

# Canada's balance of international payments, second quarter 2021

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Canada's current account balance (on a seasonally adjusted basis) posted a \$3.6 billion surplus in the second quarter, following a \$1.8 billion surplus in the first quarter. Prior to 2021, Canada had continuous current account deficits from the fourth quarter of 2008 until the end of 2020.

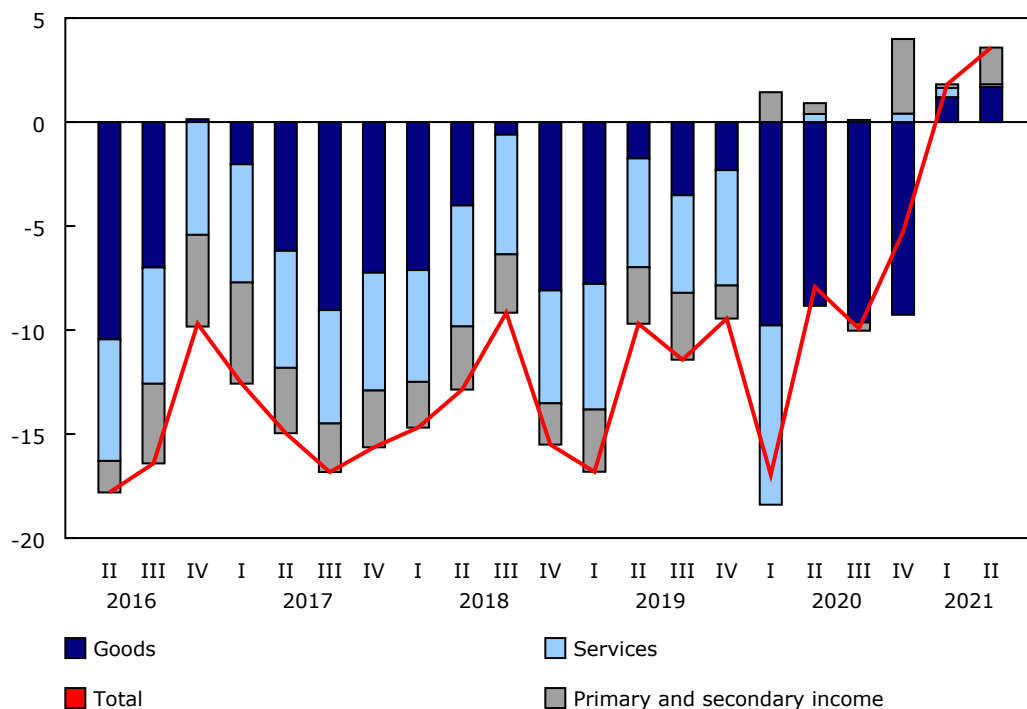
The surplus in the second quarter mostly reflected a positive trade in goods and services balance and a higher investment income surplus. The goods balance posted a second consecutive surplus, while the services balance remained in an unusual surplus position in the context of the COVID-19 pandemic, which affected travel payments more severely than receipts.

In the financial account (unadjusted for seasonal variation), portfolio and direct investment both led the net lending activity to non-residents in the quarter. For portfolio investment, record Canadian purchases of foreign shares in the context of continued strength of global stock markets was the main contributor.

Foreign direct investment generated a net outflow of funds totalling \$10.2 billion in the second quarter, as direct investment abroad exceeded direct investment in Canada. Direct investment abroad rebounded, following lower investments in the first quarter. At the same time, direct investment in Canada slowed, mainly on lower merger and acquisition transactions.

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

billions of dollars



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

## Current account

### Trade in goods and services still in a surplus position

The trade in goods and services balance posted a second consecutive surplus, reaching \$1.8 billion in the second quarter. This surplus was led by higher exports of goods. Meanwhile, the trade in services balance remained in an unusual positive position from a historical perspective.

