

National balance sheet and financial flow accounts, third quarter 2021

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National net worth continues to rise as real estate grows

National net worth, the sum of national wealth and Canada's net foreign asset position, rose 3.1% to reach \$15,942.8 billion at the end of the third quarter. However, this was the second consecutive quarter of deceleration, following record-breaking growth in net worth in the first quarter (+7.5%). On a per capita basis, national net worth rose from \$404,413 in the second quarter to \$416,893 at the end of the third quarter.

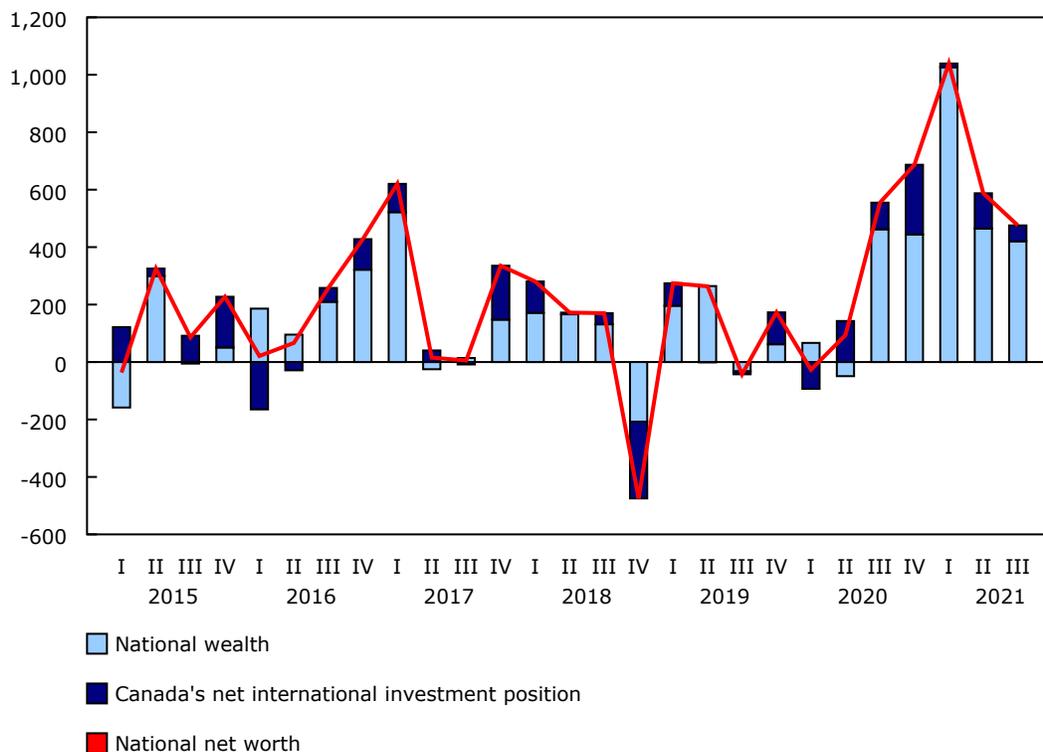
The total value of non-financial assets in Canada, also referred to as national wealth, rose 3.0% to \$14,575.0 billion. The value of residential real estate increased \$238.4 billion, accounting for over half of the increase in national wealth, while non-residential real estate rose \$125.6 billion. Natural resource wealth remained stable relative to the second quarter, as an increase in the value of subsoil assets was mostly offset by a decline in the value of timber.

Canada's [net foreign asset position](#), the difference between Canada's international financial assets and international liabilities, reached \$1,367.8 billion in the third quarter, an increase of \$55.3 billion from the previous quarter. The revaluation effect resulting from fluctuations in exchange rates (+\$76.0 billion) led the increase as the Canadian dollar depreciated against most major foreign currencies. At the end of the third quarter, 96.4% of Canada's international assets were denominated in foreign currencies, compared with 36.4% of its international liabilities.



Chart 1
Change in national net worth by component

billions of dollars



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

Household savings rate remains in double digits

The seasonally adjusted household savings rate fell to 11.0% in the third quarter from 14.0% in the second quarter. Nonetheless, households still recorded another quarter of strong savings, a trend that began in the second quarter of 2020.

Compensation of employees rose 2.9% in the third quarter of 2021 and was the main driver behind higher household disposable income, despite further curtailment of government benefit programs, with government transfers to households down 1.6% from the second quarter and down 9.3% year over year. Elevated household spending levels (+5.4%), buoyed by additional easing of pandemic restrictions, comfortably outpaced the increase in household disposable income. Higher prices, resulting partly from supply chain disruption and higher demand, factored into increased nominal spending, as the [all-items Consumer Price Index \(CPI\)](#) was up 4.4% from the third quarter of 2020. In comparison, the average yearly increase in the all-items CPI was roughly 2.0% from 2017 to 2019.

