

# National balance sheet and financial flow accounts, second quarter 2017

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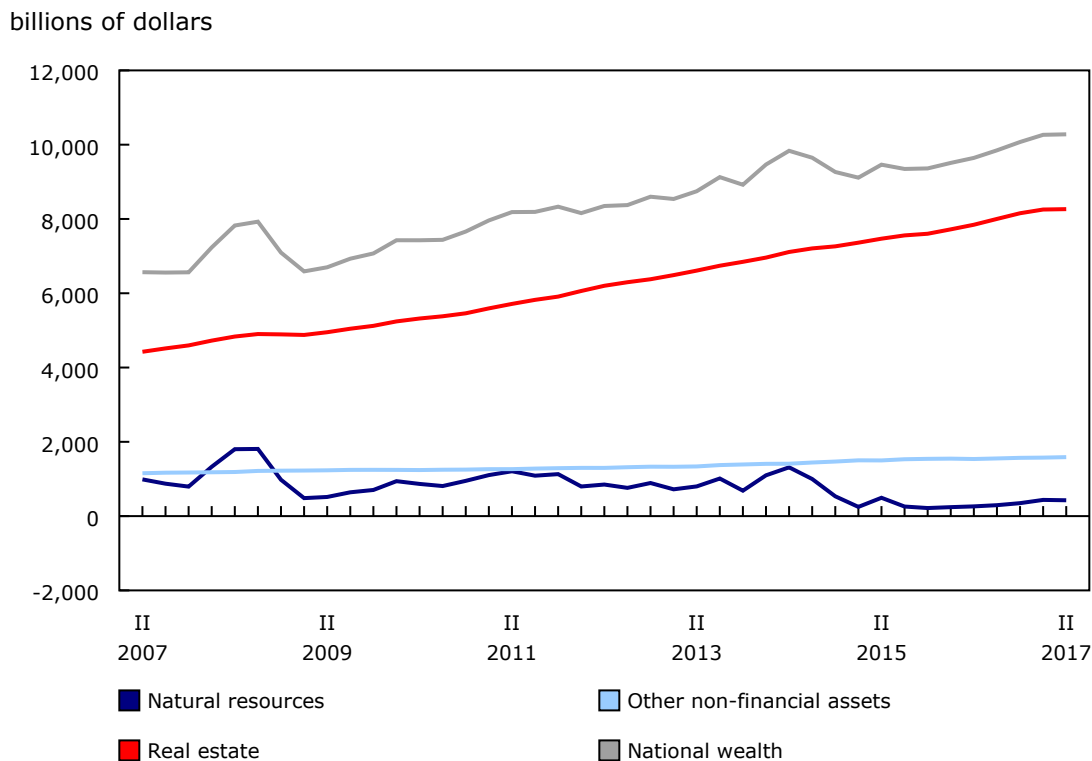
## National wealth edges up

National wealth, the value of non-financial assets in the Canadian economy, edged up 0.1% to \$10,279.1 billion at the end of the second quarter. Household residential real estate grew by \$4.5 billion, the smallest increase since the first quarter of 2009, due to lower real estate prices and less activity in the resale market. In April, policy changes were implemented by the Government of Ontario to dampen growth in the real estate market.

The value of Canada's international financial assets continued to exceed liabilities in the second quarter. The country's net foreign asset position rose by \$25.7 billion in the second quarter to \$271.5 billion, a fourth consecutive quarterly advance. The increase in the net asset position mainly reflected the stronger performance of foreign stock markets relative to the Canadian stock market. Over the quarter, the US stock market rose by 2.6% while the Canadian stock market declined by 2.4%.

National net worth, the sum of national wealth and Canada's net foreign asset position, increased by \$39.2 billion to \$10,550.6 billion. On a per capita basis, national net worth was \$287,200 at the end of the second quarter.

