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Global Credit Weekly:

The U.S. consumer – signals from recent data

BlackRock

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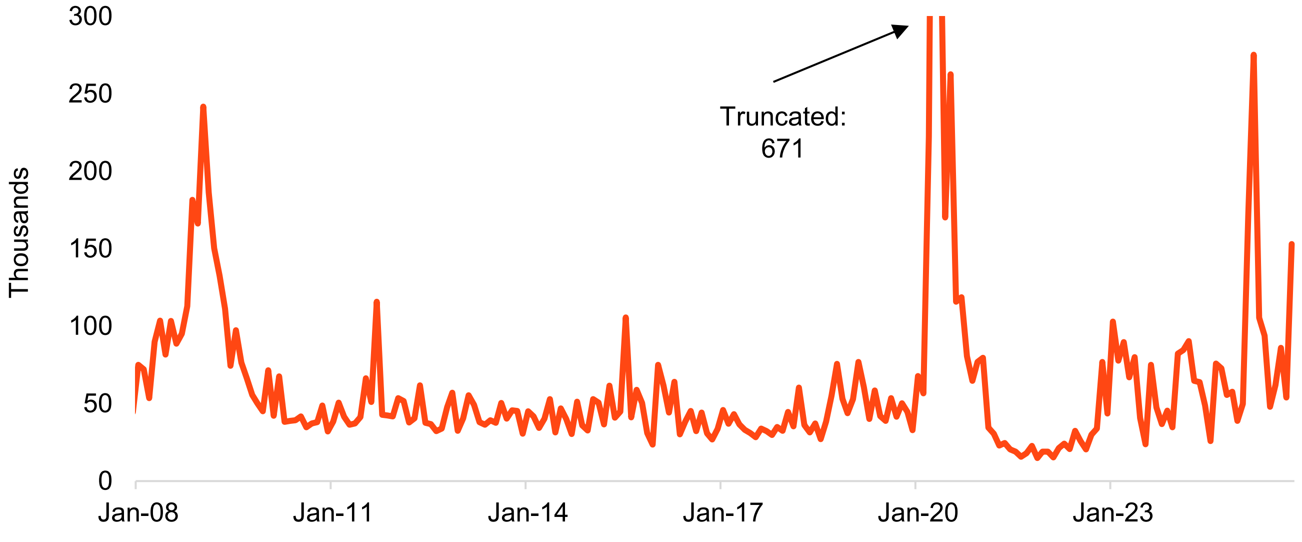
Key takeaways

- Key economic data on the U.S. labor market has been limited over the past few weeks, owing to the government shutdown that began on October 1st. But a mix of other alternative datapoints in recent weeks – such as a new weekly series from ADP, a report from Challenger, Gray & Christmas, and anecdotal company-level commentary – have pointed to some additional weakness in the U.S. labor market.
- For corporate credit investors, we continue to view the 'feedback loop' between corporate margins, the labor market, consumer spending, and overall economic activity as the key risk to monitor – especially since the U.S. consumer generates two-thirds of U.S. GDP. For much of this year, data and commentary around the financial strength of the U.S. consumer were seemingly sending 'mixed signals'. But as we have highlighted, we do not view these 'mixed signals' as inconsistencies but rather see them as reflective of the bifurcation which has become a defining characteristic of the various U.S. consumer cohorts.
- In this *Global Credit Weekly*, we once again check in on the financial strength of the U.S. consumer, using the most recent consumer data on wealth and credit delinquencies. We also review performance data from the Bloomberg USD investment grade (IG) and high yield (HY) Corporate Credit indices, highlighting the dispersion among consumer-facing sectors in recent months – across sub-industries, as well as between the IG and HY universes.
- The labor market is especially relevant ahead of the upcoming December 9th-10th FOMC meeting, given the Federal Reserve's dual mandate of maximum employment and price stability. In recent days, Fed officials have pointed to mixed views on which risk to emphasize. Our current base case remains for a monetary policy *normalization* cycle – as opposed to an *easing* into accommodative territory. With 150bp of rate cuts already delivered for this cycle, we see only modest scope for additional rate reductions, absent a sharp deterioration in the labor market.

Exhibit 1: Job cuts rose in October, per the Challenger report
Challenger, Gray, and Christmas monthly job cuts by U.S.-based employers



Source: Challenger, Gray and Christmas, BlackRock. As of October 31, 2025.

Estimating the health of the labor market

Key economic data on the U.S. labor market has been limited over the past few weeks, owing to the government shutdown that began on October 1st. But a mix of other datapoints in recent weeks – such as a new weekly series from ADP, a report from Challenger, Gray & Christmas, and anecdotal company-level commentary – have pointed to some additional weakness in the U.S. labor market.

Goldman Sachs (GS) Research, which tracks U.S. job creation using a combination of Big Data measures of job growth, layoffs, and survey data[1], estimates that job creation slowed to 50k per month in October, down from 85k in September, but still above levels from this past summer. Further, GS notes that when including the impacts of the government deferred resignation program, they expect the official non-farm payrolls data to present a 50k *decline* in October. The GS layoff tracker also reported an increase in layoffs over recent months[1].

