

PIMCO



PM CHARTBOOK

Charting the U.S. Consumer With Kristofer Kraus

JUNE 2025

Kristofer Kraus, a portfolio manager who co-leads PIMCO's asset-based finance business, charts the nuances behind the overall resilience of U.S. consumers – and explains how these insights shape lending and investment strategies.

IMPORTANT NOTICE

Please note that this communication contains the opinions of the manager as of the date sent and may not have been updated to reflect real time market developments. All opinions are subject to change without notice.

Rising home equity has fueled U.S. consumer strength

U.S. consumers have benefited from a steady increase in homeowner equity over the past several decades, which has been a key driver of rising household net worth. As of late 2024, the median net worth of U.S. homeowners is approximately \$400,000, while that of renters is about \$10,400 – a nearly 40-fold difference in household wealth.¹

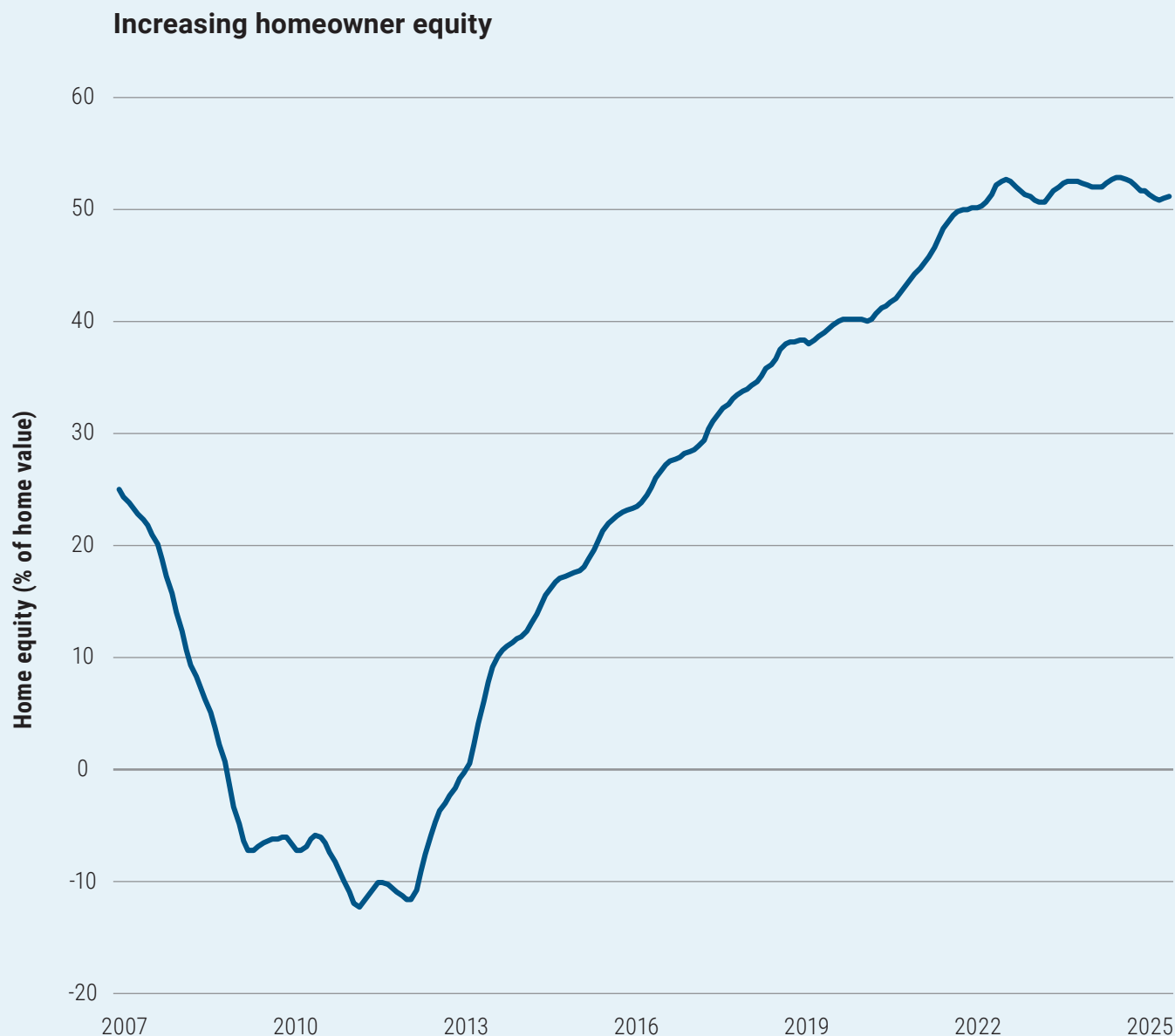
The growth in homeowners' net worth is supported by record-high home values, low long-term debt costs (many households secured low fixed-rate mortgages during 2020–2021), and elevated savings and cash reserves.

