

Why Canadian direct investment abroad matters more than ever

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Canada's economic future isn't shaped only by what we sell abroad—but by where Canadian companies choose to invest. As global supply chains fragment, geopolitics reshape trade and growth at home faces demographic and productivity constraints, Canadian direct investment abroad (CDIA) has become a critical lever for long-term resilience.

Far from hollowing out the domestic economy, evidence shows that investing abroad strengthens exports, raises national income and helps Canadian firms compete—and innovate—at home. In a more uncertain global economy, CDIA isn't a substitute for domestic investment, but a strategic complement to it.

Executive summary

Canadian direct investment abroad (CDIA) is a core pillar of Canada's long-term growth and economic resilience. By expanding Canadian firms' global footprint, CDIA supports exports, generates investment income and strengthens productivity at home.

Over a five-year period, every dollar of CDIA generates about **77 cents in additional Canadian income**, through two main channels:

1. **The export effect:** A \$1-million increase in CDIA raises Canadian exports by about \$316,000 in the same year, with additional export gains persisting over time. Over five years, exports rise by roughly \$610,000—about 61 cents per dollar invested.
2. **The investment income effect:** Returns on CDIA average about 5.2% annually, making it a growing source of national income. Over five years, these returns aggregate to roughly 16 cents for every dollar invested.

Beyond these direct effects, CDIA helps Canadian firms reach new customers, [integrate into global value chains](#), raise productivity and innovation at home, and build long-term competitiveness in a world of rising trade and geopolitical risk.

Key statistics: Canadian direct investment abroad at a glance

[Canada's direct investment abroad](#) has grown steadily over the past decade and now plays a central role in the country's economic footprint.

- **Canada's stock of CDIA now exceeds \$2.5 trillion**, making it roughly **2.5 times the value of Canada's exports of goods and services**. Since 2019, CDIA stock has grown at a compounded annual rate of nearly 9%.
- **Income from CDIA is becoming a larger share of Canada's economy**. Investment income rose from **\$45 billion in 2012 to \$128 billion in 2024**, now accounting for more than 4% of gross domestic product (GDP).
- **Foreign affiliate sales (FAS) significantly extend Canada's global reach**. In 2024, Canada's foreign affiliates generated **\$1.7 trillion in sales** and collectively owned more than \$9 trillion in assets—about 1.7 times the value of Canada's exports.

What is Canadian direct investment abroad?

CDIA refers to investments made by Canadian firms in business operations or assets located outside Canada. Statistics Canada defines CDIA as investments that provide the Canadian investor with significant influence or control over a foreign enterprise.¹

CDIA consists of three components:

1. **Equity:** The purchase or sale of shares in foreign affiliates
2. **Reinvested earnings:** Profits retained in the foreign enterprise rather than repatriated
3. **Intercompany debt:** Loans and other financial transactions between parent companies and their affiliates

CDIA is a flow measure, capturing investment activity over a given period. Over time, these annual flows accumulate into Canada's total stock of direct investment abroad—a measure of Canadian ownership of foreign assets.

Why Canadian firms invest abroad

When a [Canadian business invests abroad, it's making a strategic judgment](#) that operating in a foreign market will generate greater long-term value than expanding at home alone. Firms weigh access to new customers, proximity to key suppliers and opportunities to integrate more deeply into global value chains.

Investing abroad can also strengthen competitiveness by lowering costs, securing specialized talent, or tapping into innovation ecosystems that may not exist domestically. Increasingly, these

¹ Source: [Statistics Canada. Table 36-10-0008-01](#). International investment position, Canadian direct investment abroad and FDI in Canada, by country, annual.

decisions must also account for geopolitical realities, including protectionist trade measures, regulatory shifts and supply chain disruptions.

Exporting is often the first step in this process. Canadian exporters are significantly more likely than non-exporters to undertake CDIA, as experience in international markets builds the scale, managerial capacity and risk tolerance required for [establishing foreign affiliates](#).

