

National balance sheet and financial flow accounts, third quarter 2020

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National net worth grows as non-financial assets increase

National net worth, the sum of national wealth and Canada's net foreign asset position, increased \$572.6 billion from the previous quarter to \$13,236.9 billion in the third quarter. This was largely fuelled by gains in the value of non-financial assets and an improvement in Canada's net foreign asset position, which represents the difference between the value of Canada's assets and liabilities with the rest of the world. On a per capita basis, national net worth increased from \$331,732 to \$344,816.

Canada's net foreign asset position increased by \$94.4 billion to \$1,170.1 billion at the end of the third quarter. For a second consecutive quarter, the increase was due to higher equity prices and was moderated by the revaluation effect from fluctuations in exchange rates as well as net borrowings from abroad. Canada's net foreign asset position has increased by \$191.3 billion since the beginning of 2020. Because a greater share of Canada's international assets is in the form of equity instruments than in international liabilities, stock price fluctuations tend to have a greater impact on the value of assets.

National wealth, the value of non-financial assets in the Canadian economy, rose 4.1% to \$12,066.8 billion in the third quarter. The value of residential real estate increased 3.2%, the largest quarterly increase since 2017, as property prices rose and interest rates remained favorable. Natural resource wealth increased \$237.0 billion, due to a rebound in energy prices and production following a weak first half of 2020. The value of consumer durables, including automobiles, was up \$21.4 billion primarily due to strong consumer spending in the quarter.

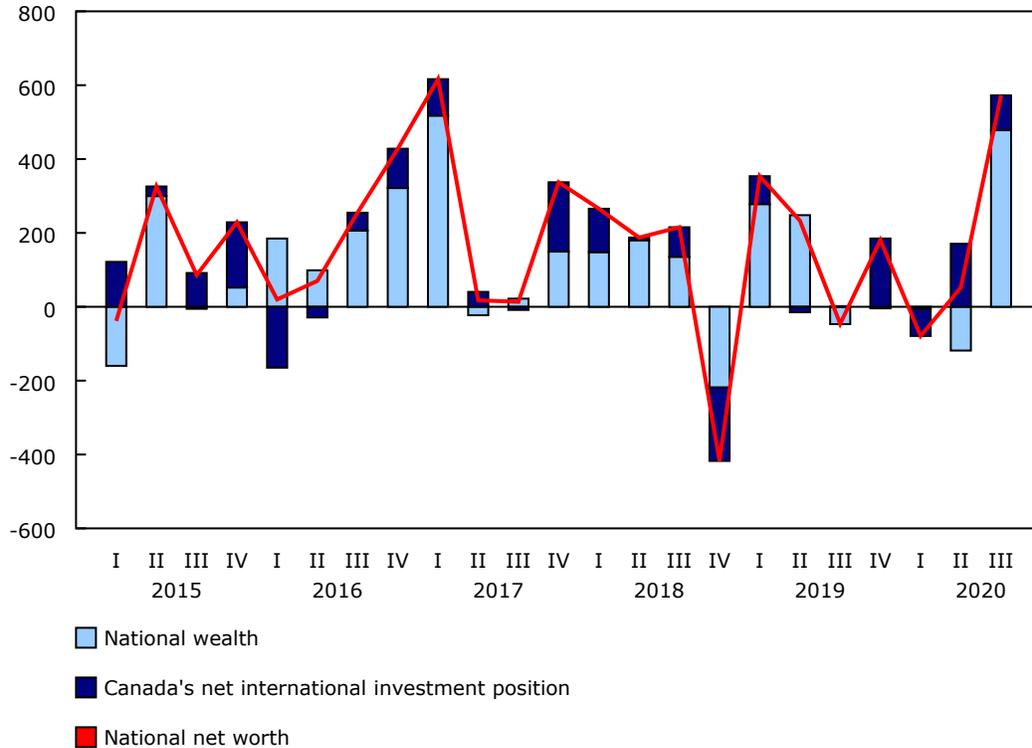
Impacts of the COVID-19 pandemic

In the third quarter, the Canadian economy showed signs of recovery following widespread production shutdowns and other restrictions in response to the COVID-19 pandemic earlier in the year. Canadians relied less on government support measures as employee compensation partially rebounded and many Canadians returned to work. Government transfers dropped compared with the previous quarter, but still contributed to a second consecutive quarter of strong household savings. Funds to support these government programs were primarily financed through record bond sales and issuances of short-term paper. In the third quarter, governments once again sold a previously unprecedented volume of bonds while significantly reducing their overall debt in the form of shorter-term instruments. Consequently, government debt continued to grow, but at a substantially slower pace than in the previous quarter. After sharp declines in equity markets earlier in the year, stock markets gradually climbed toward their pre-pandemic valuations. Despite this market recovery, there remains uncertainty surrounding the Canadian economy as COVID-19 infection rates rise and some regions enter lockdowns. Households reversed course on consumption after the sharp decline in the previous quarter as their demand for non-mortgage loans similarly strengthened and mortgage borrowing remained robust in the face of elevated housing demand and low interest rates.



