

# Canada's balance of international payments, first quarter 2015

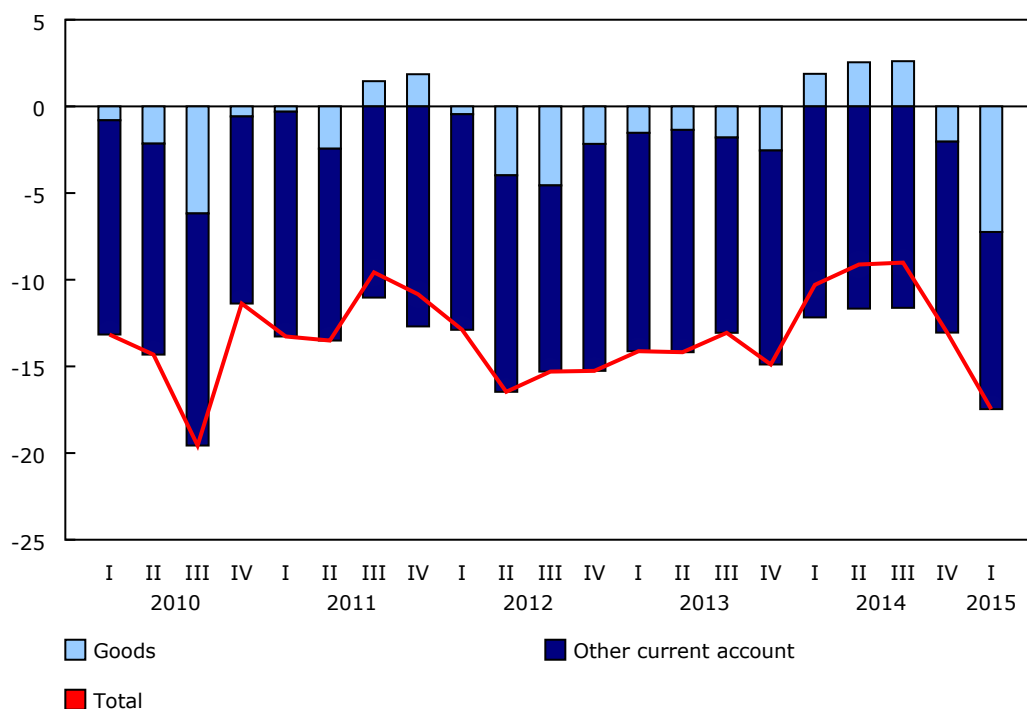
Released at 8:30 a.m. Eastern time in *The Daily*, Thursday, May 28, 2015

Canada's current account deficit (on a seasonally adjusted basis) expanded again in the first quarter, up \$4.4 billion to \$17.5 billion, after narrowing in the first three quarters of 2014. This change in direction over the last two quarters was mainly due to trade in goods, especially energy products.

In the financial account (unadjusted for seasonal variation), Canadian investments abroad slowed in the first quarter, while foreign investment in Canada reached \$62.1 billion. Foreign investment in Canadian bonds was the largest contributor to the net inflow of funds to the economy.

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

billions of dollars



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

## Current account

### Trade in goods deficit widens further

The trade in goods deficit expanded by \$5.2 billion to a record \$7.2 billion in the first quarter. This change reflected a gradual deterioration of the goods balance in each month of the quarter. This followed a return to a deficit on goods trade of \$2.0 billion in the fourth quarter of 2014.

Overall exports of goods declined \$4.1 billion to \$128.0 billion in the first quarter. Energy product values were down \$5.9 billion despite higher volumes (+3.9%). This reduction was concentrated in crude petroleum. Crude prices fell 32% in the quarter, reaching their lowest levels since the first quarter of 2009. Metal and non-metallic mineral products also declined in the first quarter (-\$0.8 billion) as export volumes of precious metals shrank.

Moderating the decline in energy exports were increases in several goods categories over the quarter. Exports of farm, fishing and intermediate food products were up by \$0.6 billion, mostly on higher volumes of wheat. Exports of consumer goods rose \$0.5 billion on higher prices. Forestry products, electronic and electrical equipment and parts as well as aircraft and other transportation equipment and parts exported each increased by \$0.4 billion in the quarter on higher volumes and prices.

