

# National balance sheet and financial flow accounts, third quarter 2013

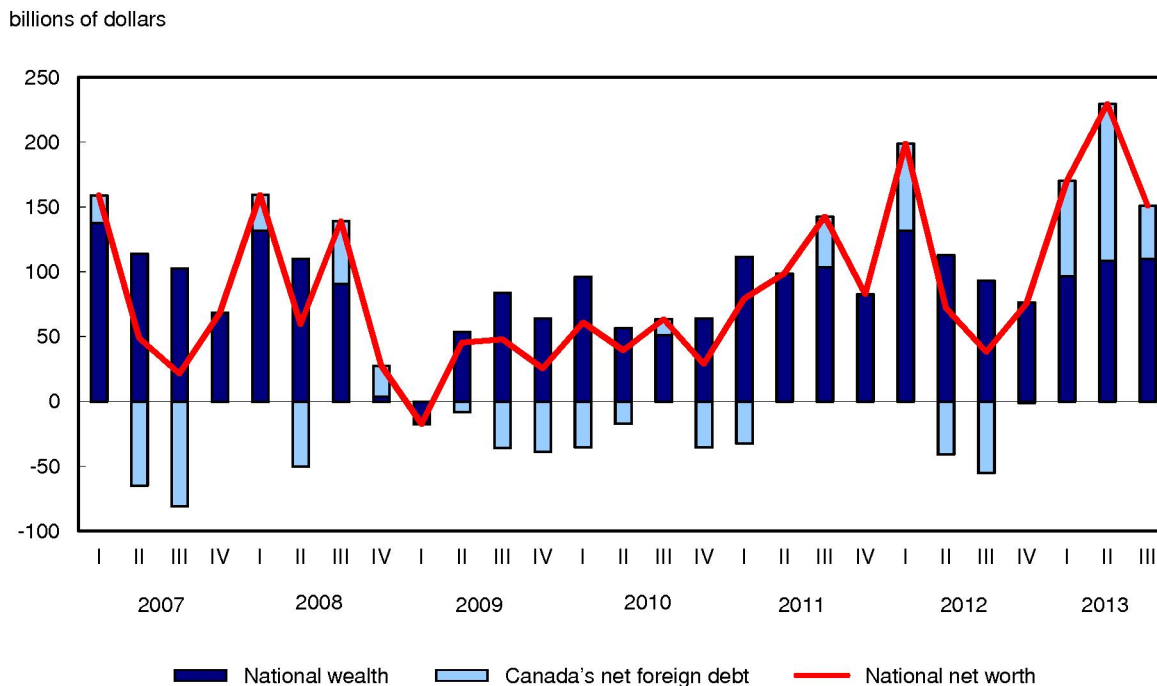
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National net worth increased to \$7.5 trillion in the third quarter, up 2.1% from the second quarter, to reach \$212,700 on a per capita basis. This compares with a 3.2% rise in the second quarter.

Economy-wide non-financial assets, or national wealth, advanced 1.5% or by \$110 billion to reach \$7.6 trillion at the end of the third quarter, mainly on gains in the value of residential and non-residential real estate. This gain in national wealth was the main contributor to the higher national net worth, together with lower net foreign debt (international liabilities less international assets).

Canada's net foreign debt fell by \$41.1 billion to reach \$66.2 billion by the end of the third quarter, marking a third consecutive quarterly decline. The decline in the third quarter mainly reflected the impact of strong foreign equity markets, which pushed up the value of Canada's international assets more than international liabilities. These gains were moderated by the downward revaluation effect of a stronger Canadian dollar on international assets and liabilities.

**Chart 1**  
**Changes in national net worth**



## Borrowing and debt of non-financial sectors

Funds raised by domestic non-financial sectors on financial markets totalled \$58.9 billion in the third quarter. Households borrowed \$25.2 billion, while non-financial private corporations borrowed \$16.0 billion. Funds raised by the government sector totalled \$17.3 billion in the quarter, led by issuances of provincial bonds.

Credit market debt (consumer credit, mortgages, loans, short-term paper and bonds) of domestic non-financial sectors totalled \$4.2 trillion at the end of the third quarter, up 1.2% or by \$51.3 billion from the previous quarter. In the third quarter, the increase was led by mortgages and bond debt. By comparison, at the end of the second quarter, credit market debt was up 2.0% or by \$81.7 billion. The second quarter increase was led by short-term paper and bond debt.

