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Direct Investment Between Canada and the World

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Direct Investment Between Canada and the World
(Trade and Investment Series)

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International Comparison

In 2012, the stock of Canadian direct investment abroad was valued at \$711.6 billion, while the stock of foreign direct investment in Canada totalled \$633.9 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 2012, the stock of Canadian direct investment abroad was 5.0% higher than the 2011 stock of \$674.6 billion.

The stock of foreign direct investment in Canada, which did not decline from 2008 to 2009, has also increased in recent years. In 2012, the stock of direct investment in Canada from abroad was 6.0% higher than the 2011 stock of \$599.3 billion.

Canada's share of the value of global investment stocks grew slightly from 2007 to 2012. In 2012, the stock of Canada's outward and inward direct investment accounted for 3.0% and 2.8% of the value of global outward and inward direct investment respectively. These proportions were 2.7% and 2.9% respectively in 2007.

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 2012. In that year, the stock of Canada's outward direct investment as a proportion of the country's GDP was 39.3%, while the stock of global outbound direct investment as a proportion of the world's GDP was 32.9%. In 2007, these proportions were 35.8% and 34.5% respectively.

The stock of foreign direct investment in Canada as a proportion of the country's GDP in 2012, at 35.0%, was higher than the stock of global inbound direct investment as a proportion of the world's GDP, at 31.8%. These proportions were slightly higher in 2007, at 35.6% and 32.1% respectively.

Figure 1

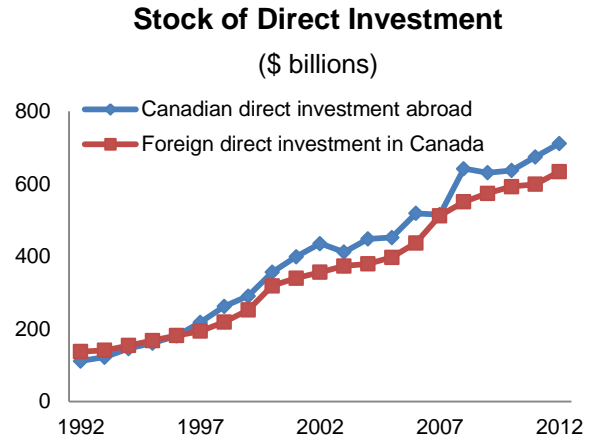


Figure 2

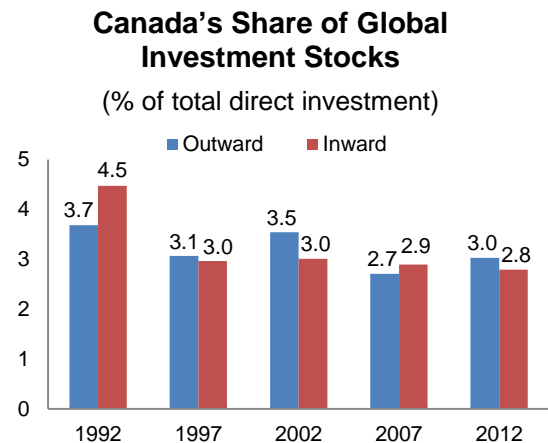
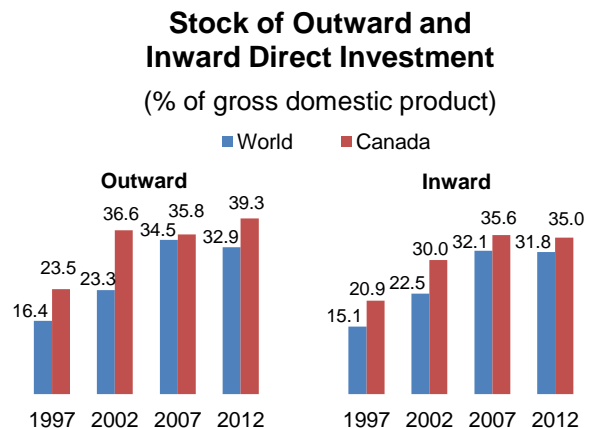


Figure 3



All figures and tables, except figures 2 and 3, were prepared using Statistics Canada data available in spring 2013.

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

Figure 3 was prepared using data from the International Monetary Fund and UNCTAD. The foreign direct investment data are balance of payments-based.

Sources and Destinations

The United States continued to be Canada's primary recipient of, and source of, foreign direct investment in 2012. In that year, the stocks of Canadian direct investment in the United States and American direct investment in Canada were valued at \$289.4 billion and \$326.5 billion respectively.

