

# Canada's balance of international payments, third quarter 2023

Released at 8:30 a.m. Eastern time in *The Daily*, Wednesday, November 29, 2023

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Canada's current account deficit (on a seasonally adjusted basis) narrowed to \$3.2 billion in the third quarter after recording larger deficits in the first two quarters of 2023. This reduction mainly reflected the goods balance returning to a surplus, partially offset by a slight widening in the services deficit and a shrinking investment income surplus. Higher exports of goods, paired with a decline in imports, pushed the goods balance into a surplus of \$0.8 billion in the quarter, with the remainder of the current account posting a \$4.0 billion deficit.

In the financial account (unadjusted for seasonal variation), inflows of funds from abroad to finance the current account deficit mainly came from transactions in the form of loans as well as currency and deposits in the third quarter. Meanwhile, portfolio investment moderated the overall borrowing activity and generated an unprecedented outflow of funds of \$41.4 billion. Strong acquisitions of foreign securities, combined with record retirements of Canadian government bonds, contributed the most to this outflow of funds.

## Current account

### Energy prices drive goods exports gains

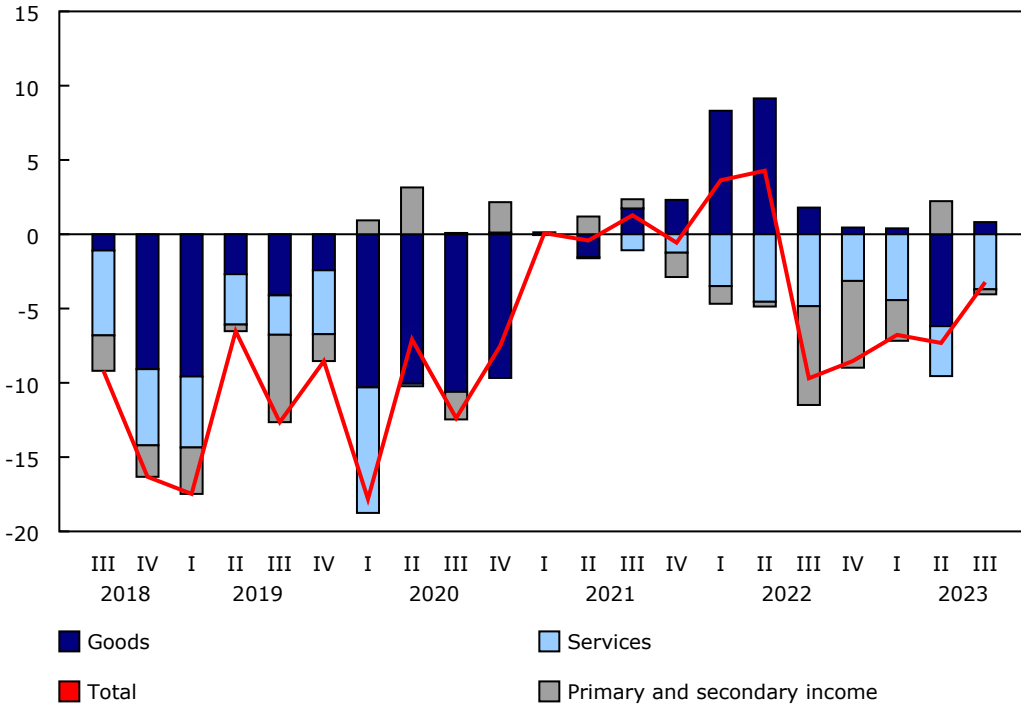
Exports of goods were up 2.9% to \$192.3 billion in the third quarter, as energy products increased 14.5% to \$44.6 billion, almost entirely due to higher prices for crude oil. Imports of goods were down 0.8% to \$191.5 billion, as an increase in imports of passenger cars and light trucks (+9.2% to \$38.3 billion) partially offset declines in chemical products (-7.5%), consumer goods (-2.8%), and metal products (-5.4%).

On a geographical basis, the goods surplus with the United States was up by \$6.6 billion to \$30.0 billion in the third quarter, with exports increasing by \$7.0 billion. The deficit with countries other than the United States narrowed by \$0.4 billion to \$29.2 billion, led by a narrowing trade deficit with China and a flip from a deficit to a surplus with the United Kingdom.



