

Canadian Consumer Credit Outlook

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March 2021

Agenda

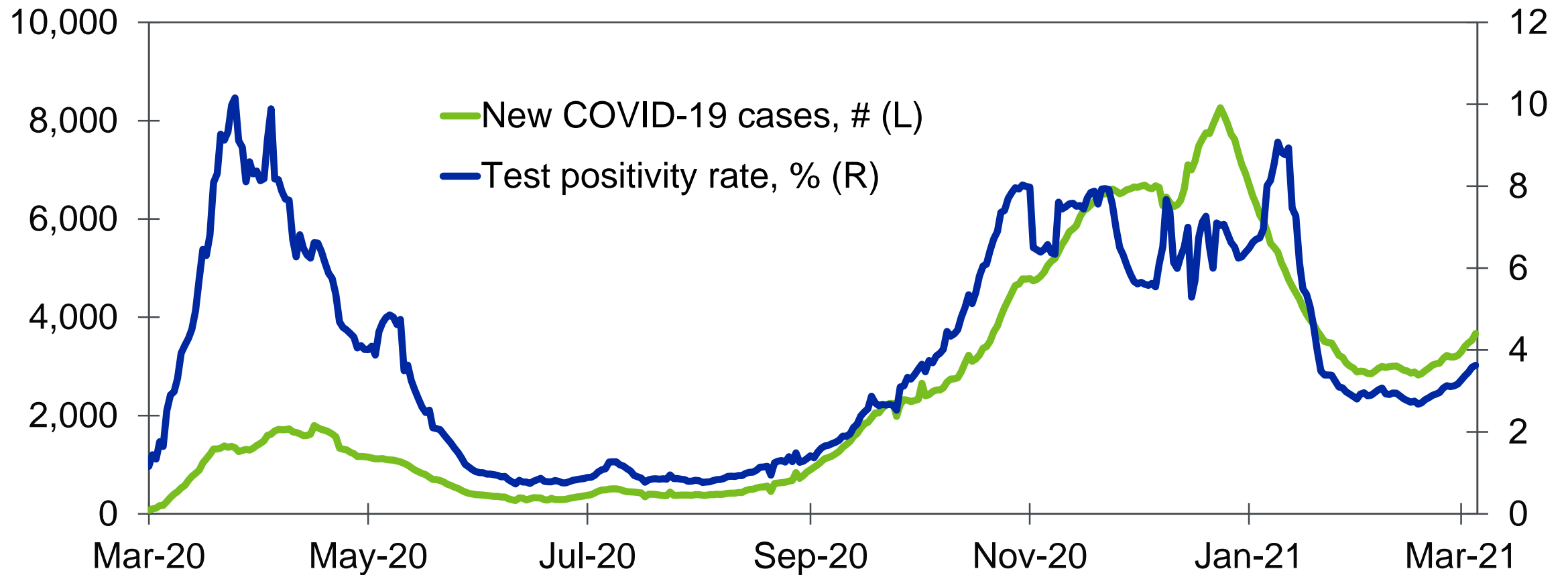
1. Welcome
2. Macro Outlook
3. Consumer Credit Outlook
4. Q&A

