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CANADIANS DISPLAY SIGNS OF FINANCIAL PRUDENCE DURING A PERIOD OF DECLINING WEALTH

Environics Analytics' WealthScapes explores the financial well-being of Canadian households

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Canadians display signs of financial prudence during a period of declining wealth

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After almost a decade of wealth accumulation, the average Canadian household net worth declined slightly in 2018. While the latest financial snapshot of Canadian households includes some positive trends, growing debts, shrinking pensions and a sharp drop in liquid assets are putting pressure on families.

Although national real estate values continued their steady march higher, a new analysis by Environics Analytics found that the average household net worth in Canada fell across the country. A significant pullback in the equity market in the final few months of the year was a significant factor in the decline, coupled with rising household debt levels and higher interest rates, which reduced employer pension plan values.

"Despite being relatively prudent in terms of their debt acquisition and repayment in 2018, Canadian households felt the effects of a significant decline in equity market valuations over the fourth quarter of the year," says Peter Miron, Environics Analytics' Senior Vice President, Research and Development and the architect of WealthScapes. "On a more positive note, Canadians are actively taking steps to reign in their debts and build up their savings. In fact, four provinces saw the average debt per household decline in 2018."

Apart from the investment losses, rising interest rates during 2018 have been another significant drag on household net worth. In response, Canadians have been trying to blunt the effect of rising rates by converting their variable-rate, non-mortgage debt into locked-in loans.

This financial snapshot of Canadian households emerged from an analysis of WealthScapes 2019, Environics Analytics' authoritative financial database. WealthScapes, which is current to the end of December 2018, provides data on all aspects of household finances, including real estate, employer pension plans, tax-free savings accounts and credit card debt. This report includes 2018 estimates as well as revised estimates for 2017.

Here are some of the other noteworthy findings from the WealthScapes 2019 release:

National Trends

Canadian household net worth declined in 2018, snapping almost a decade long run of wealth accumulation and appreciation. Overall, investment portfolios (comprised of stock, bonds, mutual funds and segregated funds) dipped 7.3 percent on the year to $181,231. Although Canadians were relatively prudent in terms of their debt acquisition and repayment in 2018, a significant decline in global equity market valuations in the fourth quarter of the year dragged down the average household net worth by $7,594 or 1.1 percent to $678,792.

Several factors contributed to the decline in household net worth. Stocks experienced a major blow at the end of 2018, resulting in a 14.5 percent drop in portfolio values to $64,989. Bond and commercial paper holdings, meanwhile, declined by 5.5 percent to $8,503. Although Canadians were plowing their savings in investment funds (which include mutual funds and segregated funds), it was not enough to offset the losses, resulting in a modest 2.6 percent dip in their valuations to $107,739. Eroding employer pensions values also chipped away at household net worth. The average employer pension plan shrank by 0.4 percent to $150,252, primarily as a result of rising interest rates.

Traditional bank deposits (which include term deposits, as well as savings and chequing accounts) were one of the positive indicators in 2018, growing by 4.4 percent to $100,212. When you break out traditional savings and chequing accounts, the balances in those accounts increased by 0.7 percent to $58,567. Higher interest rates also encouraged Canadian savers to buy GICs and term deposits, which jumped by 10.3 percent to $41,645.

Rising real estate values also helped support household net worth. The average value of real estate held by Canadians rose by 1.6 percent to $393,789 in 2018.

Collectively, Canadian household assets declined by 0.5 percent in 2018 to $825,484. This downward pressure on household net worth was further compounded by increasing household debt levels, which rose by 2.3 percent to $146,693. Debt growth was evenly split between consumer debt, up 2.2 percent to $41,962, and mortgage debt, up 2.4 percent to $104,731.

