

Canada's balance of international payments, fourth quarter 2021

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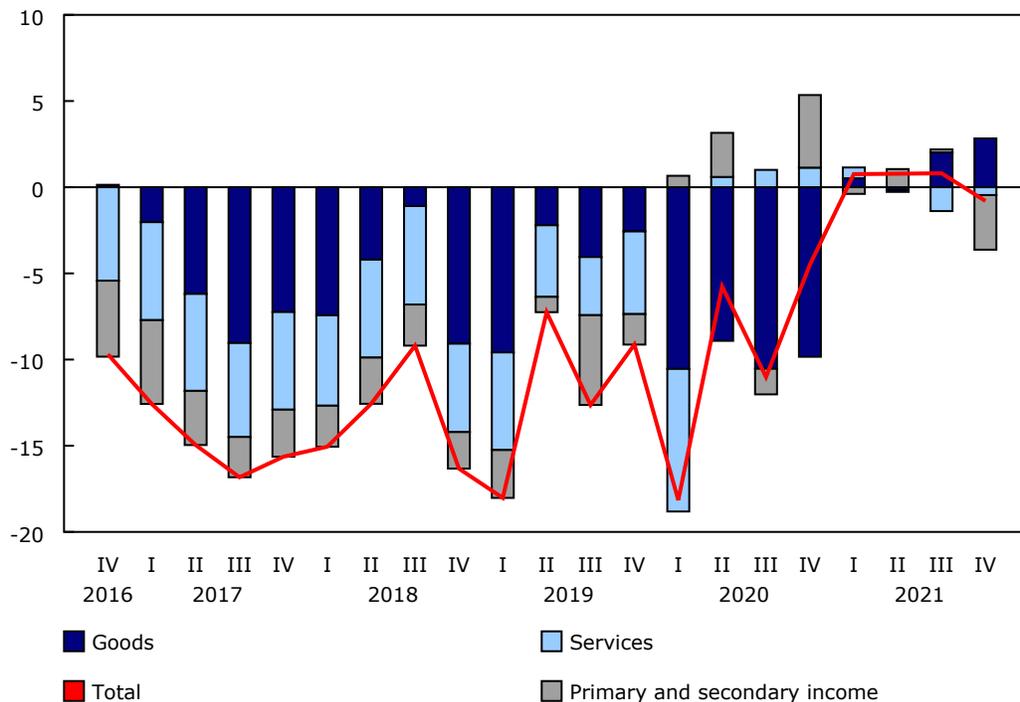
Canada's current account balance (on a seasonally adjusted basis) recorded a \$0.8 billion deficit in the fourth quarter of 2021 after posting a \$0.8 billion surplus in the previous quarter. The slight deficit position mainly reflected a deterioration of the investment income balance which posted its first deficit in over two years.

In the financial account (unadjusted for seasonal variation), record foreign investment in Canadian securities was the main contributor to the inflow of funds in the economy. This activity was moderated by strong Canadian acquisitions of foreign securities in the fourth quarter.

Direct investment abroad surged in the fourth quarter, on higher mergers and acquisitions activity. Consequently, direct investment abroad exceeded direct investment in Canada by \$43.1 billion, the highest value on record.

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 balance remains in a surplus position

The trade in goods and services balance posted a \$2.4 billion surplus in the fourth quarter, a third quarterly surplus recorded in 2021. Prior to 2021, the last surplus recorded was in 2008.

Exports of goods were up by \$10.2 billion to \$170.7 billion in the fourth quarter. The largest contributor was energy products (+\$5.1 billion), mostly through higher prices. Other major contributors were motor vehicles and parts (+\$2.6 billion) due to higher volumes—and consumer goods (+\$1.5 billion) led by pharmaceutical and medical products.

Meanwhile, imports of goods rose by \$9.3 billion to \$167.9 billion. Consumer goods increased by \$3.0 billion, largely on higher imports of pharmaceutical and medicinal products. The increase in exports and imports of pharmaceutical and medicinal products reflected large shipments that came into Canada for packaging and labelling and were, for the most part, subsequently exported during the fourth quarter. Motor vehicles and parts were up \$2.8 billion on stronger volumes.

On a geographical basis, the goods surplus with the United States was up by \$2.3 billion in the fourth quarter with exports increasing by more than imports. The deficit with countries other than the United States increased by \$1.5 billion. The trade deficit with China rose by \$1.5 billion as imports reached a record-high \$15.3 billion in the quarter.

