

National balance sheet and financial flow accounts, fourth quarter 2014

Released at 8:30 a.m. Eastern time in *The Daily*, Thursday, March 12, 2015

National net worth

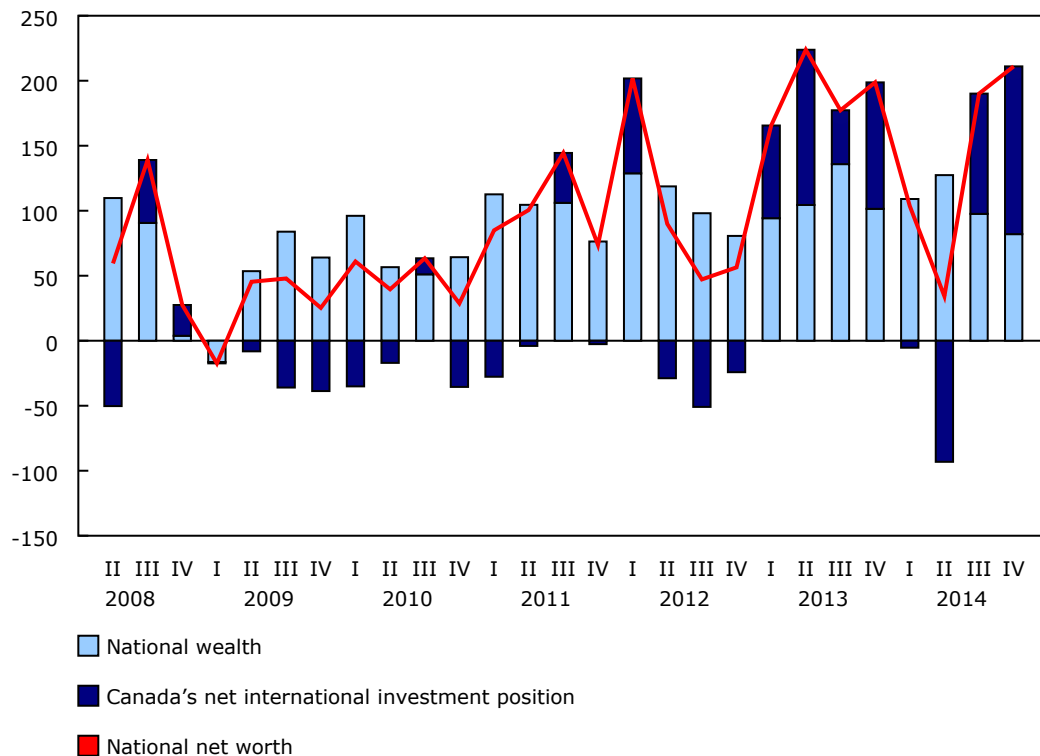
National net worth rose 2.6% from the third quarter to \$8,269 billion in the fourth quarter. On a per capita basis, national net worth rose 2.5% to \$231,500. By the end of 2014, national net worth was up 7.0% compared with the end of the previous year, the fourth consecutive annual gain of at least 6%.

The primary contributor to the increase in national net worth in the fourth quarter was a \$129.0 billion advance in Canada's international investment position. This was the largest increase on record as Canada's net asset position stood at \$145.8 billion by the end of the year. Revaluations from higher foreign equity prices on international assets and lower Canadian equity prices on international liabilities were the principal contributors to the increase. The depreciation of the Canadian dollar was also a contributing factor.

National wealth, or the total value of non-financial assets in the Canadian economy, rose 1.0% to \$8,124 billion at the end of the fourth quarter. Gains in the value of residential real estate held by households were the principal contributor to growth. At the end of 2014, national wealth had increased by \$416 billion from the end of 2013, the bulk of which was attributable to the higher value of residential real estate (+6.4%).

Chart 1
Changes in national net worth

billions of dollars



Source(s): CANSIM table [378-0121](#).



Statistics Canada
Statistique Canada

Canada

Households

Household sector net worth rose 0.9% in the fourth quarter, the slowest rate in six quarters. On a per capita basis, household net worth was \$233,000 in the fourth quarter. Non-financial assets, principally real estate, were up 1.1% while net financial assets rose 0.6%.

