



THE EDGE REPORT

March 2026



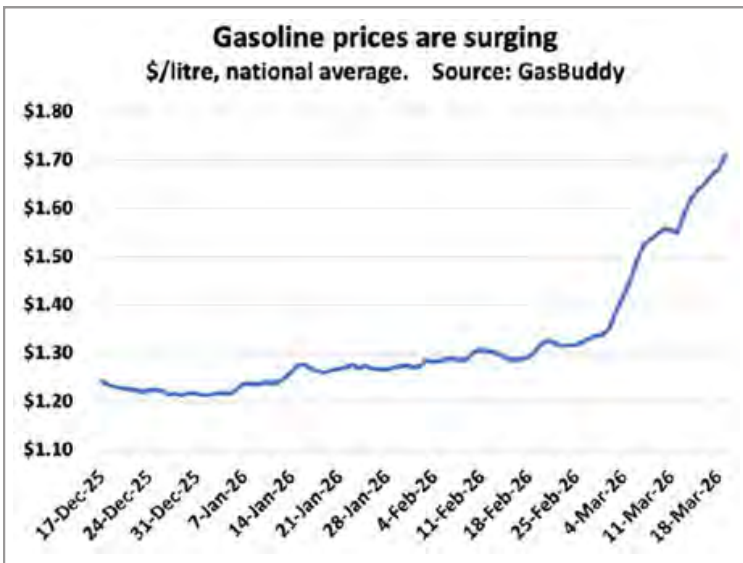
1) Macro-watching: How will the Bank of Canada address an oil shock?

Iran conflict upends rate expectations

“There are decades where nothing happens; and there are weeks where decades happen.”

-Vladimir Lenin

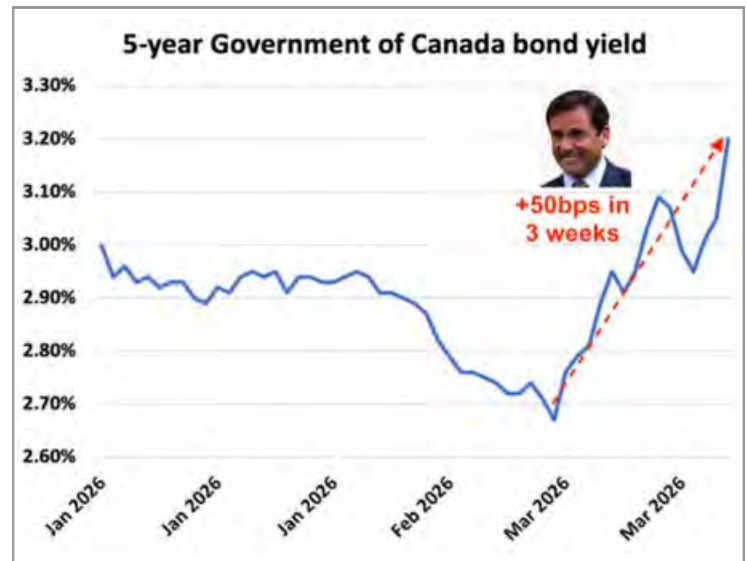
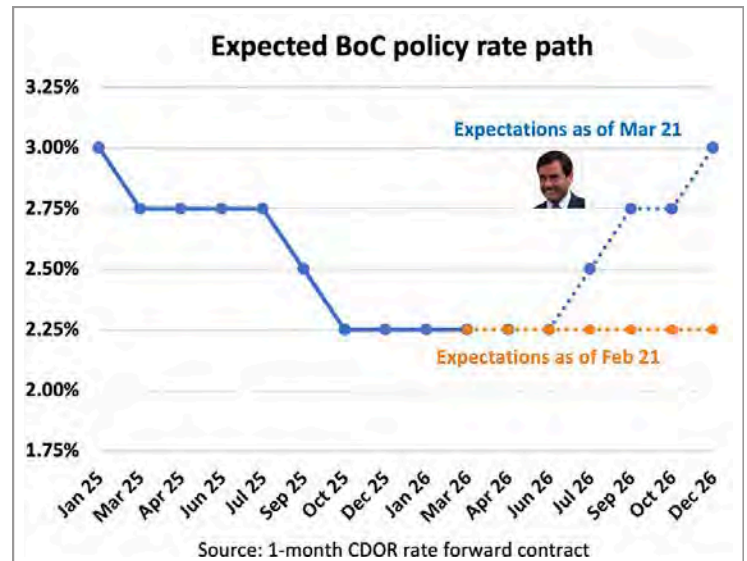
What a crazy couple weeks! The Iran conflict has caused energy prices globally to surge. Here in Canada, gasoline prices are roughly \$1.71/L nationally, up from just over \$1.20/L at the start of the year:



And since energy impacts literally EVERYTHING in the economy, you can bet that this will lead to higher inflation down the road if the trend persists.

That’s been enough to spook markets into pricing in not one or two, but THREE rate HIKES by the end of the year, and it’s sent 5-year bond yields screaming 50bps higher in the past 3 weeks (which means higher fixed mortgage rates coming down the pipeline):

This is quite a change from just a month ago when markets were expecting the Bank of Canada to hold the line for the entire year:



Is the market getting ahead of itself?

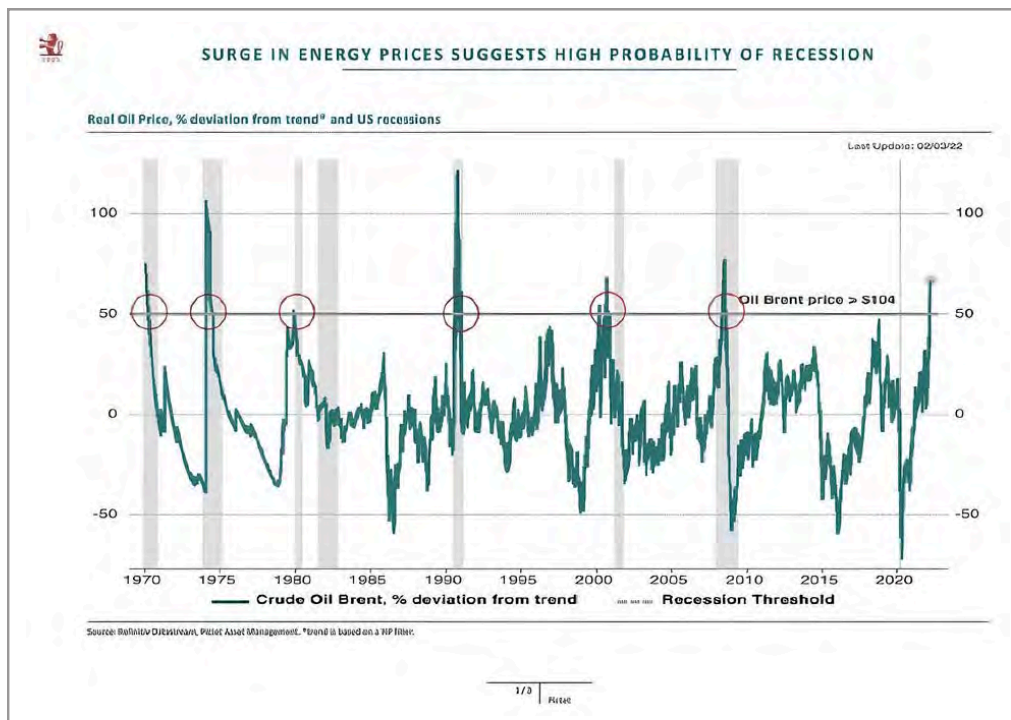
This is understandably a concerning development, but my view is that the market has gotten WAY ahead of itself here, and I'm comfortable FOR NOW betting against three hikes.

Let's remember that the Bank of Canada has no tools in its arsenal to address a supply shock to the economy.

Nothing they can do will reopen the Strait of Hormuz or stop Iran and its proxies from threatening energy infrastructure across the Middle East. They are powerless in that regard...



In the process, they risk crushing an already-weak economy...and particularly since oil price shocks have a long history of triggering recessions for our largest trading partner:



They said so themselves in an important 2022 analytical paper specifically about supply shocks¹:

“it is optimal for the central bank to initially look through supply shocks”

They reinforced this view just last week in the rate decision, and they even hinted that IF the conflict ends and energy prices trend lower, they see reason to potentially CUT rates:

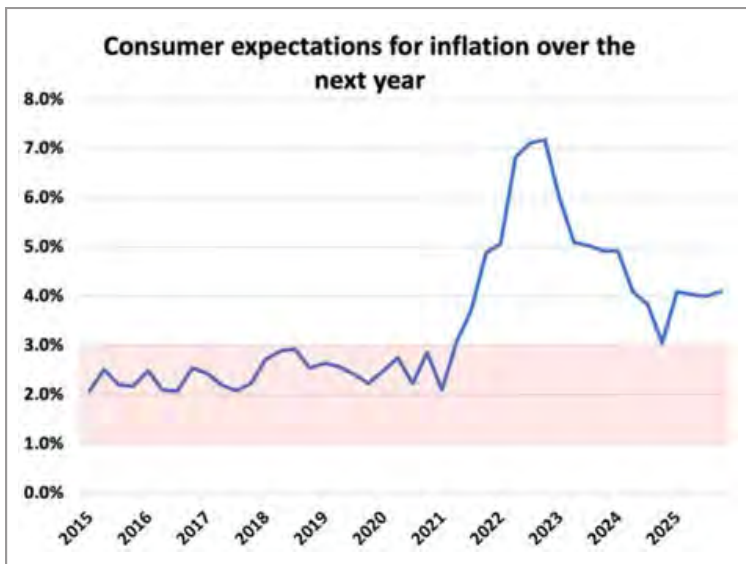
[...] The Governing Council will look through the war's immediate impact on inflation.

[...] If energy prices come back down and we see more weakness in the economy, we can lower our policy rate.

¹ <https://www.bankofcanada.ca/wp-content/uploads/2022/09/swp2022-41.pdf>

What they are much more concerned about is not the supply shock (since they can't address that anyway) but rather inflation EXPECTATIONS. Remember, when people fear future inflation, they spend more today... which increases demand and risks stoking the very inflation they fear in a nasty, self-reinforcing cycle.

THIS is what the Bank is concerned about, and they will be watching this closely. Right now expectations are a tad high but not alarmingly so. If this starts to jump higher, THEN the Bank will be forced to act.

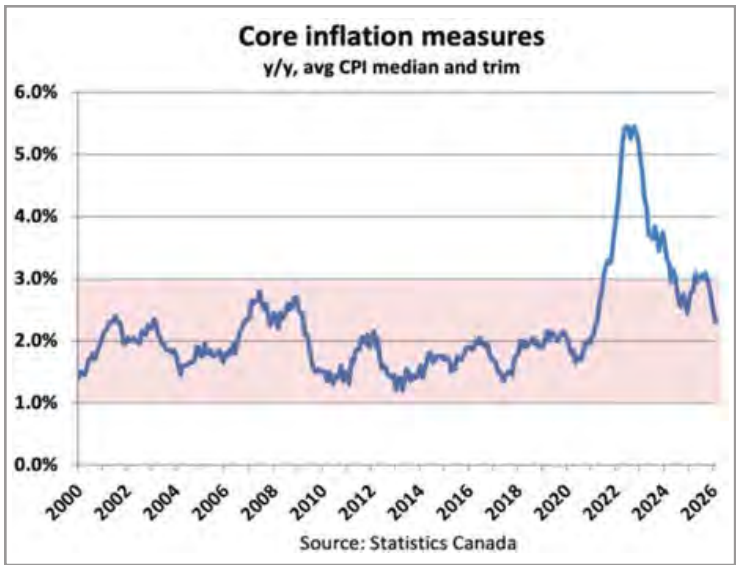


In simple terms for your clients:
The Bank of Canada typically looks through inflation driven by a supply disruption unless it starts changing behaviour—like people spending more now because they expect prices to keep rising.

It's too early to tell whether this will be the case.

Core inflation has some wiggle room

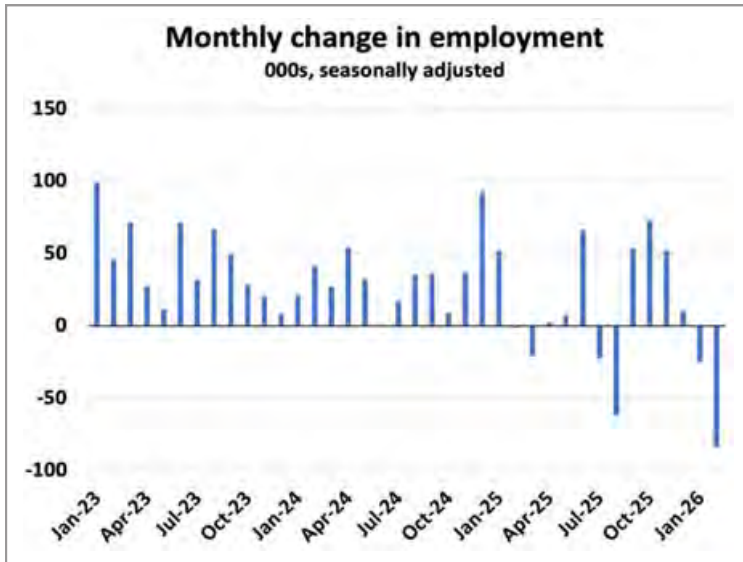
The good news is that inflation came in much softer than expected in February, with core measures falling to the lowest rate in 5 years. Now admittedly this was BEFORE the Iran issue kicked off, but it means there's at least a bit of cushion to absorb some higher prices before we need to get concerned:



Weak economy is still a major concern

Now we turn to what the Bank of Canada is more concerned about for the time being: A dramatically weakening economy.

This month's Labour Force Survey was stunningly bad: A loss of 84,000 jobs in February...the largest monthly decline in employment in nearly 4 years!



But the internals were even worse.

For starters, full-time employment tanked by 108k or -0.6% m/m...the largest monthly drop since April 2020 when the world shut down!

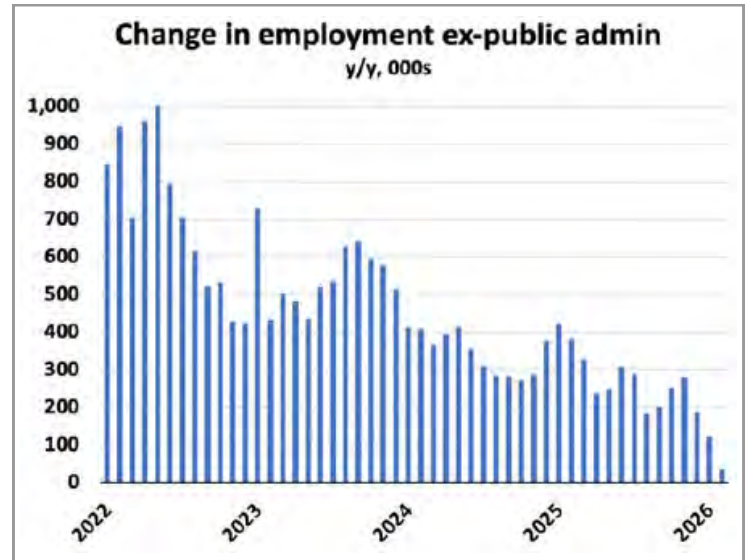
Declines were registered in all of the big 4 provinces, but the trend is most concerning in Ontario and Quebec (Canada's manufacturing heartland) where we've now seen a cumulative 92k full-time positions evaporate to start the year.

You have to go all the way back to May of 2021 in the midst of rolling public health lockdowns to find the last time jobs in central Canada have disappeared at this pace.

