

Canada's balance of international payments, fourth quarter 2017

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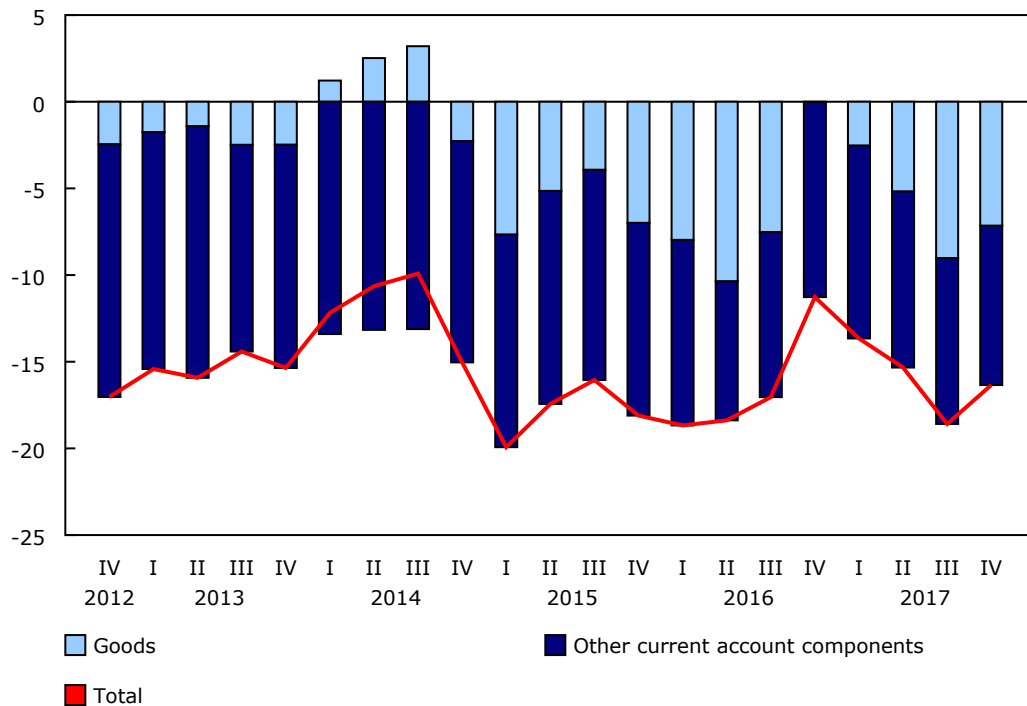
Canada's current account deficit (on a seasonally adjusted basis) declined by \$2.2 billion in the fourth quarter to \$16.3 billion, mainly on a lower goods deficit.

In the financial account (unadjusted for seasonal variation), transactions in the form of currency and deposits led the inflow of funds into the economy in the quarter as portfolio and direct investment activity mostly offset each other.

For the year 2017, the current account deficit reached \$63.9 billion, which was \$1.4 billion less than the deficit recorded in 2016. In the financial account, transactions in securities generated a significant net inflow of funds in 2017, which was largely offset by an outflow from direct investment transactions as direct investment abroad exceeded direct investment in Canada.

Chart 1
Current account balances

billions of dollars



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

Current account

Deficit on trade in goods narrows

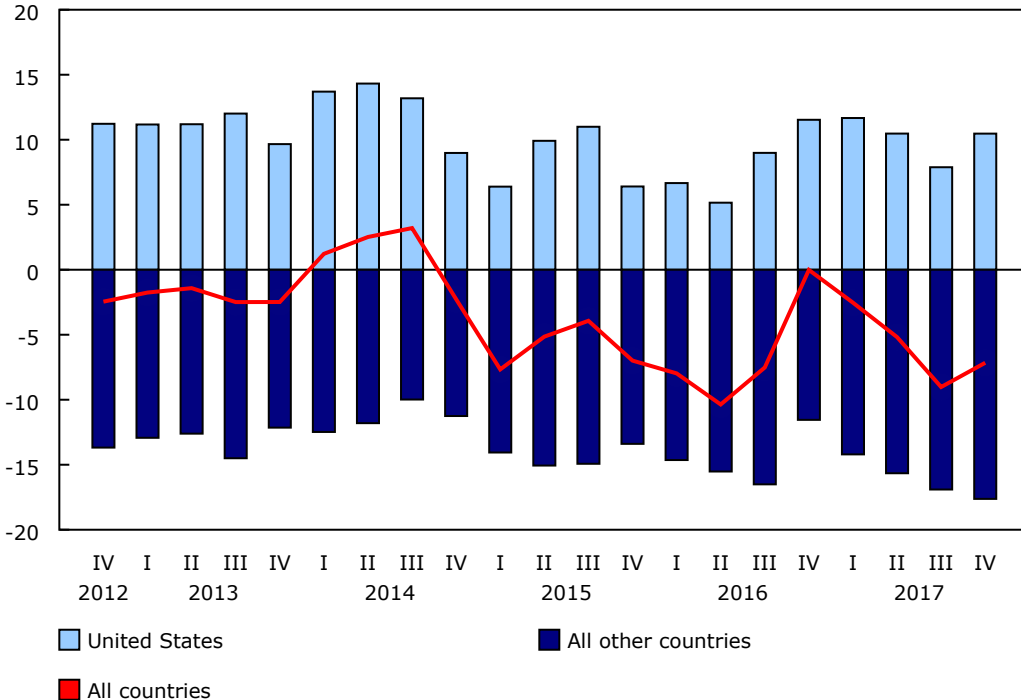
The deficit on international trade in goods narrowed by \$1.9 billion to \$7.2 billion in the fourth quarter, following three consecutive increases.

