



**EQUIFAX**

# Market Pulse

The K-Shaped Economy: Credit Trends, Consumer Stress, and What Lenders Need to Know

April 16, 2026 | 2PM ET





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**Market Pulse**



Market Pulse Index

Economic Update

Credit Trends

Q&A

Market Pulse



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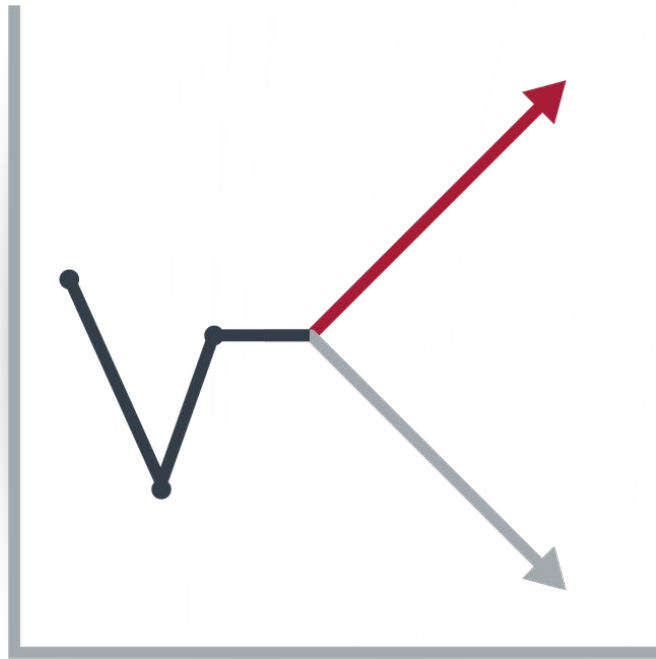
Emmaline Aliff  
Advisory Leader  
Equifax

## Market Pulse

# Market Pulse Index Report Q4 2025



The “K” is not viewed as a static structure but as a *migration*, where different demographic cohorts move upward or downward across the financial landscape.



**A Widening Gap:** The population that is financially thriving and the population that is struggling are both growing.

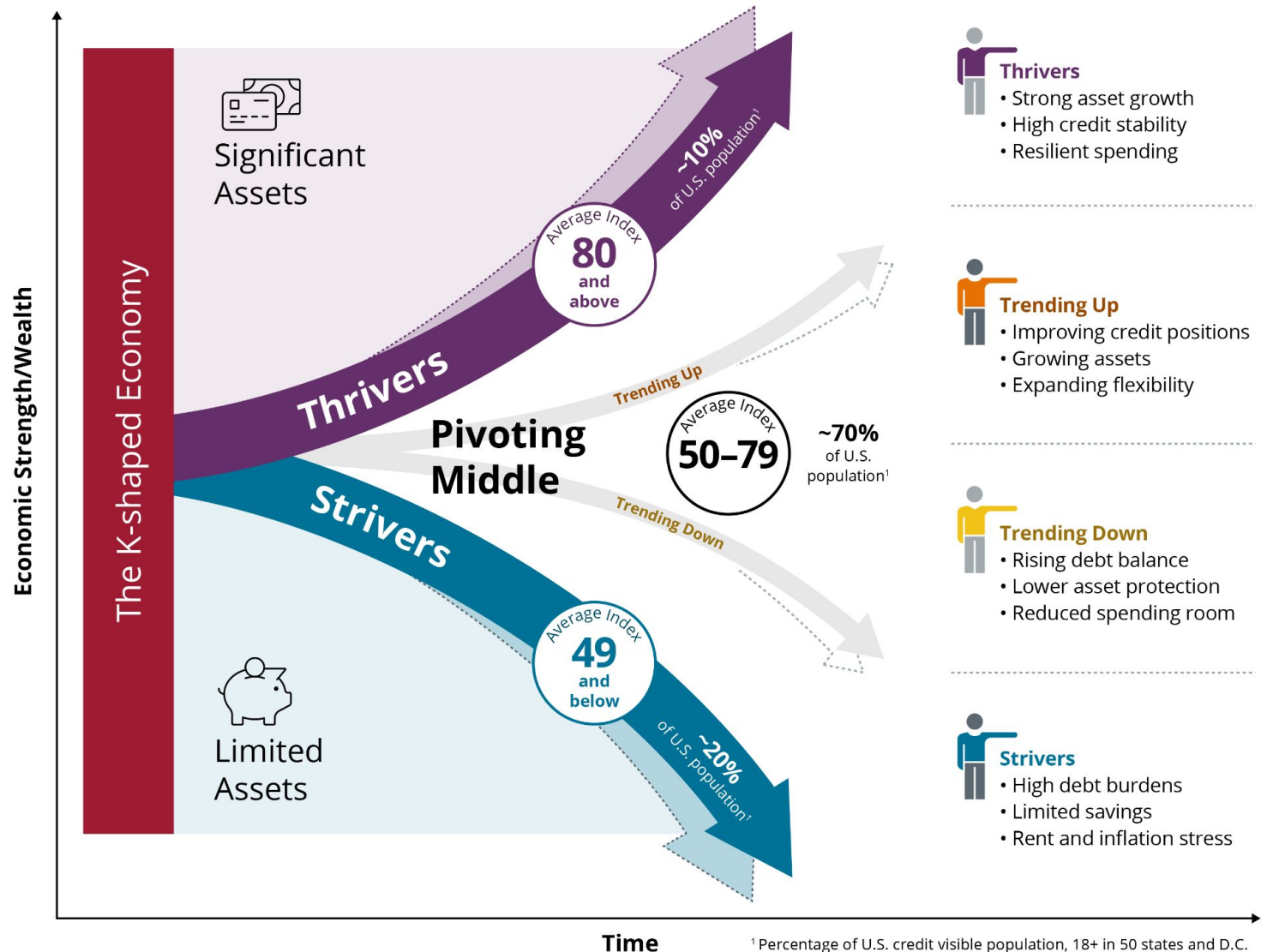
**The Shrinking Middle:** As households "pivot" toward these opposite ends of the spectrum, the traditional middle class is actively shrinking.

**Misleading Averages:** This economic split invalidates aggregate metrics (like average household income or headline GDP) as accurate descriptors for most households, meaning the "average consumer" is no longer a meaningful concept.

# Measuring the Growing Gap in Consumer Stability

The **K-shaped** economy is not static—it is a dynamic, shifting script of diverging financial destinies.

While traditional reporting often focuses on a single average, we are using this visualization to show how the U.S. credit-visible population has pivoted over the last two plus years.



# Beyond the Averages: Tracking a Diverging Economy with the Market Pulse Index

## Market Pulse Index



Change since Inception  
(June 2021)

**▼ -0.72%**

**▲ 32%**

### Top-Tier Growth

The group with peak financial resilience (Index 80+) grew from 7.96% to 10.47% of the total population, a **32%** increase in just over two years.

**▼ 6%**

### The Pivoting Middle

The traditional middle class is shrinking as more households pivot toward opposite ends of the financial spectrum. Since Q2'23, the number of families in this middle tier (Index 50–79) has decreased by **6%**.

**▲ 11%**

### Rising Pressure at the Bottom

The group of consumers facing the most financial stress (Index 49 and below) grew from 19.07% to 21.08%, representing an **11%** increase in the size of this population segment since Q2'23.

### Explaining Divergence

Divergence of the Market Pulse Index compares the distribution of consumers this quarter against the previous quarter. A **low divergence** means the economy is moving in unison. A **high divergence** means the economy is splitting apart—where one group improves while another deteriorates, even if the average stays exactly the same.



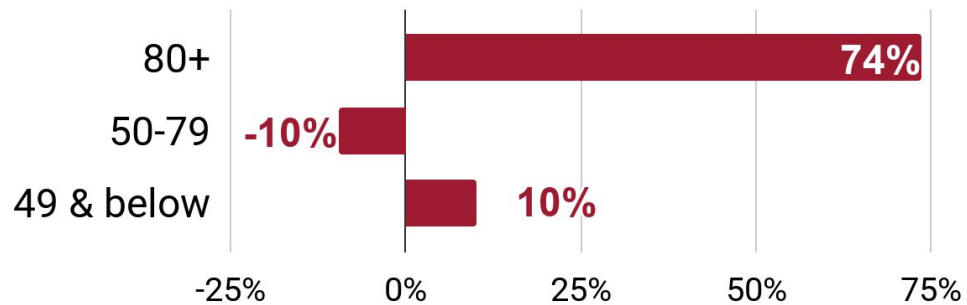
# A generational look at the K-Shaped Economy

The gap between “Thrivers” and “Strivers” is most visible when looking at movement by generation

