



## MNP Consumer Debt Index declines as current debt perception hits all-time low

A quarter of Canadians paid only the minimum payment on their credit cards while one in five has dug themselves deeper in credit card debt.



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**Calgary, AB, January 8, 2024** — The MNP Consumer Debt Index has dropped to 83 points, a decrease of three points from the last quarter. This is due to concerns about personal debt and the ability to handle increasing interest rates. Many Canadians are feeling pessimistic about their debt, with the worst scores recorded to date. Despite these concerns, we may be seeing a positive shift as the financial management strategies Canadians implemented earlier in the year seem to be working effectively. This has resulted in more money at the end of the month and fewer people on the verge of insolvency. Furthermore, Canadians' long-term debt assessment has slightly improved since last quarter.

## Fewer Canadians report they're close to insolvent, as Canadians have slightly more money at month-end

Fewer Canadians are reporting being close to insolvency. Specifically, almost half (45%) of Canadians are \$200 or less away from failing to meet all their financial obligations. This is a decrease of six points from the previous quarter. Of these, nearly a third (27%) already can't cover their bills and debt payments, a decrease of four points. However, insolvency is more prevalent among women (53%) than men (38%). These figures are consistent with December 2022, meaning that year over year no appreciable improvement has been measured. The average amount of money that Canadians have left over at the end of the month has improved to \$795. This marks an increase of \$121 from the previous quarter as Canadians insulate their finances against difficult economic headwinds. Month-end finances have increased across all demographics, most notably for males and younger Canadians aged 18-34.

## Current debt perception reaches all-time low

Canadians' net personal debt rating has declined to 14 points, a four-point decrease from last quarter. While more than a third of Canadians rate their personal debt situation as excellent (35%, -3 pts), two in 10 Canadians rate their personal debt as terrible (21%, +1 pt) — a worsening ratio.

Canadians are feeling the most negative about their current debt since tracking began as the impact of inflation and interest rates continue to take a toll on consumers' current debt situation. When asked to reflect on their current debt situation compared to one year ago, fewer Canadians perceive their current debt situation to be better (22%, -2 pts). More rated their current debt situation as much worse compared to a year ago, an increase of two points from the previous quarter (22%). Once again, Canadians feel no progress has been made in the last year.

When asked to forecast their expected debt situation one year from now, a quarter of Canadians expect their debt situation to be better (28%, unchanged). Fewer believe it will worsen (16%, -2 pts), indicating the slightest of improvements.

Compared to last quarter, Canadian households are slightly more concerned with their financial situation. More say they regret the amount of debt they've taken on in life (47%, +2 pts), and half are concerned about their current level of debt (47%, +1 pt).

## Rising interest rate continues to concern Canadians

Canadians continue to feel negatively about their ability to absorb interest rate increases. When asked their ability to absorb an interest rate increase of one percentage point, a fifth (22%, -1 pt) say they are much better equipped to absorb this increase. A quarter (27%, -1 pt) say their ability to deal with this increase has worsened. When this question was rephrased to ask their ability to absorb an interest rate increase of an extra \$130, one in five (19%, unchanged) say their ability to absorb this increase is much better. More than a third (36%, -1 pt) say it is much worse.

Sentiments around interest rates have also stabilized as Canadians' ability to absorb additional interest rates remains consistently low. Three in five Canadians agree they are concerned about their ability to repay their debts (63%, +1 pt), and the majority will be careful with how they spend their money (84%, +1 pt). Fewer Canadians say they will be in financial trouble if interest rates rise much more (57%, -3 pts).

Consistent with last quarter, women and Canadians ages 18-34 and 35-54 are most likely to be concerned with their ability to repay their debts. They are also most likely to feel they will be in financial trouble and fear that rising interest rates are moving them close to Bankruptcy. Notably, Canadians aged 18-34 are least likely to agree they have a solid understanding of how interest rate increases impact their financial situation.

## Financial decisions under pressure

In the past year, a quarter of Canadians (26%) have only paid the minimum payment towards the balance on their credit card, consistent with last December. One in five Canadians went into further credit card debt this year (22%) or needed to make a hardship withdrawal (18%). Additionally, a fifth (19%) have only paid the minimum payment on their line of credit in the last year, up two points from last year and eight points in the past two years. Atlantic Canadians, Albertans, and those with \$60,000 income or more were most likely to have gone further in credit card debt this year.

Debt has also taken a toll on Canadians' mental health. Three in five agree their financial situation causes them anxiety (60%) and stress (59%). Half say their financial situation causes them to feel a greater sense of isolation (48%) and two in five state they are embarrassed by the amount of debt they owe (40%). Younger Canadians ages 18-34 and 35-54, those in Ontario and Atlantic Canada, and those with less than \$40,000 income are significantly more likely to say their debt affects their mental health. They are also more likely to feel embarrassed by the amount of debt they owe and to hide their credit card debt from their friends or family.

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## About the Study

These are some of the findings of an Ipsos poll conducted between November 28 and December 4, 2023, 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).

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