

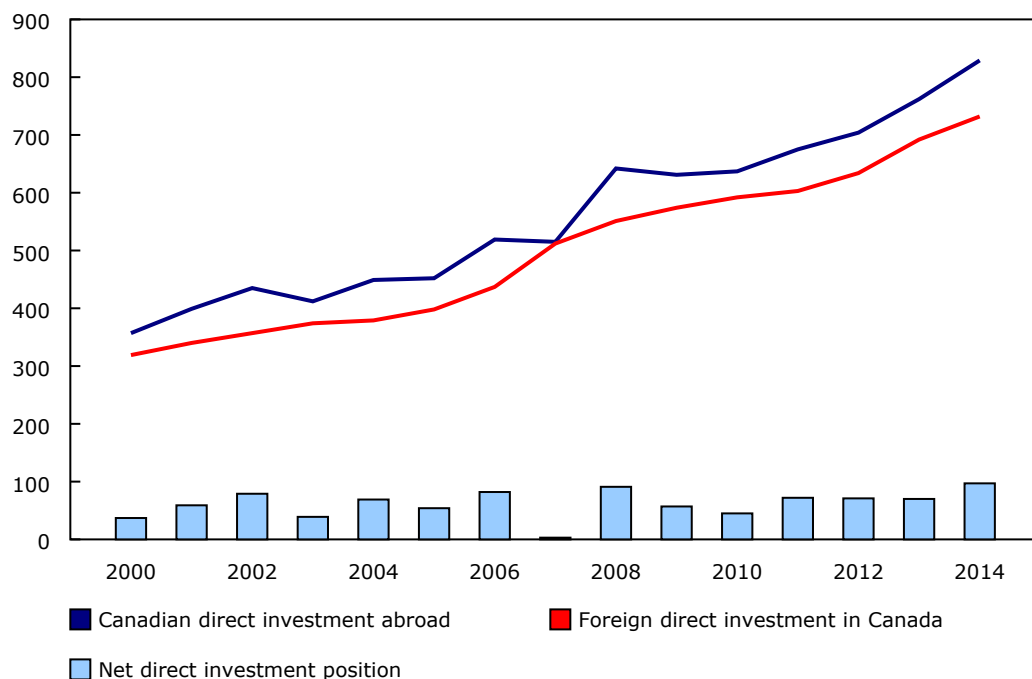
Foreign direct investment, 2014

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The stock of Canadian direct investment abroad grew by 8.8% in 2014, reflecting both outward investment flows as well as the upward revaluation effect of a weaker Canadian dollar against the US dollar. Meanwhile, the level of foreign direct investment in Canada rose by 5.8%, led by investment flows from the United States. As a result, Canada's net direct investment position increased for the first time in three years to reach \$96.5 billion, marking the largest net asset position on record.

Chart 1
Foreign direct investment position

billions of dollars



Source(s): CANSIM table [376-0051](#).

Growth in the stock of Canadian direct investment abroad led by United States

The stock of Canadian direct investment abroad was up \$67.3 billion to \$828.8 billion in 2014. The United States accounted for nearly two-thirds of the overall gain in Canadian direct investment abroad in the year. Investment flows as well as the revaluation effect of the Canadian dollar's depreciation against the US dollar contributed to the increase in the position.

Europe remained the second most popular investment destination for Canadian direct investors in 2014. Direct investment assets in Europe edged up 0.9% to \$191.5 billion. This reflected gains in the United Kingdom and Switzerland, moderated by reductions, notably in Luxembourg and France. The Canadian dollar depreciated against the British pound (-2.5%) but appreciated against the euro (+4.4%) in 2014.



Canada's direct investment asset position in Asia and Oceania also advanced, up 10.6% in 2014 to \$69.7 billion. Notable increases were recorded in Australia, Hong Kong and China. A reduction in direct investment assets in Japan moderated the overall growth in this region. The Canadian dollar appreciated 4.5% against the Japanese yen in 2014.

