

Canada's balance of international payments, first quarter 2017

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Canada's current account deficit (on a seasonally adjusted basis) widened by \$2.3 billion in the first quarter to \$14.1 billion, as the goods balance moved from a surplus to a deficit.

In the financial account (unadjusted for seasonal variation), large foreign investment in Canadian corporate securities led the net inflow of funds into the economy.

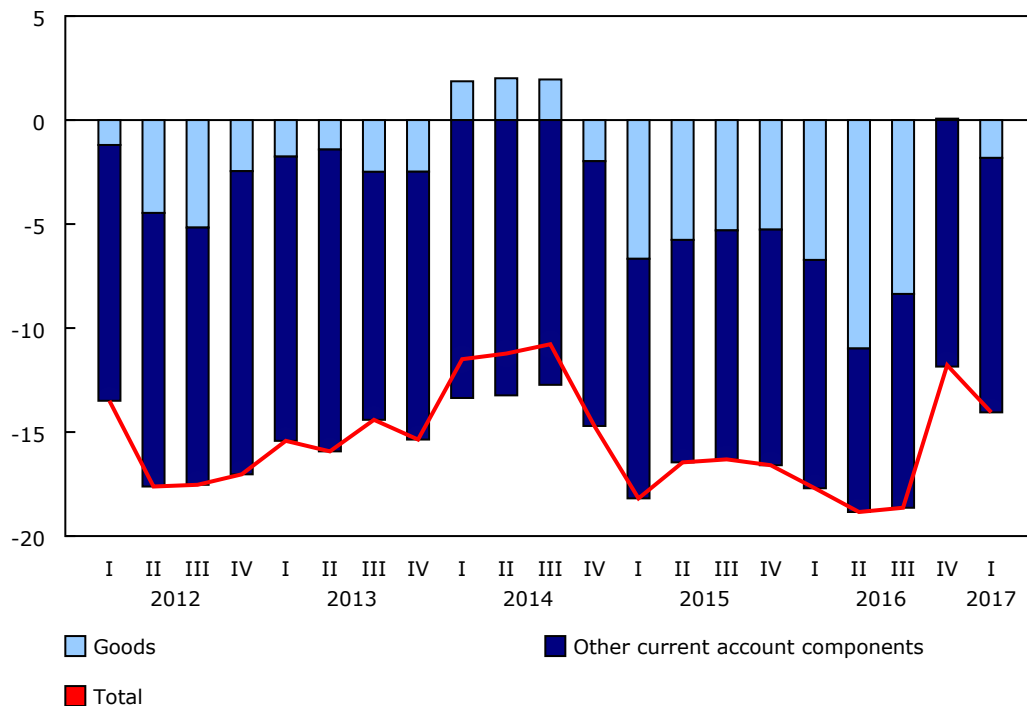
Current account

The goods balance posts a deficit following a modest surplus

The balance on international trade in goods posted a \$1.8 billion deficit in the first quarter, following a \$0.1 billion surplus in the previous quarter.

