

National balance sheet and financial flow accounts, second quarter 2023

Released at 8:30 a.m. Eastern time in *The Daily*, Wednesday, September 13, 2023

Household net worth rises with gains in both non-financial and financial assets

Household sector net worth—the value of all assets minus all liabilities—rose \$256.4 billion or 1.6% to reach \$15,970.1 billion in the second quarter. The value of real estate continued its recovery from the sharp declines that began in the second quarter of 2022, while foreign equity markets outpaced domestic markets, as an 8.3% rise in the Standard and Poor's (S&P) 500 Index dwarfed a 0.3% uptick in the S&P/TSX Composite Index in the second quarter of 2023. The value of households' total financial assets grew 1.3% (+\$121.2 billion) in the second quarter, while the value of total non-financial assets rose 1.9% (+\$171.7 billion). On the other side of the ledger, financial liabilities, composed primarily of mortgage and non-mortgage debt, increased \$36.6 billion from the first quarter.

Despite higher saving rate, deposits stall and households divest from mutual funds

While the household saving rate reached 5.1% on a seasonally adjusted basis in the second quarter, household holdings of Canadian currency and deposits (unadjusted) grew at the slowest pace (+0.7%) since the first quarter of 2021. Despite this sluggish growth, the value of [fixed term deposits at chartered banks](#) continued to grow, rising 3.6% in the second quarter of 2023 while other deposits fell 1.2%. At the same time, households recorded net redemptions in mutual funds of \$6.6 billion in the quarter despite the continued inflows into money market funds, which benefit from higher interest rates. Over the last five quarters, households have recorded net redemptions of mutual fund investments totalling \$35.1 billion.

Highlights

The Canadian economy was flat during the second quarter, as an increase in the nominal gross domestic product (GDP) was matched by inflation. On a real basis, net imports rose, while household consumption and inventory accumulation decelerated, and housing investment continued to decline. This was partially offset by higher government spending and business investment in engineering structures. The [business outlook deteriorated](#) compared with the first quarter with elevated worries regarding supply chain challenges and inflation.

The household saving rate rose in the second quarter as household disposable income increased at more than twice the pace of household consumption expenditure. The Bank of Canada, after two pauses earlier in the year, [increased the policy interest rate](#) to 4.75% in June and 5% in July. Amidst a higher rate environment, household mortgage borrowing activity decelerated for a fourth consecutive quarter in the second quarter, although the housing market continued to rebound.

Households took advantage of higher rates by continuing to invest in fixed-term deposits and money market mutual funds, albeit at a slower rate. Federal government interest costs increased over the quarter, as it recorded its largest net issuance of debt in two years, with interest rates on newly issued debt exceeding that of maturing debt. Canada's net foreign asset position improved again as global equity markets, particularly in the United States, continued to show strength despite higher interest rates. Meanwhile, the Canadian corporate sector reduced its net demand for funds.

Residential real estate prices continue to grow in the face of rising interest rates

The value of household residential real estate rose, up 2.0% (+\$159.0 billion) during the second quarter, as prices increased during a traditionally strong time of year for real estate activity. The value of residential real estate continued its rebound which started in the first quarter of 2023, and which followed three consecutive quarters of notable declines that closed out 2022. The average resale sales price jumped 8.1% in the second quarter



of 2023 to reach \$720,346, although prices began to dip entering the summer months. On a seasonally adjusted basis, the total value of resale sales increased 22.3% in the second quarter, while ownership transfer costs, which reflect both new sales and resale activity, posted the first increase since the end of 2021.

While the resale market remained active, the volume of housing investment declined 2.1% in the second quarter of 2023, the fifth consecutive quarterly decline on a seasonally adjusted basis. The decrease was led by a sharp drop in new construction (-8.2%).

