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Canada's Future

# Consumer Spending Is Up, But That Signal No Longer Means What It Once Did

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Canada's consumer looks resilient. Real spending rose about 2% in Q1 2026, in line with Canada's ten-year average and the US, and per-capita spending has now grown for six straight quarters. In the past, signals like these usually meant households were in good shape and buying more. But resilience is not durability.

Outside the top 20% of earners, the growth isn't coming from income. Households are covering their spending by relying more on savings, leaning on rising portfolio values, and borrowing. And much of the increase isn't buying goods at all. Services are driving most of the growth, including financial services tied to borrowing and asset-linked fees, while real spending on essentials is flat and purchases of cars, furniture, and appliances are falling.

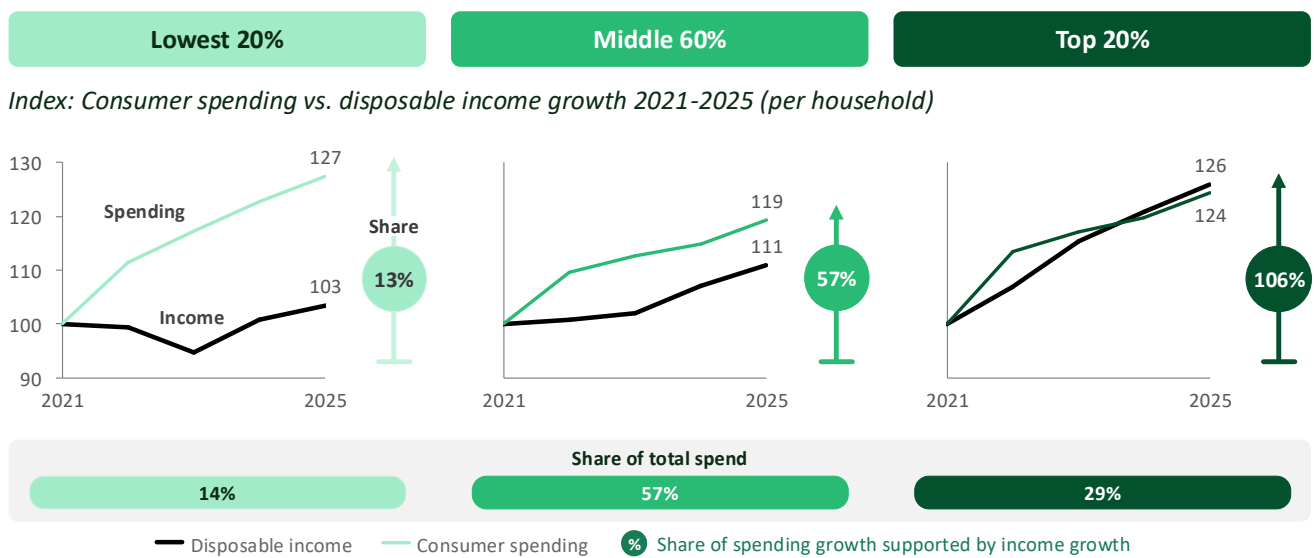
The strain has reached the mass market most consumer businesses are built on. The middle 60% are still spending, but their savings and balance sheets are moving more in the direction of the bottom 20% than the top 20%. The question is whether their spending starts to follow suit.

### Canadians Are Spending More Than They Earn

Across income tiers, Canadian households raised their spending by roughly the same proportion between 2021 and 2025: up 27% in the lowest band, 19% in the middle, and 24% at the top. (See Exhibit 1.) What separated these bands was how much of the increased spending their incomes could cover.

#### EXHIBIT 01

## Spending Up Across Groups But Only Top Had Income to Support It



Source: StatsCan, BCG Analysis

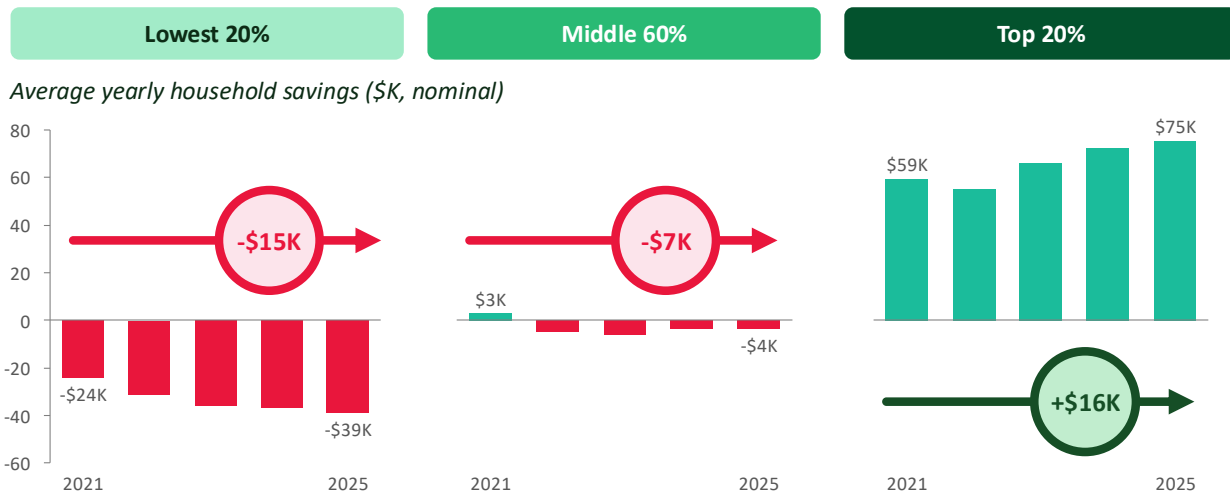
The top 20% of earners were the only segment where income growth fully matched and supported spending expansion, covering 106% of their increased expenditures. For the middle 60% of earners, the traditional bedrock of commercial demand, income growth covered just 57 cents of every dollar of new spending. The lowest 20% covered almost none of it. With income up by just 3%, the rest came from somewhere other than their paycheques.

