Looking Back on 2023 and Focusing on Forward for 2024

December 7 | 2 PM ET
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Market **Pulse**

**Macroeconomics**

**Credit trends**

**Q&A**

This webinar will be available for replay.

Pose your questions with the **Q&A button**.
Market Pulse

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Macroeconomic Update
The Macro Picture: Hits, Misses, and What Comes Next
Inflation is moderating, having peaked at the 5th highest rate since WWII

Consumer Price Index (CPI), Percent Change from a Year Ago, SA

This round of tightening by the Fed is the most aggressive in the modern, post-Volcker period

Highest average monthly pace of increases over total period of tightening

Highest total change since 1977-1981 tightening rounds

Source: AC Cutts & Associates, Federal Reserve Bank of St. Louis (FRED), chart on left is the total change in the monthly Fed Funds Effective Rate divided by months from first increase to final; chart on right is the total change in the monthly Fed Funds Effective Rate (end of month).

AC Cutts & Associates LLC
Labor markets show few effects of monetary policy actions thus far – recent trends indicate some slowing.

Payroll Employment is slowing & the unemployment rate is rising but still low
Monthly change in payroll employment, 1000s, and unemployment rate, %, SA

What Economists Expected versus what happened – Consumer spending was expected to slow, and it hasn’t… yet

Real Personal Consumption Expenditures
Change from prior quarter, %, SAAR

January 2023 Forecast

November 2023 Forecast

Economists expected a recession to start in 2023, but now expect it to come in mid 2024 if it happens at all.

“When is the Fed expected to make its first rate cut?”

% of responses

Source: AC Cutts & Associates LLC, The Wall Street Journal Survey of Economists; Blue Chip Economic Indicators®. Data through November 2023
Wages are rising quickly, but only recently has growth exceeded inflation

12 month moving averages of monthly median wage growth for each category, % NSA, and Consumer Price Index for All Urban Consumers: All Items in U.S. City Average, %, SAAR

Inflation has taken a toll on middle-income households, especially the cost of necessity items

Primerica Household Budget Index™ (January 2019=100%) & additional cumulative cost of food, gas, utilities and healthcare since April 2021 for middle income households

Extra cost of Food, Gas, Utilities and Healthcare

-$2,440

Source: Primerica Household Budget Index™. Healthcare expenses do not include health insurance costs. Middle income household is defined as having gross earned income between $30,000 and $130,000. The HBI™ is a measure of inflation-adjusted earned incomes using a middle-income weighted version of the consume price index limited to necessity items. Data through October 2023.
Higher interest rates are slowing the housing market

Changing perspective: home sales and home building per household are nearing all time lows

Total housing starts per 1000 households, SAAR

Total home sales per 1000 households, SAAR

Bankruptcy filings declined sharply in 2020-21 but started rising again in 2H 2022

Nonbusiness (Personal) Bankruptcy Filings, NSA

15% rise year-over-year

Business Bankruptcy Filings, NSA

36% rise year-over-year

Source: AC Cutts & Associates, United States Courts
The Federal FY 2024 Budget Crisis is still on the horizon & other risks are emerging

A shutdown on November 17 was avoided by passing two continuing resolutions for the federal budget that expire on January 19 and February 2. Failure to pass budgets by those dates will result in partial government shutdowns of affected agencies. Until then spending remains at FY 2023 levels.

In the meantime, COVID-related financial support for childcare centers has expired and student loan repayments resumed in October. All federal pandemic relief programs have now expired.

The Panama Canal is operating at a fraction of capacity due to drought forcing ships to reroute around South America and the Suez canal routes are seeing more attacks – supply disruptions and price increases may occur as a result.

The conflicts in Ukraine and Gaza still have the potential to impact global economic activity.
Audience poll
First Mortgage originations through August 2023 continue YOY decreasing trend - still above 2014 levels; Auto YTD originations decreased while the subprime share continues to fall.

**First Mortgage Originations**
Total Credit Limits August YTD in $Billions, NSA

**Auto Originations**
Total Credit Limits August YTD in $Billions, NSA

Source: Equifax: www.equifax.com/business/market-pulse-credit-trends; Data are August YTD originations for each year in the series
Bankcard $ limit YTD originations continues to grow YOY; subprime declining trend continues since its peak in 2021, and # of new cards originated August YTD only behind peak levels of originations seen in 2022

**Source:** Equifax: [www.equifax.com/business/market-pulse-credit-trends](http://www.equifax.com/business/market-pulse-credit-trends); *Data are August YTD originations for each year in the series*
August YTD Private Label $ limit originations down YOY; subprime share continues downward trend, number of new cards originated at lowest point since 2012.

