

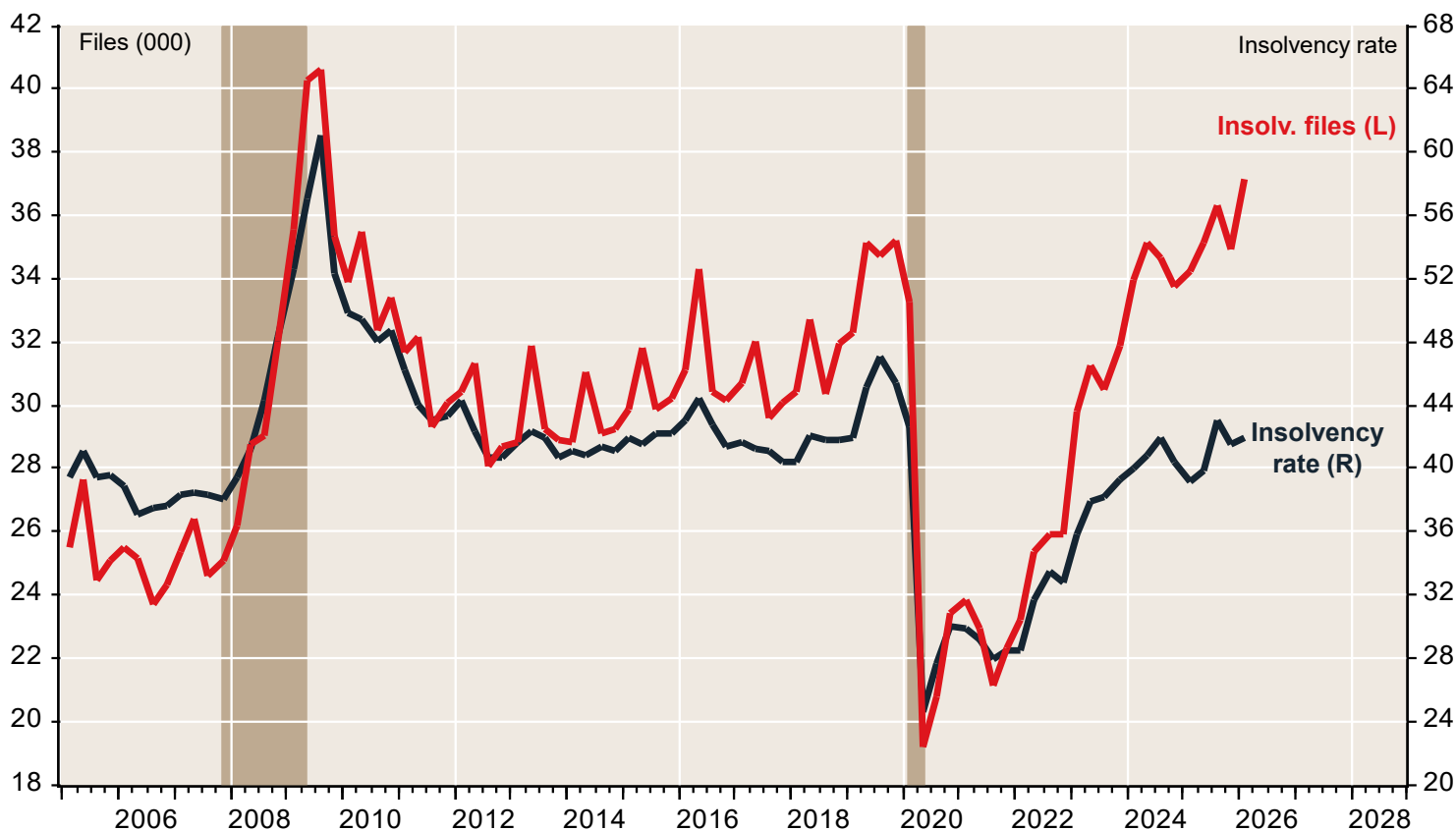
Canada Watch

By Daren King and Matthieu Arseneau

As was widely reported in the media yesterday, total debt in insolvency in Canada reached its highest level since the 2009 financial crisis in the first quarter, according to data from **Equifax**. This increase may seem alarming and raises concerns about the financial health of Canadian households. But is the situation really as concerning as it seems? To gain a clearer picture, we analyzed data from the Office of the Superintendent of Bankruptcy, which tracks the total number of insolvency filings (bankruptcies and consumer proposals) across the country. This data also shows that the number of insolvencies reached its highest level since the financial crisis in the first quarter. However, two adjustments are necessary to correctly interpret the trend in insolvencies. The first concerns seasonality, since the first half of the year is historically associated with a higher volume of insolvencies. The second involves accounting for the strong population growth observed since 2009, as the Canadian population has increased by approximately 25% over this period. As shown in today's *Hot Chart*, once the data is seasonally adjusted and expressed on a per capita basis, the insolvency rate remains well below the peak reached in the wake of the financial crisis and is even below its pre-pandemic level of 2019. The upward trend observed since 2022 therefore reflects a normalization from an exceptionally low pandemic trough rather than a widespread breakdown in household credit. This does not mean, however, that the situation should be downplayed. The rise in the insolvency rate over the past year reflects a more fragile labour market, high interest rates, and a still-high cost of living—particularly for housing, food, and energy—which continue to put pressure on many households. However, the data does not support the narrative of systemic credit risk suggested by some media headlines. The most accurate interpretation remains more nuanced: financial strains are increasing, but their magnitude remains moderate by historical standards for now.

Canada: Credit stress is rising, not breaking

Number of insolvencies not seasonally adjusted and seasonally adjusted insolvency rate*



*Number of insolvencies per 10,000 inhabitants aged 15 and older

NBC Economics and Strategy (data via Office of the Superintendent of Bankruptcy)



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