

Canada's balance of international payments, first quarter 2019

Released at 8:30 a.m. Eastern time in *The Daily*, Thursday, May 30, 2019

Canada's current account deficit (on a seasonally adjusted basis) widened by \$0.7 billion in the first quarter to \$17.3 billion, reflecting a higher trade in goods and services deficit, and moderated by a lower investment income deficit.

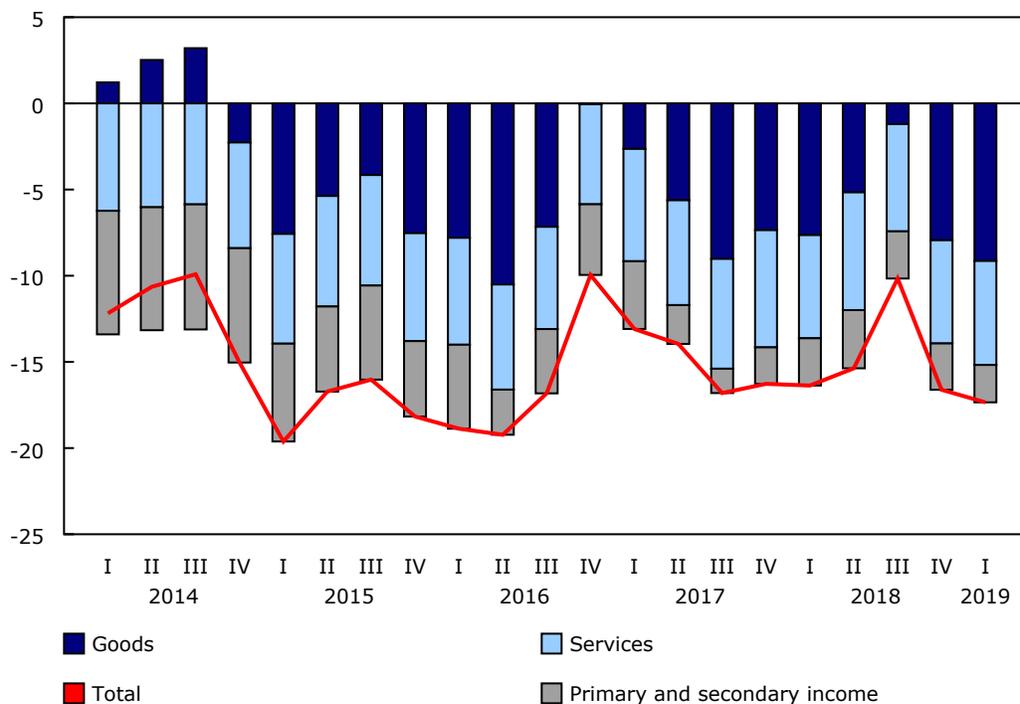
The deficit on trade in goods and services rose by \$1.2 billion. Exports were up \$2.3 billion to \$177.1 billion, mainly on higher sales of energy products. Imports of goods and services increased by \$3.6 billion to \$192.3 billion, led by higher imports of aircraft and passenger cars and light trucks. The deficit on investment income decreased by \$0.2 billion to \$1.2 billion. Revenues earned by foreign direct investors on their Canadian assets were down in the quarter.

Inflows of funds from abroad to finance the current account deficit mainly came from transactions in securities in the first quarter. Non-residents significantly increased their holdings of Canadian private corporate securities. Meanwhile, Canadian investors considerably reduced their exposure to foreign shares.

Direct investment abroad exceeded direct investment in Canada by the highest value in two years, resulting in a net outflow of funds totalling \$18.7 billion. Direct investment abroad rebounded in the first quarter, following lower activity in the fourth quarter. Meanwhile, direct investment in Canada slowed on lower mergers and acquisitions activity.

Chart 1
Current account balances

billions of dollars



Note(s): Data are seasonally adjusted.
Source(s): Table 36-10-0018-01.

Current account

The goods deficit continues to expand in the first quarter

The trade in goods deficit expanded by \$1.2 billion to \$9.1 billion in the first quarter, as imports rose by more than exports. This followed a \$6.7 billion increase in the deficit in the fourth quarter.

