# MNP Consumer Debt Index improves to 89 points amid interest rate declines

Canadians have more money on hand at month-end now than at any point in the past five years.

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**Toronto, ON, Oct 16, 2024 —** The MNP Consumer Debt Index climbed back to 89 points, a four-point increase, demonstrating improved perceptions in the wake of interest-rate cuts. Given the Bank of Canada announcement dropping key interest rates to 4.25 percent (-50 basis points since last June's poll), Canadians have reported improvements in their personal finances. As interest rates continue to decline, we can expect Canadians will continue feeling more positively about their current personal finances than they have over the last few years.

Just over four in 10 (42%) of Canadians are $200 or less away from financial insolvency each month. This is the lowest recorded proportion since September 2018 (40%) — a result of fewer stating they are already insolvent (26%, -3 pts). Canadians who disproportionately report being $200 or less away from insolvency continue to be women (51%, +1 pt) rather than men (31%, -10 pts), indicating a widening gender gap. However, fewer Canadians are at risk of insolvency across almost all demographics. Almost half of Canadians who are sharing living arrangements (46%) or are currently bill-splitting (44%) are at risk of insolvency.

Canadians are building up the bank this quarter as the average amount of money they have left over at the end of the month has increased significantly to $937 (+$155) from the previous quarter. This is the largest amount of money Canadians have had after all expenses in the history of the MNP Consumer Debt Index. Canadians across various demographics have seen a notable improvement in month-end finances in the last quarter. However, Canadians aged 55+ (-$41) and those with less than $40K household income (-$55) have reported having less money at month-end this quarter.

## Light at the end of the tunnel for personal debt

Canadians' net personal debt rating (positive minus negative) has improved to 20 points (+1 pt) from last quarter. Furthermore, current debt perceptions are consistent after a significant dip last quarter. Net scores for current debt rating are up two points due to a shift of Canadians saying their current debt situation is better (24%, +1 pt) compared to one year ago, rather than worse (18%, -1 pt).

Canadians' perceptions of their future debt situations should improve even more as we continue to see interest rates decline. Looking ahead one year from now, three in 10 Canadians expect their debt situation will get better (31%, +2 pts), and much fewer believe it will worsen (12%, -4 pts).

## Greater impact after interest rates decline further

Canadians are beginning to see some relief with the pace of interest rates declining. Perceptions of their ability to absorb additional interest rate increases have improved after taking a hit last quarter. When asked about their ability to absorb an interest rate increase of one percentage point, a quarter (24%, +3 pts) say they're much better equipped to absorb this increase than they used to be. Another quarter (24%, -1 pt) say their ability to deal with this increase has worsened.

When the one percent was phrased as an extra $130 in interest rate increases, more (22%, +3 pts) said their ability to absorb this increase is much better, while fewer (33%, -2 pts) said it is much worse.

While some Canadians are feeling more up to managing interest rates, others' attitudes remain consistent with last quarter. After the third interest rate drop this year, almost half (48%, +1 pt) say they're still concerned with their ability to repay their debt — even if interest rates decline. On the bright side, slightly fewer are afraid that they will be in financial trouble (54%, -3 pts) if interest rates go up much more, indicating these recent declines are starting to make a difference for some.

## Canadians making sacrifices to save money

While costs of living continue to be a striking problem for many Canadians, roughly half say they have tried to save money by grocery shopping more strategically (51%), avoiding impulse purchases (46%), or avoiding restaurants or take-out (44%). Three in 10 Canadians have resorted to bill splitting (30%) while one in 10 have opted to move in with a friend, family member, partner, or roommate (13%). Bill Splitting is more common among Canadians aged 18-34, and specifically among British Columbians and Albertans. Similarly, sharing housing costs is more common among younger Canadians, British Columbians, and those with lower incomes.

When asked what they're considering doing to save money in the next 12 months, bill splitting (27%) is at the top of the list for Canadians. This includes 14 percent who would consider moving in with a friend, family member, partner, or roommate. Other ways Canadians would consider saving money include creating a budget (14%), cancelling subscriptions (13%), reducing the amount they eat at restaurants (13%), avoiding impulse purchases (13%), and reducing utility consumption (13%).

## About the Study

These are some of the findings of an Ipsos poll conducted between September 6 and September 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:

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## About Ipsos

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