Distributions of household economic accounts for income, consumption, saving and wealth of Canadian households, first quarter 2023

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Recent increases in the cost of living and declining real estate values had unprecedented impacts on net saving and wealth for more financially vulnerable households in the first quarter, such as those with lower incomes, less wealth, and in younger age groups.

Gap between high- and low-income households widens

Income inequality increased in the first quarter as the gap in the share of disposable income between households in the two highest income quintiles (top 40%) and two lowest income quintiles (bottom 40%) reached 44.7%, up 0.2 percentage points from the first quarter of 2022. Although the income gap increased over the last year, it remained lower than before the COVID-19 pandemic, when it averaged 45.1% from 2010 to 2019.

Table 1
Share of disposable income by income quintile, including gap between top two and bottom two income quintiles

	Average (2010 to 2019)	First quarter of 2020	First quarter of 2021	First quarter of 2022	First quarter of 2023
			%		
Disposable income quintile					
Lowest income quintile	6.3	5.8	6.4	5.7	6.1
Second income quintile	12.6	12.8	13.3	13.1	12.7
Third income quintile	17.2	17.6	17.3	17.9	17.7
Fourth income quintile	23.3	23.2	24.1	23.6	22.9
Highest income quintile	40.7	40.5	39.0	39.7	40.6
Gap between top two and bottom two income quintiles	45.1	45.1	43.4	44.5	44.7

Source(s): Tables **36-10-0587-01** and **36-10-0662-01**.

Table 2
Disposable income by income quintile, average dollars per household, first quarter of 2023 relative to first quarter of 2022

	First quarter of 2022	First quarter of 2023	First quarter of 2022 to first quarter of 2023	First quarter of 2022 to first quarter of 2023
	dollars			%
All households	**22,015**	**21,968**	**-47**	**-0.2**
Lowest income quintile	6,227	6,719	492	7.9
Second income quintile	14,416	13,986	-430	-3.0
Third income quintile	19,753	19,461	-292	-1.5
Fourth income quintile	25,974	25,133	-841	-3.2
Highest income quintile	43,704	44,541	837	1.9

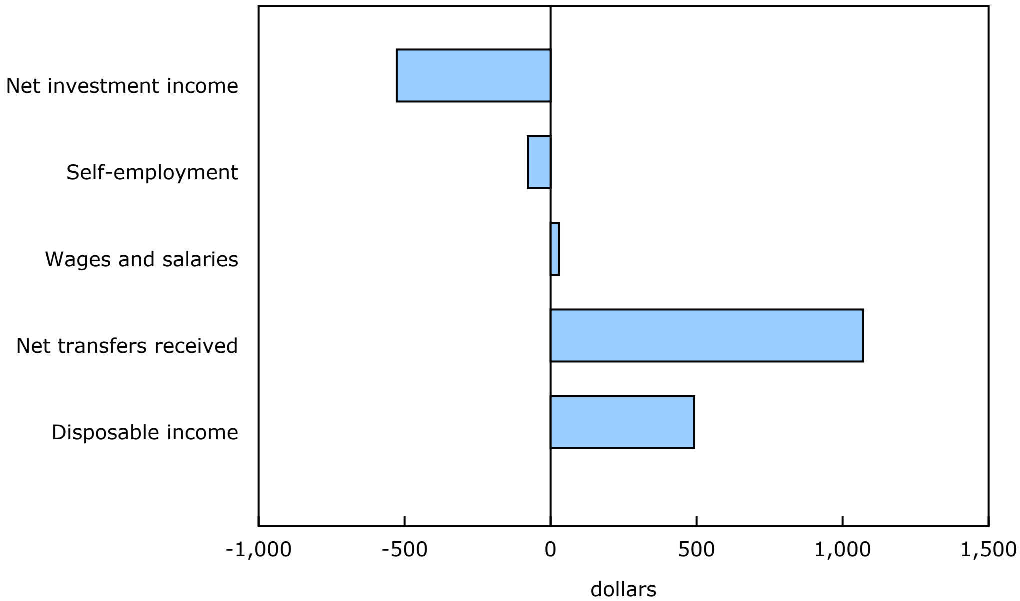
Source(s): Table **36-10-0662-01**.

