



## FACTUM

# Despite Softening Inflation, Canadians' Affordability Concerns Remain Acute

Eight in ten (81%) continue to be concerned about rising everyday costs, while seven in ten (71%) are concerned that interest rates are rising faster than they can adjust.

**Toronto, ON, July 11, 2023** – Ahead of the Bank of Canada's July interest rate announcement, Canadians continue to express concern about the rising cost of everyday goods as well as how fast interest rates are rising. According to a new Ipsos poll conducted on behalf of Global News, concerns with inflation, rising rates, and the economy have been persistently high for the past year or so.

Overall, Canadians' concerns around inflation are holding steady with eight in ten (81%, no change) concerned that inflation will make everyday things less affordable. Concerns with how fast the Bank of Canada is raising rates and one's ability to keep up has also held steady since last November at seven in ten (71%).

Inflation isn't the only thing that is preoccupying Canadians. "Shrinkflation", the phenomena where a product's price remains the same, but its size, quantity or quality is reduced, is a concern for most (84%) Canadians and has been since April of this year. Moreover, seven in ten (69%, -1) are concerned that economic troubles will impact retirement plans and two-thirds (67%, -2) are concerned that they will need to delay future life plans like buying a home or starting a family. While the annual inflation rate has been abating, Canadians' financial anxieties are not.

Canada's central bank surprised some when it opted to increase rates at its last policy announcement in May after April's economic data showed a small uptick in inflation. Fear that inflation has become entrenched in the economy, and more importantly in consumers' minds, could portend a further rate hike in July, even with May's data showing a slowdown in inflation.

Canadians' concerns are wide-ranging and span from their retirement plans in the future to paying for food and gas this week. Additionally, the cost cutting and re-budgeting measures that Canadians have undertaken to help weather the financial storm are continuing.



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### *How concerned are you about the following:*

	% Somewhat + Very Concerned		
	June 2023	April 2023	November 2022
That "shrinkflation" will continue, where items will be reduced in size, quantity, or quality while prices will remain the same or increase	84% (-)	84%	-
That inflation will make everyday things less affordable for you	81% (-)	81%	81%
That interest rates will rise quicker than you can adjust	71% (+1)	70%	71%
That economic troubles will impact your retirement plans	69% (-1)	70%	67%
That economic hardship will mean that you have to delay future plans or life projects like buying a home, starting a family, traveling, etc.	67% (-2)	69%	-
That you can't absorb any unexpected costs of \$1,000 or more	63% (-4)	67%	-
That you won't be able to pay your full credit card bill	55% (+1)	54%	-
That you might not be able to afford gasoline	54% (-2)	56%	61%
That you might not be able to afford a holiday this summer	53%	-	-
That you might not have enough money to feed your family	51% (-4)	55%	53%
That you may have to use a line of credit to pay your credit card bill	47% (-3)	50%	-
That you may lose your job if the economy does not improve	41% (-2)	43%	42%

### *Younger Canadians, especially Millennials, are under the most economic stress from inflation and increased borrowing costs*

Younger Canadians, especially Millennials, are struggling the most financially and have the greatest economic concerns of any generation. In fact, Millennials are the most concerned that interest rates will rise faster than they can adjust (81% vs. 72% of Gen X, 70% of Gen Z, 60% of Boomers), compared to Canadians overall (71%). On the other hand, Boomers are less likely to be concerned about all aspects compared to Gen Z, Millennials, and Gen X. For many younger Canadians, rapidly-increasing everyday costs and interest rates mean they are re-thinking their future plans with 79% of Millennials, 72% of Gen Z, and 70% of Gen X saying they are concerned that economic hardship will mean putting off things like buying a home, starting a family or travelling, compared to 51% of Boomers.



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Another reason for the increased economic stress has to do with increasing debt loads and borrowing costs. Over six in ten (63%, -4 points) Canadians are concerned that they can't absorb any unexpected costs of \$1,000 or more, while just over half (55%, +1 point) are concerned they won't be able to pay their full credit card bill and just under half (47%, -3 points) think they may need to use a line of credit to pay their credit card bill. These concerns are most acute among younger Canadians with increased concern amongst Millennials around paying their credit card bill (60% vs. 51% Gen Z, 47% Gen X, 31% Boomers).

### *Summer Vacations on the Chopping Block Along with Other Discretionary Spending as Canadians Try to Absorb Increasing Cost of Living*

In order to accommodate the rising costs, Canadians are increasingly shifting their spending from wants to needs. For most households, paying for everyday necessities like food and gas takes priority over luxuries like vacations and dining out. Just over half of Canadians (53%) are concerned that they won't be able to afford a holiday this summer, which is down 3 points from this time last year. Those with kids are more likely to be concerned (64% vs. 49% without kids) and three in ten say they are cutting back on both domestic (29%, +4 points) and international (29%, +5 points) travel. Around six in ten (56%, +8 points) Canadians are also cutting back on dining out and about half (48%, +6 points) are cutting back on entertainment, showing that Canadians continue to shift their spending to save money. Similar ways that Canadians are cutting back include putting off new purchases like clothing (43%, +3 points) and at the grocery store by using flyers (53%, +5 points) and coupons (32%, +4 points) or changing grocery stores altogether (30%, +5 points).