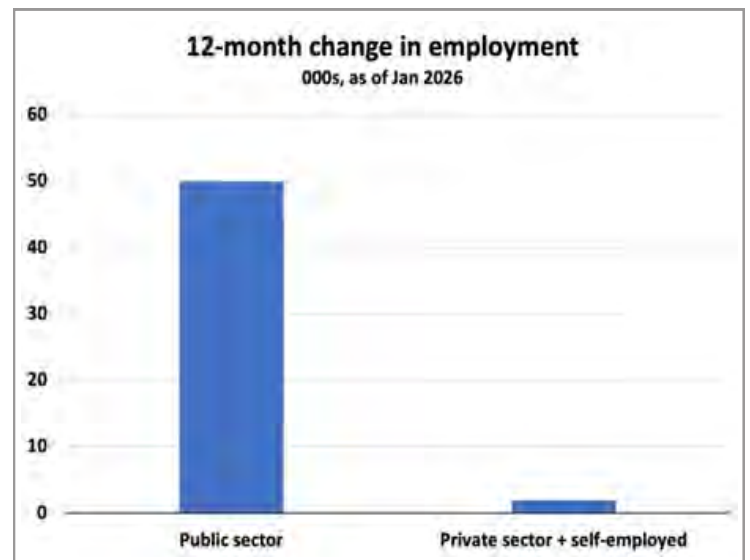
Private sector under pressure

The number of employees in the private sector nationally fell by 73k or -0.5% in February and is now down by 125k to start the year.

Over the past year, Canada has only created 32,000 total jobs outside of public admin:

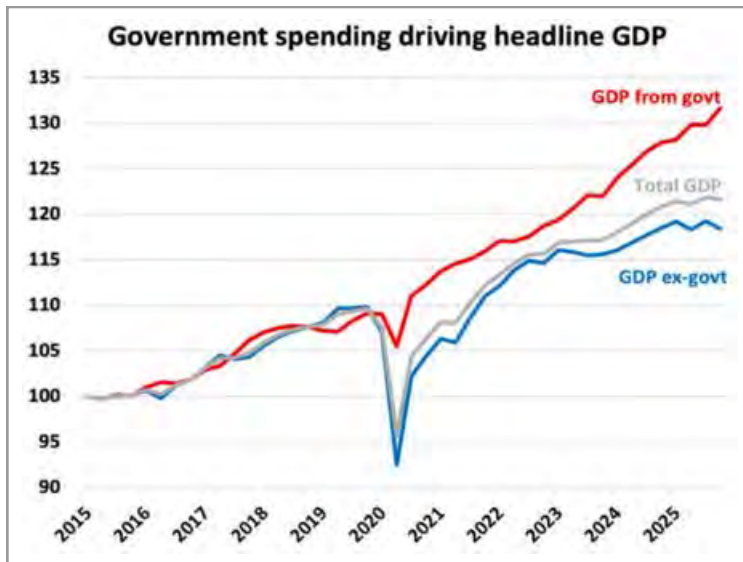


It's even worse when we add in self-employment. Total jobs are basically flat compared to a 50k increase in the public sector over the past year. That group now accounts for 25% of all jobs in the country:





This is entirely consistent with the latest GDP trends where government spending is driving ALL growth:



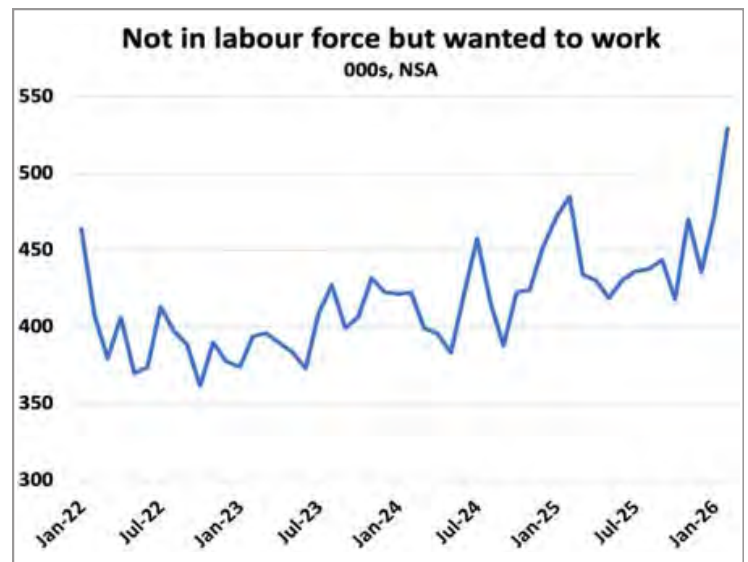
This tells us that the economy is fundamentally much weaker than the headline numbers suggest and is keeping aloft primarily due to government largesse.

Labour market is weaker than unemployment rate suggests

The unemployment rate ticked up 20bps nationally to 6.7% in February but it would have been higher were it not for another 27k decline in the total labour force.

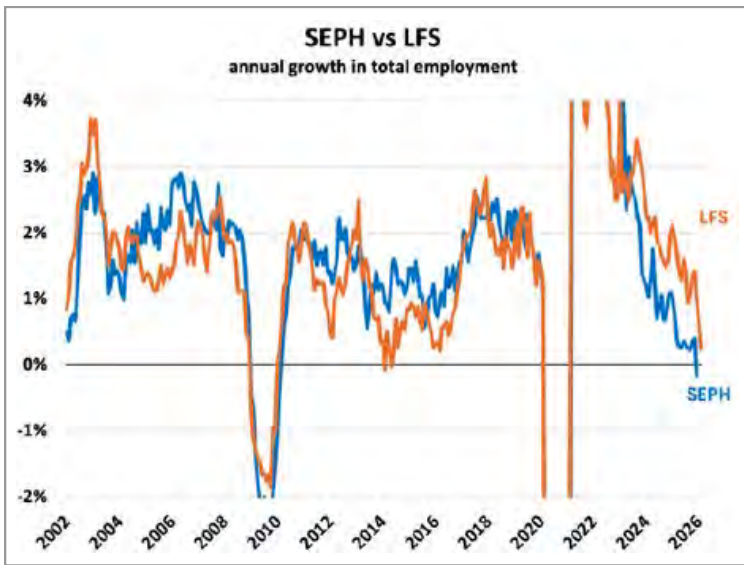
Remember: If someone gives up and stops looking for work, they are no longer considered part of the labour force and are therefore no longer technically “unemployed”.

We now have 580,000 Canadians who are not in the labour force but WANT to work. This is a pretty clear sign that job prospects are deteriorating, and it strongly hints that things are softer than the headline unemployment rate suggests.



Both labour market indicators now agree

A key theme discussed here at length in recent months was the divergence between the payroll survey (the SEPH) and the Labour Force Survey. That gap has closed sharply over the past 2 months, and both surveys now agree that Canada’s labour market is sucking wind.



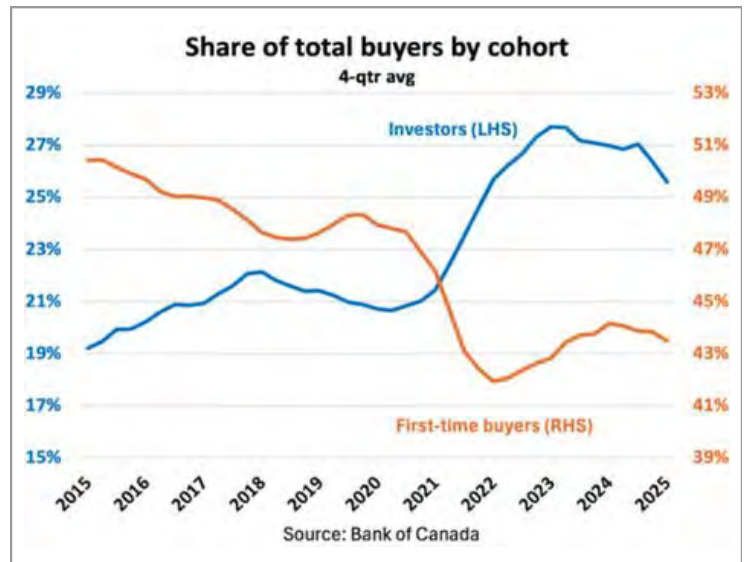
A rate hike now would further dampen a weakening economy. The Bank knows this. They will wait until inflation expectations really become unanchored before hiking...if at all.

*2) Supply and demand:
Why you HAVE to focus
on first-time buyers*

Why real estate professionals need to focus on first-time buyers

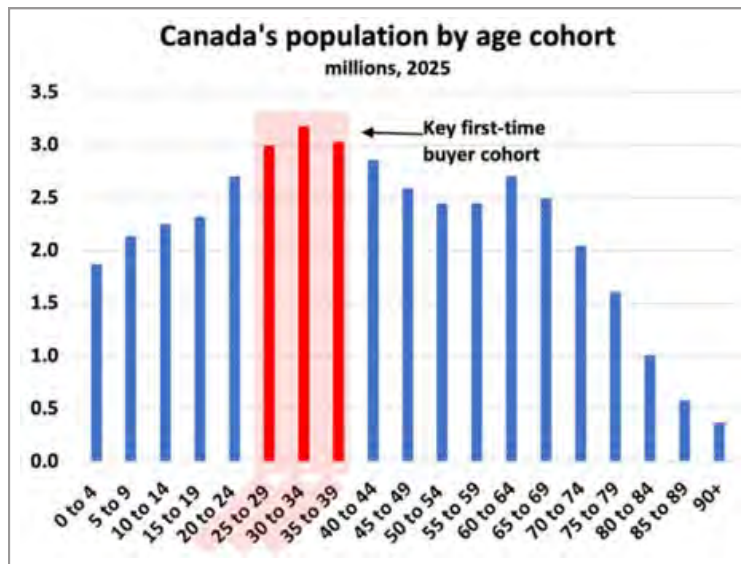
A key theme in our 2026 outlook was the re-engagement of first-time homebuyers beginning this year.

As I see it, money was made from 2020-2022 focusing marketing on investors. The money this cycle will be made by engaging the first-time buyer cohort which has seen market share shrink over the past decade:



Let’s pull this thread a little.

If we divide the population into 5-year age groups, you would probably guess that the largest cohort would be in the “Boomer” cohort. That’s not the case:

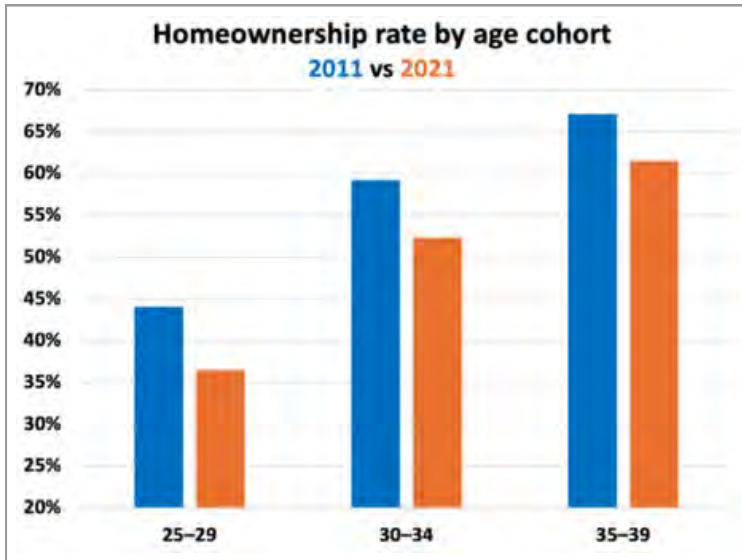


Most people would be surprised to learn that the three largest cohorts in the country are 30-34 year olds followed by 35-39, and 25-29. This is traditionally the group most responsible for first-time homebuying.

But something happened over the past decade. We’ve seen a precipitous decline in the homeownership rate for these 3 key cohorts in between the three most recent censuses:

	2011	2021	10-yr change
25 - 29 yrs	44.1%	36.5%	-7.6%
30 - 34 yrs	59.2%	55.0%	-6.9%
35 - 39 yrs	67.1%	61.5%	-5.6%

Here's what it looks like visually:

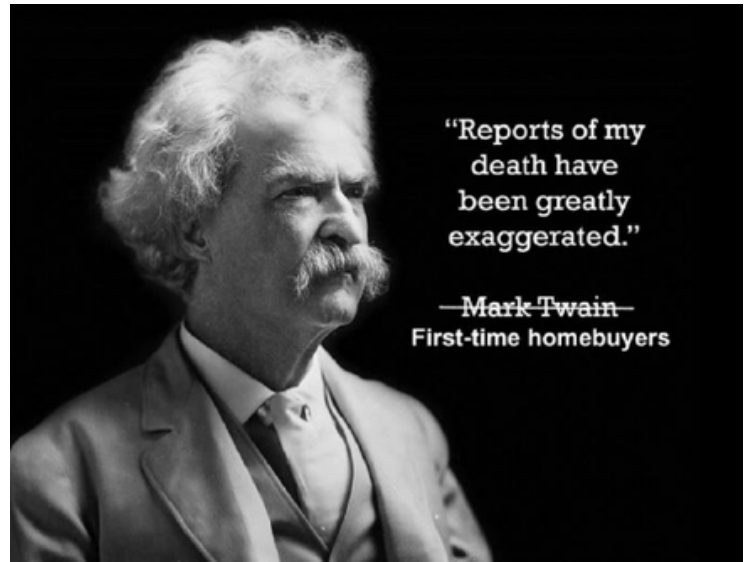


We know the culprit: Affordability...including monthly carrying costs AND the down payment hurdle.

Here's the takeaway:

The falling homeownership in this cohort rate has led to 616,000 missing "homeowners". At 1.7 people per household, that equates to 360,000 delayed home sales from this cohort alone.

I say "delayed" because all surveys consistently find that this cohort WANTS to own. In fact, 84% of 18-38 year-olds state that home ownership is still a "worthwhile investment" in one recent poll.



Canada isn't short demand — it's sitting on hundreds of thousands of sidelined first-time buyers who still fully intend to own at some point...and likely soon.


What will get them back in the market? Likely a combination of factors:

- A weak rental market that will allow them to more easily save a down payment
- Improved affordability from falling prices
- Govt measures to stimulate homeowner demand (longer amortization, down payment assistance?)
- Higher consumer confidence

That last point on confidence is an important one. In my mind this is a bigger issue today than affordability. Sentiment is simply in the dumps. The index even fell 5.2 points in March:



Things that are at 30-year lows don't tend to stay there forever. Most economic data series are mean-reverting. So ask yourself, how many people are out there thinking the same thing as this Reddit user:

 [r/canadahousing](#)
[u/MoonshineMadnessDC](#) · 4h

Scared to buy a home

Opinion & Discussion

I have the means to purchase a house and I really, really want to. I live with my parents and nearly 30. I long to own my own home and have my own space, being able to be myself, etc...

The one thing that's stopping me might sound stupid to many, but I'm hoping I'm not alone. Things have really escalated down south. America is invading multiple countries at this point and has been threatening us since his inauguration really.

Does anyone else feel they need the US threat to be gone before purchasing a home? I want to say Yolo but I feel stuck in the decision because it's a lot of money on the line, and not to mention a mortgage if the economic war against us gets worse.

*I live in Ottawa.

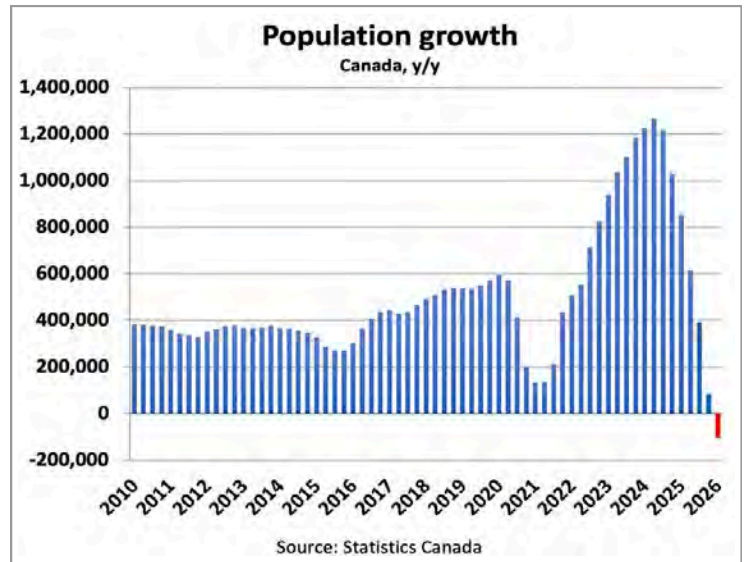
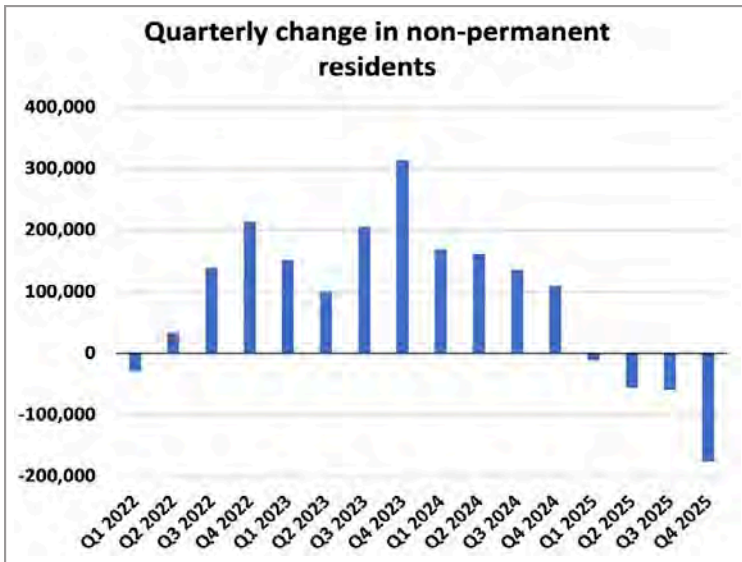
I think it's more than people think. I think it's more than people think.

