

Canada's balance of international payments, first quarter 2023

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Canada's current account deficit (on a seasonally adjusted basis) narrowed by \$1.9 billion to \$6.2 billion in the first quarter. The lower deficit mainly reflected a smaller investment income deficit, partially offset by a higher trade in goods and services deficit.

In the financial account (unadjusted for seasonal variation), inflows of funds from abroad to finance the current account deficit came primarily from a reduction in foreign portfolio shares and loans as well as from new issuances of corporate bonds on international markets. Meanwhile, the direct investment activity generated a net outflow of funds totalling \$34.0 billion as direct investment abroad surged in the quarter.

Current account

Higher trade in goods and services deficit

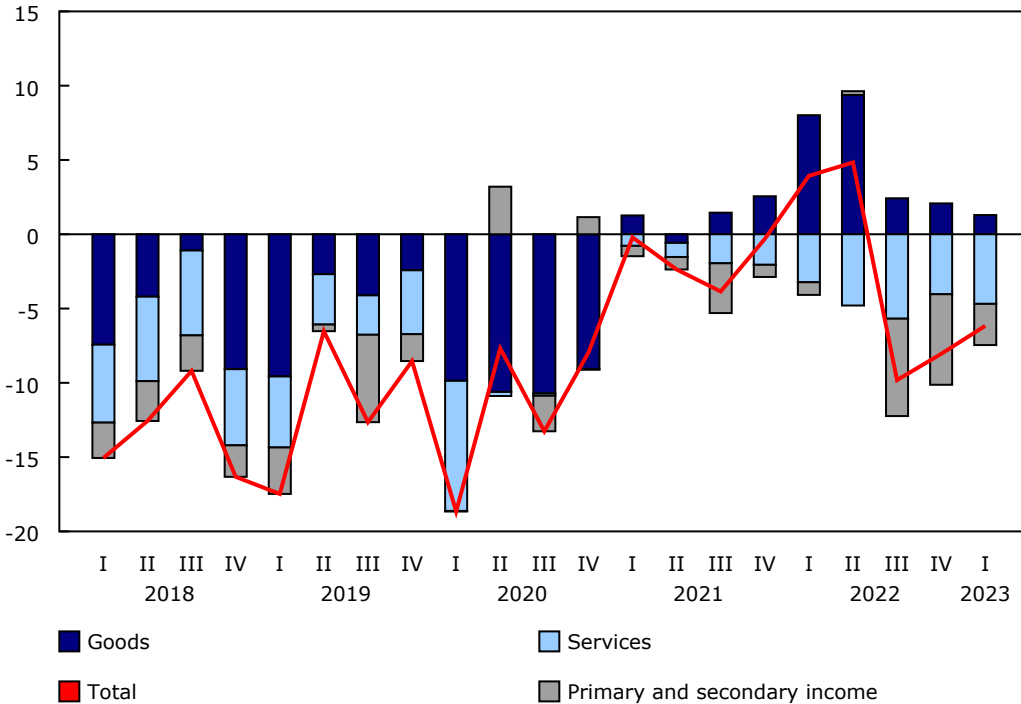
The trade in goods and services balance posted a \$3.4 billion deficit in the first quarter of 2023, up \$1.4 billion from the fourth quarter of 2022. Overall imports increased while exports were down during the first quarter of 2023.

Exports of goods were down by \$1.0 billion to \$193.7 billion in the first quarter. Exports of energy products fell \$6.1 billion as prices continued their downward trend, while exports of motor vehicles and parts increased by \$3.3 billion. Meanwhile, imports of goods edged down by \$0.2 billion to \$192.4 billion.



