



EQUIFAX®

Global Credit Trends

1H
2022
TRENDS

Insight stories around the globe

- 3 **Cost of living around the globe**
- 4 **Adjustments in mortgage demand**
- 5 **Insights**
- 6 **Demand**
- 7 **Overall debt**
- 8 **Delinquencies**
- 9 **Utilization**

NOTE: Data in this report is reflected through July 2022 unless otherwise noted. Chart data is indexed as of Q4 2019.



Cost of living around the globe

Inflationary pressure visible across countries



Australians are reaching out to personal loans and BNPL to cope with rising cost of living. Personal loan demand grew 4% compared to Q2 2021; BNPL inquiries grew a staggering 42% with emerging entrants to the market.



In **Canada**, credit card spending is reaching historically high levels with average credit card spend per card consumer up 22% in Q2 2022 when compared to Q2 2021 and 20% up from pre pandemic (Q2 2019) period.



In the **US**, personal loan debt has increased 23% in the last 12 months, compared to an overall non-mortgage debt increase of 7%. The increase is mostly in deep subprime (76% YOY) and now accounts for 6% of non-mortgage debt in the deep subprime space.



In the **UK**, Equifax transaction data is revealing that transfers from savings accounts to current accounts has increased dramatically. It's also observed that ~60% more people have become reliant on high cost short term credit in Q2 compared to Q1 of this year.

What does this mean?



- With delinquency rate increases inevitable, collections practices and identifying financially-vulnerable customers will be more important than ever
- Review application qualification practices to minimize future delinquency issues as cost of living pressures mount
- Expedite hardship decisions with effective servicing assessments to enable quicker and more custom decisions for consumers under potential hardship





Adjustments in mortgage demand

Rising rates and living costs **deter new applications**



Mortgage refinances continued to dominate the **Australian** mortgage market until Q2 2022. New mortgages rose for the **first time since the pandemic to 32%**. While still well below 2021 levels at 48%, opportunities for new mortgages are expected as prices adjust across major Australian cities.



Prime interest rates in **Canada** went from **0.25% to 2.5% in the last 4 months** which brought **new mortgage volume down by 16%** in Q2 2022 when compared to the peaks of Q2 2021. While this stabilized the home prices, it also reduced buying capacity of many consumers, pushing them out of the market.



House prices in the **US** are keeping steady for the time being, and with the **rise in interest rates by 75 basis points in July**, a further decrease in the number of new mortgages and refinances are expected in the coming months.



The **UK** has seen the Bank of England's base rate **increase from 0.1% at the end of 2021 to 1.75%** through the 1H of 2022. In-line with this steady increase, the cost of secured lending continues to rise in an attempt to control inflation rates at a 40 year high.

What does this mean?



- Consumers with a variable rate mortgage are more vulnerable amidst rising interest rates. Some fixed rate mortgage holders could also find it difficult to qualify at the time of renewal
- Lenders should start looking at early signs of stress as revolving behavior on credit cards slowly increases
- Cautious lending and credit monitoring required to assess consumer's capacity to borrow

Insights

Supply shortages contribute significant inflationary pressures across the globe.



North America



Canada

- **High inflation:** Average monthly spend per credit card consumer rises to never before seen levels. Slowdown in July inflation could curb credit card spending in the next quarter. (Source: Statistics Canada)
- **Delinquency* & insolvency:** Non mortgage account level delinquencies are rising along with consumer proposals which are back to 2018 levels. (Source: Equifax data)
- **High interest rates, lower new mortgage volume:** Monthly payments on new mortgages are escalating while the average loan amount remains high. (Source: Bank of Canada)



United States

- **High inflation:** Consumer Price Index increased 8.5% YOY in July. (Source: Bureau of Labor Statistics)
- **GDP** decreased for the 2nd quarter in a row, by 0.6%. This is less than previously expected. (Source: Bureau of Economic Analysis)
- **Auto loans** signaled signs of stress with the delinquency of the subprime auto loans exceeding the pre-COVID level. Additionally, early delinquency in recent vintages is higher than usual for near prime and prime segments. (Source: Equifax Market Pulse)