The monthly job cuts report from Challenger, Gray, & Christmas offers another perspective on the health of the labor market (Exhibit 1). Challenger reported 153k jobs cut during October 2025, compared to an average of 47k in each October from 2014-2024. That said, there are important 'caveats' in interpreting the Challenger data. First, the figures are based on corporate announcements, meaning that planned cuts may not necessarily come to fruition. Second, announced reductions can include attrition, such as retirements. And while the report captures U.S.-based employers, the announced job losses may also include positions outside the U.S.

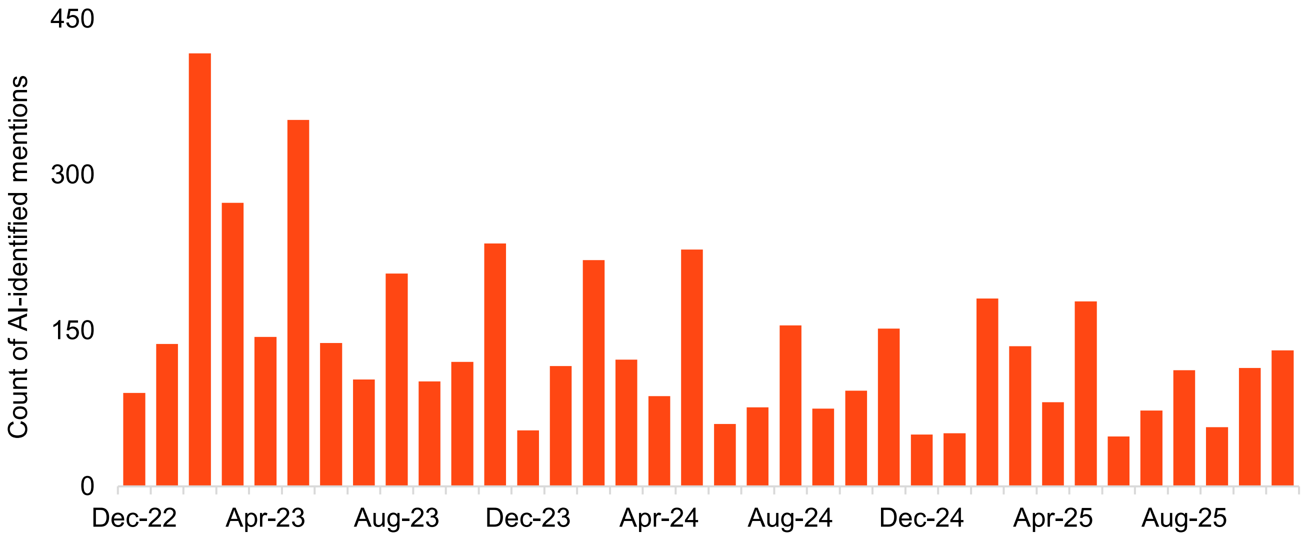
The Challenger report cites post-pandemic hiring corrections, as well as artificial intelligence (AI) adoption, softening in consumer and corporate spending, and rising costs as potential drivers behind the increase in job cuts. In 2025 to date, government, technology, and warehousing were the sectors which experienced the largest (announced) job cuts.

Exhibit 2 uses data from Bloomberg to demonstrate AI-identified mentions of 'job cuts' in Russell 3000 transcripts each month. While November mentions (as of November 12th), have already outpaced the last few months, they are not yet outsized relative to recent history, in our view.

While alternative data sources are not a perfect proxy for economic activity, we nonetheless view them as directionally informative – especially given the revisions which often accompany the official economic data.

Exhibit 2: Mentions of job cuts have increased, but are not outsized

AI-identified mentions of job cuts in Russell 3000 transcripts, by count



Source: Bloomberg, BlackRock. As of November 12, 2025.

1. GS Job Growth Nowcast Based on Available Data includes hiring plans from Manpower and NFIB; household expectations for job growth and changes in the unemployment rate from UMich and Conference Board; measures of job growth from ADP, Intuit, Homebase, and Revelio; layoffs consisting of initial claims, WARN notices, and Challenger job cuts; and the employment components of our manufacturing and nonmanufacturing survey trackers.

Tracking the U.S. consumer

For corporate credit investors, we continue to view the 'feedback loop' between corporate margins, the labor market, consumer spending, and overall economic activity as the key risk to monitor. The U.S. labor market has been characterized as "low hire, low fire" by Federal Reserve (Fed) Chair Powell – a trend that is also visible in data published by the Bureau of Labor Statistics through August. If corporate profit margins experience material, sustained pressure, we see a risk for the layoff rate to increase. And given the low demand for labor, it will likely take longer for the recently unemployed to find new work. A potential pullback in consumer spending would be a headwind to economic activity, given that the consumer generates two-thirds of U.S. GDP.