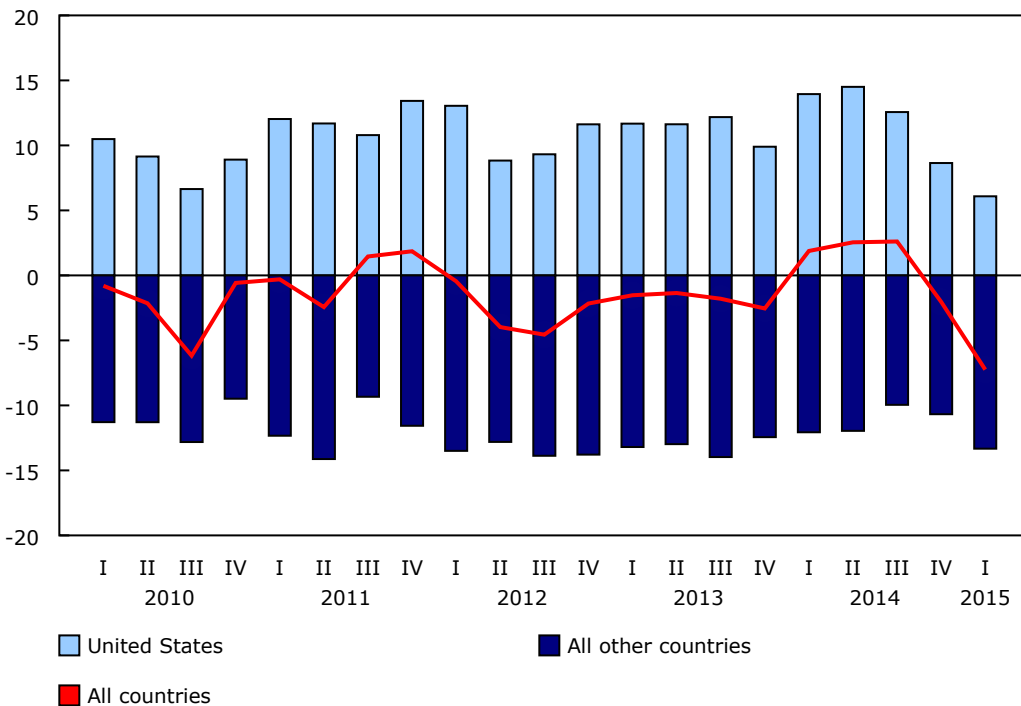
Total imports of goods advanced \$1.1 billion to \$135.3 billion. The largest gains were in electronic and electrical equipment and parts, up \$1.1 billion on larger volumes of communications and audio and video equipment. Consumer goods increased by \$1.0 billion while industrial machinery, equipment and parts increased \$0.7 billion, both led by higher prices. On the other hand, imports of energy products were down by \$1.7 billion, reflecting reduced prices but higher volumes.

### Weakness in goods trade widespread geographically

On a geographical basis, the goods balance deteriorated for both the United States and non-US countries in the first quarter. The goods surplus with the United States narrowed by \$2.6 billion to \$6.1 billion. The value of exports to the United States decreased for a second straight quarter, down \$3.7 billion following a \$2.2 billion decline in the fourth quarter of 2014. Moderating this decrease were lower imports from the United States. Declines for both exports and imports were led by crude petroleum.

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

billions of dollars



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

Goods trade with non-US countries produced a similar change in the balance. The deficit widened by \$2.7 billion to \$13.3 billion, mainly on higher imports. The deficit with China expanded by \$1.1 billion to a record \$5.4 billion. Goods balances with Japan, Italy, Netherlands, Switzerland and Taiwan all deteriorated during the first quarter. However, goods balances with United Kingdom and Singapore improved.

### **Deficit on trade in services largely unchanged**

The deficit on international trade in services narrowed by \$0.1 billion to \$5.6 billion in the first quarter. In the travel account, Canadians reduced their spending in the United States and overseas while expenditures by non-residents in Canada were unchanged. As a result, the travel deficit shrank by \$0.2 billion. The surplus on trade in commercial services edged down, as imports advanced by more than exports. The deficit on transportation services was up slightly in the quarter.

### **Investment income deficit narrows**

The investment income deficit was reduced by \$0.7 billion to \$3.7 billion in the first quarter, as receipts were up by more than payments. Income received on foreign investments by both Canadian direct and portfolio investors continued to advance. On the payments side, profits earned in Canada by foreign direct investors edged down. However, payments on portfolio investment liabilities increased by \$0.3 billion, led by higher interest payments on foreign currency denominated Canadian corporate bonds. The Canadian dollar depreciated against its US counterpart by 8.5% in the first quarter.

