ECONOMIC VIEWPOINT

Is Quebec's Economy Going K-shaped? Not Really

But wealth plays a greater role in economic success, straining the social contract

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HIGHLIGHTS

- Quebec's economy isn't particularly K-shaped, especially compared with that of the United States. Consumer spending is still relatively well distributed between the different income groups.
- After-tax incomes remain more evenly distributed in Quebec than in Canada as a whole, though some disparities have widened since the pandemic.
- Quebec's household debt ratio is also lower than Canada's, particularly among low-income households.
- Wealth concentration remains more pronounced in Quebec than in Canada as a whole, although several indicators suggest it is gradually declining.
- Wealth is playing an increasingly important role in the economy, and wealth growth has far outpaced income growth in recent decades, both in Quebec and other advanced economies.
- In an average household, with two adults each earning the median income, it would now take decades of saving to reach the highest quintiles. This gap has widened significantly since the late 1990s.
- This means that the wealth an individual begins with now plays a greater role in their economic advancement than it did in the past.
- This change may be contributing to the disconnect we've observed: the economy may be resilient, but some segments of the population remain pessimistic.
- The real risk is not necessarily that Quebec's economy becomes K-shaped. Rather, it's that one of the pillars of our social contract may be gradually eroding: the idea that hard work, savings and effort are enough to build a better life for oneself.

What Is a K-Shaped Economy?

A K-shaped economy refers to a situation in which economic trajectories diverge across income groups. More affluent households benefit from rising incomes and asset appreciation, while less affluent ones struggle to keep pace with higher living costs. In other words, income, wealth and household spending grow more quickly for those who are already well off, while growth stays flat or declines among the lowest-income households. When you map out these two diverging trajectories, they form the arms of a "K."

Our previous work has shown that rising interest rates and inflation don't affect all households equally. Instead, low-income households are hit harder because they devote a larger share of their budgets to essential expenses.

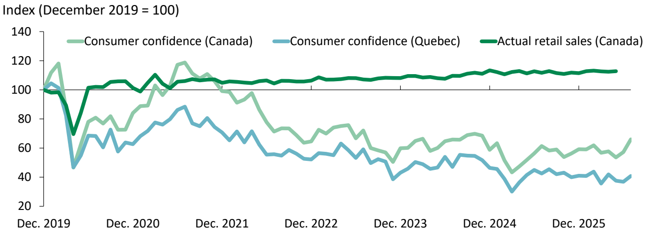
The pandemic also highlighted significant disparities among households. Some managed to build up considerable savings, as their incomes remained the same but spending opportunities were temporarily curtailed. Financial and real estate assets appreciated significantly over this same period, increasing the wealth of those who owned them. At the same time, other households remained in precarious financial situations or experienced a deterioration in their financial circumstances.

The post-pandemic period has been marked by a series of shocks, including a surge in inflation, rapidly rising interest rates and, more recently, persistent trade tensions with the United States. While equity markets continued to reach record highs, many households faced mounting pressure from higher living costs and borrowing costs.

Despite these headwinds, household spending remained remarkably resilient, both in Quebec and in Canada as a whole. But though it held steady, several consumer confidence surveys have reported levels of pessimism comparable to those observed during previous economic slowdowns (graph 1). Beneath the headline numbers, it seems that households may be living fundamentally different economic realities.

Graph 1
Spending Is Resilient, but Consumers Are Pessimistic

Inflation-adjusted consumer confidence and retail sales in Canada and Quebec



Signal49 Research, Statistics Canada and Desjardins Economic Studies

This is about more than how wealth is distributed among households. It can also have broader implications for the economy. When consumer spending is supported by a diverse range of households, the economy is generally better able to withstand shocks. Conversely, when spending growth relies primarily on households benefiting from asset-driven wealth gains, economic activity may become more sensitive to market downturns.

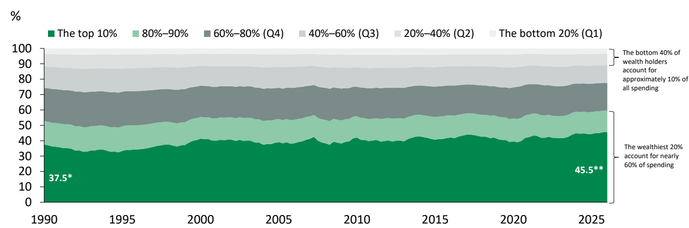
But is this really the case in Quebec? Let's start by examining the situation in the country with the clearest K-shaped economy: the United States.