Bond yields were up marginally at the end of the third quarter following a marked increase in the previous quarter. Of the total outstanding credit market debt, bonds and mortgages accounted for the majority at \$1.5 trillion and \$1.4 trillion respectively.

## **Household sector**

Household net worth advanced 2.2% in the third quarter, led by a 3.7% gain in the value of shares and other equities during the quarter. Shares and other equities grew on the basis of the rebound in domestic and foreign equity markets. The increase in household net worth was also supported by a 1.5% gain in the value of household real estate. On a per capita basis, household net worth rose to \$211,400 in the third quarter.

The ratio of financial assets to non-financial assets has continued its general upward trend since its marked decline in 2008. At the end of the third quarter, it stood at 116.5%, up from 115.4% in the previous quarter.

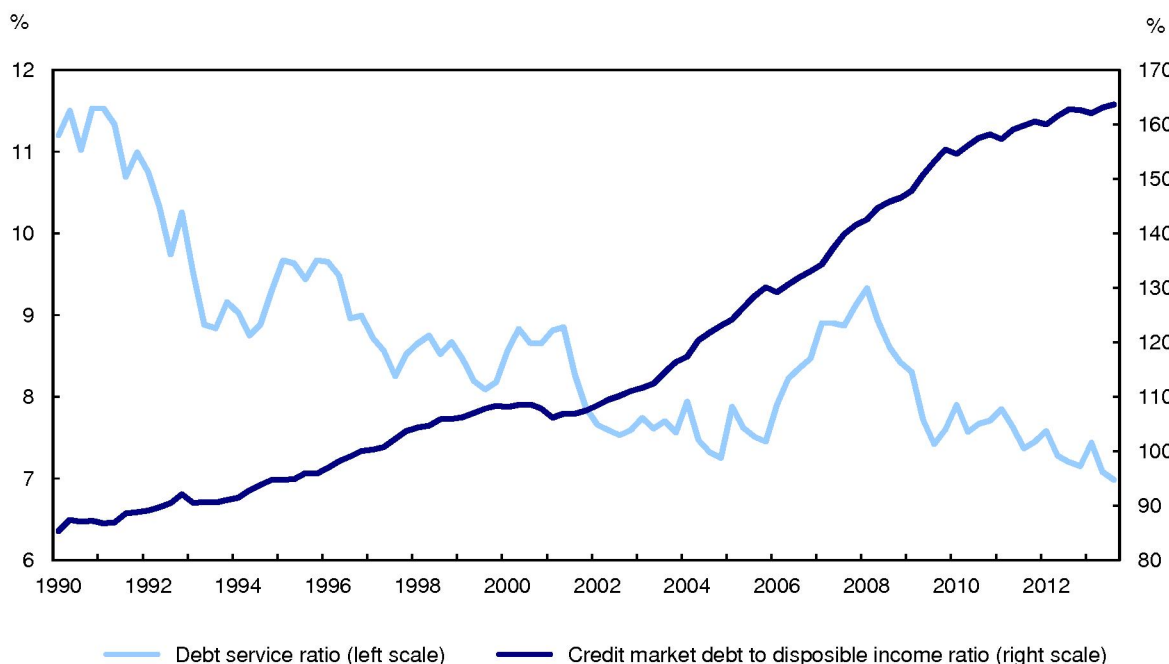
Funds raised by households (consumer credit, loans and mortgages) were \$25.1 billion in the third quarter, led by mortgages at \$19.7 billion. This pushed credit market debt up 1.5% during the third quarter, similar to the growth in the previous quarter.

At the end of the third quarter, mortgage debt stood at just over \$1.1 trillion, up 1.8% over the previous quarter. Consumer credit debt reached \$505 billion by quarter end, up 1.0% over the second quarter.

Over the past five years, household demand for funds has moderated. The average quarterly growth in mortgage debt in this period was 1.7%, while that of consumer credit debt was 1.2%. In contrast, the average quarterly growth in mortgage debt and consumer credit debt were both higher at 2.5% each from 2002 to 2007.

Leverage, as measured by household credit market debt to disposable income, increased to 163.7% in the third quarter from 163.1% in the second quarter. The third quarter's household debt service ratio, defined as household mortgage and non-mortgage interest paid divided by disposable income, remained at a near-record low. Owner's equity as a percentage of real estate was 69.3% at the end of the third quarter, marginally lower than the 69.5% recorded at the end of the previous quarter.

