



## PRESS RELEASE

### Over Half (55%, +3) of Canadians Concerned about Impact of Rising Interest Rates on Financial Situation

*Rising Cost of Living Further Stretches Households; Nearly Half (47%) Believe Feeding Family Has Become Less Affordable in Past Year*

**Toronto, ON, February 22, 2022** — As Canada inches closer to its second year of officially being in the COVID-19 pandemic, uncertainty surrounding new variants, combined with new worries over inflation and interest rates, will make for a rocky year. The latest results from the MNP Debt Index, conducted quarterly by Ipsos, have shown that while Canadian households were already struggling to cope, the road may get even bumpier in the months ahead. Although the Bank of Canada did not raise rates with its last interest rate announcement at the end of January, increasing inflationary pressures may mean that the country's central bank may need to increase rates later in the year.

#### *Stretched Households Jittery over Ability to Absorb Interest Rate Increase*

With the continued disruption to supply chains worldwide, it is perhaps not surprising to discover that many are experiencing sticker shock at the rapidly rising price of goods and services. Although some Canadians say that over the past year, it has become *more affordable* to put money towards paying down their debt (18%) and put aside money for savings (16%), many more say that life has become *less affordable*. In particular, the things that have become less affordable include:

- Feeding oneself or one's family (47%)
- Putting aside money for savings (44%)
- Clothing and other household necessities (40%)
- Transportation needs (36%)
- Housing (35%)
- Putting money towards paying down debt (31%)

Further highlighting the struggles that some households face, 1 in 10 (11%) say they believe all six aforementioned areas of their lives have become less affordable, with over 4 in 10 (44%) saying anywhere between three to six areas of their lives have become less affordable. Three in ten (30%) are fortunate enough to say that no areas have become less affordable, with men (33%) and those aged 55+ (38%) more likely to say so.

With affordability decreasing, many households are resorting to short-term ways to cope with their debt that may actually harm their financial health in the long run. In particular, a quarter (26%) say they have only paid the minimum balance on their credit card or personal line of credit. One in ten (11%) say they borrowed money they can't afford to pay back quickly.



## PRESS RELEASE

While Canadians are usually positive about their ability to absorb an interest rate increase, the rising cost of living is now forcing them to seriously contemplate whether they could feasibly absorb a rate hike. With the cost of living rising, some are realizing just how quickly they could be in trouble. Over half (55%) of Canadians say they are concerned about the impact of rising interest rates on their financial situation, a three-point increase from September of last year. Seven in ten (71%) of those who rate their own financial situation as 'poor' say they are concerned about the effect of rising interest rates. Even those who say their financial situation is 'excellent' are not immune – just under half (45%) say they are concerned about the impact of rising rates on their financial situation.

When put into more concrete terms and asked about their ability to absorb an interest rate increase of 1 percentage point, two in ten (20%) say they are ill-prepared to deal with this hypothetical increase, up four points from September. Two-thirds (67%) of those who rate their personal financial situation as 'poor' say they are not prepared, which includes 35% who say their current financial situation is 'much worse' when it comes to being able to absorb an interest rate increase of 1 percentage point. This is a surprising jump of twelve points from September and something not seen among those who rate their household financial situation as either 'neutral' (17%, +1) or 'excellent' (4%, +1). In addition, those who say that sometime within the twelve months they have borrowed money they can't afford to pay back quickly are more likely to say they are not prepared to handle this increase (51%).

The proportion of those who say they can deal with this change is not that much higher; about quarter (24%) say they could absorb a one-point hike, down two points from September. As expected, those who say their personal financial situation is 'excellent' are the most well-equipped to handle this increase (48% v. 3% among those who self-rate their finances as 'poor'), with 22% saying their current financial situation is 'much better when it comes to being able to absorb the hypothetical increase.

