Market Commentary Blog

Cash Flow *and Carey*

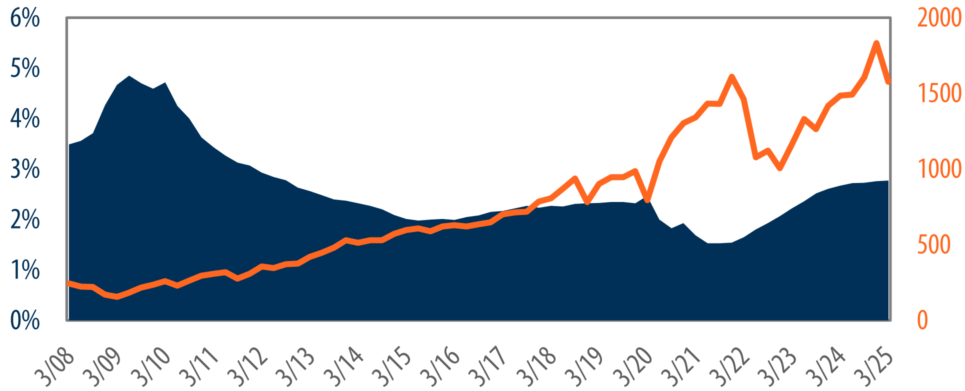
Robert Carey, CFA
Chief Market Strategist

Peter Leonteos
Market Strategist

7/31/25

Consumer Delinquency Rates

Loan Delinquency Rate vs. Consumer Discretionary Stocks



Source: Bloomberg and FRED. Quarterly Data Points from 3/31/2008 to 3/31/25.

Past Performance is no guarantee of future results.

View from the Observation Deck

For today's post, we compare the delinquency rate on consumer loans issued by all U.S. commercial banks to the prices of the S&P 500 Consumer Discretionary Index, over time. We use data from the Board of Governors of the Federal Reserve System, retrieved from FRED, for the former set of observations. As delinquency data is released on a lagging time frame, our current set of observations end Q1'25.

At 30.14%, the S&P 500 Consumer Discretionary Index (Consumer Discretionary Index) boasted the fourth-highest total return of the 11 major sectors that comprise the S&P 500 Index ("Index") in 2024. The Consumer Discretionary Index has not fared as well in 2025, posting a year-to-date (YTD) total return of -0.39% thru 7/29/25.

With a YTD total return of -1.42%, Health Care is the only sector in the Index with a lower total return than consumer discretionary stocks. Total returns among consumer discretionary companies have been volatile this year. In Q1'25, the sector shed 13.80%, making it the worst performer among the eleven major sectors that comprise the broader Index. Since then, discretionary stocks surged by 15.56% (3/31/25 – 7/29/25), spurred forward by rising consumer confidence, the U.S. economies' return to growth in Q2'25, and increasing clarity regarding tariff policy. As mentioned above, this most recent data is not included in today's chart.

Loan delinquencies continue to increase. The consumer loan delinquency rate fell to an all-time low of 1.53% in Q3'21 but increased to 2.77% by the end of Q1'25. Loan delinquency rates among credit cards and auto loans increased as well.

One important aspect of overall consumer health is the rate at which they are defaulting on their debt obligations. Not all delinquencies will become defaults, but a spike in the number of payments that are past-due could be an indication that the U.S. consumer is under increasing financial duress. The loan delinquency rate for credit cards issued by all insured commercial banks surged to 3.24% at the end of Q2'24, its highest level since the close of Q4'11. Since then, the metric declined slightly, settling at 3.05% in Q1'25. From a geographical perspective, the share of credit card debt currently in delinquency (30 days past-due) surged among people living in the wealthiest U.S. zip codes, increasing from 4.8% in Q2'22, to 8.3% in Q2'25. In a signal of further stress, 5.1% of U.S. auto loans were delinquent by 30 days or more in Q1'25.

Takeaway

The delinquency rate on consumer loans issued by all U.S. commercial banks, stood at 2.77% at the end of Q1'25. At current readings, this delinquency rate remains below its historical average of 3.06% and its all-time high of 4.85%. Delinquency rates for other forms of credit, including bank cards, auto loans, and student loans have all increased from their most recent lows. Student loan delinquency rates are particularly troubling, in our opinion. TransUnion reported that a record 31% of student loan borrowers were delinquent by 90 days or more in April 2025, up from 11.7% in February 2020. Given their sizeable contribution to GDP, we maintain that a healthy U.S. consumer may play an integral role in the U.S. avoiding an economic recession. We will continue to monitor the delinquency rate among consumers and report on changes.