EQUIFAX

Global Credit Trends

Emerging credit trends from 2024

2024
TRENDS

Recovery from long periods of high inflation can be slow, with notable differences among populations and geographies.

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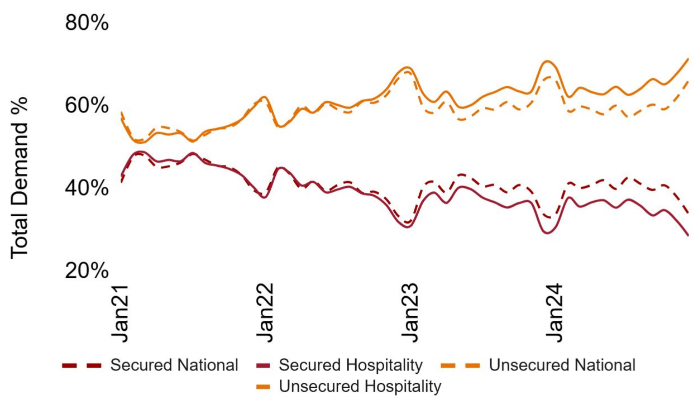
Hospitality workers bearing the brunt as spending slows

Unsecured credit demand has been growing since ‘21 as consumers face economic headwinds. Gaps between secured and unsecured debt (nationally) grew to 32% in Dec ’24 from 17%.

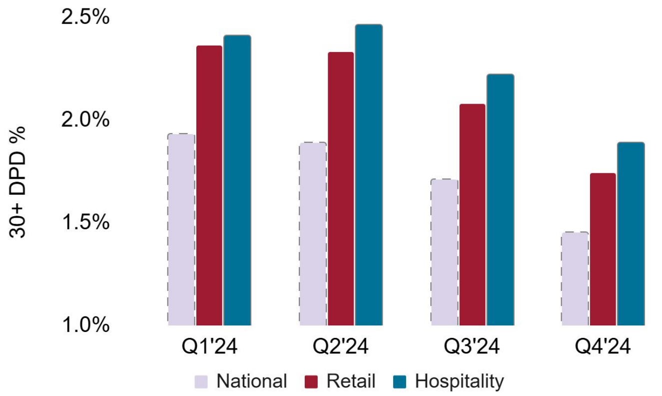
Hospitality employees have seen an increase in unsecured credit inquiries, rising from 14% in ‘21 to 43% by the end of 2024, making them 8% more likely to make a credit inquiry.

Delinquency numbers on unsecured credit products are also higher for those working in consumer facing industries. Younger and part time workers are among the most impacted.

Increase in unsecured credit dependence amount hospitality



Unsecured delinquency across industries (Q4’24)



What does this mean for customers?

- Credit demand and default risk shows division across industries. Insights into consumer occupations can aid lenders in anticipating and assessing consumer lending capacity
- Conducting regular assessments of consumer portfolios can help lenders monitor and adjust policies as macro economic factors change over time

Younger generations struggling to find footing in economy

Younger generations are facing significant financial challenges in today's U.S. economy largely due to rising costs and stagnant wages. With cost of living surging and elevated house prices, owning a home seems increasingly distant. Student loan debt remains a heavy burden for younger populations, leaving graduates with significant financial obligations before they enter the workforce.

This stress is apparent when looking at measures of Ability to Pay and Delinquency:

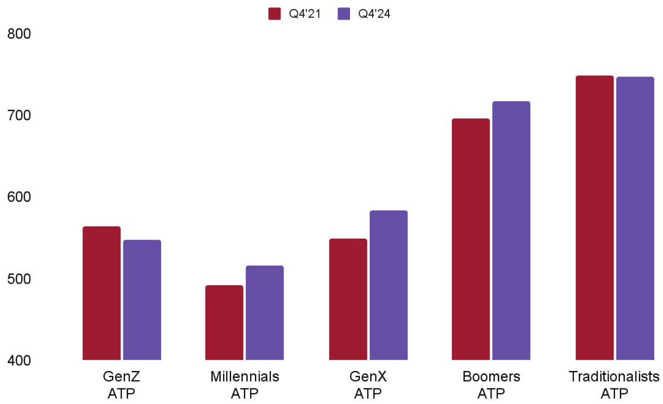
- On the left, increases in income have helped older generations improve or maintain their ability to pay score over time. However, Gen Z's ability to pay score has fallen by roughly 3%.
- On the right, increases in delinquency are most pronounced for Gen Z and Millennials, with Gen Z seeing an almost 2X increase in 60+ days past due delinquency post-pandemic.

