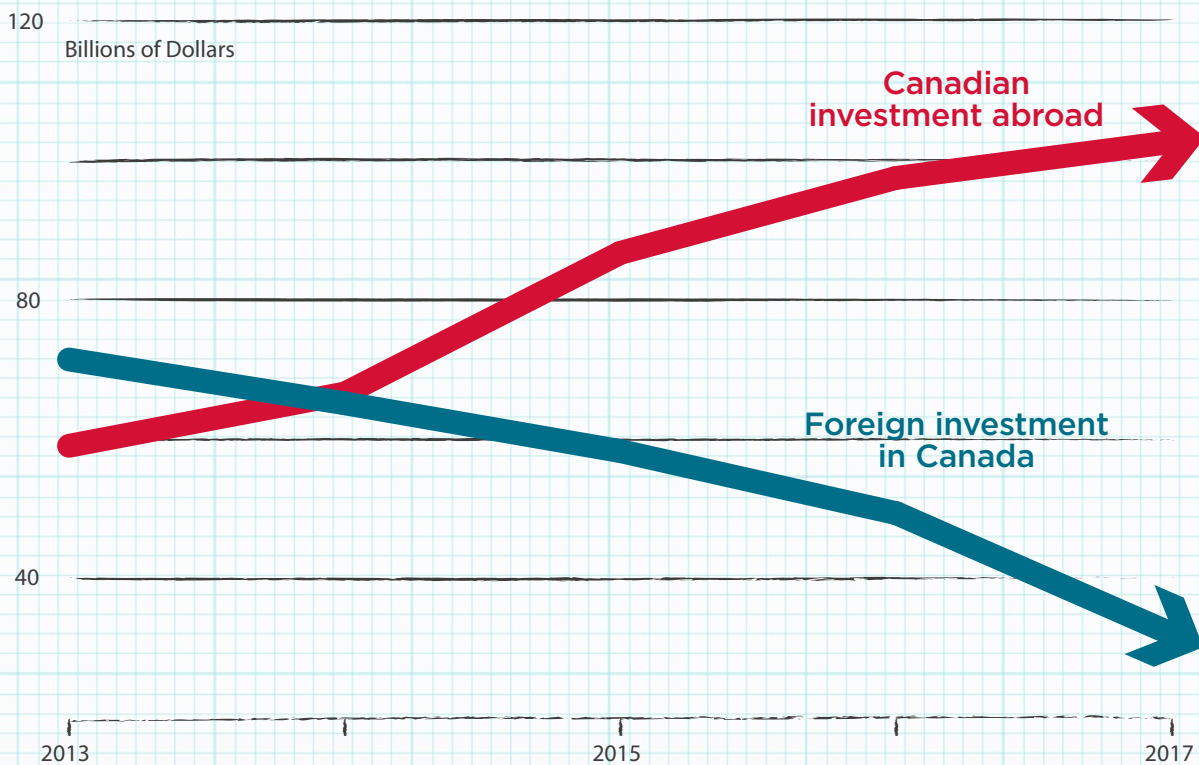


# The Flight of Capital From Canada

Niels Veldhuis, Jason Clemens, Milagros Palacios & Steven Globerman



# Introduction

Over the last few years the federal and several provincial governments have materially worsened Canada's economic and business competitiveness. Higher tax rates, deteriorating public finances, mounting debt, increased regulation, and heightened uncertainty have made Canada a markedly less attractive place to do business. The evidence is mounting that these ill-conceived policies are damaging our economy – in particular, business investment is collapsing and the economy is expected to remain on a path of slow economic growth for the foreseeable future.

