ANGUS REID INSTITUTE

Canada's Non-Profit Foundation Committed to Independent Research

Tightening up, drawing down: Vast majority of Canadians making tough decisions to handle cost-of-living crisis

Two-in-five say they've taken money from savings or other accounts that they generally try to avoid

April 6, 2023 – More than a year into a stubborn and persistent cost-of-living crisis, a considerable number of Canadians have progressed from belt-tightening on spending to drawing on existing savings to make ends meet.

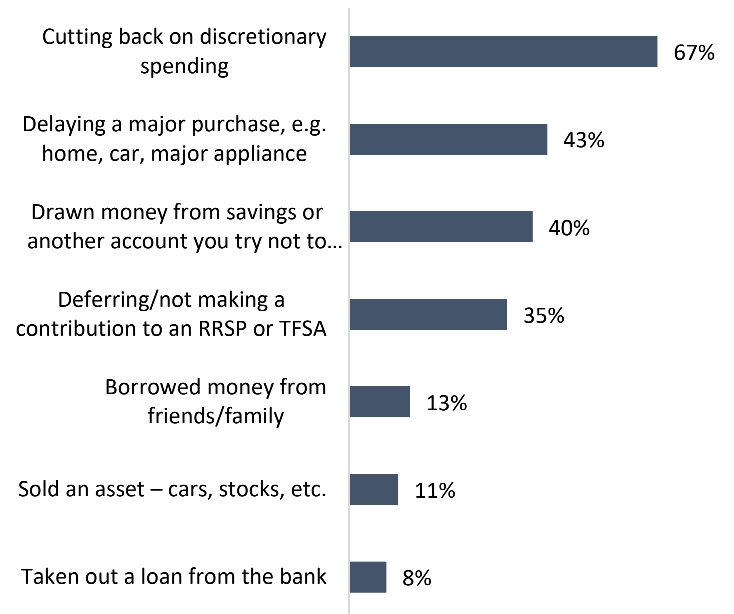
The latest data from the non-profit Angus Reid Institute finds two-thirds of Canadians reporting cutting back on discretionary spending in recent months – a number 14-points higher than reported around this time last year.

However, for millions, penny-pinching doesn't go far enough. Two-in-five (40%) say recent challenges have forced them to draw money from accounts that they try not to touch, and one-in-three (35%) say they deferred a contribution to their RRSP or TFSA.

For one-in-ten the situation has been so difficult they're either borrowing from friends and family (13%), selling assets (11%), or seeking out a bank loan (8%).

Little wonder then, that fully one-in-three (34%) Canadians say they're in either "bad" or "terrible" shape financially. This represents a six-point increase from last July. Those individuals continue to struggle with food costs, for which inflation remains significantly higher at approximately 10 per cent. Among those who say they are in "terrible shape" financially, nine-in-ten (94%) say it is difficult to feed their household. Four-in-five (80%) say this among the group who are in self-described "bad shape".

Percentage who have done each of the following recently to cope with rising cost of living
(All respondents, n=1,600)



METHODOLOGY:

The Angus Reid Institute conducted an online survey from March 30-31, 2023, among a representative randomized sample of 1,600 Canadian adults who are members of Angus Reid Forum. For comparison purposes only, a probability sample of this size would carry a margin of error of +/- 2 percentage points, 19 times out of 20. Discrepancies in or between totals are due to rounding. The survey was self-commissioned and paid for by ARI. Detailed tables are found at the end of this release.

The federal government recently tabled a budget including policy measures, such as one-time grocery rebate, designed to alleviate the financial pressure that many are individuals and households are feeling. And while these moves may provide some relief to some households, persistent challenges remain, perhaps exacerbated for nearly half of Canadian workers (45%) who say they have not received additional compensation from their employer over the past 12 months.

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More Key Findings:

- The percentage of Canadians saying they deferred contributing to an RRSP or TFSA recently has risen from 22 per cent in February 2022, to 26 per cent last September, to 35 per cent in this most recent data.

- Part-time workers are much less likely to have received additional compensation over the past year (35%) compared to those who work full-time (58%).

- More than half of Canadians whose household income is lower than $50,000 per year (54%) say they are in poor or terrible financial shape. The number saying this drops to one-third (33%) for household incomes between $50,000 and $99,999, and one-in-five (21%) for those in households earning $100,000 or more.

