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Recent Developments in the Canadian Economy: Fall 2019

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Recent Developments in the Canadian Economy: Fall 2019

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 first half of 2019 and into the summer months. Unless otherwise noted, the tabulations presented in this report are based on seasonally adjusted data available on October 18, 2019.

Overview

Following two quarters of slower growth, economic output strengthened in the second quarter of 2019 as exports advanced. However, final domestic demand was lower as household spending slowed and non-residential business investment declined. Investment in housing increased for the first time since late 2017.

Goods production expanded in the second quarter, following two consecutive quarterly declines. Increases in oil extraction bolstered goods output as oil production limits in Alberta eased. Higher output in resource industries contributed to improvements in business productivity and capacity utilization. The output of services industries strengthened in the second quarter, supported by increases in wholesaling and real estate activity.

Employment continued to strengthen during the first half of 2019, led by gains in full-time work and among private-sector employees. Higher employment among youth and older workers accounted for most of the net gain over the first six months of the year. All of the net increase in employment during the first half was in service industries.

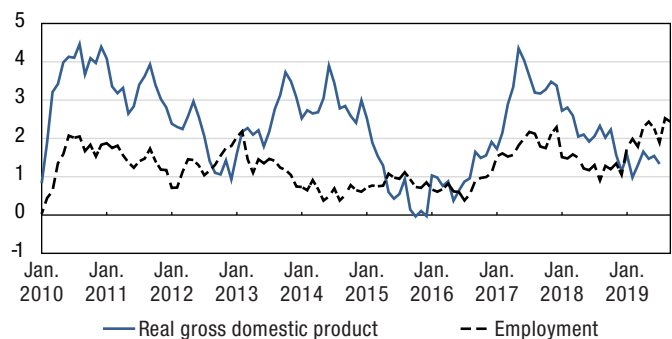
Overall, the pace of real GDP growth, measured year-over-year, has trended lower since mid-2017, while annual employment growth has strengthened since mid-2018 (Chart 1).¹

Economic growth strengthened as final domestic demand edged lower

Real GDP growth accelerated in the second quarter of 2019, as output expanded at the fastest pace in two years. Real GDP rose 0.9% in the second quarter, following a 0.1% gain in the first. Final domestic demand, which reflects total consumption and investment activity, edged down 0.2% in the second quarter, the second decline in the last three quarters.²

Chart 1
Output and employment

year-over-year change (percent)



Sources: Statistics Canada, tables 36-10-0434-01 and 14-10-0287-01.

Higher exports were mainly responsible for stronger economic growth in the second quarter, as export volumes expanded at the fastest pace in five years (Chart 2). Household spending moderated in the second quarter, after a notable gain in the first. Lower non-residential business investment weighed on growth in the second quarter, after advancing to start the year. Business investment in housing rose in the second quarter, following five consecutive quarterly declines.

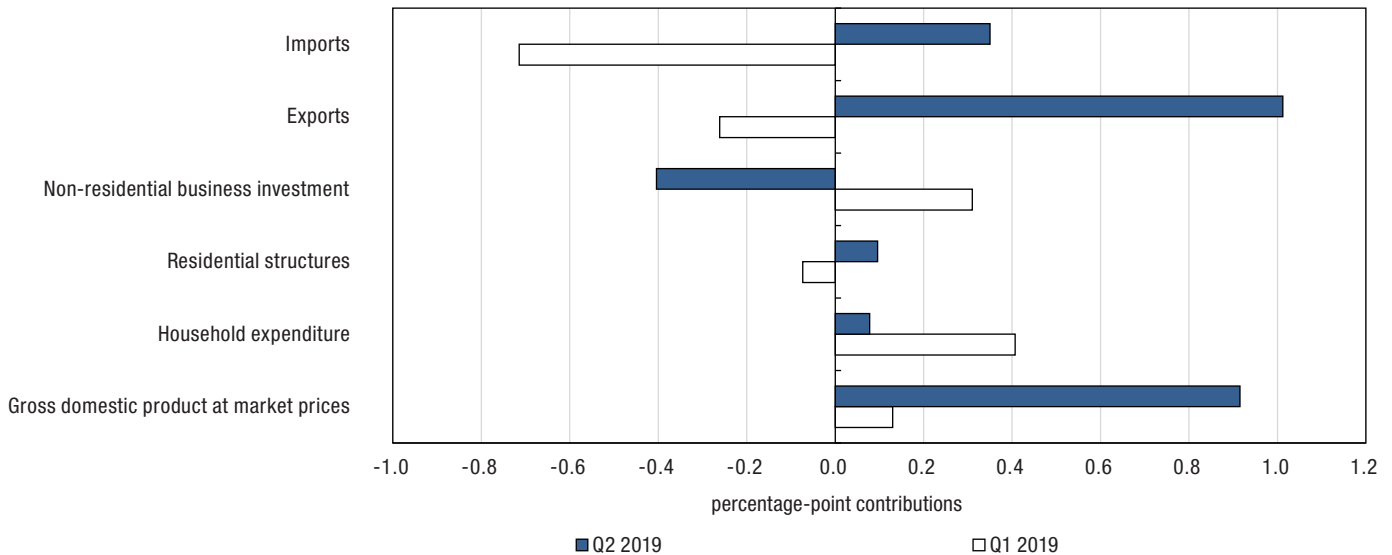
In the United States, real GDP rose 2.0% on an annualized basis in the second quarter, after advancing 3.1% in the first. Slower U.S. growth in the second quarter reflected weaker exports and business investment, as economic growth in Canada outpaced growth in the United States for the first time in two years.