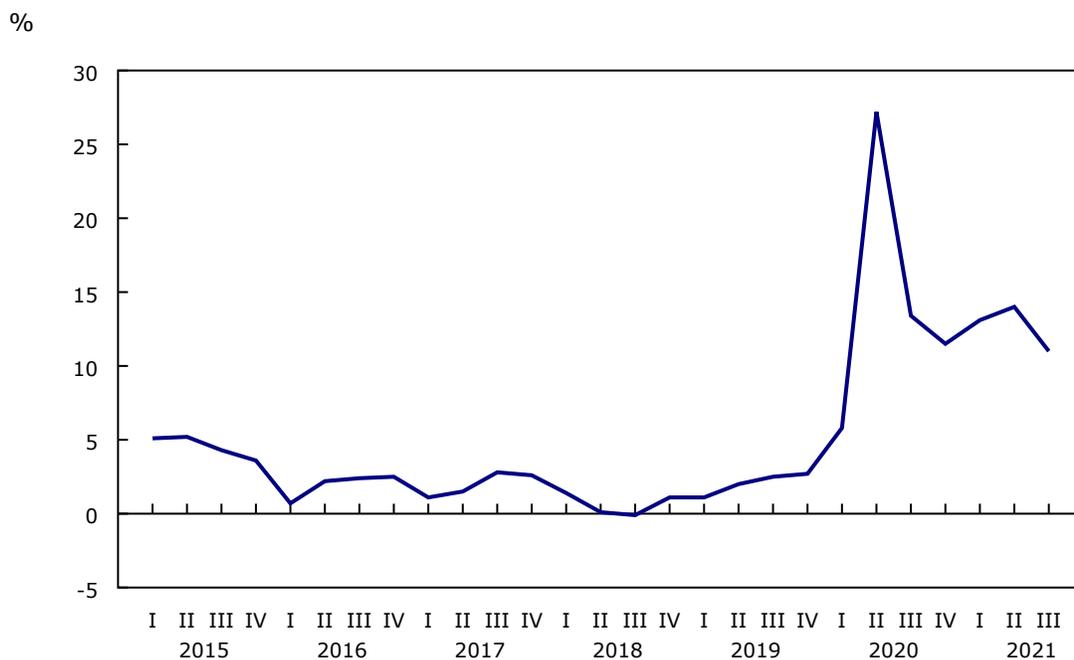
Highlights

The Canadian economy returned to upward growth in the third quarter, driven by increases in household spending and exports, as pandemic restrictions were partially lifted and more regular economic activity resumed. Spending by households on goods and services, particularly spending on semi-durable goods such as clothing and footwear, led the increase. This growth was partially offset by a decline in housing investment as new construction, renovations, and ownership transfer costs fell.

While household wages and salaries rose in the third quarter, helping to push disposable income higher, household consumption in nominal terms outpaced this increase. As a result, the household savings rate declined, yet still remained in the double-digits for the sixth consecutive quarter. Household demand for mortgages reached a level rivaled only by the record mortgage borrowing in the second quarter. Strong demand for mortgages occurred amidst rising real estate prices, but slowing real estate sale activity.

The household sector continued to invest in mutual funds, while its accumulation of currency and deposits slowed in the third quarter. Both federal and other levels of government continued to borrow through the issuance of longer term debt, albeit at a slower pace compared with the second quarter. Private non-financial corporations increased their demand for funds, primarily borrowing through mortgage and non-mortgage loans, as the financial sector reduced its supply of funds, primarily as a result of lower overall lending activity. Calmer financial markets slowed down asset growth as both domestic and foreign equity posted smaller gains compared with the more rapid growth recorded over the last year.

Chart 2
Household savings rate, seasonally adjusted



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

Households continue to purchase mutual funds at near record pace

For the fourth consecutive quarter, households purchased mutual funds at levels that have not been seen prior to the global pandemic. Over the last four quarters, net purchases of mutual fund shares have totalled \$105.5 billion, more than three times the amount over the same period one year prior. Higher than usual mutual fund purchases have marked a clear shift in behaviour by Canadian households, as they seek out investment vehicles other than cash in which to store some of the excess savings they have accumulated over the course of the pandemic. Households added a more muted \$12.8 billion in Canadian currency and deposits, down from \$37.7 billion in the second quarter.

Expansion of households' non-financial assets pushes net worth higher, while financial asset growth moderates

Household sector net worth—the value of all assets less liabilities—increased \$292.2 billion to \$15,117.3 billion in the third quarter. Most of this increase was connected to the continued appreciation of housing.

