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Releases

Income of Canadians

2005

Median after-tax income rose slightly for most Canadian families in 2005, and remained stable for unattached individuals, according to new data from the Survey of Labour and Income Dynamics

The median after-tax income for Canadian families with two or more people rose 1.6% from 2004 to \$56,000, after adjusting for inflation. This increase in after-tax income came on the heels of a 1.3% gain in 2004.

Though most family types shared in the increase in after-tax income, this was not the case for senior families and unattached individuals. Among senior families (those in which the main income earner was aged 65 and over) median after-tax income remained virtually unchanged at \$40,400 in 2005. However, this represented a 15% increase in real terms relative to 1996 — mostly the result of a five year upward trend that started in 1997.

Median after-tax income of "unattached individuals," or singles, remained stable at \$21,400 in 2005. About 14% of the population lived as unattached individuals in 2005, up from 11% two decades earlier.

Seniors living on their own had a median after-tax income of \$19,600 in 2005, virtually unchanged from 2004.

Canadian families earned the lion's share of their total income from market income, which is the sum of earnings from employment, investment income and private retirement income.

Survey of Labour and Income Dynamics (SLID) data also show that, based on after-tax income, the percentage of Canadian families living below Statistics Canada's low income cut-off (LICO) remained unchanged in 2005.

An estimated 655,000 Canadian families were living in low income in 2005, 7.4% of all families. Some 788,000 children under 18 were living in low-income families, 11.7% of the total.

Market income remained virtually unchanged

Families and singles earned the lion's share of their total income from market income. Median market income of both families and singles remained virtually unchanged between 2004 and 2005.

In 2005, the median market income of two-parent families with children was \$72,800.

Note to readers

This release examines economic family income and low income in Canada. The data prior to 1996 are drawn from the Survey of Consumer Finances. Beginning with 1996, the data are taken from the Survey of Labour and Income Dynamics.

Note that this report analyses family income on the basis of medians. The median is the point at which half of all families had higher income than the rest, and half had less. All income estimates are expressed in constant 2005 dollars to factor in inflation and allow for comparisons across time in real terms.

Market income is the sum of earnings from employment and net self-employment income, investment income (excluding capital gains), and private retirement income. It is also called income before taxes and transfers. After-tax income is the total of market income and government transfers, less income tax.

Statistics Canada's low-income rate measures the percentage of families below the low income cut-off (LICO). The LICO is a statistical measure of the income thresholds below which Canadians likely devote a larger share of income than average to the necessities of food, shelter and clothing. For further information, consult the article "On poverty and low income" (13F0027XIE) available free online.

A follow-up report, which will be published shortly, will focus on the low income experience of unattached Canadians aged 18 to 64.

The median market income of female lone-parent families, at \$22,200, remained virtually unchanged from 2004. However, this was a huge increase compared with the 25-year low of \$8,600 in 1996. Much of the gain during this last decade reflects higher earnings and a larger proportion of working mothers.

Stability in taxes and transfers

Median taxes and transfers changed little for both families and unattached individuals.

For every \$100 in total income received by Canadian families in 2005, an average of \$10 came from government transfers. This compared with the 25-year low of \$8 in 1980, and highs of \$13 in the early 1990s.

Families paid \$17 of every \$100 in personal income taxes in 2005, compared with a low of \$15 in 1980 and a high of \$20 in 1998.

These changes between 1980 and 2005 reflected factors such as economic recessions and booms, changes in tax and transfer programs, and changes in demographics such as family composition, student status and population aging.

Income inequality: Gap widens between the lowest- and highest-income families

To analyse income inequality, families were divided into five groups, or quintiles, in ascending order of families' after-tax income. Each quintile represented 20%, or one-fifth, of all families.

The gap between the families with the lowest and highest incomes, an indication of income inequality, widened during the past decade. The gap between the top and bottom quintiles started at \$83,800 in 1980, and fluctuated between \$79,500 and \$84,500 until 1996. By 2005, the gap had reached \$105,400.

Average after-tax income in 2005 was \$128,200 for the 20% of families with the highest incomes, compared with \$22,800 for the 20% with the lowest.

Though all quintiles benefited from the positive economic conditions that prevailed since the early 1990s, families in the top one-fifth gained the most. Since 1996, their average after-tax income rose 24% compared with about 18% for the other quintiles.