1. Contextual information on major economic and business developments for specific calendar months is available at [Canadian Economic News](https://www150.statcan.gc.ca/n1/pub/11-626-x/2019001/article/00001-eng.htm), located at: <https://www150.statcan.gc.ca/n1/pub/11-626-x/2019001/article/00001-eng.htm>.
2. For a summary of economic developments during the last half of 2018, see Gellatly and McCormack (2019).



Chart 2
Contributions to real gross domestic product growth, selected components

Selected components



Notes: Data on gross domestic product (GDP) are quarterly growth rates; all other data are percentage-point contributions to the quarterly growth rates in real GDP. For additional data on these contributions, see the table noted below.
Source: Statistics Canada, table 36-10-0104-01.

Exports advanced at the fastest pace in five years

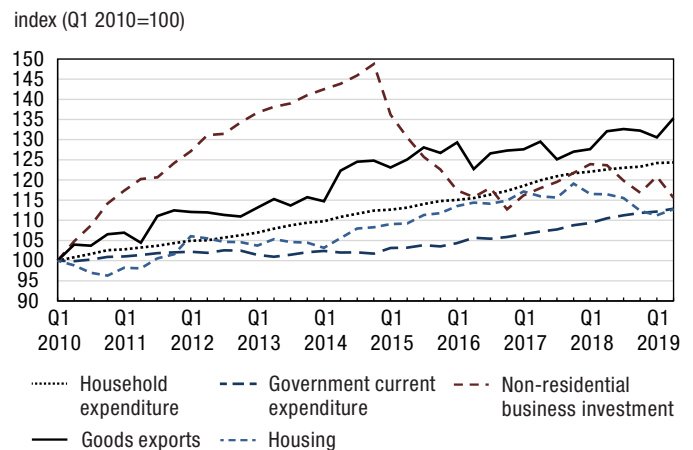
The volume of goods exported from Canada rose 3.7% in the second quarter, after declining 1.3% in the first. Higher exports of energy products, supported by increased shipments of crude oil and natural gas, were responsible for almost one-third of overall increase in goods exports in the second quarter. Increased shipments of agricultural products, motor vehicles and aircraft also contributed to the gain (Chart 3).

Imports of goods declined 0.8% in the second quarter, following a 2.6% gain in the first. Import volumes have declined in three of the last four quarters. Lower imports of aircraft led the decline in the second quarter, after advancing to start the year. Higher imports of energy products and autos partly offset the decline.

Growth in household spending moderated to a seven-year low

Household spending edged up 0.1% in the second quarter, the slowest pace of quarterly growth in seven years, after advancing 0.7% in the first. Higher spending on services, led by insurance and financial services, was largely offset by lower outlays on durable and non-durable goods. Spending on autos was down in the second quarter, the fifth decline in the last six quarters.

Chart 3
Real gross domestic product, selected aggregates



Source: Statistics Canada, table 36-10-0104-01.



Lower business investment weighed on economic growth

Non-residential business investment declined 4.3% in the second quarter, following a 3.4% gain in the first. Following a partial recovery in 2017, business investment has generally trended lower since mid-2018, and has declined in four of the last six quarters. Combined outlays on non-residential structures and M&E remained over 20% below peak levels at the end of 2014 (Chart 4).

Business investment in non-residential structures edged down 0.4% in the second quarter, the sixth consecutive quarterly decline. Outlays on engineering structures have steadily declined over this period. Spending on non-residential buildings rose during the first half of 2019, partly moderating the decline. Total business outlays on non-residential structures in the second quarter were about 30% below levels reached at the end of 2014.

Business investment in M&E declined 9.3% in the second quarter, offsetting gains in the first. Lower outlays on aircraft and other transportation equipment contributed to the decline in M&E spending in the second quarter, after spending on these assets rose substantially early in the year. Outlays on industrial machinery and equipment also declined in the second quarter, and were down 26% from levels at the end of 2014.

Business investment in intellectual property products rose 0.6% in the second quarter, following a 1.3% decline in the first. Gains in the second quarter were relatively broad-based, led by higher spending on software. Total business investment in intellectual property assets has generally trended higher since early 2017, but remained about 12% lower than levels at the end of 2014. Spending on mineral exploration remained about 50% below late 2014 levels.

