

National balance sheet and financial flow accounts, third quarter 2015

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National wealth declines as the value of natural resource wealth falls

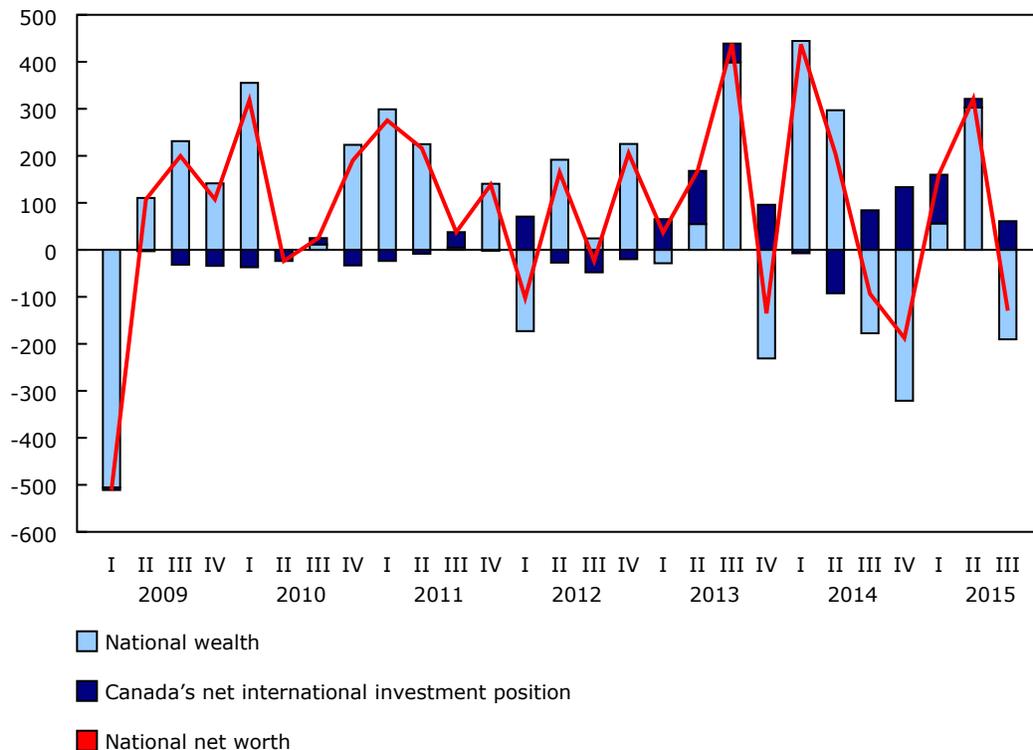
National wealth, or the total value of non-financial assets in the Canadian economy, declined \$190.4 billion to \$9,205 billion at the end of the third quarter. This was mainly attributable to a \$285.4 billion decrease in the value of natural resource wealth as energy prices fell in the quarter. The value of residential real estate rose by \$48.7 billion.

Offsetting some of the decline in national wealth, Canada's net international asset position increased \$61.0 billion in the third quarter to \$287.9 billion. The advance in the net foreign asset position in the quarter was led by the depreciation of the Canadian dollar, which increased the value of international assets and decreased the value of international liabilities. Most of the assets are denominated in foreign currencies compared with about half of the liabilities.

National net worth declined 1.3% or \$129.4 billion from the second quarter to \$9,493 billion at the end of the third quarter. By comparison, national net worth excluding natural resources increased 1.7% from the second quarter as the value of real estate and Canada's net international investment position advanced. On a per capita basis, national net worth decreased 1.7% to \$263,800.

Chart 1
Changes in national net worth

billions of dollars



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

The value of household real estate grows, while the value of financial assets is unchanged

Household sector net worth at market value rose 0.4% in the third quarter. On a per capita basis, household net worth was \$259,700, largely unchanged from the previous quarter. Non-financial assets, primarily real estate and consumer durables, rose 1.1% while net financial assets declined 0.6% as the value of financial liabilities increased more than financial assets. The ratio of financial assets to non-financial assets declined to 111.4% in the third quarter from 112.7%.

The value of financial assets was unchanged in the third quarter following a 0.6% decline in the second quarter. Growth in both quarters was well off the 4.5% increase in the first quarter. The value of equities declined in the third quarter, notably listed shares (-8.2%), as domestic stock markets continued to weaken. After weak growth in the first quarter, the stock of financial liabilities increased at a faster pace in the last two quarters, mainly as a result of rising mortgage liabilities.