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Macro Outlook

Second Wave Subsides, Cases Still High

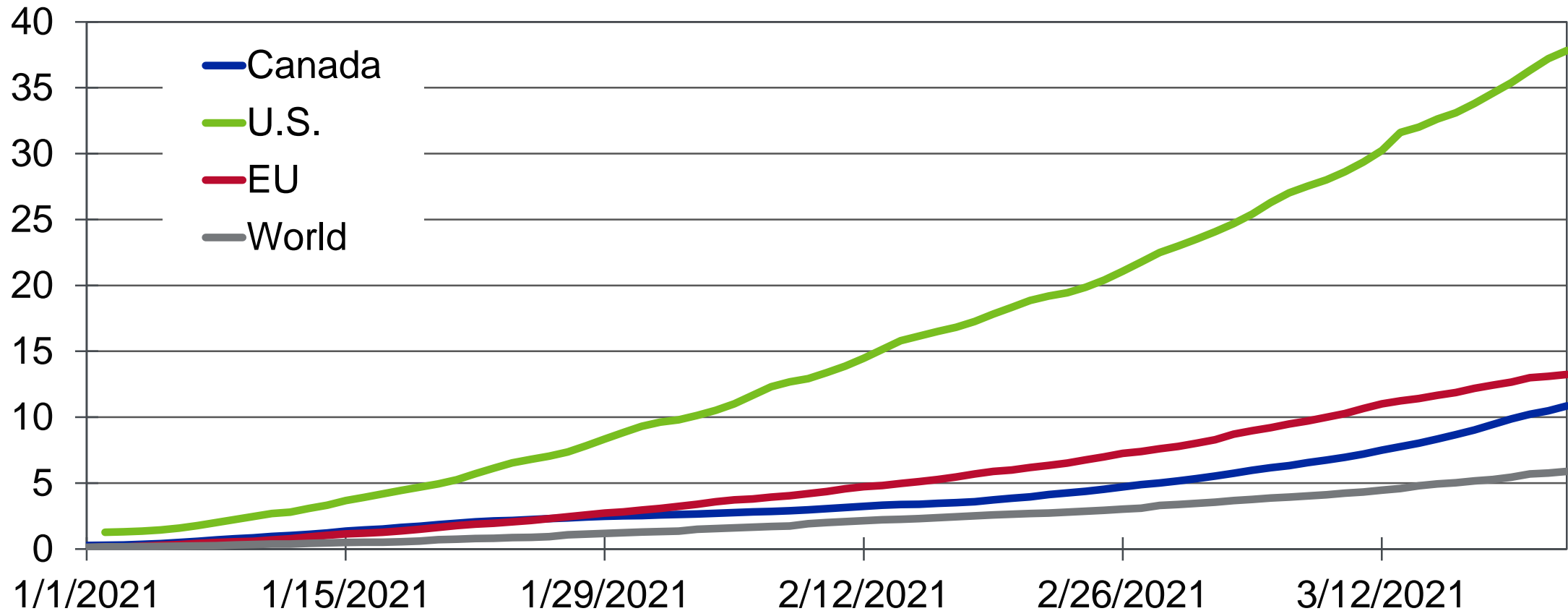
7-day MA, as of March 22, 2021



Sources: Government of Canada, Moody's Analytics

Vaccine Distribution Struggles

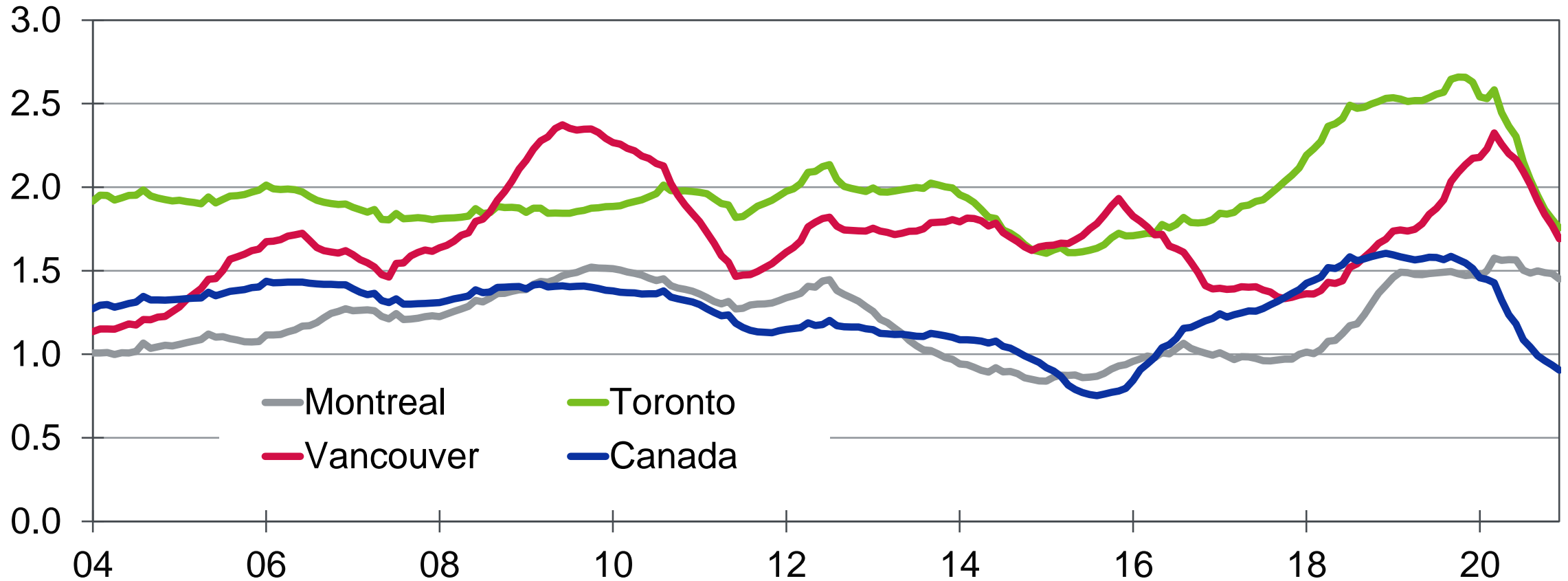
Vaccine doses administered per 100 people, as of March 22, 2021



