



Canada, contributed to this result. In Figure 2.5.2, it can be seen that the U.S. share of Canadian outflows increased in the post-1996 period; however, inflows from the U.S. increased dramatically, reaching 134 percent, implying that there were net redemptions from countries other than the U.S.

As can be seen in Figure 2.5.3, U.S. financial investment in Canada out-weighs Canadian financial investment in the U.S., and unlike FDI, the gap is widening. In 2001, Canadians owned \$266.1 billion worth of financial assets in the U.S. compared to \$468.7 billion of Canadian financial assets owned by Americans. The U.S. share of Canadian financial assets remained steady at just over 45 percent;

however, the U.S. share of our financial liabilities increased from 36.9 percent in 1989 to 58.0 percent in 2001.

Table 2.5.1

Flows - Financial Investment, Canada-U.S.

	Billions of current dollars			CAGR*, %			Share of World, %		
	1989	1994	2002	1989-94	1994-02	1989-02	1989	1994	2002
Financial Assets	769	18,016	42,430	87.91	11.30	36.14	5.01	40.52	114.98
Portfolio Investments	4,693	1,967	26,144	-15.96	38.18	14.12	85.80	22.03	105.68
Other Investments	-3,558	12,992	11,119	N/A	-1.93	N/A	-44.25	47.40	159.96
Other Assets	-366	3,057	5,167	N/A	6.78	N/A	-19.79	37.60	99.12
Financial Liabilities	2,086	26,391	34,104	66.12	3.26	23.98	5.86	56.74	119.64
Portfolio Investments	7,405	11,792	22,491	9.75	8.41	8.92	31.90	50.58	125.82
Other Investments	-4,559	13,624	12,710	N/A	-0.86	N/A	-39.46	61.84	100.75
Other Liabilities	-760	975	-1,097	N/A	N/A	2.86	-91.90	83.69	55.29

* Compound annual growth rate

Source: Statistics Canada, Balance of Payments

As can also be seen from Figure 2.5.3, portfolio investment accounts for the majority of both inward and outward financial investment, as well as the deficit. Portfolio investment has also been the fastest growing component of financial investment, both inward and outward. Canadian portfolio investment in the U.S. increased at an average annual rate of 13.3 percent between 1989 and 2001 while U.S. portfolio investment in Canada increased only slightly faster at 13.5 percent.