

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

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Canada's current account balance (on a seasonally adjusted basis) recorded a \$1.6 billion deficit in the fourth quarter, narrowing \$3.1 billion from the previous quarter. The lower deficit mainly reflected a stronger goods surplus.

In the fourth quarter, in the financial account (unadjusted for seasonal variation), inflows of funds from abroad to finance the current account deficit came primarily from transactions in currency and deposits. Foreign holdings of these instruments in Canada increased considerably over the quarter. This activity was moderated by strong Canadian acquisitions of foreign securities.

For the year 2023, recalibrating supply chains, volatility in commodity prices, recovery in global stock markets, and international travel reaching new heights all had an impact on balance of payments flows.

## Current account

### Exports and imports of goods and services increase

The trade in goods and services balance posted a \$1.2 billion surplus in the fourth quarter, a \$3.2 billion change from a deficit of \$2.0 billion in the third quarter. Exports and imports of both goods and services increased during the fourth quarter.

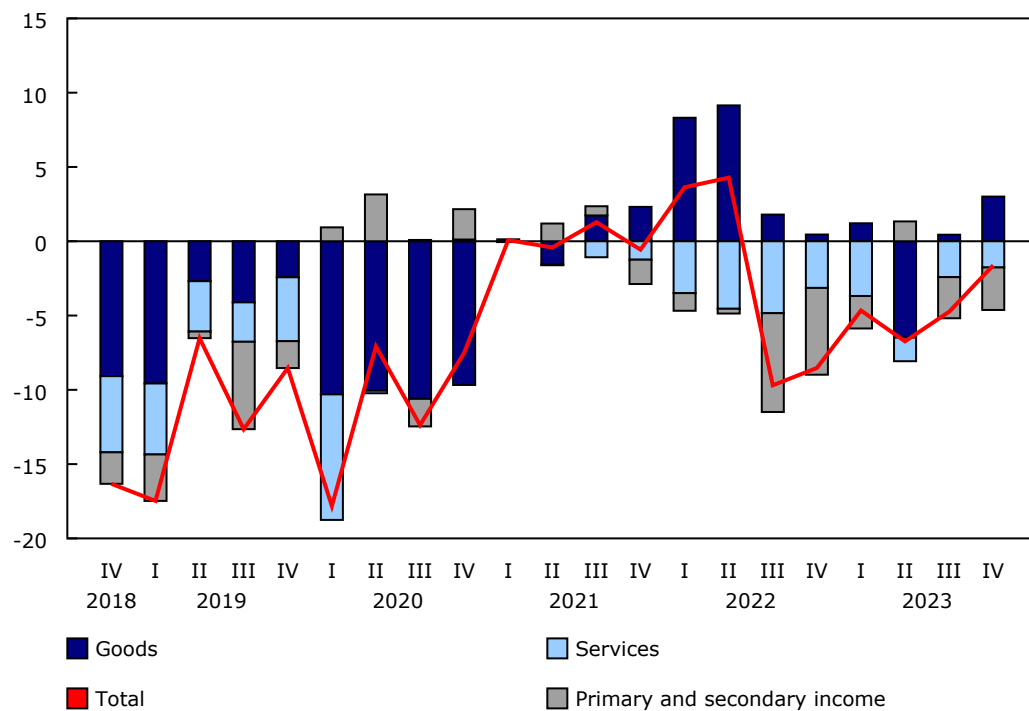
Exports of goods rose by \$2.9 billion to \$195.0 billion in the fourth quarter, while imports were up \$0.3 billion. As a result, the trade in goods surplus widened from \$0.4 billion in the third quarter to \$3.0 billion in the fourth quarter. Exports of energy products led the increase in exports, as they were up by \$5.3 billion, mainly on higher export volumes of crude oil. Increases in imports of consumer goods (+\$1.5 billion) and basic and industrial chemical, plastic and rubber products (+\$1.0 billion) were largely offset by lower imports of motor vehicles (-\$1.6 billion) and metal products (-\$1.1 billion).

The trade in services deficit narrowed by \$0.6 billion to \$1.8 billion in the fourth quarter. The travel services surplus widened by \$1.0 billion, as expenses of non-residents visiting Canada rose and expenses of Canadians travelling abroad fell. At the same time, the transportation services deficit widened from \$3.4 billion in the third quarter to \$3.8 billion in the fourth quarter.



