

Market Trends

Macroeconomic
& Credit Trends



Tom O'Neill



3 things to remember...

- 1** **"50bps"**, the Fed launched a jumbo cut in September and issued dovish guidance for additional cuts in 2024, reinforcing their dual mandate
- 2** **GDP and GDI** figures for August indicate economic momentum abounds with consumers remaining employed and continuing to spend...optimism about economy has improved
- 3** **Delinquency**, especially in auto and bankcard lending segments remain elevated, stress continues for those in the lower and middle credit tiers, but outlook consumers still healthy overall

Pulse on inflation, rates and economic growth

- **Inflation slowed again in August**, pressure easing and creating greater push for September rate cuts
- **Key inflation measures:**
 - ↔ ○ **CPI YoY: +2.5% Aug vs. +2.9% Jul**
 - ↔ ○ **CPI MoM: +0.2% Aug vs. +0.2% Jul**
 - ↑ ○ **CPI "Core" YoY: +3.2% Aug vs. +3.2% Jul**
 - **CPI "Core" MoM: +0.3% Aug vs. +0.2% Jul**

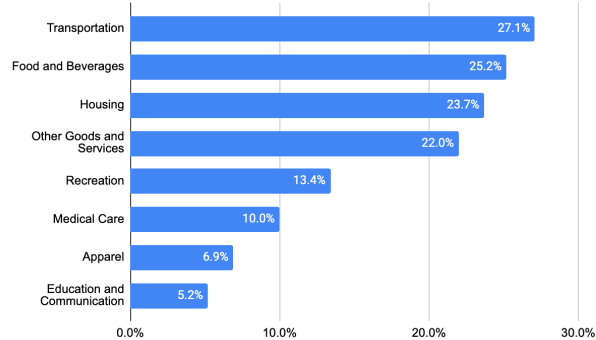
Headline Expectations:
0.2% (MoM), 2.6% (YoY)

Core Expectations:
0.2% (MoM), 3.2% (YoY)

Note: Core CPI removes transitory price changes including food and energy

Which categories have been hit the hardest by inflation?

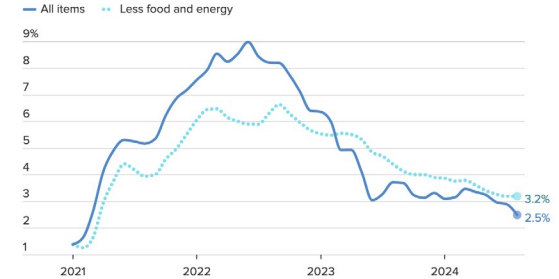
Change in CPI between Feb'20 and Jul'24, by expenditure category



Source: US Bureau of Labor Statistics Chart: Jesse Hardin, Equifax Risk Advisors

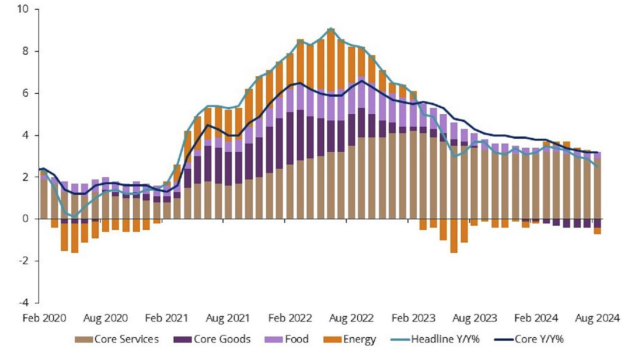
US consumer price index

Year-over-year percentage change Jan'21 - Aug'24



Source: Bureau of Economic Analysis, Chart: CNBC

US consumer price index by component

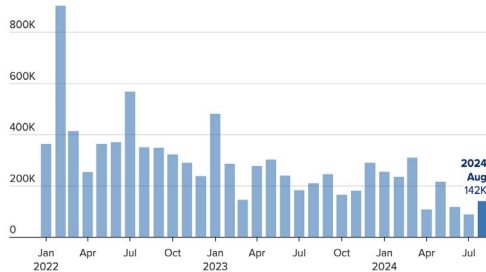


Source: JP Morgan, Chart: Bloomberg LP

Fed turns focus of dual mandate to labor markets as stress mounts

Monthly change in non-farm jobs

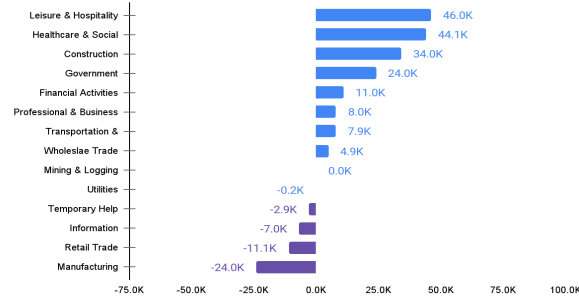
Seasonally adjusted



Source: Bureau of Labor Statistics, Chart: CNBC

Monthly job growth slowing as pressures mount

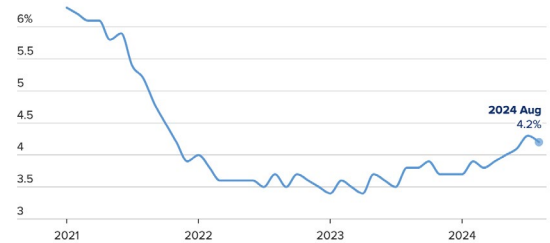
Sector Growth for August



Source: Bureau of Economic Analysis, Chart: Jesse Hardin, Equifax Risk Advisors

Unemployment rate falls slightly after runup

Highest level of unemployment since Oct'21



Source: Bureau of Labor Statistics, Chart: CNBC



- **Labor Market added 142K new non-farm payroll jobs in August, unemployment rate down to 4.2%**
 - Job creation results failed to meet expectations* of 175K, unemployment rate at consensus estimates of 4.2%
 - Sahm rule still triggering recession at 0.59%** , though recession chances have waned over last quarters
 - Gains led by leisure and hospitality (+46k), healthcare (+44k), construction (+34k), and government (+24k)
 - Declines led by manufacturing (-24k), retail trade (-11k), and information services (-7k)
 - Preliminary benchmark payrolls revision for Mar'24 announced - revision downward of 818k jobs
 - Labor force participation rate at 62.7%, no change from July
 - Wage growth up 0.4% MoM, 3.8% YoY, expectations for wage growth to be below inflation in coming year
 - Average work week up from July at 34.3 hours, average manufacturing workweek down 0.1 hours to 40 hours

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics

*Dow Jones consensus

**Sahm rule is a highly accurate tool for prediction of recession, triggered when three-month average of the jobless level is half a percentage point higher than the 12-month low

Fed finally cuts rates with a whopper cut, where does that take us?

Notable Fed commentary post rate cut decision:

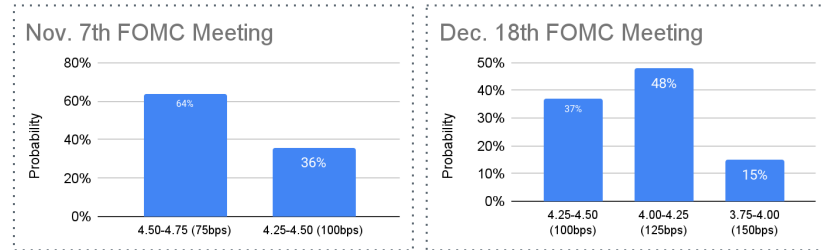
- "Looking forward, if the economy evolves broadly as expected, **policy will move over time toward a more neutral stance**. But we are not on any preset course...**the risks are two-sided**, and we will continue to make our decisions meeting by meeting"¹
- "The labor market is in solid condition, and our intention with our policy move today is to keep it there...you can say that about the whole economy: **The US economy is in good shape**. It's growing at a solid pace, inflation is coming down. The labor market is at a strong pace. **We want to keep it there. That's what we're doing.**"²

Source:

¹Quote by Fed Chairman Jerome Powell at September 30 National Associate of Business Economists Conference

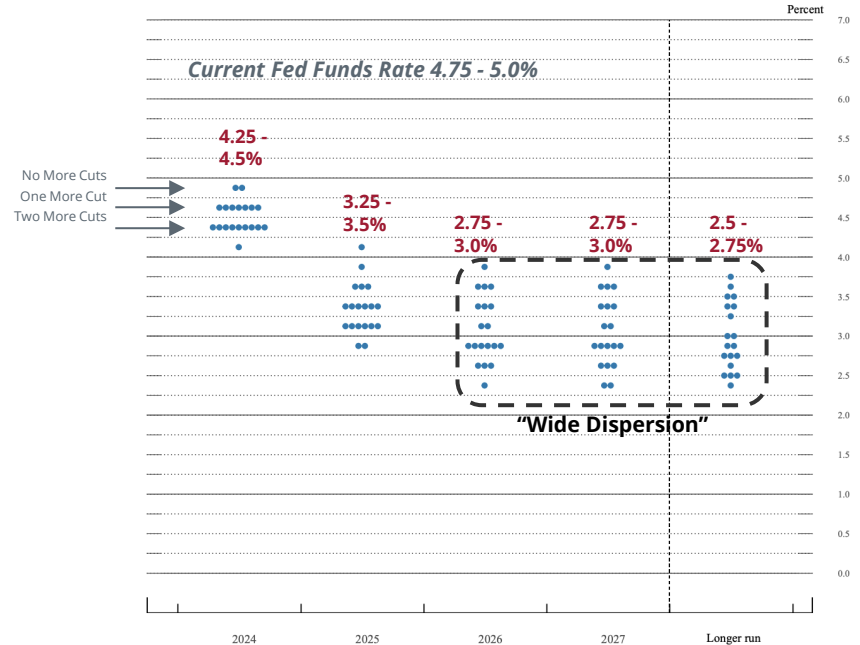
²Quote by Fed Chairman Jerome Powell at September 18 FOMC Meeting

CME FedWatch probabilities by meeting



Source: CME FedWatch, August 26th, Charts: Jesse Hardin, Equifax Risk Advisors, basis point references in chart represent cumulative cuts from current base Fed Funds rate of 5.25 - 5.5%

FOMC Dot Plot - September 2024



Source: September 18th, 2024 FOMC Summary of Economic Projections - Chart: Jesse Hardin, Equifax Risk Advisors

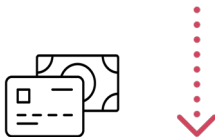
What do we expect now that the Fed has started to lower rates?

What cuts mean for Americans and when to expect impact...



Delinquencies related to variable rate products

Meaningful impact on lower income Americans with credit card and personal loan debt



Dollar purchasing power abroad

Weaker dollar means less spending power abroad



Savings and investment accounts

Lower yields on savings accounts, equity markets jump with lower rates



Auto loan and lease originations

Demand for auto loans should improve as rates fall and dealers incentives remain



First mortgage refinance and originations

Americans looking for lower mortgage rates; thaw in 'lock-in' impact



Please Note:

- **Originations data** is as of **May, 2024** and includes number of new accounts opened
- **Portfolio data** is as of **July, 2024** and includes outstanding balance, utilization and limit amounts in the case of revolving products and delinquency information
- For **full access** to the **standard charts and graphs**, please reach out to the Equifax Risk Advisory team at RiskAdvisors@Equifax.com



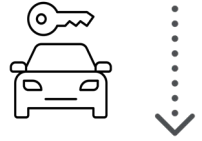
As of May 2024, **consumer originations** slowed across several lending categories as higher rates, prices and tougher lending standards weigh on consumer demand



First Mortgage Originations

\$565.7B originated YTD

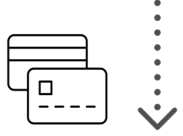
Up **2.7%** vs. prior year



Auto Loans & Leases Originations

\$307.4B originated YTD

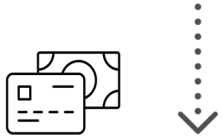
Down **0.8%** vs. prior year



Bankcard Originations

\$176.8B originated YTD

Down **2.0%** vs. prior year



Personal Loan Originations

\$23.8B originated YTD

Down **2.5%** vs. prior year



Private Label Card Originations

\$20.7B originated YTD

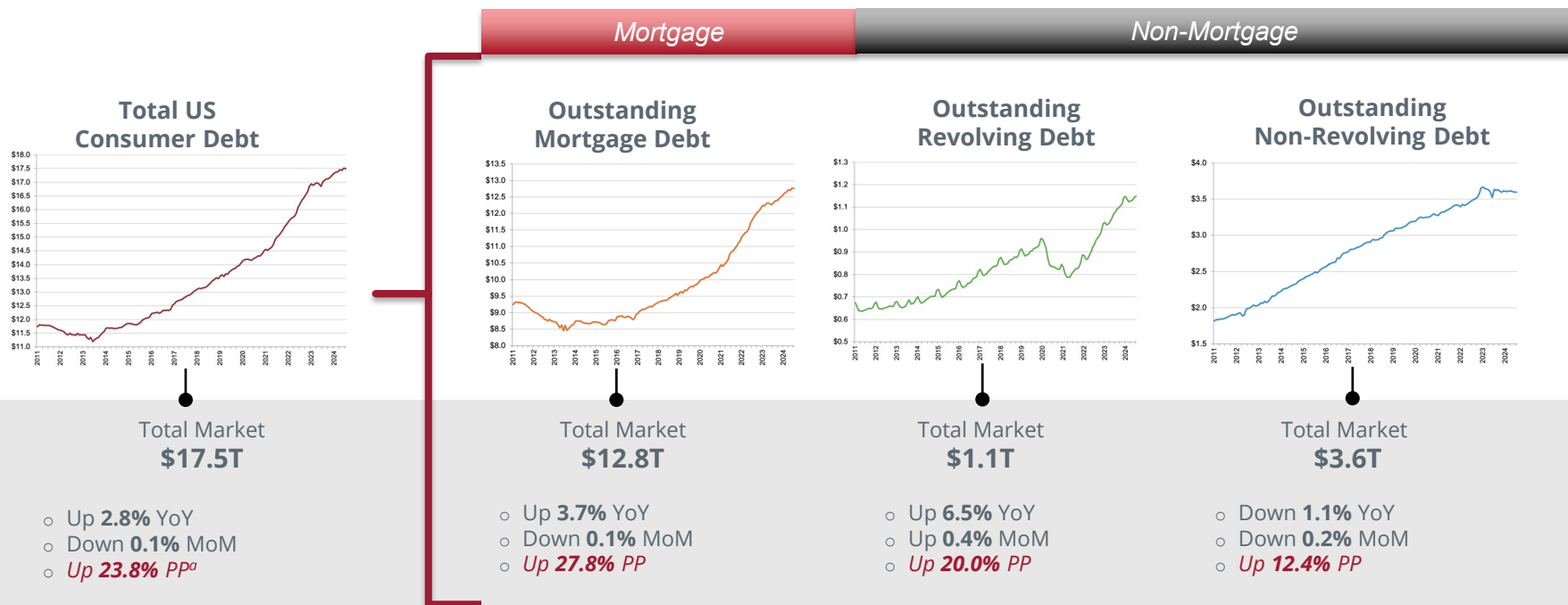
Down **10.4%** vs. prior year



For **full access** to the **standard charts and graphs**, please reach out to the Equifax Risk Advisory team at RiskAdvisors@Equifax.com

Source: Equifax US National Consumer Credit Trends Originations Report - Published Sep'24 - Originations through May'24

As of July 2024, outstanding mortgage and revolving consumer debt continues to climb YoY, non-revolving debt outstanding has slowed

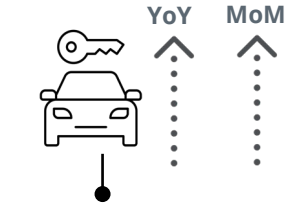


*PP = Pre-Pandemic (reference period Jan'20)



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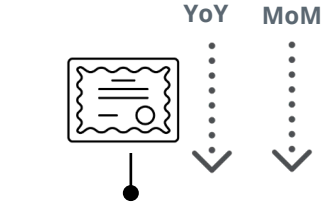
As of July 2024, **non mortgage consumer debt** outstanding has **increased** for **auto, bankcards and personal loans**, other categories including **student loan debt** have fallen



Total Outstanding Balances on Auto Loans and Leases

Total Market
\$1.7T

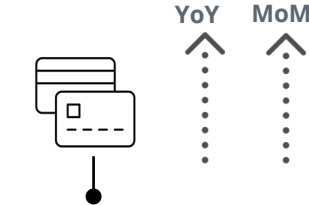
- Up **2.7%** YoY
- Up **0.2%** MoM



Total Outstanding Balances on Student Loans

Total Market
\$1.5T

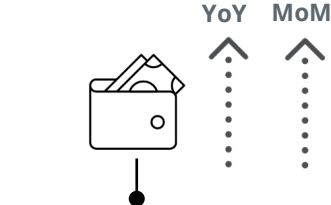
- Down **6.3%** YoY
- Down **0.9%** MoM



Total Outstanding Balances on Bankcards

Total Market
\$1.0T

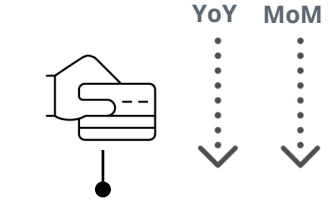
- Up **7.4%** YoY
- Up **0.4%** MoM



Total Outstanding Balances on Personal Loans

Total Market
\$91.4B

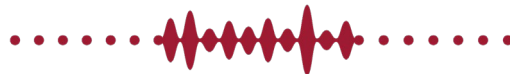
- Up **0.9%** YoY
- Up **0.2%** MoM



Total Outstanding Balances on Private Label Cards

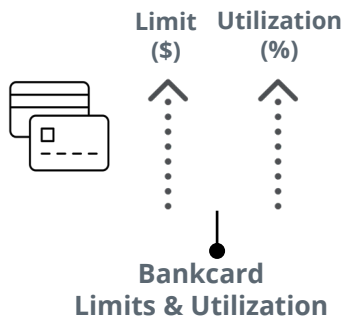
Total Market
\$64.1B

- Down **3.6%** YoY
- Down **0.6%** MoM



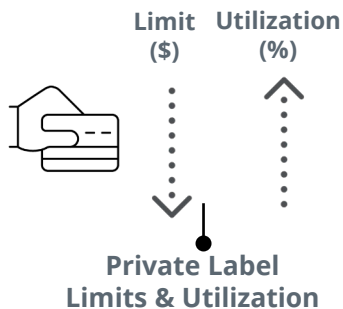
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July 2024 saw **Utilization and Credit Limit** increases for Bankcard and Home Equity, but limits fell for Private Label Card



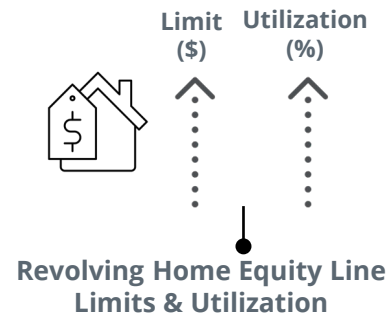
\$4.6T
Limits (\$)
Up 6.6% YoY

21.2%
Utilization (%)
Up 1.5% YoY



\$447B
Limits (\$)
Down 3.0% YoY

13.9%
Utilization (%)
Up 0.1% YoY



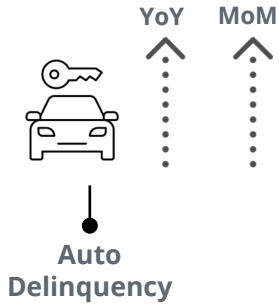
\$929B
Limits (\$)
Up 3.3% YoY

38.6%
Utilization (%)
Up 4.1% YoY



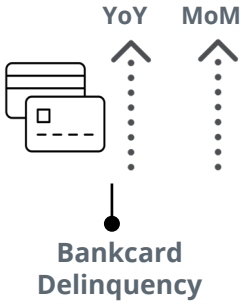
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July 2024 **Delinquencies increased** year over year in all categories but Personal Loans, confirming **continued consumer stress**



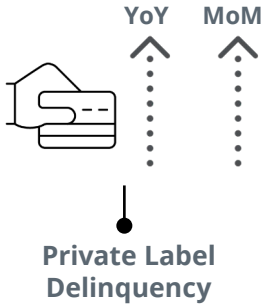
1.5%
60+ DPD (\$)

- Up **10.8%** YoY
- Up **5.9%** MoM
- **Up 25.3% PP^a**
- **Down 3.1% GFC^b**



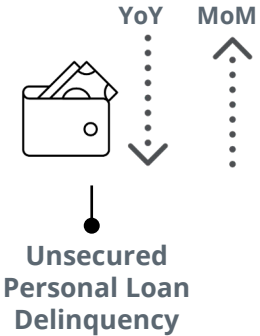
2.9%
60+ DPD (\$)

- Up **18.2%** YoY
- Up **2.7%** MoM
- **Up 17.5% PP**
- **Down 39% GFC**



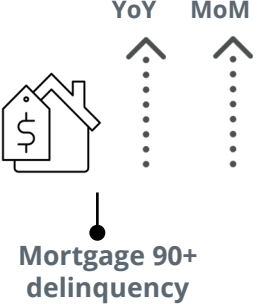
4.6%
60+ DPD (\$)

- Up **9.8%** YoY
- Up **2.7%** MoM
- **Down 7.3% PP**
- **Down 23.6% GFC**



3.5%
60+ DPD (\$)

- **Down 2.7%** YoY
- Up **1.2%** MoM
- **Up 17.8% PP**
- **Down 37.9% GFC**



0.5%
90+ DPD (\$)

- Up **31.0%** YoY
- Up **6.6%** MoM
- **Down 32.5% PP**
- **Down 90.3% GFC**

^aPP = Pre-Pandemic (reference period Jan'20)
^bGFC = Global Financial Crisis (reference period Jan'09)



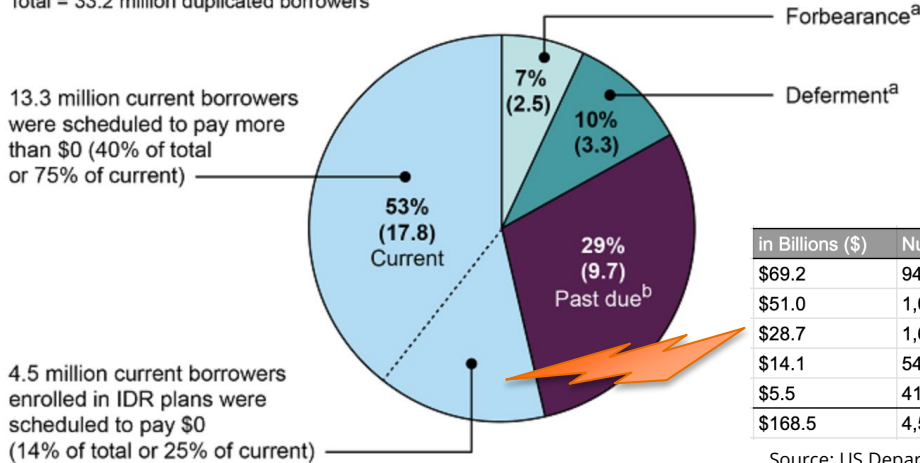
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Starting October 1st, delinquency on federal student loan debt will be reported to CRA's and will again impact credit scores

Number of Federal Student Loan Borrowers in Repayment by Status, as of January 31, 2024

Borrowers (in millions)

Total = 33.2 million duplicated borrowers



in Billions (\$)	Number of Borrowers	Reason for Forgiveness
\$69.2	946,000	Fixes to Public Service Loan Forgiveness (PSLF)
\$51.0	1,000,000	Administrative adjustments to IDR payment counts
\$28.7	1,600,000	Closed institutions, covered by court settlements
\$14.1	548,000	Borrowers with total and permanent disabilities
\$5.5	414,000	SAVE Plan
\$168.5	4,508,000	

Source: US Department of Education Press Release, July 31, 2024

Source: GAO analysis of U.S. Department of Education data | GAO-24-107 150

^a Both deferment and forbearance allow eligible borrowers to temporarily postpone making payments. Deferment is available to borrowers who meet certain requirements, such as active-duty military service or returning to school. Forbearance is available to borrowers experiencing financial difficulties or who meet certain requirements, such as serving in AmeriCorps or the National Guard.

^b Past-due borrowers were one or more days late.

Note: Borrowers may have loans in more than one status. As a result, the sum of borrowers in the different loan statuses (33.2 million) is slightly higher than the unduplicated number of borrowers (32.2 million). Numbers may not add to 100 due to rounding. IDR plans are income-driven repayment plans.

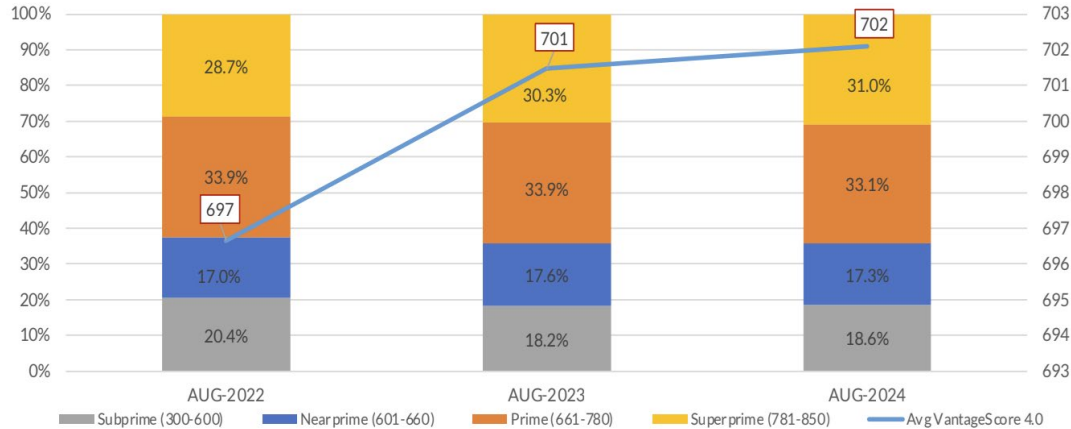
Vantage Scores stable, credit tier distribution shift continues



Average VantageScore (4.0)

Average VantageScore across the US

% of population by credit tier over time - average score in red box



- In August 2024, the average VantageScore credit score held steady at 702
- From August 2022 to August 2024, the percentage of borrowers in the VantageScore Subprime segment has decreased from 20.4% to 18.6%, indicating an improvement in overall credit quality
- Meanwhile, the percentage of borrowers in the VantageScore Superprime segment increased from 28.7% to 31.0%, further reflecting a trend towards stronger credit profiles over the two-year period

Source: Chart and Commentary courtesy of VantageScore CreditGauge August 2024

*VantageScore credit score increase of 4.9 points from 696 to 701 attributed in part to exclusion of medical collections data from the models at the start of 2023

Market Trends

VA Bank Credit Trends



Non-Mortgage Debt Breakdown by Product

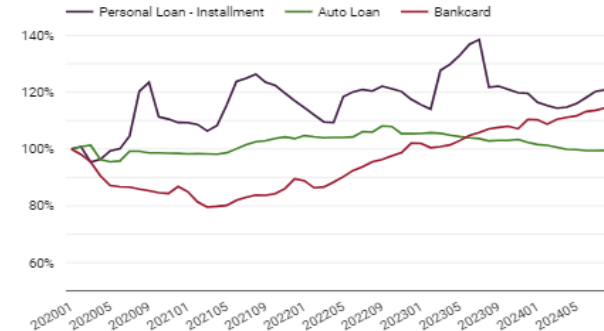
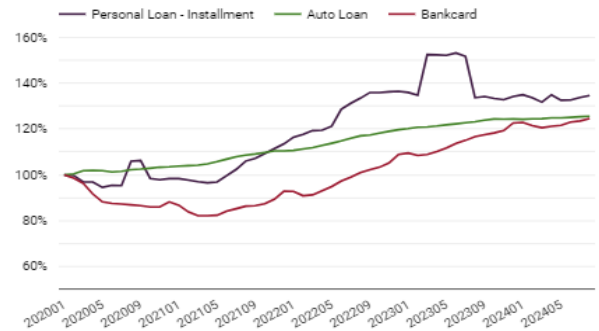
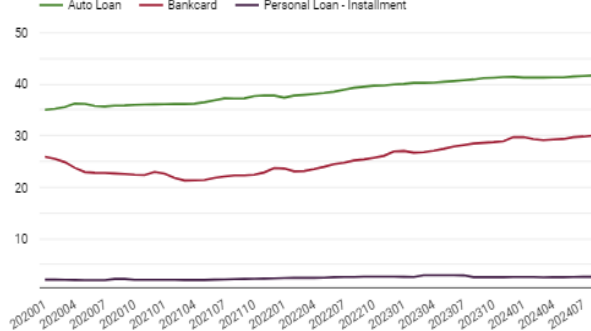
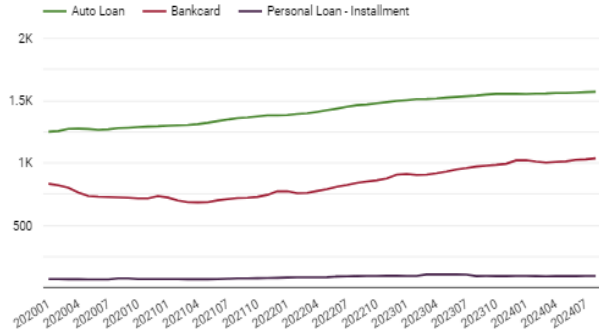
Top Shows Balances in \$

Bottom Shows Balance Changes Indexed to January 2020

All Lending Institutions

VA Lending Institutions

VA Banks



First Mortgage Originations (in \$)

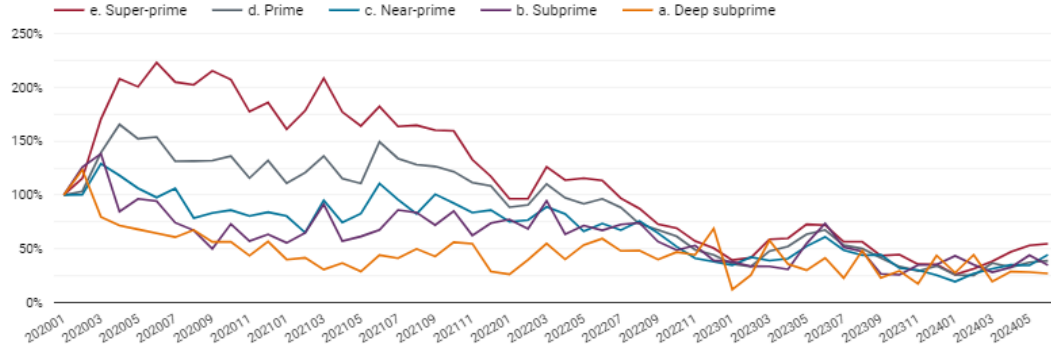
Total US First Mortgage Originations



Total VA Bank First Mortgage Originations



Total VA Bank First Mortgage Originations by Credit Tier (Indexed)



Auto Loan Originations (in \$)

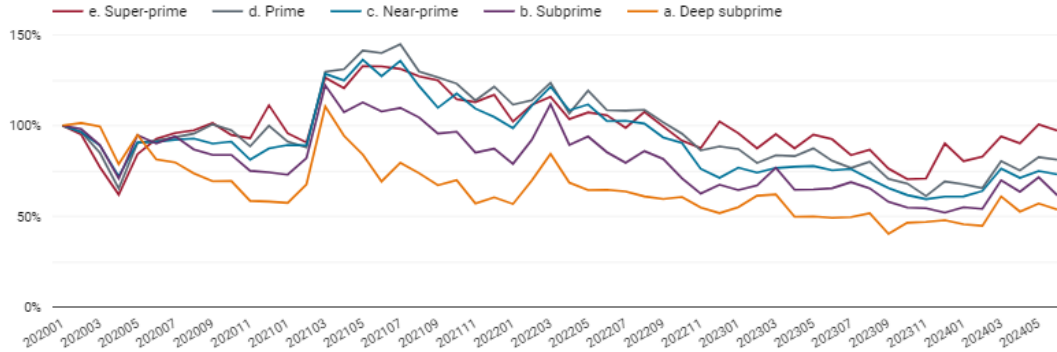
Total US Auto Loan Originations



Total VA Bank Auto Loan Originations

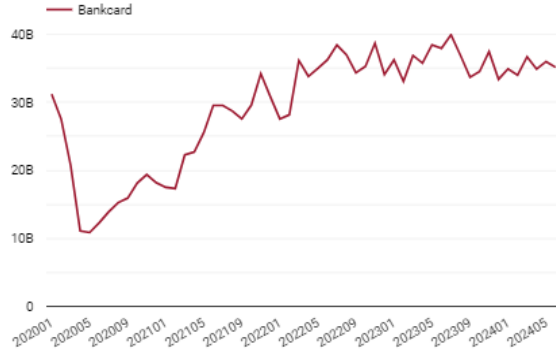


Total VA Bank Auto Loan Originations by Credit Tier (Indexed)



Bankcard Originations (in \$)

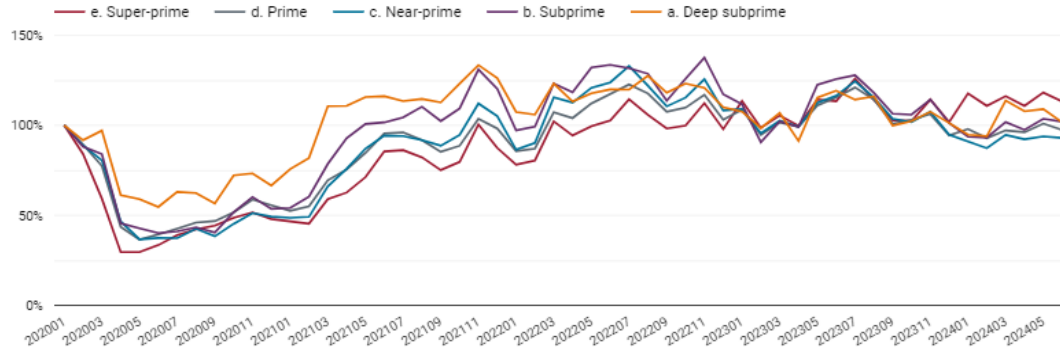
Total US Bankcard Originations



Total VA Bank Bankcard Originations



Total VA Bank Bankcard Originations by Credit Tier (Indexed)

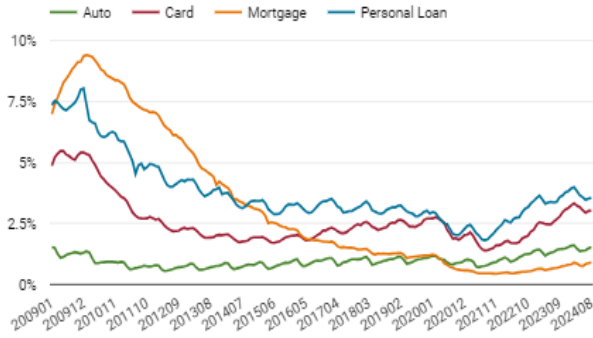


Virginia Delinquencies (Balances 60+ DPD)

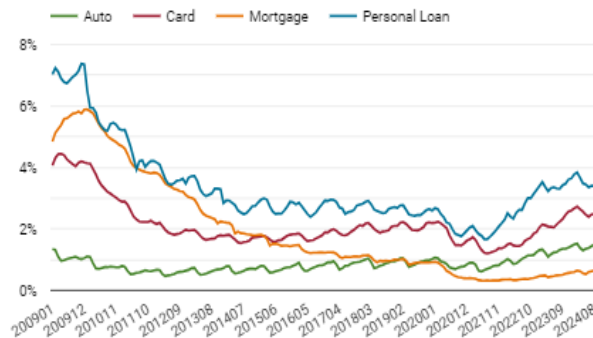
Top Shows Total Delinquencies

Bottom Shows Subprime (<620 Vantage Score) Delinquencies

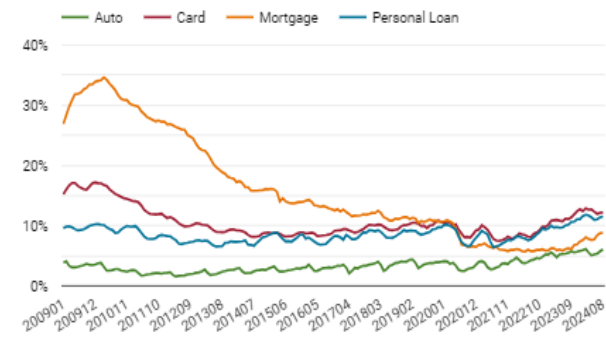
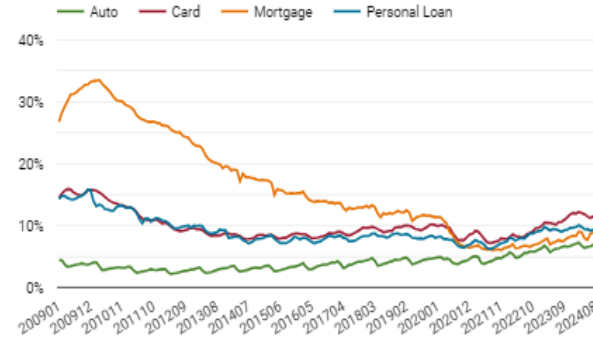
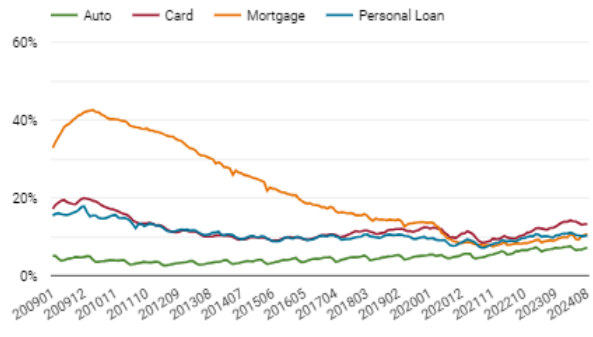
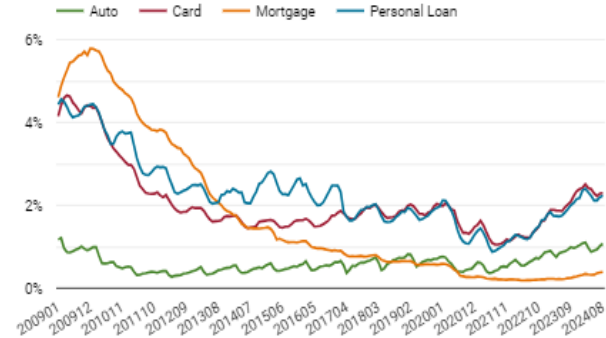
All Lending Institutions



VA Lending Institutions



VA Banks



Thank You

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