

Canada's balance of international payments, second quarter 2023

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Canada's current account deficit (on a seasonally adjusted basis) widened by \$3.5 billion to \$6.6 billion in the second quarter. The trade in goods balance moved into a deficit position for the first time in two years, mostly as a result of lower exports of energy products and farm, fishing, and food products. In contrast, movements in the trade in services and investment income balances moderated the overall increase in the current account deficit.

In the financial account (unadjusted for seasonal variation), inflows of funds from abroad to finance the current account deficit came primarily from foreign investment in Canadian debt securities, as non-residents significantly increased their holdings of federal government instruments in the quarter. Meanwhile, both Canadian direct investment abroad and foreign direct investment in Canada slowed to their lowest levels in more than two years.

Current account

First trade in goods deficit in two years

The trade in goods balance posted a \$6.1 billion deficit in the second quarter, down from a surplus of \$0.8 billion in the first quarter. This was the first deficit since the second quarter of 2021.

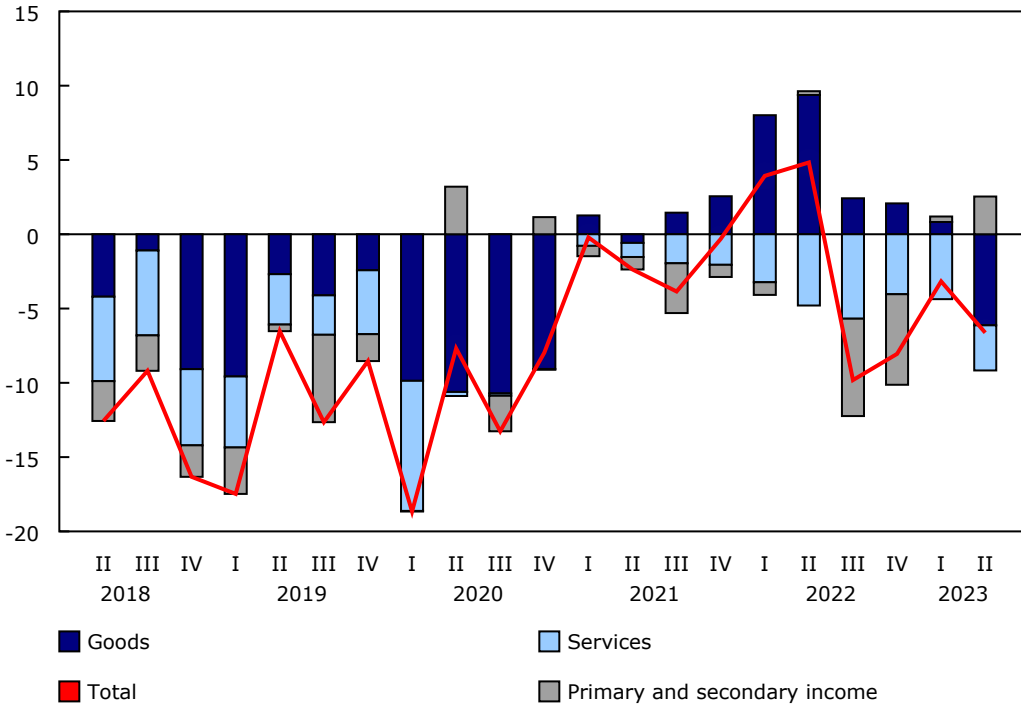
Exports of goods were down 3.9% to \$185.9 billion in the second quarter of 2023, with most product sections posting declines. Exports of energy products fell \$4.6 billion as prices continued their downward trend. Exports of farm, fishing, and food products fell \$3.4 billion mainly because of lower exports of wheat and canola, as improving global supplies impacted prices and demand for Canadian exports. Motor vehicles and parts moderated the overall decrease in exports, reaching their highest level since the first quarter of 2016.

Imports of goods edged down 0.3% to \$192.0 billion in the second quarter of 2023. As was the case for exports, energy products contributed the most to the overall decline in imports, moderated by an increase in imports of motor vehicles and parts to a record high in the quarter.



