

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

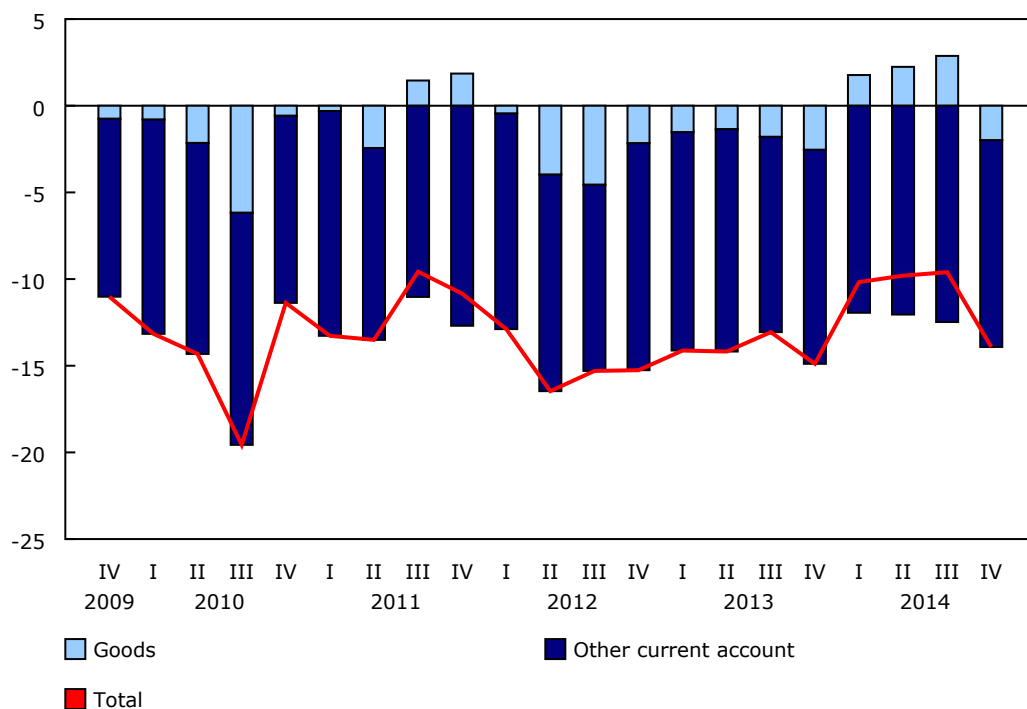
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Canada's current account deficit (on a seasonally adjusted basis) expanded by \$4.3 billion in the fourth quarter to reach \$13.9 billion. This change mainly reflected the deterioration of the trade in goods balance.

In the financial account (unadjusted for seasonal variation), increased foreign currency deposits held in Canada by non-residents was the largest contributor to the inflow of funds into the economy.

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

billions of dollars



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

For the year 2014, the current account deficit narrowed by \$12.8 billion to reach \$43.5 billion, in line with a strengthened goods balance. In the financial account, most of the inflows of funds from abroad were the results of transactions in the other investment category. In contrast to recent years, foreign direct and portfolio investment contributed minimally to the net cross-border inflow of funds.

## Current account

### Trade in goods balance returns to a deficit

The balance on international trade in goods recorded a \$2.0 billion deficit in the fourth quarter, following a \$2.9 billion surplus in the previous quarter. This was the first deficit since the fourth quarter of 2013. Nevertheless, for 2014 as a whole, the balance on goods expanded by \$12.1 billion to reach a surplus of \$4.9 billion.