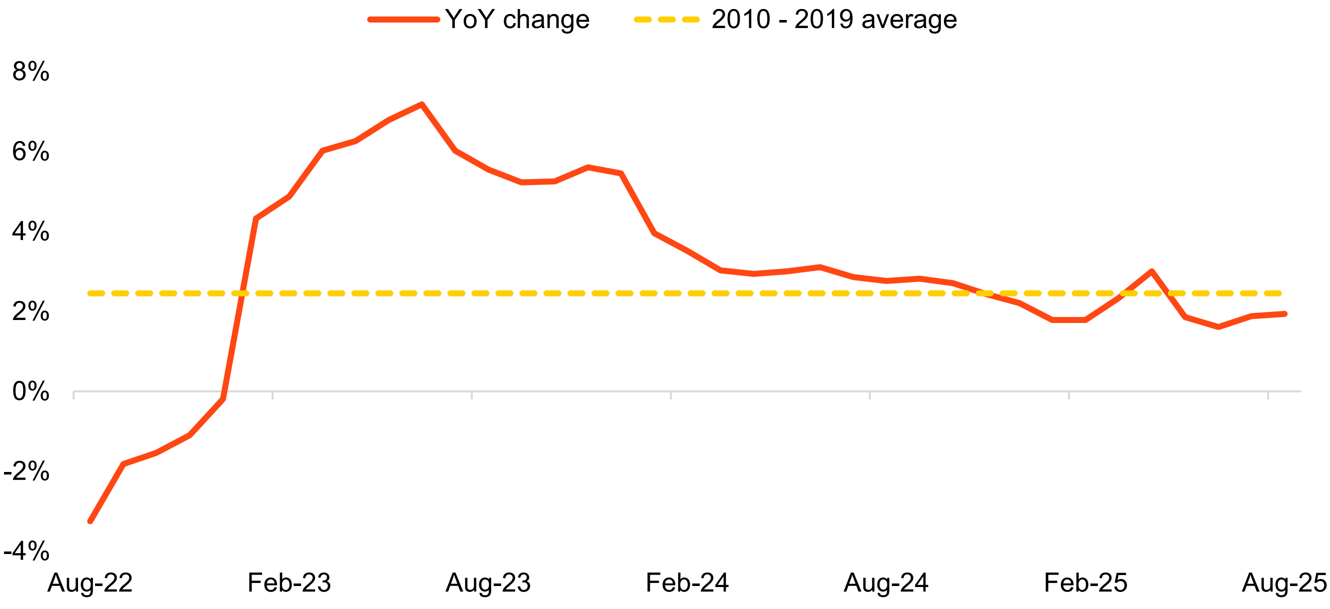
The labor market is especially relevant ahead of the upcoming December 9th-10th FOMC meeting, given the Fed's dual mandate of maximum employment and price stability. In recent days, Fed officials have pointed to mixed views on which risk to emphasize. For example, in a November 12th speech, Atlanta Fed President Raphael Bostic said moving monetary policy near or into accommodative territory risks untethering consumer and business inflation expectations. Meanwhile, in a November 10th blog post, San Francisco Fed President Mary Daly noted that the "balance of risks has clearly shifted" as the "labor market has rapidly softened and inflation has risen less than many projected earlier in the year."

Our current base case remains for a monetary policy *normalization* cycle from the Fed – as opposed to an *easing* into accommodative territory. With 150bp of rate cuts already delivered for this cycle, we see only modest scope for additional rate reductions, absent a sharp deterioration in the labor market.

For much of this year, data and commentary around the financial strength of the U.S. consumer were seemingly sending 'mixed signals.' But as we have been highlighting over the past several months, we do not view these 'mixed signals' as inconsistencies but rather see them as reflective of the bifurcation which has become a defining characteristic of the various U.S. consumer cohorts. This is also consistent with other asset classes that we track (i.e., liquid credit, private credit, commercial real estate).

In this *Global Credit Weekly*, we once again check in on the financial strength of the U.S. consumer, using a range of corporate earnings commentary and consumer credit data on wealth and delinquencies. We also review performance data from the Bloomberg USD investment grade (IG) and high yield (HY) Corporate Credit indices, highlighting the dispersion among consumer-facing sectors in recent months – across sub-industries as well as between the IG and HY universes.

Exhibit 3: Real disposable personal income growth has fallen below the 2010-2019 average
Year-over-year (YoY) change in real disposable personal income (seasonally adjusted annual rate, and based on chained 2017 dollars)



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

Continued dispersion in the consumer

So far, the signaling from corporate management teams has been largely encouraging. For example, as of November 12th, 83% of the S&P 500's market capitalization has reported the most recent set of quarterly earnings, including 87% of consumer discretionary and 70% of consumer staples. Two bellwether consumer staples companies are still expected to report next week (the week of November 17th).

Exhibit 4 demonstrates the share of S&P 500 market capitalization in the 'consumer discretionary' and 'consumer staples' segments which have already reported, including aggregate and sub-segments, whose earnings deviated from estimates (either positive or negative). Notably, positive surprises have outweighed negative ones for both segments, a trend that has been typical over the last decade.

