A photograph of a blue industrial building with yellow metal stairs and railings. The image is used as a background for the document.

March 6, 2025

# **Global Credit Weekly:**

Signposts to watch for the  
U.S. consumer

**BlackRock**

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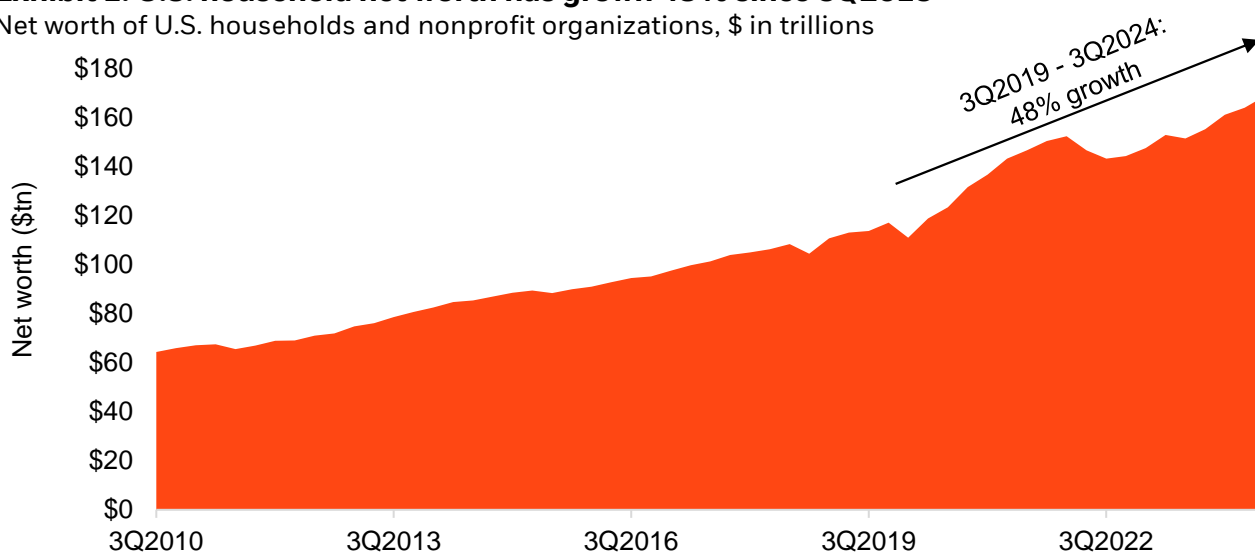
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## Key takeaways

- A wave of [softer consumer survey data](#) has led market participants to wonder if U.S. consumer resilience is beginning to wane. In this *Global Credit Weekly*, we reassess consumers' financial health, given the importance to the overall growth backdrop – and, by extension, investor risk appetite for corporate credit.
- Slowing (but still positive) real disposable personal income growth may temper consumers' ability (or willingness) to spend, at least relative to recent history. Still, with consumers' net worth increasing by \$55 trillion over the last five years (3Q2019–3Q2024) and credit delinquencies low vs. history, we see a solid buffer around U.S. consumer balance sheets – at least in aggregate.
- That said, [bifurcation](#) persists. While divergence between higher-income and lower-income consumers is not a new concept, we believe it matters more in the current cycle (vs. past cycles). This is because of the *magnitude* of the respective tailwinds and headwinds facing each group. While homeowners and those with investments have experienced significant gains over the past few years, renters and lower-income consumers are still feeling pressure from cumulative, absolute price level increases (even as the *rate of inflation* has moderated).
- In our view, the labor market data is key to watch for any broad-based weakness. As we noted in our [1Q2025 Global Credit Outlook](#), a risk to monitor is whether corporates use layoffs (which are currently low) more aggressively, to protect margins. Friday's (March 7<sup>th</sup>) non-farm payrolls data will be important in this regard, alongside higher-frequency data, such as jobless claims.
- Earlier this week, New York Fed President John Williams highlighted the importance of monitoring the economic impact of policy uncertainty, while also noting that rates are unlikely to change at the March FOMC. We continue to [view](#) a rate cut in 1H2025 as unlikely.
- Corporate credit continues to demonstrate resilience despite broader market volatility, as seen in the active primary market (especially in USD IG) and spreads that remain well below long-term averages (even after some widening in the USD region).