## **Financial account**

### **Foreign investment in Canadian securities increases significantly**

Foreign investors increased their holdings of Canadian securities by \$37.6 billion in the first quarter, following a marginal investment in the previous quarter. This activity was led by record acquisitions of Canadian bonds by foreign investors.

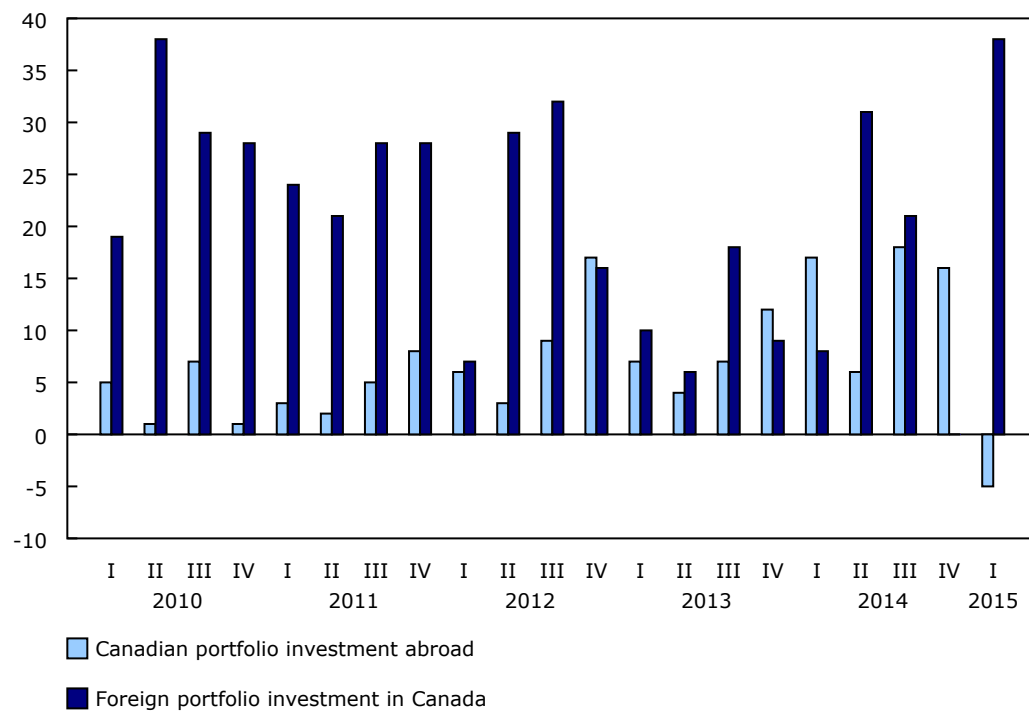
Foreign investment in Canadian bonds amounted to \$41.4 billion, mainly in new issues of Canadian private corporate bonds denominated in foreign currencies. Foreign purchases of federal government bonds on the secondary market also contributed to the inflows. The level of activity in the first quarter contrasted with the pattern observed in 2013 and 2014, when foreign investment in Canadian bonds slowed after four years of sustained and large inflows in government bonds.

At the same time, non-resident investors withdrew \$13.3 billion of funds from the Canadian money market in the first quarter against the backdrop of a relatively significant decline in Canadian short-term interest rates. This decline was the largest foreign divestment in Canadian paper on record. More than half of this reduction was in the form of federal Treasury bills, mainly retirements.

Non-residents added \$9.5 billion of Canadian equities to their holdings in the first quarter, following a rare divestment in the fourth quarter. Canadian stock prices rose by 1.8% in the first quarter. Foreign investors have acquired Canadian shares in seven of the last eight quarters, with acquisitions totalling \$63.4 billion.

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

billions of dollars



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

### Canadian holdings of foreign securities decline

Canadian investors sold \$5.3 billion of foreign securities in the first quarter, the first quarterly divestment in more than five years. Most of this activity was recorded in January and was concentrated in foreign shares.

Canadian holdings of foreign equities were down by \$4.0 billion on sales of both US and non-US foreign shares. US stock prices edged down in the first quarter. At the same time, Canadian holdings of foreign debt securities declined by \$1.4 billion, led by a divestment in non-US foreign bonds.

