Distributions of household economic accounts for wealth of Canadian households, second quarter 2022

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The latest estimates from the distributions of household economic accounts reveal that net worth (wealth) decreased for a broad range of households in the second quarter, but especially for the most vulnerable, including the least wealthy (-12.0%) and households younger than 45 years (-8.2%). Reductions in wealth for the least wealthy were largely driven by higher-than-average increases in debt, while younger households (under 45 years) were affected more by declining real estate values, as these households tend to depend more on housing as a source of wealth than older households. Although a broad range of households are becoming increasingly indebted relative to the value of their assets, their ability to manage their debt payments, as measured by the debt-to-income ratio, remains stable.

The results presented in this release focus on the trends in wealth for an average household with different demographic and economic characteristics, including by age group and by wealth quintile, which is a measure of economic inequality that ranks all households by wealth, from lowest to highest, and then divides those households equally into five groups. It is important to recognize that not all households, even those with similar characteristics, necessarily experience the same economic situations. Unless otherwise stated in the text below, comparisons over time are based on the second quarter of 2022 relative to the first quarter of 2022. Households are grouped by age according to the age of the major income earner.

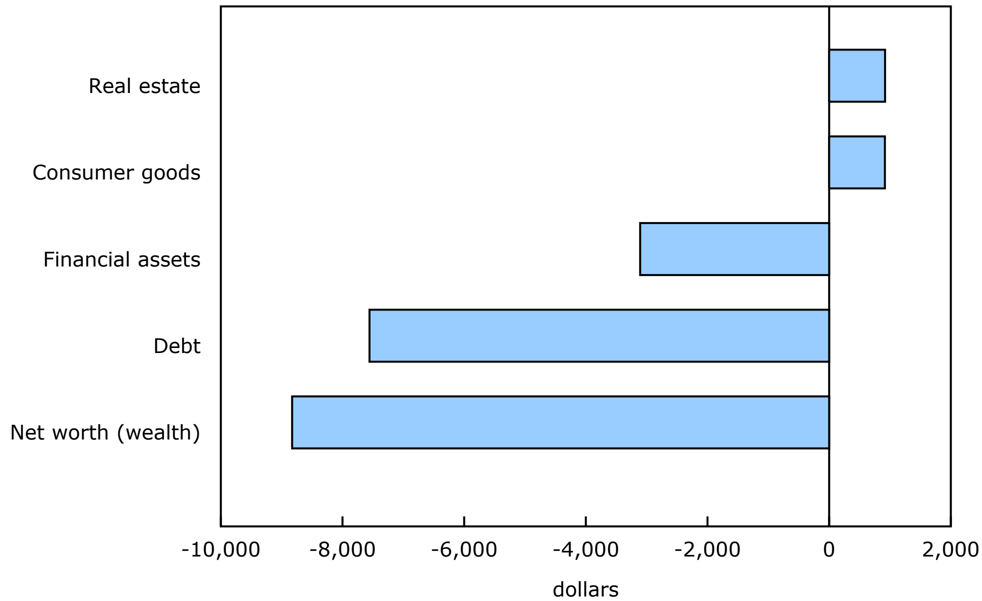
Net worth for least wealthy affected more by recent economic turmoil

In contrast with earlier in the COVID-19 pandemic, households have recently faced a perfect storm of economic pressures, with asset values declining amidst turmoil in financial and housing markets, as well as increasing interest rates and persistently high inflation. On average, regardless of a household's demographic or economic characteristic, gains in household wealth acquired over the previous year have been erased. Average household net worth was $940,558 as of the second quarter of 2022, down $65,400 (-6.5%) from the previous quarter, and down $19,318 (-2.0%) from the second quarter of 2021.

The wealthiest households (top 20%) held more than two-thirds (67.1%) of all net worth in Canada, while the least wealthy households (bottom 40%) held 2.8%. Recent economic headwinds have been most acutely felt by more vulnerable households, such as the least wealthy, as their average net worth declined by 12.0% (-$8,828), more than double the rate of decrease of 5.9% in average net worth of the wealthiest (-$199,118).

