



MNP Consumer Debt Index plunges to 79 points as U.S. presidential election causes financial anxiety

Net personal debt rating hits an all-time low despite declining interest rates as more than two in five Canadians say they need help to get out of debt.



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Calgary, AB, January 13, 2025 — The MNP Consumer Debt Index has declined significantly to 79 points, a 10-point decrease from the previous quarter. This is the second-lowest level recorded since the inception of the Index, which dropped to 77 points amid high inflation in December 2022. The current decline reflects the uncertainty the U.S. presidential election brings to the Canadian economy, including proposed tariffs. While Canadians recently reported a small respite in their financial worries, most are now feeling more negatively about their personal finances heading into 2025.



More Canadians are at risk of insolvency

After significant declines in insolvency anxiety, half of Canadians (50%, +8 pts) are now \$200 or less away from insolvency. This is due to significantly more Canadians saying they are already insolvent (35%, +9 pts) compared to the previous quarter. More women (55%, +4 pts) continue to report being \$200 or less away from insolvency compared to men. However, the proportion of men at risk has increased to 44 percent, up 13 points from last quarter.

Month-end finances are also down from the previous quarter, dropping significantly to \$790 — down \$147 from the previous quarter. However, this decline followed a considerable increase, which has now settled to be on par with December 2023 at \$795. Canadians across most demographics have seen a notable decline in month-end finances in the last quarter.

Net personal debt rating hits all-time low

Canadians' net personal debt rating has plummeted to an all-time low of eight points, down 12 points from last quarter. Canadians' net personal debt rating nearly reached this point only one other time since the inception of the Index, when net ratings dipped to 10 points in December 2022 before rebounding the next quarter. This significant decline is due to fewer Canadians rating their personal debt situation positively (31%, -7 pts) and more rating it as much worse (23%, +5 pts).

Canadians' perceptions of their future debt situation have also dropped, despite interest rate cuts. When asked to reflect on their debt situation one year from now, a quarter of Canadians expect it to improve (27%, -4 pts), and much more believe it will worsen (19%, +7 pts) compared to last quarter.

Concerns about personal debt outweigh interest rate declines

The Bank of Canada's key rate is now sitting at 3.25 percent, 50 basis points lower than last quarter, after the fifth consecutive interest rate cut. However, Canadians' concerns about their debt, the economy, and their ability to absorb financial shocks has deteriorated despite these cuts and the potential for additional cuts in the future.

Canadians' ability to absorb an interest rate increase of one percentage point has declined overall. When asked their ability to absorb an interest rate increase of one percentage point, fewer (20%, -4 pts) state they are much better equipped to absorb this increase. More (27%, +3 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 (17%, -5 pts) say their ability to absorb this increase is much better, while more (37%, +4 pts) say it is much worse.

Attitudes towards interest rates have also taken a turn for the worse as Canadians' concerns with managing interest rates increase. Half of Canadians agree they are still concerned about their ability to repay their debts even if interest rates decline (50%, +2 pts), and more are concerned that rising interest rates could move them towards Bankruptcy (46%, +4 pts). Even more Canadians say they desperately need interest rates to go down (65%, +2 pts), despite interest rates falling at a steady pace.



Many need help with their debt

Debt and finances are top issues for many Canadians. The majority agree there is no shame in seeking financial help with debt (80%), and more than two in five (43%) say they need help to get out of debt. However, fewer are willing to act on their own advice as more than half (53%) say they have difficulty trusting professional companies to help them get out of debt.

Furthermore, almost half say they would be embarrassed to seek help if their financial situation was bad enough to consider Bankruptcy (48%). Four in 10 agree the stigma of Bankruptcy prevents them from seeking help with their debt (40%), a nine-point increase from 2019. Canadians report not believing their situation is serious enough to seek debt help (66%) and a fear of debt-relief scams (63%) as additional reasons for avoiding financial help. Conversely, a third (36%) of Canadians say they don't know how to get out of debt or where to turn for help, up six points from 2019.

Financial bad habits are a reality in times of financial strain

A quarter of Canadians (26%) only made the minimum payment towards the balance on their credit card in the past year, consistent with the results from December 2022 and 2023. Additionally, one in five Canadians skipped or delayed a bill payment (22%), went into further credit card debt (20%, -2 pts), or made the minimum payment on their line of credit in the last year (17%, -2 pts). Some Canadians reported selling their personal belongings to make ends meet (18%) or borrowing money they can't afford to pay back quickly (16%, -2 pts), which has put them deeper in debt.

About the Study

These are some of the findings of an Ipsos poll conducted between December 6 and December 17, 2024, on behalf of MNP LTD. For this survey, a sample of 2,003 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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