Chart 1
Current account balances

billions of dollars



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

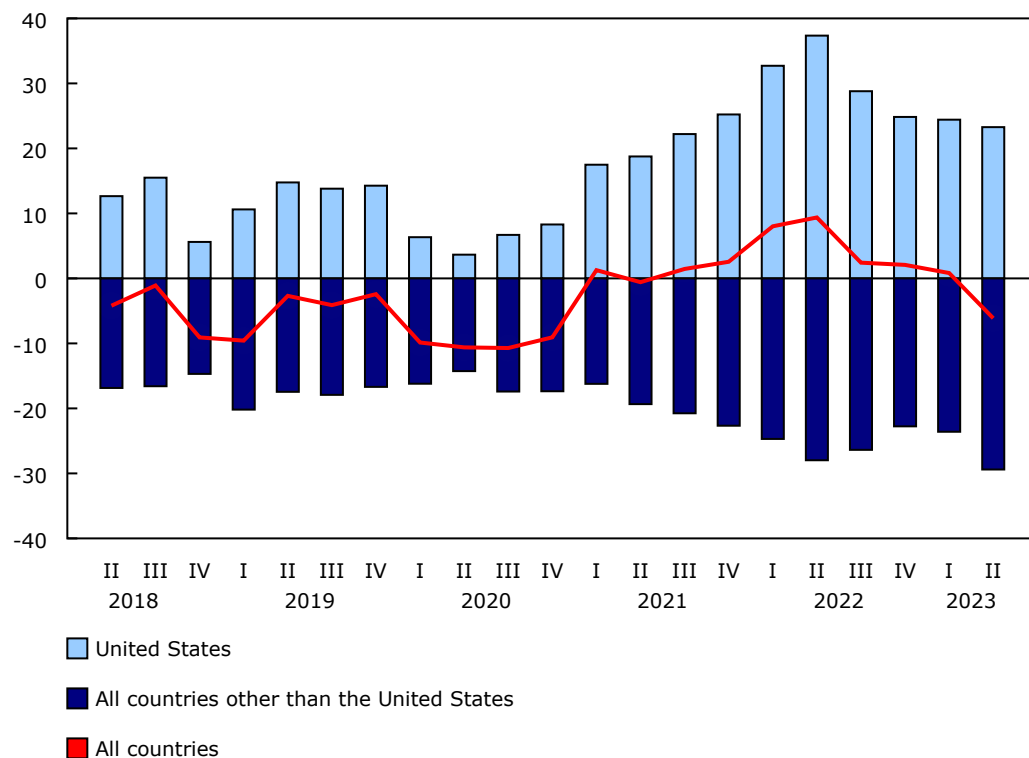
The trade in services deficit narrows

The trade in services deficit narrowed by \$1.3 billion to \$3.0 billion in the second quarter. The travel balance went from a deficit of \$0.8 billion in the first quarter to a surplus of \$0.2 billion in the second quarter. Imports of travel services declined as expenditures by Canadians travelling overnight to the United States fell, which more than offset a slight increase in the expenditures of Canadians travelling to foreign destinations other than the United States in the second quarter.

The commercial services surplus increased for a third consecutive quarter, reaching \$0.8 billion in the second quarter. Commercial services exports rose 3.4% to \$29.4 billion, led by higher receipts of management services. Imports were up 2.1% to \$28.6 billion in the second quarter as higher payments of royalties, management services, and computer services were partially offset by lower payments of repair services.

Chart 2
Goods balances by geographic area

billions of dollars



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

Higher investment income surplus

The investment income surplus rose \$2.2 billion to \$4.7 billion in the second quarter. Income generated on loans and deposits continued its increase which started more than a year ago, with receipts up by more than payments in the second quarter. Interest received on foreign loans and deposits increased \$5.3 billion, while interest paid on similar instruments held by non-residents in Canada was up \$2.3 billion. Meanwhile, both profits earned by Canadian direct investors abroad and foreign direct investors in Canada went down during the quarter.