The value of financial assets rose 1.1% in the third quarter, decelerating from the notable growth that has been ongoing since 2020. Mutual fund shares increased by \$39.0 billion, as a depreciating Canadian dollar pushed up the value of foreign investments. Listed shares owned by households were worth \$1.5 billion less compared with the second quarter, following slight downward revaluations during the third quarter. Similarly, the Toronto Stock Exchange (TSX) inched down and the Standard and Poor's 500 remained almost flat, in contrast with the near double digit increases posted by both in the second quarter.

The sizeable increase in financial liabilities (+\$58.3 billion), weighed against the weaker expansion of financial assets, contributed to a relatively sluggish rise in households' net financial asset position (+\$45.4 billion).

Residential real estate price growth accelerates

Household residential real estate rose 3.0% by the end of the third quarter, following a 1.6% increase in the second quarter. The value of residential land increased 3.8%, while the value of residential structures rose 2.0%. Since the end of 2020, residential real estate has grown 14.7%, largely spurred by the strongest quarter of residential real estate growth on record observed in the first quarter of 2021 (+9.6%). Total real estate continued to represent over five times the level of household disposable income, with this ratio rising to 528.2% from 463.9% in the third quarter of 2020.

The average price of homes sold in Canada dipped slightly during the summer months before finishing the third quarter on a higher note. The average sale price in September was 3.6% higher than in July and August. Prices have sustained this growth into the fourth quarter of 2021 thus far. The pace of real estate activity was markedly slower than the record-setting third quarter of 2020, with a 15.7% reduction in real estate sales. However, excluding the third quarter of 2020, real estate sales volumes this quarter were greater than any previous third quarter on record.

Seasonally adjusted housing investment, which includes new purchases, declined 6.9% in the third quarter, with renovations falling 11.6%. Despite the quarterly decline, residential investment is still higher than any quarter prior to 2020. Statistics Canada's [Building construction price index](#), which measures the prices that contractors charge to construct buildings, has increased 20.3% since the third quarter of 2020.

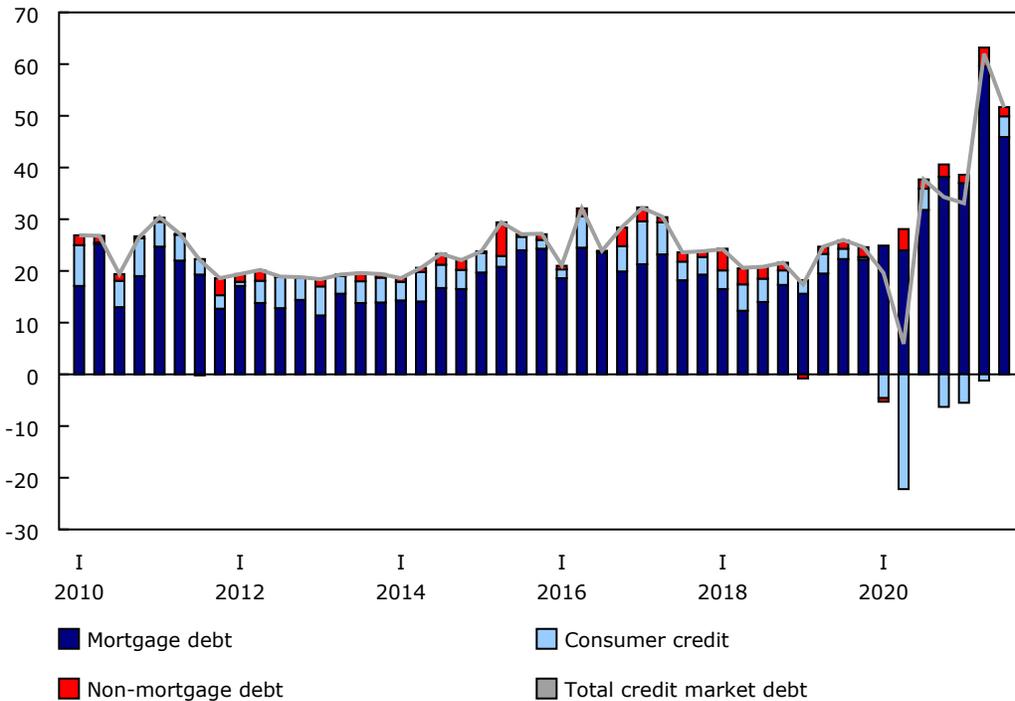
Mortgage borrowing remains robust after record-setting quarter

On a seasonally adjusted basis, credit market borrowing continued at a rapid pace with households adding \$51.6 billion of debt in the third quarter, the second highest quarter of borrowing on record after an unprecedented prior quarter (+\$62.0 billion). Mortgages were the primary contributor to the heightened borrowing, with demand of \$45.9 billion. Demand for non-mortgage loans more than doubled to \$5.7 billion, as economic growth resumed in the third quarter. Overall, mortgage borrowing accounted for nearly 9 in 10 dollars of net additions to credit market debt.

