

Few places to hide for Canadian households

By Warren Lovely & Daren King

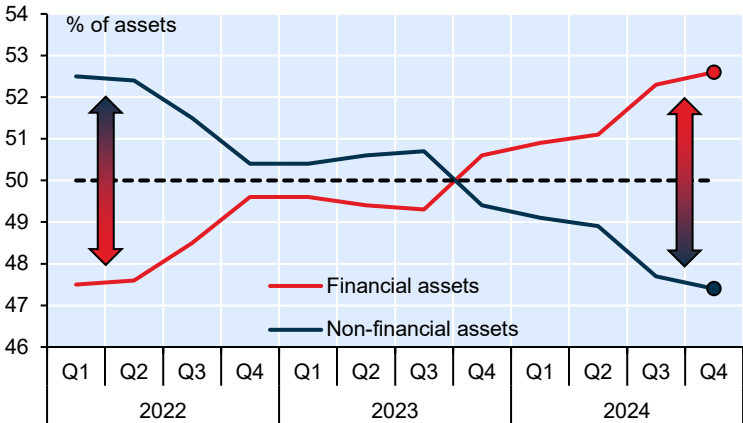
Given recent financial market turmoil, the exposure of American and Canadian households to equity markets has been a focus of considerable interest. We previously highlighted the elevated importance of equities to American households in our *Monthly Equity Monitor*. We likewise took an earlier opportunity to examine Canada’s relative exposure to equities [here](#). Data published this week by Statistics Canada provide an even finer perspective, detailing household balance health by province and income quintile.

In a clear majority of provinces, the average household has more wealth tied up in financial assets — perhaps worrisome given risks of further

damage should the U.S. fail to quickly reverse itself on tariffs. But even in jurisdictions where a relatively larger share of household assets can be traced to real property, risks have accumulated.

For more housing-dependent provinces like Ontario and British Columbia, the recent cooling in housing activity is disconcerting. More heavily leveraged households in these parts could struggle should labour market conditions soften, which we increasingly view as likely. For Canadian households, it seems there are currently few places to hide. Little wonder consumers are anxious and governments feel obliged to step up supports for vulnerable regional economies.

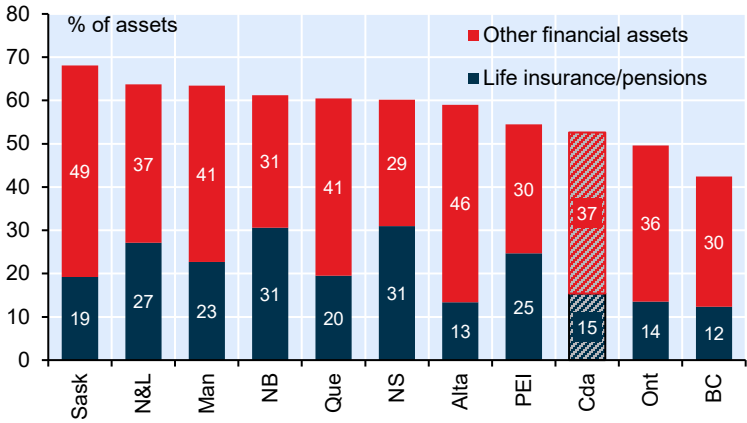
Chart 1: Households have more (asset) eggs in equity basket
Distribution of Canadian household assets: Financial vs. non-financial



Source: NBC, StatCan | Note: All households/regions

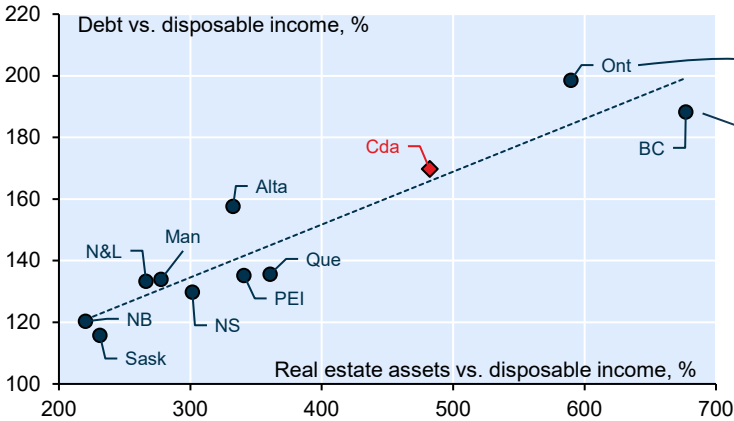
The data shows us that at the national level, household financial assets represented more than half of their total assets in 2024:Q4 (Chart 1), a phenomenon also observed in the majority of Canadian provinces (Chart 2). This increasing proportion was driven by the record highs of the equity markets at the end of last year, while at the same time home prices grew only slightly, limiting the growth of non-financial assets. To be clear, financial assets are more than just equities, with life insurance/pension assets obviously much less volatile. Still, many Canadians are presumably watching their stock portfolios more closely these days. In two provinces — Ontario and British Columbia — non-financial assets (mostly real estate) account for the larger share of total household assets...

Chart 2: Relative financial asset exposure varies
Financial asset share of total household assets by province



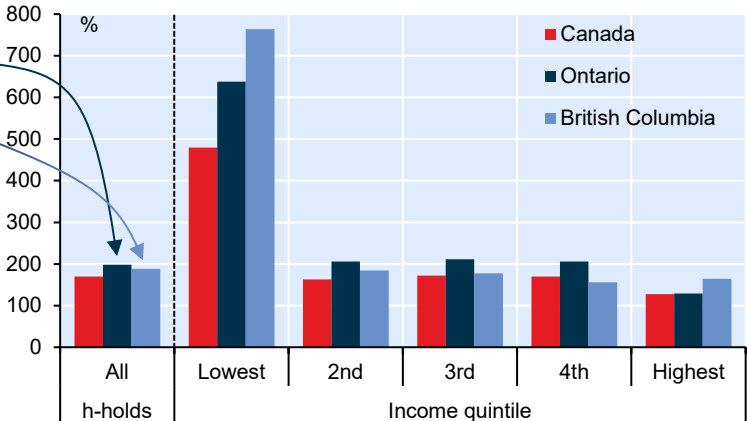
Source: NBC, StatCan | Note: Based on all households; as at 2024:Q4

Chart 3: Real estate still very important in some areas
Household real estate assets & debt relative to disposable income by province



Source: NBC, StatCan | Note: Based on all households; as at 2024:Q4

Chart 4: One snapshot of household financial vulnerability
Household debt-to-disposable income by province & income quintile



Source: NBC, StatCan | Note: Households sorted by income quintile; as at 2024:Q4

But the more housing-centric models in Ontario and British Columbia carry risk, given the low level of activity in the real estate markets in these provinces. That was reinforced by fresh CREA data this morning. In Ontario, seasonally adjusted home sales have wilted at a ~70% annualized rate since Nov-24, the corresponding pullback in B.C. likewise troubling at 50%. It’s of little surprise that these are the only two provinces where the average resale price has fallen year-on-year. A heavier debt load goes hand-in-hand with outsized real estate leverage (Chart 3). While interest rates are no longer restrictive, marginal weakness in labour markets could prove problematic, since it’s not just the lowest income households carrying a notable debt burden these days (Chart 4).



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