

Canada's balance of international payments, first quarter 2018

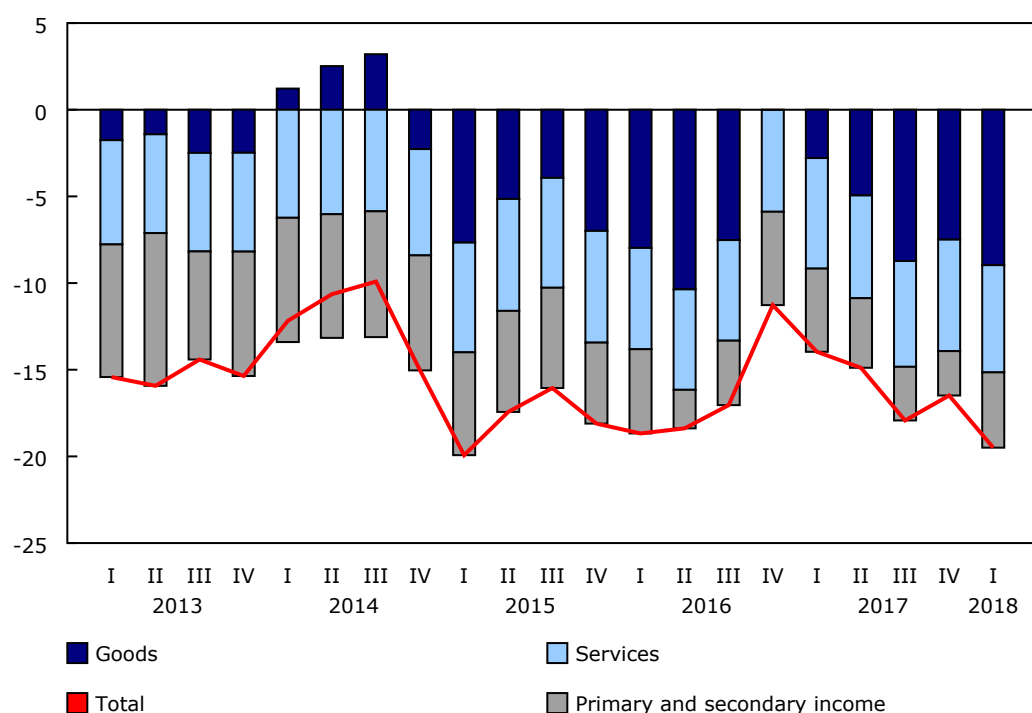
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Canada's current account deficit (on a seasonally adjusted basis) rose by \$3.0 billion in the first quarter to \$19.5 billion. Higher deficits on trade in goods and investment income were the main contributors to this increase.

In the financial account (unadjusted for seasonal variation), foreign direct investment activity 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

Deficit on trade in goods and services expands

The deficit on international trade in goods and services increased by \$1.2 billion to \$15.2 billion in the first quarter, the largest deficit since the second quarter of 2016.

The goods deficit rose by \$1.5 billion from the previous quarter to \$9.0 billion. The goods surplus with the United States decreased by \$2.7 billion on higher imports. Meanwhile, the deficit with non-US countries narrowed by \$1.3 billion to \$16.0 billion, mainly reflecting a higher surplus with United Kingdom and lower deficits with Korea and the Netherlands.