Chart 1
Current account balances

billions of dollars



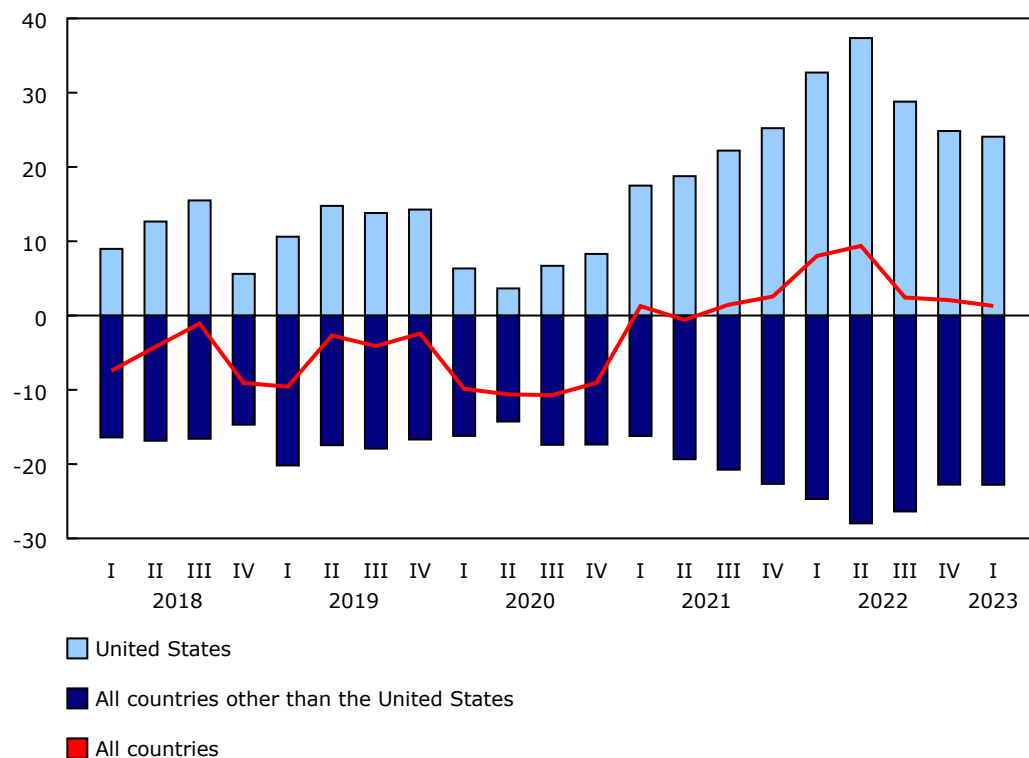
Note(s): Data are seasonally adjusted.
Source(s): Table 36-10-0018-01.

The trade in services deficit expanded by \$0.6 billion to \$4.7 billion in the first quarter. The travel deficit rose by \$0.5 billion. Expenses by Canadians travelling abroad continued to increase, up by \$0.8 billion. These expenses have more than doubled since the first quarter of 2022.

The transport services deficit increased by \$0.2 billion in the first quarter of 2023, as exports were down. Imports were unchanged from the previous quarter and reflected higher payments related to the transport of passengers by air, offset by lower payments for the transport of merchandise by water.

Chart 2
Goods balances by geographic area

billions of dollars



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

Lower deficit for investment income

The investment income deficit narrowed by \$2.6 billion to \$0.9 billion in the first quarter. Profits earned by Canadian direct investors abroad rose by \$2.5 billion, while those earned by foreign direct investors in Canada were up \$1.9 billion compared with the fourth quarter.

Income generated on loans and deposits continued to increase in the wake of rising global interest rates, with receipts up by more than payments in the first quarter of 2023. Interest received on foreign loans and deposits has increased more than five-fold in the last year. During the same period, interest paid on such instruments held by non-residents in Canada almost tripled.

