



## MNP Consumer Debt index rebounds from all-time low as interest rates stabilize, but half (50%) feel the worst is yet to come

Canadians are feeling more confident about their debt, but concern about inflation and interest rates lingers



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**Calgary, AB, April 11, 2023** — The quarterly MNP Consumer Debt Index has rebounded to 89 points, up 12 points from the all-time low recorded last quarter. Stabilization in the Bank of Canada overnight interest rates is one of the overarching reasons for the improved optimism. However, consumer confidence remains lower than recorded from 2021 and earlier, indicating Canadians are still feeling the effects of inflation and declines in affordability, and many are worried that the worst of this economic cycle is yet to come.

### **Savings reduced... essentials becoming more expensive?**

Consistent with last quarter, nearly half (46%, +1pt) of Canadians report that they are \$200 or less away from not being able to meet all of their financial obligations. That includes three in 10 (30%, unchanged) who say they already don't make enough to cover their bills and debt payments. While insolvency rates remain consistent, the average amount of money that Canadians have left over at the end of the month has dropped slightly to \$787, down \$64 from the previous quarter. Canadians will continue to be more cautious about their spending as half (50%) still believe the worst part of the economic cycle has yet to come. Amid concerns about a looming economic crisis, many have responded by saving more money than they have in previous years — the decrease in disposable income could be the effect of inflation making essential items more expensive.

While men (-\$218) and Canadians aged 18-34 (-\$276) and 35-54 (-\$131) saw a decrease in month-end finances, women (+\$73), those aged 55+ (+\$143) or with \$60K to less than \$100K household income (+\$62) were the only segments measured with increases in month-end finances. Despite the sizable decrease, however, men still have significantly more money leftover at month's end — as do those aged 55+ and those with a household income greater than \$60K per year.

### **Canadians feeling more confident with debt**

Canadians' net personal debt rating has increased notably to 24 points, a 12-point increase from last quarter. The shift is a result of more Canadians rating their personal debt situation as excellent (40%, +9pts) and fewer are rating it as terrible (15%, -5pts).

When Canadians were asked about their current debt situation compared to one year ago, a quarter perceive their current debt situation to be better (25%, +4pts). In addition, fewer Canadians have rated their current debt situation as much worse compared to a year ago, a decrease of five points from the previous quarter (15%). Canadians were asked to forecast their expected debt situation year from now; slightly more expect their debt situation to improve (31%, +3pts) and fewer believe it will worsen (13%, -4pts). Some perhaps believe that interest rates could decline in the meantime.

### **Interest rates settle and more Canadians are prepared for future hikes**

With the Bank of Canada interest rates stabilizing after rapid increases, Canadians are now feeling much better about their ability to absorb interest rate increases. When asked their ability to absorb an interest rate increase of one percentage point, a quarter (24%, +4pts) say they're much better equipped to absorb this increase, while fewer (21%, -5pts) say their tolerance for rate increases has worsened. When the question was rephrased to ask their ability to absorb an interest rate increase of an extra \$130, a fifth (21%, +5pts) say it is much better, while three in 10 (30%, -6pts) say it's much worse.

More than half of Canadians are confident in their ability to cover all living / family expenses in the next year without going further into debt (55%, +4pts). Fewer than half of Canadians are concerned about their current level of debt (46%, -1pt) and fewer say they regret the amount of debt they've taken on in life (43%, -6pts). Despite more Canadians being confident to manage their debt, three in five are still concerned about the impact of rising interest rates on their financial situation (61%, -1pt). That underscores the anxieties that the high interest-rate environment has brought.

Canadians were asked to reflect on increasing interest rates. Notably fewer say they are more concerned about their ability to pay their debts (60%, -4pts) than the previous quarter. Furthermore, fewer Canadians say they're already beginning to feel the effects of interest rate increases (65%, -3pts). Most continue to be more careful with how they spend their money (83%, -4pts), though that number has declined slightly. As Canadians become less concerned with interest rate hikes (given the decreasing likelihood of further increases), half of are still worried they will be in financial trouble if interest rates go up much more (57%, -2)

Women and Canadians ages 35-54 are most likely to agree they will be more careful with how they spend their money due to rising interest rates. Canadians with household incomes lower than \$40K and those ages 18-34 and 35-54 are most likely to be feeling the effects of interest rate increases, concerned with their ability to repay their debts, concerned they will be in financial trouble if rates go up much more, and fear that rising interest rates moving them close towards Bankruptcy.

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### **Perception of Canadian economic crisis**

As noted earlier, when asked about the current economic condition in Canada and how it impacted their personal financial situation, half of Canadians believe (50%) the worst part of the economic cycle is yet to come. A third (35%) believe we are currently experiencing the worst of the economic crisis and only 15 percent think the worst is behind us.

Reflecting on the last six months, more than half of Canadians (57%) said that the economic conditions were about what they expected, while a third (33%) say it was worse than they expected and only one in 10 (10%) say it was not as bad as they were expecting.

Men, those ages 18-34, and Quebecers are also more likely to say the economic conditions within the last six months were not as bad as they expected. They are also the most likely to state the worst is behind us. Atlantic Canadians were most likely to say the economic conditions was worse than what they were expecting and that we have yet to experience the worst part of the economic cycle.

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## About the Study

These are some of the findings of an Ipsos poll conducted between March 7 and March 14, 2023, on behalf of MNP LTD. For this survey, a sample of 2,004 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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