Chart 1
Change in national net worth by component

billions of dollars



Source(s): Table 36-10-0580-01.

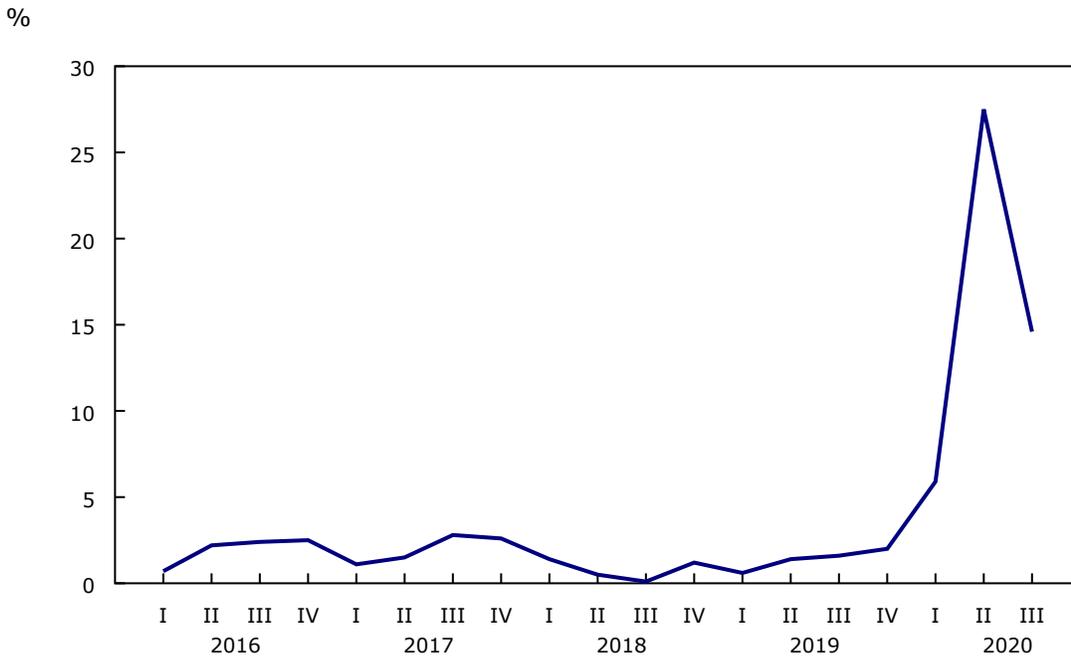
Household net lending positive again

Household sector saving, the funds available to increase wealth, was \$56.8 billion, remaining elevated for a second consecutive quarter, following a record \$90.1 billion in the second quarter. On a seasonally adjusted basis, in the third quarter, Canadians relied less on income support programs, resulting in a nearly 50% reduction in employment insurance benefits, as employment climbed to within 3.7% of its pre-COVID February level. Increased compensation did not fully offset reduced government support, resulting in household disposable income falling 3.1%; however, household disposable income was still 9.2% higher than in the fourth quarter of 2019. Rising wages, coupled with still-elevated government transfers, helped offset a strong rebound in household spending. The savings rate stood at 14.6%, down from a record 27.5% in the second quarter, but significantly higher than the long-run average. While a larger share of savings was directed toward investment in non-financial assets, such as housing, households were net lenders for a second consecutive quarter; this means their transactions in financial assets exceeded those in liabilities (i.e., borrowing) as households added financial wealth overall.

Household sector net worth, the value of all assets less liabilities, increased 3.0% to \$12,301.2 billion in the third quarter, following a record 5.3% rebound in the second quarter. The value of financial assets rose \$188.6 billion, largely due to a \$114.7 billion increase in the value of equity, including notable growth in the value of mutual fund shares. Similarly, the Toronto Stock Exchange was up 3.9%, following a 16.0% increase one quarter earlier. Meanwhile, financial liabilities grew 1.9%, primarily owing to a record increase in mortgage borrowing.

