Global Credit Trends

Emerging trends from third quarter of 2024

Q3
2024
RELEASE

The easing of inflationary pressures continued to bring relief in general.

Regions around the world are facing increased uncertainty due to anticipated fiscal policy changes.

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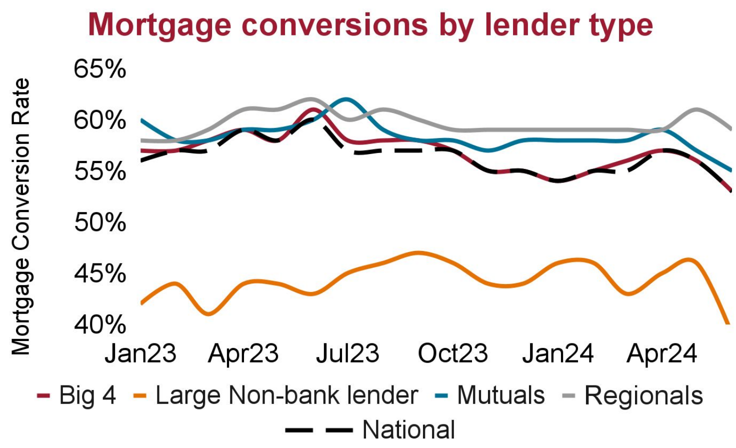
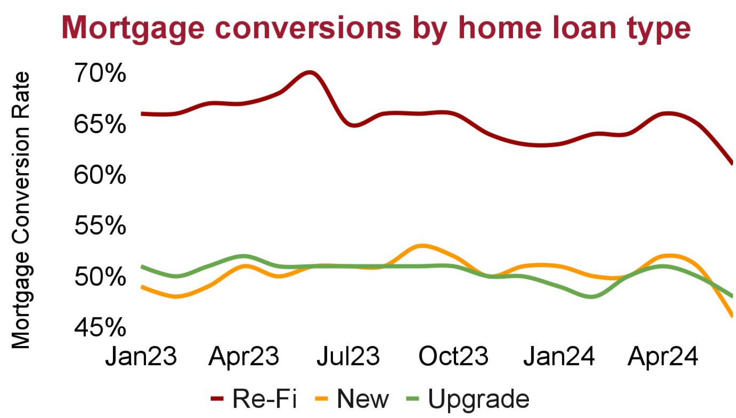
Impact of economic stress on mortgage conversions

At a national level, Australian mortgage conversion rates dropped 5% in 1H'24 compared to the same period last year. The mortgage conversion rate has been on a decline since mid 2023, in reaction to higher stress economic conditions.

The drop in conversion was mostly driven by major Australian banks, suggesting a potential tightening in their acceptance criteria in comparison to other provider types. A slower mortgage market benefited new mortgage conversions which remained stable compared to mortgage refinances and upgrades.

The Australian Banking Association has also recently put out calls to reduce the bank buffer test which remained at 3% since 2021, when cash rates were at record low levels in response to the pandemic.





What does this mean for customers?

- To make good credit decisions amongst increasingly volatile economic conditions and changing regulatory conditions, credit providers must leverage timely comprehensive market data.
- Fewer mortgage conversions mean fewer finalized loans. Lenders must prioritize retaining existing, high-quality customers to offset this decline. Invest in customer loyalty initiatives and focus on quality existing customers and reduce churn.

The "K" shaped economy is still present

The "K" shaped economy describes an economic recovery where different segments of the population recover at drastically different rates. The U.S. is still in the midst of a K shaped economic recovery.

This economic divergence means those with stronger economic prosperity have been greatly insulated from the challenges in the economy (upper K) whereas those who have less prosperity and income stability have been impacted to a greater degree by economic challenges (lower K).

What does this mean for customers?

