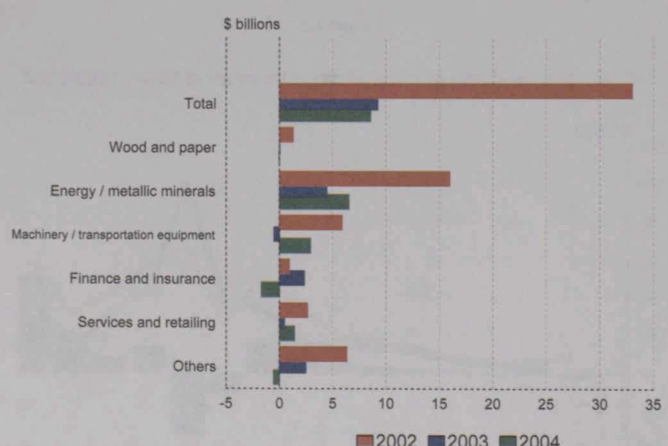
Japan were up a third to surpass the $1.0 billion mark. Excluding the negative acquisitions from the other EU region, FDI inflows into Canada would have been about $22.7 billion, almost two-and-one-half times greater than the $9.2 billion of inflows recorded in 2003.

Sectorally, there were overall negative acquisitions, or net withdrawals, in three of the six major direct investment sectors: finance and insurance ($1.7 billion), miscellaneous industries ($0.5 billion), and wood and paper ($26 million). There were overall net foreign direct investment inflows into energy and metallic minerals ($6.5 billion), machinery and transportation equipment ($2.9 billion), and services and retailing ($1.4 billion) (Figure 4-2).

Figure 4-2

Inflows of direct investment by sector, 2002-2004



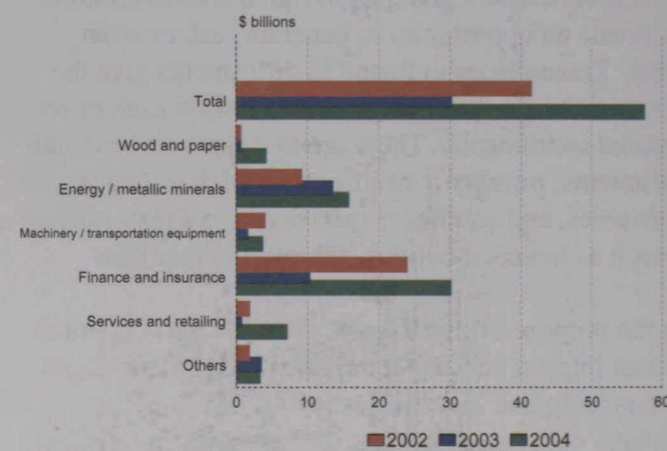
For 2004, Canadian direct investment abroad (CDIA), or outflows, was at its highest level in four years. The annual total of $57.5 billion went in roughly equal measure to acquisitions and to increases in the working capital of foreign affiliates. Geographically, slightly more than 70 per cent of the outflows went to the United States. Of the remainder, over half, or more than 15 per cent of the total, went to non-OECD countries and a further quarter, or 8.4 per cent of the total, went to the EU. Japan and the other OECD countries accounted for 2.3 per cent and 1.6 per cent of the outflows, respectively.

At the industrial level, nearly four-fifths of the total outflows was invested in only two sectors: finance and insurance (52.4 per cent) and energy and metallic minerals (27.4 per cent). Investment outflows in finance and insurance jumped $19.8 billion from 2003 to 2004 while the increase for in energy and metallic minerals was $2.2 billion.

Services and retailing was the third largest CDIA sector at 12.3 per cent of the total, followed by wood and paper (7.3 per cent of the total), and machinery and transportation equipment (6.4 per cent of the total). There was a net withdrawal of CDIA in the amount of $3.3 billion from the miscellaneous industries sector, accounting for a net subtraction equal to 5.8 per cent of the total (Figure 4-3).

Figure 4-3

Outflows of direct investment by sector, 2002-2004



Portfolio Investment

For 2004, over 90 per cent of the $16.2 billion invested by Canadians in foreign securities was in bonds. This investment in bonds was by far the largest ever, almost 90 per cent higher than the previous high established in 2003. According to Statistics Canada, the annual investment of $15.1 billion was roughly split between US corporate bonds, overseas bonds, and US treasuries. Canadian investment in foreign equities stood at about $1.1 billion for the year, the lowest investment in foreign equities since the mid-1980s. However, again according to Statistics Canada, this low net investment marked a shift in composition, as Canadian investors bought some $7 billion in US stocks but sold off some $6 billion in overseas shares.

Foreign investors picked up $20.2 billion in Canadian bonds in 2004; a substantial increase over the $7.0 billion purchased in 2003, but still only half the peak amount purchased in 2001. According to Statistics Canada, virtually all of the buying in 2004 came from US investors while, on a currency basis, the year's investment was roughly split between Canadian and US dollar denominated issues.