



PRESS RELEASE

MNP Consumer Debt Index Reaches Record Low Amid Overspending, Pandemic Woes

Two in Ten Canadians on the Financial Naughty List this Holiday Season, Many More Risk Sliding into Low-Interest Debt Trap

Toronto, ON, January 18, 2021 — As Canadians put behind them a year severely disrupted by COVID-19, there are signs that the financial stressors of 2020 will continue to take their toll well into the new year. Now in its fifteenth wave, the MNP Consumer Debt Index conducted quarterly by Ipsos has reached a record low. Compared to September, the Index has dropped 5 points to stand at 89 points – marking the lowest level recorded since the Index was first created back in June 2017. The Index tracks Canadians' attitudes about their debt situation and their ability to meet their monthly payment obligations.

The record drop in the Debt Index is being fuelled by negative perceptions surrounding personal debt and ability to weather unexpected financial setbacks without taking on yet more financial debt. For instance, four in ten (43%) Canadians say they are not confident they can cover their living expenses for the next year without going further into debt, a four-point increase from September. The proportions of those who say they are concerned about their current level of debt (42%, -1) or regret the amount of debt they have taken on (45%, -1) is relatively unchanged from last wave, but still remains surprisingly high in absolute terms.

In addition, no more than three in ten (29%, -1) are confident in their ability to cope with life-changing events without increasing their debt burden and just one in four (25%, -1) feels confident in their ability to cope with loss of employment or a change in wage or seasonal work. Fewer feel less confident in their ability to cope financially with the death of an immediate family member (23%, -3), a loss of employment or change in wages (25%, -1), and a change in their relationship status (29%, -3) without increasing their debt load.

Pandemic Adds to Debt Load

The survey also finds that as many as three in ten Canadians (28%) have taken on more debt since March, as a direct result of the pandemic. This includes using credit cards (15%) or lines of credit (8%) to pay off bills, borrowing money from friends or family (10%), taking out a bank loan (3%), or using a payday loan service (3%).

While fewer (22%) now express economic concerns as a result of COVID-19 (-12 pts since June) or the recession (20%, -5 pts), likely as a result of actions taken, the increased debt load could lead to greater anxiety down the road.



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This growing debt burden is already reflected to some extent in Canadians' current set of personal financial worries. Asked what keeps them up at night, Canadians have actually become *less* worried about various aspects of their financial health – with the exception of personal debt. One in four (24%) say their debt keeps them awake from worry, up 3 points since June. Just as many are kept up at night worrying how they'll pay their bills (20%, -2 pts) or be able to afford essentials for their family (19%, unchanged).

Potential Debt Trap as Low-Interest Spending on the Rise

With interest rates having remained low in 2020, some Canadians have seen opportunities to take advantage of favourable rates to make purchases not normally within their budget. Six in ten (61%) believe that now is a good time to buy things that they otherwise might not be able to afford. In addition, nearly half (47%) say they're more relaxed about carrying debt than they usually are – rising to more than half (53%) of those aged 18-34 and 60% of those living in Quebec.

However, with interest rates potentially set to increase in 2021, some risk being lulled into a false sense of security that may ultimately trap them in unwanted debt. If interest rates go up, Canadians' heavy reliance on credit risks putting many in the red: almost half (47%, +1 pt from September) are afraid that if interest rates go up much more, they could end up in financial trouble.





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About the Study

These are some of the findings of an Ipsos poll conducted between December 1-3, 2020, on behalf of MNP LTD. For this survey, a sample of 2,000 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.

For more information on this news release, please contact:

Sean Simpson
Vice President, Canada, Public Affairs
+1 416 324-2002
sean.simpson@ipsos.com

Chris Chhim
Account Manager, Canada, Public Affairs
+1 514 904-4336
chris.chhim@ipsos.com

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