Foreign direct investment, 2013

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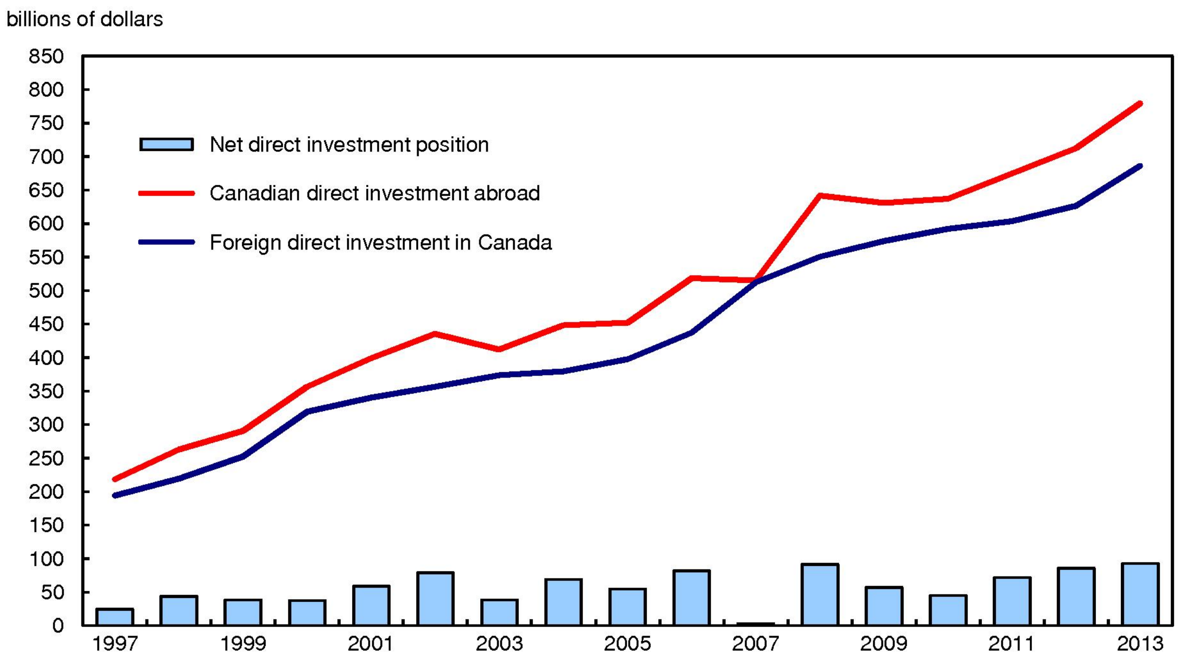
The stock of Canadian direct investment abroad grew by 9.4% in 2013, reflecting both increased investment activity as well as the upward revaluation effects of a weaker Canadian dollar. The level of foreign direct investment in Canada (+9.5%) advanced at a similar pace during the year, led by investment from the United States.

Canada's net direct investment asset position reached $93.0 billion in 2013, up slightly from 2012. Canadian direct investment abroad increased by $66.7 billion to $779.3 billion at year end. On the other side of the ledger, foreign direct investment in Canada advanced $59.5 billion to $686.3 billion.

Chart 1
Foreign direct investment position



Gains in stock of Canadian direct investment abroad focused in the United States and the United Kingdom

Most of the increase in Canada's direct investment asset position in 2013 occurred in the United States and United Kingdom, which remained the two top destinations for Canadian investment. The investment position in the United States increased by $28.6 billion to $317.7 billion at the end of the year. At the same time, Canadian firms added $9.5 billion to their direct investment position in the United Kingdom for a total position of $86.0 billion.

Aside from investment, generally stronger foreign currencies relative to the Canadian dollar also supported the growth of Canadian direct investment assets abroad during the year. This resulted in an upward revaluation of these foreign currency-denominated assets.

Stocks of foreign direct investment to Canada led by the United States, while investment from the Asia/Oceania region continues to expand

Increased investment from the United States accounted for a little over half of the overall gain in foreign direct investment in Canada in 2013, rising by $32.0 billion to $352.1 billion.

Most of the remaining increase was split between the regions of Europe and Asia/Oceania. Europe remained the second largest source of foreign direct investment placed in Canada, accounting for about one-third of total investment. However, Asia/Oceania has increased its share of foreign direct investment in Canada over the past decade, rising from 4.8% in 2003 to 13.1% in 2013.

Canadian direct investment abroad in manufacturing picks up

Following several years of little or no growth, Canadian direct investment abroad in the manufacturing sector picked up in 2013, rising by 17.6% to $72.8 billion. Despite this increase, the share of Canadian investment abroad going into the manufacturing sector has fallen from a peak of 31.9% in 2000 to 9.3% in 2013.

