

Canadian Consumer Credit Trends

Q1 2015

Prepared by: Equifax Analytical Services

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Contributors

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Regina's background is in statistical analysis, campaign management and research with over 15 years of experience across various industries. Before joining Equifax as Director of Modeling and Analytics, she held senior analytics and customer and data insights roles at various organizations including Bank of Montreal, Loyalty One, and Intact Insurance (formerly ING Insurance). Regina brings knowledge from many industries including retail, financial, pharmaceutical, CPG and insurance. In her past roles, she developed statistical solutions, oversaw analytical and measurement projects, and assisted in the specification of best CRM practices related to campaign management, business intelligence application and data mining, ensuring optimal targeting for marketing communications. Regina holds a Master of Science degree in Statistics.

Tara Zecevic, Vice President, Decision Solutions

Tara has over 17 years of progressive experience within the financial services sector with a strong consultative approach to crafting solutions in both established and emerging markets. Tara's career has spanned marketing solutions, sales and product management for fraud, analytic and decisioning solutions. Tara has an Hon. B. Sc. and Certificate in Human Resources from University of Toronto. She currently sits on the Credit Canada Debt Solutions board and is also a member of the IAFCI, CSRSA and Credit Association.



Introduction

- › Introduction
- › Methodology
- › Key Consumer Credit Indicators

Introduction

This report is part of the quarterly series of Equifax reports on Canada's consumer credit industry, including national credit cards, revolving and installment loans, as well as personal, retail, sales, auto finance and mortgages.

Equifax is one of the most reliable sources of Canadian consumer credit data available. This report will help companies dealing with consumers assess where the market is trending in terms of indebtedness and creditworthiness.

Methodology

Data for this report, including scores, are sourced from the Equifax Canada data warehouse, which stores the majority of credit transactions that occur in Canada. There are over 25 million unique consumer files. Transaction volumes for data are estimated at 105 million per month.

Information provided in this report was adjusted to ensure that quarterly data reflects the results as of the last month of each quarter.

Executive Summary

“The negative effects of lower oil prices hit the economy right away, and the various positives—more exports because of a stronger U.S. economy and a lower dollar, and more consumption spending as households spend less on fuel—will arrive only gradually, and are of uncertain size.”

Stephen S. Poloz,
Governor, Bank of Canada,
February/ 2015

As the economic situation is being challenged by the decrease in oil prices, future outcomes are still being debated, largely due to the uncertainty of the duration of the situation.

Appetite for new credit is still on the rise, driven by strong activity in the Auto sector and the Western region. As the risk profile of consumers with higher scores seeking more credit have deteriorated this quarter, we will continue to monitor these results in subsequent quarters to confirm if this is a new trend.

Consumer debt continues to increase, driven largely by the Auto and Installment loan product categories. The recent decision by the central bank to keep the overnight interest rate at the lowered 0.75% level will help consumers to responsibly maintain increasing debt levels. Quebec and Eastern region are increasing their debt faster than other regions, but Quebec still maintains the lowest average debt and East has the second highest.

Bankruptcies and delinquency rates remain stable. These metrics are lagging indicators, which are expected to show more significant changes following changes in metrics impacted immediately by the economic situation, such as unemployment rates. The change in unemployment rates in regions effected by the decrease in oil prices are still too recent, but its impact may become more obvious in the next two quarters. The delinquency rate in Alberta is starting to increase after declining for over four years.

Close monitoring of key economic indicators is important as the outcomes and timing of the change within the current economic environment are still largely uncertain.

Key Consumer Credit Indicators

Change in Consumer Credit Indicators (compared to the same period last year):

Average debt (consumer level, outstanding balances)	↑2.7%
Average debt (product level, outstanding balances)	↑2.1%
Consumer demand for new credit	↑2.7%
90 day+ delinquency rate	↓3.7%
Consumer bankruptcies	↓6.7%
Average loss per consumer resulting from bankruptcies (excluding mortgage debt)	↑3.7%

As of first quarter of 2015, average consumer non-mortgage debt reached \$20,910, while overall delinquency rate was at 1.12%.

Canada Overview

- › Canada Real GDP
- › Unemployment Rate
- › Interest Rate

Macro Economic Environment

The decrease in global oil prices is still putting in question previously optimistic projections for the growth of Canadian economy. While the final outcome is still uncertain, Bank of Canada comments suggest that the impact of lower oil prices on Canadian economy could be greater than originally expected.

Negative impact on Western and Eastern provinces comes from reduced investment in the oil sector, increased unemployment and decrease in house prices, while lower Canadian dollar is helping Canada's non-fuel exporters and provides increased purchasing power for consumers. For now, most GDP growth forecasts have been reduced.

While GDP growth had slowed down in the first part of the year, it is expected to recover in the latter part and 2016. Stronger non-energy exports and increasing investment are expected to play a significant role in this recovery process. Export activity growth relies on increased U.S. demand, a weaker Canadian dollar, and low interest rate.

In early 2015, the overnight interest rate was changed to 0.75%, and in May/2015 the central bank had announced that it would keep it unchanged for now. This is expected to help Canada to get closer to its targeted 2% inflation rate.

The unemployment rate increased bouncing back to the previously observed levels. As of April/2015, the change in direction was mainly due to the decrease in part-time employment. Full time jobs increased partially compensating for the part-time job losses.

A significant concern is still the debt-to-income ratio, which is at an all-time high (163%).

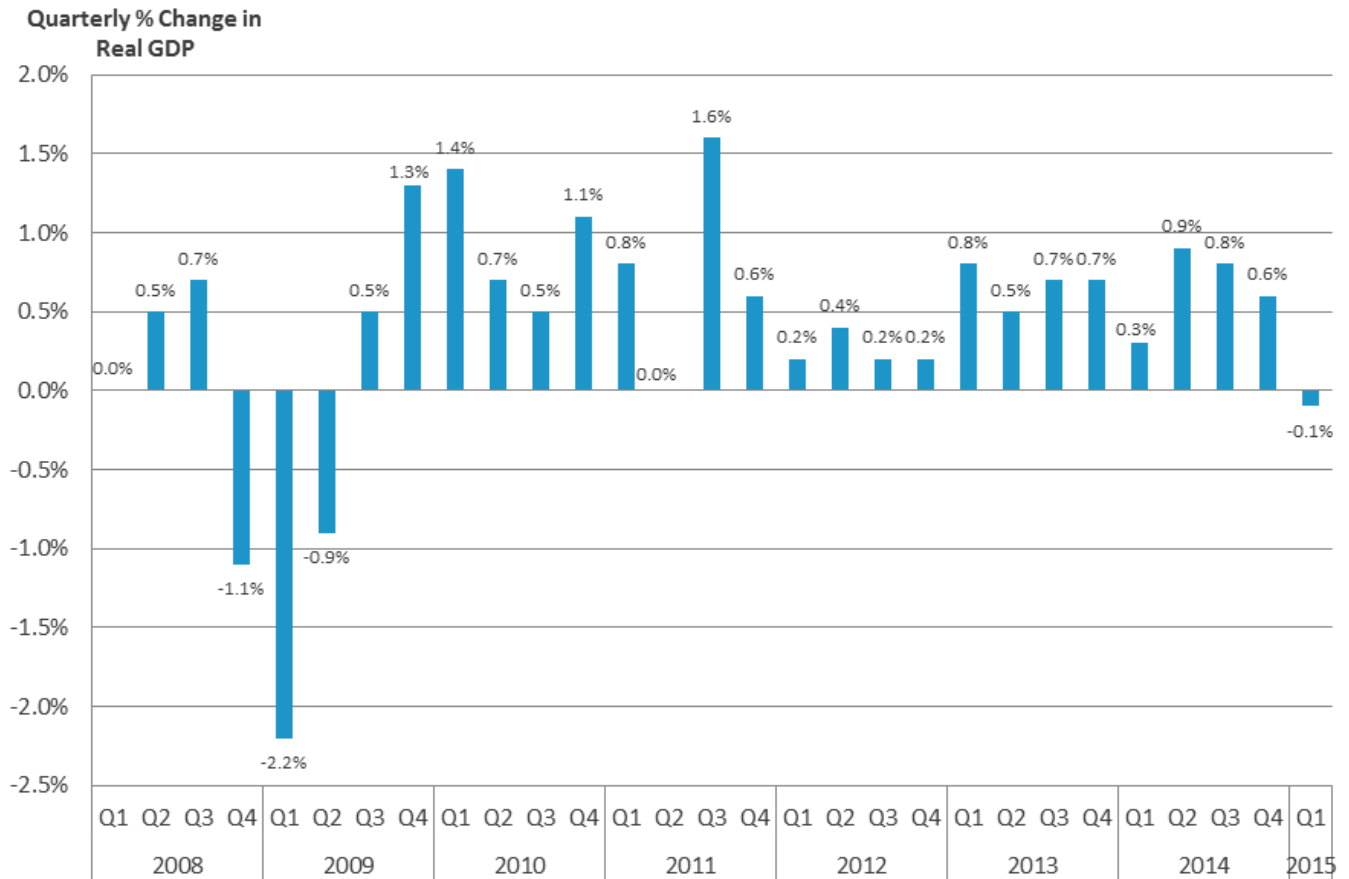
U.S. economy growth slowed down in early 2015 due to decreases in business investment and exports as well as slower consumption increase and the rates are expected to be kept close to zero at this point.

Close monitoring of the key economic indicators is important as the outcomes and timing of the change within the current economic environment are still largely uncertain.

Canada Overview - GDP

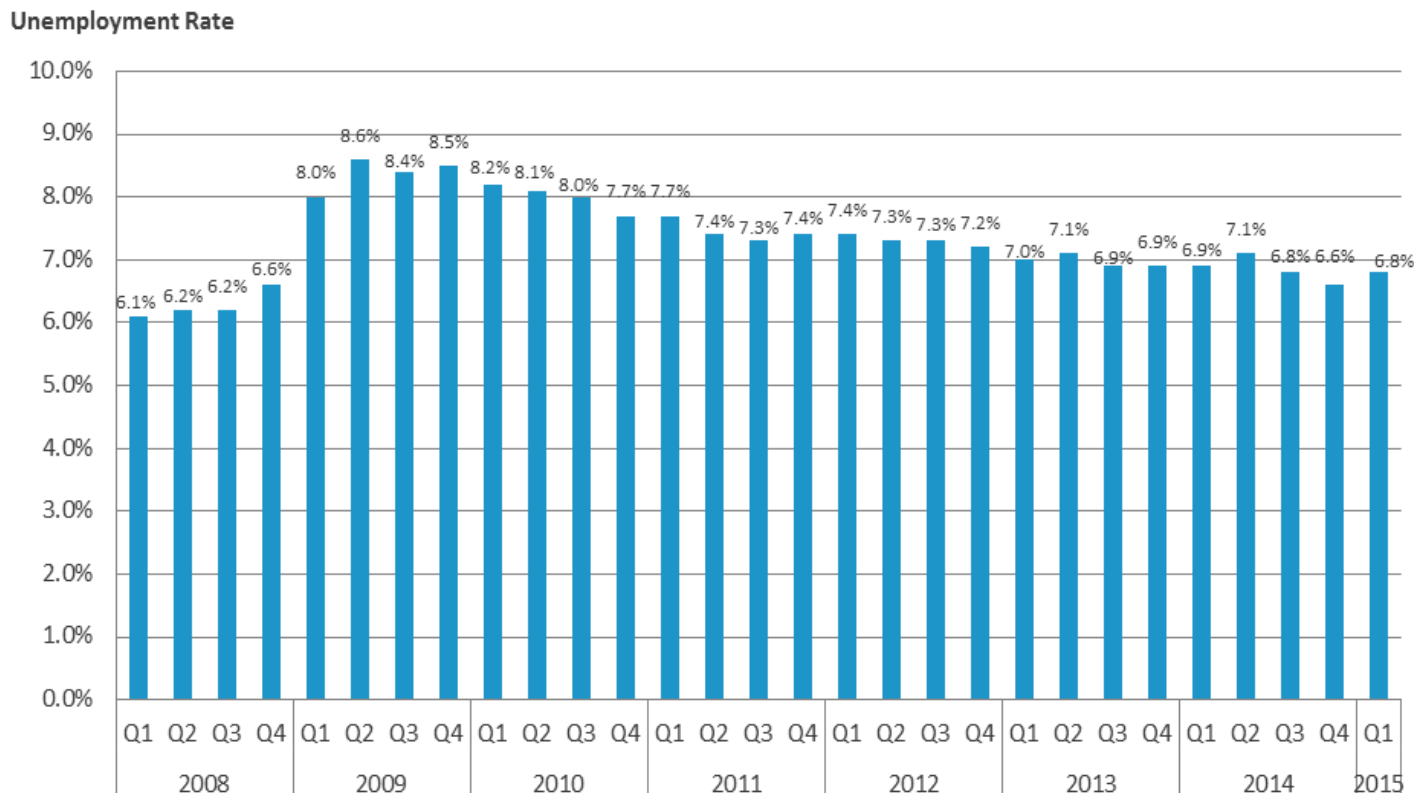
Real GDP rose at a slower rate than originally expected in the last quarter of 2014 and shrunk by 0.1% in the first quarter of 2015. This trend follows two quarters with increases of 0.9% and 0.8%. The main contributors to the slower growth were business investment and exports of goods and services. Household consumption expenditure made a positive contribution to the economy.

Source: Statistics Canada



Canada Overview – Unemployment Rate

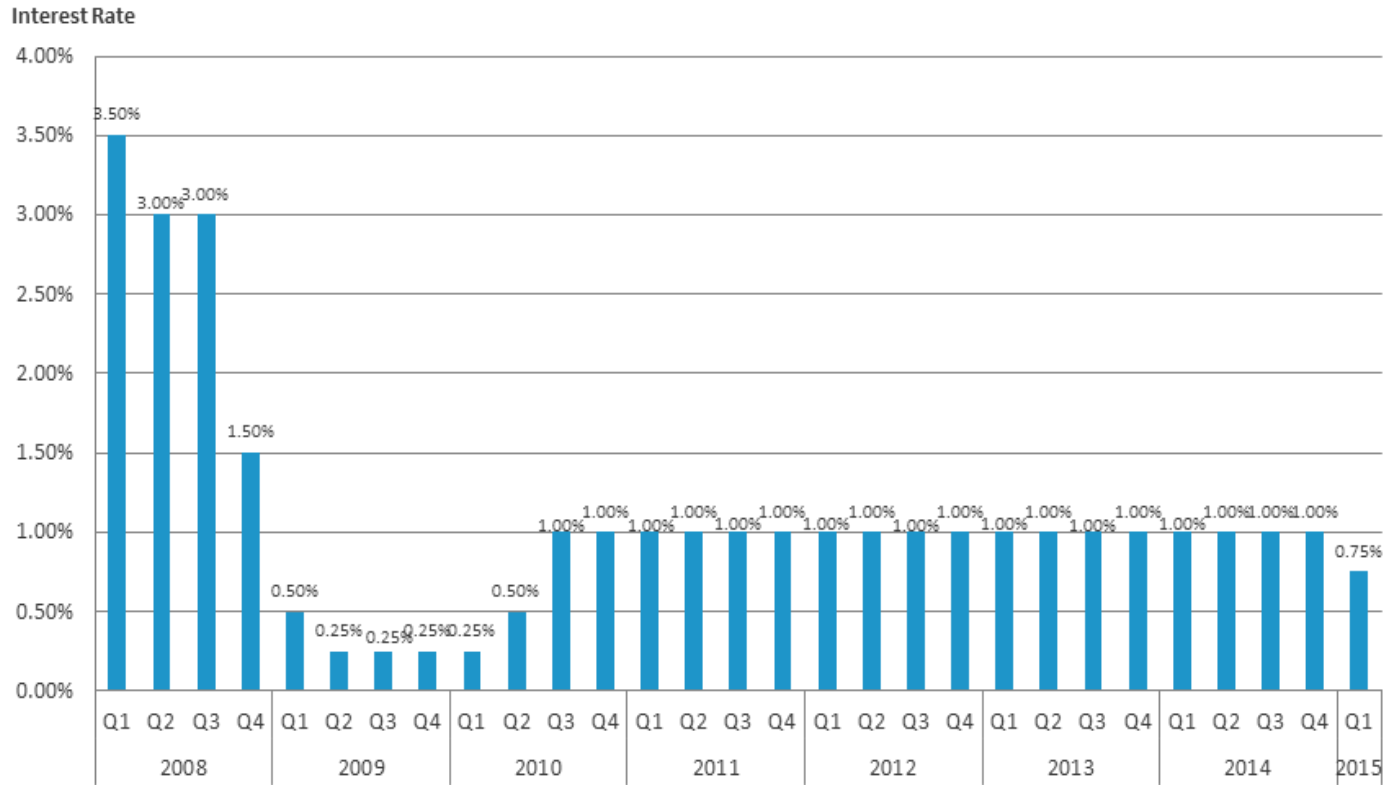
The unemployment rate has increased, back to the previously observed levels. As of April/2015, the change was mainly due to the decrease in part-time employment. Full time jobs have increased, partially compensating for the part-time job losses.



Source: Statistics Canada

Canada Overview – Interest Rate

In early 2015, the overnight interest rate was changed to 0.75% after remaining unchanged at 1% for over 4 years. This constant low-interest rate environment has been a main driver for the continued increase in consumer credit indebtedness over the past few years.



Source: Bank of Canada

Consumer Debt Trends



- › Total Debt
- › Average Debt - Major Cities

Total Debt Distribution and Trends

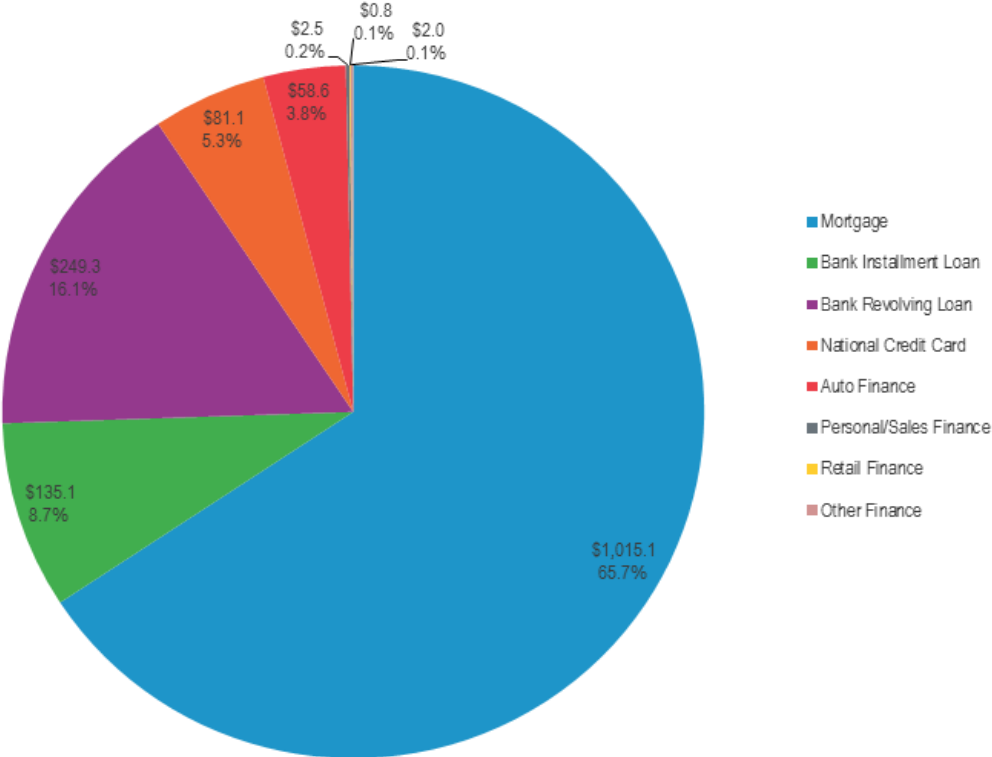
All Credit Products

Consumer total debt is still on the rise. As of Q1 2015, Canadian consumers owe \$1,544.4 billion, compared to \$1,529.8 billion in Q4 2014 and \$1,422.1 billion a year earlier; an increase of 1.0% and 6.9%, respectively.

On a debt classification basis, the installment loan and auto loan sectors are showing significant increases of 7.6% and 4.2% year-over-year, respectively.

Mortgage figures are based on information reported to Equifax and do not include the entire Mortgage market.

Total Debt \$1,544.4 Billion
Q1 2015



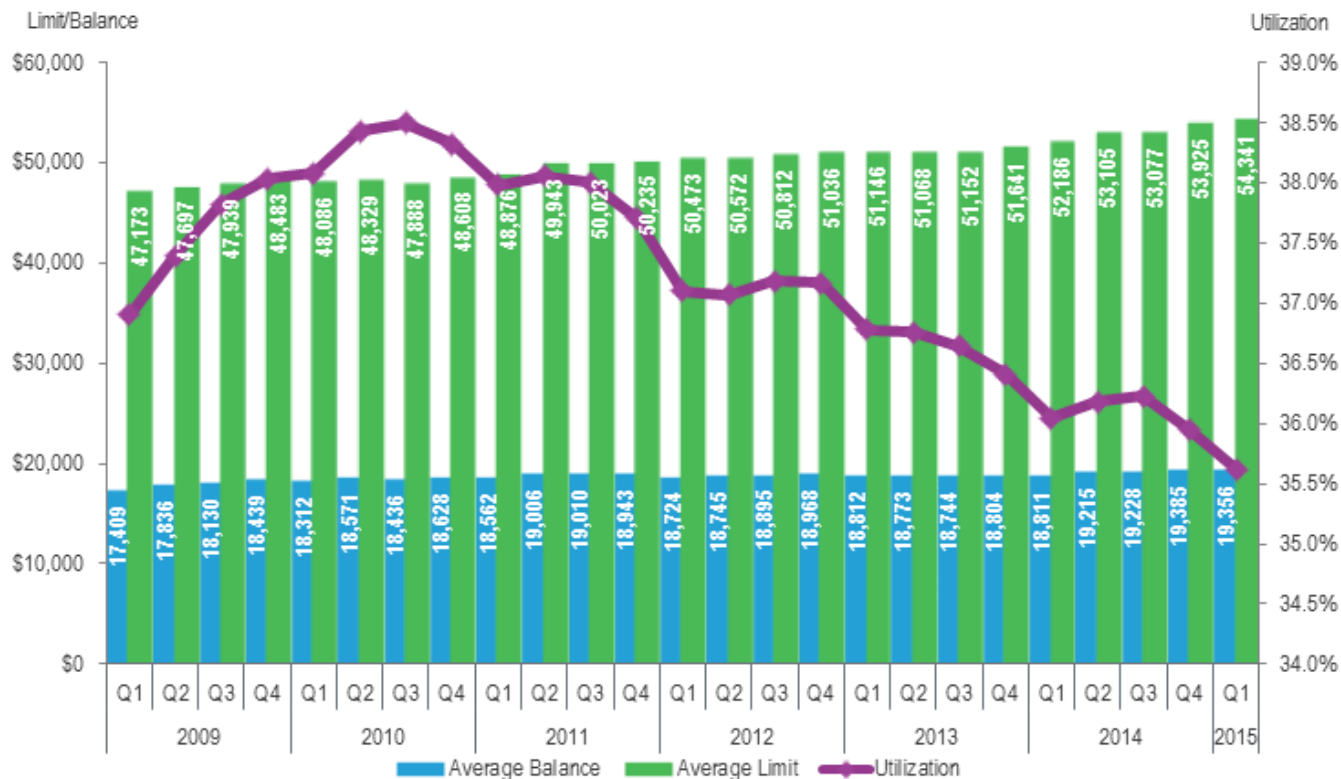
Consumer Debt Trends



- › Total Debt
- › Average Debt - Major Cities

Average Debt – Toronto (Consumer Level)

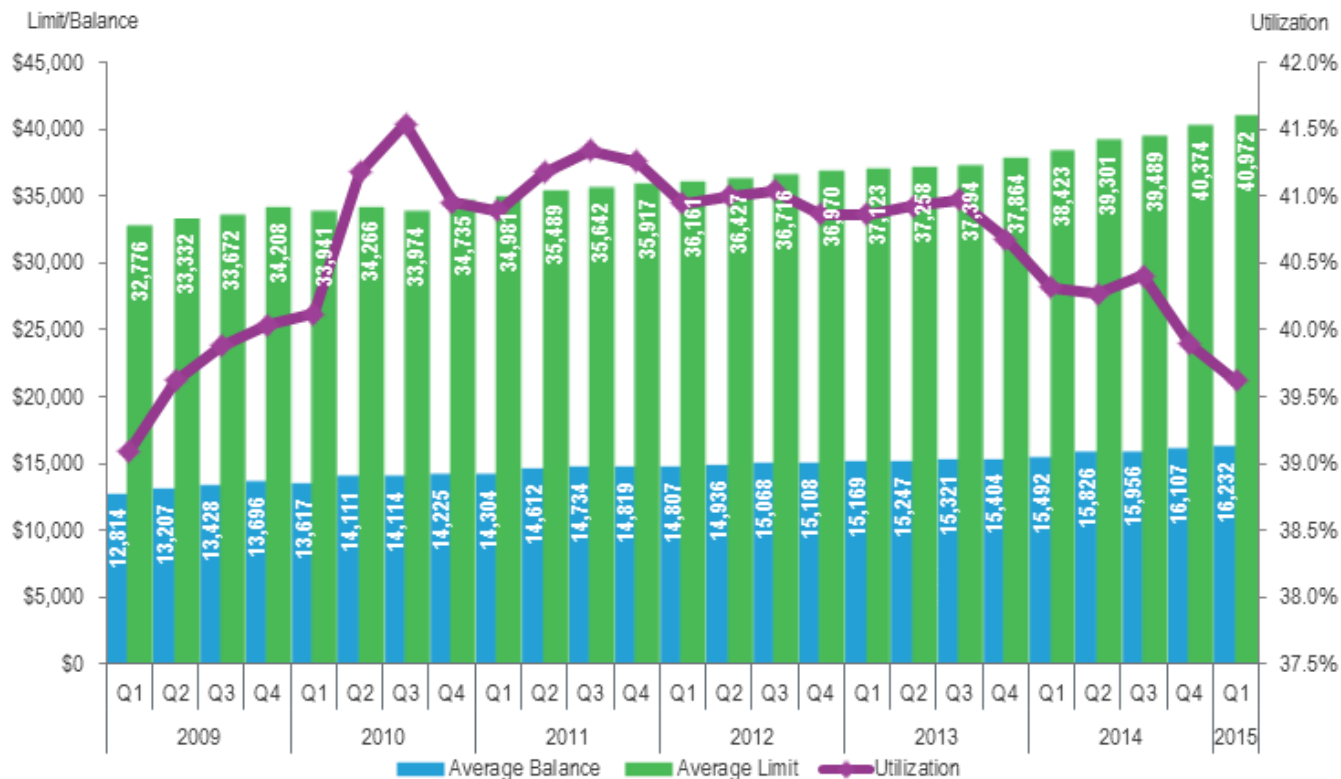
Average debt and limits show steady increases over the past two quarters, while utilization decreases.



% Changes Year-over-Year	2010 vs 2009				2011 vs 2010				2012 vs 2011				2013 vs 2012				2014 vs 2013				2015 vs 2014	2015 Q1 vs 2014 Q4
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	2014 Q4
Average Balance	5.2%	4.1%	1.7%	1.0%	1.4%	2.3%	3.1%	1.7%	0.9%	-1.4%	-0.6%	0.1%	0.5%	0.1%	-0.8%	-0.9%	0.0%	2.4%	2.6%	3.1%	2.9%	-0.1%
Average Limit	1.9%	1.3%	-0.1%	0.3%	1.6%	3.3%	4.5%	3.3%	3.3%	1.3%	1.6%	1.6%	1.3%	1.0%	0.7%	1.2%	2.0%	4.0%	3.8%	4.4%	4.1%	0.8%
Average Utilization	3.2%	2.8%	1.8%	0.8%	-0.3%	-1.0%	-1.3%	-1.6%	-2.3%	-2.6%	-2.1%	-1.4%	-0.9%	-0.8%	-1.5%	-2.0%	-2.0%	-1.6%	-1.1%	-1.3%	-1.2%	-0.9%

Average Debt – Montreal (Consumer Level)

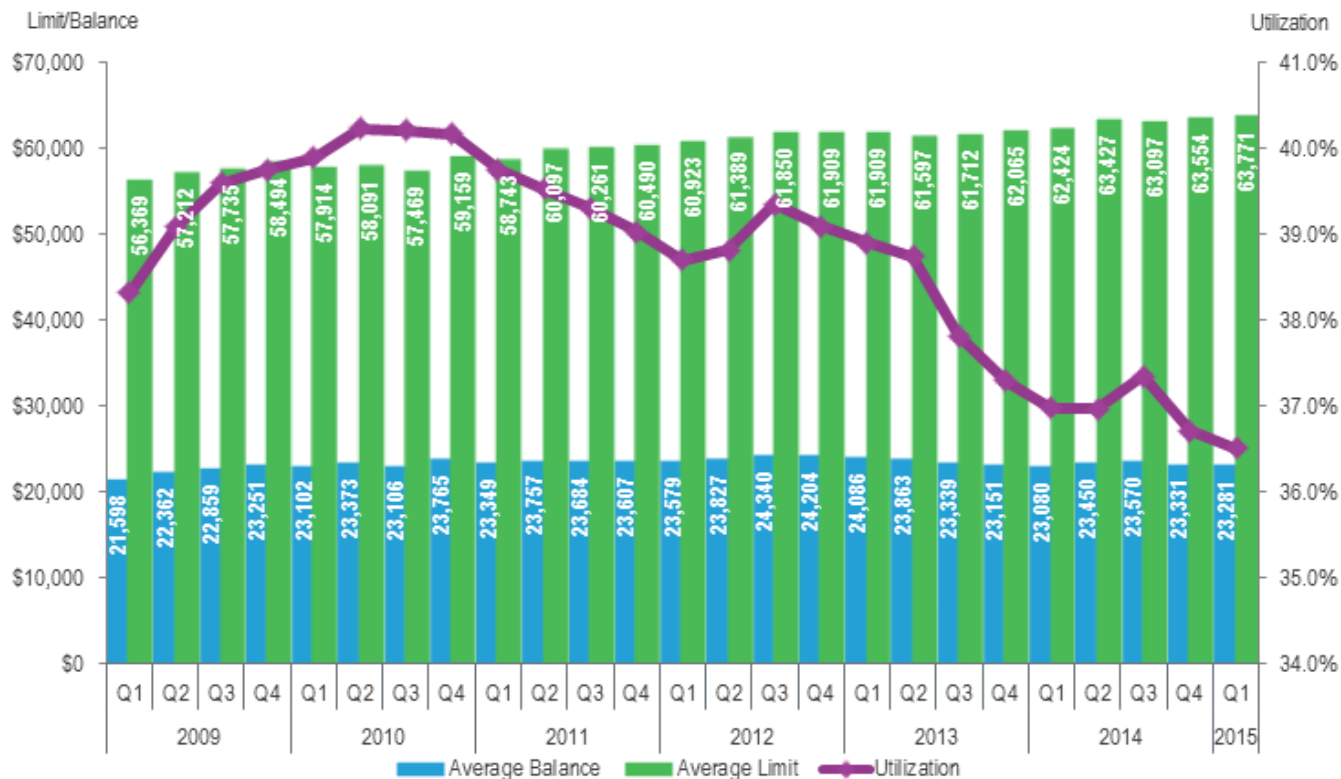
The growth of average balances and limits has risen again this quarter.



% Changes Year-over-Year	2010 vs 2009				2011 vs 2010				2012 vs 2011				2013 vs 2012				2014 vs 2013				2015 vs 2014	2015 Q1 vs 2014 Q4
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Average Balance	6.3%	6.8%	5.1%	3.9%	5.0%	3.6%	4.4%	4.2%	3.5%	2.2%	2.3%	1.9%	2.4%	2.1%	1.7%	2.0%	2.1%	3.8%	4.1%	4.6%	4.8%	0.8%
Average Limit	3.6%	2.8%	0.9%	1.5%	3.1%	3.6%	4.9%	3.4%	3.4%	2.6%	3.0%	2.9%	2.7%	2.3%	1.8%	2.4%	3.5%	5.5%	5.6%	6.6%	6.6%	1.5%
Average Utilization	2.6%	3.9%	4.2%	2.3%	1.9%	0.0%	-0.5%	0.8%	0.1%	-0.4%	-0.7%	-1.0%	-0.2%	-0.2%	-0.2%	-0.4%	-1.3%	-1.6%	-1.4%	-1.9%	-1.7%	-0.7%

Average Debt – Vancouver (Consumer Level)

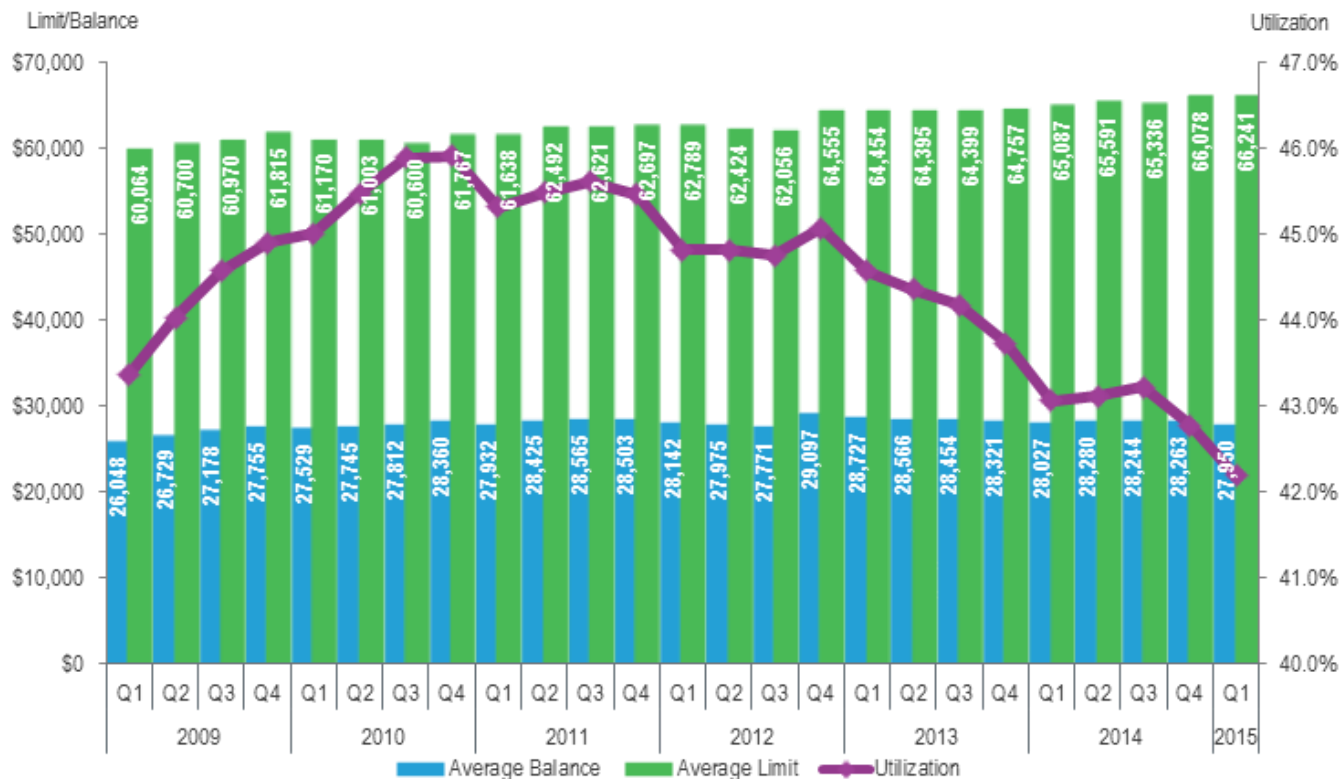
Average balances have increased this quarter after four consecutive periods of decrease. However, not enough to increase utilization.



% Changes Year-over-Year	2010 vs 2009				2011 vs 2010				2012 vs 2011				2013 vs 2012				2014 vs 2013				2015 vs 2014	2015 Q1 vs 2014 Q4
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Average Balance	7.0%	4.5%	1.1%	2.2%	1.1%	1.6%	2.5%	-0.7%	1.0%	0.3%	2.8%	2.5%	2.2%	0.2%	-4.1%	-4.4%	-4.2%	-1.7%	1.0%	0.8%	0.9%	-0.2%
Average Limit	2.7%	1.5%	-0.5%	1.1%	1.4%	3.5%	4.9%	2.3%	3.7%	2.2%	2.6%	2.3%	1.6%	0.3%	-0.2%	0.3%	0.8%	3.0%	2.2%	2.4%	2.2%	0.3%
Average Utilization	4.1%	2.9%	1.6%	1.1%	-0.4%	-1.7%	-2.3%	-2.9%	-2.6%	-1.8%	0.1%	0.2%	0.5%	-0.2%	-3.9%	-4.6%	-5.0%	-4.6%	-1.2%	-1.6%	-1.3%	-0.6%

Average Debt – Calgary (Consumer Level)

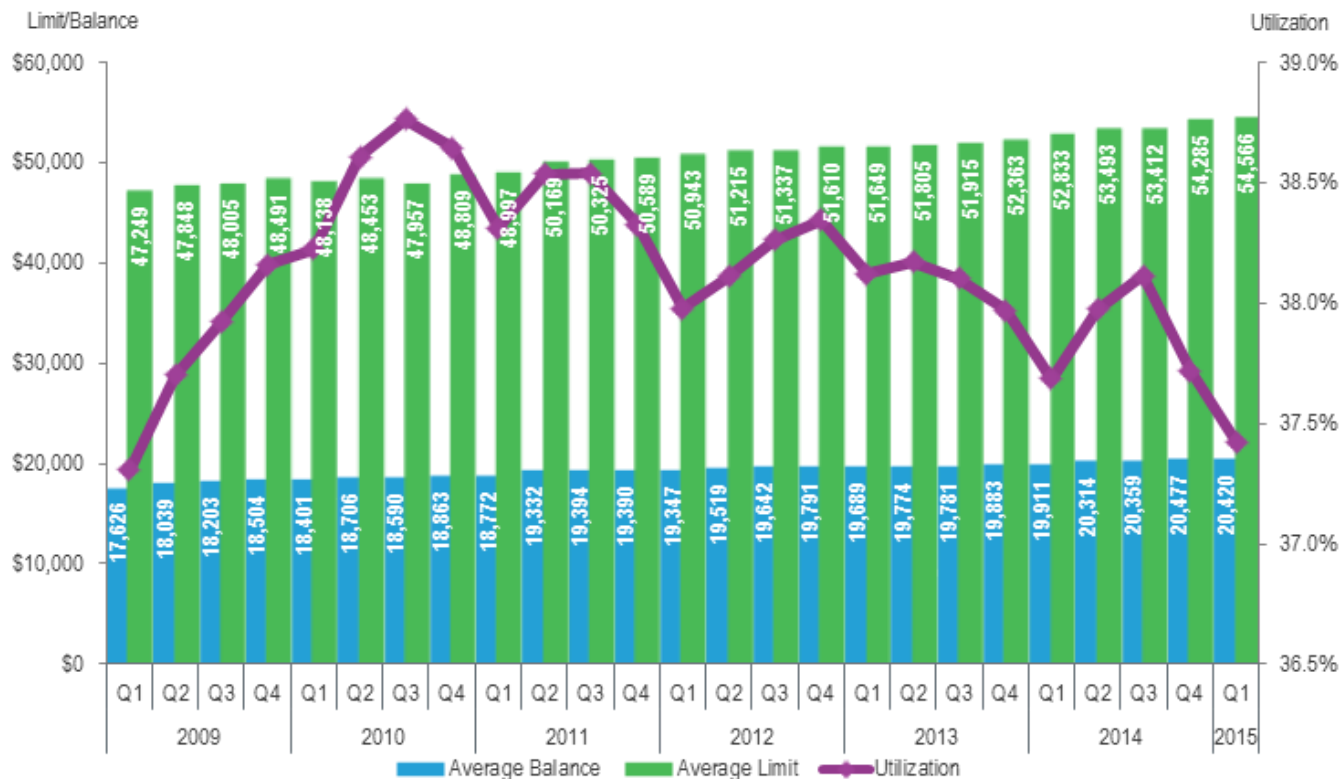
Average balances have decreased once again, leading to further decrease in utilization.



% Changes Year-over-Year	2010 vs 2009				2011 vs 2010				2012 vs 2011				2013 vs 2012				2014 vs 2013				2015 vs 2014	2015 Q1 vs 2014 Q4
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Average Balance	5.7%	3.8%	2.3%	2.2%	1.5%	2.4%	2.7%	0.5%	0.8%	-1.6%	-2.8%	2.1%	2.1%	2.1%	2.5%	-2.7%	-2.4%	-1.0%	-0.7%	-0.2%	-0.3%	-1.1%
Average Limit	1.8%	0.5%	-0.6%	-0.1%	0.8%	2.4%	3.3%	1.5%	1.9%	-0.1%	-0.9%	3.0%	2.7%	3.2%	3.8%	0.3%	1.0%	1.9%	1.5%	2.0%	1.8%	0.2%
Average Utilization	3.8%	3.3%	3.0%	2.3%	0.7%	0.0%	-0.6%	-1.0%	-1.1%	-1.5%	-1.9%	-0.9%	-0.6%	-1.0%	-1.3%	-3.0%	-3.4%	-2.8%	-2.2%	-2.2%	-2.0%	-1.4%

Average Debt – Ottawa (Consumer Level)

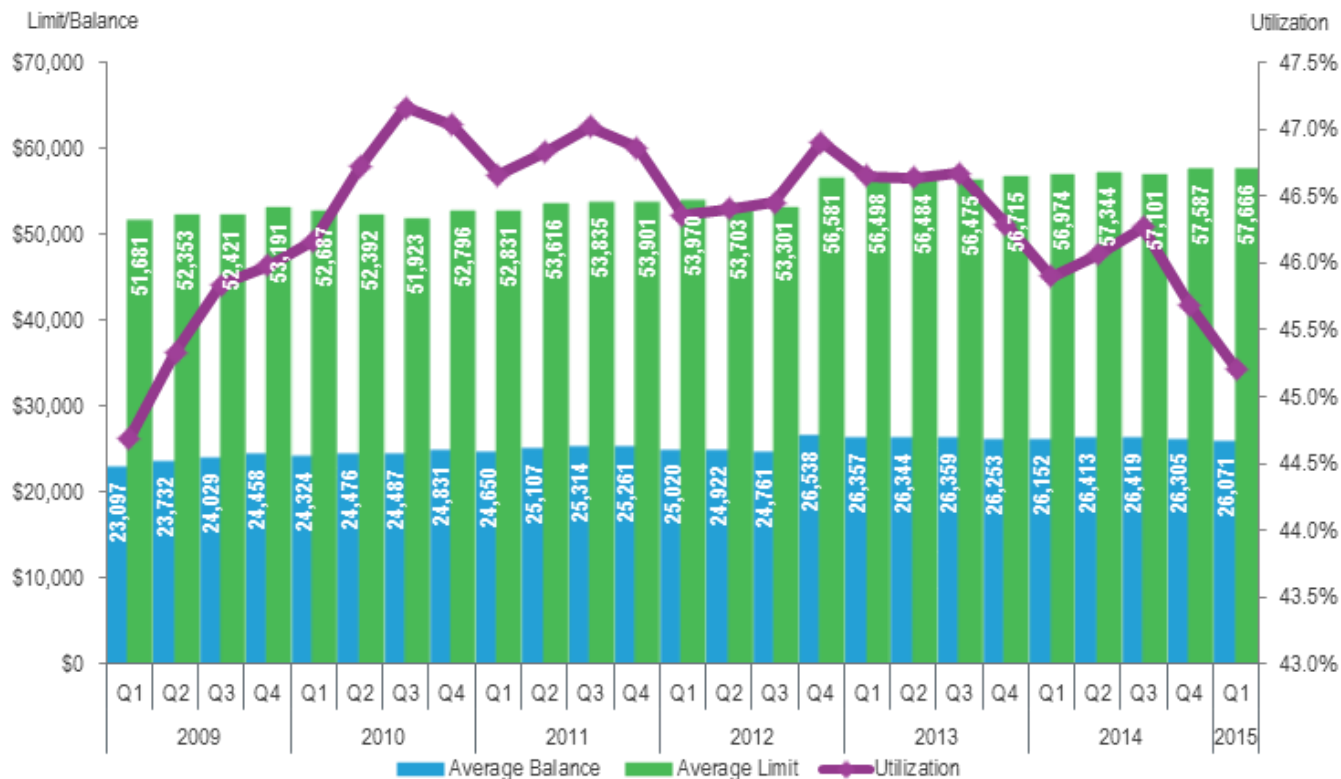
Average balances and limits have increased, while utilization decreases.



% Changes Year-over-Year	2010 vs 2009				2011 vs 2010				2012 vs 2011				2013 vs 2012				2014 vs 2013				2015 vs 2014	2015 Q1 vs 2014 Q4
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q4
Average Balance	4.4%	3.7%	2.1%	1.9%	2.0%	3.3%	4.3%	2.8%	3.1%	1.0%	1.3%	2.1%	1.8%	1.3%	0.7%	0.5%	1.1%	2.7%	2.9%	3.0%	2.6%	-0.3%
Average Limit	1.9%	1.3%	-0.1%	0.7%	1.8%	3.5%	4.9%	3.6%	4.0%	2.1%	2.0%	2.0%	1.4%	1.2%	1.1%	1.5%	2.3%	3.3%	2.9%	3.7%	3.3%	0.5%
Average Utilization	2.5%	2.4%	2.2%	1.3%	0.2%	-0.2%	-0.6%	-0.8%	-0.9%	-1.1%	-0.7%	0.1%	0.4%	0.2%	-0.4%	-1.0%	-1.1%	-0.5%	0.0%	-0.7%	-0.7%	-0.8%

Average Debt – Edmonton (Consumer Level)

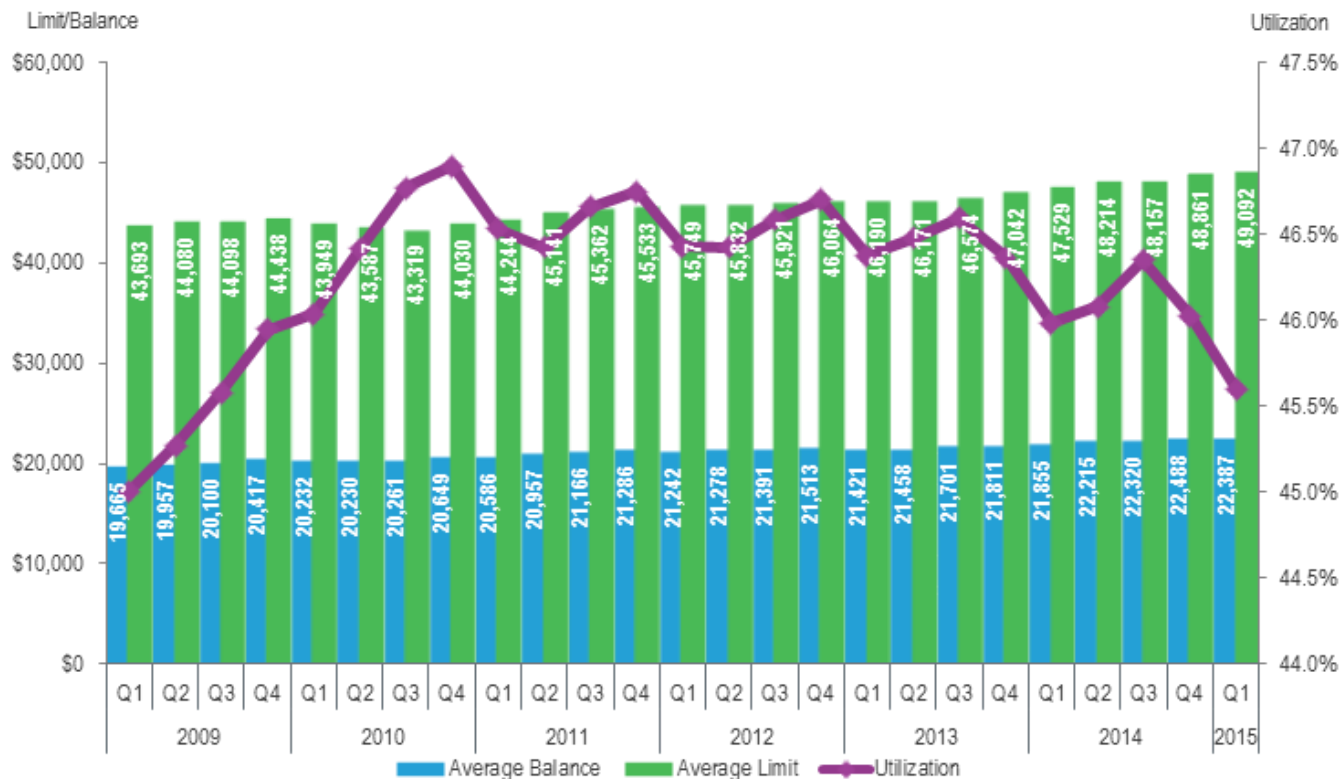
Average limits have increased faster than balances, resulting in decreases in utilization.



% Changes Year-over-Year	2010 vs 2009				2011 vs 2010				2012 vs 2011				2013 vs 2012				2014 vs 2013				2015 vs 2014	2015 Q1 vs 2014 Q4
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q4
Average Balance	5.3%	3.1%	1.9%	1.5%	1.3%	2.6%	3.4%	1.7%	1.5%	-0.7%	-2.2%	5.1%	5.3%	5.7%	6.5%	-1.1%	-0.8%	0.3%	0.2%	0.2%	-0.3%	-0.9%
Average Limit	1.9%	0.1%	-1.0%	-0.7%	0.3%	2.3%	3.7%	2.1%	2.2%	0.2%	-1.0%	5.0%	4.7%	5.2%	6.0%	0.2%	0.8%	1.5%	1.1%	1.5%	1.2%	0.1%
Average Utilization	3.3%	3.1%	2.9%	2.3%	1.1%	0.2%	-0.3%	-0.4%	-0.6%	-0.9%	-1.2%	0.1%	0.6%	0.5%	0.5%	-1.3%	-1.6%	-1.2%	-0.9%	-1.3%	-1.5%	-1.0%

Average Debt – Halifax (Consumer Level)

Average balances and limits continue to increase, while average utilization shows little change.



% Changes Year-over-Year	2010 vs 2009				2011 vs 2010				2012 vs 2011				2013 vs 2012				2014 vs 2013				2015 vs 2014	2015 Q1 vs 2014 Q4
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Average Balance	2.9%	1.4%	0.8%	1.1%	1.8%	3.6%	4.5%	3.1%	3.2%	1.5%	1.1%	1.1%	0.8%	0.8%	1.4%	1.4%	2.0%	3.5%	2.9%	3.1%	2.4%	-0.4%
Average Limit	0.6%	-1.1%	-1.8%	-0.9%	0.7%	3.6%	4.7%	3.4%	3.4%	1.5%	1.2%	1.2%	1.0%	0.7%	1.4%	2.1%	2.9%	4.4%	3.4%	3.9%	3.3%	0.5%
Average Utilization	2.3%	2.5%	2.6%	2.1%	1.1%	0.0%	-0.2%	-0.3%	-0.2%	0.0%	-0.2%	-0.1%	-0.1%	0.1%	0.0%	-0.7%	-0.9%	-0.9%	-0.5%	-0.7%	-0.8%	-0.9%

Credit Risk Trends



- › Delinquency
- › Bankruptcy

Summary – Delinquency Trends

The national 90+ delinquency rate has consistently decreased over three years. After reaching 1.09% in Q4/2014, the lowest level since 2008, it increased to 1.12%.

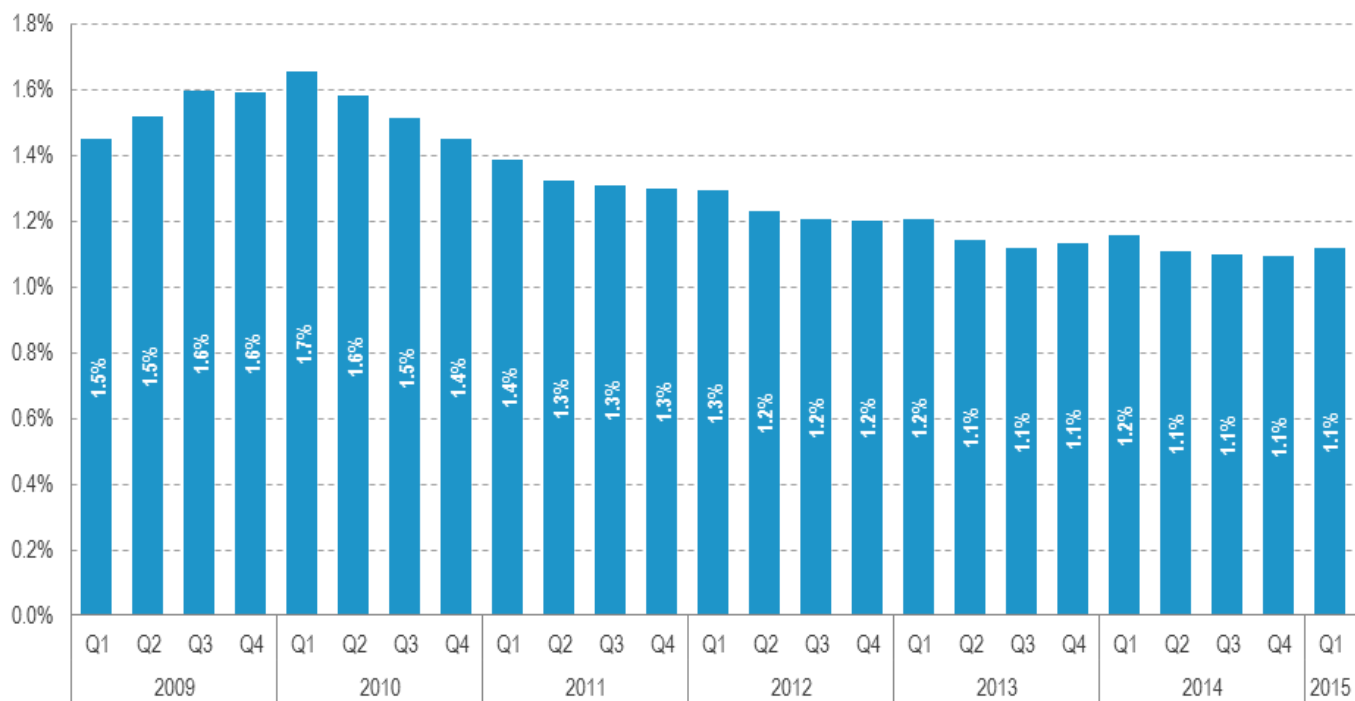
When compared to the same quarter last year, the national 90+ delinquency rate decreased, driven by the changes in Ontario and West. In contrast, delinquency rates in Quebec and Eastern region continue to increase.

The Western region has the lowest delinquency rate, while the Eastern region has the highest.

Auto loan delinquency rates continue to increase when compared to the previous quarter. The mortgage 90+ delinquency rates have remained at 0.24%.

90+ Delinquency Rate (Except Mortgage)

90+ Delinquency Rate



Note:

Delinquency is defined as 90 + days or worse on a trade.

Delinquency Rate = Total Delinquent Balance/Total Balance

Credit Risk Trends



- › Delinquency
- › Bankruptcy

Summary – Bankruptcy Trends

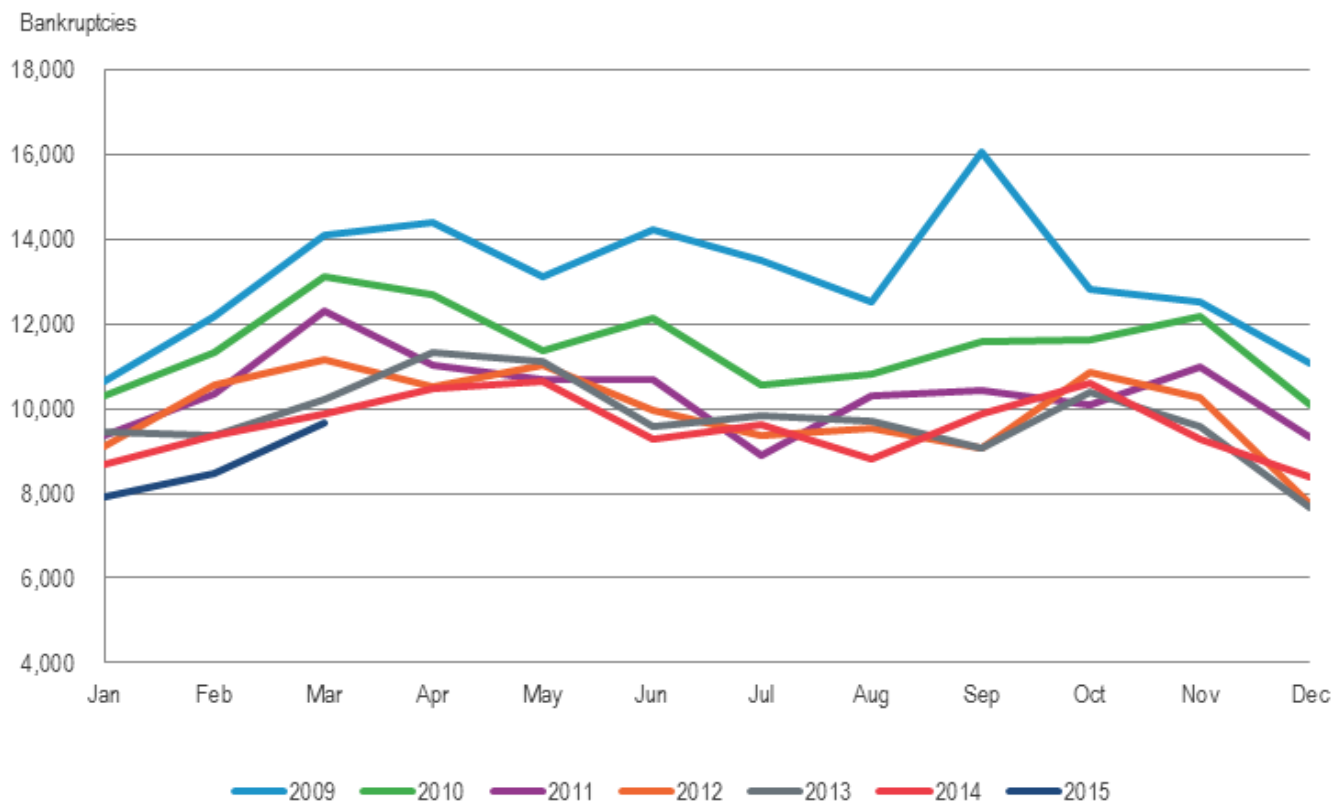
The number of bankruptcies has decreased since 2009.

Ontario continues to lead in terms of the rate of decrease of bankruptcies.

The bankruptcy rate has declined since 2009 with the lower numbers corresponding to the younger and older segments.

Average bankruptcy balances have increased in Q1 2015, mainly driven by the younger segments, and Quebec and Eastern region.

Bankruptcies



Volume			% Change		12-Month Period Ending		
Mar 2015	Feb 2015	Mar 2014	Mar 2015 to Feb 2015	Mar 2015 to Mar 2014	Mar 2015	Mar 2014	% Change
9,653	8,467	9,875	14.01%	-2.25%	113,048	116,266	-2.77%

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