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Releases

Financial flow accounts

Second quarter of 2009

Borrowing by domestic non-financial sectors fell between the first and second quarters of 2009, as federal government borrowing fell sharply following temporary measures to enhance liquidity in financial markets. Excluding this effect, domestic sectors increased their borrowing in the second quarter.

Provincial and corporate bond issuances accounted for more than 40% of total funds raised in the quarter, reflecting favourable bond rates for borrowers. Household borrowing was also up in the second quarter, albeit well below levels observed in recent periods before the current economic downturn.

Substantially decreased federal government borrowing associated with liquidity initiatives, including the Insured Mortgage Purchase Program, contributed to the decrease in overall funds raised by domestic non-financial sectors in the second quarter of 2009.

The Bank of Canada further reduced the target overnight rate, down 25 basis points to 0.25%, in April 2009. The five-year conventional mortgage rate increased by 30 basis points during the quarter to 5.85%, still considerably lower than the same time last year when the rate was 7.15%.

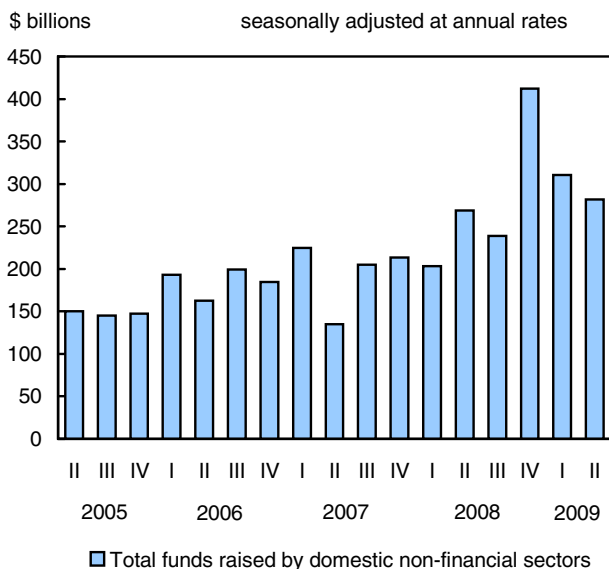
Canadian stock markets rebounded in the second quarter of 2009 with the Standard and Poor's / Toronto Stock Exchange composite index up nearly 20%, reflecting gains in energy and other commodity prices. This was the largest quarterly percentage increase since the fourth quarter of 1999 and a significant recovery from the record decline witnessed in the later part of 2008. The Canadian dollar appreciated during the second quarter of 2009 relative to its US counterpart, closing the quarter at US 88.8 cents.

Persons and unincorporated businesses

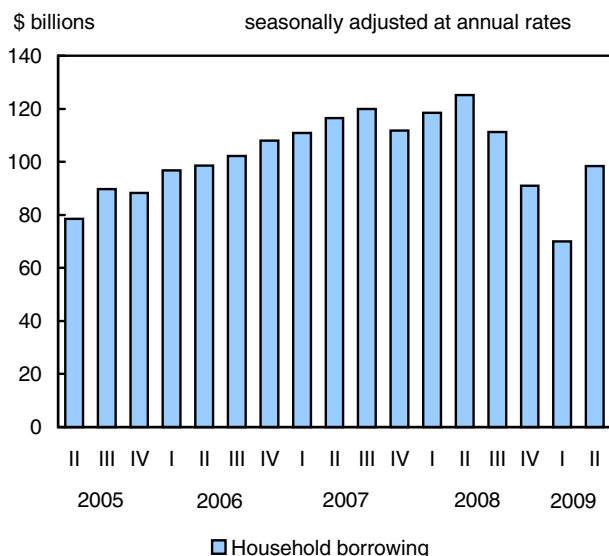
Overall household borrowing increased to \$98.3 billion during the second quarter of 2009, led by consumer credit and mortgages. However, lower interest rates helped keep the household debt service ratio in check, which edged down from 7.8% to 7.7%.

Consumer credit increased by 19% to \$26.9 billion while net new mortgage borrowings were up in excess of 30% to \$64.4 billion, though both were still well off the pace set prior to the economic downturn. The substantial increase in mortgage borrowing was related to increased activity in the resale housing markets, in the context of historically low borrowing costs. The consumer credit upswing reflected sizeable increases in motor vehicle purchases, as buyers were likely enticed by favourable dealer incentives.

Overall demand for funds recedes further



Total household borrowing up, but still well below historical levels



Government

The government sector was again a net borrower from the rest of the economy, a pattern that emerged in the latter part of 2008. Federal and provincial government revenues fell further in the second quarter of 2009, down 4.7% and 1.7%, respectively. This contributed to further deficits (on a System of National Accounts basis), as revenues from taxes on corporations, government business enterprises and persons declined while overall expenditures increased.

