

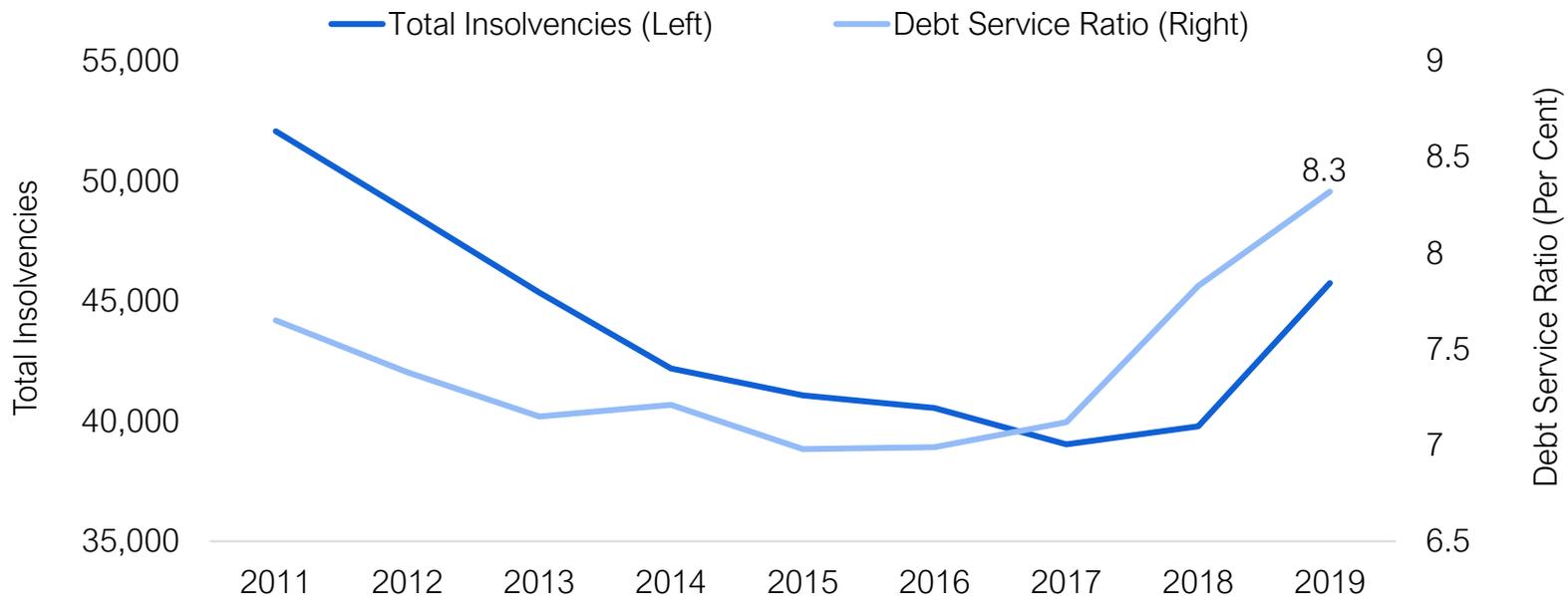
Explaining the Decline in Ontario Insolvencies During the Pandemic

Briefing Deck



Insolvencies in Ontario were rising before the pandemic

- Following steady declines after the 2008-09 recession, Ontario insolvencies increased to a seven-year peak of 45,754 cases in 2019.
- The increase can mostly be attributed to the impact of rising interest rates on the debt payments of households.

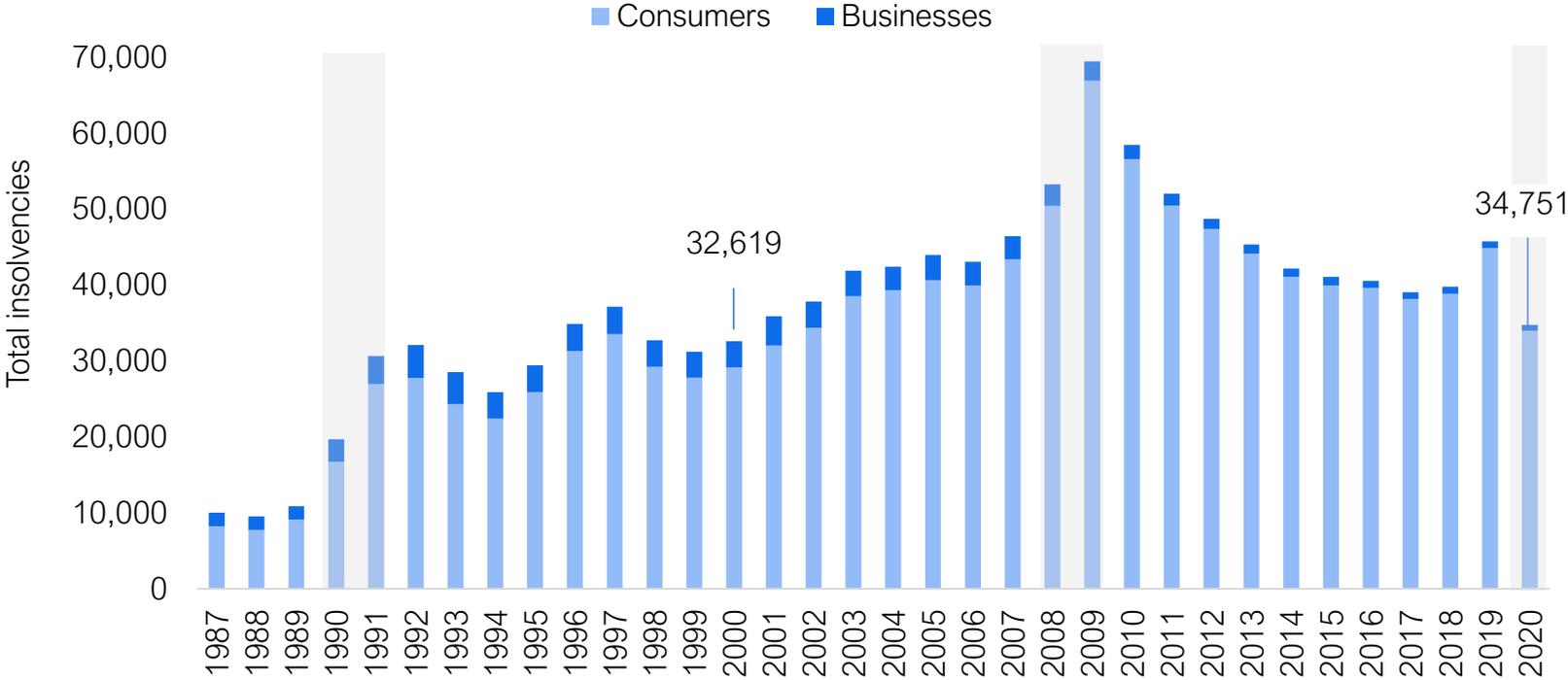


Source: Statistics Canada, Office of the Superintendent of Bankruptcy and FAO.

Note: Debt service ratio is the proportion of household disposable income required to pay interest on debt.

Insolvencies declined sharply in 2020

- Despite the economic damage the pandemic caused to household and business finances, insolvencies in Ontario dropped by a record 24.0 per cent in 2020.

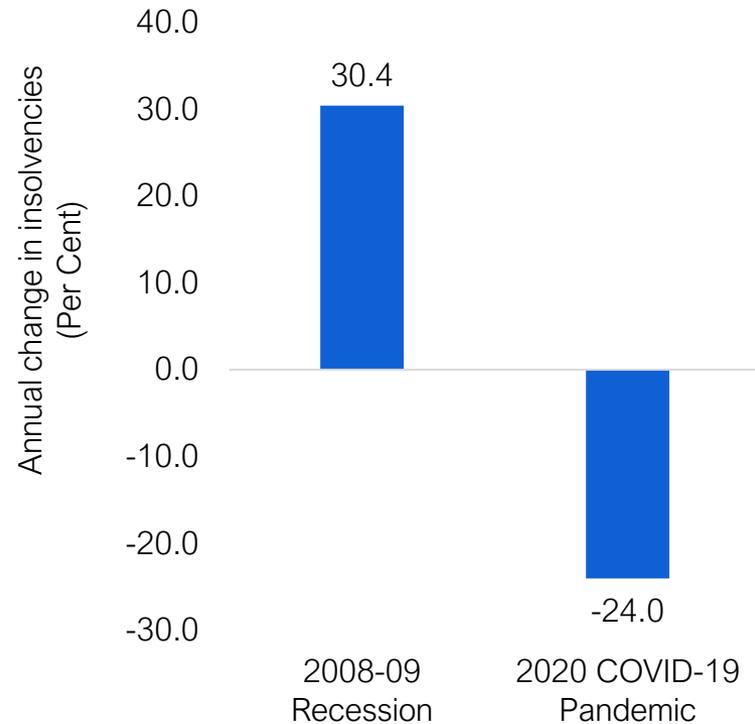


Source: Office of the Superintendent of Bankruptcy.
Shaded areas represent recessions.



Temporary factors contributed to the decline in insolvencies in 2020

- Historically, insolvencies increase during recessions as financial problems emerge and deepen.
- The significant drop in insolvencies in 2020 reflects a number of unique temporary factors related to the pandemic:
 - Lower interest rates
 - Debt payment deferrals by creditors
 - Significant government income support to households and businesses

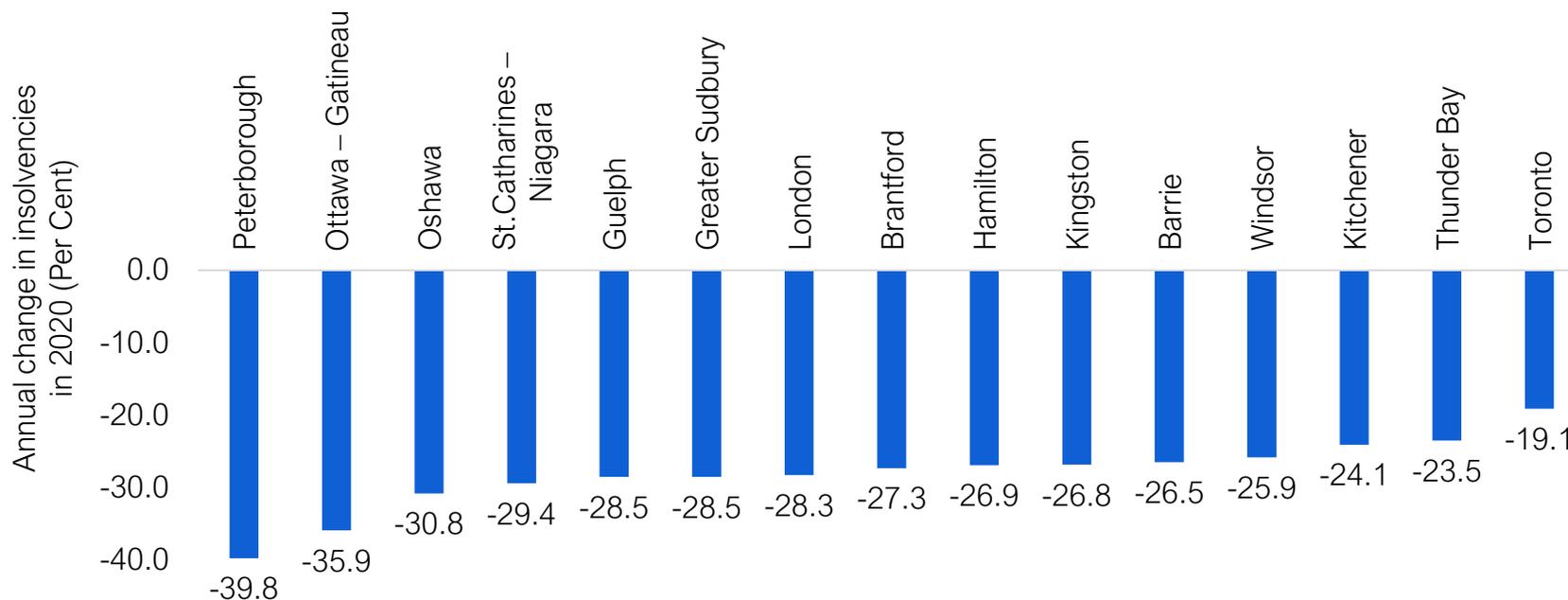


Source: Office of the Superintendent of Bankruptcy.



All major cities and most industries experienced lower insolvencies

- Peterborough recorded the largest decline in insolvencies (-39.8 per cent), while Toronto experienced the smallest decrease (-19.1 per cent).
- The three industries among the hardest hit by the pandemic — transportation and warehousing, wholesale and retail trade, and accommodation and food services — all reported fewer insolvencies.



Source: Office of the Superintendent of Bankruptcy.



Looking Forward

- Given the ongoing economic challenges related to the pandemic, insolvencies could increase in the medium term and will depend in part on the extent and pace at which government income support is phased out.
- Interest rates are expected to rise gradually which will put upward pressure on debt obligations for many Ontario households.
- Many businesses have indicated they are unable to take on more debt, particularly among sectors most affected by the shutdowns, including accommodation and food services, and arts, entertainment and culture.



Thank you!



FAO

FINANCIAL ACCOUNTABILITY
OFFICE OF ONTARIO

2 Bloor Street West, Suite 900, Toronto, Ontario, M4W 3E2

416.644.0702

info@fao-on.org

fao-on.org