Sources: Our World in Data – University of Oxford, Moody's Analytics

Pandemic Hampers Population Growth

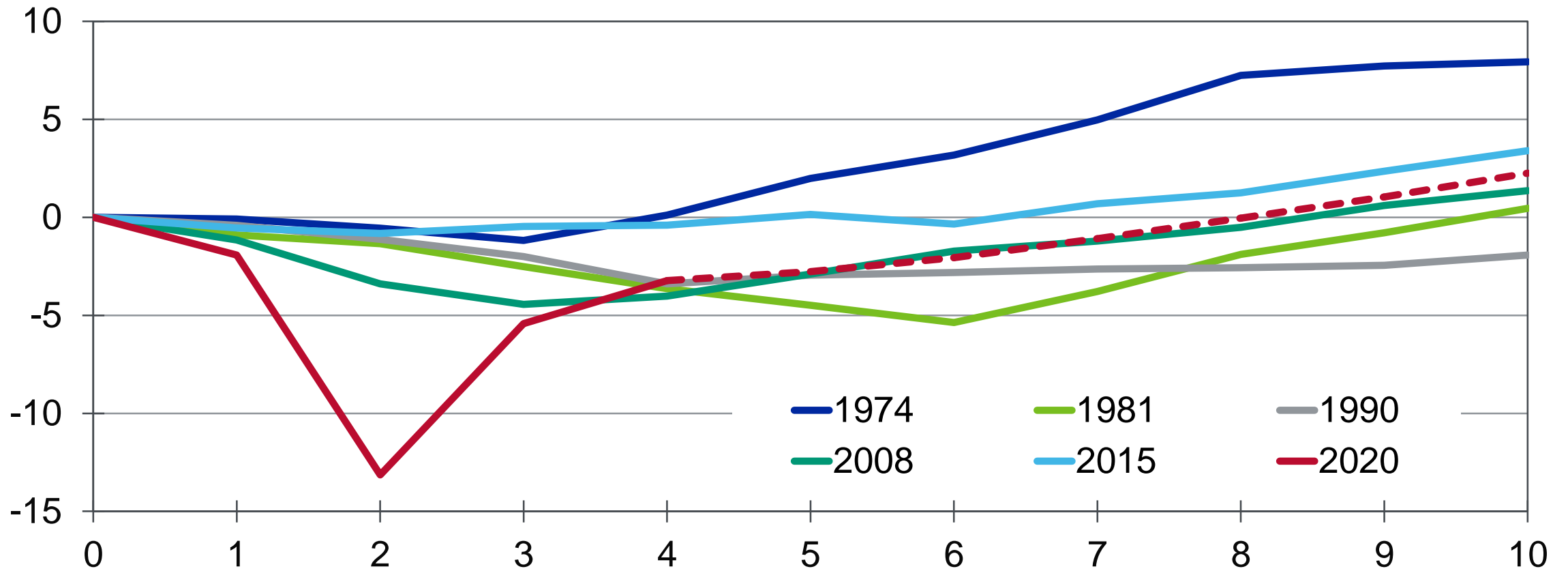
% change yr ago



Sources: Statistics Canada, Moody's Analytics

GDP Tracking Close to Prior Recessions

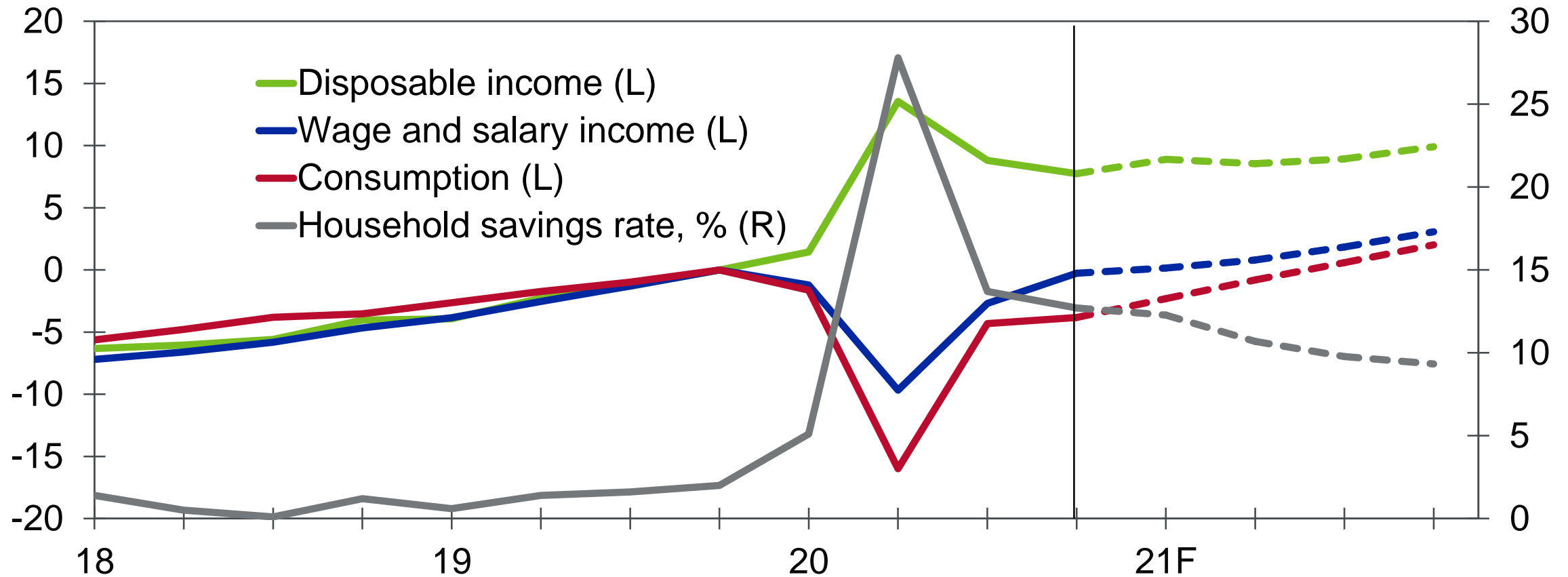
GDP, % change since start of recession (T=0)



Sources: Statistics Canada, Moody's Analytics

Savings Remain Elevated, Consumption Lags

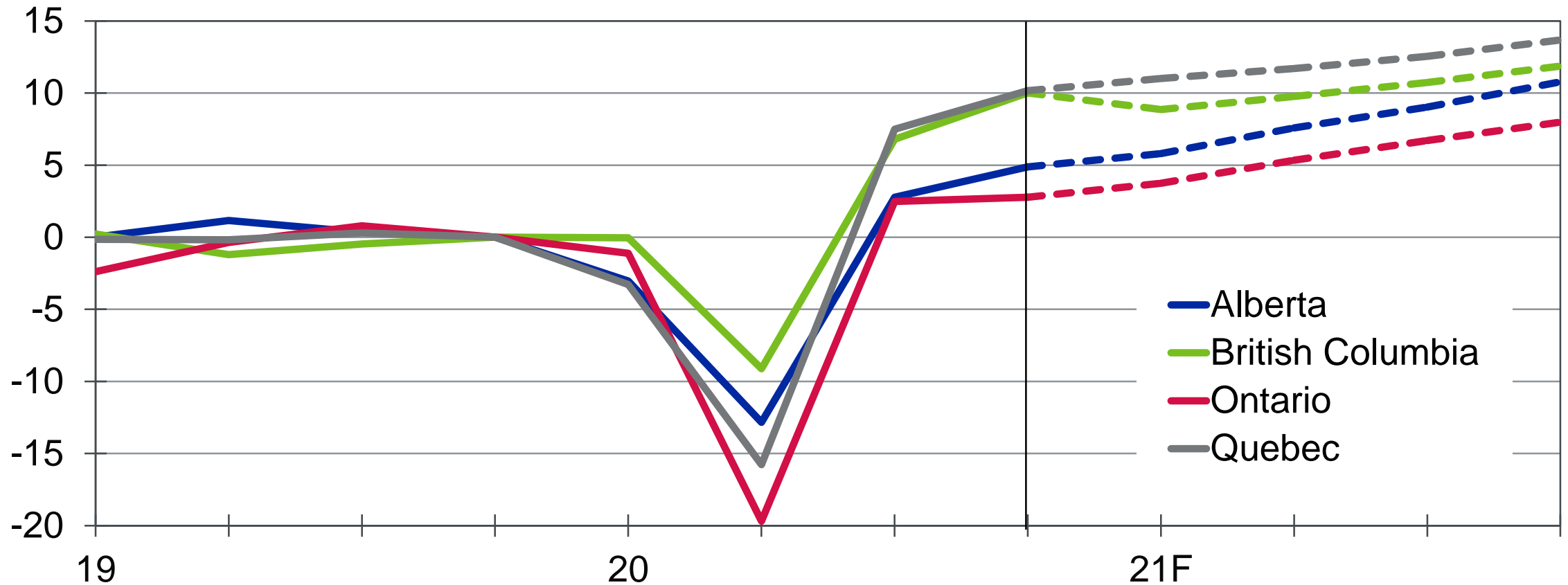
Select income and spending measures, % change from 2019Q4