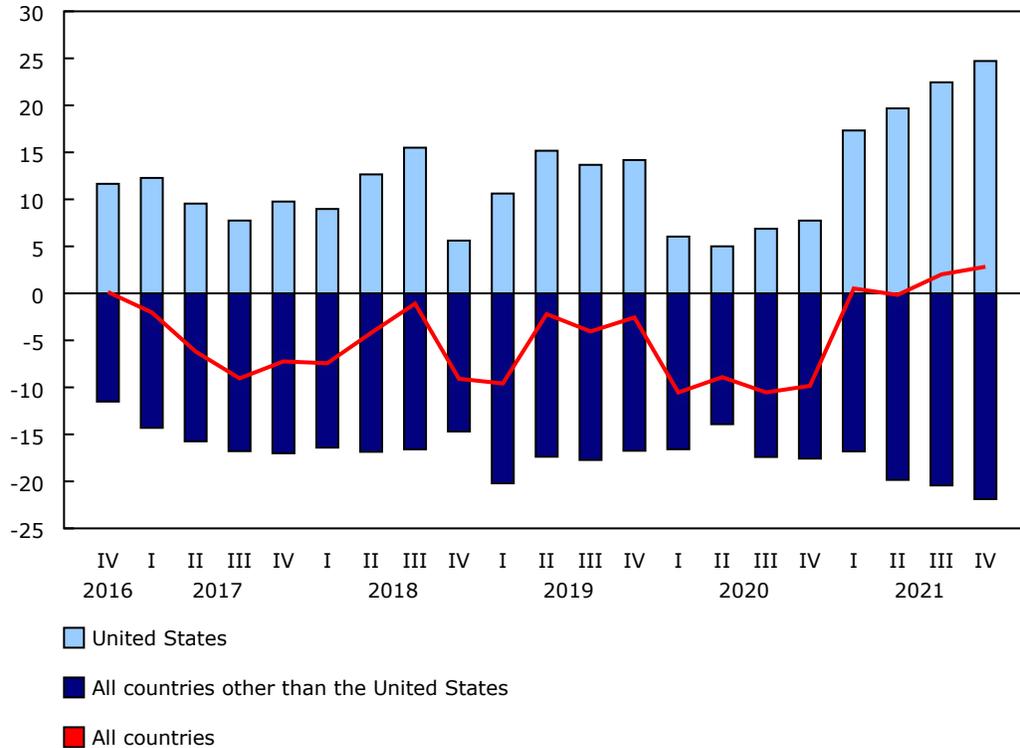
The trade in services deficit narrowed by \$0.9 billion to \$0.5 billion in the fourth quarter. The commercial services surplus rose by \$1.2 billion to \$1.8 billion. Higher exports of both financial services and computer and information services, combined with lower imports of financial services, largely contributed to the increase. Exports and imports of travel services increased by almost similar values in the quarter.

The investment income balance posts a deficit

The investment income balance went from a \$1.4 billion surplus in the third quarter to a \$1.1 billion deficit in the fourth quarter, mainly due to foreign direct investment. Profits earned by foreign direct investors on their assets in Canada were up \$1.7 billion, while those earned by Canadian direct investors on their assets abroad declined \$0.7 billion.