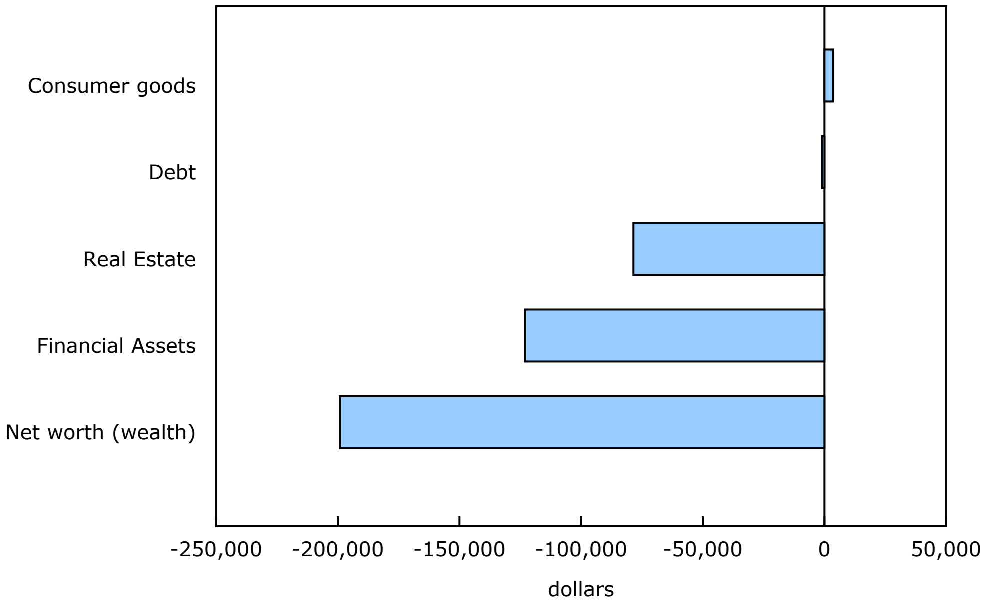
Reductions in average net worth for the least wealthy were due mainly to increases in debt (+8.4%), coupled with decreases in financial asset values (-6.5%). Meanwhile, declines in net worth for the wealthiest were derived entirely from reductions in both financial assets (-6.0%) and real estate (-5.4%), while their debt remained relatively stable (+0.4%).

Chart 1
Change in average net worth for households in lowest two wealth quintiles, including contribution of each wealth component, second quarter of 2022 relative to first quarter of 2022



Source(s): Table 36-10-0660-01.

Chart 2
Change in average net worth for highest wealth quintile households, including contribution of each wealth component, second quarter of 2022 relative to first quarter of 2022



Source(s): Table 36-10-0660-01.

Household wealth gap widens for first time since start of pandemic

The household wealth gap—a measure of economic inequality defined as the difference between the share of net worth for households in the highest wealth quintile (top 20%) and that for the two lowest wealth quintiles (bottom 40%)—widened for the first time since the start of the pandemic. As of the second quarter of 2022, the wealth gap grew by half a percentage point relative to the previous quarter. In contrast, the wealth gap had been consistently decreasing earlier in the pandemic, declining by 2 percentage points from the first quarter of 2020 to the first quarter of 2022.

Table 1
Net worth by wealth quintile, average dollars per household, second quarter of 2022 relative to first quarter of 2022

	First quarter 2022	Second quarter 2022	First quarter to second quarter 2022	First quarter to second quarter 2022
	dollars			%
All households	**1,005,958**	**940,558**	**-65,400**	**-6.5**
Lowest and second wealth quintiles	73,644	64,816	-8,828	-12.0
Third wealth quintile	482,080	443,453	-38,627	-8.0
Fourth wealth quintile	1,044,308	974,052	-70,256	-6.7
Highest wealth quintile	3,354,454	3,155,336	-199,118	-5.9

