

September 12, 2025 - (Vol. IX, No. 86)

Clean up in aisle... GoC

By Warren Lovely

StatCan has dropped the National Balance Sheet Accounts (NBS) accounts for 2025:Q2, detailing material shifts in ownership and net absorption of Canadian government debt. Some points to note...

It's clear that Canadian governments (federal and provincial) have been creating net new debt at a legitimately speedy rate. Believe it or not, our governments are issuing debt every bit as fast as in the U.S. ([link](#)). This rapid debt accumulation has been evident even without fully layering in fresh (though not-yet-fully costed) federal commitments on national defense among other things. As per the NBS, the federal government alone tapped debt markets for ~\$80 billion in the first half of 2025, topping 5% of GDP (AR), to say nothing of the non-trivial borrowing undertaken by Canada's other levels of government. A big lift then.

For some time, the Bank of Canada's balance sheet adjustments/run-off have required end investors to absorb all marginal GoC debt. Illustrating the point, the BoC's ownership share of GoC bonds—which at one point topped 40%—was down to 18% as of August and not all that far removed from pre-COVID levels. So a larger share of a rapidly growing debt stock has been going to end investors, either at home or abroad. Notably, securities transactions data have hinted at an apparent shift in foreign attitudes towards CAD-denominated paper. Specifically, an earlier foreign buying binge all-but-evaporated in first half of 2025. Given this

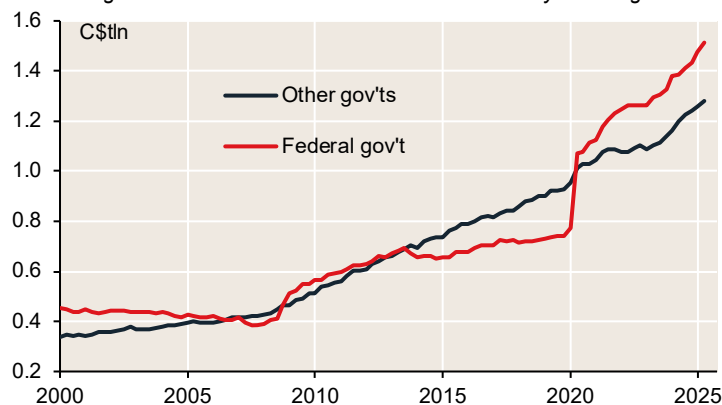
'foreign buyers strike', domestic investors were forced to absorb the pile of new GoC debt created in the first half of 2025. Back to the NBS...

One sector, more than any other, is mopping up the GoC market these days: Canadian banks. The ~\$80 billion increase in bank holdings of federal debt in the last two quarters was unprecedented, equal to total GoC net issuance. 'Clean up in aisle GoC' indeed. Elsewhere, domestic mutual funds added GoC exposure in the first half, while Canada's pension/insurance sector net reduced their holdings of GoC debt.

Beyond (or because of) abundant supply, banks have economic reasons to hold GoC bonds. Expected returns aside, deposit growth coupled with lacklustre credit growth (household and commercial) leaves excess liquidity to deploy. Still, there's plenty more GoC debt to come, as a federal budget will make clear. A credible fiscal plan from Ottawa could convince foreign investors to return to the GoC market, thus bolstering/broadening demand. Even if non-residents come back, sustained rapid growth in Canada's government debt stock might argue for a degree of regulatory relief (via the leverage ratio). All else equal, such a move would make it more viable for our banks to continue to do what they did in the first half: hold more GoC paper, ensuring an effective and well-functioning debt market. That would be of benefit not only to the feds but other borrowers and Canadians at large. Food for thought.

Chart 1: Canadian government debt up, up and away...

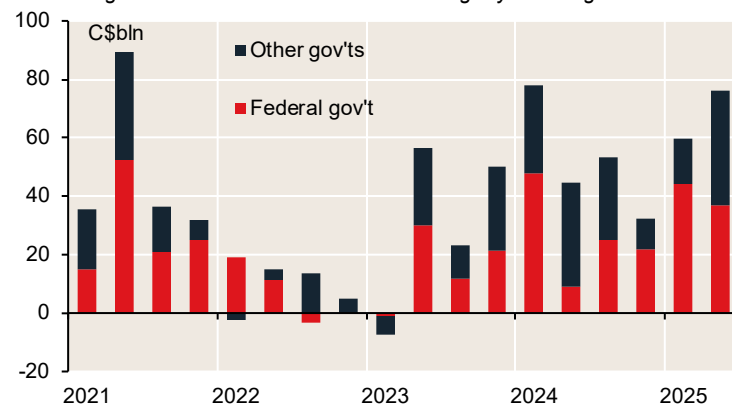
Canadian government financial liabilities: Debt securities by level of government



