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INVEST

FOREIGN DIRECT INVESTMENT

According to UNCTAD's [2023 World Investment Report](#), Canada attracted USD 52.6 billion in FDI in 2022, a 19.8% decrease from 2021, when FDI inflows reached USD 65.6 billion. In the same year, the stock of FDI stood at USD 1,44 billion. According to the latest data from OECD, FDI inflows to Canada increased in the first half of 2023, reaching USD 29.3 billion, compared to 25.4 in the same period one year earlier. The U.S. and the EU are the main investors in Canada: 51.5% of the stock is held by the United States, followed by the UK (6.5%), Switzerland (4.4%), and Japan (4.2%). The Netherlands (3.6%), China (3.1%) and Germany (2.9%) are other major investing countries (by ultimate counterpart – data OECD). Investments are mainly oriented towards finance and insurance (36%), mining and quarrying (21%), manufacturing (19%), wholesale and retail trade (13.2%). The main FDI projects announced in recent years include LG Energy Solution and Stellantis' CAD 5 billion investment in a new electric vehicle battery plant in Windsor, Ontario, and Ford's CAD 1.8 billion investment to transform Oakville's assembly complex into a hub of electric vehicle manufacturing that will include vehicle and battery pack assembly.

In 2020, the USMCA (Canada-United States-Mexico Agreement, an updated version of NAFTA) came into force, with a potentially decisive impact on the inflows and outflows of investments in Canada, just as the Comprehensive Economic and Trade Agreement (CETA) signed with the EU and currently applied on a provisional basis, as the ratification by the individual EU Member States is still pending. At the same time, Canada enhanced scrutiny of certain foreign investments under the Investment Canada Act (ICA) in sectors related to public health or involved in the supply of critical goods and services. In December 2022 the federal government proposed overhauling foreign investment rules to give the government greater power to scrutinize and potentially block overseas deals that bring national security risks. The proposed amendments to the Investment Canada Act (ICA) include a requirement for foreign investors in some Canadian industries (including sensitive technologies, critical minerals and those dealing with personal information) to notify the government before finalizing deals. This proposal came after Canada ordered three Chinese companies to divest their investments in Canadian critical minerals due to national security concerns. In 2023, Canada expanded the coverage of its FDI screening framework and issued a policy statement to specify that investments in Canadian entities and assets by State-owned enterprises operating in critical minerals sectors might be considered detrimental to national security under the Investment Canada Act. This policy is applicable across all stages of the value chain and encompasses various types of investments, irrespective of their value or level of control. Canada has a favourable business climate; the country ranks 63rd out of 82 countries in the Economist Business Environment ranking and 15th in the [World Competitiveness Index](#) published by the International Institute for Management Development (IMD). Some of the strengths of the country are the ease of starting a business and getting credit, a well-educated workforce and good infrastructure, abundant and diversified energy and mineral resources, and a strong banking sector. However, Canada remains heavily dependent on the U.S. (holding around half of FDI stock and accounting for around two-thirds of the country's exports) and on the fluctuations in international commodity prices, as well as having a high level of household debt. Finally, Canada ranks 15th among the 132 economies on the [Global Innovation Index 2023](#) and 16th out of 177 countries on the [2023 Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow <i>(million USD)</i>	26,884	65,659	52,633
FDI Stock <i>(million USD)</i>	1,184,775	1,442,334	1,439,848
Number of Greenfield Investments*	324	379	394
Value of Greenfield Investments (million USD)	17,307	23,228	20,865

Source: UNCTAD - Latest available data.

Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Canada	OECD	United States	Germany
Index of Transaction Transparency*	8.0	6.5	7.0	5.0
Index of Manager's Responsibility**	9.0	5.3	9.0	5.0
Index of Shareholders' Power***	9.0	7.3	9.0	5.0

Source: Doing Business - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

WHAT TO CONSIDER IF YOU INVEST IN CANADA

Strong Points

Advantages for FDI in Canada:

- A qualified workforce
- A welcoming business environment
- Large reserves of gas, oil and ore
- A solid banking sector
- Unparalleled market access (USMCA) and a strong anchor in international trade
- A dynamic economy, with a market of 38 million consumers
- Sophisticated infrastructure, as well as a very modern transportation network.

Weak Points

Disadvantages for FDI in Canada:

- Strong exposure to the United States' economy, namely to exports to the US
- Sensitivity to international commodity prices and to the government revenues that depend on oil
- High household debt (186.2% of disposable income)
- A drop in productivity in manufacturing industry

- A decrease of the active population due to ageing.

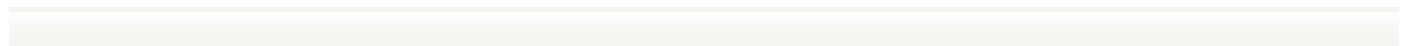
Government Measures to Motivate or Restrict FDI

Canada offers low business taxes for companies and a very good business climate. Total business tax costs are by far the lowest among the G7 countries. Companies investing in Canada can benefit from a range of incentives and tax credit programmes:

- Scientific Research & Experimental Development
- Accelerated Investment Incentive
- Strategic Innovation Fund
- Global Skills Strategy
- Canada's Pan-Canadian Artificial Intelligence Strategy
- Innovation Superclusters Initiative

For more information, please visit [Invest in Canada](#), which is Canada's global investment attraction and promotion agency.

Each Canadian province and territory has agencies dedicated to the promotion of investment which list existing measures.



INVESTMENT OPPORTUNITIES

The Key Sectors of the National Economy

Technology, advanced manufacturing, natural resources, entertainment and media, agribusiness, cleantech and life sciences.

High Potential Sectors

Information and communication technologies (big data, Internet of Things, AI, cyber-security among others), biotechnologies, health (growing importance of the aging population sector), telecommunications, environment (renewable energies and environmental protection technologies), chemical industry and tourism.

Privatization Programmes

The topic of healthcare privatisation in health sector is being studied by the government. The road infrastructure sector is carrying out some PPP works - "Public Private Partnership". A total of 291 PPP projects are currently active in Canada for a total value of over 139.48 billion CAD.

Tenders, Projects and Public Procurement

[Merx](#), Canadian Public Tenders

[Tenders Info](#), [Tenders in Canada](#)

[PODS Providers](#), [Procurement Opportunities in Canada](#)

[DgMarket](#), [Tenders Worldwide](#)

[Buy and Sell Canada](#), [Public Works and Government Services Canada](#)

Sectors Where Investment Opportunities Are Fewer

Monopolistic Sectors

Several sectors are provincial or federal monopolies in Canada. Among them are health, alcohol imports, energy, road and education systems.

FDI is limited in some sectors (broadcasting and telecommunications, air transportation services uranium production, banking).

Sectors in Decline

All manufacturing sectors, particularly the clothing industry and furniture making.

Finding Assistance For Further Information

Investment Aid Agency

[Business Development Bank of Canada](#)

[Global Affairs Canada \(Government of Canada\)](#)

[Invest in Canada \(Canada's global investment attraction and promotion agency\)](#)

[International trade and investment \(Government of Canada\)](#)

Other Useful Resources

[Invest Canada - Community Initiatives](#)

[Investment Quebec](#)

[Manitoba Trade and Investment](#)

[Invest in Alberta](#)

[Invest in British Columbia](#)

[Invest in New Brunswick](#)

[Invest in Newfoundland and Labrador](#)

Doing Business Guides

[Guide to Doing Business in Canada \(Gowling WLG\)](#)

[Doing Business in Canada \(Fasken\)](#)

[Doing business in Canada \(Thomson Reuters Practical Law\)](#)