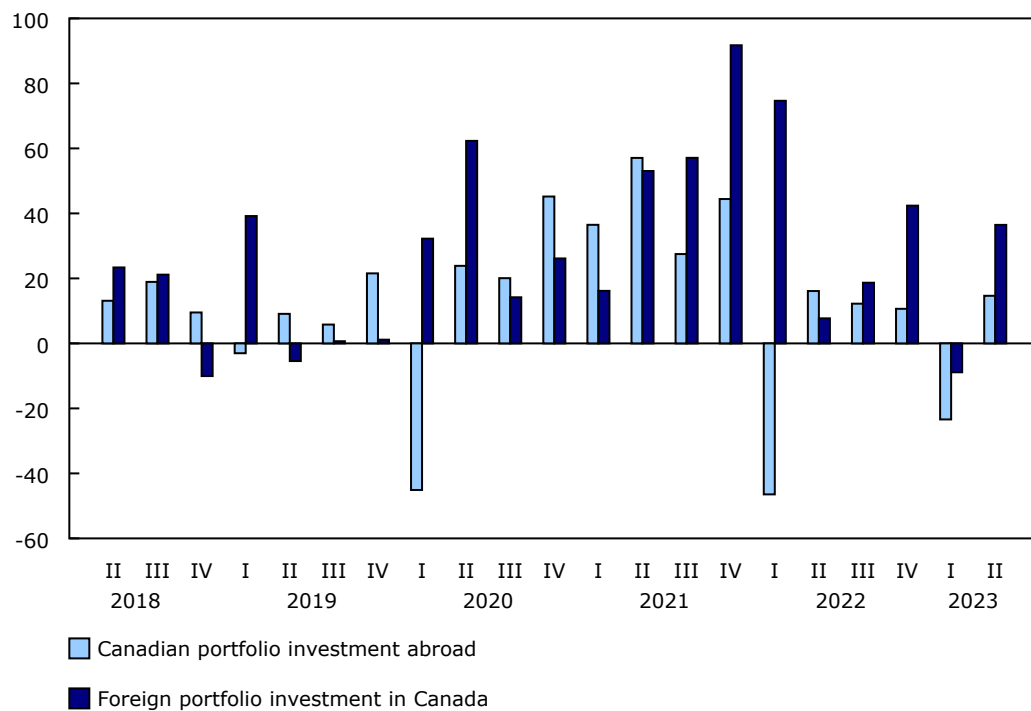
Financial account

Foreign investment in Canadian debt securities rises

Foreign investors acquired \$54.7 billion in Canadian debt securities in the second quarter, following an \$8.4 billion investment in the first quarter. Non-resident investors increased their exposure to both Canadian bonds and money market instruments in the second quarter, but withdrew \$18.2 billion of funds from the Canadian equity market. This activity followed a divestment of \$17.3 billion in Canadian equities in the first quarter.

Chart 3
Foreign portfolio investment

billions of dollars



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

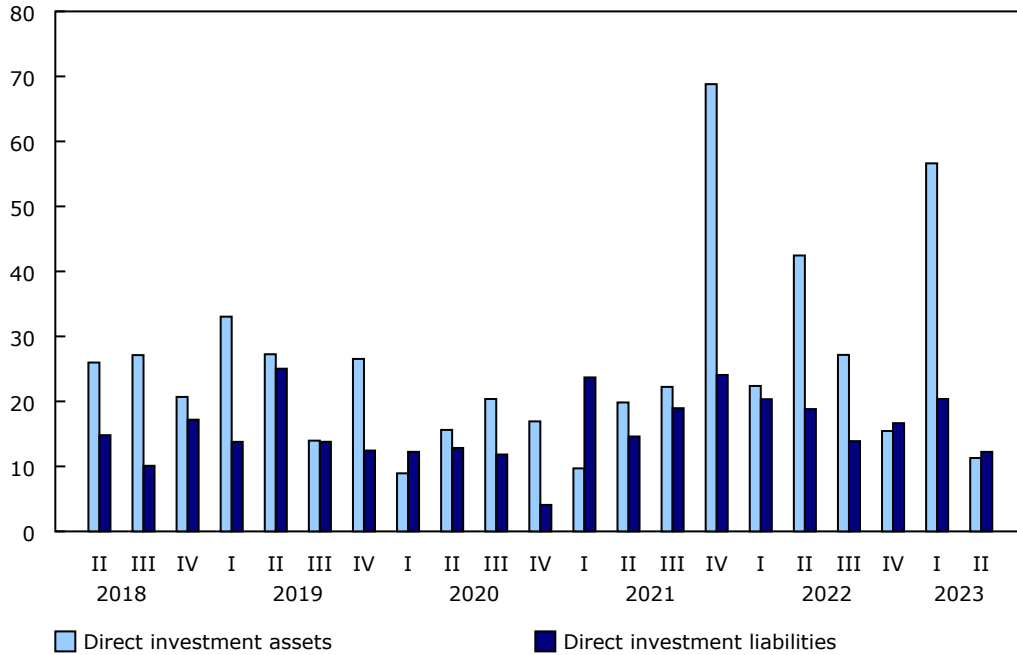
On the other side of the ledger, Canadian investors acquired \$14.6 billion of foreign securities in the second quarter, after a divestment of \$23.4 billion in the first quarter. In the second quarter, acquisitions were mainly in the form of foreign debt securities (+\$11.5 billion) and, to a lesser extent, foreign equity securities (+\$3.1 billion).