Latin America



Argentina

- The monthly **inflation rate** in Argentina was 7.4% in July 2022. Consumer prices rose 71% from a year ago. This is the highest level in about 30 years, with private estimations that expect to finish this year with an inflation rate between 95-105%. (Source: Argentina Statistic Agency)
- Central Bank rose the **interest rate** to 69.5% in August, 10 points more than July. (Source: BCRA)
- Political instability and economy management changes during July and August produced an overshooting of informal exchange rates and a **big devaluation** of the peso. (Source: BCRA)

Europe



United Kingdom

- **Energy price cap** increase of 54% in April to be followed by an increase of 80% in October. (Source: House of Commons Library)
- **Inflation** figures just over 10% for July, slightly lower in August at 9.9%. (Source: Office for National Statistics)

Spain

- **GDP** 4% for 2022 with decline to 2.1% forecast for 2023 due to inflation impact. (Source: European Commission)
- **Inflation** has risen to 10.2% in Q2. Average inflation for 2022 6.5%. (Source: European Commission)
- **Unemployment** rate is 12.5% for Q2 2022 (Source: National Statistics Institute)

Australia & New Zealand



Australia & New Zealand

- **Inflation** to 6.1% in AU, fastest annual increase in 21 years. (Source: Australian Bureau of Statistics)
- NZ consumer price index at 7.3%; highest since 1990. Prices advanced faster for **housing and utilities**. (Source: Reserve Bank of New Zealand)
- **Unemployment rate plummeted** to 3.5% in Australia, the lowest rate in 48 years. New Zealand unemployment rates remained low and unchanged compared to last quarter at 3.3%. (Source: Australian Bureau of Statistics, Reserve Bank of New Zealand)

*The delinquency rate refers to the percentage of loans that are 90 or more days past due.

Demand

Climbing non-mortgage demand as cost of living rises. Mortgage demand continues to trend down globally



Global outlook



Canada

- Non-mortgage credit demand is **going up**
- Mortgage broker inquiries are **slowing down** but the demand is still higher than pre-pandemic



United Kingdom & Spain

- Credit demand has now reached pre-pandemic levels (UK), at **around 92%** (ES) compared to 2019
- UK Annual growth rate for **all lending at 6.5%** in March (12.5% for Credit Cards)



Australia & New Zealand

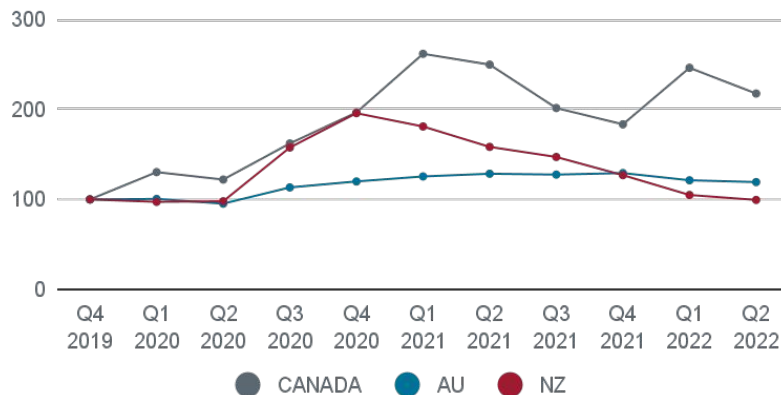
- AU mortgage demand **approaching pre-pandemic levels**, Q2 2022 fell 7% compared to same quarter last year
- Mortgage demand in **NZ** for the June quarter **dropped by 37%**, year on year. Despite the softening market, mortgage demand in the June quarter 2022 was still 8.6% higher than the same quarter in Q2 2019



