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Report

Canadian Businesses Facing Crucial Challenges

High Debt and Missed Payments Add to Rising Uncertainty

Q3 2023 | Equifax® Canada Market Pulse Business Quarterly Credit Trends

December 2023



Canadian businesses face challenges including rising debt levels, slowing demand for new credit, and concerns about potential delinquencies, according to Equifax® Canada's latest Market Pulse Business Credit Trends and Insights report.



Key findings from the Equifax Canada data include:

- Credit card debt for businesses surged 10.8 per cent annually in Q3, reaching \$5.4 billion, indicating increased reliance on revolving credit.
- More businesses are missing payments on their credit products. Overall delinquencies (60+ days) rose 3.4 per cent compared to the previous quarter, signaling potential challenges in debt repayment.
- Delinquency roll rates for supplier-based credit sits at 23.3 per cent in Q3, an increase of 2.4 per cent from Q2, highlighting the risk of accounts becoming severely delinquent as they shift from 60 days to 90 days delinquent.
- Financial trade 60-90 day roll rates for delinquent accounts remained steady at 31.6 per cent, indicating persistent concerns in the financial sector.
- Credit demand among businesses showed a seasonal drop of 1.9% from last quarter, but is up 13.2% year over year. While new credit demand is usually driven by new businesses, Equifax Canada data shows that more existing businesses are seeking credit as the end of 2023 approaches, which could be a sign of early financial stress. However, new trade volume is primarily being driven by businesses with high credit scores.

"This data suggests a shift in behaviour among businesses, with increased reliance on existing credit lines and cards," noted Jeff Brown, Head of Commercial Solutions at Equifax Canada. "While this may reflect a cautious approach in response to rising interest rates, it also raises concerns about potential debt burdens. We will be closely monitoring both debt levels and roll rates throughout the holiday season."

Brown suggests the data highlights the crucial role of the holiday season for small businesses. "A strong holiday season can make a significant difference for these businesses. Small businesses make up 37.5 per cent of the Canadian economy, and when consumers shop locally they support these vital economic engines."



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Beyond these latest figures, the report reveals several key trends:

- Debt levels are primarily driven by revolving credit products like lines of credit and credit cards. Since the third quarter of 2022, installment loan balances fell by 3.4 per cent, while revolving credit facilities saw a 9.6 per cent uptick in balance, suggesting that businesses have a preference for revolving credit in this high-interest rate environment.
- Installment loans are showing an uptick in delinquency, up by 13.5 per cent year-over-year, suggesting that businesses may be feeling the effects of a tougher economic climate with higher interest rates.
- Businesses have started to miss payments on their lines of credit as early delinquencies (30+ days) grew 16.3 per cent from the previous quarter.



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