Uneven recovery means many Canadians could be facing a cold winter

Young Canadians and renters at higher risk of insolvency as debt support ends and MNP Consumer Debt Index sinks to second-lowest reading ever.

Ipsos

MNP LTD

Toll Free 310-DEBT

MNPdebt.ca

Licensed Insolvency Trustees

TORONTO, ON, October 13, 2020 — After a turbulent spring, many Canadians managed to find some sense of normalcy over the summer. However, many households are in for a rough financial landing as the country moves into autumn.

Now in its fourteenth wave, the quarterly MNP Consumer Debt Index conducted by Ipsos tracks Canadians' attitudes about their debt situation and ability to meet their monthly payment obligations. The Index currently stands at 94 points, its second-lowest reading ever, on the heels of a record low in March. As the country enters its seventh month of economic disruption due to COVID-19, it is clear Canadians are increasingly jittery about their finances.

Back to reality after a summer of debt relief

Canadians were surprisingly buoyant about their personal financial situations last quarter. This temporary boost likely came from government, banks, and companies trying to help those in need by temporarily suspending holidays or offering more flexibility in repayment schedules. But reality is sinking in as these relief efforts come to an end — especially because the economy is not yet back in full force. A significant number of households are still experiencing disruption to their employment, but now have fewer supports to rely on.

Several indicators point to more muted attitudes after a financially lenient summer. While not currently a cause for concern, a downward trend could spell trouble further down the road. For instance, Canadians' current net personal debt rating stands at 28 points, down three points from a high over the summer. Four in 10 (42%) Canadians rate their debt situation as 'excellent'; and though this is only a one-point decrease from last wave, the drop is slightly more pronounced among those with modest incomes — 40 percent among those earning $40,000-$60,000 (-4) — and millennials (31%, -4).

Also down from summer highs, net ratings of how Canadians view their debt situation have returned to where they were just before the pandemic. More specifically:

- A quarter (26%) of Canadians perceive their current debt situation to be better than one year ago (-1) and about one in seven believe it's worse (13%, +2); a net score of +13 (-3).
- Roughly a third (33%) say their debt situation has improved over the past five years (-2) and two in 10 (17%) say it is worse (+1), for a net score of +16 (-3).
- Under both timeframes, millennials, those earning less than $40,000 a year, and Prairie residents are the most likely to say their current debt situation is worse now.

Assessments of how Canadians think their debt situation will be a year from now have not changed from last wave; a third expect their debt situation to improve (33%, unchanged) and one in 10 believe it will worsen (11%, -1). However, Canadians are still hopeful things will get better in the medium- to long-term. Over four in 10 (44%, +2) expect their debt situation to improve five years from now.

K-shaped recovery creating a two-track Canada?

While some are fortunate enough to continue working from home in their present jobs, others are struggling with financial uncertainty and not knowing whether their job will still be around after the pandemic. This has led some to wonder if Canada is currently experiencing a K-shaped recovery, whereby segments of the population recover at different speeds. Depending on where one stands, the return to normal could look very different.

A K-shaped recovery may explain why attitudes seem relatively stable overall, even if there are signs of trouble in the margins. For instance, Canadians have an average of $687 at month-end after paying their bills and debt obligations, which represents a decrease of $63 from June. This may not seem like a large decline, but below the surface nearly half (47%) of Canadians are $200 or less away from insolvency, a four-point increase from last wave. This includes 26 percent who are already insolvent, also up four points from last wave.

There are other signs that more trouble could be on the horizon as bills quickly become due. Four in 10 (43%) say they are worried about current level of debt (+3), the second highest proportion since 2017 (peaking at 46 percent in March 2020). Furthermore, whether one has a job or not, the fact remains four in 10 (39%) are still worried either they or someone in their household could lose their job, concern that is unchanged from the last wave.

Renters particularly at risk

In addition to younger Canadians and those with modest incomes, those who rent their homes are more likely to be struggling during this K-shaped recovery. There can be a good deal of overlap between these three groups, highlighting the need to understand their often-interrelated experiences as they weather the pandemic.

For instance, those who rent their homes tend to have less money at month-end, reflecting the fact renters generally have lower household incomes than homeowners (homeowners are also more likely to be in two-income households). Renters report having $513 at month-end this wave, compared to $851 for homeowners.

Renters are also significantly more likely to be insolvent; almost six in 10 (57%) say they are $200 or less away from insolvency — including 32 percent who say they are already insolvent. By contrast, just over a third (36%) of homeowners say the same, with two in 10 (18%) saying they are already insolvent. No surprise, then, that three in 10 (31%) renters say they regret the amount of debt they've taken on in life, compared to 22 percent of homeowners. And only 31 percent say they'll be able to cover their living expenses for the next twelve months without going into further debt, compared to 45 percent of homeowners.

As a product of their more secure financial position, homeowners are generally more comfortable in coping with life events — such as having an illness and not being able to work for three months or the death of an immediate family member — without increasing their debt burden,.

Confidence in Coping with Life Events Without Increasing Debt

(Rating 8-10 out of 10)

	Total	Homeowner	Renter
A change in your relationship status	32%	33%	30%
Unexpected auto repairs or purchase	28%	**34%**	**22%**
Having an illness and being unable to work for three months	27%	**33%**	**22%**
The death of an immediate family member	26%	**31%**	**23%**
Loss of employment / change in wage or seasonal work	26%	**31%**	**21%**
Paying for your own or someone else's education	24%	**30%**	**19%**

Note: Bolding indicates attributes for which differences between groups are statistically significant.

Throughout the pandemic Canadians have been persuaded that we're all in this together, but it's become clear some groups are better equipped to weather the storm better than others. This is an important distinction. With a second wave of COVID-19 very much underway in various parts of the country, Canadians of all stripes should be prepared for more disruption in the months to come.

About the Study

These are some of the findings of an Ipsos poll conducted between September 1-3, 2020, on behalf of MNP LTD. For this survey, a sample of 2,001 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:

Grant Bazian, CIRP, LIT
President, MNP LTD
778.374.2108
grant.bazian@mnp.ca

About Ipsos

Ipsos is the world's third largest market research company, present in 90 markets and employing more than 18,000 people.

Our passionately curious research professionals, analysts and scientists have built unique multi-specialist capabilities that provide true understanding and powerful insights into the actions, opinions and motivations of citizens, consumers, patients, customers or employees. We serve more than 5000 clients across the world with 75 business solutions.

Founded in France in 1975, Ipsos is listed on the Euronext Paris since July 1st, 1999. The company is part of the SBF 120 and the Mid-60 index and is eligible for the Deferred Settlement Service (SRD).

ISIN code FR0000073298, Reuters ISOS.PA, Bloomberg IPS:FP www.ipsos.com