How Canadian direct investment abroad strengthens the domestic economy

Beyond direct income and export effects, CDIA delivers broader economic benefits that reinforce Canada's long-term competitiveness.

Helping Canadian firms reach new customers

Through foreign affiliates, Canadian companies can meet local procurement rules, provide after-sales service, comply with regulations and tailor products to local markets—requirements that many buyers impose. Once established, affiliates often serve as local sales and distribution hubs, expanding the firm's customer base. CDIA complements exports by opening markets that would otherwise be difficult to access.

Raising productivity and innovation at home

Operating abroad exposes Canadian firms to new technologies, management practices and innovation ecosystems. A meaningful share of multinational productivity gains occurs after investing abroad, with learning spillovers strengthening domestic operations.

Strengthening Canada's integration into global value chains

CDIA enables Canadian firms to establish a physical presence where value is created in global supply chains. This deeper integration helps firms secure inputs, meet local requirements and participate more fully in global production networks—positioning Canada closer to decision-making, innovation and value capture.

Building long-term economic resilience and competitiveness

By expanding market access, diversifying revenue sources and improving firm-level competitiveness, CDIA supports Canada's long-term growth and resilience. Outward investment is a strategic complement to domestic investment, especially in an environment of demographic pressures and productivity constraints.

Why outward foreign direct investment matters for Canada

Canada's direct investments abroad do more than extend our global reach of Canadian firms—they strengthen prosperity at home through three key channels.

CDIA generates growing income for Canada

1. **Foreign affiliates generate profits, dividends and interest that flow back to Canada.** As CDIA has expanded, this investment income has become an increasingly important source of national income—supporting domestic investment, employment and fiscal capacity.

CDIA supports exports, rather than replacing them

2. **After the Second World War, as international trade and investment grew, policy-makers worried that companies investing abroad might export less** because they could produce goods locally. Evidence now points in the opposite direction. Firms from the United States, Japan and Sweden found that outward foreign direct investment (FDI) and trade are generally linked positively—companies that increased their overseas investments also tended to export more to those markets.

Recent analysis conducted by Statistics Canada for Export Development Canada (EDC) shows that when CDIA rises by 1% in a given year, Canadian exports increase by 0.04% in the same year and continue to grow by an average of 0.01% annually for the next four years. In monetary terms, a \$1-million increase in CDIA boosts Canadian exports by about \$316,000 in the first year, with cumulative gains of roughly \$610,000 over five years.² These exports support foreign affiliates through intermediate goods, services, technology and management expertise—creating durable trade linkages rather than one-off sales.

CDIA raises productivity and innovation at home

3. **Operating abroad exposes companies to new technologies**, management practices and competitive pressures. These learning effects translate into higher productivity in domestic operations. Research using Canadian firm-level data shows that a meaningful share (one-fifth) of the productivity advantage enjoyed by Canadian multinationals comes after they invest abroad—not before.³⁴ Exporting and CDIA reinforce one another, creating a virtuous cycle in which global engagement drives learning, scale and competitiveness at home.

Global trends in outward foreign direct investment

Outward FDI from advanced economies declined sharply after 2013—by **39% or US\$20.5 billion (nominal)**—reflecting slower global growth, heightened uncertainty and shifting trade dynamics. While outward FDI remains below earlier peaks, flows have shown renewed momentum since 2018 (.).