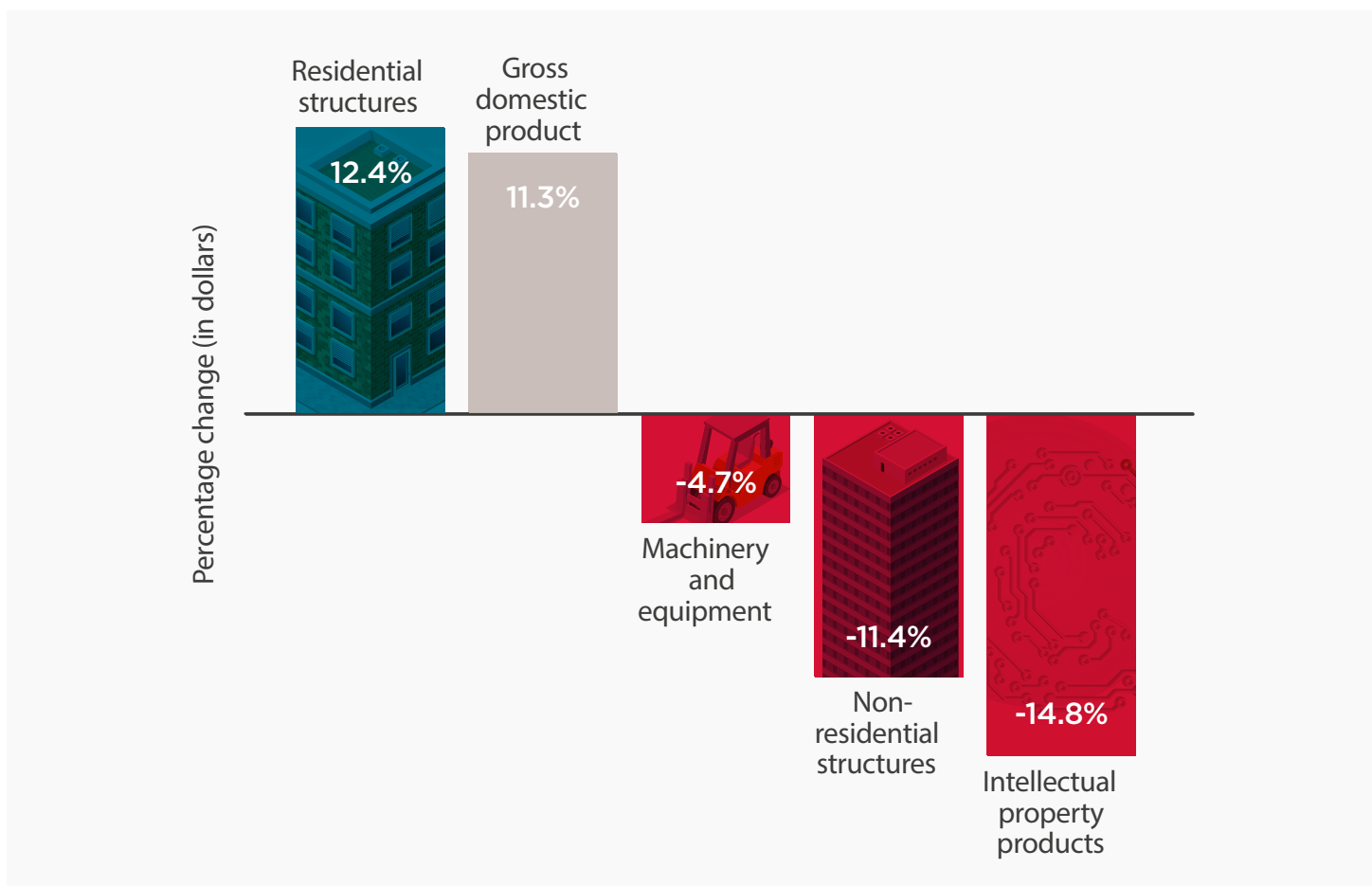
This issue should be of great concern to all Canadians since business investment is critical for job creation,

increased productivity, higher wages, access to new technologies and ultimately, improved living standards.

This comes at a time when the United States has made itself significantly more attractive to investment, entrepreneurs and professionals through a series of policies, including sweeping tax reform and regulatory reductions, which exacerbate the policy missteps in Canada.

