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Recent Developments in the Canadian Economy: Spring 2017

by Guy Gellatly and Elizabeth Richards

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.. not available for a specific reference period
... not applicable
0 true zero or a value rounded to zero
0^s value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
^{p} preliminary
^{r} revised
x suppressed to meet the confidentiality requirements of the *Statistics Act*
^{E} use with caution
F too unreliable to be published
* significantly different from reference category ($p < 0.05$)

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Recent Developments in the Canadian Economy: Spring 2017

by Guy Gellatly and Elizabeth Richards, Analytical Studies Branch

This article in the *Economic Insights* series provides users with an integrated summary of recent changes in output, employment, household demand, international trade and prices. Organized as a statistical summary of major indicators, the report is designed to inform about recent developments in the Canadian economy, highlighting major changes in the economic data during the second half of 2016 and early 2017. This article is also accompanied by a presentation, which highlights trends related to economic growth and labour market conditions since oil prices began to decline in mid-2014. Unless otherwise noted, the tabulations presented in this report are based on seasonally adjusted data available in CANSIM on April 7, 2017.

Overview

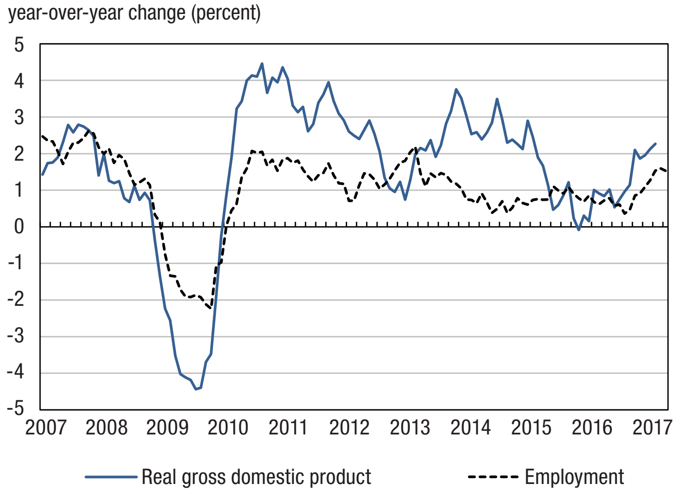
Economic activity strengthened during the second half of 2016 as household spending and exports supported growth. However, business investment continued to detract from growth as outlays on machinery and equipment, non-residential structures, and intellectual property trended lower. Goods production, supported by non-conventional oil extraction, manufacturing and construction, strengthened, while services advanced steadily on gains in finance, transportation and warehousing, and real estate.

Higher energy prices bolstered exports in late 2016, as Canada posted merchandise trade surpluses in November and December. Energy exports in the second half of 2016 totalled $40.8 billion, up from $30.8 billion during the first six months of the year. Total non-energy exports edged up in the second half of the year. The economy posted a third consecutive merchandise trade surplus in January 2017.

Employment strengthened markedly in the second half of 2016, led by private-sector gains. Employment among core-age workers rose during the fourth quarter, while full-time employment increased at year end and in early 2017. Employment gains were concentrated in Quebec, Ontario and British Columbia.

Overall, the pace of output and employment growth accelerated during the second half of 2016. Measured year-over-year, real gross domestic product (GDP) growth was 2.1% in December, while employment growth rose to 1.3%, the largest year-over-year increase since August 2013. Overall, both output and employment growth continued to strengthen in early 2017 (Chart 1).

Chart 1
Output and employment



Sources: Statistics Canada, CANSIM tables 282-0087 and 379-0031.

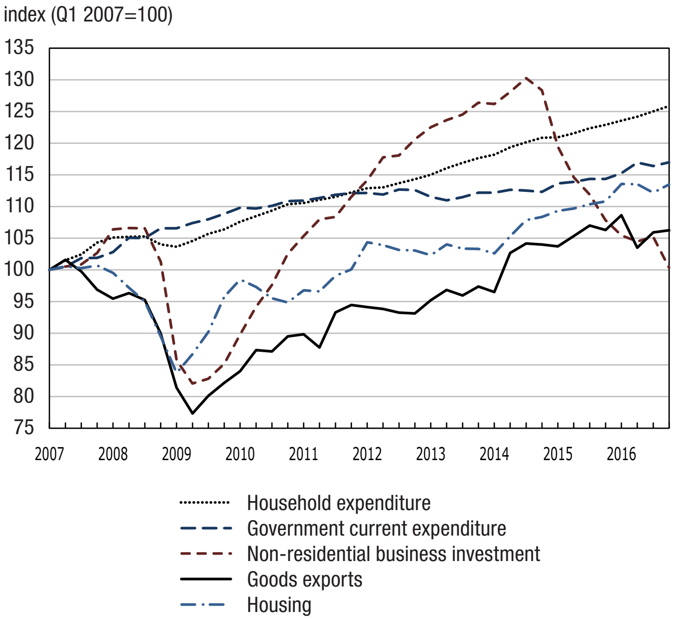
Households supported growth in late 2016 as exports moderated

Output strengthened during the second half of 2016, as the economy rebounded from the impact of the wildfires in Northern Alberta earlier in the year and the impact of the decline in global oil prices moderated. Real GDP increased 0.6% (quarter over quarter) in the fourth quarter, following a 0.9% gain in the third. Previously, output had increased 0.7% in the first quarter of 2016 and contracted 0.3% in the second. In the United States, real GDP growth slowed to 2.1% (annualized) in the fourth quarter, down from 3.5% in the third.

Consumer spending in Canada continued to support growth in the second half of 2016. Household final expenditures rose 0.6% in the fourth quarter, after advancing 0.7% in the third (Chart 2). Spending on durables strengthened late in the year as automotive purchases rose in the fourth quarter, following two consecutive quarterly declines. Expenditures on furnishings and household equipment also strengthened in late 2016. Spending on services moderated in the fourth quarter.

For 2016 as a whole, household final consumption expenditures increased by 2.2%, up from 1.9% in 2015. Spending on durables, supported by auto sales, rose 3.6% in 2016, compared to 2.8% in 2015.

Chart 2
Real gross domestic product, selected aggregates



Note: Q1=first quarter.
Source: Statistics Canada, CANSIM table 380-0064.