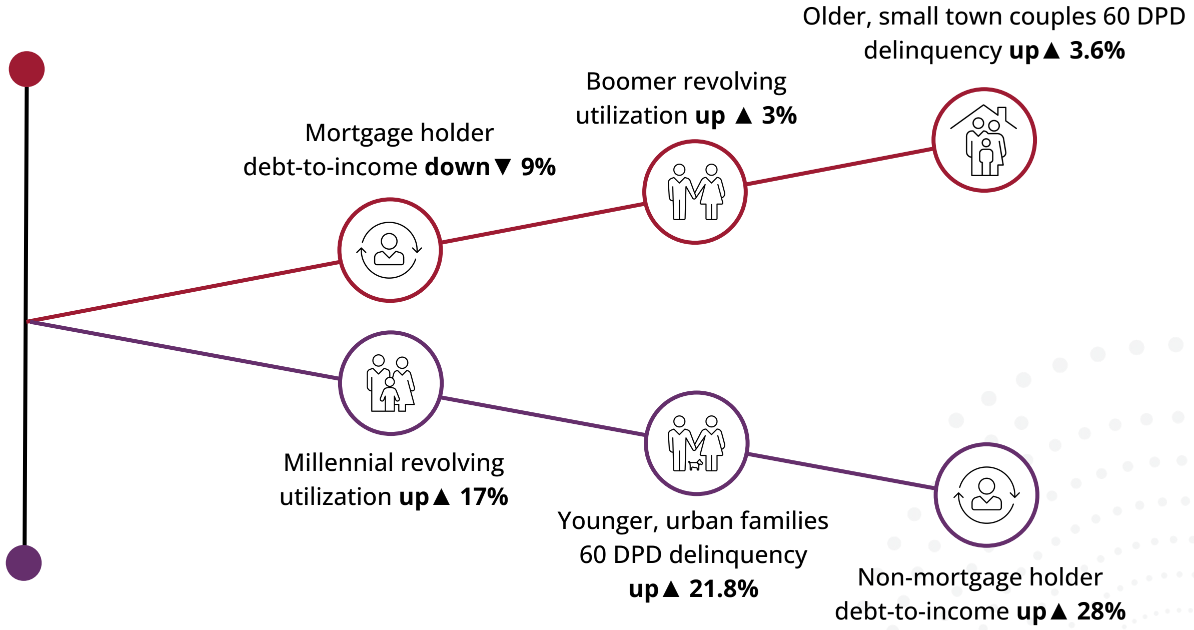
- Careful assessment of financial stability of borrowers is a must, with more frequent credit reviews and updated segmentation strategies.
- Get notifications — and act fast — to changes in customer activity happening "off you."
- Account for new or modified credit policy needs to accommodate borrowers who are struggling with higher balances and more delinquency in areas like auto and bankcard.
- Go beyond traditional scores with deeper insights on consumer payment histories and financial behaviors.

A spotlight on the K-Shaped Economy

From 2021 to Current

Rising inflation has exacerbated the wealth gap, disproportionately affecting lower-income, younger and urban households.

Those with capital investments like stock or real estate have benefited from asset appreciation, limiting the overall impact of economic hardship.



Auto lending: a significant rise in fraudulent activity

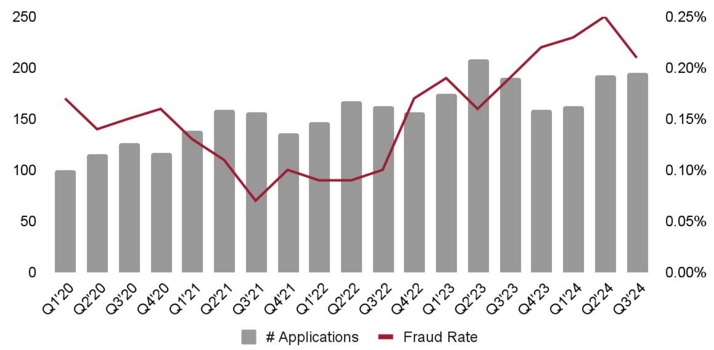
Auto fraud rates have been rising sharply over the past 18 months as credit tightened. High demand amid high vehicle prices and elevated interest rates has resulted in high cost of borrowing.

Identity fraud in secured lending
While first party fraud remains a leading driver, identity theft is a growing concern for auto lenders. Fraudsters target older consumers with good credit score to either steal their identify or create a fictitious identify based on their data. 40% of all identity fraud targets were consumers with credit scores over 800.