The US Economy

The term "K-shaped economy" was popularized in the wake of the pandemic and was widely used to describe the US economy, as several indicators revealed increasingly divergent trends across income groups. The country is still often cited as the most recent example of this phenomenon. According to Moody's Analytics, the top 10% of US households by income account for nearly half of all consumer spending in the country (graph 2). This trend can be largely explained by the sharp appreciation in financial and real estate assets since the 2008–2009 financial crisis, which intensified after the pandemic. Households that already owned property benefited from a double advantage. Not only did the value of their homes rise substantially, they also locked in mortgages at much lower interest rates. Today's homebuyers face far less favourable purchasing conditions

Graph 2
Nearly One out of Every Two Dollars Spent in the United States Comes from the Top 10% of Households

Consumption distribution for US households by income



Q: Income quintile. * Q1 1990 estimate. ** Q1 2026 estimate.
Moody's Analytics

Does Quebec's Economy Look K-Shaped?

Before reaching a conclusion, we need to examine a number of household financial indicators. In a K-shaped economy, trends may diverge for spending, income, debt, savings and wealth. Taken together, these indicators will help us determine whether Quebec households are following increasingly divergent paths, as they are in the United States.

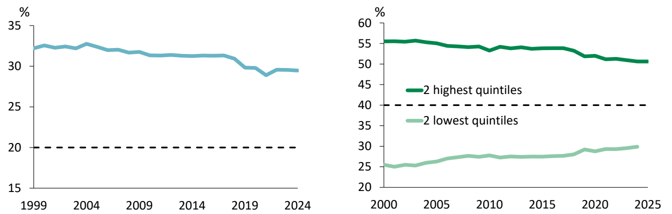
1. Spending

One of the biggest concerns in a K-shaped economy is that consumer spending may become overly dependent on a small group of wealthy households, creating the impression of economic strength even as a large share of the population faces a very different reality. This concentration may also make the economy more vulnerable to downturns in financial and real estate markets. However, neither Canada nor Quebec appears to be in this situation. (Unfortunately, the lack of quintile-level data for Quebec limits our ability to provide a more granular analysis. See text box for details on the data limitations.) Domestic spending is more evenly distributed among the quintiles than it was two decades ago (graph 3 on page 3). Indeed, the share of spending attributable to the highest quintile decreased from 32% in 1999 to 29% in 2025, while that of the lowest quintile increased from 10% to 14%. Moreover, spending has grown more rapidly for the lowest quintile since 1999.

Graph 3
Canada's Spending Has Become More Evenly Distributed Between the Income Quintiles

Share of spending* attributed to the highest quintile, Canada, 2000–2025

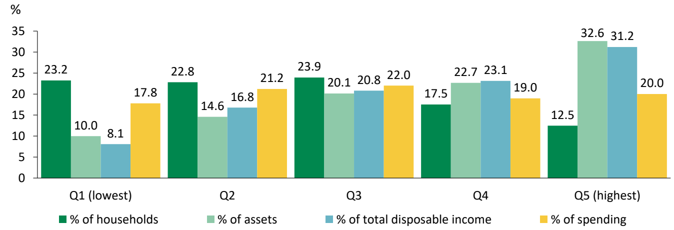
Share of spending* attributed to the highest two quintiles vs. the lowest two quintiles, Canada, 2000–2025



* Household final consumption expenditure.
Statistics Canada and Desjardins Economic Studies

Graph 4
Consumption Is the Most Evenly Distributed Indicator

Distribution by income quintiles, selected indicators, Quebec*, 2025



Q: Income quintile. * Income quintiles use Canadian thresholds, not provincial ones; see box for methodological limitations.
Statistics Canada and Desjardins Economic Studies

While Moody's estimates that nearly 60% of consumer spending in the United States depends on the top 20% of earners, Canada is in a markedly different position. Here, the top 20% of households by income account for approximately 29% of total expenditures.