**Private Label $ Limit Originations**
Total Credit Limits August YTD in $Billions, NSA

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>50</td>
</tr>
<tr>
<td>2013</td>
<td>45</td>
</tr>
<tr>
<td>2014</td>
<td>40</td>
</tr>
<tr>
<td>2015</td>
<td>35</td>
</tr>
<tr>
<td>2016</td>
<td>30</td>
</tr>
<tr>
<td>2017</td>
<td>25</td>
</tr>
<tr>
<td>2018</td>
<td>20</td>
</tr>
<tr>
<td>2019</td>
<td>15</td>
</tr>
<tr>
<td>2020</td>
<td>10</td>
</tr>
<tr>
<td>2021</td>
<td>5</td>
</tr>
<tr>
<td>2022</td>
<td>0</td>
</tr>
<tr>
<td>2023</td>
<td>0</td>
</tr>
</tbody>
</table>

**Subprime Share**

<table>
<thead>
<tr>
<th>Year</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>10%</td>
</tr>
<tr>
<td>2013</td>
<td>15%</td>
</tr>
<tr>
<td>2014</td>
<td>20%</td>
</tr>
<tr>
<td>2015</td>
<td>25%</td>
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<td>2016</td>
<td>30%</td>
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<tr>
<td>2017</td>
<td>35%</td>
</tr>
<tr>
<td>2018</td>
<td>40%</td>
</tr>
<tr>
<td>2019</td>
<td>45%</td>
</tr>
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<td>2020</td>
<td>50%</td>
</tr>
<tr>
<td>2021</td>
<td>55%</td>
</tr>
<tr>
<td>2022</td>
<td>60%</td>
</tr>
<tr>
<td>2023</td>
<td>65%</td>
</tr>
</tbody>
</table>

**Private Label Unit Originations**
Total # Private Label Originations August YTD in Millions, NSA

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>200</td>
</tr>
<tr>
<td>2013</td>
<td>180</td>
</tr>
<tr>
<td>2014</td>
<td>160</td>
</tr>
<tr>
<td>2015</td>
<td>140</td>
</tr>
<tr>
<td>2016</td>
<td>120</td>
</tr>
<tr>
<td>2017</td>
<td>100</td>
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<td>2018</td>
<td>80</td>
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<td>2019</td>
<td>60</td>
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<td>2021</td>
<td>20</td>
</tr>
<tr>
<td>2022</td>
<td>10</td>
</tr>
<tr>
<td>2023</td>
<td>0</td>
</tr>
</tbody>
</table>

**Source:** Equifax: [www.equifax.com/business/market-pulse-credit-trends](http://www.equifax.com/business/market-pulse-credit-trends);
*Data are August YTD originations for each year in the series*
YTD through August, Unsecured PL $ balances originations showing steep decline; subprime share trending upwards, while # of new loans originated August YTD off peak highs seen in 2022

Unsecured Personal Loan $ Balances Originations
Total Balances August YTD in $Billions, NSA

Unsecured Personal Loan Unit Originations
Total # UPL Originations August YTD in Millions, NSA

Source: Equifax: www.equifax.com/business/market-pulse-credit-trends; Data are August YTD originations for each year in the series
August YTD Home Equity Revolving $ limit and unit originations declined after a peak in 2022, although higher than 2019-2021.
Mortgage Debt increased to $12.41T; Non-Mortgage Debt has been stable for 4 months at $4.72T

Source: Equifax: www.equifax.com/business/market-pulse-credit-trends; Data through October, 2023; Monthly Balances
Revolving Debt in October is at highest level since 2010, $1.104T; Non-Revolving Debt down slightly from prior month.

**Revolving Debt**
Bankcard and Private Label Card;
Balances in $Billions; NSA

**Non-Revolving Debt**
Auto, Student Loan, and Other;
Balances in $Billions; NSA

Source: Equifax: [www.equifax.com/business/market-pulse-credit-trends](http://www.equifax.com/business/market-pulse-credit-trends); Data through October, 2023; Monthly Balances
Bankcard utilization up slightly, but is flat for Private Label Card and Home Equity; Bankcard credit limits also up 22% since start of pandemic

