

Canada's balance of international payments, second quarter 2022

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Canada's current account surplus (on a seasonal adjusted basis) amounted to \$2.7 billion in the second quarter, a level similar to the surplus recorded in the first quarter. This balance reflected a higher trade in goods surplus offset by higher trade in services and investment income deficits.

In the financial account (unadjusted for seasonal variation), portfolio and direct investment both led the net lending activity to non-residents in the second quarter. Canadian acquisitions of foreign securities resumed, while foreign investors reduced their holdings of Canadian shares and government debt securities. Foreign direct investment generated a net outflow of funds as direct investment abroad exceeded direct investment in Canada.

As in the first quarter, overall cross-border activity in the second quarter occurred against the backdrop of rising interest rates and commodity prices. In addition, global equity markets sharply declined and the Canadian dollar appreciated against major foreign currencies, except the US dollar.

Current account

The trade in goods and services surplus increases

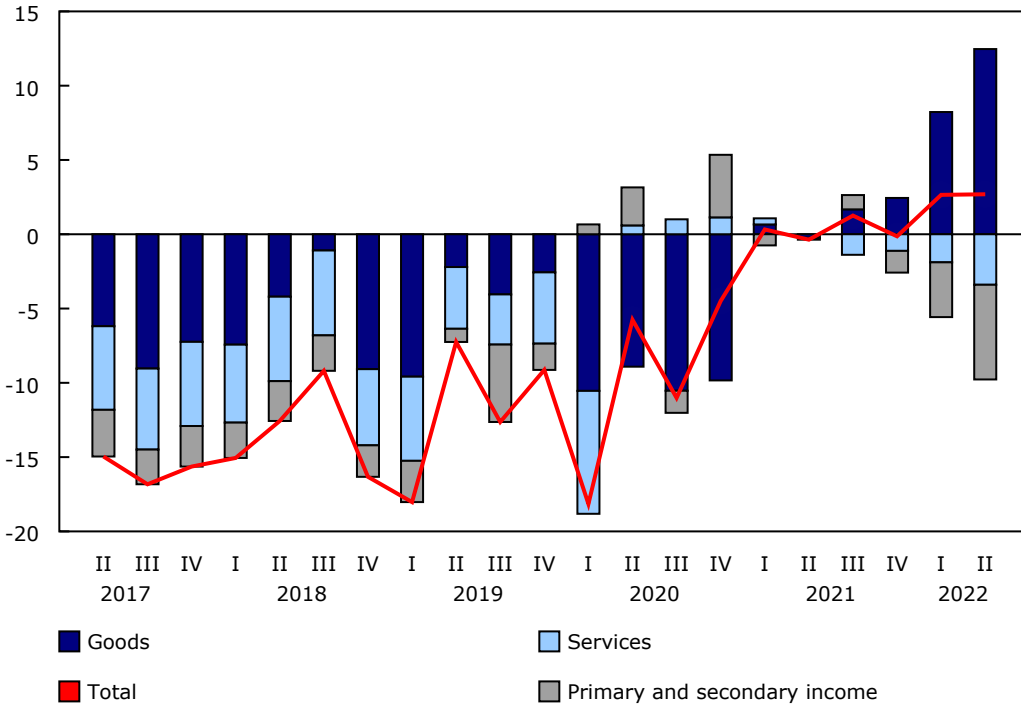
The trade in goods and services balance posted a \$9.1 billion surplus in the second quarter, a level not reached since the third quarter of 2008. The trade in goods surplus reached \$12.5 billion, also the highest level since 2008.

Exports of goods were up by \$23.1 billion to \$204.8 billion in the second quarter of 2022. The largest contributor was energy products, up \$12.7 billion as prices increased 30.6% while volumes were slightly down. Metal and non-metallic mineral products also contributed with an increase of \$2.4 billion on higher volumes.



