

# Canada's balance of international payments, first quarter 2020

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Canada's current account deficit (on a seasonally adjusted basis) expanded by \$1.8 billion in the first quarter to \$11.1 billion. The increase reflected a higher trade in goods and services deficit. This increase was partially offset by a higher surplus for investment income.

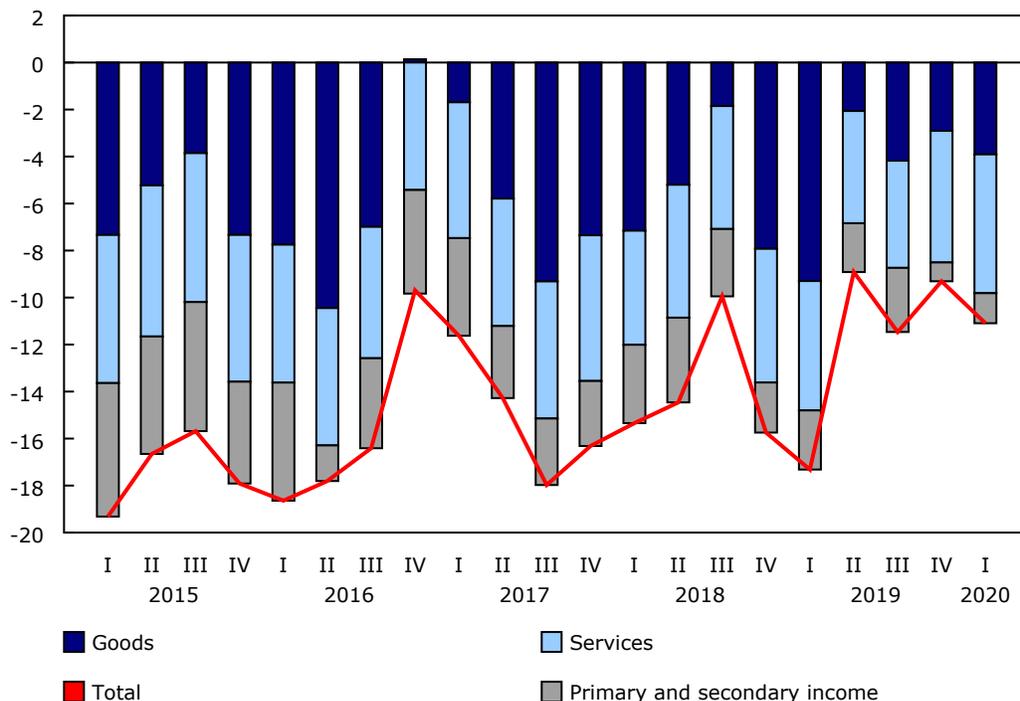
In the financial account (unadjusted for seasonal variation), inflows of funds from abroad to finance the current account deficit mainly came from transactions in securities. Strong foreign investment in Canadian bonds combined with record sales of US shares generated a \$77.3 billion inflow of funds in the Canadian economy in the first quarter.

Global stock and capital markets showed higher volatility in the context of an intensifying COVID-19 crisis during the quarter and higher volumes of cross-border trading in both Canadian and foreign securities were observed.

Meanwhile, both Canadian direct investment abroad and foreign direct investment in Canada slowed. Overall, direct investment activity generated a net inflow of funds totalling \$5.5 billion 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

### Higher goods deficit as exports decline by more than imports

The trade in goods and services deficit rose by \$1.3 billion to \$9.8 billion in the first quarter, the highest deficit in a year. Both goods and services deficits increased during the quarter.