Credit Limits and Utilization Rates

**Bankcard**
Credit Limits in $ Trillions and Utilization Rate %; NSA

<table>
<thead>
<tr>
<th>Year</th>
<th>Credit Limits</th>
<th>Utilization Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$2.0</td>
<td>13.0%</td>
</tr>
<tr>
<td>2011</td>
<td>$2.5</td>
<td>16.0%</td>
</tr>
<tr>
<td>2012</td>
<td>$3.0</td>
<td>19.0%</td>
</tr>
<tr>
<td>2013</td>
<td>$3.5</td>
<td>22.0%</td>
</tr>
<tr>
<td>2014</td>
<td>$4.0</td>
<td>25.0%</td>
</tr>
<tr>
<td>2015</td>
<td>$4.5</td>
<td>28.0%</td>
</tr>
</tbody>
</table>

**Private Label Card**
Credit Limits in $ Billions and Utilization Rate %; NSA

<table>
<thead>
<tr>
<th>Year</th>
<th>Credit Limits</th>
<th>Utilization Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$200</td>
<td>10%</td>
</tr>
<tr>
<td>2011</td>
<td>$300</td>
<td>12%</td>
</tr>
<tr>
<td>2012</td>
<td>$400</td>
<td>14%</td>
</tr>
<tr>
<td>2013</td>
<td>$500</td>
<td>16%</td>
</tr>
<tr>
<td>2014</td>
<td>$600</td>
<td>18%</td>
</tr>
<tr>
<td>2015</td>
<td>$700</td>
<td>20%</td>
</tr>
</tbody>
</table>

**Revolving Home Equity**
Credit Limits in $ Trillions and Utilization Rate %; NSA

<table>
<thead>
<tr>
<th>Year</th>
<th>Credit Limits</th>
<th>Utilization Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$0.7</td>
<td>30%</td>
</tr>
<tr>
<td>2011</td>
<td>$0.8</td>
<td>34%</td>
</tr>
<tr>
<td>2012</td>
<td>$0.9</td>
<td>38%</td>
</tr>
<tr>
<td>2013</td>
<td>$1.0</td>
<td>42%</td>
</tr>
<tr>
<td>2014</td>
<td>$1.1</td>
<td>46%</td>
</tr>
<tr>
<td>2015</td>
<td>$1.2</td>
<td>50%</td>
</tr>
<tr>
<td>2016</td>
<td>$1.3</td>
<td>54%</td>
</tr>
<tr>
<td>2017</td>
<td>$1.4</td>
<td>58%</td>
</tr>
</tbody>
</table>

Source: Equifax: www.equifax.com/business/market-pulse-credit-trends; Data as reported through October, 2023.
Delinquencies on all products shown below up YoY, Auto delinquency higher than any observation to 2010, First Mortgage delinquency still at historic lows

Severe Delinquency Rates
Percentage of Accounts and Balances, Excluding Severe Derogatory, NSA

Source: Equifax: www.equifax.com/business/market-pulse-credit-trends; Data through October 2023; Not Seasonally Adjusted
Balances on Bankcards continue to rise during this inflationary period, with balances growing faster in younger age groups.

**Revolving Bankcard Balances**

Average Revolving Balance on Bankcards by Age Group

Source: Equifax: [www.equifax.com/business/market-pulse-credit-trends](http://www.equifax.com/business/market-pulse-credit-trends); Data through Aug’23
Bankcard utilization is also on the increase, especially in younger age groups.

**Bankcard Utilization**
Average Revolving Utilization on Bankcards by Age Group

Source: Equifax: [www.equifax.com/business/market-pulse-credit-trends](http://www.equifax.com/business/market-pulse-credit-trends); Data through Aug’23
Finally, severe delinquency (60+DPD) is highest among younger age groups and has been on the increase since inflation spiked in 2021.

**Severe Delinquency Rates**
Percentage of Balances 60+DPD, All Trades by Age Group Ranges, NSA

Source: Equifax: [www.equifax.com/business/market-pulse-credit-trends](http://www.equifax.com/business/market-pulse-credit-trends); Data through Aug'23
Audience poll
Looking Back on 2023 and Focusing on Forward for 2024

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AC Cutts & Associates
Risk Advisory Team
Equifax
What are your questions?
Market **Pulse**

**Focus on forward**

**Turn insights into action**

- Focus on helping the pocket of consumers in your portfolio who are figuring out how they’re going to pay everyday expenses
- Increase the cadence of account reviews to assess changes in your customers’ credit situations and better limit losses by taking action faster
- Remove blind spots and get notifications to changes in customers’ credit that is happening outside your organization

To learn how to leverage data and analytics for your unique needs contact the Equifax Risk Advisory Team — [riskadvisors@equifax.com](mailto:riskadvisors@equifax.com)
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