By the end of 2014, the net worth of households was 7.5% higher than at the end of 2013. The value of net financial assets increased 9.5% as total financial assets (+7.8%), notably investments in mutual funds, outpaced that of total financial liabilities (+4.6%). Non-financial assets were up 6.0%.

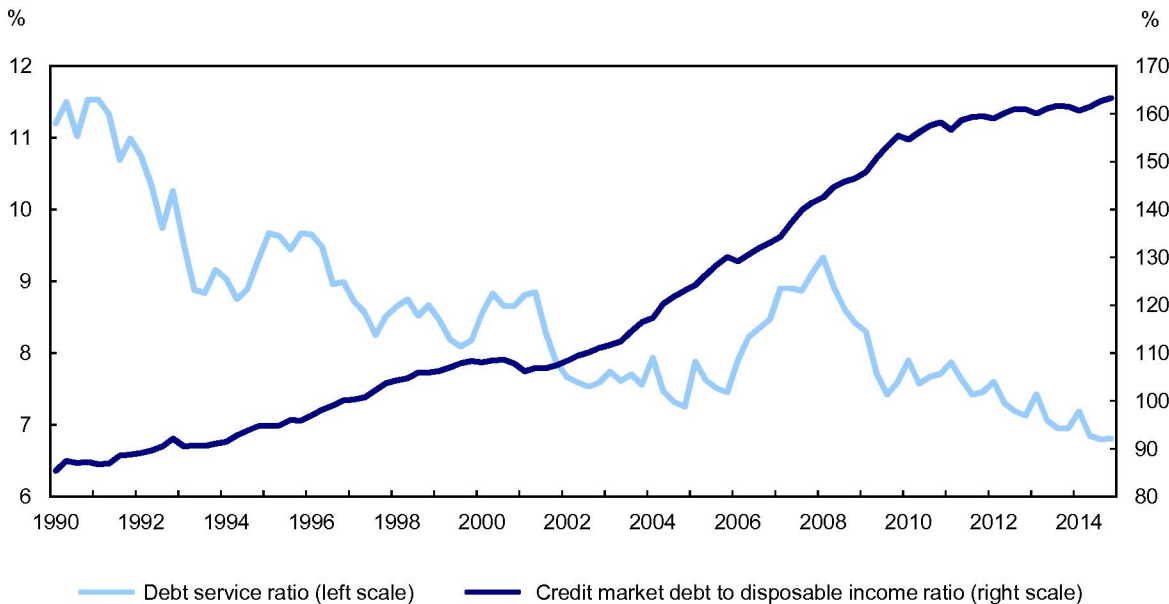
On a seasonally adjusted basis, households increased borrowing by \$22.6 billion in the fourth quarter, up 8.6% from the third quarter. Mortgages made up the largest portion of total borrowing in the quarter, whereas consumer credit accounted for the majority of the overall increase.

Total household credit market debt (consumer credit, mortgage, and non-mortgage loans) stood at \$1,825 billion at the end of the fourth quarter, an increase of 1.1% from the previous quarter. Consumer credit debt was \$519 billion, up 0.8%, while mortgage debt advanced 1.2% to \$1,184 billion.

For the third consecutive quarter, disposable income increased at a slower rate than household credit market debt. As a result, leverage, as measured by household credit market debt to disposable income, reached a new high of 163.3% in the fourth quarter. In other words, households held roughly \$1.63 of credit market debt for every dollar of disposable income in the fourth quarter.

The household debt service ratio, defined as household mortgage and non-mortgage interest paid as a proportion of disposable income, edged up to 6.8% in the fourth quarter. However, the ratio has continued to hover around an all-time low for the past three quarters.

Chart 2
Household sector leverage indicators



Source(s): CANSIM tables 378-0123 and 380-0073.