The value of non-financial assets grew \$214.6 billion, mostly due to an increase of \$183.8 billion in residential real estate. After a precipitous decline in residential resale activity in the second quarter, the volume of sales in dollars rebounded 88.8% in the third quarter, while the number of units sold rose 67.0%, as resale activity resumed and pent-up demand spurred price increases. Year over year, sales volumes were 60.4% higher than in the third quarter of 2019, the strongest quarter since 2009. Despite slowed residential resale activity in the second quarter, 5.8% more units were sold in the first three quarters of 2020 than in the same period in 2019. The value of residential real estate increased 3.2%, as over one-quarter of Canadians who worked most of their usual hours worked from home at the end of the quarter. Housing investment, which includes new purchases, was also at its highest point on record. On a seasonally adjusted basis, the increase was led by ownership transfer costs (+137.4%) and, to a lesser extent, renovation activity (+20.3%). On the liability side, households financed home purchases with a record increase in mortgages in the third quarter as the cost of borrowing hovered at all-time lows.

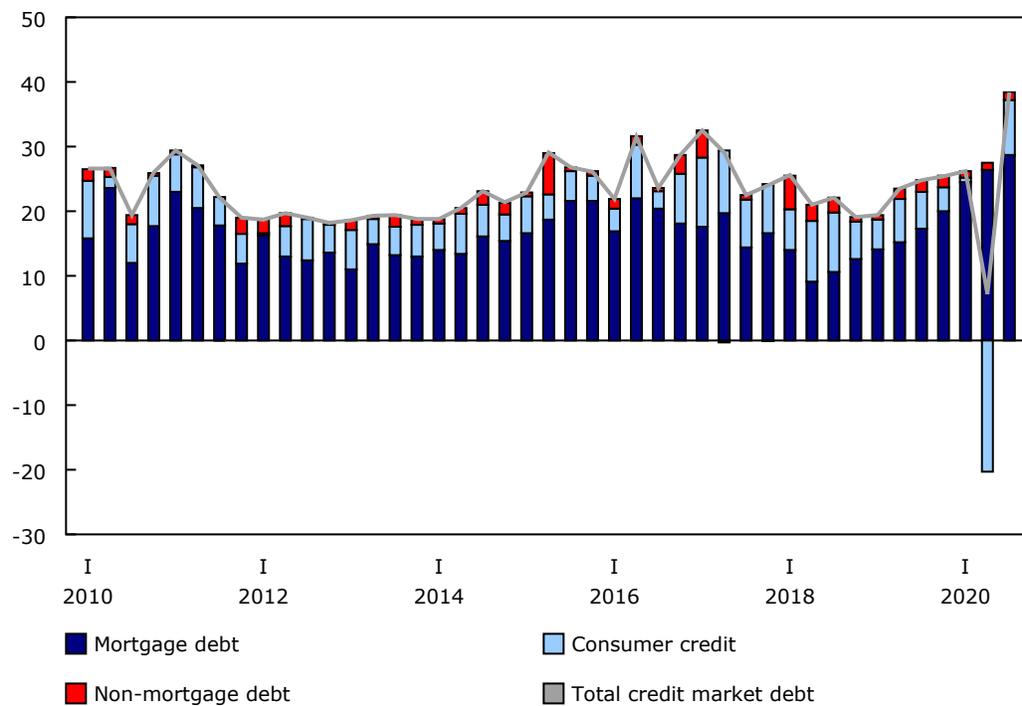
Chart 2
Household savings rate, seasonally adjusted



Source(s): Table 36-10-0112-01.

Chart 3
Household credit market debt, seasonally adjusted flows

billions of dollars



Source(s): Table 38-10-0238-01.

