

Canada's balance of international payments, third quarter 2022

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Canada's current account balance (on a seasonally adjusted basis) recorded a deficit of \$11.1 billion in the third quarter, following surpluses in the first two quarters of 2022. This deficit mainly reflected a considerably lower goods surplus and a higher investment income deficit.

In the financial account (unadjusted for seasonal variation), inflows of funds from abroad to finance the current account deficit came mainly from transactions in currency and deposits, as non-residents increased their holdings of these assets in Canada by \$39.0 billion in the third quarter. Portfolio investment was also a contributor, led by foreign investment in Canadian bonds.

Meanwhile, direct investment abroad exceeded direct investment in Canada, resulting in a net outflow of funds totalling \$12.9 billion. Both direct investment abroad and direct investment in Canada declined in the third quarter, on lower mergers and acquisitions activity.

Trends of important indicators continued in the third quarter. Notably, interest rates increased, global equity markets declined, and the Canadian dollar appreciated against major foreign currencies, except the US dollar.

Current account

The trade in goods and services posts a deficit

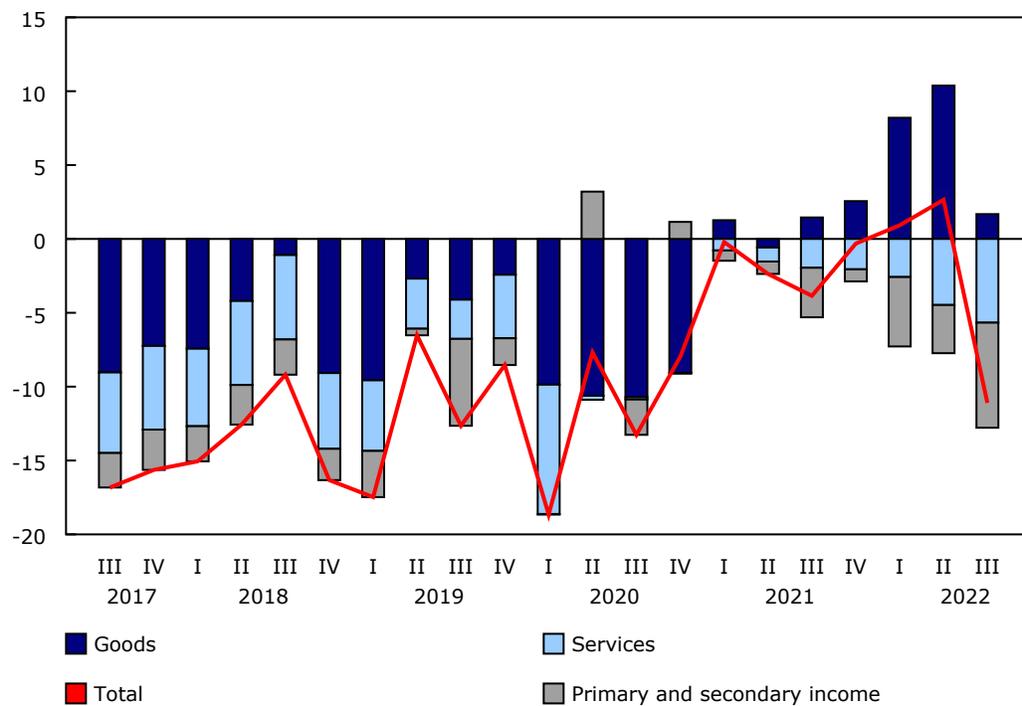
The trade in goods and services balance went from a \$5.9 billion surplus in the second quarter to a \$4.0 billion deficit in the third quarter, a first deficit in a year. Lower exports of goods largely contributed to this change.

Exports of goods were down by \$7.0 billion to \$197.0 billion in the third quarter. Despite record-high volumes, exports of energy products were down by \$4.2 billion due to a 16.1% decline in prices. This was the first decrease in exports of energy products since the second quarter of 2020. Consumer goods also contributed to the decline in overall exports, down by \$2.3 billion in the third quarter of 2022 on lower volumes following a strong second quarter.



Chart 1
Current account balances

billions of dollars



Note(s): Data are seasonally adjusted.

Source(s): Table 36-10-0018-01.