What does this mean for customers?

- Acquisition and retention strategies for younger populations may need to be different versus the overall portfolio, requiring unique data and strategies for success
- Younger generations expect seamless, mobile-first experiences and are looking for transparency and trust in their financial relationships
- Credit policy needs to accommodate borrowers who are struggling with higher balances and more delinquency
- Younger generations may have non-traditional income streams, which may necessitate more flexible credit building options

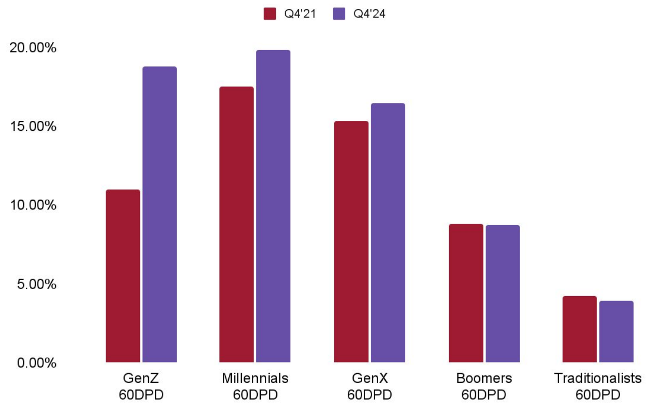
Gen Z Has Lower Ability to Pay Post Pandemic

Equifax Ability to Pay Score, Q4'21 vs. Q4'24 by Generation



Gen Z and Millennials Also Have Higher Delinquency

Presence of 60+ Del., Q4'21 vs. Q4'24 by Generation



Widening financial divide between homeowners and non-homeowners

Significant Challenges: Mortgage holders in Ontario are missing payments at a much faster rate than those in other provinces, suggesting a deeper underlying affordability issue. The Ontario 90+ day mortgage delinquency rate rose substantially, with a 90.2% increase to 0.22%, a rate far exceeding the comparatively modest 20.4% rise seen across the rest of Canada. Plus, many consumers renewing mortgages continue to have higher monthly payments due to elevated interest rates compared to pre-pandemic and pandemic levels, when they last locked in low rates.

Rate Cut Relief: For some homeowners, rate cuts have provided some relief. Borrowers with unsecured lines of credit have seen delinquency rates stabilize, while HELOCs recorded an overall decline in missed payments. Many of these consumers have improved their credit card repayment habits, with more people paying off balances in full.

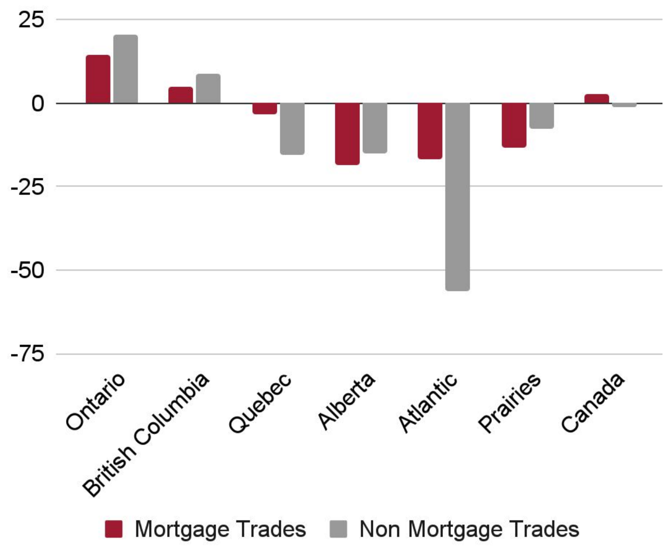
Precarious Positions: Rising credit card debt and delinquency rates among younger and low-income consumers highlight their vulnerability to economic fluctuations and potential financial hardship. In Q4‘24, individuals under the age of 26 experienced a 19% annual rise in severe credit card delinquency rates.