Credit market borrowing rebounds

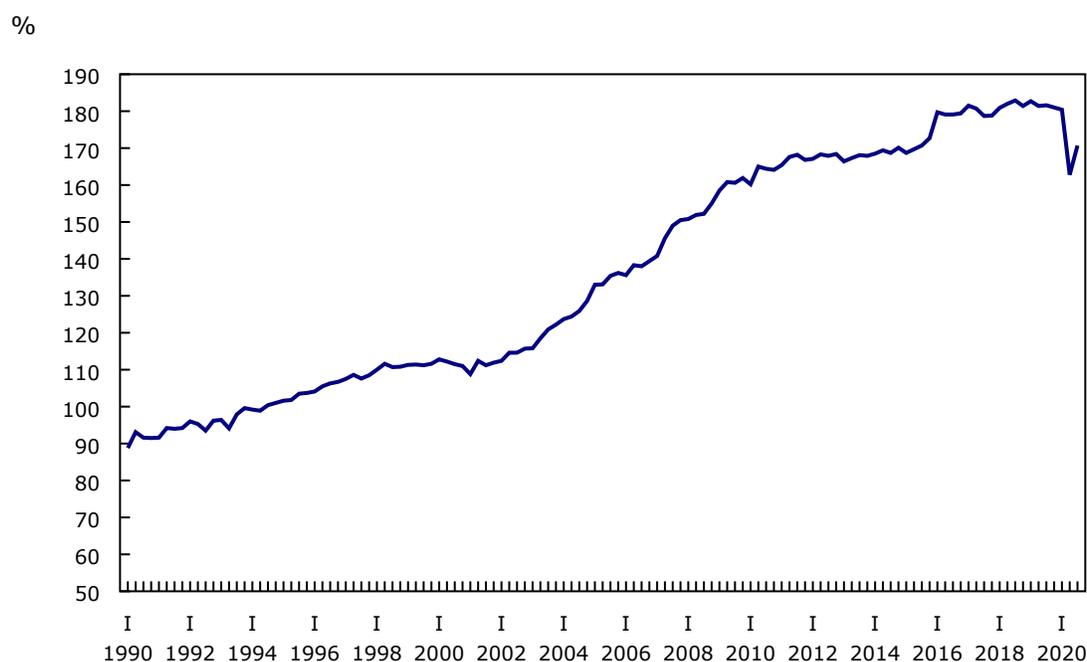
On a seasonally adjusted basis, total credit market borrowing increased from \$7.2 billion to \$38.4 billion in the third quarter. After reducing non-mortgage debt by \$19.2 billion in the second quarter, households returned to accruing this type of debt, with a net increase of \$9.7 billion. Demand for mortgage loans rose to \$28.7 billion, setting a new high after record mortgage borrowing in the second quarter. The interest portion of payment deferrals accruing to the existing mortgage balance of borrowers accounted for a portion of mortgage demand over the last three quarters, peaking in the second quarter and declining substantially since then.

The stock of credit market debt (consumer credit, and mortgage and non-mortgage loans) totalled \$2,417.4 billion at the end of the quarter. Mortgage debt was \$1,627.8 billion. Non-mortgage loans stood at \$789.5 billion. Overall, the amount of debt in deferral as a result of the various relief measures provided by lenders had dropped significantly by the end of the third quarter. On a per capita basis, credit market debt increased from \$62,345 to \$62,971.

The household debt service ratio, measured as total obligated payments of principal and interest on credit market debt as a proportion of household disposable income, increased to 13.22% from 12.36%, following the largest decline on record. While payment deferrals in response to the COVID-19 pandemic continued to have an impact on obligated principal paid, deferrals with six-month durations began winding down late in the third quarter. Although interest payments continue to be recorded on an accrual basis, as a result of payment deferrals, the total obligated mortgage payments were nearly 20% lower in the second quarter than without these deferrals. However, by the third quarter this had dropped to under 10%.

Household credit market debt as a proportion of household disposable income rose from 162.8% to 170.7%, as the stock of credit market debt increased 1.6% and household disposable income decreased 3.1%. In other words, there was \$1.71 in credit market debt for every dollar of household disposable income, compared with \$1.81 in the fourth quarter of 2019. Household debt is aggregated across all income brackets; however, in general, credit market debt to disposable income tends to be higher for lower income quintiles.

Chart 4
Household credit market debt to household disposable income, seasonally adjusted



Source(s): Table 38-10-0238-01.