Chart 1
Current account balances

billions of dollars



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

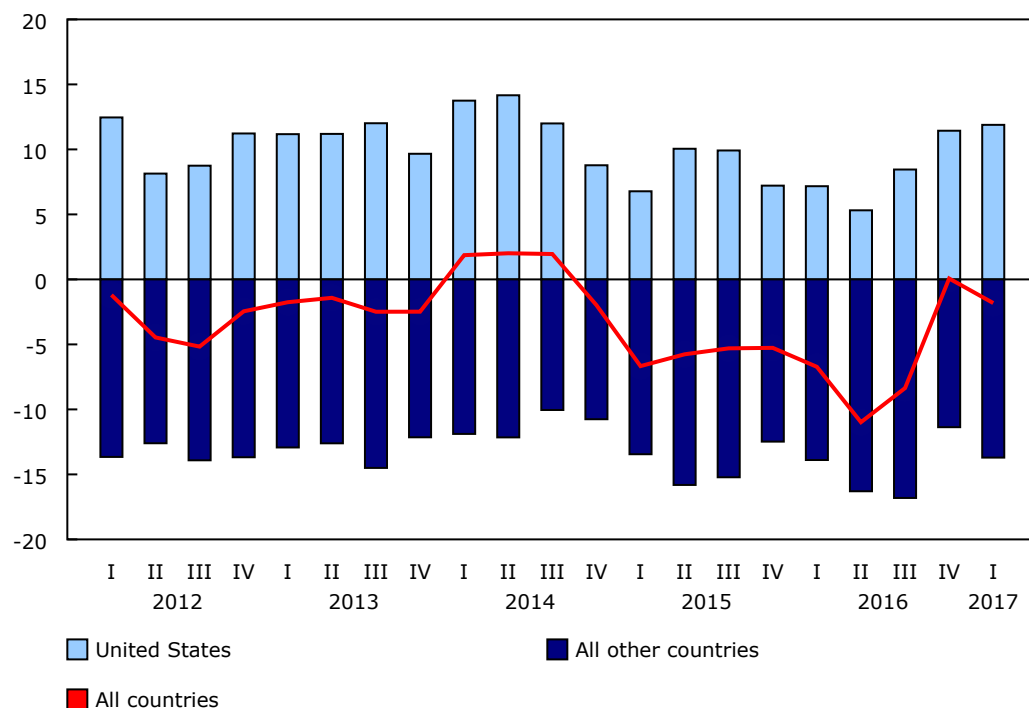
On a geographical basis, the goods deficit with non-US countries was up \$2.3 billion, mainly reflecting higher deficits with Brazil, Netherlands, Germany and Hong Kong. Meanwhile, the surplus with the United States, led by stronger exports of energy products, increased \$0.5 billion in the first quarter.

Total exports of goods rose \$2.2 billion to \$138.5 billion in the first quarter. Energy products, led by crude petroleum, were the major contributor, with exports up \$2.5 billion as prices reached their highest level since the end of 2014.

Total imports of goods were up \$4.0 billion to \$140.3 billion in the first quarter, as both energy products and motor vehicles and parts had increases of over \$1 billion.

Chart 2 Goods balances by geographic area

billions of dollars



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

Trade in services deficit grows

The overall deficit on international trade in services rose \$0.3 billion in the first quarter to \$5.7 billion as the commercial services surplus went down.

In the first quarter, imports of commercial services edged up \$0.2 billion while exports were unchanged. The deficit on transport services increased slightly, reflecting higher payments of water transport. Travel deficit also marginally increased to reach \$3.7 billion, as higher receipts from US travellers were more than offset by larger payments by Canadian travellers visiting the United States.

Deficit on investment income up slightly

The investment income deficit, the difference between incomes generated on Canada's international assets and liabilities, edged up \$0.2 billion to \$5.4 billion in the first quarter.

Higher interest paid on foreign currency deposits held by non-residents in Canada contributed to the increase in the investment income deficit for the quarter.

Profits earned by Canadian direct investors on their assets abroad were up \$0.3 billion despite lower dividend receipts. This increase was moderated by lower interest receipts on inter-company debt claims. On the payment side, profits earned by foreign direct investors on their Canadian assets were unchanged.