What does this mean for customers?

- Overall mortgage portfolio may look stable but regional differences are key to identifying high risk consumer segments
- Who in your portfolio are at risk of renewal payment shocks? Develop strategies to support the consumer
- Increased vulnerability for younger consumers could lead to more missed payments; adaptation is required in collection strategies
- Track payment vintages of new cards, especially ones from lower score groups

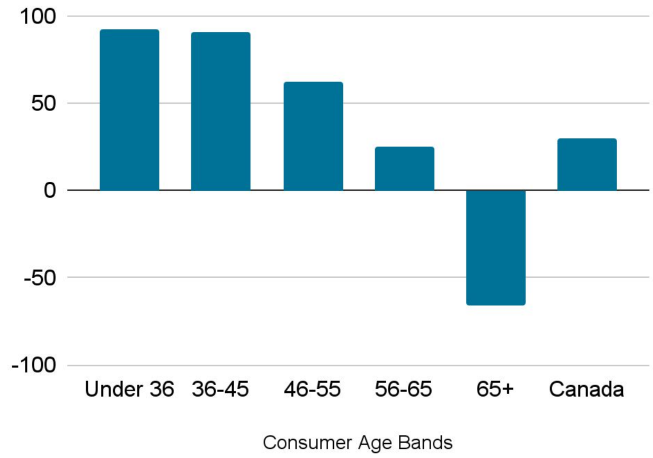
Mortgage Holders: Change 90+ Balance Delinquency Rate in Bps

(Q4‘24 vs pre-pandemic)



Non-Mortgage Consumers: Change 90+ Balance Delinquency Rate in Bps for Credit Card

(Q4‘24 vs pre-pandemic)



Regional insights reveal contrasts in consumer spending

Customer spend insights
Wide variations in customer prevalence and average value are seen across numerous income and expenditure categories when aggregating customer bank transaction data at UK postcode and/or regional levels. These insights enable more targeted marketing activities and refined affordability risk management.

UK postcode comparison examples

RENT

Rental Value
[G83 8AR] Balloch **£187**
[LS18 4HN] Leeds **£1,018**

£

Salary Value
[CT1 3QN] Canterbury **£1,678**
[JE2 7UE] Jersey **£2,817**

Energy Value
[BN22 7AQ] Eastbourne **£187**
[CW1 3LE] Crewe **£1,018**

Benefits Prevalence
[E16 1RE] London **14%**
[LS18 4HN] Wolverhampton **58%**

Betting Prevalence
[SE19 1AY] London **9%**
[L32 8TN] Liverpool **42%**

BNPL Prevalence
[HA2 8EL] London **17%**
[IV3 5EL] Inverness **52%**

What does this mean for customers?

- Empowering clients with a comprehensive view of how consumers allocate finances across sectors to develop relevant and competitive products
- Enhance marketing strategy planning with anonymized consumer spending insights that can help identify high-value customer segments, drive targeted campaigns, and maximize ROI
- Offering a valuable alternative to generic expenditure solutions, with granular and timely insights that optimize consumer affordability assessments

Global insight

Most regions continue to loosen monetary policies to help consumers cope with tougher economic headwinds.

United States
On the heels of the '24 US election, labor markets remained stable with healthy job creation. Executive policy guidance by the incoming administration introduced increased uncertainty, questioning progress made on lowering inflation. Economic growth in '24 remained a bright spot as consumers continued to spend.

Canada
With inflation easing and remaining below its 2% target, the Bank of Canada has responded by aggressively cutting interest rates. Rates have fallen by 2 bps in just nine months, signaling a shift in monetary policy.

United Kingdom
The UK's '24 economic landscape was mixed. Inflation, after initially easing below the 2% target, began to increase once again at the end of '24. Despite a 0.75 bps reduction in bank rate in '24, lending rates remained high. All eyes are now on the outcomes of the new government's fiscal policies as they aim to revive economic growth.

Spain
The Spanish economy ended '24 as one of the healthiest in the Euro area. Specifically, GDP grew by 0.8% QoQ, with an outstanding 3.2% growth YoY. The European Central Bank reduced interest rates further in Dec '24.