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

billions of dollars



Note(s): Data are seasonally adjusted.

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

### Investment income edges up to surplus

The investment income balance went from a slight deficit in the third quarter to a slight surplus of \$112.0 million in the fourth quarter. Lower profits earned by foreign direct investors in Canada led to a higher direct investment income surplus, while interest generated on banks' intercompany deposits resulted in a net payment and moderated the overall surplus.

### Financial account

#### Strong Canadian investment in US securities

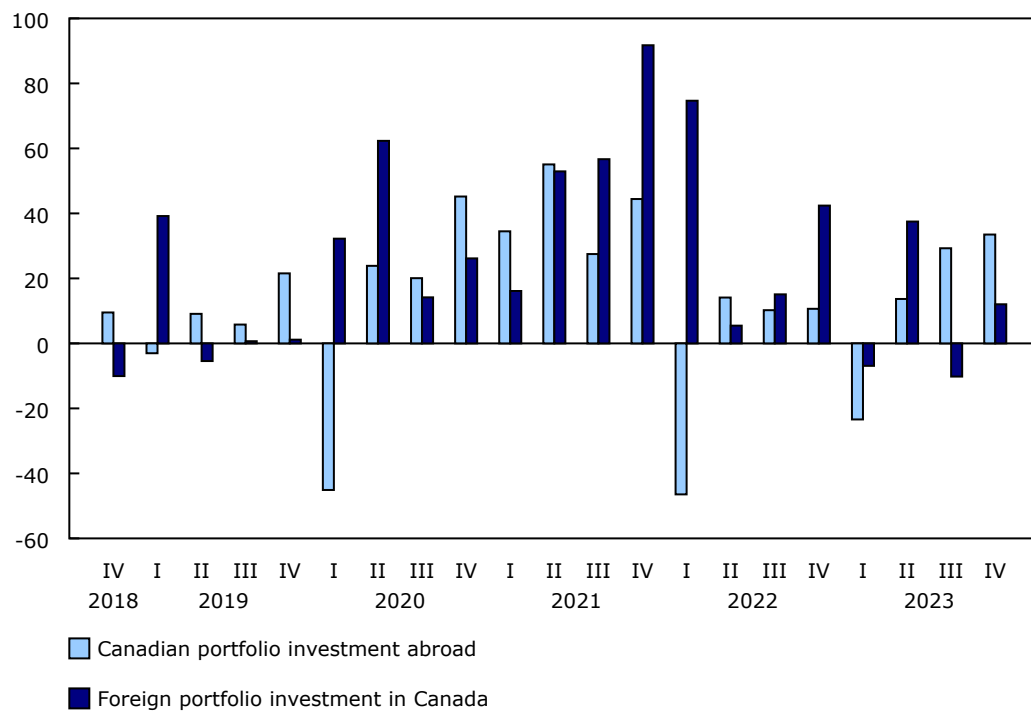
Canadian investors acquired \$33.5 billion of foreign securities in the fourth quarter. Canadian acquisitions of US securities amounted to \$26.7 billion, the largest investment in two years.

Further, foreign investors increased their holdings of Canadian securities by \$12.0 billion in the fourth quarter. Investors reduced their exposure to the Canadian equity market for a fourth consecutive quarter. Meanwhile, they acquired Canadian debt securities, largely federal government instruments.

As a result, portfolio investments generated a net outflow of funds from the economy of \$21.5 billion in the fourth quarter.