Direct investment activity slows considerably

Foreign direct investment in Canada amounted to \$12.2 billion in the second quarter, the lowest level since the fourth quarter of 2020. Equity investments made by foreign parents into their Canadian affiliates, mainly in the form of reinvested earnings, accounted for most of the activity. Merger and acquisition activity totalled \$3.9 billion in the second quarter, down from \$9.2 billion in the first quarter. The manufacturing sector was the largest recipient of foreign direct investment in the second quarter. On a country basis, more than half of the investment originated from the United States.

Chart 4
Foreign direct investment

billions of dollars



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

Direct investment abroad slowed to \$11.3 billion in the second quarter, after surging to \$56.6 billion in the first quarter. This was the lowest level of investment since the first quarter of 2021. Earnings reinvested by Canadian parent companies into their foreign affiliates led the activity in the second quarter of 2023. Meanwhile, merger and acquisition activity slowed to \$4.3 billion, down from \$41.0 billion in the first quarter. In the second quarter, the largest share of the investment abroad was in affiliates of Canadian energy and mining firms.

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 to produce statistics on imports and exports of goods. 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 September 11. For more information, see [Real-time tables](#).

Next release

Balance of international payments data for the third quarter will be released on November 29.

Table 1
Balance of payments – Not seasonally adjusted

	Second quarter 2022	Third quarter 2022	Fourth quarter 2022	First quarter 2023	Second quarter 2023	2021	2022
millions of dollars							
Capital account and current account							
Net lending / net borrowing, from capital account and current account	3,007	-14,595	-3,784	-2,182	-10,124	-6,787	-9,158
Current account balances	3,007	-14,595	-3,784	-2,126	-10,353	-6,749	-9,105
Goods and services	4,627	-8,302	-927	-678	-10,882	-1,041	4,140
Goods	10,846	-2,766	1,959	5,379	-6,341	4,695	21,885
Services	-6,219	-5,536	-2,886	-6,057	-4,542	-5,736	-17,744
Primary income	-1,690	-5,642	-1,985	1,067	487	-298	-9,498
Compensation of employees	-1,425	-1,456	-1,483	-1,523	-1,558	-5,323	-5,764
Investment income	-265	-4,186	-502	2,589	2,046	5,025	-3,735
Direct investment	9,057	5,122	9,575	12,839	10,504	32,465	33,461
Portfolio investment	-7,020	-9,120	-9,419	-10,154	-10,653	-20,572	-31,338
Other investment	-2,302	-188	-658	-96	2,195	-6,868	-5,857
