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Report

Missed Payments and Financial Strain Are Increasing for Many Canadians, Credit Card Debt Continues To Rise

Q3 2023 | Equifax Canada Market Pulse Consumer Quarterly Credit Trends

December 2023

Total consumer debt in Canada stood at \$2.4 trillion in Q3 2023, an increase of \$80.9 billion from the same period last year, according to Equifax® Canada's latest Market Pulse Consumer Credit Trends and Insights report. Despite the impact of high interest rates and a slowing economy, mortgage debt rose by 1.7 per cent compared to the second quarter while non-mortgage debt growth was slightly lower at 1.2 per cent.

The rise in non-mortgage debt was primarily due to credit cards. Total card balances reached \$113.4 billion in the third quarter of 2023, an all-time high, representing a 16 per cent increase from the same period last year. More than 6 million new cards were opened in the last 12 months, up 13.7 per cent from 2022.

"The increase in credit card debt is being driven by several factors, including the rising cost of living, higher interest rates, and the economic slowdown," noted Rebecca Oakes, Vice-President of Advanced Analytics at Equifax Canada. "These factors are putting a strain on household budgets, making it difficult for many Canadians to make ends meet."

Population growth continues to be a key contributor in the rise of credit card balances, with over 1.3 million new card holders compared to 12 months ago, but the report indicates that increased financial strain may also be to blame. The average balance of credit card holders rose to \$4,119, up from \$3,727 in the third quarter of 2022, exceeding the averages seen pre-pandemic. Notably, consumers with credit scores below 620 saw a substantial 13.9 per cent increase in credit card balances this quarter compared to Q3 2022, up 9.4 per cent from pre-pandemic. While average monthly credit card spend per consumer rose by 2.2 per cent compared to 12 months ago, average payment only increased by 1.7 per cent.

"Even if we take into account the increased costs of goods due to inflation, the growth in card balance compared to last year is still substantial," added Oakes, "Monthly spend levels on cards have stabilized in recent months, so changing payment levels are contributing to that balance growth."

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Rebecca Oakes

Vice-President of Advanced Analytics,
Equifax Canada



Delinquencies on the rise across Canada

The report also highlights a trend of missed payments on all types of credit products across the country. The percentage of Canadians who missed a payment on at least one product increased from 1 in 31 during the pandemic to 1 in 25 in Q3 2023. Over 139,000 more consumers missed a payment in Q3 compared to 12 months ago.

"Delinquencies are on the rise, especially in Ontario and British Columbia," said Oakes. "Increasing rental costs are the norm. Mortgage holders are starting to miss payments, particularly first-time homebuyers and those who renewed their mortgages during the peak interest rate periods over the last 12 months. With many upcoming mortgage renewals, consumers need to prepare for potential payment shocks."

The overall non-mortgage balance delinquency rate (where no payment has been seen for 90 days or more), stood at 1.2 per cent, up 29.2 per cent from Q3 2022. Ontario and British Columbia saw above average rises in severe delinquencies, increasing 35.4 per cent and 34.5 per cent respectively, compared to the prior year.

At a product level, auto loans and unsecured lines of credit continued to see the biggest rebound in missed payments from the lows of the pandemic with 90+ day balance delinquency sitting at 0.83 per cent and 1.55 per cent respectively, exceeding the levels seen in 2019.

Credit card delinquency rose by 15.8 per cent during the third quarter with consumers aged 36 - 55 seeing the largest rise at 20.8 per cent. Credit card payment behaviour can be a major indicator of financial stress. The percentage of card users only making minimum payments rose by 3.4 per cent in the third quarter while the percentage paying their balance in full fell 1.5 per cent. Additionally, the drop in full payers was seen to be more visible on consumers with a high HELOC balance (>\$50k). This group may be more sensitive to interest rate increases.

"There is still some positive news when it comes to missed payments as overall delinquency levels remain below what we saw pre-pandemic and some consumers are still weathering this difficult period well," said Oakes, "Unfortunately for other consumers, the indicators are that financial strain is picking up pace."



Strains in the Housing Market

The Canadian housing market is experiencing a continued slowdown, with new mortgage originations dropping by 9.5 per cent in Q3 2023 compared to the same period last year. The third quarter did see a seasonal increase in mortgage originations compared to Q2, but at an annualized level, originations have been falling for eight consecutive quarters.