## Chart 2 Foreign portfolio investment

billions of dollars



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

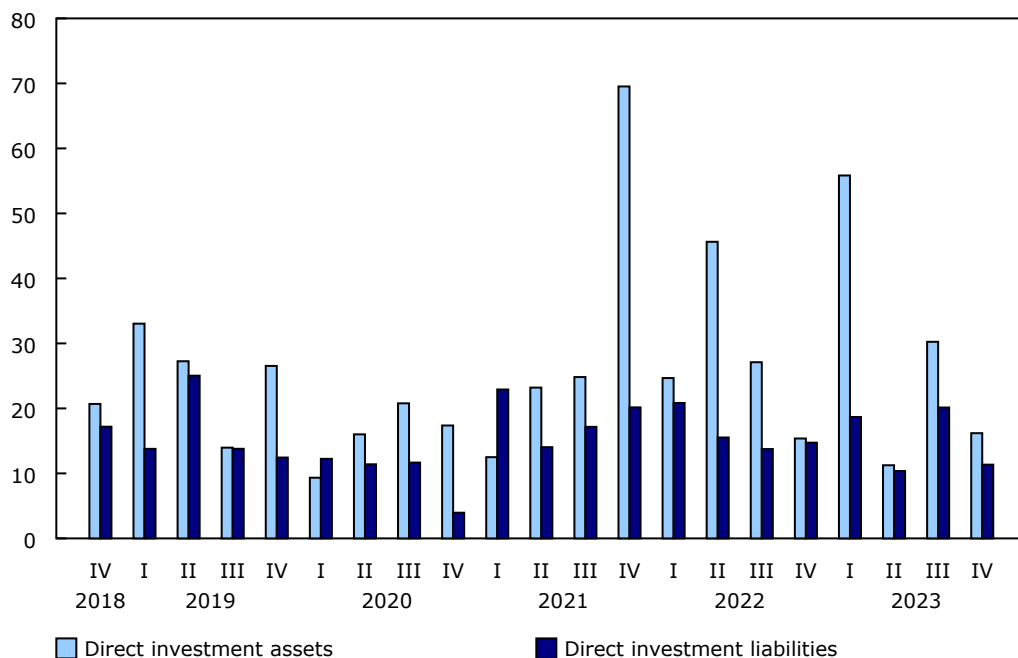
### Direct investment activity slows down

Canadian direct investment abroad slowed to \$16.2 billion in the fourth quarter, down from \$30.2 billion in the third quarter. While mergers and acquisitions activity (\$5.9 billion) was on par with the previous two quarters, earnings reinvested by Canadian parents in their foreign affiliates accounted for the bulk of the investment in the fourth quarter. On a sector basis, the largest investment was in affiliates of the finance and insurance sector.

Foreign direct investment in Canada totalled \$11.3 billion in the fourth quarter, almost back to the low level of the second quarter and following a recovery in the third quarter. Merger and acquisition transactions amounted to \$5.5 billion in the fourth quarter, up from \$3.6 billion in the third quarter. The manufacturing sector was the main recipient of the foreign direct investment in the fourth quarter.

### Chart 3 Foreign direct investment

billions of dollars



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

## Year 2023 in review

### Current account deficit rises

For the year 2023, the current account balance posted a \$17.8 billion deficit, up \$7.4 billion compared with 2022. The increase in the deficit was largely due to the trade in goods balance going from a surplus of \$19.7 billion in 2022 to a deficit of \$1.8 billion in 2023.

Total exports of goods declined by \$10.9 billion in 2023, as lower prices led to a decrease in exports of energy products (-\$40.9 billion). Despite the decline, annual exports of energy products were the second-highest exports on record. Partially offsetting the decrease in energy products, exports of motor vehicles and parts increased \$21.2 billion. Imports of goods increased by \$10.6 billion, largely because of higher imports of motor vehicles and parts. The increases in both exports and imports of motor vehicles and parts occurred as the impact of supply chain issues in the automotive industry continued to lessen.

The trade in services deficit narrowed in 2023, as the transportation services deficit decreased, the commercial services balance increased, and the travel services balance went from a deficit position to a surplus. Services exports reached \$200.6 billion in 2023, an increase of \$27.6 billion over 2022, while services imports rose \$21.1 billion to \$210.0 billion. Travel services and commercial services drove export gains in 2023. The increases were attributable to the combination of increased non-residents' expenditures while travelling in Canada, international student spending, and continued growth of digital business services, which also contributed to the growth in imports of commercial services. The increase in Canadians' expenditures while travelling abroad, mainly to non-US destinations, accounted for most of the growth in services imports.

The investment income balance went from a deficit of \$4.3 billion in 2022 to a surplus of \$7.4 billion in 2023. Higher profits earned by Canadian direct investors abroad combined with lower profits earned by foreign direct investors in Canada contributed to the return to a surplus position.

