



PRESS RELEASE

MNP Debt Index Falls To All-Time Low as Canadians Becoming Increasingly Concerned and Regretful about their Debt

Canadians are Taking Steps to Save Money, but Interest Rates, Inflation, and Affordability have many Concerned About their Debt

Toronto, ON, January 16, 2023 — The quarterly MNP Debt Index has taken a drastic plunge to 77 points, down 15 points from the last quarter and marking an all time low since the Debt Index was created over 5 years ago. The massive decline in attitudes about personal debt reflects rising concerns about interest rates, persistent inflation, and heightened affordability concerns. The debt index traditionally deteriorates in December, but this quarter's decline is unprecedented, underscoring the anxieties that Canadians have about their debt situation.

Average Canadians Saving Money During Economic Crisis

Consistent with last quarter, nearly half (45%, -1) of Canadians report that they are \$200 away or less from not being able to meet all of their financial obligations, including three in ten (30%, unchanged) who say they already don't make enough to cover their bills and debt payments. While a those at risk of insolvency remains steady, the average amount of money that Canadians have left over at the end of the month has notably increased to \$851, up \$197 from the previous quarter, as Canadians are likely to be more cautious about their spending and reconsidering what they think are necessities. Men and younger Canadians ages 18-34 and 35-54 has noticed the largest increase in their average month-end finances, while those 55+ are down an average of \$36 at month-end.

All provinces have experienced an increase in average finances at month-end, most notably Alberta, with an increase of \$404 and placing them at the top for most leftover funds after essentials are taken care of. However, Quebec is not far behind with an increase of \$297 to average at \$919, followed by Atlantic Canada (\$662, +\$262), and Ontario (\$845, +\$148). Saskatchewan/Manitoba (\$753, +\$40) and British Columbia (\$787, +\$34) has seen a minor increase, nevertheless any increase while inflation is rampant is noteworthy.

A third of Canadians say they plan on reducing their consumer expenses to make ends meet (36%, +4). Canadians are clearly trying to create a cushion for themselves by cutting back on their discretionary spending, which is leaving more in the pockets of the average Canadian, overall. However, this masks the fact that many are still struggling as they're unable to create a cushion, and those struggles are intensifying as interest rates continue to rise.

Canadians Personal Debt Rating Takes a Significant Dive

Canadians' net personal debt rating has decreased notably to 10 points, a nineteen-point decrease from last quarter. The significant shift is a result of fewer Canadians rating their personal debt situation as 'excellent' (31%, -12) and more are rating it as terrible (21%, +7). The impact of rising interest rates is beginning to show in consumers' current debt situation as Canadians' are feeling less confident about their current debt.





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When Canadians were asked about their current debt situation compared to one year ago, a fifth perceive their current debt situation to be better (21%, -2). However, more Canadians have rated their current debt situation as much worse compared to a year ago, an increase of 6 points from the previous quarter (20%). When asked to forecast their expected debt situation year from now, slightly fewer Canadians expect their debt situation to improve (28%, -2) but more believe it will worsen (17%, +6). As Canadians were asked to consider looking five years into the future, four in ten (39%, -1) believe their debt situation will be much better, while more believe that their debt situation will worsen (14%, +4).

Further Interest Rate Hikes May Reach Breaking Point for Many Canadians

With interest rates rapidly rising, Canadians are feeling significantly worse about their ability to absorb interest rate increases. When asked their ability to absorb an interest rate increase of 1 percentage point, a fifth (20%, -5) say they are better equipped to deal with this increase, while more (26%, +9) say their ability to deal with this increase has worsened. A similar outcome was observed when the question was rephrased to ask their ability to absorb an interest rate increase of an extra \$130, one in six (16%, -5) say their ability to absorb this increase is much better, while over a third (36%, +9) say it is much worse.

Three in five Canadians agree they are concerned about the impact of rising interest rates on their financial situation (62%, +3), while only half are confident with their ability to cover all living/family expenses in the next year without going further into debt (51%, -5). Furthermore, half of Canadians say they regret the amount of debt they've taken on in life (49%, +7) and that they are concerned about their current level of debt (47%, +7).

As interest rates continue to rise, more Canadians say that they're already beginning to feel the effects of interest rate increase (68%, +11), which has triggered the majority of Canadians agree they will be more careful with how they spend their money (87%, +3). As Canadians are becoming more conscious with their money, more Canadians say that as interest rates rise, they are more concerned about their ability to pay their debts (64%, +9) and if interest rates go up much more, they will be in financial trouble (59%, +9).

Women and Canadians ages 35-54 and 55+ are most likely to agree they will be more careful with how they spend their money due to rising interest rates. Canadians with less than \$40K household income and those ages 18-34 and 35-54 are most likely to feel the effects of interest rate increases, concerned with their ability to repay their debts, will be in financial trouble, and fear that rising interest rates moving them close towards bankruptcy.

Canadians Struggling With Affordability Resort to Financial 'Bad Habits' to Make Ends Meet



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Canadians are feeling the pressures of the rising costs of living which is evident in net affordability for housing and savings continuing to fall even lower. A growing proportion say it is becoming less affordable for them to put money aside for savings, and one's ability to afford debt payments is also deteriorating. Among a list of everyday essentials, over half Canadians has noted that feeding themselves and their family (57%, +5) of and putting money aside for savings (56%, +7) is less affordable, while about half say that transportation (50%, +5), clothing or other household necessities (51%, +6), and housing (45%, +8) is becoming less affordable.

Canadians are likely being forced to build more debt to make ends meet. Compared to December 2021, more say they have paid only the minimum balance on their credit card (26%, +5), borrowed money they can't afford to pay back quickly (18%, +7), paid minimum balance on their line of credit (17%, +6). One in five say they will use their savings to pay their bills (21%, +3), while 1 in 10 say they will use their credit card to pay their bills (14%, +1) or borrow from friends or family (13%, +5).



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About the Study

These are some of the findings of an Ipsos poll conducted between December 1-6 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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