Chart 2
Goods balances by geographic area

billions of dollars



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

Financial account

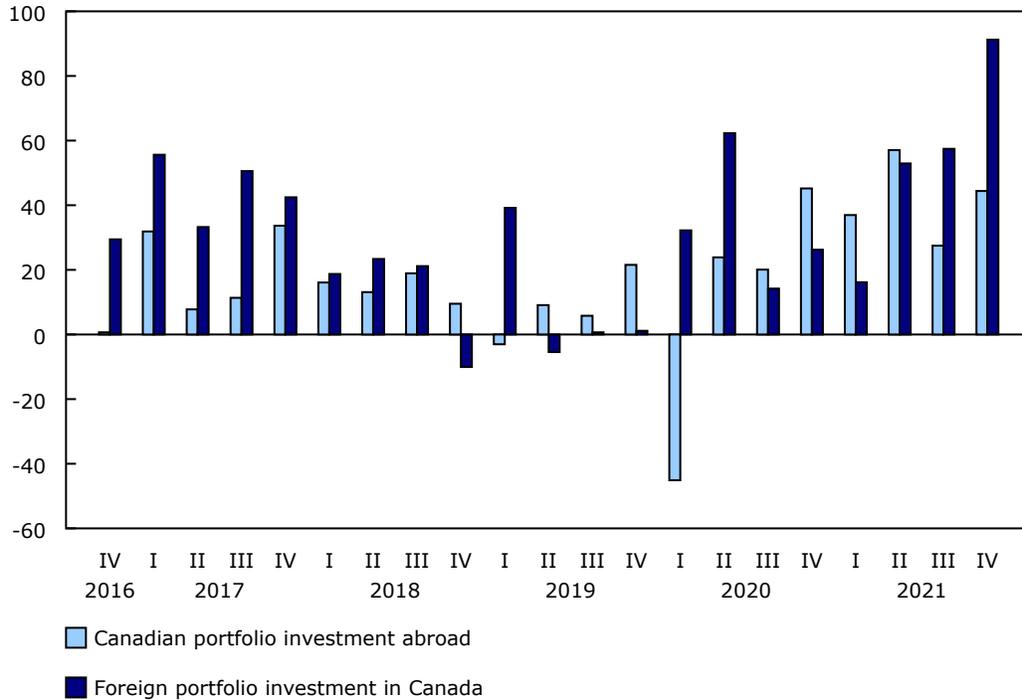
Foreign investment in Canadian securities hits a record high

Foreign investment in Canadian securities reached an unprecedented \$91.2 billion in the fourth quarter, up from \$57.5 billion in the third quarter. Foreign investors acquired \$73.7 billion of Canadian debt securities, mainly bonds. Issuances of new Canadian shares to foreign portfolio investors resulting from cross-border mergers and acquisitions also contributed to the investment activity.

On the other side of the ledger, Canadian investors acquired \$44.4 billion of foreign securities in the fourth quarter, up from \$27.5 billion in the previous quarter. Investors purchased an equivalent amount of US shares and foreign debt securities in the fourth quarter. As a result, portfolio investments generated a net inflow of funds in the economy of \$46.8 billion in the fourth quarter, the largest since the first quarter of 2020.

Chart 3
Foreign portfolio investment

billions of dollars



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

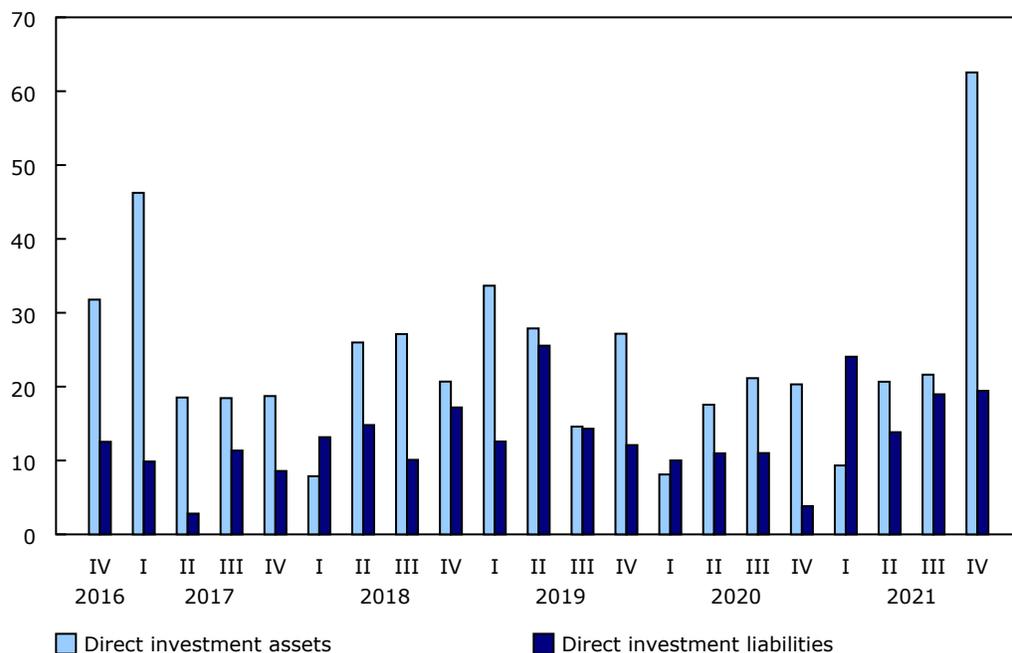
Canadian direct investment abroad at a record level

Direct investment abroad reached a record-high \$62.5 billion in the fourth quarter, a level higher than the previous three quarters combined. Cross-border mergers and acquisitions (\$45.9 billion) largely contributed to the investment activity. Most of the Canadian direct investment abroad was in the trade and transportation sector, and directed to the United States.