Australia
Australia had its first reduction in cash rate in 4 years prompted by CPI reaching the target rate for consecutive quarters. The Reserve Bank brought much anticipated relief by reducing the cash rate to 4.10%, but the effect of relief will not be felt for months.

Brazil
Brazil's Selic rate reached 12.25% in Q4'24. Unemployment fell to 6.2%, slightly above expectations, indicating the labor market may have reached its limit. Household debt increased to 35.70% of GDP at the start of 2H'24, an all-time high.

Ecuador
Ecuador's economy encountered significant challenges, including a severe drought and security issues, hindering growth in Q4'24. This tightened credit conditions, prompting banks to take a cautious lending approach. However, the government started financial relief measures to assist individuals facing over-indebtedness and a rising delinquency rate, aiming to stabilize the market.

India
Mortgage lending increased by 7% YoY due to rising urbanization and better affordability. Non-mortgage debt increased by 45% due to strong economic growth.

New Zealand
A weak read of the latest GDP and unemployment numbers led the Reserve Bank to cut the cash rate by 50 bps to 3.75%. The bank's forecasts support the view that inflation will stay in the target range over the medium term, allowing for further OCR reductions.

Argentina
Argentina's inflation dropped YoY to 117.8% from 211.4%, aided by asset amnesty and deregulation. Oil and gas are key for future growth. The appreciating peso is affecting Argentina's price competitiveness within the LATAM market, resulting in higher costs. Increased credit activity, especially in personal and mortgage loans, is expected through mid-year '25.

		GDP/Capita	Inflation		Interest Rate		Unemployment	
		+/- %YoY*	Percent	+/- YoY#	Percent	+/- YoY#	Percent	+/- YoY*
North America	US	1.64% ▲	2.90%	-0.50 ▼	4.33%	1.00 ▲	4.10%	0.30 ▲
	CA	0.01% ▲	1.90%	-0.96 ▼	3.00%	-2.00 ▼	6.60%	0.90 ▲
South America	AR	-2.10% ▼	8.00%	-94.00 ▼	32.00%	-101.00 ▼	6.90%	1.20 ▲
	EC	-0.70% ▼	1.48%	-0.82 ▼	10.43%	0.49 ▲	2.70%	-0.70 ▼
	BR	0.28% ▲	4.83%	0.21 ▲	12.25%	0.50 ▲	6.20%	-1.20 ▼
Europe	UK	0.22% ▲	3.50%	-0.70 ▼	4.75%	-0.50 ▼	4.40%	0.60 ▲
	ES	3.20% ▲	2.80%	-0.70 ▼	3.15%	-1.15 ▼	10.60%	-1.60 ▼
Oceania & Asia	AU[1]	-1.50% ▼	2.40%	-1.70 ▼	4.35%	-0.25	4.00%	0.30 ▲
	NZ[2]	-2.10% ▼	2.20%	-2.50 ▼	4.35%	-0.25 ▼	4.00%	0.60 ▲
	IN	2.78% ▲	5.22%	-8.30 ▼	6.50%	0.00	6.40%	-1.50 ▼

*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

Demand

Economic pressures continue to push consumers towards unsecured credit, while the mortgage market returns in a controlled manner.

North America

Canada

The overall Canadian mortgage market showed signs of recovery, with new mortgage originations rising 39% YoY. First-time homebuyers returned, with a 28.2% increase from the extreme lows of purchases in Q4'23. Non-mortgage lending remained subdued, with the exception of a surge in non-bank auto loans, which dominated new originations.

South America

Argentina

Demand in '24 continues with the positive trajectory observed since the start of '24, with an upward trend towards the end of the year.

Ecuador

Non-mortgage inquiries decreased 9.7% compared to Q3'24, reaching its lowest point in the last 4 years.

Brazil

In Q4'24, credit demand remained stable compared to the previous quarter.

Europe

Spain

Credit demand in 2H'24 slightly decreased with respect to the same period last year, a tendency that was not observed during 1H'24. In general, the credit trend of '24 showed similar patterns to '23.