The robust borrowing activity expanded the stock of credit market debt (consumer credit, and mortgage and non-mortgage loans) to \$2,607.4 billion. Mortgage debt topped \$1.9 trillion, while non-mortgage loans stood at nearly \$700 billion. Overall credit debt expanded 2.0%, slower than the near record second quarter (+2.4%), but otherwise the fastest pace since the end of 2009. Household mortgage debt now represents nearly three-quarters of total credit market debt (73.2%) while, according to [data on outstanding mortgage balances](#), variable rate mortgages have grown over the last year to represent more than one-quarter of total mortgages outstanding.

Chart 3
Household credit market debt, seasonally adjusted flows

billions of dollars



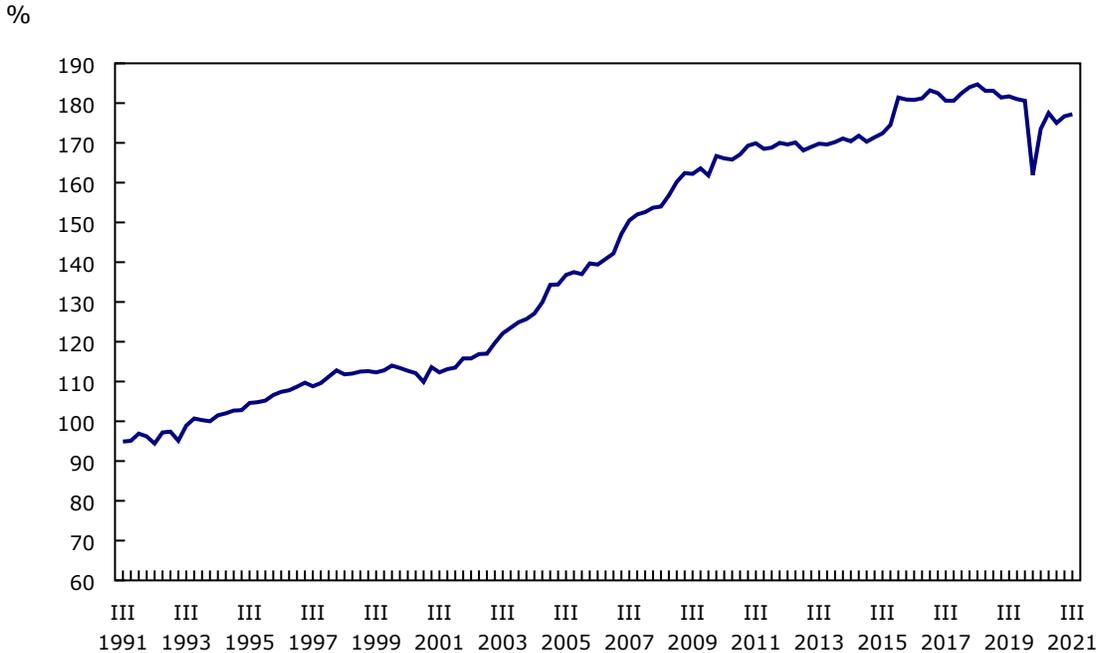
Source(s): Table 38-10-0238-01.

Household credit market debt rises at a slightly faster pace than disposable income

On a seasonally adjusted basis, household credit market debt as a proportion of household disposable income rose from 176.7% in the second quarter to 177.2% in the third quarter, as a 2.0% increase in household credit market debt and enthusiastic mortgage borrowing outweighed the growth in household disposable income (+1.7%). In other words, there was \$1.77 in credit market debt for every dollar of household disposable income, three cents below the pre-pandemic amount. Per capita, credit market debt amounted to \$68,181.

Despite the rising share of debt to disposable income, 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, decreased to 13.32% in the third quarter from 13.47% in the second quarter. Household disposable income before interest payments rose 1.5%, while total debt payments rose 0.4%. Despite the continued appetite of households for mortgages, interest payments on mortgage debt edged down 2.7%, while obligated payments of principal rose 4.0%, reflecting an interplay between existing debt being refinanced at still lower rates and the increased principal payments owing to greater levels of overall debt.

