

Canada's balance of international payments, fourth quarter 2022

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Canada's current account balance (on a seasonally adjusted basis) recorded a \$10.6 billion deficit in the fourth quarter, up \$2.2 billion from the previous quarter. The higher deficit mainly reflected a deterioration of the investment income balance, while the goods and services deficit narrowed slightly.

In the financial account (unadjusted for seasonal variation), inflows of funds from abroad to finance the current account deficit mainly came from transactions in securities and, to a lesser extent, foreign direct investment. Transactions in securities resulted in a \$31.9 billion inflow of funds in the Canadian economy in the fourth quarter. Meanwhile, foreign direct investment in Canada surpassed direct investment abroad for the first time in nearly two years.

For the year, the strength in commodity prices, the substantial raise in interest rates, the decline in global stock markets as well as the loosening travel restrictions all had significant impact on balance of payments flows in 2022.

Current account

Lower trade in goods and services deficit

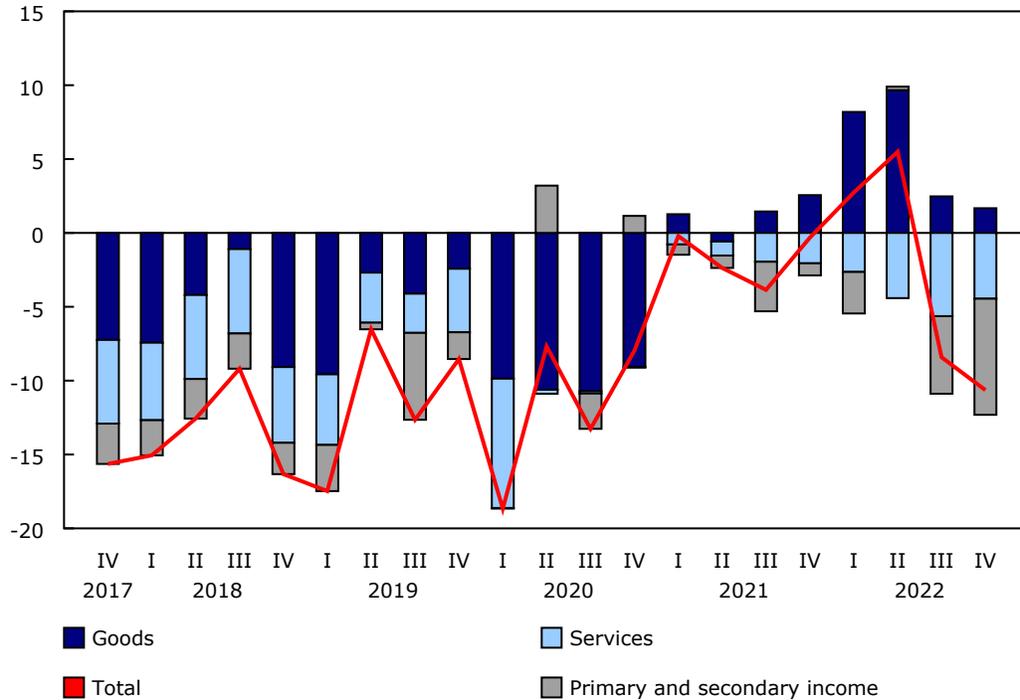
The trade in goods and services balance posted a \$2.8 billion deficit in the fourth quarter, down \$0.4 billion from the third quarter. Both exports and imports decreased during the fourth quarter.

Exports of goods were down by \$4.0 billion to \$193.9 billion in the fourth quarter. Exports of energy products fell \$7.4 billion as prices continued their downward trend. In the second half of 2022, energy prices decreased by 25.0%. Meanwhile, imports of goods declined by \$3.2 billion to \$192.2 billion. Consumer goods accounted for the largest reduction, down by \$1.5 billion, mostly on lower imports of pharmaceutical and medicinal products.