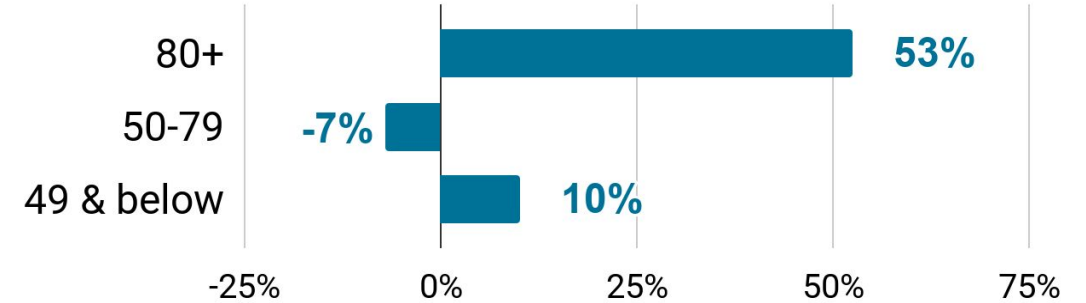
## % Change by Market Pulse Index Tier

from Q2'23 to Q4'25

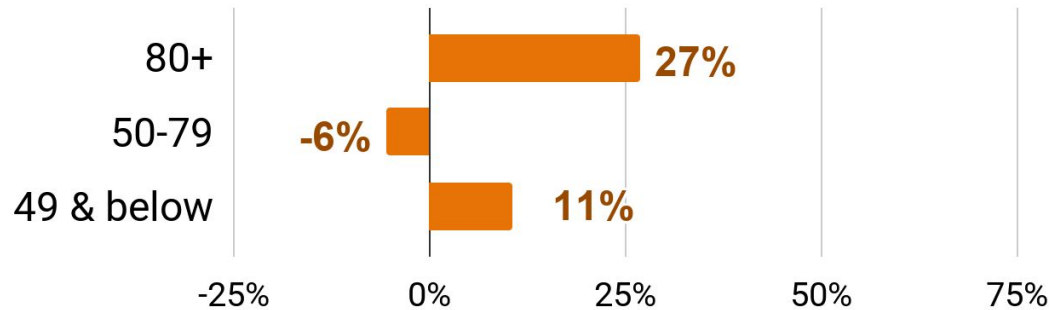
### Generation Z



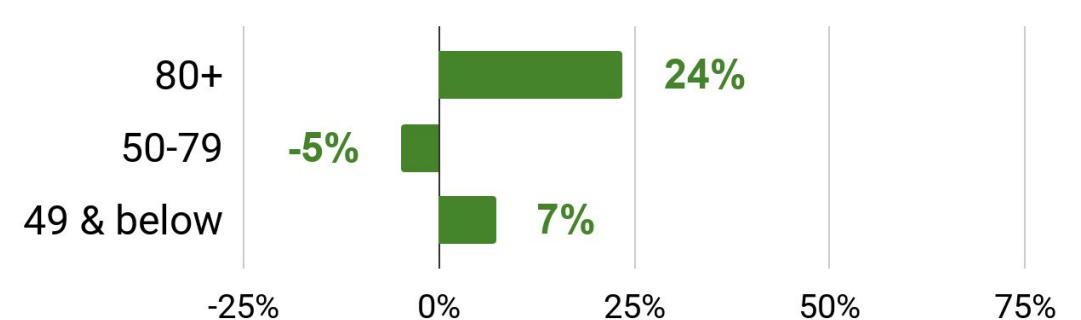
### Millennials



### Generation X



### Boomers +Traditionalists



# How does income determine placement in the “K”?

What approximate level of income would a person or household need to have to be on the *bottom* of the K-curve?

\$75,000 is cited as a critical statistical "breakpoint" for consumer behavior. When gasoline prices reach \$4.00 per gallon, those earning below this amount often cannot afford to fill their tanks and must immediately cut back on other spending.

**\$75,000**

What approximate level of income would a person or household need to have to be on the *top* of the K-curve?

A high income (\$150K+) usually correlates with being at the top of the K, but you could have a high salary and still be "struggling" if you have too much debt or no savings. The "K-shape" is measured using a mix of factors, including credit scores, total wealth, and debt — not just how much money you make each year.

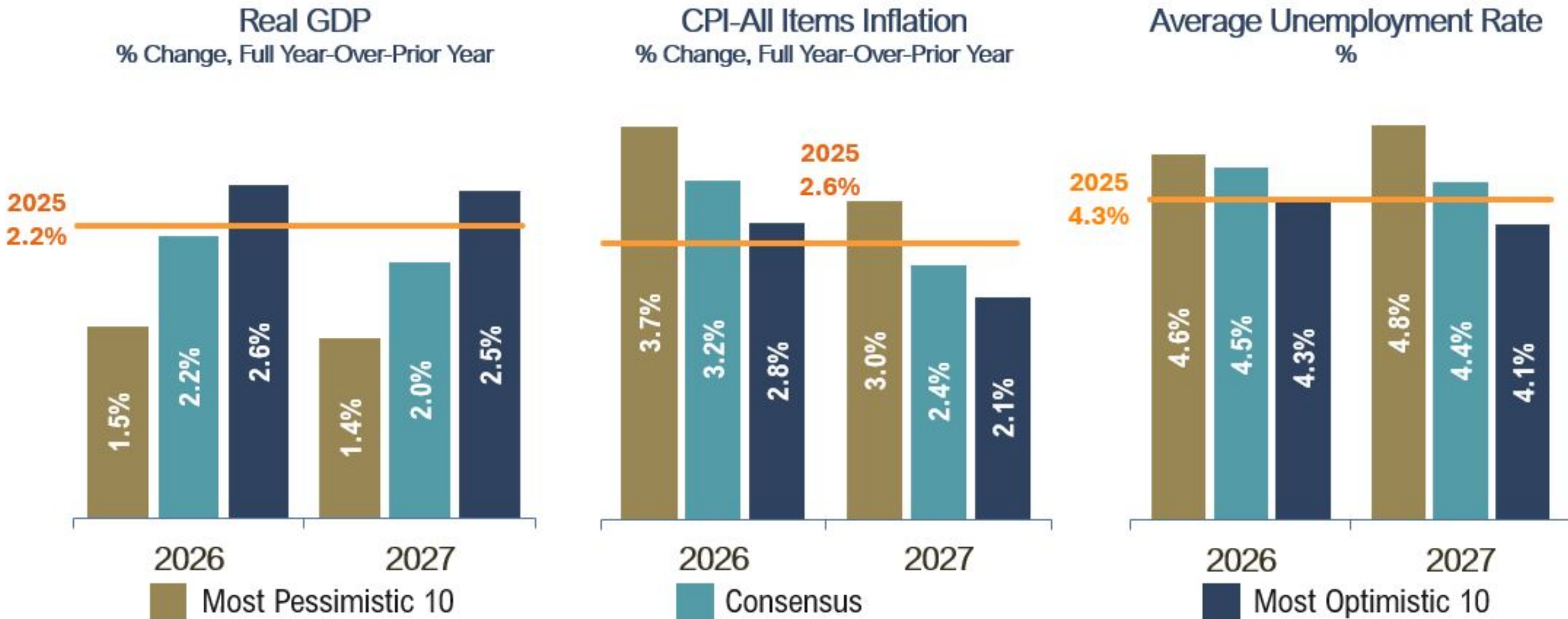
**\$150K+**

# Macroeconomic Update



Market Pulse

# Economists have lowered their forecasts for economic growth and raised them for inflation

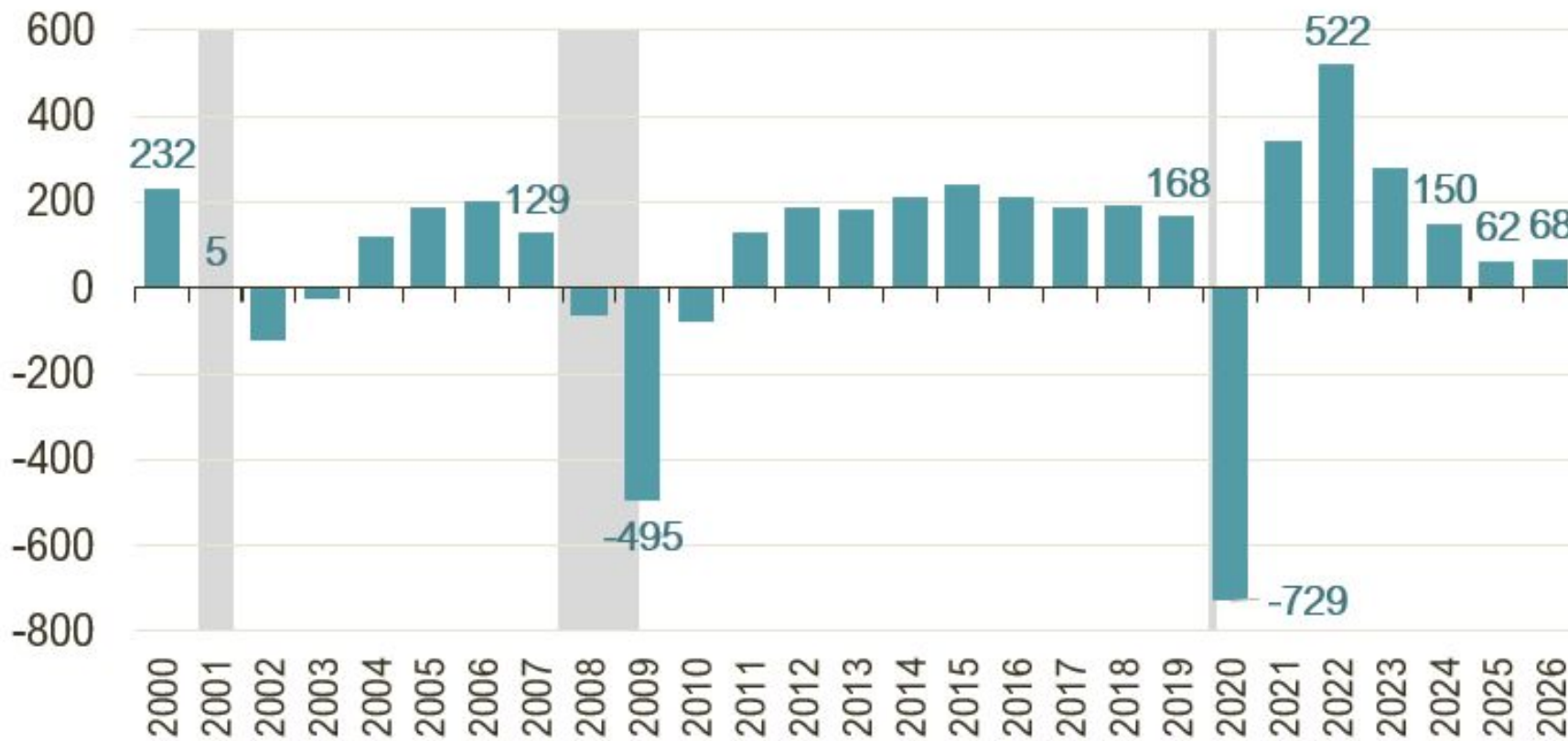


Source: Blue Chip Economic Indicators® April 2026 Survey. Note: Pessimistic values are the average of the 10 most pessimistic responses, Optimistic are the average of the 10 most optimistic responses.