**Chart 1**  
**Current account balances**

billions of dollars



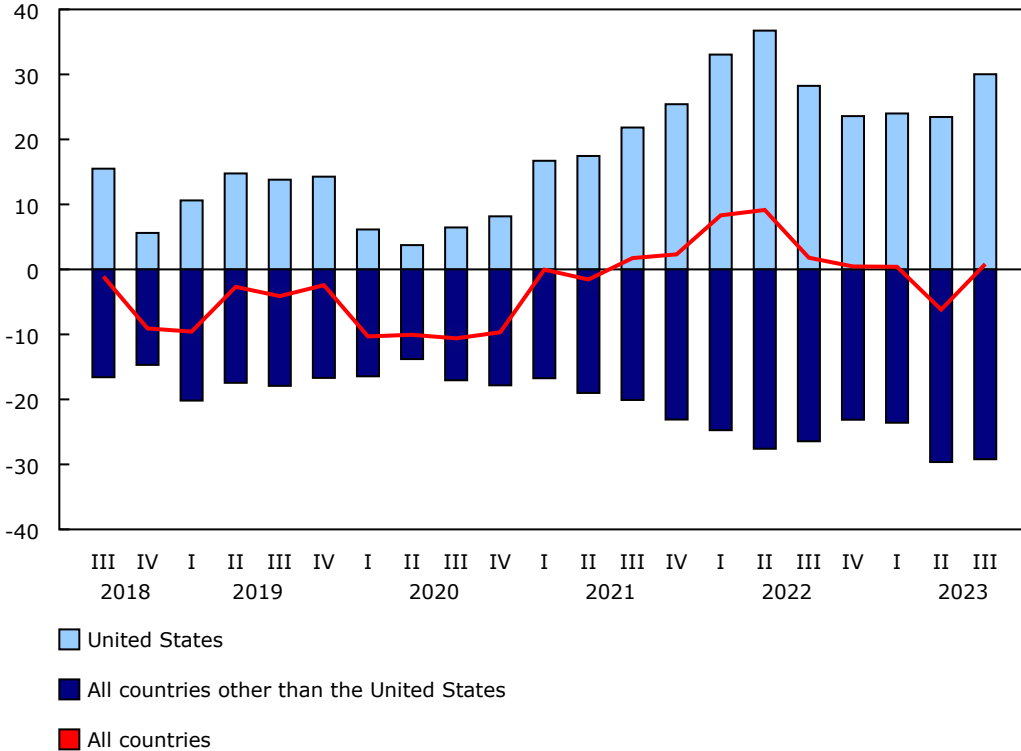
**Note(s):** Data are seasonally adjusted.  
**Source(s):** Table 36-10-0018-01.

**The services deficit widens slightly**

International trade in services recorded a 10th consecutive quarterly deficit in the third quarter, largely due to trade deficits for transportation services. The transportation services trade deficit narrowed to \$3.5 billion in the third quarter, as imports (-5.4%) declined more than exports (-0.4%). The travel services trade deficit widened by \$0.4 billion to \$1.2 billion, as the increase in personal travel expenses by Canadians outside of Canada outpaced that of non-residents in Canada. The commercial services surplus decreased by \$0.4 billion to \$1.0 billion, as higher imports, led by computer services (+7.2%), more than offset a smaller increase in exports, mainly in research and development services, management services, and advertising 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 deficit for investment income

The investment income surplus narrowed by \$2.6 billion to \$2.1 billion in the third quarter. Income on deposits and loans, both in Canada and abroad, was up, with payments increasing by more than receipts. This was mostly related to Canadian banks' international activities. At the same time, both profits earned by Canadian direct investors abroad and by foreign direct investors in Canada increased.