Increase in foreign direct investment position in Canada led by United States

The level of foreign direct investment in Canada advanced \$40.3 billion to \$732.3 billion in 2014. US direct investors increased their holdings by \$19.5 billion to \$361.4 billion, accounting for almost half of all direct investment in Canada.

Direct investors from Asia and Oceania continued to add to their position in Canada in 2014, their investment advancing by \$7.9 billion to \$85.9 billion. China was responsible for almost 60% of this growth.

Finance and insurance sector leads the gain in Canadian direct investment abroad

The finance and insurance sector posted the largest increase in Canadian direct investment abroad in 2014, as holdings in this sector rose by \$22.7 billion to \$313.5 billion.

Other sectors with significant growth in direct investment assets included management of companies and enterprises, up \$19.4 billion to \$121.4 billion in 2014, and manufacturing, with a gain of \$8.3 billion to \$68.8 billion.

Growth in foreign direct investment in Canada focuses on manufacturing and mining sectors

The manufacturing and mining sectors accounted for over half of the growth in the stock of foreign direct investment in Canada in 2014. The foreign direct investment position in the Canadian manufacturing sector was up \$11.2 billion to \$215.7 billion. The mining and oil and gas extraction sector gained \$10.9 billion to \$152.0 billion. Since 1999, these two sectors combined have accounted for roughly half of all foreign direct investment in Canada.

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 2015 release 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 the investment of an entity in one country (the direct investor), obtaining a lasting interest in an entity in another country (the direct investment enterprise). The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence by the direct investor on the management of the direct investment enterprise.

In practice, direct investment is deemed to occur when a direct investor owns at least 10% of the voting equity in a direct investment enterprise. This report presents the cumulative year-end positions for direct investment, measured as the total value of equity and the net value of debt instruments between direct investors and their direct investment enterprises.

Foreign direct investment by country and by industry

Following international standards, direct investment is based on the country of residence of the direct investor (immediate parent company) for foreign direct investment in Canada, and to the country of residence of the direct investment enterprise (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 is depreciating 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 is appreciating. 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.

Table 1
Foreign direct investment positions at year end

	2010	2011	2012	2013	2014 ^P
	billions of dollars				
Canadian direct investment abroad	637.3	675.0	704.3	761.6	828.8
United States	251.3	272.4	275.6	306.7	350.0
Barbados	50.0	55.9	64.4	64.5	71.2
United Kingdom	83.9	76.7	72.8	63.3	68.8
Cayman Islands	24.0	33.0	28.7	32.3	36.6
Luxembourg	13.6	19.3	26.6	36.6	31.1
Australia	22.0	25.1	28.6	23.9	26.4
Chile	12.0	10.4	17.1	18.2	18.3
Bermuda	11.2	10.4	13.7	16.9	17.8
Netherlands	9.8	14.2	15.2	17.5	17.5
Ireland	22.2	17.6	12.0	15.5	15.3
Mexico	4.9	9.6	10.1	12.3	13.0
Brazil	10.3	10.4	11.0	10.4	10.3
Hungary	12.8	11.7	10.2	8.6	7.5
All other countries	109.3	108.3	118.4	134.9	145.0
Foreign direct investment in Canada	592.4	603.5	633.8	692.0	732.3
United States	317.7	309.8	308.0	341.9	361.4
Netherlands	53.6	63.3	71.2	67.4	69.2
Luxembourg	20.9	23.1	43.2	53.9	53.6
United Kingdom	42.4	49.6	47.2	46.1	48.3
Switzerland	19.7	19.2	18.2	25.1	27.7
China	12.1	15.4	11.6	20.4	25.1
Brazil	17.3	17.5	18.5	18.3	19.9
Japan	12.7	14.4	17.4	15.8	17.5
Germany	8.2	11.0	10.6	13.1	13.9
France	17.4	10.6	10.4	10.5	11.7
All other countries	70.4	69.6	77.5	79.7	84.1

^P preliminary

Source(s): CANSIM table [376-0051](#).

Available in CANSIM: tables [376-0051](#) and [376-0052](#).

Definitions, data sources and methods: survey number [1537](#).

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