Chart 1
Current account balances

billions of dollars



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

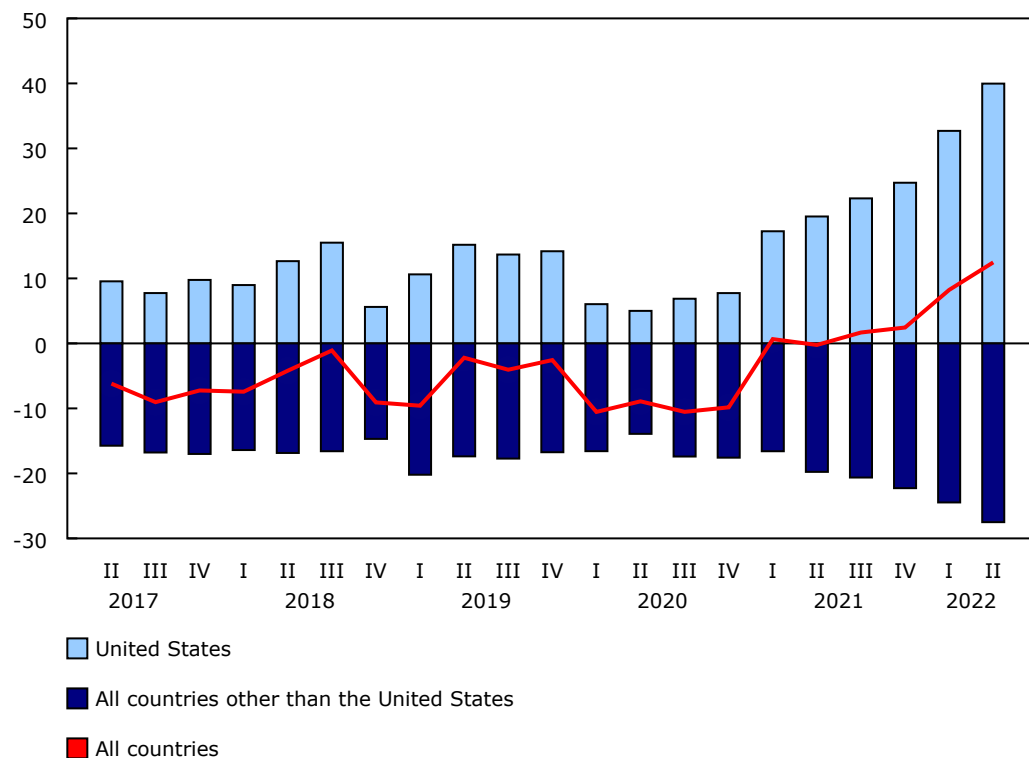
Meanwhile, imports of goods rose by \$18.9 billion to \$192.4 billion, the highest increase since the third quarter of 2020. Imports of energy products were up \$3.2 billion in the second quarter of 2022 on higher prices. Motor vehicles and parts rose by \$3.1 billion on stronger volumes, and consumer goods increased by \$3.1 billion as volumes and prices rose.

On a geographical basis, the goods surplus with the United States was up by \$7.3 billion to reach a record of \$40.0 billion in the second quarter. The goods deficit with countries other than the United States increased by \$3.0 billion. The trade balances with China, The Netherlands, and Mexico, showed the largest declines, mostly on higher imports.

The trade in services deficit expanded by \$1.5 billion to \$3.4 billion in the second quarter. With nearly twice the number of Canadian tourists travelling abroad compared with the first quarter, the travel services balance posted a \$0.4 billion deficit in the second quarter, the first deficit since the first quarter of 2020 as this activity continues to recover. The transport services deficit increased by \$0.5 billion in the second quarter of 2022 on higher imports of marine transport services as well as higher imports of services related to the movements of passengers.

Chart 2
Goods balances by geographic area

billions of dollars



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

The investment income deficit expands further

The investment income deficit widened by \$3.3 billion to \$4.6 billion in the second quarter, as payments increased by more than receipts. This was the highest deficit since the fourth quarter of 2014. The overall growth in investment income transactions reflected in part rising interest rates and commodity prices.

Profits earned by foreign direct investors on their assets in Canada were up \$2.8 billion, led by the energy sector. In addition, interest and dividends earned by foreign portfolio investors on their holdings of Canadian securities were up \$1.5 billion to a record \$17.8 billion. Earnings of Canadian investors on their assets abroad increased as well in the second quarter but at a slower pace.

