

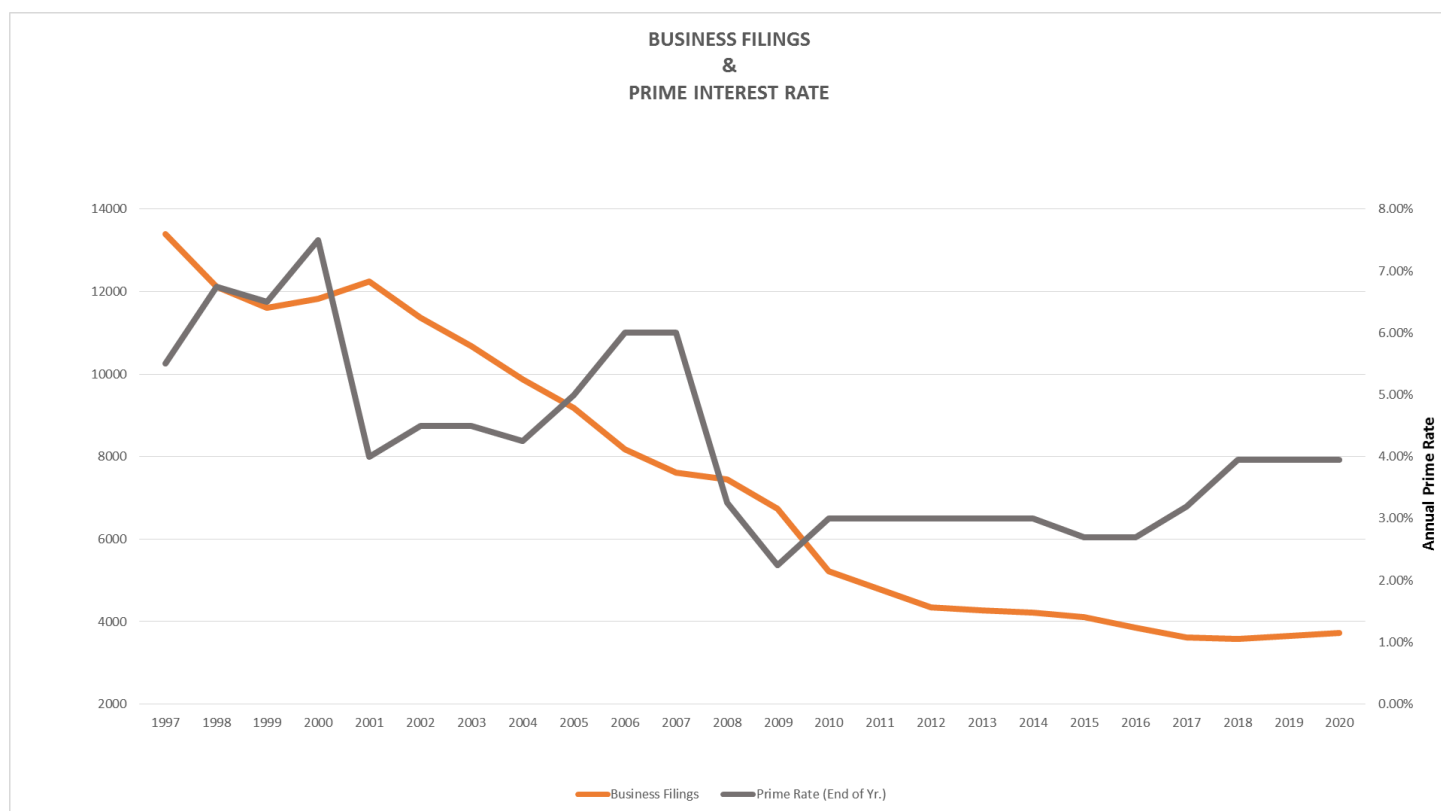
CAIRP: January 2019 Canadian Insolvency Statistics

Experts predict Canadian business insolvencies will rise for first time in 17 years

TORONTO – March 4, 2019 – Ahead of the Bank of Canada interest rate decision on Wednesday, the Canadian Association of Insolvency and Restructuring Professionals (CAIRP) is reporting new insolvency statics showing significant growth in both consumer and business filings compared to January last year.

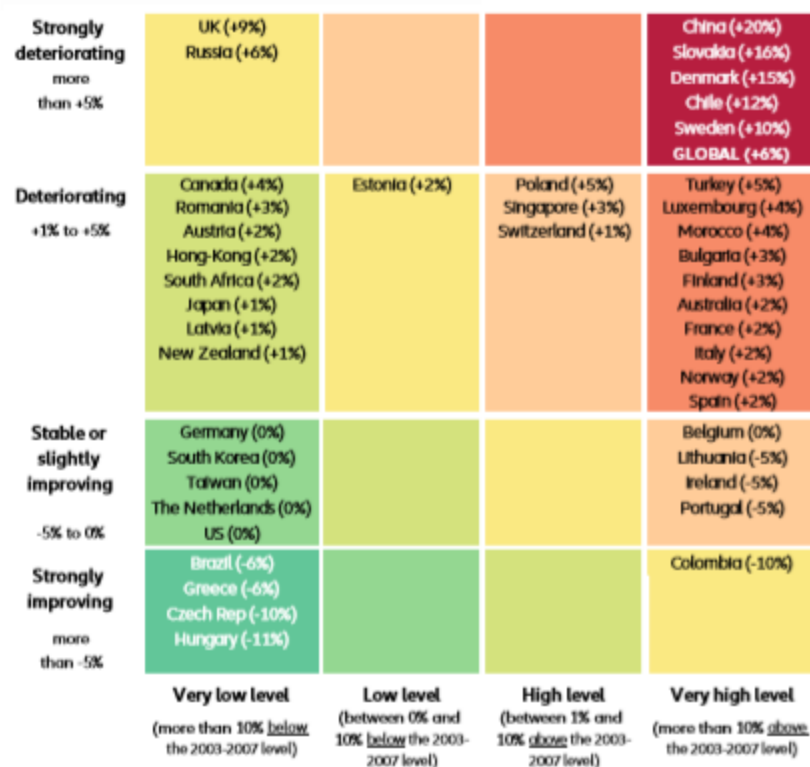
The number of businesses that filed for insolvency in January rose over ten per cent (10.1%) compared to the previous year and 2.1 per cent compared to December. By sector, construction, and real estate and rental and leasing were among the hardest hit.

“After 17 consecutive years of steady decline, business insolvencies in Canada have reached a plateau and will likely rise in 2019. Weaker exports, slowing job growth, tightening lending conditions, rising interest rates and consumer debt are all contributing factors,” says David Lewis, board member of the Canadian Association of Insolvency and Restructuring Professionals (CAIRP), the country’s national association of insolvency and restructuring professionals.



The idea that business insolvencies in the country will rise this year is echoed by the [Global Insolvency Index](#), an annual forecast in 43 countries released by Euler Hermes. It predicts Canada will see an increase of about four per cent this year. An increase of six per cent is predicted globally.

Chart 4 Euler Hermes Insolvency Heat Map 2019



Sources: National Statistics, Euler Hermes, Allianz Research

“Businesses will also feel the effects of a slowdown in consumer spending as Canadians react to the softening housing market and adjust their household budgets to account for larger interest payments in order to service debt. These factors will also lead to an increase in consumer insolvencies,” says Lewis.

The number of Canadians who filed for insolvency in January increased 7.1 per cent compared to January 2018, underlining the toll of mounting household debt and higher interest rates. Compared to December, consumer insolvencies were up 11.6 per cent.

“The rise in consumer insolvency filings is a direct result of the interest rate increases since 2017. Those living pay cheque to pay cheque are struggling to meet their debt repayment obligations,” says Chantal Gingras, Chair of CAIRP. “Many Canadians may be technically insolvent in terms of being unable to pay their bills, but they haven’t sought out debt relief yet. That said, the number of consumer insolvencies are likely to continue to increase over the next two years as more individuals seek help.”

Atlantic Canadians are struggling the most. Prince Edward Island had the greatest increase in January compared to the same time last year (+29.5%), followed by Nova Scotia (+24.9%) and New Brunswick (+23.8%). However, the trend upward was consistent across most of the country, including Ontario (+12.9%), Manitoba (+22.4%), Saskatchewan (+6.9%), Alberta (+13%), and British Columbia (+3.1%). The exceptions were Newfoundland and Quebec which experienced declines for the month of 7.9 per cent and 1.9 per cent respectively.

ABOUT CAIRP

The Canadian Association of Insolvency and Restructuring Professionals (CAIRP) is the national professional organization representing nearly 1000 members working in the insolvency system, as well as over 500 articling, life and corporate associates. CAIRP is the national voice on insolvency matters throughout Canada.

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