I have no idea what will cause sentiment to perk up, but I'm confident saying the long-term direction is much higher from here. I think 2026 is the year that first-time buyers begin to reengage. Position accordingly!

Canada's population declines in Q4

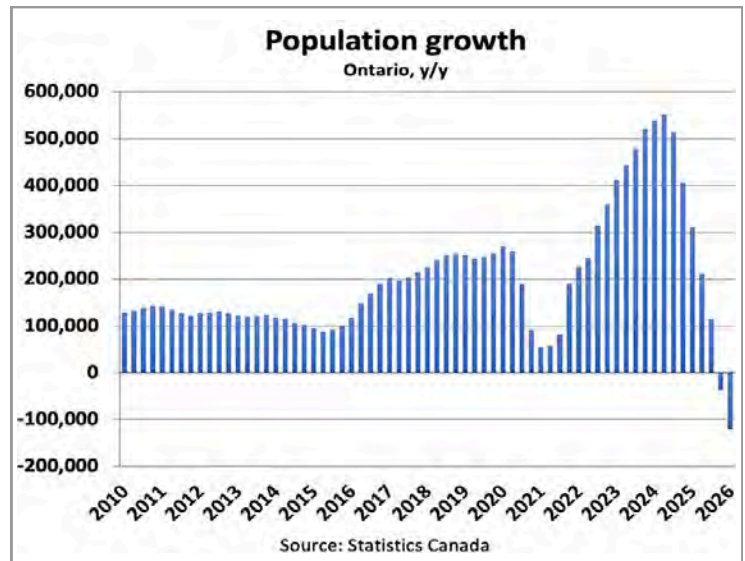
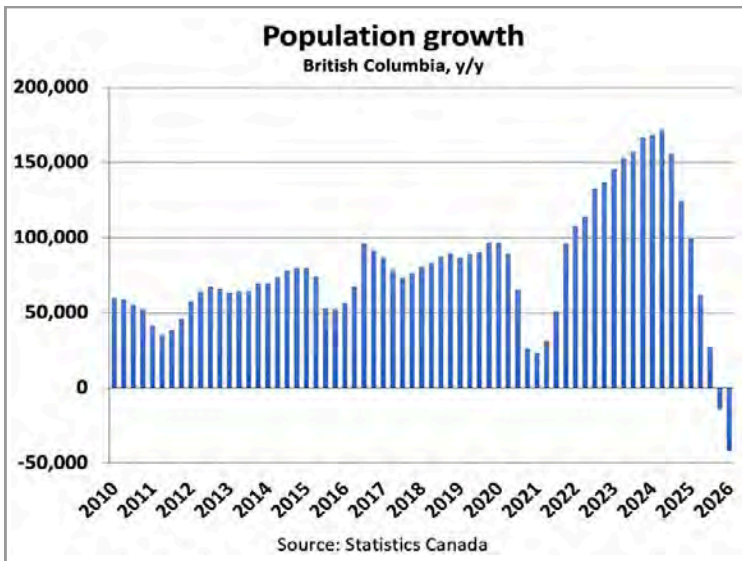
We live in unprecedented times! Never before in Canada's recorded history have we seen the population decline on an annual basis...until now.

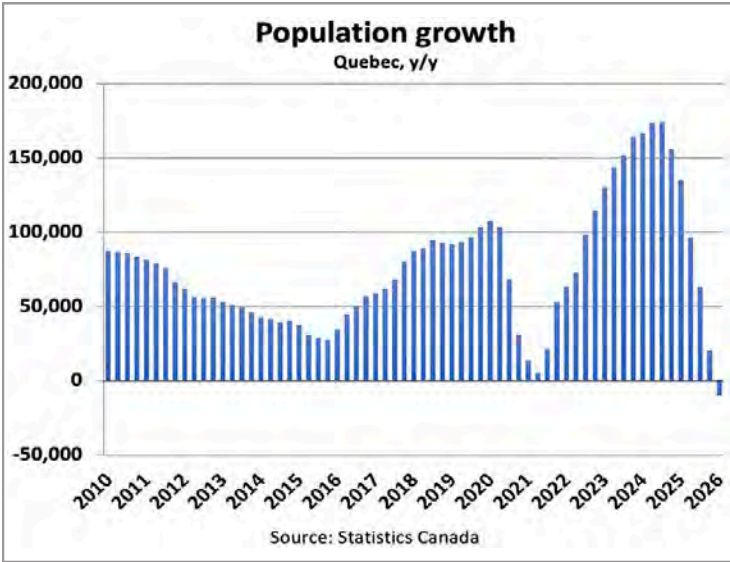
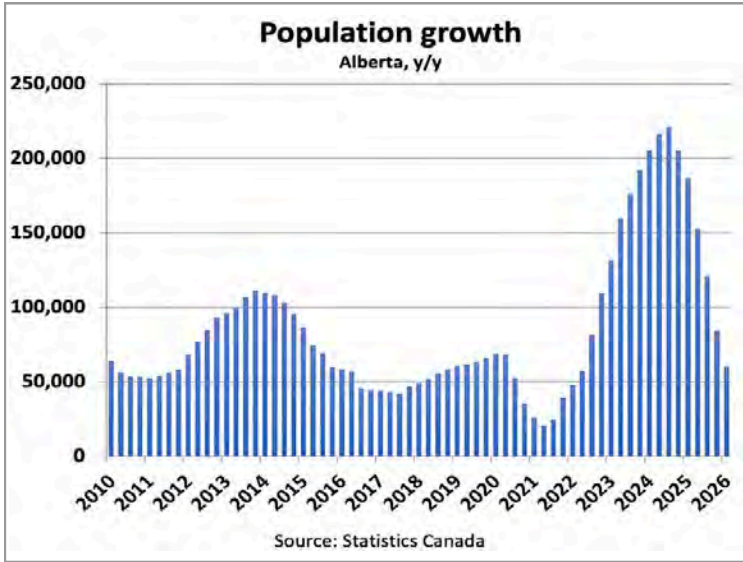
Canada's population fell by 104,000 or 0.25% last quarter, pushing the annual growth rate to -102,000.



Alberta continues to lead the country in growth

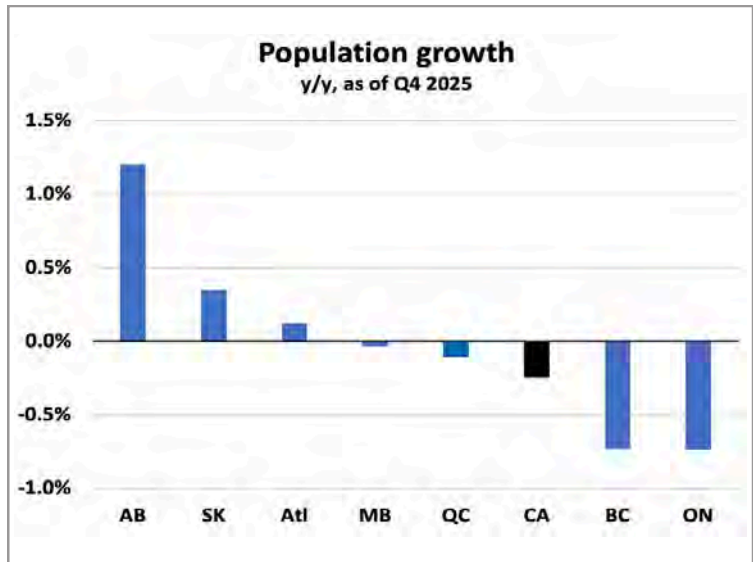
Three of Canada's "big 4" provinces posted annual population declines last quarter led by Ontario and BC...both declining 0.7%.



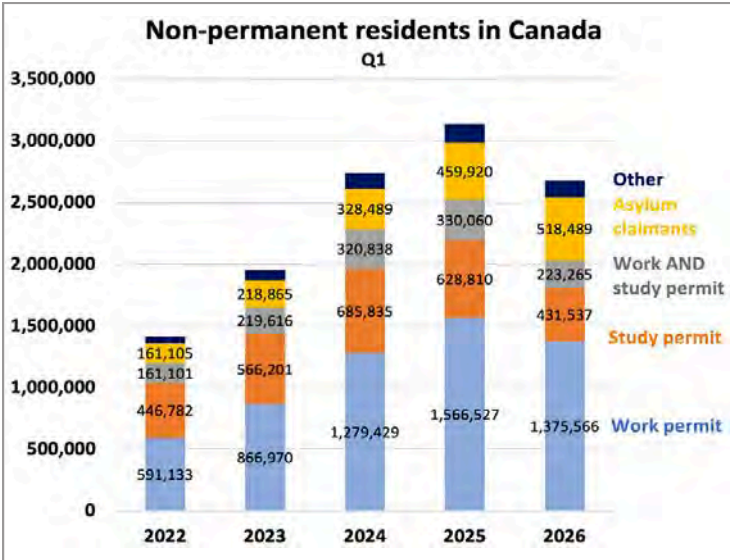
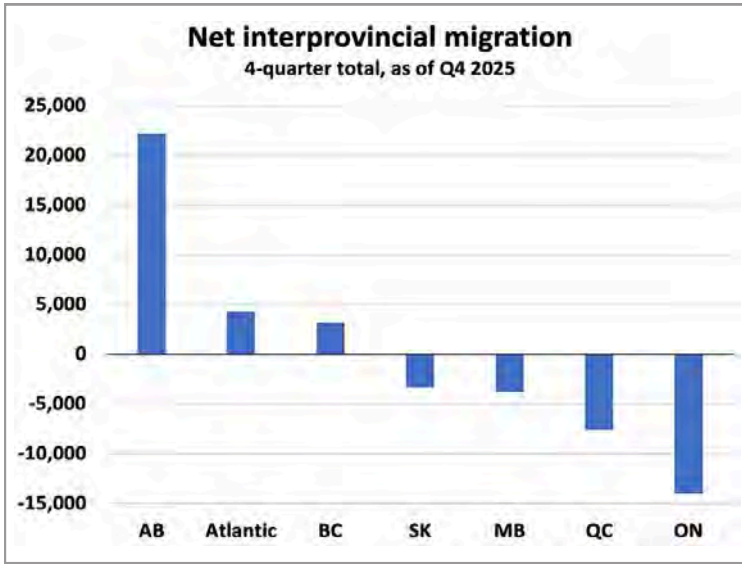


Alberta continues to lead the country by a wide margin, but growth there is also decelerating rapidly.

For reference, just a year ago it was growing at a 4% annual clip:



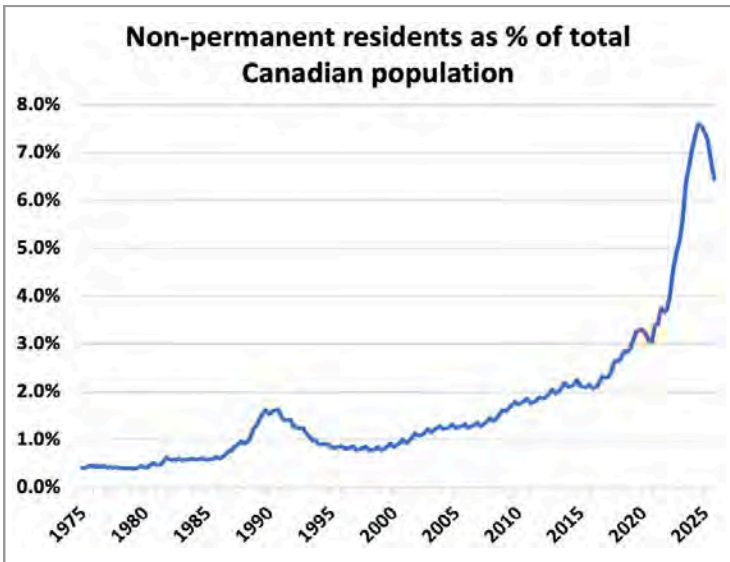
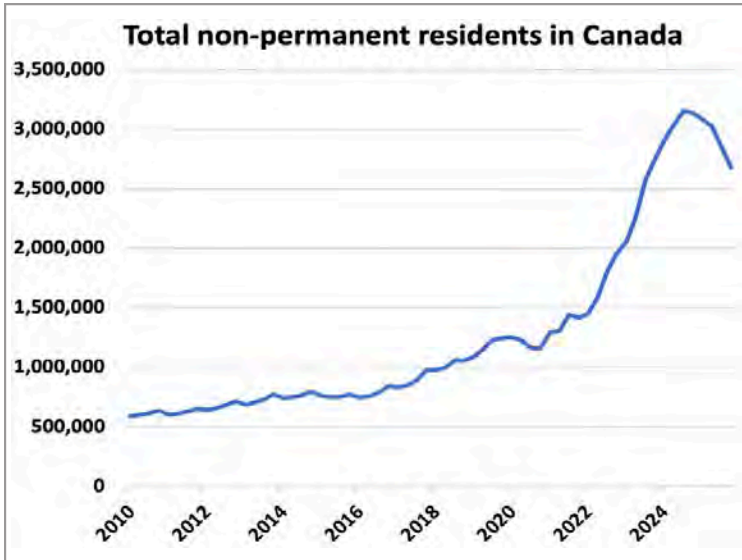
The provinces that are still seeing positive growth are achieving it primarily by pulling population out of Ontario:



This will be a theme right through 2026 as the government aims to get this cohort back to 5% of total population:

Non-permanent residents decline

Canada’s falling population is entirely due to an outflow of temporary residents:

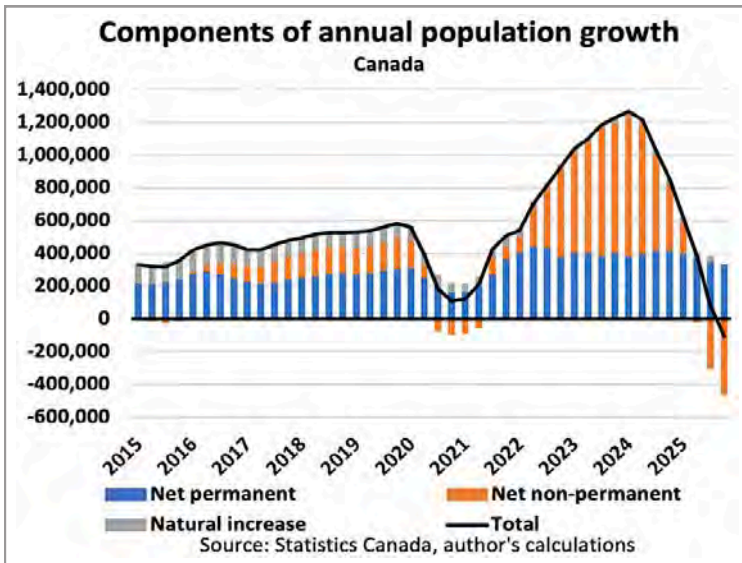


Why it’s not as bad as it looks for real estate

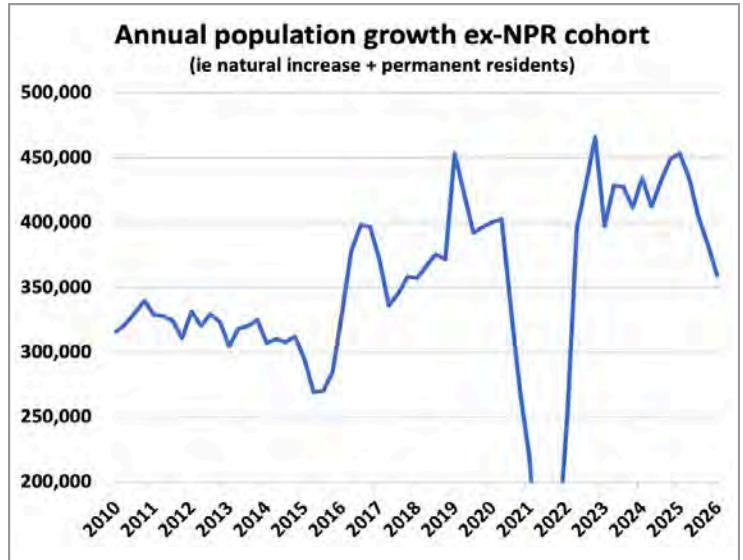
There’s no way to spin declining population as a good story for housing, but it does present an opportunity to educate your clients on the nuances here.