Exports of goods were up \$0.9 billion to \$153.2 billion in the second quarter, led by higher prices. The largest contributors were forestry products and building and packaging materials, up \$2.0 billion on higher prices, as well as energy products, which increased by \$1.6 billion, mostly on higher prices for crude petroleum. These increases were partially offset by lower exports of motor vehicles and parts, reflecting the impact of the global semi-conductor chip shortage, and by lower exports of aircraft and other transportation equipment and parts.

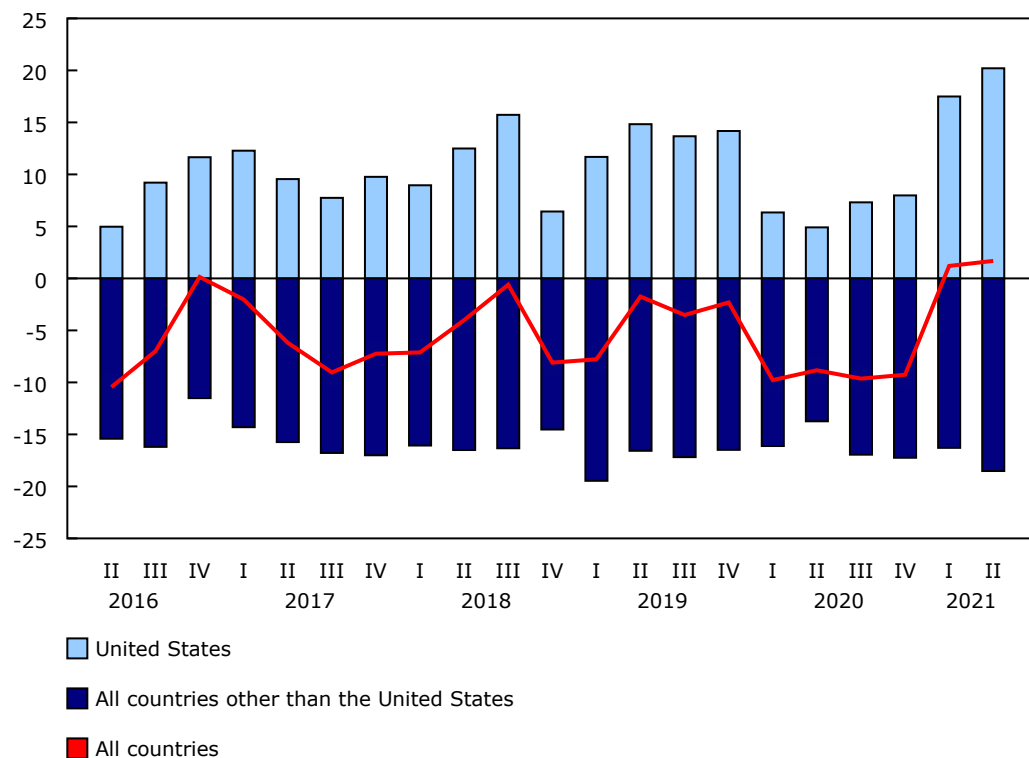
Imports of goods edged up \$0.5 billion to \$151.6 billion in the second quarter. Imports of motor vehicles and parts, also impacted by the shortage of semi-conductor chips, declined by \$4.6 billion. However, this was more than offset by higher imports of other major goods, notably basic and industrial chemical, plastic and rubber products (+\$1.6 billion) and metal and non-metallic mineral products (+\$1.5 billion), both on higher volumes and prices.

On a geographical basis, the goods surplus with the United States rose by \$2.7 billion in the second quarter on higher exports. The deficit with countries other than the United States expanded by \$2.2 billion, mostly due to a lower surplus with the United Kingdom. Partially offsetting this movement was a \$1.3 billion decline in the deficit with China.

