 1
Canada's international transactions in securities



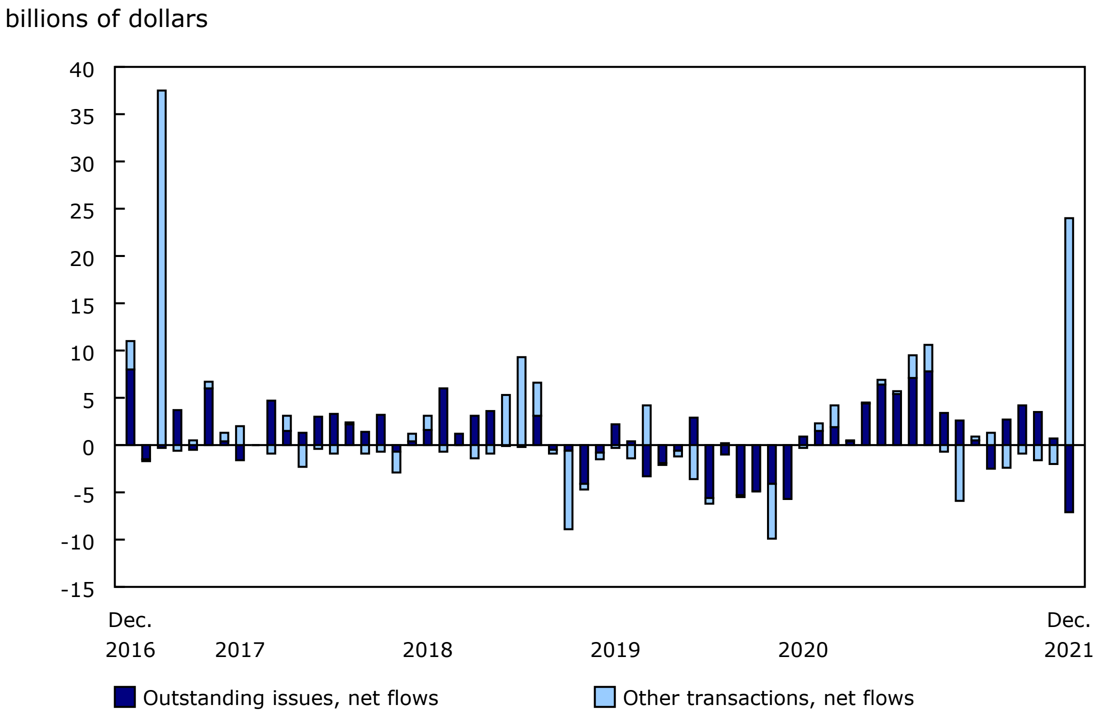
Source(s): Table 36-10-0028-01.

Foreign investment in Canadian securities led by issuances of new shares

Foreign investment in Canadian securities accelerated at the end of 2021 to reach $37.6 billion in December, the largest investment since April 2020.

After a divestment of $1.3 billion in November, foreign investment in Canadian shares amounted to $16.9 billion in December, the largest investment since February 2017. Issuances of new Canadian shares to foreign portfolio investors resulting from cross-border mergers and acquisitions led the investment in December. Sales by non-residents on the secondary market moderated the total investment in Canadian shares. The overall activity largely targeted shares of the trade and transportation industry.

Chart 2
Foreign investment in Canadian equity and investment fund shares, by type of transaction