Financial account

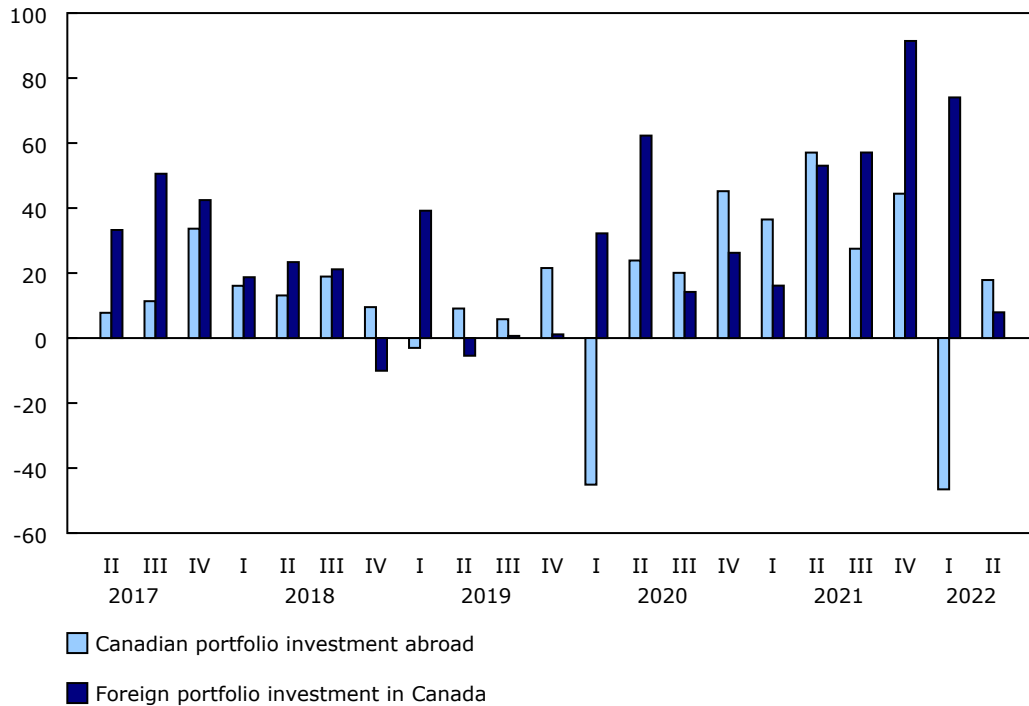
Foreign investment in Canadian securities slows significantly

After investing \$74.0 billion in the first quarter, foreign investors increased their holdings of Canadian securities by \$7.9 billion in the second quarter. This was the lowest level of investment since the fourth quarter of 2019. Investors increased their exposure to the Canadian bond market but reduced their holdings of equities and money market instruments.

Foreign investment in Canadian debt securities slowed substantially compared with the first quarter. New issues abroad of Canadian corporate bonds denominated in foreign currencies were moderated by a divestment of \$24.0 billion in government debt securities. In addition, non-resident investors reduced their exposure to Canadian equity securities by \$14.3 billion in the second quarter, a first reduction since the second quarter of 2020. The bulk of the foreign divestment was in shares of the banking sector in the second quarter of 2022. Share prices for Canadian banks, as measured by Standard and Poor's/Toronto Stock Exchange banking sector index, fell by 13.8%.

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 \$17.9 billion in the second quarter. This activity followed a record divestment of \$46.6 billion in the first quarter.

Canadian investors increased their exposure to non-US foreign shares by \$10.4 billion in the second quarter, after selling \$8.7 billion worth of these instruments in the first quarter. At the same time, Canadian investors continued their acquisitions of foreign debt securities, adding \$13.9 billion to their holdings. Purchases of non-US foreign bonds and money market instruments were the main contributor to the activity.

