

Cdn. National Balance Sheet Accounts — Q1

Turning the Corner?

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Canadian household debt ratios improved for the second straight quarter, as credit growth hit five-year lows. Notably, the **debt-to-disposable income** fell sharply in Q1 to 168.0% after hitting a record high last year. While the ratio **generally tends to fall in the first quarter due to seasonality**, the 1.68-ppt decline marks the biggest improvement on record. The steeper drop to start 2018 suggests we may **finally be at a turning point** as the one-two punch of stricter mortgage rules and higher interest rates slow household borrowing while income continues to climb. The BoC will look favourably on that shift even as elevated household debt remains a vulnerability.

Meantime, the **household debt service ratio** (interest and principal as a share of disposable income, released with Q1 GDP last month) has held relatively stable since 2010. And, although the interest component is expected to gradually rise further, a healthy labour market and stirring wage pressures should keep debt levels manageable.

On the other side of the balance sheet, declining financial asset values and soft real estate growth weighed on **household net worth** which declined 12.5 ppts to 857.3% as a share of disposable income. Subsequently, the debt-to-asset ratio ticked up to 16.6%. Canadian households now have \$6.02 of assets for every \$1 of debt, roughly a 4-cent drop. Meantime, owner's equity in real estate held steady at 74.4% for the third straight quarter. And, the household debt-to-GDP ratio declined to 102.3%, though still remains above 100%. That compares with a ratio of about 80% only ten years ago.

Finally, though most attention is given to household debt loads, **gross general government debt** (includes all levels of government) pushed lower in Q1 to 112.1% of GDP while net debt-to-GDP held roughly steady at 43.1%.



National Balance Sheet Accounts

Canada (percent: n.s.a.)

	18Q1	17Q4	17Q3	17Q2
Credit Market Debt to Disposable Income	168.0	169.7	170.0	169.7
Net Worth to Disposable Income	857.3	869.8	860.8	871.2
Debt to Total Assets	16.6	16.5	16.7	16.5
Homeowner Equity	74.4	74.4	74.4	74.8
Total Gross Government Debt to GDP	112.1	112.6	113.0	113.5
Total Net Government Debt to GDP	43.1	43.0	43.0	43.2

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