### Financial account

#### Canadian investment in foreign securities up

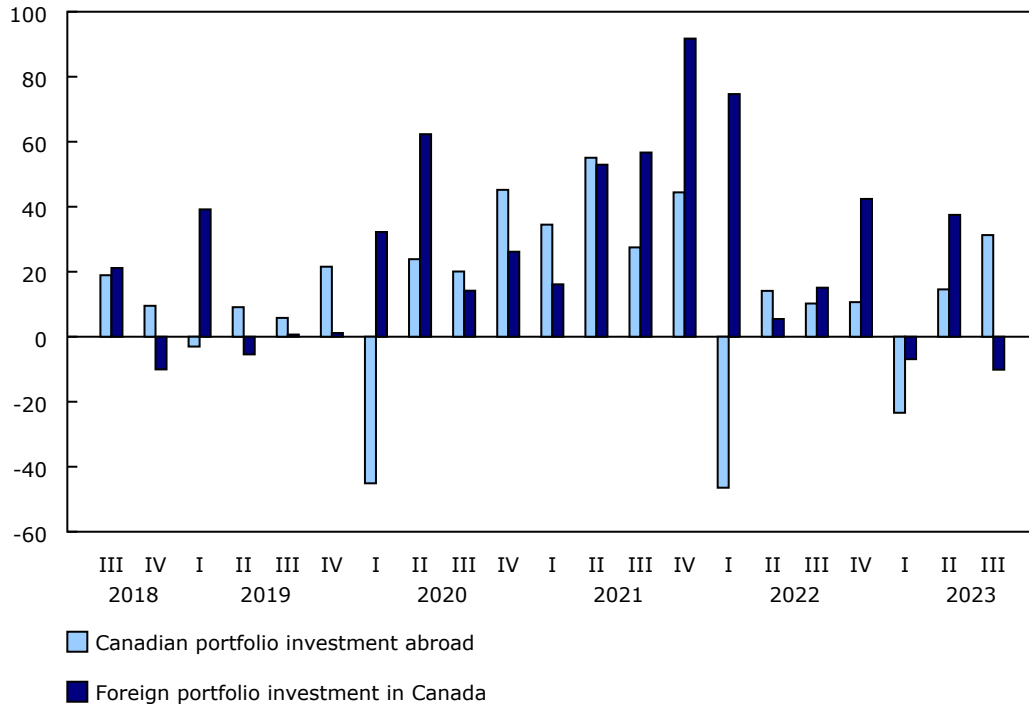
Canadian investors increased their holdings of foreign securities by \$31.3 billion in the third quarter, the highest investment since the fourth quarter of 2021. Investors acquired both equity (+\$20.3 billion) and debt securities (+\$11.0 billion) in the third quarter of 2023, with about two-thirds of these investments being in US instruments.

Foreign investors reduced their exposure to Canadian securities by \$10.1 billion in the third quarter, evenly split between debt and equity securities. Record retirements of government bonds were moderated by new issuances abroad of private corporate bonds denominated in foreign currency. The divestment in debt securities (-\$4.9 billion) followed significant investments recorded since the second quarter of 2021. In addition, non-resident investors

reduced their exposure to Canadian equities by \$5.3 billion in the third quarter of 2023, largely shares of the banking sector. Since the beginning of the year, the foreign divestment in Canadian equity securities totalled \$40.7 billion.