The ratio of total household debt to total assets edged up in the third quarter to 17.0%. Since 2009, this ratio has been on a general downward trend, as the growth in the value of assets has outpaced debt. This ratio now sits between the peak of 19.3% recorded in the first quarter of 2009 and the low of 13.8% in the second quarter of 1997.

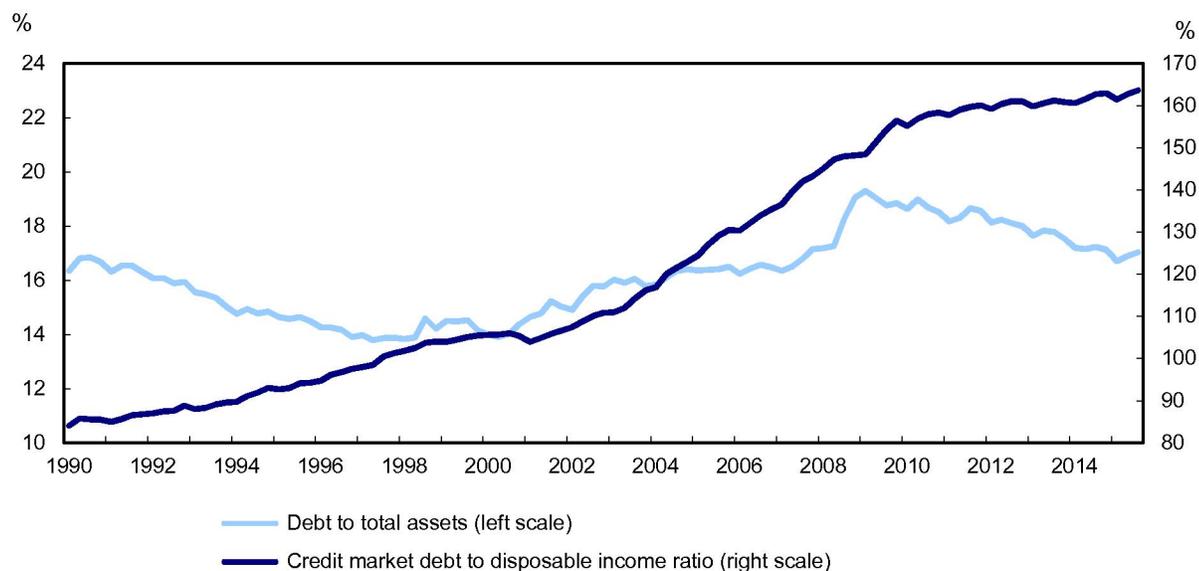
Total household credit market debt (consumer credit, and mortgage and non-mortgage loans) reached \$1,892 billion at the end of the third quarter, up 1.4% from the previous quarter. Consumer credit debt was \$572.3 billion, while mortgage debt stood at \$1,234 billion.

Leverage, as measured by household credit market debt to disposable income (excluding pension entitlements), rose to 163.7% in the third quarter from 162.7% in the second quarter. In other words, there was \$1.64 in credit market debt for every dollar of disposable income. Disposable income increased at a slower pace (+0.8%) than household credit market debt (+1.4%).

The household debt service ratio, measured as total obligated payments of principal and interest as a proportion of disposable income adjusted to include interest paid, decreased to 13.6% in the third quarter. The interest-only debt service ratio, defined as household mortgage and non-mortgage interest paid as a proportion of disposable income, reached a record low 6.1%.

On a seasonally adjusted basis, households borrowed \$19.4 billion in the third quarter, down \$3.3 billion from the second quarter. Mortgages represented the largest portion of total borrowing in the quarter (\$15.6 billion), down \$0.9 billion from the previous quarter, while consumer credit accounted for \$3.7 billion of borrowing.

Chart 2
Household sector leverage indicators



Source(s): CANSIM table 378-0123.