Growth in export volumes moderated in late 2016. Exports edged up (+0.3%) in the fourth quarter, after increasing 2.3% in the third. Energy volumes rose 3.5% in the fourth quarter, as higher exports of crude oil and crude bitumen were offset by lower exports of refined petroleum energy products. Volumes of motor vehicles and parts fell 4.3% in late 2016 on lower exports of passenger cars and light trucks. Exports of cars and light trucks declined for three consecutive quarters, after notable gains in late 2015 and early 2016. Exports of metal and non-metallic mineral products increased during the second half of the year, while forestry products moderated in late 2016 on lower exports of pulp and paper.

For 2016 as a whole, export volumes rose 1.1%, following a 3.4% increase in 2015. Exports of services rose 4.0% in 2016, while goods exports edged up 0.5%.

Import volumes weakened towards the end of 2016. Following a 1.2% gain in the third quarter, goods imports fell 4.1% in the fourth on notable declines in energy products and industrial machinery and equipment. Lower energy imports in late 2016 partly reflected scheduled maintenance activities at refineries in Eastern Canada, while lower imports of industrial machinery and equipment in late 2016 offset a notable third-quarter gain due to the import of a large module destined for the Hebron project.

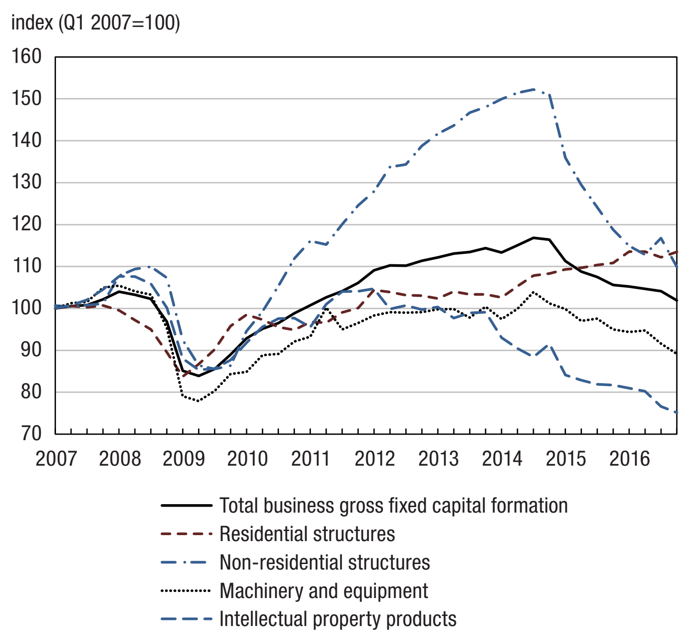
For 2016 as a whole, import volumes declined by 1.0%, as higher imports of services (+0.2%) moderated the decline in goods (-1.3%). Import volumes increased 0.3% in 2015.

Business investment continued to contract in late 2016

Non-residential business investment continued to decline during the second half of 2016. Combined business outlays on non-residential structures and machinery and equipment fell 4.7% in the fourth quarter, the largest decline since a 7.0% drop in the first quarter of 2015 and the eighth decrease in the last nine quarters.

Following a 3.5% increase in the third quarter, outlays on non-residential structures were down 5.9% in the fourth quarter on lower investment in engineering structures and non-residential buildings (Chart 3). Non-residential structures contributed notably to economic growth from 2010 to 2014, reflecting higher spending on oil and gas extraction structures. Since the recent peak reached in the third quarter of 2014, non-residential structures have declined a total of 27.9%, a sharper and more prolonged decline than observed during the 2008-2009 recession, when non-residential structures fell 21.6% from the third quarter of 2008 to the second quarter of 2009.

Chart 3
Business gross fixed capital formation



Note: Q1=first quarter.
Source: Statistics Canada, CANSIM table 380-0068.

Business investment in machinery and equipment (M&E) also contracted in the second half of 2016. Capital outlays on M&E fell 2.7% in the fourth quarter following a 3.3% decline in the third, consistent with a downward trend that started in late 2014. Lower spending on industrial machinery and equipment contributed to the decline in both quarters.

Investments in intellectual property also trended lower during the second half of 2016 as outlays on mineral exploration and evaluation declined. Investments in mineral exploration and evaluation in the fourth quarter of 2016 were 70% lower than levels at the end of 2014.

Capital spending on residential structures (included as part of total business gross fixed capital formation) moderated declines in business investment in late 2016. Outlays on housing increased 1.2% in the fourth quarter, offsetting a decline in the third. New residential construction and renovations supported growth in late 2016 as lower re-sale activity tempered residential investment.

For 2016 as a whole, non-residential business investment fell 8.4%, following an 11.5% decline in 2015. Investment in housing rose 2.9% in 2016, down from an increase of 3.8% in 2015.

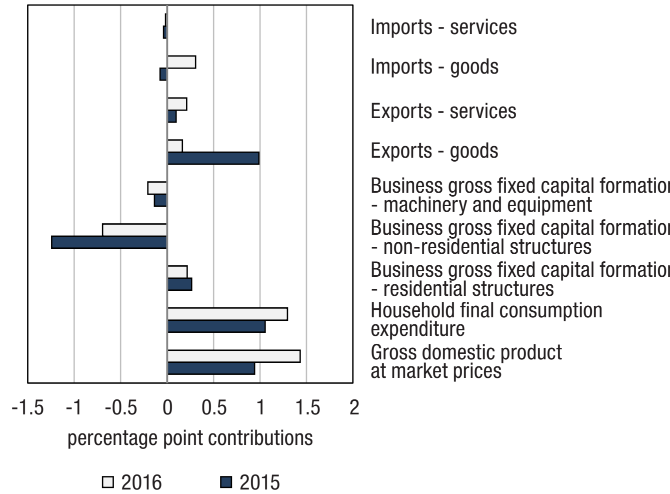
Business sector labour productivity improved during the second half of the year after the wildfires in Northern Alberta contributed to lower productivity in the spring. Labour productivity increased 0.4% in the fourth quarter, following a 1.2% increase in the third. Productivity increased in mining and oil and gas extraction in both quarters as output strengthened. After increasing in the third quarter, productivity in the manufacturing sector declined late in the year as output slowed.