Despite the limitations of quintile-level data, spending appears to remain relatively evenly distributed across income groups in Quebec as well (graph 4). This finding suggests that Quebec's economy is not K-shaped. However, other indicators, particularly those related to wealth, may paint a more nuanced picture.

It's also worth noting that inflation has not affected all income brackets equally in Canada or Quebec. Food and rental housing inflation have further reduced the purchasing power of lower-income households, which must allocate a larger share of their spending to these budget items (graph 5 on page 4).

BOX
Data sources and limitations

To measure income and asset concentration, it may be tempting to rely solely on the distributions of household economic accounts provided by Statistics Canada. However, these data must be interpreted carefully, as they have significant limitations. These statistics are based on Canada's income quintiles, not the quintiles for each province (table 1). This may lead to misinterpretation when examining a specific province, such as Quebec. For example, at first glance, one might assume that, in 2025, the highest quintile accounted for 31% of disposable income in Quebec, compared with 42% in Canada (Statistics Canada, table 36-10-0588-01). However, only 12% of Quebec households fall within what is considered the highest quintile in these data.

Despite these limitations, the economic accounts make it possible to track the evolution of wealth indicators through 2025.

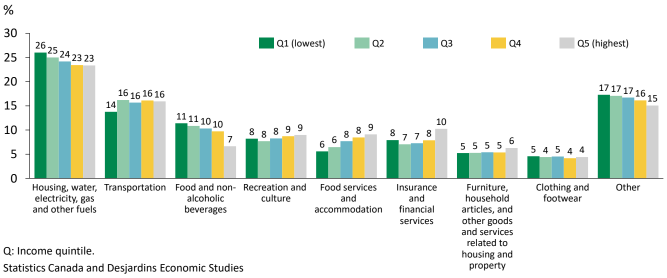
Table 1
Canadian Quintile Thresholds Don't Align with Quebec's Income Distribution

Households	Canada			Quebec		
	Average income ($)	Number of households	% of households	Average income ($)	Number of households	% of households
Q1 (lowest)	32,802	3,445,085	**20**	**	963,749	**23**
Q2	62,401	3,445,085	**20**	**	945,938	**23**
Q3	87,705	3,445,085	**20**	**	992,787	**24**
Q4	120,182	3,445,085	**20**	**	726,492	**18**
Q5 (highest)	219,061	3,445,085	**20**	**	517,082	**12**
Total	**104,430**	**17,225,427**	**100**	**87,499**	**4,146,049**	**100**

Q: Income quintile. *2025 data. ** Canadian thresholds were used for quintile analysis.
Statistics Canada and Desjardins Economic Studies

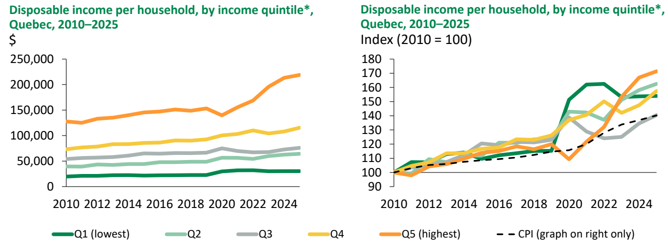
Some of these shortcomings can be made up for, in part, by using other data. By using the most recent Survey of Financial Security (2023), for example, we can analyze assets and debts for each net worth decile at the provincial level, including Quebec. The Quebec Ministry of Finance also provides income-decile data up to 2023.

Graph 5
Lower-Income Households Devote a Larger Share of Their Spending to Housing and Groceries
Share of final consumption expenditure by category and by income quintile, Canada, 2025



Q: Income quintile.
Statistics Canada and Desjardins Economic Studies

Graph 7
Government Transfers Supported Lower-Income Households During COVID-19, but the Recovery Disproportionately Benefited the Top Quintile

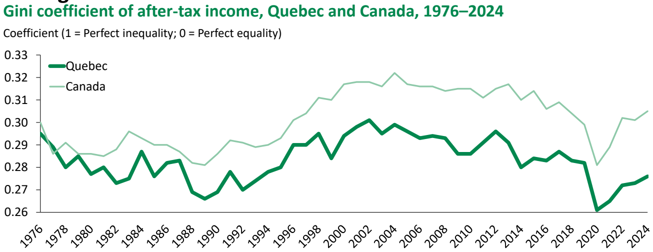


Q: Income quintile. * Income quintiles use Canadian thresholds, not provincial ones; see box for methodological limitations.
Statistics Canada and Desjardins Economic Studies