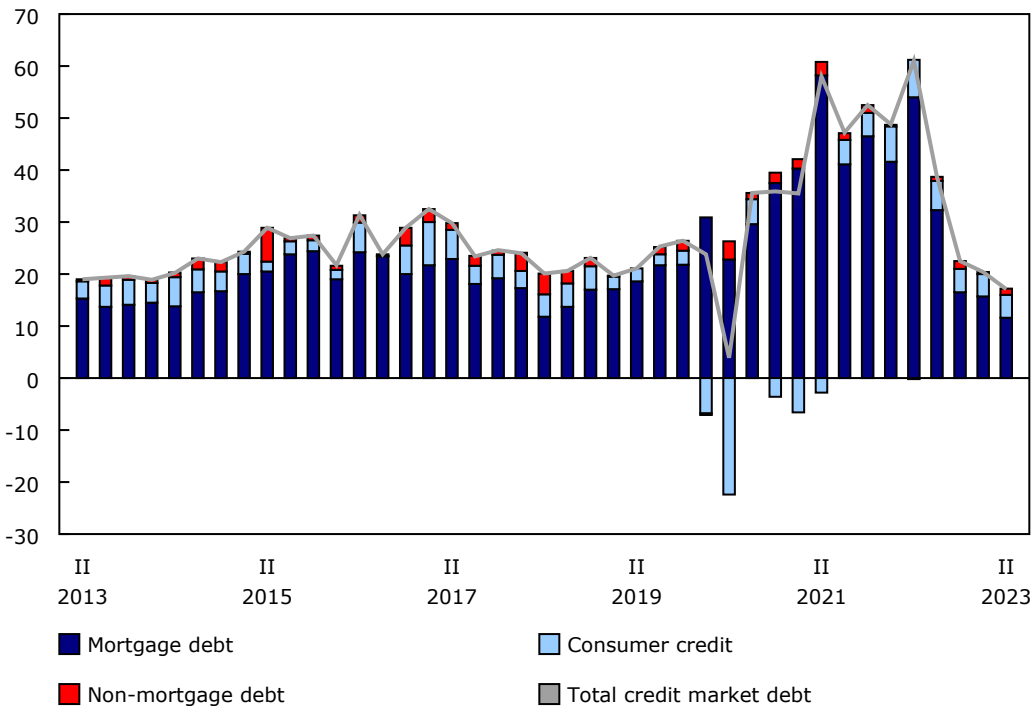
Households borrow less in light of higher interest rates

During the second quarter, the pace of seasonally adjusted household credit market borrowing continued to decelerate as households demanded \$17.1 billion in funds, down from \$20.4 billion in the previous quarter. This was the second-lowest level of quarterly household borrowing since 2003, trailing only the second quarter of 2020, and extending a trend of muted borrowing over the last three quarters. The slower borrowing was largely a result of a decline in demand for mortgage loans, which fell to the lowest point since 2005.

The seasonally adjusted stock of household credit market debt (consumer credit, and mortgage and non-mortgage loans) grew 0.6% from the first quarter of 2023 to reach \$2,861.1 billion in the second quarter, with mortgage debt (\$2,126.2 billion) accounting for almost three-quarters of the total outstanding debt.

