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Canada's international investment position, first quarter 2012

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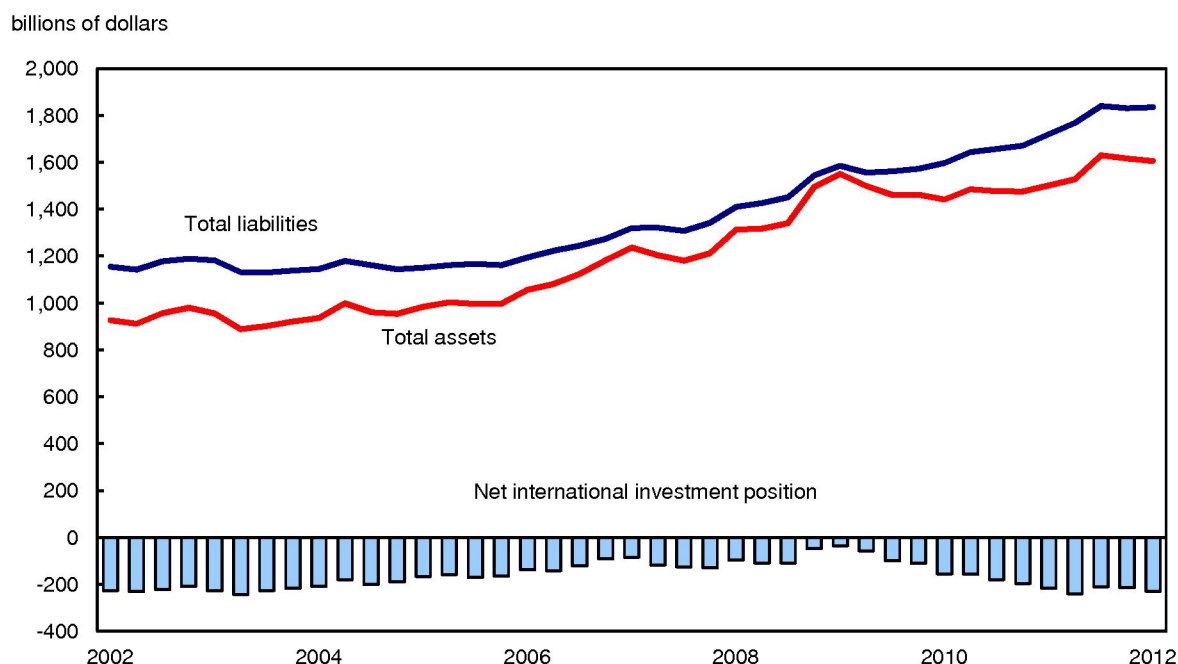
International liabilities rise on continued investment from abroad

Canada's international liabilities were up by \$5.2 billion to \$1,835.0 billion. During the quarter, non-residents invested \$20.6 billion in the Canadian economy, focused in bonds and direct investment. The stronger Canadian dollar had a moderating effect on the increase in liabilities, reducing that portion of Canadian liabilities denominated in foreign currency by \$10.7 billion.

International assets pulled down by a stronger Canadian dollar

Canada's international assets declined \$10.5 billion to \$1,605.1 billion. Canadian investment flows abroad of \$8.8 billion in the quarter were more than offset by a \$17.1 billion downward revaluation of these foreign currency denominated assets, as the Canadian dollar gained 2.0% against the US dollar and 9.6% against the Japanese yen, while it depreciated 1.0% against the British pound and 0.8% against the Euro.

Chart 1
Canada's international investment position



Canada's net asset position on direct investment narrows

The level of foreign direct investment in Canada was up \$12.3 billion in the first quarter to \$619.7 billion. Mergers and acquisitions activity accounted for most of this increase. Concerning the assets, Canadian direct investment abroad edged up to \$686.0 billion. While additional outward investment in the quarter added \$8.5 billion to the position, the appreciation of the Canadian dollar subtracted \$5.7 billion. As a result, Canada's net direct investment asset position narrowed to \$66.2 billion.

