PRESS RELEASE

Uneven Recovery Means Many Canadians Facing a Cold Winter; Young Canadians, Women, Renters at Higher Risk of Insolvency

As Debt Support Ends, MNP Debt Index Sinks to Second-Lowest Reading Since Inception (94%)

Toronto, ON, October 13, 2020 — After a turbulent spring, Canadians had managed to find some way to bring some sense of normalcy into their lives over the summer. However, as the country moves into the fall season, many households are in for a rough landing when it comes to their finances. Now in its fourteenth wave, the MNP Consumer Debt Index has been conducted quarterly by Ipsos and tracked Canadians' attitudes about their debt situation and their ability to meet their monthly payment obligations. The Index currently stands at 94 points, its second-lowest reading ever, on the heels of having hit record-low in March of this year. As the country enters its seventh month of economic disruption due to the COVID-19 pandemic, it is clear that Canadians are increasingly jittery about their finances.

Seemingly incongruous for a pandemic, Canadians were surprisingly buoyant about their personal financial situations last quarter. This temporary boost was the result of government, banks, and companies trying to help those in need by offering options such as temporary payment holidays or more flexibility in repayment schedules. However, as these same relief efforts coming to an end even before the economy is back in full force, reality is sinking in. There are a significant number of households still experiencing disruption to their employment, but now have fewer avenues of support to rely on.

K-Shaped Recovery Creating a Two-Track Canada?

While some are fortunate enough to be able to continue working in their present jobs, but just from home, others continue to struggle with financial uncertainty and not knowing whether their job will still be around after the pandemic. This has led some to wonder if Canada is currently experiencing a 'K-shaped recovery', whereby different segments of the population recover at different speeds. Depending on where one stands, the return to 'normal' could look very different.

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A K-shaped recovery can help explain why in the whole, attitudes seem relatively stable, even if there are signs of trouble in the margins. For instance, while Canadians are on average left with $687 at month-end after their bills and debt obligations have been paid this quarter, this represents a decrease of $63 from June. While this may not seem like a large change, below the surface lies the fact that half (47%) of Canadians are $200 or less away from insolvency, a four-point increase from last wave. This proportion also already includes 26% who are already insolvent to begin with, also up four points from last wave. Regionally speaking, those in Quebec are reporting the highest increase in those who are insolvent (26%, +8), bringing the total proportion of people in this province who are within $200 or less from insolvency to 51% (+10).

Looking beyond region, Generation Z Canadians seem to be the most deeply impacted by the continued economic downturn as a result of the pandemic, losing out on either summer employment or jobs in the hard-hit hospitality sector. Seven in ten (69%, +16) are $200 or less away from insolvency, including four in ten (39%, +8) who already are. Half of women (49%, +4) also say they are dangerously close to insolvency, with a quarter (25%, +3) saying they are already there. Households earning less than $40,000 a year are the most likely (67%, +4) to find themselves $200 or less away from insolvency, which includes four in ten (38%, +6) who already are.

There are also other signs that more trouble could be on the horizon as bills quickly become due. Four in ten (43%) say they are worried about current level of debt (+3), the second-highest level recorded for this metric since 2017 (peaking in March 2020 at 46%). A similar proportion (45%) say they regret the amount of debt they've taken on in life (+1), with over half (56%) of Millennials saying they regret the amount of debt they've accrued so far.

Whether one has a job or not, the fact remains that four in ten (39%) are still worried that either themselves or someone in their household could lose their job, concern that is unchanged from last wave. With this uncertainty and turbulence, it is understandable that only six in ten (61%) Canadians say they can cover their living expenses for the next 12 months without going deeper into debt (unchanged from last wave). While groups that are less confident that they can cover their living and family expenses in the next 12 months without taking on more debt include women (57%, -1) and Gen Z Canadians (48%, -6), the latter group has shown the deepest decrease since the last wave.

Renters Particularly at Risk

In addition to younger Canadians and those with more modest incomes, those who rent their homes are more likely to find themselves in trouble during this K-shaped recovery. There can be a good deal of overlap between these three groups, thereby highlighting the need to understand the often-interrelated experiences of these groups as they weather the pandemic.

For instance, those who rent their homes tend to have less money at month-end, reflecting the fact that generally renters have lower household incomes than those who own their homes (with those who their homes also tending more to be in two-income households). This wave, those who rent their homes report having $513 at month-end, compared to $851 for homeowners. Furthermore, those who rent are significantly more likely to be insolvent; almost 6 in 10 (57%) renters say they are $200

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or less away from insolvency, which already includes 32% who say they are already insolvent. By contrast, just over a third (36%) of homeowners say the same, with two in ten (18%) saying they are already insolvent. No surprise then, that three in ten (31%) of renters say they regret the amount of debt they've taken on in life (compared to 22% of homeowners) and that only 31% say they're able to cover their living expenses for the next twelve months without going into further debt (compared to 45% of homeowners).

Over the course of the pandemic, Canadians have been encouraged to believe that 'we are all in this together', but it has become clear that some groups are better equipped to weather the storm better than others. This is an important distinction that may not be apparent on the surface. With a second wave of COVID-19 very much underway in various parts of the country, Canadians of all stripes should be prepared for more disruption in the months to come.

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About the Study

These are some of the findings of an Ipsos poll conducted between September 1-3, 2020, on behalf of MNP LTD. For this survey, a sample of 2,001 Canadians aged 18 years and over was interviewed. 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. For more information about the MNP Consumer Debt Index, please visit mnpdebt.ca/CDI.

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