Inflation, high interest rates affecting Canadians' mental health, report finds

DAVE MCGINN

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Financial struggles brought on by inflation and higher interest rates are damaging the mental health of more than half of Canadians, with many reporting high rates of anxiety over housing and food, according to a poll released Wednesday by Mental Health Research Canada, a charitable organization.

The poll found that 51 per cent of Canadians said inflation was having a negative impact on their mental health. Nearly a quarter of respondents – 24 per cent – said they have gone into debt as a result of inflation. Meanwhile, 23 per cent of Canadians said they are concerned about their ability to make rent or mortgage payments, while 37 per cent are struggling to adequately feed themselves or their families.

"We have seen a continual trend line in terms of inflationary pressures, or economic pressures, and it's getting worse," said Michael Cooper, vice-president of development and strategic partnerships at MHRC.

The report comes on the same day that the Bank of Canada will decide whether to once again raise its policy interest rate. Ontario Premier Doug Ford and B.C. Premier David Eby both sent letters to Bank of Canada Governor Tiff Macklem in recent days asking him not to raise rates, which the premiers say are hurting families and businesses. The bank has raised the policy interest rate from 0.25 per cent in March, 2022 to 5 per cent, including two hikes this past June and July.

Mr. Macklem has said the bank hopes to achieve a "soft landing" with its rate hikes, but the combination of high prices at the grocery store and elsewhere coupled with the higher costs of servicing debt is clearly hitting the mental health of many Canadians hard.

The trend of worsening mental health brought on by financial hardship shows no signs of changing direction any time soon, Mr. Cooper said.

Inflation's effect on Canadians' lives

In what ways has inflation affected your life in the past year?

I reduced discretionary spending	45%
I reduced essential spending	35%
My financial habits have not changed much over the last year	23%
I used my savings from an account I typically avoid taking from to pay essential costs	22%
My financial habits have changed in a different way	18%
I delayed a large discretionary purchase over $500	17%
I reduced my contributions to savings	16%
I had to rely on credit to pay essential costs	16%
I delayed a large, but essential cost over $500	15%
I borrowed money from family or friends to pay essential costs	10%
Prefer not to answer / I don’t know	4%

JOHN SOPINSKI / THE GLOBE AND MAIL, SOURCE: MENTAL HEALTH RESEARCH CANADA

“Unless there is some significant change or intervention, I see no reason for that trendline to not continue to get worse,” he said.

The poll of 3,819 people conducted between July 27 and Aug. 13 found that Canadians are responding to financial hardship in a variety of ways: 35 per cent said they have reduced essential spending, while 22 per cent have dipped into savings to pay for essentials and 10 per cent said they have had to borrow from friends or family to purchase essential items. Others have put off saving money or relied on credit cards to cover the costs of essentials.

Right now, 32 per cent of Canadians who are experiencing financial troubles are reporting very high levels of anxiety. That is the highest level among any group tracked by the poll, which also includes unemployed people, students and children under 9, Mr. Cooper said.

The poll's most troubling finding, Mr. Cooper said, is the link between financial instability and suicidal ideation. The poll found that 28 per cent of unemployed people and 27 per cent of people having financial troubles reported having had suicidal thoughts in the past year.

We will likely see the mental-health struggles of Canadians become worse and more widespread as economic hardship increasingly affects housing, Mr. Cooper said.

Many people who have cut out discretionary spending or dipped into savings or gone into debt just to get by will have to renegotiate rental agreements and mortgages over the next few years, pushing them from desperate to borderline hopeless.

"Housing insecurity is going to be the third wave of where we're seeing indicators rising, and that one could be really bad because people will do anything to pay their mortgage, or to have a roof over their head," Mr. Cooper said.

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