

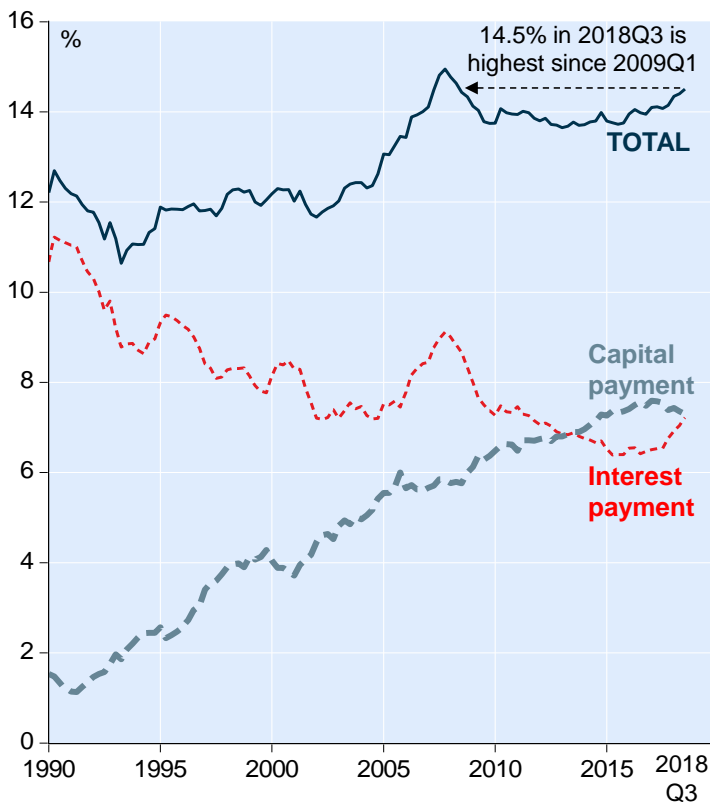
Canada Watch

By Krishen Rangasamy

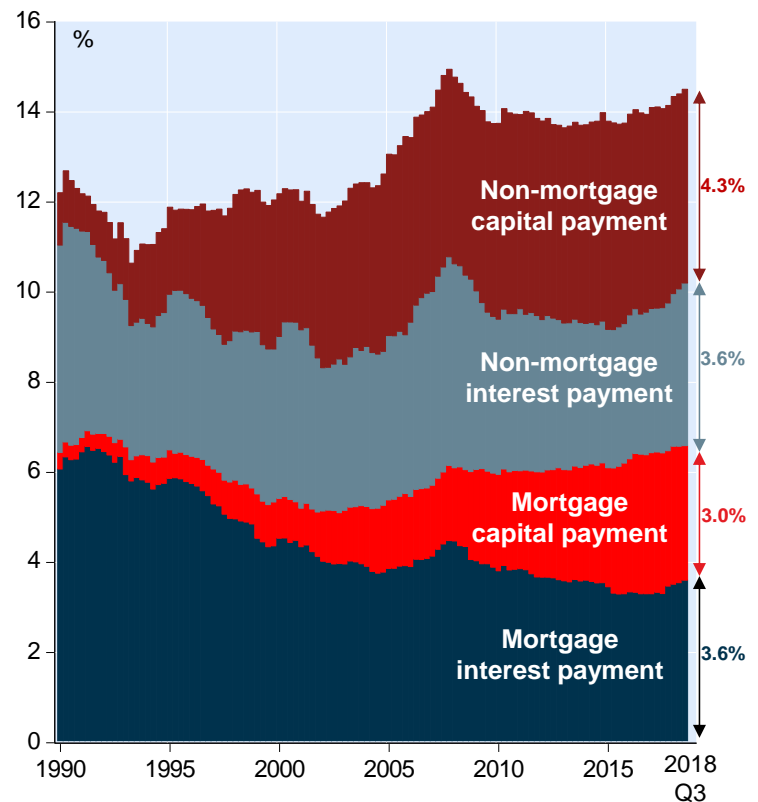
The debt service burden of Canadian households is the highest since 2009. This morning's data release by Statistics Canada indeed shows debt servicing rising to 14.5% of household disposable incomes in the third quarter. Blame higher borrowing costs for this increase because interest payments now account for 7.2% of disposable income, a multi-year high. Mortgage payments now take up 6.6% of disposable income, the highest since the early 1990's. Does that mean the housing market is about to tank as it did back then? Back in the early 1990's, interest accounted for the bulk of mortgage payments. But as today's *Hot Charts* show, capital repayments now account for almost half of mortgage payments. Such accumulation of home equity arguably leaves homeowners better equipped to handle shocks. That's not to say we're complacent about downside risks to the Canadian economy. A higher debt service, fading housing wealth effects and rising interest rates are clearly not good news for the consumption outlook, which is why we recently downgraded our 2019 Canadian real GDP growth forecast to just 1.8% (see [December edition](#) of our *Monthly Economic Monitor*).

Canada: Debt service burden worsens

Debt servicing as a % of household disposable income



Debt servicing (by type of debt) as a % of household disposable income



NBF Economics and Strategy (data from Statistics Canada)



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