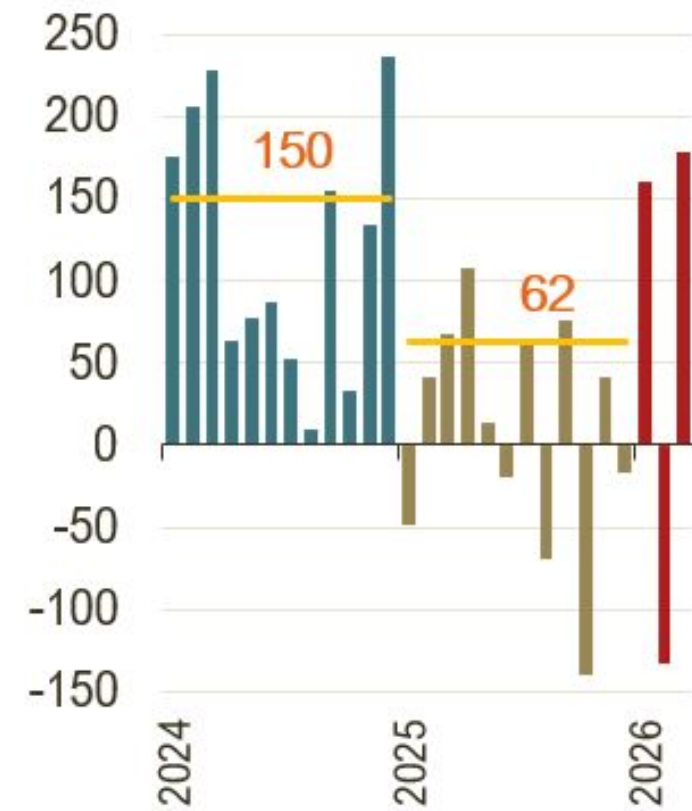
# Employment growth has gotten more volatile month to month

Economists now estimate the breakeven employment growth to be 30-50k/mo

Annual monthly average change in nonfarm payroll employment, in 1000s, SA



Actual Monthly Change

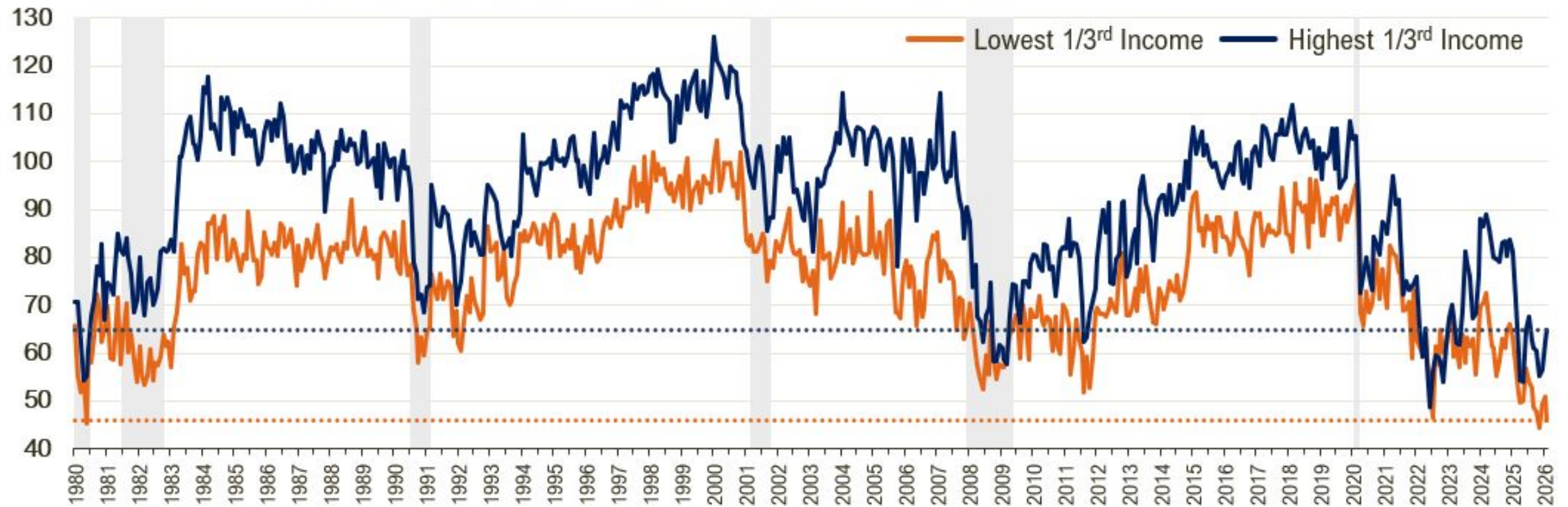


Source: AC Cutts & Associates LLC, US Bureau of Labor Statistics, Federal Reserve Bank of St Louis (FRED), Blue Chip Economic Indicators® March 2026 Survey

# Consumers are still worried about the economy

U.S.-Iran Conflict is not yet included in the data

University of Michigan Consumer Sentiment Index (1966=100), SA

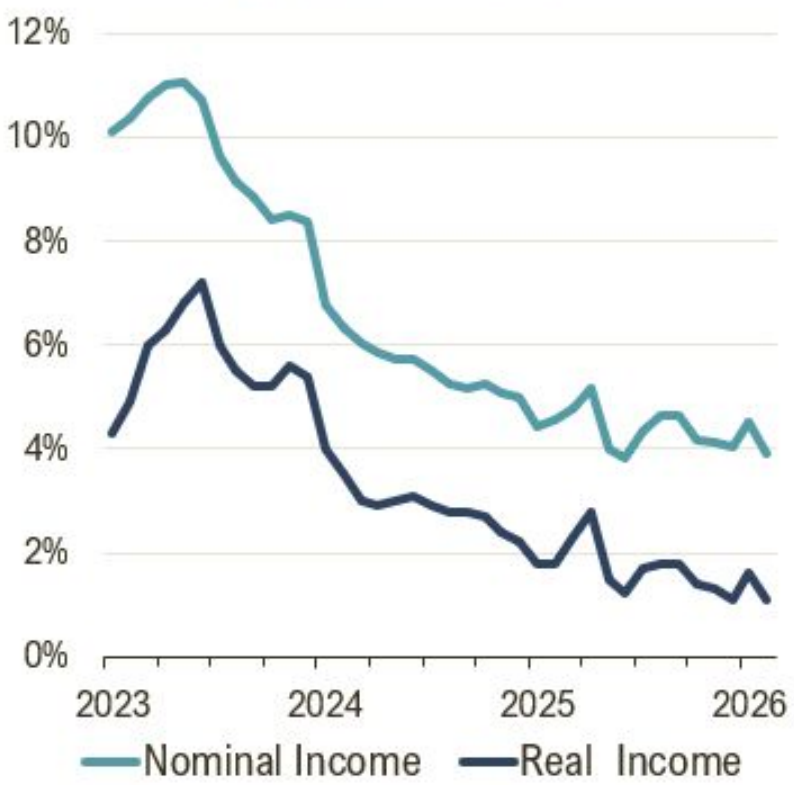


Source: AC Cutts & Associates LLC, Federal Reserve Bank of St Louis (FRED), National Bureau of Economic Research, University of Michigan Consumer Sentiment Survey – Data through February 2026

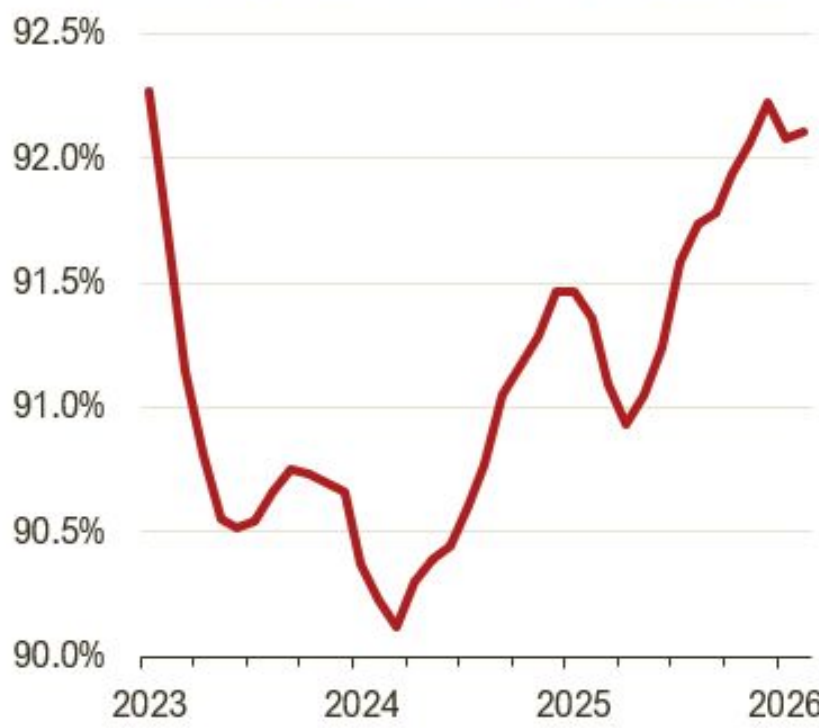
# Disposable Personal Income growth is slowing

