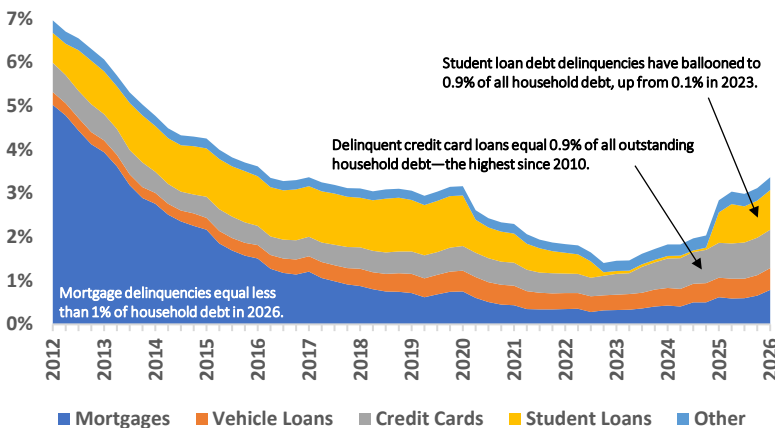


Briefing

- Household debt looks benign in the aggregate. Debt has declined from 85% of disposable (i.e., after tax) income in 2019 to 83% in 2023 to under 80% today. The components, however, are shifting. Mortgage, home equity and vehicle debt fell from 68% in 2019 and 2023 to 65% of after-tax income. Credit card debt rose from 4.8% in 2023 to 5.3% of after-tax income today (**Figure 1**). The shift makes households more vulnerable to short-term interest rate fluctuations than in the past.
- Interest expense changes with both shifts in debt levels and shifts in interest rates. While household debt has declined relative to income, higher interest rates have more than compensated, driving debt service payments to 11.3% of after-tax income, up from 10.6% in 2023 (**Figure 2**).
- A declining saving rate can serve as an early-warning sign of financial distress. Household spending has been solid, rising faster than inflation since 2024. But households have been paying for that increased spending by reducing their saving rate from over 6% of disposable income in 2024 to 4% today (**Figure 3**). Excluding 2022, that's the lowest saving rate since the 2008 financial crisis. On the other side of the ledger, households have held their borrowing at 3% of after-tax income.

Chart of the Week

Delinquencies as Fractions of Household Debt Outstanding



Commentary

Loan delinquencies have been on the rise since late 2022 but still look more like a normalization of credit stress than a broad household debt crisis (**Chart of the Week**). Delinquencies as a fraction of outstanding debt remain far below the post-financial-crisis levels seen in 2012–2014, when mortgage distress dominated household credit problems. Today's increase is narrower and more consumer credit heavy. Credit card delinquencies have risen as revolving balances have become more expensive to carry. Student loan delinquencies have also jumped as repayment obligations resumed.

The debt composition matters. Mortgage delinquencies remain low relative to household debt, limiting the risk of a housing-led balance-sheet shock. Instead, stress is concentrated in shorter-duration, higher-rate credit categories that are more sensitive to income growth, job security and interest rates. That makes the delinquency trend more of an early-warning signal for consumer fragility than evidence of systemic household insolvency.

Households are still spending, but with thinner cushions (**Figure 3**). If labor-market conditions soften or borrowing costs stay elevated, delinquency rates could continue drifting higher even without a recession. Conversely, stable employment and lower interest rates would likely cap the deterioration.

