

Canada's balance of international payments, third quarter 2021

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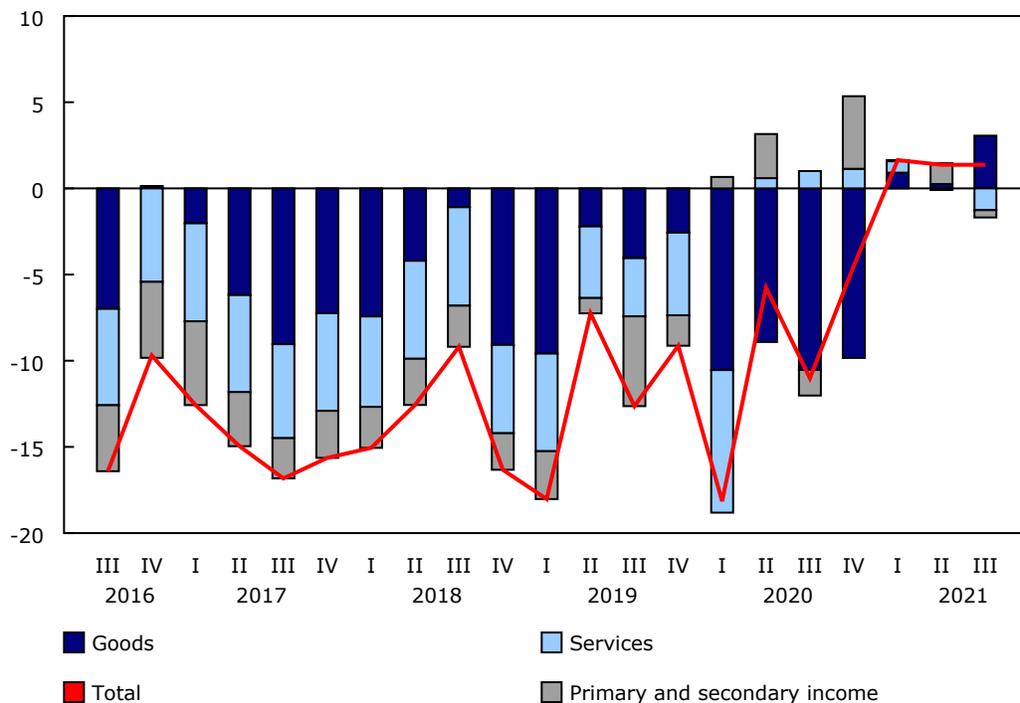
Canada's current account balance (on a seasonally adjusted basis) remained in a surplus position in the third quarter, as overall international receipts exceeded payments by \$1.4 billion. After posting continuous deficits from the fourth quarter of 2008 until the end of 2020, the current account balance has recorded a surplus position in all quarters of 2021.

The surplus in the third quarter was unchanged from the second quarter but reflected a higher trade in goods surplus, largely offset by a lower investment income surplus.

In the financial account (unadjusted for seasonal variation), transactions in currency and deposits led the net lending activity to non-residents through a reduction in foreign holdings of these instruments in Canada. Foreign direct investment was also a contributor as direct investment abroad exceeded direct investment in Canada.

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 remains in a surplus position

The trade in goods and services balance posted a third consecutive surplus, up \$1.6 billion to \$1.8 billion in the third quarter. This surplus was led by higher exports of goods. Meanwhile, the trade in services balance recorded a second consecutive deficit as imports grew by more than exports in the quarter.

Exports of goods were up by \$7.5 billion to \$160.4 billion in the third quarter. The largest contributor was energy products, up \$5.9 billion through higher prices and volumes. This increase was moderated by lower exports of forestry products, as prices declined 14.9% after increasing by more than 55% over the previous four quarters.