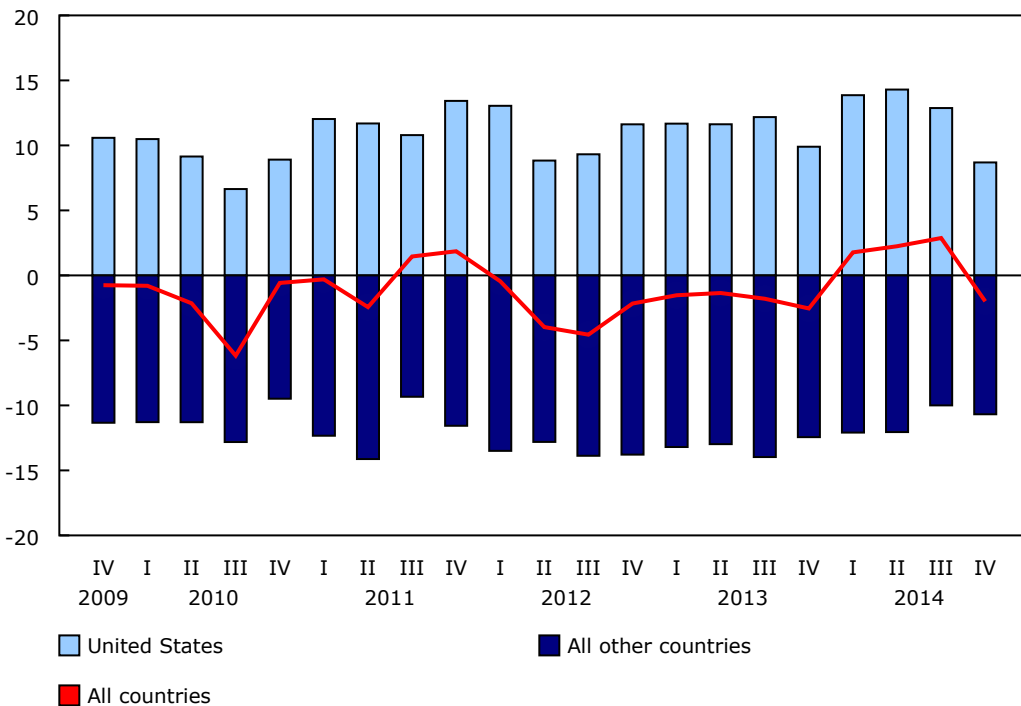
Overall, the total exports of goods declined by \$3.4 billion to reach \$131.8 billion in the fourth quarter, led by a reduction in energy products. Exports of energy products were down \$4.2 billion, largely on lower prices for crude petroleum. Farm, fishing and intermediate food products were down \$1.1 billion with lower volumes of canola and wheat. Metal and non-metallic mineral products were up \$0.7 billion on higher volumes, mainly aluminum products and precious metals.

Total imports of goods were up \$1.5 billion to \$133.8 billion in the quarter. Consumer goods advanced \$0.7 billion on higher prices. Motor vehicles and parts increased \$0.6 billion on higher volumes of cars and a combination of stronger volumes and prices for parts. Metal and non-metallic mineral products rose \$0.5 billion, led by higher volumes of precious metals. These gains were partially offset by a \$1.0 billion reduction in imports of energy products, mostly from lower prices of crude petroleum.

On a geographical basis, the surplus with the United States was down by \$4.2 billion to \$8.7 billion in the fourth quarter, the lowest surplus since the third quarter of 2010. Exports to the United States were down \$2.4 billion, led by weaker sales of crude petroleum. On the other side of the ledger, imports from the United States were up \$1.7 billion. The overall deficit with non-US countries increased \$0.7 billion on lower exports.

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

billions of dollars



**Note(s):** Data are seasonally adjusted.

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Source(s): CANSIM table [376-0106](#).

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The goods deficit with China advanced \$1.0 billion to reach \$4.3 billion, the highest level since the fourth quarter of 2008. This reflected lower exports and higher imports. The deficit with South Korea also widened. Meanwhile, the surplus with United Kingdom was down by \$0.7 billion, mainly on weaker exports. On the other hand, trade balances with Hong Kong, Iraq, Netherlands, and Switzerland all improved in the quarter. This had a moderating effect on the swing from a surplus to a deficit on trade in goods.

#### **Lower deficits on trade in services and investment income**

The deficit on international transactions in services narrowed by \$0.1 billion in the fourth quarter to \$5.5 billion. This was in line with the surplus on commercial services expanding by \$0.1 billion, on stronger receipts. The travel and transportation deficits were largely unchanged.

The investment income deficit shrank by \$0.4 billion to \$5.7 billion. Profits earned in Canada by foreign direct investors were down by more than those earned abroad by Canadian direct investors. Earnings on both portfolio assets and liabilities continued to advance in the quarter.

### **Financial account**

#### **Foreign investment in Canadian securities reaches a six-year low**

Foreign investors acquired \$0.3 billion of Canadian securities in the fourth quarter, down from the \$20.1 billion investment in the previous quarter. Non-residents continued to invest in Canadian debt securities, but at a slower pace in the quarter, while reducing their holdings of equities. As a result, foreign investment in Canadian securities in the fourth quarter was the lowest in six years.

