

## Canadian household debt-to-income ratio edges lower

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Household income grew slightly faster than debt in the second quarter as the amount Canadians owe relative to their income edged down for the third quarter in a row.

Statistics Canada said Friday that credit market debt as a proportion of household disposable income edged down to 177.1 per cent on a seasonally adjusted basis, compared with about 177.5 per cent in the first quarter.

In other words, Canadians owed roughly \$1.77 in credit market debt, which includes consumer credit, mortgages and non-mortgage loans, for every dollar of household disposable income.

The Bank of Canada has repeatedly pointed to household debt as a key area of concern for the Canadian economy.

“Policy-makers no doubt will find something to like in these numbers. Yet, we’re still a long distance from writing off household debt from the list of top vulnerabilities for Canada’s economy,” said Robert Hogue, a senior economist at Royal Bank.

On a seasonally adjusted basis, total credit market borrowing increased to \$23.5-billion, including \$14.8 billion in mortgage borrowing in the quarter. That compared with a total of \$18.9-billion in the first three months of the

year when mortgage borrowing accounted for \$13.1-billion.

The household debt service ratio, measured as total obligated payments of principal and interest on credit market debt as a proportion of household disposable income, edged up to a record 14.93 per cent of household disposable income in the second quarter compared with 14.87 per cent in the first quarter.

TD Bank senior economist Brian DePratto said the recent strength in the real estate market was reflected in the data, noting the growth in mortgage debt.

“While falling borrowing costs likely helped demand for housing, they haven’t translated fully into servicing costs, which rose just a bit higher in the second quarter to break through the record last set in late 2007,” Mr. DePratto said.

“However, this uptrend is unlikely to persist much longer given five year bond yields and mortgage rates that are back at or below five-year-ago levels.”

Total credit market debt amounted to \$2.25-trillion in the second quarter, including nearly \$1.47-trillion in mortgage debt and \$782.9-billion in consumer credit and non-mortgage loans.