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



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

Federal government borrowing switches toward longer time horizon

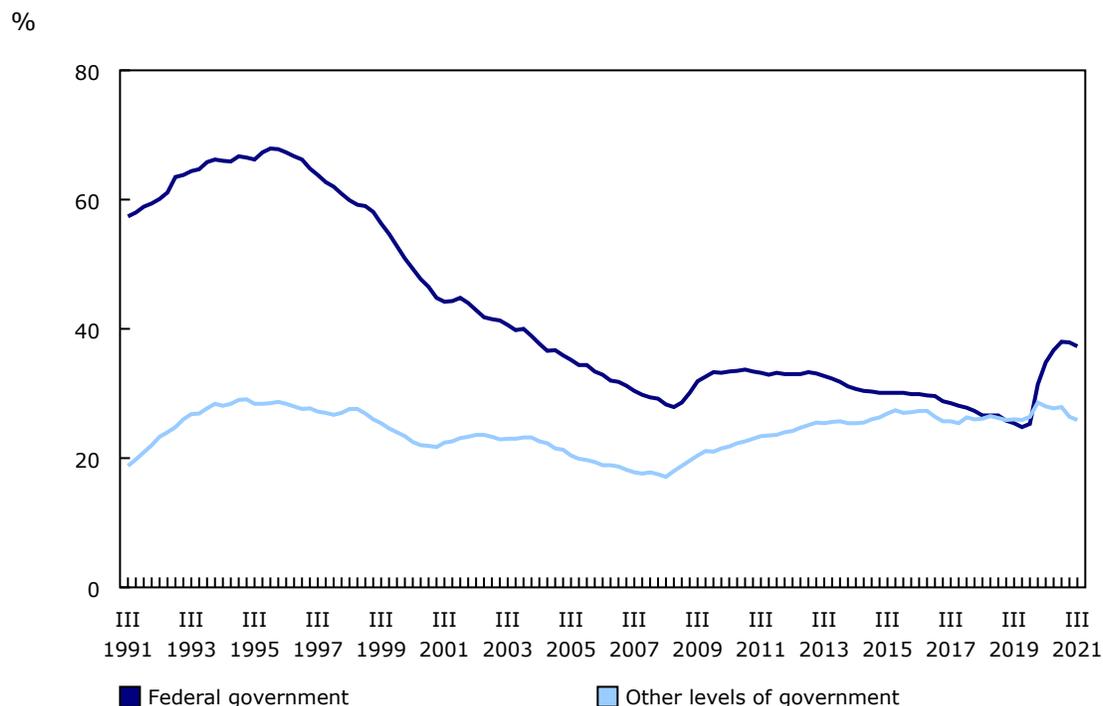
The federal government demand for credit market debt was \$20.6 billion in the third quarter. This borrowing was comprised of \$43.9 billion in net issuances of federal government bonds, which was partly offset by net redemptions of federal government short-term paper of \$22.6 billion as the federal government looked to borrow on a longer time horizon. The Bank of Canada accounted for the majority of federal bond net purchases (+\$25.9 billion). This was the sixth consecutive quarter of net bond issuances in the double-digit billion-dollar range, with the federal government's net issuances of bonds now totalling almost \$380 billion over the last six quarters.

For other levels of government (excluding social security funds), demand for credit market funds totalled \$14.5 billion in the third quarter. This borrowing was largely made up of other levels of governments' net issuances of bonds (+\$13.1 billion). Over the last six quarters, other levels of government net bond issuances have totalled \$139.4 billion.

Debt to gross domestic product ratios decline due to economic growth

The ratio of federal government net debt (the book value of total financial liabilities less total financial assets) to gross domestic product (GDP) declined to 37.3% from 37.9% in the third quarter, while the ratio of other government net debt to GDP fell to 25.9% from 26.4%. Stronger growth in GDP relative to debt was a primary factor in the ratio decline.

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



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

Shift in providers of non-mortgage loans to private non-financial corporations

The demand for funds by private non-financial corporations was \$25.0 billion in the third quarter, \$12.9 billion less than the previous quarter. Borrowing was mainly in the form of non-mortgage (+\$18.2 billion) and mortgage (+\$8.4 billion) loans. This was partially offset by a decrease in listed shares (-\$6.8 billion).

A shift in providers of non-mortgage loans to private non-financial corporations occurred in the third quarter of 2021, as non-mortgage loans provided by chartered banks increased roughly \$9.8 billion and those from non-residents grew \$5.2 billion. Non-mortgage loans from the federal government increased by \$0.6 billion, a notable slowdown in growth from last quarter (+\$4.2 billion), as government programs have largely wound down and borrowers continue to repay these loans.

Total currency and deposits of private non-financial corporations rose 5.7% to \$804.0 billion in the third quarter. According to the November edition of the [Canadian Survey on Business Conditions](#), 77.8% of businesses reported having the cash or liquid assets required to operate over the next three months, down from 79.3% reported in August. Meanwhile, the portion of businesses that reported they cannot incur additional debt continued to hover around the 19% mark. As of August of this year, the number of business closures outgrew business openings, a trend last recorded in May 2020, according to Statistics Canada's [Monthly estimates of business openings and closures](#).