Chart 1
Current account balances

billions of dollars



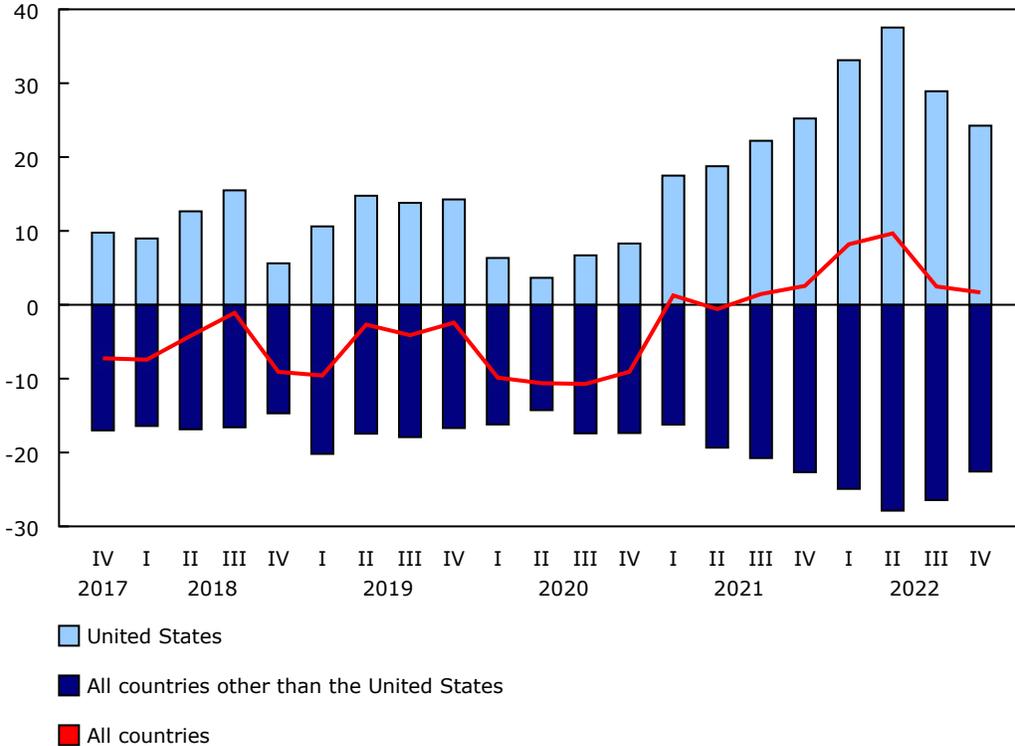
Note(s): Data are seasonally adjusted.
Source(s): Table 36-10-0018-01.

On a geographical basis, the goods surplus with the United States was down by \$4.7 billion in the fourth quarter as exports decreased by \$5.5 billion. The deficit with countries other than the United States was reduced by \$3.9 billion, mainly reflecting a lower trade deficit with China.

The trade in services deficit narrowed by \$1.2 billion to \$4.5 billion in the fourth quarter. The travel deficit was reduced by \$0.5 billion as expenses of non-residents visiting Canada rose more than expenses of Canadians travelling abroad. At the same time, the commercial services balance went from a small deficit in the third quarter to a \$0.3 billion surplus in the fourth quarter, mostly due to stronger exports.

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 rose \$2.7 billion to \$5.3 billion in the fourth quarter. Profits earned by foreign direct investors in Canada were up \$0.8 billion to \$18.5 billion. At the same time, profits earned by Canadian direct investors abroad were down, leading to a lower surplus on direct investment income.

In the global context of rising interest rates, income generated on loans, deposits and debt securities were up significantly in the quarter, with payments increasing by more than receipts. Overall, for these instruments, foreign holdings in Canada are higher than Canadian holdings abroad.

