



PRESS RELEASE

MNP Debt Index Declines as Current Debt Perception Hits All-Time Low

A quarter of Canadians paid only the minimum payment on their credit cards while one in five has dug themselves deeper in credit card debt.

Toronto, ON, January 8, 2024 — The MNP Debt Index has dropped to 83 points, a decrease of 3 points from the last quarter. This is due to concerns about personal debt and the ability to handle increasing interest rates. Many Canadians are feeling pessimistic about their debt, with the worst scores recorded to date. Despite these concerns, we may be seeing a positive shift. The financial management strategies Canadians implemented earlier in the year seem to be effective, resulting in more money at the end of the month, and fewer people on the verge of insolvency. Furthermore, their long-term debt assessment has slightly improved since last quarter.

Fewer Canadians Report they're Close to Insolvent, as Canadians have Slightly More Money at Month-End

Fewer Canadians are reporting being close to insolvency. Specifically, 45% of Canadians are \$200 or less away from failing to meet all their financial obligations. This is a decrease of 6 points from the previous quarter. Of these, 27% already can't cover their bills and debt payments, a decrease of 4 points. However, insolvency is more prevalent among women (53%) than men (38%). No significant improvement has been measured from December 2022. These figures are consistent with December 2022 meaning that year over year no appreciable improvement has been measured. With a little more breathing room, the average amount of money that Canadians have left over at the end of the month has improved to \$795, up \$121 from the previous quarter, as Canadians are insulating their finances against the difficult economic context. Canadians have seen a bump in month-end finances across all demographics, most notably for males and younger Canadians aged 18-34.

Current Debt Perception Reaches All-Time Low

Canadians' net personal debt rating has declined to 14 points, a four-point decrease from last quarter. While over a third of Canadians rate their personal debt situation as 'excellent' (35%, -3), two in 10 Canadians rate their personal debt as 'terrible' (21%, +1), a worsening ratio.

The impact of inflation and interest rates have continued to take a toll on consumers' current debt situation as Canadians are feeling the most negative about their current debt since tracking began. Canadians were asked to reflect on their current debt situation compared to one year ago, and fewer perceive their current debt situation to be better (22%, -2), while more have rated their current debt situation as much worse compared to a year ago, an increase of 2 points from the previous quarter (22%). Once again, Canadians feel no progress has been made in the last year.

Looking into the future, Canadians were asked to forecast their expected debt situation one year from now, a quarter of Canadians expect their debt situation to be better (28%, unchanged) and fewer believe it will worsen (16%, -2), indicating the slightest of improvements.



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Compared to last quarter, Canadian households are slightly more concerned with their financial situation as more say they regret the amount of debt they've taken on in life (47%, +2), and half are concerned about their current level of debt (47%, +1).

Rising Interest Rate Continues to Concern Canadians

Canadians are continuing to feel negatively about their ability to absorb interest rate increases. When asked their ability to absorb an interest rate increase of 1 percentage point, one in five (22%, -1) say they are much better equipped to absorb this increase than they used to be, while a quarter (27%, -1) say their ability to deal with this increase has worsened. When the 1% was phrased as an extra \$130 in interest rates increases, one in five (19%, unchanged) say their ability to absorb this increase is much better, while over a third (36%, -1) say it is much worse.

As Canadians' ability to absorb additional interest rates remained consistently low, sentiments around interest rates have also stabilized. Three in five Canadians agree they are concerned about their ability to repay their debts (63%, +1), and majority will be careful with how they spend their money (84%, +1). While fewer Canadians say if interest rates go up much more, they will be in financial trouble (57%, -3).

Consistent with last quarter, women and Canadians ages 18-34 and 35-54 are most likely to be concerned with their ability to repay their debts, will be in financial trouble, and fear that rising interest rates moving them close towards bankruptcy. Notably, Canadians aged 18-34 are least likely to agree they have a solid understanding of how interest rate increases impact their financial situation.

Financial Decisions Under Pressure

In the past year, a quarter of Canadians (26%) have only paid the minimum payment towards the balance on their credit card, consistent with last December. One in five Canadians went into further credit card debt this year (22%) or needed to make a hardship withdrawal (18%). Moreover, 19% have paid the minimum payment on their line of credit in the last year, up 2 points from last year and 8 points in the past 2 years. Atlantic Canadians, Albertans, and those with \$60K income or more were most likely to have gone further in credit card debt this year.

As more Canadians are building up debt, it has taken a toll on their mental health. Three in five Canadians agree that their financial situation causes them anxiety (60%) and stresses them out (59%). Half maintain that their financial situation causes them to feel a greater sense of isolation (48%) and two in five state they are embarrassed by the amount of debt they owe (40%). Younger Canadians (ages 18-34 and 35-54), those in Ontario and Atlantic Canada and those with less than \$40K income are significantly more likely to say their debt affects their mental health, to feel embarrassed by the amount of debt they owe, and to hide their credit card debt from their friends or family.



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About the Study

These are some of the findings of an Ipsos poll conducted between November 28 – December 4 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 ± 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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