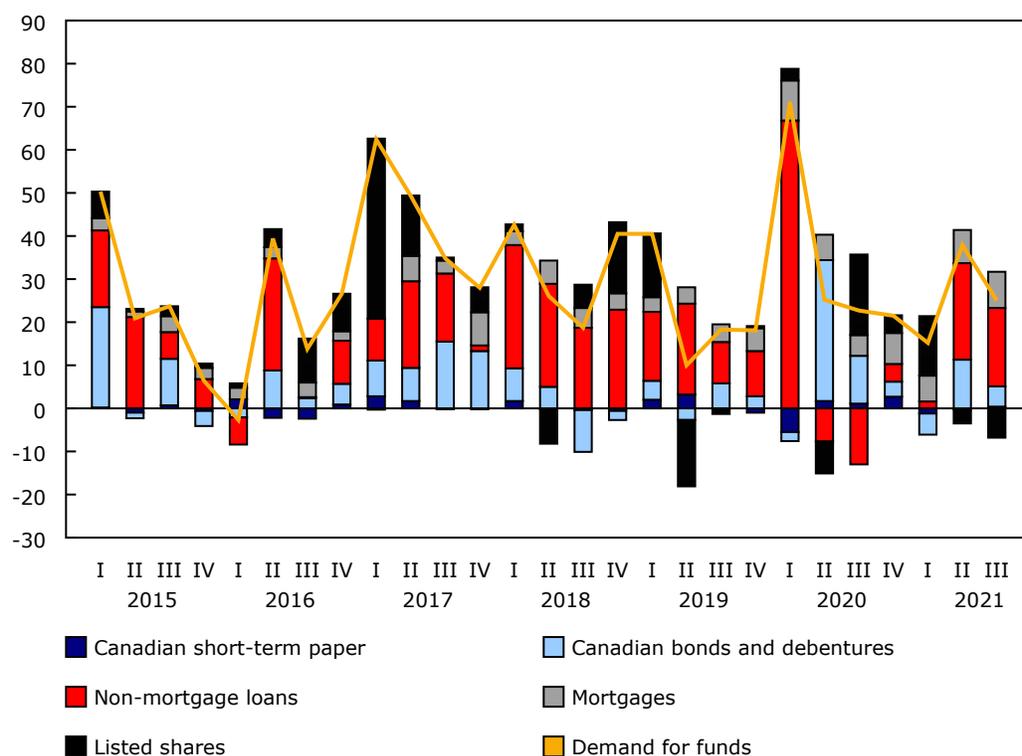
During the third quarter, private non-financial corporations purchased \$8.9 billion of spectrum licenses from the federal government in an auction that took place over the course of June and July 2021. As a result, private non-financial corporations' radio spectra holdings, which are a component of natural resource wealth, reached \$26.9 billion; the newly purchased spectra are compatible with 5G networks. Subsoil assets and timber, which are

the remaining components of natural resources, moved in opposite directions, as energy prices rose and wood prices fell considerably. The end result was private non-financial corporations' natural resource wealth rising \$18.7 billion in the third quarter.

The ratio of private non-financial corporations' credit market debt (book value) to GDP stood at 72.5% in the third quarter. Moderated most recently by growing GDP, the ratio continued to decline from the end of 2020 when it reached a record-high of 75.2%.