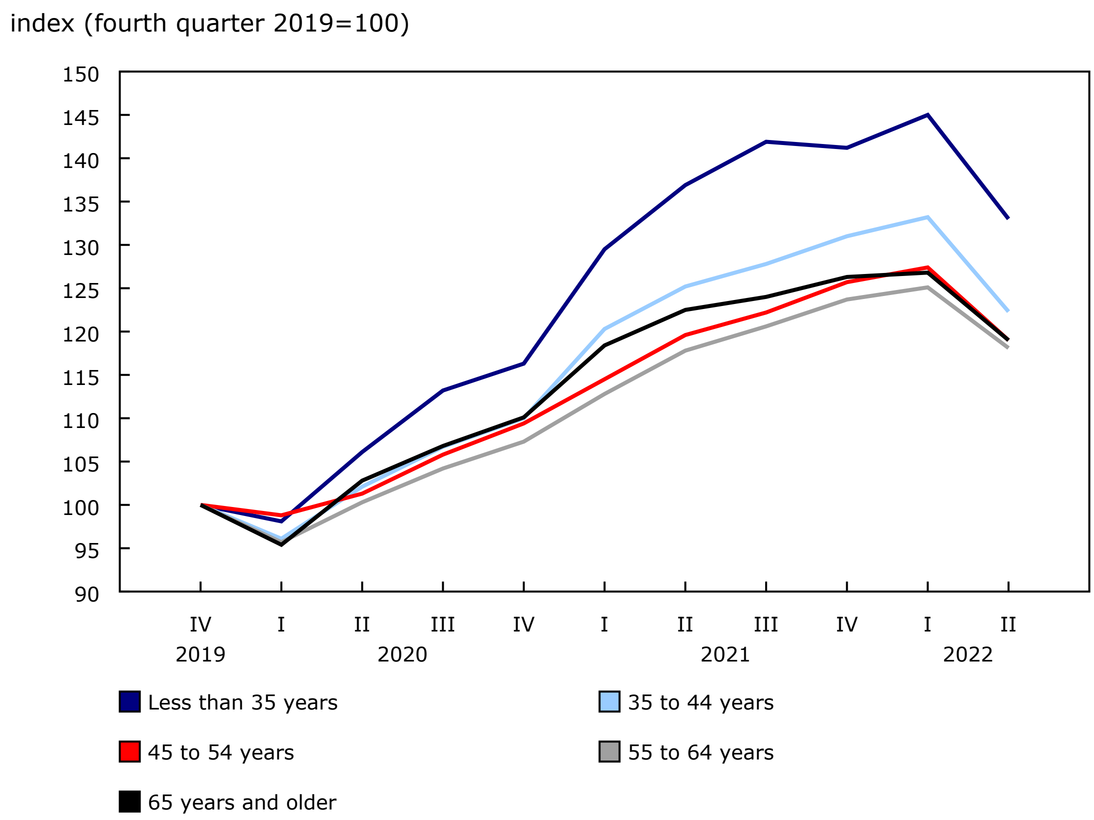
Source(s): Table **36-10-0660-01**.

Wealth declines across households in all age groups, but younger households affected the most

Although reductions in net worth occurred across each age group, younger households saw their net worth decrease at the fastest pace. The average wealth of the youngest age group (less than 35 years) reached $309,759, down $27,748 (-8.2%) from the first quarter. Similarly, average wealth for households aged 35 to 44 years was $618,164, down $55,129 (-8.2%). Meanwhile, average net worth for households aged 65 years and older was $1,068,048, down $69,939 (-6.1%).

The overall value of real estate declined by 5.2% in the second quarter, the first time such a reduction has occurred since 2018. Younger households tend to be more susceptible to reductions in real estate values as they derive more of their net worth from that asset category, while older households have had more time over their life cycle to diversify their asset portfolio. Real estate accounted for 59.1% of total assets for the youngest age group, while among other households, that share ranged from 55.6% for those aged 35 to 44 years to 40.6% for those aged 65 years and older.

