

Study: Canada's net foreign debt at market value, 1990 to 2012

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Canada's net international investment position, referred to as net foreign debt, amounted to \$241.6 billion at market value in the second quarter of 2012, representing roughly 13.5% of national income. Net foreign debt is the difference between Canada's international assets and liabilities.

This picture of Canada's financial dealings with the world is an improvement from the mid-1990s, when net foreign debt amounted to \$297 billion and accounted for about 44% of national income.

This study assessed Canada's international investment position using new market value estimates of Canada's financial assets and liabilities with the world. These new estimates came from recent historical revisions to the Canadian System of National Accounts.

The revisions yielded improved estimates of Canada's financial assets and liabilities, particularly estimates for direct investment that are reported in market values for the first time. Direct investments are international investments in which the investor has a 10% or greater share of outstanding equity.

Using the market value estimates, the role of stock market price increases on the value of Canada's net foreign debt can be illustrated. Market value estimates can change rapidly as economic conditions change, with revaluations raising or lowering the value of foreign direct investment across economic cycles.

This study shows the effect of changes in stock market prices during and after the high-tech boom, as well as the impact of stock price increases and declines through the 2000s.

For example, during the global financial crisis, the new market value estimates show a decline of around 25% in the value of direct investment assets and liabilities in the third quarter of 2008 compared with the previous quarter.

The market value estimates of portfolio investment, which consist of debt or share holdings in which the investor holds less than 10% of the equity in corporations, also fluctuated when significant stock market movements occurred.

This was mostly due to variation in Canadian portfolio investment abroad, which comprises a larger share of equity holdings than foreign portfolio investment in Canada.

Note to readers

This article in the Economic Insights series presents new market value estimates on Canada's international investment position derived from the historical revisions to the Canadian System of National Accounts.

It is one of a series of Economic Insights articles designed to emphasize key aspects of the new National Accounts data and their utility for analysis of the Canadian economy.



Available without charge in CANSIM: table 376-0142.

Definitions, data sources and methods: survey number 1537.

The study "Canada's Net Foreign Debt at Market Value," part of the *Economic Insights* series (11-626-X, free), is now available from the *Key resource* module of our website under *Publications*.

Similar studies from the Economic Analysis Division are available online (www.statcan.gc.ca/economicanalysis).

For more information, contact us (toll-free 1-800-263-1136; infostats@statcan.gc.ca).

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