**Chart 1**  
**National wealth components**



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



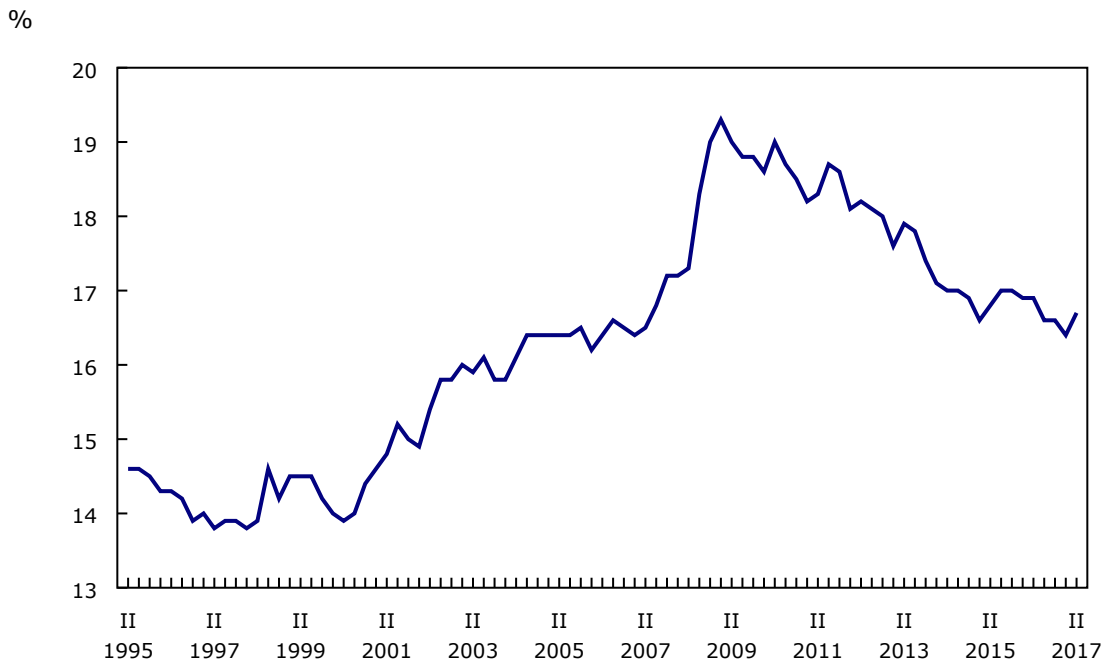
## Household net worth stable as households continue to borrow

Household sector net worth was relatively flat at \$10,500.8 billion in the second quarter. Non-financial assets grew at a faster pace (+0.3%) than financial assets in the second quarter (+0.1%). Meanwhile, total financial liabilities increased 1.9% in the second quarter. On a per capita basis, household net worth decreased by \$1,300 to \$285,900.

Total household credit market debt (consumer credit, mortgage and non-mortgage loans) reached \$2,077.2 billion in the second quarter. Mortgage debt increased 1.6% to \$1,361.0 billion, while consumer credit was up 2.4% to \$609.6 billion as households continued to increase spending on consumer durables. The share of mortgage liabilities to total credit market debt edged down from 65.7% at the end of the first quarter to 65.5%.

Household credit market debt as a proportion of household disposable income (adjusted to exclude pension entitlements) increased from 166.6% in the first quarter to 167.8%, as household income (+1.2%) rose at a slower pace than household credit market debt (+1.9%). In other words, there was \$1.68 in credit market debt for every dollar of household disposable income. Leverage, measured by the ratio of household total debt to total assets, edged up 0.3% to 16.7% at the end of the second quarter, as debt grew at a faster pace (+1.9%) than the value of total assets (+0.2%) by the end of the second quarter.

**Chart 2**  
Household sector leverage: Debt to assets



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

## Household debt service ratio is flat

On a seasonally adjusted basis, households borrowed \$28.9 billion of credit market debt in the second quarter, up from \$25.4 billion in the previous quarter.