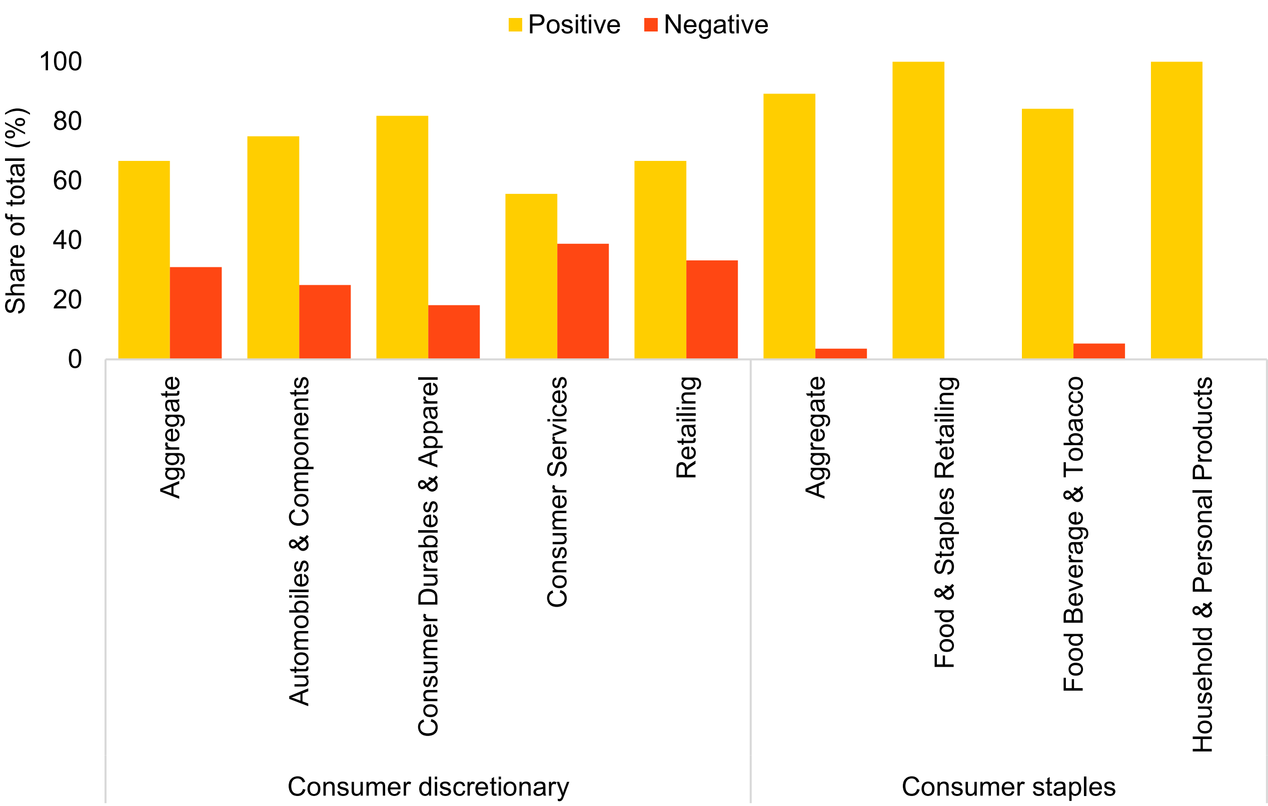
That said, management team *commentary* on the U.S. consumer has varied significantly, depending especially on the consumer segment to which their business is exposed. In aggregate, consumers continue to be choiceful and value-conscious, seeking deals and spending selectively.

Still, bifurcation across income cohorts is evident. Indeed, while lower-income cohorts are strained, favoring low-priced bundles and limiting discretionary purchases, higher-income consumers have continued consumption, albeit with a focus on 'value.'

The resilience of the consumer in aggregate is evident in the most recent *Consumer Checkpoint* report from Bank of America, which provides real-time estimates of U.S. consumers' spending using aggregated (proprietary) credit card data. Indeed, total credit and debit card spending rose 2.4% in October – the strongest year-over-year growth since early 2024. The report also noted large differentials in aggregate spending and wage levels across higher- and lower-income cohorts. Exhibit 3 illustrates the aggregate trend for real personal disposable income.

Exhibit 4: Positive earnings 'surprises' have surpassed negative ones in 3Q2025 earnings announcements

Share of S&P 500 market capitalization that has reported positive or negative 3Q2025 earnings, vs. estimates, for the consumer discretionary and consumer staples segments (and sub-segments)



Source: Bloomberg, BlackRock. As of November 12, 2025. Totals may not sum to 100; the remaining value is attributed to those reporting in line with expectations.

Delinquency rates show dispersion by loan type

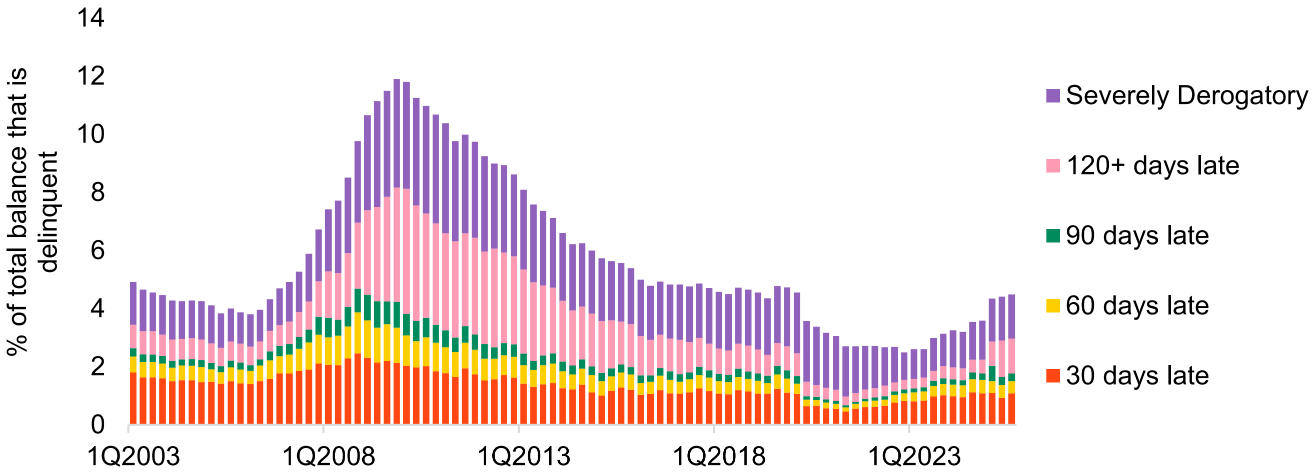
The most recent data from the Federal Reserve Bank of New York shows a modest increase in consumer delinquencies in 3Q2025, from 4.4% in 2Q2025 to 4.5% of total consumer debt balances. While this marks the highest level since 1Q2020 (Exhibit 5), it is not outsized by historical standards. For context, the average delinquent balance from 2010 – 2019 was 6.8%.

