CREDIT CARD MARKET MONITOR

April 2018

Credit Conditions Through the Eyes of Consumers

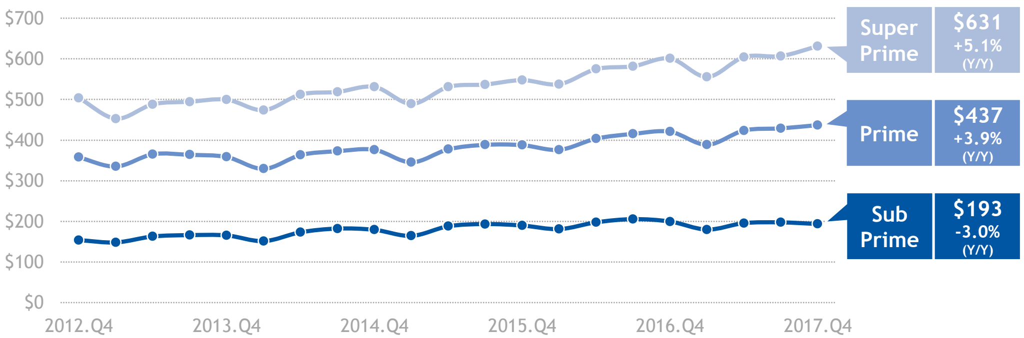
Overview

The credit card market continued to expand in Q4, as a strong holiday shopping season drove 4 percent annualized growth in consumer spending.

1) Monthly purchase volumes rose in Q4 for prime and super-prime accounts compared to a year ago and have risen steadily for the last 4-5 years. Among subprime accounts, however, monthly purchase volumes fell slightly and have experienced little growth since 2015.
2) Credit card credit outstanding as a share of disposable income rose 13 basis points in Q4, consistent with seasonal spending patterns. This metric remains well below pre-recession levels and is essentially unchanged from late 2011 – early 2012 levels.
3) As in previous years, credit card users were more active in Q4 (likely due to holiday shopping), and the share of Dormant accounts declined.

Monthly Purchase Volume by Risk Type

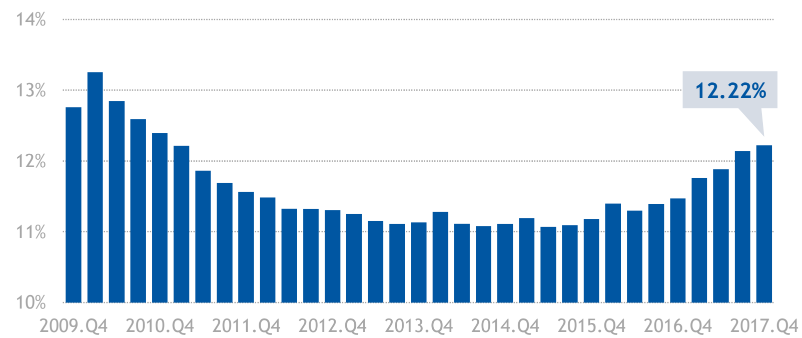
Fourth quarter purchase volumes increased among prime (+3.9 percent) and super-prime (+5.1 percent) accounts compared to a year ago, and have risen 16 and 19 percent since mid-2015. Subprime purchase volumes, on the other hand, declined 3.0 percent Y/Y and are up just 2.9 percent since mid-2015.



Source: Argus Information & Advisory Services LLC.