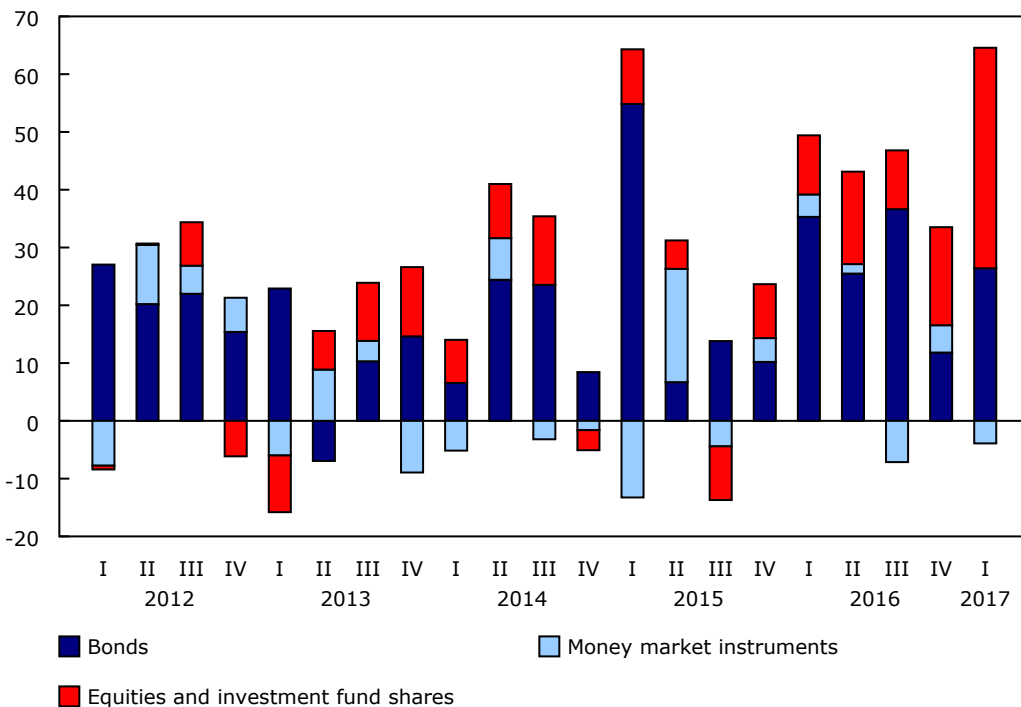
Financial account

Foreign investment in Canadian securities reaches a record high

Foreign investors increased their holdings of Canadian securities through a record high investment of \$60.7 billion in the first quarter, following acquisitions of \$33.5 billion in the previous quarter. The investment activity was largely in Canadian corporate securities, as foreign investors reduced their exposure to government securities in the quarter.

Chart 3
Foreign investment in Canadian securities

billions of dollars



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

Foreign acquisitions of Canadian equities reached \$38.2 billion in the first quarter, the largest investment ever recorded. Issuances of new Canadian shares to non-resident portfolio investors resulting from cross-border mergers and acquisitions led the investment activity.

Foreign investment in Canadian bonds amounted to \$26.4 billion, led by acquisitions of corporate bonds. The largest foreign divestment in federal government bonds in more than 13 years moderated the overall inflows in the quarter. At the same time, non-resident investors withdrew \$3.9 billion of funds from the Canadian money market. The decline was mainly in provincial government paper and, to a lesser extent, federal government paper. Canadian long-term interest rates were down by 14 basis points in the quarter after a large increase in the fourth quarter.

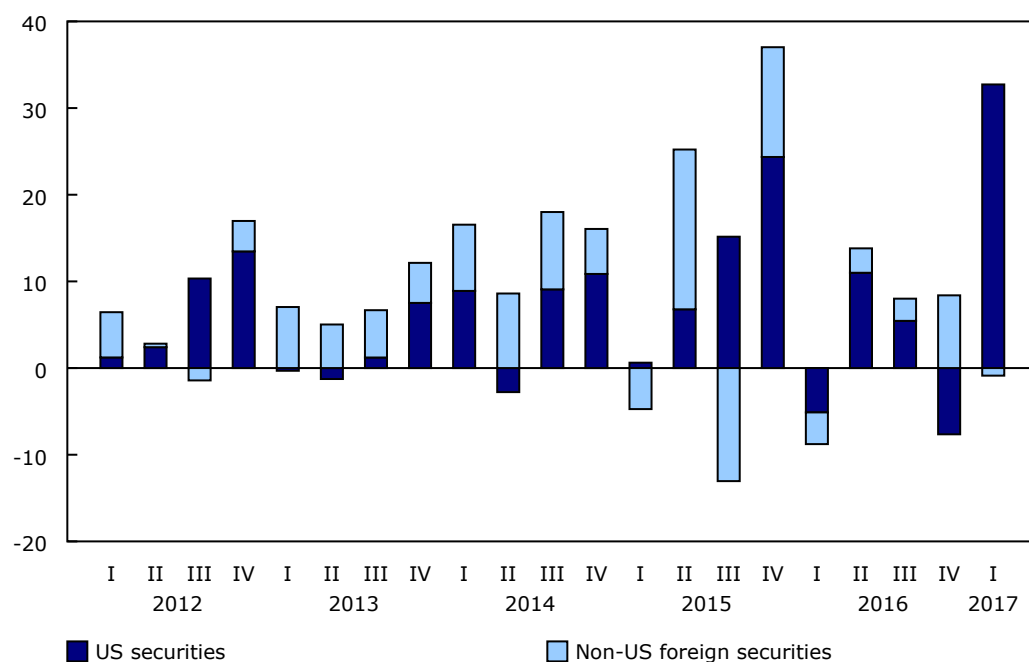
Canadian investment in foreign securities increases significantly