About ARI

*The **Angus Reid Institute (ARI)** was founded in October 2014 by pollster and sociologist, Dr. Angus Reid. ARI is a national, not-for-profit, non-partisan public opinion research foundation established to advance education by commissioning, conducting and disseminating to the public accessible and impartial statistical data, research and policy analysis on economics, political science, philanthropy, public administration, domestic and international affairs and other socio-economic issues of importance to Canada and its world.*

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Part One: Canadians' financial heath

<u>One-third say they're in bad or terrible shape</u>

The economic trials and tribulations of the last year for Canadians have been well documented. Inflation reached peaks in 2022 not seen since the 1980s, pressuring household budgets, especially when it came to groceries. The Bank of Canada raised interest rates from record lows to 4.5 per cent to help cool the economy and slow inflation, but in the process also increased the costs of mortgages, and subsequently renting.

Though two-thirds of Canadians describe themselves as in good or great shape financially, one-third (34%) say they are struggling. This is the highest level seen since Angus Reid Institute began asking this question near the onset of the COVID-19 pandemic. In April 2020, when many were out of work due to business closures to restrict the spread of the virus, one-quarter (27%) said they were in bad or terrible

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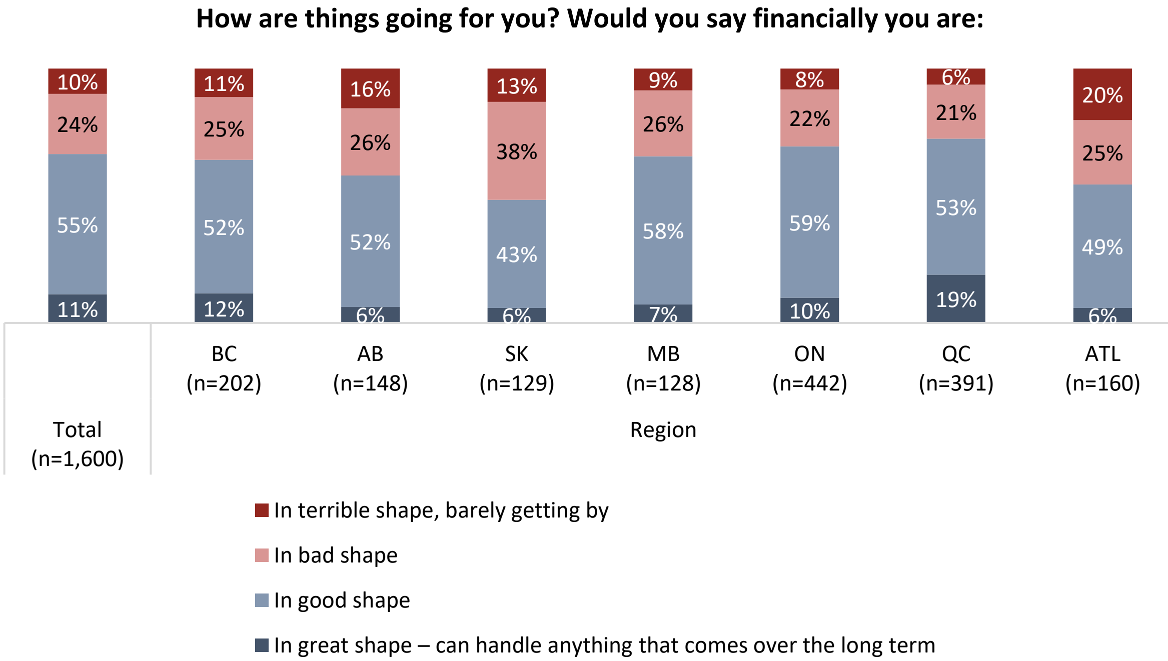
shape financially. The fact that more describe themselves in bad shape financially now perhaps speaks to how challenging recent months have been for Canadians.

Financial struggles are not felt evenly across the country. Half (51%) of those in Saskatchewan describe themselves in bad shape, or worse, financially, the most in the country. Meanwhile, one-in-five (20%) in Atlantic Canada say they are barely getting by, twice the national average:



Income and age

Those with household incomes of less than $25,000 annually are much more likely than those in higher earning households to say they are in terrible shape. However, at least one-in-five in every income bracket except the highest one report they are in bad shape or worse financially:

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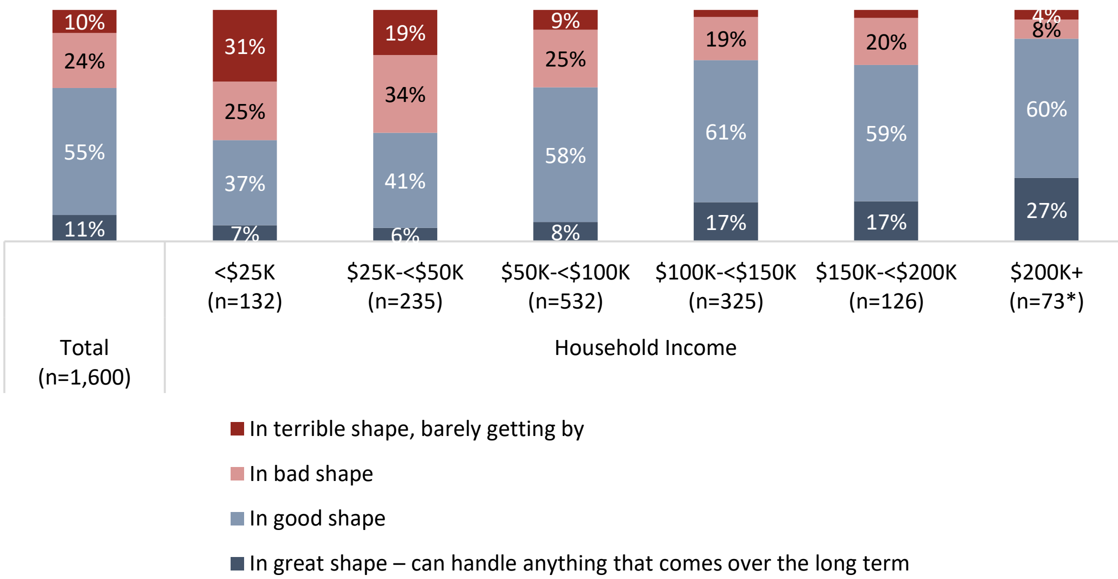
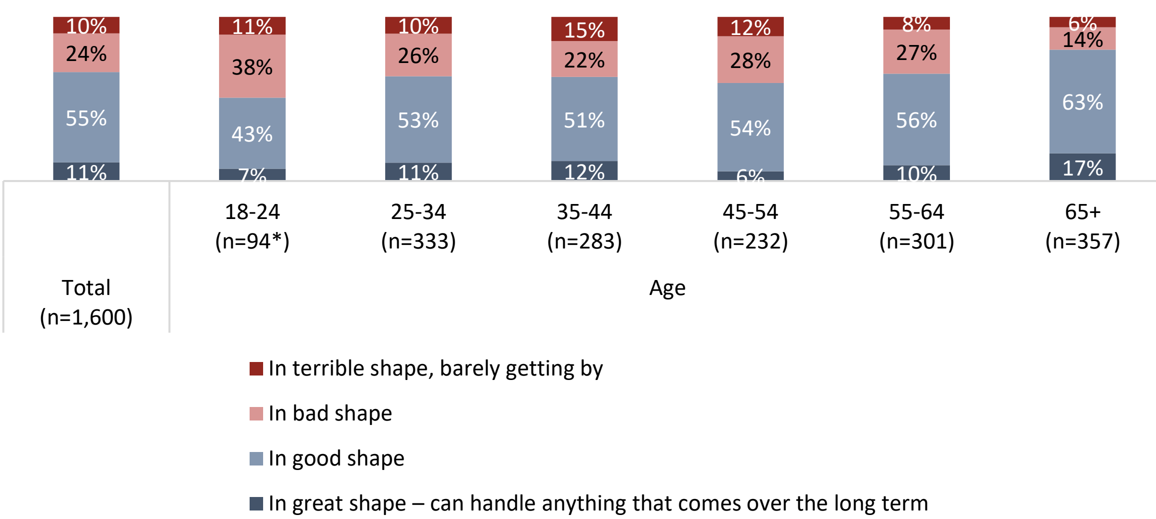
How are things going for you? Would you say financially you are:



**Smaller sample size, interpret with caution*

There are evidently many younger Canadians who are struggling to gain a foothold financially early in their working lives, or as they go through post-secondary education, as younger adults are more likely to report poor financial health than older ones. However, there are also many Canadians who would be later in the career who say they are struggling too. Two-in-five (40%) 45- to 54-year-olds report being in bad or worse shape financially, alongside more than one-third (35%) of those aged 55 to 64. Perhaps that's why many Canadians in that age range are delaying retirement.

How are things going for you? Would you say financially you are:



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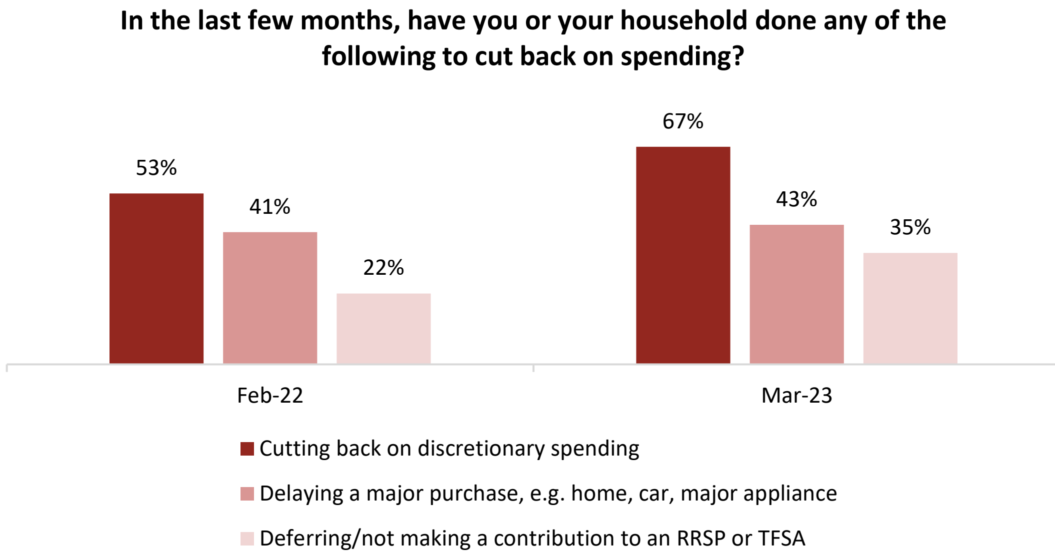
Part Two: How Canadians are coping: cutting back, dipping into savings

The financial challenge of the last year has many Canadians adapting the way they spend. As one example, Restaurants Canada reports restaurants are seating fewer diners than they were prior to the pandemic, though traffic has rebounded from pandemic lows.

Two-thirds (67%) say they are cutting back on discretionary spending to save money, while two-in-five (43%) say they are delaying a major purchase. With the deadline passed to contribute to an RRSP for the 2022 tax year, one-third (35%) say they've deferred those sorts of saving contributions this year.

More Canadians report cutting back on discretionary spending than one year ago, and there appears to be more movement from Canadians away from contributing to their savings as inflation has persisted in recent months:



Those in Saskatchewan (79%) are the most likely to report spending less on discretionary items and activities. They are also the most likely to say they are delaying a major purchase at 55 per cent. Still, at least seven-in-ten in all provinces except Quebec are cutting the discretionary part of their budget:

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In the last few months, have you or your household done any of the following to cut back on spending?								
	Total (n=1,600)	Region						
		BC (n=202)	AB (n=148)	SK (n=129)	MB (n=128)	ON (n=442)	QC (n=391)	ATL (n=160)
Cutting back on discretionary spending	67%	70%	74%	79%	74%	70%	55%	74%
Delaying a major purchase, e.g. home, car, major appliance	43%	48%	46%	55%	52%	42%	36%	52%
Deferring/not making a contribution to an RRSP or TFSA	35%	34%	45%	47%	40%	35%	28%	31%
Other, specify:	8%	9%	11%	13%	5%	8%	5%	12%
None of these/Prefer not to say	19%	17%	14%	10%	15%	18%	26%	17%

While many Canadians report trimming spending, others have had to take more drastic action. Two-in-five say they've dipped into their savings in recent months to help pay their bills. Others have had to borrow money from friends and family (13%), sell assets (11%), take out loans from the bank (8%) or pay-day loan companies (4%).

Though those living in lower income households are more likely to report dipping into their savings to help cover expenses in recent months, at least one-third in all income brackets say they have done so. However, those in households earning less than $25,000 annually (29%) are the most likely to report tapping their friends or family for financial help:

And, in the last few months, have you or your household done any of the following to help pay your bills/expenses?							
	Total (n=1,600)	Household Income					
		<$25K (n=132)	$25K- <$50K (n=235)	$50K- <$100K (n=532)	$100K- <$150K (n=325)	$150K- <$200K (n=126)	$200K+ (n=73*)
Drawn money from savings or another account you try not to touch	40%	41%	41%	44%	38%	36%	35%
Borrowed money from friends/family	13%	29%	22%	13%	7%	9%	6%
Sold an asset – cars, stocks, etc.	11%	13%	7%	12%	10%	11%	10%
Taken out a loan from the bank	8%	7%	7%	9%	11%	11%	2%
Taken out a loan from a pay-day loan company	4%	10%	6%	3%	3%	2%	1%
None of these/ Prefer not to say	48%	36%	44%	46%	54%	53%	61%

**Smaller sample size, interpret with caution*

Those in Saskatchewan also find themselves as the most likely to be drawing money from savings in recent months to cover bills at three-in-five (61%). Despite strong economic growth indicators, child poverty in Saskatchewan is reportedly higher than everywhere but Manitoba and the Yukon. Lower levels of social assistance in the province may have some turning to other means to combat inflation.

Meanwhile, three-in-five (59%) in Quebec say they haven't had to do any of the options listed to pay expenses, the most in the country. Quebec has been both heralded, and criticized for its generous social supports, and currently maintains the lowest unemployment rate in the nation – both of which may be factors in the relative stability voiced by residents.

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And, in the last few months, have you or your household done any of the following to help pay your bills/expenses?								
	Total (n=1,600)	Region						
		BC (n=202)	AB (n=148)	SK (n=129)	MB (n=128)	ON (n=442)	QC (n=391)	ATL (n=160)
Drawn money from savings or another account you try not to touch	40%	42%	47%	61%	43%	40%	30%	49%
Borrowed money from friends/family	13%	11%	16%	12%	10%	15%	10%	16%
Sold an asset – cars, stocks, etc.	11%	14%	15%	19%	8%	12%	5%	8%
Taken out a loan from the bank	8%	7%	5%	15%	9%	9%	8%	7%
Taken out a loan from a pay-day loan company	4%	5%	5%	-	3%	4%	2%	4%
None of these/ Prefer not to say	48%	42%	45%	32%	49%	49%	59%	38%

Part Three: Challenges persist

Inflation waning but groceries still a challenge for nearly half

In the face of this widespread economic woe, the inflationary news is improving for Canadians, with the overall rate dropping to 5.25 per cent in February. Food costs, however, remain elevated, with inflation still at 9.7 per cent within that sub-category. Canadians continue to endure this, and as has been the case for 18 months, close to half say it is difficult to feed their household:

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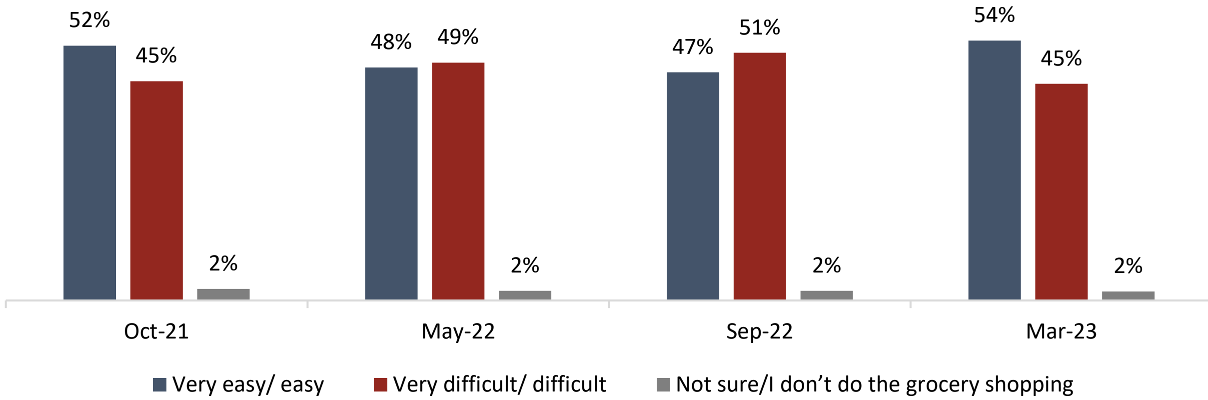
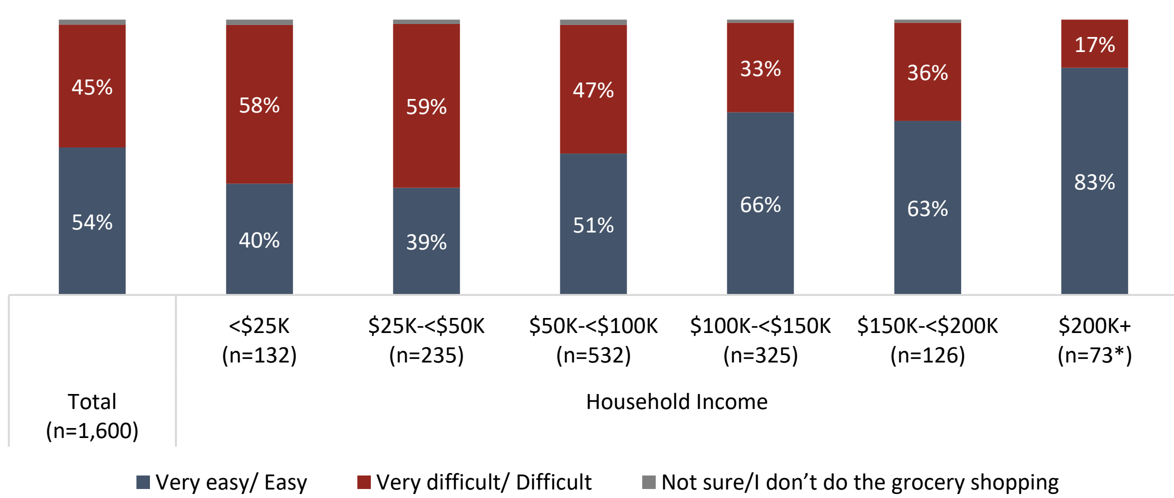
Thinking about grocery shopping and your household's food budget today, how easy or difficult would you say it is to feed your household?



Those who are having difficulty with their finances are facing a considerable challenge when it comes to putting food on the table. Among those in self-described terrible shape 94 per cent say it is difficult to feed their household. Among those in bad shape, four-in-five say this (see detailed tables):

As one might expect, purchasing power plays an important part in this equation. Households with an income level of more than $100,000 appear much better situated to endure elevated food costs than others:

Thinking about grocery shopping and your household's food budget today, how easy or difficult would you say it is to feed your household?



**Smaller sample size, interpret with caution*

<u>Nearly half of workers didn't receive a raise last year</u>

Many Canadian employers are responding to the inflationary environment with wage and salary increases, to help employees keep up. Canadian wages grew 5.4 per cent year over year in February.

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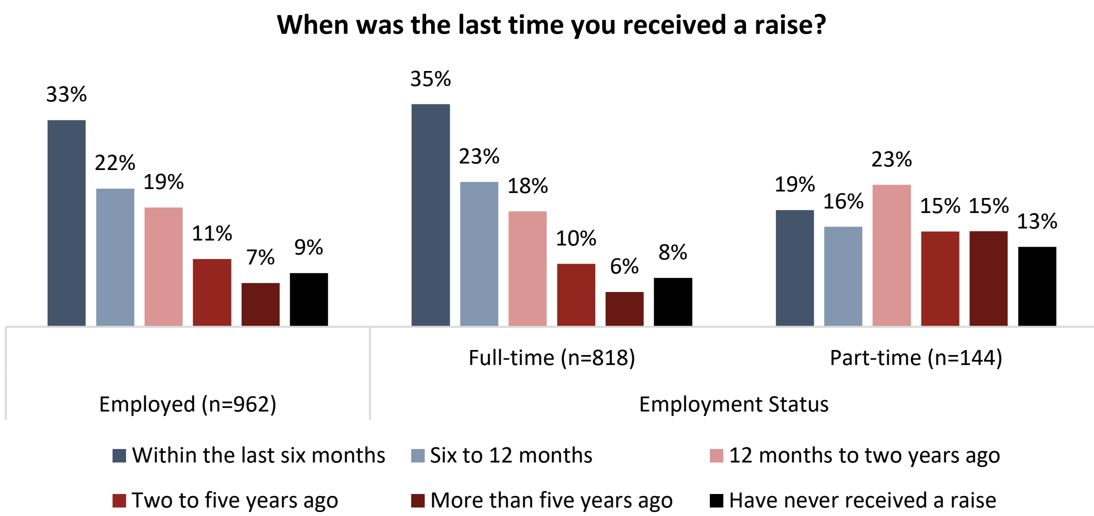
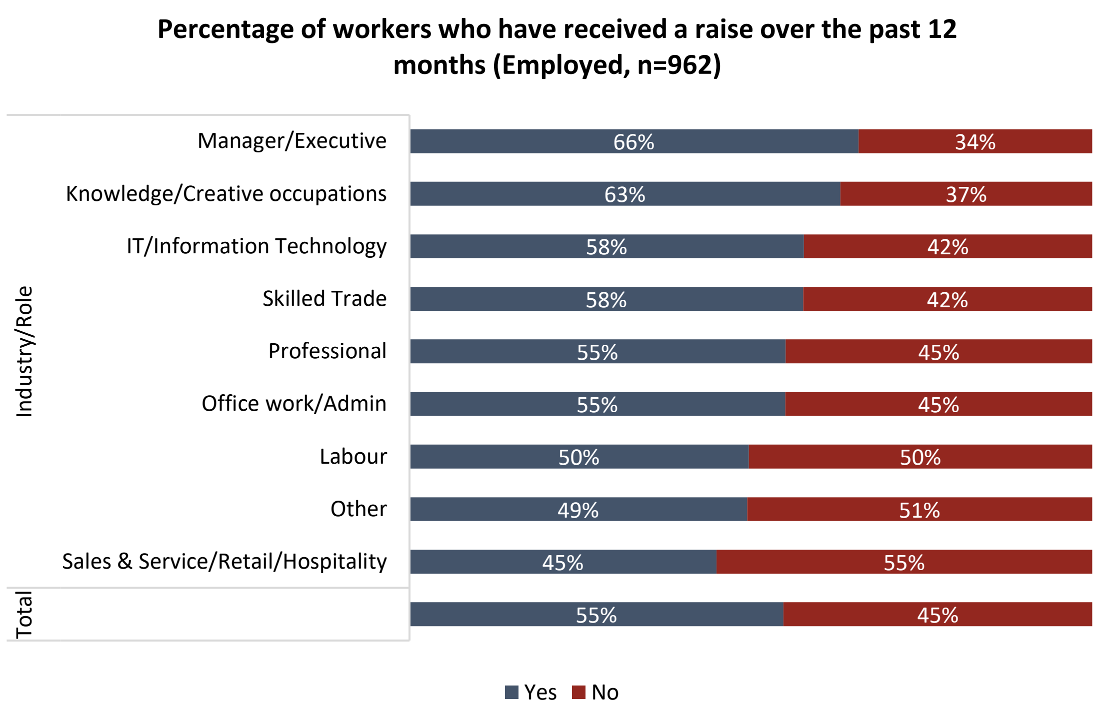
More than half of Canadians workers (55%) say that they have benefitted from this trend, receiving a raise within the last 12 months. That said, 45 per cent, including a significantly higher number of part time workers, have not received a boost in compensation over the last year:



Those in managerial and executive roles are most likely to have received a raise, alongside workers in the knowledge sector. Those least like to have enjoyed a boost in compensation are working in sales, retail and hospitality:



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For detailed results by age, gender, region, education, and other demographics, click here.

For detailed results by self-described financial state, click here.

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