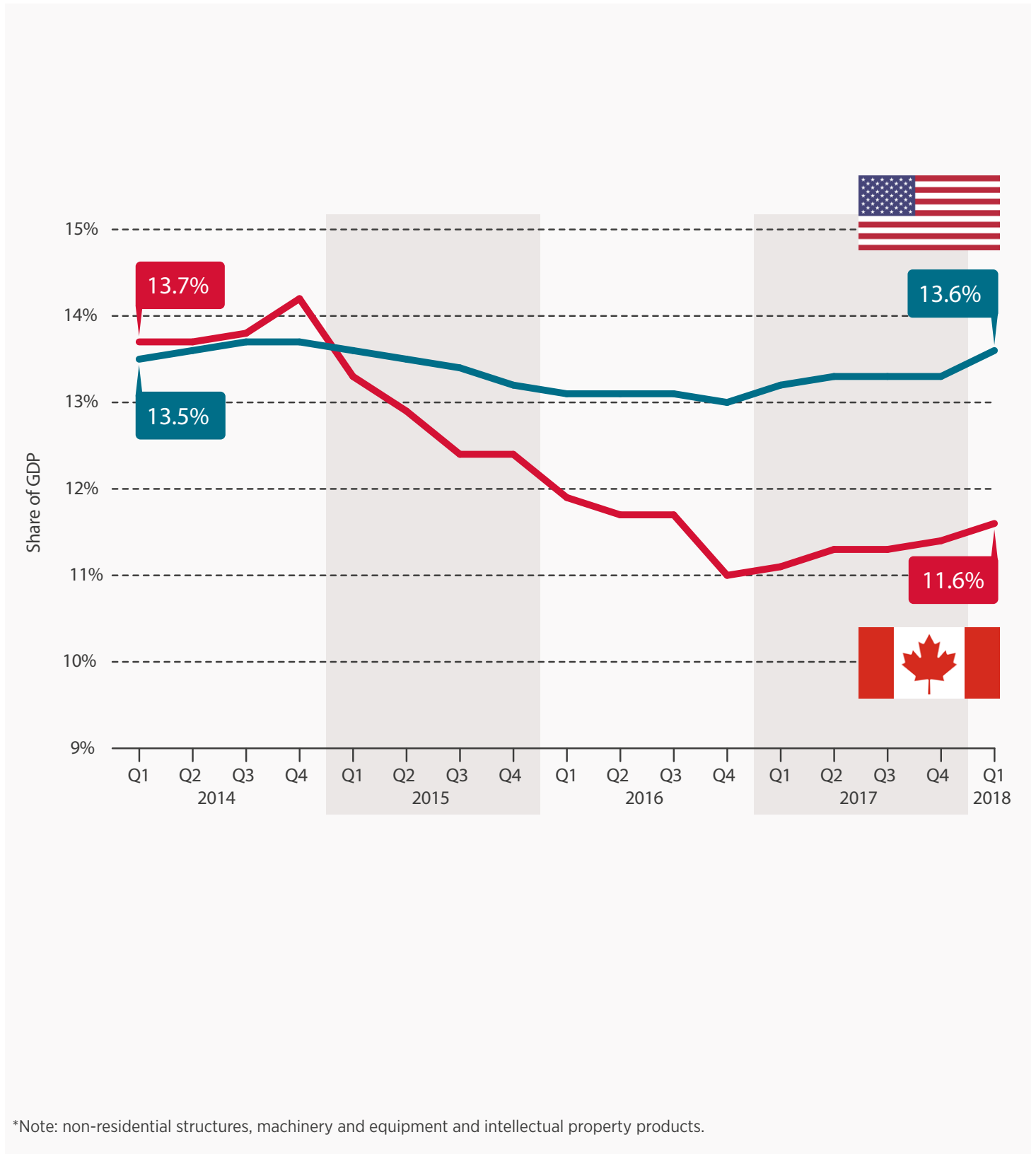
Given these challenges, this Bulletin visually summarizes recent Fraser Institute work documenting the decline in business investment.

