

NEWS RELEASE

Concerns about Canada's \$2 trillion in household debt overblown; net worth has increased to \$10.3 trillion

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For immediate release

VANCOUVER—Canadian household debt has increased significantly since 1990—but so has the value of household assets, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Despite alarmist headlines, concerns about Canadian household debt levels can be overblown. When looking at debt levels it’s important to consider the degree to which Canadians are also using it to increase their net worth,” said Livio Di Matteo, a senior fellow with the Fraser Institute, professor of economics at Lakehead University and author of *Household Debt and Government Debt in Canada*.

The study finds that household debt in Canada increased to more than \$2 trillion in 2016, up from \$357 billion in 1990.

But crucially, Canadian household assets (real estate, pensions, financial investments and equity in businesses, for example) also increased in value over the same time period—from \$2.2 trillion in 1990 to \$12.3 trillion last year.

As a result, household net worth (total assets minus debt) rose to \$10.3 trillion—a historically high level.

Notably, mortgages made up two-thirds of Canadian household debt (65.5 per cent) in 2016, compared to 29.4 per cent for consumer credit (credit card debt, for example) and 5.1 per cent for other loans. And despite high housing prices in parts of the country, the share of total household debt represented by mortgages remained unchanged from 1990 when they also accounted for 65.5 per cent of debt.

Ironically, although governments continue to sound the alarm about growing household debt, government debt is arguably a far more pressing concern.

Whereas recent increases in Canadian household debt have been accompanied by increases in net worth, the same cannot be said about government debt.

“Governments across Canada have been racking up debt, particularly since 2007, but the net worth of governments in Canada has actually decreased,” Di Matteo said.

“It’s somewhat hypocritical for governments to warn Canadians about rising household debt levels given the state of their own finances,” Di Matteo said.

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