Improvements in the terms of trade supported increases in real gross domestic income during the second half of 2016. Nominal GDP rose 1.7% at in the fourth quarter, following a 1.5% increase in the third.

For 2016 as a whole, real GDP in Canada increased 1.4%, following economic growth of 0.9% in 2015. Household spending was the main contributor to GDP growth in 2016. In 2016, both the positive contribution to growth from higher exports and the negative contribution to growth from lower business investment in non-residential structures moderated (Chart 4).

In the United States, real GDP increased by 1.6% in 2016 compared to 2.6% in 2015.

Chart 4
Contributions to real GDP growth, selected components



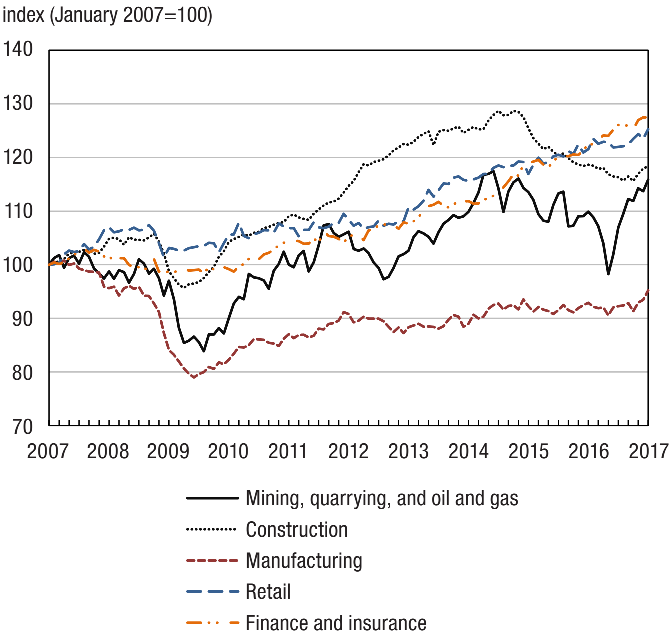
Notes: Data on gross domestic product are annual growth rates; all other data are percentage-point contributions to the the annual growth rates in real GDP. For additional data on these contributions, see the table noted below.
Source: Statistics Canada CANSIM table 380-0100.

Resource extraction and construction supported output growth in late 2016

The output of goods industries strengthened in the second half of 2016 with gains in five of the last six months of the year. Non-conventional oil extraction and manufacturing contributed to gains during the third quarter, while non-conventional extraction, support activities for mining and oil and gas extraction, and construction supported growth in the fourth quarter. Manufacturing output increased in five of last six months of 2016 (Chart 5).

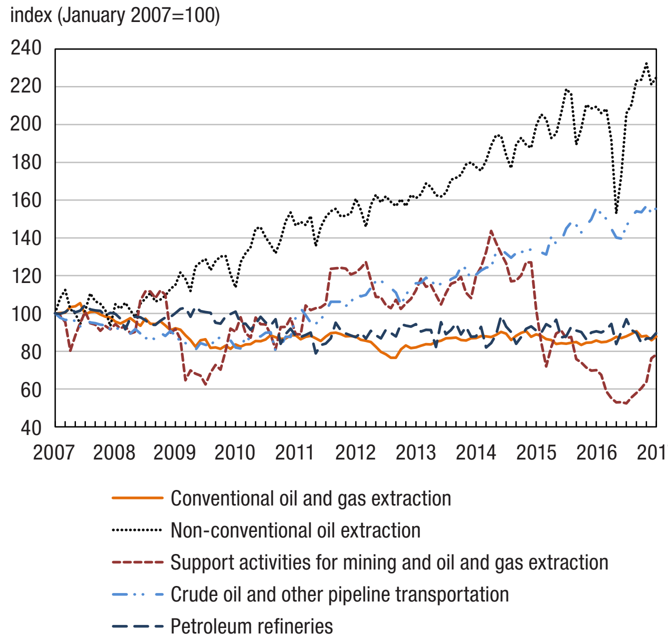
Construction output increased in three of the last four months of the year. The output of construction industries has trended lower since oil prices began to fall in mid-2014, reflecting declines in engineering construction and non-residential buildings. Following twenty four consecutive monthly declines, the output of engineering and other construction activities was stable in November and increased in December. Higher residential building and repair construction supported gains in late 2016, while non-residential building construction continued to decline.

Chart 5
Real gross domestic product, selected industries



Source: Statistics Canada, CANSIM table 379-0031.

Chart 6
Real gross domestic product, selected industries



Source: Statistics Canada, CANSIM table 379-0031.

The output of service industries increased steadily in the second half of 2016, as finance and insurance, transportation and warehousing, real estate, and retail trade advanced.

After sharp declines in the spring, which reflected maintenance at upgrader facilities and the wildfire evacuations in Northern Alberta, non-conventional oil extraction rose from June to November before contracting in December (Chart 6). Non-conventional output at year end was 6.0% above levels at year end 2015. Businesses that provide support activities for mining and oil and gas extraction, including rigging and drilling services, increased output from August to December, advancing 19% month-over-month at year end. Nevertheless, the output of this sector has contracted markedly since oil prices began to decline in mid-2014; output at year end was 40% below levels at the end of 2014.

More recently, real GDP rose 0.6% in January 2017, supported by gains in manufacturing, mining and oil and gas extraction, wholesale trade and retail trade.

Private sector capital intentions edge lower in 2017

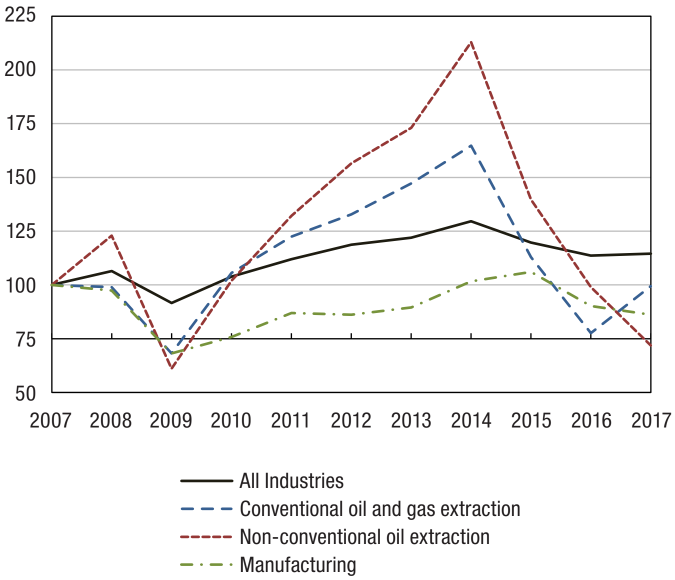
Private sector organizations anticipate spending 1.6% less on capital assets in 2017, following sizable reductions in 2015 and 2016.[1] Private-sector capital spending is expected to increase in Ontario and Saskatchewan but decline in Newfoundland and Labrador, Alberta, Quebec and New Brunswick.