## Business Investment in Canada (2012–2017)



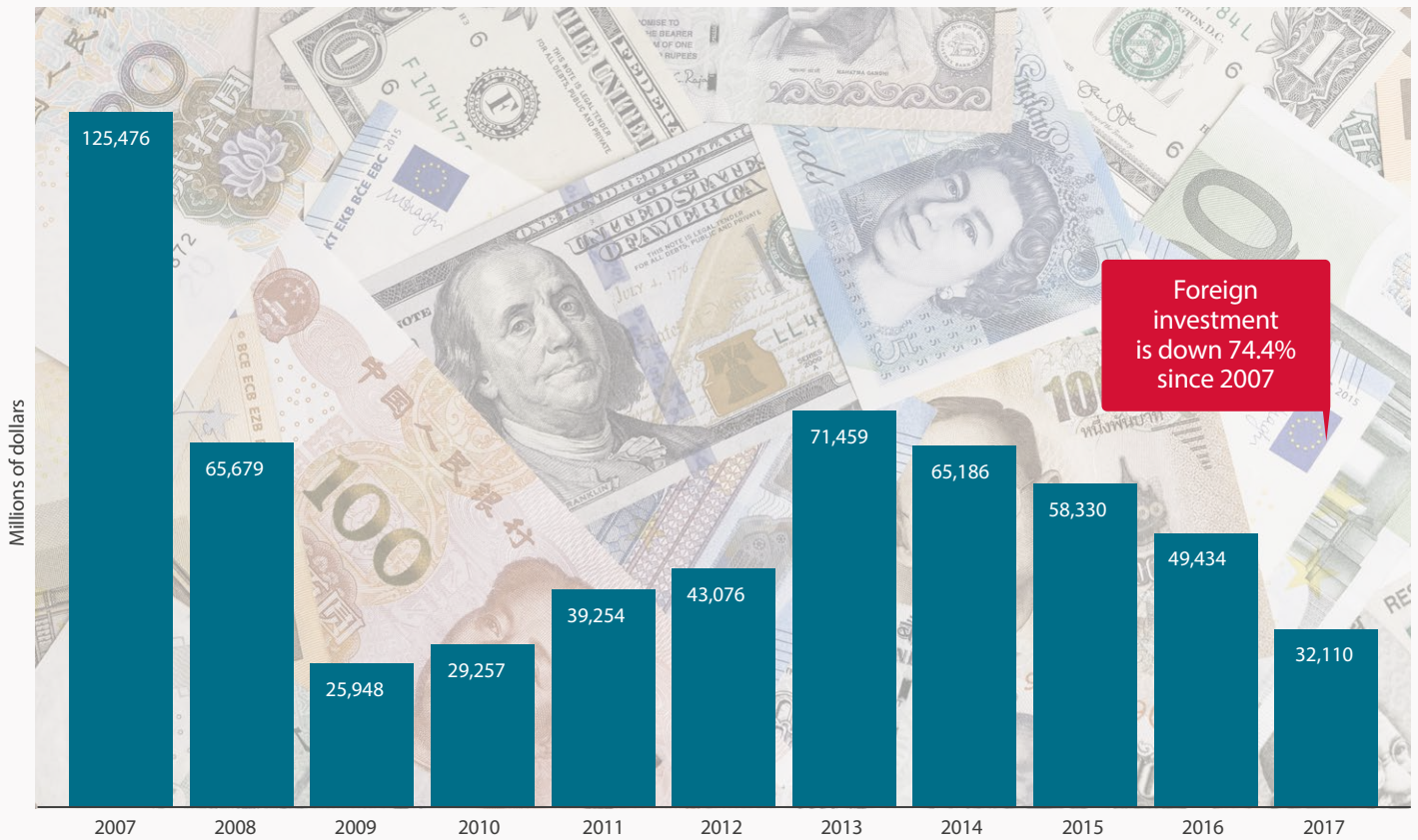
# Canada vs. U.S. Business Investment\*

(as a share of GDP)