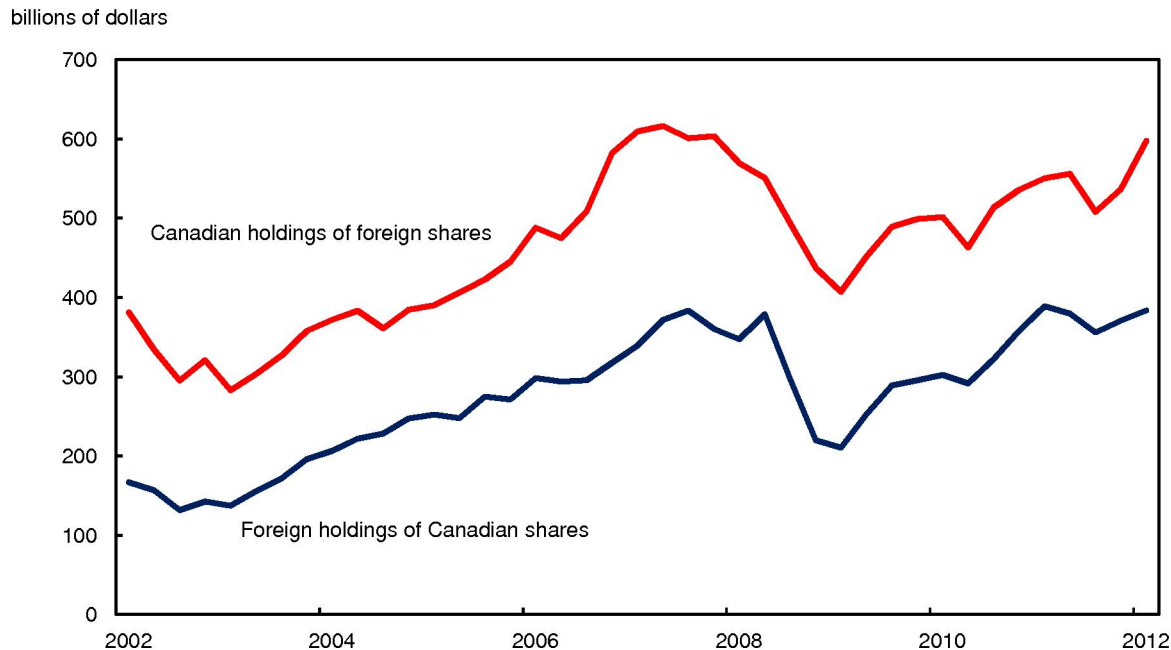
Canada's net liability position on securities widens further

Canada's net debt position on securities increased again, to \$412.2 billion in the first quarter. Canadian holdings of foreign securities declined to \$407.2 billion, as acquisitions of \$6.6 billion were more than offset by foreign currency and other valuation adjustments. These changes were focused in equity positions. For their part, non-resident holdings of Canadian securities edged up \$0.7 billion, with acquisitions of \$6.3 billion reduced by exchange rate revaluations.

Gains in foreign equity markets moderate net foreign indebtedness

Canada's overall net international investment position can also be calculated with tradeable securities valued at market prices. By this measure, Canada's net foreign debt decreased by \$30.9 billion to \$203.2 billion in the first quarter. This decline largely reflected stronger gains on foreign stock markets than on Canadian ones, which translated into upward revaluations of Canadian holdings of foreign equities. Canadian holdings of foreign shares were up \$60.9 billion, while non-resident holdings of Canadian equities were up \$12.7 billion.

Chart 2
Portfolio investment in equities at market value



Note to readers

The comprehensive historical revision to the international investment position (IIP) is scheduled to be released in October 2012. At that time, the main measure of the IIP accounts will reflect market valuation for tradable securities and for foreign direct investment equity, replacing the book value presentation currently in use as the main measure. This will add a further dimension to the analysis of Canada's net international investment position and will more accurately reflect changes in that position. For more information, please see [Valuation of assets and liabilities](#).

This release does not include any revisions prior to 2011. As a consequence, the annual benchmark data on foreign direct investment, which were available on April 19, 2012, are not incorporated in this release prior to 2011. The annual and quarterly foreign direct investment data will be brought into line at the time of the release of the comprehensive historical revision in October 2012.

