Report

Financial Stress Mounts, Credit Card Demand and Debt Rise

Equifax Canada Market Pulse Quarterly Credit Trends

September 2022

Total consumer debt has climbed to $2.32 Trillion, an increase of 8.2 per cent in Q2 2022 compared to last year according to Equifax Canada's most recent Market Pulse consumer credit trends and insights report. Increases in new lending and higher spending linked to inflation have pushed non-mortgage debt to $591.4 Billion, up 5.2 per cent from Q2 2021. Average non-mortgage debt per consumer is now $21,128, an increase of 2.4 per cent compared to Q2 2021.

"The cost of living has been increasing across Canada and indeed globally with rising inflation being seen across essentials like housing and energy as well as many other goods and services," said Rebecca Oakes, Vice-President of Advanced Analytics at Equifax Canada. "Financial stress is becoming a very real thing for many more Canadians. Its impact on **consumer credit** is not just visible in day-to-day credit card spending, but also in other non-mortgage debt like auto loans and lines of credit, where balances are on the rise."

Credit card demand and balances continue to increase

Over the last quarter, credit card balances rose to the highest level since Q4 2019 and increased by 6.4 per cent compared to the Q1 figures The biggest shift in consumer credit balance has been on those with lower credit scores, who may have a higher risk of missing payments. Credit card balances for consumer segments with a credit score lower than 620 rose by 7.4 per cent compared to Q1 2022 and showed a 16.2 per cent increase from Q2 2021. Credit scores typically range on a scale from 300 to 900, the higher, the better. Scores 600 and above would be considered good by most lenders.

"Credit card spending is reaching historically high levels," added Oakes. "High **consumer demand for credit cards** means a competitive marketplace for lenders. As a result, the credit limits being offered on new cards are much higher than we've seen in previous periods."

The average credit limit on new cards is over $5,800, the highest it has been in the last seven years. The average monthly credit card spend per card-holding consumer was almost $2,370 in Q2, up by $427 (22 per cent) compared to Q2 2021. New card volume is also growing quarter over quarter with a 16.2 per cent increase from last quarter.

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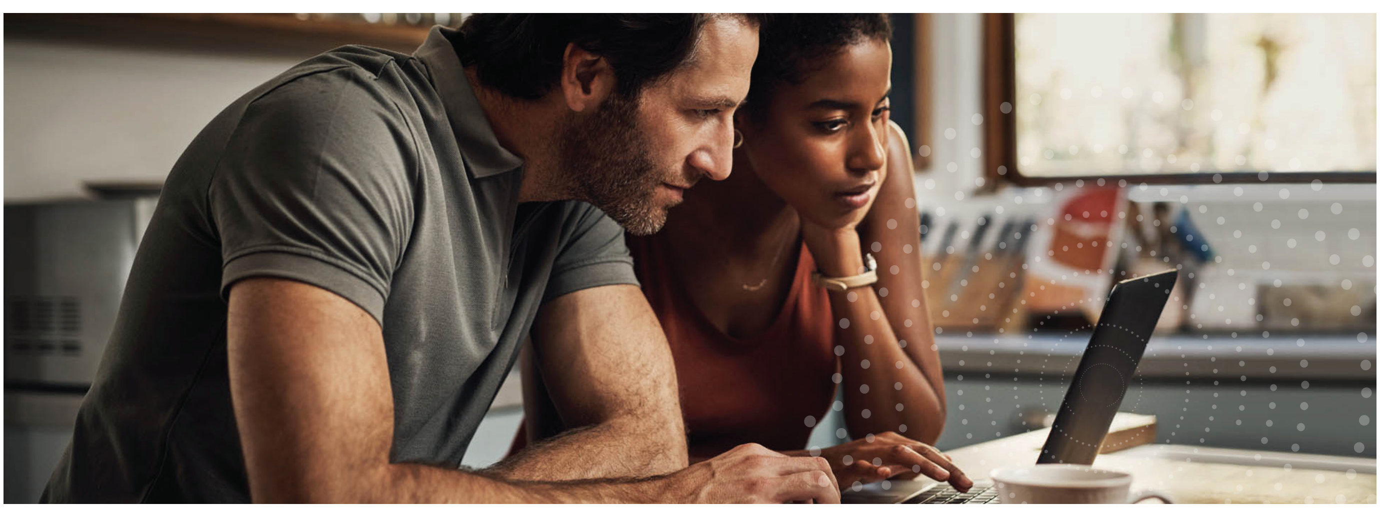


Housing market slowdown has had little impact on new mortgage loan amounts, but monthly payments are up

New mortgage volume fell by 16.4 per cent in Q2 2022 when compared to the peaks of Q2 2021. High home prices have been impacting the affordability of all consumers, but in particular, first-time homebuyers. While the slowdown in rising prices is positive, the average loan amount of first-time homebuyers only dropped by 0.5 per cent this quarter when compared to last quarter, yet their average monthly payments increased by 10 per cent.