Sources: Statistics Canada, Moody's Analytics

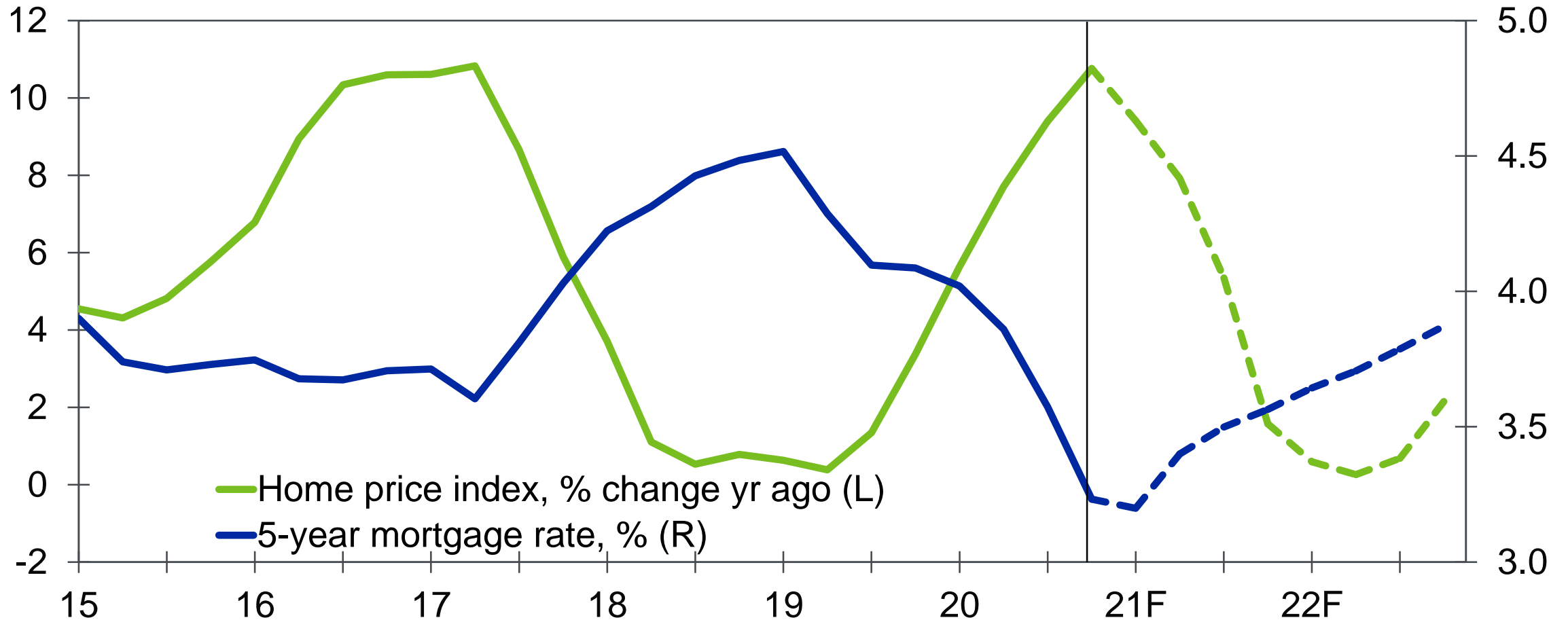
Retail Sales Divergence Persists

Nominal retail sales, % change from 2019Q4



Sources: Statistics Canada, Moody's Analytics

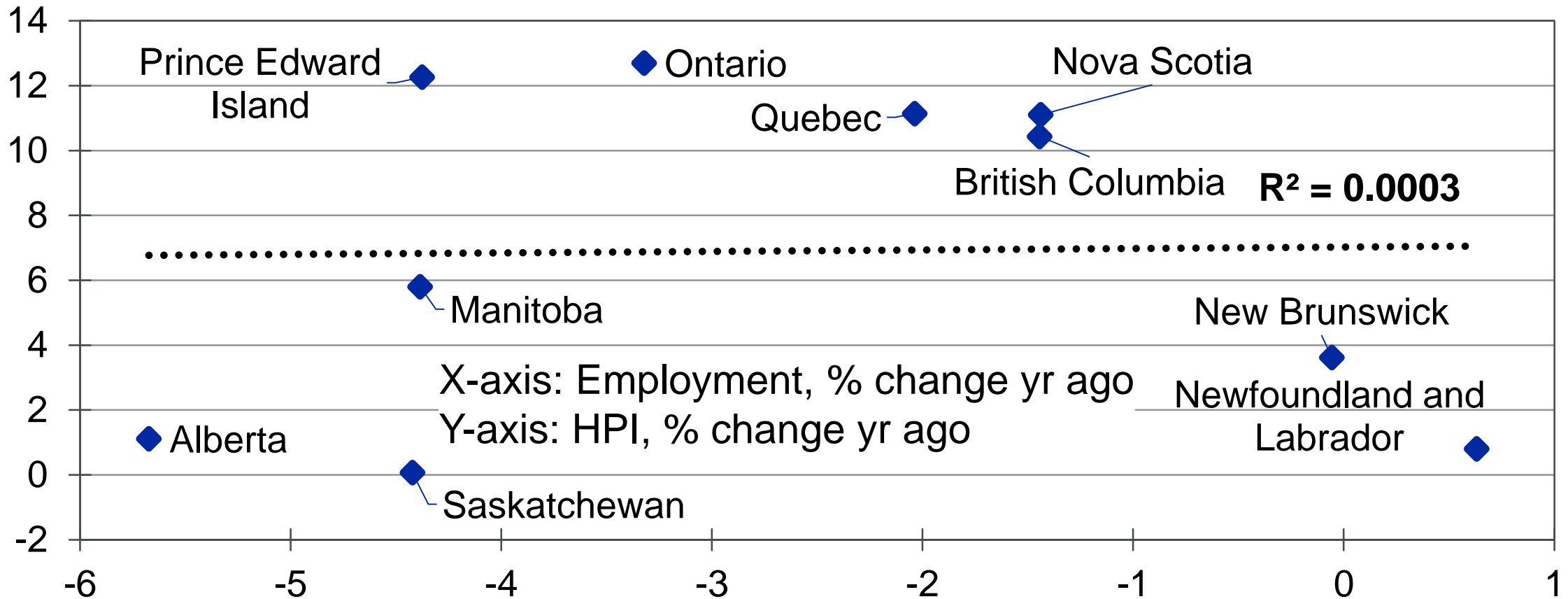
Rising Rates Halt Housing's Hot Streak



Sources: RPS, CMHC, Moody's Analytics

Housing Disconnects From Labor Market

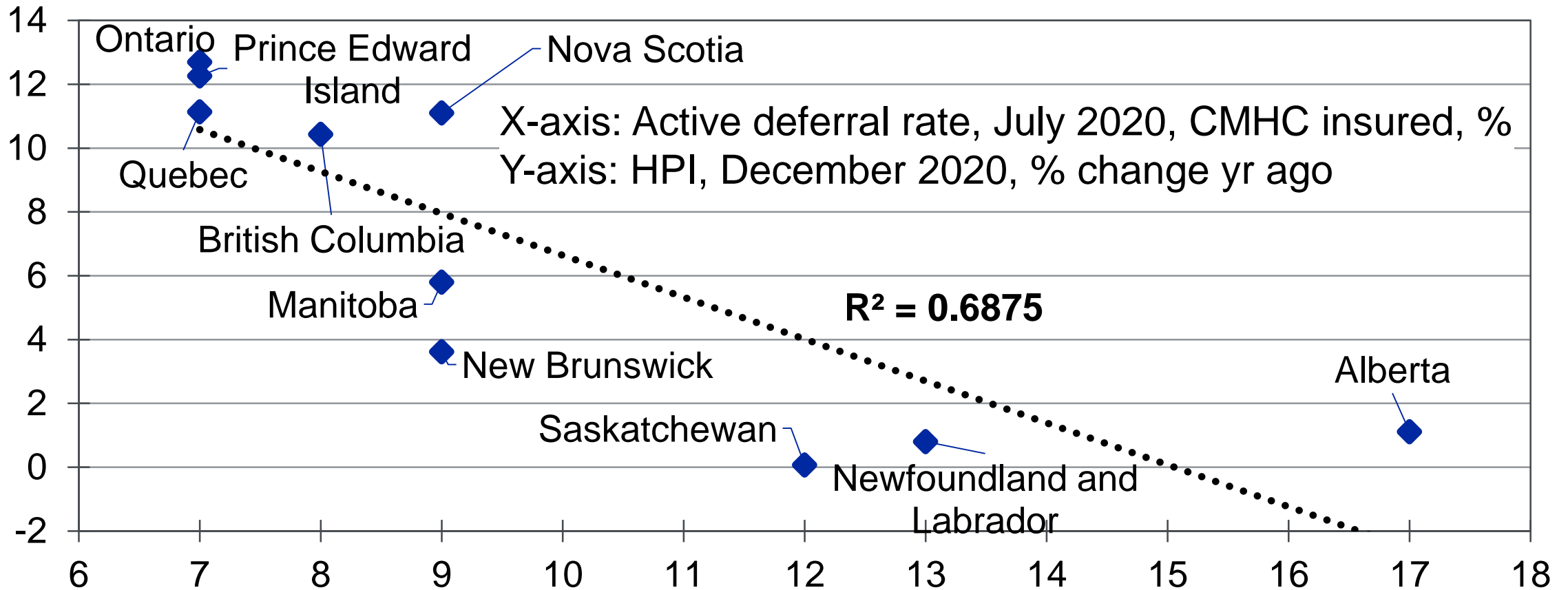
By province, December 2020



Sources: Statistics Canada, RPS, Moody's Analytics

Housing Hinges on Debt

By province



Sources: CMHC, RPS, Moody's Analytics

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Consumer Credit Outlook

Introducing CreditForecast™ Canada

Equifax Canada Data

- Origination counts and balances
- Outstanding accounts and balances
- Delinquencies and defaults
- Bankruptcies
- Closed positives

Moody's Analytics Data

- Economic variables
- Demographic variables
