

Canada's balance of international payments, second quarter 2018

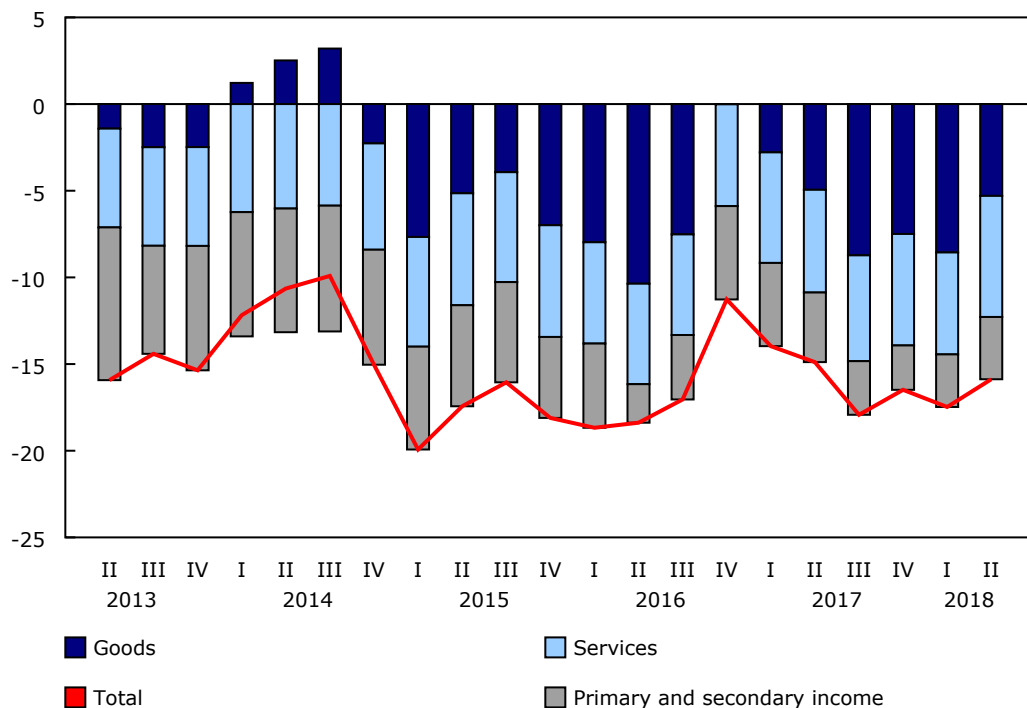
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Canada's current account deficit (on a seasonally adjusted basis) narrowed by \$1.6 billion in the second quarter to \$15.9 billion. A lower deficit on trade in goods more than offset higher deficits on trade in services and investment income in the quarter.

In the financial account (unadjusted for seasonal variation), strong foreign investment in Canadian private corporate bonds led the inflow of funds in the quarter.

Chart 1
Current account balances

billions of dollars



Note(s): Data are seasonally adjusted.

Source(s): Table 36-10-0018-01.

Current account

Lower deficit on trade in goods and services

The deficit on international trade in goods and services narrowed by \$2.2 billion to \$12.3 billion in the second quarter, the lowest deficit in a year.

The goods deficit fell by \$3.3 billion to \$5.3 billion in the second quarter, led by a higher surplus with the United States.