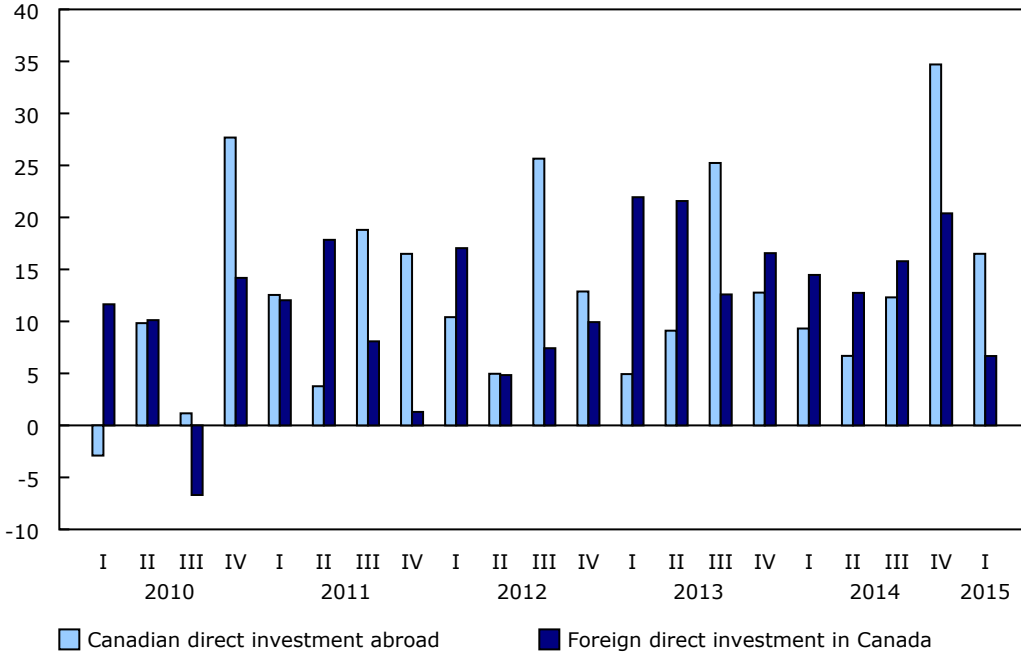
### Outward and inward direct investment slow

Transactions in Canadian direct investment abroad slowed to \$16.5 billion in the first quarter, following a record investment in the fourth quarter. Outflows related to mergers and acquisitions were down to \$5.2 billion compared with \$25.0 billion in the fourth quarter. On an industry basis, Canadian direct investment abroad was focused in the finance and insurance industry.

Foreign direct investment inflows to Canada were \$6.7 billion, the lowest such activity since the second quarter of 2012. Earnings reinvested in Canadian subsidiaries by foreign direct investors, mainly from the United States, accounted for the bulk of this activity. Mergers and acquisitions transactions generated a reduction in foreign direct investment in Canada, as non-resident direct investors sold some of their assets back to Canadian investors in the quarter.

