The change in the annual stock of FDI in Canada results from the two main factors, net capital flows of direct investment and the net change in reinvested earnings and other factors[27]. Over the 1983-1989 period, Investment Canada estimated that net capital flows of direct investment were not the most important factor contributing to the stock of FDI in Canada, accounting for 26 percent of the growth in stock. Reinvested earnings and other factors (mainly the revaluation of the book value of foreign direct investment after an ownership change) accounted for 74 percent of the growth in the stock of FDI in Canada. However, over the 1986-1989 period, the relative importance of net capital flows of direct investment increased significantly, accounting for 44 percent of the growth in the FDI stock in Canada.[28]

Since 1990, there has been a dramatic decline in the value of the net change in the retained earnings and other factors. Over the 1986-1989 period, the average annual contribution to the stock of FDI in Canada by retained earnings and other factors was $4.7 billion, while the average annual contribution to FDI stock by net capital flows of direct investment was $3.2 billion. For the 1990-1992 period, the average annual contribution of retained earnings and other factors fell dramatically to under $100 million. Over the same period, the average annual contribution of net capital flows of direct investment increased significantly to $5.8 billion and accounted for almost 100 percent of the increase in the stock of FDI in Canada.[29]

The U.S. continues to be the major source of FDI in Canada. In 1992, FDI from the U.S. rose to $87.3 billion, a 4.2 percent increase, and accounted for 63.9 percent of all FDI in Canada. However, as shown in Table 9, the U.S. share of FDI in Canada has declined since 1984 from 76 percent to just under 64 percent in 1990. Over the last three years, the U.S. share has remained constant with an approximate 64 percent share. While the U.S. share fell during the eighties, the country share of most other major FDI sources in Canada has risen. For example, the U.K. share grew from 9.8 percent to 14.2 percent in 1990 (although more recently declining to 12.5 percent). Germany and France have increased their shares by approximately 1.5 percentage points over the 1984-1991 period, while the share of other European countries have grown by 2.3 percentage points. Over the same period, Japan and Hong Kong have also increased their shares by 1.8 and 1.5 percentage points respectively.

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[27] *Statistics Canada defines other factors to include revaluations, reclassification of investment to and from direct investment, differences between book and market values, exchange rate variations and any other differences in capital flows between those measured in the balance of payments statistics and those reflected in the international investment position statistics.*

[28] *Investment Canada, International Investment: Canadian Developments in a Global Context, 1991, Chart 22.*

[29] *Statistics Canada, Canada's International Investment Position, 1992, Table 46, p. 131.*