2. Income inequality

Quebec stands out from other Canadian provinces for its income redistribution efforts. The Gini coefficient after redistribution, which measures the degree of inequality, is lower in Quebec than in Canada as a whole. From 2002 to 2024, it trended downward, indicating that inequality was on the decline, though it has risen somewhat since the pandemic (Statistics Canada) (graph 6).

Graph 6
Income Inequality Has Generally Declined Since 2002, Except During the Post-Pandemic Period.
Gini coefficient of after-tax income, Quebec and Canada, 1976–2024



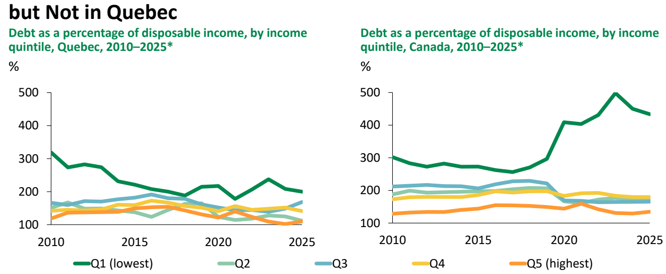
*A higher Gini coefficient indicates greater income inequality.
Statistics Canada

Quebec's redistribution efforts continued during the pandemic and helping to keep disposable income[1] relatively stable (graph 7). What's more, disposable income for low-income rose sharply in 2020–2021, supported by various government assistance programs, including the Canada Emergency Response Benefit (CERB). But there is an inflection point in 2022, after which the quintiles begin to pull away from each other. Income in the highest quintile kept climbing, while income in the lowest quintile began to decline.

3. Debt

In terms of debt, Quebec continues to compare favourably with the rest of the country. Over the past 15 years, household indebtedness has remained stable or declined across all quintiles. While the debt-to-disposable income ratio did move higher for the lowest quintile between 2021 and 2025, this increase was much lower than in Canada as a whole, where it shot up from 297% in Q4 2019 to 430% in Q4 2025 (graph 8). In Quebec, this ratio reached 200% in late 2025. Meanwhile, the highest-income quintile saw its debt burden decrease in both Quebec and Canada between 2021 and 2025. For Canada, data can also be analyzed excluding individuals aged 65 and older, providing a clearer view of trends among the working-age population. However, focusing on this age group shows that the situation of the lowest quintile has deteriorated further. It's also the only quintile that is more indebted now than before the pandemic (graph 9 on page 5).

Graph 8
Debt Levels Among Lower-Income Households Rose Sharply in Canada, but Not in Quebec



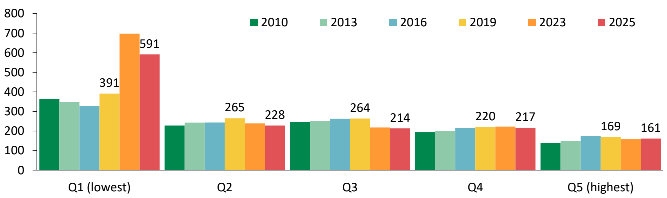
Q: Income quintile. * Data as at Q4 of each year. Income quintiles use Canadian thresholds, not provincial ones; see box for methodological limitations.
Statistics Canada and Desjardins Economic Studies

[1] Here, disposable income refers to wages and salaries, net mixed income (which includes earnings from unincorporated businesses, rental income and the imputed rent for owner-occupied buildings), property income and current transfers received, minus property income paid and current transfers paid. Because retirement benefits are accounted for, this metric partially offsets some lifecycle bias. Refer the box on page 3, on data limitations.