The trade in services surplus fell by \$302 million to \$136 million, posting a positive balance for the fifth straight quarter. By type of services, the transportation services deficit increased as imports of sea transport were up in the quarter. The travel surplus decreased as fewer non-residents travelled to Canada during the second quarter compared with the first quarter. Travel receipts and payments remained at historical lows in Canada's current account as restrictions in the second quarter were still in force.

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

billions of dollars



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

### Profits on direct investment continue to rise

The investment income surplus was up by \$1.7 billion to \$4.0 billion in the second quarter, largely due to lower interest payments on loans and deposits held by non-residents.

Profits earned by Canadian direct investors on their assets abroad rose by \$1.5 billion in the second quarter to a record \$22.0 billion. Meanwhile, profits earned by foreign direct investors on their assets in Canada were up by \$1.6 billion to \$13.6 billion.

### Financial account

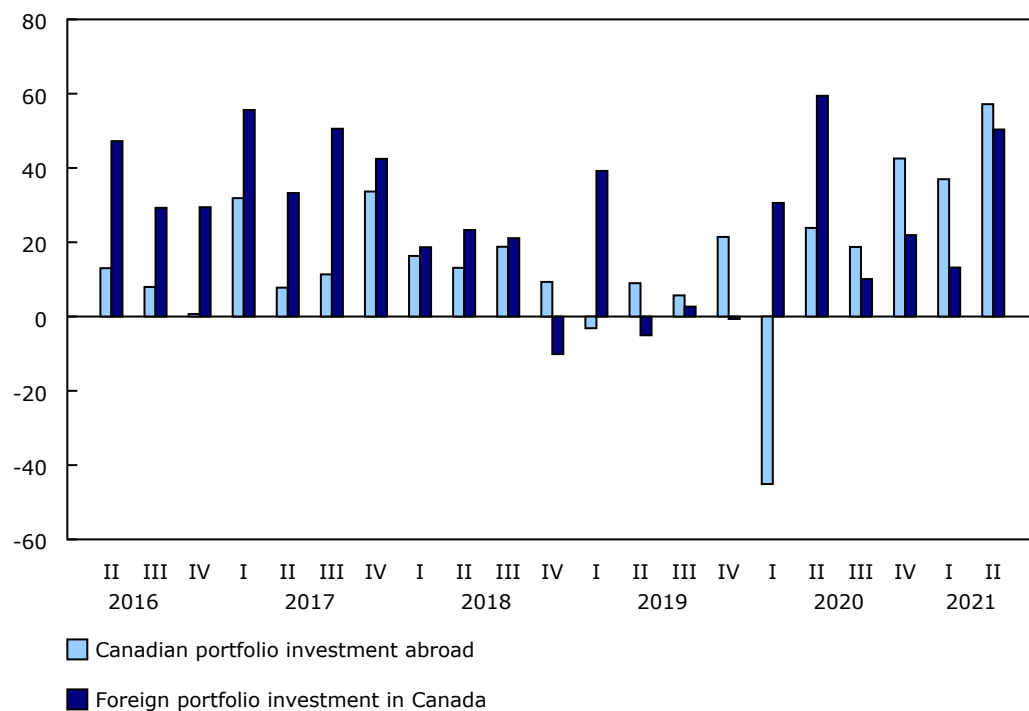
#### Record Canadian investment in foreign securities

Canadian investors acquired a record \$57.2 billion in foreign securities in the second quarter, up from \$36.9 billion in the first quarter. Canadian investors increased their holdings of both shares and debt securities. More precisely, investors purchased \$33.7 billion of US shares in the quarter, following acquisitions totalling \$91.3 billion in the previous four quarters. Such continued and high levels of investments have never been seen in the past. At the same time, Canadian investors acquired \$20.0 billion in foreign debt securities, almost evenly split between corporate and government instruments.

On the other side of the ledger, foreign investment in Canadian securities was also strong at \$50.3 billion in the second quarter. Foreign investors acquired \$33.8 billion of federal government debt securities, just below the investment level during the second quarter of 2020, in the wake of increased borrowing needs by the federal government to support Canadians affected by the pandemic. This followed a \$24.3 billion divestment in these instruments in the first quarter.

