

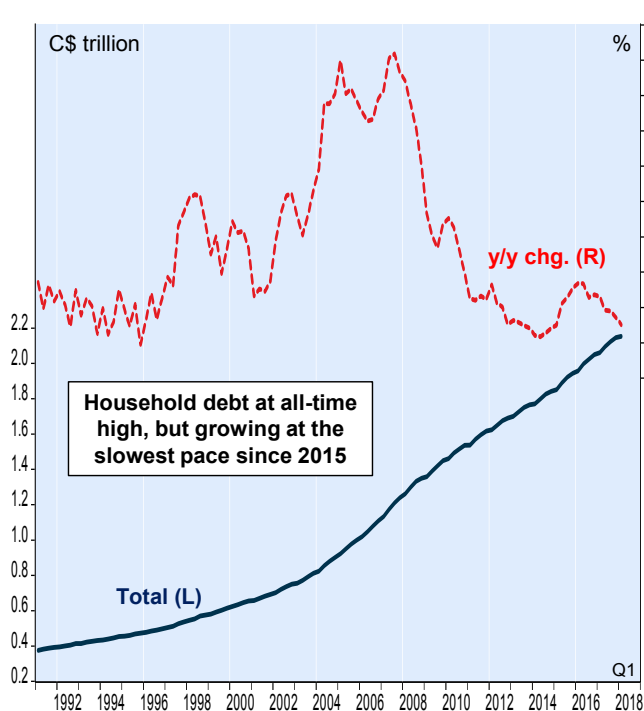
Canada Watch

Rising interest rates and enhanced macro prudential measures seem to be delivering intended results for Canadian authorities. The latest National balance sheet and financial flow accounts show household debt reaching a record C\$2.2 trillion at the end of the first quarter, although the pace of growth (year-on-year) softened to just 4.5%, the slowest in three years. Mortgages outstanding, which account for 65% of household debt, grew by just C\$5 billion in Q1, the smallest increase since 2011 due to a moderation in the pace of originations. Authorities and investors concerned about financial stability will also be encouraged by household debt servicing which remains stable and manageable at less than 14% of household disposable income. As today's *Hot Charts* show, while interest payments are now taking an increasing share of disposable incomes, courtesy of rising borrowing costs, the share of capital repayments is falling and providing an offset.

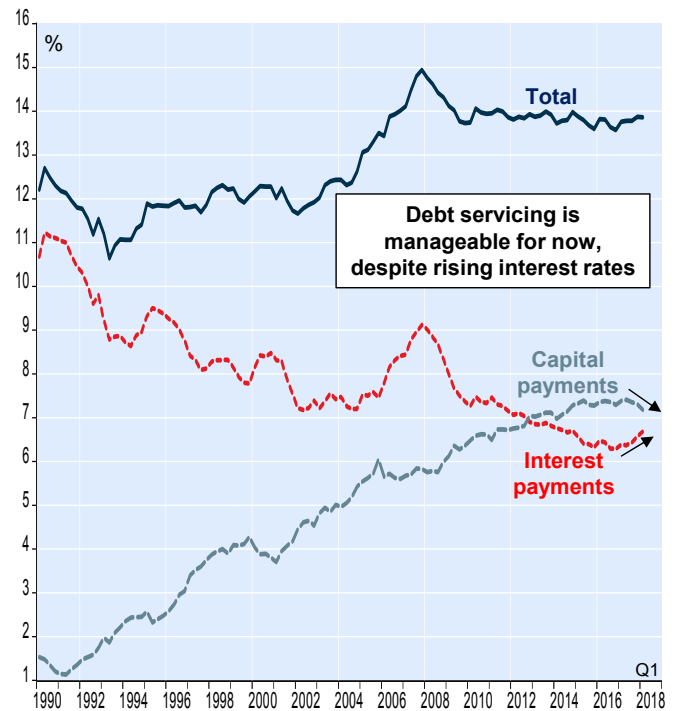
Krishen Rangasamy

Canada: Household debt servicing manageable for now

Household debt



Debt payments as a % of household disposable income



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