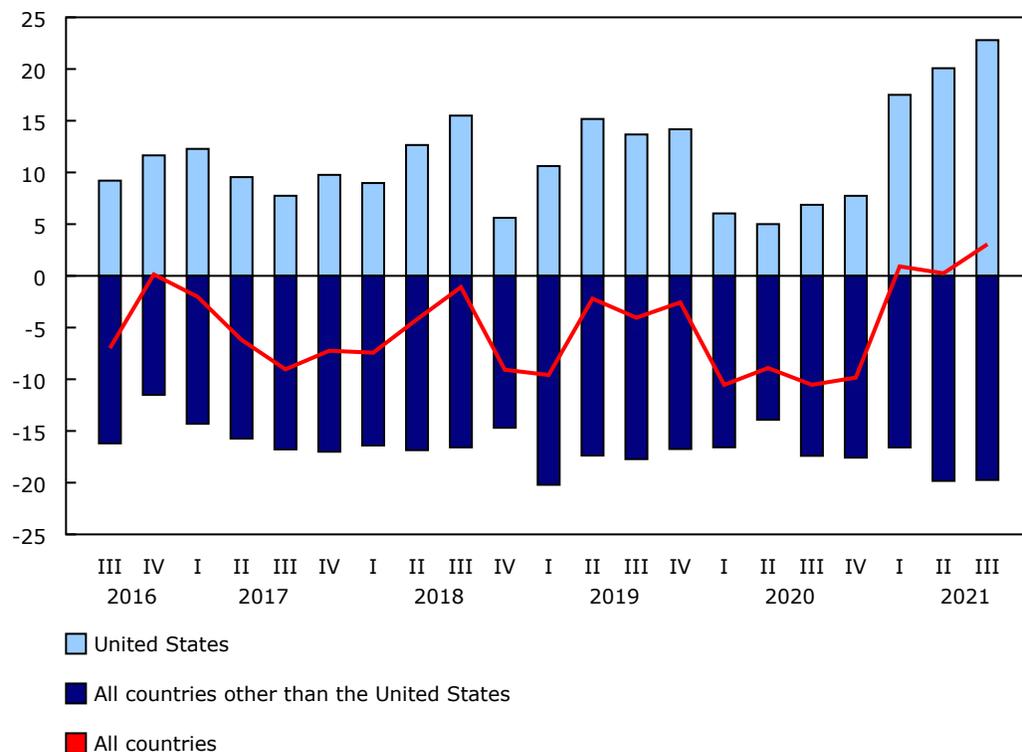
Imports of goods rose by \$4.7 billion to \$157.4 billion in the quarter. Imports of motor vehicles and parts increased by \$1.7 billion but remained lower than their pre-pandemic levels as supply issues for semiconductor chips continue to affect this industry.

On a geographical basis, the goods surplus with the United States was up by \$2.7 billion in the third quarter, with exports increasing more than imports. The deficit with countries other than the United States was slightly reduced. Increased trade activity with the United Kingdom was moderated by a decline with China.

The trade in services deficit increased \$1.2 billion to reach \$1.3 billion in the third quarter. The travel surplus was down \$0.8 billion as international travel activity increased. The number of Canadian and foreign tourists reached their highest levels since the beginning of the pandemic. The transport deficit increased \$0.5 billion, mostly on larger imports of sea transport.

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 increase

The investment income surplus was down by \$3.1 billion to \$0.4 billion in the third quarter. This reduction largely resulted from a lower direct investment surplus. During the third quarter, profits earned by foreign direct investors in Canada were up \$1.9 billion to a record-high \$15.1 billion. Meanwhile, profits earned by Canadian direct investors on their assets abroad were up by \$0.4 billion to \$21.7 billion.

