

## Canadian Insolvencies Fall in March

- During the first partial month of lockdown in the country, Canadian consumer and business insolvencies declined in March.
- Seasonally adjusted consumer proposals and bankruptcies fell noticeably despite a 1.0 mn loss in employment in the month.
- Business insolvencies declined in the month of March as businesses reached toward debt to finance basic expenditures through a period of disrupted activity.

### TOTAL CANADIAN INSOLVENCIES DROPPED

Total new incidences of Canadian consumer and business insolvencies fell in March (charts 1 and 3). After lockdown ensued during the second half of the month, Canadian consumers and businesses managed to avoid a spike in insolvency filings, with total insolvencies declining 9.1% y/y.

### CONSUMER INSOLVENCIES DIP

In March, consumer insolvency filings declined by 8.5% y/y despite a 1.0 mn loss of jobs in the month. This is likely due to a combination of employment loss being concentrated in the second half with a delayed impact on the employment income, various measures taken to support Canadian households (such as mortgage payment deferrals), and lower borrowing rates. In addition, the disruption in the normal functioning of the courts will continue to create a delay in insolvency bankruptcy filings.

Overall, consumer insolvencies have been declining following a rapid pick-up through the second half of 2019. Canadian consumer proposals began to accelerate while debt levels began to notably rise through mid-2017 (chart 2). However, debt levels appear to have begun to level off and consumer proposals also had begun to normalize.

Looking forward, the evolution of consumer insolvencies will be a good indication of whether policies aimed at supporting households are successful. In particular, the data release for April will reflect the first full month of lockdowns, including an additional loss of nearly 2.0 million jobs in Canada.

### BUSINESS INSOLVENCIES DECLINE

New incidences of Canadian business insolvencies declined significantly in March just as businesses began to close their doors for an undetermined period of time (chart 3, again). Canadian business support measures such as the wage subsidy, easier access to credit, and commercial rent relief programs enacted to reduce economic stress may help keep a lid on bankruptcy filings.

The coming months will be an indicator of how businesses are coping with the changing conditions. Our [earlier report](#) on credit growth in March showed a notable pickup in business credit growth. If businesses can sustain basic functions through accessing debt over this period, before the economy re-opens, a large rise in insolvencies may be avoided.

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Chart 1

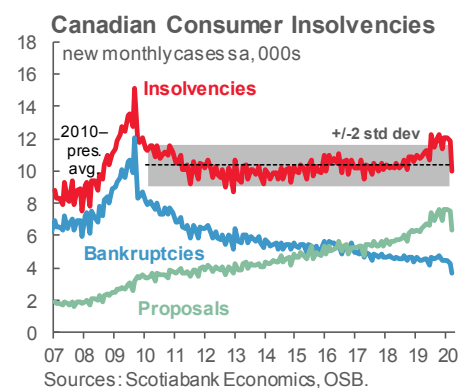


Chart 2

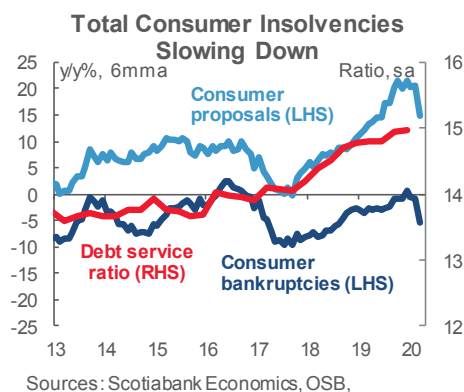
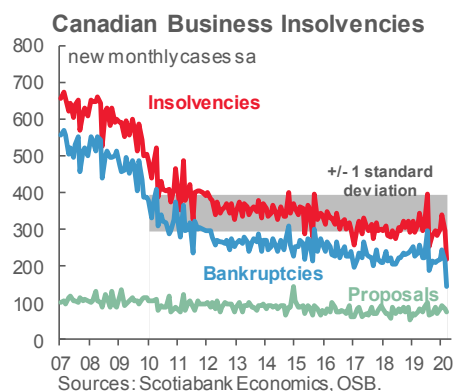


Chart 3



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