



## MNP Debt Index improves despite future debt concerns

Inflation isolation is real, and it is taking a toll on Canadians' mental health



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**Calgary, AB, October 18, 2023** — The MNP Debt Index has improved slightly to 86 points, up three points this quarter, but remains below the five-year average. Canadians are feeling marginally better about their personal finances in relation to interest rates, and are less likely than they were previously to regret their debt (45%, -7 pts). However, many remain skeptical about their ability to manage debt as the Bank of Canada's key interest rate sits at five percent as of September 2023, and nervous about what the future holds.

## Half (51%) of Canadians remain close to the edge

More than half (51%, -1 pt) of Canadians report that they are \$200 away or less from not being able to meet their financial obligations. This includes a third (31%, -4 pts) who say they already don't make enough to cover their bills and debt payments. While insolvency attitudes remain relatively consistent, the average amount of money that Canadians have left over at the end of the month has dropped significantly to \$674. This is down \$97 from the previous quarter as inflation squeezes Canadians from coast to coast.

Younger Canadians aged 18-34 (\$618, -\$241), males (\$791, -\$194), and those with \$100,000+ household income (\$1,163, -\$309) experienced the greatest decline in month-end cash. Those unaware of the impact of interest rates on their personal finances have less left over at the end of the month (\$512) compared to those who are aware of the impact (\$712).

## Current debt concerns marginally decrease

Canadians' net personal debt rating has remained consistent at 18 points, a one-point increase from last quarter. While more than a third of Canadians rate their personal debt situation as 'excellent' (38%, +2 pts), two in 10 Canadians rate their personal debt as 'terrible' (20%, +1 pt).

Canadian households are less concerned with their financial situation compared to last quarter. Fewer say they regret the amount of debt they've taken on in life (45%, -7 pts), are concerned about their current level of debt (45%, -3 pts), or worry about someone in their household potentially losing their job (38%, -2 pts).

Inflation and high interest rates continue to impact Canadians' debt outlook. When asked to reflect on their current debt situation compared to one year ago, a quarter of Canadians perceive their current debt situation to be better (24%, unchanged). More Canadians rated their current debt situation as much worse compared to a year ago, an increase of two points from the previous quarter (20%). When asked to forecast their expected debt situation one year from now, fewer Canadians expect their debt situation to be better (28%, -2 pts) and more believe it will become worse (18%, +3 pts).

## Canadians anticipate struggling with future rate increases, but try to stay positive

Canadians are continuing to worry about their ability to absorb interest rate increases. When asked about their ability to absorb an interest rate increase of one percentage point, only a quarter (23%, +1 pt) say they are much better equipped to absorb this increase than they used to be. More (28%, +5 pts) say their ability to deal with this increase has deteriorated. This question was rephrased to ask if they had the ability to absorb an interest rate increase of an extra \$130. A fifth (19%, unchanged) say their ability to absorb this increase is much better, while four in 10 (37%, +5 pts) say it is much worse.

Fewer Canadians are worried about their financial situation despite a decreased ability to absorb additional interest rates. Notably, fewer Canadians say they are concerned about their ability to pay their debts (62%, -4 pts), being in financial trouble (60%, -3 pts), or being driven towards Bankruptcy (45%, -5 pts). Additionally, fewer will be careful with how they spend their money (83%, -3 pts), which is particularly concerning as the holiday-spending season approaches.

Consistent with last quarter, women and Canadians aged 35-54 are most likely to agree they will be more careful with how they spend their money due to rising interest rates. Canadians aged 18-34 and 35-54 are most likely to feel the effects of interest rate increases and be concerned with their ability to repay debts. These demographics are also most likely to feel they will be in financial trouble and fear that rising interest rates are moving them closer to Bankruptcy.

## Inflation causing isolation, mental health concerns among many Canadians

Inflation and high interest rates appear to be causing an 'inflation isolation' phenomenon. Half of Canadians are staying home more often (51%) and a third are spending less time socializing (35%) or with friends to save money (30%). This has also led one in five Canadians to feel a sense of social isolation (20%) or a sense of loneliness (19%). Four in 10 have also noted that the current economic conditions have led to increased stress (42%) and anxiety (39%).

Younger Canadians and females are significantly more likely to feel increased stress and anxiety due to the current economic situation, while males are significantly more likely to say inflation and interest rates are not impacting them. Younger Canadians and those with an income of less than \$40,000 are most likely to spend less time socializing and with friends, which directly affects their increased sense of social isolation and loneliness.

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## About the Study

These are some of the findings of an Ipsos poll conducted between September 5 and September 8, 2023 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](https://mnpdebt.ca/CDI).

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## About Ipsos

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