PRESS RELEASE

Canadians Increasingly Feeling Impact of Interest Rate Hike (Up 8 Points in Six Months)

Concern About Rising Interest Rates Drives Fears on Ability to Pay Debts (51%, +5 pts) and Bankruptcy (33%, +5 pts)

Ipsos

MNP LTD

Toll Free 310-DEBT

Licensed Insolvency Trustees

MNPdebt.ca

Toronto, ON, April 5, 2018 — Many Canadians are still absorbing the full impact of the most recent interest rate hike in January and, with the specter of the Bank of Canada raising interest rates again later this year, are wary of what another rate increase ahead might bring. According to a new Ipsos poll conducted on behalf of MNP LTD, not only do an increasing number of Canadians (43%) agree (12% strongly / 32% somewhat) they're already feeling the effects of interest rate increases (up 5 points from 38 percent three months ago and up 8 points from 35 percent six months ago), but concern about personal finances is on the rise.

Compared to September, more Canadians (51%; +5 pts) fear (17% strongly / 34% somewhat) that rising interest rates could impact their ability to repay their debts. One in three (33%) agree (12% strongly / 22% somewhat) it could possibly push them closer towards bankruptcy, also up 5 points.

Concern over rising interest rates is being led by millennials aged 18-34; they are significantly more likely than their older counterparts to have concerns about their ability to repay their debts as a result of a rate hike (61% vs. 53% of Gen X'ers aged 35-54 and 42% of baby boomers aged 55+) and about moving towards bankruptcy (45% vs. 35% of Gen X'ers and 23% of baby boomers) if interest rates continue to increase.

At the regional level, Albertans (55%) are more likely to say they are already beginning to feel the effects of interest rate increases, followed by residents of Atlantic Canada (51%), Saskatchewan and Manitoba (43%), Ontario (42%), British Columbia (41%) and Quebec (39%). At the same time, Albertans are also the most likely to be concerned with the impact rising interest rates will have on their personal finances including:

- **The potential to be in financial trouble if interest rates go up much more:** Alberta (52%), Atlantic Canada (46%), Quebec (44%), British Columbia (44%), Saskatchewan and Manitoba (42%) and Ontario (42%);
- **Concern that rising interest rates could mean a move towards bankruptcy:** Alberta (43%), Atlantic Canada (41%), Saskatchewan and Manitoba (37%), Quebec (35%), British Columbia (30%) and Ontario (29%).

However, looming interest rate hikes may be putting things in perspective, as nearly eight in ten Canadians (78%) agree (30% strongly / 48% somewhat) that with interest rates rising, they will be more careful with how they spend their money.

Debt Index Falls to Lowest Point in a Year

After a year of tracking, the fourth MNP Debt Index has resulted in the lowest score yet. The Index has fallen four points since December from 100 to 96. Ultimately, the decline is being driven by pessimistic perceptions toward personal finances. In fact, when asked to rate their personal debt situation on a scale from 1 (terrible) to 10 (excellent), nearly two in ten (16%) Canadians describe their debt situation as terrible; rating it a 1, 2 or 3 out of 10. Only 36 percent of Canadians rate their debt situation as excellent (8, 9, 10), while nearly half (48%) have a more neutral opinion of their personal debt situation, ranking it somewhere between these two extremes.

Regionally, Albertans (20%) are the most likely to rate their personal debt situation as terrible, followed by Saskatchewan and Manitoba (18%), Atlantic Canada (18%), Ontario (16%), British Columbia (16%) and Quebec (13%).

While not everyone sees their situation as terrible, nearly four in ten Canadians (37%, +3 pts) say they are concerned about their current level of debt and 41 percent indicate they regret the amount of debt that they've accrued in their lifetime, up three points since last quarter.

Moreover, nearly half of Canadians (46%, -2 pts) are $200 or less away from financial insolvency after paying bill and debt obligations at the end of the month. This includes three in ten (29%) who admit to having no wiggle room after paying their bills every month. While the number of Canadians reporting financial insolvency is virtually unchanged since last quarter, the average amount of money left after paying the bills has not budged; Canadians are left with $640 at month-end, resulting in only a $9.00 increase from December.

Women (50%) are more likely than men (40%) to report being within $200 of financial insolvency. At the regional level, residents of Saskatchewan and Manitoba (52%) are most likely to be within $200 of insolvency, followed by residents of British Columbia (47%), Ontario (46%), Quebec (45%), Atlantic Canada (43%) and Alberta (41%).

With many Canadians living in financial anxiety each month, it's little surprise that, if faced with a life changing event, less than one in three are confident in their ability to cope financially. As measured by a net score, subtracting those who are confident from those who aren't, lack of confidence is most prominent if having to cope with unexpected auto repairs or purchase (-5 pts), having an illness and being unable to work for three months (-3 pts), loss of employment (-3 pts) or paying for their own or someone else's education (-4 pts). Similarly, confidence is on balance if Canadians would need to cope financially with a change in relationship status like a divorce or separation (+1 pt) or the death of an immediate family member (+2 pts).

Aside from unplanned costs, only one in three Canadians (35%) believe they'll be able to cover all living and family expenses in the next 12 months without going into further debt. For some, looking to the future doesn't offer much more optimism, as only three in ten (31%) Canadians are confident they won't have any debt in retirement.

Debt Blame Game

Two in three (65%) Canadians admit to having taken on some amount of consumer (non-mortgage) debt and many (45%) say they blame themselves. However, two in ten Canadians (20%) say that others are to blame for the debt they currently have, pointing the finger at government taxation (13%), their spouse (10%) and the Bank of Canada interest rates (6%), among others.

Women (13%) are twice as likely as men (7%) to blame their spouse for taking on consumer debt. When viewed by region, Albertans are more likely to blame the government taxation (17%), followed by residents of Atlantic Canada (13%), Quebec (13%), Ontario (13%), Saskatchewan and Manitoba (10%) and British Columbia (7%).

No matter who's to blame, the situation remains the same. To live without consumer debt, six in ten (58%) believe they would need a significant increase (of more than 20%) in their household income. On average, Canadians think they'd need at least a 37 percent increase in household income to live debt free.

About the Study

These are some of the findings of an Ipsos poll conducted between March 12 and March 16, 2018, on behalf of MNP LTD. For this survey, a sample of 2,001 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 on this news release, please contact:

Sean Simpson
Vice President, Canada
Ipsos Public Affairs
+1 416 324-2002
sean.simpson@ipsos.com