Chart 1
Household credit market debt, seasonally adjusted flows

billions of dollars

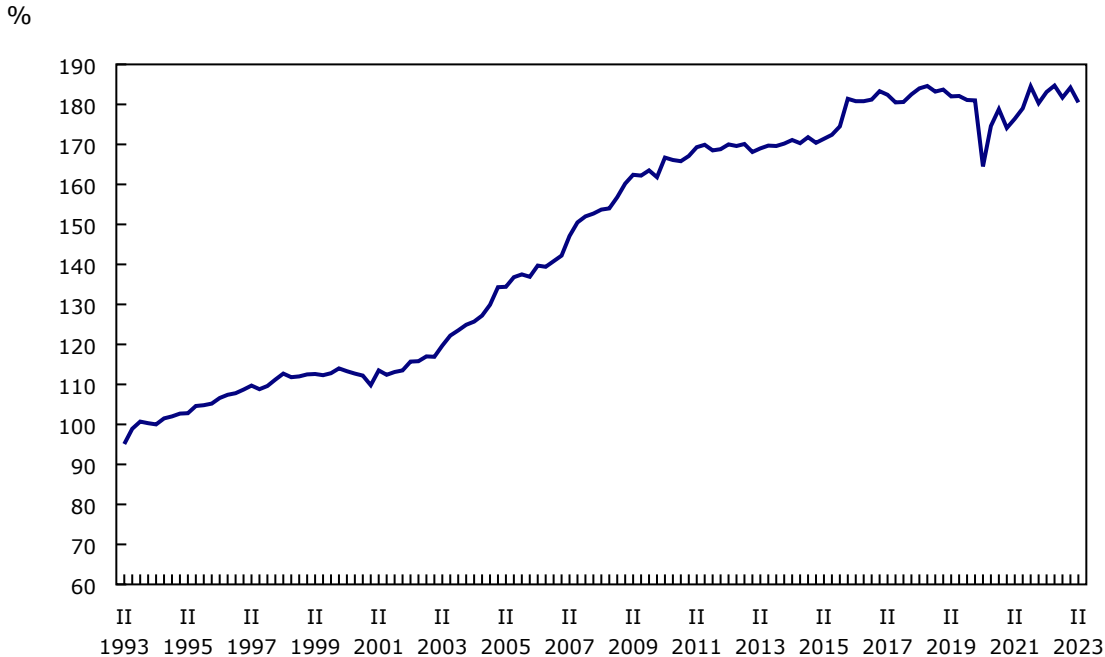


Source(s): Table 38-10-0238-01.

Households' debt service costs and credit market leverage helped by stronger disposable incomes

On a seasonally adjusted basis, [household credit market debt as a proportion of household disposable income](#) fell to 180.5% in the second quarter from 184.2% in the first quarter, as growth in household disposable income (+2.6%) comfortably outpaced that of credit market debt. In other words, there was \$1.81 in credit market debt for every dollar of household disposable income in the second quarter.

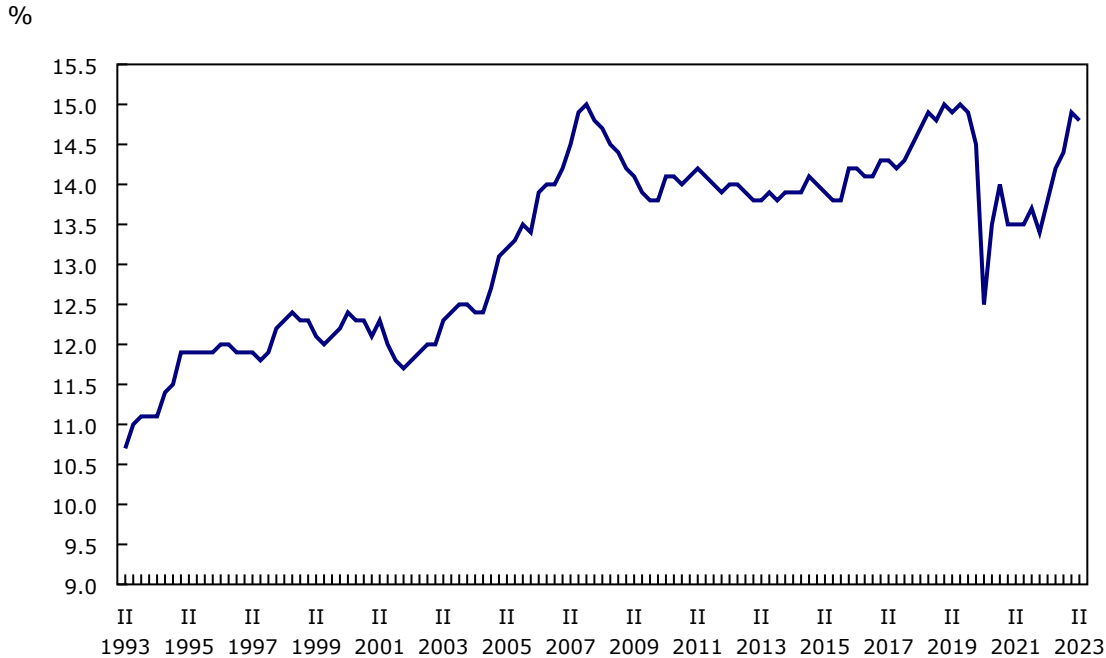
Chart 2
Household credit market debt to household disposable income, seasonally adjusted



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

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, stood at 14.79% in the second quarter, dropping from 14.90% in the first quarter, which was the highest point since 2019. Stronger growth in aggregate disposable income helped deflate the ratio; however, [income gains are not equally shared among all income brackets](#).

