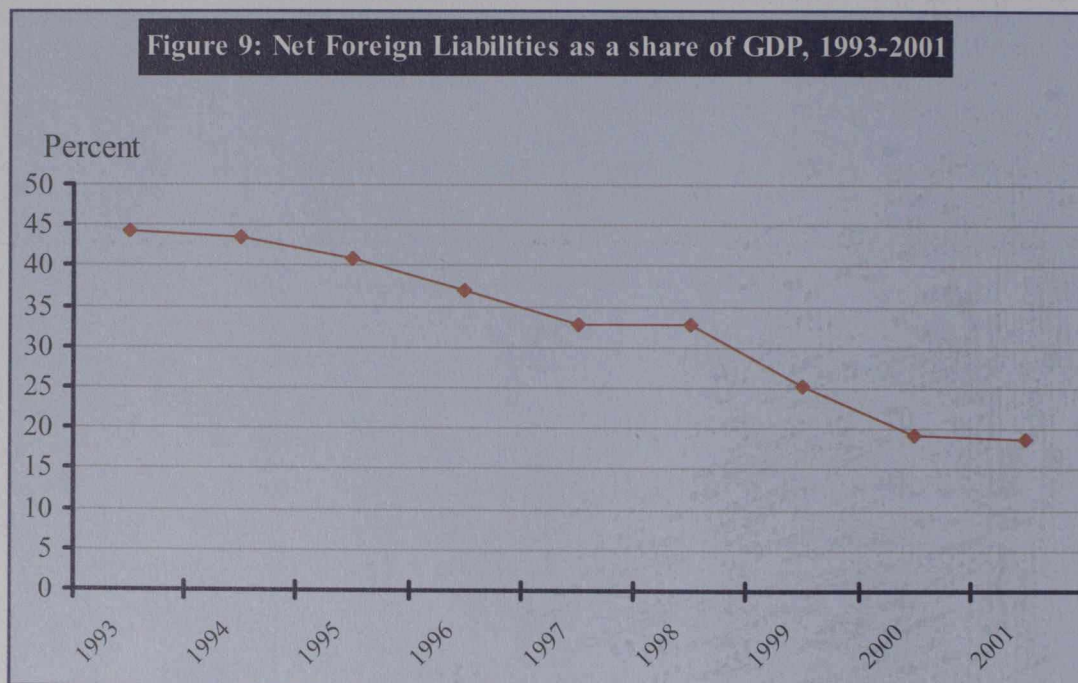


III. INVESTMENT INCOME

Canada has historically run a deficit on its net investment income account, as money earned by non-residents on their Canadian investments has substantially exceeded the earnings of Canadians on their investments abroad. This reflects the fact that, for the most of its history, Canada has been a net capital importing country because of its abundance of investment opportunity. Accordingly, the stock of Canada's external liabilities (on which foreigners earn investment income), which stood at \$1,107.9 billion at the end of 2001, was substantially greater than the stock of Canadian assets abroad (on which Canadians earn investment income), which was \$904.5 billion. As a result, Canada had a net international investment position of \$203.4 billion or about 18.8 percent of GDP, the lowest level since the mid-1940s. This share has been declining steadily in recent years (see Figure 9).



Sources: Statistics Canada, *National Income and Expenditure Accounts*, Catalogue no. 13-001-PPB, 4th Quarter 2001. *Canada's International Investment Position*, Catalogue no. 67-202-XIB, 2001.

For the Year 2001:

- ◆ Investment income earned by Canadian residents on investments abroad totalled \$37.4 billion. Of this, 48.6 percent was on direct investment, 20.2 percent on portfolio investment and the remaining 31.2 percent on other investment (including loans, deposits, reserves and other assets).
- ◆ Income earned by foreign residents on investments in Canada totalled \$64.9 billion. Of this, about 36.7 percent was on FDI, 44.5 percent on portfolio investment, and the remaining 18.8 percent on other investment.
- ◆ Canada thus had a deficit of \$27.4 billion on the investment income account, an increase of \$0.3 billion from the previous year. About 78 percent of this deficit was contributed by the deficit in portfolio investment earnings.
- ◆ The deficit on investment income was 44.6 percent as large as Canada's record merchandise trade surplus of \$61.5 billion.