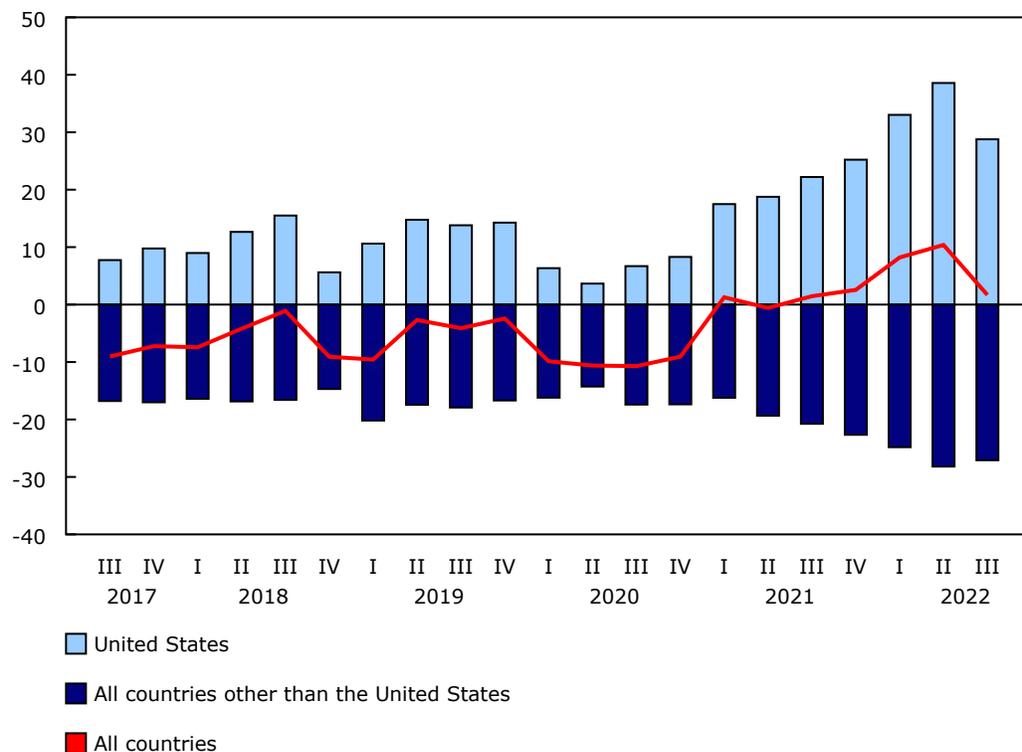
Imports of goods rose by \$1.7 billion to reach \$195.3 billion in the third quarter. The largest gains were in motor vehicles and parts for which imports increased by \$1.4 billion on higher prices and volumes.

On a geographical basis, the goods surplus with the United States was down by \$9.8 billion to \$28.8 billion in the third quarter, with exports decreasing by \$7.3 billion. The deficit with countries other than the United States narrowed by \$1.1 billion, led by improved trade balances with Hong Kong and Switzerland.

The trade in services deficit rose by \$1.2 billion to reach \$5.7 billion in the third quarter, a seventh consecutive quarterly increase. The travel balance deteriorated by \$1.4 billion as Canadian travellers increased their expenses abroad by \$2.2 billion, mostly in the United States. Commercial services deficit edged up by \$0.2 billion, mainly on lower exports of financial services. On the other hand, the transport deficit narrowed by \$0.5 billion. Imports of sea transport were down after reaching a high in the second quarter.

Chart 2
Goods balances by geographic area

billions of dollars



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

Higher deficit for investment income

The investment income deficit was up by \$3.0 billion to \$4.2 billion in the third quarter, in the context of rising interest rates. Overall, income payments were up by more than receipts.

Earnings of foreign investors on their holdings of Canadian securities increased by \$2.4 billion to a record-high \$20.3 billion, on higher payments of both interests and dividends. Income earned by Canadian investors on their holdings of foreign securities was also up but to a lesser extent.

Profits earned by direct foreign investors in Canada were up \$0.8 billion to \$18.7 billion. At the same time, profits earned by Canadian direct investors abroad were down, leading to a lower surplus on direct investment income.

Income on deposits and loans, both in Canada and abroad, were also up in the third quarter, with receipts increasing by more than payments. This was mostly related to Canadian banks' international activities.

Financial account

Foreign investment in Canadian securities rises

Foreign investors acquired \$19.6 billion of Canadian securities in the third quarter, up from \$7.6 billion in the second quarter. Foreign investors acquired Canadian bonds but reduced their exposure to money market instruments and equities in the third quarter.

