

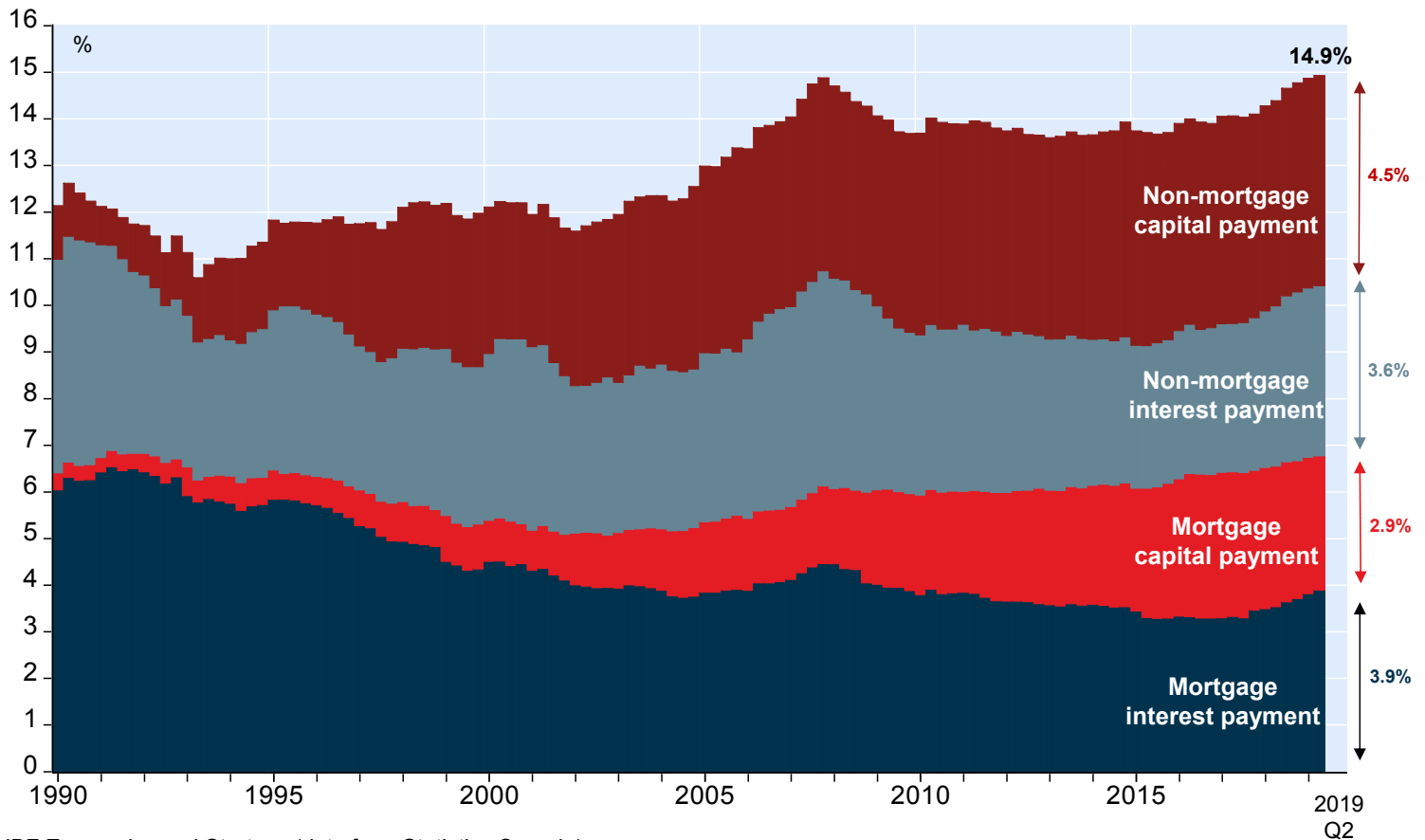
Canada Watch

By Krishen Rangasamy

With a buoyant labour market generating healthy income gains for households, and consumer confidence remaining at historically elevated levels according to the Conference Board, many would have expected Canadian consumption to flourish. And yet, 2019 real consumption spending remains on track to grow at the slowest pace in a decade. Worse, is the apparent increase in personal bankruptcy rates particularly in Ontario, Alberta, and Atlantic provinces (see September's *Monthly Economic Monitor*). Blame a high debt burden – as well as monetary authorities which created the problem by keeping interest rates too low for too long – for backing Canadian households into a corner. As today's *Hot Chart* shows, debt servicing i.e. interest and capital repayments jumped to a record 14.9% of disposable income in the second quarter. That means there's now a reduced share of disposable income left for households to spend on things other than debt servicing. In the second quarter, the debt servicing bite amounted to 8.1% of disposable income for non-mortgage debt and 6.8% of disposable income for mortgage debt. For the second consecutive quarter, capital repayments (7.4% of disposable income) were trumped by interest payments (7.5% of disposable income), and that despite the decline in borrowing rates observed in Q2.

Canada: Debt service burden is worsening

Debt servicing as a % of household disposable income



NBF Economics and Strategy (data from Statistics Canada)



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