Financial account

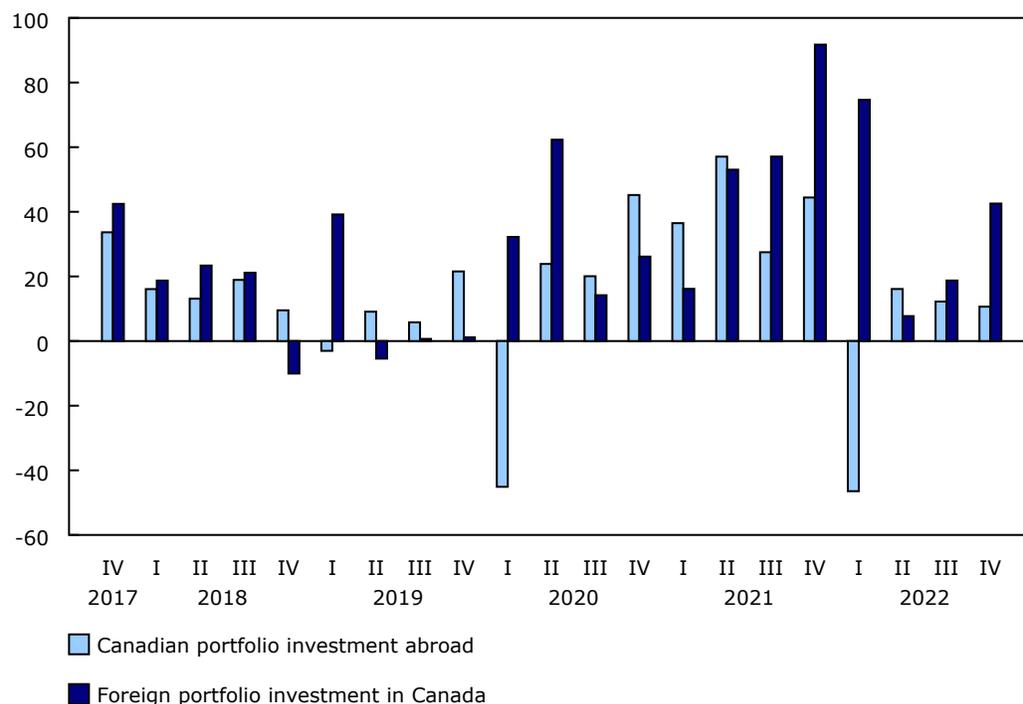
Foreign investment in Canadian debt securities up significantly

Foreign investment in Canadian securities amounted to \$42.5 billion in the fourth quarter, up from \$18.7 billion in the third quarter. The investment activity mainly targeted private corporate debt securities. More precisely, foreign investors acquired \$21.9 billion of Canadian bonds, mainly new bonds, and \$20.1 billion of money market instruments.

On the other side of the ledger, Canadian investors acquired \$10.6 billion in foreign securities in the fourth quarter, down from \$12.2 billion in the third quarter. For a second consecutive quarter, investors largely targeted US government debt securities and reduced their holdings of foreign equities.

Chart 3 Foreign portfolio investment

billions of dollars



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

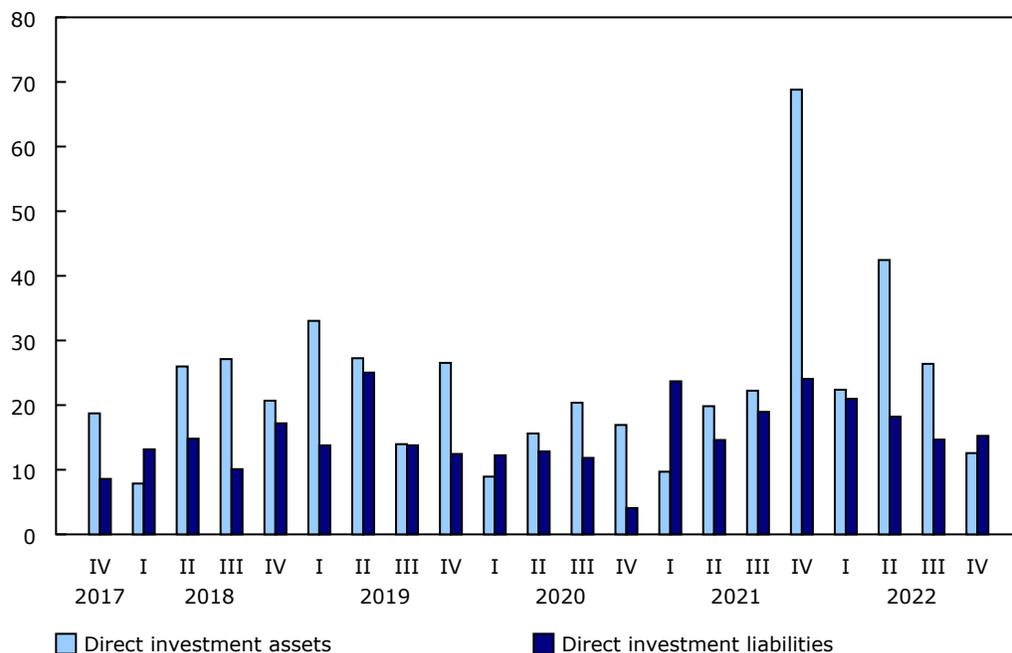
Direct investment in Canada exceeds direct investment abroad

Direct investment in Canada amounted to \$15.2 billion in the fourth quarter, up slightly from \$14.7 billion in the third quarter. Earnings reinvested in Canadian affiliates by their foreign parents accounted for most of the activity in the fourth quarter. Meanwhile, merger and acquisition activity totalled \$5.8 billion, up from a low level of \$1.4 billion in the third quarter.

