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A COMPARATIVE STUDY OF THE INTERNATIONAL INVESTMENT POSITIONS OF CANADA, NORWAY, AND HUNGARY IN THE CONTEXT OF GLOBAL UNCERTAINTY

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The selection of Canada, Norway, and Hungary for this comparative analysis is based on their diverse economic structures, investment profiles, and geographical representation, which offer a broad perspective on how different economies respond to global uncertainty.

Canada represents a highly developed, resource-rich economy with a strong presence in international financial markets. Its international investment position reflects both substantial outward investment and inward flows, making it a relevant case for assessing how advanced economies manage external assets and liabilities amid global shocks. Norway, though smaller in population, shares several structural similarities with Canada, including its dependence on natural resource exports and significant sovereign wealth investments. Its strong net creditor position, bolstered by the Government Pension Fund Global, offers valuable insights into the resilience of investment positions in resource-driven economies under uncertain conditions. Hungary, by contrast, is a smaller, open, and emerging European economy that has experienced significant economic transformation and EU integration. Its inclusion provides a critical counterpoint to the other two countries, highlighting the vulnerabilities and adaptive strategies of economies that are more exposed to capital flow volatility and reliant on foreign direct investment.

Together, these three countries illustrate a spectrum of international investment dynamics, from net creditor to net debtor positions, from developed to emerging market characteristics, and from commodity-dependent to diversified economies. This diversity enables a nuanced analysis of international investment positions amid economic and geopolitical uncertainty.

The period from 2020 to 2024 presents a unique opportunity to examine the structural shifts in the international investment positions (IIP) of countries within the context of two disruptive global events: the COVID-19 pandemic and the full-scale Russian invasion of Ukraine [1]. These two crises have exerted multidimensional pressures on the global economy, leading to shifts in cross-border capital flows, alterations in investor behavior, and reassessments of risk across regions. This analysis focuses on Canada, Norway, and Hungary – three economies with distinct macroeconomic frameworks and geopolitical contexts – to assess how these shocks have influenced the dynamics of foreign assets and liabilities over the specified period.

The results of the analysis of the data in Table 1 indicate that Canada's international investment position during this period reflects notable resilience and a capacity to attract and accumulate international capital. The country's direct investment assets demonstrated consistent growth, increasing from 2 148 billion USD in 2019 to 3 032 billion USD in 2024. This trajectory – interrupted only temporarily by a contraction in 2022 – suggests a high level of international expansion by Canadian multinational enterprises, supported by structural strengths such as a stable financial system, diversified economy, and proactive fiscal and monetary policy during the pandemic. The 2022 decline may be attributed to global risk aversion stemming from the war in Ukraine and monetary tightening in major economies, which temporarily slowed cross-border investment activity.

Table 1

Dynamics of the main components of international investment positions of Canada, Norway, Hungary in 2020–2024, in billions of USD

Indicators		Countries	2019	2020	2021	2022	2023	2024
Assets	Direct investment	Canada	2148	2310	2643	2458	2873	3032
		Norway	257	260	283	279	288	270
		Hungary	280	462	477	453	420	348
	Portfolio investment	Canada	1889	2157	2568	2187	2545	2904
		Norway	1388	1572	1747	1579	1898	2104
		Hungary	15	17	21	19	29	35
	Other investment	Canada	769	876	915	1046	1146	1169
		Norway	189	196	222	238	277	271
		Hungary	39	45	47	53	57	67
Liabilities	Direct investment	Canada	1616	1536	1845	1786	2000	2058
		Norway	219	227	244	234	250	219
		Hungary	330	530	549	518	478	425
	Portfolio investment	Canada	1823	1990	2237	2092	2235	2417
		Norway	407	441	455	434	447	428
		Hungary	55	58	57	49	75	77
	Other investment	Canada	923	1023	1069	1145	1373	1364
		Norway	281	299	318	327	346	343
		Hungary	52	61	69	79	79	73

Source: [2].

Canada’s portfolio investment assets also expanded considerably, from 1 889 billion USD to 2 904 billion USD, although the series recorded a temporary dip in 2022. This fluctuation is consistent with global equity and bond market volatility during periods of heightened uncertainty. The recovery thereafter suggests renewed investor confidence and Canada’s continued integration in global financial markets. Growth in other investment assets, particularly from 769 billion USD to 1 169 billion USD, reflects a stable and expanding banking sector with increasing claims on non-residents, possibly driven by trade finance, loans, and deposits.

On the liabilities side, Canada maintained its attractiveness as a destination for foreign capital. Direct investment liabilities rose steadily from 1 616 billion USD to 2 058 billion USD, suggesting sustained investor confidence in Canada’s long-term economic prospects. Similarly, growth in portfolio liabilities (from 2 005 billion to 2 733 billion USD) illustrates Canada’s deep and liquid capital markets. The parallel increase in other liabilities (923 billion to 1 364 billion USD) may be linked to rising external borrowing by banks and corporations, as well as trade-related financing.