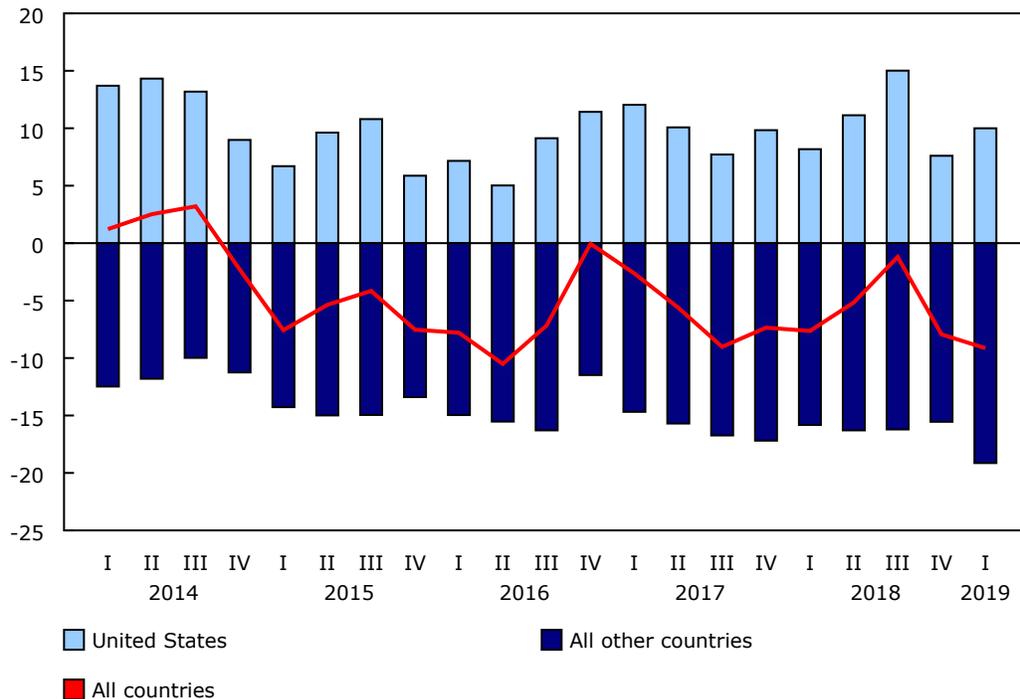
Exports of goods were up by \$2.0 billion to \$146.0 billion in the first quarter. Partly recovering from a large decline in the previous quarter, exports of energy products rose \$3.5 billion in the first quarter—entirely on higher crude petroleum prices (+29%). This was partly offset by lower exports of farm, fishing and intermediate food products, notably canola and other crop products.

Imports of goods were up by \$3.2 billion to \$155.2 billion in the first quarter. Aircraft and other transportation equipment and parts rose to \$2.0 billion on stronger imports of aircraft. Motor vehicles and parts rose \$1.3 billion while pharmaceutical and medical products accounted for most of the \$0.7 billion increase in imports of consumer goods.

On a country basis, the trade deficit with China increased by \$2.1 billion to \$6.1 billion, mainly on lower exports of farm, fishing and intermediate food products. The trade surplus with the United States was up by \$2.4 billion, led by higher exports of energy products.

Chart 2
Goods balances by geographic area

billions of dollars



Note(s): Data are seasonally adjusted.

Source(s): Table 36-10-0019-01.

The trade in services deficit remained at \$6.0 billion in the first quarter. A larger travel deficit was offset primarily by a higher commercial services surplus.

Lower deficit on investment income

The deficit on investment income decreased by \$0.2 billion to \$1.2 billion in the first quarter.

Since 2014, the growth in investment income receipt has generally outpaced that of payments. From \$6.5 billion in the first quarter of 2014, the deficit stood at \$1.2 billion in the first quarter of 2019. Profits earned on direct investment abroad were mostly responsible for the lower deficit since 2014. Canadian direct investment abroad largely exceeded foreign direct investment in Canada over this period.

