



MNP Consumer Debt Index drops six points despite recent interest rate cut

More than half of Canadians say interest rates will need to drop much further before their financial situation significantly improves.



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Calgary, AB, July 22, 2024 — The MNP Consumer Debt Index has dropped to 85 points, a six-point decrease from the previous quarter as Canadians express renewed pessimism about their personal finances. The Bank of Canada's recent announcement about lowering key interest rates might have prompted some to expect a more substantial or immediate effect on their debt situation. They're now more disheartened as a result, eagerly looking forward to the next announcement in the hope of a steady decline that will significantly influence their financial situation.



Most Canadians increased their spending, leaving less at month-end

Consistent with last quarter, almost half (46%) of Canadians are \$200 or less away from failing to meet all their financial obligations. However, there is a shift among those who were close to insolvency and already not making enough to cover their bills. Three in 10 (29%) Canadians say they already can't cover their bills and debt payments, a decrease of two points. The number of Canadians who are \$200 or less away from insolvency has increased by three points. Women (50%, +3 pts) continue to be more vulnerable to insolvency compared to men (41%, -1 pt). It's particularly noteworthy that the proportion of Albertans (47%, +13 pts) facing insolvency risk has significantly risen. Among Canadians who feel overwhelmed by debt and doubt the effectiveness of lower interest rates, three in five (62%) are either insolvent or on the brink of insolvency.

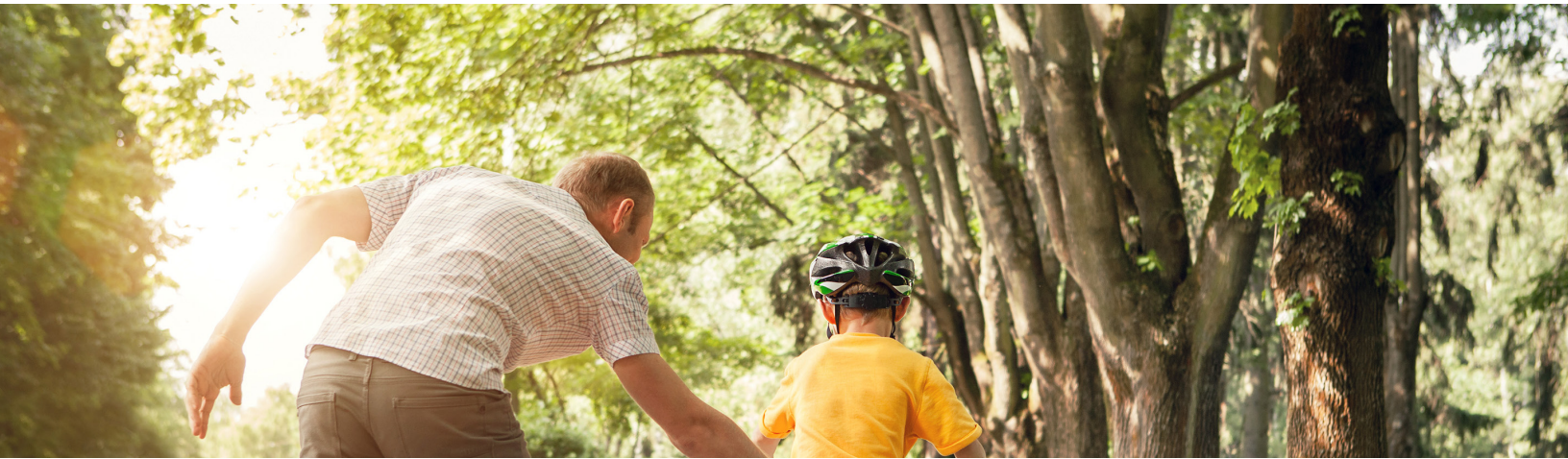
The average amount of money that Canadians have left over at the end of the month has dropped to \$782, down \$60 from the previous quarter. Many Canadians from different backgrounds are seeing less money left at the end of the month, possibly due to spending more as interest rates drop, higher housing costs, or ongoing high inflation. However, Canadians aged 55 and older and those earning less than \$40,000 a year have about \$100 more left over this quarter, likely because they're trying to cut back and save.

Negative sentiment on current debt but optimistic for the future

Canadians' net personal debt rating has declined to 19 points, a three-point decrease from last quarter. The shift is a result of fewer Canadians rating their personal debt situation as excellent (38%, -3 pts). Concerns around personal finances remain consistent, with a slight increase in Canadian households that are concerned that they or someone in their household could lose their job (37%, +2 pts) compared to last quarter.

Debt perceptions have declined significantly after a generous increase in March 2024. When asked to reflect on their current debt situation compared to one year ago, fewer Canadians perceive their debt situation to be better (23%, -4 pts). More rated their debt situation as much worse compared to a year ago (19%, +3 pts).

However, Canadians' perceptions of their future debt situation continue to climb after reaching record lows in September 2023. When asked to consider their expected debt situation five years from now, four in 10 Canadians expect their debt situation to be better (39%, +2 pts).



Canadians unprepared for any increase in interest rates

Canadians' perception of their ability to absorb additional interest rate increases has declined significantly from last quarter, matching levels comparable to last year. When asked their ability to absorb an interest rate increase of one percentage point, one in five (21%, -4 pts) say they are much better equipped to absorb this increase. A quarter (25%, +5 pts) 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, fewer (19%, -5 pts) say their ability to absorb this increase is much better. More (35%, +8 pts) say it is much worse. As signs point to falling interest rates over the next few years, Canadians may react negatively to rates that are slow to decrease or start to rise again.

Canadians are unprepared for any increase in interest rates. The sentiment remains consistent with more Canadians expressing concern that they will be in financial trouble if interest rates rise significantly (57%, +3 pts). Two-thirds of Canadians state they desperately need interest rates to go down (66%) and that high interest rates have had a negative impact on their household's finances (65%) despite interest rates showing signs of decline. Slightly less than half agree they are still concerned with their ability to repay their debts, even if interest rates decline (47%). Women and Canadians aged 18-54 are most likely to agree they desperately need interest rates to go down and that high interest rates have had a negative impact on their household's finances.

Canadians depending on further interest rate decline

Many Canadians intend to save more (45%) or accelerate their debt repayment (36%) if interest rates drop in the next three months. However, nearly three in 10 believe that declining interest rates won't affect them in any way (29%). Canadians aged 18-34 are significantly more inclined to save more or spend more on non-essential items if interest rates decrease, while those aged 34-54 are more likely to focus on paying off debt more quickly.

More than half of Canadians say interest rates will need to drop much further before their financial situation significantly improves (57%). They also express concern that interest rates may not decline quickly enough to provide the financial relief they need (56%). Notably, a third (34%) feel they are so heavily in debt that even lower interest rates would offer little relief. Quebecers and Canadians with an income of \$40,000 or less are significantly most likely to say they have accumulated so much debt that lower interest rates won't provide much relief.

About the Study

These are some of the findings of an Ipsos poll conducted between June 6 and June 11, 2024, 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 ± 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.

For more information on this news release, please contact:

Grant Bazian, CIRP, LIT
President, MNP LTD
1.877.363.3437
grant.bazian@mnp.ca

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ISIN code FR0000073298, Reuters ISOS.PA, Bloomberg IPS:FP www.ipsos.com



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