

Canada's National Net Worth Stable in Q3

- National net worth remained stable in Q3, with an increase of 0.1% to CAD 12.6 tn following a drop in national (i.e., domestic) wealth by CAD 20.6 bn owing to an 8.4% fall in natural resource prices that was offset by an improvement in Canada's net international investment position by CAD 30.6 bn.
- Households continue to reap the benefits of the rebound in both residential real estate and equity markets this year with a 0.9% increase in household wealth in Q3 to CAD 11.5 tn.
- Household debt, though high, is still below that in the US when measured as a share of GDP and adjusted for comparability.
- Household debt-service costs remain at record highs as a share of disposable income and warrant monitoring while the Bank of Canada weighs its options for policy rates in 2020.

National net worth remained stable in Q3 2019 with a 0.1% increase to CAD 12.6 tn. National (i.e., domestic) wealth decreased for the first time this year in Q3, falling 0.2% to CAD 11.8 tn, but this was offset by Canada's net international investment position (details [here](#)), which rose by CAD 30.6 bn to CAD 839.1 bn (chart 1). The primary driver behind the decrease in national wealth was a drop in the value of natural resources, which fell 8.4% in Q3 due to a decline in prices. This was only partially offset by a 0.6% increase in residential real-estate assets.

Within national wealth, household wealth continued its rebound in 2019 with its third consecutive quarterly increase, growing 0.9% to CAD 11.5 tn. Both financial and non-financial assets rose in Q3, posting 1.2% and 0.8% increases, respectively. Financial assets grew due to upward revaluations in mutual funds, life insurance, and pensions. Residential real-estate wealth drove gains in non-financial assets by rising 0.6% in Q3 as lower interest rates helped stoke demand and prices (chart 2).

As a result, household borrowing continues its upward trajectory with debt as a share of personal disposable income rising to its highest level yet at 174.0% (chart 3). When adjusted for comparability to US data, Canada remains slightly above the US's pre-great recession peak of 169.0%. However, when considered as a share of GDP, Canadian household and non-profit credit market debt is currently lower than in the US at 100.0% of GDP vs 101.3% south of the border (chart 4).

Household debt-service costs have also reached all-time highs of 15.0% of personal disposable income with mortgage and non-mortgage debt-service ratios rising to 6.7% and 8.2%, respectively (chart 5). Although neither component is at a record high individually, combined they make for the highest debt-service ratio since 1990. The rise in interest paid (chart 6) reflects both recent Bank of Canada rate hikes and higher debt levels, which will warrant monitoring as the Bank of Canada weighs its options for policy rates in 2020.

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Chart 1

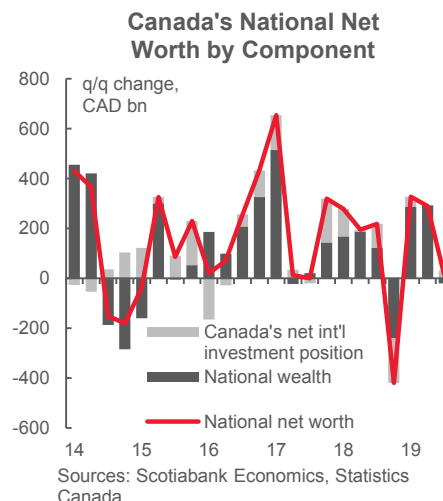


Chart 2

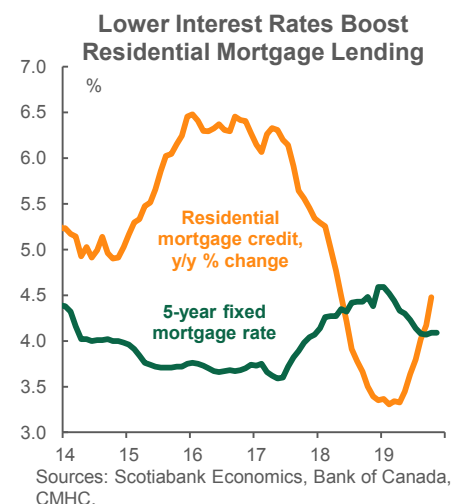


Chart 3

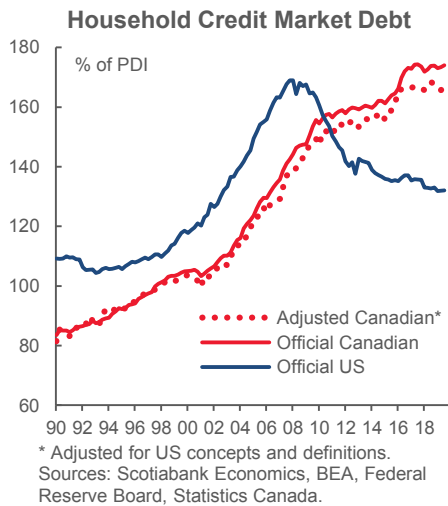


Chart 4

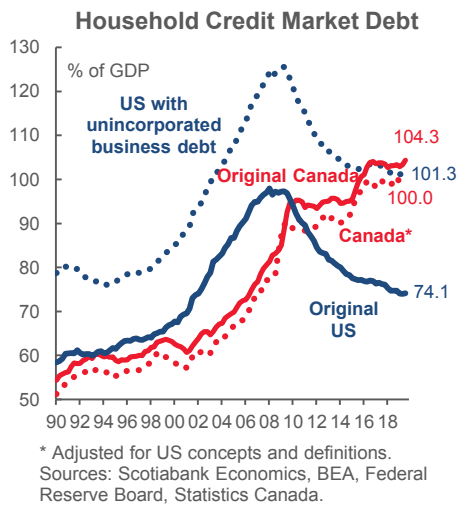


Chart 5

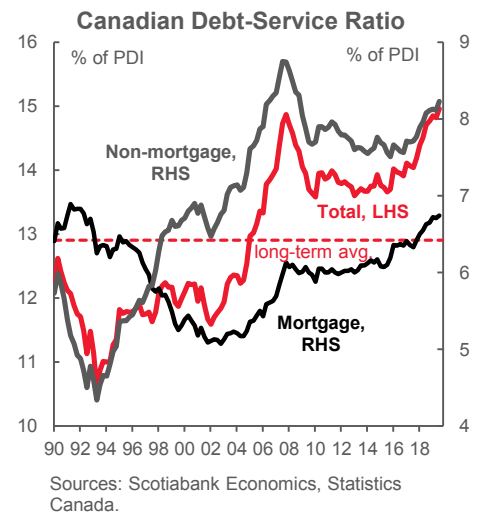
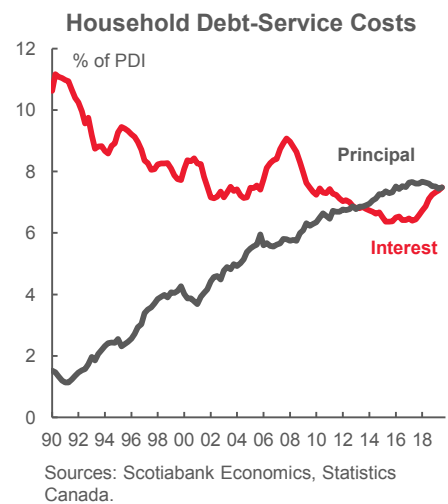


Chart 6



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