PRESS RELEASE

One-Third (32%) of Canadians Plan to Spend More Than Normal, As Pent-Up Pandemic Spending Finds Outlets

Continued Variation in Pandemic Recovery -- Half (49%) Report Improvement in Debt Situation, While One-Third (30%) Report Worsening Debt Situation

Toronto, ON, July 19, 2021 — With vaccination continuing apace and business re-opening after a long hiatus, it seems that the country is welcoming summer with open (and vaccinated) arms. After a seven-point increase last wave, the MNP Consumer Debt Index has held onto these gains to sit at 97 points (+1). Conducted by Ipsos, the Index is a quarterly snapshot that tracks Canadians' attitudes about their debt situation and their ability to meet their monthly payment obligations. Although this relative stability from last wave's sizeable increase is an encouraging sign of the country's economic recovery, Canadians continue to have differing experiences during the pandemic, often related to factors such as their age, the region they live in, and their household income.

In particular, the findings from this seventeenth wave highlight the potential for Canadians to go on spending sprees as they re-engage with the economy and continue to take advantage of low interest rates to make purchases that they normally may not be able to afford. However, with the potential for an interest rate hike in the latter half of next year, households may also be at risk of finding themselves in financial trouble.

Many in a Better Financial Situation Post-Pandemic, But Not All

Those who have been fortunate enough to have their income remain relatively stable during the pandemic are reaping the benefits; half (49%) of Canadians say their debt situation is better now than it was before the pandemic started. Travel restrictions and non-essential business closures have meant that apart from the essentials, there has been little for Canadians to spend their money on for the past year and a half.

Two-thirds (65%) of Canadians say that they've used the pandemic as an opportunity to reduce the amount of money they spend, which means that some households may have some extra cash to spend this summer. As consumer spending flows back into previously closed sectors of the economy, Canadians are indeed finding themselves with more money at month-end after paying their bills; households report having more money left over than they did in March ($731, +$106), with older Canadians and those with higher household incomes reporting more of an increase.

Feeling flush and seeking out post-pandemic indulgences, one-third (32%) of Canadians say they plan to spend more than they normally would as they re-engage with the economy on things such as travel, dining, and entertainment. Men (37%), younger Canadians (43% among Gen Z; 38% among Millennials) are more likely to say they'll spend more than normal. However, those in Atlantic Canada are playing it safe with their finances; one in three (31%) say they 'strongly disagree' that they will go wild with post-pandemic spending.

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Unfortunately, the flip side of these savings is that a significant proportion of Canadians, likely those most adversely affected by the same restrictions and closures that allowed others to save money, are finding themselves in a worse financial position. While two-thirds of Canadians reported reducing their spending during the pandemic, how much of this was by choice and how much was by necessity remains to be seen. The Index's most recent figures present a sobering portrait:

- Three in ten (30%) say that their debt situation is *worse* than before the pandemic started, with one in ten (9%) saying that they 'strongly agree' that it has become worse.
- 35% say that the pandemic has created more debt burden for either themselves or their family, with one in ten (10%) saying they 'strongly agree'.
- Nearly half (45%) say that they are *not* confident they'll be able to cover all living and family expenses in the next 12 months without going into further debt, a six-point increase that takes this measure to the highest level in three years.

As such, it may be understandable why nearly half (48%) of Canadians say they are $200 or less away from financial insolvency, and while this is a five-point decrease from last wave overall, the proportion of those who report already being insolvent is unchanged at 30%, and remains at its highest level since December 2018. Any improvements on this metric nationwide have been overshadowed by a worsening situation Ontario, where four in ten (40%) say they are already unable to meet their monthly debt obligations, a jump of eight points from last wave. Further highlighting how Canadians are experiencing the pandemic in different ways, women are more likely than men to be insolvent (or at risk of insolvency), as are Gen Z and Millennial Canadians.

Taking Advantage of Low Interest Rates, But for How Long?

Some Canadians have taken advantage of favourable interest rates during the pandemic to make purchases that may not normally have fit within their budget. Six in ten (57%, -2) agree that that now is a good time to buy things that they otherwise might not be able to afford. In addition, nearly half (45%, -4) say they're more relaxed about carrying debt than they usually are, a proportion that rises to 56% of those living in Quebec and 53% of those aged 18-34 years.

But could the party soon be over? With speculation over whether the Bank of Canada will raise its key interest rate in the latter half of next year becoming more frequent, the ability of households to absorb this increase has taken on a new relevance.

- Half (51%, unchanged) agree that as rates rise, they are **more concerned about their ability to repay their debts** than they used to be.
- Four in ten (43%, -1) would go one step above being concerned by saying that if interest rates go up much more, they are afraid that they **will be in financial trouble**.
- A third (34%, -1) would even go so far to say as that they are concerned that rising interest rates could **drive them towards bankruptcy**.

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In particular, the prospect of facing bankruptcy potentially affects a larger proportion of Canadians, as some may be at risk but do not even realize it yet. In line with general trends, concerns over being able to cope with an interest rate increase are more pronounced among younger Canadians (Gen Z and Millennials) and those with more modest household incomes (under $40,000 a year).

Homeowners with Mortgages at Risk

Homeowners with an outstanding mortgage may be at particular risk in the event of an interest rate hike. One-third (32%) of those who own a home would classify themselves as 'house poor', meaning that they don't have much left over after paying bills related to their home. This means that approximately 5.5 million adults in Canada own their home, but are susceptible to a severe disruption to their financial situation such as an interest rate increase or change to their job situation. In particular, Gen X homeowners are the most likely to say they are 'house poor' (36%), contrasting with Boomers, who are the most likely to say they have a good amount of money left over after paying their house-related bills.

Perhaps it is therefore not surprising that two in ten (20%) homeowners say they regret the amount of debt they took on to buy their home. For those who may have chosen an adjustable rate mortgage to finance their home, a change in interest rates could mean that some may not be able to make their monthly payments.

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About the Study

These are some of the findings of an Ipsos poll conducted between June 14-17, 2021, on behalf of MNP LTD. For this survey, a sample of 2,002 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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About Ipsos

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