

This metadata describes the compilation practices, sources and methodology in use in 2001. Please refer to the contact person below for details of any changes that may have been introduced by the country since that time.

Canada:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in Canada

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

Direct Investment Abroad

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

[Glossary of Direct Investment Terms and Definitions](#)

DIRECT INVESTMENT IN CANADA
BALANCE OF PAYMENTS ("TRANSACTIONS DATA")

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data on (i) direct investment income (income on equity, reinvested earnings, and income on debt [interest]), and (ii) direct investment financial flows (equity capital and other capital), are disseminated with a timeliness of 8 weeks after the end of the reference period.

Revision Policy: The quarterly data for the current year are revised throughout the year. In addition, the quarterly data for the previous four years are revised in the first quarter of each year (for example, the data back to the first quarter of 1996 were revised in the first quarter of 2000). The data are considered to be final 48 months after the time they were first released.

Data Coverage: No major industrial sectors are excluded from the data.

Data Collection Methods: Data are primarily collected on an aggregate basis, although data on some debt instruments are collected on an individual transactions basis. Reporting requirements are compulsory.

Data Sources: The data are compiled primarily from quarterly enterprise surveys of direct investment enterprises in Canada. A computerized clipping system designed to monitor the financial press is used as a secondary data source. Other data sources are (i) information obtained from exchange control authorities or investment approval authorities, (ii) bilateral sources, and (iii) administrative data obtained from other Statistics Canada divisions and other government departments. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) regional offices of Statistics Canada, (iii) registers maintained by the tax authorities, industry associations, and other departments within the statistical agency, (iv) the financial press, and (v) nonresident sources, such as annual reports, and information from rating agencies.

Geographic Classification: Quarterly data showing country breakdowns are disseminated for direct investment income and direct investment financial flows, with a timeliness of 8 weeks after the end of the reference period. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns of direct investment transactions by regions or economic zones for: (i) the European Union, and (ii) the OECD. The five countries/regions with the largest amount of direct investment flows into Canada during 2001 (ranked in descending order) were: the United States, the United Kingdom, other European Union countries, Japan, and other OECD countries.

Industrial Classification: Quarterly data showing a breakdown by industry are disseminated for direct investment income and direct investment financial flows, with a timeliness of 8 weeks after the end of the reference period. The data are based on the industry of the resident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data are also disseminated at the four-digit level of the Canadian Standard Industrial Classification for Companies or Enterprises (SIC-C). Data showing breakdowns by industrial sector/country or region or economic zone, are disseminated for: (i) the United States, (ii) the United Kingdom, (iii) Japan, (iv) Other European Union Countries, (v) Other OECD Countries, and (vi) All Other Countries. Data showing breakdowns by industrial sector/partner country are also disseminated. Other tabulations are available on a cost recovery basis.

B. Methodology

Definition of Direct Investment Enterprises in Canada: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Canada is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. No value threshold is used to identify direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, (i) the direct investment earnings data include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Enterprises in Canada are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings: Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate earnings of direct investment enterprises. In accordance with COPC, (i) deductions are made for depreciation of capital and (ii) realized and unrealized capital gains and losses, write-offs and exchange rate gains or losses are not included. However, contrary to COPC, deductions are not made for provisions for host-country income and corporation taxes. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings.

Treatment of Income on Equity (Dividends and Distributed Branch Profits): The data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, dividends and distributed branch profits are recorded (i) on the date they are payable, and (ii) gross of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits: The data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, reinvested earnings and undistributed branch profits are recorded in the period in which they are earned.

Treatment of Income on Debt (Interest): The data cover interest income from: (i) bonds and money market instruments, (ii) long-term loans, and (iii) short-term loans. The data do not cover interest from trade credits. In accordance with the international standards, the data do not include interest from: (i) financial derivatives, and (ii) deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. In accordance with the international standards, the data are compiled on an accrual basis.