Chart 3
Household debt service ratio



Source(s): Table 11-10-0065-01.

Meanwhile, [mortgage interest payments continued to climb](#), increasing 5.0% from the first quarter of 2023, a relative slowdown compared with the four consecutive quarters of double-digit growth that preceded it. This was accompanied by a continued decline in mortgage principal payments (-1.1%) in the second quarter, as interest continued to account for a greater share of households' total mortgage payments, albeit at a much slower pace.

Federal government borrowing reaches highest level in two years

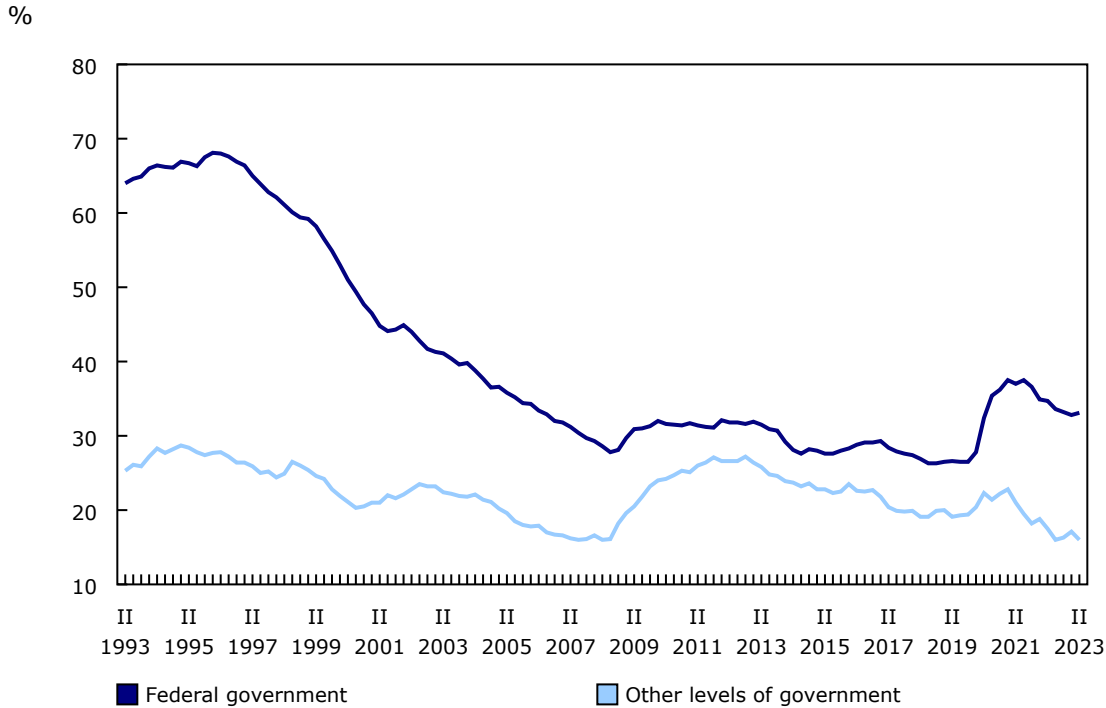
In the second quarter, the federal government's demand for funds rose to \$28.2 billion, its highest level in two years, driven by net issuances in treasury bills (+\$25.1 billion). As interest costs for the government continue to rise, the [effective interest cost on federal government debt](#) increased substantially in the quarter with maturing debt reissued at higher rates.

The Bank of Canada continued its [quantitative tightening program](#), with the central bank allowing \$22.8 billion worth of federal government debt to mature without replacement in the second quarter. Non-residents stepped in to purchase \$33.2 billion in federal government securities, demonstrating robust international demand for short term Canadian federal government debt.

Uptick in federal government net financial liabilities as a proportion of gross domestic product

The ratio of federal government net financial liabilities to gross domestic product (GDP) increased to 33.1% in the second quarter from 32.8% in the first quarter as net financial liabilities increased modestly. This was the first increase in the ratio after six consecutive quarters of declines.