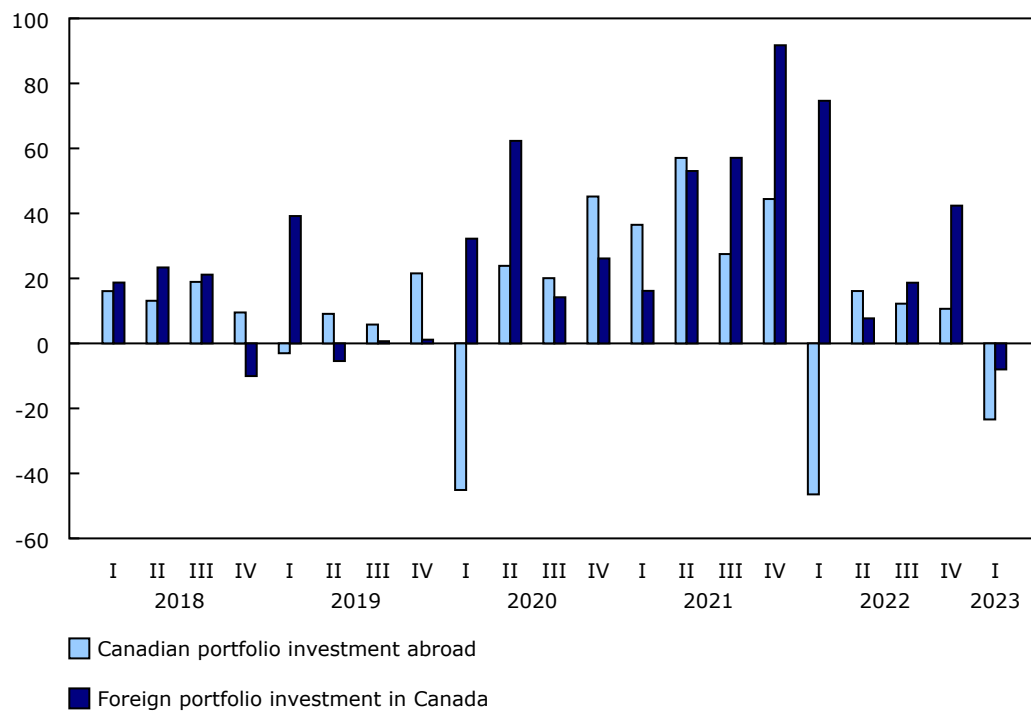
Financial account

Canadian investors sell foreign shares

In the first quarter, Canadian investors reduced their exposure to foreign securities by \$23.4 billion, the first quarterly divestment in a year. Investors largely sold US shares and, to a lesser extent, non-US foreign shares in the quarter. The overall divestment was moderated by the acquisition of \$3.2 billion in foreign bonds.

Chart 3 Foreign portfolio investment

billions of dollars



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

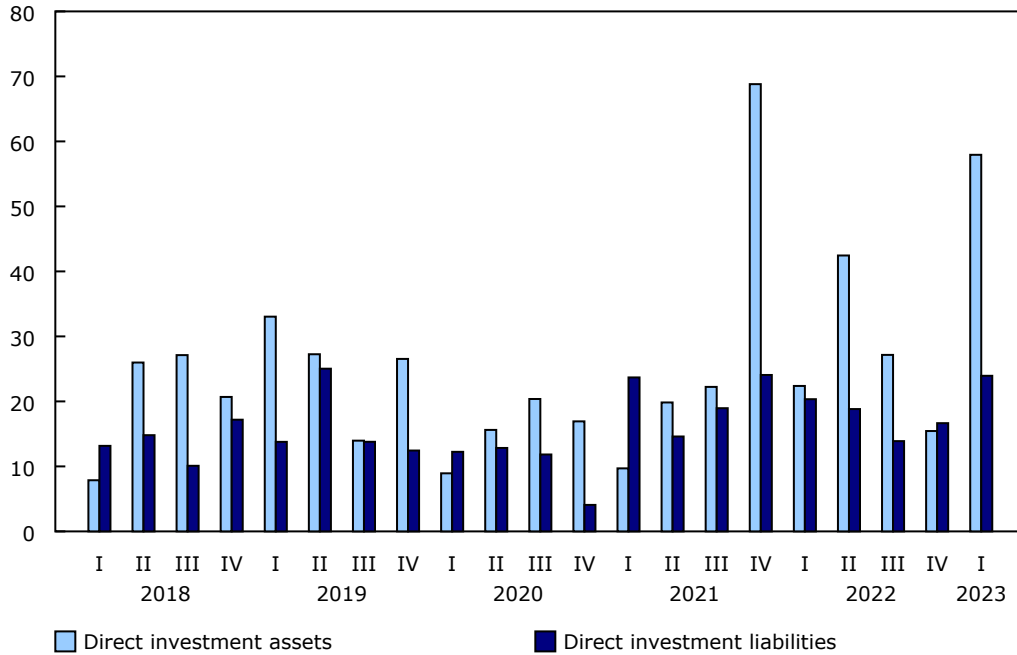
On the other side of the ledger, foreign investors reduced their exposure to Canadian securities by \$8.0 billion in the first quarter. Divestments in shares (-\$16.6 billion) and money market instruments (-\$16.4 billion) were moderated by foreign investments in Canadian bonds (+\$24.9 billion), mainly new corporate bonds denominated in non-US foreign currencies.