Financial account

Foreign investment in Canadian bonds up significantly

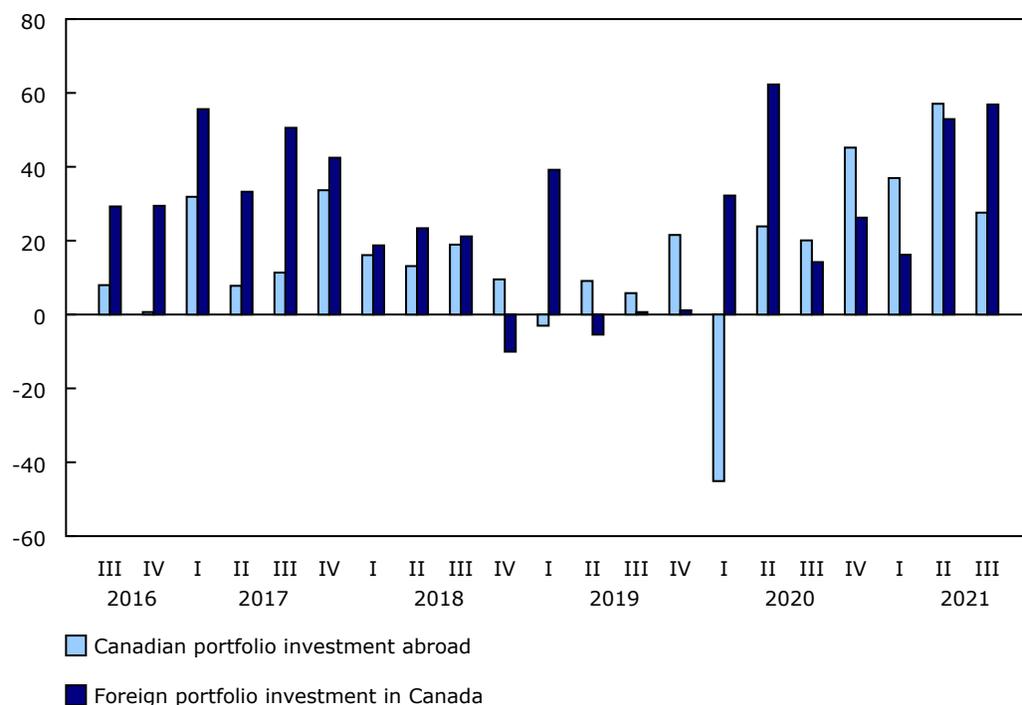
Foreign investment in Canadian securities amounted to \$56.9 billion in the third quarter, the highest level since the second quarter of 2020. The investment activity mainly targeted Canadian private corporate securities, notably bonds.

New issues of Canadian private corporate bonds placed in foreign markets, largely denominated in foreign currencies, accounted for the bulk of the investment activity. Foreign acquisitions of corporate short-term instruments and equities also contributed but to a lesser extent. Canadian stock prices edged down, and the Canadian dollar depreciated slightly against its US counterpart in the quarter.

On the other side of the ledger, Canadian investors acquired \$27.6 billion in foreign securities in the third quarter, down from \$57.1 billion in the second quarter. Investors mainly targeted US shares and non-US foreign bonds in the third quarter. US stock prices, as measured by the Standard and Poor's 500 composite index, edged down in the third quarter.

Chart 3 Foreign portfolio investment

billions of dollars



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

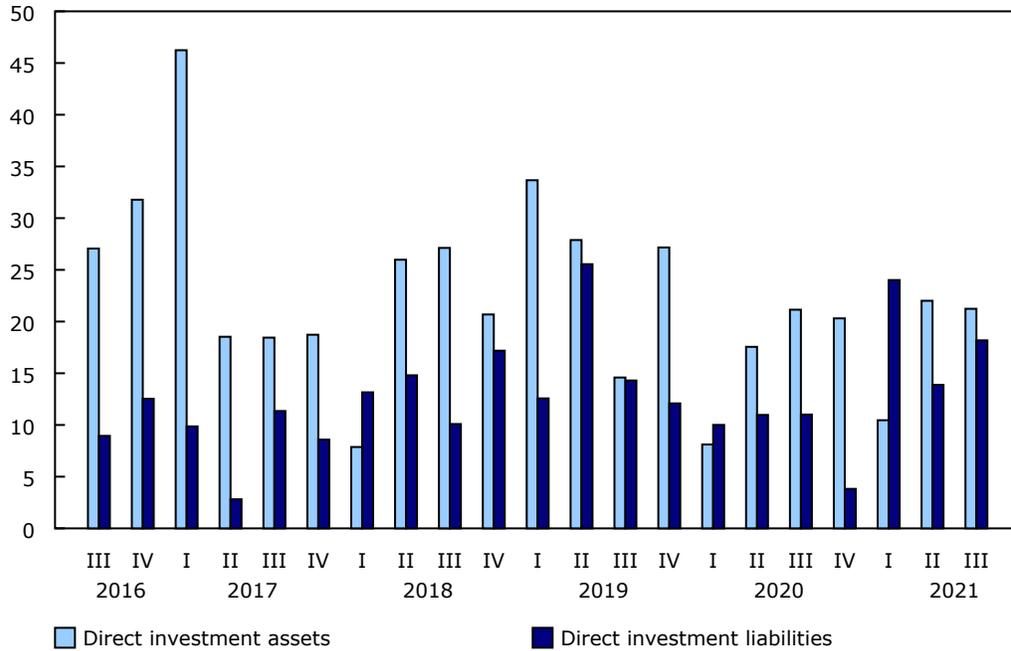
Direct investment in Canada increases

Direct investment in Canada totalled \$18.2 billion in the third quarter, up from \$13.9 billion in the second quarter. The level of investment reached in the first three quarters of the year has already exceeded the level observed for the whole year of 2020. Mergers and acquisitions activity totalled \$4.6 billion in the third quarter, up from \$1.6 billion in the second quarter. Foreign direct investment was mainly in both the energy and mining and manufacturing industries in the quarter. On a country basis, foreign direct investment from the United States and Switzerland accounted for more than half of the quarterly flows.