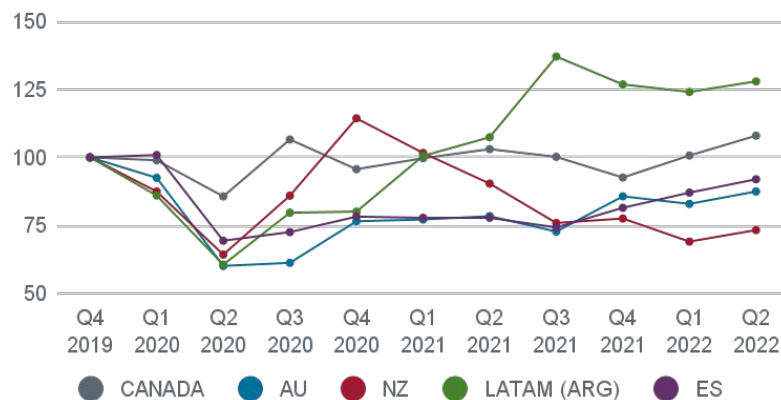
Argentina

- After a high increase in the third quarter of 2021, demand of **non-mortgage loans has stabilized** in 2022 with bigger values for Q2 than Q1

Mortgage Inquiries



Non-Mortgage Inquiries

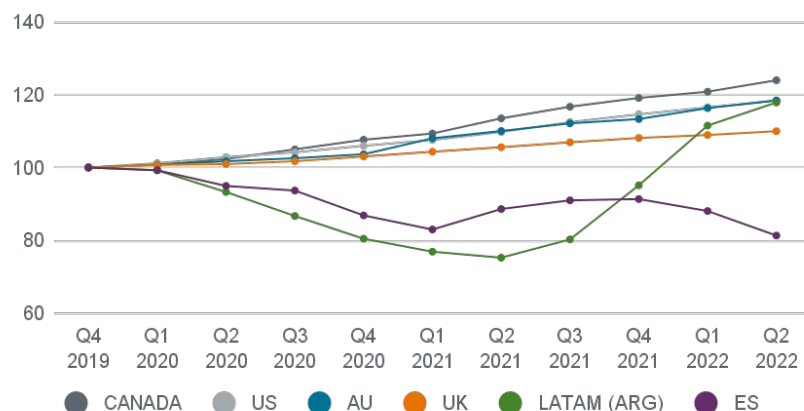


Non-Mortgage: Includes Buy Now Pay Later, credit cards, installment loans, personal loans and automobile loans. Availability and coverage will vary by region.

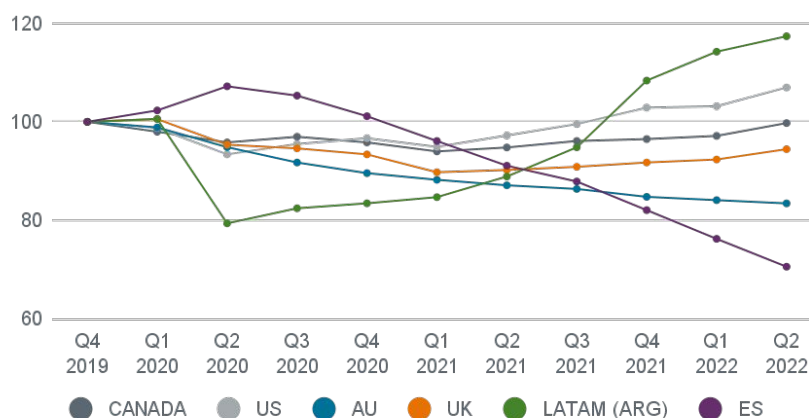
Overall debt

Non-mortgage debt has been increasing across countries globally driven by demand and inflation

Mortgage Debt



Non-Mortgage Debt



Debt: Money borrowed by consumers at a point in time. Refers to amortized limit or outstanding balance depending on data collected from each region, except Spain which reports just defaulted assets because Spanish Bureau manages negative data only.

Non-Mortgage: Includes Buy Now Pay Later, credit cards, installment loans, personal loans and automobile loans. Availability and coverage will vary by region.