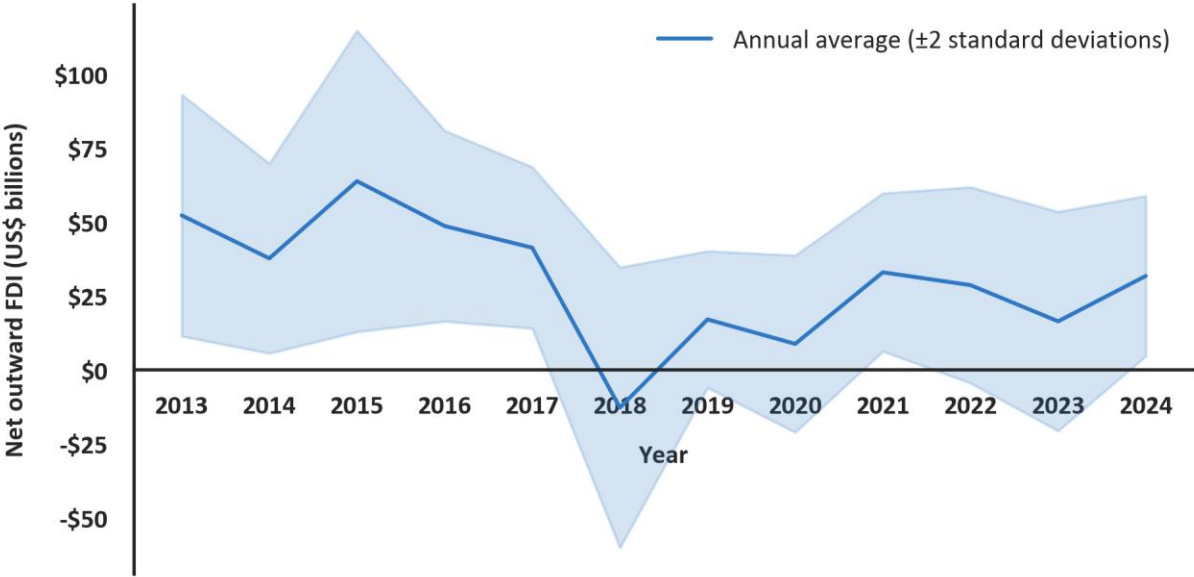
Figure 1).

² The analysis was requested by EDC Economics and was conducted using firm-level data between 2005 and 2022.

³ The productivity edge is the gap in labour productivity between Canadian multinationals and that of the average Canadian business with no foreign investments.

⁴ Source: Hejazi, W., Tang, J., & Wang, W. (2020). Selection, learning, and productivity at the firm level: Evidence from Canadian outward FDI. *Journal of International Business Studies*, 52(2), 306–320. <https://doi.org/10.1057/s41267-020-00343-9>

Figure 1: Advanced economies average annual net outward FDI, US\$ (nominal)⁵

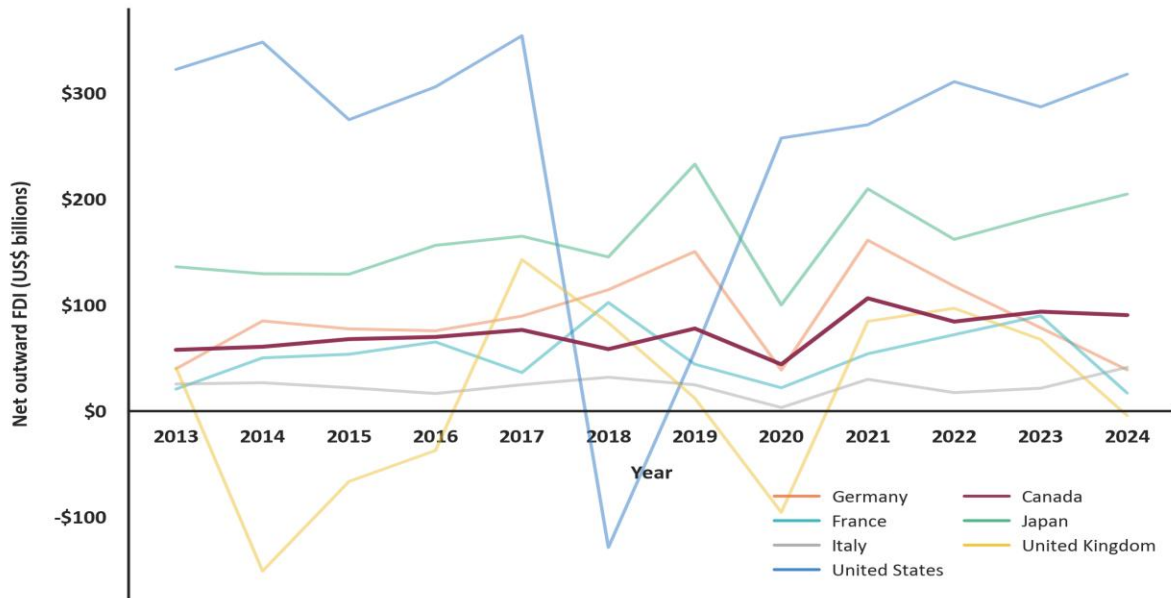


Source: EDC Economics’ calculations using OECD FDI flows main aggregates, BMD4.

