

# Quarterly financial statistics for enterprises, fourth quarter 2022

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Tight labour markets and resilient consumer demand contributed to upward pressure on the policy rate, increasing 100 basis points in the fourth quarter. Consequently, higher interest costs, along with elevated inflation, continued to concern Canadian enterprises in the quarter.

Consult the [Quarterly Survey of Financial Statistics: Visualization Tool](#) for a comprehensive overview of the quarterly changes in the financial performance of enterprises.

## **The manufacturing industry contributes to the rise in net income before taxes for the non-financial sector**

In the non-financial sector, net income before taxes (NIBT) increased \$6.2 billion (+6.5%) from the third quarter to \$101.8 billion in the fourth quarter. Overall, NIBT was up in 31 of the 39 non-financial industries.

The petroleum and coal product manufacturing industry led the gains in NIBT, up \$3.7 billion in the fourth quarter.

Motor vehicle and trailer manufacturing also posted a notable gain in NIBT, increasing by \$886 million to \$749 million in the fourth quarter, mainly because of [higher production in assembly plants](#).

NIBT for the transportation and transportation support activities industry rose 10.8% (+\$442 million) in the fourth quarter, driven by a [record-setting increase in carloadings of wheat](#).

NIBT for the real estate industry decreased by \$351 million (-2.9%) to \$11.7 billion in the fourth quarter.

## **The banking and credit intermediation industry leads the increase in net income before taxes for the financial sector**

NIBT for the financial sector increased by \$3.6 billion (+9.3%) in the fourth quarter. It was up in 9 of the 13 financial industries.

NIBT for the banking and credit intermediation industry rose \$3.7 billion in the fourth quarter, mainly attributable to a rise in net interest income (+\$4.6 billion).

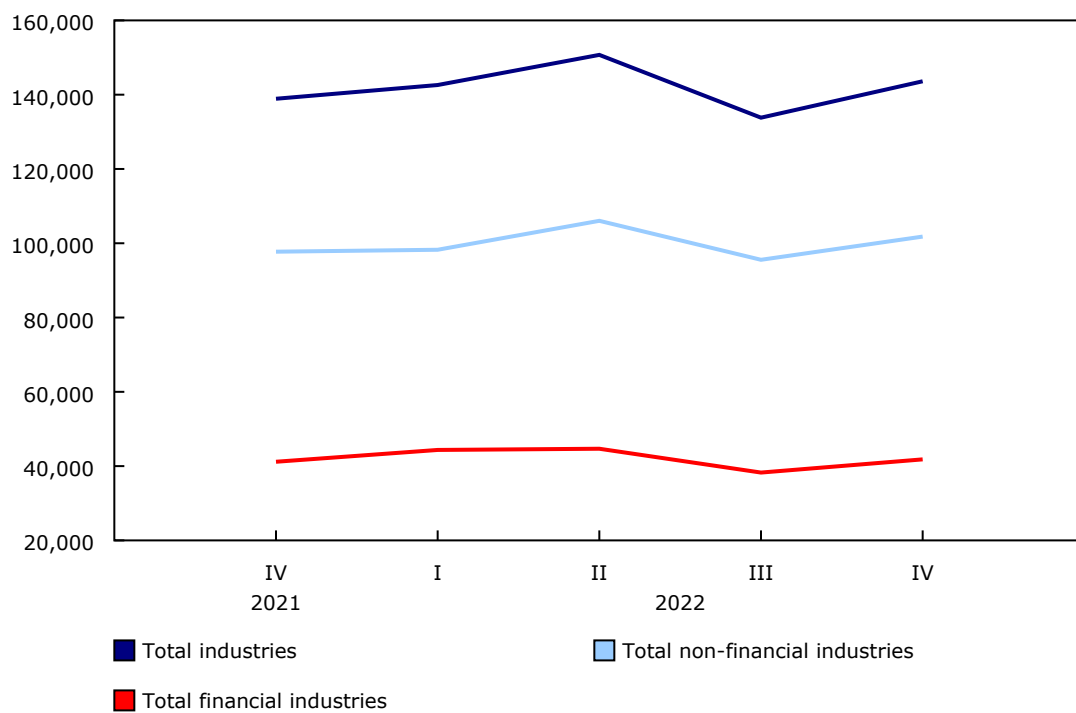
Provision for credit losses continued to increase (+\$840 million), reaching \$1.9 billion, as economic outlook perspectives are expected to worsen in the coming quarters.

NIBT for the life, health and medical insurance carriers industry was up \$921 million in the fourth quarter, as revenues from premiums increased 11.8%.



**Chart 1**  
**Corporate net income before taxes (seasonally adjusted)**

millions of dollars



Source(s): Table 33-10-0226-01.

