Credit Conditions Through the Eyes of Consumers

Overview
Credit card purchase volumes rose in the second quarter of 2019, reflecting a strong resurgence in consumer spending after a lackluster Q1.

1. Seasonally adjusted monthly purchase volumes increased across risk-tiers compared to the previous quarter, led by prime accounts. Purchase volumes also rose on a year-over-year basis, particularly for sub-prime (+5.5 percent, or $11/month) and super-prime (+5.3 percent, or $34/month) accounts.

2. The effective finance charge yield (a measure of interest payments relative to overall card usage) fell 12 basis points to 13.21 percent, consistent with a sharp decline (-1.3 percentage points) in the share of revolving credit accounts. The share of Revolvers is now at a two-year low.

3. Credit card debt as a share of disposable income rose 4 bp to 5.33 percent (seasonally adjusted) compared to Q1 but is unchanged over the last year.

Monthly Purchase Volume by Risk Type (SA*)
Seasonally adjusted purchase volumes increased across risk tiers on a quarterly basis, mirroring robust consumer spending in the second quarter. Compared to year-ago levels, purchase volumes increased across the board, with subprime (+5.5 percent) and super-prime (+5.3 percent) accounts experiencing moderate yearly growth while prime account spending (+1.6 percent) grew modestly.

Effective Finance Charge Yield
The effective finance charge yield fell 12 basis points to 13.21 percent in Q2. The decline is consistent with a sharp decline in the share of revolving credit accounts and predates the Federal Reserve’s decision to cut its benchmark rate by 50 bp in the third quarter.

Distribution of Accounts by Behavior Type
The share of Transactors increased 1.0 percentage point to 31.1 percent in Q2, its highest level on record. The share of Revolvers declined 1.3 percentage points — its lowest level in two years — while Dormant accounts rose 0.3 point.
Growth in credit card accounts continues to be driven by super-prime accounts, particularly among accounts opened in the previous 24 months. Meanwhile, growth in credit lines was mixed as super-prime lines fell, prime lines increased, and subprime lines were mostly unchanged.

1) Overall, new accounts fell for the sixth consecutive quarter, with both prime and subprime openings falling to their lowest level in nearly four years. Meanwhile, total accounts grew 2.5 percent compared to a year ago, driven by the super-prime risk tier.

2) Credit lines for new accounts were mixed, with prime lines rising to their highest level since 2010 while super-prime lines fell to a three-year low. Among all accounts, credit lines are modestly above year-ago levels for all risk tiers but remain well below recession-era highs.

Average Credit Line (New Accounts*)
In Q2, average credit lines for accounts opened in the previous 24 months fell 1.0 percent for super-prime accounts and eased 0.3 percent for subprime. Meanwhile, credit lines for prime accounts grew 1.3 percent compared to last quarter.

Super Prime
$10,060

Prime
$5,806

Sub Prime
$2,701

Source: Argus Information & Advisory Services LLC.

Average Credit Line (All Accounts)
Average credit lines for all open accounts increased modestly for subprime (+0.1 percent) and prime (+0.6 percent) accounts and fell modestly for super-prime (-0.2 percent) accounts. Credit lines have risen 1-5 percent compared to last year but remain 8-23 percent below 2009 highs.

Super Prime
$11,763

Prime
$7,701

Sub Prime
$3,864

Source: Argus Information & Advisory Services LLC.

Number of New Accounts* (Millions)
New account openings fell for the sixth consecutive quarter in Q2, reflecting sharp annual declines in new subprime (-6.1 percent) and prime (-8.4 percent) accounts. However, new super-prime accounts rose 3.5 percent to a new all-time high.

Number of All Accounts (Millions)
In Q2, total open accounts increased 2.5 percent on a year-over-year basis, driven by the 15th consecutive quarterly increase in super-prime accounts. Subprime accounts now comprise less than 20 percent of all accounts, the lowest level since late 2015.
Frequently Asked Questions: ABA Credit Card Industry Monitor

Q: What is the Credit Card Market Monitor?

