



## MNP Consumer Debt Index rebounds after record low score

Canadians tightening their wallets in response to rising Interest rates and inflation, but feel more confident about their financial situation for now.



**MNP**<sup>LTD</sup>

Toll Free 310-DEBT

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**Toronto, ON, July 11, 2022** — Canadians' confidence in their financial stability has increased to 90 points, as measured by the MNP Debt Index, which is up 3 points from last quarter. Despite the current economic climate of rising interest rates and inflation, the trend of declining confidence over the previous three quarters seems to have levelled out for the time being.

Conducted quarterly by Ipsos, the MNP Debt Consumer Index is a combined measure to determine how consumers feel about their financial situation, which can represent macroeconomic indicators or be independent of reality. It had shown consumer confidence consistent with the unemployment and insolvency rates reported by StatsCan until the start of the pandemic — where external factors such as the Canada Emergency Response Benefit (CERB) and government restrictions influenced consumer confidence, unemployment, and insolvency rates.

Despite the recent improvement, the MNP Consumer Debt Index remains below its benchmark score since its inception in 2017. As Canadians transition into the second half of 2022, confidence is expected to be volatile as the effect of higher interest rates and cost of living begins to bite and more households find their financial situations worse off than before.

## Decline in household financial situation

Half (52% , +3) of Canadians continue to report they're \$200 or less from not being able to meet all of their monthly financial obligations. This includes a third (34% , +3) who say they already don't make enough to cover their bills and debt payments. Further, Canadians have less, on average, left over at the end of the month, down \$27 from the previous quarter to \$691.

Atlantic Canadians have seen the greatest increase in money left over at month-end (\$712, +\$216) among all provinces. British Columbians reported the second-largest increase in disposable income this quarter, putting them ahead of all the other provinces (\$871, -\$137). Quebecers have been seeing a consistent decline in money at month-end since September 2021 and now have the lowest amount of disposable income (\$551, -\$119).

## Growing concern for future financial situation

Canadians' net personal debt rating has stabilized at an all-time low of 20 percent since March 2018, declining by a single point since March 2022. This means more Canadians continue to rate their current net debt situation as 'terrible' than 'excellent' in comparison to previous quarters.

When respondents were asked to look back to one year ago, a fifth of Canadians perceive their current debt situation to be better (22% , -2pts). Those who rated their current debt situation compared to a year ago has remained consistent with the previous quarter of 15% (unchanged).

Given fewer Canadians are finding themselves in a better financial situation, it makes sense they're less confident in their prospects. Looking ahead to one year from now, three in 10 Canadians expect their debt situation to improve (30% , unchanged). One in 10 believe it will worsen (15% , +1). Looking five years into the future, roughly a third (37% , -4) believe their debt situation will be much better, while one in 10 believe it will worsen (14% ) — a two-point increase from last quarter.

With the cost of essentials increasing over the past few months, many are forced to make some difficult choices to make ends meet. Only one in 10 (12%) say their expenses haven't increased. The main ways in which Canadians are adjusting their habits include:

- Cutting back on non-essentials such as travelling, dining out, and entertainment (46% )
- Buying cheaper versions of everyday purchases (37% )
- Driving less (30% )
- Cutting back on essentials (27% ) such as food, utilities, and housing
- Putting less into savings or investments (23% )
- Putting less into paying down debt (14%)
- Using credit card(s) more (14%)
- Withdrawing from savings / investments (14%)
- Getting a side job (12%)
- Borrowing from family / friends (10%)

Women (49%, 30%) and those aged 35-54 (48%, 33%) are significantly more likely to say they'll be cutting back on non-essentials and essentials compared to men (42%, 24%) and those aged 18-34 (39%, 25%).

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## Canadians' ability to cope with life changes

The proportion of Canadians that are confident they can cope with life changes without adding to their debt has increased overall. They are most confident in handling a change in their relationship status (30% , unchanged), having an illness and being unable to work for three months (27% , +2), and dealing with an unexpected auto repair or purchase (27% , +4). They are least confident in their ability to cope with the death of an immediate family member (25% , +2) or pay for either their own or someone else's education (25% , +3).

More than half (53%) cite financial factors as the main threat to their quality of life. Among the financial reasons, the cost of living (27%) rose well above the others as the biggest threat to their quality of life. This is followed by one in five stating their physical health (20% ). One in ten cite inflation (13% ), mental health (9% ), and their financial situation (8% ).

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## About the Study

These are some of the findings of an Ipsos poll conducted between June 6 and June 9, 2022, 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  $\pm 2.5$  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](https://mnpdebt.ca/CDI).

For more information on this news release, please contact:

**Grant Bazian, CIRP, LIT**  
President, MNP LTD.  
1.877.688.8408  
[grant.bazian@mnp.ca](mailto:grant.bazian@mnp.ca)

## About Ipsos

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