### Exhibit 1: U.S. household net worth has grown 48% since 3Q2019

Net worth of U.S. households and nonprofit organizations, \$ in trillions



Source: Federal Reserve Board, Haver Analytics, BlackRock. As of 3Q2024.

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## Aggregate strength, but continued bifurcation

Recent macro developments have raised the possibility of a more challenging growth-inflation mix in the U.S. economy. This risk has been further magnified by [softer consumer survey data](#), which has caused some market participants to question if U.S. consumers' financial resilience is (finally) beginning to wane. In this *Global Credit Weekly*, we reassess the financial health of the [U.S. consumer](#), given its significant importance to U.S. economic activity – and, by extension, investor appetite for risk assets, such as credit.

### Disposable income growth remains positive

We start with one of the most important drivers of purchasing power: real disposable personal income growth, which refers to the amount (adjusted for inflation) that U.S. residents have left to spend or save after paying taxes. As Exhibit 2 highlights, the pace of year-over-year (YoY) growth in recent years has outpaced the 2010 – 2019 average.

The growth in 2023 and 1H2024 was, in our view, a “catch-up” following inflationary shocks from 2021 to 2023 (as wages readjusted with a lag, which has also been the case in Europe). That said, as growth has now moderated and fallen below the longer-term 2010–2019 average, we believe consumers' ability (or willingness) to spend may moderate, at least relative to recent history.

### Beyond incomes, wealth creation has also been a strong tailwind

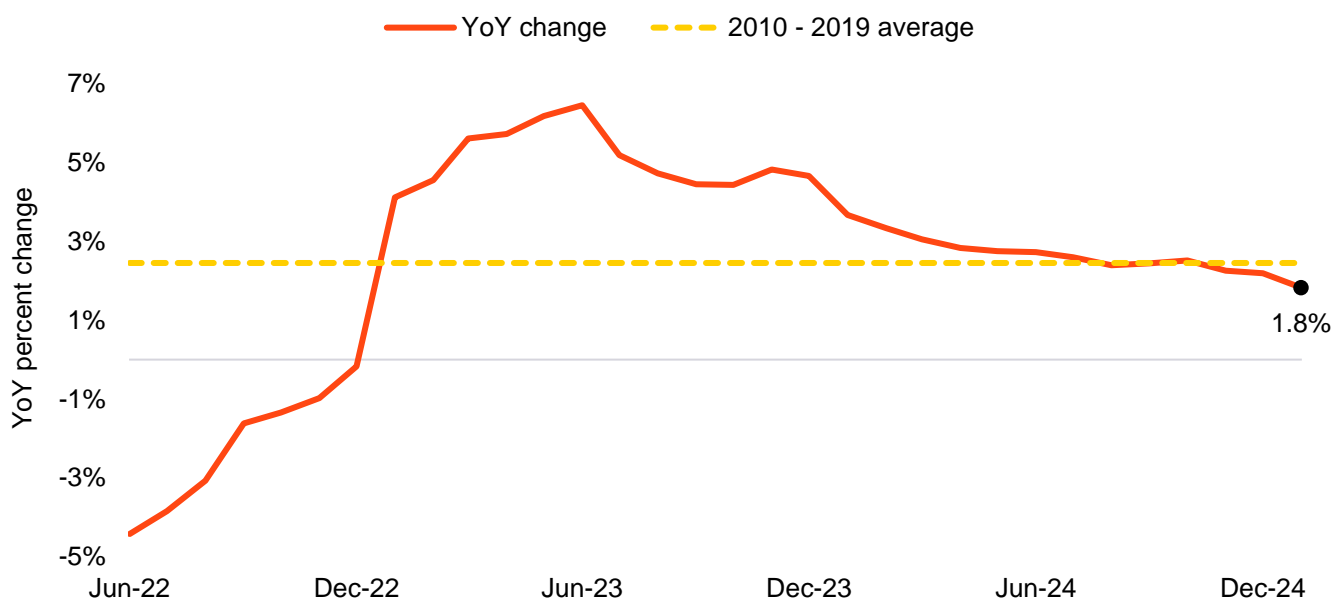
Beyond the financial boost from income gains in recent years, the amount of *wealth creation from asset ownership* over the last five years has also been significant. Indeed, data from the Federal Reserve demonstrates that the net worth of households and nonprofit organizations has grown 48% from 3Q2019 to 3Q2024, an absolute increase of \$55 trillion (Exhibit 1).

