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House Prices, Consumption and the Role of Non-Mortgage Debt*

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Abstract

This paper evaluates the strength of the relationship between house prices and consumption, through the use of debt. Whereas the existing literature has largely studied the effects of house prices on homeowner total or mortgage debt, we focus on the non-mortgage component of household borrowing, using Canadian household-level data for 1999-2007. We rely on variation in regional house prices, homeownership status and age to establish the relationship between house prices and non-mortgage debt. Then, using direct information on debt uses, we determine that house price growth was associated with a non-trivial fraction of concurrent aggregate non-housing consumption growth.

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