

Daily Dose of Macro & Markets 25th July 2025: “US: ‘Skipping Car Payments’”

The ‘Daily Dose of Macro & Markets’ is our new publication designed to speak to the key global macro debates that matter for markets (with 1 - 3 charts and two paragraphs). This product will be published every Tuesday, Wednesday, Thursday and Friday morning (early London time).

Key Quote:

“...They’re Skipping Car Payments; That’s The Final Warning Sign...”

...Delinquencies, especially among subprime borrowers, are spiking. This matters. People will skip everything else before they lose their car. That’s how they get to work. If they’re missing payments now, the strain is already severe.”

Source: Forbes, 18th July 2025, <https://www.forbes.com/sites/jimosman/2025/07/15/theyre-skipping-car-payments-thats-the-final-warning-sign/>

Consumers Cracking?

One of our key macro themes is that there has been a ‘soft underbelly to growth’ in the US economy (for the past 1 – 3 years). That is, large parts of the US have struggled, and continue to do so: Housing activity, for example, has been weak, as evidenced by the latest existing home sales data (published this week), which is close to 15 year lows - see Chart 2; US industrial production has been flat for 3 years; SMEs are under pressure (with ‘poor sales’ increasingly reported by the NFIB as ‘the single largest problem for small businesses’). These all reflect the effects of tight money on US economic activity. Until recently, those effects have been masked by loose fiscal policy (which, along with AI related themes, has driven the strength in the economy).

That evidence for a ‘soft underbelly’ extends into the consumer sector (at least at the lower income end).

As Forbes reported last week, “subprime auto loan delinquencies have now surpassed 2009 levels”; “Even prime borrowers are falling behind.”...

...while Lending Tree report: “5.1% of Americans with auto loans are delinquent on at least one account.”; & “Borrowers in states with higher delinquency rates often face heavier monthly car payment burdens. In Mississippi, Louisiana and Georgia, monthly car payments per person average \$802, \$821 and \$794, respectively — each above the national average of \$751.”

Source: Lending Tree, June 17th 2025, <https://www.lendingtree.com/auto/delinquency-rates-study/>

That high level of delinquency rates is shown in Chart 1. It’s the latest data from the Fed consumer survey (published in May, Q1 2025 data). As the chart shows, the ‘90 days or more’ delinquent rates for auto loans have been picking up for several quarters, and reached 4.99% in Q1 (just shy of the 2010 peak). The equivalent delinquent rate for credit card loans is also close to its record post GFC highs.

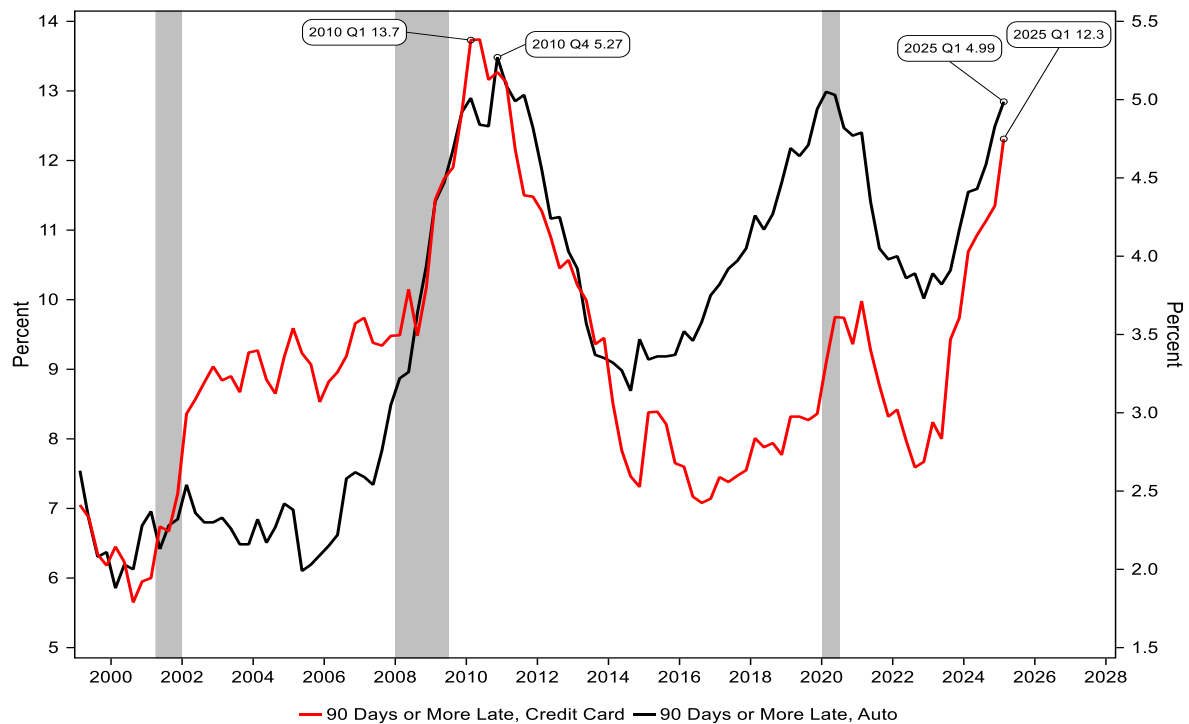
All of which is further evidence that there is a ‘soft underbelly to US growth’.