Almost half of the increase in the stock of Canadian direct investment abroad was channelled into the finance and insurance sector, up $29.4 billion to $312.9 billion. The sector maintained its position as the primary destination for investment with a 40.2% share of overall Canadian direct investment abroad.

Manufacturing and mining account for the bulk of foreign direct investment in Canada

Increased investment in the manufacturing and mining sectors accounted for about two-thirds of the growth in foreign direct investment in Canada in 2013. Manufacturing maintained its position as the primary destination for foreign investment with a 30.5% share of overall investment, followed by mining and oil and gas extraction with 20.3%.

Note to readers

This is the annual release of detailed foreign direct investment data at book value. This release contains country and industry details for foreign direct investment that are drawn from the annual survey. This detailed information is not available at the time of the quarterly international investment position release. However, aggregates of direct investment positions, both at book and market values, are available as part of the quarterly international investment position release. The current aggregates at book value, along with revised aggregates at market value, will be integrated into the international investment position at the time of the third quarter release of 2014 in December, in line with the Canadian System of Macroeconomic Accounts revision policy.

***Direct investment** is a component of the international investment position that refers to investment of a resident entity in one country obtaining a lasting interest in an enterprise resident in another country. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence by the investor on the management of the enterprise.*

In practice, direct investment is deemed to occur when a company owns at least 10% of the voting equity in a foreign enterprise. This report presents the cumulative year-end positions for direct investment. In Canadian statistics, direct investment is measured as the total value of equity, net long-term claims and net short-term claims held by enterprises across the border.

Foreign direct investment by country and by industry

Following international standards, direct investment is based on the country of ownership of the immediate parent company for foreign direct investment in Canada, and to the country of the immediate subsidiary for Canadian direct investment abroad. This implies that direct investment is largely attributed to the first investor/investee country, rather than the ultimate investor/investee country. Direct investment is often channelled through intermediate holding companies or other legal entities in other countries before reaching its ultimate destination. Since these entities are generally in the financial sector, this sector accounts for a larger share of foreign direct investment on an immediate country basis than it would on an ultimate country basis.

Currency valuation

The value of Canadian direct investment abroad is denominated in foreign currency and converted to Canadian dollars at the end of each period for which a year-end position is calculated. When the Canadian dollar depreciates in value, the restatement of the value of direct investment abroad in Canadian dollars increases the recorded value. The opposite is true when the dollar appreciates. Foreign direct investment in Canada is directly recorded in Canadian dollars and the fluctuation of the Canadian dollar has no impact on the recorded value.

In 2013, the Canadian dollar depreciated by 7% against the US dollar, 10% against the euro and 10% against the British pound. It appreciated by 8% against the Japanese yen.

Table 1
Foreign direct investment positions at year end

	2010	2011	2012	2013
	billions of dollars			
Canadian direct investment abroad	**637.3**	**675.0**	**712.6**	**779.3**
United States	251.3	272.4	290.0	318.3
United Kingdom	83.9	76.7	76.6	86.1
Barbados	50.0	55.9	61.3	63.0
Cayman Islands	24.0	33.0	30.8	30.9
Luxembourg	13.6	19.3	23.7	30.2
Australia	22.0	25.1	26.1	23.4
Netherlands	9.8	14.2	15.9	17.7
Chile	12.0	10.4	16.4	16.6
Ireland	22.2	17.6	12.0	16.0
Mexico	4.9	9.6	10.5	12.3
Brazil	10.3	10.4	10.8	11.1
Hungary	12.8	11.7	9.9	11.0
Bermuda	11.2	10.4	13.2	10.7
All other countries	109.2	108.3	115.6	132.0
Foreign direct investment in Canada	**592.4**	**603.5**	**626.8**	**686.3**
United States	317.7	309.8	320.1	352.1
Netherlands	53.6	63.3	67.0	67.8
United Kingdom	42.4	49.6	48.7	56.7
Luxembourg	20.9	23.1	27.8	28.5
Switzerland	19.7	19.2	18.3	18.7
Brazil	17.3	17.5	16.7	18.3
Japan	12.7	14.4	16.3	17.3
China	12.1	15.4	16.4	16.7
France	17.4	10.6	9.5	11.0
Germany	8.2	11.0	9.2	10.1
All other countries	70.6	69.5	77.0	88.9

Available in CANSIM: tables 376-0051 and 376-0052.

Definitions, data sources and methods: survey number 1537.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; infostats@statcan.gc.ca) or Media Relations (613-951-4636; mediahotline@statcan.gc.ca).