Report

Increased Demand for Credit Continues and Delinquency Rates Rise as Some Consumers Struggle with Affordability

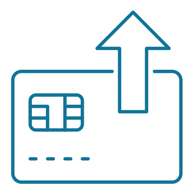
Q1 2023 | Equifax Canada Market Pulse Quarterly Credit Trends

June 2023

Credit demand remained high in the first quarter of this year while the mortgage market experienced a notable slowdown, according to Equifax® Canada's most recent **Market Pulse consumer credit trends and insights report**. Despite the slow mortgage market, the total consumer debt remained substantial at $2.37 trillion, representing a 4.9 per cent increase from the same period in the previous year.

"We normally expect to see a drop in non-mortgage debt during the first quarter of the year as consumer spending slows following the holiday season. However, despite this seasonal trend, we've observed a continued increase in credit card balances during Q1 2023, which is keeping consumer debt high," explained Rebecca Oakes, Vice-President of Advanced Analytics at Equifax Canada. "The higher cost of living and the influx of new consumers entering the credit market have driven credit card balances to rise by 14.5 per cent compared to Q1 2022."

On average, consumers are spending 21.5 per cent more each month on their credit cards when compared to their pre-pandemic spend. Average monthly spend per credit card holder has exceeded $2.2K this quarter, up ~$400 compared to Q1 2020. The biggest increase in credit card spending is from revolving consumers (consumers who pay less than 90 per cent of their credit card balance each month). Higher spending has pushed the minimum payment requirement for credit card consumers up by 16.5 per cent year-over-year.



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Rebecca Oakes
Vice-President of Advanced Analytics, Equifax Canada

Payments are being missed

In Q1, 175,000 more consumers missed payments on at least one non-mortgage product, representing an 18.8 per cent increase from the first quarter of 2022. The impact of current economic headwinds is particularly evident in British Columbia and Ontario, which have experienced some of the largest rises in 90+ days non-mortgage balance delinquency rates, up 31.1 per cent and 31.2 per cent respectively since Q1 2022.

At the end of 2022, delinquencies were more pronounced among consumers without mortgages. The latest data reveals an increasing number of mortgage holders missing payments on non-mortgage products, reflecting a 15.7 per cent increase from Q1 2022. This year-over-year increase is almost double the rate observed in the previous quarter (8.9 per cent from Q4 '21 to Q4 '22). Consumers holding variable rate products are feeling the pressure of higher payments, however, overall mortgage delinquency rates remain lower than pre-pandemic levels.

"Increased missed payments on products like credit cards and auto loans are a concern but pockets of the population have been impacted more than others during this uncertain period," Oakes explained. "At the end of last year, younger and lower income individuals were showing increased difficulty in making payments. We are now starting to see more homeowners struggle as well, especially following mortgage renewals where payments have risen significantly."

The volatility of the auto industry in recent years has put many auto loans at risk. In the used car market, higher average car prices and interest rates have led to longer-term loans, a trend unprecedented for used cars. New auto loans, opened in the latter half of 2021, are showing a higher rate of missed payments in the first 12 months.

"Purchasing a new vehicle is becoming increasingly less affordable. Consumers are contending with high vehicle prices combined with increased lending costs," said Oakes. "They are now paying $120 more per month on a new auto loan, compared to three years ago."

Insolvencies have risen by 28.5 per cent from Q1 2022 but this is primarily being driven by proposals, which are up by 36.5 per cent.

"Bankruptcies have remained relatively low, but the number of consumers filing for consumer proposals has surpassed 2019 levels, indicating a growing need for financial relief," said Oakes.

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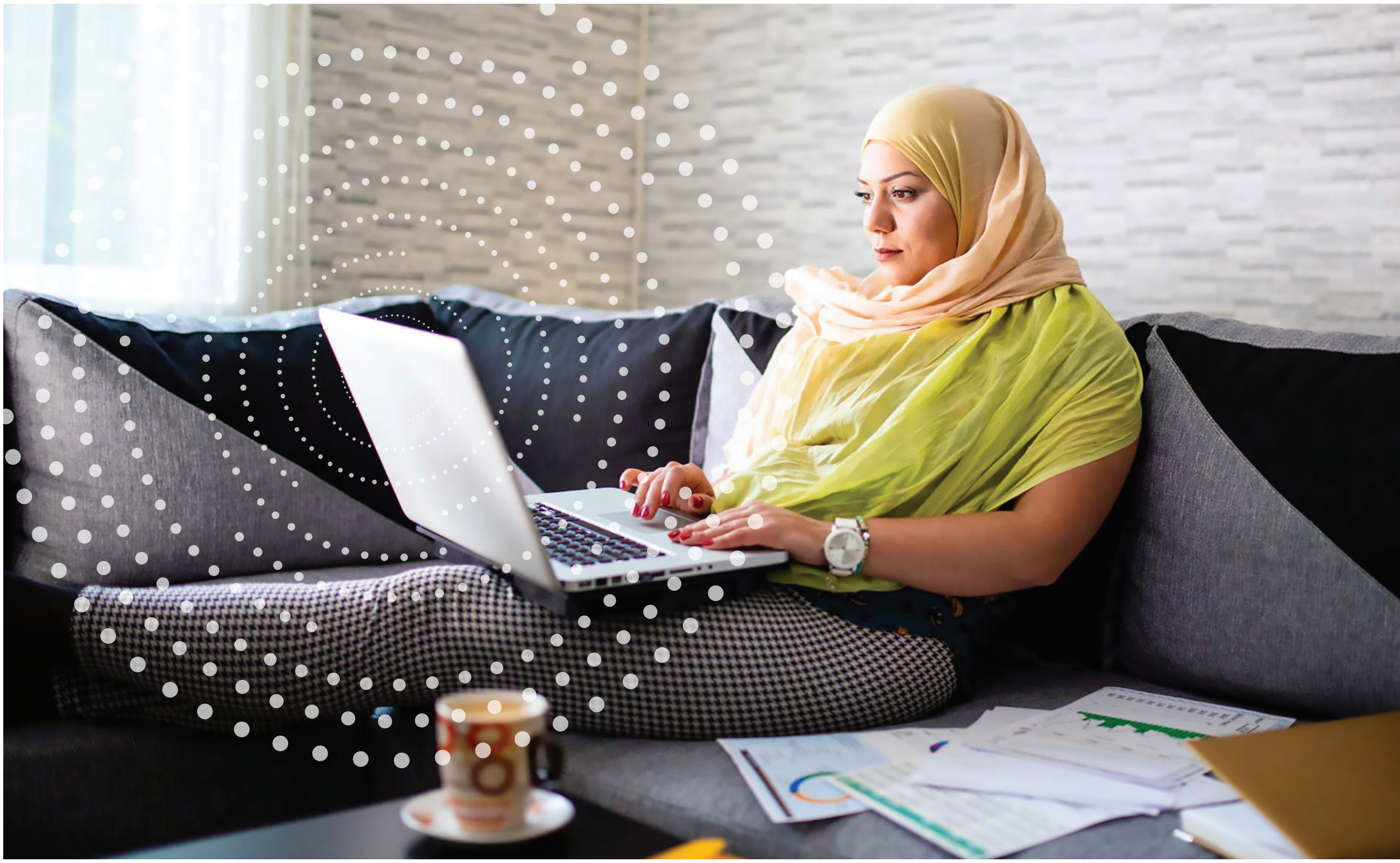
Housing market faces sharp slowdown

The housing market continues to slow, with new mortgage originations plummeting by 42 per cent compared to Q1 2022—the lowest volume witnessed since 2014. Despite some price correction, home prices remain higher than expected. The average loan amount for new mortgages decreased by 13.9 per cent from the peaks of Q1 2022, however it is only a 2.9 percent decrease compared to the previous quarter. This suggests a potential end to the pricing correction in the housing market.

Regionally, the housing markets in Ontario and British Columbia have borne the brunt of interest rate hikes, with new mortgage originations nearly halving compared to Q1 2022. Moreover, mortgage refinancing has dropped by over 50 per cent compared to the same period last year, further contributing to lower new mortgage volume.

Another noteworthy trend is the declining percentage of first-time homebuyers in the market. With higher interest rates, qualifying for a mortgage has become more challenging for this group. On average, first-time homebuyers in 2023 are paying over $900 more in monthly mortgage payments compared to their counterparts in 2020. The average loan amount for first-time buyers now exceeds $400,000.

“While interest rates and cost of living remain high, we expect to see more groups of consumers experiencing financial difficulties over the coming months. It will be important for consumers to monitor and anticipate these escalating costs to help them weather the storm,” advises Oakes.



*Equifax offers a range of innovative solutions that can help clients make more informed and confident **credit risk decisions**, and use **predictive data** to help retain mortgage clients in the current economic climate.*

Age Group Analysis

Debt & Delinquency Rates (excluding mortgages)

Age	Average Debt (Q1 2023)	Average Debt Change Year-over-Year (Q1 2023 vs. Q1 2022)	Delinquency Rate ($) (Q1 2023)	Delinquency Rate ($) Change Year-over-Year (Q1 2023 vs. Q1 2022)
18-25	$7,896	-2.87%	1.69%	23.47%
26-35	$16,986	0.91%	1.62%	27.81%
36-45	$25,829	2.97%	1.23%	26.66%
46-55	$32,314	2.77%	0.90%	25.66%
56-65	$26,470	1.16%	0.82%	24.67%
65+	$14,129	-1.79%	0.92%	15.95%
Canada	**$20,906**	**0.78%**	**1.10%**	**25.34%**

Major City Analysis

Debt & Delinquency Rates (excluding mortgages)

City	Average Debt (Q1 2023)	Average Debt Change Year-over-Year (Q1 2023 vs. Q1 2022)	Delinquency Rate ($) (Q1 2023)	Delinquency Rate ($) Change Year-over-Year (Q1 2023 vs. Q1 2022)
Calgary	$24,011	-3.91%	1.27%	11.92%
Edmonton	$23,711	-2.26%	1.63%	20.28%
Halifax	$20,698	-0.60%	1.21%	26.34%
Montreal	$16,279	1.75%	0.95%	24.75%
Ottawa	$18,877	2.29%	1.00%	27.27%
Toronto	$19,878	-0.13%	1.40%	31.39%
Vancouver	$22,131	-1.41%	0.87%	36.29%
St. John's	$23,214	-1.44%	1.32%	20.59%
Fort McMurray	$37,144	-0.47%	1.91%	23.26%

Province Analysis

Debt & Delinquency Rates (excluding mortgages)

Province	Average Debt (Q1 2023)	Average Debt Change Year-over-Year (Q1 2023 vs. Q1 2022)	Delinquency Rate ($) (Q1 2023)	Delinquency Rate ($) Change Year-over-Year (Q1 2023 vs. Q1 2022)
Ontario	$21,333	2.18%	1.09%	31.07%
Quebec	$18,292	1.69%	0.75%	24.86%
Nova Scotia	$20,454	-0.55%	1.41%	23.77%
New Brunswick	$21,624	-0.48%	1.41%	13.01%
PEI	$22,165	1.14%	0.98%	26.17%
Newfoundland	$22,731	-0.27%	1.39%	19.55%
Eastern Region	$21,411	-0.37%	1.38%	19.17%
Alberta	$24,324	-2.90%	1.46%	14.86%
Manitoba	$16,805	0.81%	1.45%	28.72%
Saskatchewan	$22,113	-0.70%	1.44%	18.59%
British Columbia	$21,554	-0.28%	1.00%	31.23%
Western Region	$22,112	-1.25%	1.25%	21.50%
Canada	**$20,906**	**0.78%**	**1.10%**	**25.34%**

Note:

- Based on Equifax data for Q1 2023

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