Despite high interest rates, new mortgage amounts showed increases after falling in the first half of 2023. The average loan amount on new mortgage originations went up by 7.4 per cent from last quarter, reaching \$343K. Average monthly payments on new loans increased 10.4 per cent when compared to Q2 2023, with first-time home buyers in Ontario and British Columbia now paying over \$3,000 in monthly mortgage payments. Despite high demand from potential first-time home buyers and upcoming renewals, affordability concerns and higher interest rates are likely key factors deterring many Canadians from taking out new mortgages.

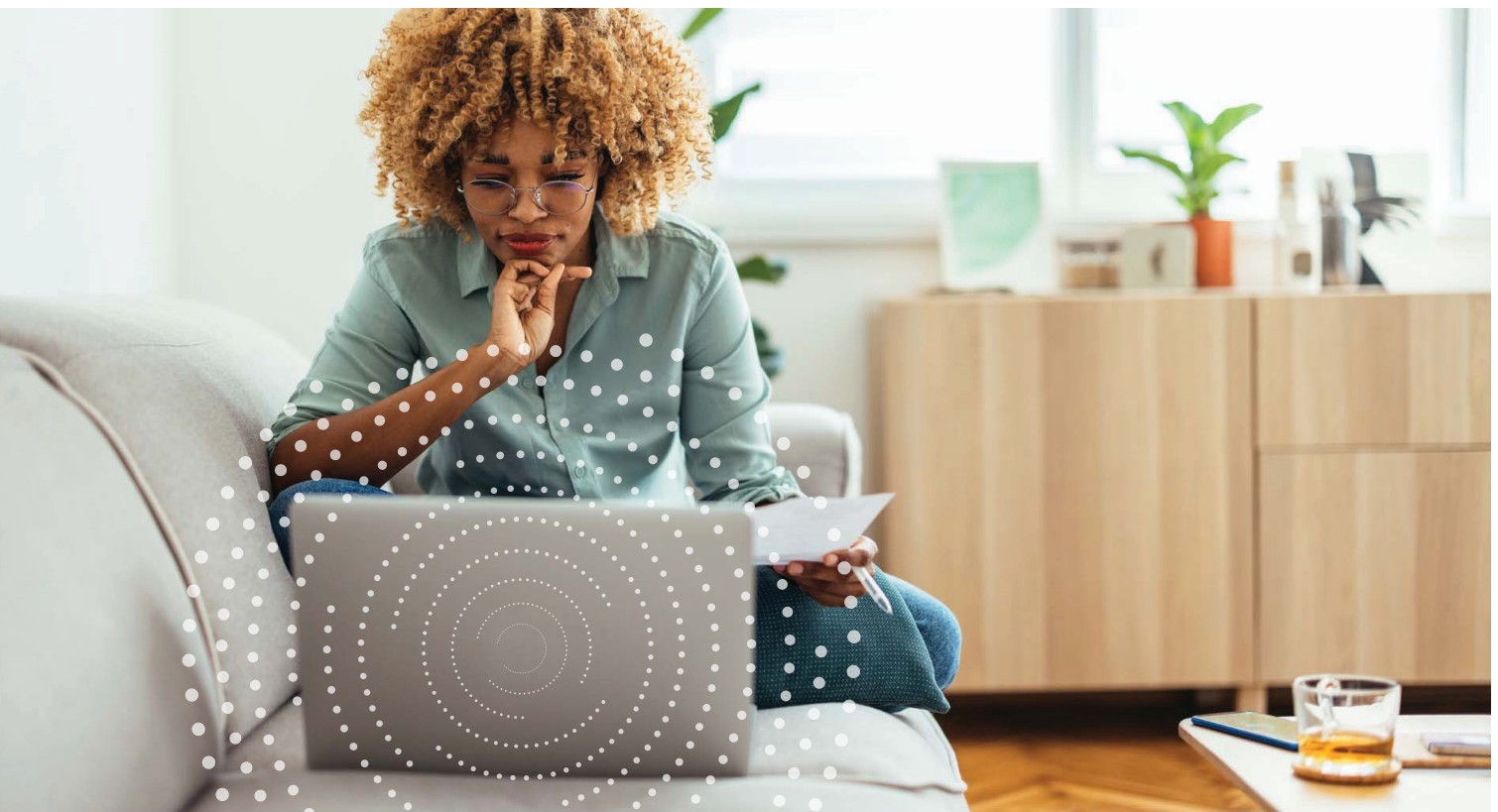
Overall mortgage delinquencies remained well below pre-pandemic levels. Regional differences are getting more prominent as severe mortgage delinquencies in Ontario and British Columbia are up by 122.2 per cent and 46.2 per cent year over year respectively. In addition, the Ontario delinquency rate surpassed 2019 levels by 4.6 per cent, though they are still below the peak delinquency rate seen in Q2 2020.