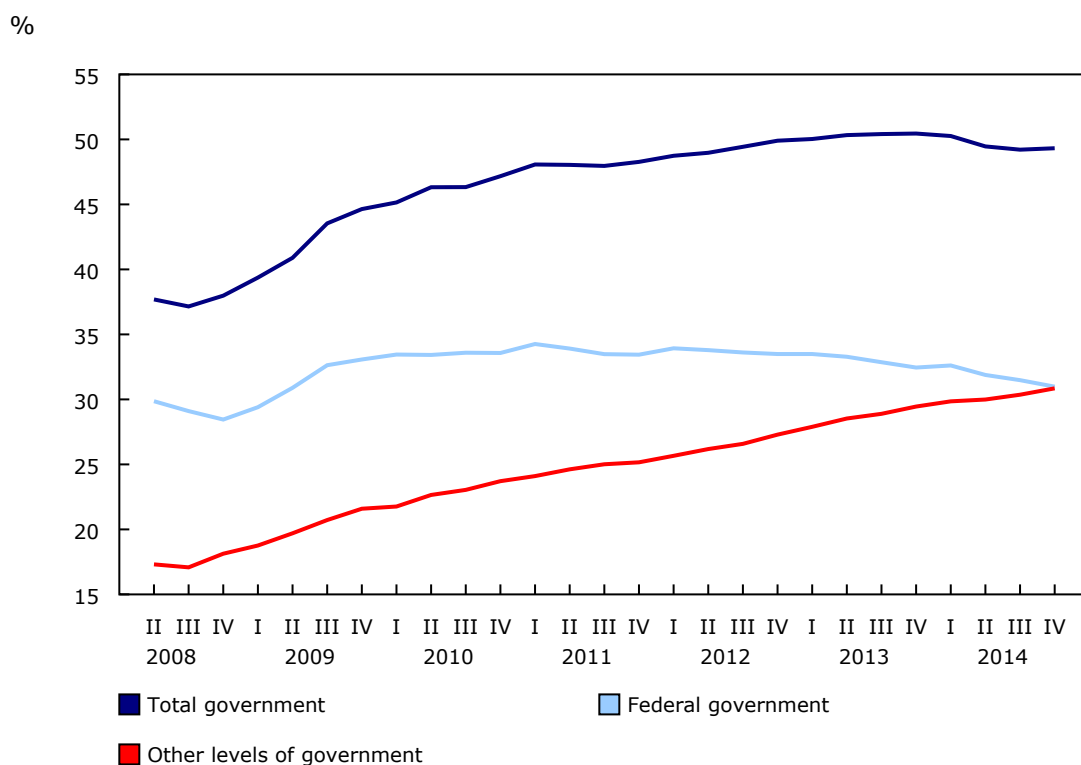
Government sector

Overall government net borrowing stood at \$9.3 billion in the fourth quarter compared with \$11.3 billion in the fourth quarter of 2013.

The federal government was a net lender in the fourth quarter (\$3.7 billion) as well as for the year overall, the first such occurrence since 2007. In contrast, other levels of government remained net borrowers. The federal government recorded net retirements of Canadian short-term paper and bonds and debentures in the fourth quarter, while other levels of government were net issuers of debt, primarily of bonds and debentures.

The ratio of federal government net debt (expressed at book value) to gross domestic product declined from 31.5% in the previous quarter to 31.0% in the fourth quarter. This was the third consecutive decrease, but the ratio was still higher than the low of 28.5% recorded in the fourth quarter of 2008. Since late 2008, the ratio for other levels of government has followed a steady upward trend, reaching 30.9% in the fourth quarter.

Chart 3
Net debt (book value) as a percentage of gross domestic product



Source(s): CANSIM table [378-0125](#).

Corporate sector

Financial corporations

The financial sector provided \$52.6 billion of funds to the economy, principally in the form of increased investment in listed shares and greater lending in the form of non-mortgage and mortgage loans.

Financial assets of financial corporations were up 1.9% by the end of the fourth quarter to \$10,846 billion. Foreign securities, mainly foreign equities (+6.9%), helped lead the growth in total financial assets. Mortgage and non-mortgage loan assets also contributed to the increase. The value of total loans grew 1.2% in the quarter, down from the 1.7% increase in the previous quarter.

Mutual funds and pension plans increased their equity holdings by \$31.3 billion in the fourth quarter, capping off a strong overall year of equity investment. Financial assets of mutual funds rose 2.5% in the fourth quarter. The increase was primarily due to growth in mutual funds shares (+5.1%) and foreign investments (+6.1%), which was partially offset by a decline in domestic equities (-2.6%). By the year end of 2014, total financial assets of mutual funds were up 17.6% compared with the end of 2013.