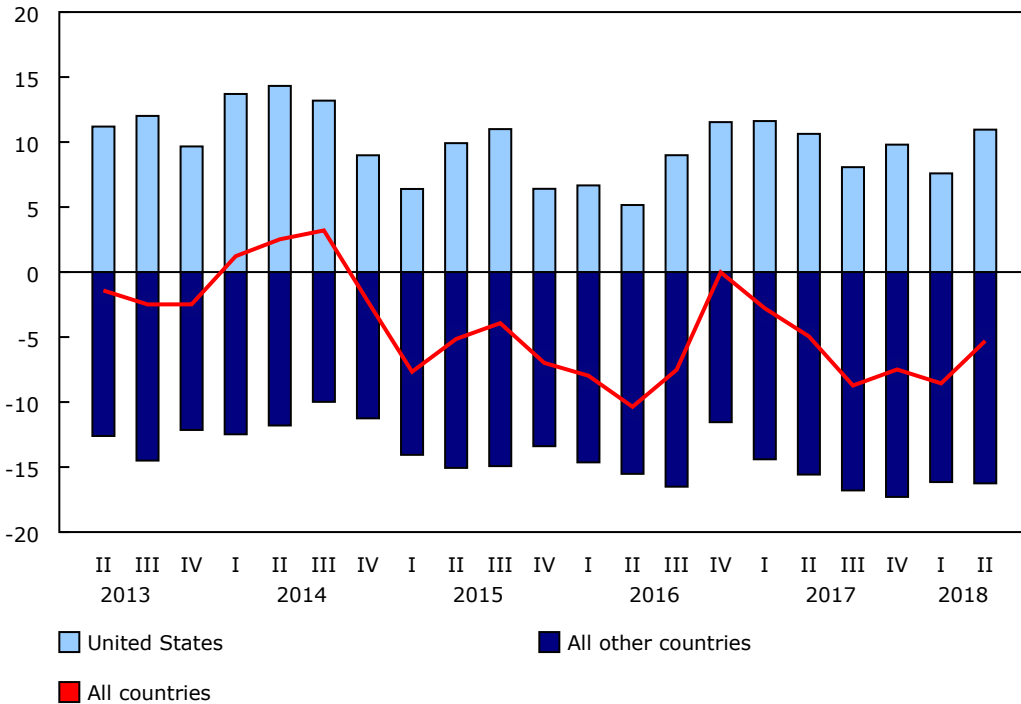
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Canada

The goods surplus with the United States rose by \$3.4 billion, mostly on stronger exports. Meanwhile, the deficit with non-US countries widened by \$0.1 billion to \$16.3 billion. On a country basis, the largest improvements to trade balances were with China, Hong Kong and Switzerland, while the most important declines were with United Kingdom and South Korea.

Chart 2
Goods balances by geographic area

billions of dollars



Note(s): Data are seasonally adjusted.
Source(s): Table 36-10-0019-01.

Total exports of goods rose by \$8.1 billion to \$148.0 billion in the second quarter. Exports of energy products were up by \$1.6 billion on higher crude petroleum volumes. Forestry products (+\$1.4 billion), metal and non-metallic minerals (+\$1.3 billion) and consumer goods (+\$1.3 billion) also contributed to the increase in exports in the quarter. The second quarter of 2018 was the first quarter that Canadian exports of steel and aluminum products to the United States were subject to tariffs, as they took effect on June 1.

Total imports of goods were up \$4.8 billion to \$153.3 billion. Imports of basic and industrial chemical, plastic and rubber products were the main contributor, increasing by \$1.1 billion on higher volumes.

Meanwhile, the deficit on trade in services expanded by \$1.1 billion to \$7.0 billion in the second quarter. The surplus on commercial services decreased by \$0.7 billion, mostly on higher imports of financial services. This was in line with a higher volume of cross-border trading in foreign securities as well as increased new issue activity abroad by Canadian corporations in the quarter. The travel deficit expanded by \$0.2 billion to \$3.9 billion as Canadians spent more abroad in the quarter. The transport deficit also went up by \$0.2 billion due to higher imports of marine transport.

Primary income deficit increases

The deficit on primary income, which covers investment income on international assets and liabilities and compensation of employees, widened by \$0.3 billion to \$2.8 billion in the second quarter.

Investment income payments on Canada's international liabilities increased by \$2.2 billion to \$34.9 billion in the quarter. Larger profits earned by foreign direct investors in Canada, combined with higher interest paid on Canadian private corporate bonds and from banking activities, were the main contributors to the increase.

Investment income receipts on Canada's international assets rose \$1.9 billion to \$32.6 billion. Receipts on holdings of portfolio and direct investment assets were both up while interest receipts from banking activities also increased.

