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Direct Investment Between Canada and the World: 2011

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Direct Investment Between Canada and the World: 2011
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International Comparison

In 2011, the stock of Canadian direct investment abroad was valued at \$684.5 billion, while the stock of foreign direct investment in Canada totalled \$607.5 billion.

The stock of Canadian direct investment abroad has increased in recent years, following a decline from 2008 to 2009 associated with the global financial and economic crisis. In 2011, the stock of Canadian direct investment abroad was 7.0% higher than the 2010 stock of \$639.9 billion.

The stock of foreign direct investment in Canada, which did not experience a decline from 2008 to 2009, has also increased in recent years. In 2011, the stock of direct investment in Canada from abroad was 3.8% higher than the 2010 stock of \$585.1 billion.

Canada's share of the value of global investment stocks grew from 2006 to 2011. In 2011, the stock of Canada's outward and inward direct investment accounted for 3.2% and 2.9% of the value of global outward and inward direct investment respectively, with slight increases from 2.9% and 2.7% respectively in 2006.

Using the measure of Canadian direct investment abroad as a proportion of gross domestic product (GDP), Canada's economy was more direct investment-oriented than the global economy in 2011. In that year, the stock of Canada's outward direct investment as a proportion of the country's GDP was 38.6%, while the stock of global outbound direct investment as a proportion of the world's GDP was 30.4%. In 2006, these proportions were 34.8% and 31.7% respectively.

The stock of foreign direct investment in Canada as a proportion of the country's GDP, at 34.3% in 2011, was higher than the stock of global inbound direct investment as a proportion of the world's GDP, at 29.3%. In 2006, these proportions were lower, at 29.3% and 28.0% respectively.

Figure 1

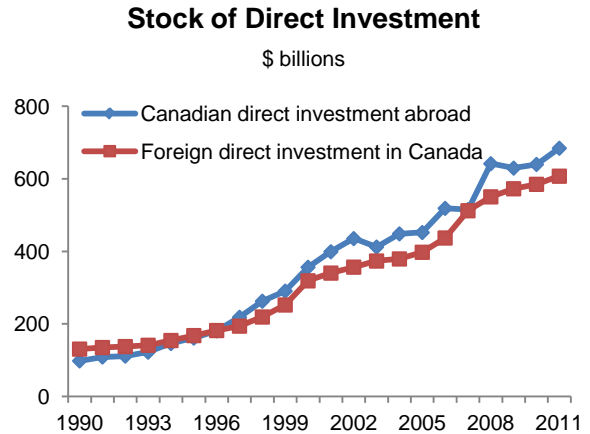


Figure 2

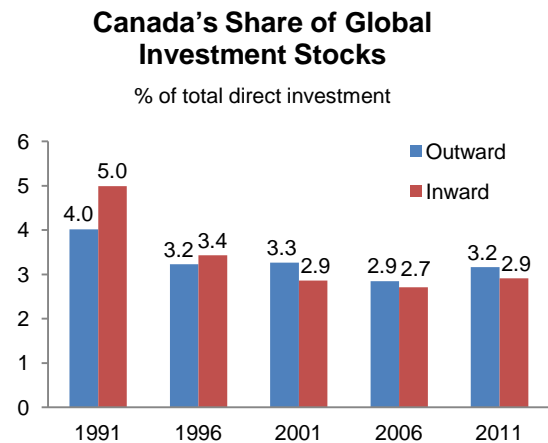
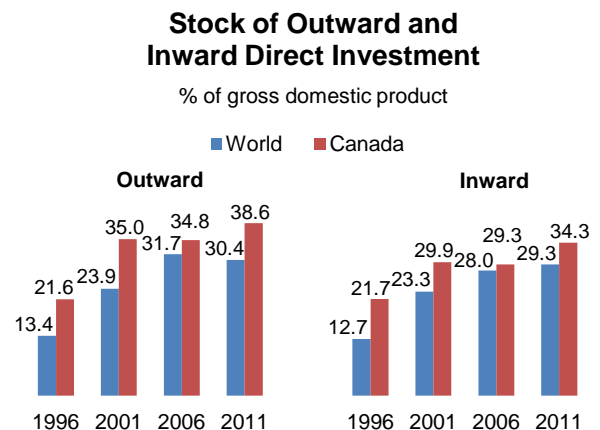


Figure 3



The authors prepared all figures, except for figures 2 and 3, using Statistics Canada annual figures as of spring 2012.

