



PRESS RELEASE

MNP Debt Index Rebounds After Record Low Score

Amidst Rising Interest Rates and Inflation, Canadians Still Confident about Their Financial Situation...For Now

Toronto, ON, July 11, 2022 — As Canadians wrap up the second quarter of 2022, their confidence in their financial stability, as measured by the MNP Debt Index, has increased to a score of 90 points, up 3 points from last quarter. Despite the current economic climate of rising inflation and increases in the cost of living, confidence has not yet followed suit and declined. Conducted quarterly by Ipsos, the MNP Debt Index has remained under its benchmark score since its inception five years ago. The MNP Debt Index is a combined measure to determine how consumers feel about their financial situation, which can represent macro-economic indicators or be independent of reality. The MNP Debt Index has shown consumer confidence consistent with unemployment rate and insolvency rate reported by StatsCan until the start of the pandemic, where external factors such as CERB and government restrictions had an influence on consumer confidence, unemployment, and insolvency rates.

While Canadians transition into the second half of 2022, confidence is expected to be volatile as the effect of higher interest rates and cost of living begins to bite and more households find their financial situations worse off than before.

Growing Concern for Future Financial Situation

With the cost of essentials increasing over the past few months, many are forced to make some difficult choices to make ends meet. While one in ten (12%) are fortunate enough to say they don't have any increased expenses to pay for, the main ways in which Canadians are adjusting their habits include:

- Cutting back on non-essentials such as travelling, dining out, and entertainment (46%)
- Buying cheaper versions of everyday purchases (37%)
- Driving less (30%)
- Cutting back on essentials (27%) such as food, utilities, and housing

Women and those aged 35-54 are significantly more likely to say they will be cutting back on non-essentials (women, 49% vs. men, 42%, 35-54, 48% vs. 18-34, 39%) and cutting back on essentials (women, 30% vs. men, 24%, 35-54, 33% vs. 18-34, 25%).

Canadians Feeling the Impact of Rising Interest Rates

Canadians continue to be pessimistic about their ability to absorb an interest rate increases since December 2021. As interest rates and cost of living are becoming a more prevalent issue, many Canadians are growing less confident in their financial situation. When asked their ability to absorb an interest rate increase of 1 percentage point, one-fifth (22%) say they are well-equipped to deal with this increase, up one point from last quarter. In addition, a quarter (24%) say they are not financially prepared to deal with this increase, up two points from last quarter.



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Moreover, three in five Canadians say they are concerned about the impact of rising interest rates on their financial situation (58%, +1) followed by half concerned with their ability to cover all living/family expenses in the next year without going further into debt (55%, +2). Two in five Canadians say they are concerned about their current level of debt (41%, unchanged) and the proportion of Canadians who say they regret the amount of debt they've taken on in life has slightly dropped (42%, -2).

Furthermore, four in five (82%, +1) agree that with interest rates rising they will be more careful with how they spend their money. While majority of Canadians are more conscious with their spending, more than half (56%, -1) say that as interest rates rise, they are more concerned about their ability to pay their debts. Other ways in which Canadians say they could find themselves in hot water with another interest rate hike include:

- Half (50%, -1) of Canadians say that if interest rates go up much more, they will be in financial trouble.
- Four in ten (39%, unchanged) say that rising rates could drive them closer to bankruptcy.
- Six in ten (59%) say that they're already beginning to feel the effects of interest rate increase, a jump of 7 points since last quarter.

Women, those aged 18-34 and 35-54, and Albertans, are more likely to say they are already feeling the effects of interest rate increases, they are concerned about their ability to repay debts as interest rates rises, and if interest rates go up much more, they will be in financial trouble.



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About the Study

These are some of the findings of an Ipsos poll conducted between June 6-9 2022, 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.

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ISIN code FR0000073298, Reuters ISOS.PA, Bloomberg IPS:FP www.ipsos.com