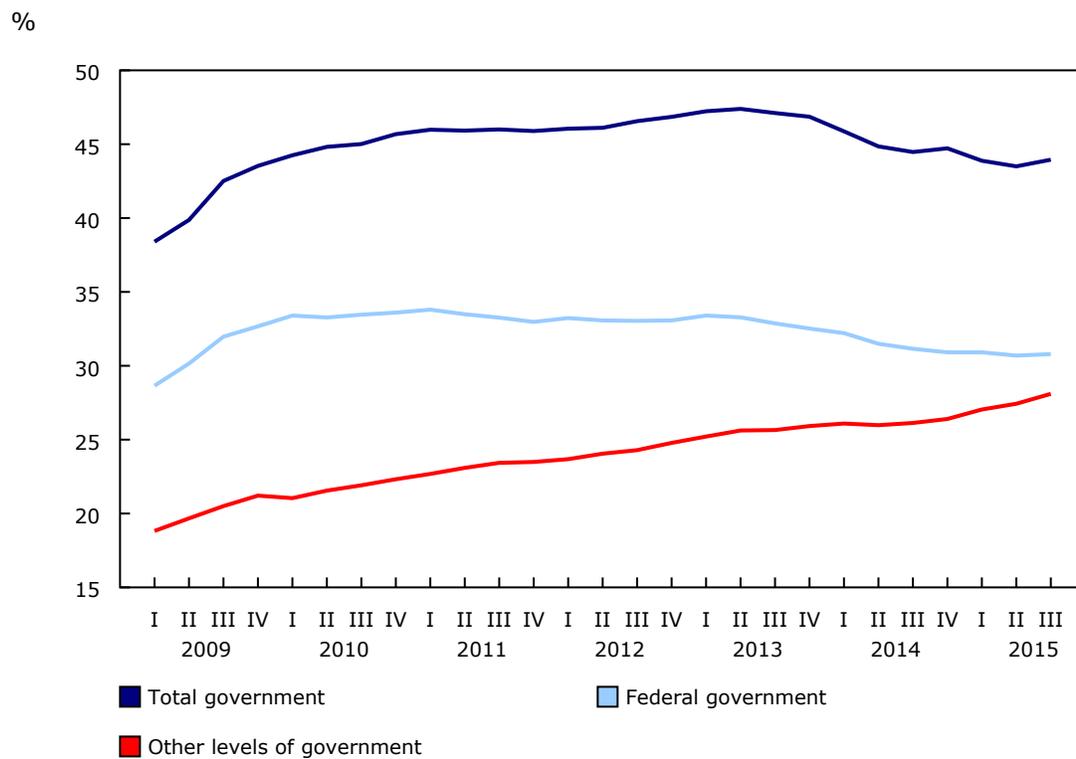
Governments continue to borrow, with bonds and debentures the preferred instrument

The federal government borrowed \$17.8 billion in financial markets in the quarter; this included net issuances of Canadian short-term paper (\$8.7 billion) and bonds and debentures (\$9.6 billion). This exceeded the increase in their assets and, as a result, the federal government returned to being a net borrower in the third quarter (\$2.2 billion).

Other levels of government continued to be net borrowers (\$9.8 billion), recording \$4.0 billion in net retirements of Canadian short-term paper, which was outweighed by \$15.3 billion in net issuances of Canadian bonds and debentures.

The ratio of federal government net debt (expressed at book value) to gross domestic product edged up to 30.8% in the third quarter from 30.7% in the previous quarter, but has been on a general downward trend. The ratio for other levels of government reached 28.1% in the third quarter, continuing a nearly unbroken upward trend that began in late 2008.

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



Source(s): CANSIM table 378-0125.

Decline in equities drags down the value of financial corporations' financial assets

The financial sector provided \$53.8 billion of funds to the economy in the third quarter, down from the previous quarter. This was mainly in the form of mortgages (+\$29.7 billion) and listed shares (+\$13.5 billion).

The value of financial assets of financial corporations declined \$123.8 billion at the end of the third quarter to \$11,843 billion, as increased loan assets and debt securities were more than offset by a large decline in the value of equities and investment fund shares (-5.3%). Similarly, the value of financial liabilities decreased \$88.2 billion.

After posting strong first quarter growth (+8.0%), total financial assets of mutual funds grew more slowly in the second quarter and decreased 1.8% in the third quarter. A decline in the value of equities and investment fund shares held by mutual funds was the primary contributor.