Source: NBC, StatCan | Note: Book value of outstanding debt securities to 2025:Q2

Chart 2: ... as evidenced by brisk net borrowing tempo

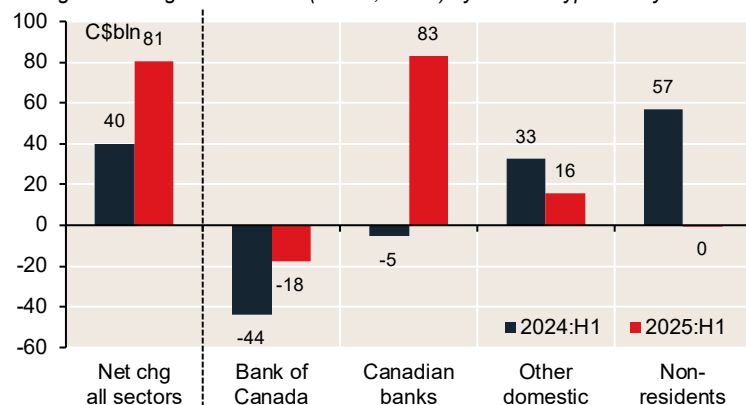
Canadian government net credit market borrowing: By level of government



Source: NBC, StatCan | Note: Quarterly NBS to 2025:Q2

Chart 3: Non-residents got cold feet in first half of 2025...

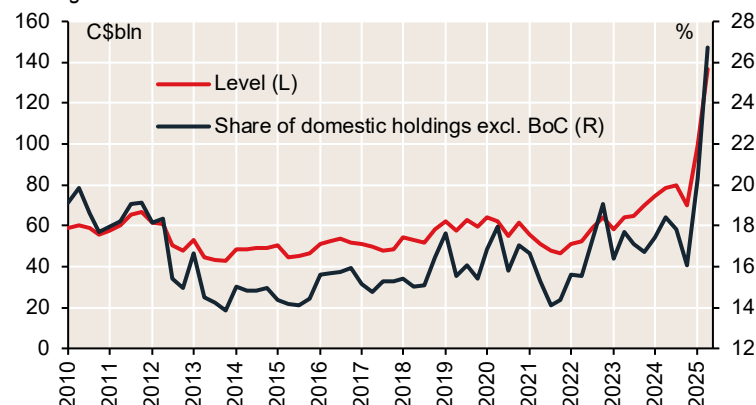
Change in holdings of GoC debt (bonds, T-bills) by investor type: Half-year basis



Source: NBC, StatCan | Note: Represents change in GoC debt holdings at market value

Chart 4: ... forcing Canadian banks to clean up GoC market

Holdings of GoC bonds at Canadian banks



Source: NBC, StatCan | Note: Based on GoC bond holdings at market value to 2025:Q2

**Table 1: Detailed look at absolute and relative holdings of C\$5.9 trillion in Canadian debt securities (all sectors)***Market value & share of total holdings: Canadian debt securities by type of paper & holdings by detailed NBS sector (as of 2025:Q2)*

Holdings (C\$bln, market value)	Cdn debt securities	Canadian short-term paper			Canadian bonds				
		All Cdn ST paper	Gov't of Canada	Other sectors	All Cdn bonds	Gov't of Canada	Provincial gov'ts	Local gov'ts	Other sectors*
Total all sectors	5,906.0	735.1	300.4	434.6	5,171.0	1,164.0	1,056.7	67.6	2,882.7
Domestically held (incl. monetary authority)	3,586.9	565.5	219.3	346.2	3,021.4	716.4	796.1	58.3	1,450.6
Households & non-profit institutions	122.1	9.2	1.4	7.8	112.9	19.8	25.8	13.0	54.3
Corporations	2,990.6	450.7	191.1	259.6	2,540.0	628.6	656.4	39.2	1,215.8
Non-financial corporations	117.1	75.4	25.1	50.2	41.7	8.4	3.6	0.0	29.8
Financial corporations	2,873.6	375.3	165.9	209.4	2,498.3	620.2	652.9	39.2	1,186.0
Bank of Canada	216.6	0.0	0.0	0.0	216.6	205.0	6.8	0.0	4.8
Chartered banks & quasi-banks	650.6	101.1	56.0	45.1	549.6	136.7	168.9	6.4	237.6
Insurance & pension funds	942.7	75.2	35.7	39.5	867.5	159.6	357.3	26.9	323.7
Total other private financial institutions	746.7	188.1	67.1	121.0	558.6	103.8	115.2	5.9	333.7
Financial gov't business enterprises	316.9	11.0	7.1	3.9	305.9	15.1	4.7	0.0	286.1
General governments	474.1	105.6	26.8	78.8	368.6	68.0	113.9	6.1	180.6
Federal general government	55.0	0.3	0.1	0.2	54.6	10.0	0.2	0.0	44.4
Other levels of general government	276.6	88.3	26.7	61.6	188.3	29.5	66.0	5.2	87.7
Provincial & territorial governments	221.0	75.4	26.6	48.8	145.6	22.5	54.1	0.3	68.8
Local governments	55.6	12.9	0.1	12.7	42.7	7.0	11.9	4.9	18.9
Social security funds	142.6	17.0	0.0	17.0	125.6	28.6	47.6	0.9	48.5
Non-residents	2,319.2	169.6	81.1	88.5	2,149.6	447.5	260.7	9.3	1,432.0