Lowest income earners gain from retirement benefits rather than employment and investments

Average wages and salaries for the lowest income earners (bottom 20%) grew at a relatively slow pace (+1.0% vs. +4.0% for all households) in the first quarter of 2023 and self-employment income decreased (-6.7%). At the same time, there were relatively strong gains in net transfer payments (+48.5% for the lowest income earners vs. -18.8% for all households), mainly derived from Old Age Security and Canada Pension Plan/Quebec Pension Plan benefits, as more households in this group transitioned to retirement. In the first quarter of 2023, 38.8% of the lowest income earners claimed government support as a main source of income, up from 34.2% a year earlier. As more of the lowest income households relied on government benefits, their tax payments fell by 28.7%, further supporting gains in their disposable income.

Inflationary pressures and increasing interest rates had a negative impact on disposable income for the lowest income earners. Along with increases in the Bank of Canada's policy interest rate, the lowest income earners reduced their average net investment income in the first quarter. Increases in interest charges for holding balances on credit products, such as credit cards and mortgage loans, accounted for 84.4% of the reduction in net investment income.

Chart 1
Change in average disposable income for lowest income quintile, including contribution of each income component, first quarter of 2023 relative to first quarter of 2022

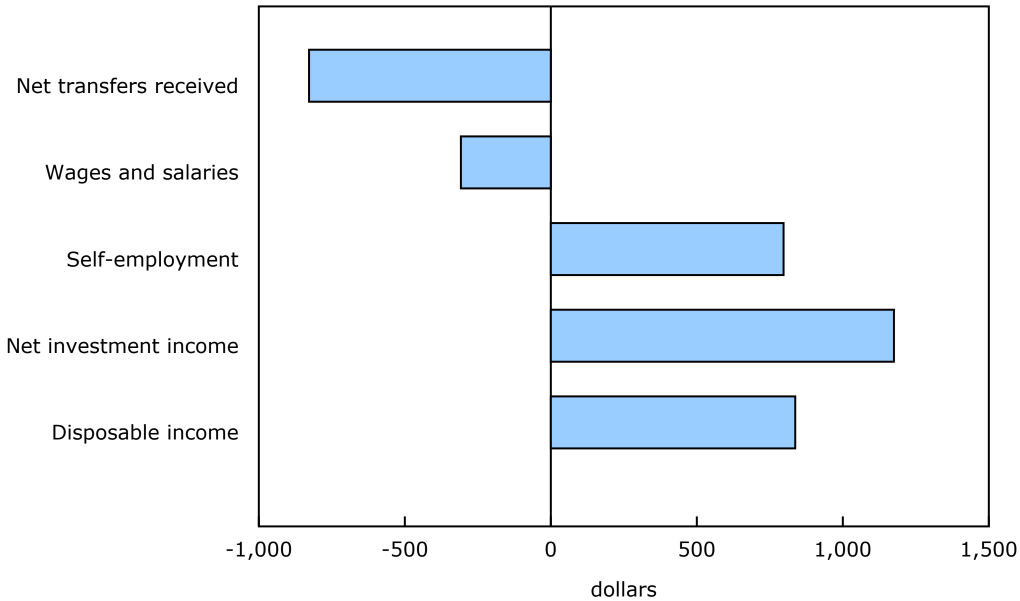


Source(s): Table 36-10-0662-01.

Top income earners gain from high investment earnings and self-employment

The highest 20% of income earners increased their average disposable income in the first quarter relative to a year earlier at a faster-than-average pace (+1.9% vs. -0.2% for all households). While interest charges for the highest income earners grew, these increases were more than offset by gains in investment earnings, mainly from dividends and bank deposits, which grew at almost double the average pace (+22.7% vs. +13.4% for all households). Gains in net investment income (+13.2%), as well as from self-employment (+13.0%), were partially offset by reductions in transfers payments (-2.7%), mainly from reductions in Employment Insurance benefits, combined with higher taxes paid (+2.8%).

Chart 2
Change in average disposable income for highest income quintile, including contribution of each income component, first quarter of 2023 relative to first quarter of 2022

