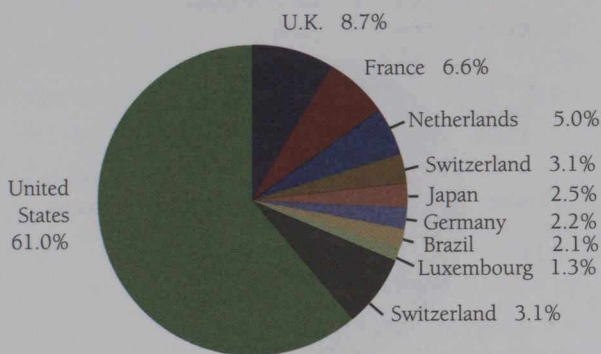


FIGURE 5-3
FDI stock in Canada by country



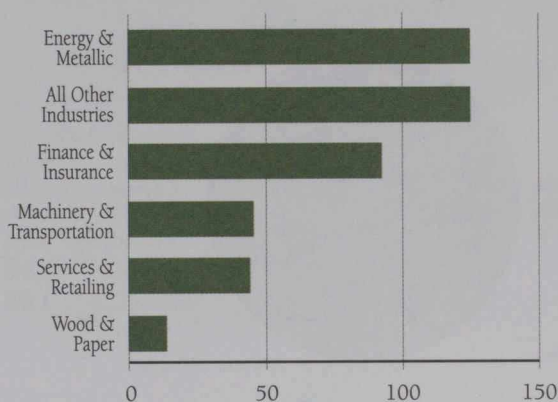
to 27.9 per cent. This is up from 17.5 per cent ten years ago (1997). A substantial portion of the FDI in Canada is also in finance and insurance, holding 20.7 per cent. Over the past five years (2002-06), energy and metallic minerals registered a strong (10.6 per cent) average annual growth rate, as did finance and insurance (9.2 per cent) but it was the services and retailing industry that posted the highest rate at 11.6 per cent over the period.

The FDI stock held by the U.S. is relatively broadly distributed, with energy and metallic minerals and the "all other" category both making up 27.6 per cent of the U.S.'s holdings, followed by finance and insurance (17.8 per cent) and machinery and transportation equipment (12.1 per cent).

Canadian direct investment abroad

In 2006, total Canadian holdings of direct investment abroad were up in all major destinations. For the U.S., this meant an increase of \$19.0 billion, primarily due to capital outflows from Canadian firms to existing operations in their U.S. affiliates. The U.S. continues to dominate as the most important destination for Canadian direct investment abroad, making up 42.7 per cent (\$223.6 billion) of Canada's outward FDI. On the other hand, 61.0 per cent of Canada's inward FDI has come from the United States. While the share held by the U.S. has

FIGURE 5-4
FDI stock in Canada by industry
(billions CAD)



remained fairly steady over the past 5 years, hovering between 41-46 per cent, over the longer term it becomes apparent that Canadian direct investment abroad has become increasingly diversified, with the focus on the U.S. down to 42.7 per cent from 50.6 per cent ten years ago, and 65.9 per cent twenty years ago.

The Canadian dollar had depreciated against both the euro and the pound sterling at year-end of 2006, which meant that Canadian assets in countries with these currencies had increased. European countries held 29 per cent of Canada's FDI at the end of 2006, up from 28 per cent in 2005. The U.K. continued to be the second-most attractive location for Canadian FDI, holding \$59.0 billion of said assets in 2006, while Ireland, France, and the Netherlands were also in the top ten.

Several Caribbean countries also warrant mention, as Canadians continue to increase their direct investment in such countries as the Cayman Islands, Bermuda, and Barbados, which holds the largest stock of Canadian FDI in the area at \$38.4 billion. 2006 saw substantial increases in Australia and Brazil as well, which both posted large increases in Canadian FDI of 19.2 per cent and 22.9 per cent respectively and placed them both in the top ten recipient countries.