

# Canada's balance of international payments, third quarter 2014

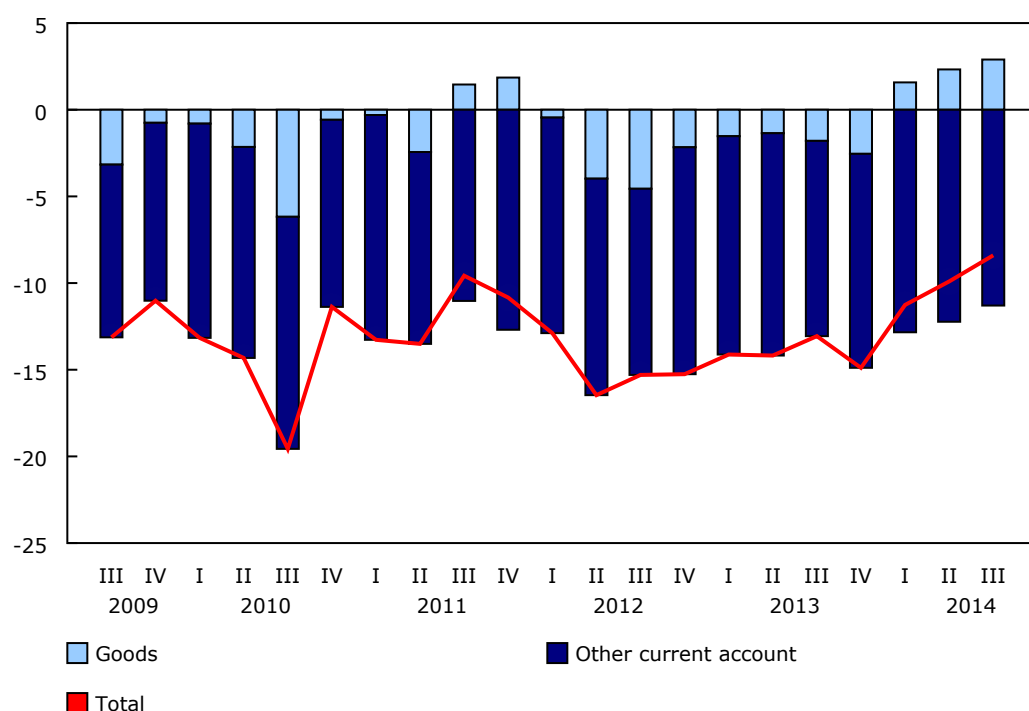
Released at 8:30 a.m. Eastern time in *The Daily*, Thursday, November 27, 2014

Canada's current account deficit (on a seasonally adjusted basis) narrowed by \$1.5 billion in the third quarter to \$8.4 billion. This reduction reflected a higher goods surplus and lower services and investment income deficits.

In the financial account (unadjusted for seasonal variation), foreign direct investment strengthened and was the largest contributor to the inflow of funds in the economy in the quarter.

**Chart 1**  
**Current account balances**

billions of dollars



**Note(s):** Data are seasonally adjusted.  
**Source(s):** CANSIM table [376-0105](#).

## Current account

### The goods surplus expands for a third straight quarter

The balance on international trade in goods expanded by \$0.6 billion to \$2.9 billion in the third quarter, a third straight surplus following eight quarters of deficits. On a geographical basis, the surplus with the United States was down by \$1.5 billion to \$12.8 billion, as imports increased more than exports. Lower prices on energy products dampened the value of exports to the United States in the quarter. This was more than offset by changes in the goods balances with non-US countries.



