

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

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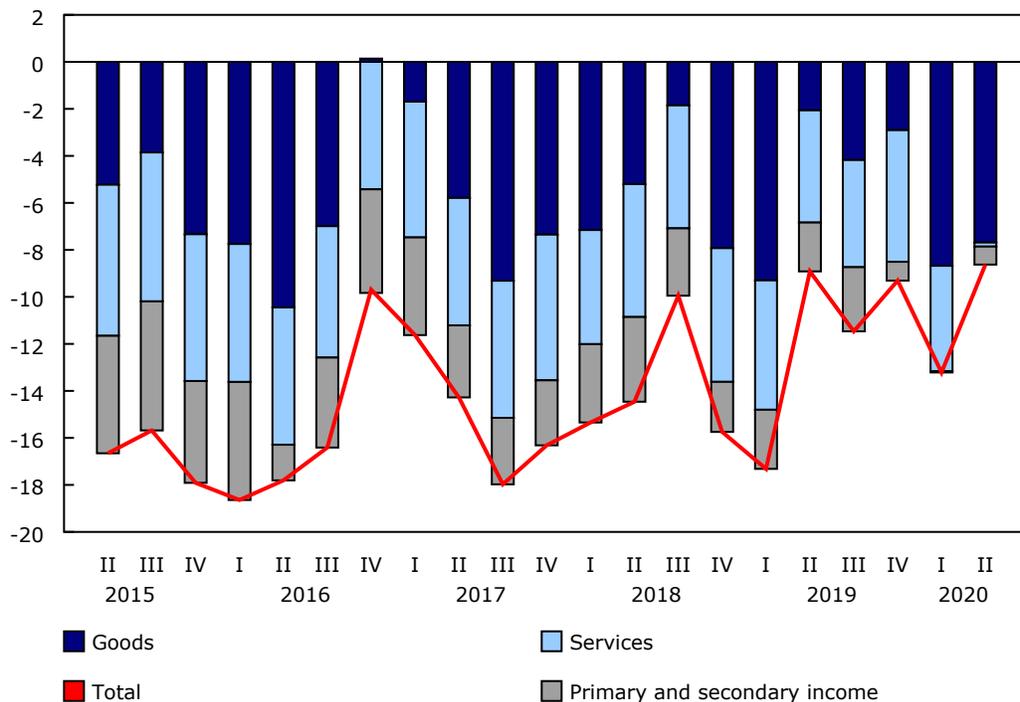
Canada's current account deficit (on a seasonally adjusted basis) narrowed by \$4.6 billion in the second quarter to \$8.6 billion. The reduction reflected a lower deficit in trade in goods and services and was moderated by a lower surplus for investment income.

In the financial account (unadjusted for seasonal variation), inflows of funds from abroad to finance the current account deficit largely came from record foreign investment in Canadian debt securities.

Borrowing needs from governments increased substantially in the second quarter to support Canadian enterprises and households affected by the COVID-19 pandemic, and foreign creditors contributed strongly to these financing activities.

**Chart 1**  
**Current account balances**

billions of dollars



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

## Current account

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

The combined trade in goods and services deficit declined by \$5.3 billion to \$7.9 billion in the second quarter. Both the goods and services deficits narrowed in the quarter.

The trade in goods deficit was down by \$1.0 billion to \$7.7 billion. Goods exports decreased by an unprecedented \$33.2 billion to \$106.9 billion. The largest declines were in motor vehicles and parts, down \$11.7 billion on lower volumes, and in energy products, down \$10.6 billion as prices fell by about 41%.