In 2012, the stock of Canadian direct investment in the United States accounted for 40.7% of the total stock of Canadian direct investment abroad, a decrease from 43.9% in 2007. The stock of American direct investment in Canada represented 51.5% of the total stock of foreign direct investment in Canada in 2012, a decline from 56.3% in 2007. 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 5.1% and 2.5% respectively over the 2007 to 2012 period.

The United Kingdom was Canada's second most significant recipient of, and the third most significant source of, foreign direct investment in 2012. In that year, the stock of Canadian direct investment in the United Kingdom was valued at \$86.8 billion, while the stock of British direct investment in Canada totalled \$54.6 billion, accounting for 12.2% and 8.6% respectively of Canada's total stocks of outward and inward direct investment. Canada's stock of direct investment in the United Kingdom grew at an average annual rate of 7.3% over the 2007 to 2012 period, while the stock of the United Kingdom's direct investment in Canada decreased at an average annual rate of 0.8%.

In 2012, Canada also had a significant stock of direct investment in Barbados, the Cayman Islands and Australia. In addition to the United States, the Netherlands and the United Kingdom, the largest sources of direct investment in Canada were Luxembourg and Switzerland in that year.

In 2012, Canada's stock of direct investment in the Americas exceeded its incoming stock from those regions. Its inbound stock of direct investment from Europe, Asia and Oceania, and Africa exceeded its outbound stock to those regions in that year.

Table 1

Major Destinations for Canadian Direct Investment Abroad

	Value (\$ billions)		Share (%)		Average Annual Growth (%)	
	2007	2012	2007	2012	2011–2012	2007–2012
United States	226.1	289.4	43.9	40.7	5.6	5.1
United Kingdom	60.9	86.8	11.8	12.2	8.4	7.3
Barbados	33.4	59.3	6.5	8.3	1.0	12.2
Cayman Islands	19.9	30.2	3.9	4.2	3.4	8.7
Australia	7.4	26.9	1.4	3.8	8.5	29.5

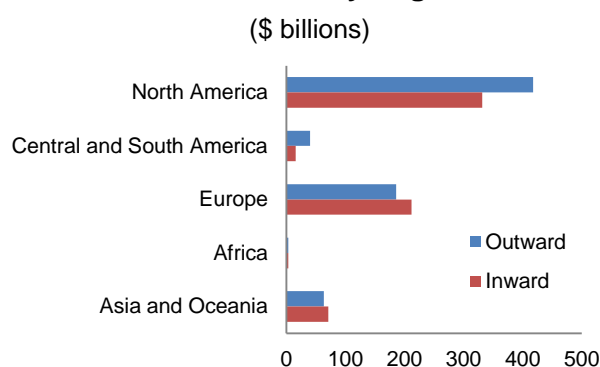
Table 2

Major Sources of Foreign Direct Investment in Canada

	Value (\$ billions)		Share (%)		Average Annual Growth (%)	
	2007	2012	2007	2012	2011–2012	2007–2012
United States	288.3	326.5	56.3	51.5	5.0	2.5
Netherlands	40.1	61.4	7.8	9.7	2.5	8.9
United Kingdom	56.8	54.6	11.1	8.6	15.4	-0.8
Luxembourg	3.6	24.6	0.7	3.9	10.8	46.9
Switzerland	15.9	21.4	3.1	3.4	5.4	6.1

Figure 4

Canada's Stock of Foreign Direct Investment, by Region, 2012



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Foreign Direct Investment by Industry

With a value of \$284.1 billion, the finance and insurance industry was the largest component of Canadian direct investment abroad in 2012, comprising 39.9% of the stock of Canadian outbound investment. 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; these industries accounted for 18.8% and 12.9% respectively of the stock of Canadian outbound investment.

The manufacturing industry was the largest component of the stock of foreign direct investment in Canada in 2012; valued at \$181.6 billion, it accounted for 28.7% of the stock of Canadian inbound investment. The management of companies and enterprises, as well as mining and oil and gas extraction, were also significant industries for foreign direct investment in Canada in that year, accounting for 19.2% and 19.0% respectively of the stock of Canadian inbound investment.

In 2010, the most recent year for which data are available, Canada's manufacturing industry had the highest degree of foreign ownership, with 53.0% of the industry's total assets under foreign control. Other Canadian industries with relatively high levels of foreign ownership in that year were the wholesale trade industry, as well as the oil and gas extraction industry, with 42.8% and 35.0% respectively of their total assets held by foreign interests.