Note from the chart below that Canada continues to add PERMANENT residents...330,000 in the past year to be precise. These are prospective future homebuyers.

Offsetting that is an even steeper decline of -460,000 non-permanent residents (NPRs)...overwhelmingly renters.



In fact, if we strip out all the noise from the NPR cohort, Canada's population is still growing above pre-COVID levels:

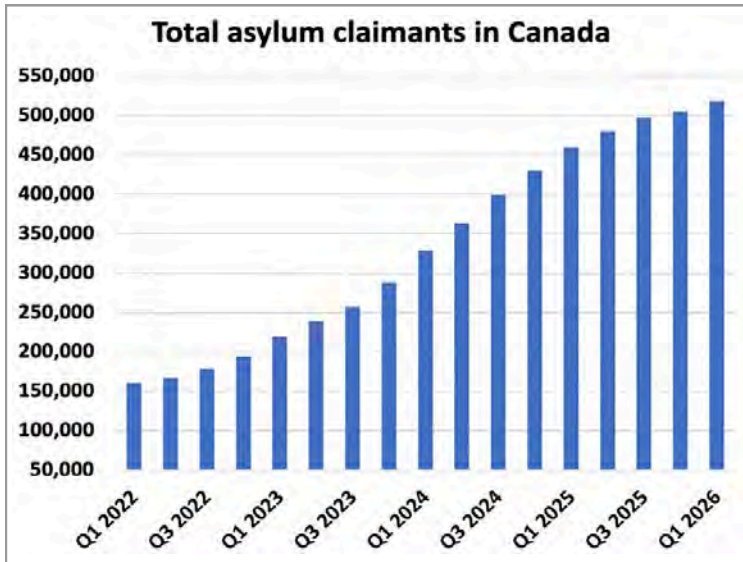


In other words, this data is less "bad" for resale demand than it looks, and it's worse for rental demand.

Asylum claimants make new highs

While Canada's overall population shrank, that wasn't true for asylum seekers which grew by 14,000 last quarter. We're now at the point where 1 in every 77 people in the country today are asylum claimants, and we have a growing backlog of 300,000 unprocessed refugee claims...up 30x from a decade ago.

This program will have to be overhauled in short order.



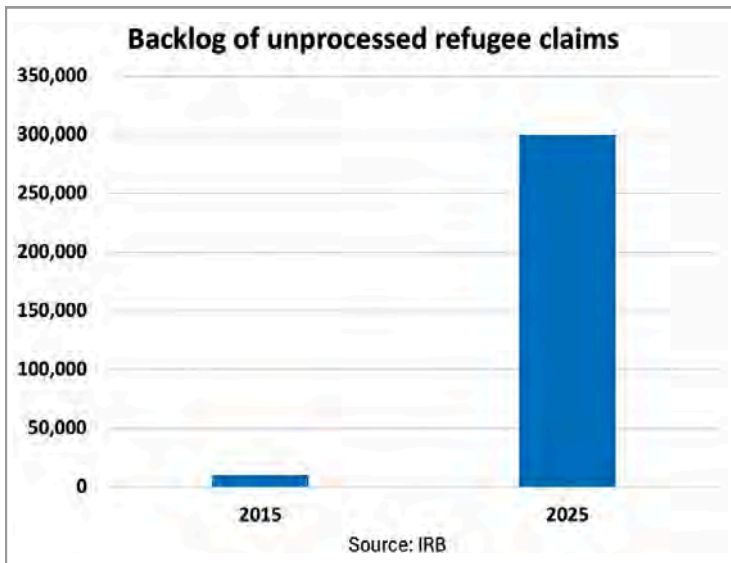
Consider that starts were up 2.8% y/y overall last month. But look at the breakdown:

Single-family -15.3% y/y... now at 30-yr lows!

Condo -6.7% y/y and falling fast

Rental +16.4% y/y... all-time highs by wide margin

One of these is not like the others...



Rentals continue to drive housing starts

Housing starts came in at 250k annualized in February, up 4.5% m/m. But that number continues to mask an incredible divergence in trends.

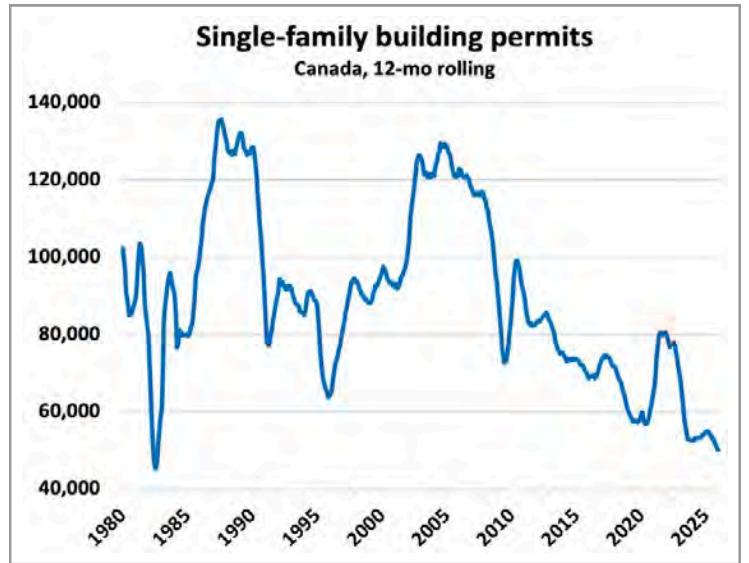
Building industry slowdown is major macro risk in 2026

Construction still accounts for nearly 8% of all jobs in the country.

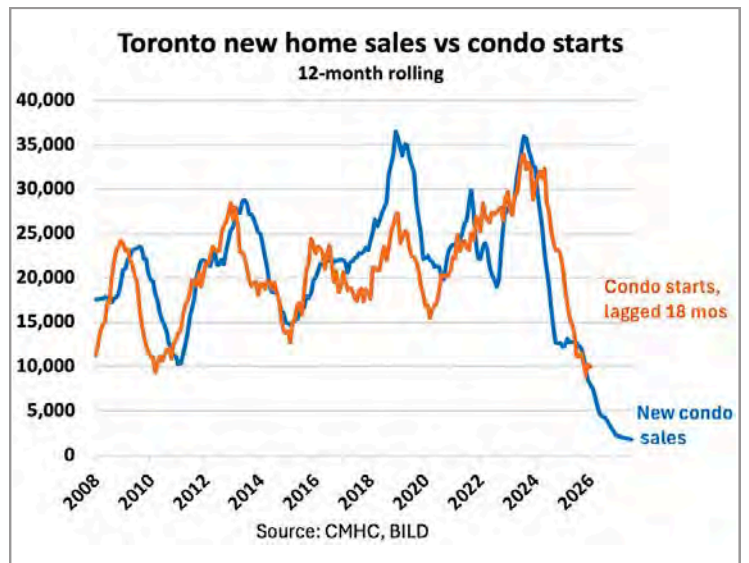
Let's look at the setup for 2026.

Single-family starts are at 30-year lows and set to fall much further based on permitting activity.

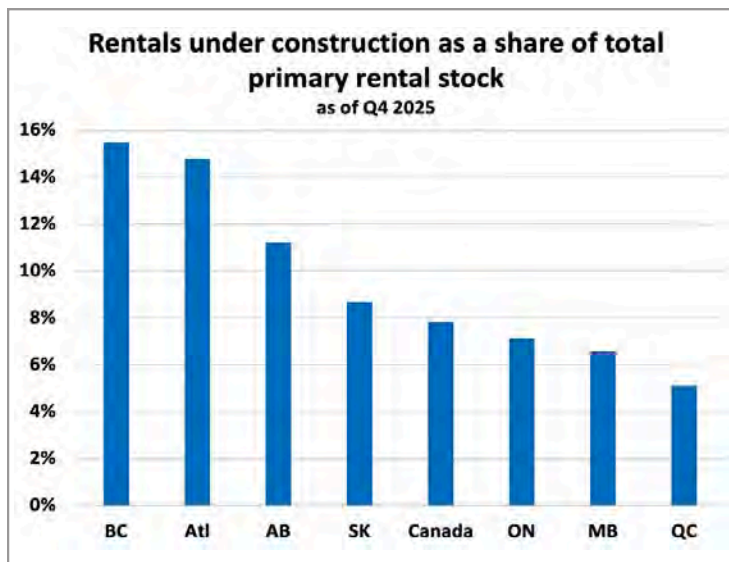
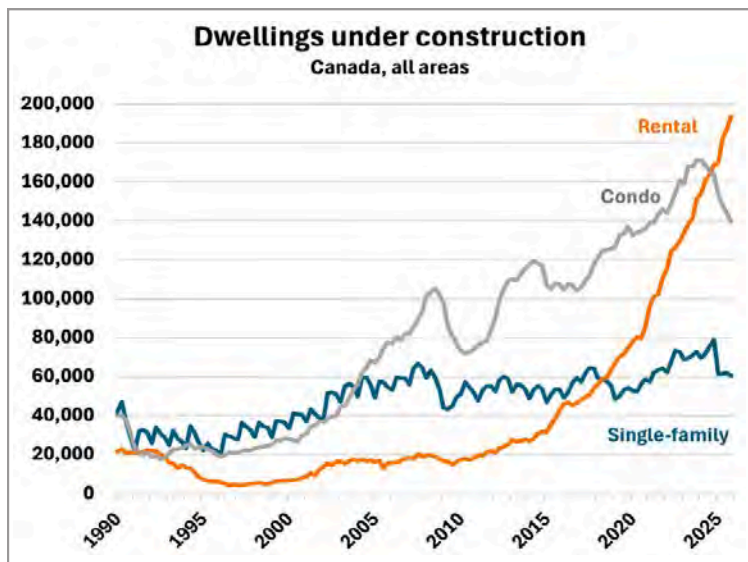
This is incredibly bullish for single-family pricing over the longer term, and it's a trend you should be making your clients aware of:



Condo starts are at 15-year lows but set to collapse this year based on the trend in preconstruction sales in big cities:



All that's holding off a major construction slowdown is a rental boom that's gotten a bit ahead of itself. After all, we have nearly 200,000 units currently in the construction pipeline...equivalent to 8% of the current stock nationally:



As I see it...



What we need to prevent this is for all levels of government to reduce costs on new construction... particularly for single-family.

Municipalities have so far been reluctant to reduce their egregious development charges, but at least the province of Ontario is leaning in the right direction:

Ford government poised to waive HST on all new homes as sector struggles

The Ford government is poised to offer all home buyers a significant tax discount on newly built homes, Global News has learned, in a major expansion of a government program designed to breathe life into Ontario's sluggish housing sector.

As part of his spring budget, Finance Minister Peter Bethlenfalvy is expected to announce that the provincial portion of the harmonized sales tax will be removed for anyone buying a newly constructed home, rewriting a policy the government introduced just months ago.

The original version of the plan, introduced during the fall economic statement, allocated \$470 million over three years to give first-time Ontario homebuyers a tax break on new homes.

Ontario's pledge to waive its portion of the HST came shortly after a similar announcement by the federal government — allowing first-time homebuyers to save up to \$130,000 on a new home

home under \$1 million, and lower rebates for homes costing up to \$1.5 million.

Condo "bailout" takes form

I've said all along that the problems facing the new condo market- particularly underwater units at completion- is significant enough that it would require government involvement. My guess was always some sort of CMHC-backed, zero interest inventory management loan.

This week we got the first sign that the government is indeed getting involved, but not in the manner I had expected. Consider:

High Art Capital Announces GTA Rental and Affordable Housing Initiative, in Partnership with Building Ontario Fund²

High Art Capital today announced the launch of its GTA Rental and Affordable Housing Initiative, a fund expected to be capitalized with a minimum of \$1.3 billion, to acquire blocks of newly completed, unsold condominium units across the Greater Toronto Area and convert them into long-term rental housing.

The initiative is designed to deliver approximately 2,200 rental units in the near term, including approximately 550 affordable rental units intended to be protected in perpetuity through title-based protections and related agreements. Affordable rents are expected to be set at the

² <https://www.newsfilecorp.com/release/288033/High-Art-Capital-Announces-GTA-Rental-and-Affordable-Housing-Initiative-in-Partnership-with-Building-Ontario-Fund>

lower of 25% below local market rent or 30% of median gross household income across the GTA.

The affordable units are intended for the GTA's workforce, who may be priced out of market rents, yet do not qualify for rent-geared-to-income or other subsidized programs. High Art Capital will engage a not-for-profit organization to allocate the affordable units to eligible applicants.

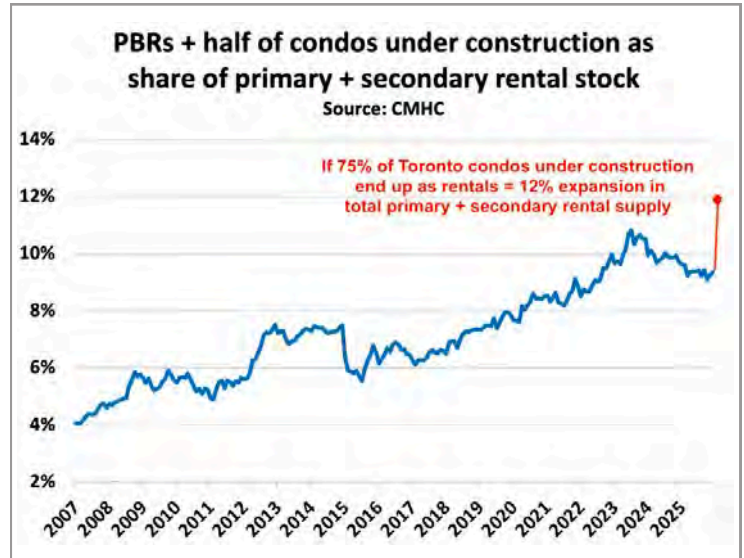
The fund is anchored by a commitment from Building Ontario Fund ("BOF") of up to \$300 million in mezzanine debt financing and a nominal equity investment, which closed on February 13, 2026.

[...] High Art Capital will run an open and competitive market process to acquire eligible units. Eligible submissions must contain blocks of at least 10 vacant units in registered residential or mixed-use condominium buildings, which have been completed on or after January 1, 2023, and are located in Toronto or the regional municipalities of Durham, Halton, Peel or York.

Buying distressed units off developers may well stave off the worst of a credit cycle, but it would add to the mounting issues facing the rental market.

Consider that if HALF of the condo units currently under construction enter the long-term rental pool, the total rental stock across Toronto (including purpose-built rentals and secondary supply like condos) would grow by 9% as these complete.