## Consumption is taking a larger share and the savings rate is falling

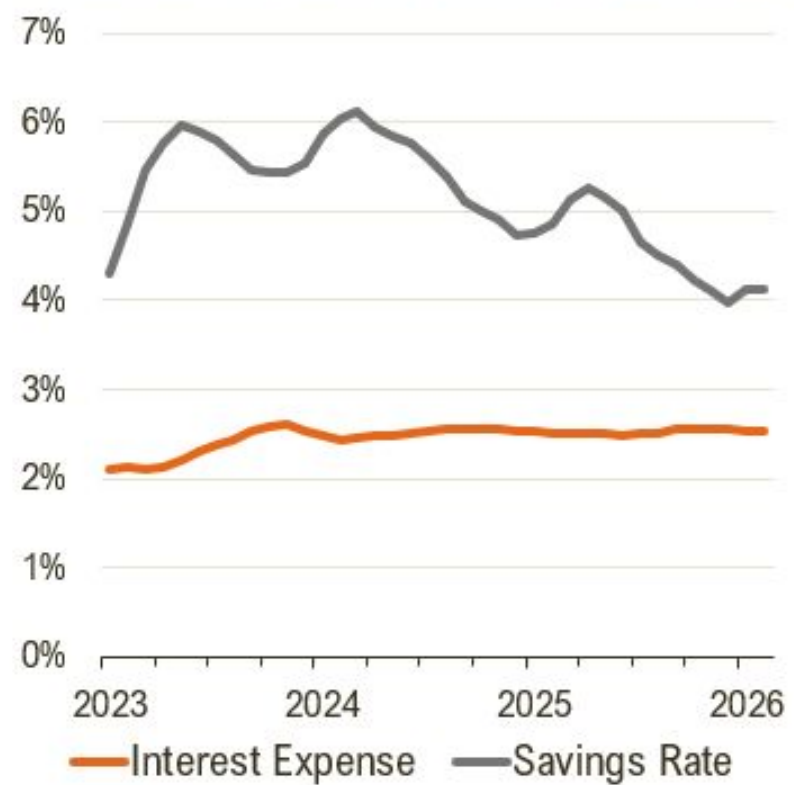
Change in Disposable Personal Income, %YoY, SA



3-month moving average share of personal disposable income, %, SA



Personal interest expenses & savings



Source: AC Cutts & Associates LLC, U.S. Bureau of Economic Analysis, Federal Reserve Bank of St Louis (FRED)



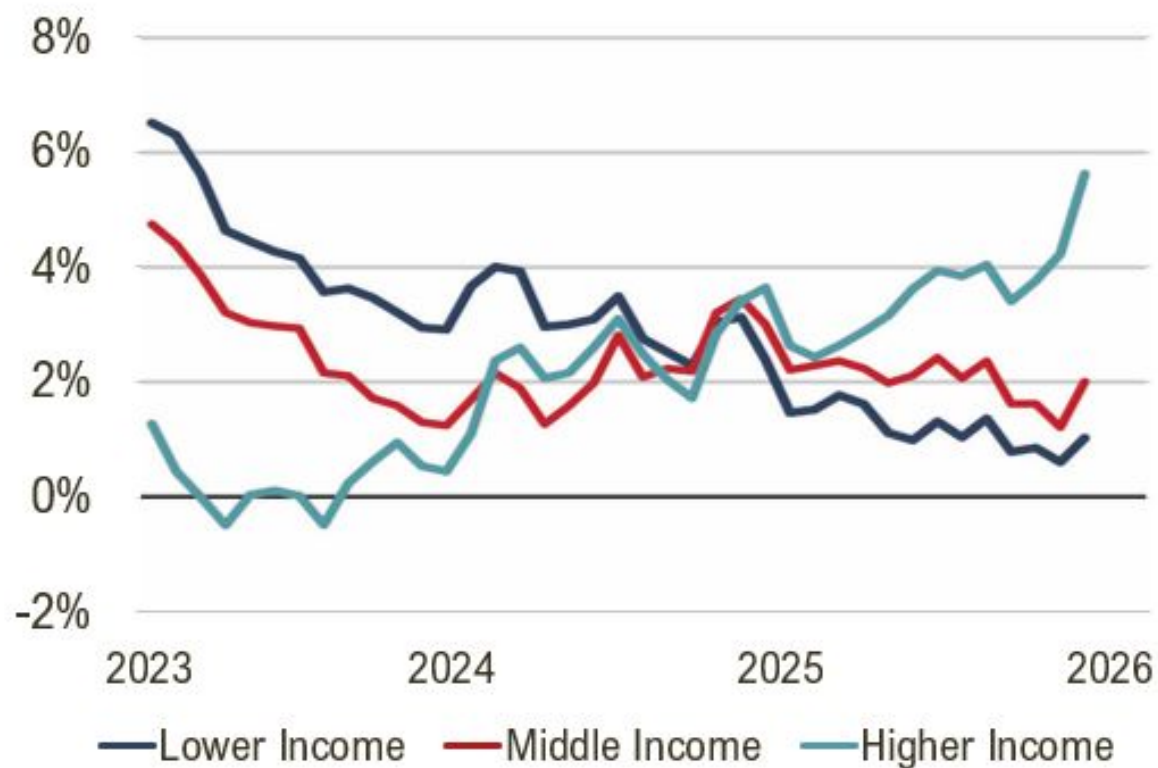
# The K-Shape Economy

Supply shock will linger and middle- and lower-income households are already under stress

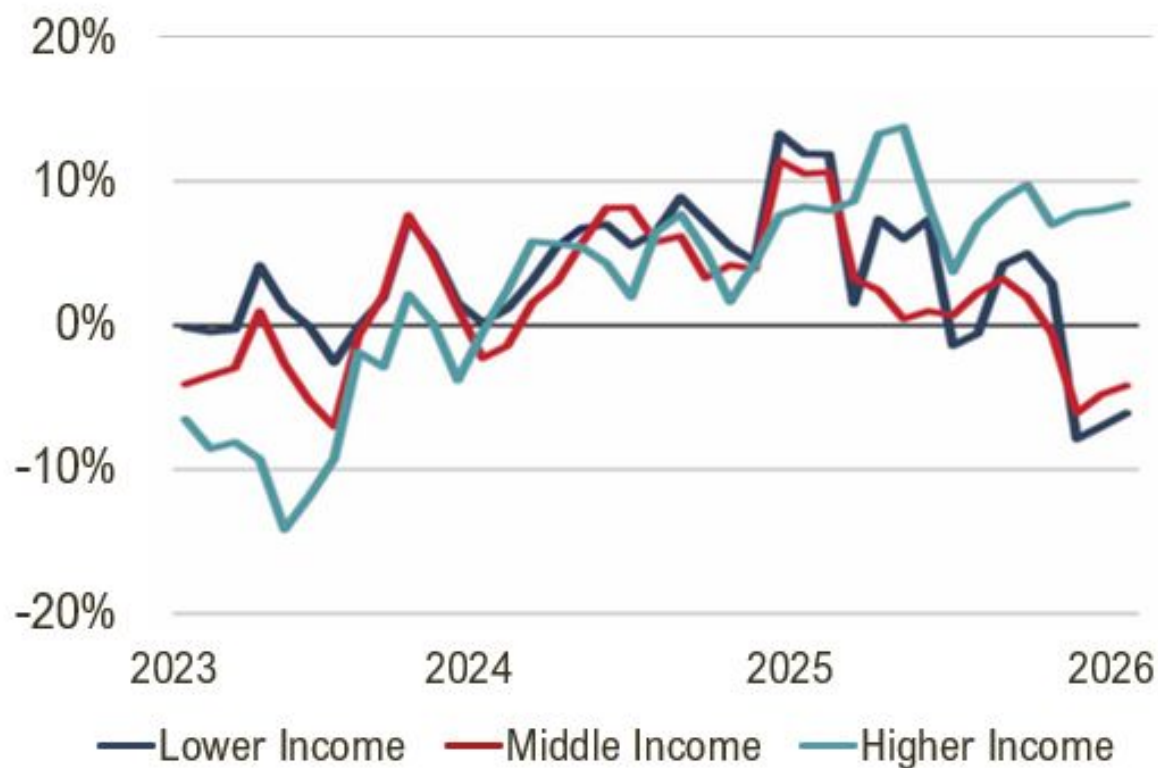
*AC Cutts & Associates LLC*

# Higher income households are seeing much faster wage growth and higher bonuses than the lower 2/3<sup>rd</sup>s

After-tax wage and salary growth  
(3-month moving average, YoY%, SA)