Borrowing by the federal government dropped from \$182.9 billion in the first quarter to \$34.7 billion in the second quarter of 2009 (these are expressed at seasonally adjusted annual rates; on a quarterly basis the government raised \$45.7 billion in the first quarter and \$8.7 billion in the second quarter of 2009). The high level of borrowing activity in the previous two quarters was associated with liquidity initiatives, including the Insured Mortgage Purchase Program.

Other levels of government borrowed \$83.7 billion in the second quarter of 2009, comprised primarily of substantial provincial bond and short-term paper issuances.

Corporations

Corporate profits were down sharply again in the second quarter of 2009. Fixed capital investment of private non-financial corporations slowed for the third quarter in a row, which contributed to this sector

remaining a net lender to the rest of the economy for the second consecutive quarter.

Funds raised by the private non-financial corporations sector grew from \$14.6 billion in the previous quarter to \$62.2 billion in the second quarter. The rise in demand for borrowed funds by this sector reflected significant new bond issuances. However, total assets were up significantly over the previous quarter, in particular financial assets.

Financial institutions

Institutional investors' and lending institutions' investment in domestic fixed income securities and net new loan issuances slowed, while consumer credit and mortgages lending picked-up. Issuances of *National Housing Act* mortgage-backed securities were significantly lower in the second quarter of 2009, on the heels of the two largest quarterly issuances on record.

Non-residents

Non-resident investment in Canadian securities remained high for a second consecutive quarter. The increase in portfolio investment was buoyed by a boost in domestic debt security issues, in particular provincial and corporate bonds. The non-resident sector continued to be a net lender to the economy in the second quarter, a pattern that emerged in the fourth quarter of 2008.

Available on CANSIM: tables 378-0001 and 378-0002.

Definitions, data sources and methods: survey number 1804.

The *National economic accounts* module, accessible from the home page of our website, features an up-to-date portrait of national and provincial economies and their structure.

Detailed analysis on today's release, including additional tables, will soon be available in the second quarter 2009 issue of *Canadian Economic Accounts Quarterly Review*, Vol. 8, no. 2 (13-010-X, free), available from the *Publications* module of our website.

The *Financial Flow Accounts: Data Tables*, second quarter 2009, Vol. 2, no. 2 (13-020-X, free), is also now available from the *Publications* module of our website.

For more information, or to enquire about the concepts, methods or data quality of this release contact the information officer (613-951-3640, iead-info-dcrd@statcan.gc.ca), Income and Expenditure Accounts Division.

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Financial market summary table

	First quarter 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009	Second quarter 2009	2007	2008
Seasonally adjusted at annual rates								
\$ millions								
Funds raised								
Persons and unincorporated business	118,528	125,144	111,152	90,940	70,072	98,340	114,786	111,441
Consumer credit	34,752	34,972	30,476	22,260	22,528	26,852	34,365	30,615
Bank loans	-328	1,676	3,412	4,172	1,684	2,512	935	2,233
Other loans	7,376	2,572	7,236	4,888	-3,288	4,596	3,217	5,518
Mortgages	76,728	85,924	70,028	59,620	49,148	64,380	76,269	73,075
Non-financial private corporations	79,760	67,408	70,672	58,060	14,600	62,236	77,717	68,975
Bank loans	12,540	5,348	27,968	56,780	-9,120	-14,912	20,226	25,659
Other loans	-908	-3,936	1,876	-6,136	-9,940	-15,280	-281	-2,276
Other short-term paper	17,660	2,924	-6,864	-3,568	-5,948	-3,616	3,738	2,538
Mortgages	21,976	19,692	16,992	17,368	7,216	21,116	18,105	19,007
Bonds	8,300	24,148	21,968	-8,964	15,192	49,972	12,437	11,363
Shares	20,192	19,232	8,732	2,580	17,200	24,956	23,492	12,684
Non-financial government enterprises	-5,088	-3,328	-2,996	-3,324	5,112	2,980	329	-3,684
Bank loans	-768	464	-156	-316	56	44	-225	-194
Other loans	3,460	-2,688	936	288	-92	372	-719	499
Other short-term paper	552	-944	-1,236	-532	2,004	-508	70	-540
Mortgages	0	12	-4	4	-8	-4	-4	3
Bonds	-8,332	-172	-2,536	-2,768	3,152	3,076	1,207	-3,452
Shares	0	0	0	0	0	0	0	0
Federal government	4,500	56,772	7,192	219,972	182,900	34,740	-19,856	72,109
Bank loans	168	148	152	144	12	24	139	153
Other loans	0	0	0	0	0	0	0	0
Canada short-term paper	1,356	59,424	18,940	183,124	68,076	80	-8,587	65,711
Canada savings bonds	-1,516	-1,056	-832	16	-184	-336	-2,229	-847
Other bonds	4,492	-1,744	-11,068	36,688	114,996	34,972	-9,179	7,092
Other levels of government	5,500	22,880	52,644	46,332	37,836	83,724	21,347	31,839
Bank loans	108	516	528	1,084	1,956	-2,668	292	559
Other loans	716	504	824	156	1,176	3,712	695	550
Other short-term paper	-668	-2,356	32,116	30,256	-3,652	17,216	5,544	14,837
Mortgages	12	-8	-4	0	4	0	-16	0
Provincial bonds	4,580	21,920	18,144	13,876	34,988	63,632	12,914	14,630
Municipal bonds	708	2,316	1,048	1,104	3,268	1,788	2,004	1,294
Other bonds	44	-12	-12	-144	96	44	-86	-31
Total funds raised by domestic non-financial sectors	203,200	268,876	238,664	411,980	310,520	282,020	194,323	280,680
Consumer credit	34,752	34,972	30,476	22,260	22,528	26,852	34,365	30,615
Bank loans	11,720	8,152	31,904	61,864	-5,412	-15,000	21,367	28,410
Other loans	10,644	-3,548	10,872	-804	-12,144	-6,600	2,912	4,291
Canada short-term paper	1,356	59,424	18,940	183,124	68,076	80	-8,587	65,711
Other short-term paper	17,544	-376	24,016	26,156	-7,596	13,092	9,352	16,835
Mortgages	98,716	105,620	87,012	76,992	56,360	85,492	94,354	92,085
Bonds	8,276	45,400	26,712	39,808	171,508	153,148	17,068	30,049
Shares	20,192	19,232	8,732	2,580	17,200	24,956	23,492	12,684