Global outlook

Mortgage debt*

United States

Total mortgage debt continued to rise—9% YOY in March

Canada

Despite a decline in new mortgage volume, Canada's mortgage debt grew by 9.2% YOY and 2.6% QOQ in Q2 2022

Australia

Mortgage debt will continue to be elevated as a result of the pandemic property boom

*Money borrowed by consumers at a point in time. Refers to amortized limit or outstanding balance depending on data collected from each region, except Spain which reports just defaulted assets because Spanish Bureau manages negative data only.

Non-mortgage debt

United States

Personal Loan debt has increased significantly in the past year with total balances **17.6% higher YOY**. This product now accounts for 3% of non-mortgage US debt, compared to 2.6% a year ago

Canada

Average non-mortgage debt per consumer is at \$21,128, an **increase of 2.4%** compared to Q2 2021

United Kingdom

Consumers paying off credit card debt throughout the pandemic, balances still **below 80%** of Jan 2020 levels

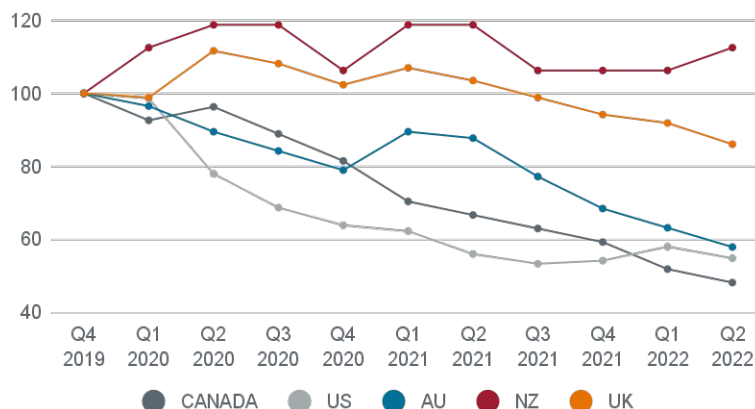
Spain

Continued **decrease in debt** due to financial government support during pandemic period (Spain only reports defaulted assets)

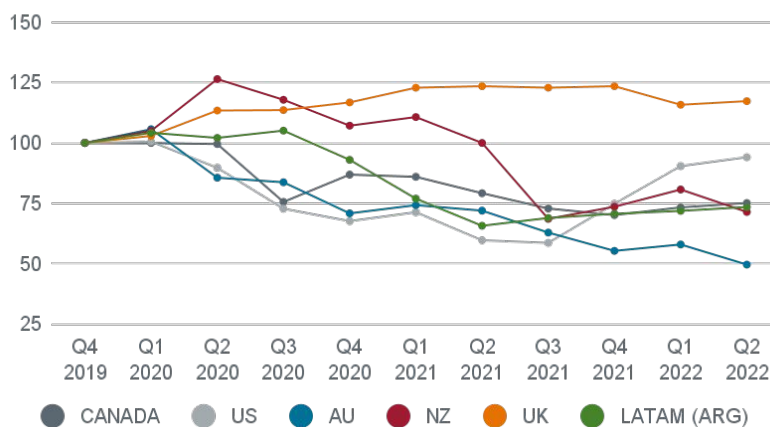
Delinquencies

Delinquency rates rising in most regions in varying levels of severity

90+ Delinquency (#) - Mortgage



90+ Delinquency (#) - Installment Loan



Delinquency: The delinquency rate refers to the percentage of loans that are 90 or more days past due.