Chart 4
Government net financial liabilities as a percentage of gross domestic product



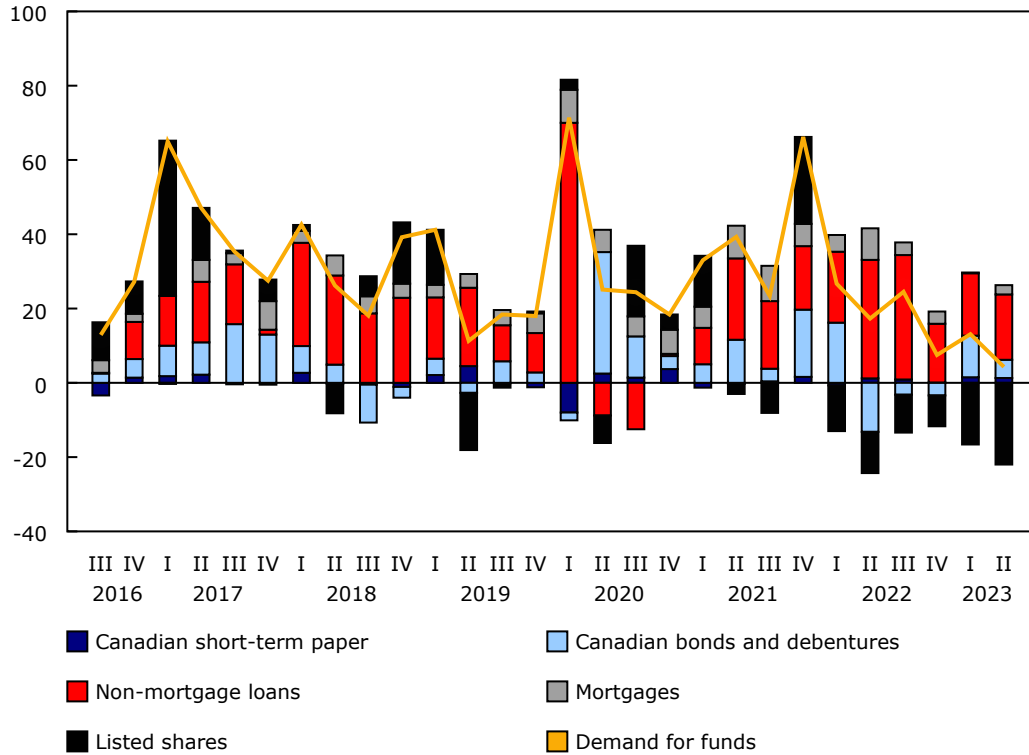
Source(s): Table 38-10-0237-01.

Private non-financial corporations' demand for funds decelerates amidst record net redemption of listed shares

In the second quarter, the demand for funds by private non-financial corporations decreased to \$4.3 billion from \$13.1 billion in the first quarter. Despite this slowdown, borrowing remained robust for non-mortgage loans (+\$17.6 billion) and bonds (+\$4.9 billion) in the second quarter. However, listed shares recorded the largest net redemption on record (-\$22.0 billion), fuelled by notable merger and acquisition activity. This was also an unprecedented sixth consecutive quarter of net redemptions in listed shares.