Direct investment abroad was \$21.2 billion in the third quarter compared with \$22.0 billion in the second quarter. Merger and acquisition activity reached \$11.5 billion, the highest level since the first quarter of 2019. The highest proportion of the direct investments abroad was in the financial sector. One-third of all Canadian investment abroad was directed to the United States in the third quarter.

Chart 4
Foreign direct investment

billions of dollars



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

Canada's international official reserves generate significant movements of funds

Canada's official international reserves increased by \$23.3 billion in the third quarter. This increase was mainly the result of the International Monetary Fund implementing a new allocation of Special Drawing Rights to its member countries during the quarter, which added \$18.9 billion to both reserve assets and long-term liabilities. This allocation will benefit all member countries to address their long-term global needs for reserves and maintain the stability of the global economy. The last general allocation was implemented in 2009 to provide liquidity in the context of the global financial crisis.

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.

Real-time table

Real-time table 36-10-0042-01 will be updated on December 6. For more information, see [Real-time tables](#).

Revisions

This release incorporates statistical revisions back to 2018 as part of the annual revision exercise of the Canadian System of Macroeconomic Accounts. Revisions reflect, in large part, the integration of benchmark survey data and updates resulting from the integration of trade data in the broader analytical context of the supply-use tables.

Revisions also reflect the integration of new data sources as well as updates to coverage and statistical methods, including the introduction of updated seasonal factors contributing to revisions to quarterly figures and patterns.

Overall, the impact of these updates led to lower exports of goods for most quarters during the period, mainly due to a reduction of the under coverage estimate for export transactions. For imports, the most notable impact was on natural gas, for which new data sources were integrated. These changes were introduced mainly in light of the integration of trade data in the supply-use tables.

For trade in services, both exports and imports were revised upward from 2018. Multiple factors contributed to these updates, led by the integration of benchmark survey data but also by the enhanced coverage of enterprises involved in the digital economy. For more details on sources of revisions for services, please consult the latest annual and monthly international trade in services releases.

In the financial account of the balance of payments, in addition to the typical integration of new benchmark survey data, updates to federal government debt securities data were implemented, due to the inclusion of additional details related to the geographical distribution of investors.

Next release

Balance of international payments data for the fourth quarter will be released on February 28, 2022.