### Chart 3 Foreign portfolio investment

billions of dollars



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

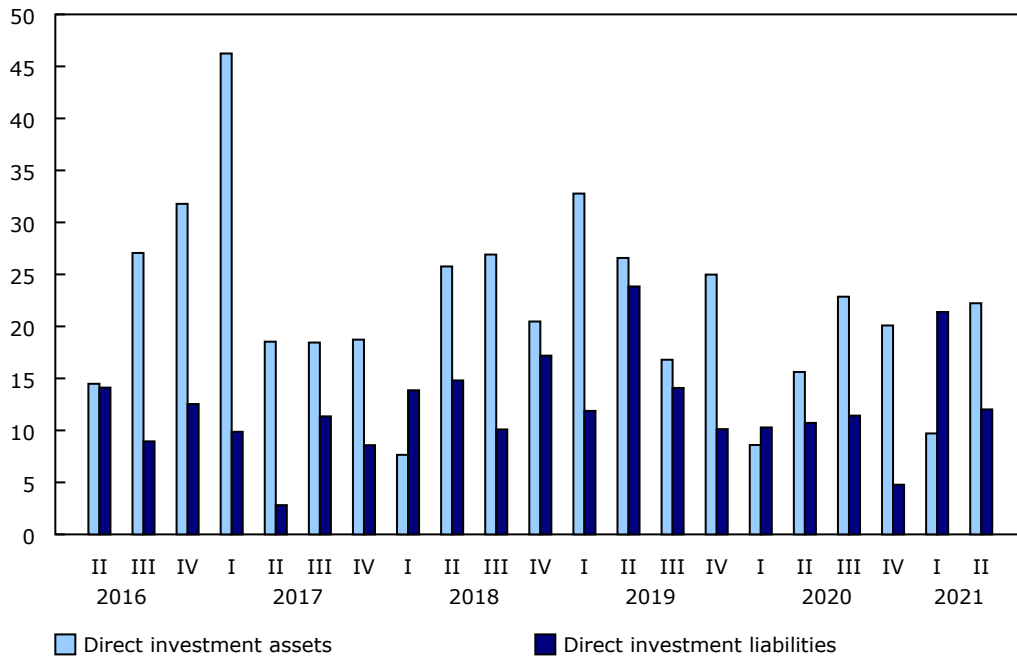
### Direct investment abroad increases

Direct investment abroad reached \$22.2 billion in the second quarter, up from \$9.7 billion in the first quarter. Mergers and acquisitions activity totalled \$7.9 billion, the highest level in two years. The investment was mostly in the trade and transportation industry and in management of companies and enterprises. On a country basis, the largest share of the investment abroad was directed toward the United States and, to a lesser extent, the United Kingdom.

Direct investment in Canada totalled \$12.0 billion in the second quarter. Equity investments made by foreign parents in Canadian affiliates, mainly in the form of reinvested earnings, were moderated by repayments of debt owed to foreign parents. Mergers and acquisitions activity totalled \$1.6 billion in the second quarter, down from \$5.8 billion in the first quarter. On a country basis, direct investment in Canada came primarily from the United States.

**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 (+) or net borrowing (-) derived from the sum of the current and capital accounts corresponds to a net lending (+) or 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, 36-10-0473-01 and 36-10-0656-01. 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.

### Foreign direct investment on a gross and net basis

Data on flows of foreign direct investment in Canada and Canadian direct investment abroad on a gross and net basis are available in table 36-10-0656-01. This table provides details on both the increase and the decrease of inward and outward investments, broken down into equity and debt instruments and by type of foreign direct investment flow. These data are made available to further define the nature of foreign direct investment and shed light on investments that could be associated with greenfield investment and with extension of capacity, although no internationally agreed definition of this concept exists in foreign direct investment statistics. Such investments introduce additional resources and assets and contribute to gross fixed capital formation. Gross fixed capital formation data in the broader context of activities of multinational enterprises in Canada are available in table 36-10-0356-01 and include investment in machinery and equipment, non-residential construction, and intellectual property by type of multinational.