Oil and gas extraction industries anticipate spending 2.3% more on capital assets in 2017, as lower intentions in non-conventional oil extraction (-27.4%) are offset by higher anticipated outlays in conventional oil and gas extraction (Chart 7). Non-conventional oil producers expect to spend $12.0 billion on capital assets in 2017, down about two-thirds from expenditure levels in 2014, a recent peak following significant investments in the period that followed the 2008-2009 recession. Businesses that provide support activities for mining and oil and gas extraction anticipate capital expenditures of $1.3 billion in 2017, down about 60% from 2014 levels.

Capital spending in manufacturing is anticipated to be 4.4% lower in 2017, following a 14.9% decline in 2016. Manufacturers in Alberta, British Columbia and Quebec anticipate lower spending, while manufacturers in Ontario expect to increase outlays.

1. All estimates in this section are reported in current dollars and based on data from the Capital and Repair Expenditures Survey, released on February 27th, 2017.

Chart 7
Non-residential capital expenditures, selected industries



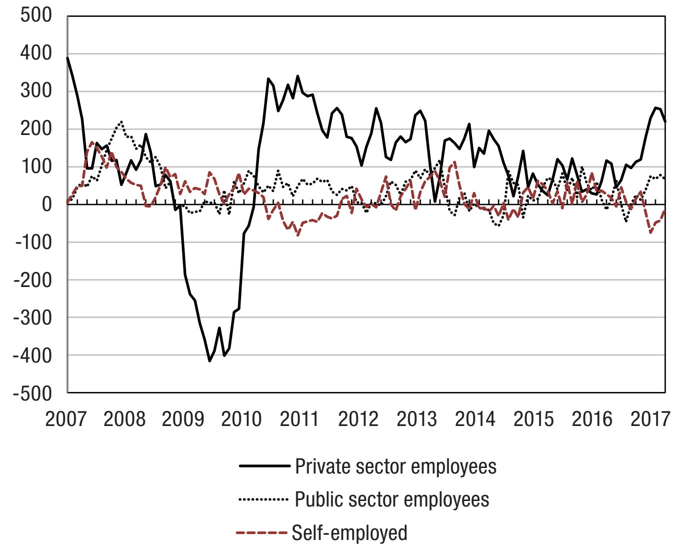
Notes: Data for 2016 are preliminary actual estimates; data for 2017 are intentions.
Sources: Statistics Canada, CANSIM table 029-0045 and CANSIM table 029-0046 .

Public sector organizations, which include crown corporations and government business enterprises, anticipate spending 4.9% more on capital assets in 2017, after increasing spending in 2016 and 2015. Public sector expenditures are expected to increase in Quebec, Ontario and British Columbia and decline in Manitoba, Newfoundland and Labrador, and Alberta.

Employment strengthened in the second half of 2016

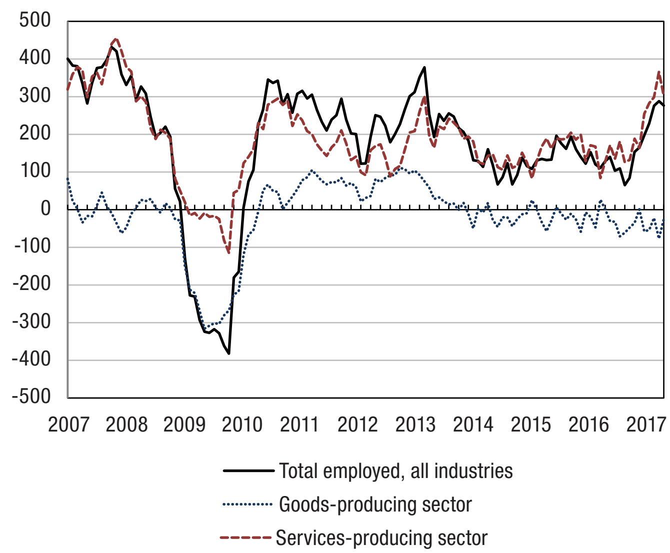
Total employment increased by 165,000 (+0.9%) in the last six months of 2016, supported by gains in the number of private sector employees, in part-time work, and among workers aged 55 and over (Chart 8). Employment in services rose by 146,000 in the second half of the year on increases in other services, public administration, health care and social services, and finance and real estate (Chart 9). Following a notable decline in the first half of 2016, employment in the goods sector was little changed in the second half as levels in resource extraction and manufacturing stabilized. About one-half of the net increase in employment during the last six months of the year was due to broad-based gains among services in Quebec supported by increases in full- and part-time work.

Chart 8
Employment, by class of worker



Source: Statistics Canada, CANSIM table 282-0089.

Chart 9
Employment, by sector



Source: Statistics Canada, CANSIM table 282-0088.

The national unemployment rate edged down to 6.9% in late 2016, after holding steady at 7% from July to October. Quebec's unemployment rate was 6.5% at year end, 1.3 percentage points lower than in December 2015. Alberta's unemployment rate continued to increase in the second half of the year, reaching 9% in November, the province's highest rate since mid-1994, before edging down at year end. The unemployment rates in Ontario and British Columbia were 6.4% and 5.8%, respectively, at the end of 2016.

