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**Household Finances Important for Financial System Stability,  
Bank of Canada Governor Mark Carney Says**

**TORONTO, Ontario** – While the Canadian economy will likely grow faster than the economies of the other G-7 countries next year, the Bank of Canada expects our recovery to be more protracted than usual—and more reliant on domestic demand, Bank of Canada Governor Mark Carney said today. “The behaviour of Canadian households will thus be particularly important,” Governor Carney said in a speech that focused on household finances, both in Canada and the United States.

An important lesson of the American experience was that the costs of the collapse of the U.S. housing bubble were not confined to the most vulnerable households, the Governor observed. Problems in the subprime-mortgage market spread quickly and virtually every financial asset in the world was repriced. “Financial stability is as much about linkages as it is about specific risks,” the Governor said.

The finances of Canadian households were in better shape going into the crisis than those of American households, Governor Carney told the National Forum (Canadian Club of Toronto and Empire Club of Canada). “As a consequence, when the crisis struck, Canadian households were less vulnerable,” the Governor noted.

Still, in its latest *Financial System Review*, the Bank judges that the risks related to household balance sheets have increased. “The vulnerability of Canadian households to adverse wealth and income shocks has grown in recent years,” Governor Carney observed. “Aggregate debt levels have risen sharply relative to income.”

At present, Canadian household finances appear quite healthy, and the risks arising from the household sector are relatively low. Now is the time, Governor Carney stated, for all parties to be vigilant. “When risks are still manageable is precisely the best time to act,” he said. “It is the responsibility of households now to ensure that in the future, when the recovery takes hold and extraordinary measures are unwound, they can still service their debts.”

Lenders also have responsibilities, as do policy-makers and regulators, Governor Carney said. Lenders should actively monitor risk stemming from households and continue to apply their high standards of risk management. Policy-makers and regulators, including the Bank of Canada, must continue their work to ensure Canada has a resilient, secure financial system that enhances the economic and financial welfare of all Canadians.