

Canadian Insolvencies Picked Up in September

- Canadian consumer insolvencies picked up in September, but so far remain well below the long-run average.
- Consumer insolvency filings are expected to rise through the end of the year as household support measures, such as debt payment deferrals, have started to expire, while employment remains below the pre-pandemic level.
- Insolvencies in the business sector picked up slightly in September, as the virus case count continued to rise and several provinces introduced new restriction measures.

CONSUMER INSOLVENCIES BEGIN TO CLIMB

Canadian consumer insolvency filings continued to climb in September, at 7.7K cases reaching the highest level since March of this year (chart 1). While this represents a sharp jump over the previous month, the filings remain over 35% below last year's levels.

Canadian consumer insolvency filings dropped off sharply in March as the lockdowns affected the normal operation of courts. While employment levels declined through March and April (chart 2), the introduction of household support measures such as the Canada Emergency Response Benefit (CERB) and debt payment deferrals kept new insolvencies at all-time lows through the pandemic. As a result, the pressure for some form of arrangement with creditors was reduced, and eventually employment began to grow amid broader signs of economic recovery.

September was the last month of household support measures. The applications for debt payment deferrals were no longer broadly available past the end of September. The expiry of the CERB at the end of September was partly offset by temporary changes to EI benefits. In the face of the second wave of the virus, with employment still below February's levels, and consumer confidence declining recently (chart 3), it is likely that insolvency filings will continue to rise through the end of the year.

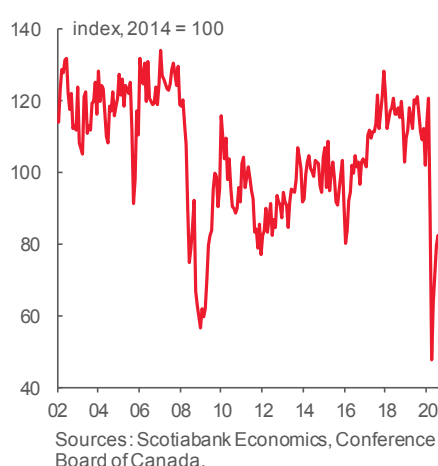
Chart 2

Employment Levels in Canada



Chart 3

Consumer Confidence



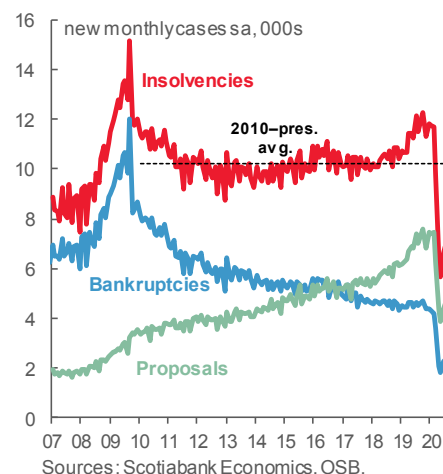
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Chart 1

Canadian Consumer Insolvencies

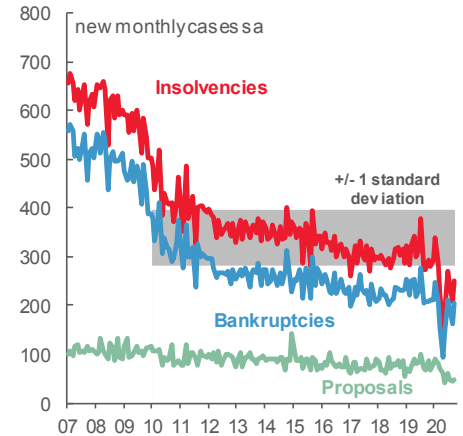


BUSINESS INSOLVENCIES SHOW UPTICK, BUT REMAIN LOW

Canadian business insolvencies picked up in September (+21.5% m/m sa), though still remained below the long-term average (chart 4). While some regions re-introduced measures designed to contain the spread of the virus following a sharp uptick in new COVID-19 cases, the support measures such as the Canada Emergency Business Account (CEBA), and Canada Emergency Rent Subsidy (CERS), the latter depending on the passage of legislation, will continue to be available for businesses with applications through the end of 2020. The course of business insolvency filings is dependent on the evolution of the virus and the policies adopted to limit its spread, as well as the effectiveness of support measures introduced by the Government of Canada.

Chart 4

Canadian Business Insolvencies



Sources : Scotiabank Economics, OSB.

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