### Real-time table

Real-time table 36-10-0042-01 will be updated on September 13. For more information, see [Real-time tables](#).

### Next release

Balance of international payments data for the third quarter will be released on November 29, 2021.

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

	Second quarter 2020	Third quarter 2020	Fourth quarter 2020	First quarter 2021	Second quarter 2021	2019	2020
millions of dollars							
<b>Capital account and current account</b>							
<b>Net lending / net borrowing, from capital account and current account</b>	<b>-10,076</b>	<b>-13,731</b>	<b>-1,126</b>	<b>2,891</b>	<b>1,905</b>	<b>-47,474</b>	<b>-40,135</b>
Current account balances	-10,076	-13,731	-1,126	2,928	1,905	-47,385	-40,087
Goods and services	-10,111	-13,402	-6,045	4,680	1,122	-36,871	-45,235
Goods	-10,349	-12,290	-6,798	3,746	787	-15,361	-37,514
Services	238	-1,111	753	934	334	-21,510	-7,721
Primary income	551	690	5,944	1,142	1,712	-8,069	9,719
Compensation of employees	-990	-1,022	-1,017	-1,044	-1,042	-5,865	-4,223
Investment income	1,541	1,712	6,961	2,186	2,753	-2,203	13,943
Direct investment	8,207	8,629	13,759	10,231	8,314	28,959	41,888
Portfolio investment	-6,164	-5,819	-5,773	-5,372	-5,142	-29,044	-24,769
Other investment	-501	-1,099	-1,024	-2,672	-418	-2,118	-3,177
Secondary income	-516	-1,019	-1,025	-2,893	-928	-2,445	-4,572
Capital account balance	0	0	0	-38	0	-89	-48
<b>Financial account<sup>1,2</sup></b>							
<b>Net lending / net borrowing, from financial account</b>	<b>-12,867</b>	<b>-14,407</b>	<b>2,877</b>	<b>501</b>	<b>8,641</b>	<b>-51,160</b>	<b>-37,220</b>
Net acquisition of financial assets	19,779	15,928	209,911	-17,173	91,045	264,716	213,501
Direct investment assets	15,618	22,856	20,087	9,707	22,225	101,127	67,159
Direct investment assets, equity	17,625	19,858	18,015	19,123	18,442	95,506	66,159
Direct investment assets, debt instruments	-2,007	2,997	2,072	-9,415	3,782	5,621	1,000
Canadian portfolio investment in foreign securities	23,857	18,732	42,542	36,980	57,176	32,960	40,031
Foreign debt securities	-1,654	6,608	7,142	5,099	19,989	27,485	1,749
Foreign money market instruments	1,231	-1,779	818	441	491	-1,470	1,948
Foreign bonds	-2,885	8,388	6,323	4,658	19,498	28,955	-199
Foreign equity and investment fund shares	25,512	12,124	35,400	31,880	37,186	5,475	38,282
Official international reserves	865	2,121	-1,404	-5,464	6,060	-1,716	-888
Other Canadian investment abroad	-20,561	-27,781	148,686	-58,396	5,584	132,345	107,200
Loans	-21,612	-24,561	34,283	-21,169	-18,674	66,302	9,082
Currency and deposits	-851	-22,313	61,300	4,848	12,564	27,073	68,918
Trade credits and advances	-76	539	-157	495	196	901	-387
Other accounts receivable	1,978	18,555	53,260	-42,569	11,498	38,069	29,587
Net incurrence of liabilities	32,646	30,335	207,034	-17,674	82,404	315,877	250,721
Direct investment liabilities	10,721	11,422	4,776	21,386	12,017	59,914	37,203
Direct investment liabilities, equity	10,742	4,628	2,923	13,453	13,462	63,129	26,250
Direct investment liabilities, debt instruments	-21	6,794	1,853	7,933	-1,445	-3,214	10,953