Chart 3
Change in average household net worth by age group of major income earner



Source(s): Table 36-10-0660-01.

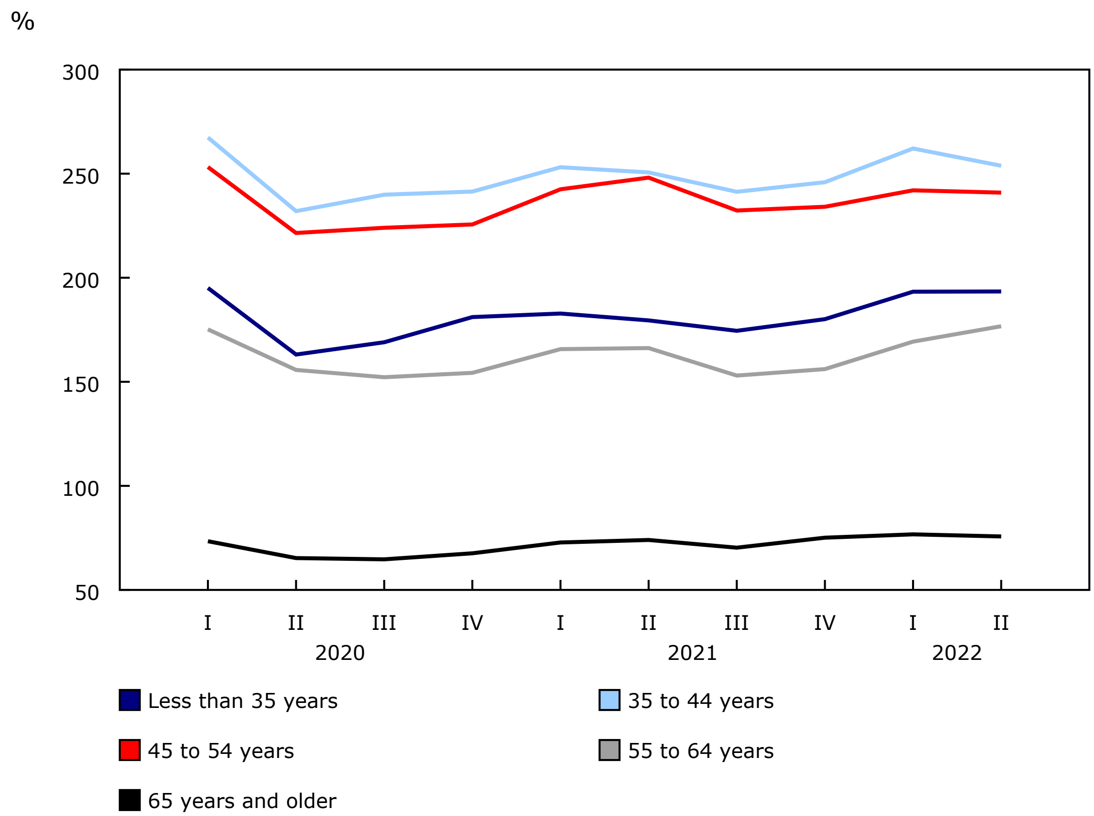
In addition to real estate, financial asset values also declined in the second quarter (-6.1%), which weighed more heavily on older households as they tend to rely more on that asset category as a source of wealth. The share of financial assets to total assets ranged from 55.4% for households aged 65 years and older to 32.9% for households aged less than 35 years. The average value of financial assets declined by 6.5% for households aged 65 years and older, and between 5.7% and 6.3% for households under 65 years.

Debt-to-income ratios stable for most age groups

The debt-to-income ratio indicates the degree to which households may be able to service their debt at a given point in time. A reduction in the debt-to-income ratio implies that households are better able to manage their on-going debt payments, and may be in a better position to absorb additional debt-servicing costs in a future period as a result of rising interest rates, among other things.