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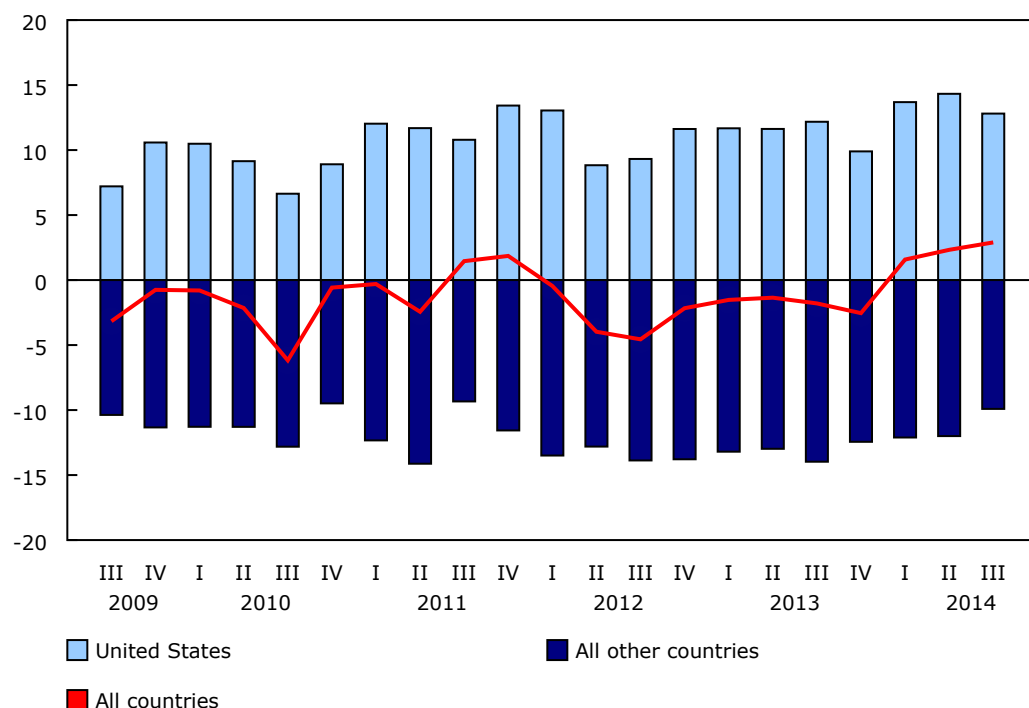
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Canada

In particular, there was a larger surplus with the United Kingdom, which reached \$2.7 billion. Canada also posted lower goods deficits with China, which remains the largest goods deficit country at \$3.3 billion, as well as with Hong Kong and Saudi Arabia. Moderating these developments, the deficits with Mexico and Switzerland both expanded in the quarter.

**Chart 2**  
**Goods balances by geographic areas**

billions of dollars



**Note(s):** Data are seasonally adjusted.  
**Source(s):** CANSIM table [376-0106](#).

Total exports of goods rose \$1.9 billion to \$135.0 billion, despite a decline in energy products. The largest gain was in the metal and non-metallic mineral products category (up \$1.3 billion), led by higher volumes of precious metals. Motor vehicles and parts, aircraft, other transportation equipment and parts as well as consumer goods were all up \$0.4 billion on higher volumes. Exports of energy products declined by \$1.1 billion, as prices of crude petroleum were down but volumes continued to expand.

Overall imports of goods were up \$1.3 billion to \$132.1 billion in the quarter. Metal and non-metallic mineral products increased \$0.5 billion, with higher volumes of precious metals accounting for half of the gain. Imports of energy products were up \$0.4 billion on higher volumes of crude petroleum and refined petroleum products. Volumes of natural gas imports declined in the third quarter from their peak in the previous quarter.

### The deficits on services and investment income narrow

The deficit on international transactions in services narrowed \$0.2 billion in the third quarter to \$5.7 billion. This mainly reflected a lower travel deficit. Lower spending by Canadians travelling in the United States was the main factor behind the \$0.2 billion decline in the travel deficit, which reached \$4.4 billion. The transport services deficit edged down in the quarter, as receipts were up more than payments.

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The investment income deficit decreased \$0.4 billion to \$4.8 billion. Profits earned abroad by Canadian direct investors increased by more than those earned in Canada by foreign direct investors. At the same time, payments of interest and dividends on foreign holdings of Canadian securities were up, which moderated the reduction in the investment income deficit.