Canadian direct investment abroad surges

Canadian direct investment abroad reached \$57.9 billion in the first quarter, more than the previous two quarters combined. Cross-border mergers and acquisitions of \$37.9 billion, the highest level since the fourth quarter of 2021, led the investment activity. On a sector basis, more than half of the overall direct investment abroad was in the finance and insurance sector. On a country basis, the investment was predominantly directed to the United States.

Chart 4
Foreign direct investment

billions of dollars



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

Foreign direct investment in Canada totalled \$23.9 billion in the first quarter of 2023, up from \$16.7 billion in the previous quarter. While earnings reinvested in Canadian affiliates by their foreign parents remained elevated, cross-border merger and acquisition activity totalling \$9.2 billion also contributed to the overall investment.

Note to readers

Upcoming changes within the Balance of payments program

In the fall of 2023, Statistics Canada will be updating the North American Product Classification System (NAPCS) used for goods import and export statistics. The NAPCS 2022 version will replace NAPCS 2017, which is the version currently in use.

This change will be reflected in the third quarter statistics for the Balance of International Payments which is scheduled to be published in November 2023.

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 June 5, 2023. For more information, see [Real-time tables](#).

Next release

Balance of international payments data for the second quarter of 2023 will be released on August 31, 2023.

Table 1
Balance of payments – Not seasonally adjusted

	First quarter 2022	Second quarter 2022	Third quarter 2022	Fourth quarter 2022	First quarter 2023	2021	2022
millions of dollars							
Capital account and current account							
Net lending / net borrowing, from capital account and current account	6,214	3,007	-14,595	-3,784	-4,777	-6,787	-9,158
Current account balances	6,267	3,007	-14,595	-3,784	-4,720	-6,749	-9,105
Goods and services	8,742	4,627	-8,302	-927	-195	-1,041	4,140
Goods	11,845	10,846	-2,766	1,959	5,834	4,695	21,885
Services	-3,103	-6,219	-5,536	-2,886	-6,029	-5,736	-17,744
Primary income	-182	-1,690	-5,642	-1,985	-2,147	-298	-9,498
Compensation of employees	-1,400	-1,425	-1,456	-1,483	-1,513	-5,323	-5,764
Investment income	1,218	-265	-4,186	-502	-633	5,025	-3,735
Direct investment	9,706	9,057	5,122	9,575	9,549	32,465	33,461
Portfolio investment	-5,779	-7,020	-9,120	-9,419	-10,184	-20,572	-31,338