Graph 9
Debt Ratios Have Fallen Below 2019 Levels for All Groups Except the Lowest Quintile

Debt-to-income ratio for Canadians under 65*, by income quintile

Total debt as a % of disposable income



Q: Income quintile. *People ages 65 and over have been excluded to limit the bias between debt and retirement income. Debt data is as at the end of the fourth quarter, and income data is annual.
Statistics Canada and Desjardins Economic Studies

4. Savings

Savings[2] are an indicator of households' capacity to accumulate wealth over time. In Canada, annual net savings by the highest-earning households reached a new peak in 2025 (graph 10). From 2019 to 2025, savings among the top two quintiles grew substantially, as their disposable income rose faster than their consumption expenditures. Net savings per household contracted for the three lowest quintiles during that time. In spite of this, average savings per household increased in Canada over that period.

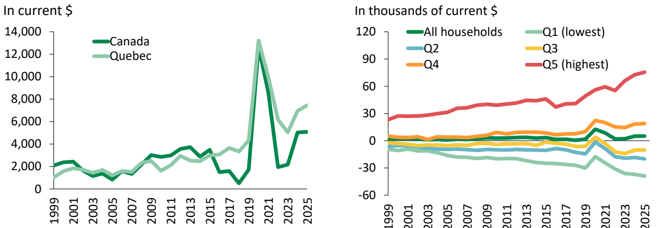
Graph 10
Average Net Savings Mask Significant Differences Across Groups

Net savings per household, Canada and Quebec 1999–2025

In current $

Net savings per household, Canada, by income quintile, 1999–2025

In thousands of current $



Q: Income quintile.
Statistics Canada and Desjardins Economic Studies

This shows how averages can hide vastly divergent results for different groups. In both Quebec and Canada, the average savings rate (excluding changes in pension entitlements)[3] is positive, albeit modest, at between 1% and 2% depending on the definition used. But when we break it down by quintile, we can see that the lowest three have negative savings rates, and the situation has worsened markedly for the lowest quintile. This is in part due to the fact that this group contains a relatively large number of retirees, a trend that is likely to intensify as the population ages. Many retired households fund at least part of their spending by drawing on wealth accumulated during their working years, rather than through employment or other income. This places them in the lower-income quintiles despite their relatively comfortable financial situation. This is just one example of the limitations of income quintiles, which do not fully account for the household lifecycle.[4]

At this time, the data we have on spending, income and debt levels do not indicate that trends are diverging as dramatically as those observed in the United States. However, they only tell part of the story. If we want to understand the economic discontent expressed by much of the population, we must look at wealth and how it has evolved over time.

5. Wealth

While the savings gap has widened only recently, relatively speaking, wealth reflects the cumulative impact of these differences over time. This is also where the most concerning signals seem to be appearing. Quebec has a lower homeownership rate than the rest of Canada, so wealth is more concentrated in this province, particularly for the highest quintile (graph 11).

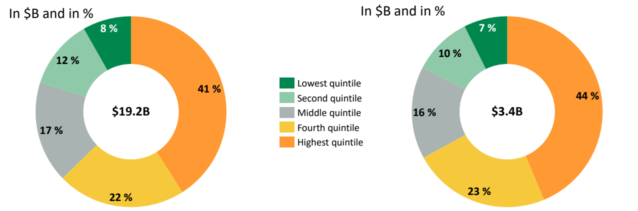
Graph 11
Asset Concentration Is Higher in Quebec

Total assets by after-tax income quintile*, Canada, 2023

In $B and in %

Total assets by after-tax income quintile*, Quebec, 2023

In $B and in %



* Data from the *Survey of Financial Security*
Statistics Canada and Desjardins Economic Studies

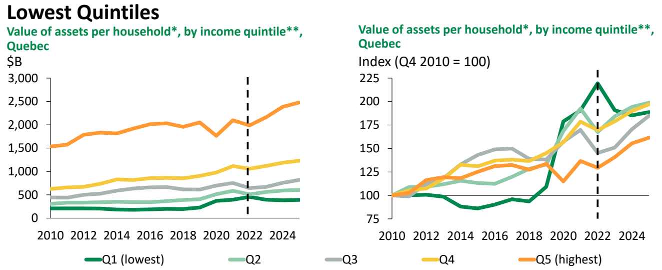
[2] Here, savings is defined as disposable income after taxes and redistribution, minus final consumption expenditures. The savings rate refers to the amounts saved annually within a household, divided by its disposable income. The concept of "net savings" includes variations in pension entitlements. However, Statistics Canada does not provide data on net savings by income quintile at the provincial level.