- Financial variables
- Baseline and alternative macroeconomic scenarios



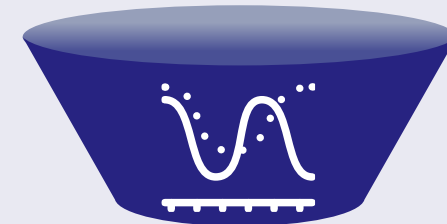
Moody's Analytics Modelling

- Models incorporate:
 - Origination vintage
 - Regional information
 - Borrower information
 - Macroeconomic scenarios



CreditForecast™ Canada

- Five-year forecasts
- Monthly data and analysis updates
- Quarterly forecast updates



Product Features

Residential

- » Mortgage Bank
- » Mortgage Non-Bank
- » HELOC

Auto

- » Bank
- » Non-Bank

Personal Loans

- » Telco
- » Consumer
- » Student

Credit Card

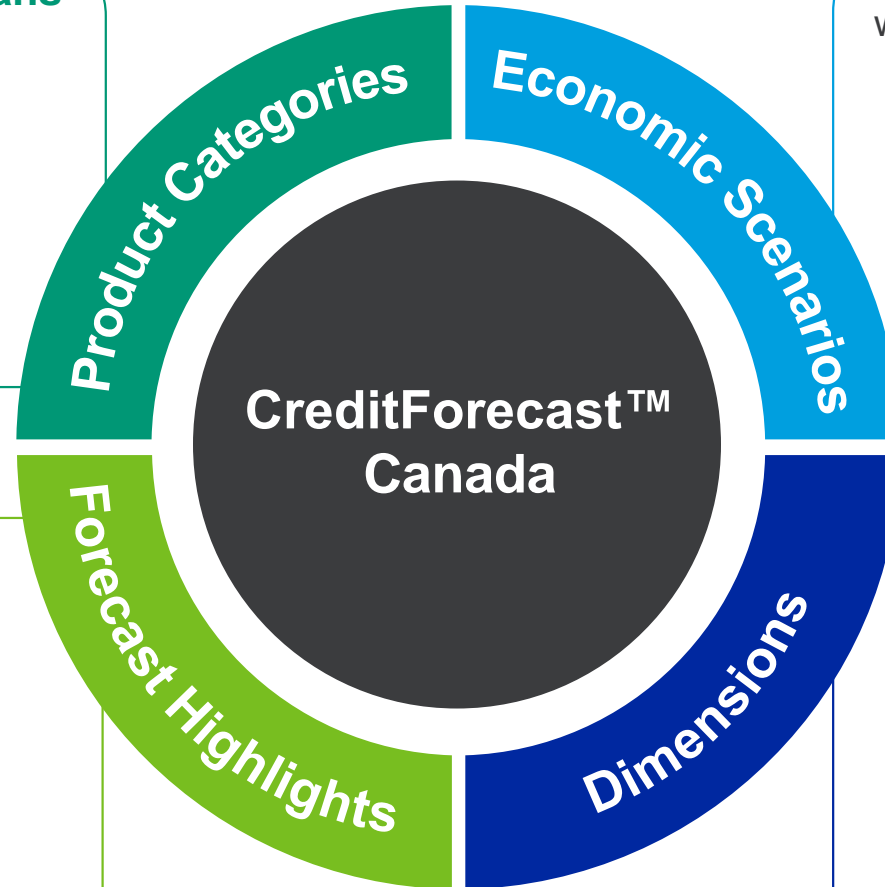
- » Bank
- » Non-Bank

Scenario-conditioned projections

with associated narratives



- S4 **Severely Adverse**
96th Percentile
- S3 **Adverse**
90th Percentile
- BL **Baseline**
50th Percentile
- S1 **Stronger Near-Term Growth**
10th Percentile
- S0 **Exceptionally Strong Growth**
4th Percentile



Forecasts:

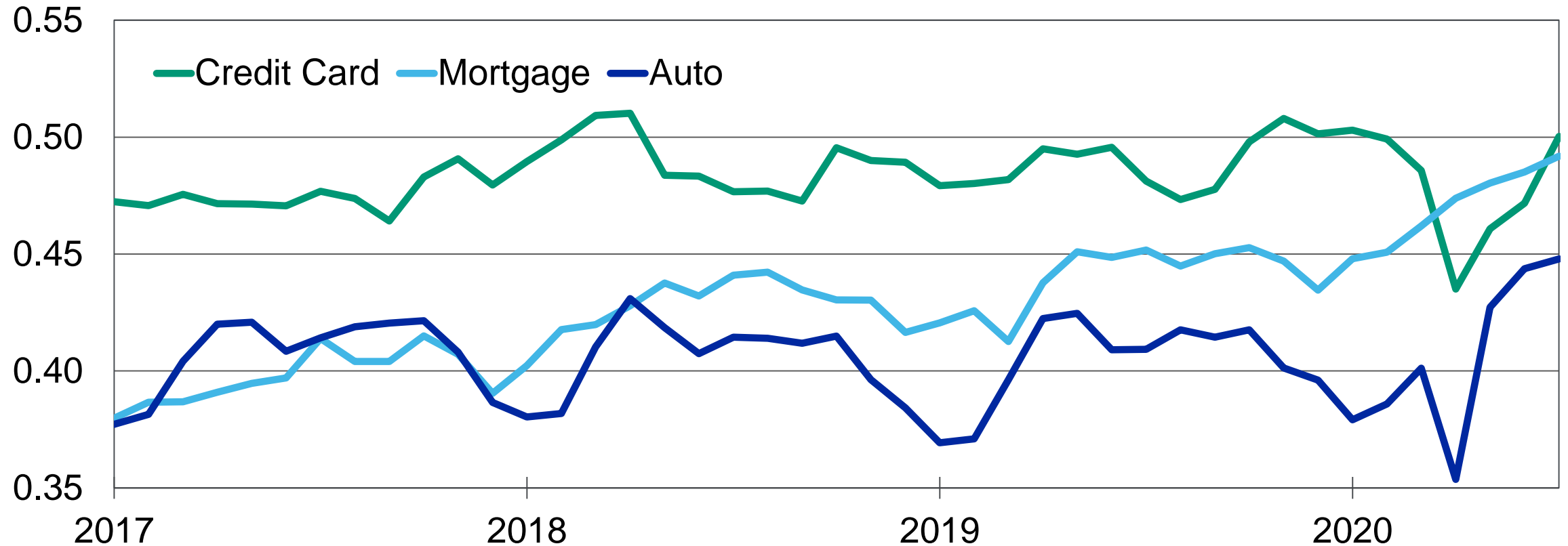
- » Volume (#, \$)
- » Final dispositions (#,\$,%): default, prepayment
- » Active statuses (#,\$,%): Current, 30 DPD, 60 DPD, 90 DPD, 120+ DPD

Dimensions:

- » Origination vintage
- » Geography (national, provincial and CMAs)
- » Credit scores
- » Financial institution type

Super Prime Share of New Volume Is Growing

780+ share of origination volume

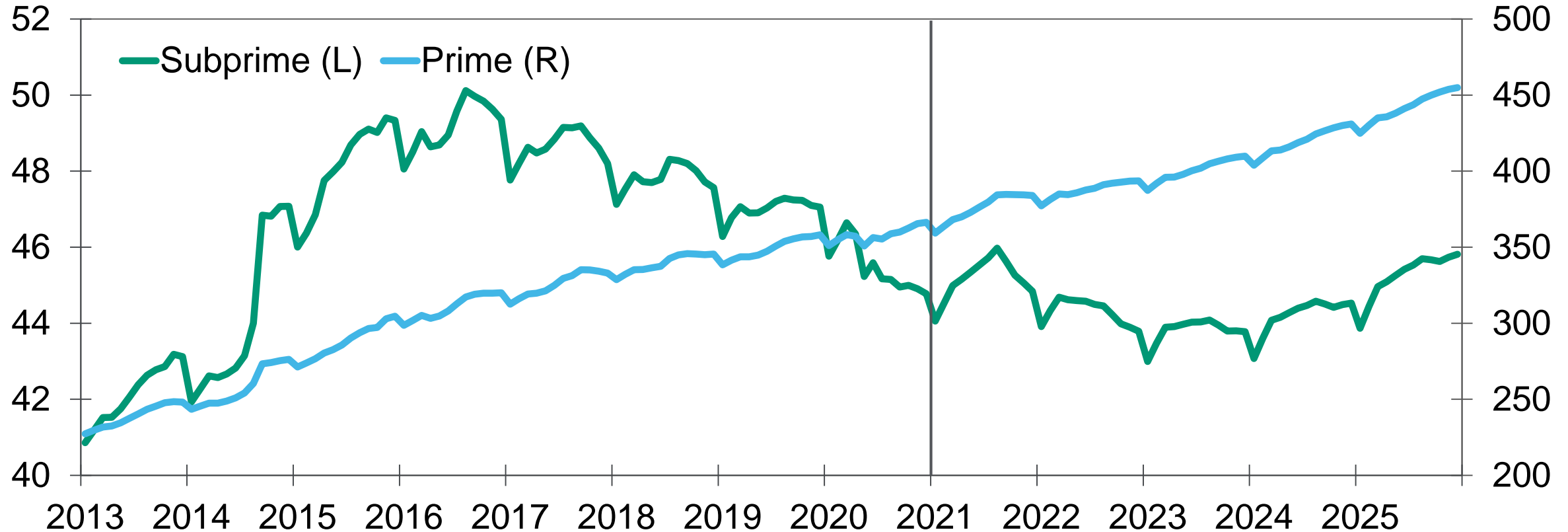


Sources: Equifax, Moody's Analytics



Subprime Decline Slows, Prime Carries On

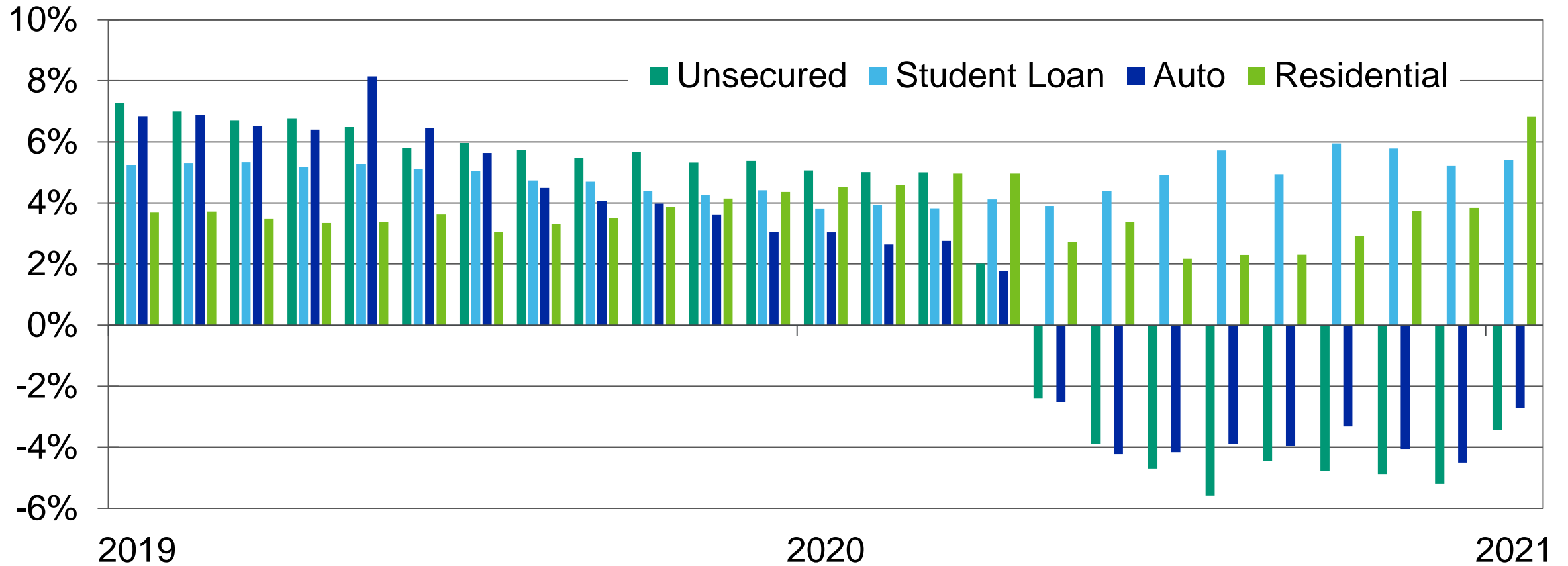
Outstanding balance, mortgage, billions of dollars