Oceania & Asia

Australia

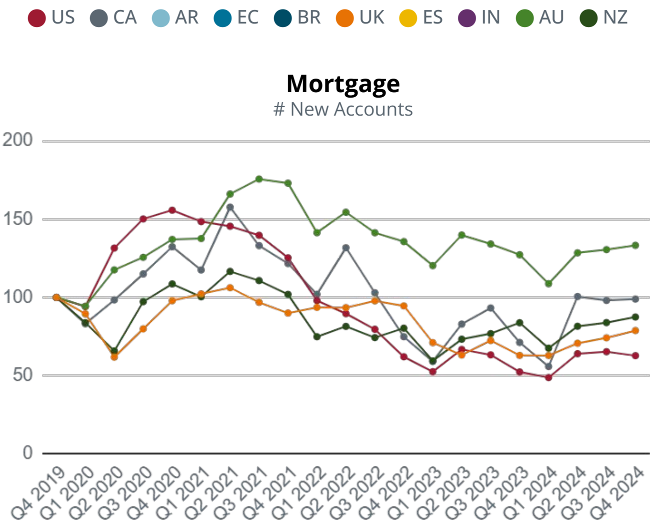
High interest rates and a drop in refinance activity compared to the year before resulted in less accounts opened in Q4'24 YoY. However, Australia saw a second consecutive quarter of growth in mortgage demand, now at 2.7% YoY, suggesting a potential resurgence in consumer confidence.

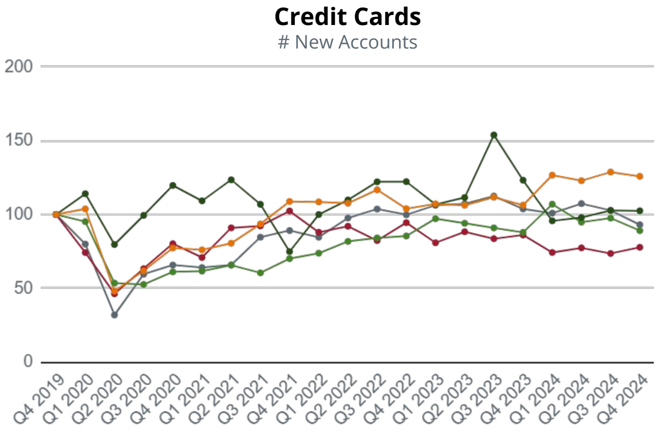
New Zealand

Mortgage inquiries in Q4'24 increased by 12.1% compared to last year against the backdrop of falling retail interest rates. This is driven by borrowers shopping around in a competitive environment, a trend that has persisted for several months.

India

The automobile sector is one of the key drivers of the Indian economy and it contributes ~6% to India's National GDP. Auto originations increased 10% QoQ in Q4'24.





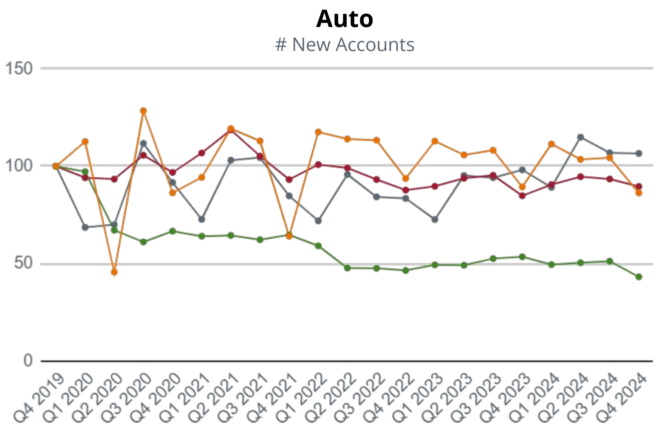
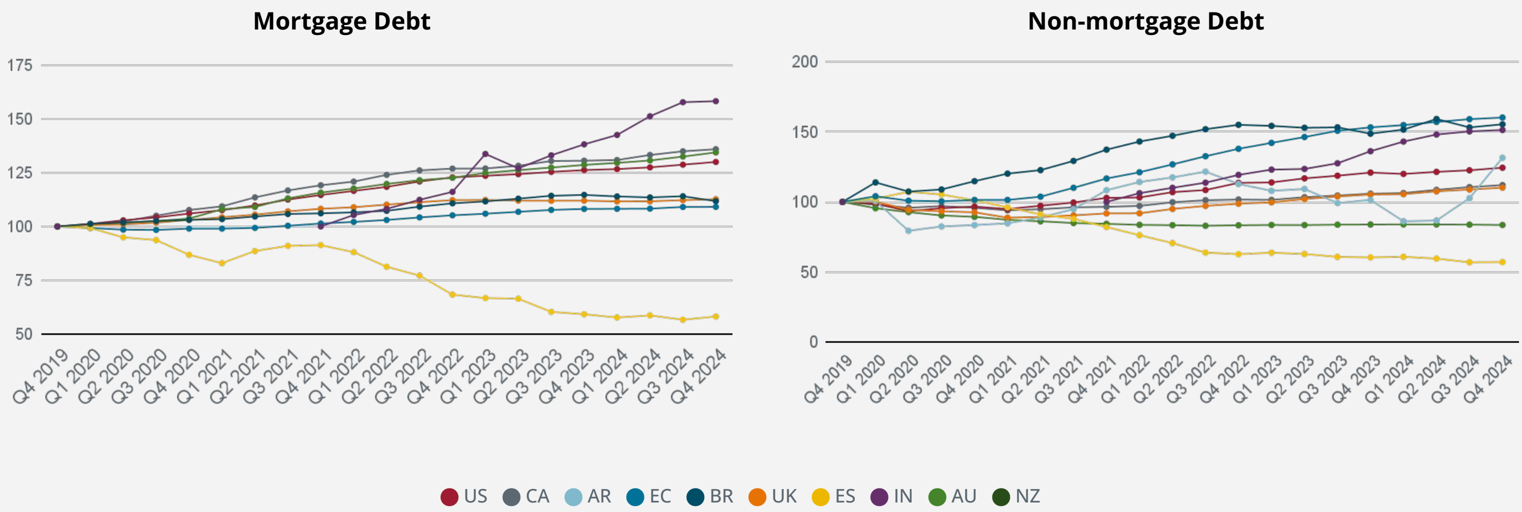


Chart data is indexed as of Q4'19, except India which is Q4'21.
The New Zealand index was rebased in Q4'21 due to account adjustments and Q3'23 reflects provider adjustment processes.
Chart data may not include all countries represented in the chart legend.

Overall debt

While non-mortgage debt is increasing in many regions, India has shown substantial growth over the past few quarters in mortgage and non-mortgage debt, driven by supply-side factors and a strengthening economy.



Mortgage debt

United States

Mortgage debt continues to increase, up 2% - 3% FY'24 compared with FY'23. While '23 and '24 high interest rates have kept originations lower compared to pandemic years, the Federal Reserve's rate cuts have led to more new accounts in '24 than '23.

Canada

Steady rise in mortgage debt as new credit demand remained lower than past peaks.

Australia

Mortgage debt maintained growth of 4.5% from Q4'24. However, slower mortgage demand for the most part of '24 saw less growth in average limit per account at 7.3% against Q4'24 from double digit growth for over 2 years.

Brazil

Both mortgage debts and non-mortgage debts remained stable compared to Q3'24.

India

Mortgage debt increased by 12% YoY and non-mortgage debt increased by 31% annually.

Non-mortgage debt

United States

While non-mortgage debt continues to increase, the rate of increase is decreasing YoY; this is true for all product categories. Alternatively, non-auto installment loan debt is decreasing when comparing quarters YoY. Lenders are either tightening their policies or looking to tighten their policies ahead of rising delinquencies.

Canada

Total non mortgage debt in Canada at the end of '24 went up by 4.6% over '23. Non-bank auto loans drove much of this increase, rising 11.7% YoY, while the average non-mortgage debt per consumer reached $21,931, exceeding pre-pandemic levels.

United Kingdom

The gradual long term increasing trend in credit card balances continued throughout '24, likely driven by increased costs. Total credit card balances are up 5.6% YoY.

Argentina

The last quarter showed an increase in economic activity, evidenced by the growth of installment loan and auto debt.