Chart 5
Demand for funds by private non-financial corporations

billions of dollars



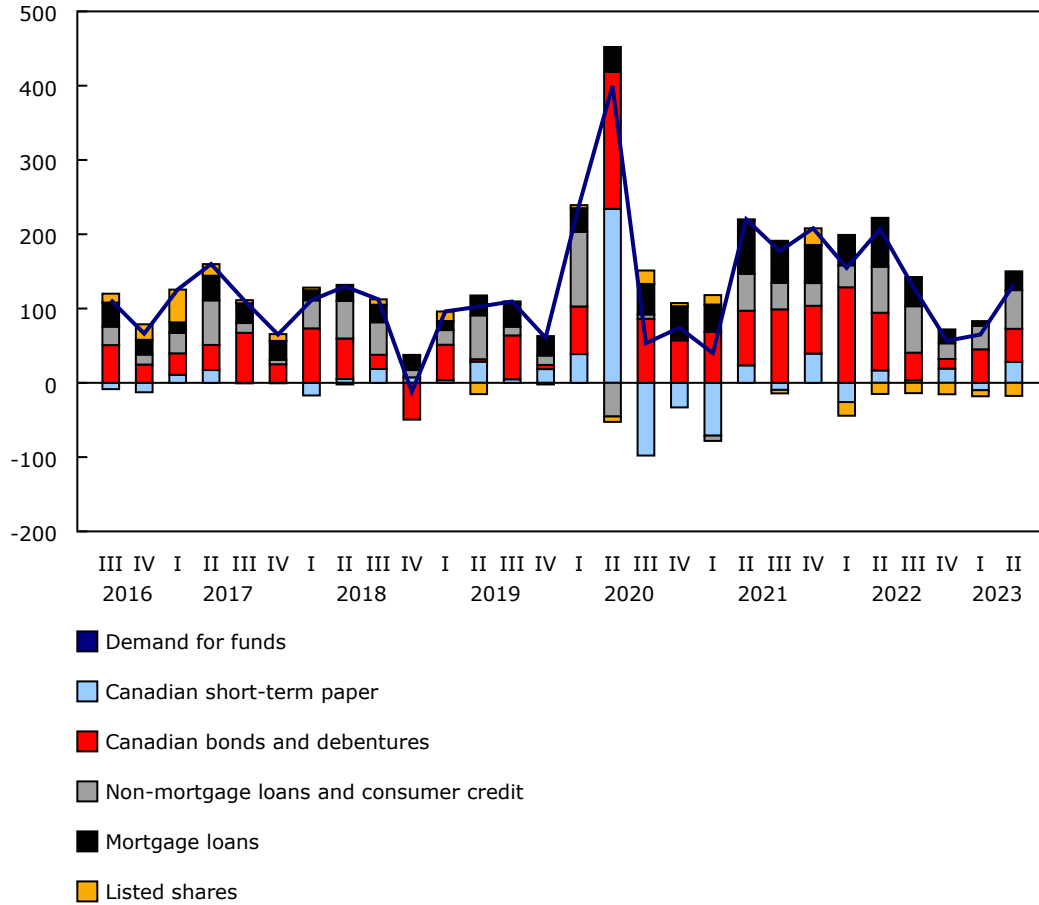
Source(s): Table 36-10-0579-01.

Chartered banks play key role meeting domestic demand for funds

The demand for funds in Canada was \$132.6 billion in the second quarter, up from \$65.0 billion in the first quarter. A significant portion of these funds was provided by chartered banks, which injected almost \$80 billion into financial and credit markets.

Chart 6
Domestic demand for funds by instrument

billions of dollars



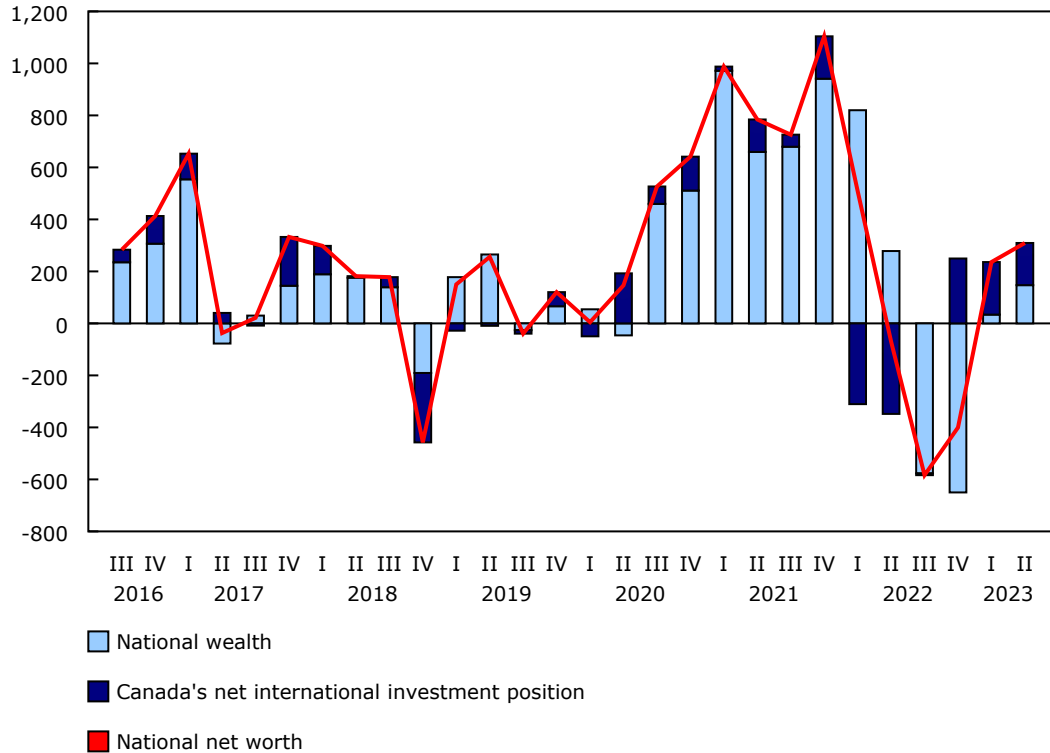
Source(s): Table 36-10-0578-01.