### **Canadian investment abroad is on the rise**

In the financial account, both direct and portfolio investment activities generated a net outflow of funds in 2023, as Canadian acquisitions abroad surpassed foreign acquisitions in Canada.

Canadian investors acquired \$53.0 billion of foreign securities in 2023, following an \$11.5 billion divestment in 2022. Purchases of foreign bonds, mainly government instruments, and US shares accounted for most of the activity in 2023. The investment in US shares followed a large divestment in 2022, as the US stock market rebounded significantly. Moreover, foreign investors acquired \$32.4 billion of Canadian securities in 2023. Foreign investment in Canadian bonds continued but at a slower pace than in 2022, while foreign investors reduced their holdings of Canadian shares for a second consecutive year in 2023. Most major foreign stock markets outperformed the Canadian stock market in 2023.

In 2023, direct investment activity, both outward and inward, essentially was on par with 2022 levels. Direct investment abroad remained strong, at \$113.5 billion in 2023. However, the composition of the investment changed, as merger and acquisition activities more than doubled to reach \$58.5 billion. Close to two-thirds of the investment was directed to the United States in 2023. Meanwhile, direct investment in Canada amounted to \$60.5 billion, with the bulk of the investment coming from US direct investors. The manufacturing, the trade and transportation and the management of companies and enterprises sectors were the main recipients of this investment.

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## Note to readers

### Revisions

Following a hiatus due to the COVID-19 pandemic, data compilation from [Statistics Canada's Visitor Travel Survey](#) resumed in 2023. Given that this data source provides statistics on visitors from the United States and from overseas to Canada, including granular information on the characteristics of their travel and spending levels, upward revisions have been made to personal travel exports for the first three quarters of 2023, replacing previous estimates of travel services derived primarily from frontier counts data.

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

### Next release

Balance of international payments data for the first quarter of 2024 will be released on May 30.