Exhibit 3 highlights how two specific measures of U.S. household wealth creation – gains in the equity and real estate markets – have grown. For context, despite the modest YTD decline, the S&P 500 has increased 55% since year end 2020. And from year-end 2020 through December 2024 (most recent), the S&P CoreLogic Case-Shiller U.S. National Home Price Index was up 38%.

This suggests that, even with some slowing in real disposable personal income growth, the U.S. consumer likely has some additional financial flexibility embedded in its (aggregate) balance sheet.

### Exhibit 2: Real disposable personal income growth has moderated, but remains positive

Year-over-year (YoY) change in real disposable personal income (seasonally adjusted annual rate, and based on chained 2017 dollars), and average YoY change from 2010 – 2019

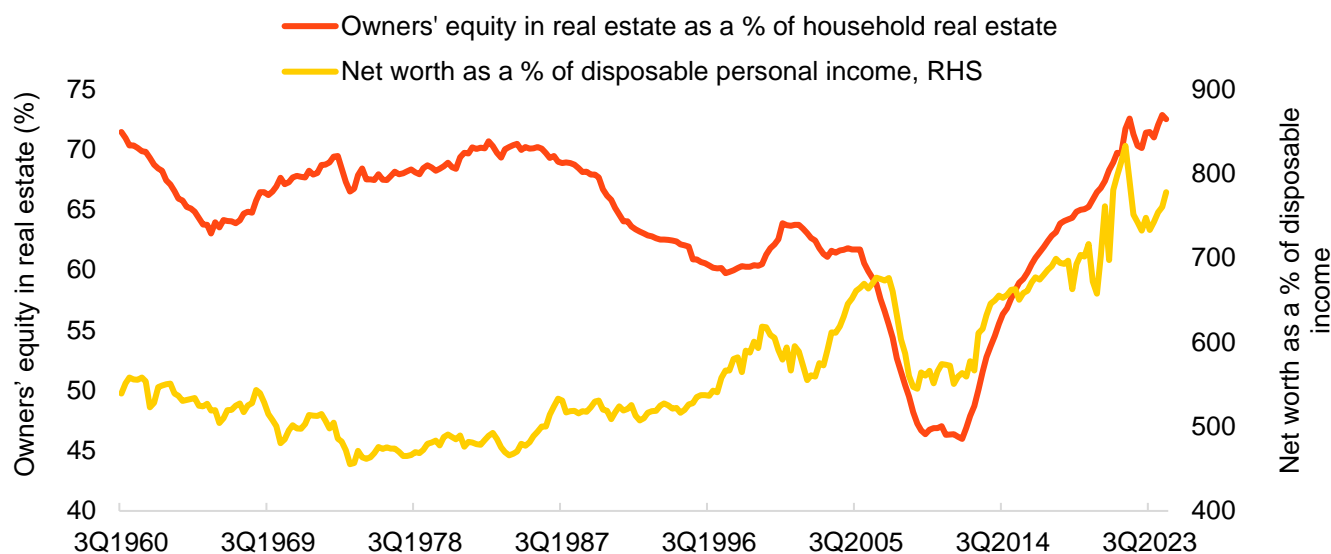


Source: Bureau of Economic Analysis, FRED, BlackRock. As of January 2025 (most recent available).

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### Exhibit 3: U.S. households' net worth has grown, owing to equity and housing market gains

Measures of U.S. households' net worth



Source: Federal Reserve Board, Haver Analytics, BlackRock. As of 3Q2024.