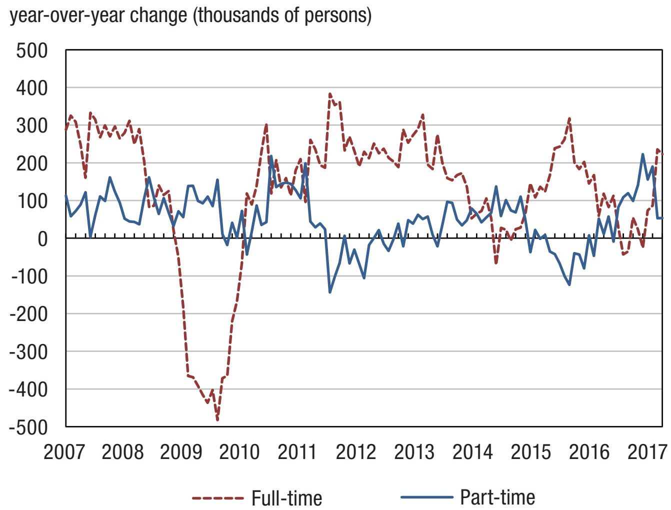
For 2016 as a whole, total employment increased by 229,000, the largest December-to-December gain since 2012. Employment among core-aged workers rose by 105,000 in 2016, after edging lower in 2015. All of the net increase in 2016 was in services (+283,000) and gains were split evenly between Quebec, Ontario and British Columbia. The number of employees working in the private and public sector increased by 304,000 in 2016, following gains of 100,000 or less in each of the previous three years.

Full-time gains in late 2016 and early 2017

After little net gain through much of 2016, full-time employment strengthened at year end and in early 2017 (Chart 10). Following an increase of 71,000 in December and a small upturn in January, full-time employment rose by just over 100,000 in February, more than offsetting losses in part-time work. Gains in Ontario and British Columbia accounted for most of the full-time increase in recent months. The national unemployment rate edged down to 6.6% in February, the lowest level since January 2015.

Total employment was little changed in March (+19,000) as the unemployment rate edged up to 6.7%. Employment in March was up 276,000 on a year-over-year basis, largely on gains in full-time work.

Chart 10
Type of employment



Source: Statistics Canada, CANSIM table 282-0087.

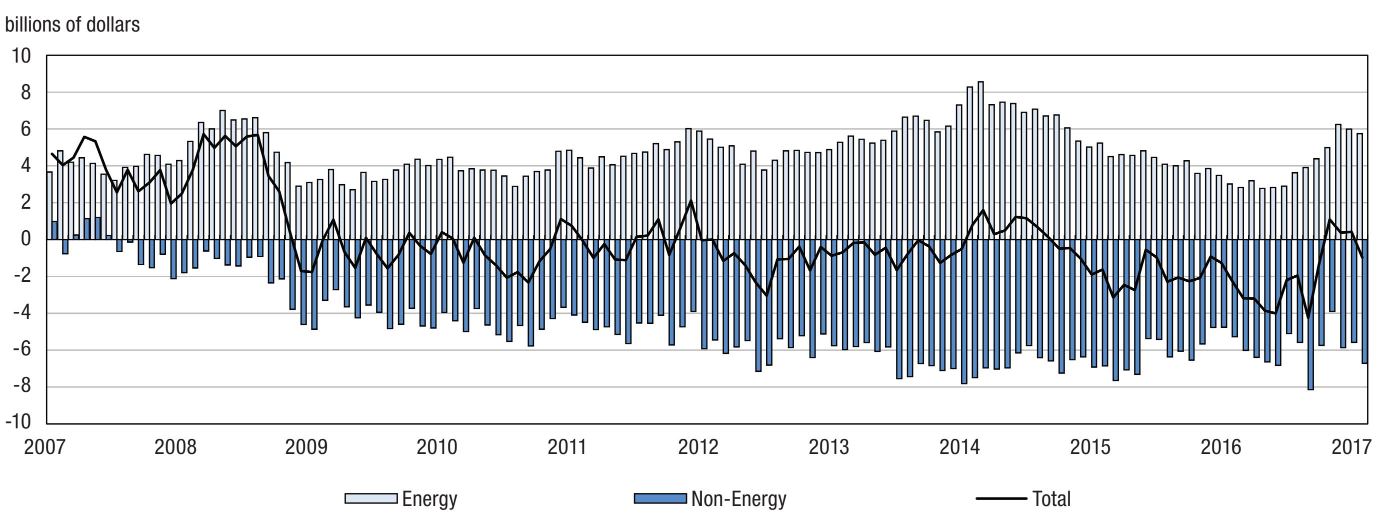
Merchandise trade surpluses in late 2016

Canada posted a merchandise trade surplus of $1.1 billion in November 2016, the first monthly trade surplus since September 2014, as the energy surplus increased and the deficit on non-energy commodities narrowed. Larger energy surpluses, supported by higher prices, also contributed to merchandise trade surpluses at year end and in January 2017 (Chart 11).

Nevertheless, for 2016 as a whole, Canada's trade deficit widened to $26.1 billion, up from $23.0 billion in 2015, reflecting declines in the value of energy exports.

More recently, Canada posted a trade deficit of $972 million in February, reflecting widespread declines in exports.

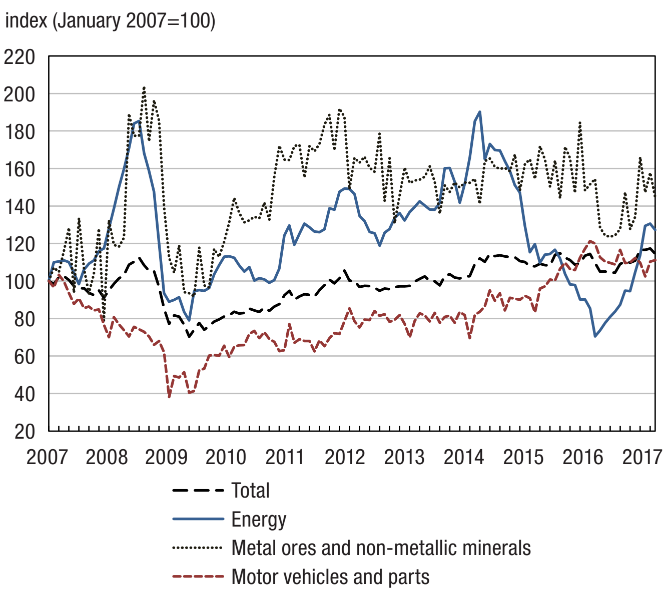
Chart 11
Merchandise trade balance, energy and non-energy commodities



Source: Statistics Canada, CANSIM table 228-0059.

