

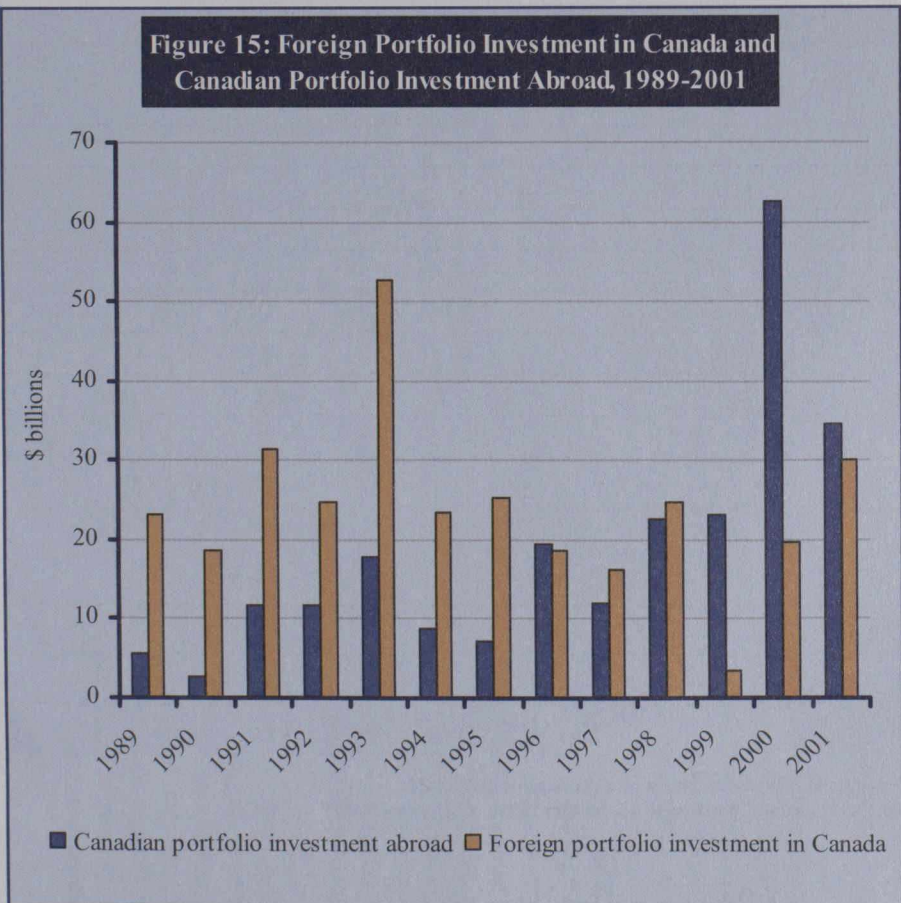
With respect to the country of source, the U.S. accounted for 67 percent of the total FDI stock in Canada in 2001, up from 63.2 percent in 2000. The EU's share fell to 23.8 percent in 2001, after rising to 27.4 percent in 2000, up from 20.4 percent in 1999. As for the stock of CDIA, the United States accounted for 51 percent, followed by the United Kingdom, at 9.8 percent. The EU accounted for 19.6 percent in 2001, down from 21.2 percent in 2000.

**Portfolio Investment**

Portfolio investment, which is interest-rate sensitive, historically has fluctuated sharply, reflecting projected financial returns in the respective host countries. Inflows, which include investments in Canadian bonds, stocks and money markets, rose from \$19.6 billion in 2000 to \$30.1 billion in 2001. Foreign investors acquired a record \$33.6 billion of Canadian bonds in 2001, largely due to increased purchases from the United States.

The flow of Canadian portfolio investment abroad declined from \$62.7 billion in 2000 to \$34.5 billion in 2001. The composition of Canadian portfolio investment outflows shifted to purchases of foreign stocks, as the foreign content limit for tax-sheltered registered pension plans rose to 30 percent in 2001 from 25 percent in 2000. Canadian investment in foreign stocks remained at a near-record high of \$34.6 billion in 2001, though down substantially from \$58.7 billion in 2001.

The year 2001 marked the fourth time since 1956 that the flow of Canadian portfolio investment abroad exceeded foreign portfolio investment in Canada. The other years were 1996, 1999 and 2000, when outflow exceeded inflows by \$0.6 billion, \$17.6 billion and \$43 billion respectively. In 2001, Canada's portfolio investment abroad exceeded foreigners' corresponding investment in Canada by \$4.4 billion (Figure 15).



With the developments in 2001, the stock of portfolio investment abroad by Canadians reached \$231.2 billion, whereas the stock of foreign portfolio investment in Canada rose \$527.1 billion.

**International Investment Position**

Canada relies heavily on inflows of foreign capital to finance domestic investment activity and to finance imports of technology from abroad. As a result, Canada's foreign accumulated debt has traditionally exceeded its corresponding assets. However, Canada's foreign indebtedness fell from 44.7 percent in 1993 to 18.8 percent by 2001, reflecting a marked improvement in the FDI account from the traditional debtor position to that of a creditor since 1996, as well as the surge in investment in foreign stocks in response to the higher foreign content limits for tax-sheltered Canadian investment funds.

Source: Statistics Canada, *Canada's Balance of International Payments*, Catalogue no. 67-001-XPB, 4<sup>th</sup> Quarter 2001.