Foreign holdings of Canadian debt securities were up \$3.7 billion in the quarter. Non-resident investors added \$5.4 billion of Canadian bonds to their portfolio, largely corporate bonds denominated in US dollars. At the same time, they withdrew \$1.6 billion from the Canadian money market, mainly retirements of provincial paper.

International investors sold \$3.5 billion of Canadian equities in the quarter, marking the first such divestment since the first quarter of 2013. Nonetheless, foreign investment in Canadian equities in 2014 was the highest in five years. Canadian stock prices were down 2.2% in the fourth quarter.

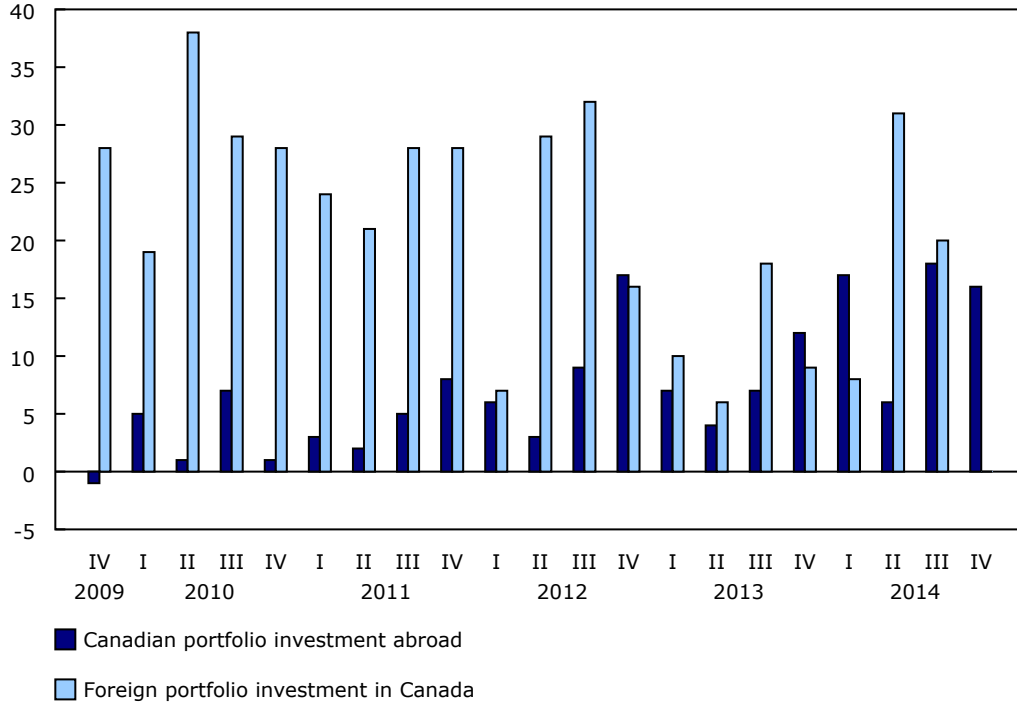
#### **Canadian investment in foreign securities remains strong**

Canadian investors acquired \$16.0 billion of foreign securities in the quarter with most of the activity recorded in December. Canadian purchases of foreign debt securities were \$9.6 billion, mainly US bonds.

Canadian acquisitions of foreign equities amounted to \$6.4 billion, a sixth consecutive quarter of investment. On an annual basis, Canadian investment in foreign shares totalled \$35.7 billion in 2014, the largest such outflow of funds since 2000.