Most global outward FDI originates from G7 economies, accounting for about 43% of flows over the past decade. From 2013 to 2024, Canada’s outward FDI has been notably more stable than that of many peers, growing at an annual rate of 4%, even as other major economies experienced sharp swings. The United States, for example, saw outward FDI fall sharply between 2017 and 2018 (down US\$482 billion) before recovering, resulting in only a slight annual decline of 0.1% from 2013 to 2025. **Figure 2** shows how Canada’s outward FDI compares with other G7 economies over time.

⁵ [IMF definition of advanced economies](#). Not all countries included because of data availability. Analysis includes Australia, Austria, Belgium, Switzerland, Czechia, Germany, Denmark, Spain, Estonia, Finland, France, United Kingdom, Greece, Hungary, Ireland, Iceland, Italy, Japan, Lithuania, Luxembourg, Latvia, Netherlands, Norway, New Zealand, Portugal, Slovakia, Slovenia, Sweden, United States.

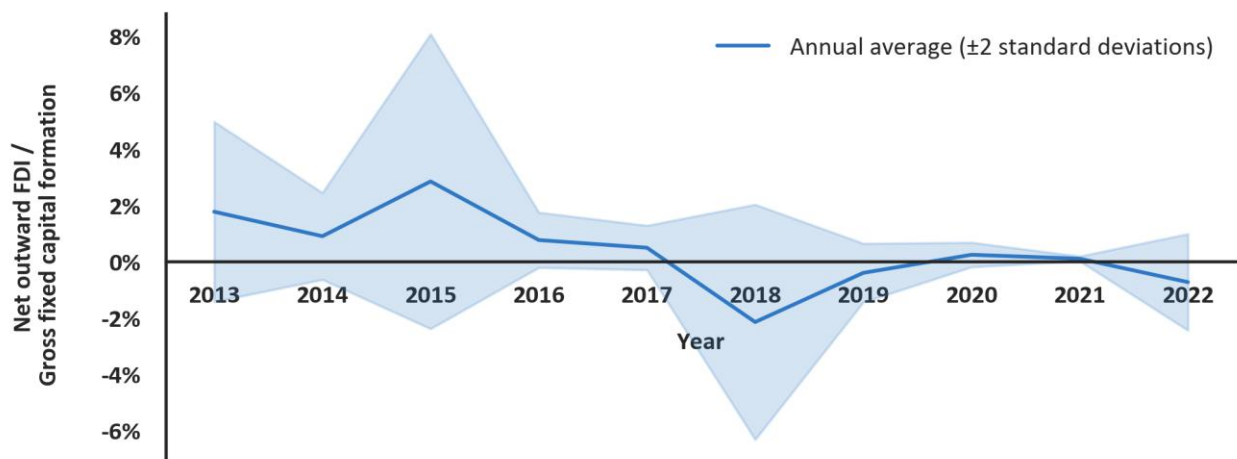
Figure 2: G7 countries annual net outward FDI, US\$ (nominal)



Source: EDC Economics' calculations using OECD FDI flows main aggregates, BMD4.

Relative to domestic investment, outward FDI remains modest for most advanced economies. The ratio of outward FDI to gross fixed capital formation (GFCF) shows that foreign investment has consistently trailed domestic investment since 2013. In 2015, 95% of Organisation for Economic Co-operation and Development (OECD) countries invested less than 10% of capital abroad—roughly \$1 internationally for every \$10 invested domestically (**Figure 3**).