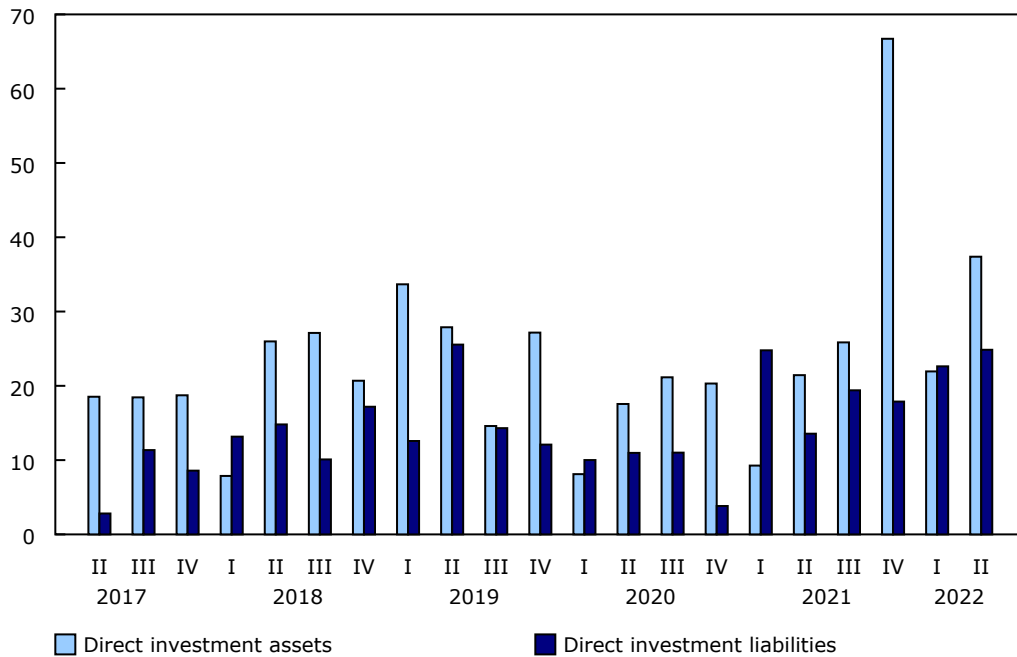
Direct investment increases

Direct investment abroad reached \$37.4 billion in the second quarter, up from \$21.9 billion in the first quarter. Mergers and acquisitions activity accounted for \$13.7 billion in the second quarter and mainly involved firms located in the United States. On a sector basis, more than three quarters of the overall direct investment abroad was in the finance and insurance and the management of companies and enterprises sectors.

Direct investment in Canada totalled \$24.9 billion in the second quarter, the highest level in three years. Earnings reinvested in Canadian affiliates by their foreign parents contributed to \$17.0 billion of the total. Mergers and acquisitions activity amounted to \$3.4 billion, down from \$8.6 billion in the first quarter. The energy, mining and manufacturing sectors were the largest recipients of foreign direct investment in the second quarter. On a country basis, more than half of the quarterly flows originated from the United States and the Netherlands.

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 Statistics Canada's 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 6. For more information, see [Real-time tables](#).

Next release

Balance of international payments data for the third quarter will be released on November 28.

