



## MNP Consumer Debt Index reaches record low amid overspending, pandemic woes

Two in 10 Canadians on the financial naughty list this holiday season, many more risk falling into low-interest debt trap.



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**TORONTO, ON, January 18, 2021** — As Canadians put a year severely disrupted by COVID-19 behind them, there are signs 2020's financial stressors will continue to exact a toll well into 2021. Now in its fifteenth wave, the quarterly MNP Consumer Debt Index has reached a record low — dropping five points since September to stand at 89 points. This is the also largest decline since tracking began in June 2017. The Index, which is conducted by Ipsos on behalf of MNP Ltd., tracks Canadians' attitudes about their debt situation and their ability to meet their monthly payment obligations.

Canadians' personal financial situations are highly nuanced. While the average Index respondent reports having more money left over at month end since September (\$733, +\$46), this is likely the cumulative result of adjusted spending habits and cutting back on things like entertainment and travel since restrictions began in March 2020. The Debt Index's record drop is instead being fuelled by negative perceptions around personal debt and ability to weather unexpected financial setbacks without relying on credit. Just one in five Canadians (25%) feels confident in their ability to cope with loss of employment or a change in wage or seasonal work.



## Potential debt trap as low-interest spending on the rise

With interest rates reaching an all-time low in 2020, some six in 10 (61%) Canadians have seen opportunities to take advantage and make purchases not normally within their budget. Nearly half (47%) say they're more relaxed about carrying debt than usual — this rises to 53 percent of those aged 18-34 and 60 percent of those living in Quebec.

Some risk being lulled into a false sense of security with potential interest rate increases on the horizon in 2021 which may ultimately trap them in a cycle of unwanted debt. In fact, the rising cost of debt is already having an impact. Almost half of Canadians (47%, +1 from September) say they're worried they could end up in financial trouble if interest rates go up much more, while four in 10 (41%) admit they're already beginning to feel the effects of interest rate increases (+1). Concerningly, those aged 18-34 are the most relaxed about taking on more debt and the most likely likely to be feeling the pinch from interest rate hikes (53%).

Low interest rates or not, bad financial habits are also still evident even despite the uncertainty wrought by the pandemic. Nearly two in 10 (18%) Canadians say they only paid the minimum balance on their credit card at some point over the past year (-3 from December 2019). These findings are no doubt a sobering prospect for those who spent more than they probably should have over the holiday season.

## Pandemic adds to debt load

The survey finds as many as three in 10 Canadians (28%) have taken on more debt since March as a direct result of the pandemic. This includes using credit cards (15%) or lines of credit (8%) to pay off bills, borrowing money from friends or family (10%), taking out a bank loan (3%), or using a payday loan service (3%).

While fewer (22%) now express economic concerns as a result of COVID-19 (-12 pts since June) or the recession (20%, -5 pts) — likely as a result of actions taken — the increased debt load overall could lead to greater anxiety down the road.

Indeed, this growing debt burden is already reflected to some extent in Canadians' current set of personal financial worries. Asked what keeps them up at night, Canadians have become less worried about various aspects of their financial health — with the exception of personal debt. A quarter (24%) say their debt keeps them awake from worry, up 3 points since June. Following closely behind are worries about how they'll pay their bills (20%, -2 pts) or afford essentials for their family (19%, unchanged).

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## About the Study

These are some of the findings of the fifteenth wave of the MNP Consumer Debt Index conducted by Ipsos between December 1-3, 2020, 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](http://mnpdebt.ca/CDI).

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