Sources: Equifax, Moody's Analytics

Auto and Unsecured Still in Decline

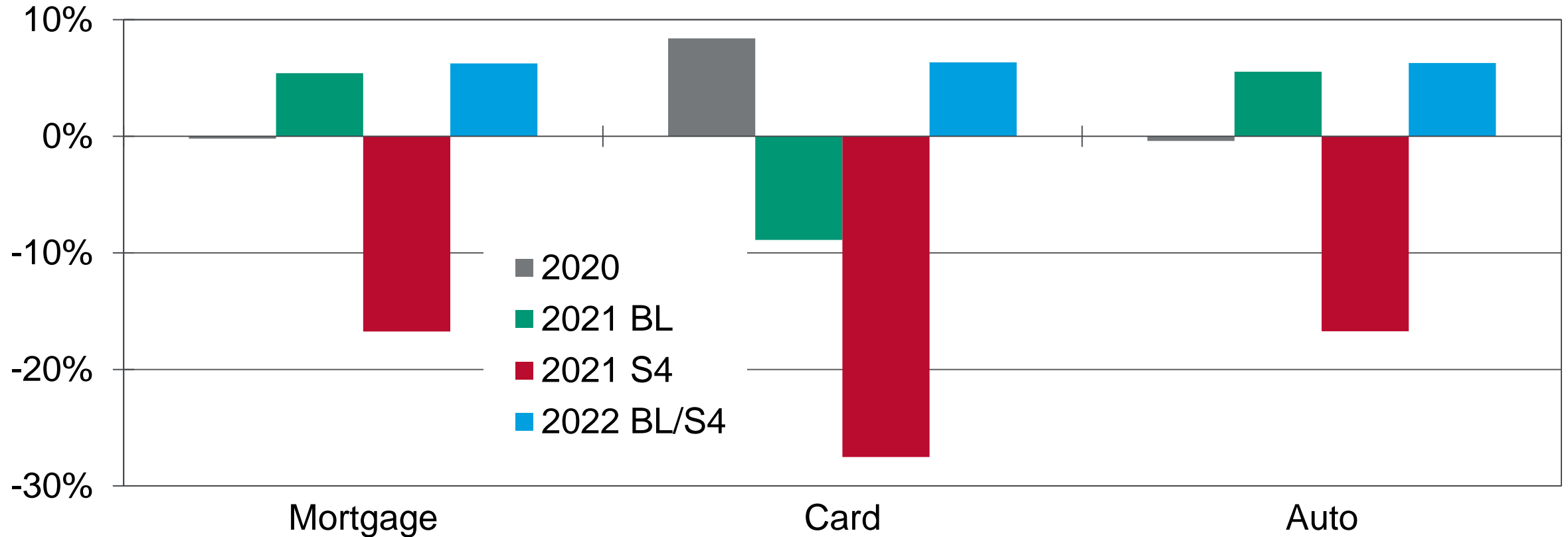
Outstanding balance growth, year-over-year



Sources: Equifax, Moody's Analytics

New Card Growth Separates From the Pack

Year-over-year origination balance growth, Q4, 2021-22 forecasted



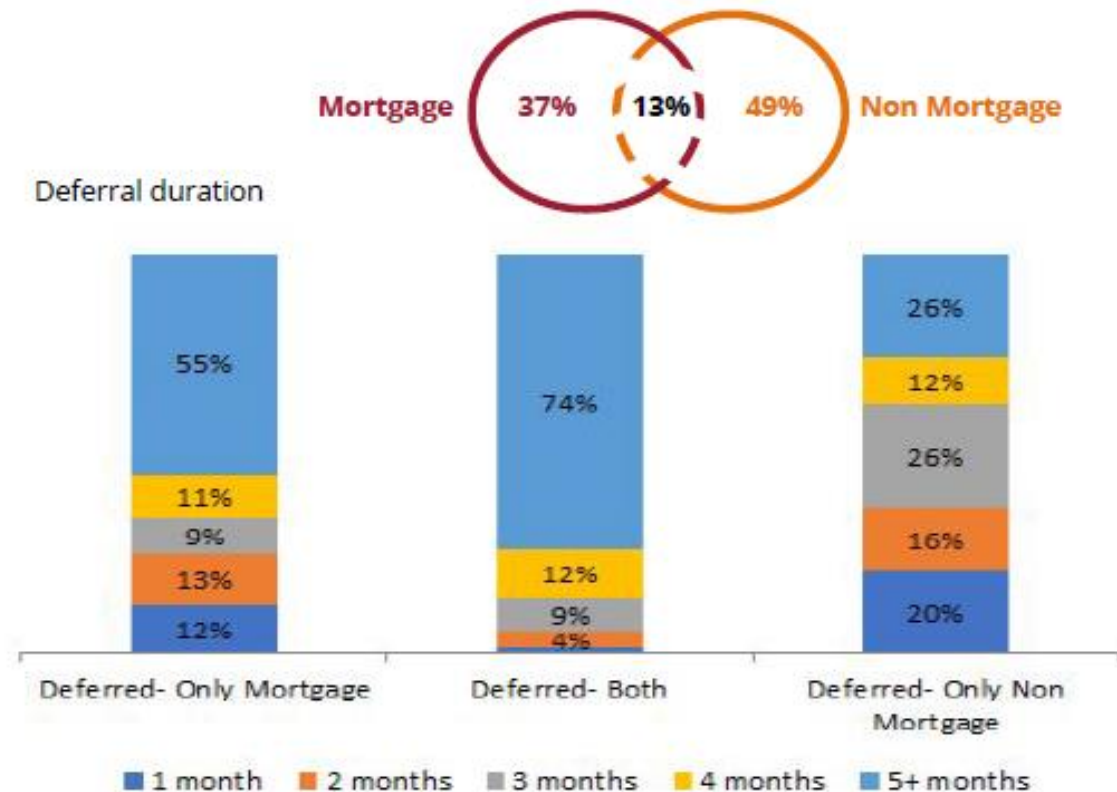
Sources: Equifax, Moody's Analytics

Individual and regional variation in deferral usage could assist in identifying degrees of stress

Alberta has the highest deferral rate among all provinces with some FSAa having higher than average deferral rates



13% of consumers have deferred on both mortgage and a non mortgage product. 74% of these consumers have deferred for more than 5 months on at least one trade



Source: Equifax Canada

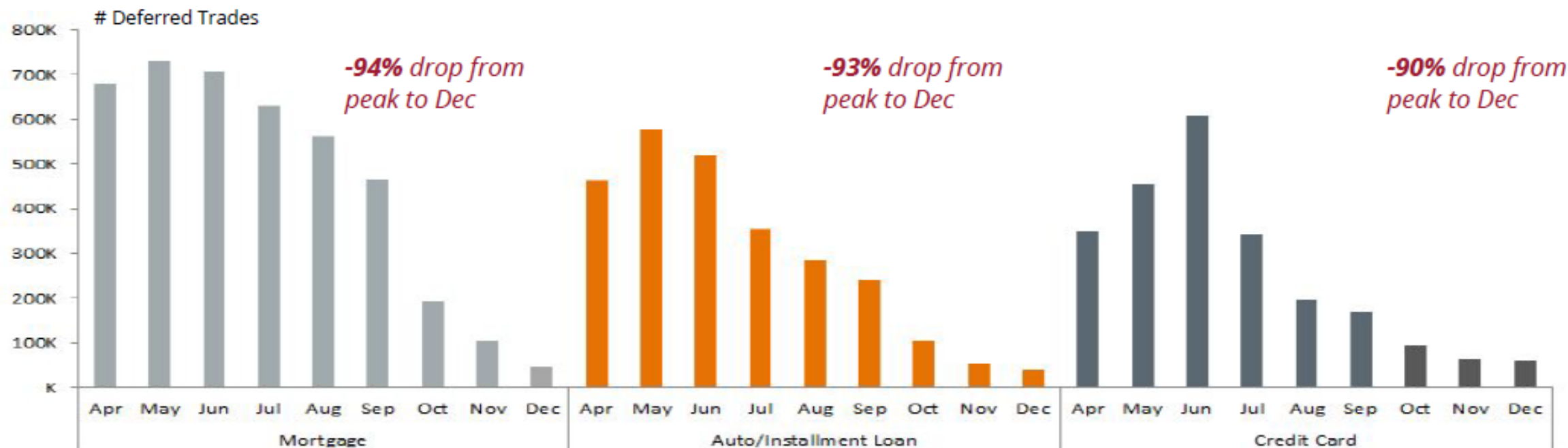
Payment deferral programs are coming to an end and the majority of consumers have started regular payments



99% of mortgages coming out of deferrals are making payments as of December 2020

97% of auto/installment loans coming out of deferrals are making payments as of December 2020

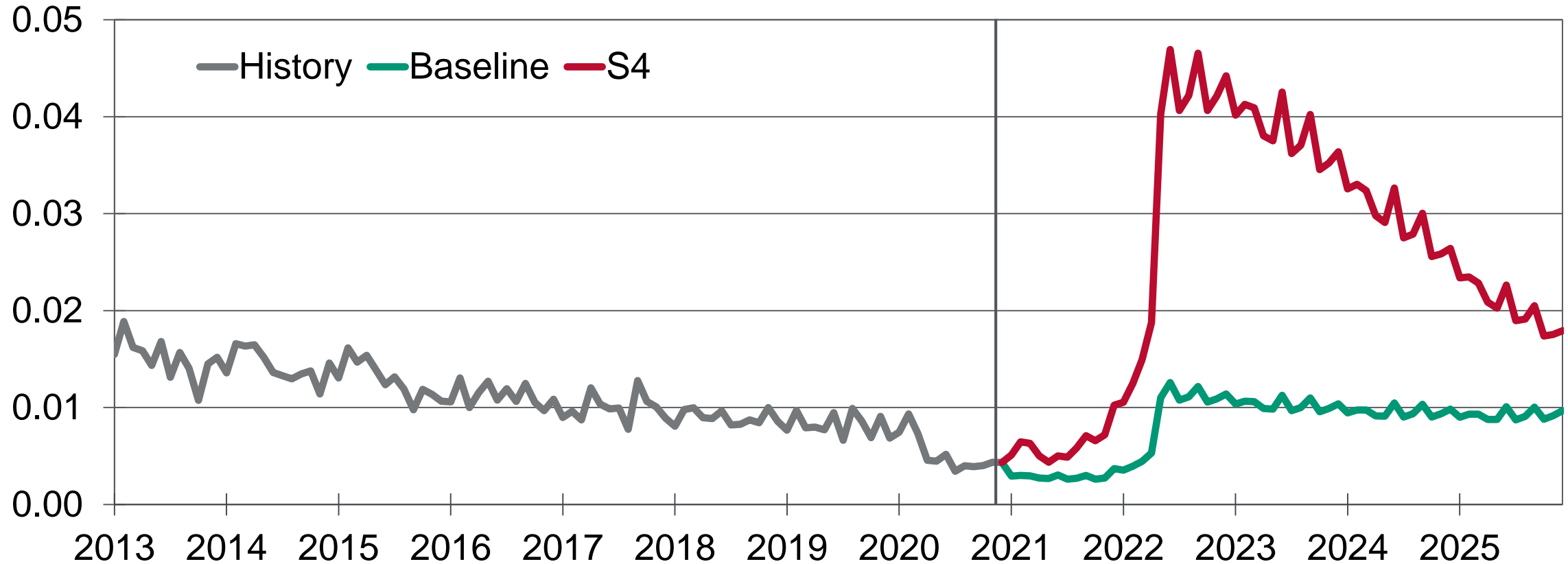
93% of credit cards coming out of deferrals are making payments as of December 2020



Source: Equifax Canada

Substantial Downside Risk Remains for Losses

Default rate by balance, mortgage, percent



Sources: Equifax, Moody's Analytics



Questions and Answers



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