Financial account

Foreign investment in Canadian securities resumes

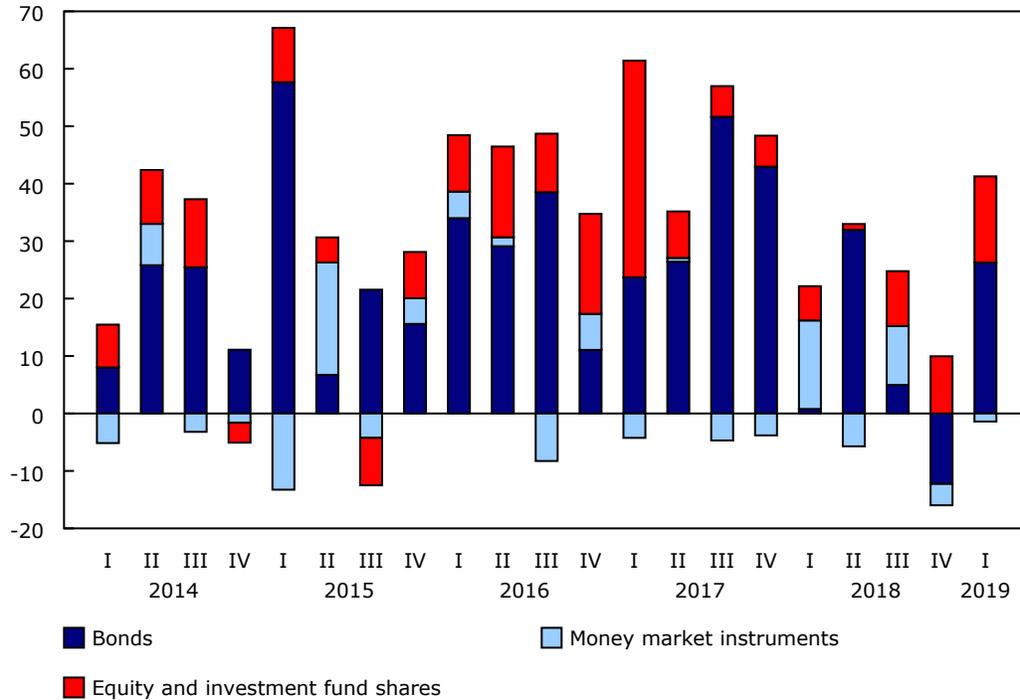
Foreign investors increased their holdings of Canadian securities by \$39.9 billion in the first quarter, following a divestment of \$6.0 billion in the previous quarter. The investment activity was largely in Canadian corporate securities.

Foreign investment in Canadian bonds resumed in the first quarter, reaching \$26.3 billion. Foreign acquisitions of corporate bonds, mainly instruments denominated in foreign currencies, accounted for most of the investment. Foreign investors also increased their exposure to government bonds for the first time in five quarters.

Foreign holdings of Canadian shares were up by \$15.0 billion, the largest investment in two years. Issuances of new Canadian shares resulting from cross-border mergers and acquisitions accounted for the bulk of the activity. Canadian stock prices were up by 12.4% and the Canadian dollar appreciated by 1.5 US cents against the US dollar in the quarter.

Chart 3
Foreign investment in Canadian securities

billions of dollars



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

On the other side of the ledger, Canadian investors sold \$929 million of foreign securities in the first quarter, the first divestment in three years. They continued to invest in foreign debt securities, largely US corporate instruments, but reduced their holdings of equities during the quarter. Investors sold \$13.3 billion of US shares, a fourth consecutive quarterly divestment.

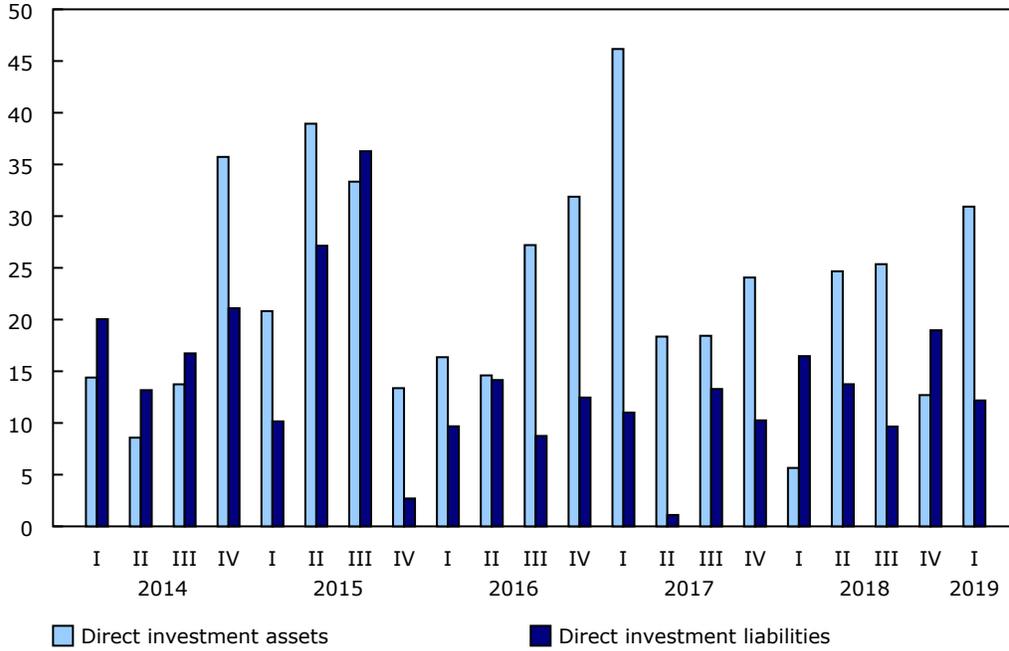
Direct investment abroad increases significantly

