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# TD Economics

### Data Release: National wealth largely unchanged as real estate boosts household wealth

- National net worth was essentially unchanged in Q2, as an increase in the value of real estate was offset by a decline in the net foreign asset position.
- Household sector net worth was up 1.9% in Q2, and on a per capita basis sits at $271,300. Once again, the rise was mainly attributable to a 2.2% increase in non-financial assets – primarily real estate. Debt rose (+2.0% q/q) by less than assets, so the ratio of household debt-to-assets ratio was essentially unchanged at 16.9%.
- However, weak disposable income growth (+0.5%) meant that the ratio of household credit market debt to disposable income rose once again to 167.6% in Q2, up from 165.2% in Q1. This also meant that the burden of debt relative to income increased. The household debt service ratio, as measured by total obligated payments of principal and interest as a share of disposable income rose to 14.2% in Q2, up from 14.1%. This measure has been on an upward trend since mid-2012. Increased household borrowing in Q2 was driven by both mortgages and consumer credit, but the latter actually saw a larger increase in the quarter.
- While the federal government's debt burden remained unchanged at 31%, other level of governments continued to increase their debt burdens, not at 29.5%.
- Corporations increased their financing activity in Q2. On a book value basis the credit market debt-to-equity ratio ticked up again to 70%. This measure of leverage has been on a steady upward trend since 2001, and is now at its highest level since Q2 2009.

### Key Implications

- Canadians love debt and with interest rates this low, why wouldn't they? Households, governments, businesses, all saw larger debt burdens in the second quarter. Most attention focuses on the household sector, which saw another increase in household debt burdens. Growth in household borrowing has picked up since the Bank of Canada cut interest rates in 2014. It may be somewhat reassuring to point out that at 5.5% y/y, the pace of debt accumulation is well below its pre-recession pace. The trouble is, so is income growth.

- The growth in debt in recent quarters has been driven by hot housing markets in certain regions of the country – Toronto and Vancouver. While the Vancouver market is showing signs of slowing since recent regulations were put in place (please see our report on Canada's regional housing markets), Toronto has more room to accelerate over the near term, and we expect the household debt-to-income ratio to continue to rise through the rest of the year.

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