Ecuador

Non-mortgage debt continues to slightly increase QoQ.

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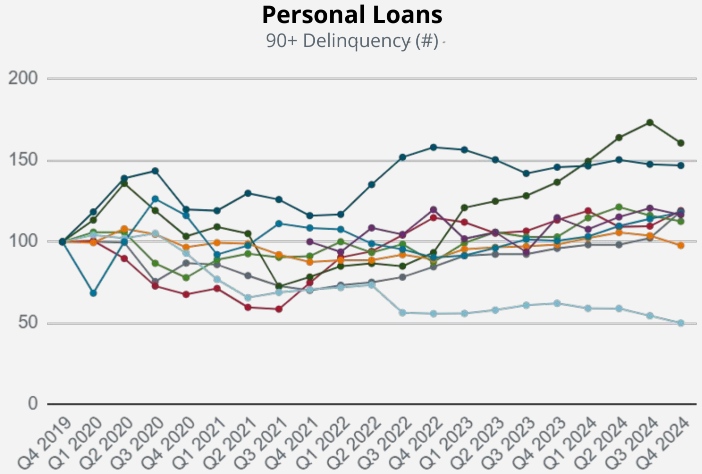
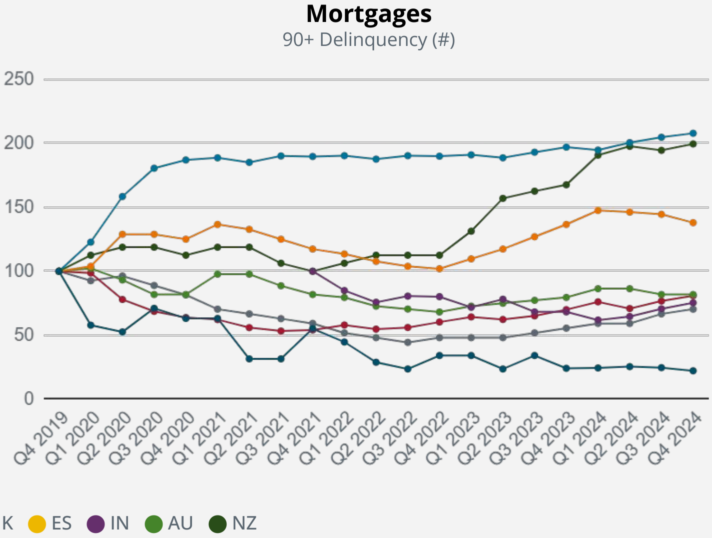
Delinquencies

Despite lower rates, personal loan delinquency rates vary across regions, and improvements in long-term loans, like mortgages, are lagging.





North America

United States

Non-mortgage delinquency balances are continuing to climb versus prior year in key categories including auto (2.2%) and credit card (14%) and reached levels above pre-pandemic. Though up roughly 23% YoY, mortgage delinquency is still below pre-pandemic and global financial crisis levels.

Canada

Overall 90+ days non-mortgage delinquency rates reached a new peak of 1.53% in Q4'24, up 23 bps from Q4'23, and severe balance level delinquency across all products exceeded pre-pandemic levels.

South America

Argentina

A decrease in the delinquency rate is observed compared to previous quarters and is expected to remain stable.

Ecuador

In Q4´24, the delinquency rate continued to rise due to the deterioration of repayment. Financial relief measures were implemented to support individuals facing economic difficulties.

Brazil

The delinquency rate for personal loans and auto are both stable, compared to Q3'24.

Europe

United Kingdom

After a challenging period, '24 provided welcome stability in delinquency rates with most account types remaining consistent through the best part of the year. Further trend improvements were observed in Q4'24, with overall delinquency rates dropping across both secured and unsecured markets. Notably, the credit card delinquency rate reached its lowest level in two and a half years.

Oceania & Asia

Australia

Low unemployment continued to keep delinquencies in check. Overall delinquencies increased vs. last quarter as per seasonal expectations, but change is marginal. Late stage delinquencies had a small nominal increase of 1.1% in number of accounts and 10.3% in limits in delinquency.