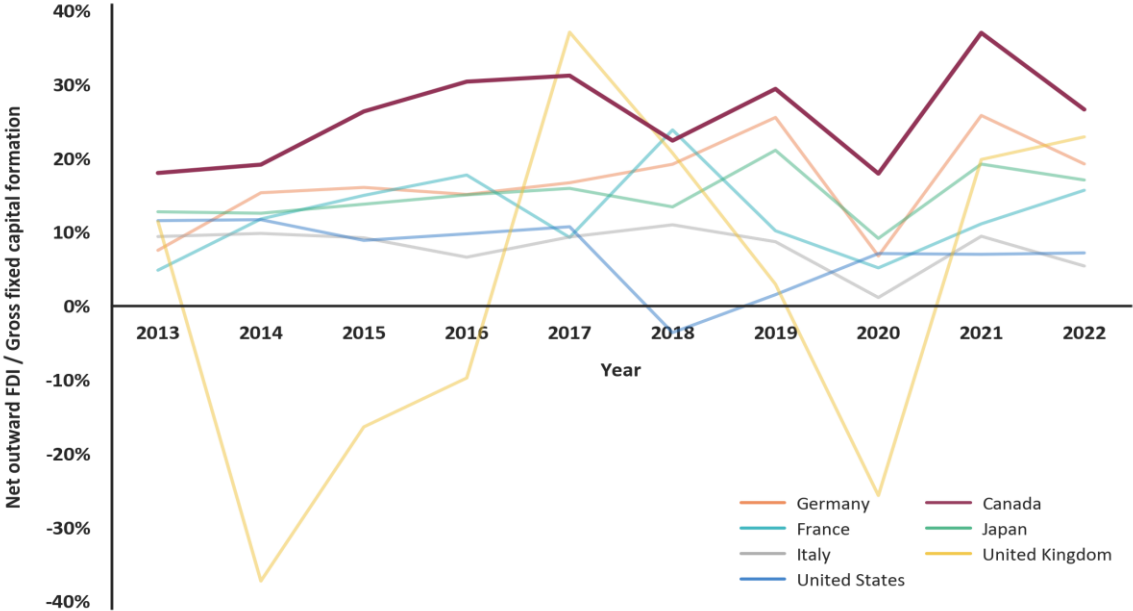
Figure 3: Advanced economies net outward FDI/gross fixed capital formation



Source: EDC Economics calculation using OECD FDI flows main aggregates, BMD4 and OECD annual fixed assets by economic activity and by asset.

Among G7 economies, Canada stands out. It led the group with an average foreign investment intensity of 26%, increasing at an annualized rate of 4% between 2013 and 2022. **(Figure 4)**

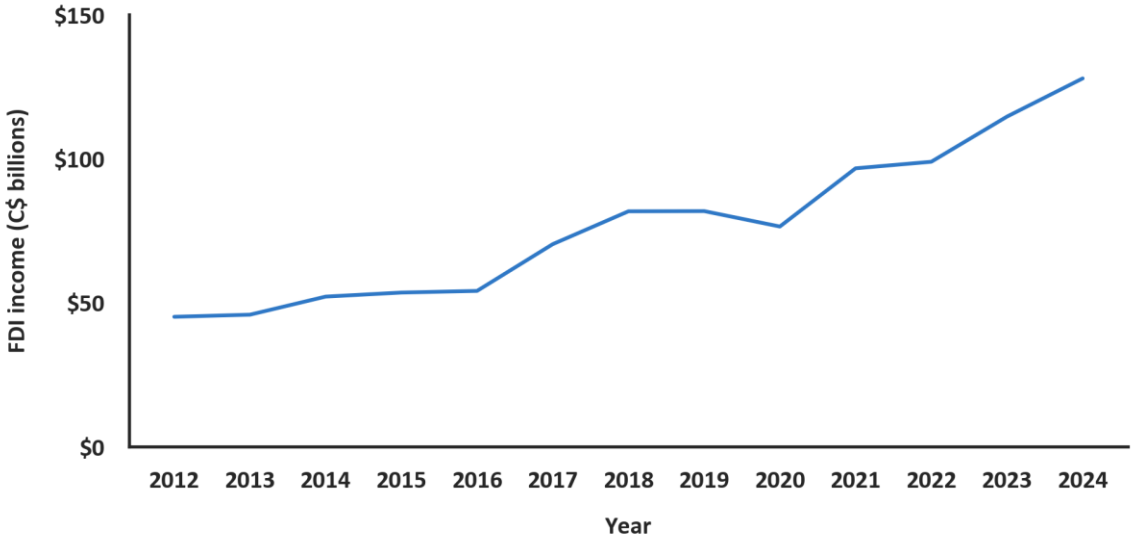
Figure 4: G7 countries net outward FDI / gross fixed capital formation



