

Canada's fiscal ace up the sleeve

By Warren Lovely

When it comes to a nation's overall fiscal health, the importance of a viable, funded social security system shouldn't be underestimated. For Canada, rapidly accumulating net assets at the CPP/QPP remain a fiscal ace up the sleeve (and a comfort to current/future retirees)—a message reinforced by today's Consolidated Canadian Government Finance Statistics (for 2020). Canada's governments saw net liabilities breach C\$1.5 trillion last year. Assign 60% of that debt to the feds and nearly 40% to provinces, with municipal governments accounting for a tiny share. In contrast, the CPP/QPP jointly boasted a net financial worth of C\$593 billion in 2020. That unprecedented tally was up 21.5% year-on-year, advancing impressively vs. GDP and population. True, some debt has been taken on, but leverage is closely controlled/limited and has not jeopardized the sterling credit ratings of associated issuing entities. Net contributions remain positive, bolstering cash flow. Meanwhile, broadly diversified investment portfolios have delivered healthy returns. Importantly, this year's interim results (from [CPP Investments](#) and [CDPQ](#), which counts the QPP as one of its largest depositors) keep the positive storyline alive. The CPP Fund shot up some C\$44 billion in the six months to September 30th, returning 7.5% net of costs. Nice work for half a year. CDPQ's half-year results (to June 30th) likewise confirmed sturdy net income, propelling net assets higher. Is there a particular surprise in today's StatCan data or more-timely YTD results? Not necessarily. But with something as vital as social security sustainability, seeing Canada's strategic advantage reinforced is a comfort all the same.

