Report

Payment Delinquencies Increase, Credit Card Demand and Balances are Rising

Q3 2022 | Equifax Canada Market Pulse Quarterly Credit Trends

December 2022

Total consumer debt has climbed to $2.36 trillion, an increase of 7.3 per cent in Q3 2022 compared to last year according to Equifax Canada's most recent **Market Pulse consumer credit trends and insights report**.

Average non-mortgage debt per consumer rose to $21,183, the highest level since Q2 2020. Following a 3.1 per cent rise in the number of credit-active consumers, overall non-mortgage debt surpassed pre-pandemic levels and stands at $599.9 billion, up 5.3 per cent from Q3 2021 and up 1.4 per cent from Q3 2019.

"Factors including population growth from immigration combined with pent-up demand from the pandemic on things like vacations will be contributing to the overall rise in credit active individuals," explained Rebecca Oakes, Vice-President of Advanced Analytics at Equifax Canada. "This is a story of two sides though, as consumers also tend to rely on credit more during tough times. Part of the new credit uptake we're seeing is likely from people who are feeling financial stress from sustained increased living costs and are taking on more debt as a result."

New-to-credit consumers (those with less than one year of credit participation) increased by 37.4 per cent when compared to the same period in 2021, and rose 16.7 per cent when compared to pre-pandemic Q3 2019.

Credit card demand and balances continue to increase

Over the last quarter, almost 1.5 million new credit cards were issued, an increase of 22.5 per cent from Q3 2021 and up 6.2 per cent from the pre-pandemic period of Q3 2019. Credit card spending is at an all-time high when compared to the same period in previous years. For consumers with a credit card, average monthly credit card spend was almost $2,447 in Q3, up by 17.3 per cent compared to Q3 2021 and 21.8 per cent from the pre-pandemic (Q3 2019) period. Credit card balances rose close to pre-pandemic levels, up 13.8 per cent in Q3 2022 compared to the lows of Q3 2021.

"Credit card demand has risen aggressively after being low for more than a year. New card growth was seen across all consumer segments, including sub-prime segments," added Oakes. "Consumers have been making strong payments, but we are starting to see a shift in payment behaviour especially for credit card revolvers — those who carry a balance on their card and don't pay it off in full each month. Average payment rates are at a lower level than 12 months ago for this group."

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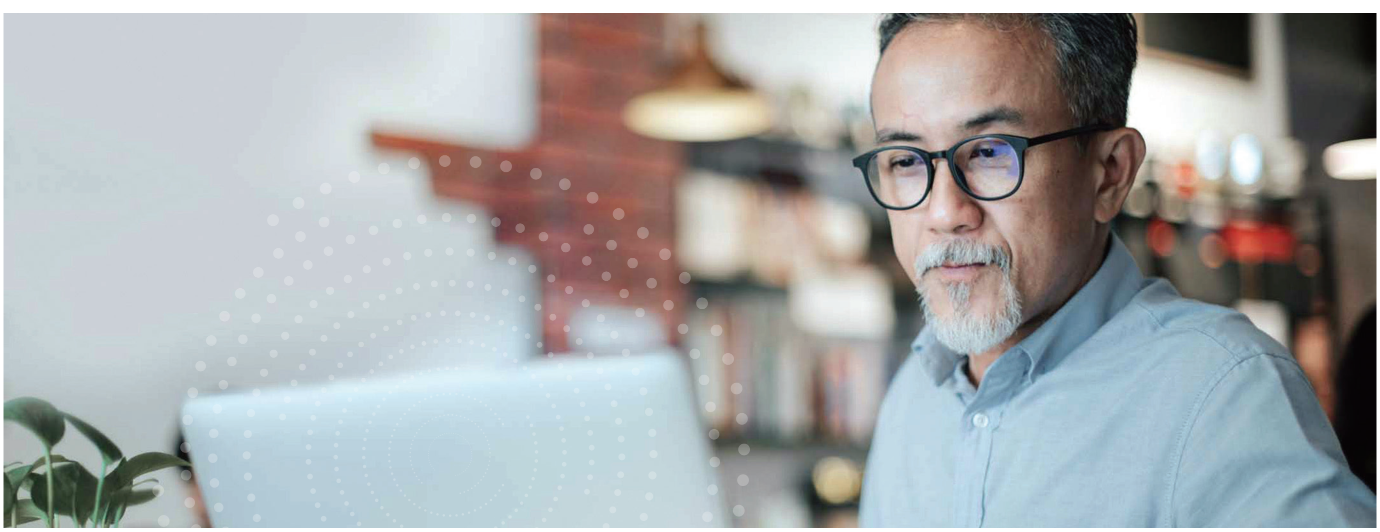
Vice-President of Advanced Analytics at Equifax Canada



Housing market slowdown continues

The pace of mortgage debt growth has slowed due to reduced home sales and the resultant fall in new mortgage volume. **New mortgage volume** dropped by 22.7 per cent when compared to Q3 2021 and by 14.6 per cent when compared to Q3 2019. Mortgage origination dropped below pre-pandemic numbers for the first time this quarter when compared to the same time period in 2019. Ontario and B.C. saw the biggest drop in new mortgage originations, 23.6 per cent and 19.7 per cent respectively, when compared to Q3 2019.