[3] Due to limitations in provincial-level data by quintile, savings are defined here as disposable income minus final consumption expenditures, excluding changes in pension entitlements.

[4] Income quintiles are a useful, but imperfect, indicator. Broadly speaking, income quintiles do not fully take into account the household lifecycle or the fact that households smooth out their spending over time, whether they've paid with current income or accumulated wealth, or if they've gone into debt.

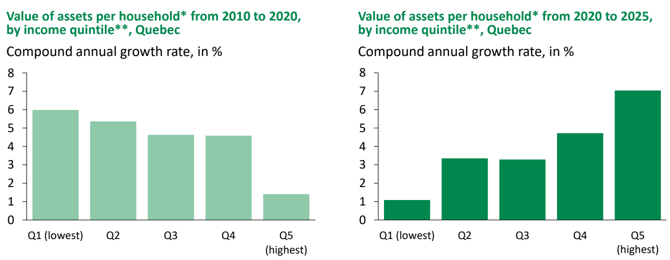
There is also a slight K-shaped pattern emerging when we look at assets by quintile. Before the pandemic, assets in the lower quintiles generally grew faster than those in the higher quintiles (graph 12). Since 2020, however, that trend has reversed. Real estate and stock market values have increased significantly over the last five years, largely rewarding the wealthiest households, who hold a higher share of these assets (graph 13).

Graph 12
Starting in 2022, a K-Shaped Trend Emerged Between the Highest and Lowest Quintiles



Q: Income quintile. * Q4 values. ** Income quintiles use Canadian thresholds, not provincial ones; see box for methodological limitations.
Statistics Canada and Desjardins Economic Studies

Graph 13
Two Periods, Two Different Realities

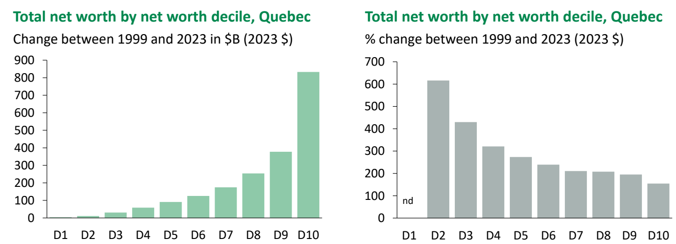


Q: Income quintile. * Q4 values. ** Income quintiles use Canadian thresholds, not provincial ones; see box for methodological limitations.
Statistics Canada and Desjardins Economic Studies

The Survey of Financial Security provides insight into other inflation-adjusted wealth metrics, with results broken down by net worth decile for each province. In Quebec, wealth distribution improved between 1999 and 2023, though wealth was disproportionately concentrated among the highest deciles.

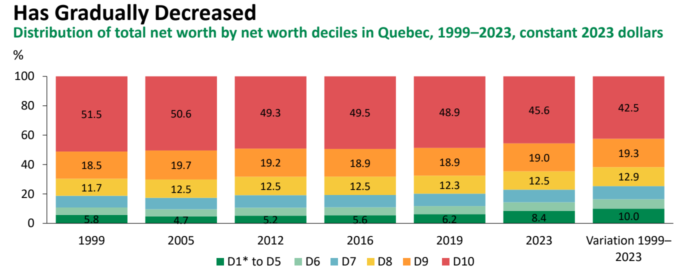
Since 1999, median asset values and median net worth have grown faster, in percentage terms, among households in the lower deciles than among those in the upper deciles. This trend is also evident when looking at total values rather than median values. But while wealth has grown more rapidly in percentage terms among households in the lower deciles, the biggest gains in dollar terms have continued to go to households that were already wealthier (graph 14). Families in the bottom half of the distribution accounted for less than 6% of total net value in 1999, versus 8.4% in 2023. And at the same time, wealth has become less concentrated in the highest decile, with their share of net value held shrinking from 50% to 46% (graph 15). This graph also shows that the richest 20% of households in Quebec, in terms of net worth, hold 65% of the province's wealth, measured by total net value. By comparison, the wealthiest 20% in Canada hold 63% of total wealth. This confirms that wealth is slightly more concentrated in Quebec.