National Snapshot

CANADA	per household	% change*
Average Household Income	$99,654	3.4%
Net Worth	$678,792	-1.1%
Assets	$825,484	-0.5%
Employer Pension Plans	$150,252	-0.4%
Liquid Assets	$281,444	-3.4%
Savings (Demand Deposits and Term Deposits)	$100,212	4.4%
Investments (Stocks, Bonds and Investment Funds)	$181,231	-7.3%
Real Estate Holdings	$393,789	1.6%
Debt (Includes mortgage and non-mortgage debt)	$146,693	2.3%
Mortgages	$104,731	2.4%
Consumer (non-mortgage) Debt	$41,962	2.2%

* Growth Rate (December 31st, 2017 to December 31st, 2018)
Source: WealthScapes 2019

Provincial Trends

No province or territory was spared from losses in 2018, but the net worth decline was fairly muted in Ontario. The preference of Ontario households towards non-stock market liquid assets, such as traditional bank deposits, sheltered household wealth from the worst of the stock market volatility. This, coupled with a small increase in real estate holdings, prevented the province from slipping deep into the red in 2018. The average net worth per household in Ontario was effectively flat in 2018, declining by a negligible $62 to wrap up the year at $794,916. Despite the decline, Ontario was the best performing province in Canada that year.

British Columbia, by comparison, experienced a far more significant drop in 2018. Household net worth fell 1.2 percent to $943,742, although B.C. remains the wealthiest province in the country. While real estate values in the province grew slower than the national average, up 0.6 percent, and household debt grew a little faster than the typical Canadian household, up 2.9 percent, British Columbia's households were prolific savers in 2018. On average, B.C. households squirrelled away $6,506 or 6.4 percent of their incomes into their bank accounts and investment portfolios. As a result, the savings rate in B.C. was more than five times greater than the national average of 1.2 percent.

Parts of Atlantic Canada showed some resilience in 2018. The average net worth per household in Prince Edward Island, New Brunswick and Newfoundland and Labrador declined by 0.1, 0.5 and 0.7 percent respectively. Despite these losses, Prince Edward Island, New Brunswick and Newfoundland and Labrador were the second-, third- and fourth-best performing provinces in Canada respectively. The net worth of Atlantic Canada as a whole was dragged down by Nova Scotia, where average net worth per household dropped by 2.2 percent. There were several different factors at play across the region, including New Brunswick and Prince Edward Island benefitting from above-average increases in real estate holdings.

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Meanwhile, Newfoundland experienced the lowest decline in liquid asset holdings per household in Canada, which is partially a result of their preference for relatively conservative investments, such as traditional bank deposits. Newfoundland residents were also active savers, with the typical household saving away $3,727 in 2018, representing four percent of their income. Newfoundland and Nova Scotia, were also among an exclusive group of four provinces whose households deleveraged last year (average debt per household decreased). Over the course of the year, households in these two provinces lowered their debts by of 0.8 percent and 0.2 percent, respectively.

Alberta and Saskatchewan suffered the largest average net worth per household declines in Canada in 2018. Households in Alberta saw their wealth shrink by 4.1 percent, while Saskatchewan households dipped 2.9 percent. In both provinces, the drop off in net worth can be tied to declines in real estate prices and liquid assets values. Because households in Alberta tend to have a greater amount of their wealth tied up in equity market liquid assets, the effect of the drop in the global stock market at the end of 2018 was more pronounced in the province. On the plus side, households in these provinces were deleveraging during this period, paying down their debts faster than acquiring new ones. The average debt per household in Alberta and Saskatchewan fell by 0.1 percent and 0.5 percent, respectively in 2018.