## **Financial account**

### **Foreign portfolio investment in Canada continues to focus on private corporate securities**

Foreign investors added \$19.9 billion of Canadian securities to their holdings in the third quarter, down from a \$31.4 billion acquisition in the second quarter. This activity favoured securities from the private corporate sector.

Non-residents added \$11.6 billion of Canadian equities to their holdings in the third quarter, largely from secondary market purchases. This was the highest investment so far in 2014. Foreign investors have added Canadian stocks to their portfolios for six consecutive quarters, for a quarterly average investment of \$9.5 billion over this period.

Foreign investment in Canadian bonds amounted to \$11.4 billion in the quarter, with most of the activity in new issues of private corporations recorded in September. Foreign investors also purchased \$3.4 billion of Canadian government bonds, following five consecutive quarters of divestment in these instruments. At the same time, foreign investors withdrew \$3.2 billion from the Canadian money market in the third quarter, following a \$7.2 billion investment in the second quarter. The divestment was largely composed of retirements, and was evenly split between federal Treasury bills and private corporate paper.

### **Canadian investment in foreign securities increases**

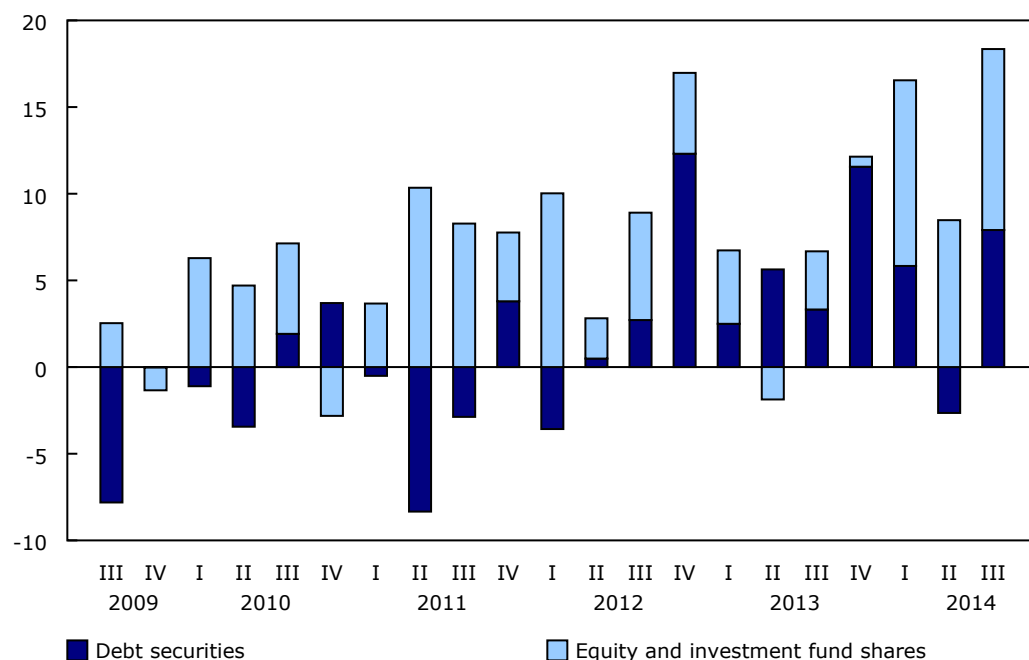
Canadian investment in foreign securities picked up in the third quarter to reach \$18.3 billion. This activity was the largest since the second quarter of 2007, just before the onset of global credit concerns. The purchases were almost evenly split between foreign bonds and foreign shares, but were moderated by a divestment in foreign money market securities in the quarter.

Canadian acquisitions of foreign equities of \$10.4 billion marked the third consecutive quarter of relatively strong investment in foreign stock markets. This activity was mainly focused on non-US foreign shares, with investment in these instruments at its highest level since the fourth quarter of 2000.

In addition, Canadian investors purchased \$10.2 billion of foreign bonds, mainly US bonds. At the same time, they reduced their holdings of foreign money market by \$2.3 billion in the third quarter.

**Chart 3**  
**Canadian investment in foreign securities**

billions of dollars



Source(s): CANSIM table [376-0132](#).