Foreign direct investment in Canada amounted to \$19.4 billion in the fourth quarter, a level surpassed only twice since 2016. While cross-border mergers and acquisitions were relatively strong at \$8.8 billion, earnings reinvested in Canadian affiliates by their foreign parents accounted for most of the activity.

Chart 4 Foreign direct investment

billions of dollars



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

Year 2021 in review

First current account surplus since 2008

For the year 2021, the current account balance recorded a surplus of \$1.6 billion, the first surplus since 2008. The trade in goods balance went from a \$39.8 billion deficit in 2020 to a \$5.2 billion surplus in 2021. Total exports rose by \$113.6 billion, led by higher exports of energy products on the strength of prices. Meanwhile, imports increased by \$68.6 billion, with gains widespread across product sections. For more information about the annual trade in goods, consult "[Canadian international merchandise trade, December 2021](#)."

The trade in services deficit narrowed to a low level of \$1.3 billion in 2021 as the travel surplus increased. Travel restrictions continued to have a significant impact on travel services during the year, resulting in an unusual surplus position for a second consecutive year.

The investment income balance posted a \$5.9 billion surplus in 2021, down by \$8.6 billion compared with the previous year. Following significant declines in 2020, profits earned in Canada by foreign direct investors rose \$26.1 billion, while those earned by Canadians on their direct investments abroad were up by \$19.2 billion in 2021.

Strong cross-border investment activity in 2021

In the financial account, portfolio investment generated a net inflow of funds in the economy of \$51.9 billion. Meanwhile, direct investment activity generated a net outflow of funds totalling \$37.9 billion.

Foreign investors acquired a record-high \$217.8 billion in Canadian securities in 2021. Foreign purchases in the form of debt securities issued by the federal government remained strong, as borrowing needs to support Canadian enterprises and households impacted by the COVID-19 pandemic were still present. On the other side of the ledger, Canadian investors acquired an unprecedented \$165.9 billion of foreign securities, significantly higher than the previous record of \$84.7 billion observed in 2017.

Direct investment activity increased considerably in 2021 following lower investment levels in 2020. Direct investment abroad reached a record-high \$114.2 billion, up from \$67.1 billion in 2020. More than half of this investment was related to mergers and acquisitions activity and the bulk of the investment was directed to the United States. Meanwhile, direct investment in Canada amounted to \$76.3 billion, the highest level since 2007. On a sector basis, foreign direct investment was mainly directed to the manufacturing as well as the energy and mining industry in Canada.

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 March 7, 2022. For more information, see [Real-time tables](#).

Next release

Balance of international payments data for the first quarter of 2022 will be released on May 30, 2022.