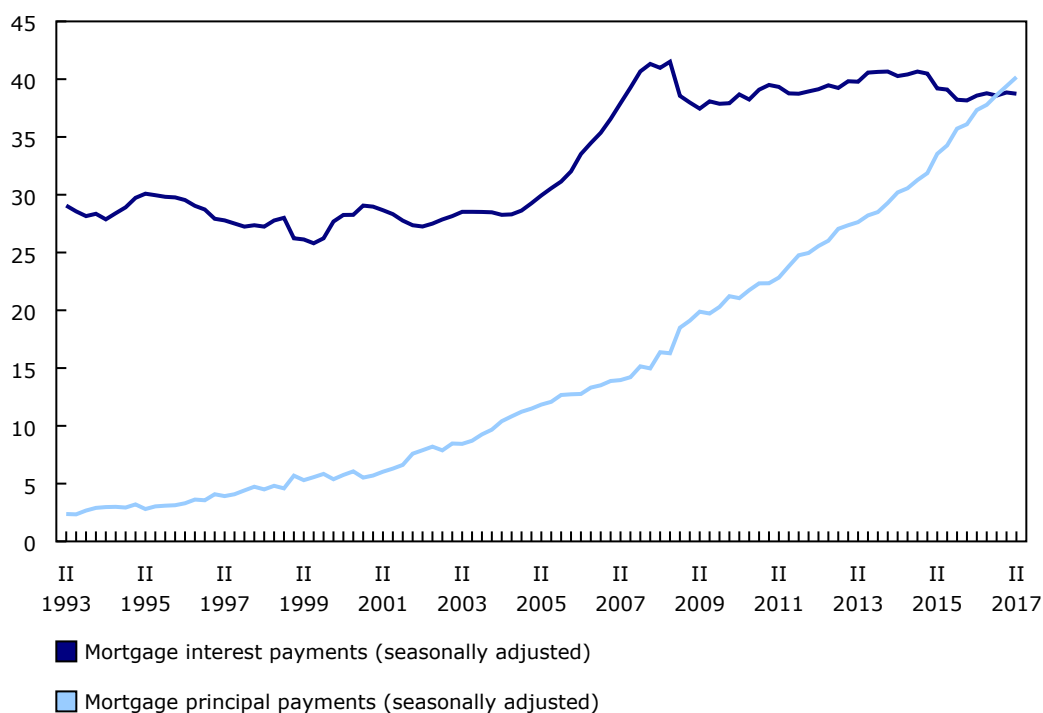
Mortgage borrowing decreased \$2.6 billion from the first quarter to \$16.5 billion, while borrowing in the form of consumer credit and non-mortgage loans increased by \$6.1 billion to \$12.3 billion.

The household debt service ratio, measured as total obligated payments of principal and interest as a proportion of household disposable income, was flat at 14.2% in the second quarter. The non-mortgage debt service ratio increased 0.5% while the mortgage debt service ratio decreased 0.7%.

The interest-only debt service ratio, defined as household mortgage and non-mortgage interest as a proportion of adjusted household disposable income, stood at 6.0% in the second quarter, down slightly from the previous quarter. At the end of the second quarter, households' mortgage principal payments continued to exceed mortgage interest payments.

**Chart 3**  
**Household mortgage interest and obligated principal payments**

billions of dollars



Source(s): CANSIM table [380-0073](#).

### Increase in borrowing for all levels of government

The federal government demand for funds rose by \$20.7 billion in the second quarter, the largest net borrowing since 2010. The increase involved \$14.0 billion of net issuances of short-term paper, accompanied by \$7.1 billion in net issuances of Canadian bonds. Likewise, the demand for funds by all other levels of governments increased by \$25.0 billion. The bulk of this borrowing was composed of \$20.3 billion in net issuances of Canadian bonds and debentures.

The ratio of federal government net debt (book value) to GDP edged down from 30.8% at the end of the first quarter to 30.6% at the end of the second quarter. Similarly, the ratio of other government net debt (book value) to GDP edged down from 28.8% to 28.6% as GDP continued to post positive gains.

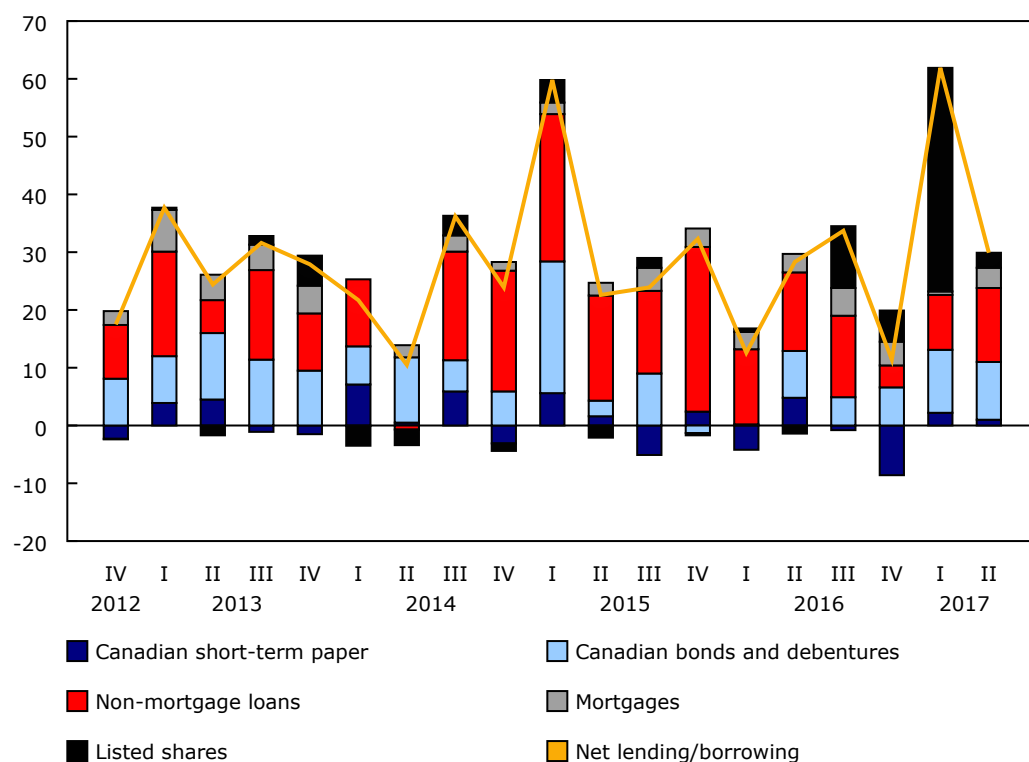
## Demand for equity declines as debt increases