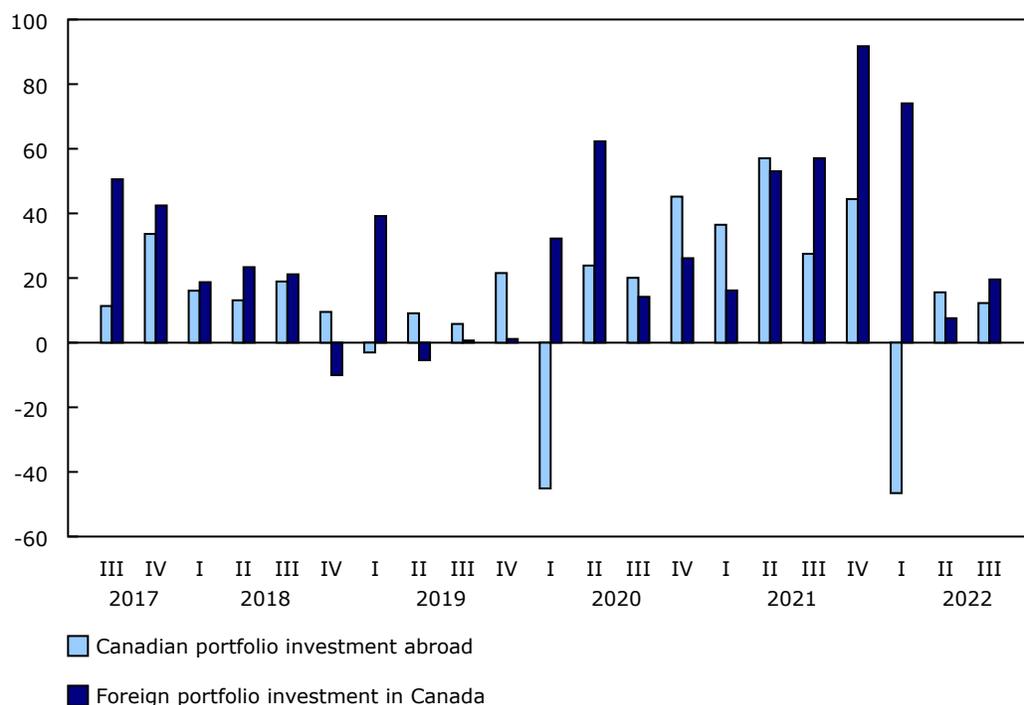
More precisely, foreign investors purchased \$34.9 billion of Canadian bonds in the quarter, predominantly corporate bonds. The reduction in foreign holdings of Canadian equity securities totalled \$10.1 billion in the third quarter after a considerable divestment of \$14.4 billion in the previous quarter. The foreign divestment was mainly in shares of the manufacturing and the management of companies and enterprises industries. Canadian share prices were down by 4.0% in the third quarter.

On the other side of the ledger, Canadian investors acquired \$12.3 billion of foreign securities in the third quarter, a second consecutive quarter of acquisitions following a record-high divestment of \$46.6 billion in the first quarter.

Canadian investors continued their acquisitions of foreign bonds in the third quarter, adding \$17.5 billion to their portfolios, the largest investment since the second quarter of 2021. However, they reduced their holdings of foreign shares by \$3.9 billion in the third quarter of 2022, mainly US shares. Over the third quarter, US share prices fell by 7.8%.