### Direct investment strengthens and generates an inflow of funds

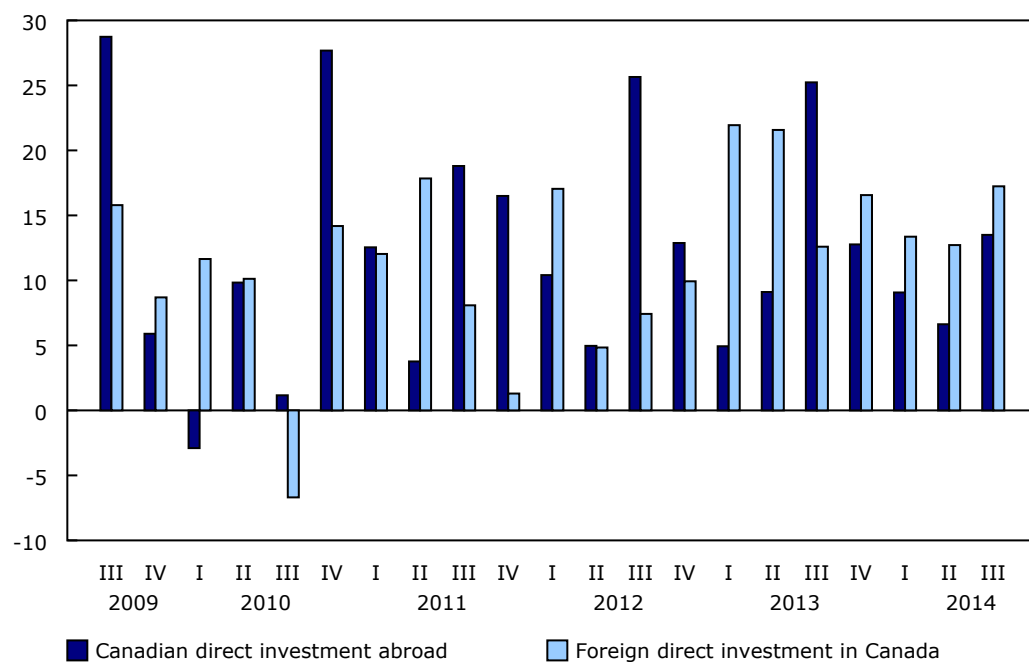
Cross-border foreign direct investment activity resulted in a net inflow of funds in the third quarter, as foreign direct investment in Canada outpaced Canadian direct investment abroad for a fourth straight quarter.

Foreign direct investment in Canada reached \$17.2 billion, the highest level since the second quarter of 2013. Funds injected into existing Canadian subsidiaries accounted for most of the investment, as inflows from cross-border mergers and acquisitions slowed. On an industry basis, foreign direct investment in the country was mainly directed to the energy and mining as well as the manufacturing sectors.

Canadian direct investment abroad strengthened to \$13.5 billion in the third quarter, up from \$6.6 billion in the second quarter. Outflows related to cross-border mergers and acquisitions were at their highest level in a year, with one-third of these investments placed in the United States.

**Chart 4**  
**Foreign direct investment**

billions of dollars



Source(s): CANSIM table [376-0104](#).

## Note to readers

The **balance of international payments** covers all economic transactions between Canadian residents and non-residents in three accounts: the current account, the capital account and the financial account.

The **current account** covers transactions in goods, services, compensation of employees, investment income and secondary income (current transfers).

The **current account** data in this release are seasonally adjusted. For more information on seasonal adjustment, see [Seasonally adjusted data – Frequently asked questions](#).

The **capital account** covers capital transfers and transactions in non-produced non-financial assets.

The **financial account** covers transactions in financial assets and liabilities.

In principle, a net lending (+) / net borrowing (-) derived from the sum of the current and capital accounts corresponds to a net lending (+) / net borrowing (-) derived from the financial account. In practice, as data are compiled from multiple sources, this is rarely the case and gives rise to measurement error. The **discrepancy** (net errors and omissions) is the unobserved net inflow or outflow.