**Chart 3**  
**Foreign portfolio investment**

billions of dollars



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

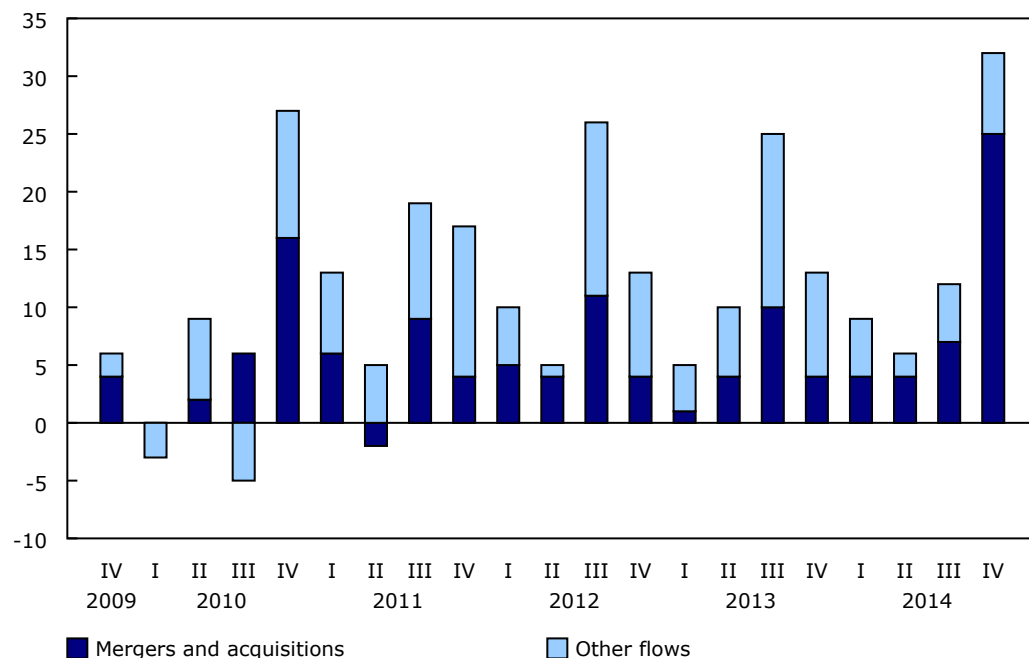
**Growth in foreign direct investment led by mergers and acquisitions**

Canadian direct investment abroad reached \$31.7 billion in the fourth quarter and was mainly placed in the United States. This was the largest such outflow since the first quarter of 2008. Record cross-border mergers and acquisitions in the quarter accounted for the bulk of the outward direct investment. Led by the activity in the fourth quarter, Canadian direct investment abroad in 2014 was the highest in six years.

Foreign direct investment in Canada amounted to \$17.7 billion in the fourth quarter, the highest in nearly two years. Most of the activity resulted from cross-border mergers and acquisitions.

**Chart 4**  
**Canadian direct investment abroad**

billions of dollars



Source(s): CANSIM table [376-0121](#).

### The other investment category generates large inflows of funds

Transactions in the other investment category of the financial account generated a large net inflow of funds in the fourth quarter. This activity mainly reflected an increase in foreign currency deposits held by non-residents in Canada.

### Financing patterns in 2014

Most of the inflows of funds from abroad in 2014 were the results of transactions in the other investment category, largely from transactions in the banking sector. The contribution of direct and portfolio investment transactions were both reduced in the year.

International transactions in securities generated a net inflow of funds to the Canadian economy of \$3.4 billion in 2014. This marked a seventh straight year of net inflows in this type of investment, but the lowest since 2008 during the global financial crisis.

Inward direct investment slightly exceeded outward direct investment by \$1.4 billion in 2014, compared with \$20.6 billion in 2013. This activity followed five straight years of net outflows of funds on direct investment.