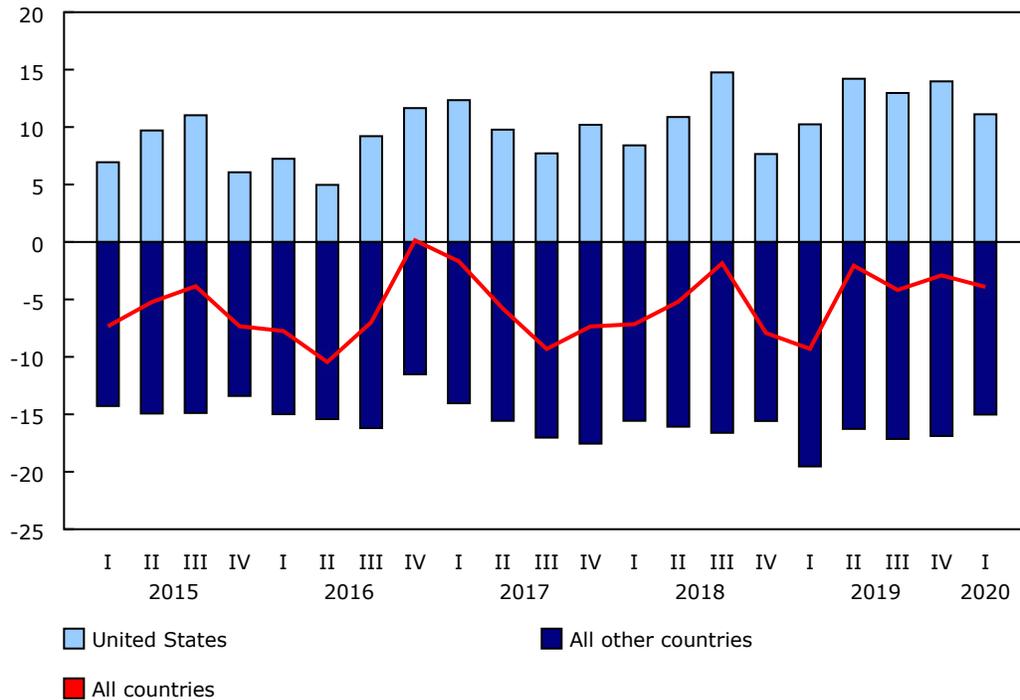
Goods exports decreased by \$4.3 billion to \$142.9 billion in the first quarter, a third consecutive quarterly decline and the lowest level since the first quarter of 2018. The largest reduction was in energy products, down \$1.9 billion on lower prices. Exports of motor vehicles and parts were down \$1.5 billion as automakers and several auto engine and parts suppliers in North America began to suspend production during the month of March.

Goods imports were down \$3.3 billion to \$146.8 billion, largely on lower imports of electronic and electrical equipment and parts, down \$1.4 billion, and automotive products, down \$1.1 billion, primarily from lower imports of motor vehicle engines and motor vehicle parts.

On geographical basis, the trade surplus with the United States was down \$2.9 billion, mainly on lower exports of passenger cars and light trucks, and energy products. This was partially offset by a \$1.5 billion reduction of the deficit with China as, notably, imports of electronic and electrical equipment and parts declined during the quarter.

**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 expanded by \$0.3 billion to \$5.9 billion in the first quarter. The commercial services surplus shrank \$0.4 billion. Higher financial services transactions, reflecting strong activities in the securities market, were the main factor in higher imports and exports of commercial services during the quarter. Both exports and imports of travel services were down in the first quarter as the COVID-19 pandemic and related travel restrictions considerably reduced the number of cross-border tourists.

### **The investment income surplus increases**

The current account is the broadest measure of cross-border transactions with the rest of the world, covering, in addition to trade in goods and services, international activity in the form of investment income and current transfers.

During the first quarter, Canada's investment income surplus increased \$0.4 billion to \$0.6 billion as both receipts and payments declined. Profits earned by Canadians on their direct investment abroad fell \$1.4 billion, while on the payments side, profits earned by foreign direct investors on their direct investment in Canada were down \$0.8 billion.