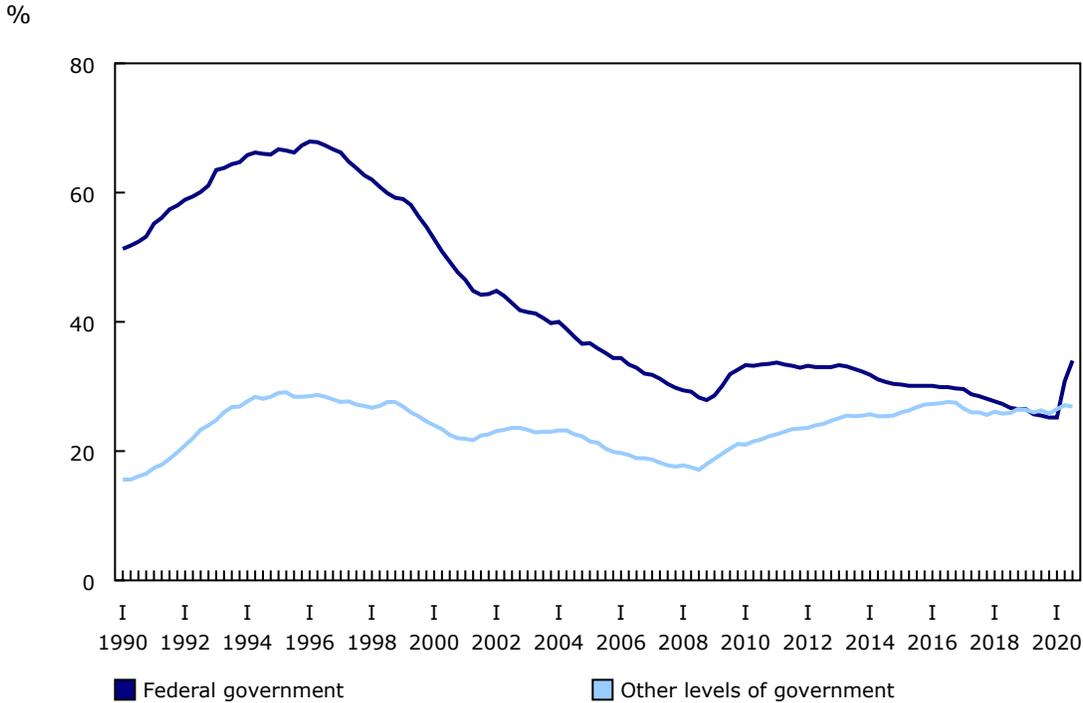
Federal government borrowing slows

The federal government demand for credit market debt was \$0.6 billion in the third quarter, a marked decrease from the \$302.1 billion in funds raised in the second quarter. Sizeable borrowing in the form of federal bonds continued in the third quarter with net issuances of \$77.4 billion, but these were largely offset by net retirements of short-term paper (-\$76.2 billion), marking a shift from short- to longer-term borrowing. Since the start of the COVID-19 pandemic, the Bank of Canada has been a key counterparty for federal government borrowing. Additionally, the federal government recorded a substantial draw down in currency and deposits as support programs continued in the third quarter; this followed a record increase in the second quarter fuelled by proceeds from the sales of bonds and treasury bills.

Other levels of government (excluding social security funds) decreased their borrowing from \$65.4 billion in the second quarter to \$24.6 billion in the third quarter, of which provincial bond issuances made up the largest share. Other levels of government also reduced their liability position in short-term paper through net retirements of \$4.6 billion.

The ratio of federal government net debt (the book value of total financial liabilities less total financial assets) to gross domestic product (GDP) increased to 34.0%. The ratio of other government net debt to GDP edged down from 27.1% to 26.9%.

Chart 5
Net debt (book value) as a percentage of gross domestic product



Source(s): Table 38-10-0237-01.

Non-financial private corporations shift sources of financing

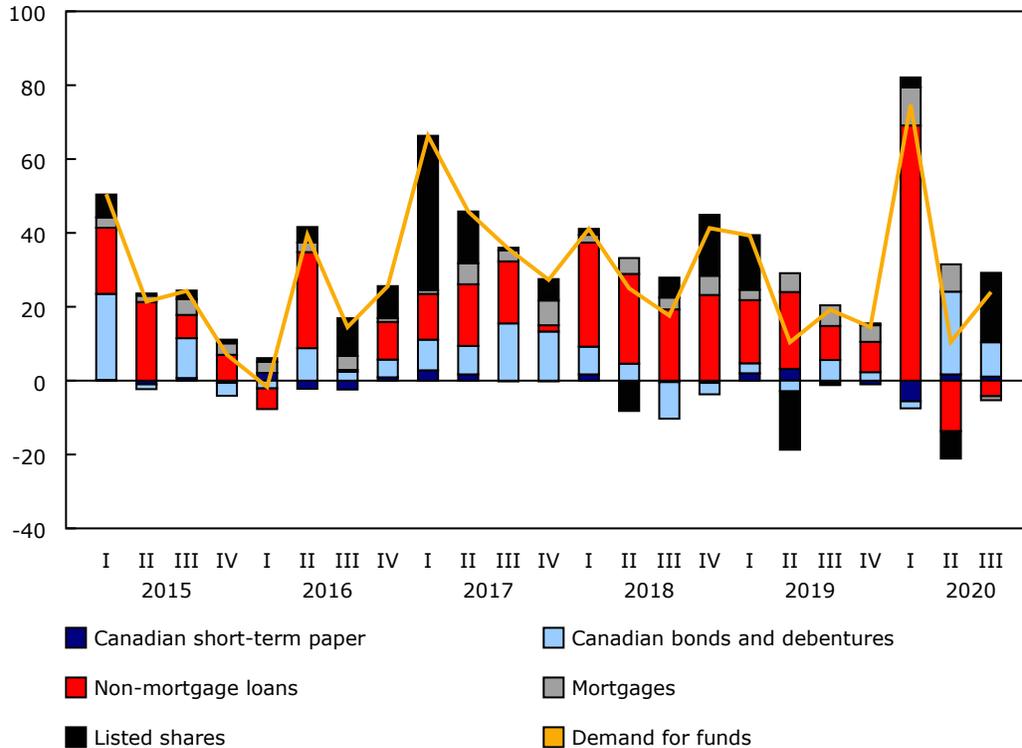
The demand for funds by non-financial private corporations was \$24.0 billion in the third quarter, up from \$10.5 billion in the previous quarter. The funds were raised primarily through the issuance of equity, a marked shift from the reliance on bond issuances in the previous quarter.