Treatment of Equity Capital: The data cover all types of financial flows affecting equity capital, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares), and (iv) non-cash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

Treatment of Other Capital: The data cover: (i) bonds and money market instruments; (ii) long-term loans, (iii) short-term loans, (iv) financial leases, and (v) trade credits. The data do not cover financial derivatives. Contrary to the international standards, the data include (i) loans merely guaranteed by direct investors or related direct investment enterprises, and (ii) changes in insurance company technical reserves. In accordance with the international standards, (i) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities are excluded, and (ii) transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries are included.

Treatment of Reverse Investment: Transactions involving reverse investment are not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Canada and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan transactions are recorded in accordance with the international standards as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan transactions are recorded as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”, rather than as “Direct Investment in Canada: Increase in Claims on Direct Investors”.

Treatment of Quasi-corporations: Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in Canada by nonresidents of (i) mobile equipment, such as ships, aircraft, drilling rigs, and (ii) construction enterprises.

Treatment of Offshore Enterprises: Not applicable. There are “Extra-National Companies (ENCs) that are incorporated in Canada. However, these companies have all their activities offshore, have no impact on the balance of payments statistics, and are considered to be foreign entities, rather than residents of Canada.

Treatment of Special Purpose Entities (SPEs): Not applicable. No SPEs established in Canada by nonresidents have been identified to date.

Treatment of Land and Buildings: In accordance with the international standards, the data include purchases and sales of land and buildings in Canada by nonresident enterprises. However, contrary to the international standards, the data do not include purchases and sales of land and buildings in Canada by nonresident individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, expenditure related to natural resources exploration in Canada by nonresidents is included in the data .

Exchange Rate Conversion: Transactions are converted to the unit of account at the average exchange rate in the period in which the transactions are recorded.

DIRECT INVESTMENT IN CANADA
INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary annual (calendar year) data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 10 weeks after the end of the reference period.

Revision Policy: The data are normally revised for a period of four years, and are considered to be final 48 months after the date they were first released. However, major historical revisions are carried out approximately every 10 years, at which time the data can be revised back as far as needed.

Data Coverage: No major industrial sectors are excluded from the data.

Data Collection Methods: Reporting requirements are compulsory.

Data Sources: The data are compiled primarily from annual enterprise surveys of direct investment enterprises in Canada. Published sources, such as company accounts, are used as a secondary data source. Other data sources are: (i) information obtained from exchange control or investment approval authorities, (ii) bilateral data, (iii) press reports, and (iv) administrative data obtained from other divisions of Statistics Canada, and other government departments. The perpetual inventory method (a method for deriving position data from transactions data) is not used. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) regional offices of Statistics Canada, (iii) registers maintained by the tax authorities, industry associations, and other departments within the statistical agency, (iv) the financial press, and (v) nonresident sources, such as annual reports and rating agencies.

Geographic Classification: Annual position data showing country breakdowns are disseminated with a timeliness of 10 weeks after the end of the reference period. In accordance with the international standards, the data are compiled on an “immediate country” basis. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns by regions or economic zones for: (i) the European Union, and (ii) the OECD. The five countries with the largest amount of direct investment in Canada as at the end of 2001 (ranked in descending order) were: the United States, the United Kingdom, France, the Netherlands, and Japan.

Industrial Classification: Annual position data showing a breakdown by industry are disseminated with a timeliness of 10 weeks after the end of the reference period. The data are based on the industry of the resident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data are also disseminated at the four-digit level of the Canadian Standard Industrial Classification for Companies or Enterprises (SIC-C). Data showing breakdowns by industrial sector/country or region or economic zone, are disseminated for: (i) the United States, (ii) the United Kingdom, (iii) Japan, (iv) Other European Union Countries, (v) Other OECD Countries, and (vi) All Other Countries. Data showing breakdowns by industrial sector/partner country are also disseminated. Other tabulations are available on a cost recovery basis.

B. Methodology

Definition of Direct Investment Enterprises in Canada: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Canada is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. No value threshold is used to identify direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, the relevant share of indirectly-owned direct investment enterprises are included in (i) the reinvested earnings data, and (ii) the equity and other capital position data. Enterprises in Canada are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings: The data cover all types of position data affecting equity capital and reinvested earnings, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, (iv) non-cash acquisitions of equity, such as through the provision of capital equipment, and (v) reinvested earnings. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises, and, in accordance with the international standards, are recorded in the period in which they are earned. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment in Canada.)