Source: EDC Economics calculation using OECD FDI flows main aggregates, BMD4 and OECD annual fixed assets by economic activity and by asset.

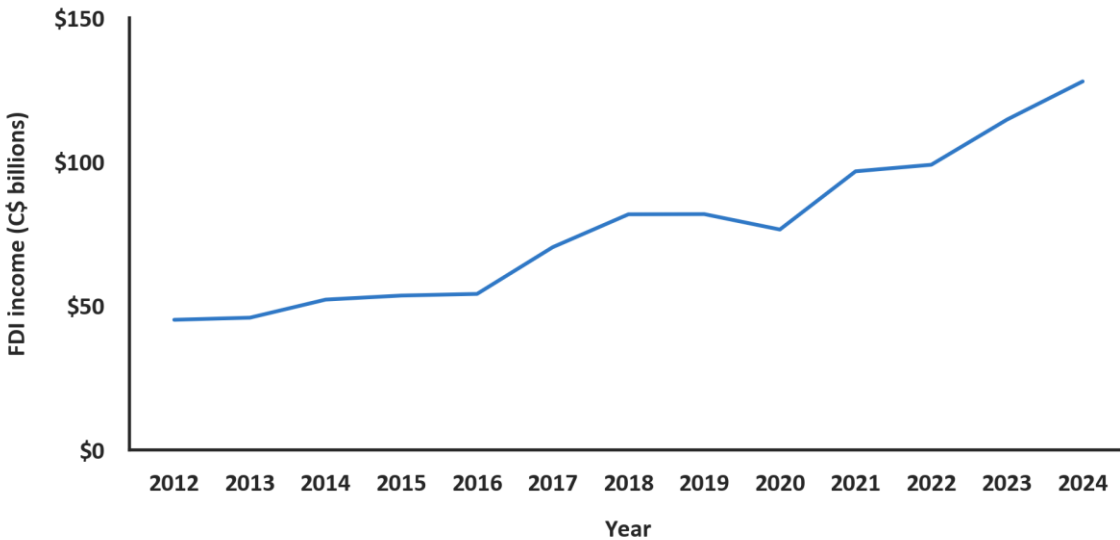
How Canadian direct investment abroad supports national income

Income generated from Canadian assets abroad has risen steadily since 2012, growing faster than the domestic economy—from C\$45 billion to C\$128 billion—a 9% annualized increase (



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Figure 5: Canada FDI income—C\$ (nominal)