### *Younger Canadians More Likely to Bear Brunt of Increase, Driven to Bankruptcy*

Low interest rates during the height of the pandemic may have led some into a false sense of security. However, with time running out on these low rates, over half (54%) say they are more concerned about their ability to repay their debts than they used to be (unchanged since September). Nearly half (47%) say that if interest rates go up much more, they worry that they will be in financial trouble, up three points from last wave. Further alarming is how widespread this feeling of financial precarity is among those who:

- rate their personal financial situation as 'poor' (80%)
- believe all the above-mentioned aspects of their lives have become *less affordable* (80%)
- only paid the minimum balance on a credit card or personal line of credit (75%)
- borrowed money they could not afford to pay back quickly (75%)
- will renew their mortgage in the next year (61%)



## PRESS RELEASE

Additionally, higher interest rates could have a disproportionately more negative impact on younger Canadians (under 55 years of age), as many of them may not have yet paid off debt on large expenses such as higher education, an automobile, or a home, especially when compared to those over 55 years of age. Ways that higher interest rates may disproportionately impact younger Canadians include:

- While 35% agree that **rising interest rates could move them towards bankruptcy** (unchanged), younger Canadians are more likely to agree with this sentiment (49% among 18-34, 41% among 35-54, 19% among 55+). In addition, middle-aged Canadians show the most movement on this question from September, increasing +4 among those aged 35-54 years (compared to +2 among 18-34 and -4 among 55+).
- Nearly half (47%, +2) say they are **already beginning to feel the effects of interest rate increases**, with Canadians under 55 years of age more likely to agree (56% among 18-34 and 57% among 35-54 v. 35% among 55+). Further evidence of the pressures middle-aged Canadians find themselves under, the proportion of those aged 35-54 agreeing with this statement has gone up 9 points since September.

Canadians are taking action to limit the extent to which they could be affected by an interest rate hike. For example, 8 in 10 (81%) say that with interest rates rising, they will be more careful with how they spend their money (-1 since September). Regardless of perceived financial situation, a large proportion of Canadians say that they are being more attentive to their bank balance – even among those who say their financial situation is ‘excellent’, three quarters (74%) agree that they are being more careful with how they spend their money (compared to 87% of those who self-rate their personal financial situation as ‘poor’).

Additionally, while a quarter (25%, +2) say they *do not* have a solid understanding of how interest rates impact their financial situation, there is a potential silver lining in that those who rate their financial situation as ‘poor’ show the large increase from September (36%, +6). This may mean that those in a more precarious financial situation realize that they don’t completely understand how interest rates affect them and may seek out information now that talk about a possible rate increase is becoming more of a reality.



## PRESS RELEASE

### About the Study

These are some of the findings of an Ipsos poll conducted between December 1-7, 2021, 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  $\pm 2.5$  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](http://mnpdebt.ca/CDI).

### For more information on this news release, please contact:

Sean Simpson  
Vice President, Canada, Public Affairs  
[sean.simpson@ipsos.com](mailto:sean.simpson@ipsos.com)

Chris Chhim  
Senior Account Manager, Canada, Public Affairs  
[chris.chhim@ipsos.com](mailto:chris.chhim@ipsos.com)

Raymond Vuong  
Research Analyst, Canada, Public Affairs  
[raymond.vuong@ipsos.com](mailto:raymond.vuong@ipsos.com)

### About Ipsos

Ipsos is the world's third largest market research company, present in 90 markets and employing more than 18,000 people.

Our passionately curious research professionals, analysts and scientists have built unique multi-specialist capabilities that provide true understanding and powerful insights into the actions, opinions and motivations of citizens, consumers, patients, customers or employees. We serve more than 5000 clients across the world with 75 business solutions.

Founded in France in 1975, Ipsos is listed on the Euronext Paris since July 1st, 1999. The company is part of the SBF 120 and the Mid-60 index and is eligible for the Deferred Settlement Service (SRD).

ISIN code FR0000073298, Reuters ISOS.PA, Bloomberg IPS:FP [www.ipsos.com](http://www.ipsos.com)