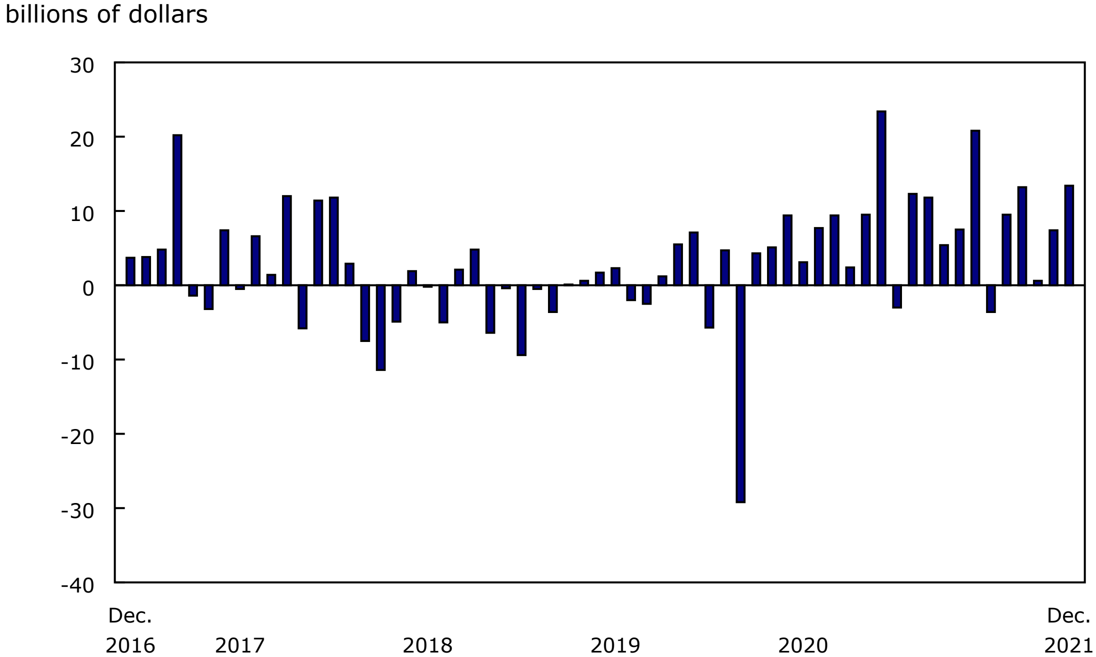
Source(s): Table 36-10-0033-01.

Foreign investors acquired $20.6 billion in Canadian debt securities in December. They added $12.8 billion of money market instruments to their portfolios, mainly private corporate instruments. In addition, they acquired $7.8 billion of Canadian bonds, mainly federal government bonds. In December, Canadian long-term interest rates declined following an upward trend that began in August 2021.

Canadian investment in US securities continues

Canadian acquisitions of foreign securities reached $21.3 billion in December following strong purchases in November. After acquiring $7.4 billion of US shares in November, Canadian investors added $13.4 billion worth to their holdings in December. US stock prices, as measured by the Standard and Poor's 500 composite index, were up by 4.4% in December.