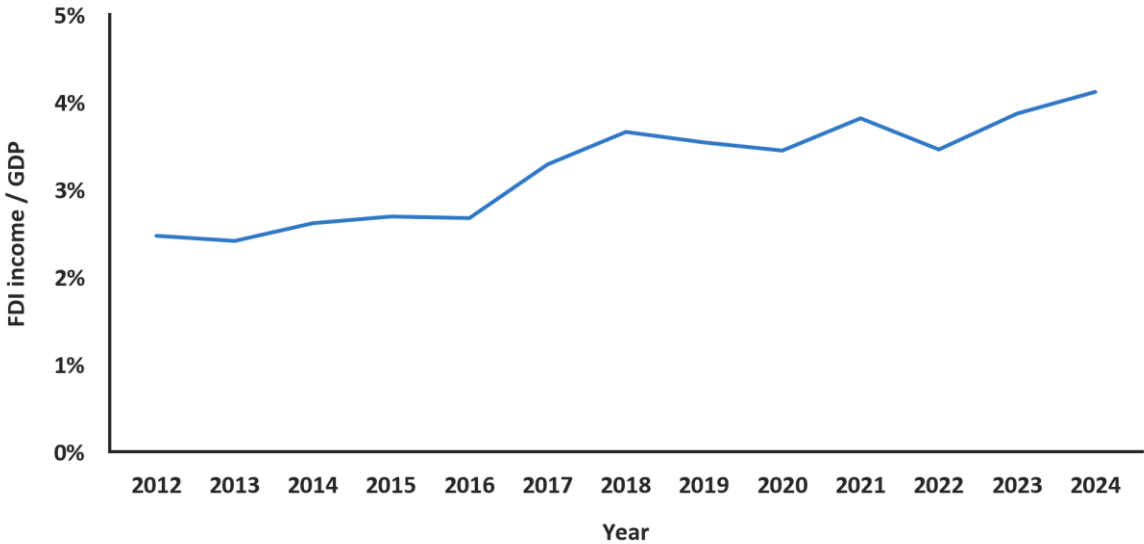


Source: [Statistics Canada. Table 36-10-0016-01](#). Balance of international payments, current account and capital account, quarterly (x 1,000,000).

As a result, investment income from CDIA now represents a larger share of Canada’s gross domestic product (GDP) than at any point in recent history. As a share of GDP, foreign investment income rose from **2.5% in 2012 to more than 4% in 2024 (Figure 6)**.

⁶ CDIA income means the investment income receipts in the context of the current account of the balance of international payments.

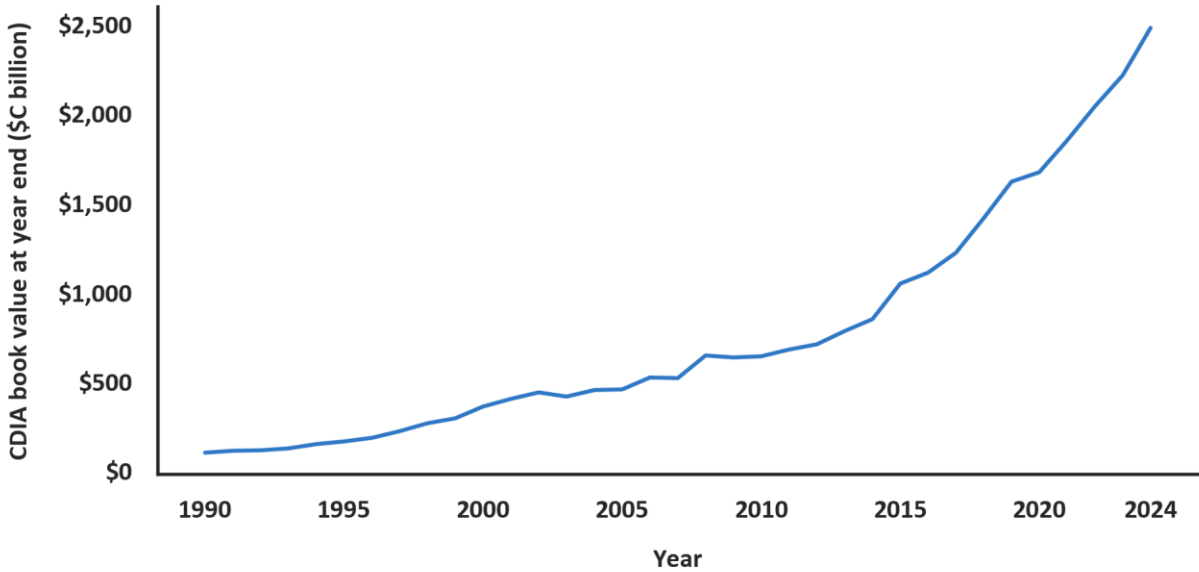
Figure 6: Nominal FDI income as a share of nominal GDP for Canada



Source: [Statistics Canada. Table 36-10-0016-01](#). Balance of international payments, current account and capital account, quarterly (x 1,000,000). [Statistics Canada. Table 36-10-0699-01](#). Gross domestic product, expenditure-based, Canada, annual (x 1,000,000).

