# MNP Consumer Debt Index rebounds significantly

Eight-point increase from last quarter as concerns over interest rates ease and debt perceptions improve.

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**Calgary, AB, April 8, 2024 —** Canadians are feeling much better about their personal finances after a year of low scores as the MNP Consumer Debt Index rebounds to 91 points, up eight points since last quarter. With interest rates likely coming down soon, Canadians are optimistic about their current debt situation, expected debt situation, and ability to absorb interest rate increases. However, scores are possibly being held back due to a higher proportion still concerned with interest rate hikes (i.e., mortgage renewals), which will affect their ability to repay their debts. These concerns about interest rate hikes may contribute to anxieties about being pushed towards Bankruptcy.

## Young Canadians are building up their month-end finances

Consistent with last quarter, almost half (45%) 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. The number of Canadians who are $200 or less from insolvency has declined by four points. Walking on the brink of insolvency continues to be more prevalent among women (47%) than men (42%), but the gap has narrowed from the previous quarter. Furthermore, Canadians who are concerned with the financial cost of social obligations, or social squeeze (52%), are more likely to be at risk of insolvency than those who are not (33%).

The average amount of money that Canadians have left over at the end of the month has improved to $842, up $47 from the previous quarter. Canadians have seen a bump in month-end finances across all demographics, most notably younger Canadians, those with incomes of $100,000 or more, and Albertans. Those aged 18-34 ($1,101, +$234) now hold a significant lead in month-end finances over those aged 35-54 ($700, -$79), and 55 or older ($784, +$27), as younger people generally have fewer financial obligations.

## Debt perceptions take a turn for the better

Canadians' net personal debt rating has improved significantly to 22 points, an eight-point increase from last quarter. The shift is due to more Canadians rating their personal debt situation as excellent (41%, +6 pts), and fewer rating their personal debt as terrible (19%, -2 pts). Fewer Canadian households are concerned about their level of debt (41%, -6 pts) and fewer regret the amount of debt they've taken on in life (44%, -3 pts) compared to last quarter.

Debt perceptions have rebounded after record lows to match similar levels observed in March 2023. When asked to reflect on their current debt situation compared to one year ago, more Canadians perceive their debt situation to be better (27%, +5 pts). Significantly fewer rated their debt situation as much worse compared to a year ago, a decrease of six points from the previous quarter (16%).

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 one year from now, three in 10 Canadians expect their debt situation to be better (30%, +2 pts). Fewer believe it will worsen (14%, +2 pts), indicating minor but consistent improvements.

## Perception of rising interest rates appears manageable

Canadians' perception of their ability to absorb additional interest rate increases has improved significantly compared to last quarter. When asked their ability to absorb an interest rate increase of one percentage point, a quarter (25%, +3 pts) say they are much better equipped to absorb this increase. One in five (20%, -7 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, a quarter (24%, +5 pts) say their ability to absorb this increase is much better. Fewer (27%, -9 pts) say it is much worse.

Sentiments around interest rates have also improved as Canadians feel more confident with their ability to absorb additional interest rates. Fewer Canadians are concerned about their ability to repay their debts (58%, -5 pts), and fewer say they will be in financial trouble if interest rates go up much more (54%, -3 pts). Women and Canadians aged 35-54 are most likely to agree they will be more careful with how they spend their money with interest rates rising. Canadians aged 18-34 are most likely to be concerned with rising interest rates putting them in financial trouble, impacting their ability to repay debt, or moving them towards Bankruptcy.

## Pandemic recovery and social squeeze

A third of Canadians have recovered financially since the start of the pandemic in 2020 (33%), however, another third state they are worse off financially now than they were pre-pandemic (32%). Canadians who are worse off financially are predominantly aged 35-54 and have lower incomes. Two in 10 (20%) state that the pandemic did not significantly impact their finances, primarily those aged 55 and older.

Half of the population (49%) is concerned with the social squeeze on their personal finances, meaning they are worried about the amount of money they'll have to spend on social obligations. Canadians aged 18-34 (59%) and 35-54 (58%) are most concerned with social squeeze due to having to fulfill expensive social obligations such as weddings. However, Quebec residents are significantly less likely to be concerned (40%) than those in other provinces. Those with poor personal debt ratings are significantly more concerned about social squeeze (75%), given their already precarious financial position.

## About the Study

These are some of the findings of an Ipsos poll conducted between March 8 and March 15, 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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