## Change to annual revision practices

The Canadian System of macroeconomic accounts is implementing a new revision policy. Annual and quarterly revisions for Canada's international balance of payments for reference years 2011 to 2014 now take place in November at the time of the third quarter release rather than May, as was previously the practice. For more information, see [Latest Developments in the Canadian Economic Accounts \(13-605-X\)](#). In general, the revisions reflect more current sources of information coming from annual surveys and administrative data.

## New details on trade in goods and services

With this release of the balance of international payments, expanded geographical details on trade in goods and trade in services data are available from the first quarter of 1997.

For more information on the expanded geographic detail, refer to "[Balance of Payments trade in goods at Statistics Canada: Expanding geographic detail to 27 principal trading partners](#)."

For more information about the balance of payments, consult the "[Frequently asked questions](#)" section in the System of macroeconomic accounts module of our website. The module also presents the most recent balance of payments statistics.

**Table 1**  
**Balance of payments – Not seasonally adjusted**

	Third quarter 2013	Fourth quarter 2013	First quarter 2014	Second quarter 2014	Third quarter 2014	2012	2013
millions of dollars							
<b>Capital account and current account</b>							
<b>Net lending / net borrowing, from capital account and current account</b>	<b>-13,016</b>	<b>-13,596</b>	<b>-11,048</b>	<b>-11,499</b>	<b>-8,437</b>	<b>-60,051</b>	<b>-56,307</b>
Current account balances	-13,012	-13,594	-11,044	-11,497	-8,433	-59,911	-56,254
Goods and services	-7,864	-6,209	-3,243	-6,213	-3,603	-33,829	-30,219
Goods	-3,821	-1,291	4,377	592	99	-11,152	-7,221
Services	-4,044	-4,918	-7,620	-6,805	-3,702	-22,677	-22,997
Primary income	-4,306	-7,798	-6,377	-4,976	-4,404	-22,795	-24,165
Compensation of employees	-538	-515	-472	-505	-524	-1,972	-2,045
Investment income	-3,768	-7,283	-5,904	-4,471	-3,880	-20,823	-22,120
Direct investment	1,065	-1,379	-730	359	1,207	-850	-735
Portfolio investment	-4,772	-4,888	-4,818	-4,983	-5,138	-18,735	-18,953
Other investment	-62	-1,016	-357	153	50	-1,238	-2,432
Secondary income	-841	413	-1,424	-307	-426	-3,287	-1,870
Capital account balance	-4	-2	-4	-2	-4	-139	-53
<b>Financial account<sup>1, 2</sup></b>							
<b>Net lending / net borrowing, from financial account</b>	<b>-13,494</b>	<b>-18,315</b>	<b>-7,864</b>	<b>-12,477</b>	<b>-2,592</b>	<b>-59,170</b>	<b>-55,693</b>
Net acquisition of financial assets	18,615	41,516	27,977	30,730	31,811	122,054	76,845
Canadian direct investment abroad	25,233	12,768	9,071	6,626	13,501	53,894	52,042
Canadian portfolio investment in foreign securities	6,677	12,138	16,544	5,828	18,347	35,141	29,310
Foreign debt securities	3,322	11,558	5,833	-2,647	7,906	11,933	23,008
Foreign money market instruments	104	393	-147	1,533	-2,260	-1,615	1,586
Foreign bonds	3,218	11,165	5,980	-4,180	10,166	13,548	21,421
Foreign equity and investment fund shares	3,355	580	10,711	8,475	10,441	23,208	6,302
Official international reserves	1,740	766	4,696	-867	-137	1,697	4,868
Other Canadian investment abroad	-15,035	15,845	-2,334	19,143	100	31,322	-9,376
Loans	4,582	-436	-61	11,987	7,072	23,627	-419
Currency and deposits	-17,560	12,503	727	3,670	-6,345	1,566	824
Other assets	-2,057	3,777	-3,000	3,486	-627	6,129	-9,781
Net incurrence of liabilities	32,110	59,831	35,841	43,207	34,403	181,224	132,537
Foreign direct investment in Canada	12,592	16,562	13,362	12,717	17,237	39,234	72,668
Foreign portfolio investment in Canadian securities	17,804	9,251	5,814	31,398	19,875	83,539	43,087
Canadian debt securities	7,761	-2,732	-1,645	22,029	8,240	82,572	24,191
Canadian money market instruments	3,546	-8,942	-5,152	7,206	-3,201	13,255	-2,521
Canadian bonds	4,215	6,210	3,507	14,823	11,441	69,316	26,712
Canadian equity and investment fund shares	10,043	11,983	7,459	9,369	11,635	968	18,896
Other foreign investment in Canada	1,713	34,017	16,665	-908	-2,709	58,450	16,782
Loans	1,249	664	-3,938	-1,839	1,200	6,010	2,598
Currency and deposits	527	33,581	19,202	950	-4,001	52,288	14,549
Special drawing rights	0	0	0	0	0	0	0
Other liabilities	-62	-228	1,402	-20	92	152	-365
<b>Discrepancy (net errors and omissions)</b>	<b>-478</b>	<b>-4,719</b>	<b>3,184</b>	<b>-978</b>	<b>5,846</b>	<b>881</b>	<b>614</b>