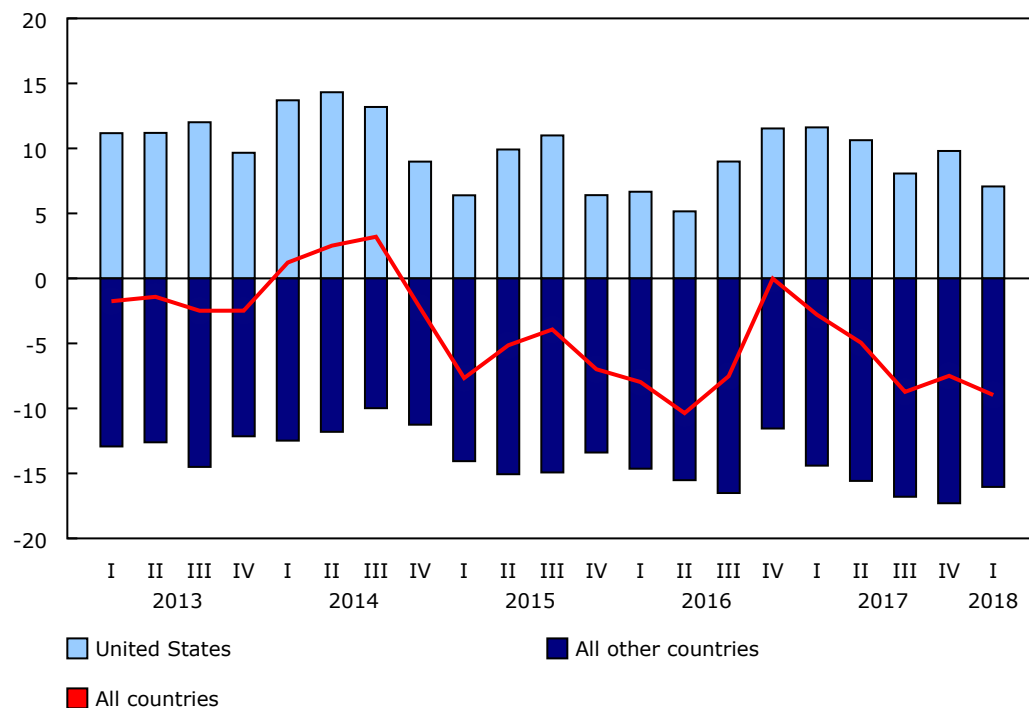
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Chart 2
Goods balances by geographic area

billions of dollars



Note(s): Data are seasonally adjusted.

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

Total exports of goods rose by \$1.5 billion to \$139.3 billion in the first quarter. Exports of energy products were up by \$2.2 billion, on higher crude petroleum prices and volumes.

Total imports of goods were up \$3.0 billion to \$148.2 billion. Imports of motor vehicles and parts increased by \$1.5 billion, led by higher volumes. Energy products (on higher prices) and basic and industrial chemical, plastic and rubber products (on higher volumes) both rose by \$0.7 billion in the quarter.

The deficit on trade in services narrowed by \$0.2 billion to \$6.2 billion in the first quarter on a higher commercial services surplus. The surplus on commercial services increased by \$0.3 billion as exports rose more than imports. These increases were led by stronger financial services. The travel deficit remained at \$3.7 billion, as higher receipts from overseas travellers were offset by increased spending in the United States by Canadian travellers.

Primary income deficit increases

The deficit on primary income, which covers investment income and compensation of employees, widened by \$1.9 billion to \$3.8 billion in the first quarter.

Foreign direct investment was the main contributor to this activity. Receipts from Canadian direct investment abroad were down by \$1.8 billion in the quarter, following record amounts in the fourth quarter of 2017. In addition, payments on foreign direct investment in Canada increased by \$0.3 billion in the first quarter.

Financial account

Direct investment in Canada exceeds direct investment abroad

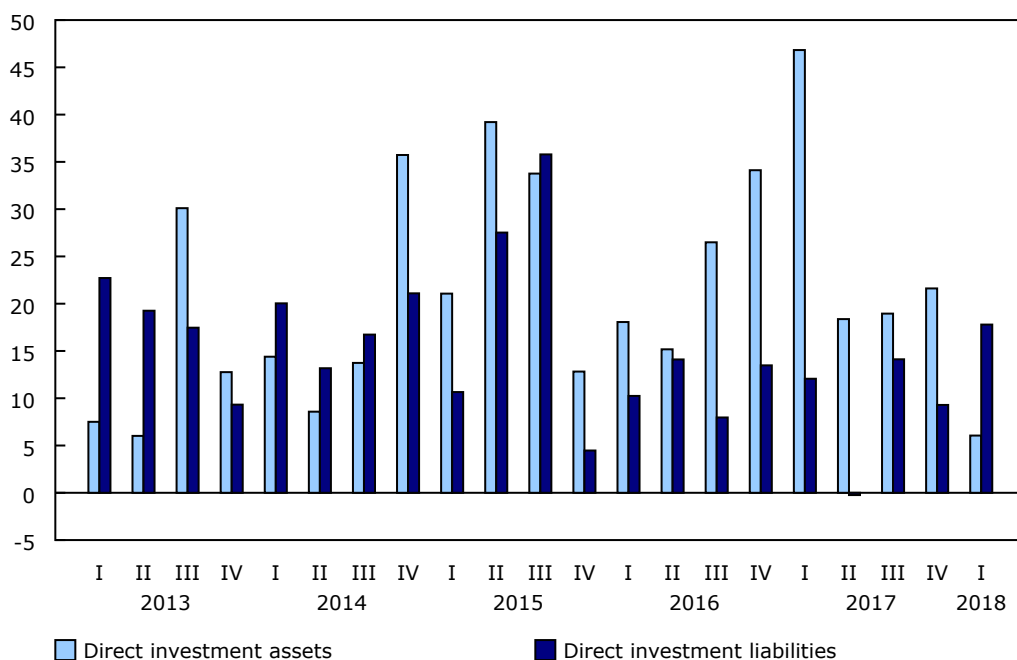
Direct investment in Canada reached \$17.8 billion in the first quarter, the highest level since the third quarter of 2015. More than half of the investment occurred in the manufacturing sector. On a country basis, direct investment in Canada was primarily from the United States as well as from Switzerland and the Netherlands.