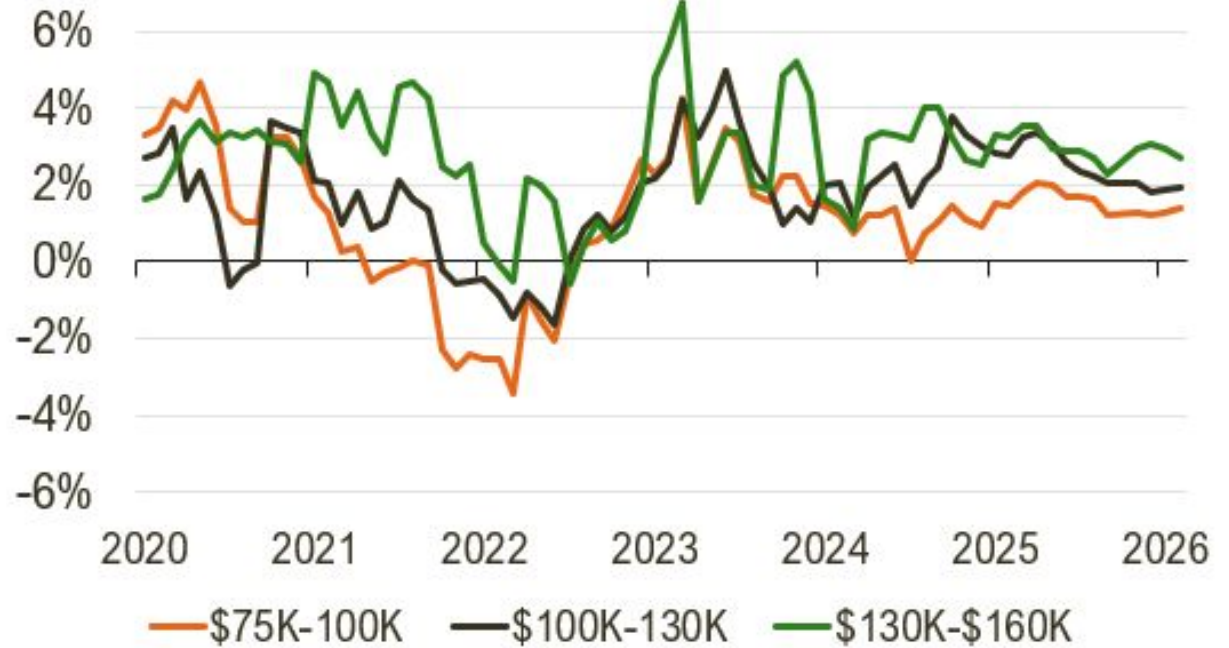
Estimate of average bonus payments  
(3-month moving average, YoY%, SA)



Source: Bank of America Institute March 2026 Monthly Employment Report. Based on Bank of America aggregated consumer deposit account data. Incomes divided into terciles.

# Real Income is rising fastest for households with annualized incomes over \$75,000, falling for those making under \$42,500

Real year-over year change in group earned income deflated by group weighted CPI, %, NSA

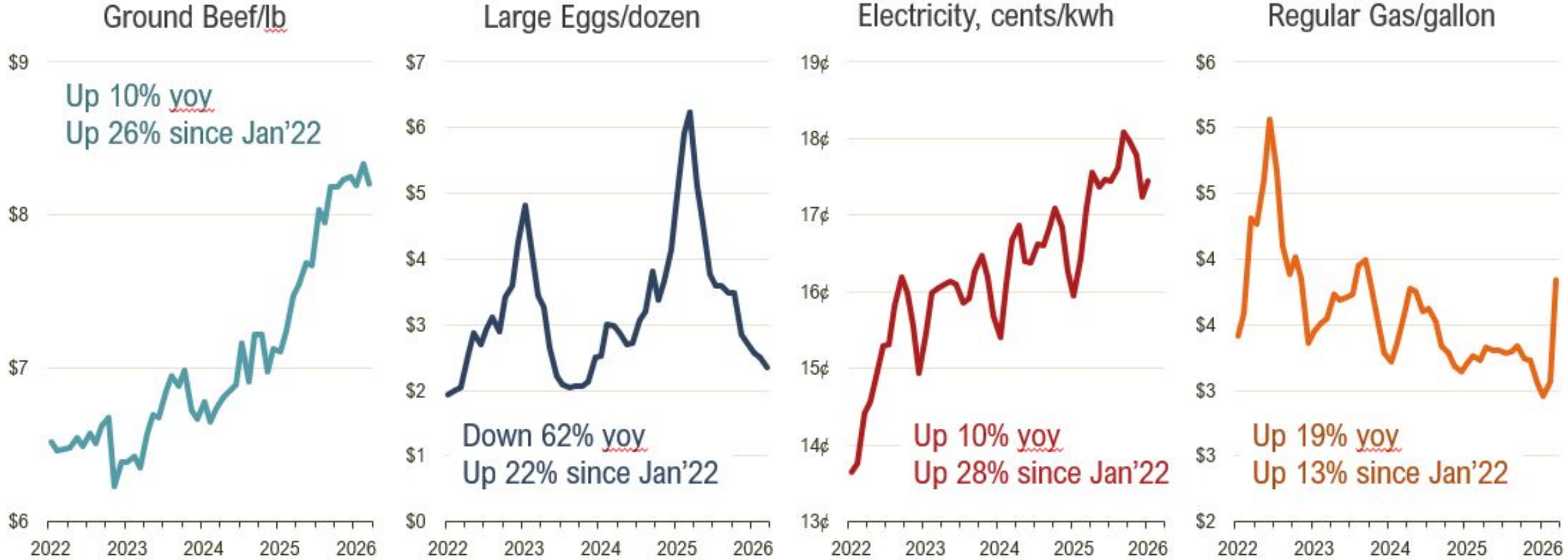


Year over year change in spending power for households at group midpoint income						
Income	\$30K-42.5K	\$42.5K-55K	\$55K-75K	\$75K-90K	\$100K-130K	\$130K-\$160K
Mar'26	-\$631	\$508	\$189	\$1,269	\$2,301	\$4,116

Source: AC Cutts and Associates LLC, Census Bureau, Bureau of Labor Statistics, Federal Reserve Bank of Kansas City

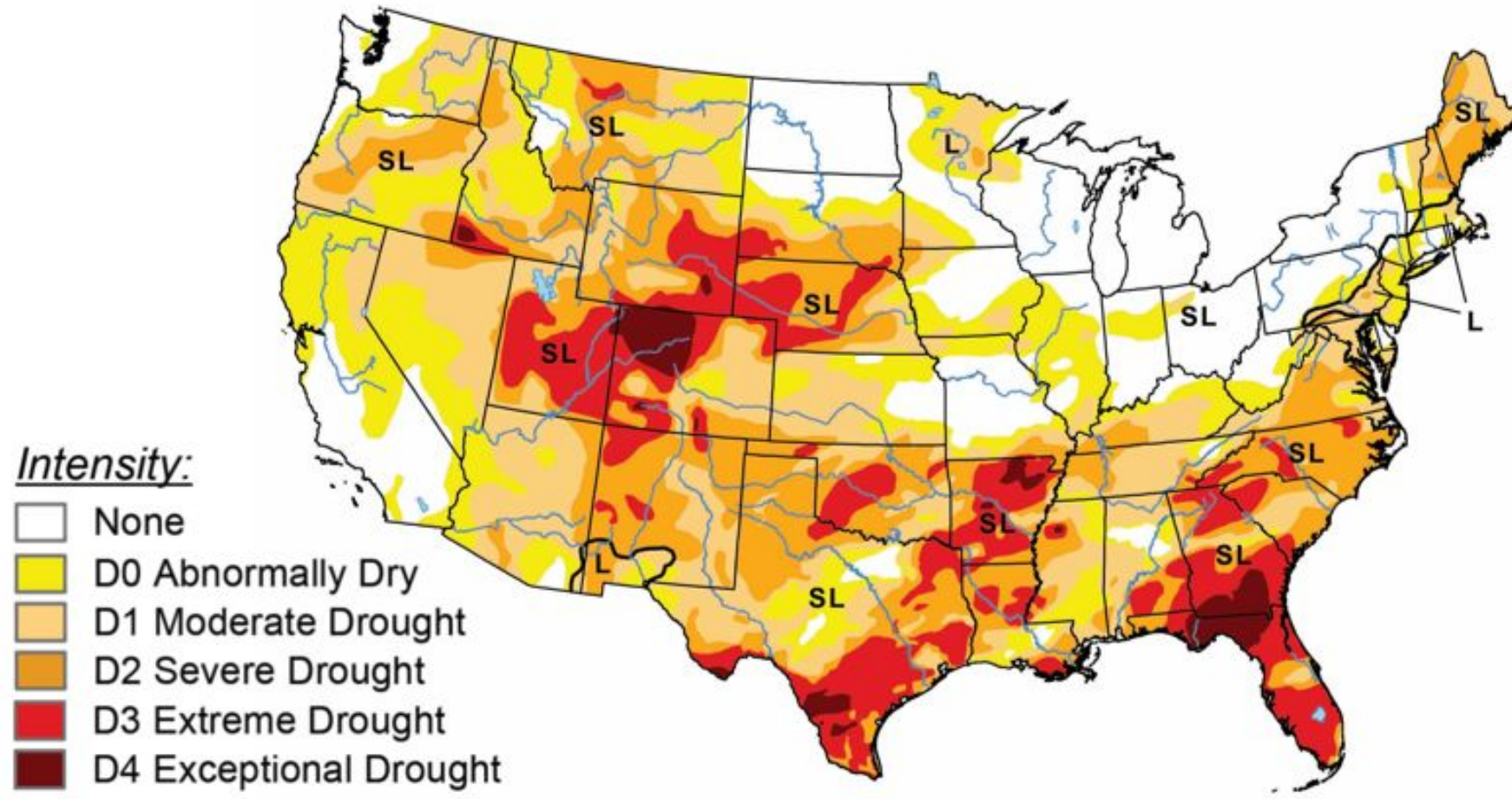
# Consumers are feeling the effects of prior inflation on everyday items – Gasoline is no longer bringing the inflation rate down

Average prices of select items from the Consumer Price Index, NSA



Source: AC Cutts and Associates, Bureau of Labor Statistics, Federal Reserve Bank of St. Louis (FRED)