Canadian investors acquired \$31.9 billion of foreign securities in the first quarter, up significantly from a \$0.7 billion investment in the previous quarter. The activity in the quarter was led by large purchases of US instruments, moderated by sales of non-US foreign securities.

Canadian investors increased their holdings of foreign shares by a record \$26.2 billion. This activity reflected acquisitions of \$28.8 billion of US shares in the quarter, mainly in March. Investors also added foreign debt securities to their portfolios, largely in the form of US government instruments.

Chart 4
Canadian investment in foreign securities

billions of dollars



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

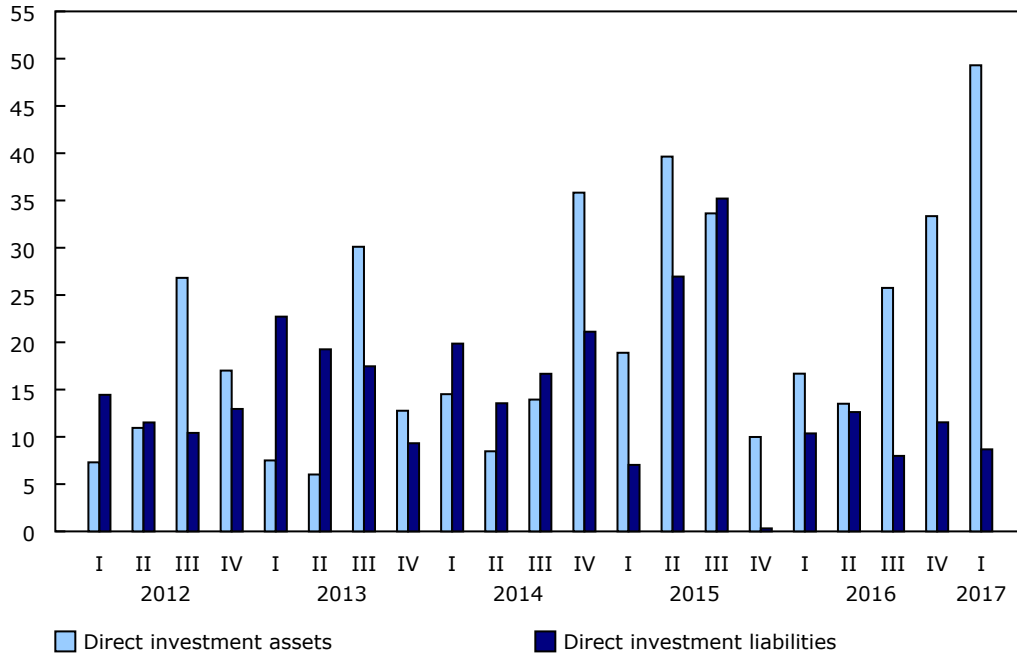
Direct investment abroad hits a record

Direct investment abroad totalled \$49.3 billion in the first quarter, the highest value on record. The investment was entirely in the form of equity instruments, with over three-quarters resulting from merger and acquisition activities in the United States. On a sector basis, the bulk of the investment in the quarter was in the trade and transportation industry.

