Q2 Credit Conditions Through the Eyes of Consumers

Overview

Consumer credit conditions remained strong in Q2 2022 but softened slightly.

1) Real monthly purchase volumes (seasonally adjusted) increased across risk tiers, reaching new series highs. Purchase volumes were also up on a year/year basis; consistent with strong consumer spending growth during the first half of the year.

2) Credit card credit outstanding as a share of disposable income increased for the fifth consecutive quarter, as both disposable income and credit card credit outstanding rose. However, the measure remains low compared to pre-pandemic levels (down 58 bps from Q1 2020).

3) The share of Revolvers decreased for the first time in a year in Q2, offsetting the upward pressure on the effective finance charge yield from the Federal Reserve’s interest rate increases. Meanwhile, the share of Transactors climbed while the share of Dormant accounts slipped.

Real Monthly Purchase Volume by Risk Type (SA)

Across all risk tiers, real seasonally adjusted purchase volumes increased in Q2 after easing in the prior quarter. On an annual basis, real purchase volumes for sub-prime and super prime accounts are up nearly 7 percent, and purchase volumes for prime accounts are up more than 11 percent.

Credit Card Credit Outstanding as a Share of Disposable Income (SA)

Credit card debt as a share of disposable income (seasonally adjusted) rose by 10 bps in Q2, the fifth consecutive quarterly increase. Disposable personal income rose slightly in Q2, and total credit card debt outstanding also increased. The metric remains 58 bps below pre-pandemic levels.

Effective Finance Charge Yield

The effective finance charge yield was mostly unchanged in Q2, falling 1 bp. However, the effective finance charge yield is likely rise to rise later this year due to the Federal Reserve’s efforts to curb inflation by raising interest rates.

Distribution of Accounts by Behavior Type

In Q2, the share of Revolving accounts fell by 56 bps to 40.3 percent while the share of the Transactors jumped 65 bps to 36.1 percent, near a series high. Notably, the share of Revolving accounts is nearly 400 bps below its pre-pandemic level.
Card issuers continued to expand credit card access across risk tiers in Q2.

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

2) Among all accounts, average credit lines rose in Q2 across risk tiers, though inflation-adjusted credit lines have fallen year/year.

3) The number of new accounts rose in the second quarter compared to a year prior across risk tiers, now just 9 percent below new account openings before the pandemic. Among all accounts (new and vintage), total volume increased to a series high.

### Average Credit Line (New Accounts*)

In Q2, average credit lines for new accounts increased across risk tiers for the third consecutive quarter. Credit lines also increased on an annual basis across risk tiers. When adjusted for inflation, however, credit lines for new subprime accounts were down from Q2 2021.

#### Super Prime

$9,556

△ 3.7%

#### Prime

$5,226

△ 4.2%

#### Subprime

$2,365

△ 3.2%

Source: Argus Advisory, a TransUnion company.

### Average Credit Line (All Accounts)

Among all accounts, average credit lines rose across risk tiers quarter/quarter, though after adjusting for inflation credit lines fell on an annual basis. Notably, subprime credit lines increased in the second quarter for the first time in two years.

#### Super Prime

$12,229

△ 1.1%

#### Prime

$7,717

△ 1.4%

#### Subprime

$3,687

△ 0.4%

Source: Argus Advisory, a TransUnion company.

*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.

### Number of New Accounts** (Millions)

Total new account openings increased 19 percent year/year in Q2, with growth occurring across risk tiers but driven largely by subprime accounts. Overall, new account openings have nearly recovered to pre-pandemic levels.

### Number of All Accounts* (Millions)

In Q2, account volume rose 5.0 percent year/year, with increases across risk tiers. The share of prime accounts remains at a series low of 25.8 percent while the share of subprime accounts (17.8 percent) rose but remained well below pre-pandemic levels.
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

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

- **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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