**Chart 2**  
**Household sector leverage indicators**



**Government sector**

Total government net debt (expressed at book value) rose from \$933 billion in the second quarter to \$949 billion in the third quarter. Federal net borrowing was \$0.3 billion in the third quarter versus \$0.9 billion in the second quarter. Net borrowing by other levels of government stood at \$15.5 billion by the end of the third quarter, led by provincial bond issuance.

The ratio of total government net debt to gross domestic product continued to trend upward, though at a slower pace than the preceding quarter, increasing to 51.0% at quarter end from 50.8% in the second quarter. The ratio for the federal government decreased for a second consecutive quarter, while the ratio for the other levels of government continued its upward trend, which started in 2008.

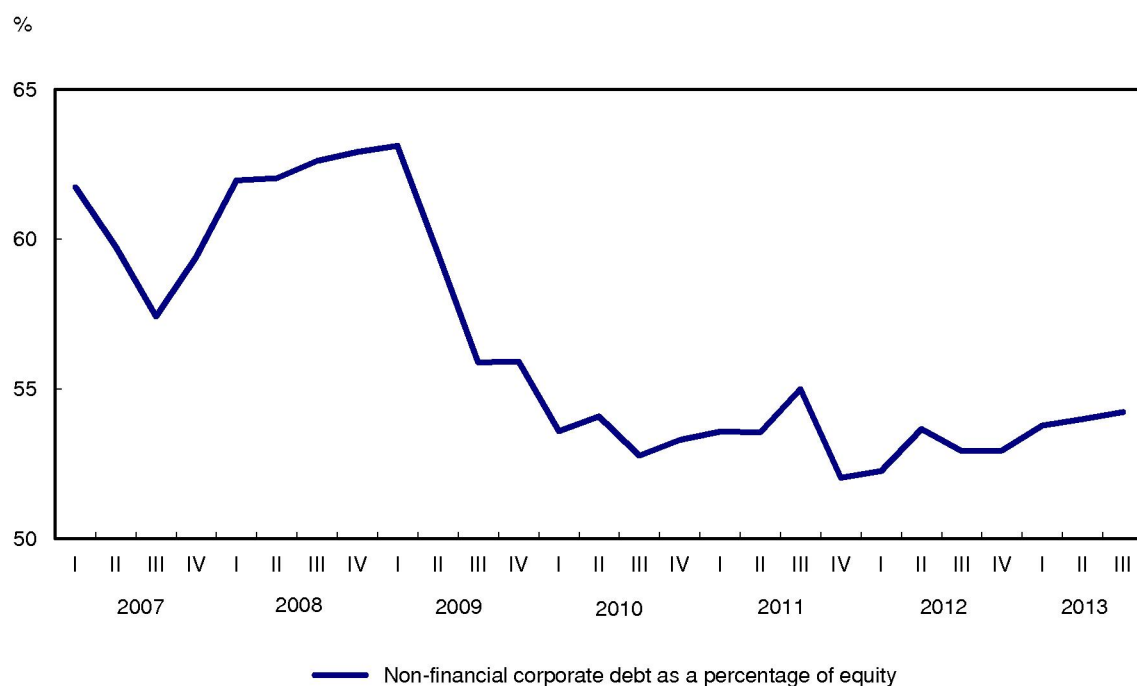
**Corporate sector**

The corporate sector remained a net lender to the rest of the economy, led by financial corporations. Corporate net lending amounted to \$7.0 billion over the quarter, down from \$17.2 billion in the previous quarter.

At the end of the third quarter, financial assets of financial corporations increased by \$117 billion to reach \$10 trillion. Canadian equity assets accounted for the largest share of this gain, followed by foreign equity. Bond holdings of financial corporations decreased in value by \$10.3 billion during the quarter.

Non-financial corporations demand for funds was \$16.0 billion during the third quarter, mainly composed of loan and bond issuances. On a book value basis, the ratio of debt-to-equity of non-financial corporations was 54 cents of credit market debt for every dollar of equity at quarter end. This ratio has been relatively stable since the end of 2009.