Treatment of Other Capital: The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, and (v) trade credits. The data do not cover financial derivatives. Contrary to the international standards, the data include (i) loans merely guaranteed by direct investors or related direct investment enterprises, and (ii) changes in insurance company technical reserves. In accordance with the international standards, (i) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities are excluded, and (ii) positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries are included.

Treatment of Reverse Investment: Positions involving reverse investment are not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Canada and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises" However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan positions are recorded as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises", rather than as "Liabilities: Direct Investment in Canada: Claims on Direct Investors".

Treatment of Quasi-corporations: Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in Canada by nonresidents of (i) mobile equipment, such as ships, aircraft, drilling rigs, and (ii) construction enterprises.

Treatment of Offshore Enterprises: Not applicable. There are "Extra-National Companies (ENCs) that are incorporated in Canada. However, these companies have all their activities offshore, have no impact on the balance of payments statistics, and are considered to be foreign entities, rather than residents of Canada.

Treatment of Special Purpose Entities (SPEs): Not applicable. No SPEs established in Canada by nonresidents have been identified to date.

Treatment of Land and Buildings: In accordance with the international standards, the data include ownership of land and buildings in Canada by nonresident enterprises. However, contrary to the international standards, the data do not include ownership of land and buildings in Canada by nonresident individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, expenditure related to natural resources exploration in Canada by nonresidents is included in the data.

Valuation: Contrary to the international standards, the data are reported at book values, rather than market values. The book values used are the values recorded in the accounting records of the resident direct investment enterprises.

Exchange Rate Conversion: The exchange rate prevailing at year-end is used to convert foreign currencies into the unit of account.

CANADA: DIRECT INVESTMENT ABROAD
BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data on (i) direct investment income (income on equity, reinvested earnings, and income on debt [interest]), and (ii) direct investment financial flows (equity capital and other capital), are disseminated with a timeliness of 8 weeks after the end of the reference period.

Revision Policy: The quarterly data for the current year are revised throughout the year. In addition, the quarterly data for the previous four years are revised in the first quarter of each year (for example, the data back to the first quarter of 1996 were revised in the first quarter of 2000). The data are considered to be final 48 months after the time they were first released.

Data Coverage: No major industrial sectors are excluded from the data.

Data Collection Methods: Data are primarily collected on an aggregate basis, although data on some debt instruments are collected on an individual transactions basis. Reporting requirements are compulsory.

Data Sources: The data are compiled primarily from quarterly enterprise surveys of residents with direct investment enterprises abroad. A computerized clipping system designed to monitor the financial press is used as a secondary data source. Other data sources are (i) information obtained from exchange control authorities or investment approval authorities, (ii) bilateral sources, and (iii) administrative data obtained from other Statistics Canada divisions and other government departments. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) regional offices of Statistics Canada, (iii) registers maintained by the tax authorities, industry associations, and other departments within the statistical agency, (iv) the financial press, and (v) nonresident sources, such as annual reports, and information from rating agencies.

Geographic Classification: Quarterly data showing country breakdowns are disseminated for direct investment income and direct investment financial flows, with a timeliness of 8 weeks after the end of the reference period. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns of direct investment transactions by regions or economic zones for: (i) the European Union, and (ii) the OECD. The five countries/regions with the largest amount of direct investment flows from Canadian residents during 2001 (ranked in descending order) were: the United States, the United Kingdom, the Other OECD countries, the Other European Union Countries, and Japan.