Chart 3
Canadian investment in US equity and investment fund shares



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

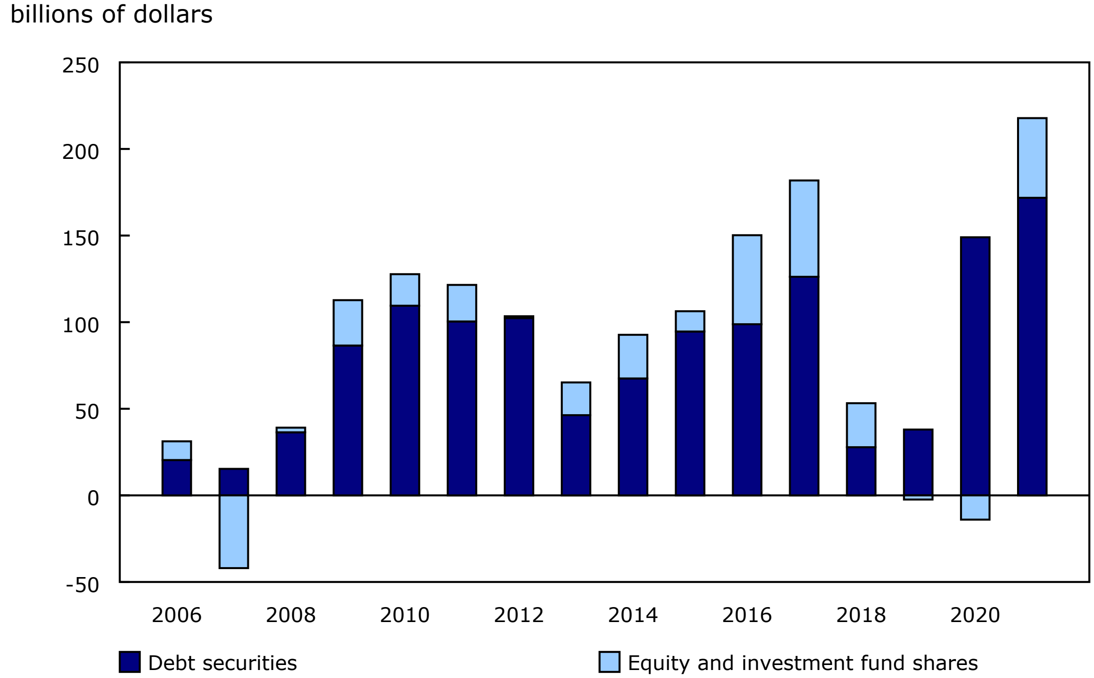
Meanwhile, Canadian investors added $6.3 billion of foreign debt securities to their portfolios, the 11th consecutive month of investment in these instruments. Acquisitions of US government bonds, the largest since July 2018, contributed the most to the investment activity in December.

Cross-border portfolio investments reach unprecedented levels in 2021

On an annual basis, foreign investors acquired a record amount of $217.8 billion in Canadian securities in 2021, a level of activity that is more than twice as high as the average annual investment recorded over the last decade. Foreign investment in government debt securities remained strong in 2021 as borrowing needs to support Canadian enterprises and households impacted by the COVID-19 pandemic were still present. In addition, foreign investment in corporate debt securities increased substantially to reach $80.7 billion, up from $37.8 billion in 2020.

Foreign investors increased their holdings of Canadian equities by $46.0 billion, their largest investment since 2017. In comparison, non-resident investors reduced their overall exposure to Canadian equities by $14.0 billion in 2020. Canadian share prices, as measured by the Standard and Poor's/TSX composite index, went up by 21.7% in 2021, after a slight increase of 2.2% in 2020.

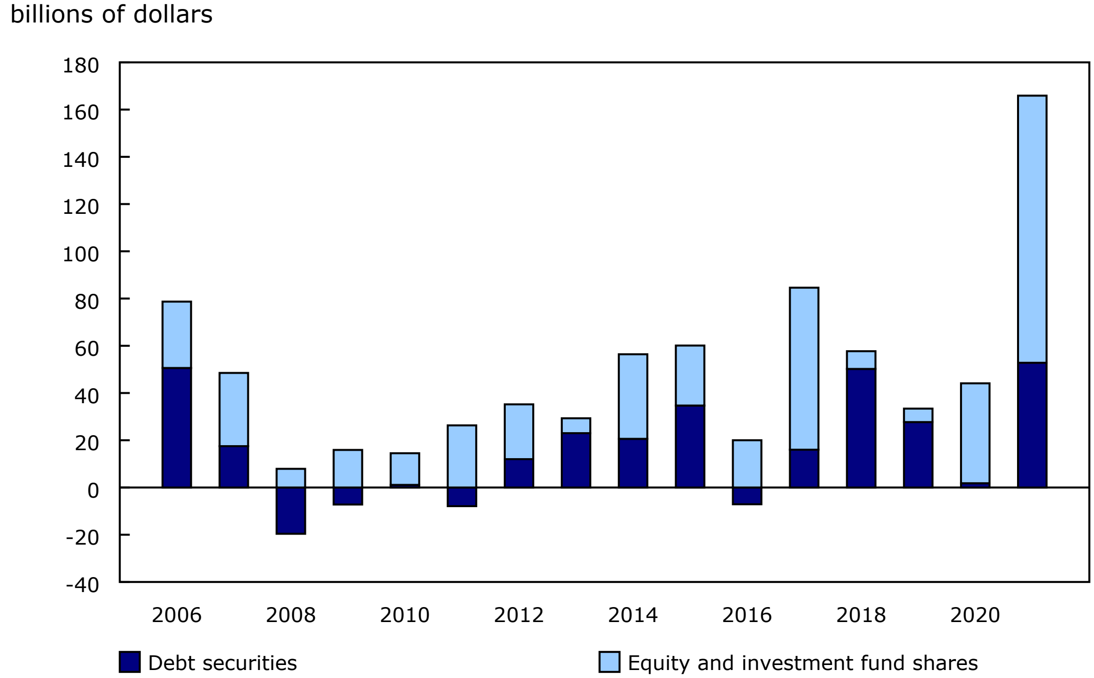
Chart 4
Foreign investment in Canadian securities, by type of instrument, annual