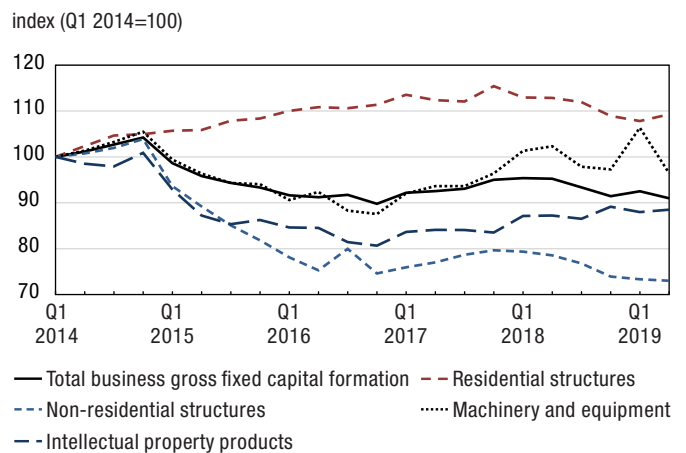
Outlays on housing rose for the first time since late 2017

Investment in housing rose 1.4% in the second quarter of 2019, following five consecutive quarterly declines. Higher spending on ownership transfer costs—a measure of the volume of activity in resale markets—accounted for about one-half of the increase in residential investment, supported by higher spending on new construction and renovations. Since the introduction of new mortgage regulations in January 2018, ownership transfer costs have generally trended lower, and remain down about 12% from levels at the end of 2017.

Resources supported gains in productivity and capacity utilization

Business sector labour productivity rose 0.2% in the second quarter, following a 0.4% gain in the first. Productivity gains in agriculture, forestry, and mining and oil and gas extraction were mainly responsible for the overall increase. Industrial capacity utilization rose to 83.3% in the second quarter, following three consecutive quarterly declines. Higher capacity utilization in

Chart 4
Business gross fixed capital formation



Source: Statistics Canada, table 36-10-0108-01.

the energy sector led the gain as capacity utilization in oil and gas extraction rose to 87.3%, the highest level in more than a decade. Capacity utilization also increased in manufacturing.

Improvements in the terms of trade bolstered income growth during the first two quarters of 2019 after weighing on income in late 2018. Following a 1.4% increase to start the year, nominal GDP rose 2.0% in the second quarter as wages and salaries and corporate earnings strengthened.

Goods production expanded after recent declines

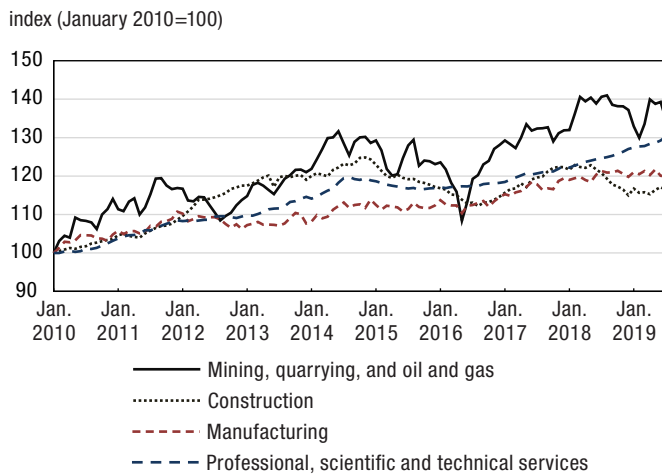
The output of goods-producing industries strengthened in the second quarter, following two consecutive quarterly declines. Increases in oil and gas extraction contributed to higher goods output as production curtailments in Alberta eased (Chart 5). Higher output among firms that provide support activities for mining and oil and gas extraction also supported growth in the second quarter. The output of service industries continued to advance during the first half, strengthening in the second quarter. Increased activity in real estate and wholesale industries contributed to recent gains.

After seven consecutive monthly declines to end 2018, construction output stabilized during the first half of 2019, increasing in four of the first six months of the year. Output in the construction sector at mid-year was 1.8% higher than at year-end, supported by increases in both non-residential and residential activity. After a notable gain to start the year, engineering construction declined from February to June. Output in this sector at mid-year was similar to levels in December 2018.

Manufacturing output rose in three of the first six months of 2019. Factory output at mid-year was similar to levels at the end of 2018, as increases in durable manufacturing offset lower non-durable production. The output of fabricated metal



Chart 5
Real gross domestic product, selected industries



Source: Statistics Canada, table 36-10-0434-01.

manufacturers at mid-year was 3.5% higher than in December 2018, while primary metal manufacturing, which includes steel and aluminum producers, was down 5.1%. Machinery manufacturing output at mid-year was similar to year-end levels. Wood products and paper manufacturing were both down during the first half of 2019, reflecting sizable declines towards mid-year.

Automotive and parts production strengthened in May and June, as output returned to normal levels after temporary shutdowns and atypical production schedules affected production in April. At mid-year, motor vehicles and parts manufacturing was 7% higher than at year-end.

Service industries continued to advance during the first half of 2019 as output strengthened in the second quarter. The output of wholesalers trended higher in the first half, supported by increases in personal and household goods, and motor vehicles and parts. The activities of real estate agents and brokers advanced steadily from March to June as the housing market strengthened. At mid-year, the output of real estate agents and brokers was 8% higher than at the end of 2018, but about 16% below levels at the end of 2017, prior to changes in mortgage borrowing requirements.

Professional, scientific and technical services continued to expand steadily during the first half of 2019. As of June, output in this sector had risen for 17 consecutive months, supported by gains in computer systems design and architectural and engineering services. Retail trade increased in three of the first six months of the year. Retail output in June was similar to levels at year-end.