Combined with a strong labor market and wage growth, these factors contribute to a resilient U.S. consumer base that is well-positioned to navigate economic challenges and tighter lending conditions.

Source: PIMCO as of 20 May 2025. This chart shows the combined loan-to-value ratio, which is the ratio of all loans secured by a property to the property's value.

Refer to Appendix for additional investment strategy, outlook, and risk information.

¹ According to the Aspen Institute

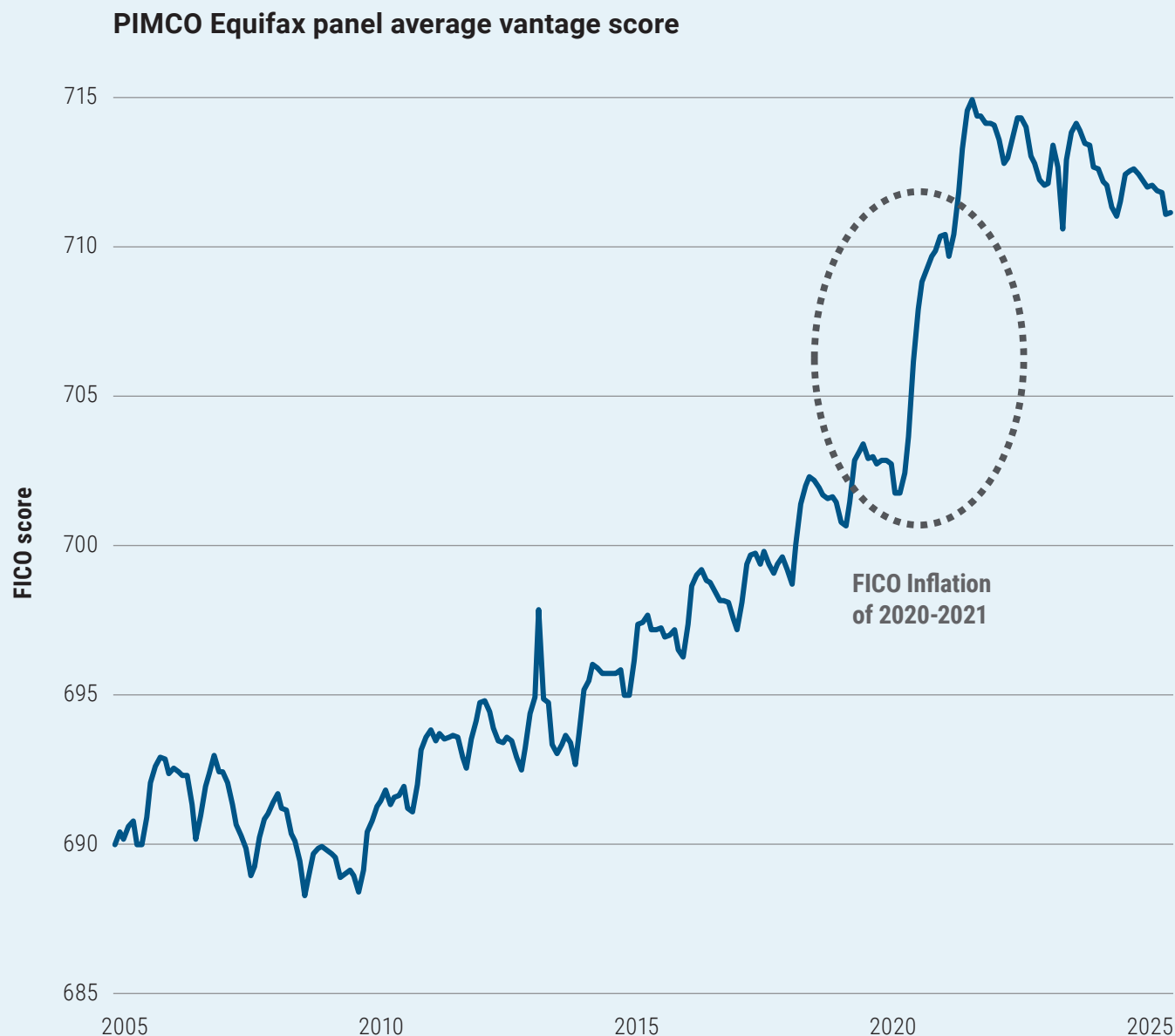


Active underwriting reveals risks concealed by inflated credit scores

However, while U.S. household balance sheets remain broadly healthy, delinquencies are rising. During the pandemic, widespread fiscal stimulus, loan forbearance, and suppression of delinquent collections led to an artificial boost in credit scores, a phenomenon we call “FICO inflation.”

Average FICO scores surged, peaking around 715 in 2021. Today, some of these borrowers are delinquent or even defaulting: As the pandemic-related supports rolled off, credit performance normalized, exposing vulnerabilities among borrowers whose scores were temporarily elevated.

Source: Equifax data and PIMCO calculations as of 20 May 2025
Refer to Appendix for additional investment strategy, outlook, and risk information.