Total exports in the second half of 2016 were 4.7% higher than in the first six months of the year, as higher energy exports accounted for over three-quarters of the advance. Exports of metal and non-metallic mineral products also supported gains, up 7.3% in the second half, reflecting higher prices for unwrought precious metals and precious metal alloys, including gold and silver. Lower exports of motor vehicles and parts, down 3.2% in the second half, moderated gains as auto exports declined from the recent peak in early 2016. Motor vehicle manufacturers modernized plants in early 2015 (Richards 2017), contributing to higher exports in late 2015 and early 2016 (Chart 12).

Chart 12
Merchandise exports by commodity group



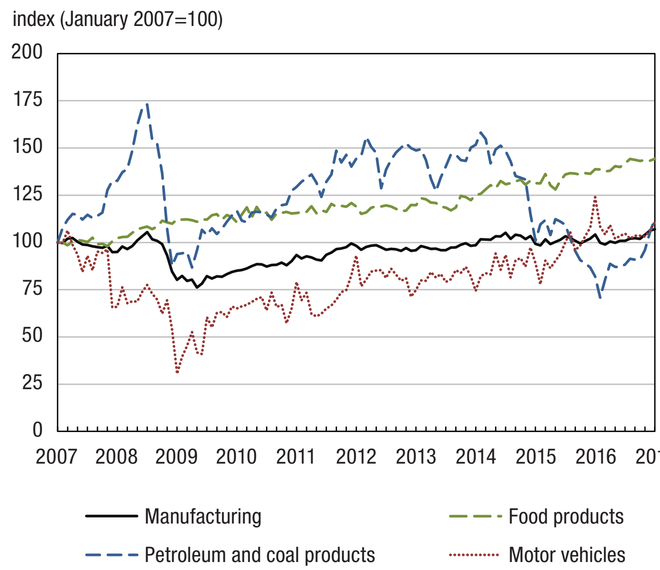
Source: Statistics Canada, CANSIM table 228-0059.

For 2016 as a whole, exports declined 0.7% on lower prices for energy products. Total exports of energy products were down 14.5% in 2016. Despite upturns in energy prices in the second half of the year, the value of energy exports in late 2016 remained well below 2014 levels. Total exports of metal ores and non-metallic minerals were down 14.2% in 2016, reflecting lower exports of potash, as weaker demand from Asia led to lower potash prices during the year. These resource-based declines were partly offset by higher annual exports of motor vehicles and parts, up 9.5% in 2016, supported by the recent peak early in the year.

Higher petroleum prices bolstered manufacturing sales

Following a decline in the first half of 2016, total manufacturing sales rose 2.2% in the second half of the year, supported by higher prices for refined petroleum products (Chart 13). Higher sales by petroleum and coal manufacturers accounted for about one-half of the increase in total manufacturing sales over the last six months of the year. Higher sales of food products, chemical products and primary metals also contributed to the growth. Lower motor vehicle sales partly offset the gain. Sales of auto manufacturers remained below the recent peak reached in the first quarter of 2016, and declined 4.2% in the second half of 2016.

Chart 13
Manufacturing sales, selected industries



Source: Statistics Canada, CANSIM table 304-0014.

For 2016 as a whole, manufacturing sales increased 1.0%, as higher sales of motor vehicles and food products offset price-related declines in petroleum and coal manufacturing. Sales of motor vehicle manufacturers rose 11.9% in 2016, following a 9.0% gain in 2015. As noted previously, Canadian auto manufacturers invested in modernizing plants in early 2015, which contributed to notable gains in late 2015 and early 2016. Despite the gains in 2016, annual sales for the manufacturing sector remained below 2014 levels.

Most recently, manufacturing sales increased 0.6% in January, posting a third consecutive gain on higher sales of petroleum and coal products, as well as chemical products.

Higher gasoline prices supported retail sales in late 2016

Total retail sales were 1.3% higher in the second half of 2016 than in the first six months of the year, reflecting price-led gains among gasoline stations and continued strength among motor vehicle and parts dealers. Excluding sales at gasoline stations, total retail sales rose 0.6% during the second half of the year. Higher sales in Ontario, Quebec and British Columbia accounted for the bulk of the growth in the second half of 2016.

For 2016 as a whole, retail sales rose 3.7%, reflecting higher sales among motor vehicle and parts dealers. Most sub-sectors posted higher sales in 2016. New motor vehicle sales continued at record levels in 2016, on account of sustained increases in the demand for sport utility vehicles and pick-up trucks. Ontario, British Columbia and Quebec led the growth in 2016, while Alberta, down 1.6%, was the only province with lower annual sales.

Early in 2017, retail sales advanced on broad-based gains, including continued strength in new motor vehicles sales. Sales advanced 2.2% for the sector in January.

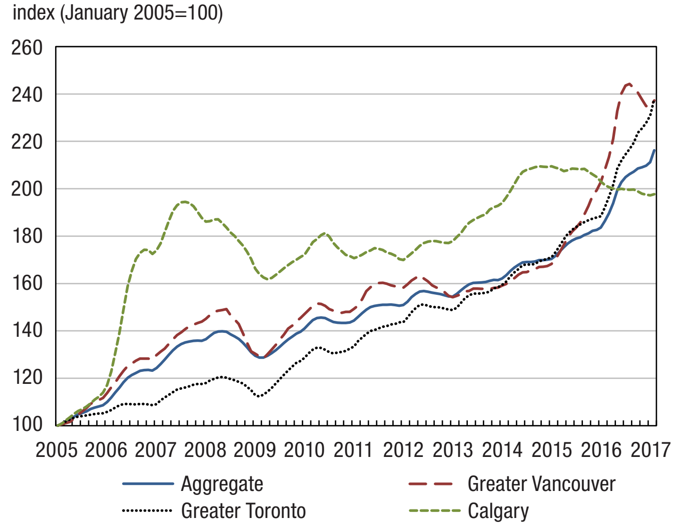
Home prices edged down in Vancouver and rose in Toronto

Home prices continued to increase in the second half of 2016, although at a slower pace than during the first half of the year. According to estimates from the Aggregate Composite MLS Home Price Index, home prices were up 14.8% on a year-over-year basis in December 2016 and continued to increase in early 2017, up 16.0% in February (Chart 14).[2]

Following notable price increases during the first half of the year, home prices in Greater Vancouver edged lower in the second half of 2016, coinciding with new provincial legislation which came into effect in August 2016, as residential purchases by foreign nationals in Metro Vancouver were subject to an additional property transfer tax rate of 15% . On a year-over-year basis, home prices in Vancouver slowed to 17.8% in December, down from 32.1% in June 2016.