Non-financial private corporations' demand for funds fell from \$61.9 billion in the first quarter to \$29.9 billion in the second quarter. New issues of equity were the main contributor, decreasing from \$38.7 billion to \$2.6 billion, as merger and acquisition activity returned to more normal levels.

On a book value basis, the credit market debt-to-equity ratio of non-financial private corporations increased from 68.3% in the first quarter to 70.0% at the end of the second quarter. This represented 70 cents of credit market debt for every dollar of equity, compared with 68 cents at the end of the previous quarter. The increase was attributable to lower equity issuance relative to higher debt levels.

**Chart 4**  
**Borrowing by private non-financial corporations**

billions of dollars



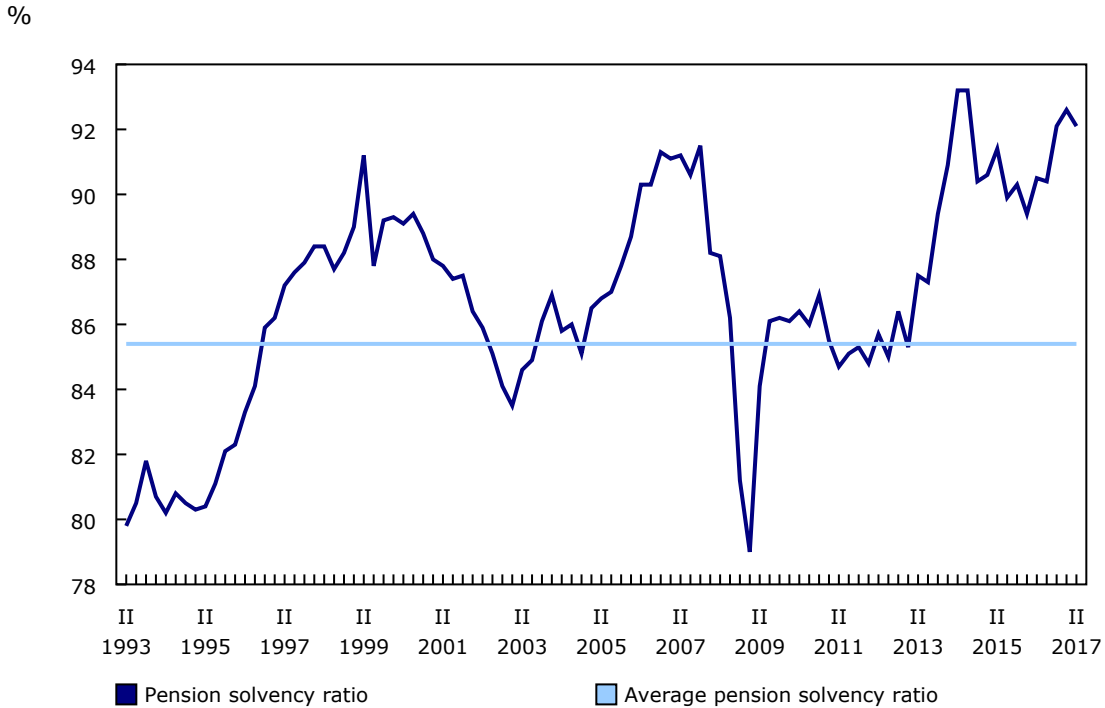
Source(s): CANSIM 378-0119 and 378-0121 .