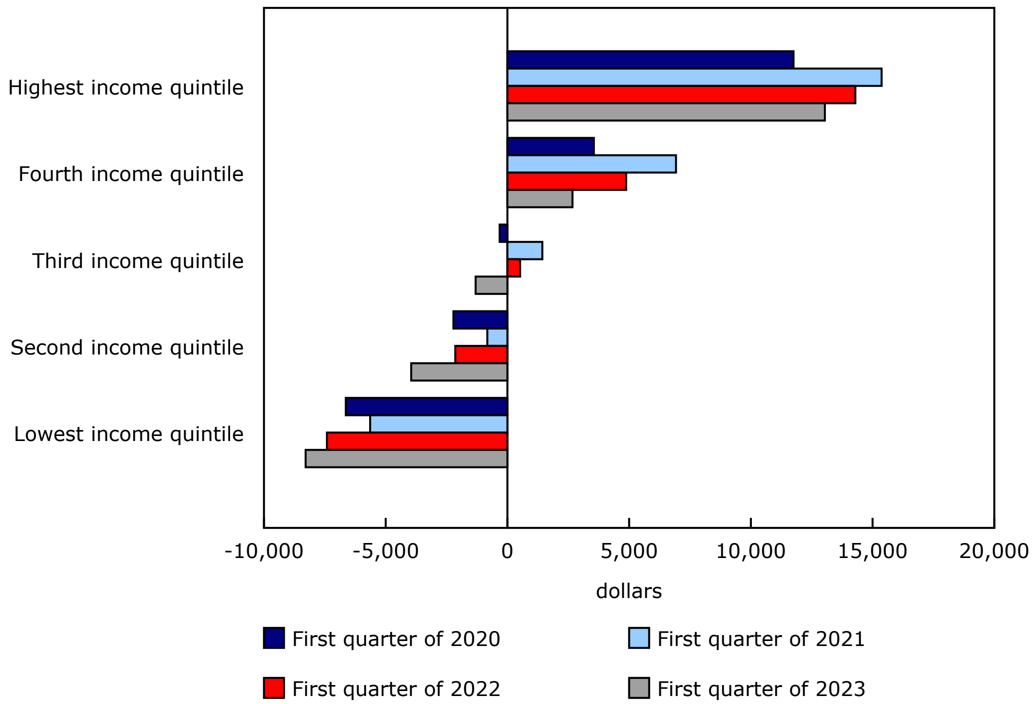


Source(s): Table 36-10-0662-01.

Lower- and middle-income households reduce their net saving the most

For each household group except the highest income earners, net saving in the first quarter dropped below levels recorded three years ago, at the start of the pandemic, as cost-of-living increases outweighed income gains for most households. Middle-income earners (third quintile) were affected most by inflationary pressures over the last year, as they spent an average of $1,306 more than they earned in income in the first quarter, while they had positive net saving of $521 in the first quarter of 2022. Meanwhile, the average net saving of households in the second income quintile decreased by 84.6%.

Chart 3
Average household net saving by income quintile



Source(s): Table 36-10-0662-01.

Gap between rich and poor widens at fastest pace on record

Most wealth is held by relatively few households in Canada. The wealthiest (top 20%) accounted for more than two-thirds (67.8%) of net worth in the first quarter, while the least wealthy (bottom 40%) accounted for 2.7%.

The least wealthy households tend to be younger than average. While households aged less than 45 years accounted for 36.2% of all households, they represented 55.2% of those in the lowest two wealth quintiles. Younger households have also recently increased their share of the total population, as they accounted for 47.3% of all growth since the third quarter of 2021. Recent growth in the number of younger households has occurred along with increases in immigration. According to demographic studies, record-high population growth in the year 2022 was driven almost entirely (95.9%) by immigration, and recent immigrants are younger than the general population.

The gap in net worth between the most and least wealthy increased by 1.1 percentage points in the first quarter of 2023 relative to the same quarter a year earlier. This was the fastest increase on record for these estimates, which date back to 2010. In contrast, the wealth gap declined by 1.6 percentage points over the two-year period from the first quarter of 2020 to the first quarter of 2022. Despite recent increases in the wealth gap, it remained lower in the first quarter of 2023 (65.1 percentage points) relative to the first quarter of 2020 (65.6 percentage points).

The least wealthy were affected more by recent economic pressures, as they decreased their net worth by 13.8% in the first quarter of 2023 relative to the same quarter a year earlier. This reduction represented more than triple the rate of decrease for the wealthiest (-3.8%).