Oil sands extraction rebounded as production curtailments eased

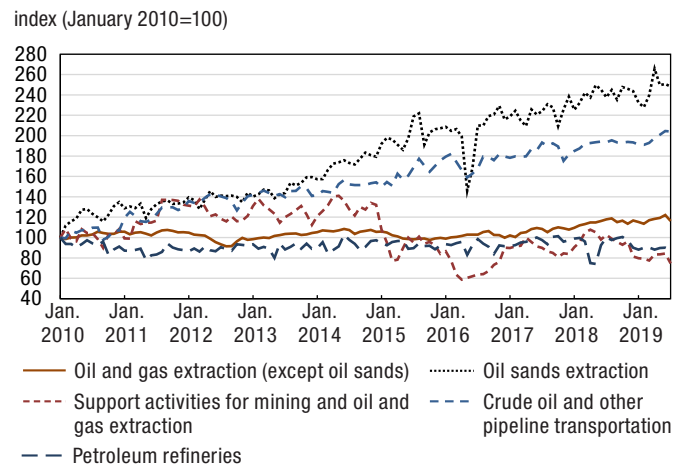
Oil sands extraction strengthened during the first half of 2019 as monthly oil production limits established by the Government of Alberta eased towards mid-year. After consecutive declines early in the year, oil sands extraction rebounded in March and April (Chart 6). Output in April rose 11% as facilities scaled up production in response to easing production restrictions. Oil sands output at mid-year was 3% higher than levels at year-end 2018. Conventional oil and gas extraction also advanced during the first half of the year, posting four consecutive monthly gains from March to June. Conventional output at mid-year was up 4.7% from levels in December 2018.

Following three consecutive monthly declines to begin the year, businesses that provide support activities for mining and oil and gas extraction, including rigging and drilling services, increased output into mid-year. In June, production in this sector was 3.5% higher than at year-end 2018, but down about 36% from levels at the end of 2014.

The output of crude oil pipelines also rose during the first half of 2019, posting four-consecutive gains from March to June. Output at mid-year was 6% higher than at year-end. Monthly exports of crude oil and equivalent products by pipeline averaged 98.2 million barrels during the first six months of 2019, compared to 95.5 million barrels during the last half of 2018.

More recently, real GDP was unchanged in July, as declines in mining, oil and gas extraction, and construction offset broad-based gains among services.

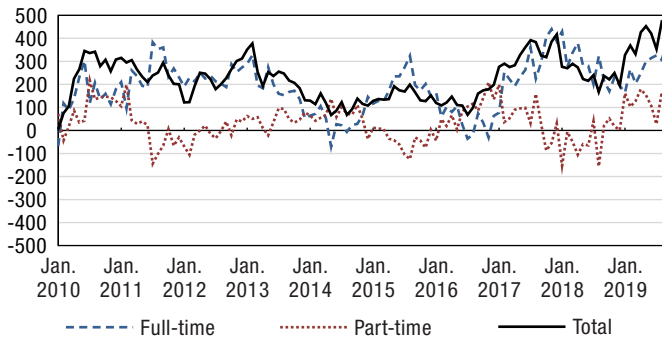
Chart 6
Real gross domestic product, selected energy-related industries



Source: Statistics Canada, table 36-10-0434-01.

Chart 7
Type of employment

year-over-year change (thousands of persons)



Source: Statistics Canada, table 14-10-0287-01.

Employment continued to strengthen on full-time gains

The pace of employment growth, measured year-over-year, strengthened during the first half of 2019, accelerating to 2.4% in May. Employment rose by 248,000 during the first six months of the year, led by gains in full-time work and among private sector employees (Chart 7). Higher employment among younger workers (aged 15 to 24) and older workers (55 and older) together accounted for most of the overall increase in the first half. All of the net increase was in service industries (Chart 8).

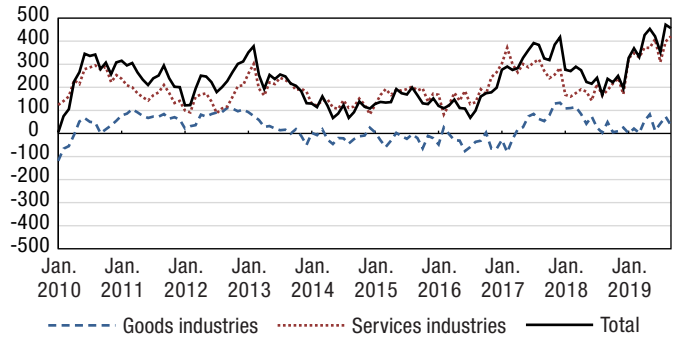
Employment gains in Ontario during the first six months of the year accounted for just over one-half of the net increase for Canada as a whole. Gains in Ontario were concentrated in full-time work and in service industries. Higher employment in professional, scientific and technical services contributed to gains in the province. Employment in Quebec rose by 47,000 during the first half, also on increases in full-time, while employment in British Columbia continued to edge higher. Increases in services industries supported employment growth in both provinces.