The debt-to-income ratio remained stable or declined for most households by age group relative to the first quarter, as growth in average income tended to outweigh growth in average debt. The only exception was for households in the 55-to-64 age group, which increased their debt-to-income ratio by 7.4 percentage points, reaching 176.7% as of the second quarter of 2022—the highest ratio since before the pandemic. Meanwhile, households in the 35-to-44 age group decreased their debt-to-income ratio by 8.3 percentage points, erasing increases from the previous quarter.

Chart 4
Debt-to-income ratio by age group of major income earner



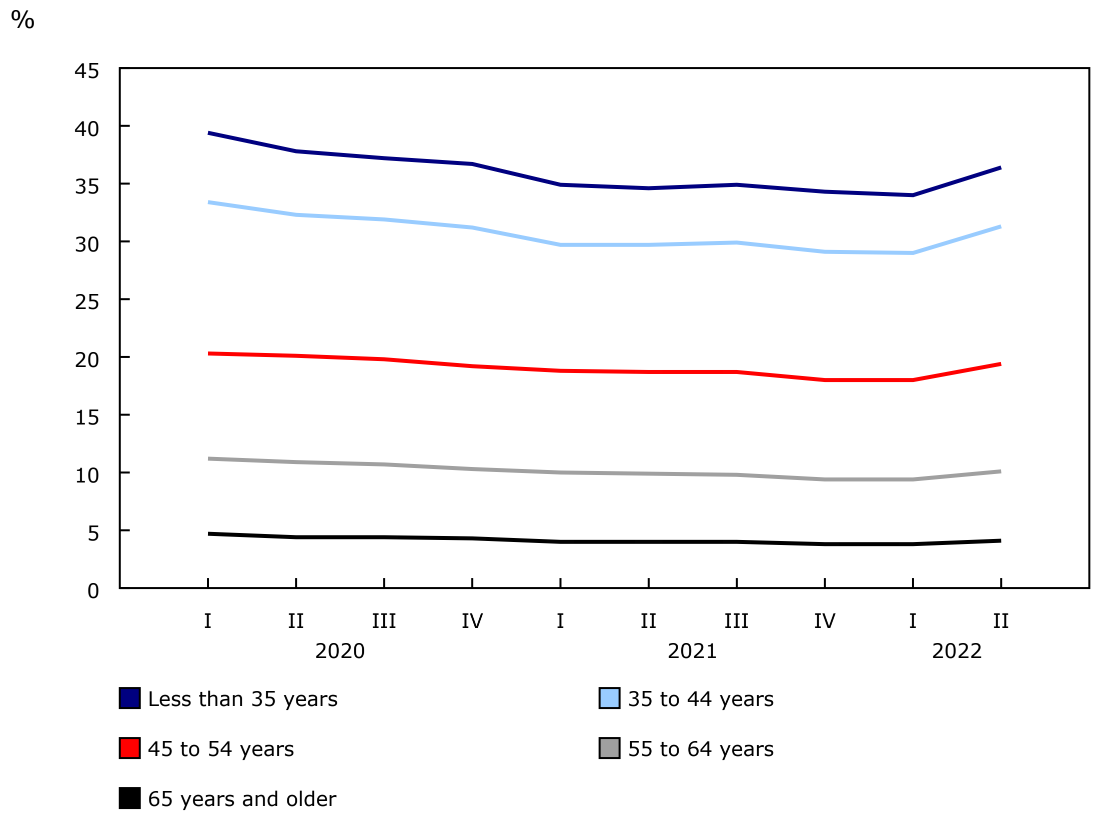
Source(s): Table 36-10-0664-01.

Debt-to-asset ratios increase in each age group for first time in pandemic, especially younger households

The debt-to-asset ratio is an indicator of the degree of leverage a household has in relation to its debt. The greater the value, the more susceptible a household may be to financial vulnerabilities in the future. On the other hand, as asset prices—such as real estate and financial assets like stocks and bonds—increase, households may acquire more debt without increasing their leverage.