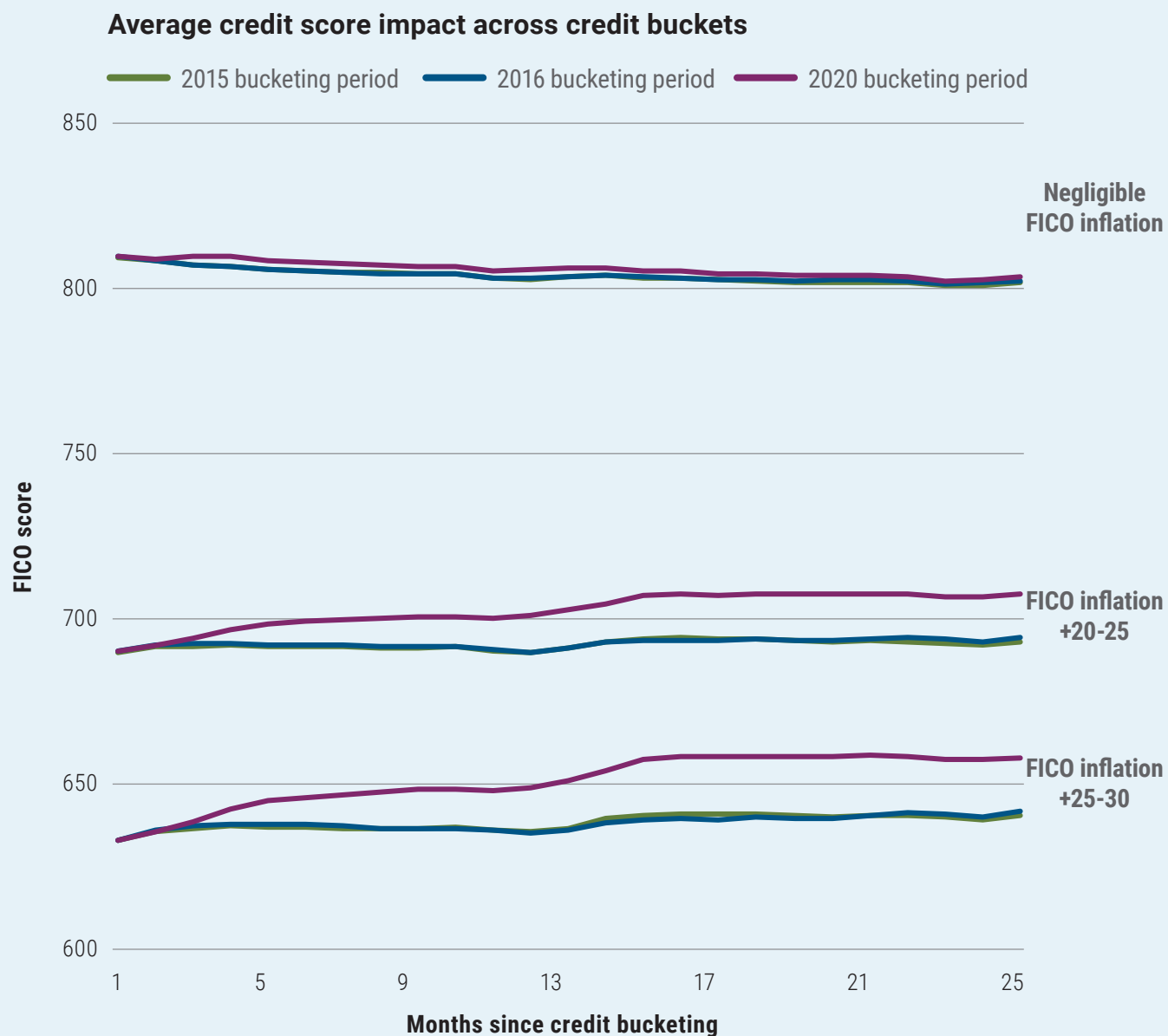


Lower-tier borrowers showed greater FICO inflation, with higher-tier borrowers relatively unaffected

In particular, lower-tier (601–650) and mid-tier (661–720) credit bands saw the biggest lift, with FICO scores jumping 25–30 points and 20–25 points, respectively.

By contrast, top-tier borrowers (781–850) saw little to no impact. Recalibrations to the score-calculating model may have amplified the net effect.

Overall, FICO inflation appears to have given a disproportionate – and in many cases temporary – benefit to riskier borrowers.



Source: Equifax data and PIMCO calculations as of May 2025
Refer to Appendix for additional investment strategy, outlook, and risk information.

Lending connected to resilient U.S. homeowners is increasingly attractive in a divergent market