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

	Fourth quarter 2022	First quarter 2023	Second quarter 2023	Third quarter 2023	Fourth quarter 2023	2022	2023
millions of dollars							
<b>Capital account and current account</b>							
<b>Net lending / net borrowing, from capital account and current account</b>	<b>-3,583</b>	<b>-4,252</b>	<b>-9,431</b>	<b>-7,870</b>	<b>3,966</b>	<b>-10,365</b>	<b>-17,586</b>
Current account balances	-3,583	-4,195	-9,660	-7,870	3,966	-10,312	-17,759
Goods and services	156	875	-11,863	-5,198	4,907	3,691	-11,278
Goods	1,379	5,468	-7,843	-4,234	4,782	19,706	-1,827
Services	-1,222	-4,593	-4,020	-964	126	-16,016	-9,451
Primary income	-2,778	450	2,482	-1,967	92	-10,023	1,056
Compensation of employees	-1,486	-1,523	-1,558	-1,596	-1,632	-5,761	-6,309
Investment income	-1,292	1,972	4,040	-371	1,724	-4,261	7,366
Direct investment	9,244	12,946	15,494	12,838	14,772	35,369	56,049
Portfolio investment	-9,185	-10,117	-10,616	-11,769	-11,326	-31,408	-43,829
Other investment	-1,351	-856	-837	-1,440	-1,722	-8,223	-4,855
Secondary income	-961	-5,519	-279	-705	-1,033	-3,980	-7,537
Capital account balance	0	-57	229	0	0	-53	172
<b>Financial account<sup>1,2</sup></b>							
<b>Net lending / net borrowing, from financial account</b>	<b>-2,763</b>	<b>-5,790</b>	<b>-2,030</b>	<b>-2,451</b>	<b>-75</b>	<b>-3,154</b>	<b>-10,347</b>
Net acquisition of financial assets	134,964	-18,104	122,316	83,945	185,185	278,939	373,342
Direct investment assets	15,370	55,833	11,251	30,245	16,186	112,772	113,514
Direct investment assets, equity	21,569	62,904	14,146	25,184	15,059	120,780	117,293
Direct investment assets, debt instruments	-6,199	-7,071	-2,895	5,061	1,126	-8,007	-3,778
Canadian portfolio investment in foreign securities	10,643	-23,398	13,669	29,273	33,494	-11,485	53,039
Foreign debt securities	14,067	4,009	10,599	8,959	13,775	50,866	37,342
Foreign money market instruments	2,306	768	305	1,737	1,163	2,389	3,973
Foreign bonds	11,761	3,241	10,293	7,223	12,612	48,477	33,369
Foreign equity and investment fund shares	-3,424	-27,407	3,071	20,314	19,719	-62,351	15,697
Official international reserves	1,187	536	8,924	-789	781	13,817	9,451
Other Canadian investment abroad	107,764	-51,075	88,472	25,216	134,724	163,834	197,338
Loans	47,067	-26,104	24,027	3,569	32,551	86,322	34,043
Currency and deposits	22,678	14,505	15,208	13,194	61,629	70,372	104,538
Trade credits and advances	-3,153	1,304	2,954	-970	-212	915	3,077
Other accounts receivable	41,171	-40,780	46,283	9,423	40,756	6,225	55,681
Net incurrence of liabilities	137,726	-12,314	124,346	86,396	185,260	282,093	383,689
Direct investment liabilities	14,725	18,679	10,362	20,135	11,343	64,825	60,520
Direct investment liabilities, equity	14,922	21,171	15,985	18,209	12,743	66,356	68,108
Direct investment liabilities, debt instruments	-196	-2,492	-5,623	1,926	-1,400	-1,531	-7,588
Foreign portfolio investment in Canadian securities	42,400	-6,905	37,491	-10,205	12,035	137,612	32,416
Canadian debt securities	41,911	10,221	55,743	-4,855	20,003	149,633	81,113
Canadian money market instruments	20,127	-16,613	14,437	1,492	2,141	366	1,457
Canadian bonds	21,784	26,835	41,306	-6,347	17,862	149,267	79,656
Canadian equity and investment fund shares	489	-17,127	-18,252	-5,350	-7,968	-12,021	-48,697
Other foreign investment in Canada	80,601	-24,088	76,493	76,466	161,882	79,656	290,752
Loans	51,571	-47,243	42,688	39,285	39,696	42,468	74,427
Currency and deposits	28,685	23,421	33,347	37,216	121,912	32,077	215,896
Special drawing rights	0	0	0	0	0	0	0
Trade credits and advances	-298	-406	319	-173	133	521	-127
Other accounts payable	643	139	140	138	140	4,589	556
<b>Discrepancy (net errors and omissions)</b>	<b>820</b>	<b>-1,539</b>	<b>7,401</b>	<b>5,418</b>	<b>-4,041</b>	<b>7,211</b>	<b>7,240</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**