Further, the *severity* of delinquency has remained steady, with the modest quarter-over-quarter increase attributed to '30 days late' delinquency levels, while others were stable or fell modestly. That said, there is considerable dispersion across loan types. This is shown in Exhibit 6, which tracks 90+ day delinquencies by loan type. Credit card and consumer finance/retail (i.e., 'Other' in Exhibit 6) loans have a higher share of delinquent balances than other loan types. Student loan delinquencies fell modestly during the third quarter, after reaching five-year highs in 2Q2025. As a reminder, student loan collections resumed in May following the expiration of a grace period. As such, the balance of student loans that were marked as 'delinquent' was understated in 2023-2024.

We view the continued, low level of home-related loan delinquencies (i.e., mortgage and HELOC) as a consequence of strong home price appreciation in recent years. For context, from January 2020 to August 2025, the S&P Case-Shiller U.S. National Home Price Index has risen 55%.

Exhibit 5: Delinquent balances modestly increased in 3Q2025

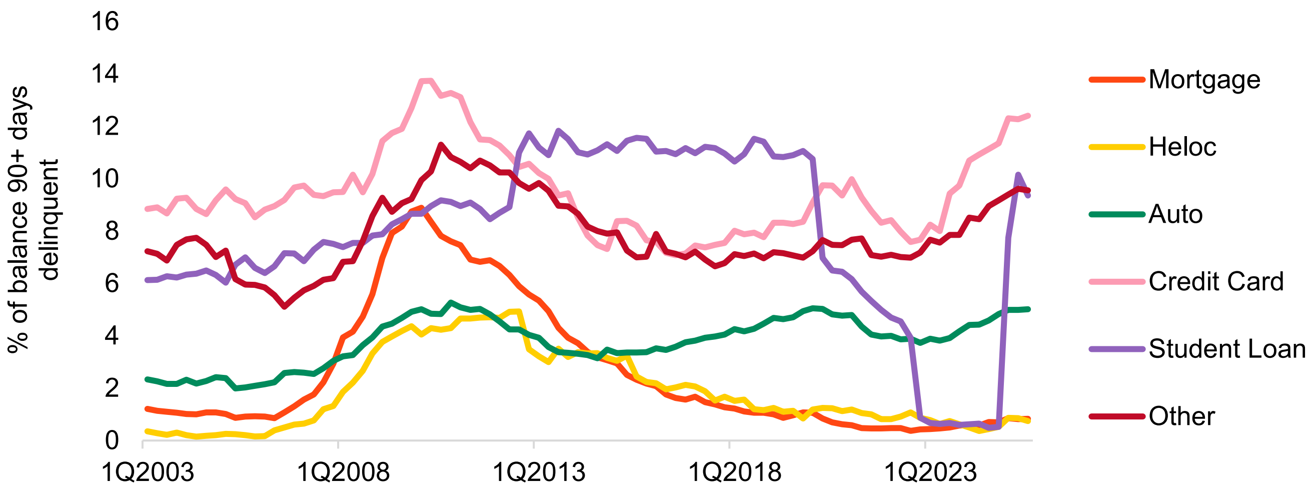
Delinquent balance as a share of total U.S. consumer debt



Source: New York Fed Consumer Credit Panel/Equifax. As of 3Q2025.

Exhibit 6: Credit card loans remain the loan type with the highest delinquent balance

