

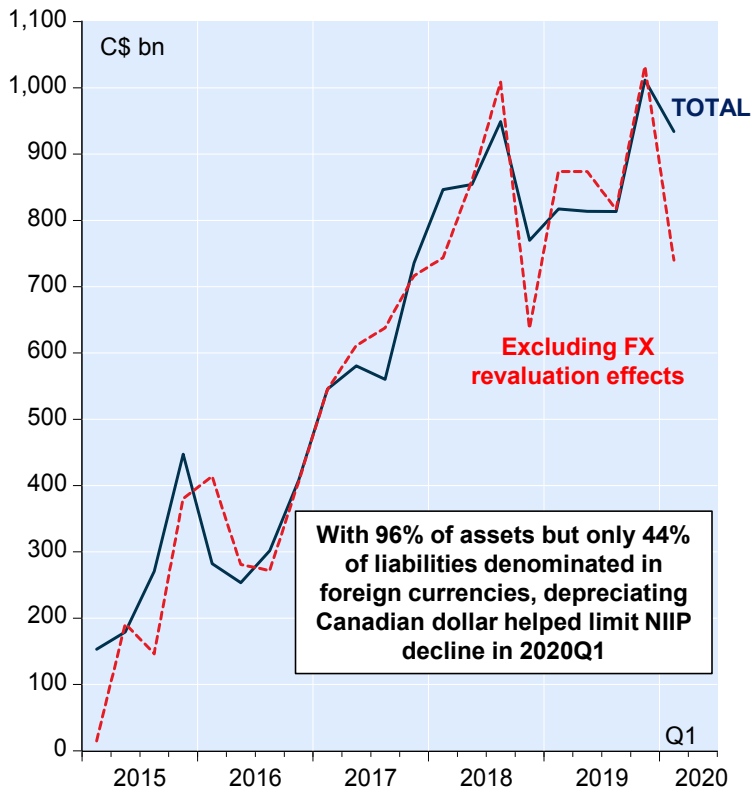
Canada Watch

By Krishen Rangasamy

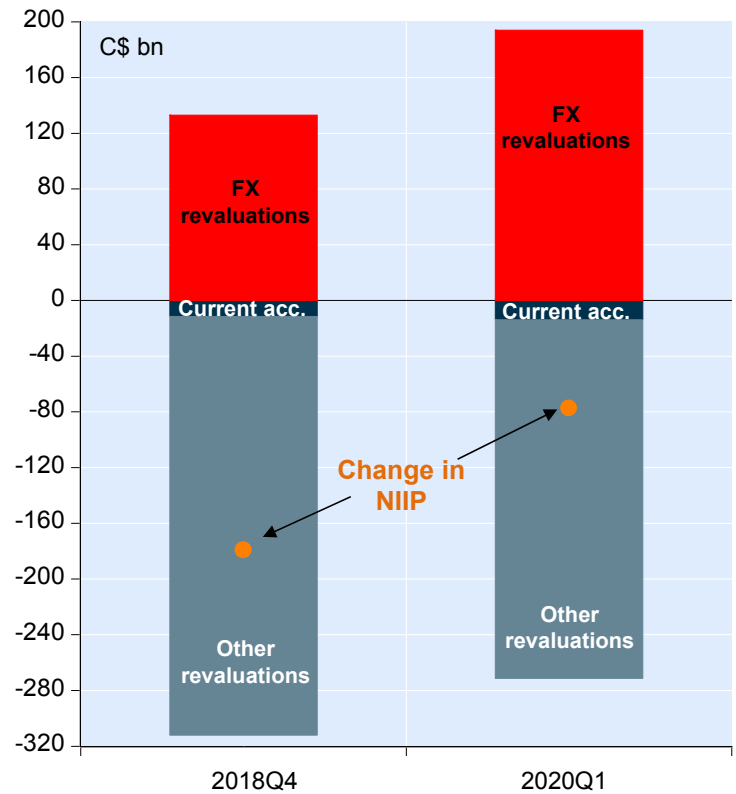
Canada remains a creditor nation, but less so than at the start of the year. The net international investment position (NIIP), the difference between Canada's assets and liabilities to the rest of the world, remained positive but fell to C\$934 billion in Q1. The NIIP's C\$77 billion decline from the prior quarter was partly due to a C\$14 billion deficit on the current account but was primarily a result of a global stock market collapse which caused the value of foreign equities held by Canadian investors to plummet. The last time something like this happened was back in 2018Q4 when world stock markets took a similar plunge. But as today's *Hot Charts* show, the damage on the NIIP could have been even worse were it not for a sharp depreciation of the Canadian dollar in Q1. Note that 96% of assets (but only 44% of liabilities) are denominated in foreign currencies which means that a depreciation, all else equal, tends to raise the NIIP. And last quarter, such FX revaluations amounted to almost C\$194 billion.

Canada: Currency depreciation helps cushion blow on NIIP

Net international investment position (NIIP)



Change in NIIP in 2018Q4 and 2020Q1



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