Industrial Classification: Quarterly data showing a breakdown by industry are disseminated for direct investment income and direct investment financial flows, with a timeliness of 8 weeks after the end of the reference period. The data are based on the industry of the resident direct investor. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data are also disseminated at the four-digit level of the Canadian Standard Industrial Classification for Companies or Enterprises (SIC-C). Data showing breakdowns by industrial sector/country or region or economic zone, are disseminated for: (i) the United States, (ii) the United Kingdom, (iii) Japan, (iv) Other European Union Countries, (v) Other OECD Countries, and (vi) All Other Countries. Data showing breakdowns by industrial sector/partner country are also disseminated. Other tabulations are available on a cost recovery basis.

B. Methodology

Definition of Direct Investors Abroad: In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor. However, (i) the data do not include direct investors which own 10 percent or more of a nonresident enterprise but do not have an effective voice in management, and (ii) the data include investors which own less than 10 percent of a nonresident enterprise but have a large debt holding that is considered to be material to the going concern. No value threshold is used to identify direct investors abroad, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, (i) the direct investment earnings data include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Enterprises in Canada are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings: Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate earnings of direct investment enterprises. In accordance with COPC, (i) deductions are made for depreciation of capital, and (ii) realized and unrealized capital gains and losses, write-offs and exchange rate gains or losses are not included. However, contrary to COPC, deductions are not made for provisions for host-country income and corporation taxes. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings.

Treatment of Income on Equity (Dividends and Distributed Branch Profits): The data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, dividends and distributed branch profits are recorded (i) on the date they are payable, and (ii) gross of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits: The data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, reinvested earnings and undistributed branch profits are recorded in the period in which they are earned.

Treatment of Income on Debt (Interest): The data cover interest income from: (i) bonds and money market instruments, (ii) long-term loans, and (iii) short-term loans. The data do not cover interest from trade credits. In accordance with the international standards, the data do not include interest from: (i) financial derivatives, and (ii) deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. In accordance with the international standards, the data are compiled on an accrual basis.

Treatment of Equity Capital: The data cover all types of financial flows affecting equity capital, namely: (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares), and (iv) non-cash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

Treatment of Other Capital: The data cover: (i) bonds and money market instruments; (ii) long-term loans, (iii) short-term loans, (iv) financial leases, and (v) trade credits. The data do not cover financial derivatives. Contrary to the international standards, the data include (i) loans merely guaranteed by direct investors or related direct investment enterprises, and (ii) changes in insurance company technical reserves. In accordance with the international standards, (i) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities are excluded, and (ii) transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries are included.

Treatment of Reverse Investment: Transactions involving reverse investment are not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Canada and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan transactions are recorded in accordance with the international standards as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan transactions are recorded as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”, rather than as “Direct Investment in Canada: Increase in Claims on Direct Investors”.

Treatment of Quasi-corporations: Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by Canadian residents of (i) mobile equipment, such as ships, aircraft, drilling rigs, and (ii) construction enterprises.

Treatment of Offshore Enterprises: In accordance with the international standards, activities of offshore enterprises established abroad by Canadian residents are generally included in the direct investment data.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, activities of SPEs established abroad by Canadian residents are generally included in the direct investment data. However, contrary to the international standards, in the case of SPEs established abroad by Canadian residents that have the sole purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries, except transactions in equity capital and permanent debt, are not excluded from the data.

Treatment of Land and Buildings: In accordance with the international standards, the data include purchases and sales of land and buildings abroad by Canadian resident enterprises. However, contrary to the international standards, the data do not include purchases and sales of land and buildings abroad by Canadian resident individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, the data include expenditure related to natural resources exploration abroad by Canadian residents.

Exchange Rate Conversion: Transactions are converted to the unit of account at the average exchange rate in the period in which the transactions are recorded.

CANADA: DIRECT INVESTMENT ABROAD
INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary annual (calendar year) data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 10 weeks after the end of the reference period.

Revision Policy: The data are normally revised for a period of four years, and are considered to be final 48 months after the date they were first released. However, major historical revisions are carried out approximately every 10 years, at which time the data can be revised back as far as needed.

Data Coverage: No major industrial sectors are excluded from the data.

Data Collection Methods: Reporting requirements are compulsory.

