

Foreign Direct Investment Posted a New High

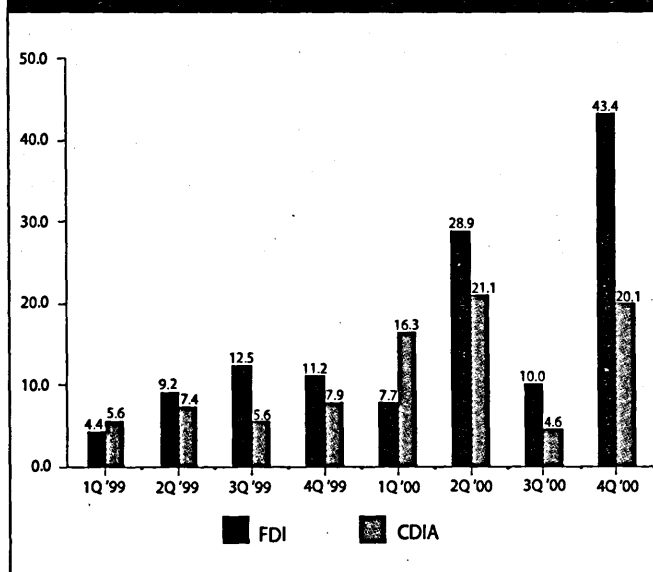
Surpassing the previous quarterly record, the fourth quarter level of FDI totalled \$43.4 billion, 90 percent of which was due to acquisitions of Canadian companies. FDI flows into Canada were concentrated in energy and metallic minerals, and other industries, and were largely from the EU countries.

The outflow of CDIA was valued at \$20.1 billion in the fourth quarter, higher by \$15.1 billion than in the third quarter. Investment in the fourth quarter was geared towards electrical and electronic products, and energy and base metal industries, and for the most part it flowed into the United States. Also during the quarter, Canadian companies were actively engaged in acquisitions of U.S. and European companies.

From October to December 2000, a turnaround in portfolio investments in Canada occurred, as foreigners divested their holdings in outstanding Canadian stocks. In sharp contrast, investment abroad

by Canadian portfolio investors continued in the fourth quarter, mainly in increased purchases of foreign stocks.

Figure 5: Foreign Direct Investment in Canada (FDI) and Canadian Direct Investment Abroad (CDIA), 1999-2000



Source: Statistics Canada

Key Trade and Investment Highlights for Year 2000

Canada's two-way trade marked an outstanding and indeed historic performance for the year 2000, advancing by 12.9 percent over 1999. Some of the key developments that factored in this trade performance include a robust domestic economy, improvement in economies in major parts of the world, higher energy prices and a strong demand for high-tech products.

Canada's Current Account Now in Surplus

As a consequence of a faster expansion in merchandise and services exports (by 14.9 percent) than in imports (by 10.7 percent), Canada's merchandise trade

balance achieved a record high in 2000. This helped to enable the current account to move to a surplus after three years of consecutive deficits. Historically, Canada's current account deficits were primarily due to payments of interest and dividends abroad associated with inflows of foreign investment in Canada. Canada's current account surplus for 2000 stands at \$18.9 billion, more than four times that of 1996.

United States Key to Trade Performance

Another milestone was set in 2000, as Canada's two-way goods and services trade with the United

States totalled \$700 billion for 2000. U.S. demand for Canadian goods rose by 16.2 percent and for services by 7.2 percent over 1999. As such, trade and the current account surplus with this country rose to \$86.0 billion and \$63.5 billion respectively in 2000. These surpluses with the United States were the highest ever recorded.

Bilateral Merchandise Trade Performance with Japan, the United Kingdom and Mexico Intensified

Canada's sales of goods destined for Japan were up by 7.6 percent