"Higher interest rates not only impact consumers opening a new mortgage, but can also impact those reaching the end of agreed mortgage term periods who are looking to renew or refinance," said Oakes. "More than 1.2 million mortgages are currently three to five years old, and 37 per cent of these have an outstanding balance of more than $250,000. If these consumers do have to renew their mortgage over the next 12 to 18 months, they may experience significantly higher payments than they currently have."

The number of first-time home buyers dropped by 28.1 per cent in Q3 when compared to the same period in 2021, but their average loan amounts remained two per cent higher than in 2021. Increasing interest rates have had a large impact on monthly payments for this group, rising by 31.4 per cent year-over-year. First-time home buyers are now paying over $500 more in monthly payments for almost the same loan amount as first-time home buyers in Q3 2021.

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Car payments being missed, delinquencies rising

Despite being the peak season for **new car purchases**, both new auto finance and comparable bank loans[1] decreased by 19.3 per cent and 3.1 per cent respectively in the third quarter compared to 2021. Auto leasing continues to be a key contributor to this decline, with new leases down 36.9 per cent since Q3 2021.

"On top of the decline in activity, more consumers have started to miss payments on their auto loans," said Oakes. "In particular, auto loans opened since late 2021 have higher than expected delinquency levels after six months but overall, the financial stress is visible as auto delinquencies are fast approaching pre-pandemic levels."

Across all non-mortgage lending, delinquencies are up from the lows of 2021. The 90+ day non-mortgage balance delinquency rate increased to 0.93 per cent, up from 0.87 per cent in Q3 2021. The biggest increase in delinquency in Q3 2022 is seen in younger consumers (aged 35 and under) who also had the biggest drop in arrears during the peak pandemic period (Q3 2021). Overall, insolvencies remain well below pre-pandemic levels, however, consumer proposals are rapidly increasing and are moving closer to 2018 and 2019 levels.

"Overall insolvency volumes have jumped compared to twelve months ago, but this movement is from a relatively low start point. One area we are concerned about is the rise of consumer proposals taken by seniors aged 65-plus. This was a similar trend to what we saw in 2018 when interest rates started to rise," added Oakes. "Higher interest rates pushed delinquencies and consumer proposals to the peak right before the pandemic in Q1 2020. The true impact of interest rate hikes could be visible by the end of 2023."

1 Comparable bank loans are installment loans with limits between $5,000 and $100,000

Age Group Analysis

Debt & Delinquency Rates (excluding mortgages)

Age	Average Debt (Q3 2022)	Average Debt Change Year-over-Year (Q3 2022 vs. Q3 2021)	Delinquency Rate ($) (Q3 2022)	Delinquency Rate ($) Change Year-over-Year (Q3 2022 vs. Q3 2021)
18-25	$8,051	-3.39%	1.39%	32.64%
26-35	$17,260	2.73%	1.37%	10.67%
36-45	$25,974	4.56%	1.03%	3.81%
46-55	$32,433	3.94%	0.76%	2.70%
56-65	$26,729	2.27%	0.69%	4.53%
65+	$14,551	-0.08%	0.80%	4.28%
Canada	**$21,183**	**2.14%**	**0.93%**	**7.07%**

Major City Analysis

Debt & Delinquency Rates (excluding mortgages)

City	Average Debt (Q3 2022)	Average Debt Change Year-over-Year (Q3 2022 vs. Q3 2021)	Delinquency Rate ($) (Q3 2022)	Delinquency Rate ($) Change Year-over-Year (Q3 2022 vs. Q3 2021)
Calgary	$24,709	-2.28%	1.14%	0.75%
Edmonton	$24,225	-1.38%	1.41%	5.99%
Halifax	$20,966	-0.55%	0.99%	0.37%
Montreal	$16,469	3.50%	0.80%	4.44%
Ottawa	$19,053	3.71%	0.83%	6.97%
Toronto	$20,215	3.09%	1.14%	9.78%
Vancouver	$22,754	3.76%	0.71%	6.60%
St. John's	$23,737	-1.00%	1.17%	1.08%
Fort McMurray	$38,017	-1.08%	1.62%	3.39%

Province Analysis

Debt & Delinquency Rates (excluding mortgages)

Province	Average Debt (Q3 2022)	Average Debt Change Year-over-Year (Q3 2022 vs. Q3 2021)	Delinquency Rate ($) (Q3 2022)	Delinquency Rate ($) Change Year-over-Year (Q3 2022 vs. Q3 2021)
Ontario	$21,456	3.75%	0.90%	9.16%
Quebec	$18,551	2.35%	0.62%	8.18%
Nova Scotia	$20,712	-0.94%	1.21%	5.16%
New Brunswick	$21,937	-1.49%	1.25%	-2.25%
PEI	$22,303	0.94%	0.84%	8.84%
Newfoundland	$23,033	-0.55%	1.21%	1.43%
Eastern Region	$21,690	-0.93%	1.20%	1.82%
Alberta	$24,926	-2.01%	1.29%	3.31%
Manitoba	$17,095	0.49%	1.25%	23.05%
Saskatchewan	$22,626	-0.02%	1.28%	12.15%
British Columbia	$22,009	3.41%	0.82%	6.26%
Western Region	$22,605	0.70%	1.08%	6.13%
Canada	**$21,183**	**2.14%**	**0.93%**	**7.07%**

Note

- Based on Equifax data for Q3 2022

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