Share of balance 90+ days delinquent by loan type



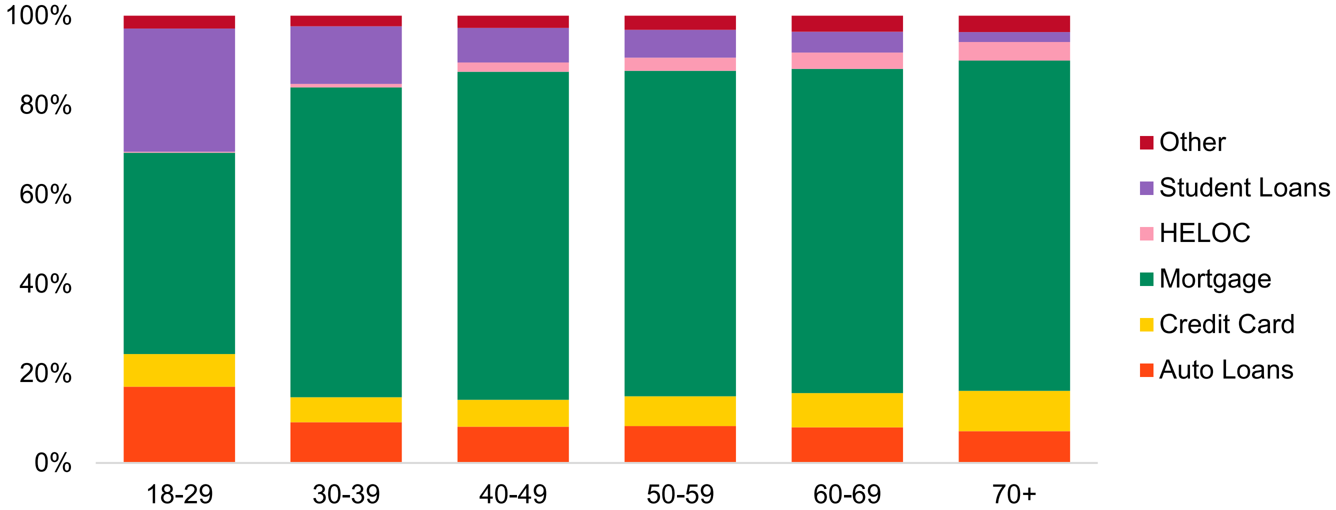
Source: New York Fed Consumer Credit Panel/Equifax, BlackRock. As of 3Q2025 (most recent). The Other category includes Consumer Finance (sales financing, personal loans) and Retail (clothing, grocery, department stores, home furnishings, gas etc.) loans.

Dispersion among borrower types also persists

The borrower profile also exhibits significant variation in loan type concentrations (Exhibit 7) and delinquency rates, which further explains the 'mixed signals' referenced earlier. For example, the youngest cohort (ages 18-29) skews more towards student loans and auto loans than older age cohorts, which generally have more exposure to mortgages, given their higher rates of home ownership.

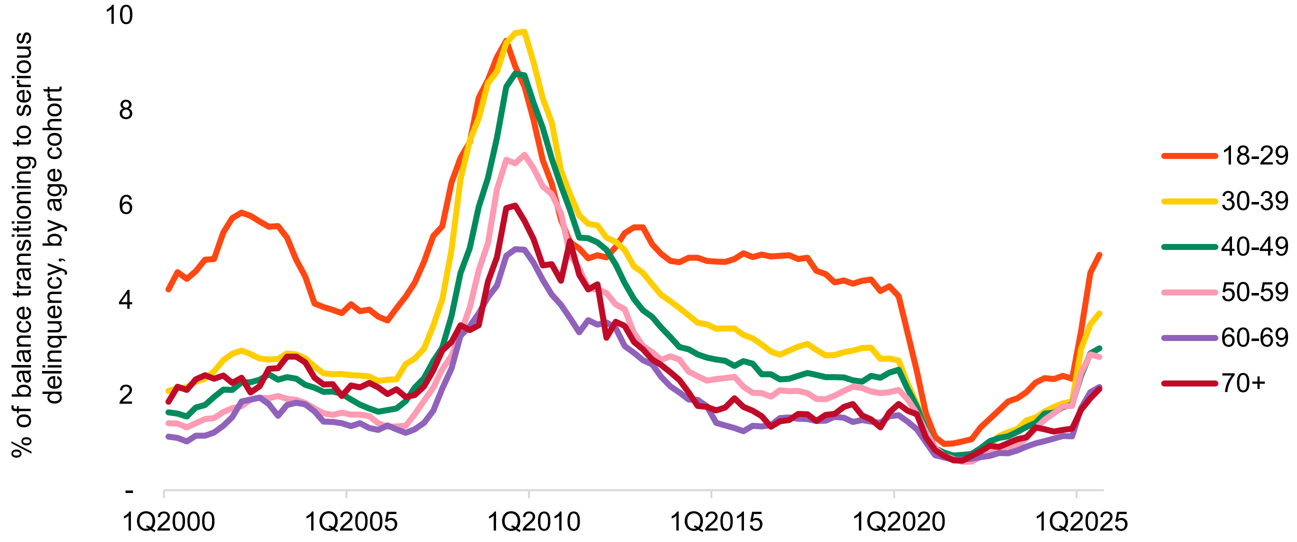
Throughout the New York Federal Reserve Consumer Credit Panel data series, younger age cohorts have generally experienced a higher delinquency rate (Exhibit 8). This likely reflects a variety of factors, in our view. First, the underlying debt mix for younger borrowers tends to skew toward loan types with a higher default rate (i.e., student loans, auto loans; again, Exhibit 6) or variable interest rates (i.e., credit cards). These loan types may also have less meaningful, or no, collateral. By contrast, mortgages can allow the borrower to generate 'equity value' with appreciation in the home's value. Second, as we detail on the next page, younger borrowers generally have less financial cushion than older borrowers, who have had more time to establish higher incomes and acquire assets.