Global outlook

United States

- **Auto loans** originated in April 2022 shows increased early delinquency after 3 months on book across subprime, near prime and prime loans
- **Consumer loans** are exceeding pre-COVID delinquency levels. This is due to both score shift (increased subprime underwriting) as well as increased delinquency

Canada

- **Credit card** and other non-mortgage products are starting to see a rise in account level 90+ delinquency rate
- However, we are not seeing the same uptick in balance level **delinquency rate** as high debt levels are masking the delinquent balances

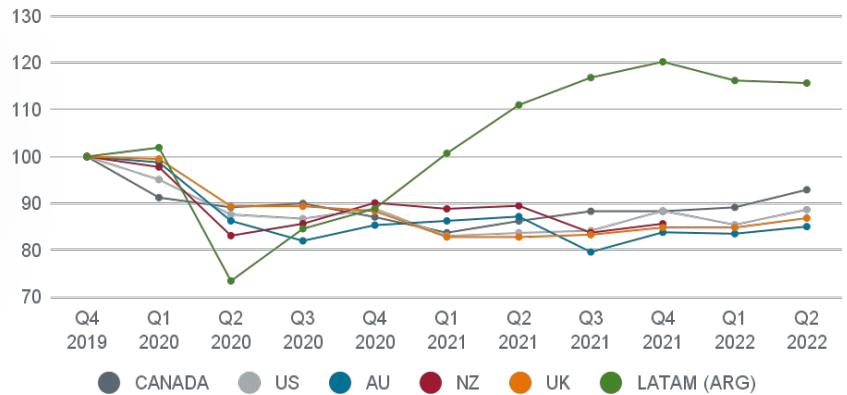
Australia & New Zealand

- Cost of living stings AU as **personal loan** early delinquency (30+dpd) hit highest level since the pandemic at 3.13%
- NZ delinquencies remain low and stable across all products

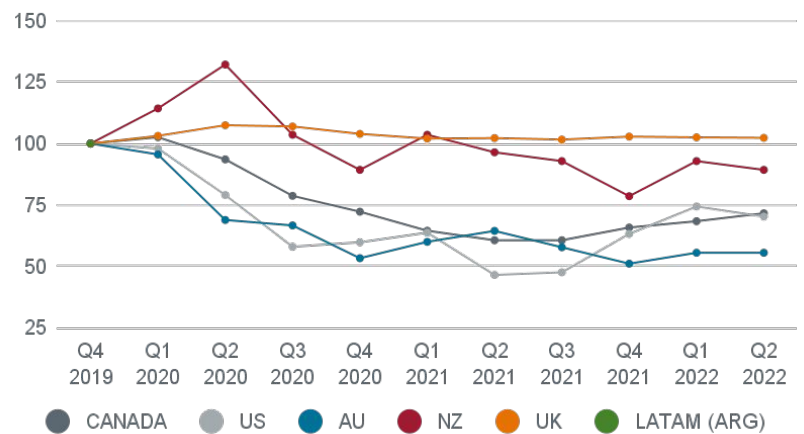
Utilization

Credit limits surpass pre-pandemic levels—moderate increases in card utilization

Credit Card Utilization



90+ Delinquency (#) - Credit Card



Global outlook

Rising card delinquencies

Overall

Multiple regions are showing an uptick in credit card delinquencies

Canada

Credit card utilization is increasing with high consumer spending. It is currently at 22.3%, up 8% from Q2 2021

Non-mortgage* debt

Canada

Average credit limit on new cards is up 27% when compared to the same time period in 2021

Argentina

Credit limit increases didn't follow the inflation rate behavior, which can impact the utilization levels. Utilization levels are moving around 35% in the last 3 quarters

United States

Bankcard utilization is increasing across all score tiers, however has not returned to pre-COVID levels

The most aggressive increase in credit limits is seen in subprime and nearprime, with a ~18% increase YOY in these segments

*Includes Buy Now Pay Later, credit cards, installment loans, personal loans and automobile loans. Availability and coverage will vary by region.

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An aerial photograph of a two-lane asphalt road winding through a dense green forest. A white car is driving on the road. The image is overlaid with numerous white dots of varying sizes, some forming concentric circles, suggesting a data or network theme.The Equifax logo, consisting of the word "EQUIFAX" in a bold, white, sans-serif font, centered within a solid red circle.

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