### 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.

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**

	Fourth quarter 2013	First quarter 2014	Second quarter 2014	Third quarter 2014	Fourth quarter 2014	2013	2014
millions of dollars							
<b>Capital account and current account</b>							
<b>Net lending / net borrowing, from capital account and current account</b>	<b>-13,596</b>	<b>-11,055</b>	<b>-11,500</b>	<b>-9,305</b>	<b>-11,665</b>	<b>-56,307</b>	<b>-43,525</b>
Current account balances	-13,594	-11,051	-11,498	-9,300	-11,650	-56,254	-43,500
Goods and services	-6,209	-3,359	-5,851	-3,154	-5,488	-30,219	-17,852
Goods	-1,291	4,264	695	683	-749	-7,221	4,894
Services	-4,918	-7,623	-6,547	-3,837	-4,740	-22,997	-22,746
Primary income	-7,798	-6,308	-5,398	-5,743	-6,792	-24,165	-24,241
Compensation of employees	-515	-473	-533	-556	-520	-2,045	-2,082
Investment income	-7,283	-5,835	-4,865	-5,187	-6,272	-22,120	-22,159
Direct investment	-1,379	-656	-35	-42	224	-735	-509
Portfolio investment	-4,888	-4,841	-5,013	-5,172	-5,196	-18,953	-20,222
Other investment	-1,016	-338	183	27	-1,299	-2,432	-1,428
Secondary income	413	-1,384	-249	-404	630	-1,870	-1,407
Capital account balance	-2	-4	-2	-4	-14	-53	-25
<b>Financial account<sup>1, 2</sup></b>							
<b>Net lending / net borrowing, from financial account</b>	<b>-18,315</b>	<b>-10,072</b>	<b>-12,587</b>	<b>-7,152</b>	<b>-6,827</b>	<b>-55,693</b>	<b>-36,639</b>
Net acquisition of financial assets	41,516	27,980	30,100	26,450	51,033	76,845	135,564
Canadian direct investment abroad	12,768	8,851	5,833	11,777	31,742	52,042	58,203
Canadian portfolio investment in foreign securities	12,138	16,544	5,828	17,963	16,024	29,310	56,359
Foreign debt securities	11,558	5,833	-2,647	7,786	9,648	23,008	20,619
Foreign money market instruments	393	-147	1,533	-2,248	774	1,586	-88
Foreign bonds	11,165	5,980	-4,180	10,033	8,873	21,421	20,707
Foreign equity and investment fund shares	580	10,711	8,475	10,178	6,376	6,302	35,740
Official international reserves	766	4,696	-867	-137	2,161	4,868	5,854
Other Canadian investment abroad	15,845	-2,112	19,307	-3,154	1,106	-9,376	15,147
Loans	-436	-61	11,988	7,083	7,120	-419	26,130
Currency and deposits	12,503	950	3,798	-9,487	-4,246	824	-8,986
Other assets	3,777	-3,000	3,521	-749	-1,767	-9,781	-1,996
Net incurrence of liabilities	59,831	38,052	42,688	33,602	57,861	132,537	172,203
Foreign direct investment in Canada	16,562	13,414	12,182	16,293	17,690	72,668	59,579
Foreign portfolio investment in Canadian securities	9,251	7,973	31,411	20,127	282	43,087	59,793
Canadian debt securities	-2,732	514	22,043	8,275	3,745	24,191	34,577
Canadian money market instruments	-8,942	-5,152	7,206	-3,194	-1,606	-2,521	-2,747
Canadian bonds	6,210	5,666	14,837	11,469	5,351	26,712	37,324
Canadian equity and investment fund shares	11,983	7,459	9,369	11,852	-3,463	18,896	25,216
Other foreign investment in Canada	34,017	16,665	-906	-2,818	39,889	16,782	52,830
Loans	664	-3,938	-1,839	1,139	6,473	2,598	1,834
Currency and deposits	33,581	19,202	950	-4,116	33,119	14,549	49,155
Special drawing rights	0	0	0	0	0	0	0
Other liabilities	-228	1,402	-18	160	297	-365	1,841
<b>Discrepancy (net errors and omissions)</b>	<b>-4,719</b>	<b>983</b>	<b>-1,087</b>	<b>2,153</b>	<b>4,837</b>	<b>614</b>	<b>6,886</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**

