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Household debt continues to rise

By CBC News
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The average debt-to-personal disposable income ratio edged down to 146.8 per cent in quarter, but only because a 1.8 per cent gain in average personal disposable income outpaced a gain in credit market debt.

The ratio of household debt to assets remained high, by historical standards, and homeowner's equity, or market value minus debt, continued a three year slide, reaching the slowest level since 2001.

But the rate at which Canadians piled on debt slowed, with nonmortgage credit, such as credit cards, slowing the most, at 5.8 per cent from a year ago. That was its slowest growth rate since the mid-1990s.

Overall household liabilities grew by 6.5 per cent from the same period a year ago levels. That was its slowest annual growth rate since the fourth quarter of 2002.

The value of financial assets, including investments in stocks and bonds, grew by six per cent from the same period a year earlier.

Real estate assets rose 6.2 per cent from a year ago levels.

Net worth growing at 5 - 6%

Household net worth, or assets minus debt, grew by 2.2 per cent in the last three months of the year, following a three per cent rise in the previous quarter.

Household net worth per capita increased from \$178,200 in the third quarter to \$181,700 in the fourth quarter.

A key measure of families' abilities to cope with their debt, the ratio of how much disposable income went towards paying just the interest on debt, was unchanged at 7.3 per cent in the quarter.

The rate of growth in net worth, after rebounding from the recession, has stayed in a range of between five and six per cent. That compares with a pace of between nine to 10 per cent in the five years leading up to the recession.

"The debt-service ratio remains muted only because interest rates are still ultra low," TD economist Diana Petramala warned in a commentary.

"Once interest rates start to rise over the latter half of 2011, the debt-service ratio is expected to climb substantially."

Household debt will be a drag on growth

"As households are expected to continue to accumulate debt at a faster pace than asset and income growth, the

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key measure of indebtedness will continue to deteriorate," Petramala said.

"As such, the level of household debt is expected to act as a headwind on economic growth through the second half of 2011, and 2012, as rising interest rates encourage households to rein in their borrowing and increase savings."

The StatsCan report also showed the net debt of the federal, provincial and territorial governments increased by \$19 billion in the fourth quarter and the ratio of net debt to gross domestic product stood at 45.1 per cent.

That continued an upward trend since the third quarter of 2008 when it stood at 35.4 per cent.

Measuring all debt - government, business and family - national net worth edged up 0.3 per cent to \$6.3 trillion in the fourth quarter, the slowest quarterly growth of the year.

On a per capita basis, national net worth grew to \$184,200 in the fourth quarter, up from \$183,900 in the previous quarter.

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