

**Sales Abroad by Canadian Foreign Affiliates**

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**August 7, 2008**

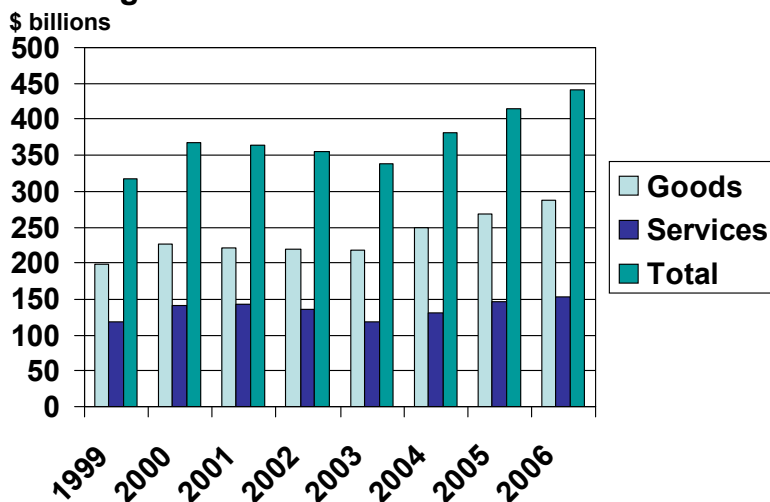
**Summary**

Sales abroad by affiliates of Canadian companies are an important means by which Canadian companies engage in international business and are equivalent to almost 85 percent of the value of exports of goods and services. Recently released data shows growth in Canadian foreign affiliate sales outpacing growth in exports, by a growing margin. Canadian foreign affiliate sales grew in 2006 by over 6 percent, while exports, under pressure from the high dollar and other factors, grew less than 1 percent. Recent growth in sales has been strongest for affiliates located in non-OECD countries: a 40 percent jump in the global sales of these affiliates in 2006 brought the value of their sales to almost the same level as sales of affiliates in the EU. Meanwhile, the share of Canadian affiliate sales in the U.S. has declined to just over half of global Canadian affiliate sales. This pattern reflects stronger growth in recent years in Canadian direct investment in the non-OECD countries than in the United States, as well as the effect of the stronger Canadian dollar on sales converted from U.S. dollars.

**Background**

Sales of goods and services by majority-owned foreign affiliates of Canadian businesses rose to \$441 billion in 2006 (the most recent year for which data is available). This was an increase of \$26 billion (or 6.4 percent) over the previous year, the third consecutive annual increase following three years of decline. It brought total sales to their highest level since foreign affiliate trade statistics were first compiled in 1999.

**Foreign Affiliate Sales of Goods and Services**



Source: Statistics Canada – Foreign Affiliate Trade Statistics, FATS (Table 376-0061)

Sales for both goods-producers and services-producers advanced, with goods sales outpacing services sales. Strong growth in the mining and oil and gas extraction sector was the major driver for the expansion among goods producers. Among service producers, strong expansion in the non-financial banking and insurance sector was largely offset by a decline in the information & cultural industries sector - thus limiting the annual percentage growth among service producers to only about half of the rate of expansion in the two previous years.

## Geographic Distribution of Sales

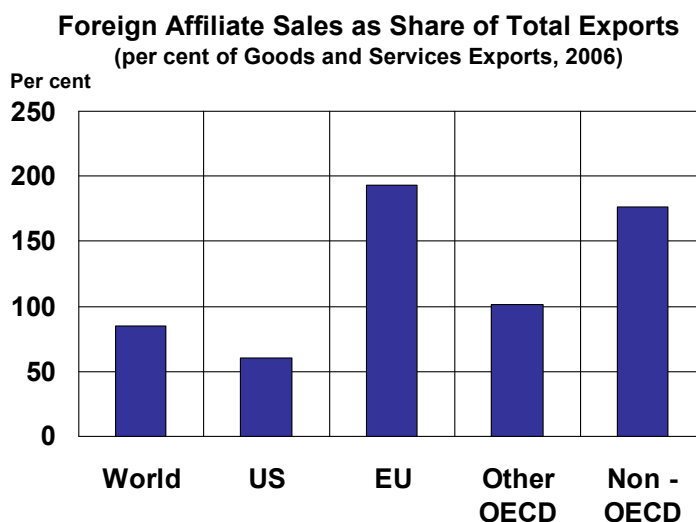
The share of total sales by affiliates located in the U.S. has declined from 64.3 percent in 1999 to 54.4 percent in 2006. Several factors can explain this development. First, Canadian direct investment abroad (CDIA) has been diversifying away from the United States. Second, the increase of the Canadian dollar relative to the U.S. dollar converts to lower sales values expressed in Canadian dollars. Third, growth in U.S. consumption has slowed in recent years.

Canadian foreign affiliate sales by market/region												
										2006 annual growth (%)	1999-2006 avg. ann. growth (%)	2006 share (%)
C\$ millions	1999	2000	2001	2002	2003	2004	2005	2006				
World	316,364	367,052	364,554	354,557	337,750	381,207	414,672	441,121		6.4	4.9	100.0
United States	203,540	237,411	223,798	217,989	198,475	218,808	233,747	240,094		2.7	2.4	54.4
European Union	62,030	67,896	75,258	72,902	75,995	81,578	92,709	86,100		-7.1	4.8	19.5
Other OECD countries	14,418	17,645	20,811	22,367	24,091	28,217	29,635	32,875		10.9	12.5	7.5
Non-OECD countries	36,376	44,100	44,687	41,299	39,189	52,605	58,581	82,053		40.1	12.3	18.6

Note: The sales are global sales, including both local sales and exports from these locations.  
Source: Statistics Canada - Foreign Affiliate Trade Statistics, FATS (Table 376-0061)

A decline in sales by affiliates in the EU but outside the U.K. in 2006 caused an overall decline in EU sales, reversing an upward trend from prior years. Consequently, the share of affiliates in the EU in 2006 (19.5 percent) was in fact slightly lower than the 19.6 percent global share registered in 1999. On the other hand, other OECD and non-OECD countries (the only other two regions outside the U.S. and EU for which foreign affiliate trade data is available) expanded their respective shares of sales over the same period. The combination of a decline in sales in the EU and a 40 percent increase in the sales of affiliates in the non-OECD markets over the previous year led to affiliates in the non-OECD markets capturing a share of foreign affiliate sales (18.6 percent) approximately equal to that of affiliates in the EU.

The recent growth in sales by affiliates in non-OECD markets means that these sales now represent 177 percent of Canadian exports to the non-OECD. Sales by affiliates in the EU are now just under twice the value of exports to the EU. As Canadian firms are much more likely to serve the U.S. market through exports than through affiliate sales, sales by affiliates in the U.S. total much less than Canadian exports to the U.S., but the percentage rose slightly in 2006 to just over 60 percent, as growth in affiliate sales outpaced export sales growth.



Source: Statistics Canada – FATS (Table 376-0061), Balance of Payment (Table 376-0001)