

CBC News – January 15, 2024

Mortgage holders say they can make higher payments as Canadians cut spending: survey

About two-thirds of consumers have plans to cut back

The Canadian Press | | January 15, 2024



Consumers have told the Bank of Canada they are going to be cutting back on spending — or already have — according to new survey. (David Zalubowski/The Associated Press)

A Bank of Canada survey finds Canadians are increasingly cutting back on spending while mortgage holders remain confident they can keep up with higher payments when their loans renew.

The central bank released its fourth-quarter consumer expectations and business outlook surveys Monday, revealing how Canadians are faring amid higher borrowing costs and rising prices.

Roughly two-thirds of consumers said they were reducing spending or planning to do so because of their expectations for interest rates and inflation.

"While many Canadians are experiencing rising levels of financial stress, this stress is higher among those who typically live paycheque to paycheque," the Bank of Canada said.

The central bank said financially vulnerable households typically hold less than two weeks worth of expenses in liquid assets, frequently run out of money before the end of the month and are not able to immediately pay for an unexpected expense of \$500.

The survey found one in four consumers reported having at least one of these characteristics.



Survey results from the Bank of Canada say people with mortgages feel they can handle higher monthly payments. (Paul Chiasson/The Canadian Press)

And while Canadians are more pessimistic than the previous quarter about the economy, mortgage holders still expect to make their payments when their mortgages are renewed at higher rates.

About 80 per cent of mortgage holders said they are somewhat or very confident they'll be able to make higher payments.

As for businesses, the central bank finds weaker demand and renewed competitive pressures have slowed down the pace of price increases.

And while labour shortage concerns have faded, businesses expect wage growth to remain above average until 2025, propping up their expectations for inflation.