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

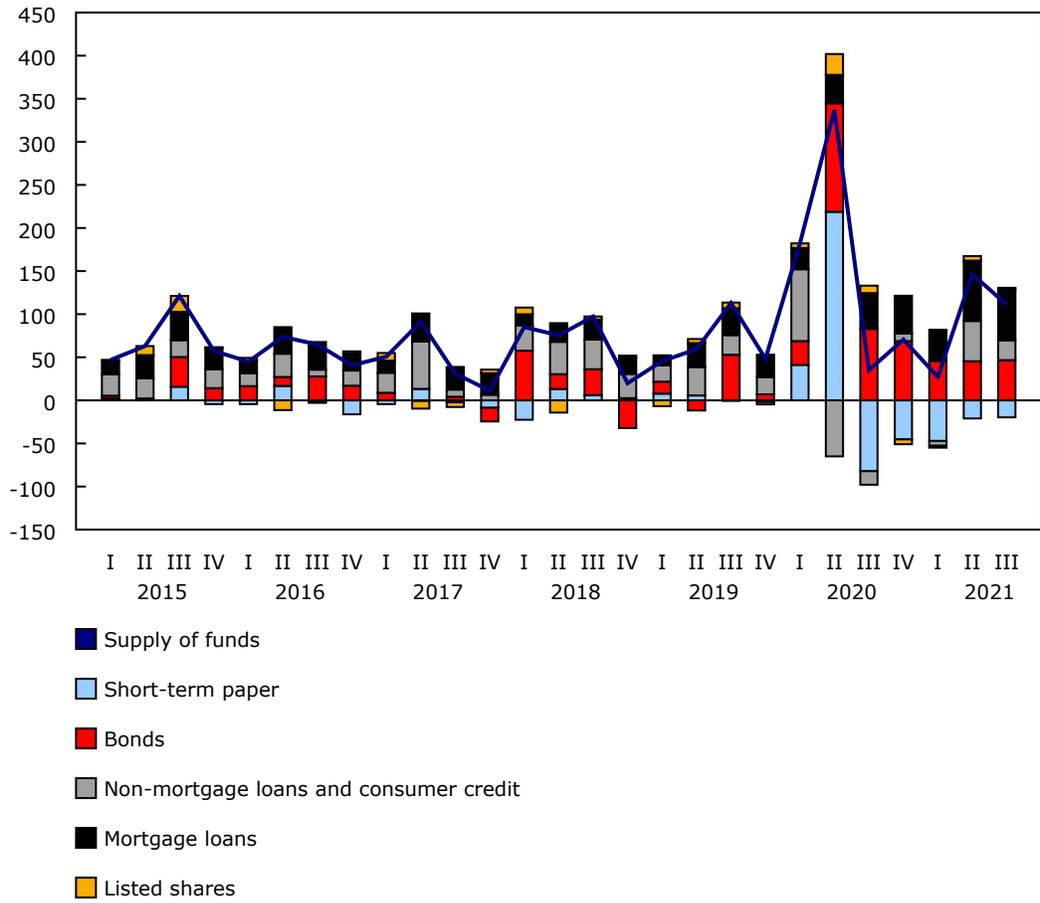
Financial corporations delivered \$110.9 billion in funds to the economy through financial market instruments in the third quarter, a decrease of \$35.5 billion from the previous quarter. The supply of funds primarily came from \$59.1 billion in mortgage loans and \$46.7 billion in net bond purchases and was partially offset by the net retirement of short-term paper (-\$19.7 billion).

The total financial assets of the Bank of Canada, a financial subsector, grew by \$14.5 billion due to an increase in holdings of Government of Canada bonds (+\$25.0 billion) as part of the Government of Canada Bond Purchase Program. This increase was partially offset by a decline in Canadian short-term paper (-\$7.8 billion) and a decrease in reverse repurchase agreements (-\$3.0 billion), as the Bank of Canada announced a discontinuation of the Contingent Term Repo Facility effective April 2021.

The market value of financial corporation financial assets was up 2.6% to \$19,702.1 billion. The increase was mainly due to a \$173.6 billion rise in the value of loan assets. The reverse repurchase agreements of chartered banks increased by \$42.2 billion to reach \$390.1 billion. The market value of financial assets of mutual funds, whose wealth is principally held by households, grew by \$61.0 billion to reach \$3,206.4 billion. This increase was mainly due to the rise in foreign equity (+\$42.9 billion), which was partially offset by a drop in domestic listed shares (-\$4.1 billion). Of the \$497.9 billion of mutual fund holdings of listed shares, roughly half are of non-financial private corporations and around 20% are chartered banks.

Chart 7
Lending by the financial sector

billions of dollars



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

Note to readers

Revisions

This release of the national balance sheet and financial flow accounts for the third quarter of 2021 includes revised estimates from the first quarter of 1990 to the second quarter of 2021. These data incorporate new and revised data, as well as updated data on seasonal trends. An overview of these conceptual, methodological and statistical revisions is available in ["An overview of revisions to the Financial and Wealth Accounts, 1990 to 2021."](#)

Data enhancements to the national balance sheet and financial flow accounts, such as the development of detailed counterparty information by sector, will be incorporated on an ongoing basis. 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 2021.

Next release

Data on the national balance sheet and financial flow accounts for the fourth quarter of 2021 will be released on March 11, 2022.

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 on wealth and its components by income quintile, age group, generation and region are available in tables 36-10-0585-01, 36-10-0586-01, 36-10-0589-01 and 36-10-0590-01.

The 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 2020	Third quarter 2020	Fourth quarter 2020	First quarter 2021	Second quarter 2021	Third quarter 2021	Second quarter to third quarter 2021
	billions of dollars						change in billions of dollars
National net worth	12,599	13,154	13,840	14,880	15,467	15,943	476
Period-to-period percentage change	0.7	4.4	5.2	7.5	3.9	3.1	...
National wealth	11,757	12,220	12,664	13,690	14,155	14,575	420
Period-to-period percentage change	-0.4	3.9	3.6	8.1	3.4	3.0	...
Canada's net international investment position	841	934	1,177	1,190	1,312	1,368	55
National net worth, by sector							
Household sector	12,602	13,044	13,609	14,452	14,825	15,117	292
Non-profit institutions serving the household sector	157	160	164	170	175	181	5
Corporate sector	-145	-56	22	68	246	365	119
General government sector	-14	6	46	189	221	280	59
	dollars						change in dollars
National net worth per capita	331,223	345,847	363,562	389,999	404,413	416,893	12,480
National wealth per capita	309,105	321,288	332,653	358,814	370,096	381,127	11,031

