A third (32%) of Canadians plan to spend more than normal as pent-up pandemic spending finds outlets.

Continued variation in pandemic recovery - half (49%) report improvement in debt situation, while a third (30%) report worsening debt situation.

Ipsos

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Toronto, ON, July 19, 2021 — With vaccination and business re-openings continuing apace, it seems the country is welcoming summer with open (and inoculated) arms. After a seven-point increase last wave, the MNP Consumer Debt Index has marginally improved on those gains to sit at 97 points (+1). Conducted by Ipsos, the Index is a quarterly snapshot of Canadians' attitudes about their debt situation and ability to meet their monthly payment obligations. Although this relative stability is an encouraging sign of the country's economic recovery, Canadians continue to have differing experiences during the pandemic — often related to factors such as their age, location, and household income.

In particular, the findings from this seventeenth wave highlight the potential for Canadians to go on spending sprees as they re-engage with the economy and continue to take advantage of low interest rates to make purchases they couldn't normally afford. However, with the potential for an interest rate hike in the latter half of next year, households may also be at risk of finding themselves in financial trouble.

Many in a better financial situation post-pandemic, but not all

Those fortunate to have their income remain relatively stable during the pandemic are reaping the benefits: Travel restrictions and non-essential business closures over the past year and a half have afforded Canadians few spending opportunities apart from the essentials. As a result, half (49%) of Canadians say their debt situation is better now than it was prior to the pandemic.

Two-thirds (65%) of Canadians also say they've used the pandemic as an opportunity to reduce their spending, which means some households may have some extra cash to spend this summer. And many are indeed finding themselves with more money at month-end after paying their bills — households report having more money left over than they did in March ($731, +$106), with older Canadians and those with higher household incomes reporting more of an increase.

Feeling flush and seeking out post-pandemic indulgences, a third (32%) of Canadians say they plan to spend more than normal on things such as travel, dining, and entertainment as they re-engage with the economy. Men (37%) and younger Canadians (43% of Gen Z; 38% of millennials) are more likely to say they'll spend more than normal. However, those in Atlantic Canada are playing it safe with their finances, with one in three (32%) saying they 'strongly disagree' they will go wild with post-pandemic spending.

Unfortunately, the flip side of these savings is a significant proportion of Canadians — likely those most adversely affected by the same restrictions and closures that allowed others to save money — are finding themselves in a worse financial position. While two-thirds of Canadians reported reducing their spending during the pandemic, how much of this was by choice and how much was by necessity remains to be seen. The Index's most recent figures present a sobering portrait:

- Three in 10 (30%) say their debt situation is worse than before the pandemic started, with one in 10 (9%) saying they 'strongly agree' that it has become worse.
- A third (35%) say the pandemic has amplified the debt burden for either themselves or their family, with one in 10 (10%) saying they 'strongly agree'.
- Nearly half (45%) say they are not confident they'll be able to cover all living and family expenses in the next 12 months without going further into debt, a six-point increase which takes this measure to the highest level in three years.

As such, it may be understandable why nearly half (48%) of Canadians say they are $200 or less from financial insolvency at month-end. While this is a five-point decrease from last wave, the proportion of those who report already being insolvent is unchanged at 30 percent and remains at its highest level since December 2018. Any improvements on this metric nationwide have also been overshadowed by a worsening situation in Ontario, where four in 10 (40%) say they are already unable to meet their monthly debt obligations — a jump of eight points from last wave.

Further highlighting how Canadians are experiencing the pandemic in different ways, women are more likely than men to be insolvent (or at risk of insolvency), as are Gen Z and millennial Canadians.

Taking advantage of low interest rates, but for how long?

Some Canadians have taken advantage of favourable interest rates during the pandemic to make purchases that wouldn't normally fit within their budget, with six in 10 (57%, -2) agreeing now is a good time to buy things they otherwise couldn't afford. In addition, nearly half (45%, -4) say they're more relaxed about carrying debt than usual — a proportion that rises to 56 percent of those living in Quebec and 53 percent of those aged 18-34 years.

But could the party soon be over? With growing speculation over whether the Bank of Canada will raise its key interest rate in the latter half of next year, it's unclear whether households will be able to absorb this increase.

- Half of Canadians (51%, unchanged) agree they are **more concerned about their ability to repay their debts** in a higher interest rate environment than they used to be.
- Four in 10 (43%, -1) would go one step further, saying they are afraid they **will be in financial trouble** if interest rates go up much more.
- A third (34%, -1) would even go so far as to say they are concerned rising interest rates could **drive them towards Bankruptcy**.

Disconcertingly, the prospect of facing Bankruptcy potentially affects a larger proportion of Canadians, as some who may be at risk do not even realize it yet. In line with general trends, concerns over being able to cope with an interest rate increase are more pronounced among younger Canadians (Gen Z and millennials) and those with modest household incomes (under $40,000 a year).

Homeowners with Mortgages at Risk

Homeowners with an outstanding mortgage may be at particular risk in the event of an interest rate hike. A third (32%) of those who own a home would classify themselves as house poor, meaning they don't have much left over after paying bills related to their home. Approximately 5.5 million adults in Canada who own their home are susceptible to a severe disruption to their financial situation such as an interest rate increase or change to their job situation. In particular, Gen X homeowners are the most likely to say they are house poor (36%), contrasting with baby boomers, who are the most likely to say they have a good amount of money left over after paying their house-related bills.

Perhaps it is therefore not surprising two in 10 (20%) homeowners say they regret the amount of debt they took on to buy their home. For those with an adjustable rate mortgage, a change in interest rates could mean some will struggle to make their monthly payments.

About the MNP Consumer Debt Index

These are some of the findings of an Ipsos poll conducted between June 14-17, 2021 on behalf of MNP LTD. For this survey, a sample of 2,002 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.

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