Home prices in the Greater Toronto area continued to accelerate in the second half of 2016, increasing from 16.0% on a year-over-year basis in June to 21.2% in December. Prices in Toronto continued to strengthen in early 2017. By contrast, home prices in Calgary continued to trend lower in recent months, and are at their lowest levels since early 2014.

Chart 14
Multiple listing service home price index, selected cities



Source: The Canadian Real Estate Association.

Monthly housing starts averaged 198,000 (seasonally adjusted at annual rates) during the second half of 2016, little changed from the first half of the year. Average starts in the second half declined in British Columbia and edged up in Alberta and Quebec. Ground-breaking on new homes picked up in early 2017 on higher multi-family starts in Ontario. Monthly starts in Ontario (seasonally adjusted at annual rates) rose from about 80,000 at year end to 100,000 in January. Higher starts in Toronto and Ottawa contributed to the gains.

Investments in new housing construction, measured year-over-year, continued at a robust pace in late 2016. Higher spending on singles, which accelerated to 14.9% on a year-over-year basis in December, supported the gains. Investment spending on apartments slowed in late 2016.

Headline inflation edged up in early 2017

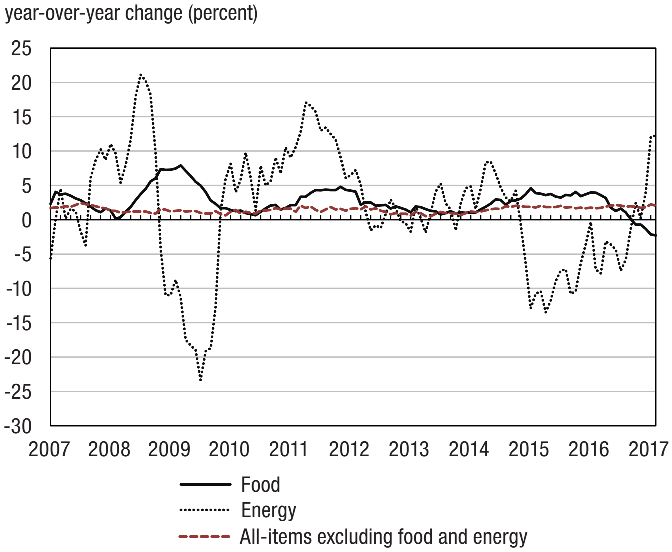
Consumer price inflation, measured year-over-year, averaged 1.3% during the last six months of 2016. During this period, price declines for food were offset by price movements in transportation and shelter.

Food prices declined on a year-over-year basis in late 2016 while energy prices strengthened (Chart 15). October's year-over-year decline in food prices, led by lower prices for fresh fruit, meat and dairy, was the first year-over-year decrease in the food index since January 2000. Food prices continued to fall year-over-year from November 2016 to February 2017. Energy prices rose in the twelve months to October, marking the first year-over-year increase in the energy index in two years, and continued to increase from November to February.

2. The Multiple Listing Service Home Price Index (MLS HPI) is published by the Canadian Real Estate Association. The index controls for differences in mix of sales activity over time. The aggregate composite MLS HPI aggregates transactional data across 11 major markets, and includes data on one and two-storey homes, row and townhouse units, and apartments. For background, see MLS, Home Price Index Methodology, version 2.1, July 6, 2016. The Canadian Release Estate Association.

Excluding food and energy, consumer price inflation averaged 1.9% in the second half of 2016, matching the average increase observed in the first half of the year.

Chart 15
Consumer price index, selected aggregates



Source: Statistics Canada, CANSIM table 326-0020.

Higher prices for owned accommodation contributed to increases in the consumer price index during the second half of 2016. The homeowner's replacement cost index, which reflects changes in new housing prices, edged above 4% year-over-year during the last three months of the year.

After accelerating in the spring, the change in the durable goods index, which includes prices for passenger vehicles, decelerated in late 2016, slowing to 2.2% year-over-year in November and December. Prices for non-durables declined year-over-year in four of the last six months of 2016.

The Bank of Canada's preferred measures of core inflation—CPI-trim, CPI-median, and CPI-common—were all below 2% at the end of 2016.[3]

For 2016 as a whole, the annual average increase in the consumer price index was 1.4%.

More recently, headline consumer inflation edged up to 2.1% in January 2017, as the year-over-year increase in energy prices accelerated to 12.1%, partly reflecting lower prices for crude oil in early 2016. Headline inflation was 2.0% in February 2017.

Equities rally in the second half of 2016 on energy and financials

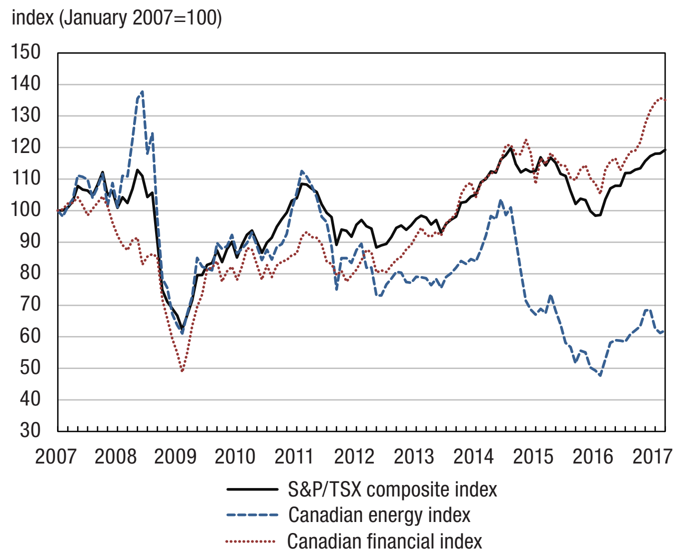
Toronto stock prices (S&P/TSX composite index) continued to strengthen in the second half of 2016, after rebounding from lows early in the year. The composite index rose to 15,288 at year end, up 8.7% from June and 17.5% from year end 2015. Energy, financials and industrials posted notable gains in the second half of the year, while the gold index declined following gains in the first half.