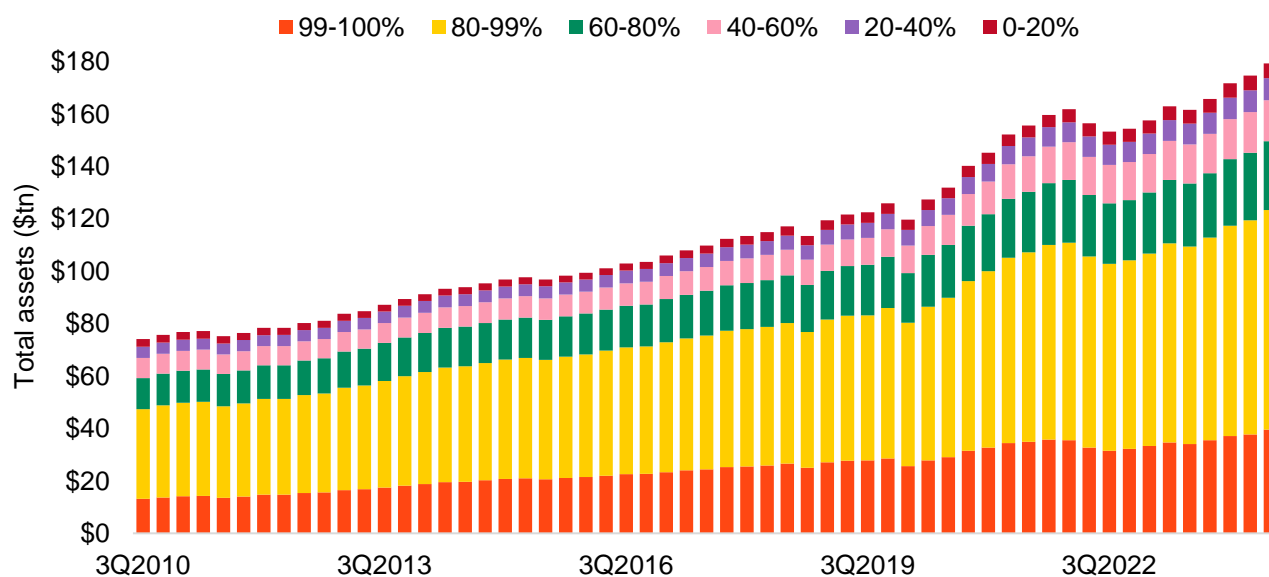
### Bifurcation is evident, however

Even so, bifurcation remains an important characteristic of the U.S. consumer landscape. The Federal Reserve's Distributional Financial Accounts data provides context about how consumer assets vary by income cohort, with the top 20% of income earners holding 69% of total wealth, as of 3Q2024 (Exhibit 4). Furthermore, a recent analysis by Moody's Analytics notes that the top 10% of earners account for 49.7% of all spending today, vs. only 36% three decades ago.

While divergence between higher-income and lower-income consumers is not a new concept, we believe that it matters more in this current cycle (vs. past cycles). This is because of the *magnitude* of the respective tailwinds and headwinds facing each group. While homeowners and those with investments have experienced significant asset gains over the past few years, renters and lower-income consumers are still feeling pressure from cumulative, absolute price level increases (even as the *rate of inflation* has moderated).

### Exhibit 4: Wealth is concentrated among the highest earners

Total U.S. household assets by income percentile, \$ in trillions; 99-100% is highest, 0-20% is lowest



Source: The Federal Reserve, Survey of Consumer Finances and Financial Accounts of the United States, BlackRock. As of 3Q2024.  
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## Consumer delinquencies are growing, but are modest vs. history

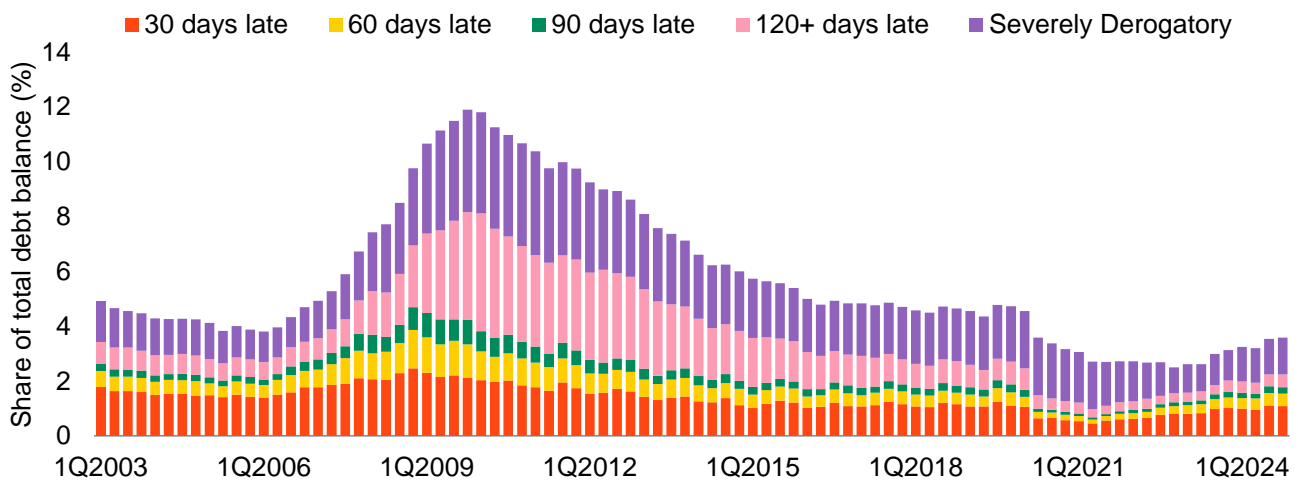
So far, the financial stress within the lower-income subset of the U.S. consumer has been contained. This is illustrated by *aggregate* consumer delinquency rates which remain modest compared to the longer-term trend. Indeed, 96% of total consumer debt outstanding is current (vs. a series low of 88% in 2009; Exhibit 5). That said, meaningful dispersion is visible *under the surface* – especially by loan type.