Table 1
Balance of payments – Not seasonally adjusted

	Fourth quarter 2020	First quarter 2021	Second quarter 2021	Third quarter 2021	Fourth quarter 2021	2020	2021
millions of dollars							
Capital account and current account							
Net lending / net borrowing, from capital account and current account	1,018	2,438	-556	-3,855	3,488	-39,463	1,515
Current account balances	1,018	2,476	-556	-3,855	3,488	-39,415	1,553
Goods and services	-5,574	4,598	-1,111	-3,516	3,909	-45,361	3,881
Goods	-7,706	2,962	-334	-1,156	3,730	-39,825	5,203
Services	2,132	1,636	-777	-2,360	179	-5,536	-1,322
Primary income	7,602	721	1,480	-510	-70	10,186	1,621
Compensation of employees	-1,033	-1,041	-1,061	-1,075	-1,068	-4,263	-4,245
Investment income	8,635	1,762	2,541	565	998	14,449	5,866
Direct investment	15,345	9,755	8,574	8,346	8,910	42,169	35,585
Portfolio investment	-5,799	-5,506	-5,457	-5,482	-5,714	-24,842	-22,158
Other investment	-912	-2,487	-576	-2,299	-2,198	-2,878	-7,561
Secondary income	-1,010	-2,844	-925	171	-351	-4,240	-3,949
Capital account balance	0	-38	0	0	0	-48	-38
Financial account^{1,2}							
Net lending / net borrowing, from financial account	3,691	1,376	4,449	-607	-1,774	-39,273	3,444
Net acquisition of financial assets	213,871	-15,367	93,812	117,553	220,377	222,401	416,376
Direct investment assets	20,309	9,328	20,667	21,621	62,540	67,122	114,155
Direct investment assets, equity	18,132	18,003	18,318	22,304	59,452	65,960	118,076
Direct investment assets, debt instruments	2,176	-8,675	2,349	-683	3,088	1,161	-3,921
Canadian portfolio investment in foreign securities	45,192	36,954	57,069	27,484	44,402	44,022	165,910
Foreign debt securities	7,142	5,074	19,883	8,157	19,697	1,749	52,812
Foreign money market instruments	818	416	385	-2,769	2,275	1,948	307
Foreign bonds	6,323	4,658	19,498	10,926	17,422	-199	52,504
Foreign equity and investment fund shares	38,050	31,880	37,186	19,327	24,705	42,273	113,098
Official international reserves	-1,010	-5,468	6,060	23,288	1,439	1,772	25,320
Other Canadian investment abroad	149,381	-56,181	10,016	45,160	111,996	109,485	110,991
Loans	34,313	-21,167	-17,985	43,418	20,551	8,963	24,816
Currency and deposits	60,893	7,494	16,082	4,313	34,838	70,039	62,726
Trade credits and advances	-156	495	254	-135	163	-386	777
Other accounts receivable	54,331	-43,003	11,665	-2,436	56,445	30,870	22,671
Net incurrence of liabilities	210,181	-16,743	89,364	118,160	222,151	261,674	412,932
Direct investment liabilities	3,820	24,052	13,834	18,965	19,439	35,802	76,290
Direct investment liabilities, equity	2,999	16,166	14,380	15,602	21,351	25,991	67,499
Direct investment liabilities, debt instruments	821	7,887	-546	3,363	-1,912	9,811	8,791
Foreign portfolio investment in Canadian securities	26,233	16,168	52,928	57,450	91,242	134,945	217,788
Canadian debt securities	14,293	-9,592	52,580	55,087	73,732	148,960	171,808
Canadian money market instruments	7,836	-11,858	26,759	5,707	19,331	20,308	39,939
Canadian bonds	6,457	2,266	25,822	49,381	54,401	128,652	131,870
Canadian equity and investment fund shares	11,939	25,759	348	2,363	17,510	-14,015	45,980
Other foreign investment in Canada	180,129	-56,963	22,602	41,744	111,470	90,926	118,853
Loans	50,701	-21,497	-17,644	36,841	26,663	30,908	24,364
Currency and deposits	129,369	-36,131	39,077	-14,334	82,577	58,146	71,189
Special drawing rights	0	0	0	18,943	0	0	18,943
Trade credits and advances	-104	346	511	-361	1,053	-94	1,548
Other accounts payable	163	319	658	656	1,178	1,965	2,809
Discrepancy (net errors and omissions)	2,673	-1,062	5,005	3,249	-5,263	189	1,929