Borrowing in the form of non-mortgage loans continued to decline from the record level reached during the first quarter of 2020. This retrenching was mainly due to reduced loans with chartered banks (-\$22.4 billion), with a return to pre-pandemic levels of debt with this lending sector. On the other hand, non-residents (+\$8.9 billion) and the federal government (+\$3.9 billion) continued to provide funds to non-financial private corporations, including through government programs, such as the Canadian Emergency Business Account, which extends loans to businesses. The program is ongoing until the first quarter of 2021.

The debt-to-equity ratio (at market value) of non-financial private corporations fell from 206.1% to 200.5%. Non-financial private corporations' equity rose more than debt, as stock prices continued to make up for market losses experienced in the first quarter of 2020.

Chart 6
Demand for funds by private non-financial corporations

billions of dollars



Source(s): Table 36-10-0579-01.

Financial sector supply of funds declines

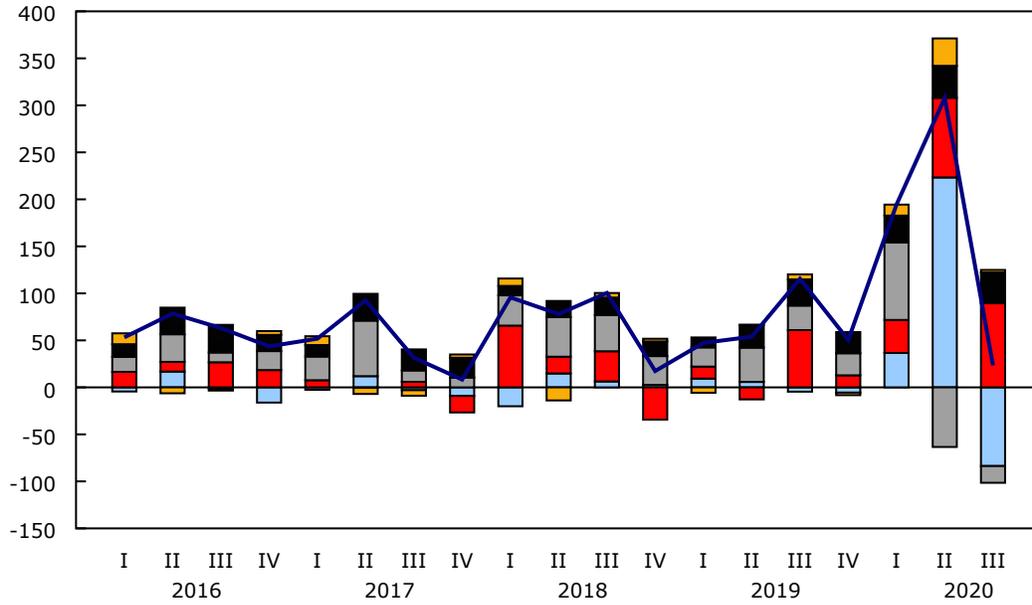
The financial sector provided \$23.3 billion in funds to the economy through financial market instruments, down from \$307.8 billion in the previous quarter. Third quarter financing was mainly in the form of bonds (+\$89.5 billion), which were largely offset by retirements of short-term paper (-\$83.7 billion). Increased mortgage lending outweighed lower demand for non-mortgage loans. Following a strong first quarter of lending, outstanding non-mortgage loan assets posted two consecutive quarterly declines, a trend that has not been seen since the financial crisis, when non-mortgage loans contracted for five straight quarters.

The Bank of Canada, a subsector of the financial sector and a significant purchaser of government debt since the beginning of the pandemic, continued to add to its asset holdings, although the Bank's purchasing programs have begun to scale back. The expansion was primarily the result of increased holdings of long-term debt securities, which were partially offset by a large scale retirement of short-term paper, predominantly with a three-month term, issued earlier in the pandemic.