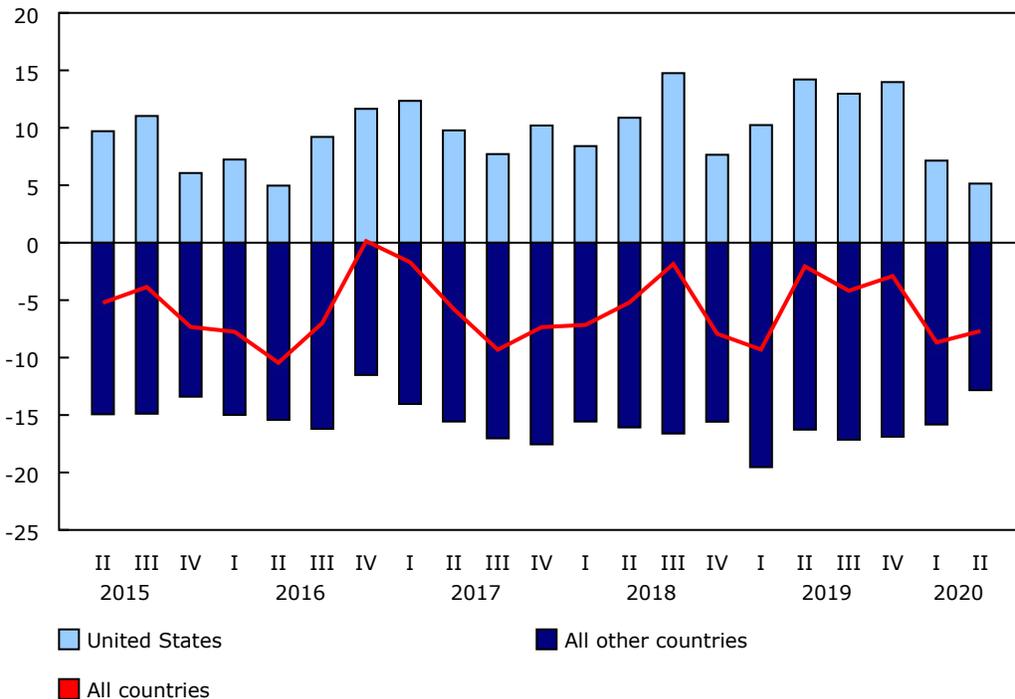
Goods imports were down by a record \$34.2 billion to \$114.5 billion, with motor vehicles and parts accounting for half of this decline as a result of lower volumes. Imports of energy products were down \$5.0 billion on lower prices and volumes.

The decrease in both exports and imports occurred mainly during the first two months of the second quarter, with June showing some signs of recovery. Export and import activity recorded in the second quarter were equivalent to levels last seen in 2010 and 2011.

On a geographical basis, the trade surplus with the United States declined \$2.0 billion, with both exports and imports down by about 30%. Trade balances with Japan and Mexico showed the largest gains as a result of lower imports of motor vehicles and parts from these two countries.

**Chart 2**  
**Goods balances by geographic area**

billions of dollars



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

**Trade in services deficit down significantly**

The trade in services balance recorded a \$0.2 billion deficit, down from \$4.5 billion in the first quarter. The decline was mainly due to the slower activity in the tourism sector, resulting from the COVID-19 pandemic and related travel restrictions in force for the whole quarter, which significantly reduced the number of cross-border travellers.

The travel services balance went from a \$2.3 billion deficit in the first quarter to a \$2.0 billion surplus in the second quarter. Both exports and imports posted large decreases. However, exports declined less than imports, as education-related travel services, which have been less affected by the COVID-19 pandemic than other types of travel services, represent a much larger share of overall travel service exports than imports.

The decrease in travel activities also led to lower exports and imports of passenger fares, which were the main factor behind the \$1.2 billion reduction in the transport services deficit, with imports more affected than exports.

The balance in commercial services went from a \$0.7 billion surplus in the first quarter to a \$0.5 billion deficit in the second quarter. Exports of commercial services were down \$0.6 billion, while imports were up \$0.6 billion, mainly as a result of the large volume of new issues of Canadian bonds on foreign financial markets, which led to higher commissions paid.

In comparison to travel and transportation services, commercial services were less affected by constraints related to the pandemic in the second quarter because a large share of these services are provided remotely, meaning that the supplier and the consumer of the service remain in their respective country.

### **The investment income surplus decreases**

During the second quarter, the primary income surplus was reduced by \$0.9 billion to \$0.2 billion. Most of this change was the result of a lower investment income surplus.

Canada's investment income surplus decreased \$1.1 billion to \$0.7 billion, as income receipts declined by more than income payments. Profits earned by Canadian investors on their direct investment abroad fell \$4.7 billion, while, on the payments side, profits earned by foreign investors on their direct investment in Canada were down \$3.1 billion.