## **Financial account**

### **Strong foreign acquisitions of Canadian bonds**

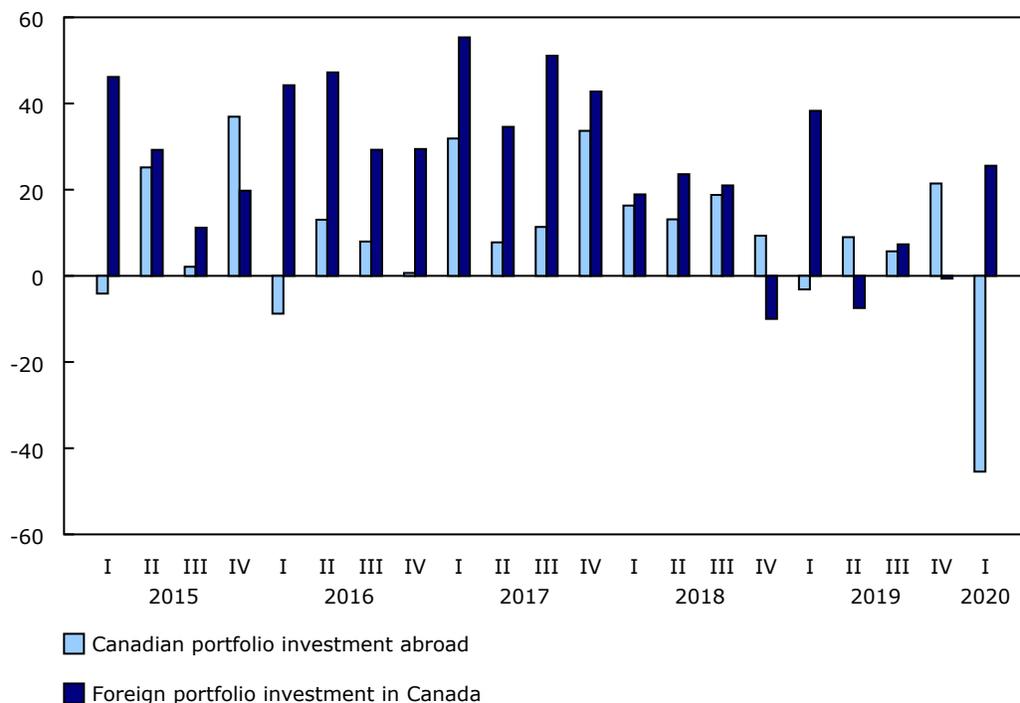
Foreign investors increased their holdings of Canadian securities by \$25.6 billion in the first quarter. They added debt securities, but reduced their exposure to equities.

Foreign acquisitions of Canadian bonds reached \$46.9 billion, the largest investment since the third quarter of 2017. Strong foreign purchases of government bonds led the investment activity. New issues of private corporate bonds placed abroad and denominated in foreign currencies also contributed to the inflow of funds. The Bank of Canada lowered its benchmark overnight interest rate in the quarter and launched a series of measures to support the credit market as the effects of COVID-19 on the economy intensified.

Non-resident investors withdrew \$13.4 billion of funds from the Canadian equity market in the first quarter, the third divestment in four quarters. Investors sold shares from all sectors of the Canadian economy.

### Chart 3 Foreign portfolio investment

billions of dollars



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

#### Canadian investors massively sell foreign securities

As global stock markets experienced considerable losses, Canadian investors sold \$45.4 billion of foreign securities in the first quarter, the highest such quarterly divestment on record. Canadian investors reduced their exposures to foreign debt and equity securities during the quarter. Holdings of foreign equities were down by a record \$34.9 billion, led by sales of US shares.