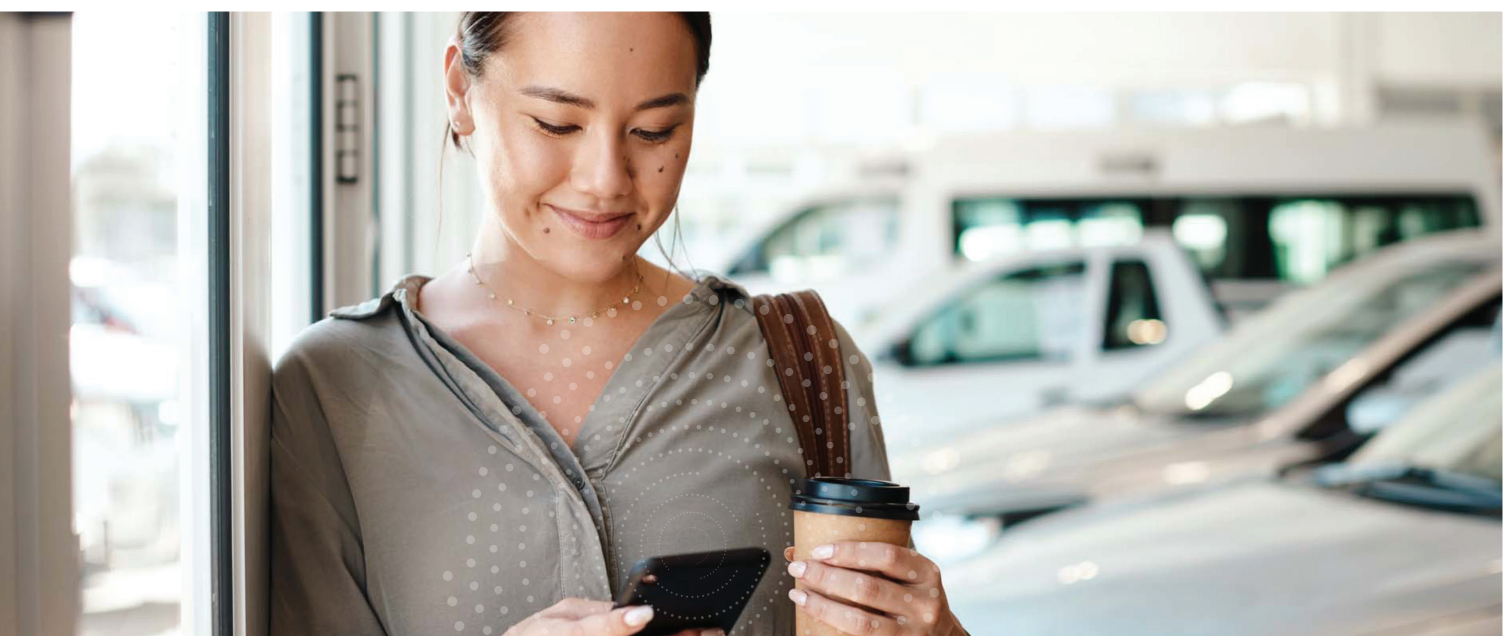
The average loan amount for new mortgages in Canada remained high at $367.5K, with average loans for first-time homebuyers at $430.7K. In Toronto and Vancouver, the average loan amount for first-time homebuyers has exceeded $600K, despite some price correction in these markets.

"The cooling housing market in Canada should not be mistaken for increasing affordability," said Oakes. "Affordability depends not just on home prices, but also on monthly payment obligations for a mortgage. Higher interest rates coupled with high inflation can really stretch a consumer's monthly expenditure, while many could find it difficult to qualify for a mortgage."

Average loan amount for new mortgages in Canada remained high at $367.5K.

High car prices drive up average auto loan amounts

Overall new originations for auto loans are declining year-over-year. However, the deep subprime and subprime segments are starting to see a rise in new originations with 1.2 per cent and 4.1 per cent increases in new auto loans and bank-comparable loans when compared to Q2 2021. High car prices continue to drive up the average amount for auto loans ($28K) and comparable loans ($33K) by 4.8 per cent and 10 per cent respectively, when compared to the same time period last year.



Financial stress indicators on the rise

In the second quarter, consumer insolvency rose to the highest levels since the start of the pandemic. This was primarily driven by consumer proposals, which saw a 20.7 per cent rise compared to the prior year and accounted for 76 per cent of all insolvencies.

An increase in the number of credit accounts with missed payments led to a 4 per cent jump in the 90 day+ account delinquency rates. This was the third quarter in a row where an increase was seen. However, large growth in overall non-mortgage debt combined with a fall in the average balance of delinquent accounts masked some of the emerging financial stress with 90 day+ balance delinquency rates still remaining below pre-COVID levels and showing a fall compared to the prior year.

“The good news is that government and lender support during 2020 and 2021 led to overall reductions in debt levels. Balances on accounts where we are seeing consumers starting to miss payments are lower than 12 months ago,” said Oakes. “The not-so-good news is that over 100K more consumers missed a credit payment this quarter compared to last year. Around one in 30 of credit-using individuals failed to meet at least one credit commitment.”

Credit cards and auto loans are seeing the biggest jump in account-level delinquencies with 5 percent and 5.9 percent increases from last quarter, respectively.

Regional variation in delinquencies are also visible in the prairie provinces, with Manitoba and Saskatchewan showing an increase in both account and balance delinquency rates. The non-mortgage 90 day+ account delinquency rate was up from the last quarter, by 6.1 per cent in Manitoba and 5.8 per cent in Saskatchewan. Insolvency rates are also up by 4.3 per cent when compared to Q1 2022 for the western provinces.

“The rapid rise in inflation and interest rates is clouding the economic outlook. Early indications in our data suggest financial stress is starting to emerge; Canadians should continue to be mindful of their spending and debt obligations,” advised Oakes.

Age Group Analysis

Debt & Delinquency Rates (excluding mortgages)

Age	Average Debt (Q2 2022)	Average Debt Change Year-over-Year (Q2 2022 vs. Q2 2021)	Delinquency Rate ($) (Q2 2022)	Delinquency Rate ($) Change Year-over-Year (Q2 2022 vs. Q2 2021)
18-25	$8,071	-3.92%	1.38%	9.47%
26-35	$17,138	3.62%	1.28%	-7.64%
36-45	$25,703	4.70%	0.97%	-10.65%
46-55	$32,155	4.11%	0.72%	-11.07%
56-65	$26,652	2.17%	0.65%	-9.01%
65+	$14,610	0.49%	0.77%	-6.81%
Canada	$21,128	2.36%	0.88%	-7.92%

Major City Analysis

Debt & Delinquency Rates (excluding mortgages)

City	Average Debt (Q2 2022)	Average Debt Change Year-over-Year (Q2 2022 vs. Q2 2021)	Delinquency Rate ($) (Q2 2022)	Delinquency Rate ($) Change Year-over-Year (Q2 2022 vs. Q2 2021)
Calgary	$24,912	-1.71%	1.11%	-7.92%
Edmonton	$24,345	-1.17%	1.35%	-7.69%
Halifax	$20,990	-0.66%	0.95%	-14.05%
Montreal	$16,422	4.64%	0.75%	-9.03%
Ottawa	$18,893	3.67%	0.78%	-9.06%
Toronto	$20,361	5.30%	1.04%	-10.45%
Vancouver	$22,760	3.88%	0.65%	-10.52%
St. John's	$23,675	-1.28%	1.07%	-17.26%
Fort McMurray	$37,640	-0.98%	1.49%	-10.18%

Province Analysis

Debt & Delinquency Rates (excluding mortgages)

Province	Average Debt (Q2 2022)	Average Debt Change Year-over-Year (Q2 2022 vs. Q2 2021)	Delinquency Rate ($) (Q2 2022)	Delinquency Rate ($) Change Year-over-Year (Q2 2022 vs. Q2 2021)
Ontario	$21,405	4.37%	0.83%	-8.93%
Quebec	$18,429	2.80%	0.59%	-4.45%
Nova Scotia	$20,701	-1.21%	1.14%	-10.00%
New Brunswick	$21,888	-2.09%	1.21%	-12.75%
PEI	$22,239	1.11%	0.81%	-5.54%
Newfoundland	$22,909	-0.98%	1.15%	-14.41%
Eastern Region	$21,641	-1.31%	1.14%	-11.84%
Alberta	$25,056	-1.84%	1.25%	-7.91%
Manitoba	$16,956	0.11%	1.15%	5.05%
Saskatchewan	$22,582	-0.59%	1.26%	0.06%
British Columbia	$21,940	2.96%	0.77%	-8.55%
Western Region	$22,599	0.49%	1.04%	-6.84%
Canada	$21,128	2.36%	0.88%	-7.92%

Notes:

- Comparable bank loans are installment loans with limits between $5,000 and $100,000
- Based on Equifax data for Q1 2022

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