As of yet, though, that softness hasn't appeared in the top level GDP data with the Atlanta Fed, for example, Nowcasting Q2 GDP expectations at 2.4% (updated 18th July), while consensus expects growth of 2.1% (annualised, Q2). With fiscal policy also tighter at the moment (as we argued in Longview on Friday, 13th June), then slower GDP growth is likely in the second half. Consensus estimates (as per Bloomberg) are for growth of 0.7% (q3), 1.2% (q4) and 1.6% for 2026. Those signs of consumer stress, though, raise the potential for the outcome to be worse than expected.

Table 1: Bloomberg consensus US GDP growth

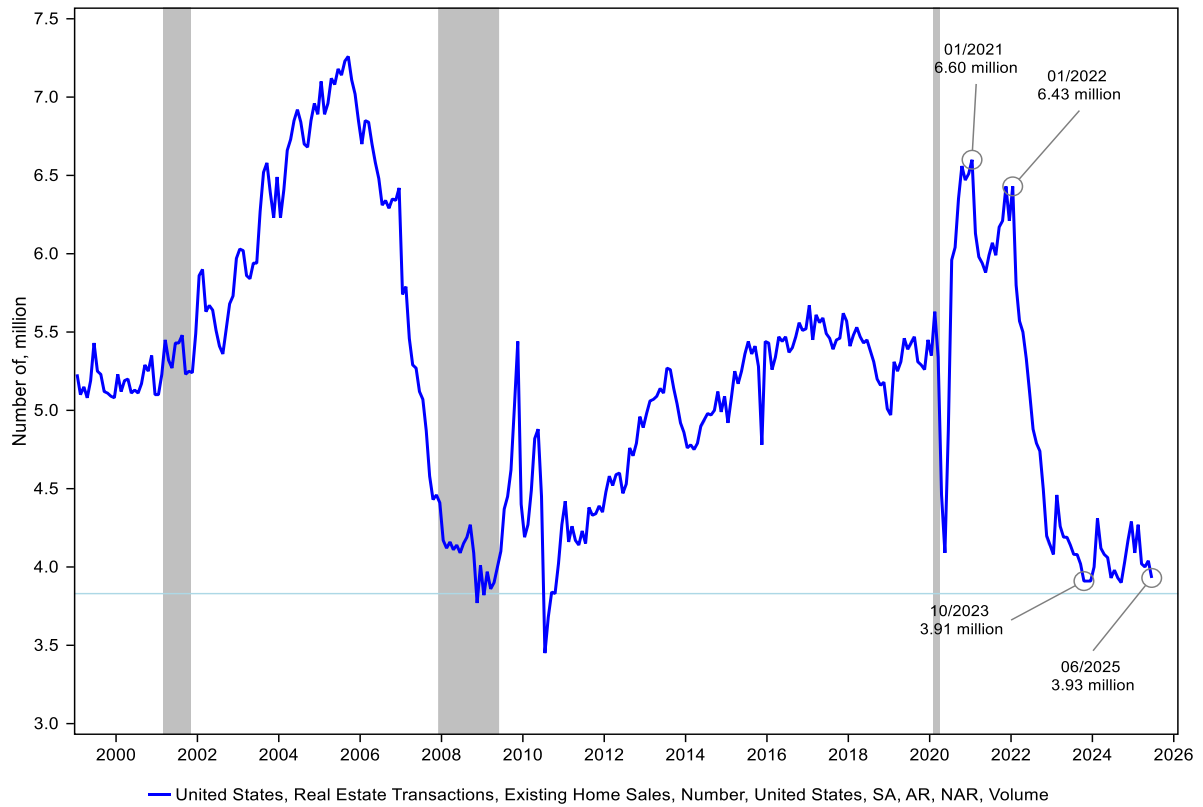
United States		Browse		Real GDP (QoQ% SAAR)				Yearly		Quarterly	
Q1 25 Actual		-0.5		Q1 25 Forecast				-0.3			
		Q2 25	Q3 25	Q4 25	Q1 26	Q2 26	Q3 26	Q4 26	Q1 27		
Median		2.1	0.8	1.2	1.5	1.9	1.9	2.0			
Mean		2.2	0.7	1.2	1.6	1.9	1.9	2.0			
Bloomberg Weighted Average		2.0	0.9	1.1	1.6	1.9	1.9	2.0			
High		5.7	3.0	3.2	2.8	3.2	3.0	3.0			
Low		-0.6	-1.0	-0.8	0.2	0.8	1.2	0.9			
Responses		57	57	57	55	55	54	51			
Jun. Survey		2.1	0.8	1.2	1.5	1.8	1.9	2.0			
May Survey		1.3	0.8	1.3	1.5	1.8	1.9	2.0			

Chart 1: Consumer lending delinquency rates (90 days or more overdue, credit card & auto loans)



Source: Longview Economics, Macrobond

Chart 2: US existing home sales (millions, monthly data)



Source: Longview Economics, Macrobond