Provincial Snapshot

	Income		Net Worth		Assets		Real Estate Holdings		Debt	
	per household	% change*	per household	% change*	per household	% change*	per household	% change*	per household	% change*
Newfoundland and Labrador	$93,817	4.0%	$404,990	-0.7%	$508,249	-0.7%	$221,221	-2.1%	$103,260	-0.8%
Prince Edward Island	$81,889	2.9%	$395,089	-0.1%	$489,401	0.5%	$186,547	5.0%	$94,311	3.1%
Nova Scotia	$82,619	3.1%	$445,054	-2.2%	$540,954	-1.9%	$199,708	0.4%	$95,900	-0.2%
New Brunswick	$79,471	3.3%	$361,352	-0.5%	$455,527	-0.3%	$162,021	2.2%	$94,175	0.8%
Quebec	$83,007	3.2%	$470,325	-1.3%	$571,412	-0.9%	$222,565	1.8%	$101,087	0.9%
Ontario	$106,806	3.2%	$794,916	0.0%	$960,853	0.6%	$483,393	3.4%	$165,937	3.9%
Manitoba	$91,795	3.5%	$519,625	-1.7%	$632,783	-1.1%	$247,095	-1.1%	$113,158	1.6%
Saskatchewan	$96,955	4.0%	$563,490	-2.9%	$693,978	-2.5%	$263,738	-2.6%	$130,487	-0.5%
Alberta	$122,282	3.2%	$700,171	-4.2%	$876,388	-3.4%	$393,112	-2.0%	$176,216	-0.1%
British Columbia	$102,355	3.8%	$943,742	-1.2%	$1,137,002	-0.6%	$643,625	0.6%	$193,260	2.9%
Territories	$125,168	3.6%	$456,061	-1.6%	$572,439	-0.7%	$232,889	-0.3%	$116,378	3.2%

* Growth Rate (December 31st, 2017 to December 31st, 2018)
Source: WealthScapes 2019

Major Metropolitan Areas

While the average net worth of Canadian households declined in 2018, several large Census Metropolitan Areas (CMAs) experienced some growth. Amongst the large CMAs with more than 50,000 households, Moncton posted the largest gains in household net worth at 2.2 percent. Moncton is particularly unique in that its net worth growth was not just due to real estate asset appreciation or acquisition (up 3.3 percent). Moncton's households were actively building their savings faster than anyone else in Canada in 2018, on average stashing, away $11,097.

Of the 20 largest CMAs in Canada (with 90,000 households or more), many of the best performing cities can be found in Ontario. London, St. Catharines - Niagara, Windsor, Ottawa - Gatineau and Toronto all managed to have positive net worth growth, with London being the clear leader. Each of these areas all experienced mild to decent real estate growth, which more than offset declines in liquid assets due to lower stock market valuations and slightly above-average debt growth. Not every city major city in Ontario enjoyed the same gains. Hamilton, Kitchener - Cambridge - Waterloo and Oshawa each saw their average net worth per household retreat in 2018. While Oshawa's decline can be attributed to weakness in the local housing market, while both Hamilton and Kitchener - Cambridge - Waterloo saw sizeable declines in their stock market portfolios, which were not offset by additional savings.