New Zealand

Late stage delinquencies have leveled off (if not improved) through 2H'24, following a persistent run of increases post-pandemic. Most products have finished within a few bps of the levels seen at the end of '23, apart from approximately 30 bps YoY increases in Personal Loan and Auto Loans.

India

Mortgage delinquency saw a 3 bps decline YoY. Non-mortgage loans saw a 45 bps increase across products.

Chart data is indexed as of Q4'19, except India which is Q4'21.
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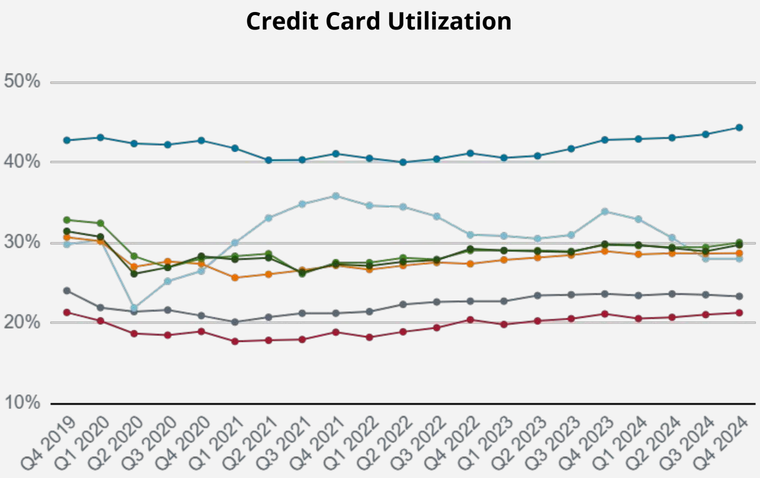
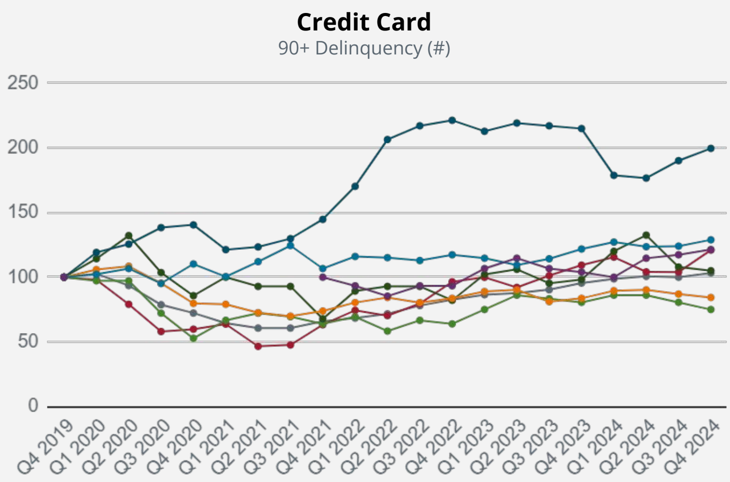
Credit cards

Card delinquencies have risen in some regions due to economic pressures.





US CA AR EC BR UK ES IN AU NZ

Card utilization

United States
While the trend continues where utilization is highest in Q4 and drops slightly in Q1 the following year, utilization has been steadily increasing since the 2020 drop and has now reached pre-pandemic levels, likely as a result of increasing prices and depleting savings.

Canada
While credit utilization remained steady, overall credit card debt continued its upward climb, increasing by 7.8% YoY, though this marks the slowest growth rate since ‘22.

Argentina
In Q4’24 balances and credit limits both increased by 25%, maintaining the ratio observed in the Q3’24.

Ecuador
Credit card utilization remains stable due to increase in credit limits in the overdebt sector. Total credit card debt increased 2.8% in Q4’24.

Delinquencies

United States
Despite a drop in Q2’24 and Q3’24, credit card delinquency in Q4’24 is well above the last 5 years’ delinquency in terms of accounts and dollars continuing a trend towards consumer distress.

Canada
Credit card 90+ balance delinquency rate surpassed pre-pandemic levels.

Brazil
The delinquency rate for credit card increased by 5%.

India
Credit card delinquency increased by 29 bps QoQ, signaling that credit card stress is increasing in the Indian economy.

Chart data is indexed as of Q4’19, except India which is Q4’21.
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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.