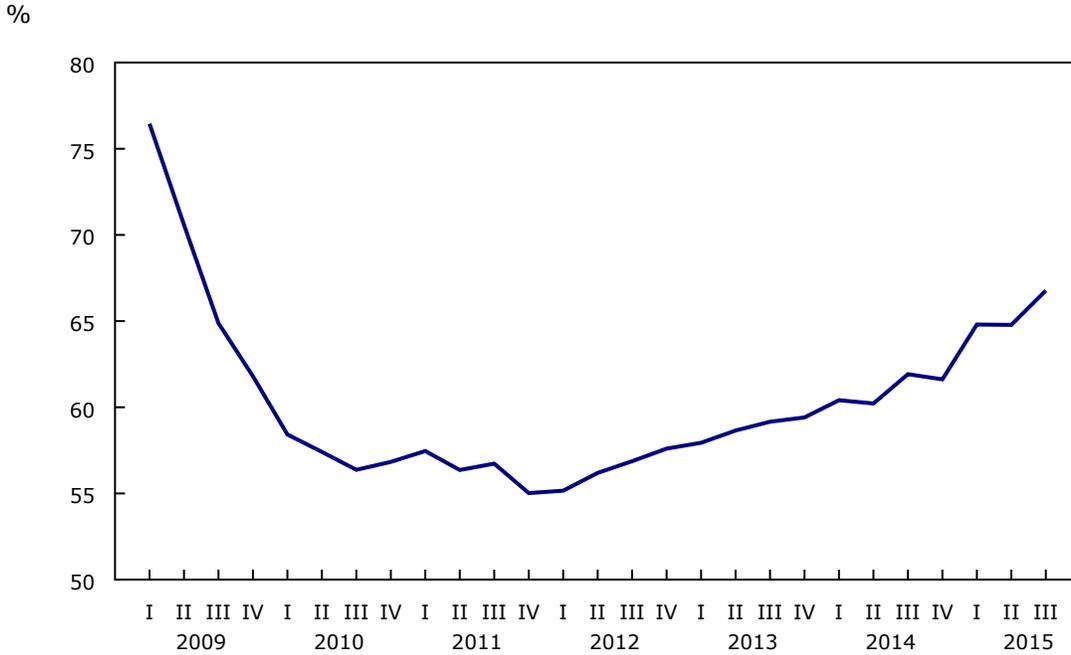
Total assets of non-financial corporations contract as the value of their natural resource wealth declines

Non-financial private corporations raised \$25.9 billion worth of funds in financial markets during the third quarter. A number of instruments made up the bulk of this borrowing including non-mortgage loans (\$9.8 billion), Canadian bonds and debentures (\$9.2 billion), and mortgage loans (\$9.2 billion). In addition, there was \$5.1 billion in net retirements of Canadian short-term paper. Over the last four quarters, borrowing in non-mortgage loans was \$68.8 billion.

The value of non-financial assets of non-financial private corporations decreased 4.8% in the third quarter, primarily in natural resource wealth, while financial assets declined 1.4%. As a percentage of non-financial private corporations' total assets, natural resource wealth accounted for 3.6% at the end of the quarter, the lowest share since the fourth quarter of 1991, as lower oil prices persisted.

On a book value basis, the credit market debt-to-equity ratio of non-financial private corporations was up from the previous quarter. There was 67 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 available on a seasonally adjusted basis (CANSIM table 378-0127). All other data are unadjusted for seasonal variation. For information on seasonal adjustment, see [Seasonally adjusted data – Frequently asked questions](#).

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](#).

Revisions

The third quarter release of the national balance sheet and financial flow accounts included revised data for the first quarter 1990 to the second quarter of 2015. As well as incorporating new and revised source data, this release reflects revised estimates in accordance with the 2015 comprehensive revision of the Canadian System of Macroeconomic Accounts. Additional information is available in the article ["Results from the 2015 Comprehensive Revision to the Canadian System of Macroeconomic Accounts."](#)

Additional information on the treatment of natural resource wealth in the National Balance Sheet Accounts is available in the article ["Natural resource wealth statistics in the National Balance Sheet Accounts."](#)

Next release

Data on the National balance sheet and financial flow accounts for the fourth quarter of 2015 will be released on March 11, 2016.

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

	Second quarter 2014	Third quarter 2014	Fourth quarter 2014	First quarter 2015	Second quarter 2015	Third quarter 2015	Second quarter to third quarter 2015
	billions of dollars						change in billions of dollars
National net worth	9,422	9,329	9,141	9,301	9,622	9,493	-129
Period-to-period percentage change	2.2	-1.0	-2.0	1.7	3.5	-1.3	...
National wealth	9,535	9,357	9,036	9,092	9,395	9,205	-190
Period-to-period percentage change	3.2	-1.9	-3.4	0.6	3.3	-2.0	...
Canada's net foreign debt	112	28	-105	-209	-227	-288	-61
National net worth, by sector							
Household sector	8,743	8,821	8,982	9,286	9,313	9,347	34
Non-profit institutions serving the household sector	79	81	82	84	86	88	2
Corporate sector	608	344	138	39	214	176	-37
General government sector	-8	83	-61	-108	9	-119	-128
	dollars						change in dollars
National net worth per capita	265,100	261,400	256,000	260,100	268,400	263,800	-4,600