Chart 1: Gov'ts ran up debt, while CPP/QPP assets shot up

Net financial assets/(liabilities): Cdn consolidated government vs. CPP/QPP

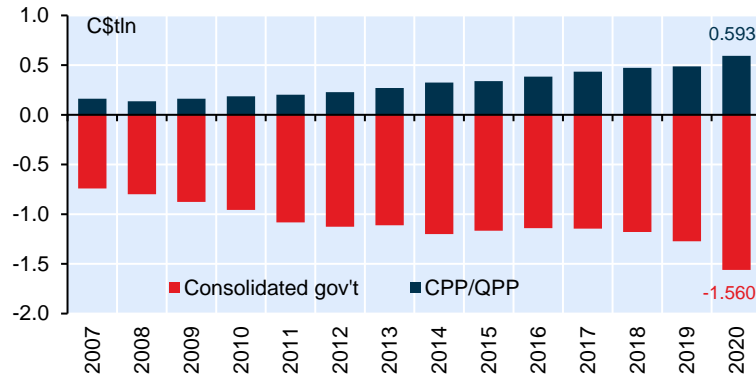


Chart 2: Breaking down net worth/net debt by sector

Net financial assets/(liabilities) across Canada's broader public sector

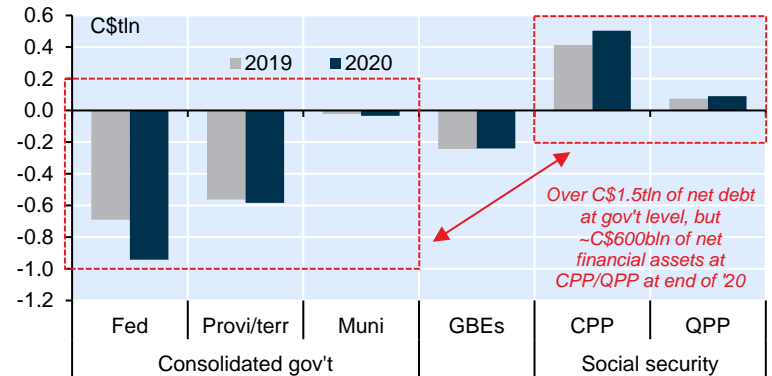


Chart 3: Anyway you slice it, et worth of CPP/QPP no joke

Net financial assets of CPP/QPP relative to GDP & population

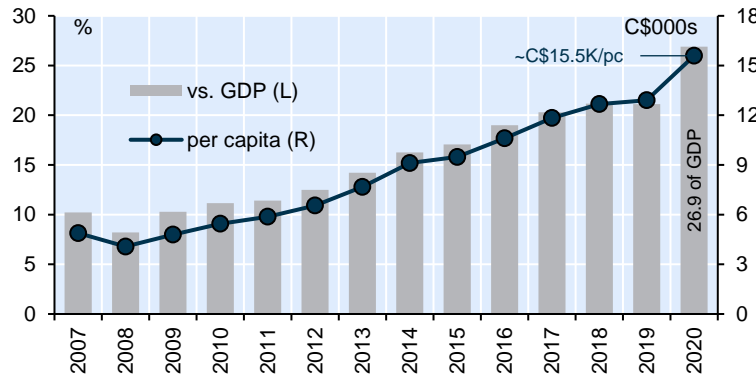


Chart 4: Leverage limited, net assets surging

Liabilities & net financial worth of CPP/QPP

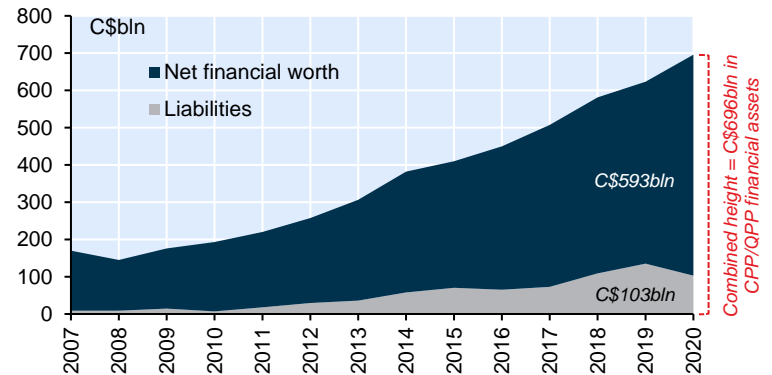


Chart 5: Cash flow positive

Contributions received & benefits paid at CPP/QPP

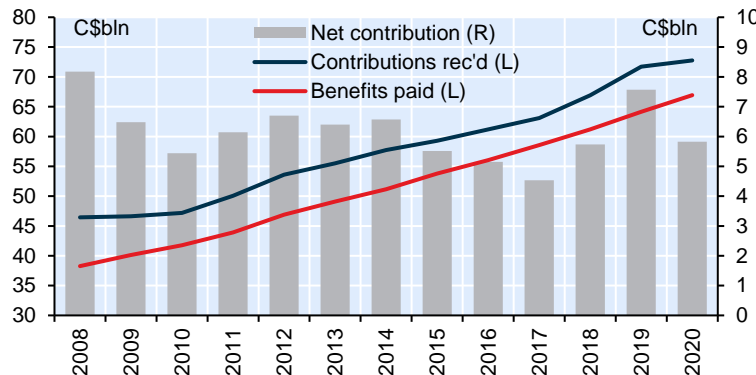
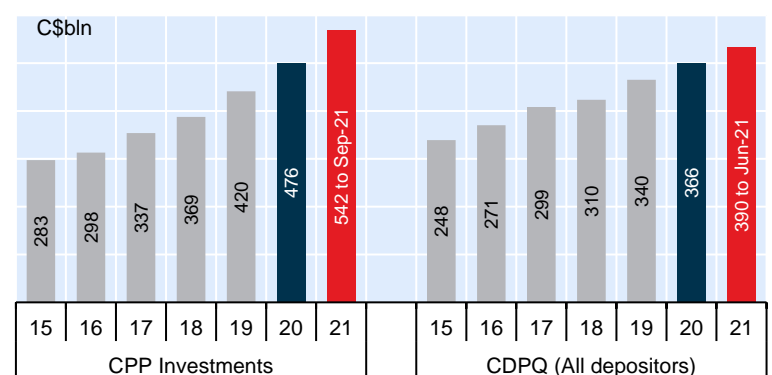


Chart 6: 2021 interim results look solid, net assets expanding

Net assets at CPP Investments & CDPQ: Year-end level to 2020 + latest



Notes to Charts 1-5: Based on Consolidated Canadian Government Finance Statistics data up to 2020, released 22-Nov; CPP/QPP assets, liabilities, contributions combined | Note to Chart 6: Based on interim results to Sep-21 for CPP Investments and Jun-21 for CDPQ; QPP represented ~24% of CDPQ net assets as at Dec-20



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