Snapshots

Figure 1. Household Debt as Fraction of Disposable Income

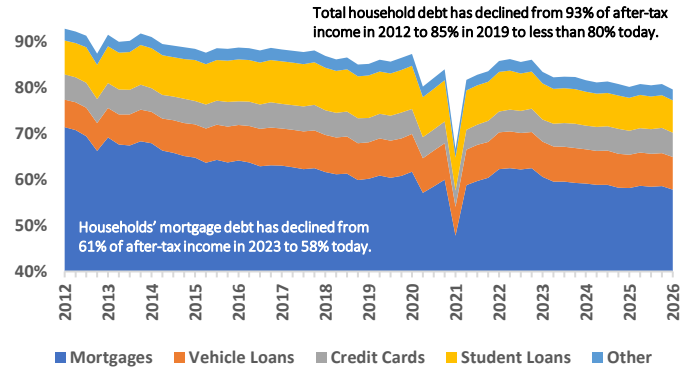


Figure 2. Debt Service as Fraction of Disposable Income

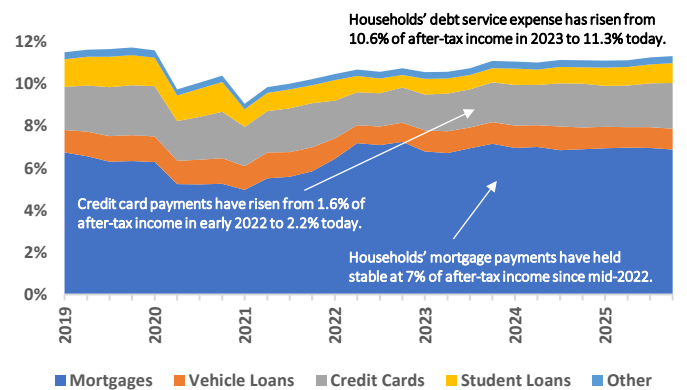
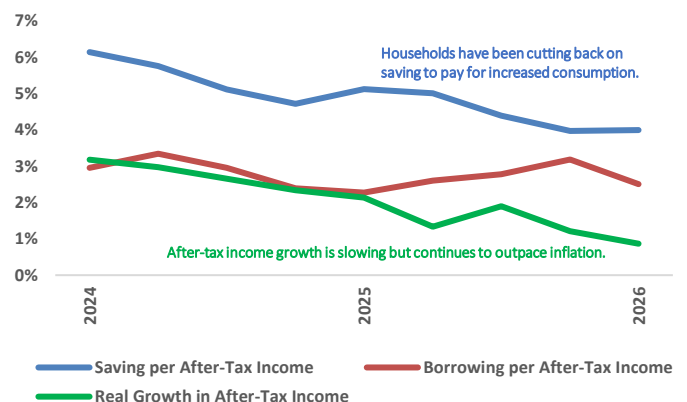


Figure 3. Income, Saving, Borrowing



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Key Indicators

INTEREST RATES ¹	2026				2027	
	Current	Q2	Q3	Q4	Q1	Q2
Fed Funds Target ² (%)	3.75	3.75	3.75	3.75	4.00	4.00
SOFR (%)	3.63	3.60	3.50	3.40	3.30	3.30
2Y UST (%)	4.07	3.70	3.60	3.60	3.60	3.60
5Y UST (%)	4.21	3.90	3.80	3.80	3.80	3.80
10Y UST (%)	4.50	4.30	4.30	4.30	4.20	4.20
30Y UST (%)	5.02	4.90	4.90	4.80	4.80	4.80

ECONOMY	2026				2027	
	Current	Q2	Q3	Q4	Q1	Q2
PCE Inflation (YoY %)	3.8	4.6	2.4	2.5	2.5	2.3
CPI Inflation (YoY %)	3.8	5.6	2.3	2.3	2.4	2.3
Real GDP (QoQ %)	1.6	1.5	1.7	1.9	2.1	2.1
Unemployment (%)	4.3	4.4	4.5	4.5	4.5	4.4
Consumer Spending (QoQ %)	1.4	1.5	1.7	1.9	1.9	2.0
Industrial Production (YoY %)	1.4	1.1	1.2	1.4	1.6	1.7

Equities & Currency

	Current	Year ago	YoY Δ
DJIA	50,837	42,305	20.1%
Nasdaq	26,971	19,215	40.2%
S&P 500	7,577	5,936	27.7%
US Dollar Index	\$1,202.51	\$1,208.76	(1.1%)

Commodities

	Current	Year ago	YoY Δ
Crude Oil (Per Barrel)	\$89.80	\$62.52	40.6%
Natural Gas (Per MMBtu)	\$3.21	\$3.69	(13.0%)
Coal (Per Short Ton)	\$13.68	\$10/54	32.4%
Gold (Per Ounce)	\$4,500.00	\$3,381.70	33.0%
Corn (Per Bushel)	\$4.46	\$4.38	1.7%
Soybean (Per Bushel)	\$11.93	\$10.34	15.4%

Industry

	Current	Year ago	YoY Δ
Natural Gas Storage (Billion Cubic Feet)	2,483	2,462	0.9%
U.S. Daily Power Consumption (MWh)	8,449,949	10,608,935	(20.4%)
World Container Index (Per 40ft)	\$2,800	\$2,508	11.6%

¹ Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters.
² Target rate forecast is based on futures market contracts.

Sources: © Oxford Economics, Blue Chip Financial Forecasts, Trading Economics, Moody's Analytics, Statista, Oxford Economics, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Energy Information Administration, U.S. Treasury Department, Federal Reserve Bank of Atlanta, Federal Reserve Bank of New York, Federal Reserve Bank of St. Louis, International Monetary Fund, World Bank, University of Michigan, The Conference Board.

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Forecasts