## Solvency ratios for non-financial Canadian enterprises

In response to the highest inflationary period Canada has faced in nearly four decades, the Bank of Canada increased its policy rate for the seventh time in the fourth quarter of 2022, leading to higher borrowing costs for Canadian enterprises.

The corporate debt for the non-financial sector rose 9.8% to \$2.7 trillion from the first quarter of 2020 to the fourth quarter of 2022. In this publication, debt is the liability owing to affiliates and the liability borrowings from non-affiliates. This analysis looks at the trend of solvency ratios for industries holding large amounts of debt and for the industries most impacted by the COVID-19 pandemic. Data from the Quarterly Survey of Financial Statements are used to generate these ratios for enterprises operating in these industries during the period from the first quarter of 2020 to the fourth quarter of 2022. Two solvency ratios, the debt-to-equity ratio (see note to readers) and the interest coverage ratio (see note to readers), are used in this analysis as an indication of the financial health of selected industries.

The energy industry, which includes the oil and gas industry and the petroleum and coal product manufacturing industry, holds a large proportion of the non-financial sector debt. Debt for this industry increased 1.9% from the first quarter of 2020 to the fourth quarter of 2022. During the same period, the debt-to-equity ratio declined from 0.7 to 0.6, indicating that the energy industry decreased its reliance on debt financing. The interest coverage ratio improved from -13.3 in the first quarter of 2020 to 8.9 in the fourth quarter of 2022. This notable improvement in the ratio is mainly because of a significant increase in net income before taxes for the energy industry, attributable to rising oil prices.

Real estate and construction are two non-financial industries that have been exposed to the [recent slowdown in housing market activity](#). During the pandemic, the real estate industry experienced one of the biggest increases in debt, up 19.2% to \$601 billion in the period from the first quarter of 2020 to the fourth quarter of 2022. Simultaneously, a gain of 30.1% in equity capital, which was driven by increases in retained earnings, offset the growth in debt. The debt-to-equity ratio for this industry remained stable from the first quarter of 2020, at 1.8 in the fourth quarter of 2022.

The construction industry's interest coverage ratio tumbled from 9.6 in the first quarter of 2020 to 4.9 in the fourth quarter of 2022. The debt-to-equity ratio for construction went up from 1.5 in the first quarter of 2020 to 1.8 in the fourth quarter of 2022 because of a significant increase of 23.2% in debt as businesses in this industry relied more on borrowed capital.

Debt for the arts, entertainment and recreation, and accommodation and food services industry has increased since the first quarter of 2020, in part [driven by elevated government support programs](#) to help businesses stay afloat during the pandemic. In the fourth quarter of 2022, the debt-to-equity ratio for this industry reached 2.9, up 1.2 from the first quarter of 2020. As businesses operating in this industry are usually small, the increase in debt is low compared with other non-financial industries. During the same period, the interest coverage ratio for this industry declined from 4.4 to 0.6 because of a significant decrease in net income before taxes.

Overall, although debt levels and interest rates rose, the financial health of most industries in the non-financial sector has improved, driven by the easing of public health restrictions and an increase in commodity prices.

## Note to readers

For information on seasonal adjustment, see [Seasonally adjusted data – Frequently asked questions](#).

### Definitions

**Debt-to-equity ratio:** The debt-to-equity ratio measures the degree to which a business is borrowing money to finance its operations. It is calculated by dividing an enterprise's debt by its shareholder equity. This is a useful measure of risk because if an enterprise has a high debt-to-equity ratio to finance its operations, it could be more at risk during a period of economic slowdown and rising borrowing costs. Although the ratios are different from one industry to another, a ratio of 2 is generally considered normal.

**Interest coverage ratio:** The interest coverage ratio measures how many times an enterprise can pay its interest with its current earnings before interest and taxes. It is calculated by dividing an enterprise's net income before taxes by its interest payments. A higher ratio (more than 2 or 3) is healthy, indicating that the business can service its interest payments in the long run.

### Changes to the Quarterly Survey of Financial Statements

The Quarterly Survey of Financial Statements (QSFS) has been the subject of many changes since the first quarter of 2020.

For a summary of those changes, see the note to readers in the [QSFS release for the third quarter of 2022](#).

### Business performance and ownership statistics portal

The [Business performance and ownership statistics](#) portal, accessible from the Subjects module of the Statistics Canada website, provides users with a single point of access to a wide variety of information on business performance and ownership in Canada.

### Next release

Financial statistics for enterprises for the first quarter of 2023 will be released on May 24, 2023.

**Available tables:** [33-10-0224-01](#) to [33-10-0227-01](#) .

**Definitions, data sources and methods:** survey number [2501](#).

Aggregate balance sheet and income statement data for Canadian corporations are now available.

Data from the Quarterly Survey of Financial Statements are also 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](mailto:infostats@statcan.gc.ca)) or Media Relations ([statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca](mailto:statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca)).