Direct investment abroad totalled \$30.9 billion in the first quarter, up from \$12.7 billion in the fourth quarter. The investment was entirely in the form of equity instruments. Mergers and acquisitions activity totalled \$16.9 billion and mainly involved non-US firms. On a sector basis, approximately half of the overall direct investment abroad was in the energy and mining industry.

Direct investment in Canada was \$12.2 billion in the first quarter. Just over half of the investment activity was in the manufacturing industry. Equity investments made by foreign parents in Canadian affiliates accounted for almost two thirds of the overall investment activity. Mergers and acquisitions activity was slow in the 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 chapter 8, "[International accounts](#)," in the User Guide: Canadian System of Macroeconomic Accounts, available on our website. The chapter also presents the most recent balance of payments statistics.

Real-time table

Real-time table 36-10-0042-01 will be updated on June 10. For more information, see [Real-time tables](#).

Next release

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

Table 1
Balance of payments – Not seasonally adjusted

	First quarter 2018	Second quarter 2018	Third quarter 2018	Fourth quarter 2018	First quarter 2019	2017	2018
millions of dollars							
Capital account and current account							
Net lending / net borrowing, from capital account and current account	-18,752	-17,172	-11,011	-11,662	-19,784	-60,206	-58,597
Current account balances	-18,676	-17,172	-11,011	-11,662	-19,695	-60,130	-58,521
Goods and services	-14,121	-14,409	-8,205	-10,247	-15,937	-50,417	-46,981
Goods	-5,675	-6,938	-4,527	-4,811	-7,635	-24,644	-21,950
Services	-8,446	-7,471	-3,678	-5,436	-8,302	-25,773	-25,031
Primary income	-2,970	-2,247	-2,474	-942	-2,760	-6,861	-8,632
Compensation of employees	-574	-627	-616	-581	-562	-2,354	-2,398
Investment income	-2,396	-1,619	-1,858	-360	-2,197	-4,506	-6,235
Direct investment	4,599	5,778	5,581	7,305	6,158	21,467	23,263
Portfolio investment	-6,200	-6,696	-7,187	-7,380	-7,234	-23,445	-27,462
Other investment	-795	-702	-253	-286	-1,122	-2,528	-2,035
Secondary income	-1,585	-517	-332	-474	-999	-2,852	-2,908
Capital account balance	-76	0	0	0	-89	-76	-76
Financial account^{1,2}							
Net lending / net borrowing, from financial account	-16,100	-18,224	-6,341	-6,511	-14,207	-52,390	-47,177
Net acquisition of financial assets	-2,745	32,684	55,810	75,238	3,593	229,303	160,987
Direct investment assets	5,653	24,669	25,356	12,695	30,919	107,013	68,373
Direct investment assets, equity	8,797	14,427	20,028	12,594	34,183	106,016	62,846
Direct investment assets, debt instruments	-3,143	10,242	-1,672	101	-3,264	997	5,527
Canadian portfolio investment in foreign securities	16,314	13,117	18,785	9,316	-929	84,657	57,532
Foreign debt securities	9,080	18,085	18,624	4,587	11,779	16,028	50,377
Foreign money market instruments	1,376	-1,399	1,428	884	369	3,765	2,290
Foreign bonds	7,704	19,484	17,196	3,703	11,410	12,263	48,087
Foreign equity and investment fund shares	7,234	-4,968	160	4,729	-12,708	68,629	7,156
Official international reserves	-5,101	178	-567	3,486	-1,324	1,053	-2,004
Other Canadian investment abroad	-19,612	-5,280	12,237	49,740	-25,073	36,579	37,085
Loans	8,278	3,383	499	28,402	288	19,864	40,562
Currency and deposits	-16,415	1,586	14,134	22,906	-14,579	6,459	22,211
Trade credits and advances	-31	820	474	60	-61	712	1,324
Other accounts receivable	-11,444	-11,069	-2,870	-1,628	-10,720	9,544	-27,011
Net incurrence of liabilities	13,355	50,908	62,151	81,749	17,801	281,693	208,163
Direct investment liabilities	16,464	13,748	9,655	18,966	12,178	35,649	58,833
Direct investment liabilities, equity	13,477	10,807	10,916	19,592	7,905	38,285	54,792
Direct investment liabilities, debt instruments	2,987	2,941	-1,261	-626	4,274	-2,636	4,041
Foreign portfolio investment in Canadian securities	22,156	27,261	24,773	-6,015	39,873	189,166	68,175
Canadian debt securities	16,191	26,249	15,227	-15,977	24,863	132,616	41,690
Canadian money market instruments	15,410	-5,718	10,260	-3,711	-1,401	-12,097	16,241
Canadian bonds	781	31,967	4,967	-12,266	26,264	144,713	25,448
Canadian equity and investment fund shares	5,965	1,012	9,546	9,962	15,010	56,550	26,486
Other foreign investment in Canada	-25,265	9,900	27,723	68,797	-34,251	56,878	81,155
Loans	1,083	2,418	8,529	8,077	560	12,716	20,108
Currency and deposits	-28,033	4,493	16,897	57,845	-35,979	40,150	51,202
Special drawing rights	0	0	0	0	0	0	0
Trade credits and advances	15	666	375	789	-563	224	1,844
Other accounts payable	1,671	2,322	1,922	2,086	1,731	3,788	8,002
Discrepancy (net errors and omissions)	2,651	-1,052	4,669	5,151	5,577	7,816	11,420

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

	First quarter 2018	Second quarter 2018	Third quarter 2018	Fourth quarter 2018	First quarter 2019	2017	2018
millions of dollars							
Current account receipts	204,953	214,172	219,448	213,579	216,122	793,720	852,151
Goods and services	170,419	178,677	182,196	174,737	177,079	663,677	706,029
Goods	140,643	148,648	151,983	143,982	146,029	549,476	585,256
Services	29,776	30,029	30,213	30,755	31,051	114,201	120,773
Travel	6,928	7,061	7,101	7,424	7,420	26,381	28,515
Transportation	4,379	4,482	4,544	4,449	4,492	17,028	17,854
Commercial services	18,067	18,079	18,169	18,491	18,742	69,205	72,805
Government services	402	407	398	391	397	1,586	1,598
Primary income	31,304	32,099	33,828	35,133	35,312	117,558	132,365
Compensation of employees	431	441	444	446	454	1,721	1,762
Investment income	30,874	31,658	33,384	34,687	34,858	115,837	130,603
Direct investment	18,859	18,872	19,604	20,439	20,130	70,963	77,774
Interest	1,817	1,810	1,842	1,741	1,791	7,512	7,210
Profits	17,043	17,062	17,762	18,698	18,339	63,451	70,565
Portfolio investment	8,738	9,074	9,246	9,398	9,547	33,099	36,456
Interest on debt securities	3,141	3,348	3,482	3,581	3,689	11,496	13,552
Dividends on equity and investment fund shares	5,597	5,726	5,764	5,817	5,859	21,603	22,903
Other investment	3,277	3,712	4,534	4,850	5,181	11,775	16,373
Secondary income	3,230	3,395	3,424	3,709	3,731	12,485	13,758
Private transfers	971	963	989	1,000	1,022	4,086	3,922
Government transfers	2,259	2,432	2,435	2,710	2,709	8,399	9,836
Current account payments	221,324	229,544	229,610	230,195	233,469	853,850	910,672
Goods and services	184,048	190,673	189,622	188,667	192,258	714,094	753,010
Goods	148,286	153,812	153,184	151,923	155,172	574,120	607,205
Services	35,762	36,862	36,437	36,743	37,086	139,974	145,804
Travel	10,824	10,900	10,749	10,976	11,154	41,326	43,450
Transportation	7,601	7,941	8,015	8,015	8,059	28,715	31,571
Commercial services	17,009	17,689	17,338	17,419	17,541	68,667	69,455
Government services	328	332	336	333	332	1,266	1,328
Primary income	33,192	34,676	35,978	37,151	37,080	124,419	140,997
Compensation of employees	1,038	1,039	1,039	1,043	1,048	4,075	4,159
Investment income	32,154	33,637	34,940	36,108	36,031	120,344	136,837
Direct investment	13,462	13,473	13,708	13,867	13,370	49,496	54,511
Interest	931	952	969	968	932	3,402	3,820
Profits	12,531	12,521	12,739	12,900	12,438	46,094	50,691
Portfolio investment	14,959	15,778	16,373	16,808	16,798	56,545	63,918
Interest on debt securities	10,884	11,517	11,969	12,226	12,031	41,474	46,596