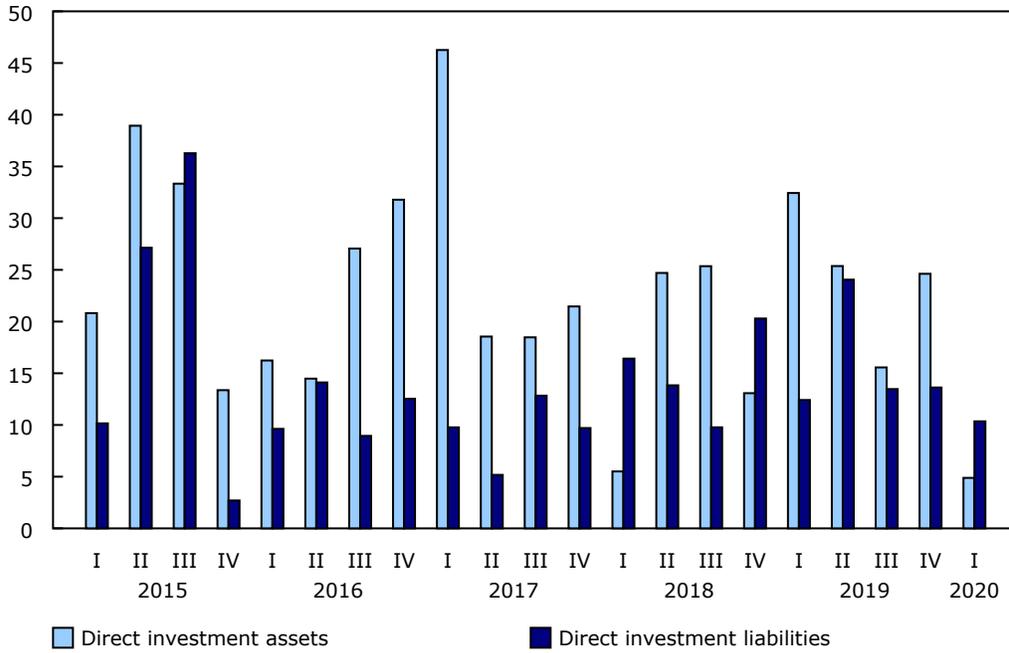
#### Direct investment activity slows

Direct investment in Canada totalled \$10.4 billion in the first quarter, down from a revised \$13.6 billion in the fourth quarter. This was the lowest level of investment since the third quarter of 2018. Mergers and acquisitions activity amounted to \$3.4 billion, down from \$5.8 billion in the fourth quarter.

Direct investment abroad was \$4.9 billion in the first quarter, the lowest level of investment since the second quarter of 2011. Mergers and acquisitions activity remained at a low level (\$3.8 billion). Half of the investment was made by firms of the energy and mining sector and the bulk of the investment was in the United States.

**Chart 4**  
**Foreign direct investment**

billions of dollars



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

## Note to readers

As some data sources were received with delays and response rates to our quarterly surveys are lower due to current conditions, higher revisions in the data may be recorded in the coming quarters.

### 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 8. For more information, see [Real-time tables](#).

### Next release

Balance of international payments data for the second quarter will be released on August 27.