Other investment	-2,709	-2,302	-188	-658	1	-6,868	-5,857
Secondary income	-2,293	69	-651	-873	-2,379	-5,410	-3,747
Capital account balance	-53	0	0	0	-57	-38	-53
Financial account^{1,2}							
Net lending / net borrowing, from financial account	1,819	3,721	-7,943	-5,171	-12,428	-2,315	-7,574
Net acquisition of financial assets	-39,077	90,836	90,827	135,207	-23,600	420,328	277,792
Direct investment assets	22,376	42,447	27,154	15,441	57,936	120,570	107,419
Direct investment assets, equity	21,853	40,203	32,018	21,048	59,615	120,774	115,122
Direct investment assets, debt instruments	523	2,244	-4,864	-5,607	-1,678	-204	-7,703
Canadian portfolio investment in foreign securities	-46,456	16,111	12,221	10,643	-23,398	165,470	-7,481
Foreign debt securities	10,440	14,491	15,871	14,067	4,009	52,832	54,870
Foreign money market instruments	1,615	60	-1,592	2,306	768	327	2,389
Foreign bonds	8,825	14,431	17,464	11,761	3,241	52,505	52,481
Foreign equity and investment fund shares	-56,896	1,620	-3,650	-3,424	-27,407	112,638	-62,351
Official international reserves	1,597	8,946	2,087	1,187	536	25,320	13,817
Other Canadian investment abroad	-16,594	23,331	49,365	107,936	-58,674	108,969	164,037
Loans	-24,589	16,277	48,326	47,068	-27,397	26,177	87,082
Currency and deposits	39,857	1,997	5,542	22,806	9,583	60,527	70,202
Trade credits and advances	1,084	694	2,290	-2,962	-477	835	1,106
Other accounts receivable	-32,947	4,364	-6,793	41,024	-40,383	21,430	5,647
Net incurrence of liabilities	-40,896	87,115	98,770	140,377	-11,172	422,643	285,366
Direct investment liabilities	20,337	18,820	13,887	16,650	23,938	81,304	69,694
Direct investment liabilities, equity	19,532	19,010	13,632	16,065	20,616	71,437	68,239
Direct investment liabilities, debt instruments	804	-190	256	585	3,322	9,867	1,455
Foreign portfolio investment in Canadian securities	74,645	7,706	18,672	42,386	-8,008	218,025	143,410
Canadian debt securities	62,737	21,925	28,869	41,898	8,614	172,061	155,430
Canadian money market instruments	-8,591	-5,695	-5,474	20,127	-16,319	40,897	366
Canadian bonds	71,329	27,620	34,344	21,771	24,932	131,165	155,064
Canadian equity and investment fund shares	11,907	-14,219	-10,197	489	-16,622	45,964	-12,020
Other foreign investment in Canada	-135,877	60,588	66,210	81,341	-27,101	123,314	72,262
Loans	-57,648	14,895	28,981	52,762	-51,057	31,023	38,990
Currency and deposits	-78,772	45,625	36,540	28,685	23,685	68,568	32,077
Special drawing rights	0	0	0	0	0	18,943	0
Trade credits and advances	375	-87	526	-263	117	1,920	550
Other accounts payable	169	156	164	157	153	2,860	645
Discrepancy (net errors and omissions)	-4,395	715	6,652	-1,386	-7,651	4,472	1,585