Data Sources: The data are compiled primarily from annual enterprise surveys of residents with direct investment enterprises abroad. Published sources, such as company accounts, are used as a secondary data source. Other data sources are: (i) information obtained from exchange control or investment approval authorities, (ii) bilateral data, (iii) press reports, and (iv) administrative data obtained from other divisions of Statistics Canada, and other government departments. The perpetual inventory method (a method for deriving position data from transactions data) is not used. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) regional offices of Statistics Canada, (iii) registers maintained by the tax authorities, industry associations, and other departments within the statistical agency, (iv) the financial press, and (v) nonresident sources, such as annual reports and rating agencies.

Geographic Classification: Annual position data showing country breakdowns are disseminated with a timeliness of 10 weeks after the end of the reference period. In accordance with the international standards, the data are compiled on an “immediate country” basis. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns by regions or economic zones for: (i) the European Union, and (ii) the OECD. The five countries with the largest amount of direct investment from Canadian residents as at the end of 2001 (ranked in descending order) were: the United States, the United Kingdom, Barbados, the Netherlands, and the Bahamas.

Industrial Classification: Annual position data showing a breakdown by industry are disseminated with a timeliness of 10 weeks after the end of the reference period. The data are based on the industry of the resident direct investor. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data are also disseminated at the four-digit level of the Canadian Standard Industrial Classification for Companies or Enterprises (SIC-C). Data showing breakdowns by industrial sector/country or region or economic zone, are disseminated for: (i) the United States, (ii) the United Kingdom, (iii) Japan, (iv) Other European Union Countries, (v) Other OECD Countries, and (vi) All Other Countries. Data showing breakdowns by industrial sector/partner country are also disseminated. Other tabulations are available on a cost recovery basis.

B. Methodology

Definition of Direct Investors Abroad: In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor. However, (i) the data do not include direct investors which own 10 percent or more of a nonresident enterprise but do not have an effective voice in management, and (ii) the data include investors which own less than 10 percent of a nonresident enterprise but have a large debt holding that is considered to be material to the going concern. No value threshold is used to identify direct investors abroad, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, the relevant share of indirectly-owned direct investment enterprises are included in (i) the reinvested earnings data, and (ii) the equity and other capital position data. Enterprises in Canada are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings: The data cover all types of position data affecting equity capital and reinvested earnings, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, (iv) non-cash acquisitions of equity, such as through the provision of capital equipment, and (v) reinvested earnings. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises, and, in accordance with the international standards, are recorded in the period in which they are earned. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment Abroad.)

Treatment of Other Capital: The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, and (v) trade credits. The data do not cover financial derivatives. Contrary to the international standards, the data include (i) loans merely guaranteed by direct investors or related direct investment enterprises, and (ii) changes in insurance company technical reserves. In accordance with the international standards, (i) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities are excluded, and (ii) positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries are included.

Treatment of Reverse Investment: Positions involving reverse investment are not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Canada and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan positions are recorded as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises", rather than as "Liabilities: Direct Investment in Canada: Claims on Direct Investors".

Treatment of Quasi-corporations: Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by Canadian residents of (i) mobile equipment, such as ships, aircraft, drilling rigs, and (ii) construction enterprises.

Treatment of Offshore Enterprises: In accordance with the international standards, activities of offshore enterprises established abroad by Canadian residents are generally included in the direct investment data.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, activities of SPEs established abroad by Canadian residents are generally included in the direct investment data. However, contrary to the international standards, in the case of SPEs established abroad by Canadian residents that have the sole purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries, except transactions in equity capital and permanent debt, are not excluded from the data.

Treatment of Land and Buildings: In accordance with the international standards, the data include ownership of land and buildings abroad by Canadian resident enterprises. However, contrary to the international standards, the data do not include ownership of land and buildings abroad by resident individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, the data include expenditure related to natural resources exploration abroad by Canadian residents.

Valuation: Contrary to the international standards, the data are reported at book values, rather than at market values. The book values used are the values recorded in the accounting records of the nonresident direct investment enterprises.

Exchange Rate Conversion: The exchange rate prevailing at year-end is used to convert foreign currencies into the unit of account.