Highest 20% of income recipients pay almost 60% of personal income taxes

The 20% of families and unattached individuals who took home the highest amount of after-tax income in 2005 collectively paid almost 60% of all personal income taxes that year, up from 50% in 1980.

This change reflects, in part, increases in their share of total after-tax income and the redistributive nature of Canada's personal income tax systems.

Government transfers and federal-provincial-territorial income tax systems help redistribute income from higher income Canadians to lower income Canadians — hence reducing income inequality.

In 2005, the average market income for families in the highest quintile was 12.8 times higher than those in the lowest quintile. However, once all government transfers are distributed, this ratio fell to 6.9 times higher. After taxes the average income for families in the highest quintile was 5.6 times higher than their counterparts in the lowest.

Low-income rate remained unchanged for most family types

Statistics Canada's low-income rate measures the percentage of families below the low income cut-off (LICO). The LICO is a statistical measure of the income thresholds below which Canadians likely devote a larger

share of income than average to the necessities of food, shelter and clothing.

In 2005, an estimated 655,000 Canadian families were below the LICO after taxes, representing 7.4% of all families, a proportion unchanged from 2004. The families in low income faced an average gap of \$7,900, which represents the amount of income they required to bring their income above the cut-off.

Female lone-parent families saw a decline in their low income rates, from 36.0% in 2004 to 29.1% in 2005. This reflects an upward trend in market income in recent years driven by higher earnings and a larger proportion of earners.

Although this decline continued a four-year downward trend, the incidence of low income for female lone-parent families remained more than four times as high as that of two-parent family with children.

In 2005, about 3.4 million people were in low income. They accounted for 10.8% of all Canadians in 2005, compared with 11.4% in 2004 and well below the peak of 15.7% in 1996.

In 2005, the low-income rate among seniors remained stable at 6.1%.

An estimated 788,000 children under 18 years of age lived in low-income families in 2005, down from 1.3 million in 1996. About 11.7% of children lived in low-income families in 2005, well below the peak of 18.6% in 1996.

In 2005, 320,000 children, just under one-half of all the children in low-income families, lived in female lone-parent families. The low-income rate of children in female lone-parent families was more than four times higher than that of children living in two-parent families. However the low-income rate for these children fell from 40.4% in 2004 to 33.4% in 2005.

Provinces: Alberta families had highest median income for the second consecutive year

For the second consecutive year, Alberta families with two or more people had the highest median after-tax income.

Alberta families reported a median of \$64,700 compared with \$61,000 for Ontario families. Both were well above the national median of \$56,000.

Incomes in Alberta and Ontario were virtually identical in 2003. Alberta families took the lead in 2004 and saw it increase in 2005.

Quebec families saw a 3.5% increase of their after-tax income to \$50,400 in 2005. After-tax income was virtually unchanged in all other provinces. Families in Newfoundland and Labrador had the lowest after-tax income at \$43,100.

Definitions, data sources and methods: survey numbers, including related surveys, 3502 and 3889.

A more detailed report, *Income in Canada 2005* (75-202-XWE, free) is available today from the *Publications* module of our website. This report contains analysis and 15 tables at the Canada and province level. The publication *Income Trends in Canada, 2005* (13F0022XIE, \$209) and the CD-ROM

Income Trends in Canada, 2005 (13F0022XCB, \$209), which will soon be available, provide 40 tables at the Canada and province level with some data at the census metropolitan area level.

For more information, or to enquire about concepts, methods or data quality of this release, contact Client Services (toll-free 1-888-297-7355 or 613-951-7355; income@statcan.ca), Income Statistics Division.

Selected income concepts by main family types, 2005

	Median			
	Market income	Government transfers	Income taxes	After-tax income
	2005 constant dollars			
Economic families, two persons or more	57,700	3,900	8,600	56,000
Senior families	22,100	22,000	2,900	40,400
Non-senior couples without children	63,700	200	10,400	55,700
Two-parent families with children	72,800	2,700	11,600	65,700
Female lone-parent families	22,200	6,800	500	30,400
Single persons	18,100	500	2,000	21,400