Table 1
Balance of payments – Not seasonally adjusted

	Third quarter 2020	Fourth quarter 2020	First quarter 2021	Second quarter 2021	Third quarter 2021	2019	2020
millions of dollars							
Capital account and current account							
Net lending / net borrowing, from capital account and current account	-15,581	1,018	2,307	-19	-3,318	-47,130	-39,463
Current account balances	-15,581	1,018	2,345	-19	-3,318	-47,041	-39,415
Goods and services	-13,485	-5,574	4,665	-894	-2,257	-36,398	-45,361
Goods	-12,964	-7,706	3,092	-118	-368	-18,409	-39,825
Services	-521	2,132	1,573	-776	-1,889	-17,989	-5,536
Primary income	-1,183	7,602	478	1,799	-1,137	-7,884	10,186
Compensation of employees	-1,032	-1,033	-1,041	-1,061	-1,077	-6,188	-4,263
Investment income	-150	8,635	1,519	2,860	-60	-1,696	14,449
Direct investment	6,647	15,345	9,769	8,757	7,243	29,494	42,169
Portfolio investment	-5,838	-5,799	-5,399	-5,295	-5,304	-28,986	-24,842
Other investment	-959	-912	-2,851	-603	-1,999	-2,204	-2,878
Secondary income	-913	-1,010	-2,798	-925	77	-2,759	-4,240
Capital account balance	0	0	-38	0	0	-89	-48
Financial account^{1,2}							
Net lending / net borrowing, from financial account	-16,551	3,691	445	5,737	285	-50,774	-39,273
Net acquisition of financial assets	17,037	213,871	-14,194	95,135	118,334	269,549	222,401
Direct investment assets	21,147	20,309	10,458	22,010	21,235	103,303	67,122
Direct investment assets, equity	18,092	18,132	19,461	18,526	19,903	98,263	65,960
Direct investment assets, debt instruments	3,055	2,176	-9,003	3,484	1,332	5,040	1,161
Canadian portfolio investment in foreign securities	20,069	45,192	36,954	57,069	27,586	33,405	44,022
Foreign debt securities	6,608	7,142	5,074	19,883	8,169	27,716	1,749
Foreign money market instruments	-1,779	818	416	385	-2,765	-1,470	1,948
Foreign bonds	8,388	6,323	4,658	19,498	10,933	29,186	-199
Foreign equity and investment fund shares	13,460	38,050	31,880	37,186	19,418	5,688	42,273
Official international reserves	2,513	-1,010	-5,468	6,060	23,288	127	1,772
Other Canadian investment abroad	-26,691	149,381	-56,139	9,995	46,225	132,715	109,485
Loans	-24,568	34,313	-21,175	-17,932	42,299	66,910	8,963
Currency and deposits	-21,288	60,893	7,526	16,065	6,476	25,636	70,039
Trade credits and advances	539	-156	495	248	-80	901	-386
Other accounts receivable	18,626	54,331	-42,984	11,613	-2,470	39,268	30,870
Net incurrence of liabilities	33,588	210,181	-14,639	89,398	118,049	320,323	261,674
Direct investment liabilities	11,006	3,820	24,014	13,881	18,182	64,508	35,802
Direct investment liabilities, equity	4,212	2,999	16,127	14,378	15,694	66,864	25,991
Direct investment liabilities, debt instruments	6,794	821	7,887	-497	2,489	-2,355	9,811
Foreign portfolio investment in Canadian securities	14,197	26,233	16,178	52,916	56,862	35,554	134,945
Canadian debt securities	7,043	14,293	-9,590	52,579	55,257	37,956	148,960
Canadian money market instruments	8,035	7,836	-11,858	26,759	5,707	4,527	20,308
Canadian bonds	-992	6,457	2,268	25,820	49,550	33,429	128,652
Canadian equity and investment fund shares	7,153	11,939	25,768	337	1,605	-2,403	-14,015
Other foreign investment in Canada	8,385	180,129	-54,830	22,600	43,005	220,261	90,926
Loans	8,842	50,701	-19,476	-17,577	36,012	58,951	30,908
Currency and deposits	-794	129,369	-36,018	39,012	-12,514	149,070	58,146
Special drawing rights	0	0	0	0	18,943	0	0
Trade credits and advances	202	-104	346	508	-91	2,832	-94
Other accounts payable	136	163	319	658	656	9,408	1,965
Discrepancy (net errors and omissions)	-970	2,673	-1,863	5,757	3,603	-3,644	189