Regionally, those in Atlantic Canada are more likely to be implementing some of these changes in spending behaviours with 69% cutting back on dining out (vs. 58% AB, 56% QC, 54% SK/MB, 54% ON, 53% BC), 68% using flyers (vs. 62% SK/MB, 59% BC, 52% AB, 50% QC, 49% ON), and 44% buying fewer fresh fruits and vegetables (vs. 32% AB, 30% SK/MB, 28% BC, 26% ON, 13% QC). Those in Atlantic Canada (35%) are also more likely, as well as those in Saskatchewan and Manitoba (34%) to say they dipped into their savings accounts to make ends meet (vs. 32% AB, 30% BC, 23% ON, 16% QC). Quebecers tend to differ in their approach to cutting costs somewhat from the rest of the country. Those in Quebec are less likely to have cut spending on fresh fruits and vegetables or to have used money they set aside for retirement.

Different generations are indicating their priorities through their approaches to handling higher everyday costs. Younger Canadians are more likely to consider putting off purchasing a home (21% of Gen Z and 16% of Millennials vs. 8% of Gen X and 7% of Boomers) or moving to somewhere with a lower cost of living (26% of Gen Z and 19% of Millennials vs. 12% of both Gen X and Boomers). They are also more likely to use micro-payments with Gen Z being the most likely (25% vs 12% of Millennials and 11% of Gen X vs. 4% of Boomers). Older Canadians are taking a more traditional approach to handling rising everyday costs as Boomers are more likely to look through flyers (68%) than Gen X (55%) and both are more likely to browse flyers than Millennials (43%) and Gen Z (37%). Lastly, many working age Canadians are thinking of putting their saving for retirement on hold as Millennials (16%) and Gen X (17%) are significantly more likely to be considering this than Boomers (10%) and Gen Z (4%).



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**Which of the following have you done in 2023 in order to deal with the higher cost of living due to inflation?**

	June 2023	April 2023	November 2022
Cutting back on dining out	56% (+8)	48% (-4)	52%
Looking at flyers for sales	53% (+5)	48% (-2)	50%
Cutting back on entertainment	48% (+6%)	42% (-4)	46%
Putting off purchases like new clothing, etc.	43% (+3)	40% (-4)	44%
Using a couponing or sale app to save money	32% (+4)	28% (-3)	31%
Switched my regular grocery store for one I think is cheaper	30% (+5)	25% (+1)	24%
Cutting back on travel inside the country	29% (+4)	25% (-6)	31%
Cutting back on travel outside the country	29% (+5)	24% (-4)	28%
Eating less meat	26% (-3)	29% (+2)	27%
Buying fewer fresh fruits and vegetables	26% (-3)	29% (+3)	26%
Dipped into my personal savings to make ends meet	25% (+3)	22% (-2)	24%
More carpooling/fewer car trips	14% (+2)	12% (-2)	15%
Considered moving somewhere with a lower cost of living than where I live now	15% (+3)	12% (-)	12%
Using money I was setting aside for retirement	14% (-1)	15% (+2)	13%
Pausing on saving for retirement	13% (-2)	15% (-1)	14%
Accessing food banks	10% (-)	10%	-
Delayed or did not renew a medical prescription	10% (+1)	9% (-)	9%
Telling my kids "no" more often ( <i>among parents</i> )	31% (+1)	30% (-4)	34%
Made purchases through micro payments rather than a one-time payment	11% (+4)	7%	-
Cutting back on organized sports for my kids ( <i>among parents</i> )	17% (+2)	15% (+2)	13%
None of the above	10% (-)	10% (-3)	13%

### Low Income Canadians Suffering Most Economic Hardship

Overall, it appears that low-income Canadians are the most concerned with the increasing cost of everyday items and rising interest rates as well struggling the most to just get by. Canadians earning under \$40,000 a year are the most likely to be concerned that inflation will make everyday things less affordable (87% vs. 83% \$60K-<\$100K, 80% of \$40K-<\$60K and 76% of \$100K+). Low-income Canadians are also more likely to be concerned they won't be able to pay their credit card bill or that they could absorb an unexpected cost of more than \$1,000 when compared to Canadians earning more than \$40,000 a year. Concerns go all the way to the dinner table as low income Canadians are more likely to be concerned they can't afford to feed their family (65% of <\$40K vs. 55% of \$40K-<\$60K, 46% of \$60K-<\$100K, 41% of \$100K+) and they are also the most likely to access food banks (22% of <\$40K vs. 8% of \$40K-<\$60K, 8% of \$60K-<\$100K, 2% of \$100K+).



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### About the Study

These are some of the findings of an Ipsos poll conducted between June 19th and 20th, 2023, on behalf of Global News. For this survey, a sample of 1,000 Canadians aged 18+ was interviewed. Quotas and weighting were employed to ensure that the sample's composition reflects that of the Canadian population according to census parameters. The precision of Ipsos online polls is measured using a credibility interval. In this case, the poll is accurate to within  $\pm 3.5$  percentage points, 19 times out of 20, had all Canadians aged 18+ 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.

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### About Ipsos

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