## Financial corporations' increase provision of funds to the Canadian economy

The financial sector provided \$90.5 billion of funds to the economy through financial market instruments in the second quarter, up from \$55.5 billion in the first quarter. Lending activity increased for mortgages (up \$24.7 billion), non-mortgage loans (up \$24.1 billion), short-term paper (up \$17.0 billion) and consumer credit (up \$14.4 billion), all of which more than offset a divestment of listed shares (down \$18.3 billion).

The increase in supply of funds was negated by downward revaluations, causing the value of financial assets of financial corporations to increase 0.5% (up \$61.5 billion) to \$13,501.0 billion at the end of the second quarter, the slowest growth since the first quarter of 2016. The increases in loans, deposits, short-term paper and foreign equity were offset by declines in domestic corporate bonds and equity investments. Foreign equities increased due to strong foreign markets, while domestic investors were affected by weakening markets.

**Chart 5**  
**Pension solvency ratio**



Source(s): CANSIM tables [378-0121](#) and [380-0063](#).



In celebration of the country's 150th birthday, Statistics Canada is presenting snapshots from our rich statistical history.

Today, we look back at the evolution of trustee pensions as measured in the Financial and Wealth Accounts since 1990. Given Canada's aging population, accounting for pensions is of great importance to understand the well-being of

Canadian households.

The market value of trustee pension plan assets has increased steadily since the global financial crisis in 2009, reaching \$1.93 trillion in the second quarter of 2017. For the year 2017, foreign investments represented approximately 36% of total pension assets, compared with 7% in 1990. This change in the composition of assets in part reflects lifting of the *Foreign Property Rule in the Income Tax Act* that capped investments outside Canada to 30% until 2005. The limit was originally set at 10% in 1971 and was gradually raised before being removed. The value of both pension assets and liabilities are influenced by many other factors, including demographic trends, interest rates and the evolution of global financial markets.

Trustee pension plans have been underfunded since 1990. The claims of pension funds on pension managers reflect the extent of underfunding or overfunding of plans. When pensions are underfunded, claims are treated as an asset of the pension fund and a liability of the sponsor of the plans (for example, the employer, such as private non-financial corporations, federal government, and provincial government sectors). A common measure of pension health is the solvency ratio. The ratio is defined as net investment assets divided by pension obligations. From 1990 to 2017, trustee pension plans in Canada have been underfunded on average by approximately 15%. At the end of the second quarter, plans were underfunded by 7.9%.

A more complete picture of the pension assets of Canadian households can be found in the Pension Satellite Account (PSA), released annually by Statistics Canada. Specifically, the PSA provides detailed information on pension assets, contributions/withdrawals, investment income, revaluations and other changes in assets for all tiers of the Canadian pension system. Overall, these pension assets form a key part of the accumulated wealth of Canadian households.

## Note to readers

*This release of the financial and wealth accounts is comprised of the national balance sheet accounts (NBSA), financial flow accounts (FFA), and other changes in assets accounts (OCAA).*

*The NBSA 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. The NBSA 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 issuances 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.*

*While the financial flow accounts record changes in financial assets and liabilities between opening and closing balance sheets that are associated with transactions during the accounting period, the value of assets and liabilities held by an institutional unit can also change for other reasons. These other types of changes, referred to as other economic flows, are recorded in the other changes in assets account.*

*There are two main components to this account. One is the other changes in the volume of assets account. This account includes changes in non-financial and financial assets and liabilities relating to the economic appearance and disappearance of assets, the effects of external events such as wars or catastrophes on the value of assets and changes in the classification and structure of assets. The other main component is the revaluation account, showing holding gains or losses accruing to the owners of non-financial and financial assets and liabilities during the accounting period as a result of changes in market price valuations.*

*At present, only the aggregate other change in assets is available within the Canadian System of Macroeconomic Accounts; no details are available on the different components.*

*Definitions concerning financial indicators can be found in [Financial indicators from the National Balance Sheet Accounts](#) in the [System of macroeconomic accounts glossary](#).*

## Revisions

*This second quarter release of the national balance sheet and financial flow accounts includes revised data for the first quarter of 2017. These data incorporate new and revised data, as well as updated data on seasonal trends.*

*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 third quarter will be released on December 14.*