Graph 14
The Higher Deciles Capture a Larger Share of Gains, in Dollar Terms



D: Decile (D1: lowest decile, D10: highest decile)
Statistics Canada and Desjardins Economic Studies

Graph 15
Wealth Remains Concentrated Among the Top 10%, but Their Share Has Gradually Decreased



* D1 is excluded from the total when negative (1999, 2005, 2012, 2016, 2019).
Statistics Canada and Desjardins Economic Studies

Taken together, these findings suggest that Quebec does not fit the conventional definition of a K-shaped economy. Consumer spending is relatively well distributed, income inequality remains contained, and debt levels do not point to a deep economic divide. Wealth remains more concentrated, but several indicators point toward a slight improvement in its distribution.

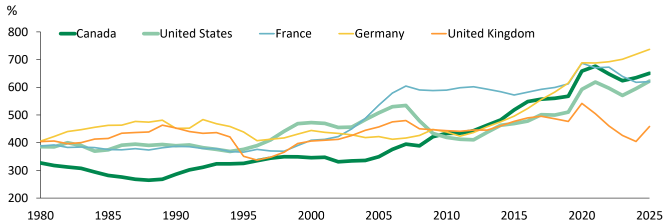
If Quebec is not experiencing a K-shaped economy, how can we explain the disconnect between the economic indicators, which have been fairly resilient, and the increasingly popular belief that it's difficult to get ahead? Part of the answer might lie not in wealth concentration, but in how the relationship between wealth and employment income has shifted in recent years, as well as in the growing obstacles to economic mobility.

When Income Struggles to Keep Pace with Assets

Wealth distribution becomes particularly important when we look at the relationship between labour income, or wages, and income from capital. Since the early 2000s, the value of wealth has risen faster than wages in most developed economies, including Canada (graph 16). As a result, asset ownership plays a greater role in household financial well-being than it once did. In Canada, net wealth as a share of net national income rose from about 350% in 2000 to more than 650% in 2025.

Graph 16
Being Well-Off Is Increasingly a Matter of Wealth Rather Than Income

Capital-to-income ratio*, 1980–2025

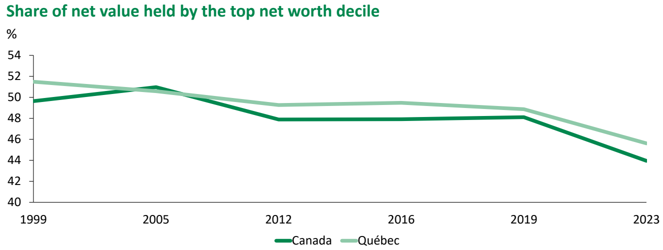


* Market value of national wealth in relation to net national income. At purchasing power parity (PPP).
World Inequality Database (WID) and Desjardins Economic Studies

This trend does not necessarily mean that wealth has become more concentrated. As mentioned earlier, the share held by the top decile is declining in Quebec, and the same is true for Canada as a whole, according to Statistics Canada (graph 17).

Graph 17
A Smaller Piece of the Pie for the Top 10%.

Share of net value held by the top net worth decile

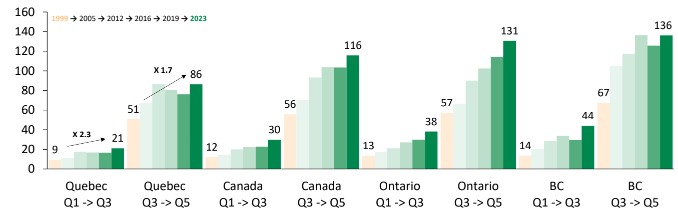


Statistics Canada and Desjardins Economic Studies

But when we examine this change, it's important to also consider what wealth gaps look like when compared to labour income. Graph 18 expresses these wealth gaps in years of savings for a household composed of two adults aged 25 to 54, both earning the median income for their region and saving 15% of their income each year.[5]

Graph 18
Wealth Gaps Represent More Years of Savings Than at the End of the 1990s

Median wealth gap expressed in years of savings for a typical household*
In years



Q: Income quintile. Q1, Q3 and Q5 represent the lowest, middle and highest quintiles, respectively.
* Assumption: Household consists of two adults aged 25 to 54, each earning the median gross income for their region and saving 15% of that income annually.
Statistics Canada and Desjardins Economic Studies