Average household net worth for Canada's largest cities

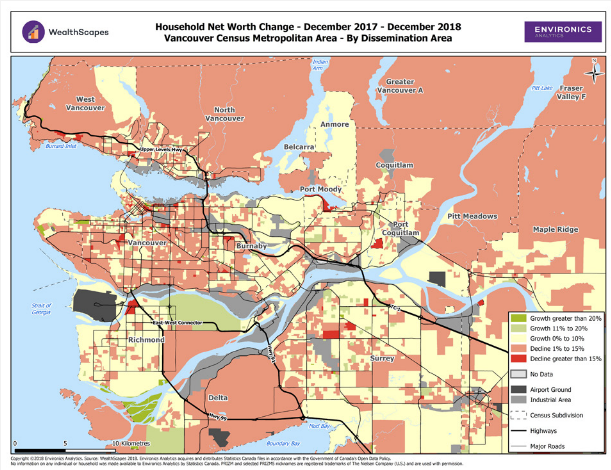
Top 10 largest CMAs in Canada

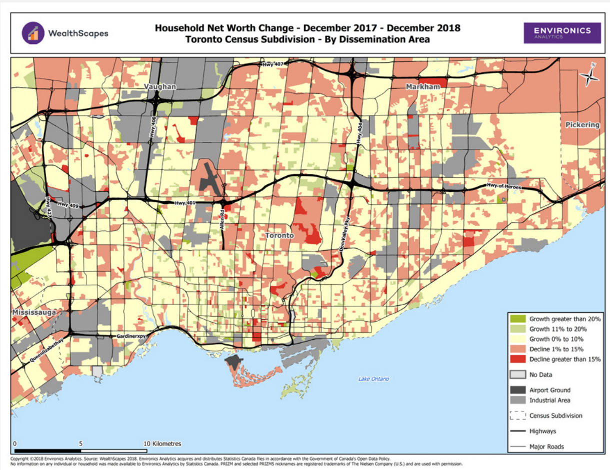
	Income		Net Worth	
	per household	% change*	per household	% change*
Toronto	$118,909	3.1%	$977,698	0.1%
Montreal	$88,517	3.2%	$520,725	-0.8%
Vancouver	$108,943	3.7%	$1,144,204	-1.3%
Ottawa - Gatineau	$109,234	3.2%	$744,778	0.3%
Calgary	$136,515	3.0%	$840,417	-3.6%
Edmonton	$119,152	3.5%	$652,834	-3.2%
Quebec	$87,293	3.3%	$512,908	-1.6%
Winnipeg	$96,349	3.4%	$579,549	-0.8%
Hamilton	$106,126	3.3%	$774,877	-0.9%
London	$89,983	2.9%	$603,244	1.9%

* Growth Rate (December 31st, 2017 to December 31st, 2018)
Source: WealthScapes 2019

Vancouver

Despite a relative drop in household net worth in 2018, Vancouver continues to be home to the wealthiest households in Canada. Vancouver had an average net worth per household of $1,144,204 as of the end of 2018. No other CMA had an average net worth per household of over a million dollars in 2018. Vancouver's expensive real estate market has resulted in the average holding $839,500 in real estate. This real estate doesn't come cheap. Despite being the wealthiest households in Canada, the debt holdings of Vancouver's households continue to climb and now total $245,313 per household.





Toronto

Toronto continues to be home to Canada's second-highest net worth population. The average household net worth in the Toronto CMA grew by 0.1 percent in 2018 to $977,698. This growth was due to an above-average savings rate as well as slightly above-average real estate performance in 2018. Similar to Vancouver, a significant portion of this wealth is tied up in real estate and the expensive Toronto real estate market has left these households the second most indebted in Canada, again after Vancouver.

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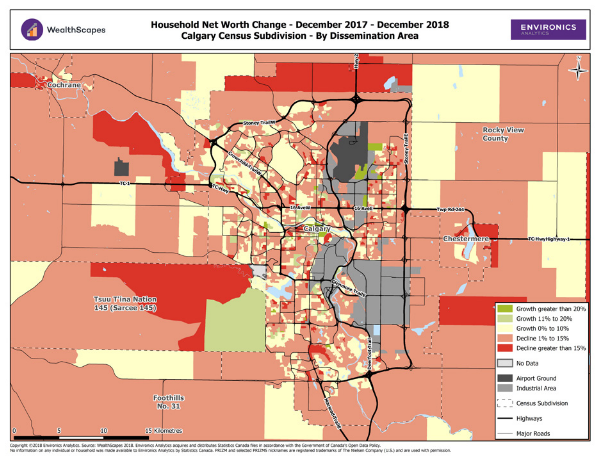
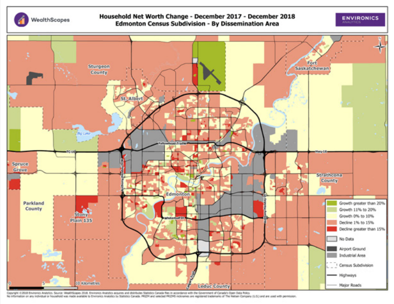
Calgary

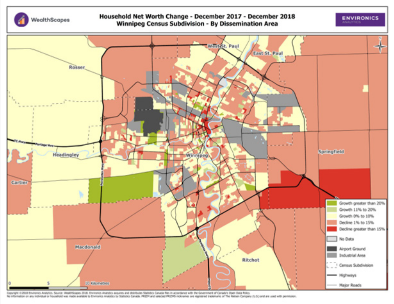
Calgary's households have the third-highest average net worth amongst Canada's 10 largest cities. What makes these households particularly remarkable is that they tend to have a lot of their wealth in liquid assets like stocks, bonds, investment funds and even traditional bank accounts, unlike the households of Toronto and Vancouver. The stock market declines of 2018 were felt keenly by the households of Calgary and the continued cheap oil-induced malaise weighed on Calgary's real estate market. In 2018, the average net worth of households in the province declined by $31,778 or 3.6 percent to $840,417. Despite this overall decline, there is a silver lining: Calgary's households were actively repaying their debts in 2018. By the end of 2018, the average debt per household was $2,601 or 1.2 percent lower than at the start of the year.