... 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

	Second quarter 2014	Third quarter 2014	Fourth quarter 2014	First quarter 2015	Second quarter 2015	Third quarter 2015
	%					
Household sector						
Debt to gross domestic product (GDP)	93.39	93.91	94.14	94.01	95.30	96.53
Debt to disposable income	163.92	165.07	165.23	163.75	165.03	165.92
Credit market debt to disposable income	161.64	162.75	163.00	161.47	162.73	163.65
Consumer credit and mortgage liabilities to disposable income	154.25	155.36	155.59	154.09	155.30	156.27
Net worth as a percentage of disposable income	791.79	792.24	799.09	817.00	812.21	808.62
Debt to total assets	17.15	17.24	17.13	16.70	16.89	17.03
Debt to net worth	20.70	20.84	20.68	20.04	20.32	20.52
Credit market debt to net worth	20.41	20.54	20.40	19.76	20.04	20.24
Consumer credit and mortgage liabilities to net worth	19.48	19.61	19.47	18.86	19.12	19.33
Total assets to net worth	120.70	120.84	120.68	120.04	120.32	120.52
Financial assets to net worth	63.14	63.20	63.63	64.31	63.74	63.52
Financial assets to non-financial assets	109.70	109.65	111.54	115.39	112.66	111.43
Owner's equity as a percentage of real estate	73.97	73.75	73.61	73.78	73.78	73.60
Real estate as a percentage of disposable income	401.05	401.31	400.44	400.27	403.74	404.39
Households and non-profit institutions serving the household sector						
Debt to GDP	95.75	96.29	96.53	96.43	97.76	99.02
Debt to disposable income	164.06	165.29	165.53	164.19	165.52	166.48
Credit market debt to disposable income	158.99	160.16	160.46	159.06	160.38	161.31

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

Table 3
Corporations sector indicators – Not seasonally adjusted

	Second quarter 2014	Third quarter 2014	Fourth quarter 2014	First quarter 2015	Second quarter 2015	Third quarter 2015
	%					
Corporations sector						
Private non-financial corporations total debt to equity (market value)	179.87	184.10	187.37	186.62	189.75	197.14
Private non-financial corporations credit market debt to equity (book value)	60.22	61.92	61.62	64.80	64.78	66.77

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

Table 4
General government sector indicators – Not seasonally adjusted

	Second quarter 2014	Third quarter 2014	Fourth quarter 2014	First quarter 2015	Second quarter 2015	Third quarter 2015
	%					
General government sector						
General government gross debt (book value) to gross domestic product (GDP)	110.72	110.27	110.39	111.23	113.11	115.11
Federal general government gross debt (book value) to GDP	47.28	46.67	45.69	46.47	46.49	47.23
Other levels of general government gross debt (book value) to GDP	61.29	61.60	62.12	61.87	63.23	64.63
General government net debt (book value) to GDP	44.85	44.47	44.72	43.88	43.50	43.95
Federal general government net debt (book value) to GDP	31.49	31.15	30.91	30.91	30.69	30.79
Other levels of general government net debt (book value) to GDP	25.98	26.13	26.40	27.04	27.43	28.10

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

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

The article "[Household debt service ratio — Interest and principal](#)," which is part of the *Latest Developments in the Canadian Economic Accounts* series ([13-605-X](#)), is now available from the *Browse by key resource* module of our website under *Publications*. This article describes the new quarterly estimates of household sector debt payments (mortgage and non-mortgage), including both the interest and principal components.

The study "[Reconciling Canadian - U.S. measures of household disposable income and household debt: Update](#)," part of the publication *Latest Developments in the Canadian Economic Accounts* ([13-605-X](#)), is now available from the *Browse by key resource* module of our website under *Publications*.

The document "[Adjustments applied to capital expenditure estimates to achieve gross fixed capital formation](#)," also part of the publication *Latest Developments in the Canadian Economic Accounts* ([13-605-X](#)), is now available from the *Browse by key resource* module of our website under *Publications*.

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; STATCAN.infostats-infostats.STATCAN@canada.ca) or Media Relations (613-951-4636; STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca).