Report

Keeping up with the Economy: Canadians Continue to Adapt their Credit and Financial Decisions

Q1 2024 | Equifax® Canada Market Pulse Consumer Quarterly Credit Trends

June 2024

Consumer debt rose to $2.46 trillion at the end of Q1 2024, marking a 3.5 per cent increase from the previous year, according to the latest Market Pulse Consumer Credit Trends and Insights Report from Equifax® Canada. Financial strain was evident in the first quarter of 2024 as mortgage delinquency rates continued to climb in highly-priced housing markets like Ontario and British Columbia, and missed payments on non-mortgage debt returned to pre-pandemic levels.

"These are challenging economic conditions and as financial stress increases we are seeing consumers adapting their credit decisions to help manage through this period," said **Rebecca Oakes, Vice President of Advanced Analytics at Equifax Canada**. "Many are extending their mortgage length to reduce their payments and mitigate the impact of payment shocks, despite the penalty of longer loan commitment terms. People are also seeking better deals and rates, leading to relatively more lender switching and more consumers actively checking their credit scores - a nearly 19 per cent rise in the number of Equifax Canada credit score checks compared to the same period last year."

Payment Shocks, Rising Loan Amounts and Lender Switching

Canada's mortgage debt, representing a significant 74.4 per cent of total consumer debt, slowed to an increase of 3.1 per cent year-over-year (YoY). New mortgage originations hit an all-time low in Q1 2024 as consumers held off making big purchase and financing decisions amid rate cut speculations; refinancing levels decreased by 2.6 per cent and first-time home buyer volumes dropped 10 per cent YoY. Despite a seasonal reduction, the average loan value for new mortgages remained 3.1 per cent higher in the first quarter compared to 12 months prior, reaching $321.7K.

The housing market in Alberta showed resilience despite the challenging economic conditions, with an uptick of 10.6 per cent in new mortgage originations in Q1 2024 versus Q1 2023. This trend can likely be attributed to a confluence of factors, including high interprovincial migration and relative stability within the province's mortgage market.

"As high home prices and reduced affordability continue in some geographies, more consumers are making the decision to relocate to more financially accessible regions," said Oakes. "In the last 12 months, the number of individuals who moved from Ontario and British Columbia to other provinces exceeded those who moved to Ontario. Almost 71 per cent of all interprovincial movement to Alberta came from those two provinces alone."

Consumers continued to feel the effects of payment shocks as nearly nine per cent of mortgage renewals saw monthly payments increase by over $500 in Q1 and an estimated 37.1 per cent of consumers extended their amortization terms. As consumers shopped around to secure the best possible rates, lender switching became more prevalent with almost 25.8 per cent choosing another provider in the last quarter of 2023, up from 21.7 per cent in 2022, and nearly seven per cent switching from one of the Big 5 Banks to other lenders.

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Vice-President of Advanced Analytics, Equifax Canada

Delinquencies and Non-Mortgage Debt Signal Mounting Financial Strain

Delinquency rates, indicating missed payments on credit products, continued to rise in Q1. While overall mortgage delinquencies remain lower than pre-pandemic levels, Ontario and B.C. have seen the most significant increases. In Ontario, the total mortgage balance reaching severe delinquency (90 days or more without payment) exceeded $1B for the first time, which is double the level seen before the pandemic.

Notably, both Toronto and Vancouver now have higher delinquency rates (90+ day balance) than in Q1 2020. Delinquencies for mortgages over 90 days past due rose in Toronto from 0.09 per cent to 0.14 per cent, and in Vancouver rose from 0.11 per cent to 0.14 per cent between Q1 2020 and Q1 2024. In addition, Alberta, Saskatchewan and Manitoba are facing the strain with some of the highest non-mortgage debt and delinquency rates in Q1 2024.

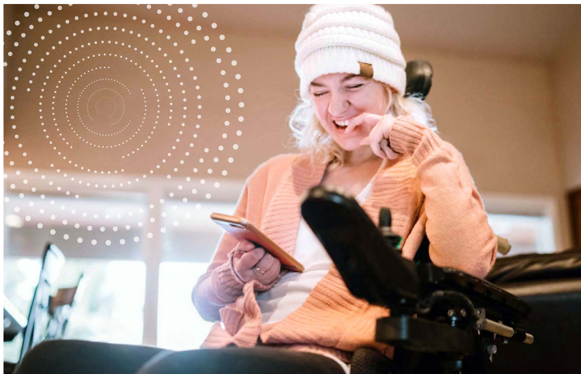
“The introduction of mortgage stress testing in 2016 has helped to mitigate against the full effect of sustained high interest rates, but we still saw more than 34,000 consumers missing a payment on their mortgage in Q1, which is up 22.7 per cent compared to 12 months ago,” said Oakes. “It’s not just homeowners feeling the strain. Whether you own or rent, the high cost of living remains a heavy burden for many.”

Over 1.26 million consumers missed at least one payment on some form of credit commitment in Q1 2024, the highest level since 2020 and up 137,358 (12.2 per cent) compared to Q1 2023. Ontario, British Columbia and Quebec had above average jumps in the number of consumers missing a payment with an increase of 14.6 per cent, 13.4 per cent and 15.2 per cent respectively compared to 2023.

At a product level, changes in payment behaviour were evident across all credit types in Q1. Credit card delinquencies continued their steady rise with consumers paying down their balances in full less frequently, dropping from 65.6 per cent in 2023 to 64.5 per cent. This decline was even steeper for those with large Home Equity Line of Credit balances (over $50,000), where full-payment rates fell from 63 per cent to 59.3 per cent.

Missed auto loans and line of credit payments also increased during the quarter with levels above pre-pandemic. While the proportion of consumers drawing from their credit lines has declined, those with a high balance have seen a sharp rise in delinquencies as they struggle to meet payment requirements. On average, consumers with a balance on their credit line have seen year-over-year increases of 9.3 per cent and 1.4 per cent on unsecured lines and home equity lines balance, respectively.

“The recent drop in interest rates announced by the Bank of Canada may provide some relief for consumers with variable rate products or mortgage renewals coming up” said Oakes. “Unfortunately, the gap to previous rate levels is still significant, so many consumers will need to see more cuts before we see stabilization in missed payment levels.”



Age Group Analysis

Debt & Delinquency Rates (excluding mortgages)

Age	Average Debt (Q1 2024)	Average Debt Change Year-over-Year (Q1 2024 vs. Q1 2023)	Delinquency Rate ($) (Q1 2024)	Delinquency Rate ($) Change Year-over-Year (Q1 2024 vs. Q1 2023)
18-25	$8,085	2.39%	1.80%	7.02%
26-35	$17,197	1.24%	1.95%	20.40%
36-45	$26,459	2.44%	1.58%	28.52%
46-55	$33,391	3.33%	1.18%	30.25%
56-65	$27,345	3.30%	1.01%	23.70%
65+	$14,093	-0.25%	1.09%	18.40%
Canada	**$21,276**	**1.77%**	**1.36%**	**23.99%**

Major City Analysis

Debt & Delinquency Rates (excluding mortgages)

City	Average Debt (Q1 2024)	Average Debt Change Year-over-Year (Q1 2024 vs. Q1 2023)	Delinquency Rate ($) (Q1 2024)	Delinquency Rate ($) Change Year-over-Year (Q1 2024 vs. Q1 2023)
Calgary	$23,660	-1.46%	1.50%	18.19%
Edmonton	$23,554	-0.66%	1.91%	16.92%
Halifax	$20,876	0.86%	1.35%	11.77%
Montreal	$16,548	1.65%	1.26%	32.54%
Ottawa	$19,278	2.12%	1.24%	24.98%
Toronto	$20,345	2.35%	1.75%	25.02%
Vancouver	$22,424	1.32%	1.12%	29.31%
St. John’s	$23,539	1.40%	1.47%	10.92%
Fort McMurray	$36,970	-0.47%	2.16%	13.15%

Province Analysis

Debt & Delinquency Rates (excluding mortgages)

Province	Average Debt (Q1 2024)	Average Debt Change Year-over-Year (Q1 2024 vs. Q1 2023)	Delinquency Rate ($) (Q1 2024)	Delinquency Rate ($) Change Year-over-Year (Q1 2024 vs. Q1 2023)
Ontario	$21,869	2.51%	1.40%	28.18%
Quebec	$18,562	1.48%	0.98%	31.22%
Nova Scotia	$20,751	1.45%	1.59%	12.13%
New Brunswick	$20,900	-3.35%	1.62%	14.86%
PEI	$22,774	2.75%	1.10%	12.62%
Newfoundland	$23,812	4.75%	1.56%	12.09%
Eastern Region	$21,553	0.66%	1.56%	12.94%
Alberta	$24,157	-0.69%	1.70%	16.66%
Manitoba	$17,527	4.29%	1.69%	16.06%
Saskatchewan	$22,558	2.01%	1.71%	18.97%
British Columbia	$21,902	1.61%	1.24%	24.72%
Western Region	$22,333	1.00%	1.50%	19.55%
Canada	**$21,276**	**1.77%**	**1.36%**	**23.99%**

* Based on Equifax data for Q1 2024

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