Exhibit 7: Debt balances among younger borrowers skew toward student loans and auto loans
Debt balances by loan type and borrower age



Source: New York Fed Consumer Credit Panel/Equifax, BlackRock. As of 3Q2025. HELOC is a home equity line of credit.

Exhibit 8: Younger borrowers tend to default at a higher rate than older borrowers
Percentage of balance transitioning into serious (90+ day) delinquency, by age cohort. Based on a four-quarter moving sum.



Source: New York Fed Consumer Credit Panel/Equifax, BlackRock. As of 3Q2025.

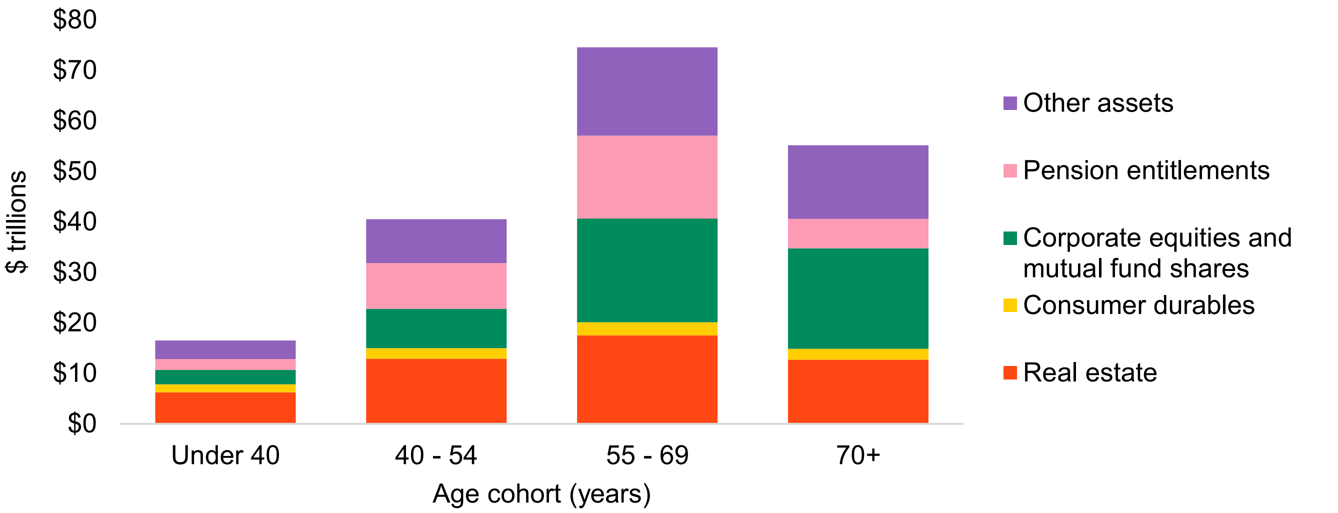
How financial cushions differ across age cohorts

The distribution of aggregate assets and liabilities across age cohorts provides insight into the degree of variation of these financial positions. As shown in Exhibit 9, total asset holdings rise with age: consumers under 40 years old account for the smallest share of aggregate assets, reflecting fewer years in the labor force and less time to accumulate wealth. (The lower aggregate asset base of the 70+ age cohort likely reflects retirement, during which consumers finance their lives with their accumulated asset base, rather than income). Further, Exhibit 10 highlights that the youngest cohort carries the second-highest share of total liabilities.

Taken together, the youngest cohort has the highest aggregate debt-to-asset holdings ratio relative to older cohorts. This data confirms an intuitive view: younger borrowers generally have more limited financial cushions when navigating financial stresses and therefore may struggle more to service their debts. While there is considerable nuance associated with the credit health of individual borrowers, we believe aggregate wealth can help explain dispersion in default rates across borrower age groups.

Exhibit 9: The 55-69 age cohort has the highest total asset holdings

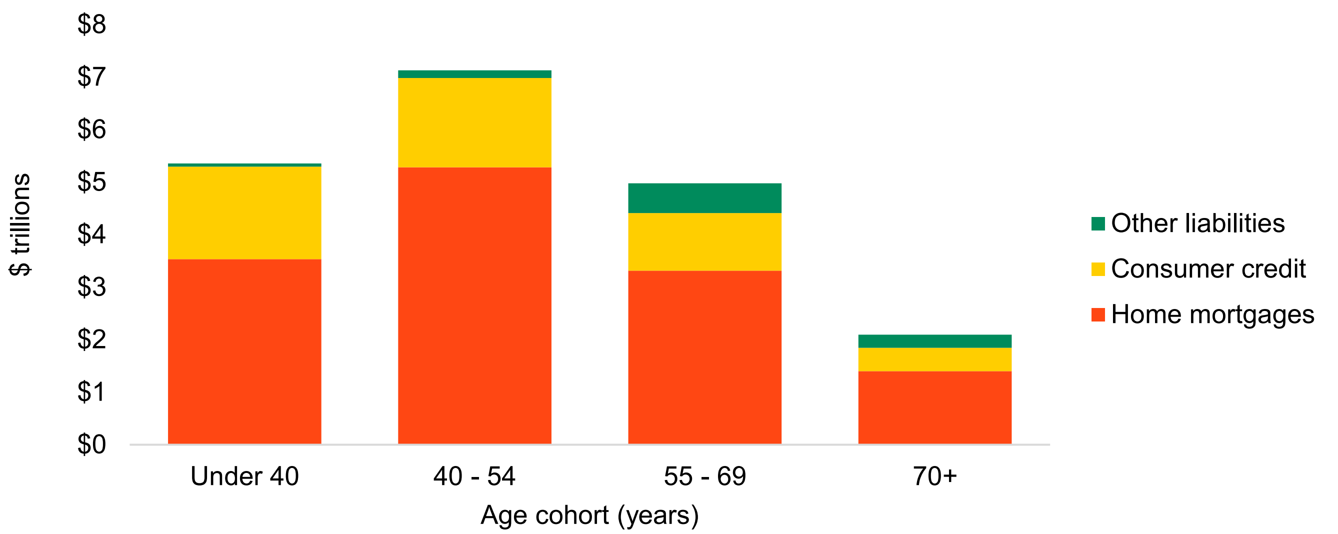
Total asset holdings for U.S. consumers, in $ trillions, by asset type and age cohort (in years)