Direct investment abroad slowed to \$12.6 billion in the fourth quarter, compared with a \$26.4 billion investment in the third quarter. The investment activity was predominantly directed to foreign countries other than the United States. Merger and acquisition activity slowed to \$2.7 billion in the fourth quarter, the lowest level since the first quarter of 2021.

Chart 4 Foreign direct investment

billions of dollars



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

Year 2022 in review

Current account deficit rises

For the year 2022, the current account balance posted a \$10.8 billion deficit, up \$4.1 billion compared with 2021. Despite this increase, the deficit in 2022 was the second lowest since 2009.

The trade in goods surplus reached \$22.0 billion in 2022, up \$17.3 billion from the previous year. Total exports rose by \$142.2 billion, led by higher exports of energy products on the strength of prices. Meanwhile, total imports increased by \$124.9 billion, with gains widespread across product sections.

However, the higher goods surplus was more than offset by a larger services deficit and an investment income balance that went from a surplus position in 2021 to a deficit in 2022. The trade in services deficit increased as the travel balance returned into a deficit position. Travel activities continued to recover in 2022 after the slowdown affecting most of 2020 and 2021, with payments increasing by more than receipts.

The investment income balance posted a deficit in 2022 after recording two years of surpluses. Higher payments of interest and dividends on foreign holdings of Canadian securities contributed the most to the return to a deficit position. Meanwhile, profits on direct investment, both in Canada and abroad, reached record-high levels in 2022.

Foreign investment in Canadian securities continued in 2022

In the financial account, transactions in securities generated a significant net inflow of funds in the economy of \$151.1 billion in 2022. Meanwhile, direct investment activity generated a net outflow of funds totalling \$34.7 billion.

Overall, foreign investors acquired \$143.7 billion of Canadian securities in 2022. Foreign investment in corporate debt securities increased substantially in 2022 to reach unprecedented levels. New corporate bonds denominated in foreign currencies in the first half of 2022 led the investment activity. On the other side of the ledger, Canadian investors reduced their exposure to foreign securities by \$7.5 billion, a first divestment since 2008 during the global financial crisis. Overall, investors sold foreign shares in 2022, mainly US shares, following strong acquisitions in 2021.

Direct investment in Canada amounted to \$69.1 billion in 2022, down slightly compared with 2021. The investment was spread across most sectors of the Canadian economy. On a country basis, foreign direct investment from the United States, Netherlands and Luxembourg accounted for more than two-thirds of all activity.

Direct investment abroad reached \$103.8 billion in 2022, following a record-high \$120.6 billion recorded in 2021. Equity investments made by Canadian parents in their existing foreign affiliates, mainly in the form of reinvested earnings, led the activity in 2022. Merger and activity slowed considerably compared with 2021. More than half of all direct investment abroad was directed to the United States in 2022. The highest proportion of the direct investments abroad was in the financial sector.

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 March 6, 2023. For more information, see [Real-time tables](#).

Next release

Balance of international payments data for the first quarter of 2023 will be released on May 30, 2023.