Distribution of holdings by security type (%)	Cdn debt securities	Canadian short-term paper			Canadian bonds				
		All Cdn ST paper	Gov't of Canada	Other sectors	All Cdn bonds	Gov't of Canada	Provincial gov'ts	Local gov'ts	Other sectors*
Total all sectors	100%	100%	100%	100%	100%	100%	100%	100%	100%
Domestically held (incl. monetary authority)	61%	77%	73%	80%	58%	62%	75%	86%	50%
Households & non-profit institutions	2%	1%	0%	2%	2%	2%	2%	19%	2%
Corporations	51%	61%	64%	60%	49%	54%	62%	58%	42%
Non-financial corporations	2%	10%	8%	12%	1%	1%	0%	0%	1%
Financial corporations	49%	51%	55%	48%	48%	53%	62%	58%	41%
Bank of Canada	4%	0%	0%	0%	4%	18%	1%	0%	0%
Chartered banks & quasi-banks	11%	14%	19%	10%	11%	12%	16%	9%	8%
Insurance & pension funds	16%	10%	12%	9%	17%	14%	34%	40%	11%
Total other private financial institutions	13%	26%	22%	28%	11%	9%	11%	9%	12%
Financial gov't business enterprises	5%	1%	2%	1%	6%	1%	0%	0%	10%
General governments	8%	14%	9%	18%	7%	6%	11%	9%	6%
Federal general government	1%	0%	0%	0%	1%	1%	0%	0%	2%
Other levels of general government	5%	12%	9%	14%	4%	3%	6%	8%	3%
Provincial & territorial governments	4%	10%	9%	11%	3%	2%	5%	0%	2%
Local governments	1%	2%	0%	3%	1%	1%	1%	7%	1%
Social security funds	2%	2%	0%	4%	2%	2%	5%	1%	2%
Non-residents	39%	23%	27%	20%	42%	38%	25%	14%	50%

Tables 2-3: Spotlight on GoC debt holdings, amidst continued BoC run-off (in bonds) & more recent non-resident apathy*Market value & share of Government of Canada Till & bond holdings by select NBS sector (as of 2025:Q2)*

GoC T-bill holdings (market value)		All sectors	BoC	Domestic ex. BoC	Households & non-fin'l corps	Banks	Insurance companies	Trusteed pensions	Other private FIs	Financial GBEs	Federal gov't	Other levels of gov't	Social security funds	Non-residents
Current:	Level (C\$bln)	300.4	0.0	219.3	26.6	56.0	21.0	14.7	67.1	7.1	0.1	26.7	0.0	81.1
	Share (% of total)	100.0%	0.0%	73.0%	8.8%	18.6%	7.0%	4.9%	22.3%	2.3%	0.0%	8.9%	0.0%	27.0%
2Q	Level chg (C\$bln)	14.9	0.0	24.0	-1.5	16.6	-1.8	1.6	8.8	-0.7	0.0	1.0	0.0	-9.1
	Share chg (%-pts)	0.0%	0.0%	4.6%	-1.0%	4.8%	-1.0%	0.3%	1.9%	-0.4%	0.0%	-0.1%	0.0%	-4.6%

