

While FDI in Canada is primarily in the goods industries, Canadian FDI abroad is predominantly in service industries, and this prevalence has increased since 2000, in which the share held by services was 55 per cent; in 2006 it was 61 per cent. Looking at individual industries, finance and insurance has by far the largest share, at nearly double the next nearest industry, and also experienced the highest growth in 2006 at 20.4 per cent. But Canada's investments in energy and metallic minerals have also been growing, averaging annual growth of 9.8 per cent over the past five years, versus finance and insurance's 5.2 per cent.

Canada's performance in the North American context

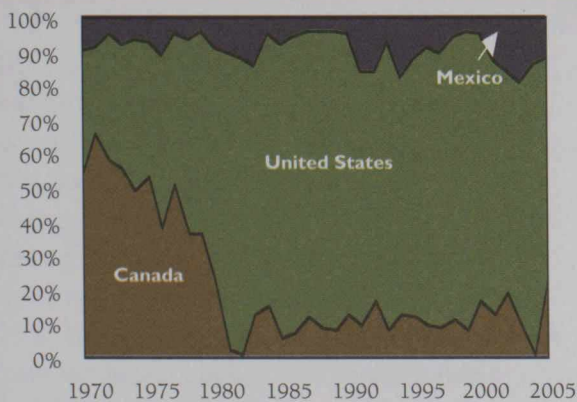
Although Canada's inward FDI flows have increased over the past decade in dollar terms, its share of the total flows coming into North America remained fairly stable, at 9.3 per cent in 1996 and 10.2 per cent in 2003, although 2005 witnessed an up-tick to 22.4 per cent. This raises questions about Canada's relative attractiveness as a location for investment. Between 1996 and 2005, Canada drew on average

11.9 per cent of North America's FDI inflows, down from a remarkable 49.7 per cent over the 1970s.

At the same time, Canada's share of North American inward FDI stock—that is, all FDI held in North America rather than the yearly flows—has been declining over the past few decades as well, dropping from 40.0 per cent in 1980 to 12.6 per cent in 2001, but recent years have seen a slow increase, leaving Canada's share at 16.3 per cent in 2005. The decline, however, was mostly the result of the very high level of inflows Canada received in the 1960s and 70s rather than a reflection on recent performance.

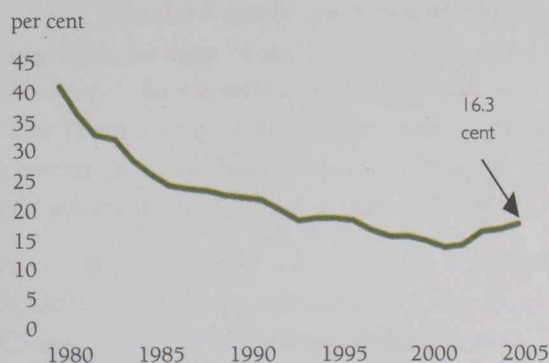
The ratio of inward FDI stock to GDP, an indicator of Canada's "openness" or orientation toward foreign investment was 31.6 per cent in 2005. Canada therefore ranks as the second most open country in the G-7 after the U.K. (37.1 per cent). Meanwhile, despite the large quantities of FDI flows it attracts, this ratio stood at only 13.0 per cent for the U.S., and 2.2 per cent for Japan, the lowest amongst the G-7 countries.

FIGURE 5-7
Distribution of inward FDI flows to North America



Data source: UNCTAD World Investment Report 2006 Annex Tables, with Mexico defined as being in North America.

FIGURE 5-8
Canada's share of North American Inward FDI stock



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