Table 1
Balance of payments – Not seasonally adjusted

	Second quarter 2021	Third quarter 2021	Fourth quarter 2021	First quarter 2022	Second quarter 2022	2021	2022
millions of dollars							
Capital account and current account							
Net lending / net borrowing, from capital account and current account	-1,354	-3,271	4,027	4,833	-435	-39,463	1,040
Current account balances	-1,354	-3,271	4,027	4,886	-435	-39,415	1,077
Goods and services	-1,208	-3,710	2,767	9,789	7,537	-45,361	2,428
Goods	-434	-1,121	3,185	11,814	11,949	-39,825	4,540
Services	-775	-2,589	-419	-2,025	-4,412	-5,536	-2,113
Primary income	784	286	1,646	-2,303	-8,265	10,186	2,656
Compensation of employees	-1,061	-1,075	-1,095	-1,116	-1,133	-4,263	-4,272
Investment income	1,845	1,361	2,742	-1,187	-7,132	14,449	6,928
Direct investment	7,954	9,201	10,736	7,286	2,564	42,169	36,851
Portfolio investment	-5,541	-5,554	-5,800	-5,713	-7,157	-24,842	-22,383
Other investment	-568	-2,287	-2,195	-2,760	-2,539	-2,878	-7,539
Secondary income	-930	153	-386	-2,600	294	-4,240	-4,007
Capital account balance	0	0	0	-53	0	-48	-38
Financial account^{1,2}							
Net lending / net borrowing, from financial account	3,361	1,062	926	837	7,409	-39,273	5,430
Net acquisition of financial assets	93,606	121,796	222,122	-36,536	84,883	222,401	421,619
Direct investment assets	21,437	25,846	66,717	21,939	37,381	67,122	123,262
Direct investment assets, equity	18,228	24,396	61,694	21,816	32,993	65,960	122,252
Direct investment assets, debt instruments	3,209	1,449	5,023	124	4,389	1,161	1,010
Canadian portfolio investment in foreign securities	57,071	27,490	44,422	-46,552	17,856	44,022	165,470
Foreign debt securities	19,883	8,157	19,717	10,344	13,923	1,749	52,832
Foreign money market instruments	385	-2,769	2,295	1,519	-475	1,948	327
Foreign bonds	19,498	10,926	17,422	8,825	14,398	-199	52,505
Foreign equity and investment fund shares	37,188	19,332	24,705	-56,896	3,932	42,273	112,638
Official international reserves	6,060	23,288	1,439	1,597	8,946	1,772	25,320
Other Canadian investment abroad	9,037	45,173	109,544	-13,520	20,700	109,485	107,567
Loans	-18,966	43,444	22,064	-23,956	13,736	8,963	25,372
Currency and deposits	16,082	4,307	32,038	41,062	2,192	70,039	59,920
Trade credits and advances	254	-142	239	1,110	472	-386	846
Other accounts receivable	11,667	-2,436	55,203	-31,737	4,300	30,870	21,430
Net incurrence of liabilities	90,245	120,734	221,195	-37,373	77,474	261,674	416,189
Direct investment liabilities	13,556	19,395	17,879	22,623	24,852	35,802	75,609
Direct investment liabilities, equity	14,960	15,169	21,717	22,324	25,057	25,991	68,738
Direct investment liabilities, debt instruments	-1,404	4,227	-3,838	299	-205	9,811	6,871
Foreign portfolio investment in Canadian securities	53,038	57,093	91,415	74,041	7,922	134,945	217,683
Canadian debt securities	52,681	54,779	73,904	62,133	22,232	148,960	171,743
Canadian money market instruments	26,759	6,391	19,605	-9,184	-5,275	20,308	40,897
Canadian bonds	25,922	48,388	54,299	71,317	27,506	128,652	130,846
Canadian equity and investment fund shares	357	2,315	17,511	11,908	-14,309	-14,015	45,940
Other foreign investment in Canada	23,652	44,245	111,901	-134,036	44,700	90,926	122,897
Loans	-16,594	39,421	29,681	-56,937	14,002	30,908	31,024
Currency and deposits	39,077	-14,334	80,046	-77,650	30,661	58,146	68,658
Special drawing rights	0	18,943	0	0	0	0	18,943
Trade credits and advances	511	-440	995	383	-119	-94	1,413
Other accounts payable	658	656	1,178	169	156	1,965	2,860
Discrepancy (net errors and omissions)	4,715	4,333	-3,101	-3,997	7,844	189	4,391