**Chart 3**  
**Foreign portfolio investment**

billions of dollars



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

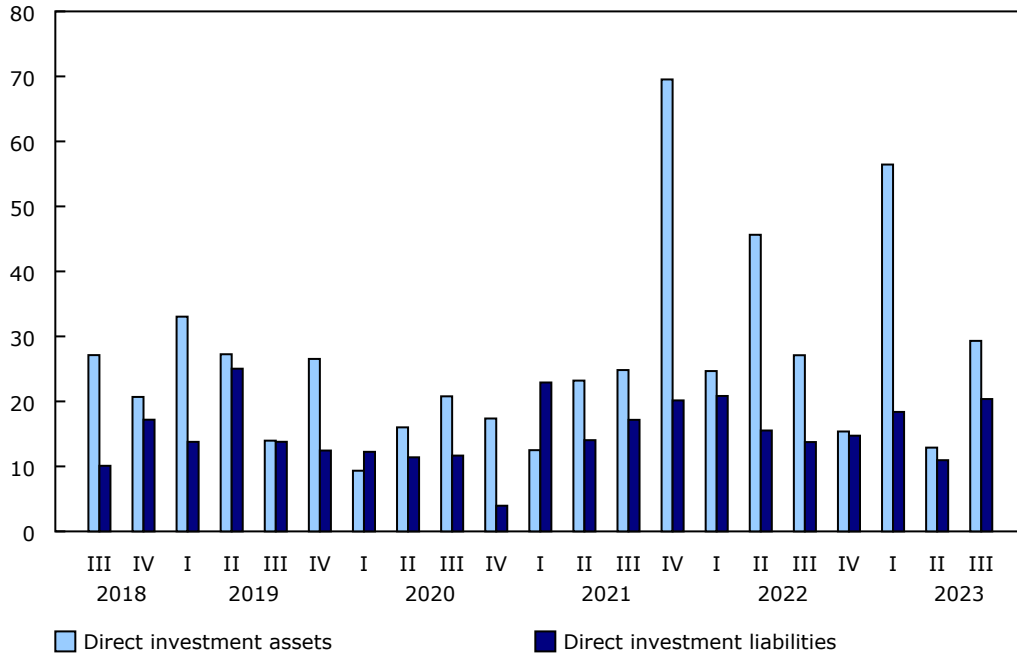
**Foreign direct investment increases**

Canadian direct investment abroad reached \$29.3 billion in the third quarter, up significantly from a \$12.9 billion investment in the second quarter. Earnings reinvested in foreign affiliates by their Canadian parents (+\$19.0 billion) accounted for most of the activity in the third quarter. Merger and acquisition transactions remained modest and totalled \$6.7 billion. The finance and insurance sector accounted for just over one-third of all the activity, while the bulk of the investments were directed to the United States.

In the third quarter, foreign direct investment in Canada amounted to \$20.4 billion, almost doubling the value of the second quarter. Earnings reinvested by foreign parents in Canadian affiliates (+\$9.0 billion) accounted for most of the investment. Merger and acquisition activity slowed to \$3.6 billion, the lowest level in a year. The manufacturing sector was the largest recipient of foreign direct investment in the third quarter.

**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 2020 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.

International trade in goods data by product are now classified according to the North American Product Classification System (NAPCS) 2022 version 1.0. Previously, NAPCS 2017 version 1.0 was used to classify trade in goods by product. While the number of published categories remains the same, the composition of these categories is impacted, resulting in changes within published results. Quarterly NAPCS 2022 values are available from 1988.

### 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 11. For more information, see [Real-time data tables](#).

### Next release

Balance of international payments data for the fourth quarter will be released on February 28, 2024.

