Regional debt differences tell Canada's economic stories

By Carmen Chai

Got credit card debt? So do a lot of other people in Canada -- but where you live might affect how much debt you're carrying.

Canadians average $27,400 in consumer debt, according to an analysis of credit files by credit bureau TransUnion released at the end of February 2014. (Consumer debt refers to credit card debt, lines of credit and auto loans, among other spending - but not mortgages.) But western Canadians are doing the most damage, according to the report. In Vancouver, for example, consumer debt sat at a whopping $41,077 per person at the end of 2013. On the other end, consumer debt in Toronto was about $24,000.

A TransUnion representative says the company has always noticed differences between eastern and western Canada.

"We tend to see large differences in credit usage in different parts of Canada for various reasons. The eastern part of Canada -- Quebec in particular -- is more of a cash culture. Consumers there tend to save more for big purchases and do not use credit products as much," says Chris Dias, TransUnion's senior vice-president of product innovation and analytics. "The western part of the country, such as British Columbia and Alberta, traditionally has had higher debt levels because of a strong, growing economy. With a vibrant economy, there is generally greater consumer confidence and more credit usage."

Scott Hannah, president of the national Credit Counselling Society, says the disparity tells three distinct stories of debt. And these numbers deliver a picture of how Canadians feel about how they can handle credit.

Eastern Canada: Ontario and Quebec
Ontario and Quebec were once the bustling manufacturing hubs of Canada, but during the past decade, factories shuttered their doors, according to Hannah.

"[Those two provinces have] gone through a difficult period. As a result, they've found themselves [not earning as much as they used to]," Hannah explains."Their income levels just don't support being able to access and utilize the same amount of credit as in other areas of Canada."

Mike Gomes, a certified financial planner at the Toronto-based Ironshield, sees the reluctance in his clients.

If they're young, he says, they're worried about job opportunities. If they're older, they've been downsized at work and forced to take an early retirement. Even if they didn't personally suffer an income decrease, Gomes says the idea is enough to scare clients away from taking on personal debt.

"That fear leads to people spending less, especially on discretionary unnecessary items, and they defer the bigger purchases for a future date," Gomes says.

Western Canada: British Columbia, Alberta and Saskatchewan
Vancouver, on the other hand, generally ranks among the five cities with the highest cost of living in North America. Gomes says that kind of notoriety is a double-edged sword.

"If you're already a homeowner, you're seeing the value of your house steadily increase. It just leads to consumers feeling good and optimistic and going out and spending more," he says.

But if you aren't sitting pretty on property, you're struggling to make it happen. Hannah, a B.C. resident himself, reminds Canadians that while housing in Vancouver is thriving, salaries aren't. And the cost of living is also pricy.

Ultimately, Vancouverites may be leaning on their lines of credit to make ends meet, he says.

"What they find is that it's a losing battle and they're having difficulty setting aside funds for unexpected emergencies, so there's a heavier reliance on credit for everyday expenditures."

With their resource-rich industries, Alberta and Saskatchewan have become Canada's hotspots for economic opportunities.

Alberta's oil industry is thriving. As a result, Hannah says, Albertans are more comfortable taking on debt because they're confident they can repay it and they can earn sufficient income to take on a large obligation.

Gomes points to another factor that might be at play: in 2013, a massive flood hit Calgary. Residents have had to pay up for any repairs, and insurance claims could still be in the pipeline.

"While they're waiting for claims to be settled, they've had to rely on savings and once that's exhausted, they'd start looking at credit," he explains. "It's a factor that's unique to the area."

Both experts agree that consumer debt loads as steep as Calgary's $37,000 are concerning.

Hannah's credit counselling offices have expanded in these provinces as more consumers seek credit counselling.

Gomes advises residents there to make the most of their earnings -- it's a good time to build up savings and pay off debt. But if you decide to buy anything on credit, make sure you have a plan to pay it down, he says.

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