Figure 2 was prepared using data from the United Nations Conference on Trade and Development (UNCTAD);

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Sources and Destinations

The United States continues to be Canada's primary recipient of, and source of, foreign direct investment. In 2011, the stocks of Canadian direct investment in the United States and American direct investment in Canada were valued at \$276.1 billion and \$326.1 billion respectively.

In 2011, the stock of Canadian direct investment in the United States accounted for 40.3% of the total stock of Canadian direct investment abroad, a decrease from 43.2% in 2006. The stock of American direct investment in Canada represented 53.7% of the total stock of foreign direct investment in Canada in 2011, a decrease from 60.6% in 2006. The value of the stocks of Canada's direct investment in the United States, as well as direct investment from that country, grew at average annual rates of 4.3% and 4.2% respectively over the 2006 to 2011 period.

The European Union (EU) continued to be Canada's second largest partner for foreign direct investment in 2011. In that year, the stock of Canadian direct investment in the EU was valued at \$172.5 billion, while the stock of EU direct investment in Canada totalled \$160.7 billion, accounting for 25.2% and 26.4% of Canada's total stocks of outward and inward direct investment respectively. Over the 2006 to 2011 period, Canada's stock of direct investment in the EU and the stock of EU direct investment in Canada grew at average annual rates of 5.4% and 8.2% respectively.

In 2011, the largest destinations in the EU for Canadian direct investment were the United Kingdom, Ireland and Luxembourg. In that year, the largest sources of EU direct investment in Canada were the Netherlands, the United Kingdom and Luxembourg. In addition to the United States and the EU, Canada had significant stocks of direct investment in Barbados, the Cayman Islands and Australia in 2011, as well as significant stocks of foreign direct investment from Switzerland, Brazil and Japan.

In 2011, Canada's stock of direct investment in the Americas exceeded its incoming stock from those regions, while its inbound stock of direct investment from Europe, Africa, and Asia and Oceania exceeded its outbound stock in those regions.

Figure 4

Major Destinations for Canadian Direct Investment Abroad

	Value (\$ billions)		Share (%)		Average Annual Growth (%)	
	2006	2011	2006	2011	2010–2011	2006–2011
United States	224.0	276.1	43.2	40.3	9.0	4.3
European Union	132.9	172.5	25.6	25.2	2.3	5.4
Barbados	40.6	53.3	7.8	7.8	8.0	5.6
Cayman Islands	16.8	25.8	3.2	3.8	7.5	8.9
Australia	6.8	25.3	1.3	3.7	15.0	30.1

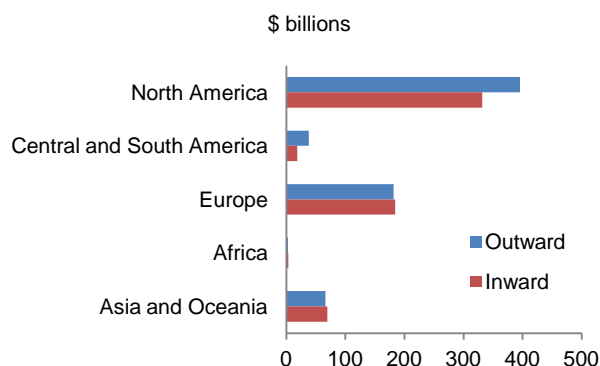
Figure 5

Major Sources of Foreign Direct Investment in Canada

	Value (\$ billions)		Share (%)		Average Annual Growth (%)	
	2006	2011	2006	2011	2010–2011	2006–2011
United States	265.1	326.1	60.6	53.7	2.4	4.2
European Union	108.2	160.7	24.8	26.4	6.8	8.2
Switzerland	14.6	20.0	3.3	3.3	4.0	6.5
Brazil	12.9	18.6	2.9	3.1	7.9	7.7
Japan	13.4	12.8	3.1	2.1	1.8	-1.0

