Factum

One in Three (35%) Canadians Already Feeling Effects of Interest-Rate Increases

Four in Ten (40%) Say if Rates Go Up Much More, they're Afraid they'll be in Financial Trouble

Calgary, Alberta, October 23, 2017 — One in three (35%) Canadians agree (9% strongly/27% somewhat) that they're already beginning to feel the effects of interest-rate increases, and four in ten (40%) agree (10% strongly/30% somewhat) that if interest rates go up much more, they're afraid that they'll be in financial trouble. More specifically, nearly half (46%) agree (12% strongly/35% somewhat) that as interest rates rise, they're more concerned about their ability to repay their debts than they used to be. Four in ten (43%) say they are concerned about the impact of rising interest rates on their financial situation, and nearly three in ten (28%) expressed concern that rising interest rates could move them towards bankruptcy. With many clearly concerned about how they could be affected, a majority (72%) agree (26% strongly/47% somewhat) that with interest rates rising, they will be more careful about how they spend their money.

The MNP Debt Index, conducted by Ipsos Public Affairs, is a new and comprehensive survey of over 2,000 Canadians on the topic of debt, and gauges their ability to pay their bills, endure unexpected expenses, follow a budget, and absorb interest-rate fluctuations without approaching insolvency.

The survey reveals that Millennials are the most likely to be feeling the effects of interest-rate increases (40%), and are most fearing about what the impact of future rate increases could have on their financial situation (49%). In fact, four in ten (38%) Millennials express concern that rising interest rates could move them towards bankruptcy, more so than Gen Xers (30%) and Boomers (18%). Millennials are also the least likely generation to say they have a solid understanding of how interest rate increases impact their financial state.

While only one in four (27%) Canadians admittedly 'disagree' (9% strongly/18% somewhat) that they have a solid understanding of how interest rate increases impact their financial situation, just 29% strongly agree that they understand the link between interest rates and their finances. Demonstrating this lack of knowledge, 27% say that their current ability to absorb an additional $130 in interest rate payments on debt is worse than it used to be, while just 16% say that their ability to absorb an interest rate increase of 1 percentage point is worse than it used to be. However, based on the average mortgage in Canada, these equate to roughly the same impact on the average Canadians' mortgage payment, suggesting that the results of the question *should* be roughly the same if Canadians fully understood the impact that interest rates have on their debt payments.

Following Summer, Canadians Have Less Money in their Pockets at the End of the Month

The average Canadian household has $743 left over at the end of the month, after all their bills and debt obligations are paid each month. Compared to before the summer, however, this is $149 less than the $892 Canadians reported having left over in wiggle room in June. Home owners ($922) have more than renters ($454) on average; men ($824) have more than women ($666), and those with a household income of less than $40K have the least left over at the end of the month ($298 on average). Overall, four

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in ten Canadians (42%) don't feel confident that they will be able to cover all living and family expenses in the next 12 months without going into further debt.

Four in ten (42%) Canadians say they have $200 or less of wiggle room at the end of the month, including 25% who say they don't have anything left over and already don't' make enough to cover their bills and debt payments. This figure is virtually unchanged (down just 2 points) since June's poll.

Few are Confident About their Ability to Cope with Sudden Financial Change

When life throws Canadians a financial curveball, most are not fully confident in their ability to cope with such a change in their financial situation. For example, just 27% are confident that they could cope with the death of an immediate family member without increasing their debt load as a result. Similar lack of confidence is expressed when it comes to their ability to deal with loss of employment (28%), having an illness and being unable to work for three months (30%), unexpected auto repairs (31%) or a change in their relationship status (33%).

Throughout the survey, the data suggest that Millennials are most worried about their future debt situation, Gen Xers have the most regret about the debt they've taken on, renters and low-income households are in the most precarious position, and Albertans are most likely to be feeling the crunch from interest rate increases.

Financial fluctuations can be felt even more strongly around the holidays: more than four in five Canadians (45%) agree (16% strongly/29% somewhat) that their financial situation is the worst around the holidays, more than any other time of year. This is particularly the case in Atlantic Canada, where more than half (56%) say their financial situation is at its worst around the holidays, ahead of Saskatchewan and Manitoba (49%), Alberta (46%), Ontario (46%), BC (45%), and Quebec (38%).

These are some of the findings of the MNP Debt Index, conducted by Ipsos between September 18 and 21, 2017, on behalf of MNP LTD. For this survey, a sample of 2,005 Canadians aged 18+ from Ipsos' online panel was interviewed online. Weighting was then employed to balance demographics to ensure that the sample's composition reflects that of the adult population according to Census data and to provide results intended to approximate the sample universe. The precision of Ipsos online polls is measured using a credibility interval. In this case, the poll is accurate to within ±2.5 percentage points, 19 times out of 20, had all Canadian adults been polled. The credibility interval will be wider among subsets of the population. All sample surveys and polls may be subject to other sources of error, including, but not limited to coverage error, and measurement error.

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