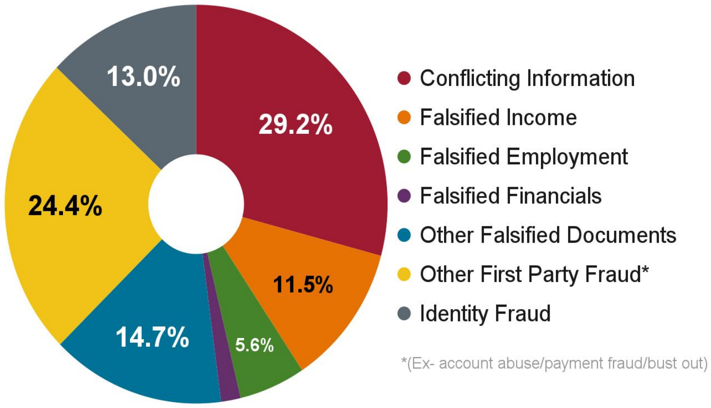
Younger consumers often with low credit scores formed majority of first party auto fraud -falsifying income and other financial data to get their loans approved.

Amount of Auto Applications Indexed at Q1'20

(% Auto Fraud Rate)



Distribution of Auto Fraud Applications Across Different Fraud Types



What does this mean for customers?

- Implementing fraud detection solutions that leverage advanced analytics, and AI to identify suspicious patterns.
- Enhanced due diligence: verify borrower information, employment history, and financial statements.
- Implementing a risk-based multi-factor ID management strategy throughout customer journey/lifecycle.
- Identify consumer segments most vulnerable to identity fraud, and conduct enhanced due diligence where high risks are observed.

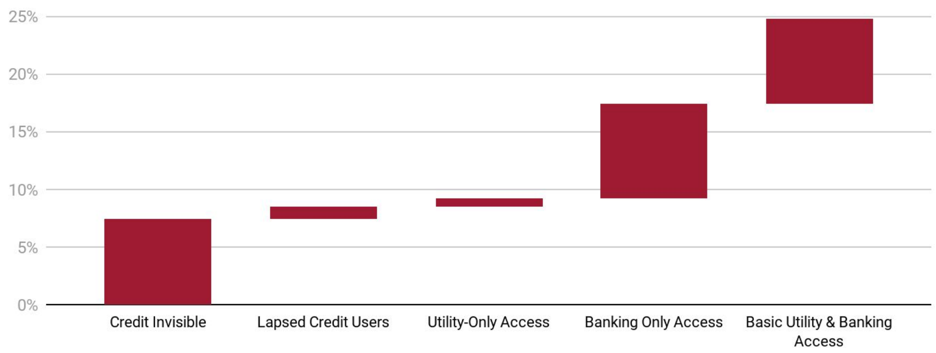
Estimating financial access in the U.K. credit market

Analysis of credit application data reveals that **8.5% of credit seekers lack any existing, active credit.**

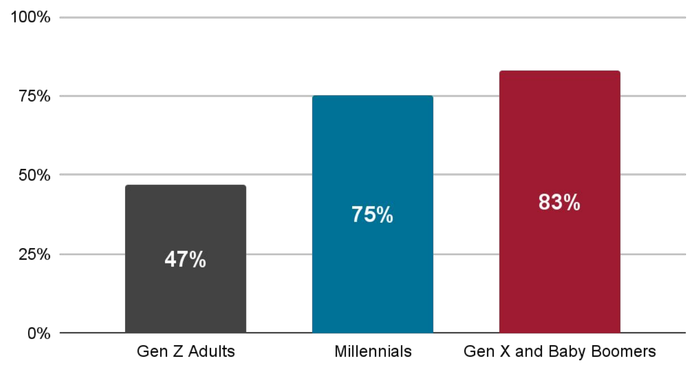
A **further 16% demonstrate limited credit experience,** with exposure restricted to essential utilities and current accounts.

Of those with banking access in the limited credit experience group, only 33% have access to an overdraft option.

Credit Access Waterfall



% Credit Active by Generation



What does this mean for customers?

- In the U.K., where regulations emphasize fair and affordable access to credit, lenders should find ways to effectively assess creditworthiness even when traditional credit data is scarce.
- To ensure responsible lending and financial inclusion, lenders can leverage alternative data sources like Open Banking to gain a more comprehensive understanding of an applicant's financial situation, particularly when traditional credit data is limited.

Global insight

Inflation rates continue to approach central bank targets enabling many regions to lower lending rates

United States
The Federal Reserve lowered interest rates 50 bps starting in September as inflation nears the 2% target. Labor markets are slowing, but layoffs remain low. All eyes turn towards the new Trump administration and how policy changes may impact the trajectory of the economy.