**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.

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**

	First quarter 2014	Second quarter 2014	Third quarter 2014	Fourth quarter 2014	First quarter 2015	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>-11,116</b>	<b>-11,272</b>	<b>-7,824</b>	<b>-11,383</b>	<b>-20,251</b>	<b>-56,307</b>	<b>-41,595</b>
Current account balances	-11,022	-11,270	-7,819	-11,368	-20,202	-56,254	-41,480
Goods and services	-3,392	-5,848	-2,989	-5,769	-13,327	-30,219	-17,999
Goods	4,202	687	821	-711	-5,548	-7,221	4,999
Services	-7,593	-6,536	-3,810	-5,058	-7,779	-22,997	-22,997
Primary income	-6,259	-5,203	-4,571	-5,808	-5,543	-24,165	-21,842
Compensation of employees	-471	-531	-555	-518	-462	-2,045	-2,076
Investment income	-5,788	-4,672	-4,016	-5,290	-5,081	-22,120	-19,766
Direct investment	-594	206	1,279	832	517	-735	1,723
Portfolio investment	-4,870	-5,043	-5,202	-5,228	-5,189	-18,953	-20,342
Other investment	-324	164	-93	-894	-409	-2,432	-1,147
Secondary income	-1,371	-219	-259	209	-1,332	-1,870	-1,639
Capital account balance	-94	-2	-4	-14	-50	-53	-115
<b>Financial account<sup>1, 2</sup></b>							
<b>Net lending / net borrowing, from financial account</b>	<b>-11,233</b>	<b>-12,123</b>	<b>-7,123</b>	<b>-6,699</b>	<b>-21,926</b>	<b>-55,693</b>	<b>-37,178</b>
Net acquisition of financial assets	28,501	31,027	26,726	54,542	40,124	76,845	140,797
Canadian direct investment abroad	9,316	6,684	12,309	34,706	16,499	52,042	63,014
Canadian portfolio investment in foreign securities	16,544	5,828	18,004	16,052	-5,318	29,310	56,428
Foreign debt securities	5,833	-2,647	7,797	9,639	-1,360	23,008	20,622
Foreign money market instruments	-147	1,533	-2,248	774	-168	1,586	-88
Foreign bonds	5,980	-4,180	10,044	8,865	-1,192	21,421	20,709
Foreign equity and investment fund shares	10,711	8,475	10,207	6,412	-3,958	6,302	35,806
Official international reserves	4,696	-867	-137	2,161	6,585	4,868	5,854
Other Canadian investment abroad	-2,055	19,383	-3,450	1,624	22,357	-9,376	15,501
Loans	-61	11,987	7,034	7,355	14,936	-419	26,316
Currency and deposits	1,012	3,882	-9,550	-3,701	3,563	824	-8,357
Other assets	-3,007	3,514	-935	-2,030	3,858	-9,781	-2,458
Net incurrence of liabilities	39,734	43,150	33,849	61,241	62,050	132,537	177,975
Foreign direct investment in Canada	14,467	12,741	15,785	20,390	6,670	72,668	63,383
Foreign portfolio investment in Canadian securities	7,984	31,400	20,530	261	37,571	43,087	60,175
Canadian debt securities	525	22,032	8,676	3,727	28,121	24,191	34,959
Canadian money market instruments	-5,152	7,206	-3,194	-1,615	-13,262	-2,521	-2,755
Canadian bonds	5,677	14,826	11,870	5,341	41,383	26,712	37,715
Canadian equity and investment fund shares	7,459	9,369	11,854	-3,466	9,450	18,896	25,216
Other foreign investment in Canada	17,283	-991	-2,466	40,590	17,809	16,782	54,417
Loans	-3,275	-1,879	1,293	6,712	-253	2,598	2,851
Currency and deposits	19,202	950	-4,116	33,119	17,950	14,549	49,155
Special drawing rights	0	0	0	0	0	0	0
Other liabilities	1,357	-63	357	759	112	-365	2,411
<b>Discrepancy (net errors and omissions)</b>	<b>-117</b>	<b>-851</b>	<b>701</b>	<b>4,684</b>	<b>-1,675</b>	<b>614</b>	<b>4,417</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**