The national unemployment rate edged lower towards mid-year, declining to a record low of 5.4% in May, before edging up to 5.5% in June. The unemployment rates in Quebec and Ontario averaged 5.1% and 5.7% respectively over the first six months of the year. Alberta's rate edged higher in early 2019, rising to 7.3% in February, before declining to 6.6% in June, similar to levels observed in mid-2018. Unemployment in British Columbia averaged 4.6% from January to June.

The employment rate, the number of persons employed as a percentage of the working-age population, edged higher in the first half of 2019, supported by gains among younger and older workers. The national employment rate averaged

Chart 8
Employment, by sector

year-over-year change (thousands of persons)

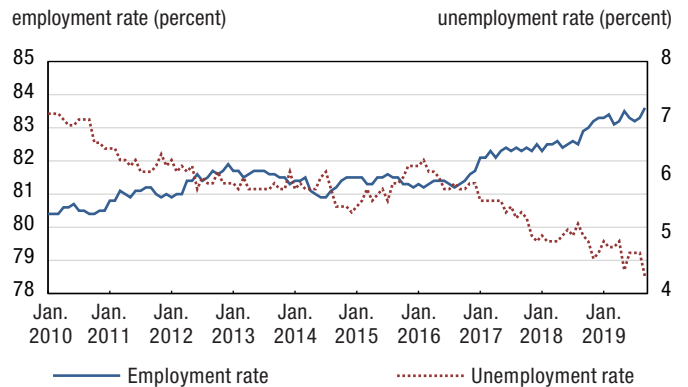


Source: Statistics Canada, table 14-10-0355-01.

62.0% during the first six months of the year, up from 61.6% during the last half of 2018. Among core-aged workers, the employment rate remained above 83% throughout the first half, averaging 83.3% from January to June (Chart 9). In Ontario, the employment rate among core-aged workers averaged 82.1% in the first half, compared to 85.3% in Quebec and 84.8% in British Columbia. The employment rate among core-aged workers in Alberta averaged 83.3% during this period.

More recently, employment rose 110,000 in the third quarter, led by gains in full-time work and among core-age workers. The number of private sector employees was unchanged in the third quarter, as overall gains reflected higher employment among self-employed and public sector workers. Employment gains in the third quarter were concentrated in Ontario and Quebec. The national unemployment rate stood at 5.7% in July and August, before declining to 5.5% in September.

Chart 9
Employment and unemployment rates, persons aged 25 to 54 years

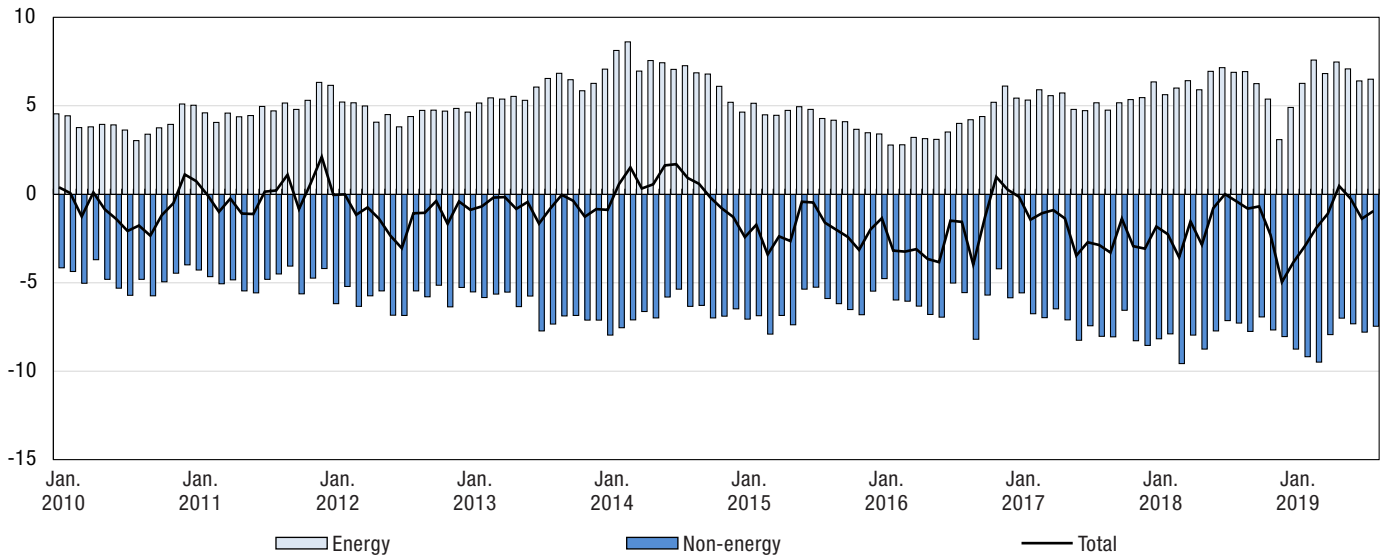


Source: Statistics Canada, table 14-10-0287-01.



Chart 10
Merchandise trade balance, energy and non-energy commodities

billions of dollars



Source: Statistics Canada, table 12-10-0121-01.