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

	Third quarter 2020	Fourth quarter 2020	First quarter 2021	Second quarter 2021	Third quarter 2021	2019	2020
millions of dollars							
Current account receipts	198,897	210,685	221,741	222,719	234,201	909,026	793,294
Goods and services	166,460	171,697	183,040	184,211	193,088	745,187	647,983
Goods	136,115	140,449	151,869	152,957	160,424	595,564	522,183
Services	30,345	31,248	31,171	31,253	32,664	149,624	125,801
Travel	3,720	3,516	3,493	3,487	4,104	39,507	18,114
Transportation	3,267	3,486	3,517	3,557	3,718	18,581	13,685
Commercial services	23,051	23,923	23,824	23,846	24,476	89,745	92,629
Government services	307	324	336	363	366	1,791	1,373
Primary income	29,030	35,561	34,662	35,351	36,797	148,429	131,582
Compensation of employees	236	237	244	248	256	1,740	1,102
Investment income	28,794	35,323	34,418	35,103	36,541	146,688	130,480
Direct investment	15,736	22,966	22,241	23,416	23,966	84,285	75,638
Interest	2,200	2,381	2,246	2,173	2,278	7,850	8,950
Profits	13,536	20,585	19,996	21,243	21,687	76,435	66,688
Portfolio investment	10,037	9,871	10,018	9,862	10,330	39,208	39,836
Interest on debt securities	3,979	3,757	3,902	3,719	3,960	15,493	15,694
Dividends on equity and investment fund shares	6,058	6,114	6,116	6,143	6,370	23,715	24,142
Other investment	3,021	2,487	2,159	1,825	2,245	23,196	15,005
Secondary income	3,407	3,427	4,040	3,158	4,316	15,410	13,728
Private transfers	1,286	1,259	1,210	1,224	1,272	4,568	4,979
Government transfers	2,121	2,169	2,830	1,934	3,044	10,842	8,749
Current account payments	209,911	215,176	220,101	221,351	232,833	956,067	832,708
Goods and services	175,987	180,399	181,462	184,053	191,292	781,585	693,344
Goods	146,648	150,287	150,957	152,707	157,368	613,973	562,008
Services	29,339	30,112	30,505	31,347	33,924	167,613	131,337
Travel	1,302	1,549	1,381	1,359	2,759	46,901	16,203
Transportation	5,288	5,577	5,855	6,193	6,877	32,616	23,261
Commercial services	22,405	22,641	22,921	23,439	23,936	86,562	90,464
Government services	344	346	347	356	352	1,535	1,409
Primary income	29,551	30,030	33,703	32,900	37,439	156,313	121,396
Compensation of employees	1,270	1,314	1,274	1,288	1,320	7,928	5,365
Investment income	28,282	28,716	32,430	31,612	36,119	148,384	116,030
Direct investment	8,253	9,567	12,445	13,907	15,838	54,791	33,469
Interest	858	870	742	737	748	3,460	3,432
Profits	7,395	8,697	11,704	13,169	15,089	51,331	30,037
Portfolio investment	15,871	15,700	15,312	15,215	15,661	68,194	64,678
Interest on debt securities	10,706	10,426	9,903	9,662	10,012	47,145	43,752
Dividends on equity and investment fund shares	5,165	5,273	5,409	5,553	5,649	21,049	20,926
Other investment	4,157	3,449	4,672	2,490	4,620	25,400	17,883
Secondary income	4,372	4,748	4,935	4,398	4,102	18,169	17,968
Private transfers	2,961	3,086	3,076	3,120	3,180	12,473	12,178
Government transfers	1,411	1,662	1,860	1,278	922	5,696	5,790
Current account balances	-11,014	-4,491	1,640	1,368	1,369	-47,041	-39,415
Goods and services	-9,527	-8,702	1,577	157	1,796	-36,398	-45,361
Goods	-10,533	-9,838	912	251	3,057	-18,409	-39,825
Services	1,006	1,136	665	-93	-1,260	-17,989	-5,536
Travel	2,417	1,967	2,112	2,129	1,345	-7,394	1,911
Transportation	-2,021	-2,092	-2,338	-2,637	-3,159	-14,034	-9,576
Commercial services	646	1,282	903	408	540	3,184	2,165
Government services	-36	-22	-11	7	13	256	-36
Primary income	-522	5,531	959	2,451	-642	-7,884	10,186
Compensation of employees	-1,034	-1,076	-1,030	-1,041	-1,064	-6,188	-4,263
Investment income	512	6,607	1,989	3,491	422	-1,696	14,449
Direct investment	7,483	13,399	9,796	9,509	8,128	29,494	42,169
Interest	1,342	1,510	1,504	1,436	1,530	4,390	5,518
Profits	6,140	11,888	8,292	8,074	6,598	25,104	36,651
Portfolio investment	-5,835	-5,829	-5,294	-5,353	-5,331	-28,986	-24,842
Interest on debt securities	-6,727	-6,670	-6,001	-5,943	-6,052	-31,651	-28,058
Dividends on equity and investment fund shares	893	841	706	590	721	2,666	3,216
Other investment	-1,136	-962	-2,513	-664	-2,375	-2,204	-2,878
Secondary income	-965	-1,321	-896	-1,240	214	-2,759	-4,240
Private transfers	-1,675	-1,827	-1,866	-1,896	-1,908	-7,906	-7,199
Government transfers	710	506	970	655	2,122	5,147	2,959

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](#), [36-10-0471-01](#) to [36-10-0473-01](#) and [36-10-0656-01](#).

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

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

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 *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; infostats@statcan.gc.ca).

To enquire about the concepts, methods or data quality of this release, contact Denis Caron (statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca), International Accounts and Trade Division.