# Drought conditions in 2026 will affect food costs and increase risk of and damage from wildfires

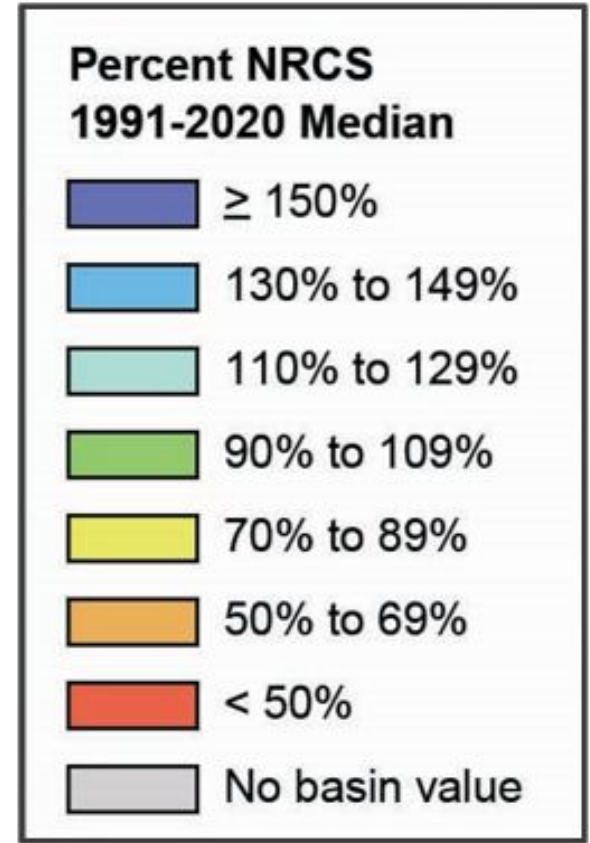
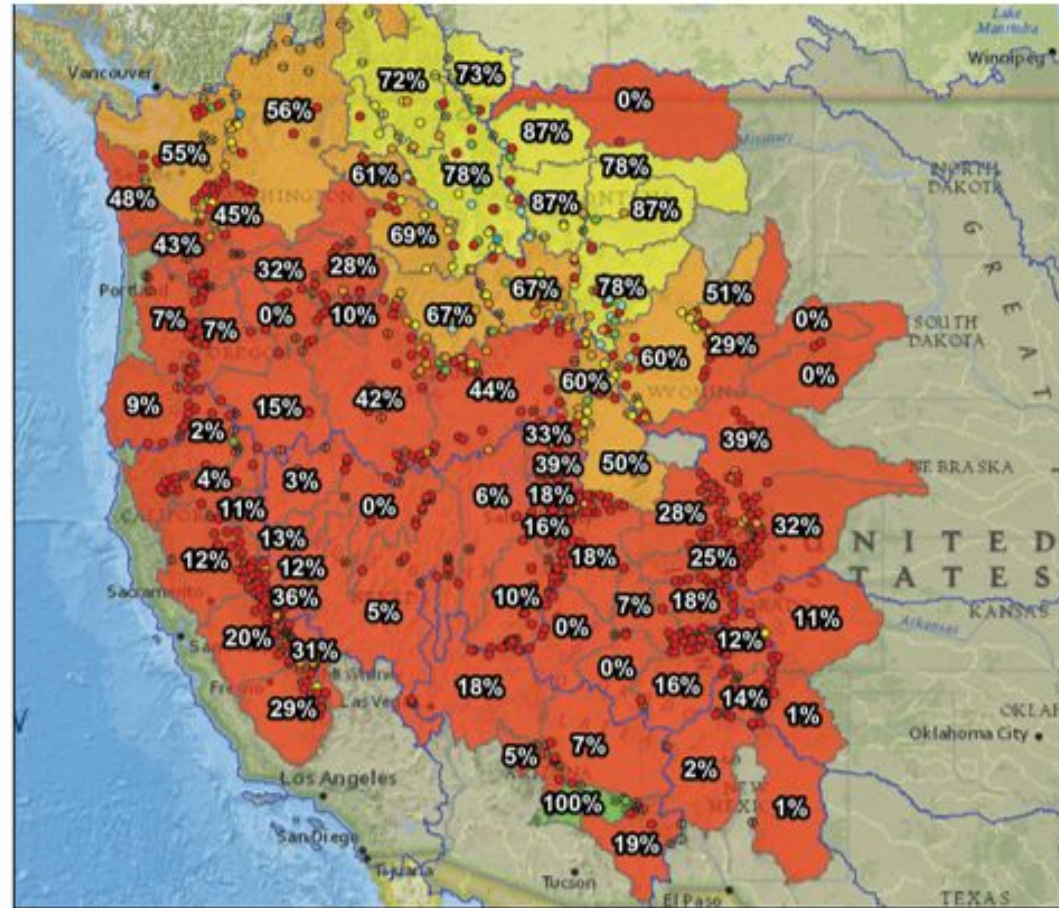


Source: U.S. Drought Monitor, as of April 7, 2026

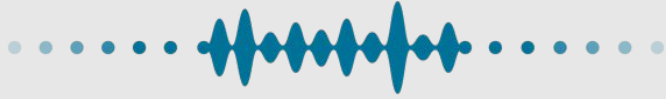
Wildfire activity is already high in the plains and Southeast states. As of March 24, 2026, 56.21% of the Lower 48 states are in drought. Spring rains have not brought much relief

# For the Western states, the snowpack and reservoirs are very low, with likely negative impacts on farms and people

Water restrictions and high water utility bills over the summer will affect consumers as well as agriculture and commercial users. This is the worst snowpack and reservoir conditions since records started in 1910.



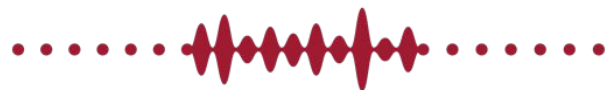
Source: National Weather Service, map as of April 8, 2026



# Audience Poll

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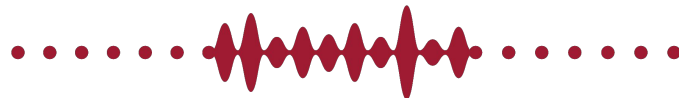
# Consumer Credit Trends



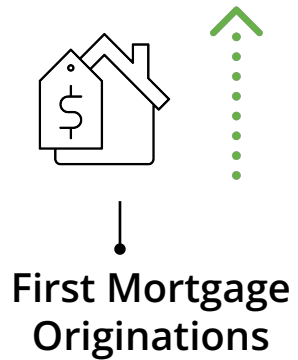
Market Pulse

## Please Note:

- **Originations data** is as of December, 2025 and includes number of new accounts opened
- **Portfolio data** is as of February, 2026 and includes outstanding balance, utilization and limit amounts in the case of revolving products and delinquency information
- In the case of **directional arrow indications**, we represent increases and decreases in green and red as it relates to the consumer impact and not necessarily to the benefits to any specific business or industry