Secondary income	69	-651	-873	-2,514	42	-5,410	-3,747
Capital account balance	0	0	0	-57	229	-38	-53
Financial account^{1,2}							
Net lending / net borrowing, from financial account	3,721	-7,943	-5,171	-2,596	-3,775	-2,315	-7,574
Net acquisition of financial assets	90,836	90,827	135,207	-19,443	111,924	420,328	277,792
Direct investment assets	42,447	27,154	15,441	56,623	11,293	120,570	107,419
Direct investment assets, equity	40,203	32,018	21,048	64,022	12,356	120,774	115,122
Direct investment assets, debt instruments	2,244	-4,864	-5,607	-7,399	-1,063	-204	-7,703
Canadian portfolio investment in foreign securities	16,111	12,221	10,643	-23,398	14,647	165,470	-7,481
Foreign debt securities	14,491	15,871	14,067	4,009	11,498	52,832	54,870
Foreign money market instruments	60	-1,592	2,306	768	305	327	2,389
Foreign bonds	14,431	17,464	11,761	3,241	11,193	52,505	52,481
Foreign equity and investment fund shares	1,620	-3,650	-3,424	-27,407	3,148	112,638	-62,351
Official international reserves	8,946	2,087	1,187	536	8,932	25,320	13,817
Other Canadian investment abroad	23,331	49,365	107,936	-53,203	77,052	108,969	164,037
Loans	16,277	48,326	47,068	-26,104	22,380	26,177	87,082
Currency and deposits	1,997	5,542	22,806	12,524	9,368	60,527	70,202
Trade credits and advances	694	2,290	-2,962	1,304	-554	835	1,106
Other accounts receivable	4,364	-6,793	41,024	-40,928	45,858	21,430	5,647
Net incurrence of liabilities	87,115	98,770	140,377	-16,847	115,699	422,643	285,366
Direct investment liabilities	18,820	13,887	16,650	20,366	12,235	81,304	69,694
Direct investment liabilities, equity	19,010	13,632	16,065	22,866	16,284	71,437	68,239
Direct investment liabilities, debt instruments	-190	256	585	-2,499	-4,049	9,867	1,455
Foreign portfolio investment in Canadian securities	7,706	18,672	42,386	-8,887	36,465	218,025	143,410
Canadian debt securities	21,925	28,869	41,898	8,382	54,668	172,061	155,430
Canadian money market instruments	-5,695	-5,474	20,127	-16,613	14,437	40,897	366
Canadian bonds	27,620	34,344	21,771	24,995	40,231	131,165	155,064
Canadian equity and investment fund shares	-14,219	-10,197	489	-17,269	-18,203	45,964	-12,020
Other foreign investment in Canada	60,588	66,210	81,341	-28,326	66,999	123,314	72,262
Loans	14,895	28,981	52,762	-51,099	39,527	31,023	38,990
Currency and deposits	45,625	36,540	28,685	23,023	27,813	68,568	32,077
Special drawing rights	0	0	0	0	0	18,943	0
Trade credits and advances	-87	526	-263	-403	-495	1,920	550
Other accounts payable	156	164	157	153	154	2,860	645
Discrepancy (net errors and omissions)	715	6,652	-1,386	-414	6,350	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