**Table 1**  
**Balance of payments – Not seasonally adjusted**

	First quarter 2019	Second quarter 2019	Third quarter 2019	Fourth quarter 2019	First quarter 2020	2018	2019
millions of dollars							
<b>Capital account and current account</b>							
<b>Net lending / net borrowing, from capital account and current account</b>	<b>-20,262</b>	<b>-9,266</b>	<b>-11,666</b>	<b>-5,900</b>	<b>-13,947</b>	<b>-55,574</b>	<b>-47,094</b>
Current account balances	-20,173	-9,266	-11,666	-5,900	-13,899	-55,499	-47,005
Goods and services	-16,220	-7,493	-9,386	-5,785	-11,078	-43,563	-38,883
Goods	-7,723	-2,596	-7,452	-672	-3,575	-22,131	-18,443
Services	-8,498	-4,897	-1,933	-5,112	-7,503	-21,433	-20,441
Primary income	-2,560	-1,314	-1,226	-229	-920	-8,599	-5,329
Compensation of employees	-818	-886	-874	-842	-701	-3,430	-3,420
Investment income	-1,742	-428	-352	614	-219	-5,169	-1,909
Direct investment	6,580	6,996	6,649	8,460	6,939	24,386	28,686
Portfolio investment	-7,241	-7,223	-6,928	-6,898	-6,581	-26,588	-28,291
Other investment	-1,081	-201	-73	-948	-577	-2,967	-2,303
Secondary income	-1,393	-459	-1,054	113	-1,901	-3,336	-2,792
Capital account balance	-89	0	0	0	-48	-76	-89
<b>Financial account<sup>1,2</sup></b>							
<b>Net lending / net borrowing, from financial account</b>	<b>-18,992</b>	<b>-8,618</b>	<b>-12,972</b>	<b>-3,097</b>	<b>-6,832</b>	<b>-45,849</b>	<b>-43,679</b>
Net acquisition of financial assets	8,433	74,357	47,155	97,500	-19,872	147,955	227,445
Direct investment assets	32,432	25,368	15,564	24,620	4,884	68,639	97,985
Direct investment assets, equity	32,457	25,082	18,758	16,419	7,081	63,540	92,716
Direct investment assets, debt instruments	-25	286	-3,194	8,201	-2,196	5,099	5,268
Canadian portfolio investment in foreign securities	-3,145	8,979	5,692	21,434	-45,436	57,532	32,960
Foreign debt securities	9,724	6,724	6,936	4,101	-10,528	50,376	27,485
Foreign money market instruments	369	-3,047	2,203	-994	1,678	2,290	-1,470
Foreign bonds	9,355	9,771	4,734	5,095	-12,206	48,087	28,955
Foreign equity and investment fund shares	-12,868	2,256	-1,245	17,333	-34,908	7,156	5,475
Official international reserves	-1,268	1,689	-1,399	-738	-2,470	-2,004	-1,716
Other Canadian investment abroad	-19,587	38,321	27,298	52,183	23,150	23,788	98,216
Loans	-5,633	14,231	16,169	8,954	36,983	40,575	33,721
Currency and deposits	-5,676	21,673	5,629	4,595	27,761	9,589	26,222
Trade credits and advances	348	-404	435	522	-114	1,323	901
Other accounts receivable	-8,626	2,820	5,066	38,112	-41,481	-27,698	37,372
Net incurrence of liabilities	27,425	82,975	60,127	100,596	-13,040	193,804	271,123
Direct investment liabilities	12,414	24,052	13,471	13,624	10,352	60,319	63,560
Direct investment liabilities, equity	9,708	20,082	13,448	24,532	10,327	56,200	67,771
Direct investment liabilities, debt instruments	2,705	3,970	22	-10,908	25	4,119	-4,210
Foreign portfolio investment in Canadian securities	38,304	-7,462	7,317	-637	25,556	53,497	37,522
Canadian debt securities	23,338	7,635	5,481	3,287	38,916	27,283	39,741
Canadian money market instruments	-1,387	1,540	-2,783	7,158	-7,949	16,090	4,527
Canadian bonds	24,725	6,095	8,265	-3,871	46,865	11,194	35,214
Canadian equity and investment fund shares	14,966	-15,097	1,836	-3,924	-13,360	26,213	-2,219
Other foreign investment in Canada	-23,293	66,385	39,339	87,610	-48,948	79,989	170,041
Loans	2,183	12,005	-8,951	10,669	-10,383	23,175	15,907
Currency and deposits	-27,017	51,973	45,811	73,712	-40,344	47,032	144,479
Special drawing rights	0	0	0	0	0	0	0
Trade credits and advances	-434	156	981	229	-15	868	932
Other accounts payable	1,975	2,251	1,498	2,999	1,794	8,915	8,724
<b>Discrepancy (net errors and omissions)</b>	<b>1,270</b>	<b>648</b>	<b>-1,306</b>	<b>2,803</b>	<b>7,115</b>	<b>9,725</b>	<b>3,415</b>