For example, credit card, auto and “other” (i.e., consumer finance and retail loans) delinquencies marched higher in 4Q2024, with credit cards the most elevated (Exhibit 6). Still, delinquency levels across these three loan types remain below series highs, which were set during or following the global financial crisis. Meanwhile, home-related consumer debt (i.e., mortgage and HELOC loans) delinquencies are currently negligible, likely supported by a backdrop of elevated home values (i.e., an asset that homeowners will likely want to protect).

While student loan payments resumed in late 2023, delinquencies were not reported to credit bureaus until September 30, 2024. As such, 4Q2024 student loan delinquencies are likely understated, as the resumption of loan payments work through the reporting system. VantageScore, using data from the Department of Education, estimates that more than 9 million borrowers will be reported as delinquent by June 2025. As part of this, VantageScore expects the credit scores of 2.3 million consumers to dip into subprime territory – somewhat mitigating the trend of upward credit score migration which occurred following the onset of the pandemic in 2020.

### Exhibit 5: Aggregate delinquency rates have increased, but are still modest

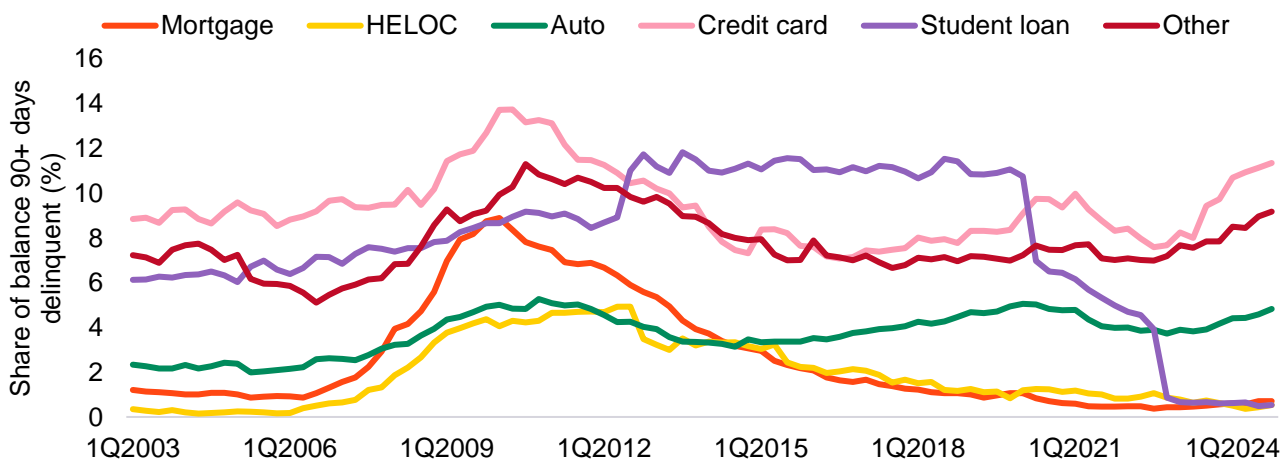
Delinquent balance as a share of total U.S. consumer debt



Source: New York Fed Consumer Credit Panel/Equifax, BlackRock. As of 4Q2024.

### Exhibit 6: Credit card and auto delinquencies march higher

Percent of balance 90+ days delinquent by loan type



Source: New York Fed Consumer Credit Panel/Equifax, BlackRock. As of 4Q2024. The Other category includes Consumer Finance (sales financing, personal loans) and Retail (clothing, grocery, department stores, home furnishings, gas etc.) loans.

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## Labor market data is key to watch

Looking ahead, we believe the labor market data – more so than sentiment-based data – is the most critical signpost to watch regarding U.S. consumers' ability and willingness to spend. Beyond the traditional metrics (unemployment rate, labor force participation, jobs-workers gap, layoff rate, wage data) we are also closely monitoring higher-frequency data such as jobless claims. As we noted in our 1Q2025 Global Credit Outlook, a risk to monitor is whether corporates use layoffs (which are currently low) more aggressively, to protect margins.

## March FOMC – rates unlikely to change

During an interview with Bloomberg on March 4<sup>th</sup>, New York Fed President John Williams provided some clarity on how he is viewing the evolving policy environment. He said: “I do factor in some effects of tariffs now on inflation, on prices...later this year.” President Williams noted the historical evidence from the 2018-2019 trade tensions showed “a pretty high pass through of tariffs into input prices.” He drew a similar directional comparison while separately referencing the non-tariff supply chain disruptions of the 2020 pandemic.

When asked if a rate change (cut) at the March meeting would be too early, President Williams added that monetary policy “is in a very good place” and it “makes sense to collect some more information” on trade, fiscal and regulatory policy to determine the appropriate stance of monetary policy. He noted: “I don’t see any need to change it right away.” We still view rate cuts during 1H2025 as unlikely.

## Monitoring the impact of uncertainty

In his recent Bloomberg interview, President Williams added that the impact of trade uncertainty on economic activity (i.e., business investment, consumer confidence and spending) is important to monitor. To help assess this sentiment, we reviewed more than two dozen recent public remarks from corporate management teams occurring over the *past few days* (earnings calls, conference presentations) from a range of sectors (retail, consumer, financials).

### We identified the following takeaways:

- **Value-seeking consumer behavior is (still) evident.** Businesses were generally constructive on the U.S. consumer but referenced “value-seeking” and “value-conscious” behavior – consistent with language used over the past few quarters. This was emphasized for consumers in lower-income cohorts, which are watching their spending more diligently. A restaurant flagged “macro headwinds” for consumers with household incomes below \$75,000. Another bank referenced the challenges faced by customers that do not own their homes.
- **The potential impact of policy uncertainty on spending is not uniform.** Some retailers expect policy uncertainty will influence consumer buying behavior in 2025 – especially for younger customers with more limited discretionary budgets. Some guided to only modest growth in revenues, as a result. One bank noted that some of its corporate clients are “on pause” regarding business investment, while another cited “a little bit of hesitation,” owing to the uncertainty. Yet another bank highlighted, however, that “on the ground, [the] real economy looks quite solid,” despite the “headlines.”
- **Corporates believe they have at least some remaining pricing power.** Despite the increase in absolute price levels since the onset of the pandemic (+23% from January 2020 to January 2025, using the U.S. Consumer Price Index), many corporates believe they have at least some level of “pricing power” remaining, where higher input costs could be passed along to the consumer, should it be required. In multiple instances, potential price increases were referenced alongside other mitigating actions to maintain/protect margins, such as negotiating with suppliers, using multi-country sourcing, and shifting product mix. For some, this mix of actions was used during prior episodes of trade tensions. One retailer noted, however, that in this environment any price component will be determined by “how the market responds.”

## Resilience continues

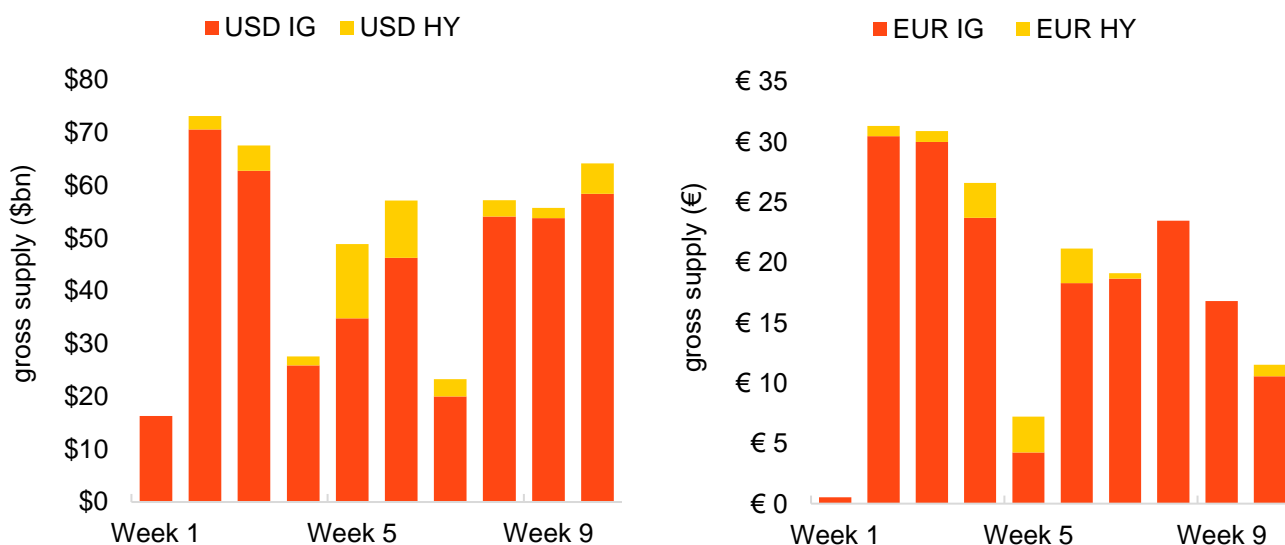
Amid the broader market volatility (across a range of asset classes – including global rates), corporate credit markets have shown relative resilience. For example, primary market activity has been robust in recent weeks – especially in USD IG, which has been boosted by M&A-related debt financings (Exhibit 7).

And consistent with the theme we noted last week, while USD spreads are modestly wider vs. mid-February, they remain well below the averages of the post-financial crisis era. Furthermore, as Exhibit 8 shows, EUR spreads have *tightened*.

That said, sector performance dispersion is evident, as Exhibits 9 and 10 show. We believe domestic-focused and/or services sectors are likely to outperform on a relative basis, while uncertainty around trade policy persists. And over a longer-term horizon, we expect investors will increasingly view trade shifts in the context of the broader policy agenda (taxes, fiscal, regulatory, etc.).

### Exhibit 7: M&A related supply has driven the recent activity in the USD IG primary market

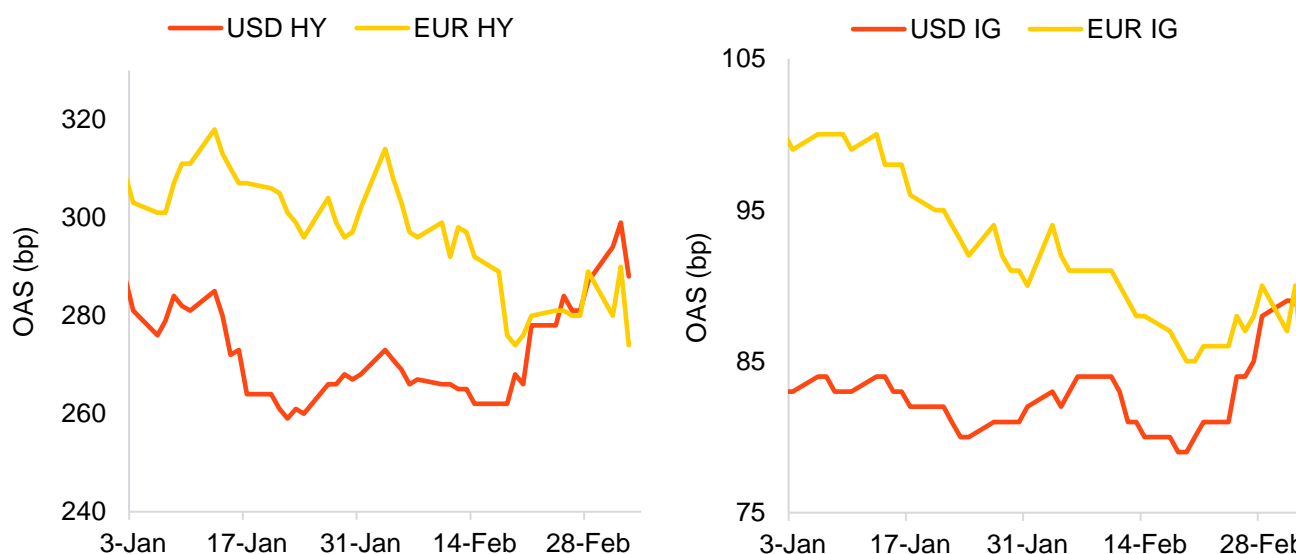
Gross supply by 2025 week: USD IG and HY (\$bn, left panel), EUR IG and HY gross supply (€bn, right panel)



Source: Dealogic (ION Analytics), BlackRock. Week 10 captures data through March 5, 2025.