Dividends on equity and investment fund shares	4,076	4,261	4,404	4,582	4,767	15,071	17,322
Other investment	3,732	4,386	4,858	5,433	5,863	14,303	18,408
Secondary income	4,084	4,195	4,010	4,377	4,131	15,337	16,666
Private transfers	2,746	2,770	2,772	2,856	2,866	10,064	11,143
Government transfers	1,339	1,425	1,238	1,521	1,265	5,273	5,523
Current account balances	-16,372	-15,372	-10,162	-16,616	-17,347	-60,130	-58,521
Goods and services	-13,630	-11,996	-7,426	-13,930	-15,179	-50,417	-46,981
Goods	-7,643	-5,164	-1,201	-7,942	-9,143	-24,644	-21,950
Services	-5,986	-6,832	-6,225	-5,988	-6,035	-25,773	-25,031
Travel	-3,896	-3,839	-3,648	-3,552	-3,734	-14,945	-14,934
Transportation	-3,222	-3,458	-3,471	-3,566	-3,566	-11,687	-13,717
Commercial services	1,057	390	831	1,072	1,201	539	3,350
Government services	74	75	63	58	65	320	270
Primary income	-1,887	-2,577	-2,150	-2,018	-1,768	-6,861	-8,632
Compensation of employees	-608	-598	-595	-597	-595	-2,354	-2,398
Investment income	-1,280	-1,979	-1,555	-1,421	-1,173	-4,506	-6,235
Direct investment	5,397	5,399	5,896	6,572	6,760	21,467	23,263
Interest	886	858	873	773	859	4,110	3,390
Profits	4,511	4,541	5,023	5,799	5,901	17,357	19,873
Portfolio investment	-6,221	-6,704	-7,127	-7,410	-7,251	-23,445	-27,462
Interest on debt securities	-7,743	-8,169	-8,487	-8,645	-8,342	-29,978	-33,043
Dividends on equity and investment fund shares	1,521	1,465	1,360	1,235	1,092	6,533	5,581
Other investment	-455	-674	-324	-582	-682	-2,528	-2,035
Secondary income	-855	-800	-586	-668	-400	-2,852	-2,908
Private transfers	-1,775	-1,807	-1,783	-1,856	-1,844	-5,979	-7,221
Government transfers	920	1,007	1,197	1,188	1,444	3,126	4,313

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

Available tables: [36-10-0002-01](#), [36-10-0003-01](#), [36-10-0014-01](#), [36-10-0016-01](#), [36-10-0018-01](#) to [36-10-0021-01](#) , [36-10-0023-01](#) to [36-10-0027-01](#) , [36-10-0442-01](#) and [36-10-0471-01](#) to [36-10-0473-01](#) .

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

The product *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 document, "[A preview of the 2019 revision of the Canadian System of Macroeconomic Accounts](#)," which is part of *Latest Developments in the Canadian Economic Accounts* ([13-605-X](#)), is now available.

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.

For more information, contact us (toll-free 1-800-263-1136; 514-283-8300; STATCAN.infostats-infostats.STATCAN@canada.ca).

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