## **Financial account**

### **Record foreign investment in Canadian debt securities**

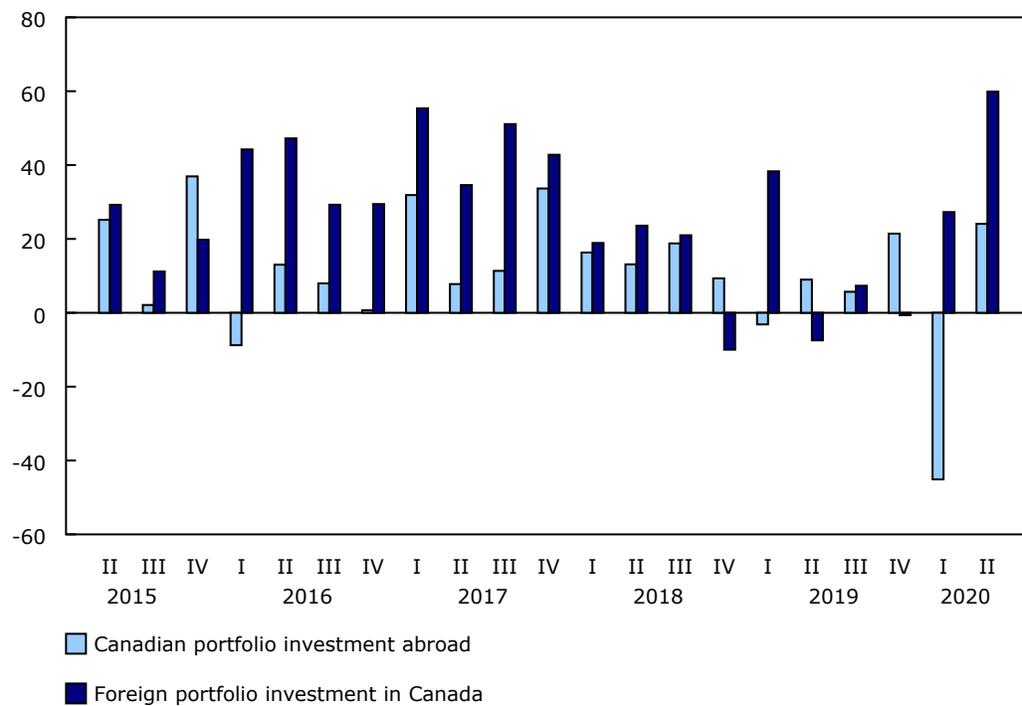
Foreign investors acquired a record \$80.5 billion of Canadian debt securities in the second quarter, following a \$39.9 billion investment in the first quarter. This level of foreign investment was almost twice as high as the previous record of \$46.3 billion set in the third quarter of 2017.

In the second quarter, the overall borrowing activity from the issuance of debt securities by the federal government led to strong foreign acquisitions on the secondary market, as non-resident investors purchased a total of \$46.3 billion of federal government outstanding bonds and money market instruments during the quarter. New issues of Canadian private corporate bonds placed in foreign markets and denominated in foreign currencies also largely contributed to the inflows of funds in the economy. Canadian chartered banks led this activity.

Meanwhile, non-resident investors withdrew \$20.6 billion of funds from the Canadian equity market, following a divestment of \$12.6 billion in the first quarter. Despite the increase in Canadian stock prices, foreign 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 investment in foreign securities resumes

Canadian acquisitions of foreign securities totalled \$24.1 billion in the second quarter, the highest investment since the fourth quarter of 2017. This activity followed a record divestment of \$45.1 billion in the first quarter.

Canadian investors increased their exposure to US shares by \$18.9 billion, after shedding \$29.2 billion worth of these instruments in March. On a monthly basis, there were acquisitions in each month of the quarter, with the pace of acquisitions increasing throughout the quarter. US stock prices were up by 20.0% in the second quarter.