**Table 1**  
**Balance of payments – Not seasonally adjusted**

	Third quarter 2022	Fourth quarter 2022	First quarter 2023	Second quarter 2023	Third quarter 2023	2021	2022
millions of dollars							
<b>Capital account and current account</b>							
<b>Net lending / net borrowing, from capital account and current account</b>	<b>-14,257</b>	<b>-3,583</b>	<b>-4,898</b>	<b>-10,909</b>	<b>-7,529</b>	<b>334</b>	<b>-10,365</b>
Current account balances	-14,257	-3,583	-4,841	-11,138	-7,529	371	-10,312
Goods and services	-8,036	156	161	-13,113	-6,723	216	3,691
Goods	-3,267	1,379	5,295	-7,211	-3,723	2,460	19,706
Services	-4,769	-1,222	-5,135	-5,902	-3,000	-2,244	-16,016
Primary income	-5,451	-2,778	307	2,250	-132	4,933	-10,023
Compensation of employees	-1,456	-1,486	-1,523	-1,558	-1,596	-5,422	-5,761
Investment income	-3,995	-1,292	1,829	3,809	1,464	10,355	-4,261
Direct investment	6,347	9,244	12,940	15,606	15,240	38,892	35,369
Portfolio investment	-9,161	-9,185	-10,121	-10,620	-11,727	-21,514	-31,408
Other investment	-1,180	-1,351	-990	-1,178	-2,049	-7,022	-8,223
Secondary income	-770	-961	-5,309	-276	-673	-4,777	-3,980
Capital account balance	0	0	-57	229	0	-38	-53
<b>Financial account<sup>1,2</sup></b>							
<b>Net lending / net borrowing, from financial account</b>	<b>-9,351</b>	<b>-2,763</b>	<b>-6,298</b>	<b>-5,583</b>	<b>-144</b>	<b>10,357</b>	<b>-3,154</b>
Net acquisition of financial assets	89,136	134,964	-17,374	120,442	89,185	426,276	278,939
Direct investment assets	27,103	15,370	56,439	12,889	29,311	130,049	112,772
Direct investment assets, equity	31,680	21,569	63,072	15,151	27,658	128,048	120,780
Direct investment assets, debt instruments	-4,576	-6,199	-6,632	-2,261	1,653	2,001	-8,007
Canadian portfolio investment in foreign securities	10,219	10,643	-23,398	14,569	31,273	161,466	-11,485
Foreign debt securities	13,870	14,067	4,009	11,499	10,959	48,829	50,866
Foreign money market instruments	-1,592	2,306	768	305	1,737	327	2,389
Foreign bonds	15,462	11,761	3,241	11,193	9,223	48,501	48,477
Foreign equity and investment fund shares	-3,650	-3,424	-27,407	3,071	20,314	112,638	-62,351
Official international reserves	2,087	1,187	536	8,924	-789	25,320	13,817
Other Canadian investment abroad	49,727	107,764	-50,951	84,059	29,390	109,440	163,834
Loans	48,315	47,067	-25,998	23,832	12,555	26,177	86,322
Currency and deposits	5,768	22,678	14,523	15,199	15,384	60,518	70,372
Trade credits and advances	2,290	-3,153	1,304	-255	195	712	915
Other accounts receivable	-6,646	41,171	-40,780	45,283	1,257	22,034	6,225
Net incurrence of liabilities	98,488	137,726	-11,076	126,025	89,328	415,919	282,093
Direct investment liabilities	13,744	14,725	18,380	10,954	20,362	74,258	64,825
Direct investment liabilities, equity	13,477	14,922	21,317	16,316	17,939	66,246	66,356
Direct investment liabilities, debt instruments	267	-196	-2,936	-5,362	2,423	8,012	-1,531
Foreign portfolio investment in Canadian securities	15,089	42,400	-6,902	37,492	-10,135	217,466	137,612
Canadian debt securities	25,288	41,911	10,221	55,743	-4,857	171,634	149,633
Canadian money market instruments	-5,474	20,127	-16,613	14,437	1,490	40,897	366
Canadian bonds	30,762	21,784	26,835	41,306	-6,347	130,737	149,267
Canadian equity and investment fund shares	-10,199	489	-17,124	-18,251	-5,278	45,832	-12,021
Other foreign investment in Canada	69,655	80,601	-22,554	77,579	79,102	124,195	79,656
Loans	30,933	51,571	-46,208	42,696	39,760	36,102	42,468
Currency and deposits	36,540	28,685	23,421	33,175	37,150	68,568	32,077
Special drawing rights	0	0	0	0	0	18,943	0
Trade credits and advances	532	-298	-406	319	54	-2,222	521
Other accounts payable	1,650	643	639	1,390	2,138	2,804	4,589
<b>Discrepancy (net errors and omissions)</b>	<b>4,906</b>	<b>820</b>	<b>-1,400</b>	<b>5,326</b>	<b>7,385</b>	<b>10,024</b>	<b>7,211</b>