Median income for economic families and single persons

	1996	1998	2000	2002	2003	2004	2005
	2005 constant dollars						
Economic families, two persons or more							
Market income	49,900	52,700	56,400	55,600	55,700	56,800	55,700
Government transfers	4,800	4,100	3,300	3,900	3,900	4,100	3,900
Income tax	9,000	9,400	9,600	8,700	8,600	8,700	8,600
After-tax income	48,100	49,900	52,400	54,400	54,400	55,100	56,000
Single persons							
Market income	12,400	13,700	15,700	17,500	17,500	17,500	18,100
Government transfers	3,400	3,100	1,000	1,300	900	700	500
Income tax	1,500	1,800	2,100	2,300	2,200	2,300	2,000
After-tax income	18,100	18,800	19,900	21,700	21,300	21,500	21,400

Low income rates (1992 base after-tax income low income cut-off) by main family types

	1996	1998	2000	2002	2003	2004	2005
	%						
Economic families, two persons or more	12.1	10.1	9.0	8.6	8.5	8.0	7.4
Senior families	3.3	3.9	3.1	2.9	2.7	2.1	1.6
Non-senior couples without children	8.4	6.7	6.9	7.1	6.6	6.4	6.4
Two-parent families with children	10.9	8.6	8.3	6.6	6.8	6.9	6.7
Female lone-parent families	52.7	42.9	36.3	39.4	38.8	36.0	29.1
Single persons	37.3	35.1	32.9	29.5	29.6	30.1	30.4

Percentage of persons in low income (1992 base after-tax income low income cut-off)

	1996	1998	2000	2002	2003	2004	2005
	%						
Persons under 18 years old	18.6	15.5	13.8	12.2	12.5	13.0	11.7
In two-parent families	12.4	9.9	9.5	7.3	7.9	8.4	7.8
In female lone-parent families	55.8	46.1	40.1	43.0	41.2	40.4	33.4
Person 18 to 64 years old	15.7	13.9	12.9	12.1	12.2	11.9	11.4
Person 65 and over	9.8	8.6	7.6	7.6	6.8	5.6	6.1

Selected income concepts for economic families of two persons or more by province, 2005

	Median				
	Market income	Government transfers	Income taxes	After-tax income	After-tax low-income rate
	2005 constant dollars				%
Canada	57,700	3,900	8,600	56,000	7.4
Newfoundland and Labrador	36,900	11,000	5,800	43,100	6.5
Prince Edward Island	44,000	8,200	6,600	47,600	3.1
Nova Scotia	49,100	5,900	7,700	49,400	4.6
New Brunswick	43,200	6,400	6,000	45,400	7.3
Quebec	50,100	6,300	8,200	50,400	7.3
Ontario	63,600	3,200	9,600	61,000	7.7
Manitoba	55,100	3,200	8,500	52,700	8.5
Saskatchewan	52,200	3,000	7,400	51,600	7.6
Alberta	70,300	1,400	10,300	64,700	5.5
British Columbia	57,000	3,300	7,300	57,100	8.4

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Consolidated government finance: Assets and liabilities

March 31, 2005

The consolidated net financial debt of the federal, provincial, territorial general and local governments, defined as the excess of liabilities over financial assets, decreased to \$791.2 billion as of March 31, 2005, down \$2.1 billion or 0.3% from March 31, 2004.

The increase in assets, \$32.1 billion, is mostly accounted for by an increase in securities. The increase in liabilities, \$29.9 billion, results mainly from increases in treasury bills and other securities, partly offset by declines in bonds and debentures and saving bonds.

The federal government net financial debt declined by \$304 million to \$523.3 billion, while the net financial debt of the provincial, territorial general and local governments declined by \$1.8 billion to \$267.8 billion.

The consolidated net financial debt of governments represented 59.4% of gross domestic product (GDP) in 2005, down from 63.3% the year before. This decline was due mainly to the growth in GDP. Net financial debt, as a percentage of GDP has gone down every year since it peaked in 1996 at 102.1%.

On a per capita basis, net financial debt fell from \$24,876 in 2004 to \$24,573 in 2005. The highest per capita net financial debt was recorded in 1997 at \$28,543.

Newfoundland and Labrador had the highest per capita net financial debt in 2005 (\$20,938), followed by Quebec (\$15,165) and Nova Scotia (\$12,617).