### The Middle Is Relying More on Savings

Annual household savings rose for the wealthiest households and deteriorated for the remaining 80% of Canadians. Between 2021 and 2025, the top 20% saved more over time, while savings weakened across the rest of the income distribution. Many households are now moving closer to, or further into, negative savings. (See Exhibit 2.)

EXHIBIT 02

# Bottom 80% of Earners Sliding Deeper Into Negative Savings



Source: StatsCan, BCG Analysis

The middle 60% moved from a modest positive savings position to spending more than their income, a deterioration of roughly \$7 thousand per household. The lowest 20% fell deeper into a negative savings position, with annual savings declining by roughly \$15 thousand per household.

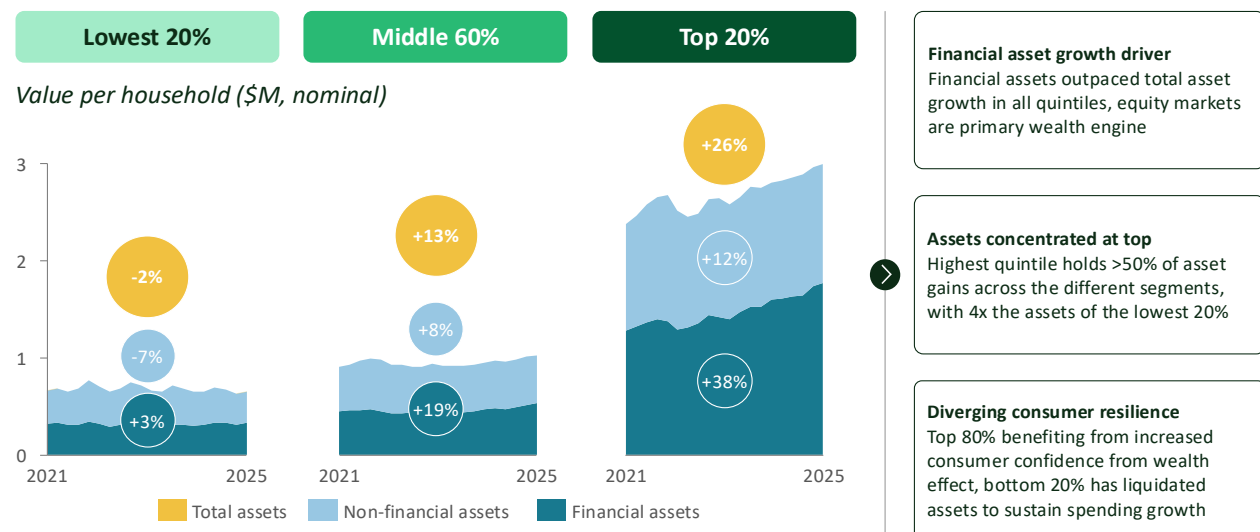
Some of this reflects the composition of the lowest-income group, including retirees, students, temporarily unemployed households, and others with low current income who may still spend by drawing on prior savings, family support, or borrowing. Still, the direction of travel is clear: savings buffers are weakening across much of the income distribution. The BCG Global Consumer Radar Survey reinforces this point: 41% of Canadians say they do not expect to save, or expect to save less, over the next six months, a high share that remains slightly above September 2024 levels.

## Asset Gains Are Sustaining Spending, but Not Equally

With household budgets under pressure, asset gains have enabled sustained spending across the top 80%. These cohorts saw total assets grow by 13% to 26%, helped by rising market valuations. (See Exhibit 3.) Those gains likely provided confidence to keep spending and, for some households, additional equity to borrow against, even as income failed to fully keep pace with spending for the middle 60%.