Earnings growth accelerated towards mid-year

Earnings growth, measured year-over-year, accelerated towards mid-year, rising to 3.4% in May 2019, after slowing in late 2018 and into early 2019. The faster pace of annual earnings growth towards mid-year reflected strong monthly gains from March to May, supported by increases in finance and insurance industries, health care and retail trade. Earnings in goods-producing industries also strengthened during this period, led by increases in mining and oil and gas extraction.³

The pace of earnings growth, measured year-over-year, varied across provinces during the first half of 2019. In Quebec and Ontario, annual earnings growth averaged 2.8% and 2.2%, respectively, from January to June. Earnings growth averaged 2.8% in British Columbia during this period, compared to 0.6% in Alberta. Earnings growth in most provinces accelerated towards mid-year.

More recently, annual earnings growth was 2.7% in July, supported by gains in administrative services and health care and social assistance. Earnings growth was at or above 3% in Prince Edward Island, Quebec, Ontario, and Newfoundland and Labrador.

Merchandise trade deficits narrowed as exports advanced

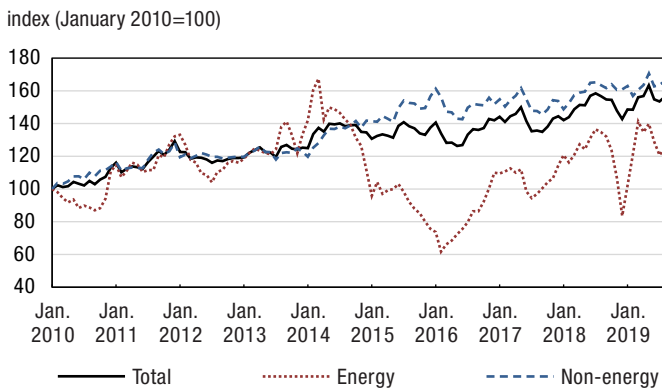
Following a record deficit of \$5.0 billion at the end of 2018, Canada's merchandise trade deficit narrowed steadily from January to April, before posting a \$460 million trade surplus in May, the largest monthly surplus since late 2016. Higher energy and non-energy exports contributed to improvements in the trade balance towards mid-year (Chart 10).

Despite declining deficits during the first half, Canada posted a cumulative merchandise trade deficit of \$9.6 billion over the first six months of 2019, up from a deficit of \$9.1 billion in the second half of 2018. A larger net surplus in energy products in the first half of 2019 was more than offset by a larger cumulative deficit in non-energy commodities.

Total energy exports during the first six months of 2019 were \$58.5 billion, up 7% from cumulative energy shipments in the second half of 2018. Both higher prices and volumes contributed to the increase in energy exports in the first half (Chart 11). Cumulative exports of non-energy products during the first six months of the year were similar to levels in the second half of 2018, as increases in consumer goods and autos were mainly offset by lower shipments of forestry products and metal and non-metallic mineral products.

3. Evidence of strong earnings growth during the first half of 2019 was also apparent from the Labour Force Survey. The average hourly wage rate among full-time employees, measured year-over-year, strengthened steadily during the first six months of the year, rising to 3.9% in June.

Chart 11
Merchandise exports by commodity group



Source: Statistics Canada, table 12-10-0121-01.

Total imports of non-energy products were 1.8% higher in the first half of 2019, as higher shipments of aircrafts, motor vehicles and consumer goods offset lower imports of chemicals. Imports of aircraft and other transportation equipment rose 26% in the first half, reflecting higher shipments of airliners from the United States. Meanwhile, imports of energy products were down 3% in the first half, moderating increases in non-energy products.

More recently, the merchandise trade deficit widened to \$1.4 billion in July as higher exports of non-energy products, supported increases in metals and non-metallic mineral products, were offset by lower energy shipments. The trade deficit narrowed to \$1.0 billion in August as exports advanced.

Manufacturing supported by higher sales in Quebec

Following notable declines in late 2018, monthly manufacturing shipments rebounded in early 2019, advancing 2.7% in March on higher shipments of transportation equipment and primary metals. Factory sales were up in three of the first six months of the year. Total manufacturing sales during the first half of 2019 were unchanged from cumulative shipments in the second half of last year, as higher sales of fabricated metals, food products, motor vehicles and machinery products were offset by declines in wood, petroleum, and chemical products.

Higher sales in Quebec were offset by broad-based declines across the country during the first half of 2019. Total factory sales in Quebec during this period were 1.5% higher than during the last six months of 2018, led by gains in food products, metals and transportation equipment. Manufacturing sales in Ontario edged down 0.1%, as lower sales of petroleum and coal products were partly offset by higher sales of motor vehicles. Manufacturing sales in British Columbia edged down in the first half, mainly reflecting lower shipments of wood and paper products.

More recently, manufacturing sales were down 1.3% in July. Lower sales of primary metals and extended shutdowns at auto assembly plants contributed to the decline. Manufacturing sales rose 0.8% in August.

Retail spending advanced at a more moderate pace

Following declines in late 2018 and to start the year, retail spending rose from February to April, before edging lower towards mid-2019. Total retail sales were 0.5% higher in the first half of 2019 than during the second half of last year, as higher sales at motor vehicle and parts dealers were offset by lower receipts at gasoline stations. Excluding gasoline, total retail sales rose by 1.0% in the first half.