Foreign portfolio investment in Canadian securities	59,420	10,097	21,927	13,188	50,355	36,165	122,029
Canadian debt securities	80,008	2,944	9,987	-12,576	50,034	38,562	136,044
Canadian money market instruments	12,385	8,035	7,836	-11,858	26,759	4,527	20,308
Canadian bonds	67,623	-5,091	2,151	-718	23,275	34,035	115,736
Canadian equity and investment fund shares	-20,588	7,153	11,939	25,763	321	-2,397	-14,015
Other foreign investment in Canada	-37,495	8,816	180,331	-52,248	20,032	219,798	91,489
Loans	-4,561	9,073	50,853	-17,138	-19,844	60,067	31,496
Currency and deposits	-32,934	-733	129,299	-35,912	38,778	147,462	57,586
Special drawing rights	0	0	0	0	0	0	0
Trade credits and advances	-27	202	-122	344	602	2,832	-112
Other accounts payable	27	274	301	457	496	9,436	2,520
<b>Discrepancy (net errors and omissions)</b>	<b>-2,791</b>	<b>-676</b>	<b>4,003</b>	<b>-2,390</b>	<b>6,736</b>	<b>-3,687</b>	<b>2,915</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 2020	Third quarter 2020	Fourth quarter 2020	First quarter 2021	Second quarter 2021	2019	2020
millions of dollars							
<b>Current account receipts</b>	<b>168,817</b>	<b>198,339</b>	<b>206,026</b>	<b>219,302</b>	<b>220,896</b>	<b>901,998</b>	<b>782,800</b>
Goods and services	134,406	164,213	169,116	180,436	181,729	737,500	638,450
Goods	106,996	136,900	140,879	152,298	153,237	598,167	523,838
Services	27,410	27,313	28,237	28,138	28,492	139,333	114,611
Travel	3,533	2,822	2,753	2,774	2,565	37,167	15,100
Transportation	2,915	3,238	3,471	3,487	3,525	18,576	13,642
Commercial services	20,618	20,921	21,687	21,553	22,070	81,850	84,434
Government services	345	333	326	324	332	1,740	1,436
Primary income	30,864	30,892	33,593	34,939	36,020	149,213	131,217
Compensation of employees	245	247	252	241	245	1,740	1,142
Investment income	30,619	30,645	33,341	34,698	35,775	147,473	130,075
Direct investment	16,048	17,582	20,983	22,556	24,061	85,122	75,266
Interest	2,023	1,960	2,222	2,054	2,045	7,419	8,243
Profits	14,025	15,622	18,761	20,502	22,016	77,703	67,023
Portfolio investment	10,044	10,032	9,866	9,990	9,904	39,208	39,836
Interest on debt securities	3,964	3,975	3,757	3,868	3,734	15,493	15,694
Dividends on equity and investment fund shares	6,080	6,057	6,109	6,121	6,170	23,715	24,142
Other investment	4,527	3,031	2,492	2,153	1,811	23,143	14,973
Secondary income	3,546	3,233	3,317	3,927	3,147	15,285	13,132
Private transfers	1,100	1,110	1,097	1,207	1,174	4,443	4,383
Government transfers	2,446	2,122	2,219	2,720	1,973	10,842	8,749
Current account payments	176,742	208,266	211,300	217,488	217,315	949,383	822,887
Goods and services	142,852	173,747	177,975	178,800	179,910	774,371	683,685
Goods	115,830	146,536	150,144	151,101	151,555	613,527	561,352
Services	27,022	27,211	27,830	27,699	28,356	160,844	122,332
Travel	1,036	1,289	1,540	1,396	1,353	47,477	16,203
Transportation	4,955	5,343	5,664	5,373	5,499	32,414	23,355
Commercial services	20,680	20,226	20,274	20,588	21,151	79,389	81,335
Government services	351	353	352	342	352	1,565	1,440
Primary income	29,492	30,230	28,728	33,660	33,056	157,282	121,498
Compensation of employees	1,214	1,265	1,303	1,277	1,282	7,606	5,365