Direct investment in Canada slowed to \$8.7 billion in the first quarter, continuing low levels of investment recorded since the fourth quarter of 2015. Equity investment made by foreign parents in Canadian affiliates accounted for all of the investment, as there was a reduction in debt liabilities of Canadian affiliates to their foreign parents. More than half the direct investment in Canada was in the form of reinvested earnings.

**Chart 5
Foreign direct investment**

billions of dollars



Source(s): CANSIM table 376-0104.

Other investment generates a net inflow of funds

The other investment category of the financial account generated a net inflow of \$26.4 billion in the first quarter. A reduction in currency and deposits held abroad by Canadians led the activity.



In celebration of the country's 150th birthday, Statistics Canada is presenting snapshots from our rich statistical history.

Estimates of the Canadian balance of payments by the Dominion Bureau of Statistics first made their appearance in 1928, with the publication of a report covering the years 1920 to 1926. In subsequent publications, the year 1926 was considered as the first covered by official estimates.

It was not until 1953 that the quarterly estimates of the Canadian balance of payments were sufficiently developed to warrant regular publication. Estimates from the first quarter of 1946 were then published. This was the beginning of a continuing production of relevant quarterly estimates.

Table 1
Balance of payments – Not seasonally adjusted

	First quarter 2016	Second quarter 2016	Third quarter 2016	Fourth quarter 2016	First quarter 2017	2015	2016
millions of dollars							
Capital account and current account							
Net lending / net borrowing, from capital account and current account	-19,623	-20,645	-18,717	-8,075	-16,261	-67,659	-67,059
Current account balances	-19,572	-20,645	-18,677	-8,075	-16,210	-67,552	-66,968
Goods and services	-13,304	-18,856	-14,169	-1,721	-8,828	-47,457	-48,049
Goods	-5,287	-12,676	-10,941	2,905	-748	-23,002	-26,000
Services	-8,017	-6,179	-3,228	-4,626	-8,079	-24,455	-22,050
Primary income	-4,201	-1,806	-4,040	-5,742	-5,992	-16,489	-15,789
Compensation of employees	-429	-503	-492	-451	-425	-1,960	-1,876
Investment income	-3,772	-1,303	-3,547	-5,291	-5,567	-14,529	-13,913
Direct investment	2,659	4,100	2,329	794	1,266	8,643	9,883
Portfolio investment	-5,651	-5,327	-5,596	-5,825	-5,945	-22,329	-22,400
Other investment	-780	-76	-281	-260	-888	-844	-1,397
Secondary income	-2,067	17	-469	-612	-1,390	-3,606	-3,131
Capital account balance	-51	0	-40	0	-51	-106	-91
Financial account^{1,2}							
Net lending / net borrowing, from financial account	-17,948	-17,883	-14,026	-13,511	-15,431	-68,275	-63,369
Net acquisition of financial assets	15,031	74,599	44,628	64,888	58,023	201,722	199,146
Direct investment assets	16,683	13,502	25,753	33,344	49,301	102,158	89,283
Direct investment assets, equity	15,442	18,960	24,736	32,159	49,449	80,604	91,295
Direct investment assets, debt instruments	1,241	-5,458	1,018	1,186	-149	21,554	-2,013
Canadian portfolio investment in foreign securities	-8,774	13,812	8,008	747	31,851	60,236	13,792
Foreign debt securities	5,204	1,676	-3,705	-9,390	5,617	34,873	-6,214
Foreign money market instruments	-1,182	11	695	-1,128	2,370	-1,441	-1,604
Foreign bonds	6,387	1,665	-4,399	-8,262	3,247	36,314	-4,610
Foreign equity and investment fund shares	-13,978	12,135	11,713	10,137	26,234	25,363	20,006
Official international reserves	1,553	2,552	1,464	1,912	-807	10,911	7,481
Other Canadian investment abroad	5,569	44,733	9,403	28,884	-22,322	28,417	88,590
Loans	12,881	2,455	334	-5,640	8,721	22,644	10,030
Currency and deposits	1,041	37,366	5,970	13,814	-29,275	4,235	58,191
Trade credits and advances	82	-254	-96	1,088	-214	173	819
Other accounts receivable	-8,435	5,167	3,195	19,623	-1,555	1,365	19,549
Net incurrence of liabilities	32,979	92,482	58,655	78,399	73,454	269,997	262,515
Direct investment liabilities	10,364	12,621	7,985	11,537	8,678	69,508	42,507
Direct investment liabilities, equity	6,033	8,568	13,828	14,040	10,334	76,364	42,470
Direct investment liabilities, debt instruments	4,331	4,052	-5,843	-2,503	-1,656	-6,857	37
Foreign portfolio investment in Canadian securities	49,412	43,131	39,667	33,516	60,668	106,024	165,726
Canadian debt securities	39,182	27,130	29,494	16,546	22,505	91,599	112,352
Canadian money market instruments	3,881	1,642	-7,143	4,727	-3,903	6,058	3,107
Canadian bonds	35,301	25,487	36,637	11,819	26,408	85,542	109,245
Canadian equity and investment fund shares	10,230	16,001	10,173	16,970	38,163	14,425	53,374
Other foreign investment in Canada	-26,797	36,730	11,002	33,346	4,108	94,466	54,282
Loans	2,072	2,412	-3,468	10,500	2,924	12,009	11,516
Currency and deposits	-29,316	34,521	14,033	22,841	800	80,474	42,079
Special drawing rights	0	0	0	0	0	0	0
Trade credits and advances	229	-521	45	-236	141	915	-483
Other accounts payable	217	317	392	242	242	1,068	1,170
Discrepancy (net errors and omissions)	1,675	2,762	4,690	-5,437	830	-616	3,691

