CREDIT CARD MARKET MONITOR
August 2022

Q1 Credit Conditions Through the Eyes of Consumers

Overview
Consumer credit conditions softened slightly in Q1 2022, though they remain strong.

1) Real monthly purchase volumes (seasonally adjusted) eased across risk tiers after reaching series highs the previous quarter. Still, purchase volumes were elevated on an annual basis (in part due to inflation) and are consistent with strong consumer spending growth during the first part of the year.

2) Credit card credit outstanding as a share of disposable income increased by 16 bps in Q1, as real disposable income decreased and credit card credit outstanding rose slightly. Compared to pre-pandemic levels, however, this measure remains low, down 74 bps from Q1 2020.

3) The share of Revolvers rose for the fourth consecutive quarter in Q1, putting upward pressure on the effective finance charge yield. Meanwhile, the share of Transactors decreased, and the share of Dormant accounts fell slightly.

Real Monthly Purchase Volume by Risk Type (SA)
Across all risk tiers, real seasonally adjusted purchase volumes fell in Q1. Real super-prime monthly purchase volumes fell for the first time in seven quarters, while prime and subprime account purchase volumes declined for the first time in over a year. On an annual basis, however, real purchase volumes are up 13-17 percent across risk tiers.

Effective Finance Charge Yield
The effective finance charge yield increased 10 bps to 12.10 percent in Q1, reflecting the rising share of revolving accounts. Given the Federal Reserve’s efforts to combat inflation through higher interest rates, the effective finance charge yield may rise over the course of the year.

Distribution of Accounts by Behavior Type
In Q1, the share of Dormant accounts fell 11 bps while the share of Revolvers increased 79 bps to 40.9 percent. The share of Transactors decreased 68 basis points, continuing to ease from a series high in Q2 2021.

Source: Argus Advisory, a TransUnion company.
Card issuers continued to expand credit card access for most accounts in the first quarter, particularly for prime and super-prime accounts.

1) Credit lines for new accounts rose across risk tiers Q/Q. Adjusted for inflation, however, subprime credit lines decreased slightly Q/Q, while prime and super-prime credit lines increased.

2) Among all accounts, the average credit line rose in Q1 for super-prime and prime accounts, while subprime credit lines fell slightly.

3) The number of new accounts rose in the first quarter compared to a year prior as subprime account openings recovered — though new account creation is still 17 percent below pre-pandemic levels. Among all accounts (new and vintage), total volume also increased and is just shy of a series high.

### Average Credit Line (New Accounts*)

In Q1, average credit lines for new accounts increased across risk tiers. On an annual basis, new prime and super prime credit lines increased, but new subprime account credit lines decreased by 3.5 percent Y/Y. Adjusted for inflation, Y/Y credit lines for new accounts fell across risk tiers.

Super Prime: $9,216  ▲ 1.4%
Prime: $5,013  ▲ 1.4%
Subprime: $2,291  ▲ 1.2%

### Average Credit Line (All Accounts)

Among all accounts, subprime credit lines fell for the eighth consecutive quarter, while prime and super-prime credit lines increased Q/Q. Notably, credit lines remain below their pre-pandemic levels across risk tiers in inflation-adjusted dollars.

Super Prime: $12,097  ▲ 0.7%
Prime: $7,610  ▲ 0.9%
Subprime: $3,673  ▼ 0.2%

*New Accounts include accounts vintage less than 24 months.
*Accounts with an unlabeled risk tier comprise 3.7 percent of all accounts and 2.4 percent of new accounts. Unlabeled accounts are excluded from these charts.
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 Verisk Financial [Argus], 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, federal agencies, 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) “Revellers,” 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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