#### Direct investment activity increases

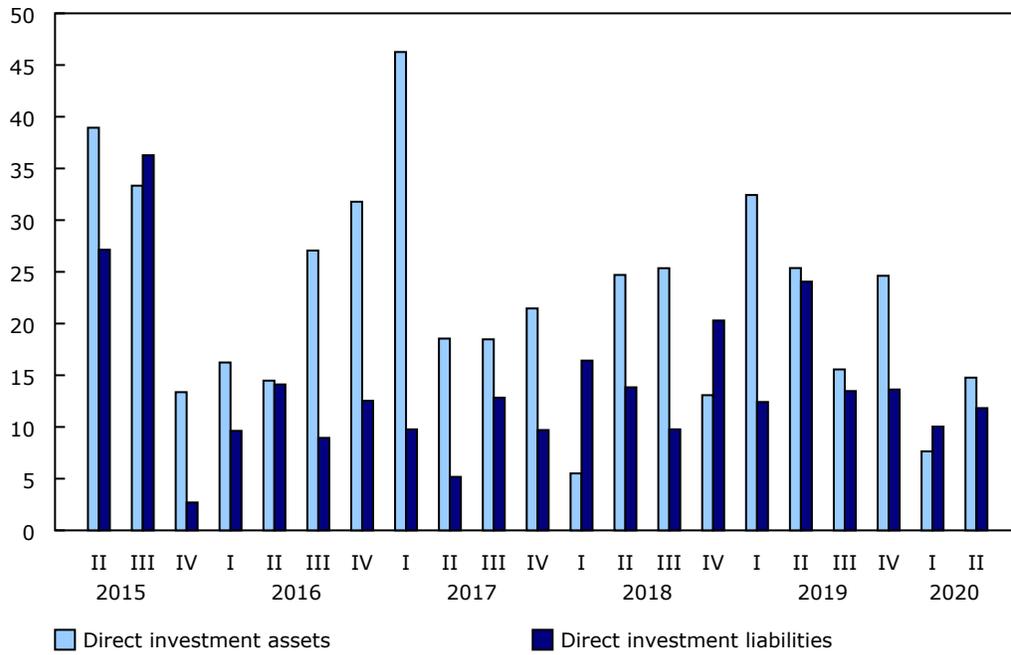
Direct investment abroad increased to \$14.8 billion in the second quarter, from \$7.6 billion in the first quarter. The bulk of the activity was in the finance and insurance industry. Mergers and acquisitions activity was \$3.5 billion, down from a revised \$6.6 billion in the first quarter. Overall, direct investment abroad was directed to several countries, led by the United States and Mexico.

Direct investment in Canada totalled \$11.8 billion in the second quarter, up slightly from the first quarter. Mergers and acquisitions activity in Canada was the main contributor to the inflows of funds in the quarter.

Overall, direct investment activity generated a net outflow of funds of \$2.9 billion from the Canadian economy in the quarter.

**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 generally lower due to current conditions, higher revisions in the data may be recorded.

Because of the unusually small values in travel services since the beginning of the second quarter of 2020, future revisions to seasonally adjusted data for the months of 2020 can be expected to be larger than usual. With uncertainty about how long the impacts of COVID-19 on world tourism activities will continue, the unadjusted (raw) travel data may provide more useful information for users on the short-term changes in international travel services data.

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

### Next release

Balance of international payments data for the third quarter will be released on November 30.