... 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 2020	Third quarter 2020	Fourth quarter 2020	First quarter 2021	Second quarter 2021	Third quarter 2021
	%					
Household sector, not seasonally adjusted						
Debt to gross domestic product (GDP)	108.49	111.43	113.25	112.48	109.94	109.41
Debt to disposable income	174.72	174.39	174.40	172.19	177.80	179.53
Credit market debt to disposable income	172.58	172.24	172.24	170.04	175.60	177.31
Consumer credit and mortgage liabilities to disposable income	163.42	163.22	163.19	161.10	166.35	168.13
Net worth as a percentage of disposable income	908.74	922.19	949.71	988.51	1,018.66	1,025.76
Debt to total assets	16.13	15.90	15.51	14.83	14.86	14.90
Debt to net worth	19.23	18.91	18.36	17.42	17.45	17.50
Credit market debt to net worth	18.99	18.68	18.14	17.20	17.24	17.29
Consumer credit and mortgage liabilities to net worth	17.98	17.70	17.18	16.30	16.33	16.39
Total assets to net worth	119.23	118.91	118.36	117.42	117.45	117.50
Financial assets to net worth	62.98	62.50	62.32	60.30	60.87	60.38
Financial assets to non-financial assets	111.96	110.80	111.19	105.57	107.56	105.69
Owner's equity as a percentage of real estate	73.18	73.61	74.08	75.84	75.38	75.43
Real estate as a percentage of disposable income	455.84	463.94	475.99	509.24	519.51	528.20
Households and non-profit institutions serving the household sector, not seasonally adjusted						
Debt to GDP	110.77	113.74	115.58	114.80	112.17	111.60
Debt to disposable income	173.54	173.12	173.04	170.84	176.37	178.13
Credit market debt to disposable income	169.44	168.97	168.87	166.72	172.21	173.97
Household sector, seasonally adjusted						
Credit market debt to disposable income	161.92	173.47	177.46	175.01	176.72	177.15
Consumer credit and mortgage liabilities to disposable income	153.36	164.34	168.12	165.83	167.46	167.93

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

Table 3
Corporations sector indicators – Not seasonally adjusted

	Second quarter 2020	Third quarter 2020	Fourth quarter 2020	First quarter 2021	Second quarter 2021	Third quarter 2021
	%					
Corporations sector						
Private non-financial corporations total debt to equity (market value)	197.14	195.63	189.10	182.44	179.93	181.83
Private non-financial corporations credit market debt to equity (book value)	56.96	56.73	56.12	55.97	56.85	57.10
Private non-financial corporations total debt (market value) to gross domestic product (GDP)	173.95	175.90	177.93	174.67	168.62	168.02
Private non-financial corporations credit market debt (book value) to gross domestic product (GDP)	74.36	74.80	75.18	75.15	73.02	72.51

Source(s): Table [38-10-0236-01](#).

Table 4
General government sector indicators – Not seasonally adjusted

	Second quarter 2020	Third quarter 2020	Fourth quarter 2020	First quarter 2021	Second quarter 2021	Third quarter 2021
	%					
General government sector						
General government gross debt (book value) to gross domestic product (GDP)	133.81	137.31	141.07	137.92	133.61	132.34
Federal general government gross debt (book value) to GDP	58.17	60.15	63.87	61.42	59.52	59.53
Other levels of general government gross debt (book value) to GDP	70.28	72.31	72.38	71.77	69.29	67.82
General government net debt (book value) to GDP	45.08	47.27	48.60	49.45	48.48	47.54
Federal general government net debt (book value) to GDP	31.38	34.84	36.67	38.04	37.87	37.26
Other levels of general government net debt (book value) to GDP	28.58	27.99	27.71	27.93	26.41	25.94

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](#) , [36-10-0668-01](#) 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 2021](#)," 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](#)," which is part of *Statistics Canada – Data Visualization Products* ([71-607-X](#)), is now available.

As a complement to this release, you can also consult the data visualization product "[Distributions of Household Economic Accounts, Wealth: Interactive tool](#)," which is part of *Statistics Canada – Data Visualization Products* ([71-607-X](#)), is available.

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

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 *Latest Developments in the Canadian Economic Accounts* ([13-605-X](#)) is available.

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.

The Special Data Dissemination Standard Plus (SDDS Plus) product "[Other Financial Corporations Survey](#)," also known as "[Assets and liabilities of other financial corporations by sector, market value, quarterly](#)" (Table [36-10-0668-01](#)), is now 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; infostats@statcan.gc.ca) or Media Relations (statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca).