

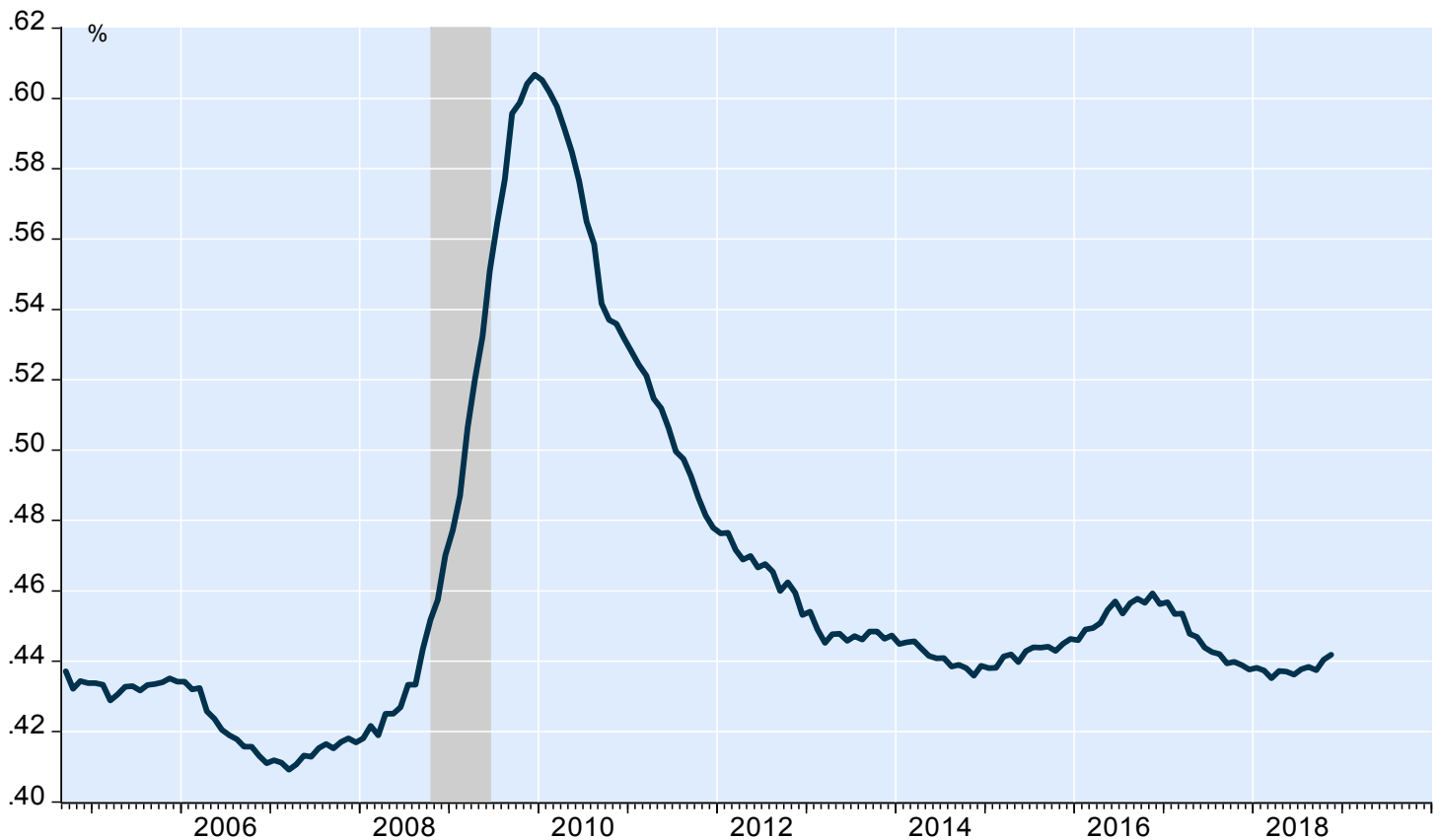
## Canada Watch

By Matthieu Arseneau

Several medias reported yesterday results of an IPSOS survey conducted for insolvency firm MNP indicating that a whopping 46% of Canadians are 200\$ or less away from financial insolvency on a monthly basis. Have reckless Canadians reached the tipping point that will generate a Tsunami of household insolvencies? The IPSOS survey always generates a lot of hype in the media but we think it is more bark than bite. Recall that at this time last year, that same survey reported that 48% of Canadians were on the brink of insolvency (the same proportion as the one conducted in 2016) with 33% claiming to have no wiggle room at all. What happened next is interesting. Households have indeed experienced an increase in their financial obligations (capital and interests) of \$12.9 billion over the past year according to Statistics Canada - or roughly \$70 per month per household. Despite the rise, defaults were muted. As today's Hot Chart shows, the insolvency ratio was slightly up, but only to 0.44 percent. That's in sharp contrast to the 33 percent Tsunami suggested by last year's survey. Keep in mind that there are several factors at play mitigating against the impact of rising rates on insolvency: upward trending disposable incomes, declines in discretionary spending or a temporary use of the balance sheet.

### Canada: Is a tsunami of household defaults about to hit?

Bankruptcies and proposals as a percentage of population aged 20y+ (moving average 12 months)



NBF Economics and Strategy (data via Office of Superintendent of bankruptcy Canada seasonally adjusted by NBF and Statistics Canada)

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