**Chart 3**  
**Non-financial corporate debt-to-equity ratio**



**Note to readers**

*This release is a combined analysis of the National balance sheet accounts and Financial flow accounts. The National balance sheet accounts comprise the balance sheets of all sectors and sub-sectors of the economy. The main sectors are households, non-profit institutions serving households, financial corporations, non-financial corporations, government, and non-residents. They cover all national non-financial assets and financial asset-liability claims outstanding in all sectors.*

*The Financial flow accounts (FFA) measure net lending or borrowing by examining financial transactions in the economy by sector. The FFA arrive at a measure of net financial investment, which is the difference between transactions in financial assets and liabilities (for example, net purchases of securities less net issuance of securities). The FFA also provide the link between financial and non-financial activity in the economy, which ties estimates of saving and non-financial capital acquisition (for example, investment in new housing) with the underlying financial transactions.*

*Definitions concerning financial indicators can be found in [Financial indicators from the National balance sheet accounts](#).*

**Table 1**  
**National balance sheet accounts – Market value, not seasonally adjusted**

|  | Second<br>quarter 2012 | Third<br>quarter 2012 | Fourth<br>quarter 2012 | First quarter<br>2013 | Second<br>quarter 2013 | Third<br>quarter 2013 | Second<br>quarter to<br>third quarter<br>2013 |
|--|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|---|
|  | billions of dollars    |                       |                        |                       |                        |                       | change in<br>billions of<br>dollars           |
| <b>National net worth</b>                            | <b>6,840</b>           | <b>6,878</b>          | <b>6,954</b>           | <b>7,124</b>          | <b>7,353</b>           | <b>7,504</b>          | <b>151</b>                                    |
| <b>Period-to-period<br/>  percentage change</b>      | <b>1.1</b>             | <b>0.6</b>            | <b>1.1</b>             | <b>2.4</b>            | <b>3.2</b>             | <b>2.1</b>            |   |
| National wealth                                      | 7,086                  | 7,179                 | 7,256                  | 7,352                 | 7,461                  | 7,571                 | 110   |
| Period-to-period percentage<br>change                | 1.6                    | 1.3                   | 1.1                    | 1.3                   | 1.5                    | 1.5                   |   |
| Canada's net foreign debt                            | 246                    | 301                   | 302                    | 228                   | 107                    | 66                    | -41   |
| <b>National net worth, by sector</b>                 |                        |                       |                        |                       |                        |                       |   |
| Household sector                                     | 6,816                  | 6,955                 | 7,062                  | 7,256                 | 7,297                  | 7,459                 | 162   |
| Non-profit institutions serving<br>households sector | 72                     | 74                    | 75                     | 71                    | 72                     | 73                    | 1   |
| Corporate sector                                     | 213                    | 95                    | 73                     | 43                    | 213                    | 165                   | -48   |
| General government sector                            | -261                   | -245                  | -257                   | -246                  | -229                   | -193                  | 36  |
|  | dollars                |                       |                        |                       |                        |                       | change in<br>dollars                          |
| <b>National net worth per capita</b>                 | <b>196,100</b>         | <b>196,500</b>        | <b>198,400</b>         | <b>203,400</b>        | <b>209,200</b>         | <b>212,700</b>        | <b>3,500</b>                                  |

Note(s): Data may not add up to totals as a result of rounding.

**Table 2**  
**Households and non-profit institutions serving households sector indicators – Market value, not seasonally adjusted**