The American Bankers Association (“ABA”) Credit Card Market Monitor (“Monitor”) provides key statistics on industry trends and relevant economic factors affecting the industry. The purpose of the report is for ABA to provide a clear, concise, and fact-driven assessment of credit card market conditions and to place current trends in both a historical and macroeconomic context.

Q: How often and when is it released?

The Monitor is published quarterly, with the first report released in September 2013.

Q: Who publishes the report?

The report is published by the American Bankers Association. Data is provided by Argus Information and Advisory Services, which serves as the leading provider of information services for U.S. financial institutions. Analytical support is provided by Keybridge LLC, a boutique economic and public policy consulting firm with a diverse clientele of companies, associations, and other institutions that operate at the intersection of economics and public policy.

Q: Where do the data come from?

The data used in the report originate from proprietary industry databases and publicly available government sources. Specifically, the credit card data are taken from a nationally representative sample provided by Argus. Credit card data are presented as national averages for all accounts based on actual credit card account information. No individual account holder’s information or specific financial institution’s data can be identified from the data set. Other data used in the report are taken from various public and private sources, including the Department of Commerce’s Bureau of Economic Analysis and the Federal Reserve.

Q: How current are the data?

In all cases, the Monitor uses the latest available quarterly data, which are typically published several weeks after the end of each quarter. As a result, there is a time lag between the period of the latest available data and the Monitor’s publication date. Among the figures used in the Monitor, data typically lag by 1-2 quarters.

Q: What are the data elements included in the Monitor, and how are they defined?

Page 1 of the Monitor shows credit conditions through the eyes of consumers, while Page 2 depicts broader credit market conditions. Each page consists of four charts and includes an overview section followed by brief textual descriptions that accompany each chart. In some cases, charts are broken down by risk category (sub-prime, prime, and super-prime). These risk categories are defined by Argus according to the following risk scores: (1) sub-prime <680, (2) prime 680-759, and (3) super-prime >759.
Page 1 Charts

- *Monthly Purchase Volume, by Risk Type:* The average amount of purchases paid for with credit cards per cardholder per month, for each risk category.

- *Credit Card Debt Outstanding as a Share of Disposable Income:* Credit Card Debt-to-Income is a commonly used ratio to indicate cardholders’ ability to repay their credit card balances. Outstanding Credit Card Debt measures the aggregate amount of outstanding credit card loans held by U.S. households as reported by the Federal Reserve. Disposable Income is the aggregate amount of money available to individuals after saving and income taxes as reported by the Federal Reserve.

- *Effective Finance Charge Yield:* This credit card rate, sourced from Argus, represents the average effective finance charge yield on all accounts. The effective finance charge yield is the annualized interest income generated by a portfolio expressed as a percentage of a portfolio’s assets.

- *Distribution of Accounts by Behavior Type:* The share of credit card accounts by three behavior categories: (1) “Transactors,” or accounts that have purchases, fees, and/or a balance during the quarter but have no finance charges (net of reversals) in any month of a quarter; (2) “Revolvers,” or accounts for which some percentage of the monthly balance is rolled over to the next month at least once during a quarter; and (3) “Dormants,” or accounts that show no activity over the course of the quarter.

Page 2 Charts

- *Average Credit Line (New Accounts):* The average line of credit on accounts opened in the last 24 months, by risk category.

- *Average Credit Line (All Accounts):* The average line of credit on open accounts, by risk category.

- *Number of New Accounts:* The number of accounts opened within the past 24 months of a given quarter, by risk category.

- *Number of All Accounts:* The total number of open accounts in a given quarter, by risk category.

**Q: Where can I find past editions of the report, and who is the point of contact?**

Past editions of the Monitor are available at ABA’s website ([www.aba.com](http://www.aba.com)). For inquiries related to the Monitor, please contact Mike Townsend, ABA Director of Public Relations, at 202-663-5471.

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