In contrast with relatively stable trends in the debt-to-asset ratio throughout 2021 and into the first quarter of 2022, households in each age group increased their ratio in the second quarter of 2022. Increases in the debt-to-asset ratio were higher for younger households, at around 2.4 percentage points, while those in older households held their ratios relatively unchanged relative to the first quarter, including households aged 55 to 64 years (+0.7 percentage points) and households aged 65 years and older (+0.3 percentage points). Despite recent increases in the debt-to-asset ratio for younger households, it remains below rates observed at the beginning of the pandemic.

Chart 5
Debt-to-asset ratio by age group of major income earner



Source(s): Table 36-10-0664-01.

Measures of financial risk included within these latest estimates indicate that although household debt-to-asset ratios were increasing along with falling asset prices in the second quarter of 2022, recent growth in incomes has helped to support households' ability to service their debt payments. Going forward, in light of recent economic pressures on economic well-being through increasing interest rates and persistently high inflation, households may face further challenges in maintaining their economic well-being, especially those in vulnerable groups, such as the least wealthy and those in younger households.

Sustainable development goals

On January 1, 2016, the world officially began implementation of the 2030 Agenda for Sustainable Development—the United Nations' transformative plan of action that addresses urgent global challenges over the next 15 years. The plan is based on 17 specific sustainable development goals.

The distributions of household economic accounts for wealth are an example of how Statistics Canada supports the reporting on the global goals for sustainable Development. This release will be used in helping to measure the following goal:

Note to readers

Statistics Canada regularly publishes macroeconomic indicators on household wealth (net worth) as part of the Canadian System of Macroeconomic Accounts (CSMA). These accounts are aligned with the most recent international standards and are compiled for all sectors of the economy, including households, non-profit institutions, governments and corporations along with Canada's financial position vis-à-vis the rest of the world. While the CSMA provide high quality information on the overall position of households relative to other economic sectors, the distributions of household economic accounts (DHEA) provide additional granularity to address questions such as vulnerabilities of specific groups and the resulting implications for economic well-being and financial stability, and are an important complement to standard quarterly outputs related to the economy.

The DHEA estimates released today provide new estimates of wealth and their sub-components by various household distributions for the second quarter of 2022. Estimates for the first quarter of 2022 have been revised to include the latest benchmarks from the National Balance Sheet Accounts.

Estimates for wealth distributed by wealth quintile are combined for households in the lowest two quintiles for ease of illustration, since the average household in the lowest wealth quintile owed more in liabilities than it owned in assets, such as self-employed workers with negative net business equity and recent graduates with student loan balances.

As with all data, the DHEA estimates are not without their limitations. While some distributions are estimated using timely microdata, such as household liabilities, others, including household assets, rely on assumptions or use data from prior reference periods. Users should keep these limitations in mind when analyzing the estimates included in this release.

All values are expressed in quarterly nominal unadjusted rates, unless otherwise specified. As a result, the estimates presented in this release are not adjusted for variations over time that may occur due to seasonal patterns and/or price inflation.

Available tables: 36-10-0660-01, 36-10-0661-01, 36-10-0664-01, 36-10-0665-01 and 36-10-0667-01.

Definitions, data sources and methods: survey number 5369.

The data visualization product "Distributions of Household Economic Accounts, Wealth: Interactive tool," which is part of *Statistics Canada – Data Visualization Products* (**71-607-X**), is now available.

The document "Distributions of Household Economic Accounts, estimates of asset, liability and net worth distributions, 2010 to 2021, technical methodology and quality report," which is part of the *Income and Expenditure Accounts Technical Series* (**13-604-M**), is available.

The Economic Accounts Statistics portal, accessible from the *Subjects* module of our website, features an up-to-date portrait of national and provincial economies and their structure.

The *Methodological Guide: Canadian System of Macroeconomic Accounts* (**13-607-X**), is available. See the section "Distributions of Household Economic Accounts."

The publication *Latest Developments in the Canadian Economic Accounts* (**13-605-X**) is available.

The *User Guide: Canadian System of Macroeconomic Accounts* (**13-606-G**) is available.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; **infostats@statcan.gc.ca**) or Media Relations (**statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca**).