More recently, equity prices continued to strengthen in early 2017. After edging up in January, The S&P/TSX composite index reached a record high on February 21st, before edging down to 15,399 at month end. The composite index closed at 15,548 at the end of March.

Yields on benchmark Government of Canada bonds increased in late 2016 and early 2017. Yields on five-year bonds were at 1.16% at the end of 2016, up from 0.74% a year earlier. Yields on ten-year bonds were at 1.73% in December, up 33 basis points from December 2015.

More recently, yields on ten-year bonds rose to 1.82% in January 2017 before declining in February and March.

Chart 16
S&P/TSX, selected indexes

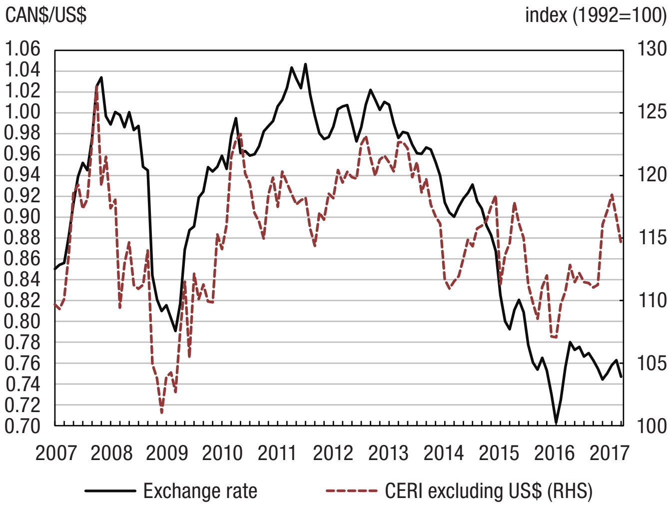


Source: Statistics Canada, CANSIM table 176-0047.

The Canadian dollar edged lower against the U.S dollar during the second half of 2016, ending the year at 75.0 cents U.S.[4] This followed notable fluctuations in the exchange rate during the first half of 2016, as the dollar had traded as low as 68.69 cents U.S in early 2016, before rising to over 79 cents U.S in late April.[5]

3. For more information on these measures, see Bank of Canada's Preferred Measures of Core Inflation General Information Document.
4. The reported exchange rate is the average noon spot rate for December 2016. See Statistics Canada, CANSIM table 176-0064.
5. This reported early-year range is based on daily closing rates.

Chart 17
Exchange rates



Notes: CERI: Canadian-dollar effective exchange rate index. CAN$/US$ is based on the average noon spot rate. CERI excluding US$ is based on rates at month end. RHS=right hand scale.
Sources: Statistics Canada, CANSIM table 176-0064; and Bank of Canada.

On a trade-weighted basis, the Canadian dollar strengthened against major non-U.S. currencies during late 2016, advancing against the euro and the U.K. pound sterling.

More recently, the Canadian dollar appreciated against the U.S. dollar in January and February, before declining to 74.7 cents U.S. in March.

Gains in energy supported commodity prices

After rebounding in the first half of 2016, overall commodity prices edged higher in the second half of the year, bolstered by higher prices for energy products. At year end, commodity prices were up 23% on a year over year basis, supported by a 46.6% increase in energy prices.

Excluding energy, commodity prices edged up 2.9% on a year over year basis, as fish, forestry, and metals and minerals advanced.

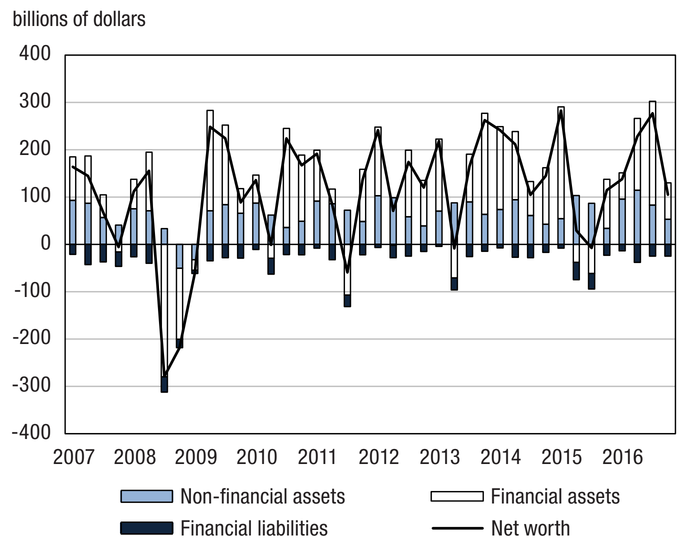
Overall, commodity prices at the end of 2016 remained about 15% lower than price levels two years earlier.

More recently, commodity prices edged higher in January and February before declining 3.4% in March 2017.

Equities and housing supported higher household net worth

The net worth of households rose 1.0% in the fourth quarter of 2016, following a 2.8% gain in the third. Increases in the value of equity and investment fund shares led gains in both quarters, while increases in the value of residential structures and land also contributed to higher household net worth in the second half of the year. Total household assets in the fourth quarter were valued at $12.3 trillion, while household financial liabilities amounted to $2.05 trillion.

Chart 18
Change in household net worth



Notes: Negative values indicate a decline in the value of assets or an increase in the value of liabilities.
Source: Statistics Canada, CANSIM table 378-0121.

The ratio of household credit market debt to disposable income rose to 167.3% in the fourth quarter, while the household debt service ratio, which includes obligations on principal and interest owing, edged down to 14.0%.[6] The ratio of household debt to household assets was 16.7% in late 2016 and has generally trended lower since peaking above 19% during the 2008-2009 recession.

6. Reported data on household assets and liabilities and estimates of credit market debt to disposable income are not seasonally adjusted. Estimates of the debt service ratio are seasonally adjusted at annual rates.

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