Direct investment abroad totalled \$6.1 billion in the first quarter, the lowest level of investment since the second quarter of 2013. Merger and acquisition activity was at its lowest level since the first quarter of 2014. Canadian direct investment abroad was directed mainly towards the United States and Barbados.

As a result, foreign direct investment generated a net inflow of funds in the economy of \$11.7 billion in the quarter, following nine consecutive quarters of net outflows of funds.

Chart 3 Foreign direct investment

billions of dollars



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

Foreign investors significantly reduce their holdings of federal government bonds

Foreign investment in Canadian securities totalled \$18.3 billion in the first quarter, the lowest investment since the third quarter of 2015. The bulk of the investment activity was in short-term debt instruments.

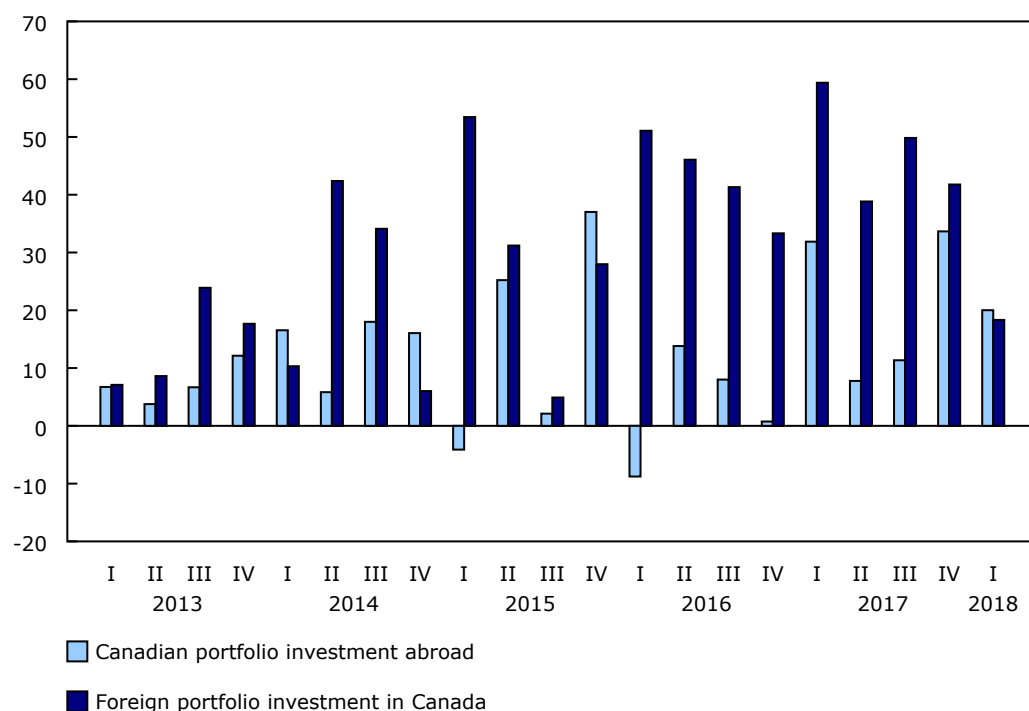
Foreign investment in the Canadian money market reached \$15.4 billion, more than offsetting the overall divestment recorded in 2017. Foreign acquisitions were mainly in corporate paper.