	Fourth quarter 2022	First quarter 2023	Second quarter 2023	Third quarter 2023	Fourth quarter 2023	2022	2023
millions of dollars							
<b>Current account receipts</b>	<b>292,156</b>	<b>299,365</b>	<b>297,227</b>	<b>304,691</b>	<b>309,222</b>	<b>1,143,281</b>	<b>1,210,505</b>
Goods and services	240,633	241,996	237,105	242,840	246,899	952,159	968,840
Goods	194,028	193,974	187,066	192,178	195,037	779,188	768,256
Services	46,606	48,022	50,039	50,662	51,862	172,970	200,585
Travel	11,340	12,227	13,074	13,509	14,136	36,520	52,945
Transportation	4,996	4,913	4,927	4,898	4,881	18,849	19,618
Commercial services	29,842	30,436	31,596	31,827	32,422	115,915	126,281
Government services	428	447	442	427	423	1,687	1,739
Primary income	46,705	52,488	55,335	57,261	57,686	172,943	222,770
Compensation of employees	285	288	286	286	284	1,124	1,144
Investment income	46,421	52,200	55,049	56,976	57,402	171,819	221,626
Direct investment	26,774	29,036	29,577	29,425	29,302	107,637	117,340
Interest	2,778	2,910	2,964	2,874	2,888	9,994	11,636
Profits	23,996	26,126	26,613	26,551	26,414	97,643	105,704
Portfolio investment	12,053	12,592	13,113	13,297	14,105	45,364	53,106
Interest on debt securities	4,956	5,240	5,689	5,885	6,408	17,984	23,222
Dividends on equity and investment fund shares	7,097	7,352	7,424	7,411	7,697	27,379	29,884
Other investment	7,594	10,572	12,360	14,253	13,995	18,819	51,180
Secondary income	4,817	4,881	4,787	4,589	4,638	18,180	18,895
Private transfers	1,271	1,304	1,339	1,382	1,384	4,829	5,409
Government transfers	3,546	3,577	3,448	3,207	3,254	13,350	13,486
<b>Current account payments</b>	<b>300,683</b>	<b>304,025</b>	<b>303,966</b>	<b>309,433</b>	<b>310,840</b>	<b>1,153,593</b>	<b>1,228,264</b>
Goods and services	243,320	244,470	245,180	244,812	245,656	948,468	980,118
Goods	193,573	192,764	193,552	191,737	192,030	759,482	770,083
Services	49,747	51,707	51,628	53,075	53,626	188,986	210,036
Travel	11,378	12,817	12,401	13,439	13,021	37,259	51,679
Transportation	8,876	8,854	8,648	8,301	8,661	36,078	34,464
Commercial services	29,044	29,581	30,110	30,856	31,465	113,867	122,012
Government services	448	454	469	479	478	1,782	1,880
Primary income	51,323	50,910	52,696	58,889	59,218	182,966	221,714
Compensation of employees	1,789	1,797	1,842	1,885	1,928	6,885	7,453
Investment income	49,534	49,113	50,854	57,003	57,290	176,081	214,261
Direct investment	18,509	16,264	14,163	16,045	14,820	72,268	61,291
Interest	864	875	886	897	865	3,224	3,523
Profits	17,646	15,388	13,277	15,148	13,955	69,044	57,768
Portfolio investment	21,532	22,527	23,524	25,002	25,882	76,771	96,935
Interest on debt securities	14,334	15,269	16,314	17,634	18,442	48,294	67,659
Dividends on equity and investment fund shares	7,198	7,258	7,210	7,368	7,439	28,478	29,276
Other investment	9,493	10,322	13,168	15,957	16,588	27,041	56,035
Secondary income	6,040	8,644	6,090	5,732	5,966	22,159	26,432
Private transfers	3,580	6,531	4,019	3,737	3,804	14,107	18,092
Government transfers	2,460	2,113	2,070	1,994	2,162	8,052	8,340
<b>Current account balances</b>	<b>-8,528</b>	<b>-4,660</b>	<b>-6,739</b>	<b>-4,742</b>	<b>-1,618</b>	<b>-10,312</b>	<b>-17,759</b>
Goods and services	-2,687	-2,474	-8,074	-1,972	1,243	3,691	-11,278
Goods	454	1,210	-6,485	441	3,007	19,706	-1,827
Services	-3,141	-3,684	-1,589	-2,413	-1,764	-16,016	-9,451
Travel	-38	-591	673	70	1,114	-739	1,266
Transportation	-3,880	-3,941	-3,721	-3,403	-3,781	-17,229	-14,846
Commercial services	797	855	1,486	971	957	2,047	4,269
Government services	-20	-7	-27	-51	-54	-95	-140
Primary income	-4,618	1,578	2,638	-1,627	-1,533	-10,023	1,056
Compensation of employees	-1,504	-1,509	-1,556	-1,600	-1,644	-5,761	-6,309
Investment income	-3,114	3,087	4,195	-28	112	-4,261	7,366
Direct investment	8,264	12,772	15,414	13,381	14,482	35,369	56,049
Interest	1,914	2,035	2,078	1,978	2,023	6,770	8,113
Profits	6,350	10,738	13,336	11,403	12,459	28,599	47,936
Portfolio investment	-9,479	-9,935	-10,411	-11,705	-11,777	-31,408	-43,829
Interest on debt securities	-9,378	-10,029	-10,625	-11,749	-12,034	-30,309	-44,437
Dividends on equity and investment fund shares	-101	94	214	43	257	-1,098	609
Other investment	-1,899	250	-808	-1,703	-2,593	-8,223	-4,855
Secondary income	-1,223	-3,764	-1,302	-1,142	-1,328	-3,980	-7,537
Private transfers	-2,309	-5,227	-2,680	-2,355	-2,420	-9,278	-12,682
Government transfers	1,085	1,464	1,378	1,213	1,091	5,298	5,145

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.

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