

Canadian Insolvencies: Record Drop in April

- New incidences of Canadian consumer and business insolvencies plunged in April following a full month of lockdown in most Canadian provinces.
- The declines were likely due to the unprecedented support measures introduced by all levels of government and private financial institutions, as well as disruptions to the process of insolvency filings due to the COVID-19 shutdowns.

TOTAL INSOLVENCIES DROP

Total new incidences of insolvencies—driven mainly by consumer insolvencies in volume—dropped in April following a full month of restrictions in most provinces. Year-on-year, total new insolvencies fell by 43.5% y/y despite a record drop as much of the court system remained shuttered amid the pandemic.

CONSUMER INSOLVENCIES DOWN DESPITE HUGE LOSSES OF EMPLOYMENT

In April, new incidences of Canadian consumer insolvencies fell to the lowest level since at least 2007 (chart 1). In comparison to last year, new incidences of consumer insolvencies fell by 43.1% y/y.

It is no question that households experienced increased financial stress over the March–April period due to the effects of economic shutdowns. Higher insolvencies would be expected as a result, if not for the impact of a few factors:

- Policies have been put into place in order to assist households with debt management, including payment deferrals for mortgages and credit cards.
- Financial support from all levels of government, including through the Canada Emergency Response Benefit, injected billions of dollars into the Canadian economy.
- Finally, the process of insolvency filings may have been disrupted due to court closures and slower processing times overall.

It appears likely that an uptick in insolvencies may be seen in later months as the economy reopens and the temporary support measures are wound down.

BUSINESS INSOLVENCIES FALL DESPITE STRESSED FINANCES

New incidences of Canadian business insolvencies fell in April despite a full month of sharply lower revenues as strict restrictions remained in place in most provinces (chart 2). Total new incidences of business insolvencies were down 54.8% y/y.

With sharply lower revenues, businesses have been tapping into debt in recent months in order to stay afloat (read our report [here](#)). Similar to the case with consumer insolvencies, it is likely that falling insolvencies in recent months reflect the support policies put in place and slower processing times of insolvency claims.

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Chart 1

Canadian Consumer Insolvencies

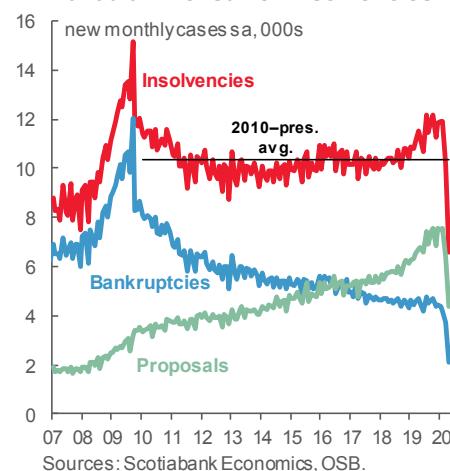
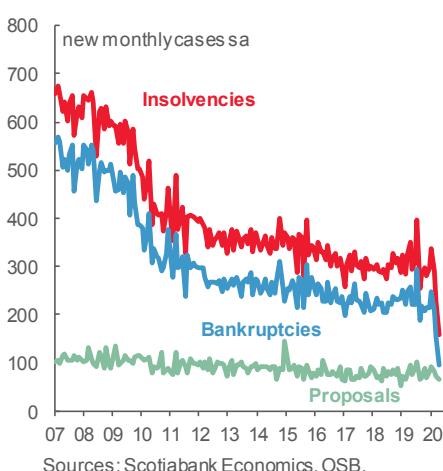


Chart 2

Canadian Business Insolvencies



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