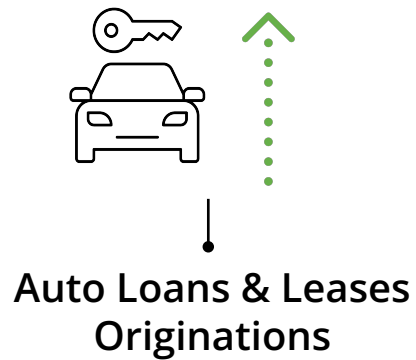


# Broad-Based Origination Growth Led by Surges in Personal Loans and Mortgage Volume



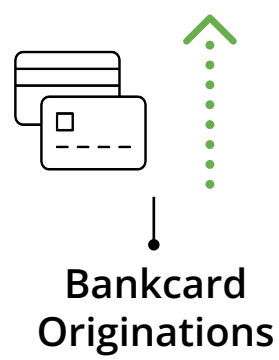
**\$1.9T**  
originated YTD

Up **15.4%**  
vs. prior year



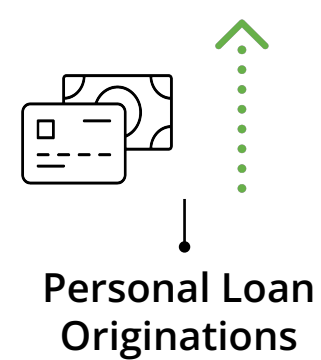
**\$776.2B**  
originated YTD

Up **4.7%**  
vs. prior year



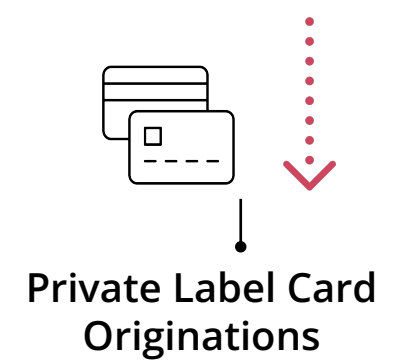
**\$439.4B**  
originated YTD

Up **5.2%**  
vs. prior year



**\$75.2B**  
originated YTD

Up **17.0%**  
vs. prior year

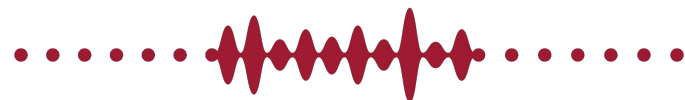
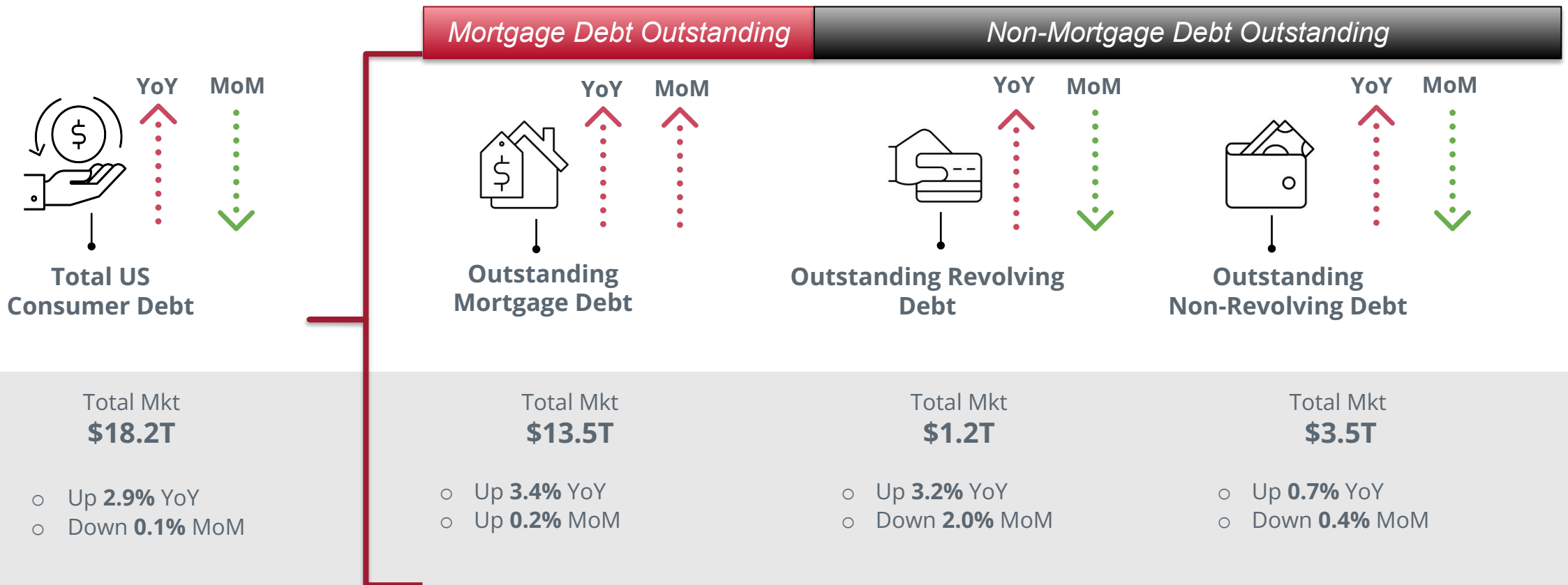


**\$44.1B**  
originated YTD

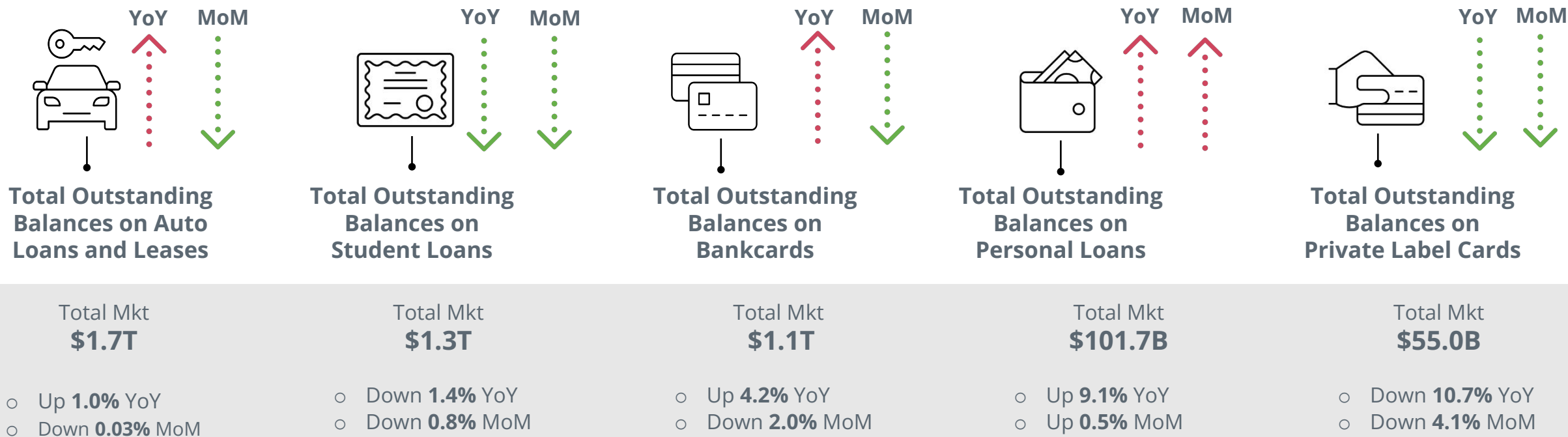
Down **9.2%**  
vs. prior year



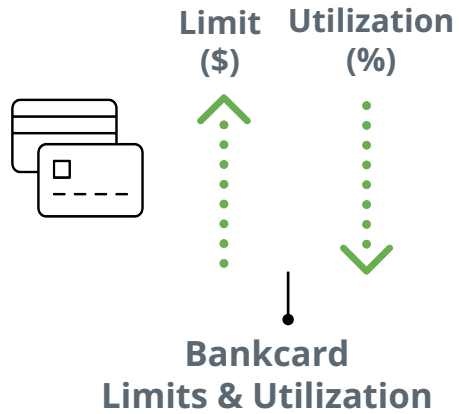
# Annual Debt Growth Persists Despite Recent Monthly Cooling Across Most Consumer Segments



# Personal Loans Defy Monthly Cooling Trend as Private Label and Student Debt Recede

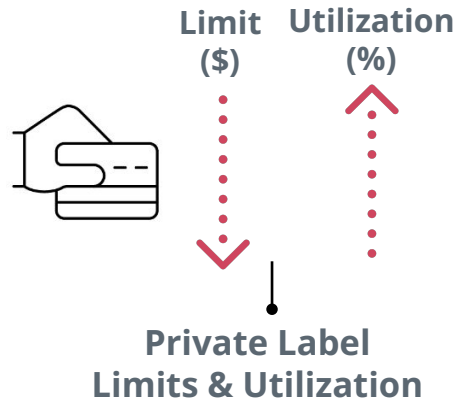


# Shifting Credit Dynamics: Rising HELOC Engagement Contrasts with Cautious Bankcard Utilization



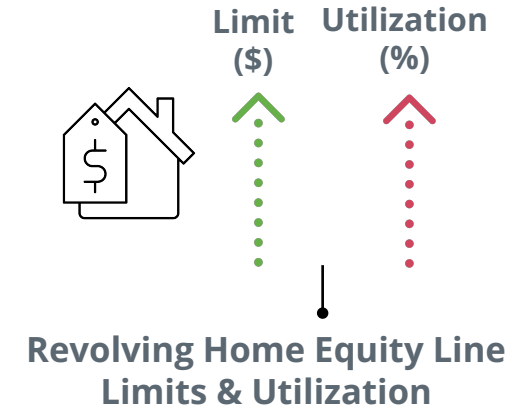
**\$5.1T**  
Limits (\$)  
Up **6.2%** YoY

**20.6%**  
Utilization (%)  
Down **1.8%** YoY



**\$373B**  
Limits (\$)  
Down **10.5%** YoY

**14.4%**  
Utilization (%)  
Up **1.0%** YoY



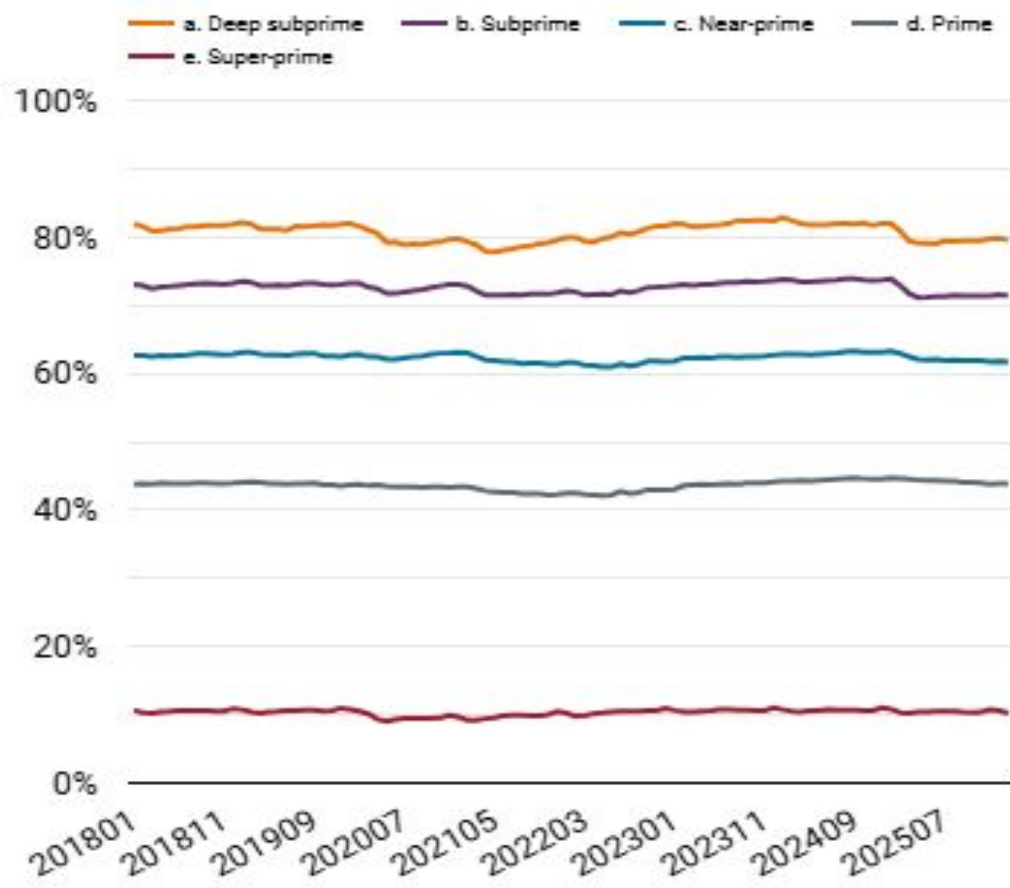
**\$1.0T**  
Limits (\$)  
Up **5.8%** YoY