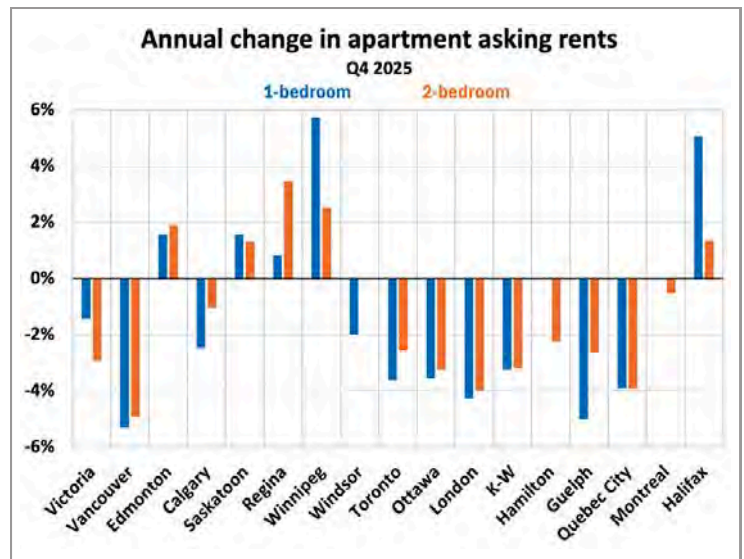
If instead 75% of the condo units under construction in the GTA enter the long-term rental pool, the total rental supply will swell by 12% instead!



This "solution" is good for developers, not so much for existing landlords.

Rental market softens

Stats Canada has updated their asking rents index for purpose-built rentals as of Q4. The trend by major metros are shown below:



This is broadly consistent with the latest monthly data from Rentals.ca

- Average asking rent in Canada fell to \$2,030 in February, down 2.8% year-over-year to a 33-month low.
- Rents have declined on an annual basis for the 17th consecutive month, as well as falling by 1.3% on a month-over-month basis, the largest decrease in February since 2020.

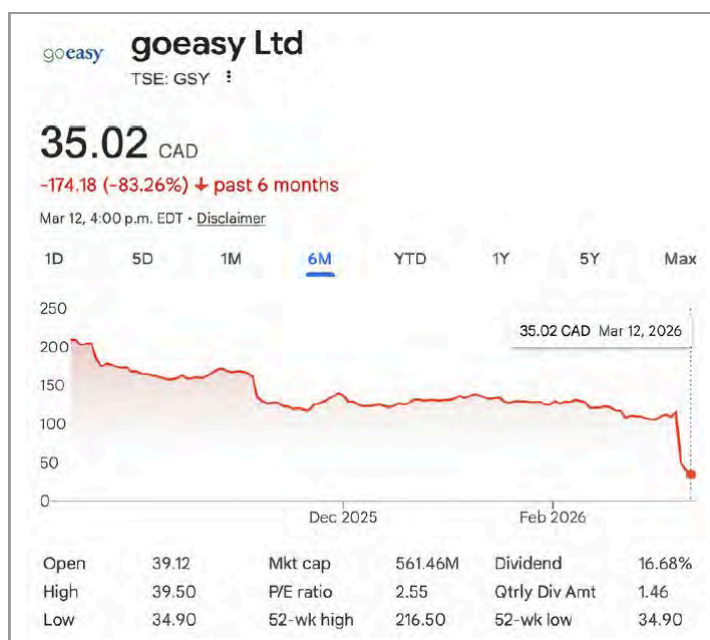


3) Mortgage tidbits: Is GSY the canary in the coal mine?

GSY implodes

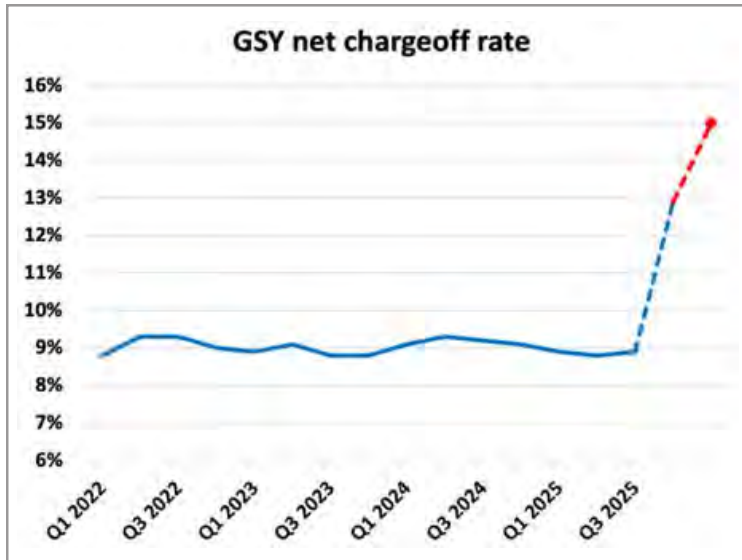
In a normal credit cycle, we typically see losses show up first and most significantly at subprime lenders. So when you see one “blow up”, it historically has foretold a worsening credit backdrop.

Let’s look at goeasy stock. It is now down 83% in the past 6 months after collapsing nearly 60% in one day last week:



So what happened?

They were forced to revise their charge-off data and take a major write down on loans originated in one of their subsidiaries. Further, they guided towards a “mid-teens” charge-off rate on bad loans next year....way higher than anyone expected. This is quite a chart:



In addition:

- Dividend gone
- Buyback suspended
- Withdrawal of outlook and 3-year forecast
- Now potentially in breach of lending covenants
- 3 CEOs and 3 CFOs in the past year and a half

The big question now: Is this the canary in the subprime coal mine, or more indicative of an idiosyncratic agency issue from a lender that grew too reliant on merchant-oriented loans?

I don't know but this is never a good sign.

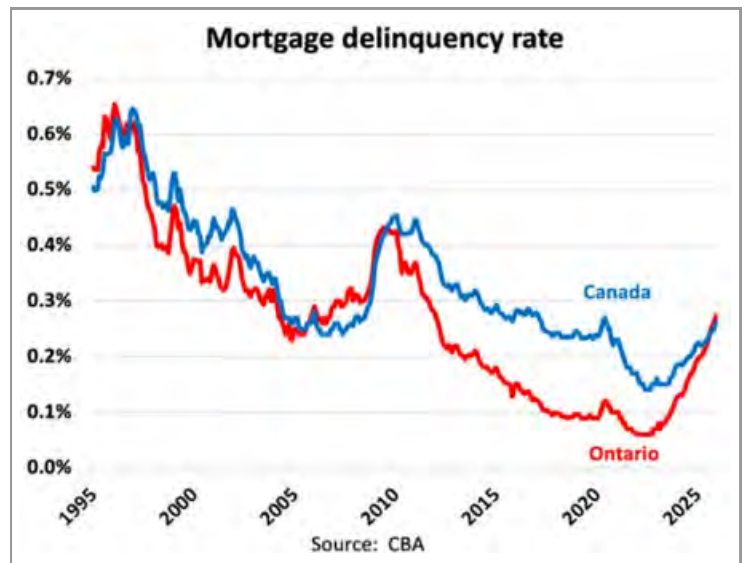
NOTE: NONE OF THIS IS INVESTMENT ADVICE! Do not buy or sell GSY on any of my comments.

Can we trust CBA delinquency data?

Mortgage delinquencies across the country rose to 0.26% in December according to the CBA. The number of delinquent mortgages has now risen by 15%

nationally over the past 6 months including 25% in Ontario and 14% in BC and Quebec.

The trend in Ontario is particularly notable...now above the national average for the first time since 2009.

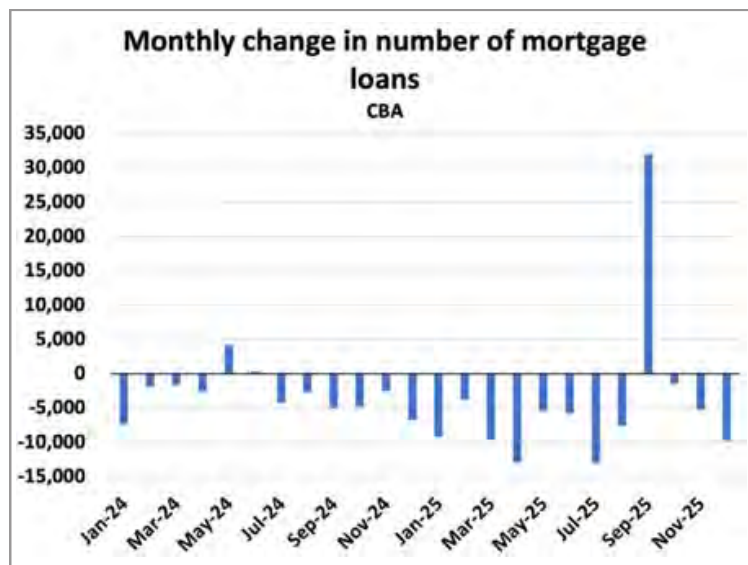


The CBA number is widely quoted, but I do have some questions about how it's calculated. For example, when we look at delinquent domestic residential mortgage loans at the big banks, most came in well above the CBA average in Q4. Only TD and National were below. How does that math work? And how is TD so crazy low relative to the rest?

Q4 delinquency rate for domestic resi mortgages

BMO	0.46%
CIBC	0.43%
RBC	0.38%
BNS	0.31%
CBA	0.26%
NBC	0.23%
TD	0.18%

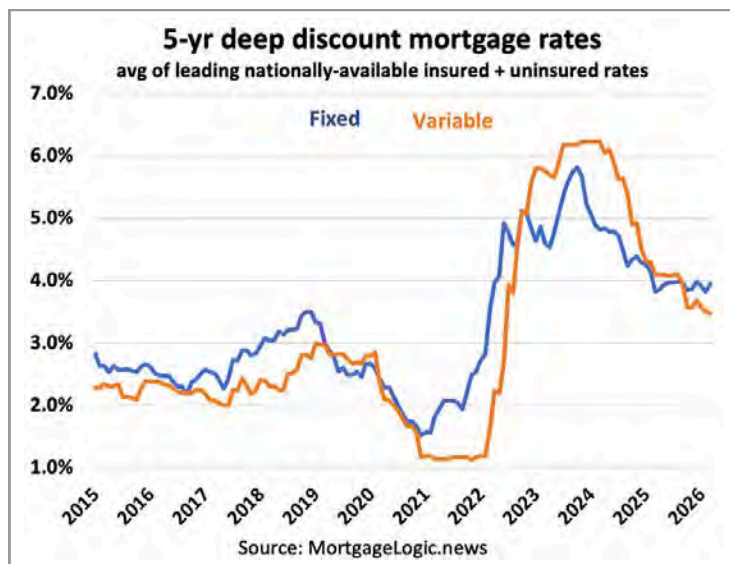
There's also the issue of the bizarre volatility in the denominator (ie the NUMBER of mortgage loans reportedly held by banks). That number is declining and is down 1% y/y...but not in a straight line.



Fixed rates rise 7bps, variable steady for now

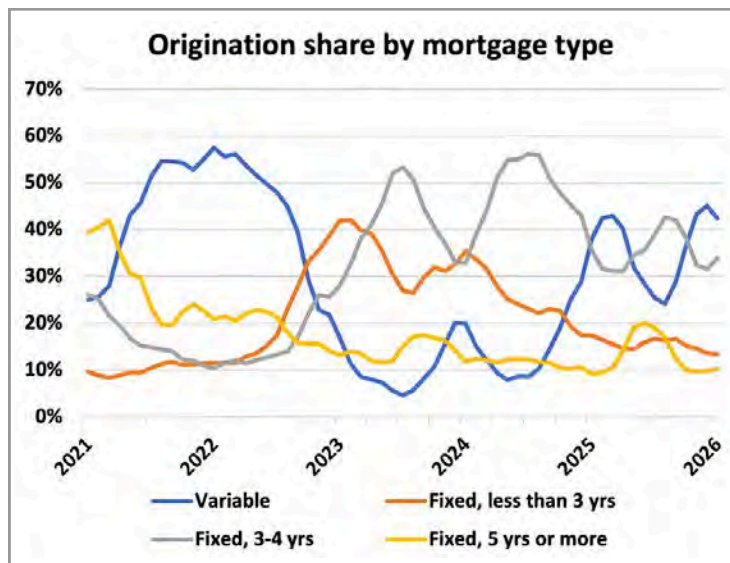
The data below is from my friend Rob McLister's always-excellent MortgageLogic.news publication. The

best deep discounted fixed rate rose 7bps last week and is hovering around the 4% mark with variable roughly 40bps below that:



Borrowers still opting for variable

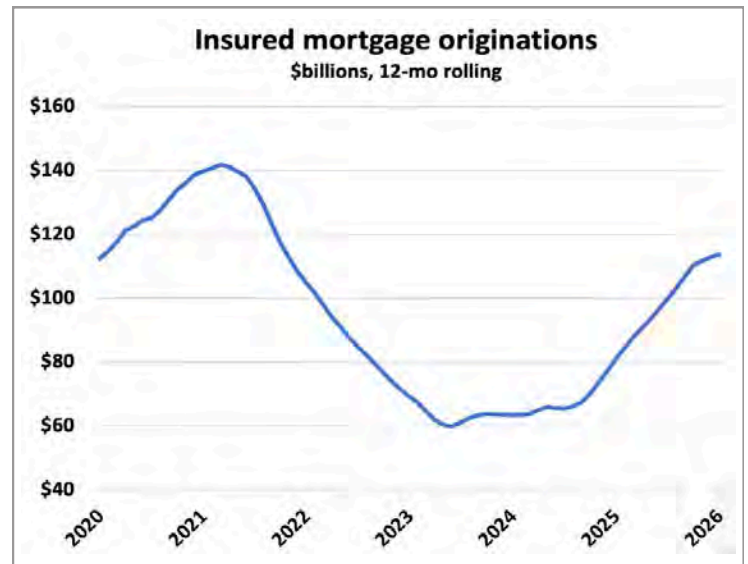
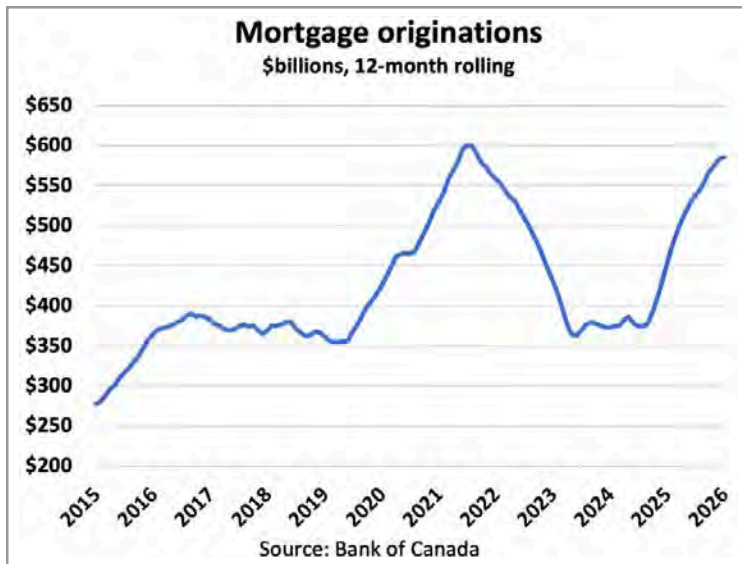
Given the growing gap between fixed and variable, it's not surprising that more borrowers are opting for floating rate loans. They accounted for 43% of all originations in January:



Insured originations jump

Total mortgage originations were up 4.4% y/y in January but up 9.8% for the insured segment.

Another sign that first-time buyers are coming off the sidelines?