The market value of financial assets was up 2.1% to \$17,471.3 billion. Holdings of equity and investment fund shares (+\$322.6 billion) increased in the quarter, while currency and deposit assets, mainly held by chartered banks, grew \$71.2 billion and loan assets fell \$5.9 billion. Mutual funds, whose wealth is held predominantly by households, experienced upward revaluations and positive flows in foreign equity and listed shares as markets started to return to pre-pandemic levels.

Chart 7
Lending by the financial sector

billions of dollars



- Supply of funds
- Short-term paper
- Bonds
- Non-mortgage loans and consumer credit
- Mortgage loans
- Listed shares

Source(s): Table 36-10-0578-01.

Note to readers

Revisions

This third quarter release of the national balance sheet and financial flow accounts includes revised estimates from the first quarter of 1990 to the second quarter of 2020. These data incorporate new and revised data, as well as updated data on seasonal trends. An overview of these conceptual, methodological, and statistics revisions is available in ["An overview of revisions to the Financial and Wealth Accounts, 1990 to 2020."](#)

In the near future, data enhancements to the national balance sheet and financial flow accounts, such as the development of detailed counterparty information by sector, will be incorporated. To facilitate this initiative and others, it is necessary to extend the annual revision period (normally the previous three years) at the time of the third quarter release. Consequently, for the next two years, with the third quarter release of the financial and wealth accounts, data will be revised back to 1990 to ensure a continuous time series.

Financial and wealth accounts on a from-whom-to-whom basis: Selected financial instruments

The data visualization product ["Financial accounts on a from-whom-to-whom basis, selected financial instruments"](#) has been updated with data from the first quarter of 1990 to the third quarter of 2020.

Next release

Data on the national balance sheet and financial flow accounts for the fourth quarter of 2020 will be released on March 12, 2021.

Overview of the Financial and Wealth Accounts

This release of the Financial and Wealth Accounts comprises the National Balance Sheet Accounts (NBSA), the Financial Flow Accounts (FFA), and the other changes in assets account.

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 all financial asset-liability claims outstanding in all sectors. To improve the interpretability of financial flows data, selected household borrowing series are available on a seasonally adjusted basis (table [38-10-0238-01](#)). 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) to the underlying financial transactions.

While the FFA 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 institution 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](#) and in the [Canadian System of Macroeconomic Accounts glossary](#).

Distributions of Household Economic Accounts

The NBSA for the household sector is allocated across a number of socioeconomic dimensions as part of the Distributions of Household Economic Accounts (DHEA). Data tables containing wealth and its components by income quintile, age, generation and region are available in tables [36-10-0585-01](#), [36-10-0586-01](#), [36-10-0589-01](#), and [36-10-0590-01](#).

Methodology for DHEA wealth estimates can be found in the article ["Distributions of Household Economic Accounts, estimates of asset, liability and net worth distributions, 2010 to 2019: Technical methodology and quality report."](#)

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

	Second quarter 2019	Third quarter 2019	Fourth quarter 2019	First quarter 2020	Second quarter 2020	Third quarter 2020	Second quarter to third quarter 2020
	billions of dollars						change in billions of dollars
National net worth	12,557	12,511	12,691	12,612	12,664	13,237	573
Period-to-period percentage change	1.9	-0.4	1.4	-0.6	0.4	4.5	...
National wealth	11,764	11,717	11,712	11,707	11,589	12,067	478
Period-to-period percentage change	2.2	-0.4	-0.0	-0.0	-1.0	4.1	...
Canada's net international investment position	793	794	979	905	1,076	1,170	94
National net worth, by sector							
Household sector	11,386	11,502	11,698	11,341	11,943	12,301	358
Non-profit institutions serving the household sector	129	132	135	139	142	145	3
Corporate sector	778	616	551	955	560	746	185
General government sector	264	261	307	177	19	45	25
	dollars						change in dollars
National net worth per capita	334,014	330,949	334,867	331,965	331,732	344,816	13,084
National wealth per capita	312,918	309,947	309,041	308,141	303,554	314,335	10,781

... not applicable

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

Source(s): Table [36-10-0580-01](#).