**42.6%**  
Utilization (%)  
Up **6.7%** YoY

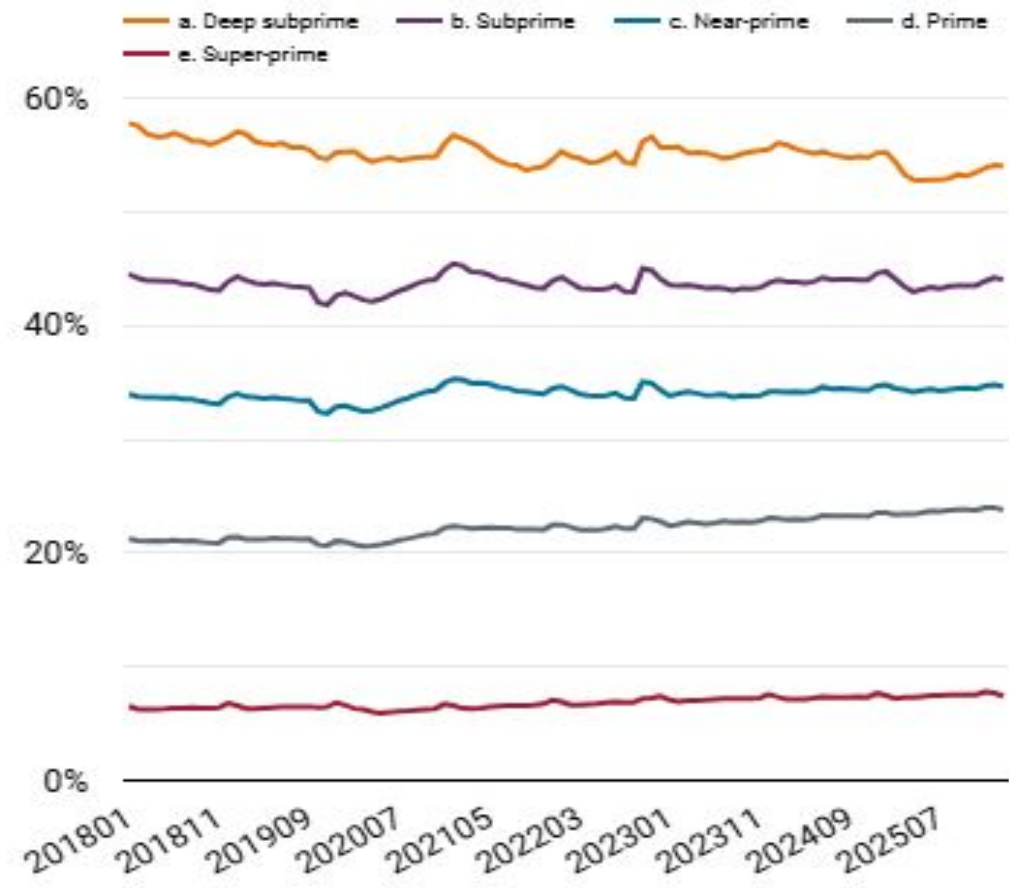


Over the last 8 years, utilization rates have been relatively flat across all score bands for Bankcard and Private label

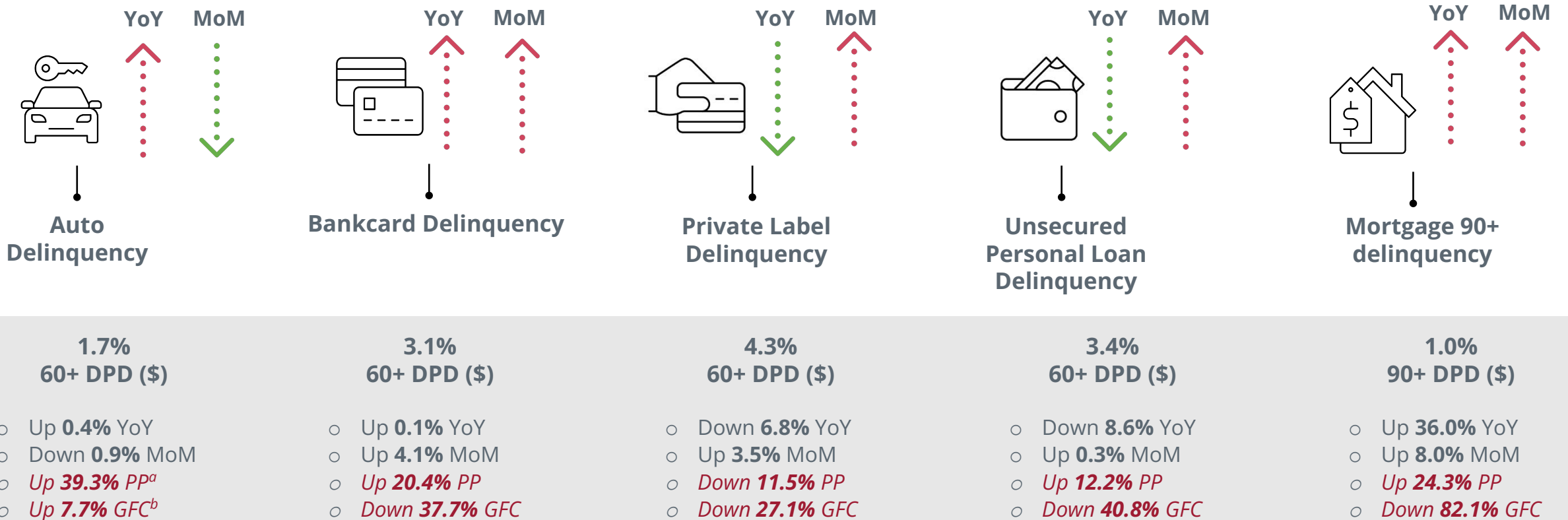
Bankcard



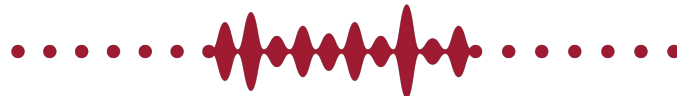
Private Label



# Annual Delinquency Improvements in Personal Loans and Private Label Offset by Rising Mortgage severe delinquency



<sup>a</sup> PP = Pre-Pandemic (reference period Jan'20)  
<sup>b</sup> GFC = Global Financial Crisis (reference period Jan'09)



# Bankcard subprime vintages saw worsening in '22 & '23, while unsecured personal loan subprime vintages worsened in '23 & '24 (Subprime <620 VantageScore)

	Year	Card \$ 60+%						
Quarter	2018	2019	2020	2021	2022	2023	2024	2025
Q1	31.4%	31.2%	23.3%	31.5%	38.3%	36.4%	36.7%	18.2%
Q2	33.6%	32.8%	27.4%	35.4%	38.9%	37.7%	33.0%	14.6%
Q3	34.3%	29.9%	32.0%	37.3%	37.9%	37.2%	27.6%	8.1%
Q4	32.9%	26.5%	30.5%	39.2%	35.9%	37.7%	22.0%	1.0%

	Year	UPL \$ 60+%						
Quarter	2018	2019	2020	2021	2022	2023	2024	2025
Q1	8.2%	3.5%	1.6%	1.7%	2.7%	8.3%	9.9%	4.7%
Q2	8.1%	3.4%	2.1%	2.0%	3.9%	10.6%	9.3%	3.6%
Q3	6.2%	2.6%	2.1%	2.1%	4.9%	11.2%	7.9%	1.7%
Q4	6.0%	2.1%	2.0%	2.3%	6.5%	10.2%	6.2%	0.1%



# Audience Poll

**Market Pulse**

# The K-Shaped Economy: Credit Trends, Consumer Stress, and What Lenders Need to Know



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# Q&A

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# With insight

## Turn insights into action

- **Shift from Lagging to Leading Indicators for Risk Assessment:** Lenders should move beyond traditional metrics like credit scores alone and monitor **payment velocity** to identify early stress. Specifically, track transitions from "full payers" to "minimum payers" or those who significantly reduce overpayments, as these are often precursors to delinquency in a bifurcated economy.
- **Leverage Alternative Data to Forecast Bankruptcies:** With personal bankruptcies rising in early 2026, organizations should utilize non-traditional "early warning" signals. This includes monitoring **clickstream data** for visits to financial hardship or debt restructuring pages, as well as seeking credit "down market," which can indicate a borrower is nearing a breaking point.
- **Prioritize Precision Segmenting Over "Misleading Averages":** The "average consumer" no longer exists; instead, the traditional middle class is actively shrinking as households migrate toward either the "thriving" or "struggling" arms of the K-shape. Lenders must assess financial strength based on **cash reserves and appreciating assets** for high earners while using high-frequency data to track the impact of unavoidable costs (like \$4/gallon gas or rising utility bills) on lower-income segments.



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

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