Table 1
Balance of payments – Not seasonally adjusted

	Fourth quarter 2021	First quarter 2022	Second quarter 2022	Third quarter 2022	Fourth quarter 2022	2021	2022
millions of dollars							
Capital account and current account							
Net lending / net borrowing, from capital account and current account	3,845	4,708	3,330	-13,494	-5,404	-6,787	-10,859
Current account balances	3,845	4,741	3,330	-13,494	-5,404	-6,749	-10,826
Goods and services	2,275	8,885	4,757	-8,353	-431	-1,041	4,859
Goods	3,220	11,508	10,959	-2,607	2,141	4,695	22,002
Services	-945	-2,623	-6,202	-5,746	-2,572	-5,736	-17,143
Primary income	2,313	-1,428	-1,497	-4,499	-4,133	-298	-11,557
Compensation of employees	-1,365	-1,398	-1,421	-1,450	-1,477	-5,323	-5,745
Investment income	3,677	-29	-77	-3,049	-2,656	5,025	-5,811
Direct investment	10,919	8,420	9,326	6,312	6,678	32,465	30,736
Portfolio investment	-5,179	-5,823	-6,970	-9,043	-9,188	-20,572	-31,024
Other investment	-2,062	-2,627	-2,432	-318	-147	-6,868	-5,524
Secondary income	-743	-2,716	70	-642	-840	-5,410	-4,128
Capital account balance	0	-33	0	0	0	-38	-33
Financial account^{1,2}							
Net lending / net borrowing, from financial account	-775	1,477	4,301	-7,128	-7,121	-2,315	-8,472
Net acquisition of financial assets	225,340	-38,768	91,399	90,534	130,631	420,328	273,795
Direct investment assets	68,808	22,379	42,449	26,386	12,576	120,570	103,790
Direct investment assets, equity	64,283	21,885	40,203	31,546	13,967	120,774	107,601
Direct investment assets, debt instruments	4,525	493	2,246	-5,159	-1,392	-204	-3,811
Canadian portfolio investment in foreign securities	44,422	-46,456	16,111	12,221	10,643	165,470	-7,482
Foreign debt securities	19,717	10,440	14,491	15,871	14,076	52,832	54,879
Foreign money market instruments	2,295	1,615	60	-1,592	2,306	327	2,389
Foreign bonds	17,422	8,825	14,431	17,464	11,771	52,505	52,490
Foreign equity and investment fund shares	24,705	-56,896	1,620	-3,650	-3,434	112,638	-62,361
Official international reserves	1,439	1,597	8,946	2,087	1,187	25,320	13,817
Other Canadian investment abroad	110,671	-16,288	23,892	49,840	106,225	108,969	163,669
Loans	22,869	-24,490	16,529	48,629	41,716	26,177	82,384
Currency and deposits	32,365	39,857	2,712	5,486	26,608	60,527	74,663
Trade credits and advances	234	1,084	732	2,366	-128	835	4,055
Other accounts receivable	55,203	-32,740	3,919	-6,641	38,029	21,430	2,567
Net incurrence of liabilities	226,115	-40,246	87,098	97,662	137,752	422,643	282,266
Direct investment liabilities	24,065	20,984	18,219	14,669	15,241	81,304	69,113
Direct investment liabilities, equity	23,792	20,119	18,742	14,792	17,373	71,437	71,027
Direct investment liabilities, debt instruments	273	865	-523	-124	-2,132	9,867	-1,914
Foreign portfolio investment in Canadian securities	91,733	74,645	7,723	18,736	42,549	218,025	143,652
Canadian debt securities	74,223	62,737	21,941	28,933	42,048	172,061	155,659
Canadian money market instruments	19,605	-8,591	-5,695	-5,474	20,127	40,897	366
Canadian bonds	54,617	71,329	27,636	34,407	21,921	131,165	155,293
Canadian equity and investment fund shares	17,511	11,908	-14,218	-10,197	501	45,964	-12,007
Other foreign investment in Canada	110,316	-135,875	61,156	64,258	79,962	123,314	69,502
Loans	29,680	-57,648	14,925	26,896	49,538	31,023	33,712
Currency and deposits	77,957	-78,770	46,171	36,688	30,362	68,568	34,452
Special drawing rights	0	0	0	0	0	18,943	0
Trade credits and advances	1,502	374	-97	510	-95	1,920	693
Other accounts payable	1,178	169	156	164	157	2,860	645
Discrepancy (net errors and omissions)	-4,620	-3,231	970	6,365	-1,717	4,472	2,387

