



MNP Debt Index ticks downward as affordability concerns have Canadians adjusting spending heading into the winter

Low interest rates fueling spending, but Canadians concerned about possible interest rates increases in the future



MNP_{LTD}

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Calgary, AB, September XX, 2021 — The MNP Consumer Debt Index has ticked downwards as Canadians say they're spending more on life's necessities and less on nonessentials. The survey, which is conducted quarterly by Ipsos, has dipped by to 95 points (-2 pts) since June and remained steadily below the established benchmark of 100 points for the last two years. While summer tends to see increased financial optimism, reality tends to set in through the autumn months as Canadians adopt a more pessimistic view of their financial situation heading into the holiday season.

Affordability concerns are widespread, with Canadians holding the opinion that basic living expenses such as food, clothing, housing costs, and transportation have become less affordable over the past year. More Canadians also say it is becoming less affordable to put money aside for savings or debt repayment.

| Item | % more affordable | % less affordable | Net impact |
|---|-------------------|-------------------|------------|
| Feeding yourself or your family | 13% | 45% | -32 |
| Clothing or other household necessities | 13% | 36% | -23 |
| Housing costs | 11% | 33% | -22 |
| Putting money aside for savings | 21% | 40% | -19 |
| Transportation needs | 16% | 32% | -16 |
| Putting money towards paying down your debt | 20% | 29% | -9 |

Nearly half (46%) of Canadians continue to report they are \$200 or less away from financial insolvency each month, including 27 percent who say they already don't make enough to cover their bills and debt payments. While this is a modest two-point improvement since last quarter, the average amount Canadians have left over at month end remains largely unchanged at \$739 (+\$8). While some segments have a little more money on hand at the end of the month, including 18–34-year-olds (+\$100), others have less — including those 55 and older (-\$73).

Notably, Albertans have much less left over at month end, now at just \$534 (-\$276). Half (50%, +8) now say they're within \$200 of insolvency, tied with the 50 percent of residents in Saskatchewan and Manitoba (+4 pts).

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

Canadians say they intend to put more towards paying down debt as a result of the affordability crunch (24% more vs. 18% less), but don't anticipate changing their savings habits (28% more vs. 28% less). Moreover, while only five percent expect to grow the amount they save by a lot, 12 percent expect to save much less.

When it comes to spending on the things they want, Canadians look to be taking a cautious approach as the colder months approach. Overall, Canadians will spend less on clothing (15% more vs. 33% less), holiday spending (16% more vs. 38% less), entertainment and restaurants (17% more vs. 41% less) and vacations (17% more vs. 42% less). These changes may be the result of a hard lesson, as nearly half (45%) of Canadians say they regret the amount of debt that they've taken on their life (+4 pts).

While Canadians say they'll be reining in their discretionary spending, many still appear likely to engage in some financial behaviour which could be considered risky under certain circumstances. For example, four in 10 (37%) say they'll likely finance a purchase with a credit card that carries a balance, while one in four (25%) anticipate accessing funds on a line of credit that carries a balance. Others say they'll likely purchase finance something by paying equal installments over a fixed period (22%) or engage in a buy-now-pay-later scheme to afford a purchase (19%) before the year is out. One in five (18%) Canadians is likely to borrow money from a friend or family member before the year is out, and 9 percent anticipate using a payday loan service this fall.

With uncertainty around the fourth wave of COVID-19, Canadians are expressing some concern about their ability to cope with life changes without increasing their debt load. Just one in four (24%, -3 pts) say they're confident they could get through a loss of employment or a change in work without going into debt. A growing proportion (30%, +3 pts) expresses a complete lack of confidence in their ability to cope financially during this type of situation, a change in their relationship status (27%, +4 pts), or the death of an immediate family member (30%, +4 pts) without going into debt.

Canadians have an eye on interest rates

Although interest rates continue to hold steady, higher than normal inflation has fueled speculation increases are on the horizon. This has many Canadians adjusting their outlook — especially those that loosened the purse strings amid rock-bottom interest rates.

Notably, half (49%) of Canadians say they are more relaxed about carrying debt than usual given the low-rate environment (+4 pts). Six in 10 (58%) say low interest rates have provided them an opportunity to buy things they otherwise couldn't afford. But Canadians also know the good times must end at some point. A majority (52%) are concerned about the impact of rising interest rates on their financial situation (+ 2 pts), and this has Canadians increasingly cautious:

- More than eight in 10 (82%) agree they will be more careful with how they spend their money as interest rates rise (+5 pts).
- A majority (54%) say rising interest rates would make them more concerned about their ability to pay their bills (+3 pts).
- Nearly half (45%) also say they're already beginning to feel the effects of interest rate increases (+7 pts). Since rates have not yet increased, the impact might be wholly psychological, which informs the change in attitudes and behaviours that we're seeing in the survey.
- One in three (35%) say they are concerned rising interest rates could move them towards Bankruptcy (+1 pt).



About the Study

These are some of the findings of an Ipsos poll conducted between September 3-7, 2021, on behalf of MNP LTD. For this survey, a sample of 2,001 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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