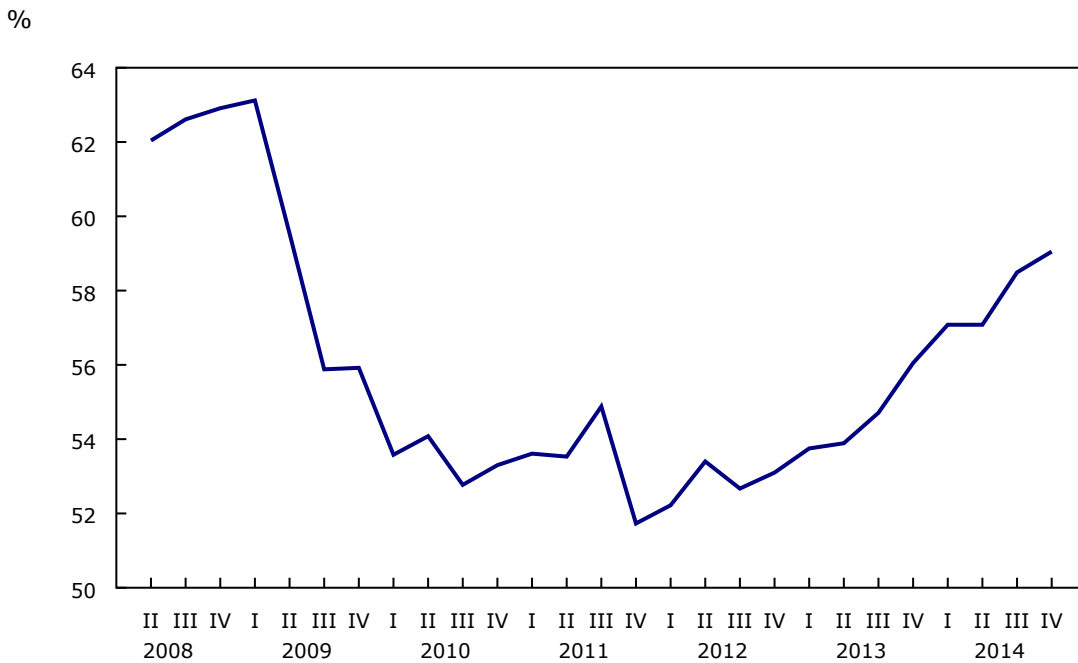
Non-financial corporations

Non-financial private corporations borrowed \$26.0 billion worth of funds in financial markets during the fourth quarter, led by non-mortgage loan and net issuances of bonds and debentures.

The value of non-financial assets of non-financial private corporations increased 1.0% in the fourth quarter, a slowdown from the 1.4% increase in the third quarter. Total financial liabilities decreased 1.5%, primarily from a 2.9% decline in the market value of domestic equity liabilities.

On a book value basis, the credit market debt to equity ratio of non-financial private corporations was unchanged from the previous quarter. There was 59 cents of credit market debt for every dollar of equity at quarter end.

Chart 4
Private non-financial corporate credit market debt-to-equity ratio (book value)



Source(s): CANSIM table 378-0124.

Note to readers

This is a combined release of the National balance sheet accounts and Financial flow accounts (FFA). The National balance sheet accounts are composed of the balance sheets of all sectors and subsectors 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. To improve the interpretability of the estimates of the financial flows, selected household borrowing series are now available on a seasonally adjusted basis (CANSIM table 378-0127). All other data are unadjusted for seasonal variation.

The FFA articulate net lending or borrowing activity by sector by measuring financial transactions in the economy. 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" and in the [System of macroeconomic accounts glossary](#).

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

	Third quarter 2013	Fourth quarter 2013	First quarter 2014	Second quarter 2014	Third quarter 2014	Fourth quarter 2014	Third quarter to fourth quarter 2014
	billions of dollars						change in billions of dollars
National net worth	7,532	7,730	7,834	7,868	8,058	8,269	211
Period-to-period percentage change	2.4	2.6	1.3	0.4	2.4	2.6	...
National wealth	7,606	7,708	7,817	7,944	8,042	8,124	82
Period-to-period percentage change	1.8	1.3	1.4	1.6	1.2	1.0	...
Canada's net foreign debt	75	-23	-17	76	-17	-146	-129
National net worth, by sector							
Household sector	7,494	7,742	7,981	8,167	8,250	8,324	74
Non-profit institutions serving the household sector	74	75	77	78	80	81	1
Corporate sector	150	102	-26	-174	-70	80	150
General government sector	-186	-189	-197	-203	-201	-215	-14
	dollars						change in dollars
National net worth per capita	213,400	218,800	221,200	221,400	225,900	231,500	5,600

... not applicable

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

Source(s): CANSIM table [378-0121](#).