Definition

The international investment position presents 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 these foreign assets and liabilities. The excess of international liabilities over assets can be referred to as Canada's net foreign debt; the excess of international assets over liabilities can be referred to as Canada's net foreign assets. The valuation of the assets and liabilities in the international investment position are measured at book value, unless otherwise stated. Book value represents the value of assets and liabilities recorded in the books of the enterprise in which the investment is made.

Currency valuation

The value of assets and liabilities denominated in foreign currency are converted to Canadian dollars at the end of each period for which a balance sheet is calculated. Most of Canada's foreign assets are denominated in foreign currencies, while less than half of Canada's international liabilities are in foreign currencies. When the Canadian dollar is appreciating in value, the restatement of the value of these assets and liabilities in Canadian dollars lowers the recorded value. The opposite is true when the Canadian dollar is depreciating.

Table 1
Canada's international investment position at period end

	Fourth quarter 2010	First quarter 2011	Second quarter 2011	Third quarter 2011	Fourth quarter 2011	First quarter 2012
billions of dollars						
Assets						
Canadian direct investment abroad	616.7	638.8	640.2	692.2	684.5	686.0
Portfolio investment abroad						
Foreign bonds	128.8	125.9	120.6	125.9	127.1	123.3
Foreign bonds at market value	138.5	134.1	128.0	142.5	143.0	138.1
Foreign stocks	258.8	257.1	263.2	282.4	278.1	279.7
Foreign stocks at market value	535.7	550.1	556.0	508.0	536.7	597.6
Foreign money market	6.7	6.8	6.0	6.1	4.8	4.2
Foreign money market at market value	6.7	6.8	6.0	6.1	4.8	4.2
Other investments						
Loans	109.6	110.8	116.5	122.8	124.4	126.6
Deposits	225.8	232.4	252.5	267.1	259.0	245.1
Official international reserves	55.2	57.7	58.6	63.2	63.9	66.2
Official international reserves at market value	56.8	58.8	60.3	66.8	66.9	69.2
Other assets	73.1	71.7	70.0	69.5	73.8	74.1
Total assets						
At book value	1,474.6	1,501.3	1,527.5	1,629.3	1,615.7	1,605.1
With portfolio investment at market value	1,762.9	1,803.7	1,829.4	1,875.0	1,893.2	1,940.8
Liabilities						
Foreign direct investment in Canada	561.6	604.1	628.4	641.2	607.5	619.7
Portfolio investment						
Canadian bonds	575.1	575.9	588.7	618.8	620.1	629.2
Canadian bonds at market value	613.3	610.9	628.0	681.2	677.3	684.8
Canadian stocks	120.2	124.7	125.7	128.0	130.8	130.3
Canadian stocks at market value	357.9	389.0	379.5	355.7	370.9	383.6
Canadian money market	35.6	36.1	41.2	58.4	67.8	59.8
Canadian money market at market value	35.6	36.2	41.3	58.6	68.0	59.9
Other investment						
Loans	78.6	69.5	69.1	68.7	74.1	69.8
Deposits	268.4	276.0	281.5	291.3	296.1	292.3
Other liabilities	31.3	33.0	32.9	33.4	33.5	33.8
Total liabilities						
At book value	1,670.9	1,719.2	1,767.5	1,839.7	1,829.8	1,835.0
With portfolio investment at market value	1,946.7	2,018.7	2,060.8	2,130.0	2,127.3	2,143.9
Net international investment position						
At book value	-196.2	-217.9	-240.0	-210.4	-214.1	-229.9
With portfolio investment at market value	-183.9	-215.0	-231.4	-255.0	-234.1	-203.2

Available without charge in CANSIM: tables 376-0037, 376-0039 to 376-0041, 376-0055 to 376-0057 and 376-0059.

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

The first quarter 2012 issue of *Canada's International Investment Position* (67-202-X, free) will soon be available.

For more information, contact Statistics Canada's National Contact Centre (toll-free 1-800-263-1136; 613-951-8116; infostats@statcan.gc.ca).

To enquire about the concepts, methods or data quality of this release, contact Komal Bobal (613-951-6645) or Marie-Josée Lamontagne (613-951-5179), Balance of Payments Division.

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