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

	Second quarter 2019	Third quarter 2019	Fourth quarter 2019	First quarter 2020	Second 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>-9,266</b>	<b>-11,666</b>	<b>-5,900</b>	<b>-15,734</b>	<b>-10,057</b>	<b>-55,574</b>	<b>-47,094</b>
Current account balances	-9,266	-11,666	-5,900	-15,686	-10,057	-55,499	-47,005
Goods and services	-7,493	-9,386	-5,785	-14,475	-9,554	-43,563	-38,883
Goods	-2,596	-7,452	-672	-7,782	-9,491	-22,131	-18,443
Services	-4,897	-1,933	-5,112	-6,693	-63	-21,433	-20,441
Primary income	-1,314	-1,226	-229	719	145	-8,599	-5,329
Compensation of employees	-886	-874	-842	-701	-511	-3,430	-3,420
Investment income	-428	-352	614	1,420	656	-5,169	-1,909
Direct investment	6,996	6,649	8,460	8,726	7,184	24,386	28,686
Portfolio investment	-7,223	-6,928	-6,898	-6,609	-5,993	-26,588	-28,291
Other investment	-201	-73	-948	-697	-536	-2,967	-2,303
Secondary income	-459	-1,054	113	-1,929	-648	-3,336	-2,792
Capital account balance	0	0	0	-48	0	-76	-89
<b>Financial account<sup>1,2</sup></b>							
<b>Net lending / net borrowing, from financial account</b>	<b>-8,618</b>	<b>-12,972</b>	<b>-3,097</b>	<b>-10,432</b>	<b>-17,019</b>	<b>-45,849</b>	<b>-43,679</b>
Net acquisition of financial assets	74,357	47,155	97,500	-14,659	15,999	147,955	227,445
Direct investment assets	25,368	15,564	24,620	7,641	14,770	68,639	97,985
Direct investment assets, equity	25,082	18,758	16,419	8,853	15,215	63,540	92,716
Direct investment assets, debt instruments	286	-3,194	8,201	-1,211	-444	5,099	5,268
Canadian portfolio investment in foreign securities	8,979	5,692	21,434	-45,114	24,081	57,532	32,960
Foreign debt securities	6,724	6,936	4,101	-10,347	-1,663	50,376	27,485
Foreign money market instruments	-3,047	2,203	-994	1,678	1,231	2,290	-1,470
Foreign bonds	9,771	4,734	5,095	-12,025	-2,894	48,087	28,955
Foreign equity and investment fund shares	2,256	-1,245	17,333	-34,768	25,744	7,156	5,475
Official international reserves	1,689	-1,399	-738	-2,470	865	-2,004	-1,716
Other Canadian investment abroad	38,321	27,298	52,183	25,284	-23,717	23,788	98,216
Loans	14,231	16,169	8,954	37,972	-25,863	40,575	33,721
Currency and deposits	21,673	5,629	4,595	29,675	-1,901	9,589	26,222
Trade credits and advances	-404	435	522	-709	-73	1,323	901
Other accounts receivable	2,820	5,066	38,112	-41,653	4,120	-27,698	37,372
Net incurrence of liabilities	82,975	60,127	100,596	-4,227	33,018	193,804	271,123
Direct investment liabilities	24,052	13,471	13,624	10,038	11,823	60,319	63,560
Direct investment liabilities, equity	20,082	13,448	24,532	8,665	11,892	56,200	67,771
Direct investment liabilities, debt instruments	3,970	22	-10,908	1,373	-69	4,119	-4,210
Foreign portfolio investment in Canadian securities	-7,462	7,317	-637	27,264	59,878	53,497	37,522
Canadian debt securities	7,635	5,481	3,287	39,884	80,460	27,283	39,741
Canadian money market instruments	1,540	-2,783	7,158	-7,949	12,385	16,090	4,527
Canadian bonds	6,095	8,265	-3,871	47,833	68,075	11,194	35,214
Canadian equity and investment fund shares	-15,097	1,836	-3,924	-12,620	-20,582	26,213	-2,219
Other foreign investment in Canada	66,385	39,339	87,610	-41,530	-38,684	79,989	170,041
Loans	12,005	-8,951	10,669	-5,949	-6,887	23,175	15,907
Currency and deposits	51,973	45,811	73,712	-37,205	-31,690	47,032	144,479
Special drawing rights	0	0	0	0	0	0	0
Trade credits and advances	156	981	229	-169	45	868	932
Other accounts payable	2,251	1,498	2,999	1,794	-151	8,915	8,724
<b>Discrepancy (net errors and omissions)</b>	<b>648</b>	<b>-1,306</b>	<b>2,803</b>	<b>5,302</b>	<b>-6,962</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**