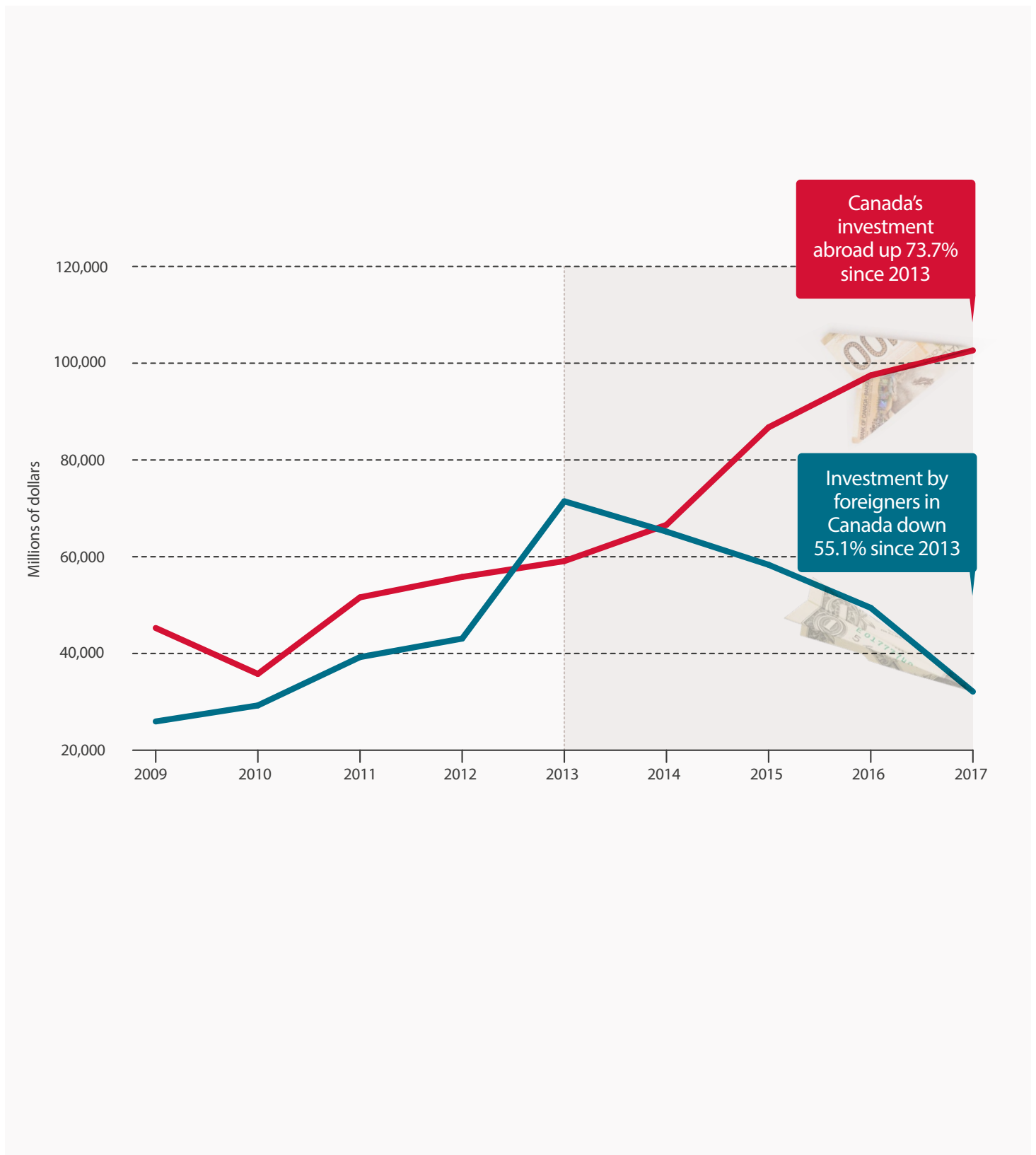


\*Note: non-residential structures, machinery and equipment and intellectual property products.

# Investment by Foreigners in Canada



# Canadian Investment Abroad vs. Foreign Investment in Canada



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## References & Notes

### Business Investment in Canada (p.2)

**Note**

Change is in real terms.

**Sources**

Statistics Canada. Table 36-10-0104-01  
Gross domestic product, expenditure-based, Canada, quarterly (x 1,000,000); calculations by authors.

### Canada vs. U.S. Business Investment (p.3)

**Sources**

Statistics Canada. Table 36-10-0104-01  
Gross domestic product, expenditure-based, Canada, quarterly (x 1,000,000);  
Bureau of Economic Analysis, Section 1—  
Domestic Product and Income, National  
Income and Product Accounts, *National  
Data*, US Department of Commerce, tables  
1.1.5 and 1.1.6.; calculations by authors.

### Investment by Foreigners in Canada (p.4)

**Note**

Foreign direct investment shown on this graph is based on a directional principle basis (that is, net basis).

**Source**

Statistics Canada. Table 36-10-0025-01  
Balance of international payments, flows of Canadian direct investment abroad and foreign direct investment in Canada, quarterly (x 1,000,000).

### Canadian Investment Abroad (p.5)

**Notes**

(1) Canadian direct investment abroad (CDIA) excludes deposits (claims net of liabilities) of Canadian banks with their foreign affiliates and branches abroad.

(2) Foreign direct investment in Canada (FDIC) excludes deposits (liabilities net of claims) of Canadian subsidiaries and branches of foreign banks with their head offices and related companies abroad.

**Source**

Statistics Canada. Table 36-10-0025-01  
Balance of international payments, flows of Canadian direct investment abroad and foreign direct investment in Canada, quarterly (x 1,000,000).

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**“Failure of the Trans Mountain Expansion ... may alienate foreign investors who are already pulling back from Canada.”**

*Economist Magazine*

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**“Capital flight worst I’ve ever seen.”**

*Jim Davidson,  
Vice-Chair  
GMP FirstEnergy*

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**“Canada has a productivity issue and it has a competitiveness issue.”**

*Brian Porter,  
Scotia Bank CEO*

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**“64% of CEOs say Canada’s investment climate worsened in last five years.”**

*Business Council  
of Canada Survey*

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**“The cumulative impact of regulation and higher taxation than other jurisdictions is making Canada a more difficult jurisdiction to allocate capital in.”**

*Steve Williams, Suncor CEO*

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**Canada’s rank on World Bank’s Ease of Doing Business index was 4th in 2007 and dropped to 18th in 2018.**

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**“In real time, we’re seeing capital flow out of the country.”**

*Dave McKay,  
RBC President  
and CEO*

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**“Downshift in small business sentiment continues (2nd lowest in 10 years).”**

*Canadian Federation  
of Independent  
Business*