1. Transactions are recorded on a net basis.

2. In the financial account, a plus sign denotes an increase in investment and a minus sign denotes a decrease in investment.

Source(s): CANSIM tables [376-0101](#), [376-0102](#), [376-0103](#) and [376-0104](#).

**Table 2**  
**Current account – Seasonally adjusted**

	Third quarter 2013	Fourth quarter 2013	First quarter 2014	Second quarter 2014	Third quarter 2014	2012	2013
millions of dollars							
<b>Current account receipts</b>	<b>166,844</b>	<b>167,380</b>	<b>173,602</b>	<b>180,875</b>	<b>183,731</b>	<b>636,418</b>	<b>658,556</b>
Goods and services	144,310	144,610	151,703	156,790	158,613	553,130	571,808
Goods	120,959	121,051	128,244	133,112	135,010	463,135	479,266
Services	23,350	23,559	23,459	23,678	23,603	89,995	92,542
Travel	4,584	4,646	4,658	4,780	4,852	17,388	18,201
Transportation	3,558	3,556	3,591	3,668	3,762	14,031	14,194
Commercial services	14,852	14,985	14,827	14,850	14,606	57,045	58,696
Government services	357	371	382	381	384	1,530	1,451
Primary income	20,046	19,577	19,162	21,338	22,314	73,622	75,229
Compensation of employees	307	313	325	322	323	1,205	1,235
Investment income	19,739	19,263	18,837	21,016	21,991	72,418	73,994
Direct investment	12,583	11,938	11,062	13,041	13,952	46,118	45,697
Interest	1,046	1,084	948	887	848	4,184	4,271
Profits	11,538	10,854	10,114	12,154	13,104	41,934	41,427
Portfolio investment	5,791	5,880	6,141	6,160	6,313	20,816	22,797
Interest on debt securities	1,576	1,605	1,679	1,728	1,786	5,108	6,161
Dividends on equity and investment fund shares	4,216	4,275	4,461	4,432	4,527	15,708	16,636
Other investment	1,364	1,445	1,634	1,815	1,727	5,483	5,499
Secondary income	2,489	3,193	2,737	2,747	2,803	9,666	11,519
Private transfers	761	771	967	995	996	2,839	3,616
Government transfers	1,728	2,422	1,770	1,751	1,807	6,826	7,903
<b>Current account payments</b>	<b>179,906</b>	<b>182,269</b>	<b>184,864</b>	<b>190,782</b>	<b>192,132</b>	<b>696,329</b>	<b>714,810</b>
Goods and services	151,812	152,700	155,976	160,374	161,390	586,959	602,027
Goods	122,755	123,595	126,667	130,786	132,114	474,287	486,487
Services	29,057	29,105	29,309	29,588	29,276	112,672	115,540
Travel	9,031	9,137	9,257	9,325	9,233	35,030	36,161
Transportation	6,054	6,059	6,117	6,217	6,254	23,735	24,035
Commercial services	13,680	13,616	13,643	13,755	13,493	52,593	54,175
Government services	293	293	291	291	296	1,314	1,169
Primary income	24,802	26,278	25,585	26,977	27,580	96,417	99,394
Compensation of employees	825	832	825	822	825	3,177	3,280
Investment income	23,976	25,446	24,760	26,155	26,755	93,241	96,114
Direct investment	11,684	12,510	11,833	13,246	13,441	46,968	46,432
Interest	908	893	888	872	870	3,799	3,618