Financial account

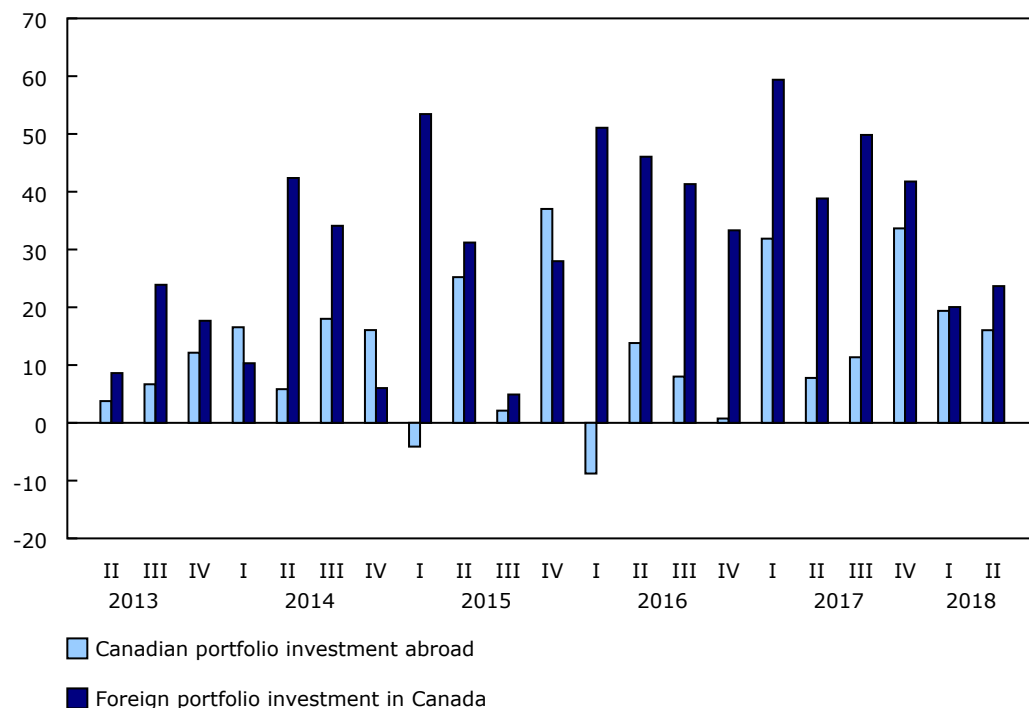
Foreign portfolio investment in Canada focuses on private corporate bonds

Foreign investment in Canadian securities totalled \$23.7 billion in the second quarter, up slightly compared with the first quarter. The investment activity mainly targeted the Canadian bond market. Foreign acquisitions of Canadian bonds reached \$28.6 billion, largely new issues of private corporate bonds denominated in foreign currencies. This activity was moderated by a foreign divestment in federal government bonds. The Canadian dollar depreciated against its US counterpart by 1.6 US cents in the quarter.

Foreign investors withdrew \$5.9 billion of funds from the Canadian money market in the quarter, following a strong investment in the first quarter. Investors mainly reduced their holdings of federal government and private corporate paper. At the same time, they added \$917 million of Canadian equities to their holdings, the lowest investment since the third quarter of 2015. Foreign investment in Canadian shares have totalled \$6.7 billion since the beginning of the year, compared with \$47.1 billion for the two first quarters of 2017.

Chart 3 Foreign portfolio investment

billions of dollars



Source(s): Table 36-10-0472-01.

Canadian portfolio investors target foreign bonds

Canadian investors acquired \$16.0 billion of foreign securities in the second quarter, down from \$19.4 billion in the first quarter. Canadian investors purchased foreign debt securities and reduced their holdings of foreign shares during the quarter.

Canadian investment in foreign debt securities reached \$20.6 billion, the highest investment since the fourth quarter of 2015. Acquisitions of US Treasury bonds and non-US foreign bonds contributed the most to the investment activity.

Canadian investors reduced their holdings of foreign shares by \$4.6 billion, reflecting sales of US shares, moderated by purchases of non-US foreign shares. Canadian investment in foreign shares have totalled \$3.0 billion since the beginning of the year, compared with \$34.3 billion for the same period in 2017.