For the year as a whole, the deficit reached \$23.9 billion, compared with a record deficit of \$25.9 billion in 2016.

On a geographical basis, the goods deficit with non-US countries was up \$0.7 billion to a record \$17.6 billion in the fourth quarter. This mainly reflected deteriorating trade balances with the European Union countries and with China, moderated by lower deficits with Japan and Mexico. Meanwhile, the surplus with the United States was up \$2.6 billion to \$10.5 billion.

Chart 2
Goods balances by geographic area

billions of dollars



Note(s): Data are seasonally adjusted.

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

Total exports of goods were up \$6.4 billion to \$137.7 billion in the fourth quarter, following a significant decline of \$10.7 billion in the third quarter. Exports of energy products increased by \$2.8 billion, mainly on higher crude petroleum prices.

Total exports of goods were up \$28.0 billion in 2017, with stronger exports of energy products accounting for most of the gains.

Total imports of goods were up \$4.5 billion to \$144.9 billion in the fourth quarter. Imports of energy products increased \$1.2 billion as prices of crude petroleum rose. Aircraft and other transportation equipment and parts were up \$1.2 billion, mostly on higher imports of aircraft.

For 2017, imports grew by \$26.1 billion with increases spread among several sections.

Non-goods deficit decreases

The non-goods deficit, reflecting the difference between Canada's receipts and payments on international transactions in services and income, narrowed \$0.4 billion to \$9.2 billion in the fourth quarter. Higher profits on Canadian direct investment abroad contributed the most to this decline.

The deficit on investment income decreased \$0.8 billion to \$1.5 billion in the fourth quarter, a fourth consecutive quarterly reduction. Profits earned by Canadian direct investors rose \$1.7 billion. This was partially offset by higher income earned by foreign investors, both direct and portfolio, on their financial assets in Canada.

The overall deficit on international trade in services rose \$0.3 billion to reach \$6.5 billion. Payments of commercial services were up \$0.6 billion, mainly due to financial services which posted a strong increase following a decline in the third quarter. The travel deficit decreased \$0.2 billion in the fourth quarter as a record number of foreign tourists visited Canada.

For the year 2017, the services deficit increased \$1.8 billion to \$25.1 billion, mostly on higher payments of financial services, notably with the United Kingdom, and transport services with non-US countries. Despite a record number of foreign tourists during the year, the travel deficit expanded in 2017 as spending by Canadians travelling abroad was up by more than receipts from non-residents travelling to Canada.

Financial account

Foreign investment in Canadian bonds remains strong

Foreign investment in Canadian securities totalled \$37.9 billion in the fourth quarter, down from \$51.1 billion in the third quarter. The investment activity mainly targeted the Canadian bond market.

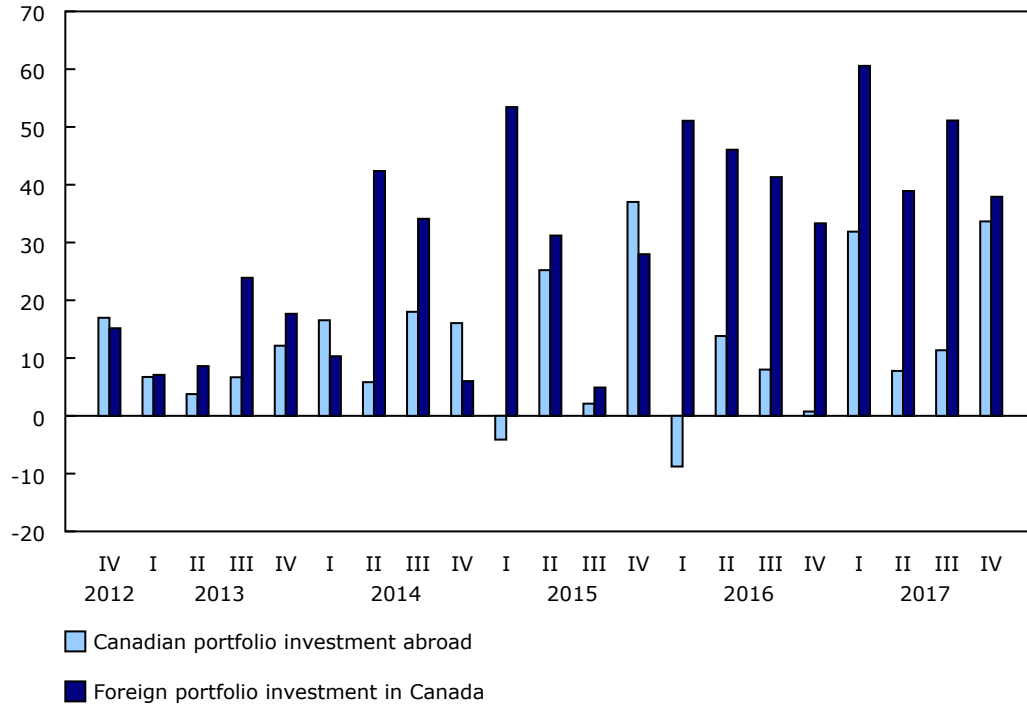
On an annual basis, foreign investment in Canadian securities totalled \$188.5 billion in 2017, led by record foreign acquisitions of Canadian bonds.

Non-resident investment in Canadian bonds reached \$41.2 billion in the fourth quarter, a fourth consecutive quarter of strong investment. New issues of Canadian private corporate bonds placed in foreign markets, largely denominated in foreign currencies, accounted for the bulk of the investment activity.

Foreign investors withdrew \$6.1 billion of funds from the Canadian money market in the quarter, mainly corporate paper. At the same time, they added \$2.9 billion of Canadian equities to their holdings, the lowest investment since the third quarter of 2015. Canadian stock prices were up 3.7% and the Canadian dollar depreciated slightly against its US counterpart in the quarter.

Chart 3
Foreign portfolio investment

billions of dollars



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

Record Canadian purchases of foreign shares

Canadian investors acquired \$33.7 billion of foreign securities in the fourth quarter, led by record purchases of foreign shares.

On an annual basis, Canadian investment in foreign securities totalled \$84.7 billion in 2017, up significantly from a \$13.8 billion investment in 2016.

Canadian investors increased their holdings of foreign shares by a record \$29.6 billion in the fourth quarter. This activity reflected strong acquisitions of both US and non-US foreign shares. At the same time, Canadian investors acquired \$4.0 billion of foreign debt securities, largely US instruments.

Direct investment in Canada remains low

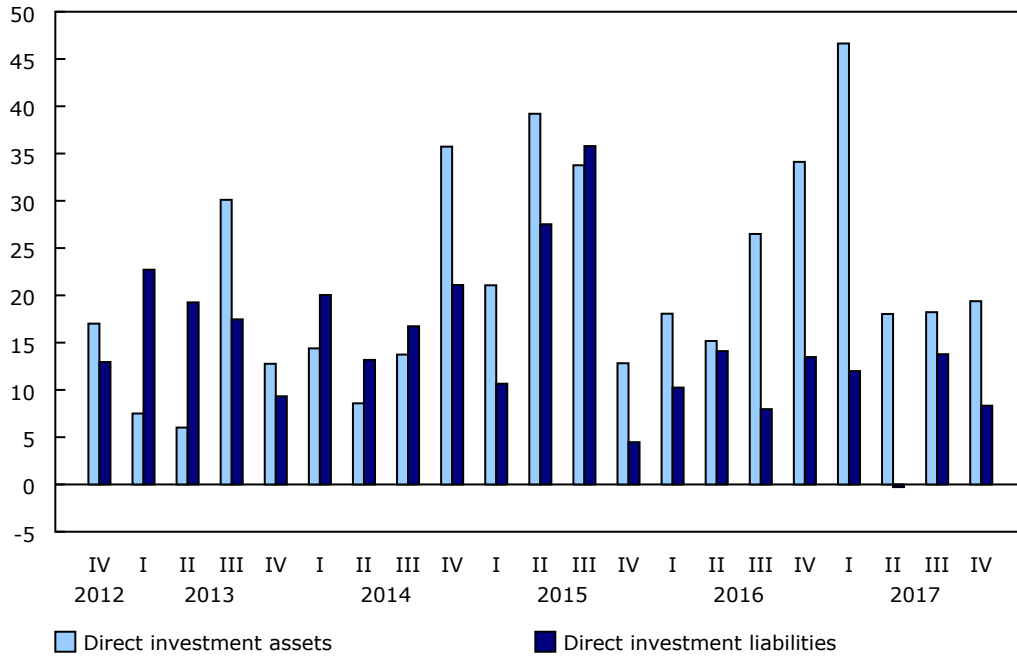
Direct investment abroad was \$19.4 billion in the fourth quarter, comparable to the level of investment observed in the previous two quarters. The investment was largely in the form of equity instruments in foreign affiliates and was mainly directed to the United States.

Direct investment in Canada remained low at \$8.3 billion in the fourth quarter. Equity investments made by foreign parents in Canadian affiliates accounted for all of the activity in the quarter, mainly in the form of reinvested earnings.

For the year 2017, direct investment in Canada amounted to \$33.8 billion, the lowest level of investment since 2010 and well below the record of \$126.1 billion observed in 2007. Cross-border mergers and acquisitions generated a withdrawal of funds from Canada for the first time since 2007, when these data started to be compiled.

Chart 4
Foreign direct investment

billions of dollars



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

The other investment category generates inflow of funds from abroad

The other investment category of the financial account, which mainly reflects cross-border transactions conducted by Canadian banks, generated a net inflow of funds of \$19.1 billion in the fourth quarter. A significant increase in currency and deposits held by non-residents in Canada and denominated in foreign currency contributed the most to the activity.

Table 1
Balance of payments – Not seasonally adjusted

	Fourth quarter 2016	First quarter 2017	Second quarter 2017	Third quarter 2017	Fourth quarter 2017	2016	2017
millions of dollars							
Capital account and current account							
Net lending / net borrowing, from capital account and current account	-7,159	-15,034	-17,375	-19,476	-12,119	-65,463	-64,005
Current account balances	-7,159	-14,983	-17,375	-19,452	-12,119	-65,372	-63,929
Goods and services	-2,242	-8,822	-13,888	-16,154	-10,119	-49,184	-48,983
Goods	2,875	-200	-7,310	-12,082	-4,302	-25,871	-23,894
Services	-5,118	-8,622	-6,578	-4,072	-5,816	-23,313	-25,089
Primary income	-4,189	-4,781	-3,061	-2,760	-1,573	-12,677	-12,175
Compensation of employees	-489	-460	-520	-535	-492	-2,025	-2,007
Investment income	-3,700	-4,321	-2,541	-2,225	-1,081	-10,652	-10,168
Direct investment	2,149	2,256	4,455	4,673	5,901	12,648	17,285
Portfolio investment	-5,494	-5,669	-6,264	-6,417	-6,737	-21,709	-25,086
Other investment	-355	-909	-732	-482	-244	-1,591	-2,367
Secondary income	-728	-1,380	-426	-537	-428	-3,511	-2,771
Capital account balance	0	-51	0	-25	0	-91	-76
Financial account^{1,2}							
Net lending / net borrowing, from financial account	-11,603	-15,652	-12,197	-18,946	-9,668	-68,194	-56,464
Net acquisition of financial assets	66,160	61,466	28,507	27,520	106,431	198,714	223,924
Direct investment assets	34,119	46,639	18,029	18,221	19,383	93,850	102,272
Direct investment assets, equity	34,093	47,185	19,560	17,253	18,291	95,293	102,289
Direct investment assets, debt instruments	26	-546	-1,531	969	1,092	-1,443	-17
Canadian portfolio investment in foreign securities	747	31,878	7,774	11,350	33,656	13,792	84,658
Foreign debt securities	-9,390	5,609	-228	6,620	4,029	-6,214	16,030
Foreign money market instruments	-1,128	2,362	851	767	-215	-1,604	3,765
Foreign bonds	-8,262	3,247	-1,080	5,853	4,244	-4,610	12,265
Foreign equity and investment fund shares	10,137	26,269	8,002	4,730	29,627	20,006	68,629
Official international reserves	1,912	-807	782	-1,590	2,669	7,481	1,053
Other Canadian investment abroad	29,381	-16,243	1,922	-462	50,723	83,591	35,940
Loans	-5,641	11,796	-8,802	-1,813	18,987	10,030	20,168
Currency and deposits	14,623	-26,088	10,691	-4,908	20,746	52,939	441
Trade credits and advances	505	-617	574	785	-102	-13	640
Other accounts receivable	19,894	-1,334	-541	5,474	11,092	20,636	14,691
Net incurrence of liabilities	77,763	77,118	40,704	46,466	116,099	266,909	280,388
Direct investment liabilities	13,478	11,991	-277	13,777	8,333	45,793	33,824
Direct investment liabilities, equity	18,585	11,422	6,944	9,085	8,383	48,210	35,833
Direct investment liabilities, debt instruments	-5,107	569	-7,221	4,693	-50	-2,417	-2,009
Foreign portfolio investment in Canadian securities	33,319	60,574	38,918	51,117	37,915	171,766	188,523
Canadian debt securities	16,662	22,438	29,928	45,503	35,047	119,290	132,916
Canadian money market instruments	4,727	-3,896	312	-6,033	-6,110	3,107	-15,727
Canadian bonds	11,935	26,335	29,616	51,536	41,157	116,183	148,643
Canadian equity and investment fund shares	16,657	38,136	8,989	5,614	2,868	52,476	55,607
Other foreign investment in Canada	30,965	4,553	2,063	-18,428	69,851	49,350	58,040
Loans	7,810	3,279	2,525	-2,153	6,938	6,750	10,588
Currency and deposits	22,841	871	-1,448	-16,679	62,227	40,679	44,972
Special drawing rights	0	0	0	0	0	0	0
Trade credits and advances	-237	-148	311	-272	-15	-483	-123
Other accounts payable	551	551	676	676	701	2,405	2,603
Discrepancy (net errors and omissions)	-4,444	-617	5,177	530	2,451	-2,731	7,541