Canada
125 bps drop in interest rates from June–October. Inflation reached the 2% target in October. Unemployment rate remained high particularly for younger consumers.

United Kingdom
Q3'24 witnessed a 25 bps reduction in the base interest rate as inflation returned to target. However, economic recovery remains fragile against a backdrop of political change and uncertainty. Stagnant growth and a small rise in unemployment further underscore the challenges faced.

Spain
The Spanish economy confirms the good tone in Q3'24. Specifically, GDP grew by 0.8% quarter-on-quarter, the same rate as in Q2'24, and substantially above both the euro area average (0.4% quarter-on-quarter.)

Australia
Australia's cash rate was maintained at 4.35% for a full year, despite headline inflation falling to 2.8% in the September quarter. This decision aims to address underlying inflation, which persists above the target rate of 3.5%.

Brazil
Selic fell by 3.5 pp in one year and final consumer rates fell by ~5 pp. Basic and consumer interest rates also fell. Household debt fell by more than 1 pp. The labor market recovered, with unemployment rates falling by almost 1 pp in one year.

New Zealand
Inflation has returned to the 1% – 3% target band, but it has come at the expense of faltering GDP and rising unemployment. The RBNZ has now cut the cash rate by 75 bps since August, with a further 50 bps widely expected in November.

India
Mortgage lending increased by 20% in Q3'24 compared to Q2'24.

Ecuador
In Q3'24, Ecuador continues in an economic downturn with no expectation of GDP growth. The informal employment sector has increased to 60% of the labor market. Demand has contracted and the inflation rate is expected to drop below 2% by the end of the year.

Argentina
In Q3'24 the fiscal adjustments aimed at reducing inflation continued. Also the exchange rate appreciated, moving from $1400 to $1200 pesos comparing Q2'24 to Q3'24. As a result, banks began to see their products become more profitable, leading to an adjustment in credit card limits.

		GDP/Capita	Inflation		Interest Rate		Unemployment	
		+/- %YoY*	Percent	+/- YoY#	Percent	+/- YoY#	Percent	+/- YoY*
North America	US	2.12% ▲	**2.40%**	-1.30 ▼	**5.00%**	0.50 ▲	4.10%	0.30 ▼
	CA	-1.47% ▼	**2.00%**	-1.10 ▼	**3.75%**	-1.25 ▼	6.50%	0.80 ▲
South America	AR	-5.10% ▼	**12.16%**	71.00 ▲	**40.00%**	-78.00 ▼	7.60%	1.40 ▲
	EC	-3.50% ▼	**1.33%**	-0.80 ▼	**11.68%**	2.19 ▲	3.70%	0.10 ▲
	BR	-7.20% ▼	**4.76%**	0.14 ▲	**10.75%**	-2.50 ▼	6.40%	-1.4 ▼
Europe	UK	0.00%	**1.70%**	-5.00 ▼	**5.00%**	-0.25 ▼	4.30%	0.20 ▲
	ES	3.40% ▲	**1.50%**	-2.40 ▼	**3.50%**	-1.00 ▼	11.20%	-0.07 ▼
Oceania & Asia	AU[1]	-1.50% ▼	**2.80%**	-2.60 ▼	**4.35%**	0.00	4.10%	0.30 ▲
	NZ[2]	-2.70% ▼	**2.20%**	-3.40 ▼	**4.75%**	-0.75 ▼	4.80%	0.90 ▲
	IN	9.00% ▲	**5.49%**	0.16 ▲	**6.50%**	0.00	7.80%	0.70 ▲

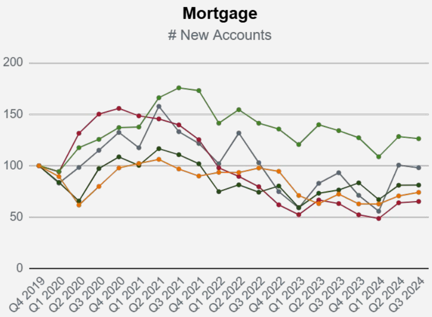
*Data shows change in percentage compared to this quarter last year