In Quebec, it would have taken the equivalent of about nine years of saving to move from the lowest quintile to the middle quintile in 1999. Using 2023 data, that same climb would take more than 20 years. And the gap between the middle and upper quintiles has expanded from just over 50 years to nearly 90 years of saving. This is a more moderate increase than in Ontario or British Columbia, where the dramatic surge in real estate values has amplified the wealth gap. While some caution is warranted, as we are comparing a stock of wealth with an annual flow of income, these findings do suggest that wealth has grown faster than income and that it plays an increasingly important role in household financial security. These data indicate that inequality is not the only issue households face: economic mobility has also become a challenge.

Risks to Social Mobility

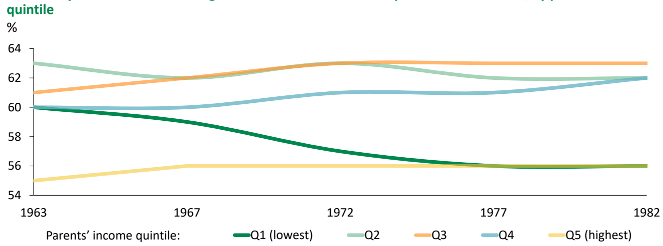
When wealth grows faster than income, there may also be consequences for long-term social and economic mobility. Societies with higher levels of inequality generally tend to have lower intergenerational mobility, a relationship often illustrated by the Great Gatsby Curve. And Raj Chetty's research in the United States has also shown that the neighbourhoods in which children grow up affect their economic trajectories in adulthood. Closer to home, Connolly and her colleagues show that these issues are also present in Canada and Quebec. By comparing parents' incomes with those of their children once they reached

[5] This approach draws inspiration from the methodology used by John Burn-Murdoch in the *Financial Times* in July 2026 to illustrate the evolution of wealth's importance relative to labour income.

adulthood, they found that intergenerational mobility decreased among successive cohorts born in the 1960s, 1970s and 1980s. In particular, the likelihood that a child born into the lowest income quintile would reach the middle quintiles dropped from one cohort to the next (graph 19). These concerns are also echoed in the forward-looking work of [Policy Horizons Canada], which suggests that several ongoing trends could make social mobility more difficult over the coming decades.

Graph 19
Intergenerational Economic Mobility Has Declined in Canada

Probability that a child will belong to the middle three income quintiles in adulthood, by parental income quintile



Higher values indicate a greater likelihood that children from a given group will belong to the middle three income quintiles as adults, rather than to the highest or lowest quintile.
Connolly et al. (2021), *Trends in Intergenerational Income Mobility and Income Inequality in Canada.*

The income and wealth gaps experienced by one generation help shape the economic opportunities of the next. When wealth matters more than it once did, the circumstances into which people are born matter more, too. Wealth transferred from one generation to the next can affect equality of opportunity at birth. Public policy can help mitigate this effect, for example, by improving access to education, skills development and economic opportunity. That said, technological disruptions could reshape the most effective ways to support social mobility in the decades ahead.

Conclusion: Things Aren't K-shaped, but Economic Advancement Has Become More Challenging

None of the major household economic indicators suggest that Quebec has a K-shaped economy. Consumer spending, income, indebtedness, savings and wealth are all moving in a less divergent manner than they are south of the border. Some gaps have been widened by the pandemic, inflation and rising interest rates, but overall, trends in Quebec do not resemble those in the United States.

The biggest issue seems to be economic advancement and social mobility. Wealth plays a more decisive role in the economy, and is growing much faster than income is. Moving up the wealth distribution now requires many more years of saving than it once did, a trend that has likely been compounded by rising barriers to homeownership.

The real risk is not necessarily that Quebec's economy becomes K-shaped in the short-term. Instead, we may be witnessing a gradual erosion of the belief that hard work, savings and effort are enough to build a better life for oneself. This idea already seems to be losing ground among some segments of the population. If this trend continues, one pillar of our social contract could be called into question. The harder it seems to get ahead through hard work alone, the more people may look to governments to narrow the gap through taxes and benefits, with the difficult trade-offs that would entail.