	First quarter 2014	Second quarter 2014	Third quarter 2014	Fourth quarter 2014	First quarter 2015	2013	2014
	millions of dollars						
<b>Current account receipts</b>	<b>175,148</b>	<b>182,245</b>	<b>183,168</b>	<b>180,916</b>	<b>177,821</b>	<b>658,556</b>	<b>721,478</b>
Goods and services	151,985	157,197	158,922	156,207	152,239	571,808	624,311
Goods	128,468	133,307	135,051	132,128	128,022	479,266	528,954
Services	23,518	23,889	23,871	24,079	24,217	92,542	95,357
Travel	4,681	4,824	4,893	4,898	4,901	18,201	19,296
Transportation	3,581	3,645	3,697	3,740	3,738	14,194	14,663
Commercial services	14,865	15,035	14,903	15,066	15,177	58,696	59,869
Government services	391	386	378	375	401	1,451	1,530
Primary income	20,419	22,207	21,211	21,681	22,477	75,229	85,519
Compensation of employees	323	323	326	338	350	1,235	1,310
Investment income	20,096	21,885	20,885	21,344	22,126	73,994	84,209
Direct investment	12,348	13,918	12,865	13,092	13,520	45,697	52,223
Interest	963	914	926	999	975	4,271	3,803
Profits	11,385	13,004	11,939	12,092	12,545	41,427	48,420
Portfolio investment	6,132	6,169	6,319	6,548	6,764	22,797	25,166
Interest on debt securities	1,676	1,728	1,786	1,856	1,933	6,161	7,047
Dividends on equity and investment fund shares	4,456	4,441	4,532	4,691	4,831	16,636	18,120
Other investment	1,616	1,798	1,701	1,704	1,842	5,499	6,820
Secondary income	2,744	2,841	3,034	3,028	3,106	11,519	11,648
Private transfers	999	1,055	1,065	1,063	1,089	3,616	4,182
Government transfers	1,746	1,786	1,969	1,965	2,016	7,903	7,466
<b>Current account payments</b>	<b>185,444</b>	<b>191,367</b>	<b>192,181</b>	<b>193,966</b>	<b>195,288</b>	<b>714,810</b>	<b>762,958</b>
Goods and services	155,910	160,438	161,949	164,012	165,120	602,027	642,309
Goods	126,589	130,763	132,443	134,160	135,267	486,487	523,955
Services	29,321	29,675	29,506	29,851	29,853	115,540	118,354
Travel	9,331	9,344	9,261	9,415	9,190	36,161	37,351
Transportation	6,090	6,144	6,213	6,292	6,359	24,035	24,739
Commercial services	13,630	13,890	13,730	13,844	14,018	54,175	55,094
Government services	270	296	302	301	287	1,169	1,170
Primary income	26,237	27,495	27,019	26,609	26,657	99,394	107,361
Compensation of employees	828	846	854	857	851	3,280	3,386
Investment income	25,409	26,649	26,166	25,751	25,806	96,114	103,975
Direct investment	12,452	13,670	12,590	11,788	11,595	46,432	50,500
Interest	947	933	931	933	846	3,618	3,743
Profits	11,505	12,737	11,660	10,856	10,750	42,814	46,757
Portfolio investment	11,055	11,252	11,450	11,751	12,028	41,750	45,509
Interest on debt securities	7,761	7,856	7,952	8,252	8,491	29,659	31,821
Dividends on equity and investment fund shares	3,294	3,396	3,498	3,499	3,537	12,091	13,687
Other investment	1,902	1,727	2,125	2,212	2,182	7,931	7,966
Secondary income	3,296	3,433	3,212	3,346	3,510	13,389	13,287
Private transfers	1,990	2,028	2,006	2,037	2,052	7,674	8,060
Government transfers	1,306	1,406	1,206	1,310	1,459	5,715	5,228
<b>Current account balances</b>	<b>-10,295</b>	<b>-9,122</b>	<b>-9,013</b>	<b>-13,050</b>	<b>-17,466</b>	<b>-56,254</b>	<b>-41,480</b>
Goods and services	-3,925	-3,241	-3,027	-7,805	-12,881	-30,219	-17,999
Goods	1,879	2,545	2,608	-2,033	-7,245	-7,221	4,999
Services	-5,804	-5,786	-5,635	-5,772	-5,636	-22,997	-22,997
Travel	-4,649	-4,520	-4,368	-4,517	-4,289	-17,960	-18,055
Transportation	-2,510	-2,500	-2,516	-2,551	-2,621	-9,841	-10,077
Commercial services	1,234	1,145	1,173	1,222	1,159	4,521	4,774
Government services	121	90	75	73	114	283	359
Primary income	-5,819	-5,288	-5,808	-4,927	-4,181	-24,165	-21,842
Compensation of employees	-505	-524	-528	-520	-501	-2,045	-2,076
Investment income	-5,313	-4,764	-5,280	-4,408	-3,680	-22,120	-19,766
Direct investment	-104	248	275	1,303	1,925	-735	1,723
Interest	16	-19	-5	67	129	653	59
Profits	-120	267	280	1,237	1,795	-1,388	1,664
Portfolio investment	-4,924	-5,083	-5,132	-5,203	-5,264	-18,953	-20,342
Interest on debt securities	-6,085	-6,128	-6,166	-6,396	-6,558	-23,498	-24,775
Dividends on equity and investment fund shares	1,161	1,045	1,034	1,192	1,294	4,545	4,433
Other investment	-286	71	-423	-508	-340	-2,432	-1,147
Secondary income	-552	-592	-178	-318	-405	-1,870	-1,639
Private transfers	-991	-973	-941	-973	-962	-4,058	-3,878
Government transfers	439	380	763	656	558	2,188	2,238

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 second quarter will be released on August 31.

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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