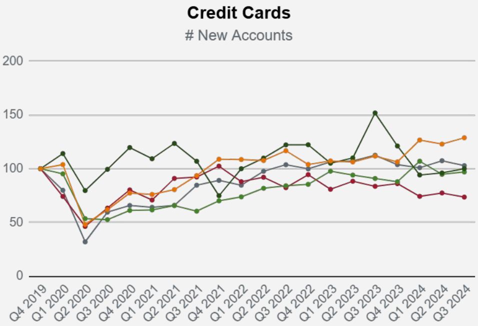
#Data shows change in basis points compared to this quarter last year

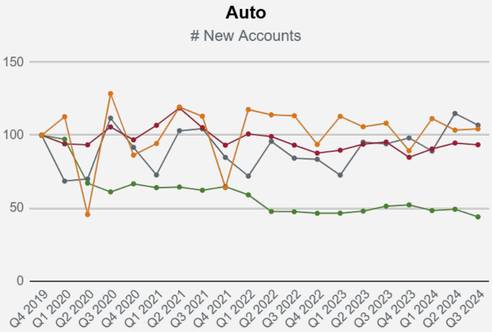
1. ABS.gov
2. stats.nz

Supply

Consumers reaching out to unsecured credit to keep up with economic pressures — cautious return in mortgage supply from lower cash rates







North America

Canada

The Canadian mortgage market showed signs of recovery, new mortgage originations rose by 5.2% from Q3'23. However, this increase remains lower than the historical seasonal highs typically seen in Q3.

The biggest driver of non-mortgage new credit growth was non bank auto lending with 13.6% higher new loan originations in Q3'24 when compared to the same time period in 2023.

South America

Argentina

The demand in Q3'24 continues with the positive trajectory observed since the start of 2024.

Ecuador

Non-mortgage inquiries decreased slightly (-1.8%) compared to Q2'24, reaching similar levels with the first quarter.

Brazil

In Q3'24, the demand for credit remained stable compared to the previous quarter.

Europe

Spain

Credit demand in Spain in Q3'24 slightly decreased with respect to the same period last year, a tendency that was not observed during 1H'24. Q3 is usually the weakest month in terms of demand in Spain due to the strong impact of summer months (July-August).

Oceania & Asia

Australia

Mortgage demand increased by 2.9% compared to last year, marking the first positive growth since 2021. This upswing may indicate improving consumer confidence, possibly driven by anticipated interest rate relief.

New Zealand

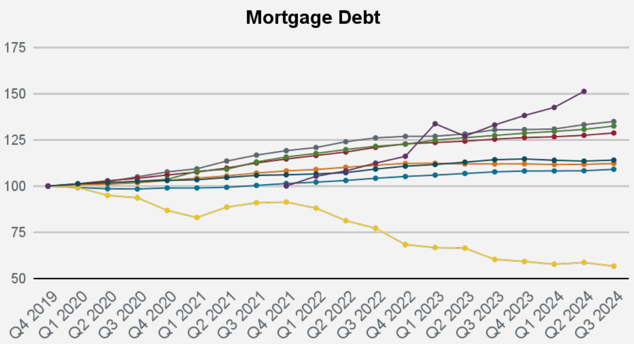
Mortgage inquiries in Q3'24 increased by 10.4% compared to last year against the backdrop of falling retail interest rates; however, this is being driven by borrowers shopping around under an increasingly competitive environment. Personal loan demand continues to be very weak in Q3, down 15.1% YoY.

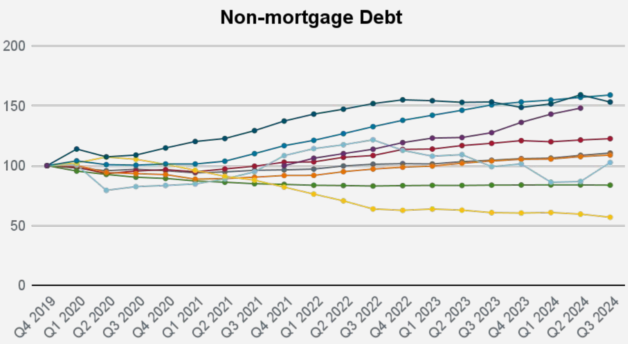
India

The auto finance industry in India is undergoing a significant transformation driven by various factors like consumer preferences, growing popularity of electrical vehicles, etc. This has lead to an annual growth of 5%
in Auto Loan demand from the previous year.