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 2022	Fourth quarter 2022	First quarter 2023	Second quarter 2023	Third quarter 2023	2021	2022
millions of dollars							
<b>Current account receipts</b>	<b>288,379</b>	<b>292,156</b>	<b>297,736</b>	<b>296,308</b>	<b>305,449</b>	<b>949,111</b>	<b>1,143,281</b>
Goods and services	242,059	240,633	240,319	235,489	241,490	785,755	952,159
Goods	197,674	194,028	193,018	186,953	192,346	636,758	779,188
Services	44,385	46,606	47,301	48,537	49,144	148,997	172,970
Travel	9,983	11,340	11,456	11,657	12,046	19,237	36,520
Transportation	4,945	4,996	4,908	4,887	4,865	14,856	18,849
Commercial services	29,031	29,842	30,487	31,545	31,788	113,320	115,915
Government services	426	428	451	449	445	1,584	1,687
Primary income	41,843	46,705	52,393	56,019	59,418	147,839	172,943
Compensation of employees	283	285	288	285	286	1,043	1,124
Investment income	41,561	46,421	52,105	55,734	59,131	146,797	171,819
Direct investment	24,838	26,774	28,984	30,150	31,100	98,077	107,637
Interest	2,599	2,778	2,906	2,960	2,858	8,450	9,994
Profits	22,239	23,996	26,078	27,190	28,242	89,627	97,643
Portfolio investment	11,515	12,053	12,604	13,104	13,249	42,114	45,364
Interest on debt securities	4,519	4,956	5,249	5,684	5,861	15,698	17,984
Dividends on equity and investment fund shares	6,996	7,097	7,354	7,420	7,388	26,416	27,379
Other investment	5,208	7,594	10,517	12,480	14,782	6,606	18,819
Secondary income	4,477	4,817	5,025	4,799	4,541	15,517	18,180
Private transfers	1,225	1,271	1,298	1,336	1,370	4,460	4,829
Government transfers	3,252	3,546	3,727	3,463	3,171	11,057	13,350
<b>Current account payments</b>	<b>298,074</b>	<b>300,683</b>	<b>304,508</b>	<b>303,625</b>	<b>308,671</b>	<b>948,739</b>	<b>1,153,593</b>
Goods and services	245,103	243,320	244,354	245,036	244,375	785,539	948,468
Goods	195,878	193,573	192,619	193,139	191,526	634,298	759,482
Services	49,225	49,747	51,735	51,897	52,849	151,241	188,986
Travel	11,011	11,378	12,831	12,518	13,292	10,202	37,259
Transportation	9,342	8,876	8,943	8,801	8,329	27,175	36,078
Commercial services	28,420	29,044	29,507	30,108	30,749	112,170	113,867
Government services	450	448	455	469	479	1,694	1,782
Primary income	47,283	51,323	51,784	52,806	58,887	142,907	182,966
Compensation of employees	1,741	1,789	1,800	1,841	1,881	6,465	6,885
Investment income	45,542	49,534	49,984	50,964	57,007	136,442	176,081
Direct investment	18,467	18,509	16,702	14,262	15,456	59,185	72,268
Interest	834	864	869	880	895	3,226	3,224
Profits	17,633	17,646	15,832	13,383	14,562	55,959	69,044
Portfolio investment	20,523	21,532	22,535	23,563	25,066	63,629	76,771
Interest on debt securities	12,613	14,334	15,269	16,314	17,634	39,764	48,294
Dividends on equity and investment fund shares	7,909	7,198	7,266	7,249	7,432	23,865	28,478
Other investment	6,552	9,493	10,747	13,139	16,485	13,628	27,041
Secondary income	5,689	6,040	8,370	5,784	5,409	20,294	22,159
Private transfers	3,546	3,580	6,526	4,020	3,686	13,448	14,107
Government transfers	2,143	2,460	1,844	1,765	1,723	6,846	8,052
<b>Current account balances</b>	<b>-9,695</b>	<b>-8,528</b>	<b>-6,772</b>	<b>-7,318</b>	<b>-3,223</b>	<b>371</b>	<b>-10,312</b>
Goods and services	-3,044	-2,687	-4,035	-9,546	-2,885	216	3,691
Goods	1,796	454	398	-6,187	819	2,460	19,706
Services	-4,840	-3,141	-4,434	-3,360	-3,705	-2,244	-16,016
Travel	-1,029	-38	-1,375	-862	-1,246	9,035	-739
Transportation	-4,397	-3,880	-4,035	-3,915	-3,464	-12,318	-17,229
Commercial services	611	797	980	1,437	1,039	1,150	2,047
Government services	-25	-20	-4	-21	-34	-110	-95
Primary income	-5,439	-4,618	609	3,214	531	4,933	-10,023
Compensation of employees	-1,458	-1,504	-1,512	-1,556	-1,594	-5,422	-5,761
Investment income	-3,981	-3,114	2,121	4,770	2,125	10,355	-4,261
Direct investment	6,371	8,264	12,282	15,888	15,644	38,892	35,369
Interest	1,765	1,914	2,037	2,081	1,963	5,224	6,770
Profits	4,606	6,350	10,245	13,807	13,681	33,668	28,599
Portfolio investment	-9,007	-9,479	-9,932	-10,459	-11,817	-21,514	-31,408
Interest on debt securities	-8,094	-9,378	-10,020	-10,630	-11,773	-24,066	-30,309
Dividends on equity and investment fund shares	-913	-101	88	171	-44	2,552	-1,098
Other investment	-1,345	-1,899	-230	-659	-1,703	-7,022	-8,223
Secondary income	-1,212	-1,223	-3,346	-985	-868	-4,777	-3,980
Private transfers	-2,321	-2,309	-5,228	-2,684	-2,316	-8,988	-9,278
Government transfers	1,110	1,085	1,882	1,698	1,448	4,212	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](mailto:infostats@statcan.gc.ca)) or Media Relations ([statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca](mailto:statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca)).