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 2016	Second quarter 2016	Third quarter 2016	Fourth quarter 2016	First quarter 2017	2015	2016
millions of dollars							
Current account receipts	181,956	177,703	184,686	191,502	193,741	729,457	735,847
Goods and services	156,820	150,811	157,408	163,655	166,002	627,236	628,694
Goods	130,305	124,317	130,373	136,328	138,484	524,940	521,322
Services	26,515	26,494	27,035	27,328	27,518	102,296	107,372
Travel	5,730	5,934	6,182	6,293	6,399	21,179	24,139
Transportation	4,016	3,999	4,163	4,157	4,218	15,606	16,334
Commercial services	16,372	16,174	16,303	16,483	16,505	63,946	65,332
Government services	398	387	388	394	396	1,565	1,567
Primary income	22,533	23,551	24,426	24,739	24,768	91,097	95,249
Compensation of employees	444	443	445	448	450	1,692	1,781
Investment income	22,089	23,108	23,981	24,291	24,318	89,405	93,468
Direct investment	11,954	12,835	13,226	13,426	13,513	51,764	51,441
Interest	1,388	1,409	1,397	1,376	1,196	5,484	5,570
Profits	10,566	11,426	11,829	12,050	12,317	46,280	45,871
Portfolio investment	7,885	7,861	7,970	7,998	7,996	29,272	31,714
Interest on debt securities	2,573	2,681	2,731	2,698	2,690	9,017	10,683
Dividends on equity and investment fund shares	5,312	5,180	5,240	5,300	5,306	20,255	21,031
Other investment	2,250	2,412	2,784	2,866	2,808	8,369	10,312
Secondary income	2,603	3,342	2,852	3,108	2,972	11,123	11,904
Private transfers	948	1,664	960	1,009	995	3,687	4,581
Government transfers	1,654	1,678	1,892	2,098	1,977	7,437	7,323
Current account payments	199,658	196,546	203,325	203,286	207,794	797,009	802,815
Goods and services	169,352	167,298	171,195	168,898	173,472	674,693	676,744
Goods	137,030	135,300	138,733	136,259	140,303	547,942	547,322
Services	32,323	31,999	32,462	32,639	33,169	126,751	129,422
Travel	9,494	9,469	9,665	9,889	10,065	38,515	38,517
Transportation	6,496	6,377	6,536	6,350	6,472	25,826	25,758
Commercial services	16,041	15,854	15,957	16,099	16,333	61,234	63,952
Government services	292	299	303	301	299	1,176	1,196
Primary income	26,511	25,696	28,379	30,451	30,644	107,586	111,037
Compensation of employees	911	914	912	918	914	3,652	3,656
Investment income	25,600	24,782	27,467	29,532	29,730	103,934	107,381
Direct investment	9,459	8,895	10,800	12,404	12,408	43,121	41,558
Interest	1,081	1,055	1,063	1,063	1,018	4,571	4,263
Profits	8,378	7,840	9,736	11,341	11,391	38,550	37,295
Portfolio investment	13,542	13,164	13,518	13,890	13,939	51,601	54,114
Interest on debt securities	10,038	9,658	9,908	10,123	10,067	37,605	39,727
Dividends on equity and investment fund shares	3,504	3,506	3,610	3,767	3,873	13,996	14,387
Other investment	2,599	2,723	3,149	3,238	3,382	9,213	11,709
Secondary income	3,794	3,552	3,751	3,937	3,678	14,730	15,034