Foreign investors' holdings of Canadian bonds were down by \$3.1 billion in the first quarter, the first divestment since the second quarter of 2013. Foreign investors reduced their holdings of federal government bonds by a record \$27.6 billion. Sales of bonds on the secondary market and retirements both contributed to the decline. Foreign investment in private corporate bonds, mainly new bonds denominated in foreign currencies, moderated the overall reduction in the quarter.

Foreign investment in Canadian equities totalled \$6.1 billion in the first quarter. A reduction in foreign holdings of Canadian shares in the energy and mining sector was more than offset by an increase in the manufacturing sector.

Chart 4 Foreign portfolio investment

billions of dollars



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

Canadian investment in foreign securities slows

Canadian investors acquired \$20.0 billion of foreign securities in the first quarter, down from \$33.7 billion in the fourth quarter. The purchases were almost evenly split between foreign bonds and foreign shares.

Canadian investment in foreign debt securities reached \$11.9 billion in the first quarter, the highest investment since the fourth quarter of 2015. Acquisitions of non-US foreign bonds and US Treasury bonds contributed the most to the investment activity. Meanwhile, Canadian investment in foreign shares totalled \$8.1 billion, led by strong purchases of US shares in January.

Official international reserves decline

Canada's official international reserves declined by \$5.1 billion in the first quarter. A large reduction in Canada's currency and deposits reserve assets was partially offset by an increase in securities assets.

Note to readers

This release incorporates additional information on flows of Canadian direct investment abroad and foreign direct investment in Canada for selected countries. Data are available in CANSIM table 376-0125.

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, 376-0122 and 376-0125. 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 June 11. For more information, consult the document [Real-time CANSIM tables](#).

Next release

Balance of international payments data for the second quarter of 2018 will be released on August 29.