	Second quarter 2019	Third quarter 2019	Fourth quarter 2019	First quarter 2020	Second quarter 2020	2018	2019
millions of dollars							
<b>Current account receipts</b>	<b>226,948</b>	<b>222,886</b>	<b>223,935</b>	<b>209,943</b>	<b>165,206</b>	<b>859,879</b>	<b>893,738</b>
Goods and services	185,924	182,588	180,675	172,530	132,776	713,350	729,050
Goods	152,487	148,655	147,131	140,089	106,856	585,199	595,263
Services	33,437	33,933	33,545	32,441	25,920	128,151	133,788
Travel	9,112	9,103	8,843	7,760	3,410	34,175	35,785
Transportation	4,691	4,738	4,712	4,429	2,874	18,092	18,793
Commercial services	19,195	19,654	19,556	19,826	19,232	74,250	77,487
Government services	439	439	434	426	403	1,633	1,722
Primary income	37,418	36,811	38,894	34,197	28,940	132,761	149,498
Compensation of employees	455	454	450	408	317	1,751	1,811
Investment income	36,963	36,357	38,444	33,789	28,623	131,010	147,688
Direct investment	21,410	20,557	22,075	18,812	14,105	78,138	84,997
Interest	1,999	2,001	1,891	1,865	1,897	7,214	7,947
Profits	19,411	18,556	20,185	16,947	12,209	70,924	77,050
Portfolio investment	9,789	9,837	10,002	9,997	10,002	36,456	39,208
Interest on debt securities	3,862	3,941	3,991	4,083	4,071	13,552	15,493
Dividends on equity and investment fund shares	5,926	5,896	6,010	5,914	5,930	22,903	23,715
Other investment	5,765	5,964	6,367	4,980	4,516	16,417	23,483
Secondary income	3,606	3,487	4,366	3,216	3,491	13,768	15,189
Private transfers	1,046	1,062	1,076	1,120	1,046	3,936	4,202
Government transfers	2,561	2,425	3,290	2,096	2,445	9,831	10,987
<b>Current account payments</b>	<b>235,864</b>	<b>234,351</b>	<b>233,242</b>	<b>223,159</b>	<b>173,832</b>	<b>915,377</b>	<b>940,742</b>
Goods and services	192,761	191,325	189,183	185,691	140,635	756,913	767,934
Goods	154,550	152,832	150,037	148,766	114,544	607,329	613,706
Services	38,212	38,493	39,146	36,925	26,091	149,584	154,228
Travel	11,586	11,729	12,021	10,045	1,365	44,574	46,866
Transportation	8,030	8,030	8,100	7,397	4,675	31,847	32,423
Commercial services	18,253	18,392	18,682	19,111	19,699	71,886	73,569
Government services	343	343	343	373	353	1,277	1,370
Primary income	38,825	38,225	39,561	33,071	28,700	141,360	154,828
Compensation of employees	1,306	1,310	1,314	1,135	803	5,181	5,231
Investment income	37,518	36,915	38,248	31,935	27,897	136,179	149,596
Direct investment	14,504	14,034	13,877	9,861	6,745	53,752	56,311
Interest	898	899	891	872	854	3,777	3,577
Profits	13,606	13,135	12,986	8,988	5,892	49,975	52,734
Portfolio investment	17,061	16,702	16,880	16,603	16,104	63,044	67,499
Interest on debt securities	11,971	11,832	11,723	11,449	11,103	45,722	47,294
Dividends on equity and investment fund shares	5,090	4,870	5,158	5,154	5,001	17,322	20,206
Other investment	5,953	6,180	7,490	5,472	5,048	19,383	25,786
Secondary income	4,278	4,800	4,498	4,397	4,498	17,104	17,981
Private transfers	3,039	3,054	3,131	3,146	3,095	11,581	12,285
Government transfers	1,239	1,747	1,368	1,251	1,403	5,523	5,696
<b>Current account balances</b>	<b>-8,915</b>	<b>-11,465</b>	<b>-9,307</b>	<b>-13,216</b>	<b>-8,626</b>	<b>-55,499</b>	<b>-47,005</b>
Goods and services	-6,837	-8,737	-8,507	-13,161	-7,859	-43,563	-38,883
Goods	-2,062	-4,177	-2,906	-8,677	-7,688	-22,131	-18,443
Services	-4,775	-4,560	-5,601	-4,484	-171	-21,433	-20,441
Travel	-2,474	-2,626	-3,178	-2,285	2,045	-10,399	-11,081
Transportation	-3,340	-3,292	-3,388	-2,968	-1,800	-13,755	-13,630
Commercial services	942	1,262	874	715	-466	2,364	3,918
Government services	96	96	91	53	50	356	352
Primary income	-1,406	-1,414	-667	1,126	240	-8,599	-5,329
Compensation of employees	-851	-856	-863	-728	-486	-3,430	-3,420
Investment income	-555	-558	196	1,854	726	-5,169	-1,909
Direct investment	6,906	6,523	8,198	8,951	7,360	24,386	28,686
Interest	1,101	1,102	1,000	992	1,043	3,437	4,369
Profits	5,805	5,421	7,198	7,958	6,317	20,949	24,316
Portfolio investment	-7,272	-6,865	-6,879	-6,606	-6,102	-26,588	-28,291
Interest on debt securities	-8,109	-7,891	-7,731	-7,366	-7,032	-32,169	-31,800
Dividends on equity and investment fund shares	837	1,026	853	760	930	5,581	3,509
Other investment	-189	-216	-1,123	-491	-532	-2,967	-2,303
Secondary income	-672	-1,313	-133	-1,181	-1,007	-3,336	-2,792
Private transfers	-1,993	-1,992	-2,055	-2,025	-2,049	-7,645	-8,083
Government transfers	1,322	679	1,922	845	1,042	4,309	5,291

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 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.

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

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