



to \$17.9 billion in 2002. Investors looked less favourably at Canadian stocks and bonds for the year, cutting bond holdings by over half from 2001 levels, from \$33.6 billion to \$15.8 billion, and selling off Canadian stocks to the amount of \$1.8 billion for 2002. On the other hand, foreign investors bought \$3.9 billion of Canadian money market paper in the year.

Overall, it was the fourth consecutive year that the flow of Canadian outward portfolio investment exceeded the flow of portfolio investment into Canada. At \$6.86 billion last year, the overall outflow was marginally higher than the \$6.85 billion registered in 2001, but considerably lower than the \$48.2 billion recorded in the year 2000.

International investment position

A change in Statistics Canada's reporting procedure has delayed the release of Canada's international investment position statistics for 2002. Thus, unlike our three previous annual Reports, we are unable to set out

Canada's performance in this area for 2002. Canada has traditionally relied on inflows of foreign capital to finance domestic investment and to acquire technologies from abroad. As a result, Canada's foreign accumulated liabilities have traditionally exceeded its corresponding assets. However, Canada's net foreign indebtedness as a share of gross domestic product has fallen from 44.7 per cent of GDP in 1993 to 18.8 per cent in 2001, reflecting improvements in the foreign direct investment (FDI) account associated with the switch from a traditional debtor position to one of a creditor beginning in 1997, in addition to the surge in foreign stock holdings resulting from the relaxation of foreign-content limits for tax-sheltered Canadian investment funds. We note that the FDI account has further improved for the year 2002.

¹ Derivatives are financial instruments providing payoffs that depend or are contingent on the values of other assets, such as commodity prices, bond and stock prices, or market index values. The coverage of derivatives in Canadian statistics is currently limited to options and traded financial futures.