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

	Fourth quarter 2020	First quarter 2021	Second quarter 2021	Third quarter 2021	Fourth quarter 2021	2020	2021
millions of dollars							
Current account receipts	210,685	220,585	222,792	235,620	248,031	793,294	927,028
Goods and services	171,697	182,608	184,327	193,170	205,983	647,983	766,088
Goods	140,449	151,489	152,984	160,579	170,734	522,183	635,786
Services	31,248	31,120	31,342	32,591	35,249	125,801	130,302
Travel	3,516	3,463	3,487	4,103	5,407	18,114	16,459
Transportation	3,486	3,506	3,536	3,705	4,119	13,685	14,866
Commercial services	23,923	23,813	23,968	24,420	25,343	92,629	97,544
Government services	324	338	351	363	380	1,373	1,432
Primary income	35,561	34,311	35,306	38,148	37,626	131,582	145,392
Compensation of employees	237	244	248	259	260	1,102	1,011
Investment income	35,323	34,067	35,058	37,889	37,366	130,480	144,380
Direct investment	22,966	21,909	23,318	25,136	24,353	75,638	94,716
Interest	2,381	2,234	2,153	2,258	2,152	8,950	8,798
Profits	20,585	19,675	21,164	22,878	22,201	66,688	85,918
Portfolio investment	9,871	9,988	9,881	10,365	10,472	39,836	40,706
Interest on debt securities	3,757	3,898	3,722	3,976	4,101	15,694	15,698
Dividends on equity and investment fund shares	6,114	6,090	6,159	6,388	6,371	24,142	25,008
Other investment	2,487	2,170	1,859	2,389	2,541	15,005	8,959
Secondary income	3,427	3,666	3,159	4,301	4,422	13,728	15,548
Private transfers	1,259	1,213	1,237	1,269	1,290	4,979	5,009
Government transfers	2,169	2,453	1,922	3,032	3,132	8,749	10,539
Current account payments	215,176	219,826	222,010	234,811	248,828	832,708	925,475
Goods and services	180,399	181,463	184,598	192,537	203,610	693,344	762,208
Goods	150,287	150,971	153,147	158,561	167,905	562,008	630,584
Services	30,112	30,492	31,451	33,976	35,705	131,337	131,624
Travel	1,549	1,350	1,391	2,823	4,072	16,203	9,637
Transportation	5,577	5,775	6,116	6,951	7,676	23,261	26,518
Commercial services	22,641	22,996	23,558	23,827	23,573	90,464	93,954
Government services	346	371	385	375	384	1,409	1,515
Primary income	30,030	33,340	32,785	37,815	39,830	121,396	143,770
Compensation of employees	1,314	1,279	1,293	1,327	1,357	5,365	5,256
Investment income	28,716	32,061	31,492	36,487	38,473	116,030	138,514
Direct investment	9,567	12,421	13,652	15,685	17,373	33,469	59,131
Interest	870	742	737	748	748	3,432	2,975
Profits	8,697	11,679	12,915	14,937	16,625	30,037	56,156
Portfolio investment	15,700	15,373	15,361	15,890	16,240	64,678	62,864
Interest on debt securities	10,426	9,905	9,664	10,012	10,118	43,752	39,699
Dividends on equity and investment fund shares	5,273	5,468	5,697	5,877	6,122	20,926	23,165
Other investment	3,449	4,268	2,479	4,913	4,860	17,883	16,520
Secondary income	4,748	5,023	4,626	4,460	5,388	17,968	19,497
Private transfers	3,086	3,112	3,117	3,133	3,166	12,178	12,528
Government transfers	1,662	1,911	1,509	1,327	2,222	5,790	6,969
Current account balances	-4,491	759	782	808	-797	-39,415	1,553
Goods and services	-8,702	1,146	-271	633	2,373	-45,361	3,881
Goods	-9,838	518	-163	2,018	2,829	-39,825	5,203
Services	1,136	628	-108	-1,385	-456	-5,536	-1,322
Travel	1,967	2,113	2,096	1,280	1,334	1,911	6,823
Transportation	-2,092	-2,270	-2,580	-3,246	-3,556	-9,576	-11,652
Commercial services	1,282	818	410	593	1,770	2,165	3,590
Government services	-22	-33	-34	-12	-4	-36	-83
Primary income	5,531	971	2,521	334	-2,204	10,186	1,621
Compensation of employees	-1,076	-1,035	-1,045	-1,068	-1,097	-4,263	-4,245
Investment income	6,607	2,006	3,566	1,402	-1,107	14,449	5,866
Direct investment	13,399	9,489	9,666	9,451	6,980	42,169	35,585
Interest	1,510	1,493	1,416	1,510	1,404	5,518	5,823
Profits	11,888	7,996	8,250	7,941	5,576	36,651	29,762
Portfolio investment	-5,829	-5,385	-5,480	-5,525	-5,768	-24,842	-22,158
Interest on debt securities	-6,670	-6,007	-5,941	-6,036	-6,017	-28,058	-24,001
Dividends on equity and investment fund shares	841	621	461	511	249	3,216	1,842
Other investment	-962	-2,098	-620	-2,524	-2,320	-2,878	-7,561
Secondary income	-1,321	-1,357	-1,467	-1,59	-966	-4,240	-3,949
Private transfers	-1,827	-1,899	-1,880	-1,863	-1,876	-7,199	-7,518
Government transfers	506	542	413	1,704	910	2,959	3,569

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 \(71-607-X\)](#) 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 the Statistics Canada 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, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; infostats@statcan.gc.ca) or Media Relations (statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca).