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Updated look at Canada's foreign investor IOU

By Warren Lovely

We used a recent [Market View](#) to highlight the (generally deteriorating) balance sheet trend in Canada's government sector, keying on the absorption of (increasingly plentiful) federal debt. This note provides a complementary yet broader perspective on Canada's national debt stock and the significant portion that is controlled by foreign investors.

At ~\$6.1 trillion, the par value of all Canadian debt securities exceeds 190% of GDP. A major slice of Canada's debt pie, nearly \$2.4 trillion, has been served up to foreign investors. As of 2025:Q2, the precise share of all Canadian long-term debt held by non-residents topped 40%, even if that ratio had eased slightly vs. the prior quarter. Indeed, foreigners still control a larger share of Canada's bond stock than in the early to mid 1990s (Chart 1). This near-record dependence on foreign money is a potential vulnerability should non-residents adopt a less-constructive view of Canada's economic, fiscal, financial and/or political future.

Wondering about the lower foreign ownership share in Q2? Specifically, the book value of all Canadian bonds held by non-residents declined by an unprecedented \$53 billion in the second quarter, while the debt stock continued to grow. Call it a smaller numerator divided by a larger

denominator, resulting in a marginally lower—but by no means low—foreign ownership ratio.

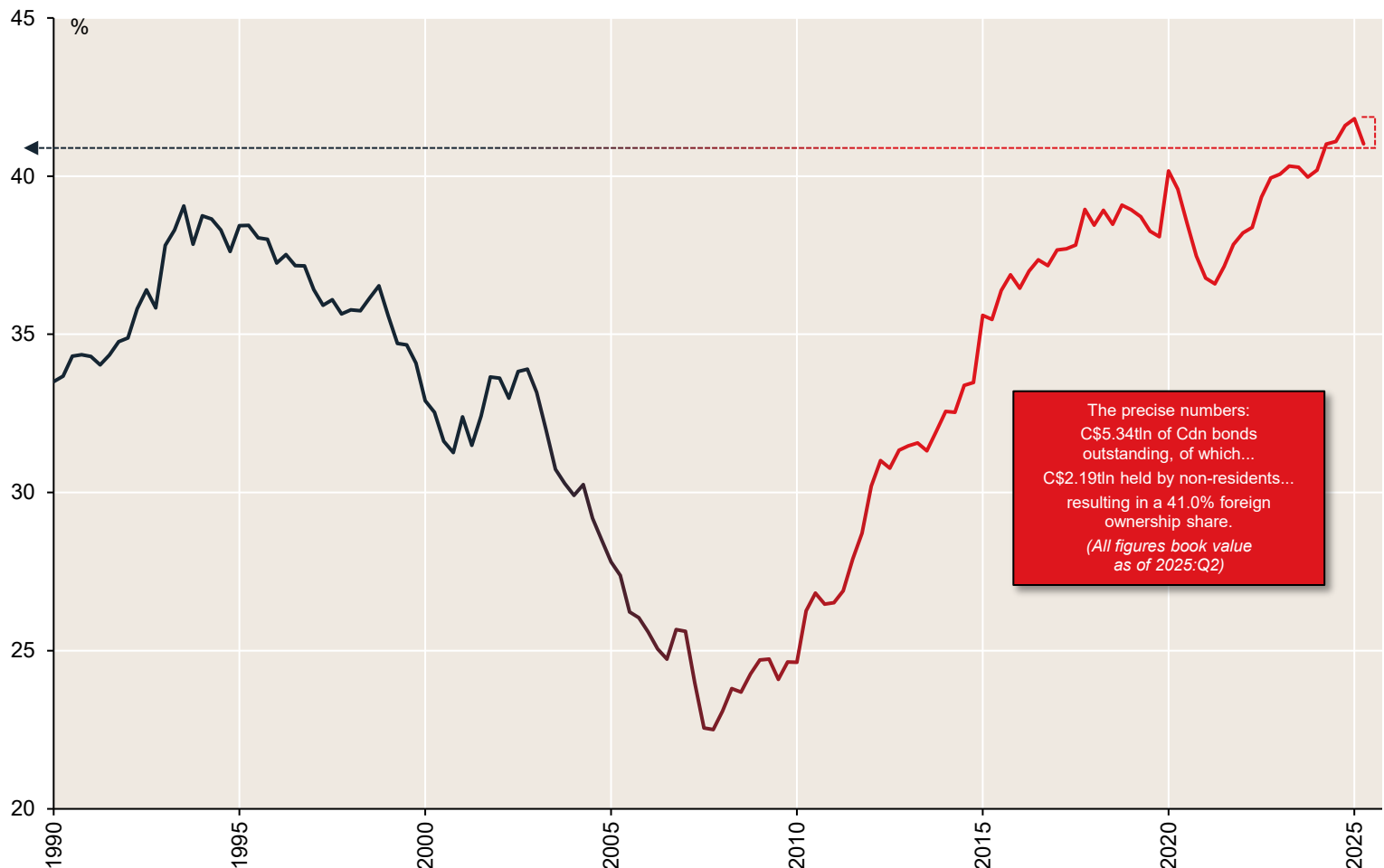
Note that Q2's calculus was impacted by FX translation effects on the portion of Canadian debt denominated in foreign currencies. (This may surprise you, but the clear majority of 'Canadian' bonds held by non-residents are not domestic CAD issues but are denominated in foreign currencies, most notably USD.) Of course, currency revaluation effects work both ways, and renewed weakness in the Canadian dollar (evident in Q3) hints at a larger foreign investor liability when converted to loonies.

We'd likewise emphasize ongoing differences in relative foreign exposure across individual bond issuers and/or sectors. For example, non-residents accounted for 38% of outstanding GoC bonds (as of June). An even higher share of Canadian corporate debt is held outside the country, reflecting the consistently heavier utilization of international funding markets by many of these issuers (including Canada's banks).

Regardless of FX revaluation effects and issuer-specific nuances, one thing should be clear: Canada is highly leveraged (increasingly so in the government sector) and remains highly reliant on foreign debt investors.

Chart 1: Canada's near-record dependence on foreign bond investors remains a potential risk

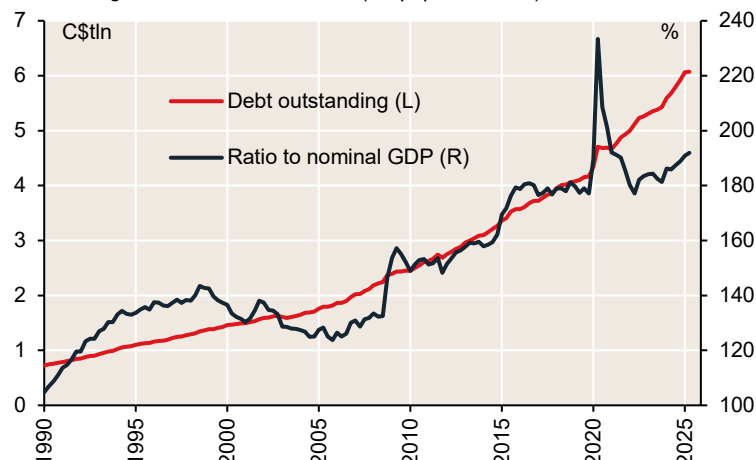
Share of outstanding Canadian bonds held by non-residents (based on all Canadian all bond issuers & all currencies of issue)



Source: NBC, StatCan (NBS) | Note: Based on book value; quarterly to 2025:Q2; calculations cover all Cdn bond issuers (government & corporate) & relate to all currencies of issue; refer to Chart 5 (page 2) for foreign ownership shares for select issuers/sectors

Chart 2: An accumulating Canadian debt stock...

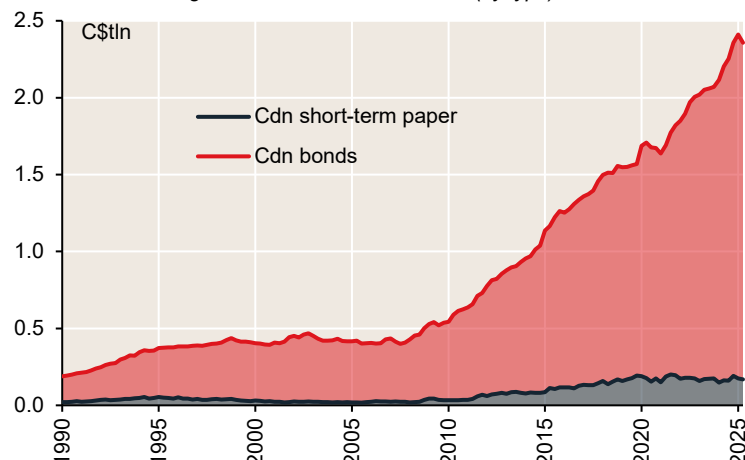
Outstanding Canadian debt securities (ST paper & bonds)



Source: NBC, StatCan (NBS) | Note: Book value; quarterly to 2025:Q2; includes debt liabilities issued by all Cdn sectors in all currencies of issue

Chart 3: ... with plenty of it held by non-residents

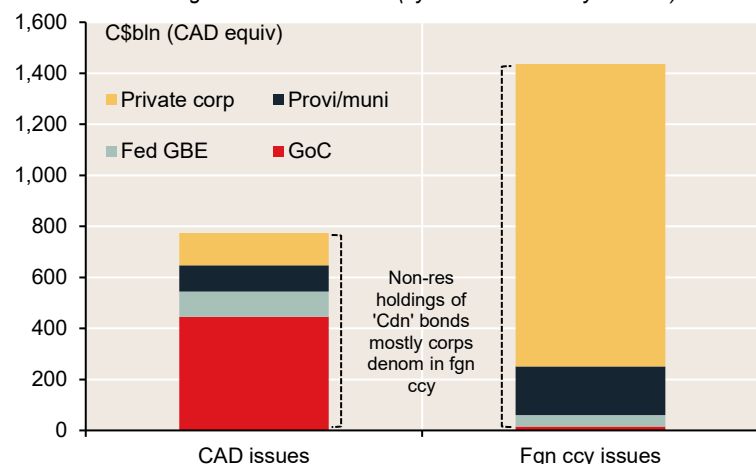
Non-resident holdings of Canadian debt securities (by type)