|   | Second quarter 2012 | Third quarter 2012 | Fourth quarter 2012 | First quarter 2013 | Second quarter 2013 | Third quarter 2013 |
|---|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|
|   | %                   |                    |                     |                    |                     |                    |
| <b>Household sector</b>   |                     |                    |                     |                    |                     |                    |
| Debt to gross domestic product (GDP)                                    | 92.99               | 93.92              | 94.09               | 94.18              | 95.06               | 95.36              |
| Debt to disposable income   | 163.85              | 164.98             | 164.76              | 164.19             | 165.17              | 165.75             |
| Credit market debt to disposable income                                 | 161.51              | 162.76             | 162.62              | 162.04             | 163.09              | 163.65             |
| Consumer credit and mortgage liabilities to disposable income           | 150.93              | 151.98             | 151.71              | 151.51             | 152.48              | 153.09             |
| Net worth as a percentage of disposable income                          | 669.37              | 676.18             | 679.43              | 691.74             | 690.04              | 697.28             |
| Debt to total assets  | 19.66               | 19.61              | 19.52               | 19.18              | 19.31               | 19.21              |
| Debt to net worth   | 24.48               | 24.40              | 24.25               | 23.74              | 23.94               | 23.77              |
| Credit market debt to net worth   | 24.13               | 24.07              | 23.94               | 23.43              | 23.63               | 23.47              |
| Consumer credit and mortgage liabilities to net worth                   | 22.55               | 22.48              | 22.33               | 21.90              | 22.10               | 21.96              |
| Total assets to net worth   | 124.48              | 124.40             | 124.25              | 123.74             | 123.94              | 123.77             |
| Financial assets to net worth   | 65.80               | 66.37              | 66.73               | 66.98              | 66.39               | 66.59              |
| Financial assets to non-financial assets                                | 112.14              | 114.36             | 116.01              | 118.01             | 115.38              | 116.46             |
| Owner's equity as a percentage of real estate                           | 69.45               | 69.17              | 69.02               | 69.31              | 69.46               | 69.34              |
| Real estate as a percentage of disposable income                        | 339.49              | 338.94             | 337.42              | 339.91             | 344.31              | 345.17             |
| <b>Households and non-profit institutions serving households sector</b> |                     |                    |                     |                    |                     |                    |
| Debt to GDP   | 95.26               | 96.20              | 96.40               | 96.43              | 97.33               | 97.63              |
| Debt to disposable income   | 163.74              | 164.86             | 164.68              | 164.05             | 165.07              | 165.64             |
| Credit market debt to disposable income                                 | 158.43              | 159.65             | 159.54              | 158.98             | 160.05              | 160.60             |

**Table 3**  
**Corporations sector indicators – Not seasonally adjusted**

|  | Second quarter 2012 | Third quarter 2012 | Fourth quarter 2012 | First quarter 2013 | Second quarter 2013 | Third quarter 2013 |
|--|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|
|  | %                   |                    |                     |                    |                     |                    |
| <b>Corporations sector</b>   |                     |                    |                     |                    |                     |                    |
| Private non-financial corporations total debt to equity (market value)       | 185.87              | 183.82             | 183.67              | 183.91             | 188.97              | 189.08             |
| Private non-financial corporations credit market debt to equity (book value) | 53.66               | 52.92              | 52.94               | 53.78              | 53.99               | 54.23              |

**Table 4**  
**General government sector indicators – Not seasonally adjusted**

|  | Second<br>quarter 2012 | Third quarter<br>2012 | Fourth quarter<br>2012 | First quarter<br>2013 | Second<br>quarter 2013 | Third quarter<br>2013 |
|--|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|
|  | %                      |                       |                        |                       |                        |                       |
| <b>General government sector</b>   |                        |                       |                        |                       |                        |                       |
| General government gross debt<br>(book value) to gross domestic<br>product (GDP) | 109.76                 | 110.78                | 110.43                 | 111.41                | 112.90                 | 112.46                |
| Federal general government gross<br>debt (book value) to GDP                     | 48.79                  | 49.02                 | 48.78                  | 49.33                 | 49.46                  | 49.21                 |
| Other levels of general government<br>gross debt (book value) to GDP             | 60.31                  | 60.88                 | 60.58                  | 60.63                 | 61.31                  | 61.53                 |
| General government net debt (book<br>value) to GDP                               | 49.15                  | 49.67                 | 50.26                  | 50.35                 | 50.79                  | 51.03                 |
| Federal general government net<br>debt (book value) to GDP                       | 33.97                  | 33.81                 | 33.69                  | 33.70                 | 33.59                  | 33.31                 |
| Other levels of general government<br>net debt (book value) to GDP               | 26.15                  | 26.63                 | 27.51                  | 28.11                 | 28.79                  | 29.22                 |

**Available in CANSIM: tables 378-0119 to 378-0125.**

**Definitions, data sources and methods: survey numbers 1804 and 1806.**

The [National economic accounts](#) module, accessible from the *Browse by key resource* module of our website, features an up-to-date portrait of national and provincial economies and their structure.

Links to other releases from the national accounts can be found in the third quarter 2013 issue of *Canadian Economic Accounts Quarterly Review*, Vol. 12, no. 3 (13-010-X). This publication is available from the *Browse by key resource* module of our website under *Publications*. Revised National balance sheet and Financial flow accounts for the first quarter have been released, along with those for the second quarter. These data incorporate new and revised source data and updated data.

Data on National balance sheet accounts and financial flow accounts for the fourth quarter will be released on March 14, 2014.

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 (613-951-4636; mediahotline@statcan.gc.ca).