	Fourth quarter 2013	First quarter 2014	Second quarter 2014	Third quarter 2014	Fourth quarter 2014	2013	2014
millions of dollars							
<b>Current account receipts</b>	<b>167,380</b>	<b>174,539</b>	<b>181,294</b>	<b>182,149</b>	<b>179,139</b>	<b>658,556</b>	<b>717,122</b>
Goods and services	144,610	151,921	156,975	159,048	155,820	571,808	623,764
Goods	121,051	128,480	133,033	135,216	131,844	479,266	528,574
Services	23,559	23,440	23,942	23,832	23,976	92,542	95,190
Travel	4,646	4,676	4,810	4,900	4,909	18,201	19,296
Transportation	3,556	3,581	3,646	3,697	3,747	14,194	14,671
Commercial services	14,985	14,792	15,100	14,858	14,949	58,696	59,699
Government services	371	392	385	377	371	1,451	1,524
Primary income	19,577	19,780	21,461	20,096	20,106	75,229	81,443
Compensation of employees	313	323	322	324	335	1,235	1,304
Investment income	19,263	19,457	21,139	19,772	19,771	73,994	80,138
Direct investment	11,938	11,655	13,161	11,758	11,514	45,697	48,088
Interest	1,084	957	902	920	977	4,271	3,755
Profits	10,854	10,698	12,259	10,839	10,538	41,427	44,333
Portfolio investment	5,880	6,159	6,161	6,303	6,544	22,797	25,166
Interest on debt securities	1,605	1,675	1,729	1,788	1,854	6,161	7,047
Dividends on equity and investment fund shares	4,275	4,484	4,433	4,514	4,690	16,636	18,120
Other investment	1,445	1,644	1,817	1,711	1,713	5,499	6,884
Secondary income	3,193	2,839	2,857	3,006	3,213	11,519	11,915
Private transfers	771	997	1,054	1,064	1,079	3,616	4,194
Government transfers	2,422	1,841	1,803	1,943	2,134	7,903	7,721
<b>Current account payments</b>	<b>182,269</b>	<b>184,714</b>	<b>191,098</b>	<b>191,753</b>	<b>193,056</b>	<b>714,810</b>	<b>760,621</b>
Goods and services	152,700	156,016	160,458	161,788	163,353	602,027	641,616
Goods	123,595	126,709	130,791	132,342	133,837	486,487	523,680
Services	29,105	29,307	29,668	29,446	29,516	115,540	117,936
Travel	9,137	9,276	9,347	9,267	9,310	36,161	37,201
Transportation	6,059	6,091	6,146	6,213	6,273	24,035	24,723
Commercial services	13,616	13,649	13,882	13,669	13,639	54,175	54,840
Government services	293	291	292	296	293	1,169	1,172
Primary income	26,278	25,392	27,194	26,739	26,359	99,394	105,683
Compensation of employees	832	825	847	855	860	3,280	3,386
Investment income	25,446	24,566	26,347	25,885	25,499	96,114	102,297
Direct investment	12,510	11,548	13,343	12,325	11,381	46,432	48,597
Interest	893	916	901	899	905	3,618	3,620
Profits	11,618	10,632	12,442	11,426	10,477	42,814	44,977
Portfolio investment	10,747	11,017	11,222	11,422	11,728	41,750	45,389
Interest on debt securities	7,592	7,732	7,827	7,922	8,220	29,659	31,701
Dividends on equity and investment fund shares	3,155	3,286	3,395	3,499	3,507	12,091	13,687
Other investment	2,188	2,001	1,782	2,138	2,390	7,931	8,312
Secondary income	3,291	3,306	3,446	3,225	3,344	13,389	13,322
Private transfers	1,920	1,986	2,025	2,014	2,034	7,674	8,059
Government transfers	1,371	1,320	1,421	1,211	1,310	5,715	5,263
<b>Current account balances</b>	<b>-14,889</b>	<b>-10,174</b>	<b>-9,804</b>	<b>-9,604</b>	<b>-13,917</b>	<b>-56,254</b>	<b>-43,500</b>
Goods and services	-8,089	-4,095	-3,483	-2,741	-7,533	-30,219	-17,852
Goods	-2,544	1,771	2,243	2,874	-1,993	-7,221	4,894
Services	-5,546	-5,866	-5,726	-5,614	-5,540	-22,997	-22,746
Travel	-4,490	-4,600	-4,537	-4,367	-4,401	-17,960	-17,905
Transportation	-2,503	-2,509	-2,500	-2,517	-2,525	-9,841	-10,052
Commercial services	1,368	1,143	1,218	1,189	1,310	4,521	4,859
Government services	79	101	94	80	77	283	352
Primary income	-6,701	-5,612	-5,732	-6,644	-6,253	-24,165	-24,241
Compensation of employees	-519	-502	-524	-531	-524	-2,045	-2,082
Investment income	-6,182	-5,109	-5,208	-6,113	-5,728	-22,120	-22,159
Direct investment	-572	107	-182	-567	133	-735	-509
Interest	191	41	1	21	72	653	135
Profits	-763	65	-183	-588	61	-1,388	-644
Portfolio investment	-4,867	-4,859	-5,061	-5,119	-5,184	-18,953	-20,222
Interest on debt securities	-5,988	-6,057	-6,098	-6,134	-6,366	-23,498	-24,655
Dividends on equity and investment fund shares	1,121	1,198	1,037	1,015	1,182	4,545	4,433
Other investment	-743	-358	35	-427	-678	-2,432	-1,428
Secondary income	-98	-467	-589	-219	-132	-1,870	-1,407
Private transfers	-1,149	-989	-971	-950	-955	-4,058	-3,865
Government transfers	1,051	522	382	731	824	2,188	2,458

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 first quarter will be released on May 28.

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

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