Figure 6

Canada's Stock of Foreign Direct Investment, by Region, 2011



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Foreign Direct Investment by Industry

With a value of \$271.8 billion in 2011, the finance and insurance industry represented the largest component of Canadian direct investment abroad, comprising 39.7% of the total stock. Other significant industries for Canadian direct investment abroad in that year were mining and oil and gas extraction, as well as management of companies and enterprises, accounting for 18.8% and 12.0% respectively of the stock of Canadian direct investment abroad.

The manufacturing industry represented the largest component of the stock of foreign direct investment in Canada in 2011; valued at \$192.7 billion, it accounted for 31.7% of the total stock. Mining and oil and gas extraction as well as the management of companies and enterprises were also significant industries for foreign direct investment in Canada, accounting for 19.1% and 18.1% respectively of the total stock in 2011.

In 2011, Canada's manufacturing industry had the highest degree of foreign ownership, with 53.0% of its total assets under foreign control. Other Canadian industries with relatively high levels of foreign ownership in that year were the wholesale trade as well as the oil and gas extraction industries, with 42.8% and 35.0% respectively of their total assets held by foreign interests.

Figure 7

Canadian Direct Investment Abroad, Selected Industries, 2011

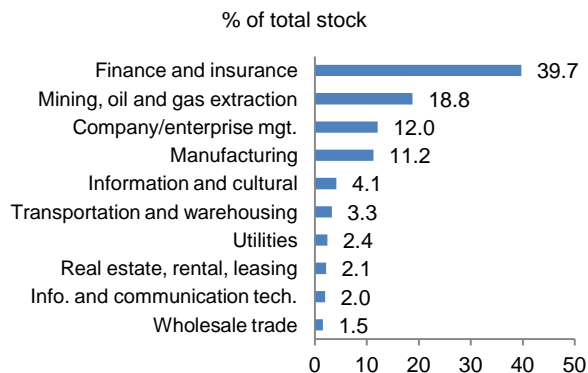


Figure 8

Foreign Direct Investment in Canada, Selected Industries, 2011

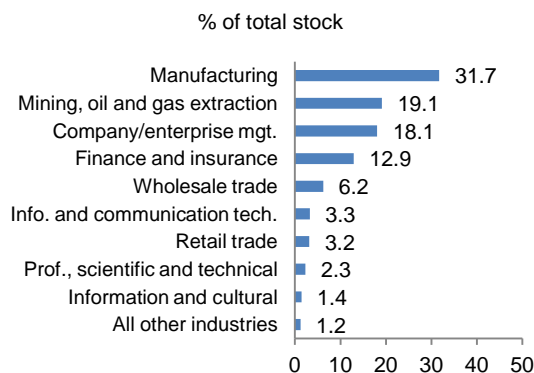
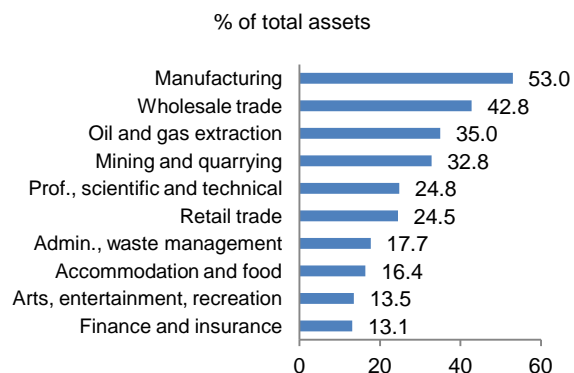


Figure 9

Foreign Ownership in Canada, Selected Industries, 2011



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Types and Profits

Capital invested in subsidiaries represented the largest component of the stocks of both Canadian direct investment abroad and foreign direct investment in Canada in 2011. In that year, capital invested in subsidiaries comprised \$624.1 billion of Canadian direct investment abroad, accounting for 91.2% of the total stock; capital invested in subsidiaries accounted for \$536.4 billion of the stock of foreign direct investment in Canada, representing 88.3% of the total stock.

