

Study: Trends in household non-mortgage loans: The evolution of Canadian household debt before and during COVID-19

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Canadian households were carrying approximately \$2.5 trillion in outstanding debt one year into the pandemic, approximately two-thirds of which was mortgage debt and one-third of which was every other type of debt, whether it be a loan for a car or for home renovation, credit card payment or any other monetary obligation.

Mortgage debt rose by a record \$99.6 billion from the onset of the pandemic to January 2021, in the wake of rising home prices across Canada—especially single-family homes. Conversely, non-mortgage debt fell by a record \$20.6 billion over the same period, mostly attributable to the \$16.6 billion decline in credit card debt.

A new study, "[Trends in household non-mortgage loans: The evolution of Canadian household debt before and during COVID-19](#)," looks at how Canadians responded to the unique conditions posed by the pandemic to bring down their non-mortgage debt levels.

Canadian households began to see their disposable income rise during the pandemic, due in part to the limited opportunities to spend money during the lockdowns as well as the monetary support provided by governments, such as CERB or the enhanced Employment Insurance program, to offset lost wages.

Many households used this opportunity to pay down expensive non-mortgage debt, with the balances of unsecured lines of credit and credit cards being paid down in record amounts.

For example, the outstanding balance carried on credit cards fell from \$90.6 billion just prior to the pandemic in February 2020 to \$74 billion in January 2021, an 18.3% decline in less than one year. By way of comparison, in the two decades prior to the pandemic, the outstanding balance carried on credit cards had risen on average by 20.7% per year.

The largest reductions in debt loads were among those with the lowest credit ratings, suggesting that Canadians most vulnerable to financial hardships were able to use savings prudently during the pandemic.

With the economy now reopening, many Canadian households could find themselves carrying lighter non-mortgage debt balances than they had going into the pandemic.

The study "[Trends in household non-mortgage loans: The evolution of Canadian household debt before and during COVID-19](#)" is now available as the concluding piece in the series of papers focusing on Canadian debt during the pandemic.

Note to readers

The study "[Trends in Canadian business debt financing: Before and during COVID-19](#)" looks at the types of credit debt private non-financial corporations incurred prior to and during the COVID-19 pandemic and examines how they used that liquidity to weather the economic turbulence during this period.

The study "[Trends in the Canadian mortgage market: Before and during COVID-19](#)" is now available as part of the series *Analysis in Brief* (11-621-M).



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