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

	Third quarter 2013	Fourth quarter 2013	First quarter 2014	Second quarter 2014	Third quarter 2014	Fourth quarter 2014
	%					
Household sector						
Debt to gross domestic product (GDP)	93.60	93.43	92.64	92.96	93.52	93.64
Debt to disposable income	163.82	163.70	162.78	163.72	164.98	165.56
Credit market debt to disposable income	161.71	161.51	160.56	161.45	162.67	163.26
Consumer credit and mortgage liabilities to disposable income	151.11	151.02	150.02	150.89	151.99	152.40
Net worth as a percentage of disposable income	699.30	716.26	732.07	742.01	743.78	744.74
Debt to total assets	18.98	18.60	18.19	18.08	18.15	18.19
Debt to net worth	23.43	22.85	22.24	22.06	22.18	22.23
Credit market debt to net worth	23.12	22.55	21.93	21.76	21.87	21.92
Consumer credit and mortgage liabilities to net worth	21.61	21.08	20.49	20.34	20.43	20.46
Total assets to net worth	123.43	122.85	122.24	122.06	122.18	122.23
Financial assets to net worth	66.22	66.73	66.98	67.01	66.98	66.90
Financial assets to non-financial assets	115.76	118.89	121.20	121.73	121.35	120.89
Owner's equity as a percentage of real estate	69.88	70.07	70.44	70.58	70.41	70.41
Real estate as a percentage of disposable income	346.16	348.33	351.46	355.28	356.71	358.17
Households and non-profit institutions serving the household sector						
Debt to GDP	95.85	95.69	94.91	95.24	95.82	95.95
Debt to disposable income	163.88	163.77	162.90	163.84	165.09	165.69
Credit market debt to disposable income	158.83	158.63	157.70	158.57	159.76	160.34

Source(s): CANSIM table [378-0123](#).

Table 3
Corporations sector indicators – Not seasonally adjusted

	Third quarter 2013	Fourth quarter 2013	First quarter 2014	Second quarter 2014	Third quarter 2014	Fourth quarter 2014
	%					
Corporations sector						
Private non-financial corporations total debt to equity (market value)	190.03	188.46	183.28	181.78	186.27	189.04
Private non-financial corporations credit market debt to equity (book value)	54.71	56.05	57.08	57.08	58.49	59.05

Source(s): CANSIM table [378-0124](#).

Table 4
General government sector indicators – Not seasonally adjusted

	Third quarter 2013	Fourth quarter 2013	First quarter 2014	Second quarter 2014	Third quarter 2014	Fourth quarter 2014
	%					
General government sector						
General government gross debt (book value) to gross domestic product (GDP)	111.71	110.15	109.43	109.33	109.37	109.80
Federal general government gross debt (book value) to GDP	48.65	46.84	46.39	45.59	45.06	44.64
Other levels of general government gross debt (book value) to GDP	61.36	61.30	61.31	61.59	62.31	62.59
General government net debt (book value) to GDP	50.41	50.45	50.26	49.46	49.21	49.32
Federal general government net debt (book value) to GDP	32.86	32.45	32.61	31.88	31.48	30.98
Other levels of general government net debt (book value) to GDP	28.89	29.45	29.85	29.99	30.36	30.85

Source(s): CANSIM table [378-0125](#).

Available in CANSIM: tables [378-0119 to 378-0125](#) and [378-0127](#).

Definitions, data sources and methods: survey numbers [1804](#) and [1806](#).

The *System of macroeconomic 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 fourth quarter 2014 issue of *Canadian Economic Accounts Quarterly Review*, Vol. 13, no. 4 ([13-010-X](#)). This publication is available from the *Browse by key resource* module of our website under *Publications*. The 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 the National balance sheet and financial flow accounts for the first quarter will be released on June 12.

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).