

Canadian household wealth accelerates on equity rally

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Canadian household balance sheets gained meaningful momentum in Q2, with net wealth rising 2.9% quarter-over-quarter—more than double Q1's pace. The equity rally was the standout driver, amplified by U.S. market strength. Housing also contributed for the second consecutive quarter, after detracting for most of 2025.

In addition to asset price moves, wealth gains rest on some solid fundamentals—though not entirely. Disposable income grew 2.1% q/q—roughly double the rate of the previous quarter and the fastest pace in nearly two years. The acceleration was driven equally by compensation gains—reflecting a strengthening labour market—and government transfers.

Household balance sheets are on solid footing for the back half of 2026 but could get tripped up if escalating trade tensions derail the labour and housing market recoveries. Persistently high gas prices may also eat away at purchasing power—forcing households to dip into savings or constrain their consumption in the quarters ahead.

The details:

The equity market rally proved the standout story in Q2. The S&P/TSX Composite Index climbed 6.4% during the quarter, nearly double the pace of Q1's gain. U.S. equities (measured in Canadian dollars) contributed outsized returns of 17%.

Other financial assets advanced solidly across the board. Life insurance and pension assets climbed 3.9% q/q to \$3.5 trillion while currency and cash deposit holdings grew 0.8% q/q to \$2.3 trillion.

Housing provided a stabilizing floor, rather than material upside. The CREA MLS Home Price Index posted a 0.4% quarterly gain, building modestly on Q1's 1.5% rebound.

Household debt dynamics remained measured, expanding at a 1.3% q/q pace to 3.3 trillion. Growth in mortgage borrowing more than doubled but to a still historically low 1.1%, reflecting a modest pickup in the housing market. Nonmortgage debt grew by a larger 2%.

Disposable income grew 2.1% q/q to \$1.86 trillion, reflecting higher compensation and net government transfers—supporting a rise in the household savings rate to 3.7% q/q in Q2 from 3.5% in Q1.

The household debt service ratio (obligated debt payments as a share of household disposable income) edged down to 14.5%, the lowest since Q3 2022.

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