National net worth increases on expanding international investment position

National net worth, the sum of national wealth and Canada's net foreign asset position, rose 1.8% to \$17,364.8 billion at the end of the second quarter. This was the second consecutive increase after net worth shed more than one trillion dollars over the last three quarters of 2022. Despite the recent growth, national net worth remained 2.8% below its peak from the first quarter of 2022.

Chart 7
Change in national net worth by component

billions of dollars



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

The total value of non-financial assets in Canada, also referred to as national wealth, rose 0.9% in the second quarter of 2023 to \$16,108.8 billion. Most of the increase was due to real estate, which rose 1.5%, bolstered by the continued rebound in house prices. On the other hand, the value of natural resources (excluding land) declined 3.1%, losing almost half of the value (-48.6%) from the peak in the second quarter of 2022 as energy prices have declined.

[Canada's net foreign asset position](#), the difference between Canada's international financial assets and international liabilities, increased by \$162.2 billion to reach \$1,256.0 billion in the second quarter of 2023, led by significant market price gains from strong equity markets in the United States. The net foreign asset position buoyed national net worth by \$607.1 billion over the last four quarters, while national wealth fell \$1,046.0 billion over the same period.

Note to readers

Revisions

This release of the national balance sheet and financial flow accounts for the second quarter of 2023 includes revised estimates for the first quarter of 2023. These data incorporate new and revised data, as well as updated data on seasonal trends.

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 as well as others, it is necessary to extend the annual revision period (normally the previous three years) at the time of the third quarter release. Consequently, with the third quarter release of the financial and wealth accounts, data will be revised back to 1990 to ensure a continuous time series.

Support measures by governments

Details on some of the more significant federal government COVID-19 support measures are now available in table 36-10-0687: [Federal government COVID-19 response measures in the System of Macroeconomic Accounts, quarterly](#).

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 to the second quarter of 2023.

Next release

Data on the national balance sheet and financial flow accounts for the third quarter of 2023 will be released on December 13, 2023.

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](#). Data on wealth and its components by income quintile, age group, generation and region are available in tables 36-10-0660-01, 36-10-0661-01, 36-10-0664-01, and 36-10-0665-01.

The methodology for Distributions of household economic accounts 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

	First quarter 2022	Second quarter 2022	Third quarter 2022	Fourth quarter 2022	First quarter 2023	Second quarter 2023	First quarter to second quarter 2023
	billions of dollars						change in billions of dollars
National net worth	17,873	17,804	17,220	16,820	17,055	17,365	309
Period-to-period percentage change	2.9	-0.4	-3.3	-2.3	1.4	1.8	...
National wealth	16,876	17,155	16,578	15,928	15,962	16,109	147
Period-to-period percentage change	5.1	1.6	-3.4	-3.9	0.2	0.9	...
Canada's net international investment position	997	649	642	892	1,094	1,256	162
National net worth, by sector							
Household sector	16,215	15,336	15,043	15,184	15,714	15,970	256
Non-profit institutions serving the household sector	190	194	198	203	209	215	6
Corporate sector	617	1,154	858	435	194	176	-18
General government sector	852	1,119	1,120	997	938	1,004	65
	dollars						change in dollars
National net worth per capita	462,504	457,327	438,254	425,098	427,900	432,472	4,572
National wealth per capita	436,706	440,658	421,912	402,562	400,458	401,191	733