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 2016	First quarter 2017	Second quarter 2017	Third quarter 2017	Fourth quarter 2017	2016	2017
millions of dollars							
Current account receipts	193,088	196,219	201,105	191,253	200,196	740,191	788,772
Goods and services	164,346	166,430	170,278	159,358	166,230	630,355	662,296
Goods	136,673	138,459	142,045	131,306	137,702	521,470	549,511
Services	27,673	27,971	28,233	28,053	28,528	108,885	112,785
Travel	6,245	6,454	6,490	6,543	6,865	23,886	26,352
Transportation	4,094	4,188	4,332	4,223	4,269	16,067	17,013
Commercial services	16,938	16,934	17,015	16,895	17,004	67,366	67,849
Government services	397	394	396	391	390	1,566	1,571
Primary income	25,702	26,701	27,721	28,657	30,857	97,980	113,936
Compensation of employees	433	430	446	429	432	1,709	1,737
Investment income	25,269	26,271	27,275	28,228	30,426	96,271	112,199
Direct investment	14,413	15,470	16,315	17,357	19,129	54,228	68,271
Interest	1,508	1,548	1,644	1,650	1,700	6,011	6,541
Profits	12,906	13,923	14,672	15,707	17,429	48,217	61,730
Portfolio investment	8,020	7,953	8,162	7,921	8,103	31,714	32,139
Interest on debt securities	2,699	2,672	2,623	2,683	2,682	10,683	10,661
Dividends on equity and investment fund shares	5,321	5,281	5,539	5,238	5,420	21,031	21,478
Other investment	2,835	2,848	2,797	2,950	3,194	10,328	11,790
Secondary income	3,040	3,088	3,106	3,238	3,108	11,856	12,540
Private transfers	975	965	1,021	1,039	995	4,509	4,020
Government transfers	2,065	2,123	2,085	2,199	2,113	7,346	8,519
Current account payments	204,361	209,877	216,440	209,842	216,542	805,563	852,701
Goods and services	170,232	175,327	181,543	174,552	179,857	679,539	711,279
Goods	136,687	140,993	147,227	140,327	144,858	547,341	573,405
Services	33,545	34,334	34,316	34,225	34,998	132,198	137,873
Travel	9,845	10,099	10,254	10,518	10,632	38,096	41,503
Transportation	6,650	6,812	7,064	7,133	7,228	26,561	28,237
Commercial services	16,747	17,121	16,700	16,268	16,836	66,346	66,925
Government services	304	302	298	306	303	1,196	1,209
Primary income	30,136	30,789	31,092	31,395	32,835	110,657	126,112
Compensation of employees	935	933	935	938	938	3,734	3,744
Investment income	29,201	29,856	30,158	30,457	31,897	106,923	122,367
Direct investment	12,298	12,804	12,183	12,671	13,328	41,580	50,985
Interest	1,053	932	931	878	876	4,307	3,617
Profits	11,245	11,872	11,252	11,792	12,452	37,273	47,369
Portfolio investment	13,578	13,648	14,331	14,302	14,945	53,424	57,225
Interest on debt securities	10,092	10,041	10,617	10,518	11,026	39,533	42,203
Dividends on equity and investment fund shares	3,485	3,607	3,714	3,783	3,919	13,891	15,023
Other investment	3,326	3,405	3,644	3,484	3,624	11,919	14,156
Secondary income	3,993	3,760	3,805	3,895	3,850	15,367	15,310
Private transfers	2,516	2,459	2,516	2,510	2,553	10,073	10,037
Government transfers	1,477	1,302	1,289	1,385	1,297	5,294	5,273
Current account balances	-11,272	-13,658	-15,335	-18,589	-16,346	-65,372	-63,929
Goods and services	-5,886	-8,898	-11,265	-15,194	-13,627	-49,184	-48,983
Goods	-14	-2,534	-5,182	-9,022	-7,157	-25,871	-23,894
Services	-5,872	-6,364	-6,083	-6,172	-6,470	-23,313	-25,089
Travel	-3,600	-3,645	-3,764	-3,976	-3,767	-14,209	-15,151
Transportation	-2,556	-2,624	-2,731	-2,909	-2,959	-10,494	-11,224
Commercial services	191	-187	315	628	169	1,020	924
Government services	93	93	97	85	87	370	362
Primary income	-4,433	-4,088	-3,371	-2,738	-1,978	-12,677	-12,175
Compensation of employees	-502	-503	-488	-509	-507	-2,025	-2,007
Investment income	-3,932	-3,585	-2,883	-2,229	-1,471	-10,652	-10,168
Direct investment	2,116	2,667	4,133	4,686	5,800	12,648	17,285
Interest	455	616	713	772	824	1,704	2,924
Profits	1,661	2,050	3,420	3,914	4,977	10,944	14,361
Portfolio investment	-5,557	-5,695	-6,169	-6,381	-6,842	-21,709	-25,086
Interest on debt securities	-7,393	-7,369	-7,994	-7,835	-8,344	-28,850	-31,542
Dividends on equity and investment fund shares	1,836	1,674	1,825	1,454	1,501	7,141	6,455
Other investment	-491	-557	-847	-534	-429	-1,591	-2,367
Secondary income	-953	-672	-700	-657	-742	-3,511	-2,771
Private transfers	-1,541	-1,493	-1,495	-1,471	-1,558	-5,564	-6,017
Government transfers	588	821	795	814	816	2,052	3,246

