

Canadian Insolvencies Declined Slightly in May

- New incidences of Canadian consumer insolvencies declined further in May, as debt payment deferrals and reduced operating capacity of Canadian courts gave debtors a temporary reprieve.
- Given the financial stress that households are likely to encounter due to loss of employment once the temporary impact of payment deferrals wanes, consumer insolvencies are expected to pickup towards the end of the year.
- In contrast, business insolvencies picked up slightly in comparison to April, but still remain near their lowest levels in a decade.

TOTAL INSOLVENCIES DROP, AGAIN

Total new incidences of insolvencies, most of which are on the consumer side, declined once again in May (chart 1). New recorded insolvency filings posted a 12.2% m/m sa (seasonally adjusted) decline in May, following a 33.8% monthly drop in the previous month.

CONSUMER INSOLVENCIES CONTINUE TO FALL

Total new filings of consumer insolvencies declined in May, reaching new historic lows.

As Canadian households continue to experience high levels of unemployment—despite signs of a turnaround starting in May (full report [here](#))—this data remains out of sync with the reality of the financial struggle many are likely facing. In addition to the disruption of processing of insolvency filings due to limited court activity in May, various measures have been introduced by financial institutions and all levels of government in order to give to households a temporary financial reprieve.

Through this period, many Canadian households have been able to defer payments on mortgages as well as other loans (chart 2). In addition to payment deferrals, Canadian households have been able to limit their borrowing as they continue to receive CERB (Canadian Emergency Response Benefit) payments to support essential spending (full report [here](#)).

Instead of filling for insolvency, many households may be adopting a “wait and see” mindset as rebounding consumer confidence indicates rising hopes for the future (chart 3). However, if the labour market does not recover by the time support measures expire, insolvencies will likely rise.

BUSINESS INSOLVENCIES SHOW UPTICK, REMAIN LOW

New incidences of Canadian business insolvencies picked up slightly in May (+18.3% m/m sa), but remained well below the long term average. Following the gradual easing of restrictions in provinces, some businesses were able to open in May with reduced capacity. As businesses are faced with revenue-limiting capacity restrictions, business bankruptcy filings are expected to rise if revenues do not recover.

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Chart 1

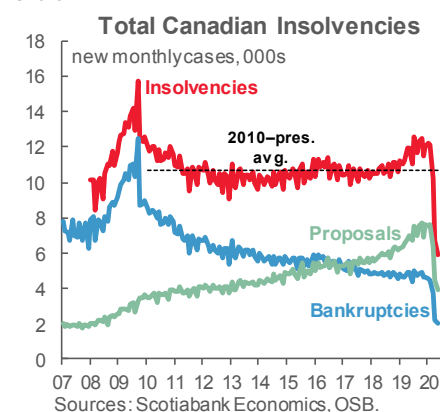


Chart 2

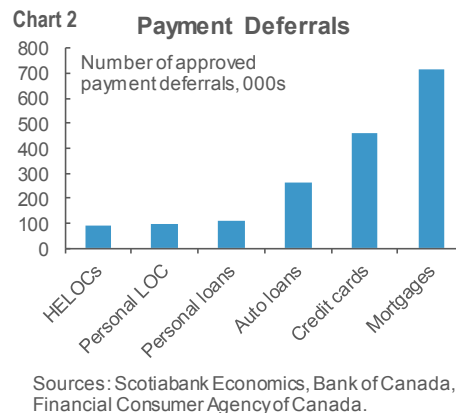
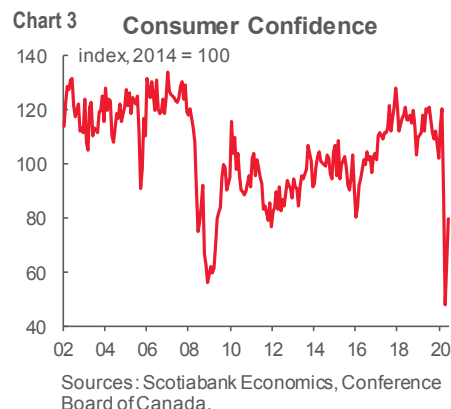


Chart 3



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