



PRESS RELEASE

MNP Consumer Debt Index Improves to 89 Points Amidst Interest Rate Declines

Canadians have more money on hand at month-end now than at any point in the past 5 years.

Toronto, ON, Oct 16, 2024 — The MNP Consumer Debt Index climbed back up to 89 points, a four-point increase, demonstrating improved perceptions in the wake of interest-rate cuts. Given the Bank of Canada announcement dropping key interest rates to 4.25%, another 50 basis points since last June's poll, Canadians have reported improvements in their personal finances. As interest rates continue to decline, we can expect Canadians to continue feeling more positively about their current personal finances than they have over the last few years.

Just over four in 10 (42% of Canadians are \$200 or less away each month from financial insolvency, this is the lowest recorded proportion since September 2018 (40%). This is a result of fewer stating they are already insolvent (26%, -3). Canadians who disproportionately report being \$200 or less away from insolvency continue to be women (51%, +1) rather than men (31%, -10) indicating a widening gender gap. However, fewer Canadians are at risk of insolvency across almost all demographics. Almost half of Canadians who are co-habiting (46%) or are currently bill-splitting (44%) are at risk of insolvency.

Canadians are building up the bank this quarter as the average amount of money that Canadians have left over at the end of the month has increased significantly to \$937, up \$155 from the previous quarter. This has been the largest amount of money Canadians have had after all expenses since the study commenced. Most Canadians across various demographics have seen a notable improvement in month-end finances in the last quarter. However, Canadians aged 55+ (-\$41) and those with less than \$40K household income (-\$55) have reported having less money at month-end this quarter.

Light at the End of the Tunnel for Personal Debt

Canadians' net personal debt rating (positive subtract negative) has improved one-point to 20 points from last quarter. Furthermore, current debt perceptions are consistent slightly after significant dip last quarter. Net scores for current debt rating are up two points due to a shift of Canadians stating their current debt situation compared to one year ago to be better (24%, +1) than worse (18%, -1).

However, as we continue to see interest rates decline, Canadians' perceptions of their expected debt situation in the future takes a significant bump. Looking ahead one year from now, 3 in 10 Canadians expect their debt situation to improve (31%, +2), and much fewer believes it will worsen (12%, -4).



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Greater Impact After Further Decline in Interest Rates

Canadians are beginning to see some relief with the pace of interest rates declining. Their perceptions of their ability to absorb additional interest rate increases has improved after taking a hit last quarter. When asked their ability to absorb an interest rate increase of 1 percentage point, one quarter (24%, +3) say they are much better equipped to absorb this increase than they used to be, while another quarter (24%, -1) say their ability to deal with this increase has worsened. When the 1% was phrased as an extra \$130 in interest rates increases, more (22%, +3) say their ability to absorb this increase is much better, while fewer (33%, -2) say it is much worse. As Canadians are expecting interest rates to continue falling over the next few years, Canadians are showing signs of relief.

While Canadians are feeling more up to managing interest rates, attitudes regarding interest rates remain consistent with last quarter. However, after the third interest rate drop this year, almost half (48%, +1) still say even if interest rates decline, they are still concerned with their ability to repay their debt. On the bright side, slightly fewer are saying if interest rates go up much more, they are afraid that they will be in financial trouble (54%, -3) indicating these recent declines are starting to make a difference for some.

Canadians Making Sacrifices to Save Money

While costs of living continue to be a striking problem for many Canadians, half stated they have tried to save money by grocery shopping more strategically (51%) and slightly fewer say they are avoiding impulse purchases (46%) or have stopped eating in restaurants or getting take-out (44%). Three in 10 Canadians have resorted to bill splitting (30%) but much fewer has resulted in cohabitation (13%) which only includes moving in with someone. Bill Splitting is more common among Canadians aged 18-34, and specifically among British Columbians and Albertans. Similarly, co-habitation is more common among younger Canadians, British Columbians, and those with lower income.

As for what Canadians are considering doing to save money, bill splitting (27%) is at the top of the list in ways Canadians are willing to consider to save money in the next 12 month, this includes 14% who would consider co-habiting. Other ways Canadians would consider saving money is by creating a budget (14%), cancelling subscriptions (13%), reduce the amount they eat at restaurants (13%), avoiding impulse purchases (13%), and reducing utility consumption (13%).



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About the Study

These are some of the findings of an Ipsos poll conducted between September 6 –11 2024, 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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