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.

Foreign direct investment is presented on an asset-liability principle basis (that is, gross basis) in the financial account. Foreign direct investment can also be presented on a directional principle basis (that is, net basis), as shown in supplementary foreign direct investment tables, CANSIM tables 376-0121 and 376-0122. The difference between the two foreign direct investment conceptual presentations resides in the classification of reverse investment such as (1) Canadian affiliates' claims on foreign parents and (2) Canadian parents' liabilities to foreign affiliates. Under the asset/liability presentation, (1) is classified as an asset and included in direct investment assets, also referred to as direct investment abroad in this text, and (2) is classified as a liability and included in direct investment liability, also referred to as direct investment in Canada in this text.

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 March 12. For more information, consult the document [Real-time CANSIM tables](#).

Next release

Balance of international payments data for the first quarter of 2018 will be released on May 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 updated [Canada and the World Statistics Hub – United States \(13-609-X\)](#) is available online. This product illustrates the nature and extent of Canada's economic and financial relationship with the United States using interactive graphs and tables. This product provides easy access to information on trade, investment, employment and travel, including merchandise trade by Canadian provinces and US states.

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).

To enquire about the concepts, methods or data quality of this release, contact Denis Caron (613-808-2278; denis.caron@canada.ca), International Accounts and Trade Division.