EXHIBIT 03

# Asset Gains Have Driven a Wealth Effect for the Top 80%



**Financial asset growth driver**  
Financial assets outpaced total asset growth in all quintiles, equity markets are primary wealth engine

**Assets concentrated at top**  
Highest quintile holds >50% of asset gains across the different segments, with 4x the assets of the lowest 20%

**Diverging consumer resilience**  
Top 80% benefiting from increased consumer confidence from wealth effect, bottom 20% has liquidated assets to sustain spending growth

Source: StatsCan, BCG Analysis

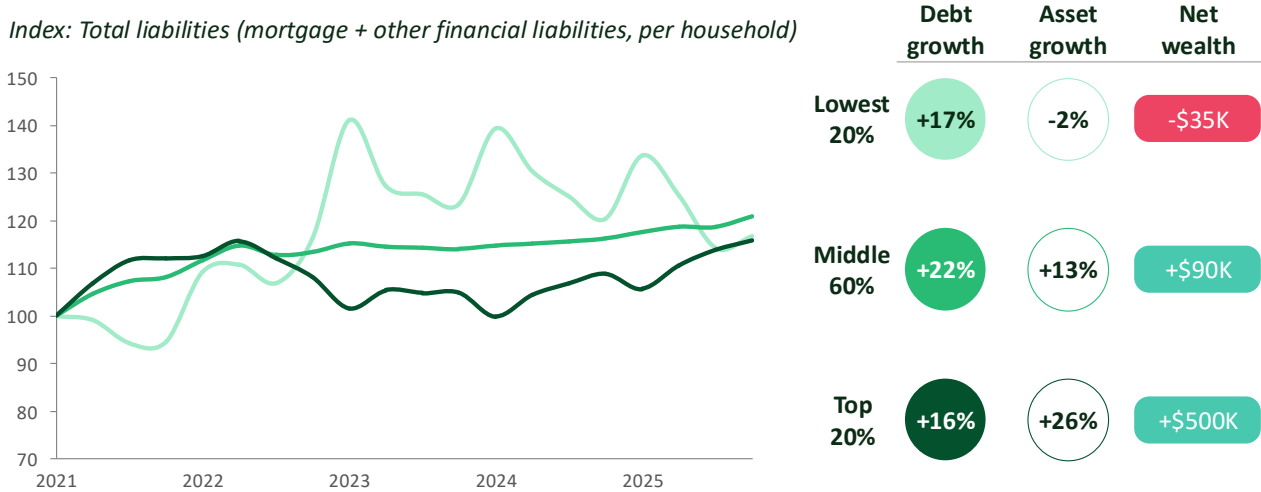
This asset-driven confidence does not extend to the lower end of the income scale. The bottom 20% saw their total assets shrink by 2%, leaving households with the fewest buffers least able to benefit from rising asset values.

### *Borrowing Is Filling the Gap*

The last support is credit. When income lags and savings thin, households borrow to keep up. The middle 60% saw the fastest growth in liabilities, up 22%. (See Exhibit 4.) Asset gains have kept their net wealth positive on paper, but much of that wealth sits in homes and other illiquid assets they cannot easily access. That leaves households more exposed to the rising debt.

#### EXHIBIT 04

## All Households Leaning on Debt But Lowest 20% Most Underwater



Source: StatsCan, BCG Analysis

The lowest-income band added 17% to its liabilities against a shrinking asset base, cutting net wealth by roughly \$35 thousand per household. Together, the data point to a growing reliance on borrowing to sustain spending, especially among households with the fewest financial buffers.

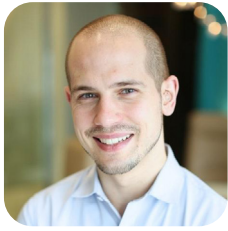
### *What This Means for Business Leaders*

Equity valuations sit near a 25-year high relative to the size of the economy, and five-year Government of Canada bond yields have risen about 40 basis points in recent months. If asset values soften while borrowing costs climb, the households with the thinnest buffers have the least room to absorb the shock.

The result is that Canada no longer has a single “average consumer” to plan around. The top fifth is pulling away on income, assets, and balance-sheet strength; everyone else is leaning on supports that are thinning. For leadership teams, that means growth plans need to be built around a more uneven, more financially constrained consumer. Three shifts matter most.

- **The middle may become even more value-oriented.** As financial pressure moves up the income spectrum, middle-income consumers may become more selective and deliberate about what categories they buy, when they buy, and what they are willing to pay for. While price, promotions, and quality will remain table stakes for delivering value, larger pack sizes and bulk options may become increasingly important value drivers for low- and middle-income consumers, particularly for everyday purchases.
- **Credit conditions will matter more.** As more spending is supported by borrowing, demand may become more sensitive to interest rates, credit availability, and household debt-service pressure. Leadership teams should stress-test category demand against tighter credit conditions, especially in higher-ticket and discretionary categories. Automotive, luxury goods, dining, and pet care are among the categories with the largest spending differences across income groups.
- **Wealth will not translate evenly into spending.** Asset gains have supported confidence, but much of that wealth sits in homes and other illiquid holdings, creating friction for discretionary purchases. If higher oil prices bleed into broader inflation, consumers may struggle to keep up (even if asset prices remain elevated), increasing the need for financing, trade-in, or deferred-payment options.

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