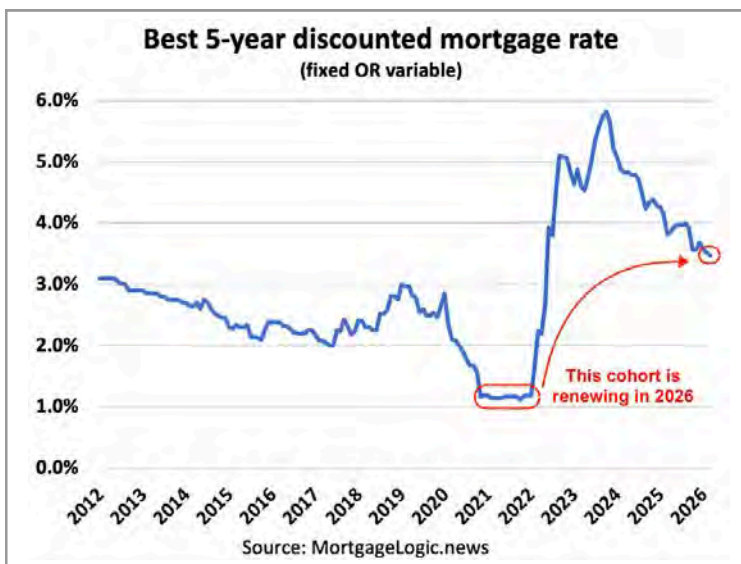


Renewal risks remain

The wave of mortgage renewals in 2025 and 2026 never produced the fireworks that some people feared, but I do think it's still a key risk for consumer spending in 2026. As a reminder, the Bank of Canada estimates that borrowers will face an 8% monthly payment increase at renewal this year, but with 1 in 4 of those seeing payment rise over 20%:

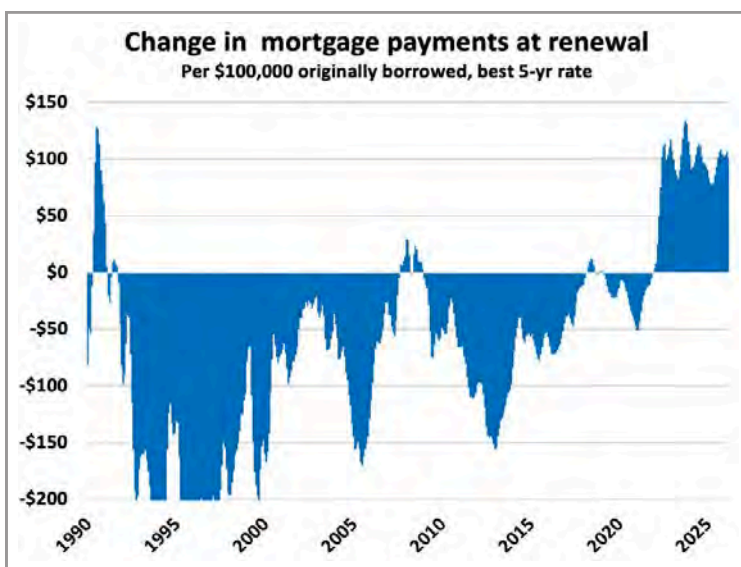


Picture it this way: The cohort that got mortgage rates starting with a 1 back in 2021 are now renewing at closer to 4%...and that's if the Bank doesn't hike:



By my math, a borrower renewing a 5-year loan term and opting for the best rate regardless of term would still be looking at a \$100/month increase on every \$100,000 originally borrowed.

That's not insignificant when it comes to the impact on consumer spending.



All that to say, this is still a big macro story that will play out this year, and it will limit how much the Bank of Canada can raise rates.

4) *Housing market update: All eyes are on prices but should be focused on supply*

The key housing data from last month is summarized below:

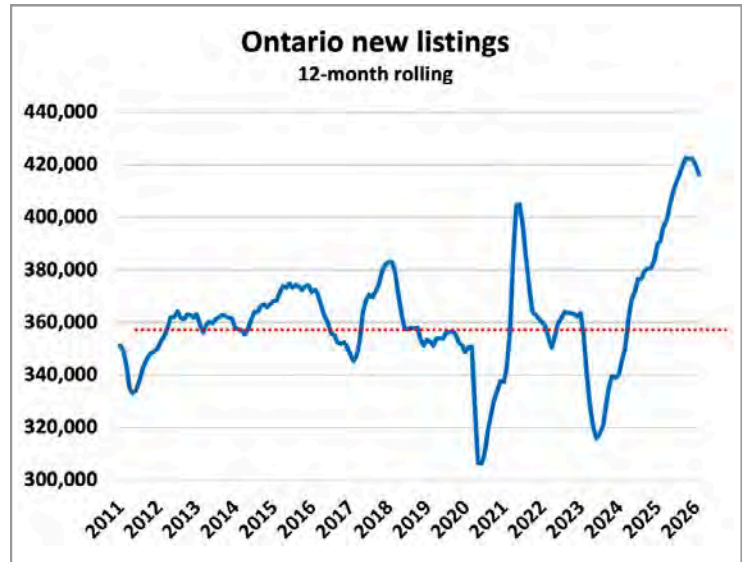
	Sales		New Listings		Active Inventory		House Prices (HPI, seasonally adjusted)	
	y/y	m/m seasonally adjusted	y/y	m/m seasonally adjusted	y/y	m/m seasonally adjusted	y/y	m/m seasonally adjusted
Canada	-8.1%	-1.3%	-4.7%	-3.9%	+3.4%	+0.5%	-4.8%	-0.6%
BC	-9.2%	-1.9%	-7.0%	-3.9%	+2.2%	+1.4%	-5.6%	-1.1%
AB	-8.4%	+1.8%	+3.5%	+0.6%	+15.8%	+1.0%	-3.1%	-0.2%
ON	-6.5%	-5.8%	-10.7%	-8.2%	+1.6%	-1.3%	-6.7%	-0.8%
QC	-0.9%	+3.4%	+14.2%	+2.4%	+8.1%	+3.7%	+6.9%	+0.9%

Key theme: Supply is falling

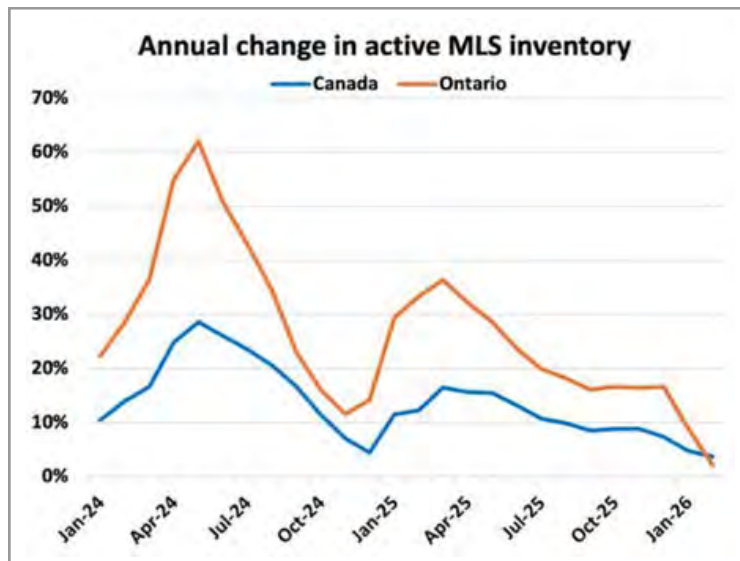
Keep your eye on the ball here folks.

Yes, sales and prices are down...as all media headlines are quick to tell.

But here's the real story: After rising for most of the past 3 years, new listings have definitively rolled over.



That means that even with sales hovering at multi-decade lows, the growth in active inventory is slowing and we'll likely see y/y DECLINES in inventory nationally this spring if this trend persists.



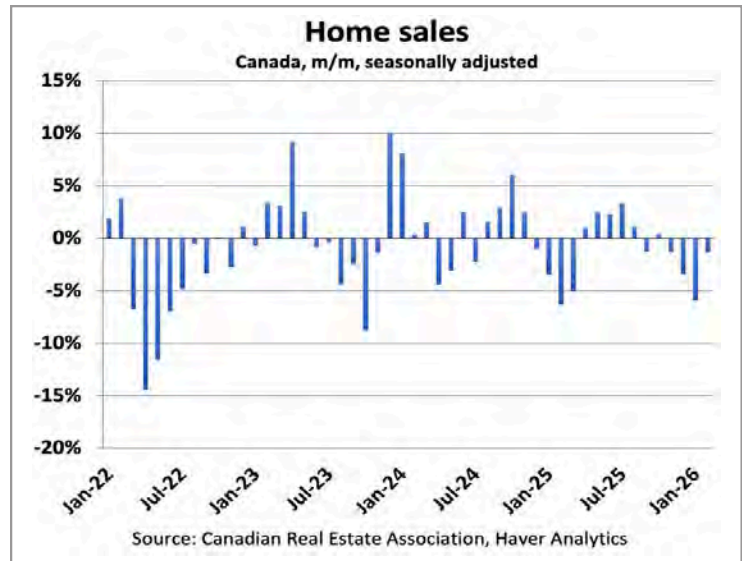
In fact, seasonally adjusted inventory levels are FLAT over the past 10 months and are DECLINING in Ontario after hitting a peak in May of last year:



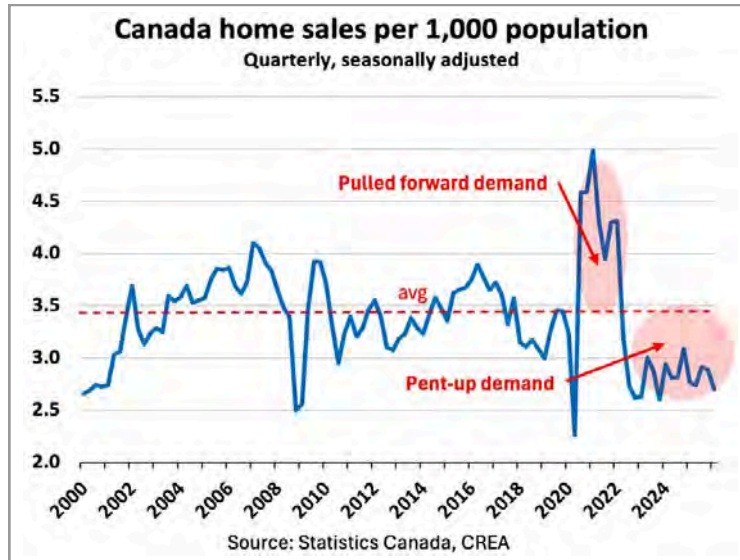
THAT'S the story you need to be conveying to clients. Inventory looks set to start tightening, in no small part due to the collapse in new construction discussed above.

Home sales fall...pent-up demand builds

Seasonally adjusted home sales fell 1.3% m/m nationally in February. It was the 4th consecutive decline, and it was led by a steep drop in Ontario (-5.8% m/m...on top of the 9.4% plunge in January).



Even with soft population growth, I believe we continue to build significant pent-up demand. The chart below is updated with my estimates based on the trend so far in Q1:



Market balance deteriorates

Months of inventory nationally hit 5.0 in February, the first time at that level since 2019. The sales-to-new listings ratio continues to hover at multi-decade lows, particularly in Ontario where it remains stuck below 40%...a level last seen on a sustained basis in the early 1990s:

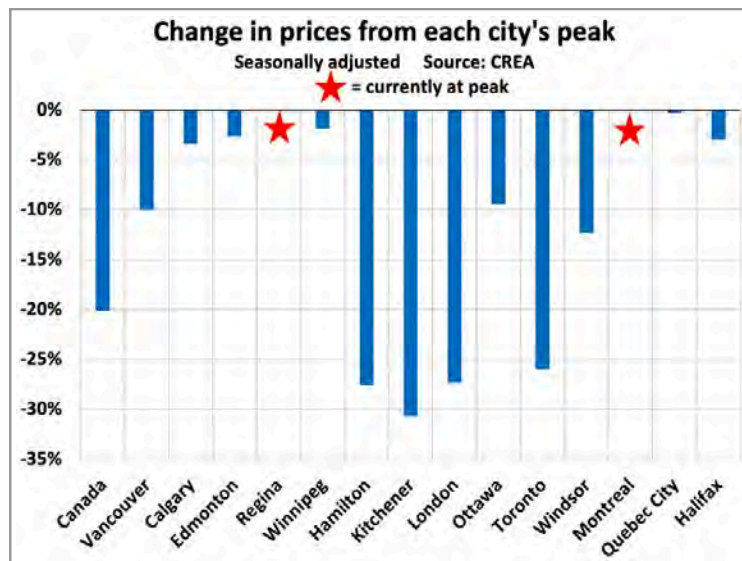


House prices erase 5 years of gains

The MLS HPI was down 0.6% m/m and 5.0% y/y in February and has now fallen 20% from peak.



The actual experience varies by city, with several Ontario metros pushing cumulative 30% declines while Montreal and Regina remain at record levels:

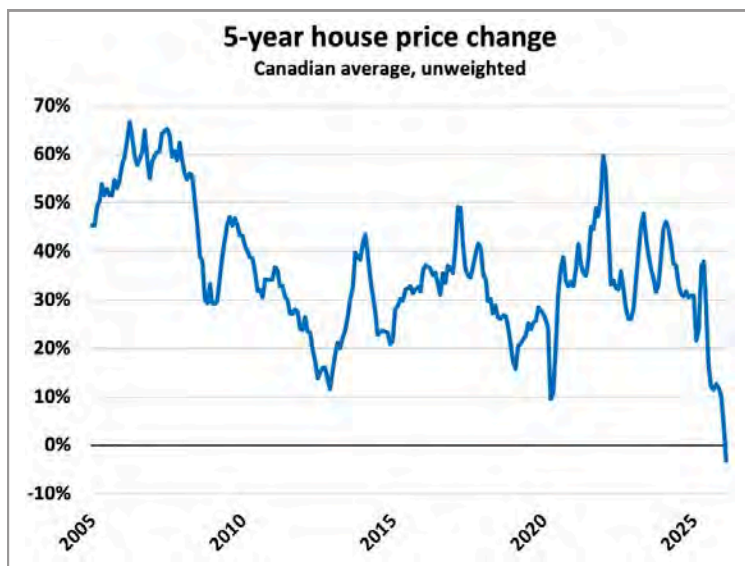


Equity conveyor belt flips negative

For the first time since the 1990s, average house values have declined over a 5-year period. That means the people who bought in 2021 during the post-pandemic frenzy are now underwater.

In practical terms, this means more difficulty for borrowers in refinancing or switching lenders, and they may be forced to take sub-optimal terms from their current lender at renewal.

It also means a whole cohort of “trade-up” buyers are now sidelined, removing much-needed market liquidity.

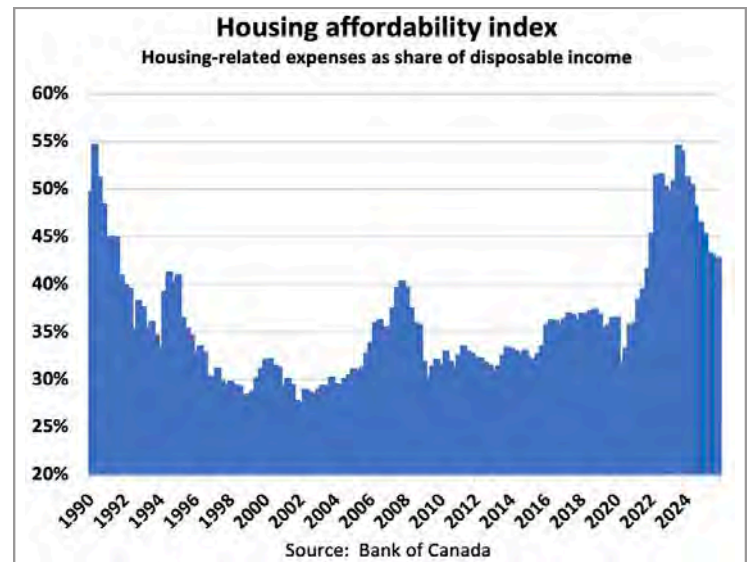


Affordability improves

The good news is that the monthly payment needed to purchase a typical home fell \$28 m/m in February and is now back to early 2022 levels.

Related, the Bank of Canada also released their affordability index for Q4. It similarly shows

affordability levels have improved sharply over the past 2 years but remain at challenging levels last seen in the early 1990s.