GoC bond holdings (market value)		All sectors	BoC	Domestic ex. BoC	Households & non-fin'l corps	Banks	Insurance companies	Trusteed pensions	Other private FIs	Financial GBEs	Federal gov't	Other levels of gov't	Social security funds	Non-residents
Current:	Level (C\$bln)	1,164.0	205.0	511.4	28.2	136.7	51.4	108.2	103.8	15.1	10.0	29.5	28.6	447.5
	Share (% of total)	100.0%	17.6%	43.9%	2.4%	11.7%	4.4%	9.3%	8.9%	1.3%	0.9%	2.5%	2.5%	38.4%
2Q	Level chg (C\$bln)	65.7	-17.7	74.6	-1.3	66.5	1.0	-8.0	14.4	0.5	1.4	-4.3	4.5	8.8
	Share chg (%-pts)	0.0%	-2.7%	4.2%	-0.3%	5.4%	-0.2%	-1.3%	0.8%	0.0%	0.1%	-0.5%	0.3%	-1.5%

Source: NBC, StatCan | Note: Canadian debt securities includes issues denominated in CAD as well as securities denominated in foreign currencies; other Canadian bond sectors includes corporates, CMB, GBEs, other public sector, etc.; for Tables 2-3, the 2Q changes in holdings and ownership share refer to 2025:H1 (i.e., 2025:Q2 relative to 2024:Q4)



Economics and Strategy

Subscribe to our publications:

NBC.EconomicsStrategy@nbc.ca

To contact us:

514-879-2529

Stéfane Marion

Chief Economist and Strategist

stefane.marion@nbc.ca

Matthieu Arseneau

Deputy Chief Economist

matthieu.arseneau@nbc.ca

Jocelyn Paquet

Senior Economist

jocelyn.paquet@nbc.ca

Kyle Dahms

Senior Economist

kyle.dahms@nbc.ca

Alexandra Ducharme

Senior Economist

alexandra.ducharme@nbc.ca

Daren King, CFA

Senior Economist

daren.king@nbc.ca

Warren Lovely

Chief Rates and Public Sector Strategist

warren.lovely@nbc.ca

Taylor Schleich

Rates Strategist

taylor.schleich@nbc.ca

Ethan Currie

Strategist

ethan.currie@nbc.ca

Angelo Katsoras

Geopolitical Analyst

angelo.katsoras@nbc.ca

Nathalie Girard

Senior Coordinator

n.girard@nbc.ca

Giuseppe Saltarelli

Desktop Publisher

giuseppe.saltarelli@nbc.ca

General: This Report was prepared by National Bank Financial, Inc. (NBF), (a Canadian investment dealer, member of CIRO), an indirect wholly owned subsidiary of National Bank of Canada. National Bank of Canada is a public company listed on the Toronto Stock Exchange.

The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete and may be subject to change without notice. The information is current as of the date of this document. Neither the author nor NBF assumes any obligation to update the information or advise on further developments relating to the topics or securities discussed. The opinions expressed are based upon the author(s) analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein, and nothing in this Report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this Report. The Report alone is not intended to form the basis for an investment decision, or to replace any due diligence or analytical work required by you in making an investment decision.

This Report is for distribution only under such circumstances as may be permitted by applicable law. This Report is not directed at you if NBF or any affiliate distributing this Report is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that NBF is permitted to provide this Report to you under relevant legislation and regulations.

National Bank of Canada Financial Markets is a trade name used by National Bank Financial and National Bank of Canada Financial Inc.

Canadian Residents: NBF or its affiliates may engage in any trading strategies described herein for their own account or on a discretionary basis on behalf of certain clients and as market conditions change, may amend or change investment strategy including full and complete divestment. The trading interests of NBF and its affiliates may also be contrary to any opinions expressed in this Report.

NBF or its affiliates often act as financial advisor, agent or underwriter for certain issuers mentioned herein and may receive remuneration for its services. As well NBF and its affiliates and/or their officers, directors, representatives, associates, may have a position in the securities mentioned herein and may make purchases and/or sales of these securities from time to time in the open market or otherwise. NBF and its affiliates may make a market in securities mentioned in this Report. This Report may not be independent of the proprietary interests of NBF and its affiliates.

This Report is not considered a research product under Canadian law and regulation, and consequently is not governed by Canadian rules applicable to the publication and distribution of research Reports, including relevant restrictions or disclosures required to be included in research Reports.