Investment income	28,278	28,965	27,425	32,383	31,774	149,676	116,133
Direct investment	6,924	8,810	8,161	12,698	14,290	56,163	33,377
Interest	879	874	865	722	709	3,638	3,506
Profits	6,045	7,936	7,296	11,976	13,581	52,525	29,871
Portfolio investment	16,295	15,852	15,667	15,251	15,133	68,253	64,605
Interest on debt securities	11,146	10,687	10,402	9,869	9,612	47,203	43,684
Dividends on equity and investment fund shares	5,150	5,165	5,265	5,383	5,521	21,050	20,922
Other investment	5,058	4,302	3,597	4,434	2,351	25,260	18,150
Secondary income	4,397	4,289	4,597	5,028	4,348	17,730	17,704
Private transfers	2,970	2,881	2,970	3,145	3,058	12,035	11,914
Government transfers	1,428	1,408	1,627	1,883	1,290	5,696	5,790
Current account balances	<b>-7,925</b>	<b>-9,928</b>	<b>-5,274</b>	<b>1,815</b>	<b>3,581</b>	<b>-47,385</b>	<b>-40,087</b>
Goods and services	-8,446	-9,534	-8,859	1,636	1,818	-36,871	-45,235
Goods	-8,835	-9,636	-9,266	1,198	1,682	-15,361	-37,514
Services	389	102	407	439	136	-21,510	-7,721
Travel	2,497	1,532	1,213	1,378	1,211	-10,310	-1,103
Transportation	-2,040	-2,106	-2,193	-1,886	-1,974	-13,837	-9,713
Commercial services	-61	695	1,413	964	919	2,462	3,099
Government services	-6	-20	-26	-18	-20	175	-4
Primary income	1,372	663	4,865	1,279	2,964	-8,069	9,719
Compensation of employees	-969	-1,018	-1,051	-1,036	-1,037	-5,865	-4,223
Investment income	2,341	1,680	5,916	2,315	4,001	-2,203	13,943
Direct investment	9,123	8,772	12,822	9,858	9,771	28,959	41,888
Interest	1,143	1,085	1,357	1,332	1,337	3,781	4,737
Profits	7,980	7,686	11,465	8,526	8,435	25,178	37,152
Portfolio investment	-6,251	-5,820	-5,801	-5,262	-5,229	-29,044	-24,769
Interest on debt securities	-7,181	-6,712	-6,645	-6,000	-5,878	-31,709	-27,989
Dividends on equity and investment fund shares	930	893	844	739	649	2,665	3,220
Other investment	-531	-1,271	-1,105	-2,282	-541	-2,118	-3,177
Secondary income	-851	-1,056	-1,280	-1,101	-1,201	-2,445	-4,572
Private transfers	-1,870	-1,771	-1,873	-1,938	-1,884	-7,592	-7,531
Government transfers	1,018	714	592	837	683	5,147	2,959

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](#), [36-10-0473-01](#) and [36-10-0656-01](#).

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

The product [Methodology for Exports of Energy Products within the International Merchandise Trade Program](#), which is part of *Latest Developments in the Canadian Economic Accounts* ([13-605-X](#)), is available.

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 product [Canada's international trade and investment country fact sheet](#)([71-607-X2020001](#)) is available online. This product provides easy and centralized access to Canada's international trade and investment statistics, on a country by country basis. It contains annual information for nearly 250 trading partners in summary form, including charts, tables and a short analysis that can also be exported in PDF format.

The [Economic accounts statistics portal](#) and [International trade statistics](#) are available from the *Subjects* module of our website.

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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