Chart 3
Foreign portfolio investment

billions of dollars



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

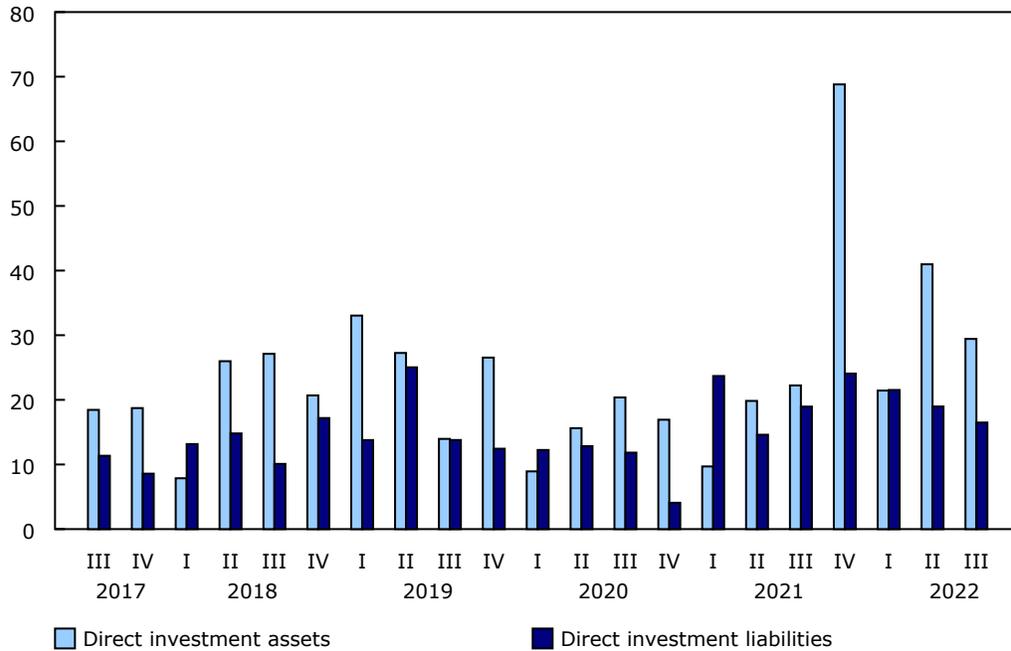
Direct investment slows

Direct investment abroad was \$29.4 billion in the third quarter compared with \$41.0 billion in the second quarter. Activity in the third quarter mainly reflected earnings reinvested by Canadian parents in their existing foreign affiliates. Meanwhile, mergers and acquisitions activity slowed to \$6.8 billion, from \$13.7 billion in the second quarter. On a sector basis, the largest share of the investment abroad was in affiliates of the finance and insurance industry.

Direct investment in Canada totalled \$16.5 billion in the third quarter, down from \$19.0 billion in the second quarter. The manufacturing sector was the main recipient of the investment. On a country basis, foreign direct investment from the United States, the Netherlands, and Switzerland accounted for nearly three-quarters of the quarterly flows. Mergers and acquisitions activity slowed to \$1.5 billion, the lowest level since the first quarter of 2019.

**Chart 4
Foreign direct investment**

billions of dollars



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

Note to readers

Revisions

This release incorporates statistical revisions back to 2019 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.

Exports and imports of services were revised upward from 2019. In addition to the typical integration of new benchmark survey data, the coverage of enterprises in the digital economy continued to be enhanced, as was coverage of imports of digital products and services. Notably, starting from reference year 2020, estimates on the value of digital services purchased by Canadian households have been refined through the use of new administrative data. Revisions were mostly related to audio and video streaming (included in audiovisual services) and downloaded software activities (part of computer services). Also, starting with reference year 2020, the coverage of imports of advertising services has been expanded significantly to better capture the extent of Canadian payments to foreign entities for online advertising made on social media, Internet browsers, etc.

Overall, the impact of these updates led to lower current account deficit in 2019. For 2020 and 2021, revisions to payments were higher than for receipts, resulting in current account deficits recorded for all quarters of both years.

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 December 5. For more information, see [Real-time tables](#).

Next release

Balance of international payments data for the fourth quarter will be released on February 27, 2023.