Private transfers	2,408	2,402	2,403	2,436	2,356	9,583	9,649
Government transfers	1,386	1,149	1,348	1,501	1,322	5,147	5,385
Current account balances	-17,702	-18,843	-18,639	-11,784	-14,053	-67,552	-66,968
Goods and services	-12,532	-16,487	-13,787	-5,243	-7,470	-47,457	-48,049
Goods	-6,725	-10,983	-8,360	68	-1,819	-23,002	-26,000
Services	-5,807	-5,505	-5,427	-5,311	-5,651	-24,455	-22,050
Travel	-3,764	-3,535	-3,484	-3,595	-3,666	-17,336	-14,378
Transportation	-2,480	-2,378	-2,373	-2,193	-2,254	-10,221	-9,424
Commercial services	331	320	346	384	172	2,713	1,381
Government services	105	88	84	93	97	389	371
Primary income	-3,978	-2,145	-3,953	-5,712	-5,876	-16,489	-15,789
Compensation of employees	-467	-471	-468	-470	-464	-1,960	-1,876
Investment income	-3,512	-1,674	-3,486	-5,242	-5,412	-14,529	-13,913
Direct investment	2,494	3,940	2,427	1,022	1,105	8,643	9,883
Interest	307	354	334	313	178	913	1,307
Profits	2,188	3,586	2,093	709	927	7,730	8,576
Portfolio investment	-5,657	-5,303	-5,547	-5,892	-5,943	-22,329	-22,400
Interest on debt securities	-7,465	-6,977	-7,177	-7,425	-7,376	-28,588	-29,044
Dividends on equity and investment fund shares	1,808	1,674	1,630	1,533	1,433	6,259	6,644
Other investment	-349	-311	-365	-372	-574	-844	-1,397
Secondary income	-1,192	-210	-899	-830	-706	-3,606	-3,131
Private transfers	-1,460	-739	-1,443	-1,427	-1,361	-5,896	-5,069
Government transfers	268	529	544	597	655	2,289	1,938

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

Note to readers

Definitions

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 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 on 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.

Real-time CANSIM table

Real-time CANSIM table 376-8105 will be updated on June 5. For more information, consult the document, [Real-time CANSIM tables](#).

Next release

Balance of international payments data for the second quarter will be released on August 30.

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

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

The document, " [Treatment of duties applied to imports of Canadian softwood lumber products into the U.S.](#) " ([13-605-X](#)), is available from the Browse by key resource module of our website, under Publications.

The *Methodological Guide: Canadian System of Macroeconomic Accounts* ([13-607-X](#)) is available.

The *User Guide: Canadian System of Macroeconomic Accounts* ([13-606-G](#)) is also available. This publication will be updated to maintain its relevance.

For more information, contact us (toll-free 1-800-263-1136; 514-283-8300; STATCAN.infostats-infostats.STATCAN@canada.ca) or Media Relations (613-951-4636; STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca).

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