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

In 2021, Canadian investors acquired an unprecedented $165.9 billion of foreign securities, up significantly from 2020 and well above the previous high of $84.7 billion observed in 2017. The bulk of the activity in 2021 targeted US shares, with purchases of $95.1 billion, mainly shares issued by large capitalization technology firms. US share prices ended the year at record high levels, up 26.9% from December 2020. Meanwhile, investors increased their holdings of foreign bonds by $52.5 billion compared with a slight divestment in 2020. This activity reflected strong purchases of both US bonds (+$28.8 billion) and non-US bonds (+$23.8 billion). Interest rates in major foreign countries increased in 2021.

Chart 5
Canadian investment in foreign securities, by type of instrument, annual



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 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" 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 2022 will be released on March 18, 2022.

Table 1
Canada's international transactions in securities

	October 2021	November 2021	December 2021	2020	2021
	millions of dollars				
Foreign investment in Canadian securities	**23,552**	**30,135**	**37,555**	**134,944**	**217,787**
Debt securities	21,667	31,423	20,642	148,960	171,809
Money market instruments	-7,184	13,682	12,833	20,308	39,939
Governments	-4,081	8,287	4,767	31,713	21,887
Federal government	-3,659	6,531	3,672	37,264	12,475
Other governments	-421	1,756	1,095	-5,550	9,411
Corporations	-3,103	5,396	8,066	-11,406	18,054
Government business enterprises	-175	1,633	-1,157	-7,096	5,025
Private corporations	-2,929	3,763	9,223	-4,312	13,027
Bonds	28,851	17,741	7,809	128,652	131,870
Governments	11,318	9,403	10,449	79,493	69,211
Federal government	9,593	8,709	9,124	51,183	46,992
Other governments	1,725	694	1,325	28,311	22,219
Corporations	17,533	8,338	-2,640	49,158	62,660
Government business enterprises	-1,878	2,387	-6,615	7,148	-12,446
Private corporations	19,411	5,951	3,976	42,009	75,104
Equity and investment fund shares	1,886	-1,288	16,913	-14,013	45,981
Shares	1,980	-829	17,399	-9,612	46,137
Investment fund shares	-95	-459	-486	-4,400	-158
Canadian investment in foreign securities	**5,503**	**17,614**	**21,285**	**44,020**	**165,911**
Debt securities	7,250	6,101	6,346	1,750	52,811
Money market instruments	723	1,764	-212	1,948	305
Bonds	6,528	4,337	6,557	-198	52,505
Equity and investment fund shares	-1,747	11,513	14,939	42,274	113,099

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, 36-10-0584-01 and 36-10-0642-01.

Definitions, data sources and methods: survey number 1535.

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.

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

The *User Guide: Canadian System of Macroeconomic Accounts* (**13-606-G**) is also available.

The *Methodological Guide: Canadian System of Macroeconomic Accounts* (**13-607-X**) is 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**).