Source: Federal Reserve Survey of Consumer Finances and Financial Accounts of the United States, BlackRock. As of 2Q2025 (most recent available). Pension entitlements include defined contribution and defined benefit. Other assets include private businesses and other assets.

Exhibit 10: Younger cohorts tend to have higher aggregate liabilities

Total liabilities for U.S. consumers, in $ trillions, by liability type and age cohort (in years)



Source: Federal Reserve Survey of Consumer Finances and Financial Accounts of the United States, BlackRock. As of 2Q2025 (most recent available).

The read-through for corporate credit investors

Given the dispersion and bifurcation evident across the U.S. consumers' collective financial positions, it should be no surprise that consumer-facing sectors in the USD IG and HY credit markets have also experienced performance variation.

While index-level spreads widened across both the IG and HY markets quarter-to-date, sector-level trends reveal meaningful dispersion within and across the rating tiers (Exhibits 11 and 12). For example, while some consumer-focused sectors moved 'together' in the USD IG and HY indices (i.e., consumer cyclical services, gaming), others diverged (i.e., restaurants, supermarkets). Such dispersion, in our view, reflects sector-specific operating dynamics and composition, consumer end-market exposure, and capital structure priorities. This underscores the importance of granular underwriting and active credit selection.

Exhibit 11: The USD IG index widened QTD, as did most consumer-focused sectors...
Option-adjusted spread (OAS), in bp, for the Bloomberg USD Investment Grade Corporate Bond Index

	OAS		% change
	9/30/2025	11/11/2025	
USD Investment Grade Index	**73**	**81**	**11%**
Airlines	93	92	-1%
Automotive	92	93	1%
Consumer Cyclical Services	69	75	8%
Consumer Products	48	54	12%
Food and Beverage	68	74	9%
Gaming	106	115	9%
Home Construction	79	88	11%
Leisure	77	105	37%
Lodging	77	81	5%
Media Entertainment	77	87	14%
Restaurants	61	68	11%
Retailers	48	56	17%
Supermarkets	79	90	13%

Exhibit 12: ...dispersion is also evident in the USD HY index
Option-adjusted spread (OAS), in bp, for the Bloomberg USD High Yield Corporate Bond Index

	OAS		% change
	9/30/2025	11/11/2025	
USD High Yield Index	**267**	**286**	**7%**
Airlines	307	312	1%
Automotive	260	292	12%
Consumer Cyclical Services	266	290	9%
Consumer Products	291	351	21%
Food and Beverage	185	181	-2%
Gaming	243	260	7%
Home Construction	179	217	21%
Leisure	166	197	18%
Lodging	134	134	0%
Media Entertainment	349	351	1%
Restaurants	204	204	0%
Retailers	320	354	11%
Supermarkets	157	145	-8%

For both charts: Source: Bloomberg, BlackRock. As of November 11, 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.

Unless otherwise stated, all reference to $ are in USD.

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Cliffwater Direct Lending Index (CDLI) is an index that assists investors to better understand private credit as an asset class. The CDLI seeks to measure the unlevered, gross of fees performance of U.S. middle market corporate loans, as represented by the underlying assets of Business Development Companies ("BDCs"), including both exchange-traded and unlisted BDCs, subject to certain eligibility criteria. The CDLI is an asset-weighted index that is calculated on a quarterly basis using financial statements and other information contained in the U.S. Securities and Exchange Commission ("SEC") filings of all eligible BDCs. Eligibility is set as all assets held by BDCs that (1) are regulated by the SEC as a BDC under the Investment Company Act of 1940; (2) have a substantial majority (approximately 75%) of reported total assets represented by direct loans made to corporate borrowers, as categorized by each BDC and subject to Cliffwater's discretion, and (3) file SEC form 10-Q (or 10-K, as applicable) within 75 (or 90) calendar days following the current Valuation Date. If a BDC meets the eligibility criteria, but has not filed its report on Form 10-K or 10-Q with the SEC at the time the index is reconstituted, asset information from its report will be included in the index at the time of the next reconstitution. This information is derived from sources that are considered reliable, but BlackRock does not guarantee the veracity, currency, completeness or accuracy of this information.

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