### Exhibit 8: Modest widening in USD spreads, while EUR spreads are tighter

Index-level option adjusted spreads (bp) for the ICE-BAML USD and EUR HY Corporate indices (left panel) and ICE-BAML USD and EUR IG Corporate indices (right panel)



Source: ICE-BAML, Bloomberg, BlackRock. As of March 5, 2025. **The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.** Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.

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## Exhibit 9: USD IG sector performance: Healthcare and Financials have outperformed so far this year, while Autos, Utilities and Transports have underperformed

Year-to-date and 12-month excess returns (which exclude the impact of interest rate moves) for the Bloomberg USD IG Corporate Index

	YTD Excess Return (%)	12-month Excess Return (%)
Healthcare	0.2	1.5
Packaging	0.1	2.0
Gaming	0.1	3.9
Banking	0.1	2.2
Finance Companies	0.1	3.5
Leisure	0.0	0.0
Paper	0.0	2.4
Pharmaceuticals	-0.1	1.4
Environmental	-0.1	1.6
REITS	-0.1	3.1
Tobacco	-0.1	4.1
Media & Entertainment	-0.2	2.3
Construction Machinery	-0.2	0.6
Cable & Satellite	-0.2	4.0
Diversified Manufacturing	-0.2	1.6
Brokerage Asset Managers Exchanges	-0.2	2.4
Aerospace & Defense	-0.3	2.2
Consumer Cyc Services	-0.3	2.2
<b>USD IG Corporate Index</b>	<b>-0.3</b>	<b>2.0</b>
Metals & Mining	-0.3	2.5
Supermarkets	-0.3	2.8
Restaurants	-0.3	1.4
Wirelines	-0.3	2.6
Consumer Products	-0.3	1.0
Food & Beverage	-0.3	1.8
Wireless	-0.3	2.1
Chemicals	-0.3	2.1
Lodging	-0.3	2.1
Insurance	-0.4	1.9
Retailers	-0.4	1.3
Home Construction	-0.4	1.5
Technology	-0.4	1.3
Building Materials	-0.5	1.9
Energy	-0.5	1.9
Automotive	-0.5	1.1
Transportation	-0.7	1.3
Utility	-0.9	2.4

Source: Bloomberg, BlackRock. As of March 5, 2025. **The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.** Index performance returns do not reflect any management fees, transaction costs, or expenses. Indices are unmanaged and one cannot invest directly in an index.



# Exhibit 10: USD HY sector performance: Pharmaceuticals and Wireless have outperformed, while Utilities and Consumer have underperformed

Year-to-date and 12-month excess returns (which exclude the impact of interest rate moves) for the Bloomberg USD HY Corporate Index

	YTD Excess Return (%)	12-month Excess Return (%)
Pharmaceuticals	4.1	22.6
Wireless	3.1	0.5
REITS	2.2	5.4
Construction Machinery	1.2	2.6
Cable & Satellite	1.0	7.7
Tobacco	0.8	8.1
Finance Companies	0.8	5.5
Paper	0.7	4.3
Diversified Manufacturing	0.7	3.4
Banking	0.7	7.0
Lodging	0.7	2.8
Automotive	0.6	2.3
Food & Beverage	0.6	4.3
Gaming	0.6	3.2
Consumer Cyc Services	0.5	4.6
Brokerage Asset Managers Exchanges	0.5	5.6
Restaurants	0.5	2.4
Building Materials	0.5	3.3
Aerospace & Defense	0.5	2.7
Home Construction	0.5	3.2
<b>USD HY Corporate Index</b>	<b>0.4</b>	<b>4.7</b>
Supermarkets	0.4	2.9
Insurance	0.4	5.4
Retailers	0.4	5.4
Leisure	0.2	3.6
Energy	0.2	2.8
Chemicals	0.2	5.0
Wirelines	0.2	13.9
Technology	0.2	5.7
Environmental	0.0	3.0
Media & Entertainment	0.0	4.8
Packaging	-0.2	1.1
Transportation	-0.2	4.7
Metals & Mining	-0.2	3.2
Healthcare	-0.4	3.2
Utility	-0.8	2.7
Consumer Products	-0.8	2.9

Source: Bloomberg, BlackRock. As of March 5, 2025. **The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.** Index performance returns do not reflect any management fees, transaction costs, or expenses. Indices are unmanaged and one cannot invest directly in an index.

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