Table 2
Households and non-profit institutions serving household sector indicators – Market value

	Second quarter 2019	Third quarter 2019	Fourth quarter 2019	First quarter 2020	Second quarter 2020	Third quarter 2020
	%					
Household sector, not seasonally adjusted						
Debt to gross domestic product (GDP)	102.69	103.35	103.12	103.56	107.92	110.97
Debt to disposable income	180.83	181.27	180.87	179.58	174.29	173.07
Credit market debt to disposable income	178.59	179.04	178.60	177.19	172.13	170.93
Consumer credit and mortgage liabilities to disposable income	169.15	169.60	169.12	167.81	163.00	161.99
Net worth as a percentage of disposable income	884.15	883.69	887.93	850.02	863.97	867.60
Debt to total assets	16.98	17.02	16.92	17.44	16.79	16.63
Debt to net worth	20.45	20.51	20.37	21.13	20.17	19.95
Credit market debt to net worth	20.20	20.26	20.11	20.85	19.92	19.70
Consumer credit and mortgage liabilities to net worth	19.13	19.19	19.05	19.74	18.87	18.67
Total assets to net worth	120.45	120.51	120.37	121.13	120.17	119.95
Financial assets to net worth	63.73	64.01	64.22	62.09	63.06	62.76
Financial assets to non-financial assets	112.35	113.27	114.39	105.19	110.41	109.72
Owner's equity as a percentage of real estate	73.50	73.29	73.28	73.54	73.62	73.87
Real estate as a percentage of disposable income	442.56	440.71	440.31	444.40	438.27	440.46
Households and non-profit institutions serving the household sector, not seasonally adjusted						
Debt to GDP	104.87	105.54	105.30	105.76	110.21	113.31
Debt to disposable income	180.02	180.45	180.03	178.80	173.56	172.28
Credit market debt to disposable income	175.69	176.13	175.67	174.49	169.41	168.11
Household sector, seasonally adjusted						
Credit market debt to disposable income	181.45	181.55	181.03	180.41	162.80	170.70
Consumer credit and mortgage liabilities to disposable income	171.86	171.94	171.44	170.87	154.17	161.74

Source(s): Tables [38-10-0235-01](#) and [38-10-0238-01](#).

Table 3
Corporations sector indicators – Not seasonally adjusted

	Second quarter 2019	Third quarter 2019	Fourth quarter 2019	First quarter 2020	Second quarter 2020	Third quarter 2020
	%					
Corporations sector						
Private non-financial corporations total debt to equity (market value)	194.32	196.57	194.57	223.88	206.08	200.50
Private non-financial corporations credit market debt to equity (book value)	62.60	63.74	63.12	69.42	66.96	64.82
Private non-financial corporations credit market debt (book value) to gross domestic product (GDP)	68.09	68.54	67.83	72.06	74.81	75.97

Source(s): Tables [38-10-0236-01](#), [38-10-0234-01](#), and [36-10-0103-01](#).

Table 4
General government sector indicators – Not seasonally adjusted

	Second quarter 2019	Third quarter 2019	Fourth quarter 2019	First quarter 2020	Second quarter 2020	Third quarter 2020
	%					
General government sector						
General government gross debt (book value) to gross domestic product (GDP)	109.91	110.37	108.66	112.81	132.21	135.91
Federal general government gross debt (book value) to GDP	42.02	41.93	41.38	42.51	57.57	59.47
Other levels of general government gross debt (book value) to GDP	63.19	63.23	62.42	64.06	69.27	71.59
General government net debt (book value) to GDP	38.21	38.26	37.33	37.85	43.03	45.49
Federal general government net debt (book value) to GDP	25.73	25.46	25.19	25.15	30.75	33.99
Other levels of general government net debt (book value) to GDP	25.97	26.29	25.81	26.46	27.12	26.86

Source(s): Table [38-10-0237-01](#).

Available tables: [11-10-0065-01](#), [36-10-0448-01](#), [36-10-0467-01](#), [36-10-0578-01](#) to [36-10-0580-01](#) and [38-10-0234-01](#) to [38-10-0238-01](#) .

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

The document, "[An overview of revisions to the Financial and Wealth Accounts, 1990 to 2020](#)," which is part of *Latest Developments in the Canadian Economic Accounts* ([13-605-X](#)), is now available.

The data visualization product "[Financial accounts on a from-whom-to-whom basis, selected financial instruments](#)," part of *Statistics Canada – Data Visualization Products* ([71-607-X2018015](#)), is now available.

The data visualization product "[Distributions of Household Economic Accounts, Wealth: Interactive tool](#)," which is part of *Statistics Canada – Data Visualization Products* ([71-607-X2020006](#)) is now available.

The data visualization product "[Securities statistics](#)," part of the series *Statistics Canada – Data Visualization Products* ([71-607-X2019004](#)), is available online.

The [Economic accounts statistics](#) portal, accessible from the *Subjects* module of our website, features an up-to-date portrait of national and provincial economies and their structure.

The *User Guide: Canadian System of Macroeconomic Accounts* ([13-606-G](#)) is available.

The *Methodological Guide: Canadian System of Macroeconomic Accounts* ([13-607-X](#)) is available.

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).