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

	First quarter 2016	Second quarter 2016	Third quarter 2016	Fourth quarter 2016	First quarter 2017	Second quarter 2017	First quarter to second quarter 2017
	billions of dollars						change in billions of dollars
<b>National net worth</b>	<b>9,663</b>	<b>9,697</b>	<b>9,931</b>	<b>10,244</b>	<b>10,511</b>	<b>10,551</b>	<b>39</b>
<b>Period-to-period percentage   change</b>	<b>-1.3</b>	<b>0.4</b>	<b>2.4</b>	<b>3.2</b>	<b>2.6</b>	<b>0.4</b>	<b>...</b>
National wealth	9,509	9,644	9,848	10,072	10,266	10,279	14
Period-to-period percentage change	1.6	1.4	2.1	2.3	1.9	0.1	...
Canada's net international investment position	153	53	83	172	246	271	26
<b>National net worth, by sector</b>							
Household sector	9,651	9,866	10,166	10,302	10,510	10,501	-10
Non-profit institutions serving the household sector	97	99	102	105	107	110	3
Corporate sector	54	-119	-211	-93	-74	-28	46
General government sector	-140	-150	-126	-69	-32	-32	0
	dollars						change in dollars
<b>National net worth per capita</b>	<b>267,300</b>	<b>267,200</b>	<b>272,500</b>	<b>280,600</b>	<b>287,300</b>	<b>287,200</b>	<b>-100</b>

... 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**

	First quarter 2016	Second quarter 2016	Third quarter 2016	Fourth quarter 2016	First quarter 2017	Second quarter 2017
	%					
<b>Household sector</b>						
Debt to gross domestic product (GDP)	98.86	100.48	101.12	101.30	100.71	100.97
Debt to disposable income	166.39	168.40	168.96	169.39	168.77	169.90
Credit market debt to disposable income	164.21	166.22	166.80	167.23	166.61	167.76
Consumer credit and mortgage liabilities to disposable income	155.61	157.62	158.33	158.73	158.12	159.15
Net worth as a percentage of disposable income	815.71	828.67	846.27	849.61	858.93	848.08
Debt to total assets	16.94	16.89	16.64	16.62	16.42	16.69
Debt to net worth	20.40	20.32	19.97	19.94	19.65	20.03
Credit market debt to net worth	20.13	20.06	19.71	19.68	19.40	19.78
Consumer credit and mortgage liabilities to net worth	19.08	19.02	18.71	18.68	18.41	18.77
Total assets to net worth	120.40	120.32	119.97	119.94	119.65	120.03
Financial assets to net worth	62.95	63.05	63.27	62.89	62.90	63.04
Financial assets to non-financial assets	109.56	110.09	111.59	110.25	110.85	110.62
Owner's equity as a percentage of real estate	74.11	74.08	74.15	74.38	74.60	74.25
Real estate as a percentage of disposable income	412.98	418.19	422.91	427.90	431.09	426.85
<b>Households and non-profit institutions serving the   household sector</b>						
Debt to GDP	101.13	102.77	103.42	103.60	103.01	103.26
Debt to disposable income	166.25	168.14	168.68	169.07	168.47	169.61
Credit market debt to disposable income	161.80	163.68	164.21	164.65	164.08	165.27

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



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

	First quarter 2016	Second quarter 2016	Third quarter 2016	Fourth quarter 2016	First quarter 2017	Second quarter 2017
	%					
<b>Corporations sector</b>						
Private non-financial corporations total debt to equity (market value)	200.59	196.01	193.92	192.81	190.21	193.40
Private non-financial corporations credit market debt to equity (book value)	73.62	73.92	72.81	71.53	68.28	70.04

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

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

	First quarter 2016	Second quarter 2016	Third quarter 2016	Fourth quarter 2016	First quarter 2017	Second quarter 2017
	%					
<b>General government sector</b>						
General government gross debt (book value) to gross domestic product (GDP)	116.27	116.88	117.89	116.54	115.74	115.22
Federal general government gross debt (book value) to GDP	47.58	47.44	47.42	47.26	46.94	46.76
Other levels of general government gross debt (book value) to GDP	65.20	65.67	66.52	65.91	65.65	65.63
General government net debt (book value) to GDP	43.14	42.90	43.20	43.88	43.34	43.06
Federal general government net debt (book value) to GDP	30.76	30.78	30.84	30.78	30.83	30.57
Other levels of general government net debt (book value) to GDP	28.28	28.56	28.87	28.89	28.84	28.64

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

Available in CANSIM: tables [378-0119](#) to [378-0127](#) and [378-1000](#).

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

The *System of Macroeconomic Accounts* module features an up-to-date portrait of national and provincial economies and their structure.

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. This publication will be updated to maintain its relevance.

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