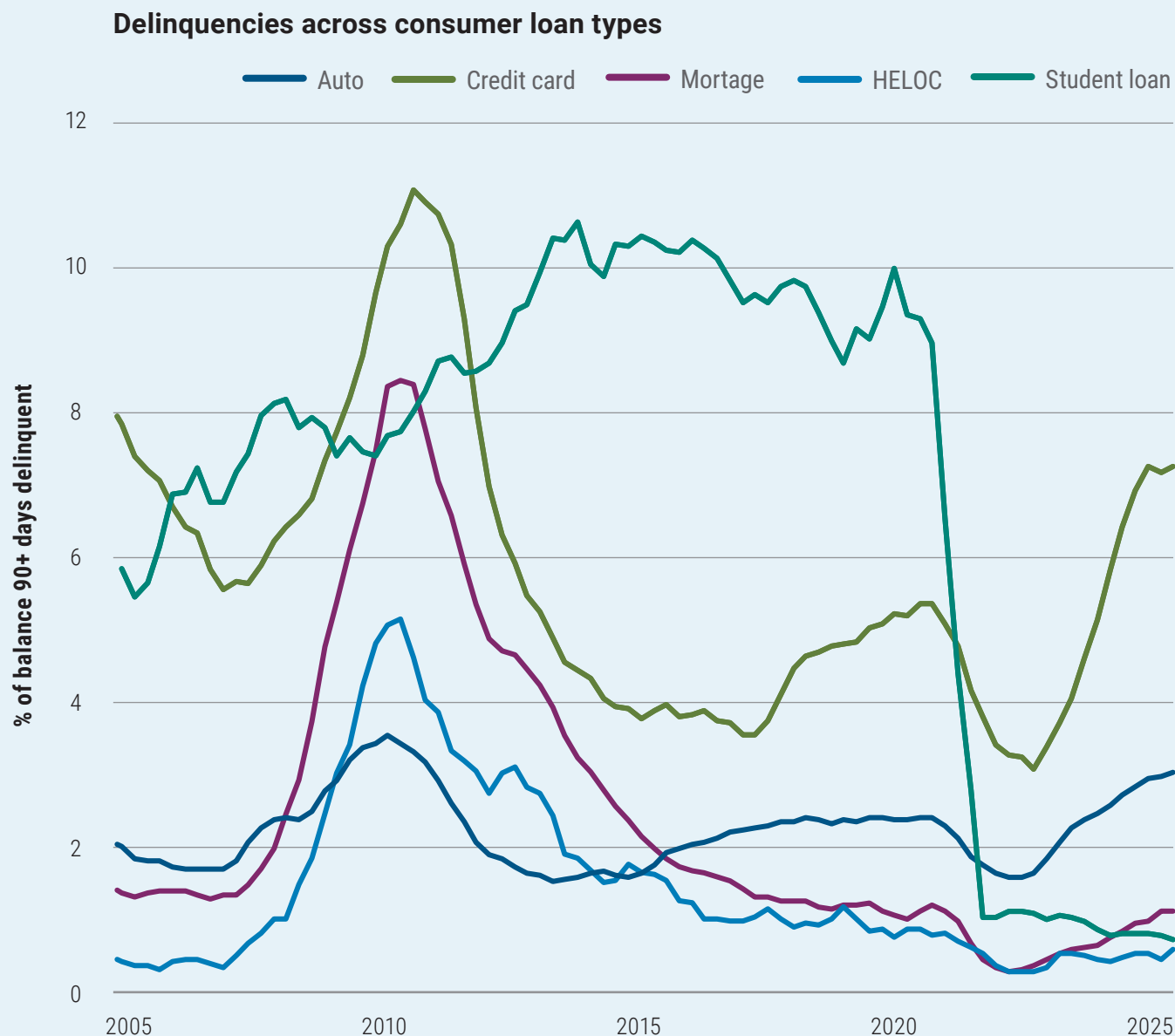
Delinquencies are increasingly bifurcated by consumer asset class.

Some borrowers are faring well: As of Q4 2024, serious delinquencies (90+ days) in mortgages, home equity line of credit, and student loans remain near historical lows, supported by home equity gains, fixed-rate debt structures, and policy tailwinds.

In contrast, credit cards and auto loans – particularly among lower-tier borrowers – have seen a steady rise in delinquencies since 2022, reflecting inflation pressures and depleted pandemic-era savings. Student loans may come under greater pressure in the months ahead as pandemic-related forbearance programs end.

Thoughtful analysis of consumer loan pools is critical to managing the risk/reward balance in asset-based finance.

Source: Federal Reserve Bank of New York as of 14 May 2025
Refer to Appendix for additional investment strategy, outlook, and risk information.



Tighter underwriting standards bolster resilience in consumer lending

Facing these delinquency trends, personal loan originators have become more cautious in 2024 and 2025, underwriting to some of the tightest credit standards in recent history. Average FICO scores on new originations now approach 730, up from below 700 just three years ago, while borrower income has climbed to \$140,000 on average – more than a 25% increase since 2022.

These shifts reflect careful credit analysis and a focus on more reliable borrowers in what's likely the later stage of the credit cycle.

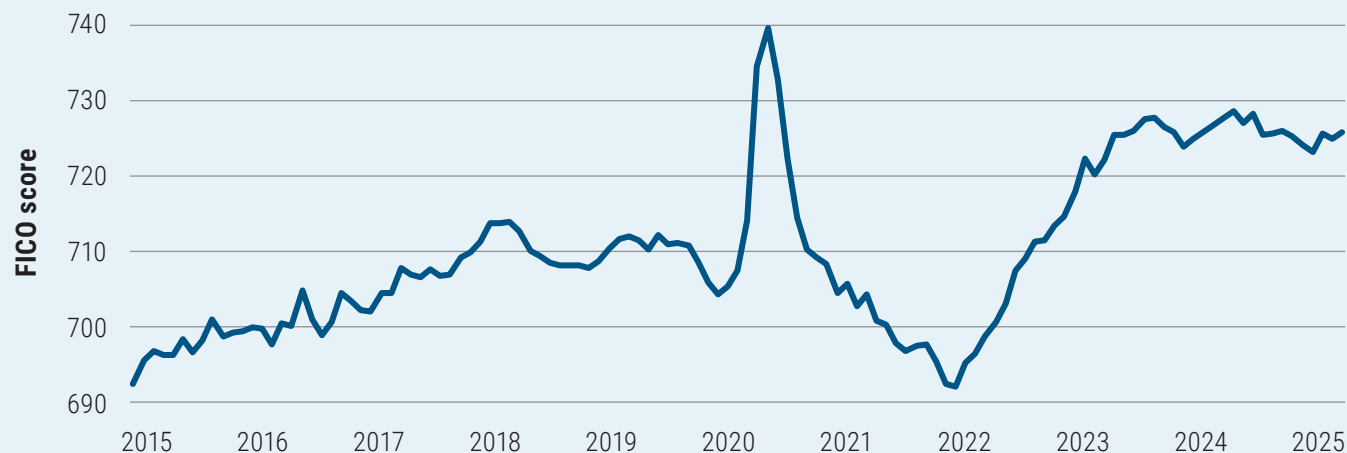
The result of stricter underwriting standards is a more defensive and resilient personal loan market, with structural tailwinds for performance.

Source: Bloomberg data, PIMCO calculations as of 14 May 2025
Refer to Appendix for additional investment strategy, outlook, and risk information.

Originations by income



Originations by FICO



Appendix

PERFORMANCE

Past performance is not a guarantee or a reliable indicator of future results

CHARTS

Performance results for certain charts and graphs may be limited by date ranges specified on those charts and graphs; different time periods may produce different results. Charts are provided for illustrative purposes and are not indicative of the past or future performance of any PIMCO product

INDEX

It is not possible to invest directly in an unmanaged index

OUTLOOK

Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest for the long term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

RISK

Investing in the bond market is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed.

INVESTMENT STRATEGY

There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest long-term, especially during periods of downturn in the market.

Appendix

This material contains the current opinions of the manager and such opinions are subject to change without notice. This material is distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed.

PIMCO as a general matter provides services to qualified institutions, financial intermediaries and institutional investors. Individual investors should contact their own financial professional to determine the most appropriate investment options for their financial situation. This is not an offer to any person in any jurisdiction where unlawful or unauthorized. | **Pacific Investment Management Company LLC**, 650 Newport Center Drive, Newport Beach, CA 92660 is regulated by the United States Securities and Exchange Commission. | **PIMCO Europe Ltd (Company No. 2604517, 11 Baker Street, London W1U 3AH, United Kingdom)** is authorised and regulated by the Financial Conduct Authority (FCA) (12 Endeavour Square, London E20 1JN) in the UK. The services provided by PIMCO Europe Ltd are not available to retail investors, who should not rely on this communication but contact their financial adviser. Since PIMCO Europe Ltd services and products are provided exclusively to professional clients, the appropriateness of such is always affirmed. **PIMCO Europe GmbH (Company No. 192083, Seidlstr. 24-24a, 80335 Munich, Germany)** is authorized and regulated by the German Federal Financial Supervisory Authority (BaFin) (Marie-Curie-Str. 24-28, 60439 Frankfurt am Main) in Germany in accordance with Section 15 of the German Securities Institutions Act (WpIG). **PIMCO Europe GmbH Italian Branch (Company No. 10005170963, Via Turati nn. 25/27 (angolo via Cavalieri n. 4) 20121 Milano, Italy)**, **PIMCO Europe GmbH Irish Branch (Company No. 909462, 57B Harcourt Street Dublin D02 F721, Ireland)**, **PIMCO Europe GmbH UK Branch (Company No. FC037712, 11 Baker Street, London W1U 3AH, UK)**, **PIMCO Europe GmbH Spanish Branch (N.I.F. W2765338E, Paseo de la Castellana 43, Oficina 05-111, 28046 Madrid, Spain)**, **PIMCO Europe GmbH French Branch (Company No. 918745621 R.C.S. Paris, 50-52 Boulevard Haussmann, 75009 Paris, France)** and **PIMCO Europe GmbH (DIFC Branch) (Company No. 9613, Unit GD-GB-00-15-BC-05-0, Level 15, Gate Building, Dubai International Financial Centre, United Arab Emirates)** are additionally supervised by: (1) **Italian Branch: the Commissione Nazionale per le Società e la Borsa (CONSOB)** (Giovanni Battista Martini, 3 - 00198 Rome) in accordance with Article 27 of the Italian Consolidated Financial Act; (2) **Irish Branch: the Central Bank of Ireland** (New Wapping Street, North Wall Quay, Dublin 1 D01 F7X3) in accordance with Regulation 43 of the European Union (Markets in Financial Instruments) Regulations 2017, as amended; (3) **UK Branch: the Financial Conduct Authority (FCA)** (12 Endeavour Square, London E20 1JN); (4) **Spanish Branch: the Comisión Nacional del Mercado de Valores (CNMV)** (Edison, 4, 28006 Madrid) in accordance with obligations stipulated in articles 168 and 203 to 224, as well as obligations contained in Title V, Section I of the Law on the Securities Market (LSM) and in articles 111, 114 and 117 of Royal Decree 217/2008, respectively, (5) **French Branch: ACPR/Banque de France** (4 Place de Budapest, CS 92459, 75436 Paris Cedex 09) in accordance with Art. 35 of Directive 2014/65/EU on markets in financial instruments and under the surveillance of ACPR and AMF and (6) **DIFC Branch: Regulated by the Dubai Financial Services Authority («DFSA»)** (Level 13, West Wing, The Gate, DIFC) in accordance with Art. 48 of the Regulatory Law 2004. The services provided by PIMCO Europe GmbH are available only to professional clients as defined in Section 67 para. 2 German Securities Trading Act (WpHG). They are not available to individual investors, who should not rely on this communication. According to Art. 56 of Regulation (EU) 565/2017, an investment company is entitled to assume that professional clients possess the necessary knowledge and experience to understand the risks associated with the relevant investment services or transactions. Since PIMCO Europe GMBH services and products are provided exclusively to professional clients, the appropriateness of such is always affirmed. **PIMCO (Schweiz) GmbH (registered in Switzerland, Company No. CH-020.4.038.582-2, Brandschenkestrasse 41 Zurich 8002, Switzerland)**. According to the Swiss Collective Investment Schemes Act of 23 June 2006 ("CISA"), an investment company is entitled to assume that professional clients possess the necessary knowledge and experience to understand the risks associated with the relevant investment services or transactions. Since PIMCO (Schweiz) GmbH services and products are provided exclusively to professional clients, the appropriateness of such is always affirmed. The services provided by PIMCO (Schweiz) GmbH are not available to retail investors, who should not rely on this communication but contact their financial adviser. **PIMCO Asia Pte Ltd** (8 Marina View, #30-01, Asia Square Tower 1, Singapore 018960, Registration No. 199804652K) is regulated by the Monetary Authority of Singapore as a holder of a capital markets services licence and an exempt financial adviser. The asset management services and investment products are not available to persons where provision of such services and products is unauthorised. | **PIMCO Asia Limited** (Suite 2201, 22nd Floor, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong) is licensed by the Securities and Futures Commission for Types 1, 4 and 9 regulated activities under the Securities and Futures Ordinance. PIMCO Asia Limited is registered as a cross-border discretionary investment manager with the Financial Supervisory Commission of Korea (Registration No. 08-02-307). The asset management services and investment products are not available to persons where provision of such services and products is unauthorised. | **PIMCO Investment Management (Shanghai) Limited**. Office address: Suite 7204, Shanghai Tower, 479 Lujiazui Ring Road, Pudong, Shanghai 200120, China (Unified social credit code: 91310115MA1K41MU72) is registered with Asset Management Association of China as Private Fund Manager (Registration No. P1071502, Type: Other). | **PIMCO Australia Pty Ltd** ABN 54 084 280 508, AFSL 246862. This publication has been prepared without taking into account the objectives, financial situation or needs of investors. Before making an investment decision, investors should obtain professional advice and consider whether the information contained herein is appropriate having regard to their objectives, financial situation and needs. To the extent it involves Pacific Investment Management Co LLC (PIMCO LLC) providing financial services to wholesale clients, PIMCO LLC is exempt from the requirement to hold an Australian financial services licence in respect of financial services provided to wholesale clients in Australia. PIMCO LLC is regulated by the Securities and Exchange Commission under US laws, which differ from Australian laws. | **PIMCO Japan Ltd**, Financial Instruments Business Registration Number is Director of Kanto Local Finance Bureau (Financial Instruments Firm) No. 382. PIMCO Japan Ltd is a member of Japan Investment Advisers Association, The Investment Trusts Association, Japan and Type II Financial Instruments Firms Association. All investments contain risk. There is no guarantee that the principal amount of the investment will be preserved, or that a certain return will be realized; the investment could suffer a loss. All profits and losses incur to the investor. The amounts, maximum amounts and calculation methodologies of each type of fee and expense and their total amounts will vary depending on the investment strategy, the status of investment performance, period of management and outstanding balance of assets and thus such fees and expenses cannot be set forth herein. | **PIMCO Taiwan Limited** is an independently operated and managed company. The reference number of business license of the company approved by the competent authority is (112) Jin Guan Tou Gu Xin Zi No. 015. The registered address of the company is 40F., No.68, Sec. 5, Zhongxiao East Rd., Xinyi District, Taipei City 110, Taiwan (R.O.C.), and the telephone number is +886 2 8729-5500. | **PIMCO Canada Corp.** (199 Bay Street, Suite 2050, Commerce Court Station, P.O. Box 363, Toronto, ON, M5L 1G2) services and products may only be available in certain provinces or territories of Canada and only through dealers authorized for that purpose. | **Note to Readers in Colombia:** This document is provided through the representative office of Pacific Investment Management Company LLC located at Carrera 7 No. 71-52 TB Piso 9, Bogota D.C. (Promoción y oferta de los negocios y servicios del mercado de valores por parte de Pacific Investment Management Company LLC, representada en Colombia.). **Note to Readers in Brazil:** PIMCO Latin America Administradora de Carteiras Ltda.Av. Brg. Faria Lima, 3477 Itaim Bibi, São Paulo - SP 04538-132 Brazil. **Note to Readers in Argentina:** This document may be provided through the representative office of PIMCO Global Advisors LLC AVENIDA CORRIENTES, 299, Buenos Aires, Argentina. | No part of this publication may be reproduced in any form, or referred to in any other publication, without express written permission. PIMCO is a trademark of Allianz Asset Management of America LLC in the United States and throughout the world. ©2025, PIMCO.

CMR2025-0514-4505440