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 2021	First quarter 2022	Second quarter 2022	Third quarter 2022	Fourth quarter 2022	2021	2022
millions of dollars							
Current account receipts	256,206	264,852	293,105	287,382	289,737	941,100	1,135,076
Goods and services	209,491	221,142	243,071	238,656	236,229	775,822	939,098
Goods	171,953	183,534	203,258	197,925	193,894	636,398	778,610
Services	37,538	37,609	39,813	40,731	42,335	139,423	160,488
Travel	6,163	6,168	7,563	8,376	9,175	18,123	31,282
Transportation	4,116	4,165	4,799	4,961	5,008	14,842	18,932
Commercial services	26,880	26,904	27,079	27,026	27,786	105,041	108,795
Government services	379	372	372	369	366	1,417	1,479
Primary income	42,357	39,618	45,359	44,195	48,656	150,173	177,829
Compensation of employees	271	275	279	281	284	1,043	1,119
Investment income	42,086	39,343	45,080	43,915	48,372	149,131	176,710
Direct investment	28,540	25,438	29,155	25,201	24,821	97,564	104,614
Interest	2,244	2,251	2,388	2,558	2,611	8,798	9,808
Profits	26,296	23,186	26,767	22,643	22,210	88,766	94,806
Portfolio investment	11,056	11,016	11,174	11,524	12,094	42,605	45,808
Interest on debt securities	4,097	4,192	4,322	4,523	4,947	15,698	17,984
Dividends on equity and investment fund shares	6,958	6,824	6,851	7,001	7,147	26,907	27,824
Other investment	2,490	2,889	4,752	7,189	11,457	8,962	26,288
Secondary income	4,358	4,091	4,675	4,531	4,852	15,105	18,149
Private transfers	1,187	1,201	1,234	1,278	1,303	4,566	5,016
Government transfers	3,171	2,890	3,441	3,253	3,549	10,539	13,132
Current account payments	256,523	262,114	287,616	295,795	300,377	947,849	1,145,902
Goods and services	208,989	215,594	237,818	241,818	239,010	776,863	934,239
Goods	169,395	175,344	193,592	195,451	192,222	631,703	756,608
Services	39,593	40,250	44,226	46,367	46,788	145,160	177,631
Travel	4,563	4,840	7,344	9,634	9,980	9,895	31,798
Transportation	7,739	8,251	9,314	9,063	8,883	26,973	35,510
Commercial services	26,848	26,731	27,121	27,232	27,490	106,596	108,574
Government services	444	429	447	437	435	1,696	1,748
Primary income	41,849	41,250	44,516	48,195	55,425	150,471	189,386
Compensation of employees	1,677	1,661	1,692	1,733	1,778	6,365	6,864
Investment income	40,171	39,590	42,824	46,461	53,647	144,106	182,522
Direct investment	18,972	17,939	18,282	18,396	19,262	65,099	73,878
Interest	770	720	732	758	777	3,031	2,987
Profits	18,202	17,219	17,549	17,638	18,485	62,068	70,891
Portfolio investment	16,493	16,621	17,972	20,704	21,535	63,177	76,832
Interest on debt securities	10,161	10,201	11,097	12,492	14,177	39,771	47,967
Dividends on equity and investment fund shares	6,332	6,420	6,875	8,212	7,357	23,406	28,865
Other investment	4,707	5,030	6,570	7,361	12,851	15,829	31,812
Secondary income	5,686	5,269	5,282	5,783	5,943	20,515	22,277
Private transfers	3,491	3,454	3,578	3,519	3,466	13,546	14,017
Government transfers	2,195	1,815	1,705	2,263	2,477	6,969	8,260
Current account balances	-317	2,738	5,489	-8,413	-10,640	-6,749	-10,826
Goods and services	502	5,548	5,253	-3,162	-2,781	-1,041	4,859
Goods	2,558	8,190	9,666	2,474	1,672	4,695	22,002
Services	-2,056	-2,642	-4,413	-5,635	-4,453	-5,736	-17,143
Travel	1,600	1,328	219	-1,259	-805	8,228	-516
Transportation	-3,623	-4,086	-4,515	-4,102	-3,874	-12,132	-16,577
Commercial services	32	173	-42	-206	296	-1,554	220
Government services	-65	-57	-74	-69	-70	-279	-270
Primary income	509	-1,633	843	-3,999	-6,768	-298	-11,557
Compensation of employees	-1,406	-1,386	-1,413	-1,452	-1,494	-5,323	-5,745
Investment income	1,915	-247	2,256	-2,547	-5,275	5,025	-5,811
Direct investment	9,568	7,499	10,873	6,805	5,559	32,465	30,736
Interest	1,474	1,532	1,656	1,800	1,834	5,766	6,821
Profits	8,094	5,967	9,217	5,005	3,725	26,698	23,915
Portfolio investment	-5,437	-5,605	-6,798	-9,180	-9,440	-20,572	-31,024
Interest on debt securities	-6,064	-6,009	-6,775	-7,968	-9,230	-24,073	-29,983
Dividends on equity and investment fund shares	626	404	-23	-1,211	-210	3,501	-1,041
Other investment	-2,216	-2,140	-1,819	-172	-1,393	-6,868	-5,524
Secondary income	-1,328	-1,178	-607	-1,252	-1,091	-5,410	-4,128
Private transfers	-2,304	-2,252	-2,344	-2,241	-2,163	-8,980	-9,001
Government transfers	976	1,075	1,736	989	1,072	3,569	4,872

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).