“Currently, population growth exceeds new housing volumes, and this may be preventing home prices from going down despite the high interest rates” said Oakes. “That, in turn, is slowing the inflation drop which may limit the ability to reduce interest rates quickly. Unfortunately that may not be good news for consumers who will be renewing their mortgages in 2024,” said Oakes.

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Rebecca Oakes

Vice-President of Advanced Analytics,
Equifax Canada



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 (Q3 2023)	Average Debt Change Year-over-Year (Q3 2023 vs. Q3 2022)	Delinquency Rate (\$) (Q3 2023)	Delinquency Rate (\$) Change Year-over-Year (Q3 2023 vs. Q3 2022)
18-25	\$7,894	-1.95%	1.54%	10.99%
26-35	\$17,159	-0.58%	1.71%	24.86%
36-45	\$26,155	0.70%	1.36%	32.31%
46-55	\$32,760	1.01%	1.03%	35.92%
56-65	\$26,730	0.01%	0.90%	30.64%
65+	\$14,066	-3.33%	1.00%	24.12%
Canada	\$21,031	-0.80%	1.20%	29.24%

Major City Analysis

Debt & Delinquency Rates (excluding mortgages)

City	Average Debt (Q3 2023)	Average Debt Change Year-over-Year (Q3 2023 vs. Q3 2022)	Delinquency Rate (\$) (Q3 2023)	Delinquency Rate (\$) Change Year-over-Year (Q3 2023 vs. Q3 2022)
Calgary	\$23,816	-3.61%	1.36%	18.76%
Edmonton	\$23,578	-2.67%	1.72%	21.48%
Halifax	\$20,773	-0.92%	1.23%	24.04%
Montreal	\$16,405	-0.39%	1.06%	33.65%
Ottawa	\$19,043	-0.05%	1.11%	32.97%
Toronto	\$19,944	-1.34%	1.53%	34.15%
Vancouver	\$22,006	-3.29%	0.98%	38.24%
St. John's	\$23,375	-1.53%	1.37%	16.77%
Fort McMurray	\$37,462	-1.46%	2.11%	30.10%

Province Analysis

Debt & Delinquency Rates (excluding mortgages)

Province	Average Debt (Q3 2023)	Average Debt Change Year-over-Year (Q3 2023 vs. Q3 2022)	Delinquency Rate (\$) (Q3 2023)	Delinquency Rate (\$) Change Year-over-Year (Q3 2023 vs. Q3 2022)
Ontario	\$21,482	0.12%	1.21%	35.43%
Quebec	\$18,530	-0.11%	0.83%	33.91%
Nova Scotia	\$20,532	-0.87%	1.44%	19.34%
New Brunswick	\$20,816	-5.11%	1.53%	21.87%
PEI	\$22,247	-0.25%	1.02%	21.65%
Newfoundland	\$22,982	-0.22%	1.43%	18.01%
<i>Eastern Region</i>	\$21,240	-2.07%	1.44%	19.91%
Alberta	\$24,208	-2.88%	1.54%	18.79%
Manitoba	\$17,315	1.29%	1.46%	16.26%
Saskatchewan	\$22,098	-2.33%	1.50%	16.78%
British Columbia	\$21,522	-2.21%	1.11%	34.51%
<i>Western Region</i>	\$22,112	-2.18%	1.34%	23.61%
Canada	\$21,013	-0.80%	1.20%	29.24%

* Based on Equifax data for Q3 2023



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