Governments in the Yukon, Alberta and the Northwest Territories did not register any net financial debt. In each case, their financial assets exceeded their liabilities on a per capita basis: by \$9,677 in the Yukon; \$6,538 in Alberta; and \$1,070 in the Northwest Territories.

Note: Statistics Canada's Financial Management System (FMS) provides a standardized presentation of government accounting for the federal, provincial and local governments in Canada. The individual governments' accounting systems are not directly comparable because the policies and structure of governments differ. The FMS adjusts data from governments' Public Accounts and other records to provide detailed data that permit inter-government comparisons as well as compatible national aggregates that are consistent over time. In other words, FMS statistics may not accord with the figures published in government financial statements.

This release is part of a series of data products related to government balance sheets. Provincial and territorial government balance sheet was released October 31, 2006, federal government balance sheet was released December 21, 2006 and local government balance sheet was released April 25, 2007.

Available on CANSIM: tables 385-0010, 385-0014, 385-0017 to 385-0019, 385-0025 and 385-0026.

Definitions, data sources and methods: survey number 1709.

Data tables are also available online in the *National Economic Account* module on our website.

For more information on the products and services of the Public Institutions Division, contact PID-DIPInfo (613-951-0767; pid-dipinfo@statcan.ca).

To enquire about the concepts, methods or data quality of this release, contact Philippe Samborski (613-951-7101; philippe.samborski@statcan.ca), Public Institutions Division. □

Consolidated net financial debt of federal, provincial, territorial general and local governments as of March 31

Year	Consolidated net financial debt	% of GDP ¹	Per capita
	\$ millions	%	\$
1991	532,636	78.5	19,066
1992	593,797	85.7	21,008
1993	667,196	93.3	23,331
1994	739,122	98.5	25,571
1995	797,582	99.5	27,304
1996	836,993	102.1	28,358
1997	851,118	98.1	28,543
1998	847,318	93.4	28,167
1999	848,660	89.4	27,993
2000	832,687	79.9	27,215
2001	800,373	71.8	25,891
2002	796,743	71.2	25,483
2003	794,509	65.7	25,160
2004	793,314	63.3	24,876
2005	791,191	59.4	24,573

1. GDP at market prices, first quarter figures.

Consolidated net financial debt of provincial, territorial general and local governments as of March 31, 2005

Province/territory	Consolidated net financial debt	Per capita
	\$ millions	\$
Newfoundland and Labrador	10,783	20,938
Prince Edward Island	1,348	9,768
Nova Scotia	11,822	12,617
New Brunswick	6,141	8,166
Quebec	114,980	15,165
Ontario	106,730	8,533
Manitoba	11,855	10,098
Saskatchewan	8,304	8,371
Alberta	-21,282	-6,538
British Columbia	17,182	4,051
Yukon	-300	-9,677
Northwest Territories	-46	-1,070
Nunavut	330	11,000

Canadian Portfolio Investment Survey

Year-end 2005

Canadians had \$547.4 billion worth of foreign securities in their portfolios at the end of 2005, twice the investments they held eight years ago. Canadian holdings of foreign securities increased by 19% in 2005 and were driven by growth in holdings of foreign debt securities. Gains realized due to the appreciation of foreign asset prices and acquisitions of foreign securities were partly offset by a stronger Canadian dollar, which gained ground against all its major counterparts in 2005.

Canadians had portfolio investment abroad totalling \$445.6 billion in the form of equities and \$101.9 billion in the form of debt instruments at the end of 2005. Equity investment accounted for more than 80% of total foreign portfolio investment in 2005. While equities still dominate, Canadians have

been steadily diversifying toward debt instruments since 2001 when debt represented just 10% of holdings.

Canadian portfolio investment abroad was mainly in US securities, the world's largest financial market. However, an increasing access to international financial markets, combined with the elimination of the foreign property limit and the emergence of developing economies, provided more opportunities for Canadians to diversify their portfolios.

Consequently, the share of investment in US securities went from 60% in 2002 to 54% in 2005. In terms of equity investments, US stocks fell to 51% at the end of 2005 as opposed to 59% three years earlier. Europe, the Caribbean and the Asia and Oceania region all gained a greater share of Canadian portfolio investment in equities during this period.

Portfolio investment in US and European securities grew at a solid pace of 18% and 16% respectively in 2005. However, the largest growth came from

investments in South and Central America (35%) and in Asia and Oceania (33%).