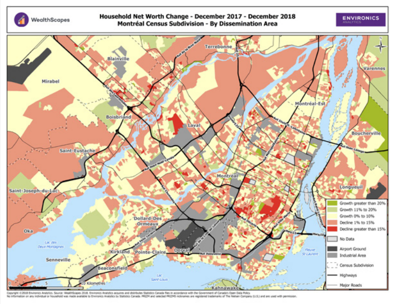
Here is a look at the neighbourhoods in Edmonton, Winnipeg, Montreal and Halifax that saw the biggest swings in household net worth in 2018:



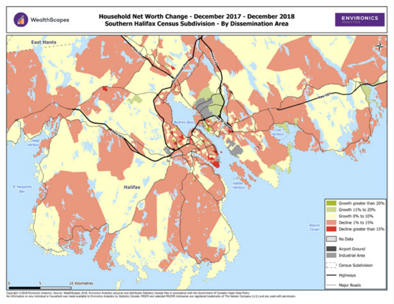
Edmonton



Winnipeg



Montreal



Halifax

Urban and Suburban Fortunes Diverge

Toronto is a tale of two cities: the City of Toronto proper and the surrounding region in the rest of the Toronto CMA. The two similar population regions had dramatically different development in 2018. While collectively the Toronto CMA average net worth per household grew by $518, or 0.1 percent, in 2018, the City of Toronto's growth of $6,453, or 0.7 percent, was almost completely offset by the residual of the CMA's decline of $6,058 or 0.6 percent. This can be almost entirely attributed to differences in the real estate markets in the two regions. Real estate holdings dropped by $1,043 or 0.1 percent in the suburban region outside of the City of Toronto; however, real estate holdings grew by $30,290 or 5.6 percent within the city's core.

A similar story occurred in Montreal; while the households in the broader Montreal CMA collectively saw their average net worth decline by $4,078 or 0.8 percent, households on the island experienced a decline of only $1,342 or 0.3 percent. The households of the suburban region of the Montreal CMA outside of the city core suffered a decline of $6,606 or 1.1 percent in net worth in 2018. Both parts of the Montreal CMA saw above-average growth in real estate holdings, the growth in the city centre was significantly higher than that of the suburban region at 5.2 percent relative to 2.0 percent.

Amongst Canada three largest cities, Vancouver was the exception to this urban-centric wealth performance; the average net worth per household of the City of Vancouver declined by $37,112, or 2.9 percent, as compared to the remainder of the Vancouver CMA's decline of $5,385, or 0.5 percent. Again here, much of the trends can be explained by real estate. The average real estate holdings of the household of the City of Vancouver declined by 4.7 in 2018, which stand in stark contrast to the 0.5 percent growth in the residual of the Vancouver CMA.

WealthScapes

About WealthScapes

Environics Analytics, the Toronto-based marketing and analytical services company, created WealthScapes to help financial institutions, retailers and charities analyze the fiscal profile of current and potential customers, identify promising markets and develop business strategies. WealthScapes is built using sophisticated modelling techniques and aggregated, privacy-compliant, small-area data from a variety of authoritative sources, such as the Bank of Canada, Equifax, Statistics Canada and the Teranet-National Bank House Price Index™.

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About Environics Analytics

Environics Analytics is the premier marketing and analytical services company in Canada. The company offers a full range of analytical services to help customers turn data and analytics into insight, strategy and results. Environics Analytics team of quantitative marketers, modellers and geographers are experts at helping organizations identify their business challenges, develop data-driven solutions and achieve success along every phase of their analytics journey.

Contact us at environicsanalytics.com or inquiries@environicsanalytics.com to get started.