Table 1
Balance of payments – Not seasonally adjusted

	First quarter 2017	Second quarter 2017	Third quarter 2017	Fourth quarter 2017	First quarter 2018	2016	2017
millions of dollars							
Capital account and current account							
Net lending / net borrowing, from capital account and current account	-14,846	-17,258	-18,949	-12,290	-20,318	-65,463	-63,343
Current account balances	-14,795	-17,258	-18,925	-12,290	-20,267	-65,372	-63,268
Goods and services	-8,773	-13,741	-16,002	-10,280	-14,317	-49,184	-48,796
Goods	-193	-7,329	-12,044	-4,389	-5,703	-25,871	-23,955
Services	-8,580	-6,412	-3,958	-5,890	-8,614	-23,313	-24,841
Primary income	-4,638	-3,092	-2,378	-1,590	-4,581	-12,677	-11,698
Compensation of employees	-460	-520	-536	-507	-474	-2,025	-2,023
Investment income	-4,178	-2,572	-1,842	-1,083	-4,107	-10,652	-9,675
Direct investment	2,462	4,501	5,150	6,119	3,713	12,648	18,232
Portfolio investment	-5,721	-6,319	-6,470	-6,861	-6,763	-21,709	-25,372
Other investment	-918	-754	-521	-341	-1,057	-1,591	-2,534
Secondary income	-1,384	-425	-545	-421	-1,368	-3,511	-2,774
Capital account balance	-51	0	-25	0	-51	-91	-76
Financial account^{1,2}							
Net lending / net borrowing, from financial account	-14,473	-11,877	-16,723	-8,889	-14,022	-68,194	-51,962
Net acquisition of financial assets	61,664	28,837	28,288	111,606	-3,595	198,714	230,395
Direct investment assets	46,828	18,371	18,951	21,615	6,053	93,850	105,765
Direct investment assets, equity	47,215	19,550	17,748	20,549	5,697	95,293	105,061
Direct investment assets, debt instruments	-387	-1,179	1,203	1,066	356	-1,443	704
Canadian portfolio investment in foreign securities	31,878	7,774	11,350	33,656	20,015	13,792	84,658
Foreign debt securities	5,609	-228	6,620	4,029	11,885	-6,214	16,030
Foreign money market instruments	2,362	851	767	-215	1,376	-1,604	3,765
Foreign bonds	3,247	-1,080	5,853	4,244	10,508	-4,610	12,265
Foreign equity and investment fund shares	26,269	8,002	4,730	29,627	8,130	20,006	68,629
Official international reserves	-807	782	-1,590	2,669	-5,101	7,481	1,053
Other Canadian investment abroad	-16,235	1,910	-424	53,667	-24,561	83,591	38,918
Loans	11,796	-8,802	-1,813	18,874	6,820	10,030	20,056
Currency and deposits	-26,080	10,679	-4,870	25,627	-20,141	52,939	5,357
Trade credits and advances	-617	574	786	-103	161	-13	640
Other accounts receivable	-1,334	-541	5,474	9,268	-11,401	20,636	12,866
Net incurrence of liabilities	76,136	40,714	45,011	120,495	10,427	266,909	282,357
Direct investment liabilities	12,062	-240	14,119	9,292	17,792	45,793	35,233
Direct investment liabilities, equity	11,422	6,944	9,436	10,200	14,753	48,210	38,002
Direct investment liabilities, debt instruments	640	-7,183	4,682	-909	3,039	-2,417	-2,769
Foreign portfolio investment in Canadian securities	59,381	38,831	49,829	41,768	18,336	171,766	189,809
Canadian debt securities	21,259	29,847	44,205	37,744	12,244	119,290	133,055
Canadian money market instruments	-4,247	663	-4,698	-3,814	15,352	3,107	-12,097
Canadian bonds	25,507	29,184	48,903	41,558	-3,108	116,183	145,152
Canadian equity and investment fund shares	38,122	8,984	5,624	4,024	6,092	52,476	56,754
Other foreign investment in Canada	4,693	2,123	-18,937	69,435	-25,700	49,350	57,315
Loans	3,394	2,522	-1,403	7,646	1,958	6,750	12,159
Currency and deposits	871	-1,448	-17,998	61,114	-28,355	40,679	42,539
Special drawing rights	0	0	0	0	0	0	0
Trade credits and advances	-148	299	-286	-176	-53	-483	-310
Other accounts payable	575	750	751	850	749	2,405	2,927
Discrepancy (net errors and omissions)	373	5,380	2,227	3,401	6,296	-2,731	11,381