After a period during which investments of Canadians declined between 2000 and 2002, and remained flat in 2003, investments in South and Central America rebounded in 2004 and 2005, driven by the growth in Brazilian securities which almost doubled.

The value of investments in Asia and Oceania increased strongly in 2005, mainly in South Korea, Taiwan and New Zealand, all posting growth of about 60%. Significant gains were also recorded in Japan, India and China, with 30% to 40% increases.

Although portfolio investment abroad was spread over more than 85 countries, there was still a high concentration of assets in a limited number of countries at the end of 2005. The top five countries of investment accounted for over three-quarters of the total investment in foreign securities while the top 10 countries accounted for over 85%. The United Kingdom, France and Germany together accounted for 60% of all European holdings.

The top five destinations in 2005, in order of importance, were the United States, the United Kingdom, Japan, France and Germany. Switzerland replaces Germany as the fifth most popular destination when considering equity investment only.

Note: The survey collects information on portfolio investment assets at year-end, at market value, broken

down by country of issuer. Portfolio investment is defined as investment in equity or debt securities undertaken for the sake of investment income or capital gains. Unlike direct investors, portfolio investors have no significant influence on the orientation and management of the enterprise in which they invest.

Foreign securities are defined as an investment in equity and debt instruments issued by a non-resident issuer. Equity securities include common and preferred shares as well as rights, warrants and units of investment funds. Debt securities include bonds (original term to maturity of more than one year) and money market instruments (original term to maturity of one year or less).

Available on CANSIM: table 376-0064.

Definitions, data sources and methods: survey number 1537.

For general information or to order data, contact Client Services (613-951-1855; infobalance@statcan.ca). To enquire about the concepts, methods or data quality of this release, contact Bruce Nichols (613-951-5665) or Eric Boulay (613-951-1872), Balance of Payments Division.

Market value of Canadian portfolio investment abroad at year-end

	2002	2003	2004	2005
	\$ millions			
America	239,988	254,810	270,145	321,998
United States	226,120	238,928	247,957	292,909
Cayman Islands	3,951	5,134	8,679	10,711
Bermuda	2,324	3,248	4,738	6,451
Mexico	3,688	3,260	3,668	4,572
Brazil	2,130	2,267	2,986	4,304
All other countries in America	1,775	1,973	2,117	3,051
Europe	98,178	113,757	131,334	152,143
United Kingdom	37,795	43,534	50,624	57,547
France	13,725	15,461	16,562	19,164
Germany	8,119	11,109	11,585	14,544
Switzerland	8,700	10,201	11,116	12,646
Netherlands	8,719	9,383	11,210	12,604
All other countries in Europe	21,120	24,069	30,237	35,638
Asia and Oceania	35,898	44,090	52,149	69,433
Japan	20,638	24,598	29,235	39,481
Australia	4,276	5,778	8,279	10,354
South Korea	3,123	3,535	4,007	6,316
Hong Kong	2,802	3,457	3,799	4,196
Taiwan	602	969	1,195	1,927
All other countries in Asia and Oceania	4,457	5,753	5,634	7,159
All other countries	3,664	4,972	4,795	3,842
Total	377,728	417,629	458,423	547,416

New products

Canadian Foreign Post Indexes, May 2007

Catalogue number 62-013-XIE

(free).

Employment, Earnings and Hours, February 2007,

Vol. 85, no. 2

Catalogue number 72-002-XIB

(free).

Income in Canada, 2005

Catalogue number 75-202-XWE

(free).

Survey of Labour and Income Dynamics: A Survey Overview, 2007

Catalogue number 75F0011XIE

(free).

Survey of Labour and Income Dynamics Electronic Data Dictionary, 2006

Catalogue number 75F0026XIE

(free).

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Thursday, June 5, 1997 For release at 9:30 a.m.	
MAJOR RELEASES	
Urban transit, 1995 Despite the emphasis on taking urban transit, Canadians are using it less and less. In 1996, each Canadian took an average of about 25 trips on some form of urban transit, the lowest level in the past 25 years.	2
Productivity, hourly compensation and unit labour cost, 1995 Growth in productivity among Canadian businesses also noticeably weak again in 1996, accompanied by sluggish gains in employment and slow economic growth during the year.	4
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