Crude oil and natural gas: Supply and disposition

June 2009 (preliminary)

Domestic production of crude oil and equivalent hydrocarbons totalled 12.6 million cubic metres in June, up 1.0% from June 2008.

Crude oil and equivalent exports were up 9.2% compared with the same month in 2008. About 77% of Canada's total domestic production went to the export market compared with 71% a year earlier.

Marketable natural gas production totalled 10.9 billion cubic metres in June, down 8.2% from the same month a year earlier. Domestic sales of natural gas fell 11.8% from the same month a year earlier.

Natural gas exports fell by 7.6% from the same month a year earlier. Exports accounted for about 61%

of marketable natural gas production, equal to a year earlier.

Available on CANSIM: tables 126-0001 and 131-0001.

Definitions, data sources and methods: survey number 2198.

Note: Preliminary data are available on CANSIM at the national level to May 2009 inclusive. At the national and provincial level, detailed information is available for crude oil (126-0001) up to March 2009 inclusive, and for natural gas (131-0001) up to March 2009 inclusive.

For more information, or to enquire about the concepts, methods or data quality of this release, contact the dissemination officer (toll-free 1-866-873-8789; 613-951-9497; energ@statcan.gc.ca), Manufacturing and Energy Division.

Crude oil and natural gas: Supply and disposition (key indicators)

	June 2008	June 2009 ^p	June 2008 to June 2009
	thousands of cubic metres		% change
Crude oil and equivalent hydrocarbons			
Supply ¹			
Production	12 520.2	12 649.1	1.0
Imports ²	4 731.0	3 879.0	-18.0
Disposition			
Refinery receipts ³	8 895.9	8 149.1	-8.4
Exports	8 890.4	9 710.2	9.2
	millions of cubic metres		% change
Natural gas			
Supply ⁴			
Marketable production ⁵	11 820.9	10 854.7	-8.2
Imports	708.3	1 340.7 ^E	89.3
Disposition			
Domestic sales ⁶	3 913.0	3 451.3	-11.8
Exports	7 167.7	6 623.7	-7.6

^P preliminary

^E use with caution

1. Disposition may differ from supply because of inventory change, own consumption, losses and adjustments.

2. Data may differ from International Trade Division estimates because of timing and the inclusion of crude oil landed in Canada for future re-export.

3. Volumetric receipts at refineries of all domestic and imported crude oils for refinery processing or storage.

4. Disposition may differ from supply because of inventory change, usage as pipeline fuel, pipeline losses, line-pack fluctuations.

5. Receipts from fields after processing for the removal or partial removal of some constituents and impurities and that meet specifications for residential, commercial and industrial use; and including other adjustments.

6. Domestic sales includes residential, commercial, industrial and direct sales (for example direct, non-utility, sales for consumption where the utility acts solely as transporter).

Residential construction investment

Second quarter 2009

Data on residential construction investment are now available for the second quarter.

Available on CANSIM: table 026-0013.

Definitions, data sources and methods: survey number 5016.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Nicole Charron (613-951-0087; bdp_information@statcan.gc.ca), Investment and Capital Stock Division. ■

Investment in non-residential building construction

Second quarter 2009 (revised)

Following the release of the "Canadian economic accounts" for the second quarter of 2009, revised data of the investment in non-residential building for the second quarter are now available.

Available on CANSIM: table 026-0016.

Definitions, data sources and methods: survey number 5014.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Bechir Oueriemmi (613-951-1165; bdp_information@statcan.gc.ca), Investment and Capital Stock Division. ■

New products

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