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 2017	Second quarter 2017	Third quarter 2017	Fourth quarter 2017	First quarter 2018	2016	2017
millions of dollars							
Current account receipts	196,354	201,189	191,931	200,937	201,918	740,191	790,411
Goods and services	166,489	170,147	159,620	166,485	168,763	630,355	662,741
Goods	138,591	141,885	131,390	137,752	139,260	521,470	549,618
Services	27,898	28,262	28,230	28,733	29,503	108,885	113,123
Travel	6,427	6,492	6,552	6,910	7,083	23,886	26,381
Transportation	4,180	4,334	4,218	4,281	4,345	16,067	17,013
Commercial services	16,907	17,047	17,048	17,136	17,660	67,366	68,139
Government services	384	388	412	406	416	1,566	1,590
Primary income	26,790	27,929	29,098	31,317	29,776	97,980	115,134
Compensation of employees	430	446	429	430	435	1,709	1,735
Investment income	26,360	27,483	28,669	30,887	29,341	96,271	113,399
Direct investment	15,545	16,532	17,803	19,605	17,831	54,228	69,485
Interest	1,591	1,674	1,678	1,697	1,515	6,011	6,640
Profits	13,954	14,858	16,125	17,908	16,316	48,217	62,845
Portfolio investment	7,949	8,152	7,923	8,115	8,250	31,714	32,139
Interest on debt securities	2,669	2,621	2,685	2,687	2,752	10,683	10,661
Dividends on equity and investment fund shares	5,281	5,531	5,238	5,428	5,498	21,031	21,478
Other investment	2,866	2,799	2,943	3,168	3,260	10,328	11,775
Secondary income	3,075	3,113	3,214	3,135	3,379	11,856	12,536
Private transfers	964	1,024	1,032	997	1,037	4,509	4,017
Government transfers	2,111	2,089	2,182	2,138	2,342	7,346	8,519
Current account payments	210,320	216,077	209,858	217,423	221,414	805,563	853,679
Goods and services	175,654	181,020	174,453	180,410	183,916	679,539	711,537
Goods	141,378	146,832	140,118	145,246	148,227	547,341	573,573
Services	34,276	34,188	34,335	35,165	35,689	132,198	137,964
Travel	10,030	10,221	10,467	10,608	10,800	38,096	41,326
Transportation	6,829	7,050	7,138	7,235	7,309	26,561	28,252
Commercial services	17,116	16,619	16,423	17,018	17,279	66,346	67,176
Government services	302	298	306	303	302	1,196	1,209
Primary income	30,901	31,298	31,484	33,149	33,533	110,657	126,832
Compensation of employees	932	935	942	949	950	3,734	3,758
Investment income	29,969	30,363	30,542	32,200	32,583	106,923	123,074
Direct investment	12,866	12,297	12,643	13,448	13,747	41,580	51,253
Interest	884	882	828	824	797	4,307	3,417
Profits	11,982	11,415	11,815	12,624	12,951	37,273	47,837
Portfolio investment	13,703	14,399	14,348	15,061	15,037	53,424	57,511
Interest on debt securities	10,097	10,677	10,576	11,083	11,046	39,533	42,433
Dividends on equity and investment fund shares	3,606	3,722	3,772	3,977	3,991	13,891	15,079
Other investment	3,400	3,667	3,551	3,691	3,799	11,919	14,310
Secondary income	3,765	3,759	3,922	3,864	3,965	15,367	15,310
Private transfers	2,465	2,515	2,513	2,544	2,608	10,073	10,037
Government transfers	1,300	1,244	1,409	1,320	1,357	5,294	5,273
Current account balances	-13,966	-14,888	-17,927	-16,486	-19,496	-65,372	-63,268
Goods and services	-9,165	-10,873	-14,833	-13,925	-15,153	-49,184	-48,796
Goods	-2,787	-4,946	-8,728	-7,494	-8,967	-25,871	-23,955
Services	-6,378	-5,926	-6,104	-6,432	-6,186	-23,313	-24,841
Travel	-3,602	-3,729	-3,915	-3,698	-3,717	-14,209	-14,945
Transportation	-2,649	-2,716	-2,920	-2,955	-2,964	-10,494	-11,239
Commercial services	-209	428	625	117	381	1,020	963
Government services	82	90	106	104	114	370	381
Primary income	-4,111	-3,369	-2,386	-1,832	-3,757	-12,677	-11,698
Compensation of employees	-502	-489	-513	-519	-516	-2,025	-2,023
Investment income	-3,609	-2,880	-1,873	-1,313	-3,242	-10,652	-9,675
Direct investment	2,679	4,235	5,161	6,157	4,084	12,648	18,232
Interest	707	792	851	873	718	1,704	3,223
Profits	1,972	3,443	4,310	5,284	3,366	10,944	15,009
Portfolio investment	-5,754	-6,247	-6,425	-6,946	-6,786	-21,709	-25,372
Interest on debt securities	-7,428	-8,056	-7,891	-8,396	-8,294	-28,850	-31,772
Dividends on equity and investment fund shares	1,674	1,809	1,466	1,451	1,507	7,141	6,399
Other investment	-534	-868	-608	-524	-539	-1,591	-2,534
Secondary income	-691	-646	-708	-729	-586	-3,511	-2,774
Private transfers	-1,501	-1,492	-1,481	-1,547	-1,570	-5,564	-6,021
Government transfers	811	845	773	818	985	2,052	3,246

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

Available in CANSIM: tables [376-0012](#), [376-0013](#), [376-0101 to 376-0108](#), [376-0110](#), [376-0111](#) and [376-0121 to 376-0125](#).

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

The updated [Canada and the World Statistics Hub \(13-609-X\)](#) is available online. This product illustrates the nature and extent of Canada's economic and financial relationship with the world using interactive graphs and tables. This product provides easy access to information on trade, investment, employment and travel between Canada and a number of countries, including the United States, the United Kingdom, Mexico, China and Japan.

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.

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