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 2021	Third quarter 2021	Fourth quarter 2021	First quarter 2022	Second quarter 2022	2021	2022
millions of dollars							
Current account receipts	222,181	235,809	251,271	261,093	289,189	793,294	930,179
Goods and services	184,175	193,024	206,491	216,776	241,977	647,983	766,271
Goods	152,832	160,413	171,610	181,740	204,841	522,183	636,284
Services	31,343	32,611	34,881	35,036	37,136	125,801	129,987
Travel	3,494	4,142	5,357	5,245	6,575	18,114	16,459
Transportation	3,531	3,690	4,137	4,143	4,807	13,685	14,842
Commercial services	23,963	24,417	25,014	25,289	25,395	92,629	97,258
Government services	354	362	373	360	359	1,373	1,428
Primary income	34,827	38,473	40,408	40,212	42,626	131,582	148,356
Compensation of employees	244	261	264	274	277	1,102	1,011
Investment income	34,583	38,212	40,144	39,938	42,350	130,480	147,345
Direct investment	22,836	25,462	27,184	26,439	27,096	75,638	97,680
Interest	2,248	2,345	2,200	2,322	2,446	8,950	9,088
Profits	20,588	23,117	24,984	24,118	24,650	66,688	88,591
Portfolio investment	9,880	10,356	10,445	10,612	10,741	39,836	40,706
Interest on debt securities	3,723	3,978	4,093	4,183	4,237	15,694	15,698
Dividends on equity and investment fund shares	6,156	6,378	6,352	6,428	6,504	24,142	25,008
Other investment	1,868	2,395	2,515	2,887	4,513	15,005	8,959
Secondary income	3,178	4,312	4,372	4,106	4,585	13,728	15,552
Private transfers	1,228	1,273	1,296	1,180	1,193	4,979	5,013
Government transfers	1,950	3,039	3,077	2,926	3,392	8,749	10,539
Current account payments	222,545	234,553	251,408	258,443	286,496	832,708	929,101
Goods and services	184,437	192,732	205,166	210,438	232,912	693,344	763,843
Goods	153,072	158,738	169,166	173,513	192,376	562,008	631,744
Services	31,365	33,994	36,000	36,926	40,536	131,337	132,099
Travel	1,287	2,682	4,280	4,438	6,957	16,203	9,637
Transportation	6,142	6,997	7,802	8,356	9,555	23,261	26,733
Commercial services	23,551	23,938	23,529	23,695	23,576	90,464	94,209
Government services	385	376	389	437	449	1,409	1,521
Primary income	33,459	37,359	40,828	42,594	48,338	121,396	145,699
Compensation of employees	1,297	1,333	1,378	1,380	1,405	5,365	5,283
Investment income	32,162	36,026	39,450	41,214	46,933	116,030	140,416
Direct investment	14,229	15,177	18,361	19,632	22,470	33,469	60,829
Interest	737	748	747	735	746	3,432	2,973
Profits	13,493	14,429	17,614	18,897	21,723	30,037	57,856
Portfolio investment	15,439	15,952	16,268	16,271	17,768	64,678	63,089
Interest on debt securities	9,678	10,015	10,152	10,196	11,094	43,752	39,762
Dividends on equity and investment fund shares	5,762	5,937	6,116	6,075	6,675	20,926	23,326
Other investment	2,493	4,897	4,821	5,311	6,695	17,883	16,499
Secondary income	4,648	4,463	5,414	5,411	5,246	17,968	19,559
Private transfers	3,120	3,145	3,217	3,306	3,383	12,178	12,589
Government transfers	1,528	1,317	2,197	2,105	1,863	5,790	6,969
Current account balances	-364	1,256	-137	2,651	2,692	-39,415	1,077
Goods and services	-262	293	1,325	6,337	9,065	-45,361	2,428
Goods	-240	1,675	2,444	8,227	12,465	-39,825	4,540
Services	-22	-1,383	-1,119	-1,890	-3,400	-5,536	-2,113
Travel	2,207	1,460	1,078	806	-381	1,911	6,823
Transportation	-2,611	-3,307	-3,666	-4,213	-4,748	-9,576	-11,891
Commercial services	413	479	1,485	1,594	1,820	2,165	3,049
Government services	-31	-14	-16	-77	-91	-36	-93
Primary income	1,368	1,114	-421	-2,382	-5,712	10,186	2,656
Compensation of employees	-1,053	-1,073	-1,115	-1,106	-1,129	-4,263	-4,272
Investment income	2,421	2,187	694	-1,276	-4,583	14,449	6,928
Direct investment	8,606	10,285	8,823	6,807	4,626	42,169	36,851
Interest	1,511	1,597	1,453	1,587	1,699	5,518	6,115
Profits	7,095	8,687	7,370	5,221	2,927	36,651	30,736
Portfolio investment	-5,560	-5,596	-5,823	-5,659	-7,027	-24,842	-22,383
Interest on debt securities	-5,954	-6,037	-6,059	-6,013	-6,856	-28,058	-24,064
Dividends on equity and investment fund shares	395	440	236	353	-171	3,216	1,681
Other investment	-625	-2,502	-2,306	-2,424	-2,182	-2,878	-7,539
Secondary income	-1,470	-150	-1,041	-1,305	-661	-4,240	-4,007
Private transfers	-1,891	-1,872	-1,921	-2,126	-2,190	-7,199	-7,576
Government transfers	421	1,722	880	822	1,529	2,959	3,569

Source(s): Tables 36-10-0018-01, 36-10-0014-01 and 36-10-0002-01.

Available tables: [12-10-0157-01](#), [36-10-0003-01](#), [36-10-0016-01](#), [36-10-0018-01](#), [36-10-0019-01](#), [36-10-0021-01](#), [36-10-0023-01](#), [36-10-0025-01](#) 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 [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).