



## Warning! 3 Stocks to Avoid as Consumers Struggle With Debt

### Description

Once again, a new survey has come out highlighting the worrying scene building in Canadian consumer debt. Over the last few years, numerous reports have come out highlighting the major issues Canadians are facing, as they struggle to pay their bills.

The reports have painted a gloomy picture that shows rising debt levels, higher delinquencies, and, most recently, a significant number of Canadians reporting the need to take on more debt to cover basic living expenses.

The new report issued by MNP shows that nearly half of Canadians are heavily in debt and see taking on additional debt as the only way to cover their expenses over the near term.

The report also highlighted how little those who make their payments have left after basic expenses and [debt](#) payments.

This will inevitably lead to trouble in Canada, if consumers slow their spending. It will be pretty difficult to continue the same levels of spending, however, when many Canadians can barely make their monthly payments and have been using debt to consume up to this point.

While the reduced spending will most likely hit the most luxurious goods first, many consumer discretionary companies will eventually be affected.

Three stocks you may want to consider avoiding are **BRP** ([TSX:DOO](#))([NASDAQ:DOOO](#)), **Canada Goose Holdings** ([TSX:GOOS](#))([NYSE:GOOS](#)) and **Boston Pizza Royalties Income Fund** ([TSX:BPF.UN](#)).

### BRP

BRP is the first one on the list because it will likely be affected first. The company is in the business of selling personal recreational equipment such as off-road vehicles, snowmobiles, and jet skis, to name a few.

These types of products are not only highly discretionary and require the buyer to have excess income, but many consumers will use debt to help finance the purchase.

This could be big trouble for BRP, especially if Canadians are less willing to take on more debt, can't get access to the debt, or just decide they don't need the products and will wait till greener pastures.

There is no telling when this may play out, but there is a highly likely chance the company will eventually take a hit to its revenue, so current and would-be investors are advised to tread carefully.

## Canada Goose

Canada Goose is the second stock on the list, because although it sells a luxury product, it's not nearly as expensive or discretionary as a jet ski or snowmobile.

Canadians may need jackets, especially in the cold winters here; however, there are many inferior substitutes that consumers could choose.

[Canada Goose](#) is somewhat diversified with a significant amount of revenue coming from China; however, this may not be such a great lifeline considering world growth has been slowing and many economists think the entire world is due for a recession soon.

With the company now hitting road blocks in terms of its growth, and Canadian consumers stretched to the limit, Canada Goose seems like it should be passed up for an investment at the moment.

## Boston Pizza

The third and final company on the list is Boston Pizza, because it still faces the threat of reduced consumption, albeit less than the other two.

Going out to dine is one of the first things consumers choose to do with discretionary funds. There is nothing better than not worrying about cooking or cleaning and sitting down to enjoy a nice meal.

However, for those who may have their budgets stretched, this will be an easy thing to pass up.

On top of that, Boston Pizza has already been struggling recently to grow its same-store sales, which is crucial for the stock to cover the dividend and eventually grow it.

With the company already facing these types of problems now, it doesn't look bright for the company in the future, especially if a large portion of Canadians severely reduce their spending.

## Bottom line

There are a number of stocks beyond these to look out for; these are just some of the first names that could see an impact to their businesses.

Knowing which stocks are exposed to consumers' discretionary spending habits will be key, and eliminating those from your portfolio could save you thousands of dollars down the line.

## **CATEGORY**

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

1. NASDAQ:DOOO (BRP Inc.)
2. NYSE:GOOS (Canada Goose)
3. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
4. TSX:DOO (BRP Inc.)
5. TSX:GOOS (Canada Goose)

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