Table 1
Balance of payments – Not seasonally adjusted

	Third quarter 2021	Fourth quarter 2021	First quarter 2022	Second quarter 2022	Third quarter 2022	2020	2021
millions of dollars							
Capital account and current account							
Net lending / net borrowing, from capital account and current account	-7,160	3,845	3,715	184	-14,411	-47,626	-6,787
Current account balances	-7,160	3,845	3,748	184	-14,411	-47,578	-6,749
Goods and services	-4,178	2,275	8,839	4,560	-7,745	-49,502	-1,041
Goods	-1,023	3,220	11,407	10,817	-2,283	-40,257	4,695
Services	-3,156	-945	-2,568	-6,257	-5,462	-9,244	-5,736
Primary income	-2,828	2,313	-2,367	-4,532	-6,023	8,086	-298
Compensation of employees	-1,335	-1,365	-1,398	-1,423	-1,454	-5,166	-5,323
Investment income	-1,493	3,677	-969	-3,110	-4,568	13,251	5,025
Direct investment	5,933	10,919	7,185	6,052	4,623	39,496	32,465
Portfolio investment	-5,298	-5,179	-5,511	-6,712	-8,807	-23,945	-20,572
Other investment	-2,129	-2,062	-2,643	-2,449	-384	-2,299	-6,868
Secondary income	-154	-743	-2,724	156	-643	-6,162	-5,410
Capital account balance	0	0	-33	0	0	-48	-38
Financial account^{1,2}							
Net lending / net borrowing, from financial account	-4,685	-775	754	3,288	-8,642	-49,017	-2,315
Net acquisition of financial assets	115,608	225,340	-39,095	90,464	91,512	216,505	420,328
Direct investment assets	22,230	68,808	21,435	40,975	29,429	61,846	120,570
Direct investment assets, equity	21,687	64,283	20,941	37,342	31,335	60,249	120,774
Direct investment assets, debt instruments	543	4,525	493	3,634	-1,906	1,597	-204
Canadian portfolio investment in foreign securities	27,490	44,422	-46,552	15,576	12,261	44,022	165,470
Foreign debt securities	8,157	19,717	10,344	13,956	16,167	1,749	52,832
Foreign money market instruments	-2,769	2,295	1,519	-475	-1,306	1,948	327
Foreign bonds	10,926	17,422	8,825	14,431	17,474	-199	52,505
Foreign equity and investment fund shares	19,332	24,705	-56,896	1,620	-3,906	42,273	112,638
Official international reserves	23,288	1,439	1,597	8,946	2,087	1,772	25,320
Other Canadian investment abroad	42,600	110,671	-15,575	24,967	47,735	108,865	108,969
Loans	43,444	22,869	-24,295	16,416	46,163	8,963	26,177
Currency and deposits	1,736	32,365	39,941	3,733	8,374	69,368	60,527
Trade credits and advances	-143	234	1,084	725	-347	-386	835
Other accounts receivable	-2,436	55,203	-32,305	4,093	-6,456	30,920	21,430
Net incurrence of liabilities	120,293	226,115	-39,849	87,177	100,155	265,522	422,643
Direct investment liabilities	18,953	24,065	21,526	18,971	16,487	40,985	81,304
Direct investment liabilities, equity	15,348	23,792	20,499	19,120	16,399	31,619	71,437
Direct investment liabilities, debt instruments	3,605	273	1,027	-149	87	9,365	9,867
Foreign portfolio investment in Canadian securities	57,093	91,733	74,050	7,563	19,569	134,864	218,025
Canadian debt securities	54,779	74,223	62,143	21,914	29,674	148,860	172,061
Canadian money market instruments	6,391	19,605	-9,184	-5,275	-5,250	20,308	40,897
Canadian bonds	48,388	54,617	71,327	27,189	34,924	128,552	131,165
Canadian equity and investment fund shares	2,314	17,511	11,908	-14,352	-10,106	-13,996	45,964
Other foreign investment in Canada	44,247	110,316	-135,425	60,642	64,099	89,674	123,314
Loans	39,421	29,680	-57,468	14,912	24,836	30,908	31,023
Currency and deposits	-14,334	77,957	-78,501	45,681	39,004	58,146	68,568
Special drawing rights	18,943	0	0	0	0	0	18,943
Trade credits and advances	-438	1,502	374	-107	96	-1,089	1,920
Other accounts payable	656	1,178	169	156	164	1,708	2,860
Discrepancy (net errors and omissions)	2,475	-4,620	-2,961	3,104	5,768	-1,391	4,472