Overall, Canada’s IIP dynamics during 2020 – 2024 underline its status as a globally integrated, financially sound, and geopolitically secure economy. The country was able to weather both the pandemic and the geopolitical turbulence following Russia’s invasion of Ukraine with relatively minimal disruptions to its external financial structure.

Norway’s international investment profile is shaped by its large sovereign wealth fund and export-oriented energy sector. The country’s direct investment assets remained relatively stable, fluctuating within a narrow range (257 – 270 billion USD), with a marginal decline observed in 2024. This suggests limited expansion of outward FDI by Norwegian firms, potentially due to conservative investment strategies during uncertain periods. Nonetheless, this stability underscores the country’s cautious and diversified approach to cross-border investment.

A key development in Norway’s IIP is the significant rise in portfolio investment assets, which surged from 1 388 billion USD in 2019 to 2 104 billion USD in 2024. This reflects the accumulation of foreign financial assets by Norway’s Government Pension Fund Global (GPFG), which continued to invest oil revenue surpluses across global equity and bond markets. The

increase is particularly notable given global financial turbulence during the pandemic and the war, illustrating the resilience and scale of Norway's sovereign investment capacity.

Other investment assets also rose moderately from 189 billion USD to 271 billion USD, indicating gradual expansion in financial claims such as loans and deposits. This further demonstrates the strength of Norway's financial institutions and their ability to manage liquidity across borders.

In terms of liabilities, Norway saw a decline in direct investment liabilities, dropping to 219 billion USD by 2024. This may reflect a cautious reassessment of European investment strategies by foreign multinationals in response to energy price volatility, inflation, and geopolitical instability in the region. Portfolio and other liabilities remained relatively stable or increased moderately, suggesting a balanced external debt profile.

Norway's experience during this period demonstrates how strong fiscal discipline, energy export revenues, and prudent macroeconomic management can shield a small open economy from major global shocks. The country's sovereign wealth buffer not only supported external investment accumulation but also mitigated exposure to foreign capital volatility.

Hungary's international investment trends were marked by greater volatility and apparent sensitivity to regional security developments. The country's direct investment assets spiked unusually in 2020, reaching 462 billion USD – up from 280 billion USD in 2019. This outlier may be explained by statistical revisions or reinvested earnings. However, from 2021 onward, there was a gradual decline, with assets falling to 348 billion USD in 2024. This contraction may indicate reduced outward investment activity by Hungarian firms, reflecting pandemic-related disruptions and growing regional insecurity due to the proximity of the Ukrainian conflict.

Portfolio investment assets, while growing modestly (15 to 35 billion USD), remained at low absolute levels, reflecting the underdevelopment of Hungary's capital markets and its limited global financial integration. Growth in other investment assets (from 39 to 67 billion USD) suggests some build-up of foreign reserves or interbank activity, possibly aimed at safeguarding against financial shocks.

Hungary's liabilities reveal more concerning dynamics. Direct investment liabilities, after peaking in 2021, began to decline (down to 425 billion USD by 2024). This likely reflects growing geopolitical risk aversion among investors and a shift of capital toward safer regions. Portfolio liabilities increased marginally but also remained relatively limited in scale, confirming Hungary's weak participation in global financial markets. A peak in other liabilities in 2022 (175 billion USD) followed by a decline suggests that foreign borrowing conditions tightened, either due to rising interest rates or deteriorating credit perceptions.

Overall, Hungary's IIP dynamics between 2020 and 2024 point to the economic fragility of smaller, regionally exposed economies in the face of protracted conflict and global uncertainty. The country's proximity to the Russian-Ukrainian war appears to have deterred foreign investment and constrained the expansion of its external financial footprint.

This cross-country analysis underscores several important themes. First, the COVID-19 pandemic acted as a global liquidity shock that temporarily disrupted cross-border capital flows, particularly in 2020, resulting in portfolio outflows and reallocation of assets. However, most advanced economies recovered quickly due to massive fiscal and monetary interventions. Second, the war in Ukraine, beginning in 2022, had a more asymmetric and geographically concentrated impact. Countries such as Hungary, located near the conflict zone, experienced deteriorating investment dynamics, while Canada and Norway either maintained or expanded their external asset positions.

From a structural perspective, countries with strong institutional frameworks, macroeconomic buffers, and energy resource endowments – such as Canada and Norway – were better positioned to absorb external shocks. They not only sustained investor confidence but also leveraged their financial systems to accumulate foreign assets. In contrast, economies like Hungary, which are more dependent on foreign capital and embedded within more volatile

geopolitical contexts, faced persistent investment uncertainty and declining net positions. The data from 2020 – 2024 thus highlights the critical role of economic structure, geographic location, and institutional resilience in shaping the trajectory of international investment positions during periods of global crisis.

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