UK Residents: This Report is a marketing document. This Report has not been prepared in accordance with EU legal requirements designed to promote the independence of investment research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. In respect of the distribution of this Report to UK residents, NBF has approved the contents (including, where necessary, for the purposes of Section 21(1) of the Financial Services and Markets Act 2000). This Report is for information purposes only and does not constitute a personal recommendation, or investment, legal or tax advice. NBF and/or its parent and/or any companies within or affiliates of the National Bank of Canada group and/or any of their directors, officers and employees may have or may have had interests or long or short positions in, and may at any time make purchases and/or sales as principal or agent, or may act or may have acted as market maker in the relevant investments or related investments discussed in this Report, or may act or have acted as investment and/or commercial banker with respect hereto. The value of investments, and the income derived from them, can go down as well as up and you may not get back the amount invested. Past performance is not a guide to future performance. If an investment is denominated in a foreign currency, rates of exchange may have an adverse effect on the value of the investment. Investments which are illiquid may be difficult to sell or realise; it may also be difficult to obtain reliable information about their value or the extent of the risks to which they are exposed. Certain transactions, including those involving futures, swaps, and other derivatives, give rise to substantial risk and are not suitable for all investors. The investments contained in this Report are not available to retail customers and this Report is not for distribution to retail clients (within the meaning of the rules of the Financial Conduct Authority). Persons who are retail clients should not act or rely upon the information in this Report. This Report does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for the securities described herein nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

This information is only for distribution to Eligible Counterparties and Professional Clients in the United Kingdom within the meaning of the rules of the Financial Conduct Authority. NBF is authorised and regulated by the Financial Conduct Authority and has its registered office at 70 St. Mary Axe, London, EC3A 8BE.

NBF is not authorised by the Prudential Regulation Authority and the Financial Conduct Authority to accept deposits in the United Kingdom.

EU Residents: With respect to the distribution of this report in the member states of the European Union ("EU") and the European Economic Area ("EEA") by NBC Paris, the contents of this report are for information purposes only and do not constitute investment advice, investment research, financial analysis or other forms of general recommendation relating to transactions in financial instruments within the meaning of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 ("MiFID 2"). This report is intended only for professional investors and eligible counterparties within the meaning of MiFID 2 and its contents have not been reviewed or approved by any EU/EEA authority. NBC Paris is an investment firm authorised by the French Prudential Control and Resolution Authority ("ACPR") to provide investment services in France and has passported its investment services throughout the EU/EEA under the freedom to provide services and has its registered office at 8 avenue Perrier, 75008 Paris, France. "NBC Financial Markets, a subsidiary of National Bank of Canada" is a trade name used by NBC Paris S.A.

NBF is not authorised to provide investment services in the EU/EEA.

U.S. Residents: With respect to the distribution of this report in the United States of America, National Bank of Canada Financial Inc. ("NBCFI") which is regulated by the Financial Industry Regulatory Authority (FINRA) and a member of the Securities Investor Protection Corporation (SIPC), an affiliate of NBF, accepts responsibility for its contents, subject to any terms set out above. To make further inquiry related to this report, or to effect any transaction, United States residents should contact their NBCFI registered representative.

This report is not a research report and is intended for Major U.S. Institutional Investors only. This report is not subject to U.S. independence and disclosure standards applicable to research reports.

HK Residents: With respect to the distribution of this report in Hong Kong by NBC Financial Markets Asia Limited ("NBCFMA") which is licensed by the Securities and Futures Commission ("SFC") to conduct Type 1 (dealing in securities) and Type 3 (leveraged foreign exchange trading) regulated activities, the contents of this report are solely for informational purposes. It has not been approved by, reviewed by, verified by or filed with any regulator in Hong Kong. Nothing herein is a recommendation, advice, offer or solicitation to buy or sell a product or service, nor an official confirmation of any transaction. None of the products issuers, NBCFMA or its affiliates or other persons or entities named herein are obliged to notify you of changes to any information and none of the foregoing assume any loss suffered by you in reliance of such information.

The content of this report may contain information about investment products which are not authorized by SFC for offering to the public in Hong Kong and such information will only be available to, those persons who are Professional Investors (as defined in the Securities and Futures Ordinance of Hong Kong ("SFO")). If you are in any doubt as to your status you should consult a financial adviser or contact us. This material is not meant to be marketing materials and is not intended for public distribution. Please note that neither this material nor the product referred to is authorized for sale by SFC. Please refer to product prospectus for full details.

There may be conflicts of interest relating to NBCFMA or its affiliates' businesses. These activities and interests include potential multiple advisory, transactional and financial and other interests in securities and instruments that may be purchased or sold by NBCFMA or its affiliates, or in other investment vehicles which are managed by NBCFMA or its affiliates that may purchase or sell such securities and instruments.

No other entity within the National Bank of Canada group, including National Bank of Canada and National Bank Financial Inc., is licensed or registered with the SFC. Accordingly, such entities and their employees are not permitted and do not intend to: (i) carry on a business in any regulated activity in Hong Kong; (ii) hold themselves out as carrying on a business in any regulated activity in Hong Kong; or (iii) actively market their services to the Hong Kong public.

Copyright: This Report may not be reproduced in whole or in part, or further distributed or published or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of NBF.