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 2021	Fourth quarter 2021	First quarter 2022	Second quarter 2022	Third quarter 2022	2020	2021
millions of dollars							
Current account receipts	234,498	256,206	263,200	290,695	285,198	797,564	941,100
Goods and services	194,335	209,491	220,605	243,671	237,424	655,852	775,822
Goods	159,143	171,953	183,144	204,053	197,008	522,394	636,398
Services	35,192	37,538	37,461	39,618	40,417	133,458	139,423
Travel	4,702	6,163	6,029	7,447	8,209	18,217	18,123
Transportation	3,675	4,116	4,150	4,786	4,932	13,684	14,842
Commercial services	26,454	26,880	26,909	27,016	26,915	100,231	105,041
Government services	361	379	373	369	361	1,325	1,417
Primary income	35,887	42,357	38,517	42,315	43,261	129,046	150,173
Compensation of employees	271	271	274	276	277	1,102	1,043
Investment income	35,616	42,086	38,243	42,039	42,983	127,944	149,131
Direct investment	22,549	28,540	24,350	26,224	24,581	72,128	97,564
Interest	2,274	2,244	2,240	2,342	2,370	8,101	8,798
Profits	20,275	26,296	22,110	23,882	22,211	64,027	88,766
Portfolio investment	10,708	11,056	11,024	11,157	11,482	40,786	42,605
Interest on debt securities	3,978	4,097	4,196	4,313	4,492	15,694	15,698
Dividends on equity and investment fund shares	6,730	6,958	6,828	6,844	6,990	25,091	26,907
Other investment	2,359	2,490	2,869	4,658	6,920	15,030	8,962
Secondary income	4,276	4,358	4,078	4,710	4,513	12,666	15,105
Private transfers	1,175	1,187	1,201	1,238	1,280	4,588	4,566
Government transfers	3,102	3,171	2,878	3,472	3,233	8,078	10,539
Current account payments	238,350	256,523	262,278	288,050	296,298	845,141	947,849
Goods and services	194,835	208,989	214,984	237,765	241,414	705,354	776,863
Goods	157,690	169,395	174,943	193,675	195,329	562,652	631,703
Services	37,145	39,593	40,041	44,091	46,085	142,702	145,160
Travel	2,703	4,563	4,692	7,182	9,372	16,203	9,895
Transportation	6,956	7,739	8,263	9,348	9,007	23,547	26,973
Commercial services	27,063	26,848	26,652	27,113	27,261	101,438	106,596
Government services	424	444	433	448	445	1,514	1,696
Primary income	38,841	41,849	41,744	44,859	48,875	120,960	150,471
Compensation of employees	1,601	1,677	1,652	1,685	1,725	6,268	6,365
Investment income	37,240	40,171	40,092	43,174	47,151	114,692	144,106
Direct investment	16,462	18,972	18,488	18,705	19,500	32,632	65,099
Interest	766	770	714	727	753	3,414	3,031
Profits	15,696	18,202	17,773	17,978	18,747	29,218	62,068
Portfolio investment	16,003	16,493	16,445	17,864	20,305	64,731	63,177
Interest on debt securities	10,015	10,161	10,204	11,102	12,500	43,806	39,771
Dividends on equity and investment fund shares	5,988	6,332	6,241	6,762	7,805	20,924	23,406
Other investment	4,775	4,707	5,159	6,605	7,346	17,329	15,829
Secondary income	4,674	5,686	5,550	5,426	6,009	18,828	20,515
Private transfers	3,353	3,491	3,453	3,508	3,502	13,038	13,546
Government transfers	1,321	2,195	2,097	1,918	2,508	5,790	6,969
Current account balances	-3,852	-317	923	2,645	-11,101	-47,578	-6,749
Goods and services	-501	502	5,621	5,906	-3,990	-49,502	-1,041
Goods	1,453	2,558	8,201	10,379	1,679	-40,257	4,695
Services	-1,953	-2,056	-2,580	-4,473	-5,669	-9,244	-5,736
Travel	1,999	1,600	1,337	265	-1,163	2,014	8,228
Transportation	-3,281	-3,623	-4,113	-4,562	-4,076	-9,863	-12,132
Commercial services	-610	32	257	-97	-346	-1,207	-1,554
Government services	-62	-65	-60	-79	-84	-189	-279
Primary income	-2,954	509	-3,227	-2,544	-5,615	8,086	-298
Compensation of employees	-1,330	-1,406	-1,378	-1,409	-1,447	-5,166	-5,323
Investment income	-1,623	1,915	-1,849	-1,134	-4,167	13,251	5,025
Direct investment	6,087	9,568	5,862	7,520	5,082	39,496	32,465
Interest	1,508	1,474	1,526	1,616	1,617	4,687	5,766
Profits	4,579	8,094	4,337	5,904	3,464	34,809	26,698
Portfolio investment	-5,295	-5,437	-5,421	-6,707	-8,823	-23,945	-20,572
Interest on debt securities	-6,036	-6,064	-6,008	-6,789	-8,008	-28,112	-24,073
Dividends on equity and investment fund shares	742	626	588	82	-815	4,167	3,501
Other investment	-2,416	-2,216	-2,291	-1,947	-426	-2,299	-6,868
Secondary income	-397	-1,328	-1,472	-717	-1,496	-6,162	-5,410
Private transfers	-2,178	-2,304	-2,252	-2,270	-2,222	-8,450	-8,980
Government transfers	1,781	976	781	1,554	725	2,288	3,569

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

Available tables: [12-10-0157-01](#), [36-10-0002-01](#), [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](#), [36-10-0025-01](#) 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).