Among the provinces, the pace of retail spending in Quebec edged higher during the first half of 2019, while spending in Ontario rebounded from declines in late 2018. Total sales in Quebec were 1.2% higher during the first six months of 2019 than during the second half of last year, while overall spending levels in Ontario were essentially unchanged. Total sales in British Columbia also edged higher during the first half.

More recently, retail sales advanced in July, supported by higher sales at motor vehicle and parts dealers.

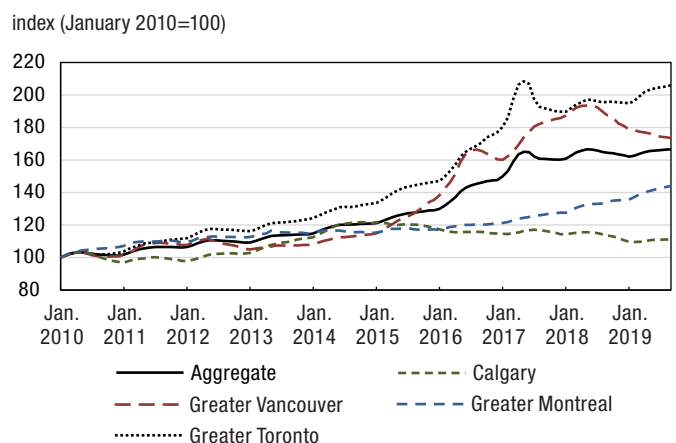
Home prices declined in Vancouver and strengthened in Toronto

Home prices, measured on an unadjusted year-over-year basis, declined during the first half of 2019, led by lower prices in Greater Vancouver. Based on estimates from the MLS Home Price Index, home prices declined on a year-over-year basis from February to June, after overall price growth slowed in late 2018. In June, home prices were 0.3% lower than in June of last year. (Chart 12).

Home prices in Greater Vancouver continued to decline on a year-over-year basis during the first half of the 2019. In June, prices in Vancouver were 9.6% lower than in June of last year. Home prices in Calgary also continued to decline on a year-over-year basis.

In contrast, home prices in Greater Toronto edged higher during the first half of 2019, and were 3.6% higher on a year-over-year basis in June. Home prices in Greater Montreal also continued to strengthen in the first half, and have been on an

Chart 12
MLS home price index, selected cities



Source: Statistics Canada, table 12-10-0121-01.



upward trend since early 2017. Home prices in Montreal were 6.7% higher in June 2019 than in June of last year.

More recently, price growth continued to accelerate in Montreal and Toronto during the summer months.

Homebuilding picked up in the second quarter

Monthly housing starts averaged 205,000 units (seasonally adjusted at annual rates) during the first half of 2019, essentially unchanged from average levels in the second half of 2018. Lower starts in Ontario over the first six months of the year were mainly offset by increases in British Columbia and Quebec. Homebuilding strengthened in the second quarter, supported by higher starts in British Columbia and Alberta.

More recently, housing starts continued at a robust pace during July and August, supported by higher multi-unit starts in Ontario.

Residential building permits edged higher in the first half of 2019. Permits in the first half totalled \$31.0 billion, up 0.6% from the last half of 2018.

Headline consumer inflation edged higher towards mid-year

After coming in below the 2% mark over the first three months of 2019, consumer price inflation edged higher in the spring, as the headline rate accelerated to 2.4% in May before slowing to 2.0% at mid-year. Gasoline prices, which have declined on a year-over-year basis since late 2018, continued to influence movements in the headline rate. Excluding gasoline prices, consumer inflation averaged 2.3% from January to June, up from 2.1% in the last half of 2018.

Increases in shelter costs, measured year-over-year, averaged 2.6% during the first six months of 2019. Annual increases in mortgage interest costs rose above 8% from February to June. In contrast, the homeowners' replacement cost index, which partly reflects changes in new home prices, was largely unchanged during the first half, after decelerating throughout 2018.

Food price inflation strengthened during the first half of 2019, supported by higher prices for food purchased from stores. Year-over-year increases in food prices averaged 3.3% from January to June, up from 2.0% in the last half of 2018.

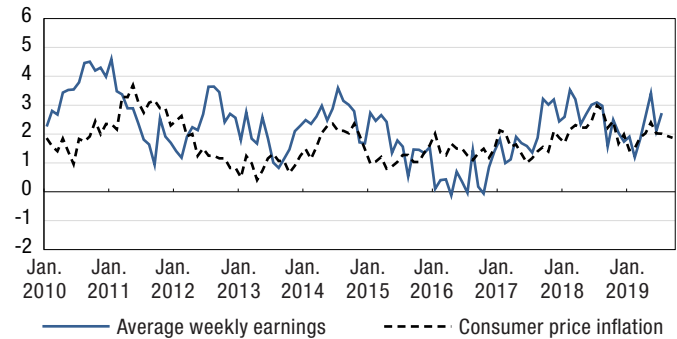
Prices for consumer durables accelerated in the spring, rising to 2.5% in May, the largest year-over-year increase since early 2017. Higher prices for passenger vehicles contributed to the acceleration. Annual price increases for consumer durables averaged 1.1% from January to June, up from 0.4% during the second half of 2018. Annual price increases for services averaged 2.5% during the first six months of 2019.