	Second quarter 2022	Third quarter 2022	Fourth quarter 2022	First quarter 2023	Second quarter 2023	2021	2022
millions of dollars							
Current account receipts	293,193	285,898	290,831	299,986	296,934	941,100	1,134,716
Goods and services	243,153	238,931	237,459	236,960	230,520	775,822	940,388
Goods	203,306	197,917	194,655	193,516	185,906	636,398	779,216
Services	39,847	41,014	42,804	43,444	44,614	139,423	161,171
Travel	7,742	8,444	9,389	9,715	9,942	18,123	31,682
Transportation	4,815	4,944	5,022	4,910	4,873	14,842	18,963
Commercial services	26,922	27,257	28,019	28,428	29,405	105,041	109,052
Government services	368	368	374	392	395	1,417	1,474
Primary income	45,350	42,439	48,477	58,014	61,563	150,173	175,970
Compensation of employees	278	282	288	288	285	1,043	1,122
Investment income	45,072	42,156	48,189	57,726	61,278	149,131	174,849
Direct investment	29,214	23,386	25,289	30,043	27,735	97,564	103,566
Interest	2,378	2,571	2,715	2,840	2,954	8,798	9,876
Profits	26,836	20,814	22,574	27,203	24,781	88,766	93,690
Portfolio investment	11,160	11,607	12,050	12,604	13,127	42,605	45,745
Interest on debt securities	4,331	4,519	4,952	5,267	5,705	15,698	17,984
Dividends on equity and investment fund shares	6,829	7,088	7,099	7,337	7,422	26,907	27,761
Other investment	4,698	7,164	10,849	15,079	20,416	8,962	25,537
Secondary income	4,690	4,529	4,895	5,011	4,850	15,105	18,358
Private transfers	1,228	1,266	1,319	1,311	1,348	4,566	5,008
Government transfers	3,462	3,263	3,576	3,701	3,502	10,539	13,350
Current account payments	288,360	295,713	298,884	303,159	303,561	947,849	1,143,822
Goods and services	238,577	242,192	239,417	240,503	239,687	776,863	936,247
Goods	193,933	195,495	192,577	192,690	192,036	631,703	757,332
Services	44,643	46,697	46,841	47,813	47,651	145,160	178,915
Travel	7,745	9,760	9,767	10,531	9,784	9,895	32,198
Transportation	9,610	9,217	8,989	8,857	8,840	26,973	36,121
Commercial services	26,839	27,276	27,640	27,970	28,558	106,596	108,828
Government services	449	443	444	455	469	1,696	1,769
Primary income	44,587	47,880	53,387	57,027	58,394	150,471	185,469
Compensation of employees	1,697	1,740	1,785	1,806	1,840	6,365	6,885
Investment income	42,890	46,140	51,601	55,221	56,553	144,106	178,583
Direct investment	18,427	18,122	17,347	18,208	16,247	65,099	70,105
Interest	732	758	777	789	798	3,031	2,987
Profits	17,695	17,363	16,570	17,419	15,449	62,068	67,118
Portfolio investment	17,937	20,767	21,757	22,590	23,613	63,177	77,083
Interest on debt securities	11,105	12,578	14,313	15,300	16,344	39,771	48,197
Dividends on equity and investment fund shares	6,832	8,189	7,445	7,291	7,269	23,406	28,886
Other investment	6,525	7,252	12,497	14,423	16,693	15,829	31,395
Secondary income	5,197	5,641	6,080	5,629	5,480	20,515	22,105
Private transfers	3,571	3,513	3,532	3,738	3,693	13,546	14,053
Government transfers	1,625	2,128	2,548	1,891	1,787	6,969	8,052
Current account balances	4,832	-9,815	-8,053	-3,173	-6,627	-6,749	-9,105
Goods and services	4,576	-3,261	-1,958	-3,543	-9,167	-1,041	4,140
Goods	9,373	2,421	2,078	825	-6,130	4,695	21,885
Services	-4,796	-5,683	-4,036	-4,368	-3,037	-5,736	-17,744
Travel	-3	-1,315	-378	-816	158	8,228	-516
Transportation	-4,795	-4,273	-3,966	-3,947	-3,967	-12,132	-17,158
Commercial services	84	-19	379	458	847	-1,554	224
Government services	-81	-75	-71	-63	-75	-279	-295
Primary income	763	-5,442	-4,910	987	3,169	-298	-9,498
Compensation of employees	-1,420	-1,458	-1,497	-1,518	-1,555	-5,323	-5,764
Investment income	2,182	-3,984	-3,413	2,505	4,724	5,025	-3,735
Direct investment	10,787	5,264	7,942	11,835	11,488	32,465	33,461
Interest	1,646	1,813	1,938	2,052	2,156	5,766	6,889
Profits	9,141	3,451	6,004	9,784	9,332	26,698	26,572
Portfolio investment	-6,778	-9,160	-9,707	-9,986	-10,486	-20,572	-31,338
Interest on debt securities	-6,775	-8,059	-9,361	-10,033	-10,639	-24,073	-30,212
Dividends on equity and investment fund shares	-3	-1,101	-346	47	153	3,501	-1,126
Other investment	-1,827	-88	-1,648	656	3,722	-6,868	-5,857
Secondary income	-506	-1,112	-1,185	-617	-629	-5,410	-3,747
Private transfers	-2,343	-2,247	-2,213	-2,427	-2,344	-8,980	-9,045
Government transfers	1,837	1,135	1,028	1,810	1,715	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](#), [36-10-0003-01](#), [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 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).