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 2019	Second quarter 2019	Third quarter 2019	Fourth quarter 2019	First quarter 2020	2018	2019
millions of dollars							
<b>Current account receipts</b>	<b>219,968</b>	<b>226,948</b>	<b>222,886</b>	<b>223,935</b>	<b>214,396</b>	<b>859,879</b>	<b>893,738</b>
Goods and services	179,863	185,924	182,588	180,675	174,823	713,350	729,050
Goods	146,990	152,487	148,655	147,131	142,855	585,199	595,263
Services	32,873	33,437	33,933	33,545	31,967	128,151	133,788
Travel	8,727	9,112	9,103	8,843	7,398	34,175	35,785
Transportation	4,653	4,691	4,738	4,712	4,390	18,092	18,793
Commercial services	19,083	19,195	19,654	19,556	19,758	74,250	77,487
Government services	410	439	439	434	422	1,633	1,722
Primary income	36,375	37,418	36,811	38,894	36,384	132,761	149,498
Compensation of employees	452	455	454	450	408	1,751	1,811
Investment income	35,924	36,963	36,357	38,444	35,976	131,010	147,688
Direct investment	20,955	21,410	20,557	22,075	20,568	78,138	84,997
Interest	2,057	1,999	2,001	1,891	1,797	7,214	7,947
Profits	18,899	19,411	18,556	20,185	18,772	70,924	77,050
Portfolio investment	9,581	9,789	9,837	10,002	10,039	36,456	39,208
Interest on debt securities	3,699	3,862	3,941	3,991	4,049	13,552	15,493
Dividends on equity and investment fund shares	5,882	5,926	5,896	6,010	5,990	22,903	23,715
Other investment	5,387	5,765	5,964	6,367	5,369	16,417	23,483
Secondary income	3,730	3,606	3,487	4,366	3,189	13,768	15,189
Private transfers	1,019	1,046	1,062	1,076	1,121	3,936	4,202
Government transfers	2,711	2,561	2,425	3,290	2,068	9,831	10,987
<b>Current account payments</b>	<b>237,286</b>	<b>235,864</b>	<b>234,351</b>	<b>233,242</b>	<b>225,489</b>	<b>915,377</b>	<b>940,742</b>
Goods and services	194,665	192,761	191,325	189,183	184,635	756,913	767,934
Goods	156,287	154,550	152,832	150,037	146,763	607,329	613,706
Services	38,378	38,212	38,493	39,146	37,872	149,584	154,228
Travel	11,530	11,586	11,729	12,021	10,645	44,574	46,866
Transportation	8,263	8,030	8,030	8,100	7,590	31,847	32,423
Commercial services	18,243	18,253	18,392	18,682	19,297	71,886	73,569
Government services	342	343	343	343	339	1,277	1,370
Primary income	38,216	38,825	38,225	39,561	36,505	141,360	154,828
Compensation of employees	1,301	1,306	1,310	1,314	1,138	5,181	5,231
Investment income	36,915	37,518	36,915	38,248	35,367	136,179	149,596
Direct investment	13,896	14,504	14,034	13,877	13,091	53,752	56,311
Interest	889	898	899	891	856	3,777	3,577
Profits	13,007	13,606	13,135	12,986	12,235	49,975	52,734
Portfolio investment	16,856	17,061	16,702	16,880	16,651	63,044	67,499
Interest on debt securities	11,768	11,971	11,832	11,723	11,512	45,722	47,294
Dividends on equity and investment fund shares	5,089	5,090	4,870	5,158	5,139	17,322	20,206
Other investment	6,162	5,953	6,180	7,490	5,625	19,383	25,786
Secondary income	4,405	4,278	4,800	4,498	4,348	17,104	17,981
Private transfers	3,062	3,039	3,054	3,131	3,127	11,581	12,285
Government transfers	1,342	1,239	1,747	1,368	1,221	5,523	5,696
<b>Current account balances</b>	<b>-17,318</b>	<b>-8,915</b>	<b>-11,465</b>	<b>-9,307</b>	<b>-11,093</b>	<b>-55,499</b>	<b>-47,005</b>
Goods and services	-14,802	-6,837	-8,737	-8,507	-9,813	-43,563	-38,883
Goods	-9,297	-2,062	-4,177	-2,906	-3,908	-22,131	-18,443
Services	-5,505	-4,775	-4,560	-5,601	-5,905	-21,433	-20,441
Travel	-2,803	-2,474	-2,626	-3,178	-3,247	-10,399	-11,081
Transportation	-3,610	-3,340	-3,292	-3,388	-3,201	-13,755	-13,630
Commercial services	840	942	1,262	874	461	2,364	3,918
Government services	69	96	96	91	82	356	352
Primary income	-1,841	-1,406	-1,414	-667	-121	-8,599	-5,329
Compensation of employees	-850	-851	-856	-863	-730	-3,430	-3,420
Investment income	-991	-555	-558	196	609	-5,169	-1,909
Direct investment	7,059	6,906	6,523	8,198	7,477	24,386	28,686
Interest	1,167	1,101	1,102	1,000	941	3,437	4,369
Profits	5,892	5,805	5,421	7,198	6,536	20,949	24,316
Portfolio investment	-7,275	-7,272	-6,865	-6,879	-6,612	-26,588	-28,291
Interest on debt securities	-8,069	-8,109	-7,891	-7,731	-7,463	-32,169	-31,800
Dividends on equity and investment fund shares	793	837	1,026	853	850	5,581	3,509
Other investment	-775	-189	-216	-1,123	-255	-2,967	-2,303
Secondary income	-675	-672	-1,313	-133	-1,159	-3,336	-2,792
Private transfers	-2,043	-1,993	-1,992	-2,055	-2,006	-7,645	-8,083
Government transfers	1,368	1,322	679	1,922	848	4,309	5,291

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 [Economic accounts statistics portal](#), accessible from the *Subjects* module of our website, features an up-to-date portrait of national and provincial economies and their structure.

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.

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