Source: NBC, StatCan (NBS) | Note: Book value; quarterly to 2025:Q2; includes debt liabilities issued by all Cdn sectors in all currencies of issue

Chart 4: Much Cdn exposure taken in fgn currency markets

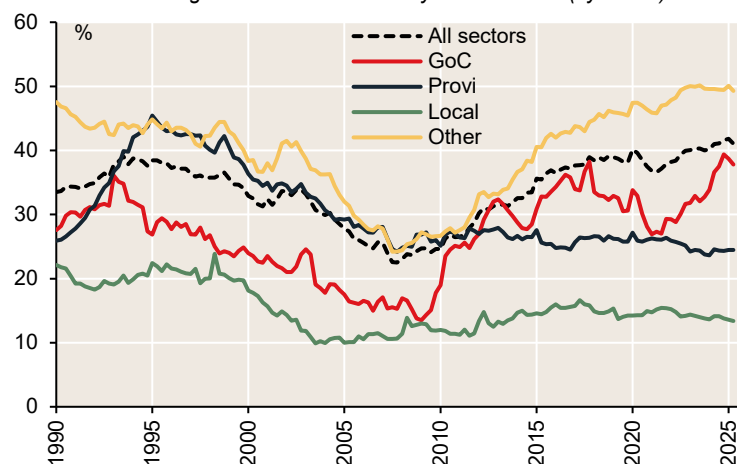
Non-resident holdings of Canadian bonds (by sector & currency of issue)



Source: NBC, StatCan (IIP) | Note: Book value; as of Jun-25

Chart 5: Exposure to non-residents varies by bond sector

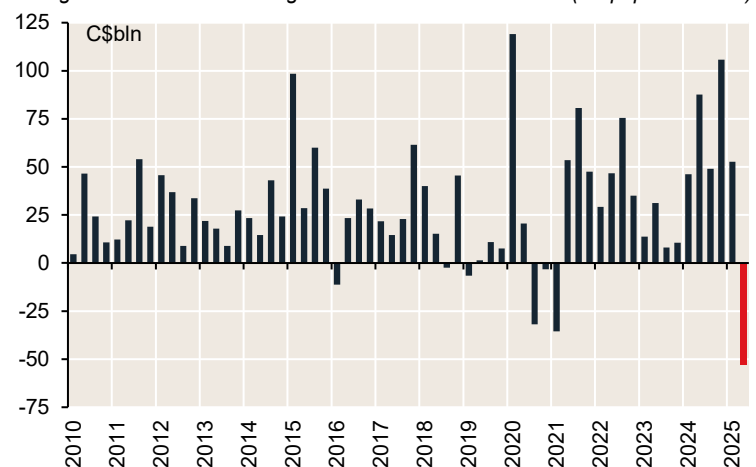
Share of outstanding Canadian bonds held by non-residents (by sector)



Source: NBC, StatCan (NBS) | Note: Book value; quarterly to 2025:Q2; based on outstanding Cdn bonds in all currencies of issue

Chart 6: Non-resident holdings of Cdn debt down in Q2...

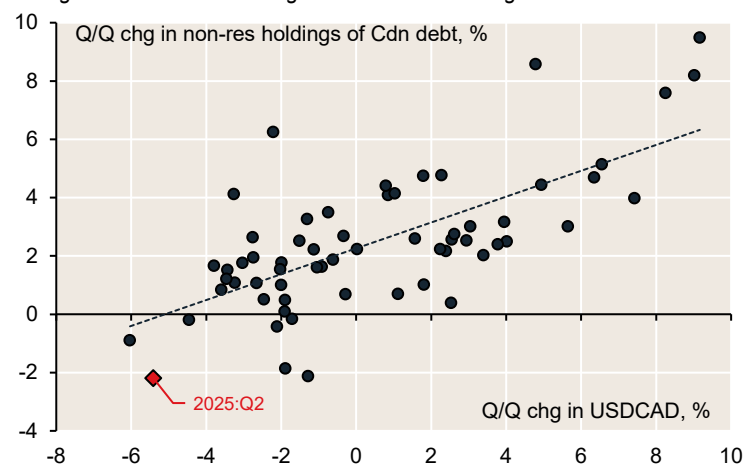
Change in non-resident holdings of Canadian debt securities (ST paper & bonds)



Source: NBC, StatCan (NBS) | Note: Book value; quarter-over-quarter change to 2025:Q2; includes debt securities liabilities issued by all Cdn sectors in all currencies of issue

Chart 7: ... partly a function of FX revaluation effects

Change in non-resident holdings of Cdn debt vs. change in Cdn dollar



Source: NBC, StatCan (NBS) | Note: Non-res holdings based on book value, including debt securities of all Cdn sectors in all currencies of issue; FX chg based on quarter-end levels; quarterly changes from 2010:Q1 to 2025:Q2 (i.e., 62 observations)



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