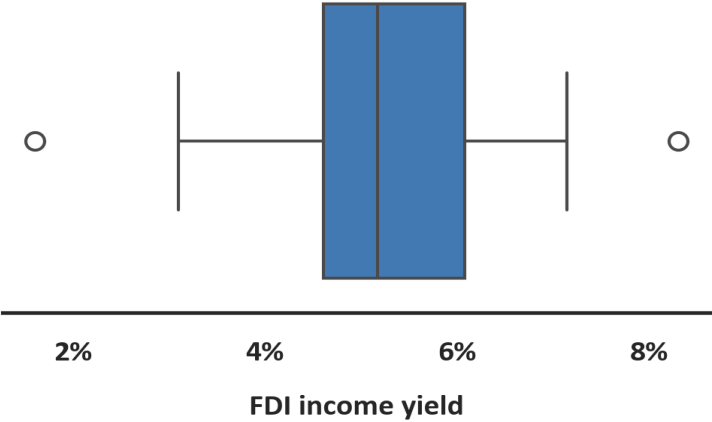
This growth reflects both rising investments abroad and the appreciation of existing assets. Over the long term, Canadian direct investment assets expanded at an annual rate of about 9% (**Figure 7**)—increasing the income base available to support domestic growth.

Figure 7: Value of direct investment assets abroad—Canada (C\$, nominal)



Source: [Statistics Canada. Table 36-10-0474-01](#). International investment position, book value, annual (x 1,000,000).

Figure 8: Distribution of FDI income yield—Canada, 1990-2024



Source: EDC Economics’ calculation using Statistics Canada. [Table 36-10-0474-01](#). International investment position, book value, annual (x 1,000,000); and [Statistics Canada. Table 36-10-0016-01](#). Balance of international payments, current account and capital account, quarterly (x 1,000,000).

Over the last 30 years, returns on CDIA have averaged about 5.2% annually (**Figure 8**) making outward investment a durable and growing contributor to national income. Over a five-year horizon, these returns amount to roughly 16 cents for every dollar invested, reinforcing the economic case for supporting outward investment alongside domestic capital formation.

What CDIA means for Canada’s long-term competitiveness

Supporting Canadian direct investment abroad isn’t a diversion of capital from Canada—it’s an investment in long-term economic strength. This evidence shows that CDIA helps grow and diversify exports, strengthens firm-level competitiveness and embeds Canadian businesses more deeply in global value chains.

Operating abroad pushes firms to adopt global best practices, develop more sophisticated capabilities and integrate into advanced innovation ecosystems. Foreign affiliates deepen supply chain linkages, expand distribution networks and strengthen demand for Canadian goods and services. In this sense, CDIA should be viewed as a core component of Canada’s export development toolkit.

Participation in global value chains (GVCs) increasingly requires a physical presence—whether to secure inputs, collaborate with partners, or meet local content requirements. By enabling Canadian firms to position themselves where value is created—closer to decision-making, innovation and growth markets—CDIA strengthens both their global relevance and Canada’s economic resilience.

In a world of rising geopolitical risk and more fragmented trade, CDIA helps firms diversify revenue, manage risk and build durable competitive advantage—supporting growth and resilience at home.

How EDC can help

EDC supports Canadian exporters with [market intelligence](#), [financing and risk management solutions](#) to help them grow internationally with confidence. Our experts connect businesses to global buyers and partners, while providing guidance to navigate market access, geopolitical risk and regulatory complexity. To get started, connect with an EDC export advisor through the [Export Help Hub](#) or sign up for a [MyEDC account](#).

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