The gap between annual earnings growth and consumer inflation widened towards mid-year, as earnings strengthened from March to May (Chart 13).

More recently, consumer price inflation stood at 2.0% in July, before edging down to 1.9% in August and September. Excluding gas prices, consumer prices rose 2.4% on a year-over-year basis in each of these months.

Chart 13
Earnings and inflation

year-over-year change (percent)



Sources: Statistics Canada, tables 14-10-0223-01 and 18-10-0004-01.

Equities rebounded on broad-based gains in non-energy stocks

Following sharp declines in late 2018, Canadian equity prices rallied during the first half of 2019 as non-energy stocks advanced. The S&P/TSX composite index closed at 16,382 in June, up 14.4% from levels at year end. Gains were broad-based as information technology, industrials, utilities, gold, financials and consumer stocks all rallied in the first half. The energy index in June was up slightly from levels at year-end 2018 as losses in the spring offset gains early in the year.

More recently, the S&P/TSX composite index was little changed in July and August as gains in non-energy stocks offset declines in energy. As of August, the energy index had posted four consecutive monthly losses and was down 37% from levels in August 2018.

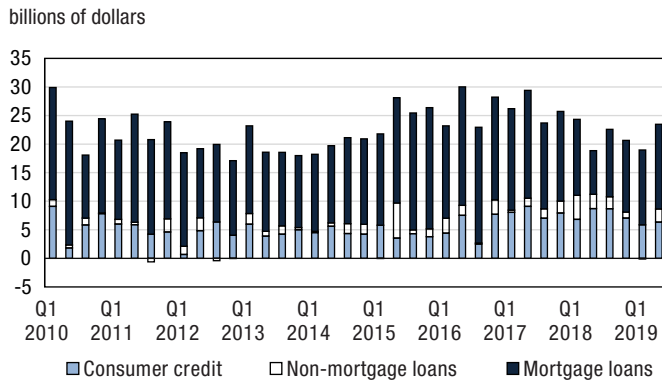
After closing at 73.3 cents U.S. at the end of 2018, the Canadian dollar strengthened in early 2019, trading at 76.4 cents in early February. The dollar trended lower from February to May, edging down to about 74 cents, before rising above 76 cents in late June. The dollar trended lower during the summer months, closing at 75.2 cents at the end of August.

Bond yields trended lower in the first half of 2019 as the spread between short- and long-term yields narrowed toward mid-year. Yields on Government of Canada two-year bonds were at 1.82% in January and declined to 1.46% in June. Similarly, yields on ten-year bonds declined from 1.92% in January to 1.50% at mid-year.

The spread between two- and ten-year bond yields inverted during the summer months, widening to 20 basis points in August as yields fell along the curve. Yields on 10-year Government of Canada bonds were 1.13% in August.

The Bank of Canada maintained the target for the overnight rate at 1.75% at its six interest rate announcements from January to September 2019. The conventional five-year mortgage rate published by the Bank of Canada was lowered to 5.19% in July 2019, the first change in published five-year rate since it rose to 5.34% in May 2018.

Chart 14
Household credit market borrowing, seasonally adjusted flows



Source: Statistics Canada, table 38-10-0238-01.

Commodities prices advanced on gains in energy and metals and minerals

Following substantial declines during the last half of 2018, commodity prices strengthened in the first half of 2019, supported by gains in energy, metals and minerals and agriculture. Overall commodity prices were 8.2% higher at mid-year than in December 2018, reflecting increases during the first quarter of 2019. Excluding energy, commodities prices were up 3.0% in the first half of the year.

Overall commodity prices advanced 2.8% in July before decreasing 3.1% in August on broad-based declines. Measured on a year-over-year basis, commodity prices in August were down 8% from levels in August 2018, reflecting declines in energy, forestry products and agriculture.

References

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Household net worth rose and mortgage borrowing strengthened

The net worth of households rose 1.2% in the second quarter, following a 2.7% gain in the first. Stronger equity prices in both quarters bolstered the value of household financial assets, as equity markets rebounded from sharp losses in late 2018. The value of household real estate assets also rose in the first and second quarters, following declines in the second half of last year. Total household assets in the second quarter were valued at \$13.54 trillion, while household financial liabilities amounted to \$2.28 trillion.

The pace of household credit market borrowing strengthened in the second quarter on increases in mortgage and non-mortgage loans (Chart 14). Measured on a seasonally-adjusted basis, mortgage borrowing was \$14.8 billion in the second quarter, up from \$13.1 billion in the first. Mortgage borrowing in the second quarter remained 5.5% lower than levels in late 2017, prior to changes in borrowing requirements. Overall credit market borrowing by households in the second quarter of 2019, based on mortgage loans, non-mortgage loans, and consumer credit, was \$23.5 billion, up about \$5 billion from the first quarter.

The ratio of household credit market debt to disposable income, adjusted for seasonality, decreased to 177.1% in the second quarter, the third consecutive quarterly decline. The household debt service ratio, which includes obligated principal payments and interest owing, edged up to 14.9% in the second quarter as interest payments continued to rise. The ratio of household debt to household assets edged up to 16.9% in the second quarter. While the debt-to-asset ratio has edged higher since early 2017, it has generally trended lower since the 2008-2009 recession.