The type of Canadian direct investment abroad differs somewhat from the type of foreign direct investment in Canada. In 2011, reinvested earnings accounted for 53.1% of the net flows of Canadian direct investment abroad, while sales and acquisitions as well as other flows accounted for 32.1% and 14.8% respectively. In that year, reinvested earnings as well as sales and acquisitions accounted for 44.9% and 44.3% respectively of the net flows of foreign direct investment in Canada, while other flows comprised the remaining 10.8%.

In 2011, the profits generated by Canadian direct investment abroad were valued at \$40.2 billion, an increase of 13.2% from the 2010 value of \$35.5 billion. Profits generated for foreign interests through direct investment in Canada were higher, at \$42.5 billion in 2011; this amount represented an increase of 26.9% from the 2010 value of \$33.5 billion.

Although Canada is a net investor in the world, foreign-held assets in Canada have historically generated more profits for foreign companies than Canadian-held assets abroad have generated for Canadian companies. This gap has closed considerably in recent years, and the profits generated by Canadian direct investment abroad exceeded those generated by foreign direct investment in Canada in 2006, 2007 and 2010.

Figure 10

Capital Invested, by Type of Business Organization, 2011

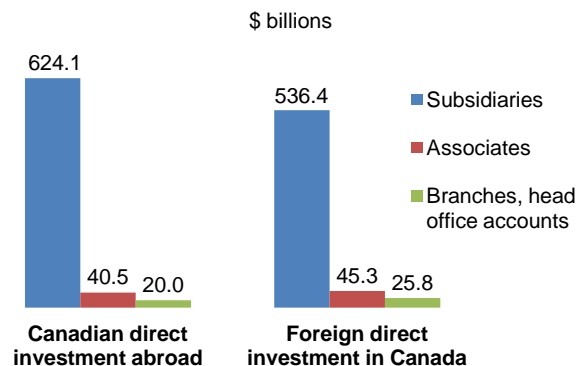


Figure 11

Direct Investment Flows, by Type, 2011

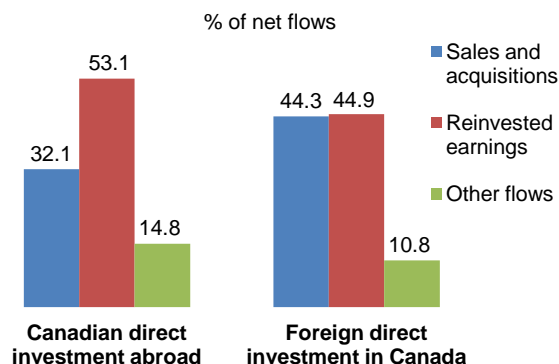
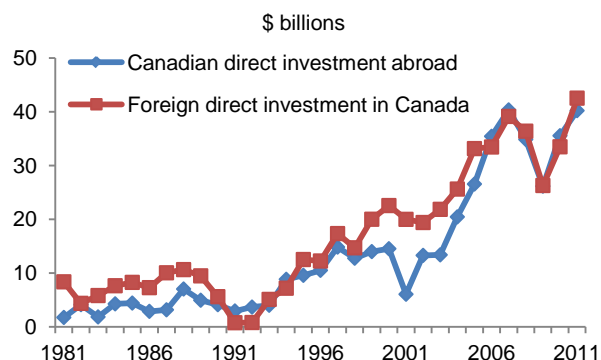


Figure 12

Profit Generated by Foreign Direct Investment



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