

Study: Foreign-owned Affiliates in Canada: Trends across Major Sectors

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Foreign majority-owned affiliates contribute substantially to the Canadian economy. In 2016, foreign affiliates accounted for 14% of Canada's gross domestic product and employed 12% of workers. That year, foreign-owned affiliates also accounted for over half of Canada's total merchandise trade, and over two-thirds of Canada's cross-border trade in technological services.

Data on the value added of foreign majority-owned affiliates can be used to highlight trends related to foreign ownership in different sectors of Canada's economy. A new study highlights recent changes in the value added of foreign multinationals operating in resource, manufacturing and service industries. It contrasts recent declines in resource output with gains in manufacturing and services, highlighting the extent to which these reflect underlying changes among American, European and Asian-based multinationals.

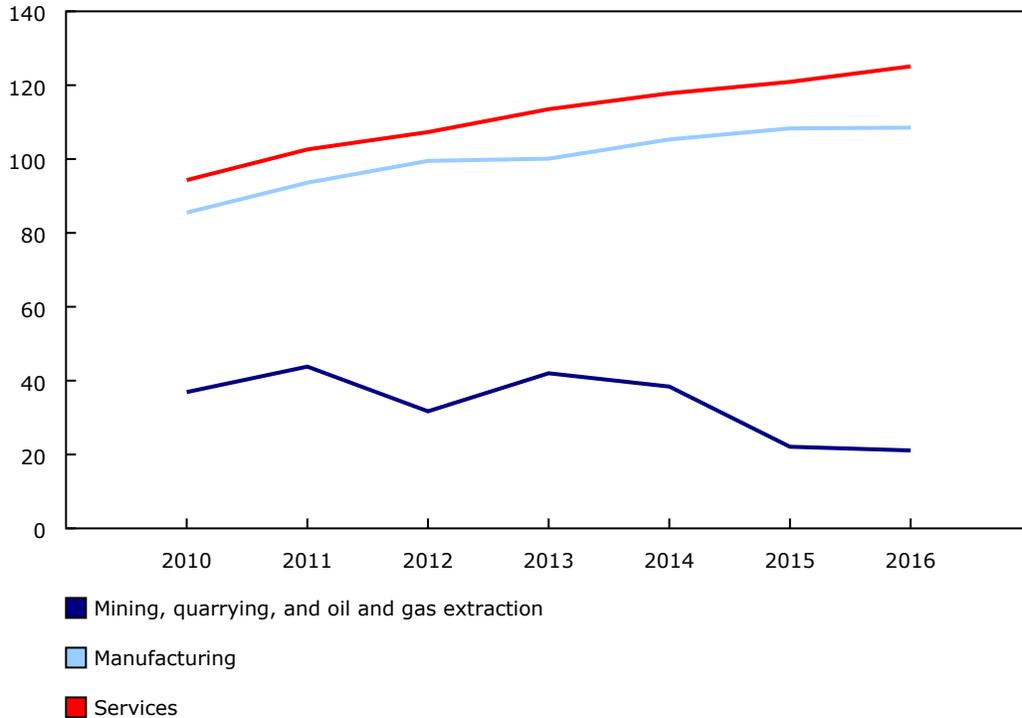
Declines among US- and UK-based affiliates in mining, quarrying and oil and gas extraction

After trending higher following the recession, the value added of foreign affiliates in mining, quarrying and oil and gas extraction contracted sharply in 2015 and 2016 as a result of lower energy prices. In 2016, foreign affiliates operating in resource industries accounted for 8% of the value added of foreign-owned companies operating in Canada, about half of their output share in 2010. Lower resource output during these years reflected sizable declines among US- and UK-owned firms.



Chart 1
Value added, foreign majority-owned affiliates, selected sectors

billions of dollars



Source(s): Table 36-10-0447-01.

US- and Japanese-owned manufacturers advance

In 2016, foreign affiliates in the manufacturing sector accounted for 41% of the value added of foreign multinationals operating in Canada, up from 38% in 2010. About one-third of the total increases in value added among affiliates in manufacturing reflected higher output among US-owned companies. Asian-owned manufacturing firms also advanced, as their share of value added among foreign-owned manufacturers increased from 10% in 2010 to 16% in 2016. Nearly one-half of the increase among Asian-owned manufacturers can be attributed to gains among Japanese-owned firms.

US wholesalers and professional service firms support gains in service industries

The value added of foreign affiliates in service industries has increased steadily since the 2008-2009 recession. In 2016, service firms accounted for 47% of the value added of foreign multinationals operating in Canada, up from 42% in 2010. One-third of the overall increase among service firms reflected gains among wholesalers, led by increases among US-owned companies. Foreign affiliates that provide professional, technical and scientific services also contributed to higher services output, led by gains among US-owned firms. Foreign affiliates of Irish, Swedish and French multinationals also contributed to increases among professional service firms.

Note to readers

Data on foreign majority-owned affiliates, developed by the Canadian Macroeconomic Accounts, are intended to inform changes in the industrial organization of foreign ownership.

Foreign majority-owned affiliates are identified using data on foreign direct investment in Canada and are defined as Canadian entities where a foreign direct investor owns more than 50% of voting shares. Users should note that many of these firms are engaged in Canadian direct investment abroad. For additional background and tables, consult [The Daily](#), November 14, 2018.

The research article "[Foreign-owned Affiliates in Canada: Trends across Major Sectors](#)" is part of *Economic Insights* ([11-626-X](#)), is now available.

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