Figure 5

Canadian Direct Investment Abroad, Selected Industries, 2012

(% of total stock)

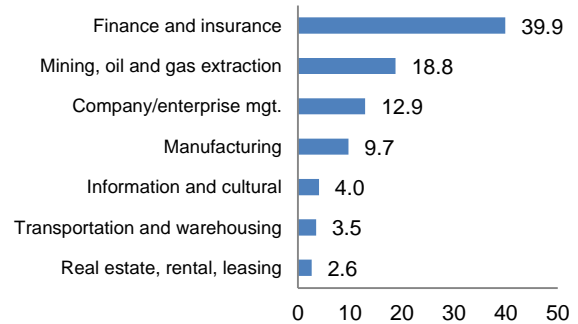


Figure 6

Foreign Direct Investment in Canada, Selected Industries, 2012

(% of total stock)

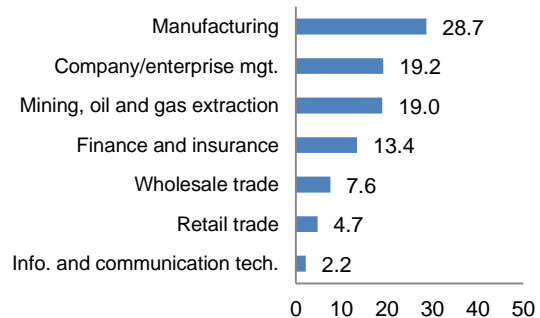


Figure 7

Foreign Ownership in Canada, Selected Industries, 2010

(% of total assets)



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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 2010, the most recent year for which data are available. In that year, capital invested in subsidiaries comprised \$580.9 billion of Canadian direct investment abroad, accounting for 91.2% of the stock of Canadian outbound investment. Capital invested in subsidiaries accounted for \$520.4 billion of the stock of foreign direct investment in Canada in that year, representing 87.8% of the stock of Canadian inbound investment.

The most significant types of Canadian outbound and inbound direct investment flows differ somewhat. In 2012, reinvested earnings accounted for 51.3% of the net flows of Canadian direct investment abroad, while mergers and acquisitions, as well as other flows, represented 41.3% and 7.4% respectively. In that year, mergers and acquisitions accounted for 53.8% of the net flows of foreign direct investment in Canada, while reinvested earnings and other flows represented 42.5% and 3.7% respectively.

In 2012, the profits generated by Canadian direct investment abroad were valued at \$42.0 billion, an increase of 1.6% from the 2011 value of \$41.4 billion. Profits generated for foreign interests through direct investment in Canada were similar in that year, at \$41.4 billion; this amount represented an increase of 1.1% from the 2011 value of \$41.0 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 in recent years, and the profits generated by Canadian direct investment abroad exceeded those generated by foreign direct investment in Canada in 2006, 2007, 2009, 2011 and 2012.

Figure 8

Capital Invested, by Type of Business Organization, 2010

(\$ billions)

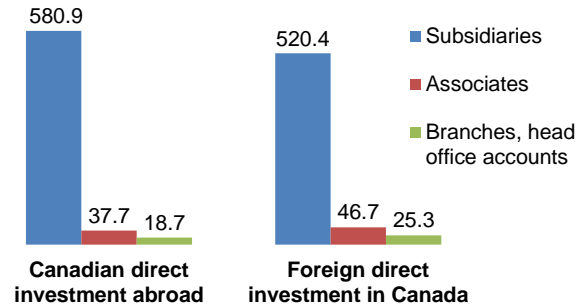


Figure 9

Direct Investment Flows, by Type, 2012

(% of net flows)

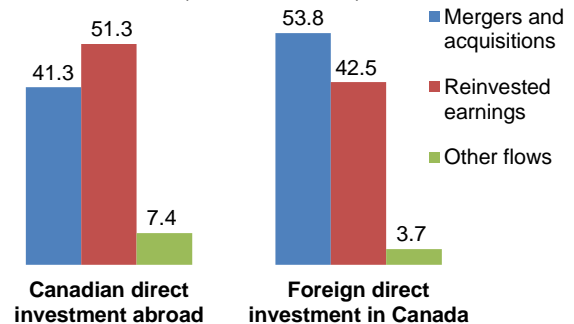
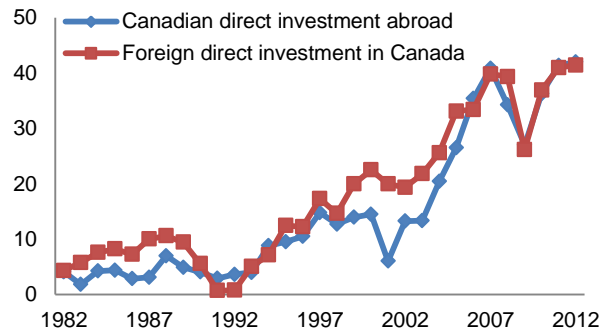


Figure 10

Profit Generated by Foreign Direct Investment

(\$ billions)



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