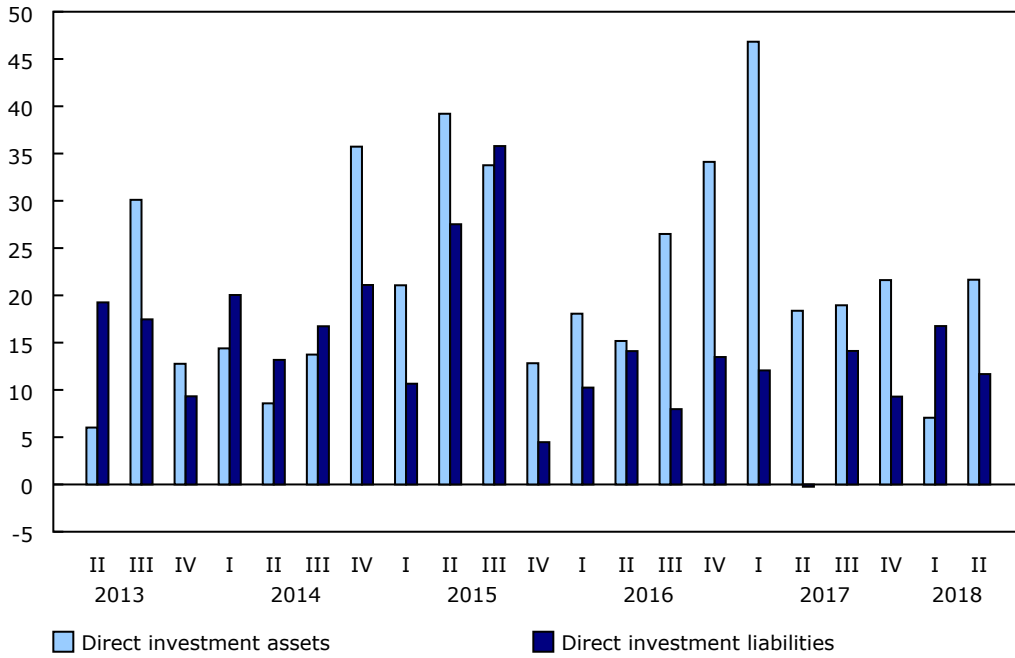
Outward direct investment outpaces inward direct investment

Direct investment abroad reached \$21.7 billion in the second quarter, up from \$7.1 billion in the first quarter. Over half of this activity was in the form of profits reinvested by Canadian direct investors in their foreign affiliates. Cross-border mergers and acquisitions activity remained low in the quarter. Almost two-thirds of the investment was directed toward the United States. Mergers and acquisition activity in the first half of the year totalled \$8.0 billion. In comparison, this activity amounted to \$48.5 billion in the first half of 2017, led by a small number of large transactions.

Direct investment in Canada totalled \$11.7 billion in the second quarter, entirely in the form of equity instruments. More than half of the direct investment activity was in the manufacturing sector. As a result, foreign direct investment generated a net outflow of funds from the economy of \$10.0 billion in the second quarter.

Chart 4
Foreign direct investment

billions of dollars



Source(s): Table 36-10-0472-01.

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 36-10-0025-01, 36-10-0026-01, and 36-10-0473-01. 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 table

Real-time table 36-10-0042-01 will be updated on September 10. For more information, consult the document [Real-time CANSIM tables](#).

Next release

Balance of international payments data for the third quarter will be released on November 29.