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

	First quarter 2022	Second quarter 2022	Third quarter 2022	Fourth quarter 2022	First quarter 2023	2021	2022
	millions of dollars						
Current account receipts	264,795	293,193	285,898	290,831	297,597	941,100	1,134,716
Goods and services	220,845	243,153	238,931	237,459	236,941	775,822	940,388
Goods	183,339	203,306	197,917	194,655	193,680	636,398	779,216
Services	37,506	39,847	41,014	42,804	43,261	139,423	161,171
Travel	6,106	7,742	8,444	9,389	9,650	18,123	31,682
Transportation	4,182	4,815	4,944	5,022	4,879	14,842	18,963
Commercial services	26,854	26,922	27,257	28,019	28,342	105,041	109,052
Government services	364	368	368	374	390	1,417	1,474
Primary income	39,706	45,350	42,439	48,477	55,575	150,173	175,970
Compensation of employees	274	278	282	288	299	1,043	1,122
Investment income	39,432	45,072	42,156	48,189	55,277	149,131	174,849
Direct investment	25,678	29,214	23,386	25,289	28,005	97,564	103,566
Interest	2,212	2,378	2,571	2,715	2,902	8,798	9,876
Profits	23,466	26,836	20,814	22,574	25,104	88,766	93,690
Portfolio investment	10,928	11,160	11,607	12,050	12,430	42,605	45,745
Interest on debt securities	4,183	4,331	4,519	4,952	5,083	15,698	17,984
Dividends on equity and investment fund shares	6,745	6,829	7,088	7,099	7,347	26,907	27,761
Other investment	2,826	4,698	7,164	10,849	14,841	8,962	25,537
Secondary income	4,244	4,690	4,529	4,895	5,081	15,105	18,358
Private transfers	1,195	1,228	1,266	1,319	1,337	4,566	5,008
Government transfers	3,049	3,462	3,263	3,576	3,743	10,539	13,350
Current account payments	260,864	288,360	295,713	298,884	303,763	947,849	1,143,822
Goods and services	216,061	238,577	242,192	239,417	240,334	776,863	936,247
Goods	175,326	193,933	195,495	192,577	192,388	631,703	757,332
Services	40,735	44,643	46,697	46,841	47,946	145,160	178,915
Travel	4,926	7,745	9,760	9,767	10,539	9,895	32,198
Transportation	8,305	9,610	9,217	8,989	9,002	26,973	36,121
Commercial services	27,072	26,839	27,276	27,640	27,954	106,596	108,828
Government services	432	449	443	444	451	1,696	1,769
Primary income	39,615	44,587	47,880	53,387	57,936	150,471	185,469
Compensation of employees	1,663	1,697	1,740	1,785	1,807	6,365	6,885
Investment income	37,952	42,890	46,140	51,601	56,130	144,106	178,583
Direct investment	16,210	18,427	18,122	17,347	19,217	65,099	70,105
Interest	720	732	758	777	738	3,031	2,987
Profits	15,490	17,695	17,363	16,570	18,479	62,068	67,118
Portfolio investment	16,622	17,937	20,767	21,757	22,534	63,177	77,083
Interest on debt securities	10,201	11,105	12,578	14,313	15,169	39,771	48,197
Dividends on equity and investment fund shares	6,421	6,832	8,189	7,445	7,365	23,406	28,886
Other investment	5,120	6,525	7,252	12,497	14,379	15,829	31,395
Secondary income	5,188	5,197	5,641	6,080	5,492	20,515	22,105
Private transfers	3,438	3,571	3,513	3,532	3,622	13,546	14,053
Government transfers	1,750	1,625	2,128	2,548	1,870	6,969	8,052
Current account balances	3,931	4,832	-9,815	-8,053	-6,166	-6,749	-9,105
Goods and services	4,784	4,576	-3,261	-1,958	-3,393	-1,041	4,140
Goods	8,013	9,373	2,421	2,078	1,292	4,695	21,885
Services	-3,229	-4,796	-5,683	-4,036	-4,685	-5,736	-17,744
Travel	1,180	-3	-1,315	-378	-889	8,228	-516
Transportation	-4,123	-4,795	-4,273	-3,966	-4,123	-12,132	-17,158
Commercial services	-219	84	-19	379	388	-1,554	224
Government services	-68	-81	-75	-71	-60	-279	-295
Primary income	91	763	-5,442	-4,910	-2,361	-298	-9,498
Compensation of employees	-1,389	-1,420	-1,458	-1,497	-1,508	-5,323	-5,764
Investment income	1,480	2,182	-3,984	-3,413	-853	5,025	-3,735
Direct investment	9,468	10,787	5,264	7,942	8,788	32,465	33,461
Interest	1,492	1,646	1,813	1,938	2,164	5,766	6,889
Profits	7,976	9,141	3,451	6,004	6,624	26,698	26,572
Portfolio investment	-5,694	-6,778	-9,160	-9,707	-10,104	-20,572	-31,338
Interest on debt securities	-6,018	-6,775	-8,059	-9,361	-10,086	-24,073	-30,212
Dividends on equity and investment fund shares	324	-3	-1,101	-346	-18	3,501	-1,126
Other investment	-2,295	-1,827	-88	-1,648	462	-6,868	-5,857
Secondary income	-944	-506	-1,112	-1,185	-412	-5,410	-3,747
Private transfers	-2,243	-2,343	-2,247	-2,213	-2,285	-8,980	-9,045
Government transfers	1,299	1,837	1,135	1,028	1,873	3,569	5,298

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 document, "[Enterprise surveys and the measurement of digital trade in services in Canada](#)," which is part of *Latest Developments in the Canadian Economic Accounts* ([13-605-X](#)), is now available.

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).