MNP Debt Index continues to recover, but still lower year over year

Despite reporting a better debt situation, affordability concerns are on the rise as Canadians have less money left over at month's end.

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Toronto, ON, October 3, 2022 — The quarterly MNP Debt Index has continued to rebound and now sits at 92 points, up two points from last quarter after seeing its lowest recorded score in March 2022. While many Canadians are feeling more confident in their ability to manage their debt than last quarter, this newfound optimism may be temporary as the underlying economic situation in Canada is deteriorating. Moreover, Canadians have historically shown higher levels of optimism through the summer, followed by more pessimism as the winter months approach.

Fewer in a precarious position, but average Canadian has less money at month-end

Less than half (46%, -6) of Canadians report they are $200 away or less from not being able to meet all of their financial obligations at month-end, including three in 10 (30%, -4) who say they already don't make enough to cover their bills and debt payments. Renters (35%) are significantly more likely than homeowners (22%) to say they don't make enough to cover their bills and debt payments. While a decline in the proportion of those at risk of insolvency represents a modest improvement since the previous quarter, the average amount of money that Canadians have left over at the end of the month has decreased by $37 as Canadians are paying more for life's necessities, and now sits at $654. Canadians ages 18-34 have noticed the largest decrease in their average month-end finances ($606, -$273), underscoring how inflation is squeezing the pocketbooks of the younger generation.

Atlantic Canadians have experienced the largest decrease among the provinces that report having the most money left at month-end ($400, -$312). Residents in Saskatchewan and Manitoba have reported the largest increase in disposable income at month-end this quarter ($713, +$127), but fall slightly short of British Columbians ($753, -$118). Quebecers have seen an improvement after a consistent decline in money at month-end since September 2021 ($622, +$71).

Canadians' perceptions of personal debt slightly improves

Canadians are feeling better about their debt than they did last quarter. More Canadians are now rating their personal debt situation as excellent (43%, +5) and fewer are rating it as terrible (14%, -4).

When Canadians were asked about their current debt situation compared to one year ago, nearly one in four perceive it to be better (23%, +1). The proportion that rated their current debt situation as much worse compared to a year ago has remained consistent with the previous quarter (14%, -1). When asked to forecast their expected debt situation one year from now, three in 10 Canadians expect their debt situation to improve (30%, unchanged) but fewer believe it will worsen (11%, -4). Looking five years into the future, four in 10 (40%, +3) believe their debt situation will be much better, while fewer believe that their debt situation will worsen (10%, -4).

Canadians more confident in ability to absorb interest rate hikes but concerns remain

Canadians are more optimistic about their ability to absorb an interest rate increase. However, this may be false optimism, as the effect of interest rate hikes tends to reveal itself over time. When asked their ability to absorb an interest rate increase of one percentage point, a quarter (25%, +4) say they're better equipped to deal with this increase than they used to be, while fewer (17%, -7) say their ability to deal with this increase has worsened. When the question was rephrased to ask about their ability to absorb an interest rate increase of an extra $130, one in five (21%, +2) say their ability to absorb this increase is much better, while a quarter (27%, -6) say it's much worse.

More than half of Canadians agree they are concerned about the impact of rising interest rates on their financial situation (59%, +1), which is the largest proportion since the MNP Consumer Debt Index began in June 2017. Two in five Canadians say they're concerned about their current level of debt (40%, -1) and that they regret the amount of debt they've taken on in life (42%, unchanged). Home renters are significantly more likely to be concerned about the impact of rising interest rates on their financial situation (renters 34% vs. owners 29%), to regret the amount of debt they have taken on (renters 31% vs. owners 19%), and to be concerned with their current level of debt (renters 23% vs. owners 16%). Although there are high levels of concerns regarding rising interest rates, more than half are confident with their ability to cover all living/family expenses in the next year without going further into debt (56%, +1) — leaving 43% not confident, down two points from last quarter.

Furthermore, most Canadians (84%, +2) agree they will be more careful with how they spend their money with interest rates rising. While a majority of Canadians are more conscious of their spending, more than half (57%,-2) say they're already beginning to feel the effects of interest rate increases, and many say they're more concerned about their ability to pay their debts as interest rates rise (55%, -1). Meanwhile, half (50%, unchanged) of Canadians say they will be in financial trouble if interest rates go up much more, and one-third (36%, -3) say rising rates could drive them closer to Bankruptcy.

Women and Albertans are most likely to say they will be more careful with how they spend their money due to rising interest rates. Canadians with household incomes less than $40,000 are most likely to feel the effects of interest rate increases (62%), to be concerned with their ability to repay their debts (60%), to say that rising rates would cause them to face financial trouble (59%), and to fear that rising interest rates are moving them close to Bankruptcy (44%). Furthermore, renters are significantly more concerned with their ability to repay their debts (renters 63% vs. owners 48%) and fear they will be in financial trouble (renters 59% vs. owners 41%) as interest rates rise — and to say that rising rates could move them towards Bankruptcy (renters 45% vs. owners 27%).

Canadians say life becoming less affordable

As many are feeling the pinch of rising costs of living, Canadians are saying necessities such as housing, transportation, food, and clothing have continued to become less affordable since December 2021. Among a list of everyday essentials, half (52%, +5) of Canadians have noted that feeding themselves and their family is less affordable, while slightly fewer than half say it's becoming less affordable to put money aside for savings (49%, +5), and pay for transportation (45%, +9), housing (37%, +2), and clothing or other household necessities (45%, +5). In every category, a greater proportion of Canadians say things are becoming less affordable.

Moreover, consistent with the findings in March 2022, a third (32%, unchanged) of Canadians say they plan on reducing their consumer expenses to make ends meet. Nearly two in 10 say they will use their savings to pay their bills (18%, +1), and just over one in 10 say they will use their credit card to pay their bills (13%, +1). Fewer than one in 10 respondents say they will pursue some other action, such as borrowing from friends or family (8%, unchanged), using a buy now pay later method (6%, +2), using a line of credit to pay bills (6%, -2), selling their assets (6%, -1), deferring payments on bills (6%, unchanged), getting professional advice (6%, -1), or applying for government assistance (5%, +1).

About the Study

These are some of the findings of an Ipsos poll conducted between September 6 and September 13, 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 ±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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