Table 1
Balance of payments – Not seasonally adjusted

	Second quarter 2017	Third quarter 2017	Fourth quarter 2017	First quarter 2018	Second quarter 2018	2016	2017
millions of dollars							
Capital account and current account							
Net lending / net borrowing, from capital account and current account	-17,258	-18,949	-12,290	-18,340	-16,953	-65,463	-63,343
Current account balances	-17,258	-18,925	-12,290	-18,289	-16,953	-65,372	-63,268
Goods and services	-13,741	-16,002	-10,280	-13,897	-14,457	-49,184	-48,796
Goods	-7,329	-12,044	-4,389	-5,675	-7,031	-25,871	-23,955
Services	-6,412	-3,958	-5,890	-8,222	-7,427	-23,313	-24,841
Primary income	-3,092	-2,378	-1,590	-3,142	-2,142	-12,677	-11,698
Compensation of employees	-520	-536	-507	-479	-521	-2,025	-2,023
Investment income	-2,572	-1,842	-1,083	-2,663	-1,621	-10,652	-9,675
Direct investment	4,501	5,150	6,119	5,062	5,432	12,648	18,232
Portfolio investment	-6,319	-6,470	-6,861	-6,707	-7,117	-21,709	-25,372
Other investment	-754	-521	-341	-1,017	65	-1,591	-2,534
Secondary income	-425	-545	-421	-1,250	-353	-3,511	-2,774
Capital account balance	0	-25	0	-51	0	-91	-76
Financial account^{1,2}							
Net lending / net borrowing, from financial account	-11,877	-16,723	-8,889	-13,717	-10,363	-68,194	-51,962
Net acquisition of financial assets	28,837	28,288	111,606	-2,679	35,262	198,714	230,395
Direct investment assets	18,371	18,951	21,615	7,056	21,655	93,850	105,765
Direct investment assets, equity	19,550	17,748	20,549	7,644	13,839	95,293	105,061
Direct investment assets, debt instruments	-1,179	1,203	1,066	-588	7,816	-1,443	704
Canadian portfolio investment in foreign securities	7,774	11,350	33,656	19,380	16,033	13,792	84,658
Foreign debt securities	-228	6,620	4,029	11,770	20,641	-6,214	16,030
Foreign money market instruments	851	767	-215	1,376	-1,399	-1,604	3,765
Foreign bonds	-1,080	5,853	4,244	10,393	22,041	-4,610	12,265
Foreign equity and investment fund shares	8,002	4,730	29,627	7,610	-4,609	20,006	68,629
Official international reserves	782	-1,590	2,669	-5,101	178	7,481	1,053
Other Canadian investment abroad	1,910	-424	53,667	-24,014	-2,604	83,591	38,918
Loans	-8,802	-1,813	18,874	7,269	2,293	10,030	20,056
Currency and deposits	10,679	-4,870	25,627	-19,983	5,665	52,939	5,357
Trade credits and advances	574	786	-103	-267	-411	-13	640
Other accounts receivable	-541	5,474	9,268	-11,033	-10,150	20,636	12,866
Net incurrence of liabilities	40,714	45,011	120,495	11,038	45,624	266,909	282,357
Direct investment liabilities	-240	14,119	9,292	16,752	11,674	45,793	35,233
Direct investment liabilities, equity	6,944	9,436	10,200	14,805	12,317	48,210	38,002
Direct investment liabilities, debt instruments	-7,183	4,682	-909	1,947	-643	-2,417	-2,769
Foreign portfolio investment in Canadian securities	38,831	49,829	41,768	20,040	23,663	171,766	189,809
Canadian debt securities	29,847	44,205	37,744	14,254	22,745	119,290	133,055
Canadian money market instruments	663	-4,698	-3,814	15,417	-5,904	3,107	-12,097
Canadian bonds	29,184	48,903	41,558	-1,162	28,649	116,183	145,152
Canadian equity and investment fund shares	8,984	5,624	4,024	5,785	917	52,476	56,754
Other foreign investment in Canada	2,123	-18,937	69,435	-25,754	10,288	49,350	57,315
Loans	2,522	-1,403	7,646	1,599	-638	6,750	12,159
Currency and deposits	-1,448	-17,998	61,114	-28,116	9,771	40,679	42,539
Special drawing rights	0	0	0	0	0	0	0
Trade credits and advances	299	-286	-176	14	254	-483	-310
Other accounts payable	750	751	850	749	900	2,405	2,927
Discrepancy (net errors and omissions)	5,380	2,227	3,401	4,624	6,590	-2,731	11,381

1. Transactions are recorded on a net basis.

2. In the financial account, a positive value denotes an increase in investment and a negative value denotes a decrease in investment.

Source(s): Tables 36-10-0016-01, 36-10-0014-01, 36-10-0472-01 and 36-10-0471-01.