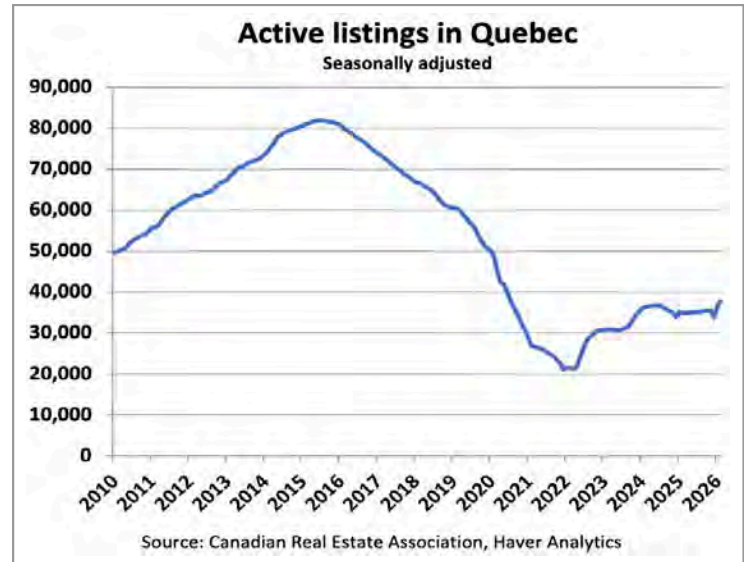
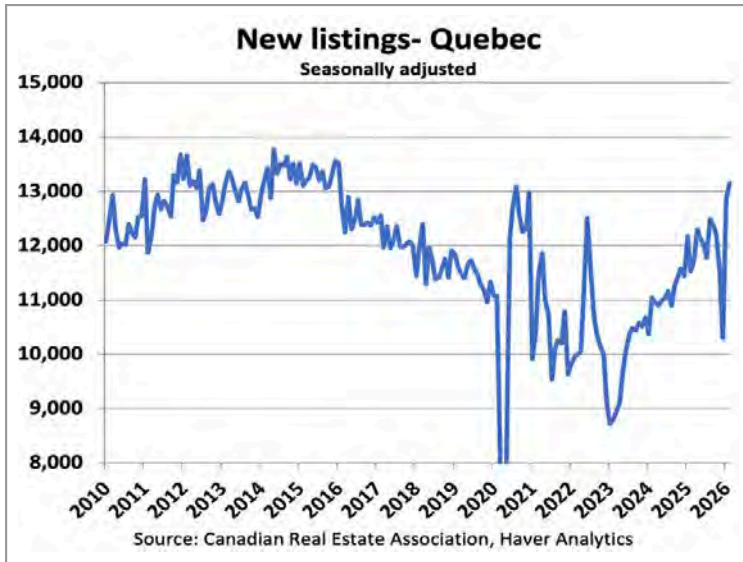


Quick note on Quebec

Perhaps it's the softening labour market, but something is happening in Quebec.

New listings have surged to the highest levels in a decade while active inventory hit 6-year highs after

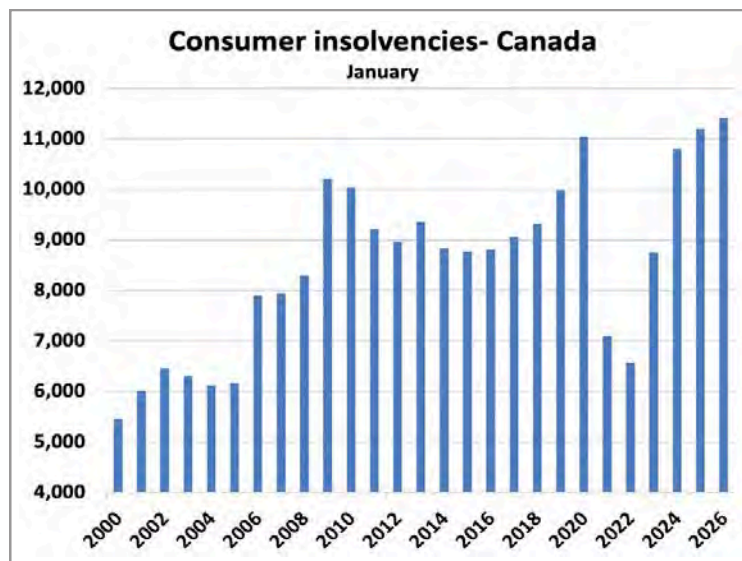
jumping nearly 12% in the past 2 months alone. We've also now seen Quebec City post price declines in 3 of the past 5 months. Things are definitely shifting into lower gear in that province.



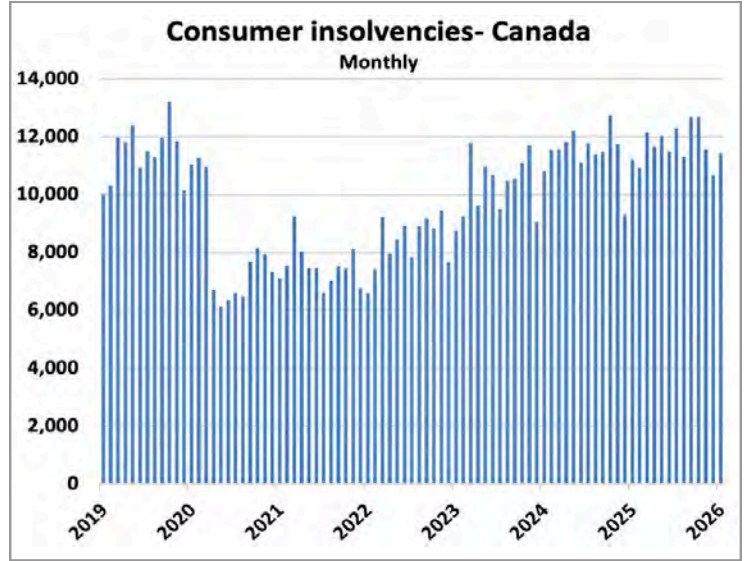
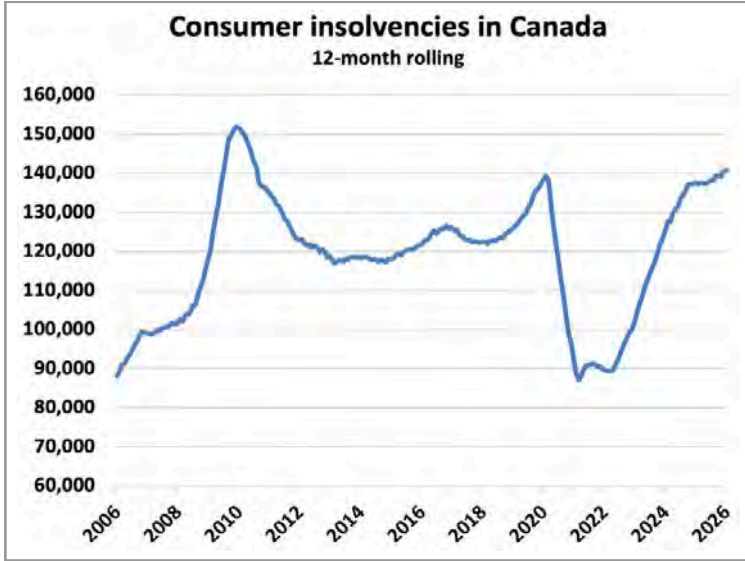
5) *Consumer check: Insolvencies set record in January, net worth hits new record*

Insolvencies set record in January

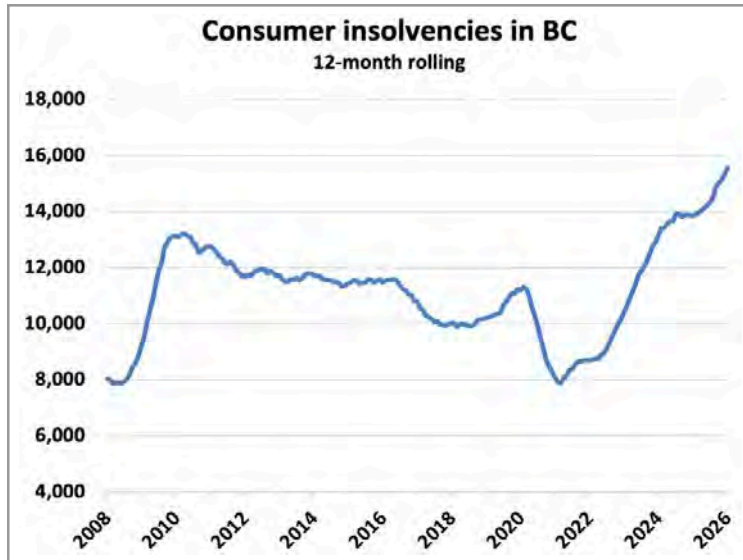
Consumer insolvencies were up slightly in January....+1.9% y/y. Still it was enough to set a record for the highest level of filings on record for that month:



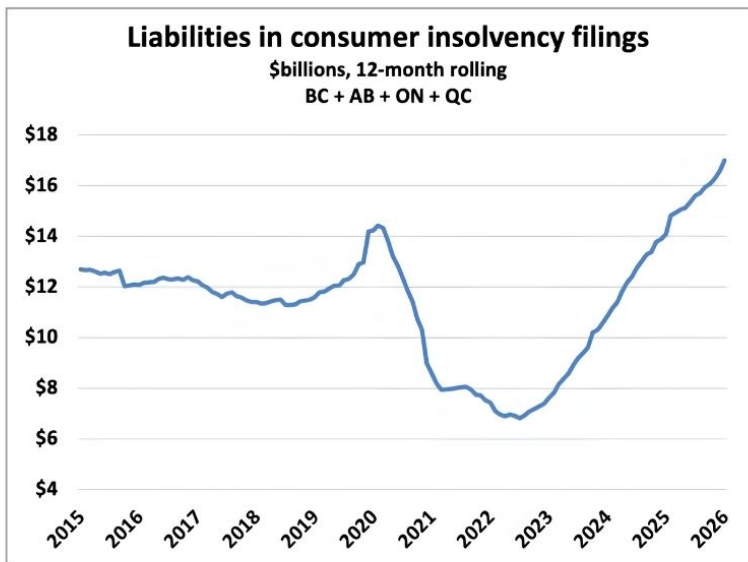
On a 12-month basis, filings remain at the highest levels since 2010:



The increase was driven largely by BC where insolvencies surged 19% y/y and continue to set new highs:



While overall insolvencies were up 1.9% y/y, bankruptcies jumped 5.8% with BC and Ontario seeing filings surge 16.3% and 21.1% y/y respectively. Since bankruptcies tend to involve larger debt loads, it shouldn't be surprising that the dollar volume of liabilities in consumer insolvency filings continues to surge, up 35.2% y/y!



It’s a pretty safe bet that what we’re seeing here is a rising share of homeowners represented in these filings. My friend Scott Terrio gave an interesting interview last week³:

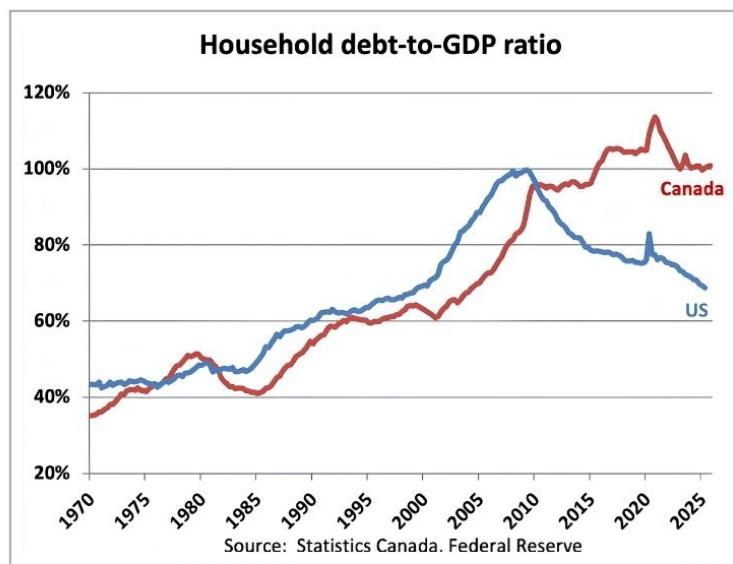
“The biggest thing right now is homeowners,” Scott Terrio, Manager of Consumer Insolvency at Hoyes Michalos & Associates, told Canadian Mortgage Trends. “Insolvency trustees didn’t really speak to homeowners for a decade. What we’re seeing in the last 12 months is homeowners calling us again. Either they’re looking ahead and realizing the numbers aren’t going to work, or they’re already in trouble and can’t fall back on their equity the way they could before.”

[...] “Renters who file typically have around \$60,000 in unsecured debt. Homeowners tend to have closer to \$90,000,” he said.

Interest payments remain elevated

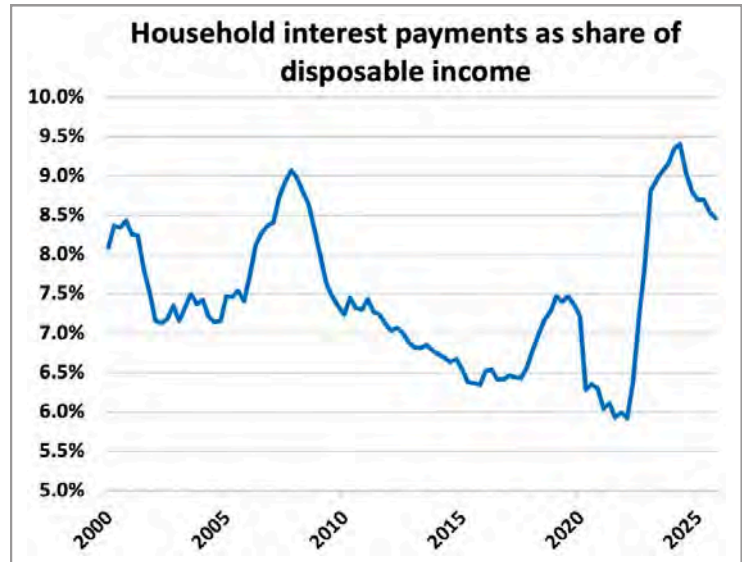
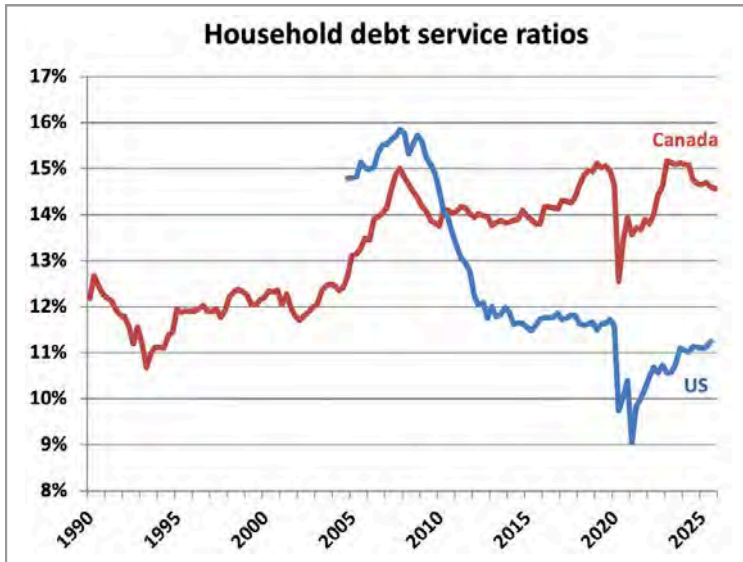
Canada’s much-followed household debt-to-income ratio rose to 177.2% in Q4 from 176.3% previously. That’s the highest reading since Q1 2024.

My preferred measure is debt-to-GDP. Canada saw this ratio tick up to 100.8% from 100.6% previously, and it remains above the comparable US peak in 2008.