... 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

	First quarter 2022	Second quarter 2022	Third quarter 2022	Fourth quarter 2022	First quarter 2023	Second quarter 2023
	%					
Household sector, not seasonally adjusted						
Debt to gross domestic product (GDP)	105.73	105.09	103.70	102.93	102.16	103.45
Debt to disposable income	182.12	185.07	185.64	183.32	182.49	182.34
Credit market debt to disposable income	179.84	182.77	183.33	181.03	180.18	180.03
Consumer credit and mortgage liabilities to disposable income	170.94	173.88	174.53	172.25	171.54	171.38
Net worth as a percentage of disposable income	1,082.44	1,013.27	981.47	971.88	1,000.74	1,003.42
Debt to total assets	14.40	15.44	15.91	15.87	15.42	15.38
Debt to net worth	16.83	18.26	18.91	18.86	18.24	18.17
Credit market debt to net worth	16.61	18.04	18.68	18.63	18.00	17.94
Consumer credit and mortgage liabilities to net worth	15.79	17.16	17.78	17.72	17.14	17.08
Total assets to net worth	116.83	118.26	118.91	118.86	118.24	118.17
Financial assets to net worth	57.25	57.84	59.33	60.51	60.32	60.11
Financial assets to non-financial assets	96.09	95.73	99.58	103.68	104.14	103.51
Owner's equity as a percentage of real estate	77.30	75.45	74.04	73.53	74.25	74.47
Real estate as a percentage of disposable income	585.73	551.57	524.02	507.74	520.89	523.94
Households and non-profit institutions serving the household sector, not seasonally adjusted						
Debt to GDP	107.91	107.21	105.78	104.99	104.23	105.54
Debt to disposable income	181.17	183.97	184.56	182.29	181.52	181.40
Credit market debt to disposable income	176.93	179.81	180.48	178.25	177.51	177.41
Household sector, seasonally adjusted						
Credit market debt to disposable income	180.32	183.07	184.73	181.69	184.15	180.54
Consumer credit and mortgage liabilities to disposable income	171.37	174.20	175.82	172.92	175.32	171.87
Debt service ratio	13.45	13.76	14.21	14.40	14.90	14.79

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

Table 3
Corporations sector indicators – Not seasonally adjusted

	First quarter 2022	Second quarter 2022	Third quarter 2022	Fourth quarter 2022	First quarter 2023	Second quarter 2023
	%					
Corporations sector						
Private non-financial corporations total debt to equity (market value)	75.52	81.48	85.01	82.57	79.36	79.00
Private non-financial corporations credit market debt to equity (book value)	55.72	55.30	56.60	56.61	56.75	56.20
Private non-financial corporations total debt (market value) to gross domestic product (GDP)	158.75	155.81	155.91	155.72	155.67	156.83
Private non-financial corporations credit market debt (book value) to GDP	71.60	70.92	71.20	70.56	71.07	71.69

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

Table 4
General government sector indicators – Not seasonally adjusted

	First quarter 2022	Second quarter 2022	Third quarter 2022	Fourth quarter 2022	First quarter 2023	Second quarter 2023
	%					
General government sector						
General government gross debt (book value) to gross domestic product (GDP)	134.24	129.97	127.01	125.89	125.05	125.23
Federal general government gross debt (book value) to GDP	63.28	61.52	59.57	59.25	58.03	58.15
Other levels of general government gross debt (book value) to GDP	64.92	63.04	61.84	61.26	61.86	61.82
General government net debt (book value) to GDP	28.48	28.44	26.42	26.03	25.12	24.22
Federal general government net debt (book value) to GDP	34.88	34.71	33.58	33.20	32.78	33.10
Other levels of general government net debt (book value) to GDP	18.83	17.50	16.04	16.28	17.10	16.03

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 2022](#)," 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](#)).

As a complement to this release, you can also consult the data visualization product "[Securities statistics](#)," which is part of *Statistics Canada – Data Visualization Products* ([71-607-X](#)).

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.

The *Canada: Economic and Financial Data - International Monetary Fund's Special Data Dissemination Standard Plus* product ([13-608-X](#)), "[Other Financial Corporations Survey](#)," also known as "[Assets and liabilities of other financial corporations by sector, market value, quarterly](#)" ([36-10-0668-01](#)), are 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).