Table 3
Net worth by wealth quintile, average dollars per household, first quarter of 2023 relative to first quarter of 2022

	First quarter of 2022	First quarter of 2023	First quarter of 2022 to first quarter of 2023	First quarter of 2022 to first quarter of 2023
	dollars			%
All households	**1,006,546**	**955,610**	**-50,936**	**-5.1**
Lowest and second wealth quintiles	74,031	63,828	-10,203	-13.8
Third wealth quintile	480,872	440,854	-40,018	-8.3
Fourth wealth quintile	1,038,591	972,145	-66,446	-6.4
Highest wealth quintile	3,365,204	3,237,398	-127,806	-3.8

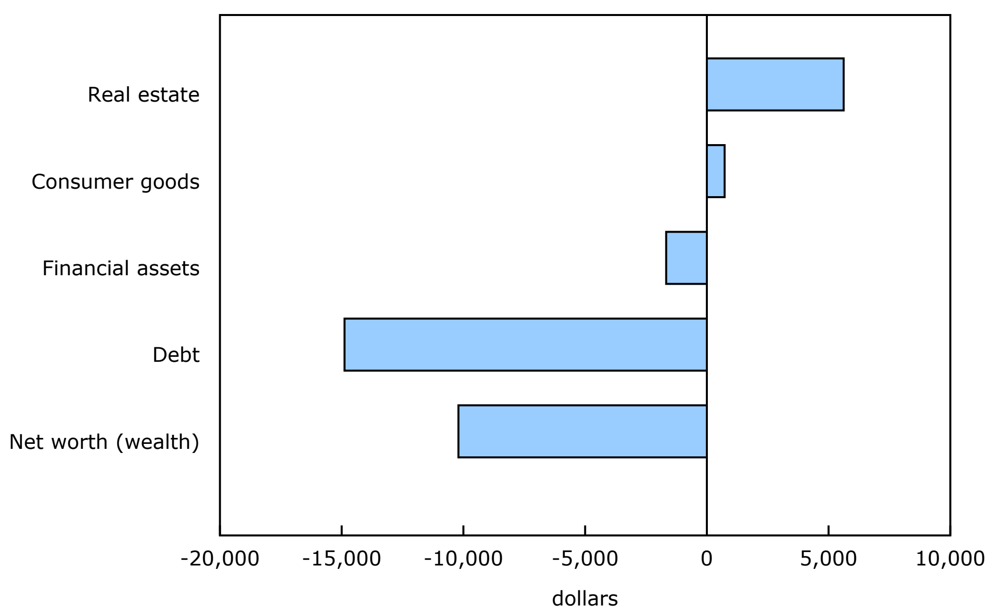
Source(s): Table **36-10-0660-01**.

Least wealthy and younger age groups reduce their wealth as mortgage debt increases

The reduction in net worth for all households in the first quarter relative to the same quarter a year earlier was due almost entirely to real estate (92.1%). The average value of real estate held by households declined by 8.6% in the first quarter relative to the same quarter a year earlier. According to data on home sale prices, the national average price for a residential home reached $686,000 at the end of the first quarter, down 13.7% from the first quarter of 2022.

Although the least wealthy held and acquired real estate, their average net worth declined in the first quarter relative to a year earlier as the increase in mortgage debt to finance those assets (+23.8%) outweighed the increase in the average value of their real estate holdings (+6.2%). The least wealthy also increased their non-mortgage debt by 4.6% over the same period.

Chart 4
Change in average net worth for lowest two wealth quintiles, including contribution of each wealth component, first quarter of 2023 relative to first quarter of 2022



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

Declines in average net worth for the wealthiest were derived entirely by reductions in real estate (-9.8%), while they reduced their mortgage debt (-0.9%). On average, the wealthiest households were relatively less engaged in the real estate market compared with less wealthy households over the last year.

Average net worth decreased the most for households aged less than 35 years, down 8.7% in the first quarter of 2023 relative to the same quarter a year earlier, compared with a decrease of 1.8% for households aged 55 to 64 years. 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. In the first quarter, real estate accounted for 88.3% of wealth for households aged less than 35 years, compared with 40.1% for households aged 65 years and older.