Profits	10,776	11,618	10,945	12,373	12,572	43,169	42,814
Portfolio investment	10,526	10,747	10,990	11,195	11,397	39,551	41,750
Interest on debt securities	7,465	7,592	7,705	7,797	7,892	28,296	29,659
Dividends on equity and investment fund shares	3,061	3,155	3,285	3,398	3,505	11,256	12,091
Other investment	1,766	2,188	1,936	1,714	1,917	6,721	7,931
Secondary income	3,293	3,291	3,302	3,430	3,162	12,953	13,389
Private transfers	1,928	1,920	1,993	2,023	2,038	7,528	7,674
Government transfers	1,365	1,371	1,309	1,407	1,124	5,424	5,715
<b>Current account balances</b>	<b>-13,062</b>	<b>-14,889</b>	<b>-11,262</b>	<b>-9,907</b>	<b>-8,401</b>	<b>-59,911</b>	<b>-56,254</b>
Goods and services	-7,502	-8,089	-4,274	-3,585	-2,777	-33,829	-30,219
Goods	-1,796	-2,544	1,577	2,325	2,896	-11,152	-7,221
Services	-5,706	-5,546	-5,850	-5,910	-5,673	-22,677	-22,997
Travel	-4,447	-4,490	-4,599	-4,545	-4,382	-17,643	-17,960
Transportation	-2,496	-2,503	-2,526	-2,549	-2,492	-9,703	-9,841
Commercial services	1,172	1,368	1,184	1,095	1,113	4,452	4,521
Government services	64	79	91	90	88	216	283
Primary income	-4,756	-6,701	-6,423	-5,639	-5,266	-22,795	-24,165
Compensation of employees	-518	-519	-500	-500	-502	-1,972	-2,045
Investment income	-4,238	-6,182	-5,923	-5,139	-4,764	-20,823	-22,120
Direct investment	899	-572	-771	-204	510	-850	-735
Interest	138	191	60	15	-22	385	653
Profits	762	-763	-831	-219	532	-1,235	-1,388
Portfolio investment	-4,735	-4,867	-4,850	-5,035	-5,084	-18,735	-18,953
Interest on debt securities	-5,890	-5,988	-6,026	-6,068	-6,106	-23,187	-23,498
Dividends on equity and investment fund shares	1,155	1,121	1,176	1,034	1,022	4,452	4,545
Other investment	-402	-743	-302	100	-190	-1,238	-2,432
Secondary income	-804	-98	-565	-684	-358	-3,287	-1,870
Private transfers	-1,167	-1,149	-1,026	-1,028	-1,042	-4,689	-4,058
Government transfers	363	1,051	461	344	684	1,402	2,188

Source(s): CANSIM tables [376-0101](#) and [376-0105](#).



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**Available in CANSIM:** tables [376-0012](#), [376-0013](#), [376-0101 to 376-0108](#), [376-0110](#), [376-0111](#), [376-0121](#), [376-0122](#) and [376-0124](#).

**Definitions, data sources and methods:** survey numbers [1534](#), [1535](#), [1536](#) and [1537](#).

The balance of international payments data for the fourth quarter of 2014 will be released on March 2, 2015.

For more information, contact us (toll-free 1-800-263-1136; 514-283-8300; [infostats@statcan.gc.ca](mailto:infostats@statcan.gc.ca)).

To enquire about the concepts, methods or data quality of this release, contact Denis Caron (613-951-1861; [denis.caron@statcan.gc.ca](mailto:denis.caron@statcan.gc.ca)), International Accounts and Trade Division.