Table 2
Current account – Seasonally adjusted

	Second quarter 2017	Third quarter 2017	Fourth quarter 2017	First quarter 2018	Second quarter 2018	2016	2017
millions of dollars							
Current account receipts	201,189	191,931	200,937	203,823	213,977	740,191	790,411
Goods and services	170,147	159,620	166,485	169,282	177,518	630,355	662,741
Goods	141,885	131,390	137,752	139,909	148,005	521,470	549,618
Services	28,262	28,230	28,733	29,373	29,512	108,885	113,123
Travel	6,492	6,552	6,910	6,929	6,888	23,886	26,381
Transportation	4,334	4,218	4,281	4,378	4,467	16,067	17,013
Commercial services	17,047	17,048	17,136	17,652	17,752	67,366	68,139
Government services	388	412	406	414	406	1,566	1,590
Primary income	27,929	29,098	31,317	31,119	33,021	97,980	115,134
Compensation of employees	446	429	430	437	452	1,709	1,735
Investment income	27,483	28,669	30,887	30,681	32,569	96,271	113,399
Direct investment	16,532	17,803	19,605	19,047	19,378	54,228	69,485
Interest	1,674	1,678	1,697	1,571	1,518	6,011	6,640
Profits	14,858	16,125	17,908	17,476	17,859	48,217	62,845
Portfolio investment	8,152	7,923	8,115	8,350	8,730	31,714	32,139
Interest on debt securities	2,621	2,685	2,687	2,874	3,077	10,683	10,661
Dividends on equity and investment fund shares	5,531	5,238	5,428	5,476	5,653	21,031	21,478
Other investment	2,799	2,943	3,168	3,285	4,461	10,328	11,775
Secondary income	3,113	3,214	3,135	3,422	3,439	11,856	12,536
Private transfers	1,024	1,032	997	1,042	980	4,509	4,017
Government transfers	2,089	2,182	2,138	2,380	2,458	7,346	8,519
Current account payments	216,077	209,858	217,423	221,299	229,853	805,563	853,679
Goods and services	181,020	174,453	180,410	183,725	189,801	679,539	711,537
Goods	146,832	140,118	145,246	148,471	153,302	547,341	573,573
Services	34,188	34,335	35,165	35,253	36,498	132,198	137,964
Travel	10,221	10,467	10,608	10,617	10,778	38,096	41,326
Transportation	7,050	7,138	7,235	7,393	7,689	26,561	28,252
Commercial services	16,619	16,423	17,018	16,943	17,708	66,346	67,176
Government services	298	306	303	301	323	1,196	1,209
Primary income	31,298	31,484	33,149	33,670	35,867	110,657	126,832
Compensation of employees	935	942	949	951	953	3,734	3,758
Investment income	30,363	30,542	32,200	32,719	34,914	106,923	123,074
Direct investment	12,297	12,643	13,448	13,747	14,590	41,580	51,253
Interest	882	828	824	779	799	4,307	3,417
Profits	11,415	11,815	12,624	12,968	13,791	37,273	47,837
Portfolio investment	14,399	14,348	15,061	15,091	15,778	53,424	57,511
Interest on debt securities	10,677	10,576	11,083	11,079	11,692	39,533	42,433
Dividends on equity and investment fund shares	3,722	3,772	3,977	4,012	4,086	13,891	15,079
Other investment	3,667	3,551	3,691	3,881	4,546	11,919	14,310
Secondary income	3,759	3,922	3,864	3,904	4,185	15,367	15,310
Private transfers	2,515	2,513	2,544	2,588	2,619	10,073	10,037
Government transfers	1,244	1,409	1,320	1,317	1,566	5,294	5,273
Current account balances	-14,888	-17,927	-16,486	-17,476	-15,876	-65,372	-63,268
Goods and services	-10,873	-14,833	-13,925	-14,442	-12,283	-49,184	-48,796
Goods	-4,946	-8,728	-7,494	-8,562	-5,297	-25,871	-23,955
Services	-5,926	-6,104	-6,432	-5,880	-6,986	-23,313	-24,841
Travel	-3,729	-3,915	-3,698	-3,688	-3,890	-14,209	-14,945
Transportation	-2,716	-2,920	-2,955	-3,014	-3,222	-10,494	-11,239
Commercial services	428	625	117	710	44	1,020	963
Government services	90	106	104	113	83	370	381
Primary income	-3,369	-2,386	-1,832	-2,551	-2,846	-12,677	-11,698
Compensation of employees	-489	-513	-519	-513	-501	-2,025	-2,023
Investment income	-2,880	-1,873	-1,313	-2,037	-2,346	-10,652	-9,675
Direct investment	4,235	5,161	6,157	5,300	4,787	12,648	18,232
Interest	792	851	873	792	719	1,704	3,223
Profits	3,443	4,310	5,284	4,508	4,068	10,944	15,009
Portfolio investment	-6,247	-6,425	-6,946	-6,741	-7,048	-21,709	-25,372
Interest on debt securities	-8,056	-7,891	-8,396	-8,205	-8,615	-28,850	-31,772
Dividends on equity and investment fund shares	1,809	1,466	1,451	1,464	1,566	7,141	6,399
Other investment	-868	-608	-524	-596	-85	-1,591	-2,534
Secondary income	-646	-708	-729	-483	-746	-3,511	-2,774
Private transfers	-1,492	-1,481	-1,547	-1,546	-1,639	-5,564	-6,021
Government transfers	845	773	818	1,064	893	2,052	3,246

Source(s): Tables 36-10-0018-01, 36-10-0014-01 and 36-10-0002-01.

Available tables: [36-10-0003-01](#), [36-10-0016-01](#), [36-10-0018-01](#), [36-10-0019-01](#), [36-10-0021-01](#), [36-10-0023-01](#) to [36-10-0027-01](#), [36-10-0442-01](#), [36-10-0472-01](#) and [36-10-0473-01](#).

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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