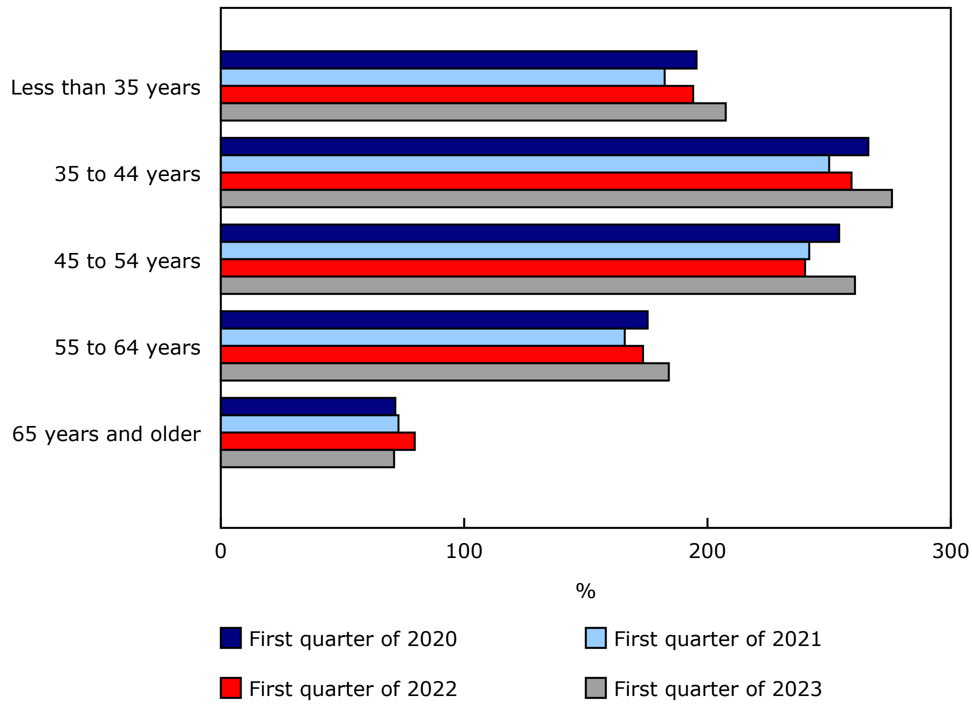
Younger age groups at higher financial risk as debt-to-income ratios reach record highs

Debt-to-income ratios for younger and core working-age groups as of the first quarter were at their highest rates on record, which go back to 2010, and well above rates that had existed just before the start of the COVID-19 pandemic at the end of 2019. Only senior households (aged 65 years and older) had a debt-to-income ratio that was lower in the first quarter of 2023 (71.2%) than at the start of the pandemic in the first quarter of 2020 (71.7%).

Although households of younger workers increased their employment income, persistently high inflation and interest rates continued to restrain their ability to make ends meet, as these households tend to hold higher balances on credit cards and mortgages relative to older age groups. The debt-to-income ratio for the youngest households reached 207.5% in the first quarter, up 13.4 percentage points from the first quarter of 2022.

Core working-age households also experienced unprecedented increases in their debt-to-income ratios in the first quarter, reaching 275.8% for households aged 35 to 44 years, up 16.6 percentage points from a year earlier, and reaching 260.6% for households aged 45 to 54 years, up 20.5 percentage points.

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



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

Persistently high interest rates and inflation are likely to continue to strain households' ability to make ends meet without going further into debt, especially vulnerable groups, such as those with the lowest income, the least wealth and those of younger age groups. The latest figures from the Monthly Credit Aggregates program indicate that household debt continued to grow up to April 2023.

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 income, consumption, saving and wealth of Canadian households 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:

10 REDUCED INEQUALITIES

Note to readers

Statistics Canada regularly publishes macroeconomic indicators on household disposable income, final consumption expenditure, saving and wealth 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. These estimates are an important complement to standard quarterly outputs related to the economy.

The DHEA estimates released today provide estimates of income, consumption, saving and wealth, including their sub-components by various household distributions up to the first quarter of 2023. Estimates have also been revised for prior periods to incorporate the latest CSMA benchmarks, including revisions back to the first quarter of 2022.

Estimates for net worth 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 or micromodels, such as wages and salaries and household debt, other distributions, including those for household final consumption expenditures, social transfers in kind and 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 nominal unadjusted rates. 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. Since the quarterly series are not seasonally adjusted, comparisons should only be made using estimates for the same quarter of each year.

Available tables: 36-10-0101-01, 36-10-0587-01, 36-10-0588-01, 36-10-0660-01 to 36-10-0665-01 and 36-10-0667-01.

Definitions, data sources and methods: survey numbers 5369 and 5370.

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 article "Distributions of Household Economic Accounts, estimates of asset, liability and net worth distributions, 2010 to 2022, technical methodology and quality report," which is part of the *Income and Expenditure Accounts Technical Series* (**13-604-M**), is available.

Details on the sources and methods behind these estimates can be found in *Methodological Guide: Canadian System of Macroeconomic Accounts* (**13-607-X**). See section "Distributions of Household Economic Accounts" under *Satellite Accounts and Special Studies*.

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 *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**).