Debt service ratios were unchanged at 14.6%, nearly three and a half percentage points above the comparable US ratio. Interest payments amounted to 8.5% of aggregate disposable incomes in Q4, down a full percentage point from the 2024 peak but still the highest since the Financial Crisis in 2008:

³ <https://www.canadianmortgageatrends.com/2026/03/canadas-next-insolvency-wave-may-be-slow-and-prolonged-trustee-warns/>



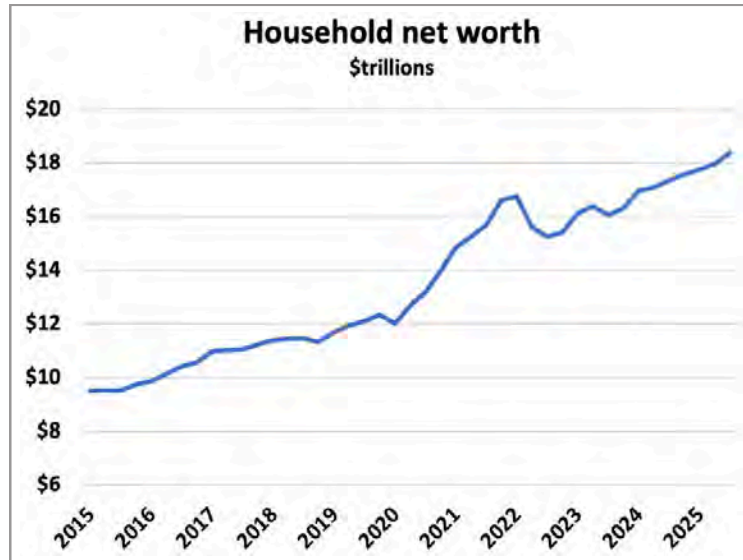
Household net worth hits record

It's important to not just look at liabilities but also consider the asset side of the ledger. When we do that, we find the story is not as scary as some headlines suggest.

Yes, Canadians are indebted, but they do have considerable assets backing that debt...\$6.70 for every dollar of debt, to be exact:

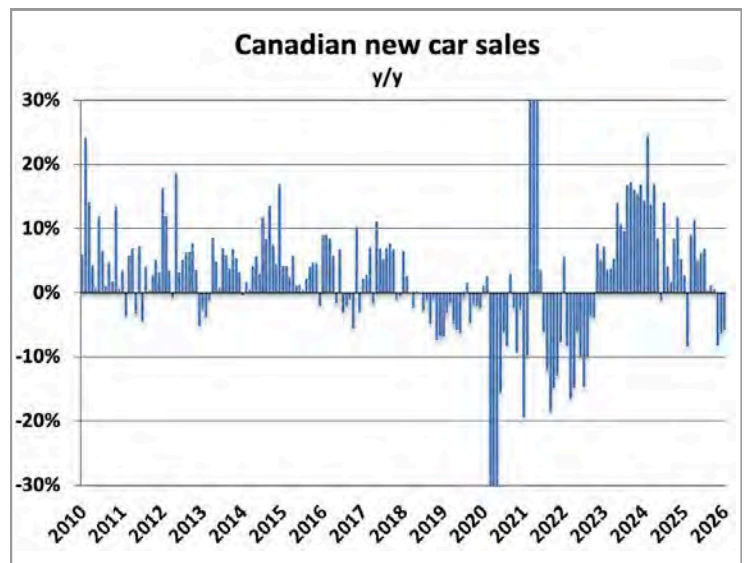
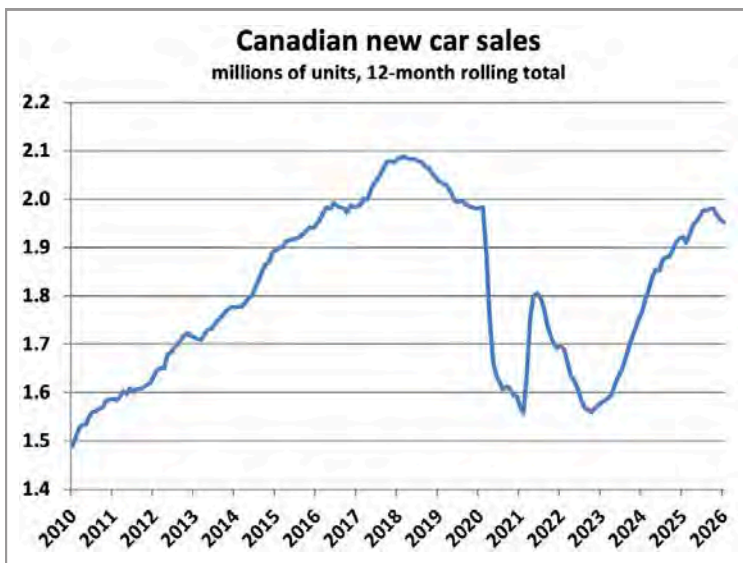


In spite of the soft real estate market, Canadian household net worth hit a record high in Q4, up 1.3% q/q and 5.8% y/y:



Auto sales roll over

Interesting trend here that may relate to weak confidence and pinched incomes: New vehicle sales were down 5.6% y/y in January, the third straight month with a negative annual print.




We also saw it this week in the quarterly results from AutoCanada where new vehicle sales fell 15.5% y/y and used were down 16.1% y/y in Q4 (not financial advice!):

Same Store Metrics - Continuing Operations Highlights


Same Store - Continuing Operations Financial Results	Three-Months Ended December 31		
	2025	Revised ¹	% Change
Revenue	1,114,883	1,230,442	(9.4)%
Gross profit	173,401	210,666	(17.7)%
Gross profit percentage	15.6 %	17.1 %	(1.5)%
New retail vehicles sold (units)	7,028	8,318	(15.5)%
Used retail vehicles sold (units)	8,741	10,424	(16.1)%
New vehicle gross profit per retail unit	3,747	4,651	(19.4)%
Used vehicle gross profit per retail unit	442	1,695	(73.9)%
P&S gross profit	69,626	74,785	(6.9)%
Collision gross profit	17,576	17,241	1.9%
F&I gross profit per retail unit average	3,451	3,326	3.8%

One concern I've had regarding the exodus of temporary residents is what impact that might have on used vehicle pricing. We know it was entirely possible for non-residents to get vehicle financing:

 **Scotiabank**
<https://www.scotiabank.com/personal/loans-lines> > a... ⋮


StartRight auto finance program

As a newcomer, you may qualify for Scotia's StartRight Auto Finance Program even without a Canadian credit history. Call or visit us for program details.

 **Royal Bank**
<https://www.rbcroyalbank.com/new-to-canada/car-lo...> ⋮

Car Loans for Newcomers to Canada

Available to newcomers who are (i) permanent residents or international students who arrived in Canada within the last 12 months, or (ii) temporary resident ...

 **TD Bank**
<https://www.td.com/solutions/new-to-canada/car-l...> ⋮

Buying your first car as a newcomer | Car loan

To be eligible for TD Auto Finance as a newcomer – either as a Permanent Resident or Foreign Worker – you must be within your first 5 years of living in Canada ...

And we know what this looked like in extreme cases in the past when population flows reversed in other countries:

10,000 cars abandoned by emigrants leaving Ireland

It has been estimated that 10,000 cars have been abandoned at Dublin Airport over the last two years as people e...

PATRICK COOPER @IrishCentral Oct 19, 2010



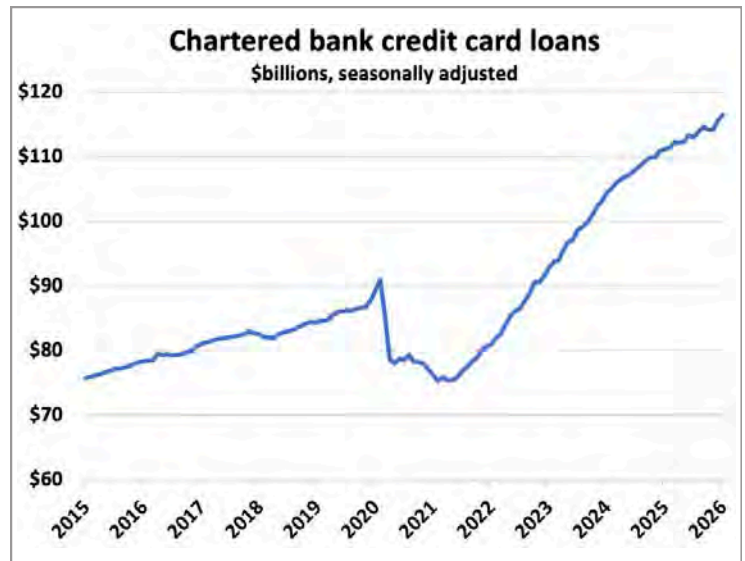
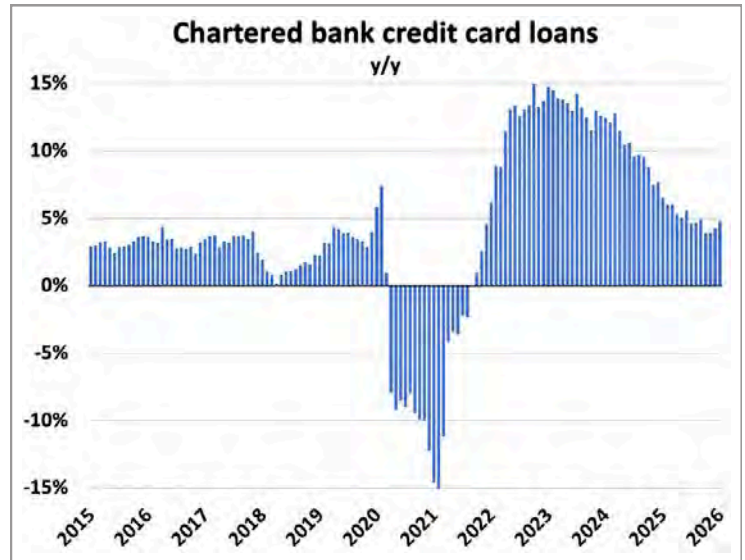
- It has been estimated that 10,000 cars have been abandoned at Dublin Airport over the last two years as people emigrate, that is on average 10 cars a week.
- Karl Deeter, manager of Irish Mortgage Broker's Operations said that there has been a notable increase in emigrants abandoning their homes, cars and debts fleeing to another country.

That brings us to the OPENLANE Canada Used Vehicle Price Index which registered a 0.9% seasonally adjusted decline in January.

I think we'll see downward pressure on the used car market as the government continues to tighten the taps on temporary resident programs.

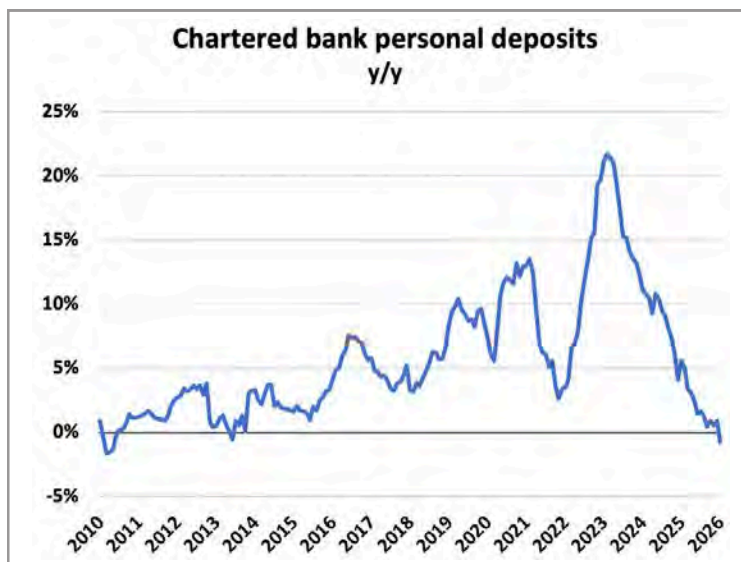
Credit card lending jumps in January

Chartered bank credit card loans jumped 0.7% m/m in January (seasonally adjusted) following a 1.3% increase in December. That pushed the annual growth rate back to 5.0%:



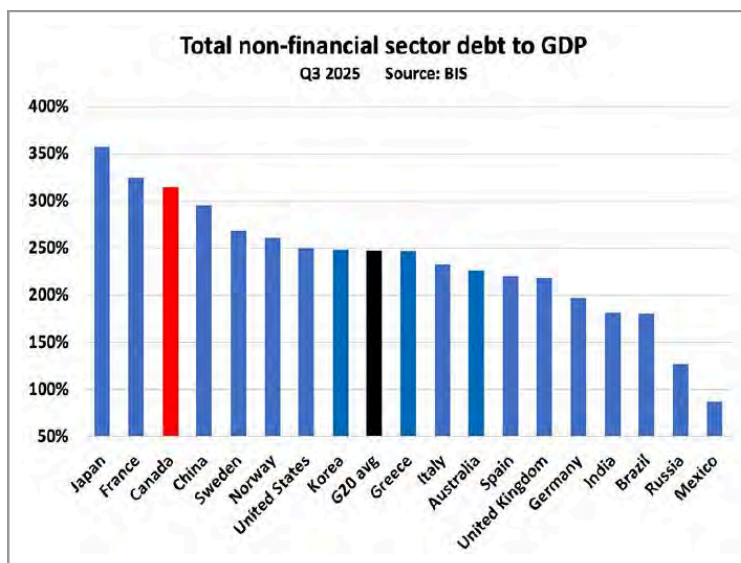
Personal deposits post first annual decline since 2013

Chartered bank personal deposits continue to trend lower, down 0.3% m/m in January and down 0.8% y/y...the first annual decline in more than a decade. The loss of ultra-low cost funding for banks may put upward pressure on lending rates:

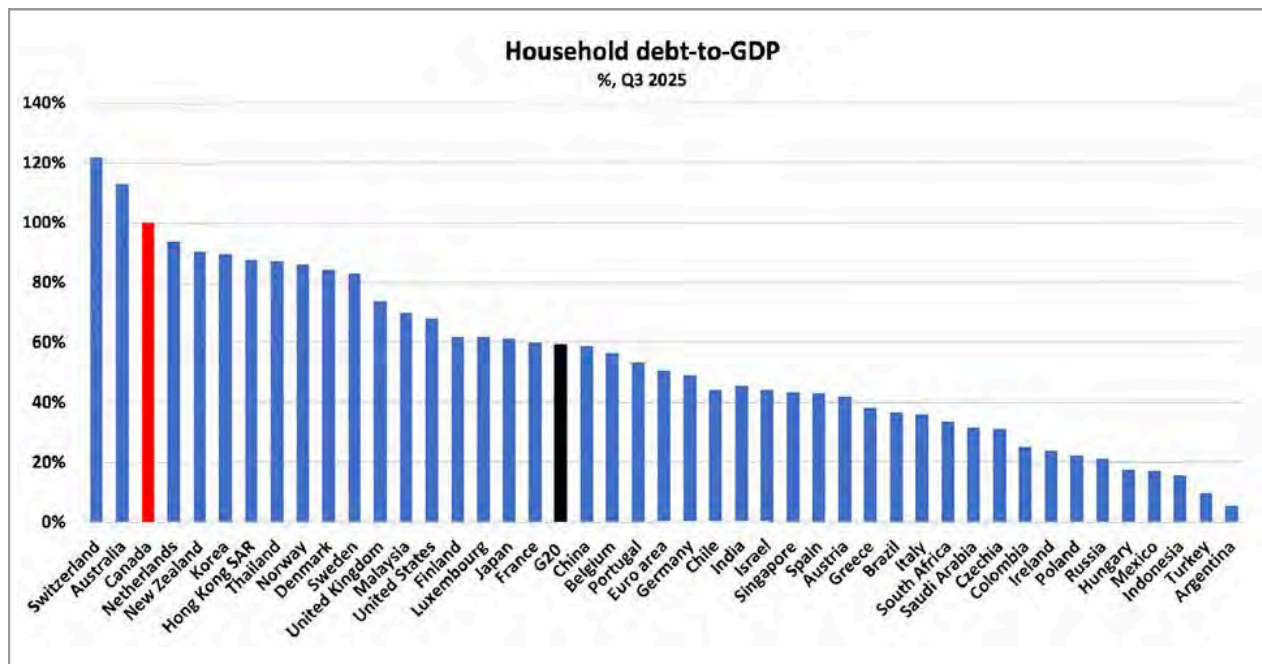


BIS puts Canada near top of heap

New data this week from the BIS puts Canada’s total non-financial sector debt (ie household + business + all levels of govt) at 314% of GDP, next only to Japan and France in the G20:



We know where Canada stands among households globally with debt to GDP still hovering around 100%...40 percentage points above the G20 average:



That leaves Canada more vulnerable to an interest rate shock relative to many global peers....not a great position to be if markets are right and we're looking at the prospects of 1 or 2 HIKES later this year.

But the flip side is also true: This magnifies the impact of interest rates and means the Bank won't have to tighten much to put the brakes on consumer spending.

As always, please take none of this as investment advice. Do your own due diligence!