Overall debt

Non-mortgage debt growth remains consistent with previous quarters, with India exhibiting remarkable growth as its economy expands





Mortgage debt

United States
Overall first mortgage debt continues to increase, up 3.7% YoY even with higher interest rates and supply constraints. The Federal Reserve dropped rates by 50 bps in September which will eventually help loan volumes.

Canada
Mortgage debt continued to rise, up 3.4% from Q3'23. Gradual recovery in new originations helping growth in mortgage market.

Australia
Relatively steady mortgage refinance activity during 2024 contributed towards lower number of new accounts opened for the quarter. National average limit per new account increased 11% YoY holding up overall portfolio growth of 4%.

Brazil
Mortgage debts remained stable compared to Q2'24. The non-mortgage debts decreased almost 5% compared to Q2'24, but remain stable compared to the same quarter last year.

India
Mortgage debt increased by 19% YoY and non mortgage debt increased by 18% annually.

Non-mortgage debt

United States
Non-mortgage revolving debt increased by ~6% YoY, driven by increases in credit card debt (6.5%). Non-revolving non mortgage debt has decreased by 3%, driven by a decrease in student loan debt of 9% as a result of loan forgiveness.

Canada
Non-mortgage debt reached went up by 5.7% from the same period last year, with the non-mortgage debt per active credit consumer up 3.8% from Q3 2023, and currently averaging $21,810, up $796 from last year.

United Kingdom
Gradual long term increasing trend in credit card balances, likely driven by increased costs. Total credit card balances up 7.2% YoY.

Spain
Slight decrease both in mortgage and non-mortgage debt, although confirming a stable trend as already observed in the last year and a half.

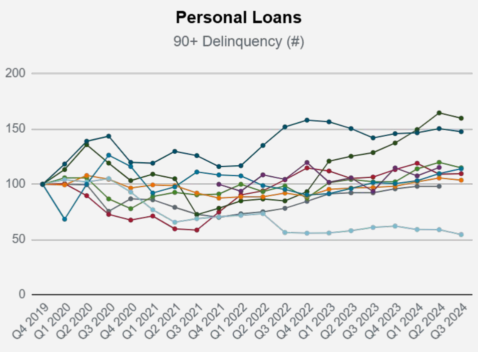
Argentina
Non-mortgage debt shows an increase in comparison to the previous two quarters and is reaching similar values from Q3'23.

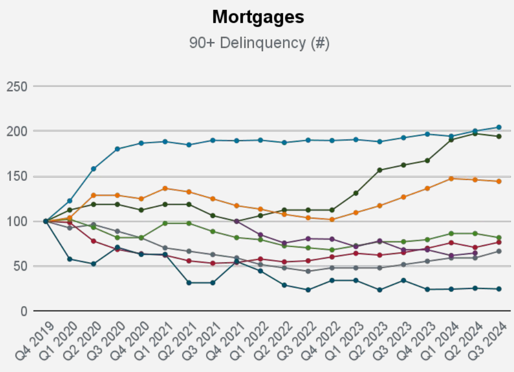
Ecuador
Non-mortgage debt continues to slightly increase quarter over quarter.

US CA AR EC BR UK ES IN AU NZ

Delinquencies

Delinquency rates are stabilizing in some regions as cash rate relief gradually takes effect across economies





North America

United States
Non-mortgage delinquency has again started to climb versus prior year in key categories including auto (6.2%) and credit card (14%). Though up roughly 30% YoY, mortgage delinquency is still below pre-pandemic and global financial crisis levels.

Canada
Over 1.3 million consumers missed a credit payment in Q3'24, up 10.6% from 12 months ago. While delinquency rates remain elevated year-over-year, the rising pace of missed payments has begun to slow, partially due to the Bank of Canada's recent rate reductions. This improvement was more visible for mortgage holders.

South America

Argentina
Delinquency has remained stable compared to previous quarters and is expected to decrease in the following months.

Ecuador
Personal loans delinquencies continued to increase in Q3'24 due to the deterioration of people's ability to pay.

Brazil
The delinquency rate for personal loans decreased 0.5%, compared to Q2'24. Auto is still stable.

Europe

United Kingdom
After a prolonged period of growth as a result of interest rate pressures, mortgage delinquency rates have stabilized since the turn of the year.

This welcome pause in the upward trend suggests that consumers may be adjusting to the higher cost of borrowing. Similar stability in delinquency trends has been observed across various account types.

Oceania & Asia

Australia
While low unemployment has generally kept delinquencies in check, mortgage delinquencies, though seasonally improved, are up YoY. High interest rates are impacting consumers disproportionately, with Victoria seeing a 20% higher mortgage delinquency rate than the national average.

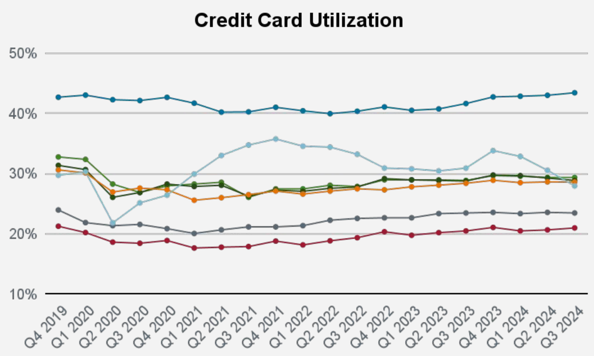
New Zealand
Late stage delinquencies have leveled off (if not improved) over the past two quarters for all products, following a run of increases post-pandemic. While interest rates and inflation are now easing, cost-of-living pressures have taken a toll. However, the majority of mortgage holders are absorbing the pressure with delinquency levels still well below the GFC.

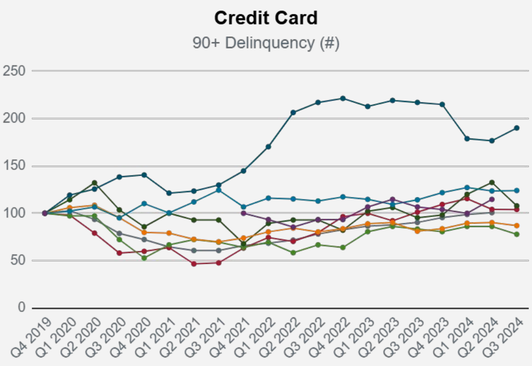
India
Mortgage delinquency saw a 3 basis points decline YoY. Non-mortgage loans saw a 5-10 bps increase across products; this is due to the higher demand-supply dynamics in the small ticket loan segment.

● US ● CA ● AR ● EC ● BR ● UK ● ES ● IN ● AU ● NZ

Credit cards

Card utilization rates remain steady even as the availability of new cards expands in certain regions





Card utilization

United States

Credit card utilization is ~21% — 100 bps higher than a year ago — on the back of increased credit limits, with total credit card limits 6% higher than a year ago. Americans continue to utilize revolving credit to ease the burden of higher prices for goods and services.

Canada

Credit utilization remained unchanged. However, overall credit card debt continued to rise, up 9.4% YoY driven partly by population growth and an increase in average balance for consumers unable to pay their balance in full.

Argentina

Credit card utilization continues in a downward trend, due to greater increase in credit card limits compared with spending.

Ecuador

Credit card utilization remains stable due to increase in credit limits in the overdebt sector. Total credit card debt increased 3.4% in Q3'24, attributable to the persistent stagnation in the labor market recovery.

Delinquencies

United States

Credit card delinquency is now above pre-pandemic levels after continued runup in 2024. Severe delinquency rates (60+ DPD $ delinquencies ex. write-offs) stand at 3%, up 14% vs. prior year. However, delinquency rates are still about 37% below the peak delinquency rates experienced in the global financial crisis.

Canada

Credit card 90+ balance delinquency rate is back to pre-pandemic levels. There was marginal improvement in the proportion of credit card transactors in Q3'24 when compared to last quarter. This was especially notable among home equity line of credit (HELOC) holders with high variable rate balances.

Brazil

The delinquency rate for credit card decreased slightly compared to Q2'24, and after several quarters of increases.

India

Credit card delinquency has increased by 34 bps quarterly, signaling that credit card stress is increasing in the Indian economy.

US CA AR EC BR UK ES IN AU NZ

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Non-mortgage: Includes Buy Now Pay Later, credit cards, installment loans, personal loans and automobile loans. Availability and coverage will vary by region. Debt: Money borrowed by consumers at a point in time. Refers to amortised 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. Delinquency (#): The delinquency rate refers to the percentage of loans that are 90 or more days past due.