Effective Finance Charge Yield

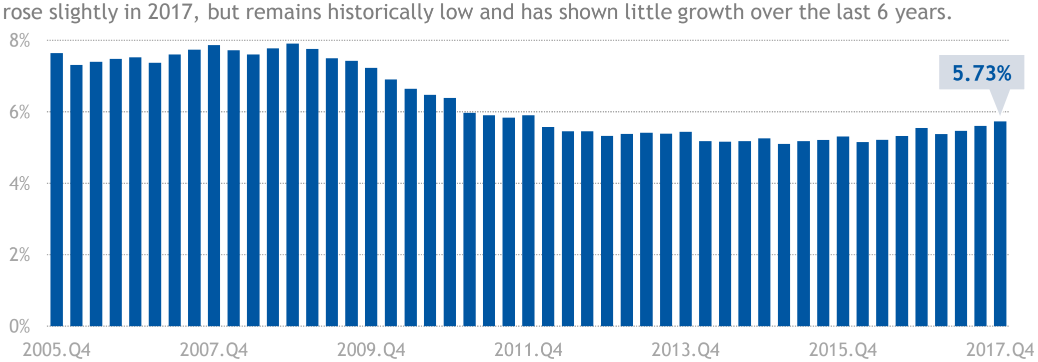
The effective finance charge yield edged up 8 basis points in Q4 2017, consistent with the Fed's efforts to raise rates and potentially reflecting increased participation among prime and subprime borrowers.



Source: Argus Information & Advisory Services LLC.

Credit Card Credit Outstanding as a Share of Disposable Income

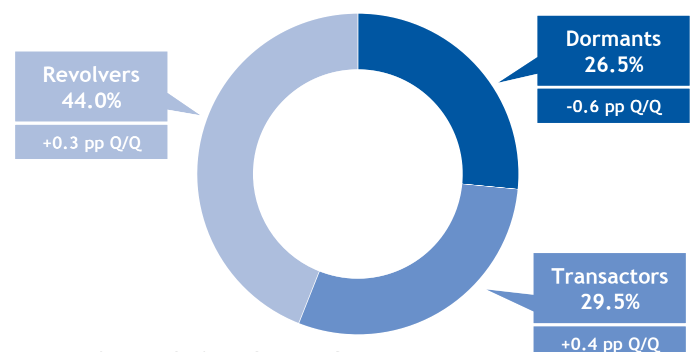
As a share of disposable income, credit card credit outstanding increased 13 basis points to 5.73 percent in Q4 2017, reflecting seasonal spending patterns that will likely reverse in Q1. Credit card leverage rose slightly in 2017, but remains historically low and has shown little growth over the last 6 years.



Source: Federal Reserve Bank of New York, Bureau of Economic Analysis.

Distribution of Accounts by Behavior Type

Dormant accounts fell 0.6 percentage point in Q4, while Transactors and Revolvers edged up 0.4 and 0.3 percentage point, respectively.



Source: Argus Information & Advisory Services LLC.

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April 2018

Broader Credit Market Conditions

Overview

Credit lines increased across risk tiers in Q4, while annual growth in the number of open accounts slowed (particularly for new accounts).

1) The number of new accounts (those opened in the previous 24 months) fell to 90.4 million in Q4 compared to Q3, driven by a drop in subprime openings — though on a year-over-year basis, new accounts rose slightly. Total open accounts remain 4.1 percent above year-ago levels.
2) Average credit lines among all accounts rose across risk tiers in Q4 compared to Q3 but remain well below post-recession highs, particularly for prime (-26 percent) and subprime (-23 percent) accounts. Among new accounts, average prime and subprime credit lines increased to levels not seen since 2010, while super-prime credit lines are now above 2008 levels.

Average Credit Line (New Accounts*)

In Q4 2017, average credit lines for accounts opened in the previous 24 months increased across risk tiers. Credit lines for prime and sub-prime accounts climbed to their highest levels since early 2010, while credit lines for super-prime accounts reached a new series high.

	Average Credit Line	Q/Q Change
Super Prime	$10,477	▲0.8%
Prime	$5,752	▲1.1%
Sub Prime	$2,579	▲0.5%

Source: Argus Information & Advisory Services LLC.

Average Credit Line (All Accounts)

Average credit lines for all accounts increased across the board in Q4, led by subprime (+1.0 percent) and prime (+0.9 percent) accounts. However, credit lines remain well below post-recession highs, particularly for prime (-26 percent) and subprime (-23 percent) accounts.

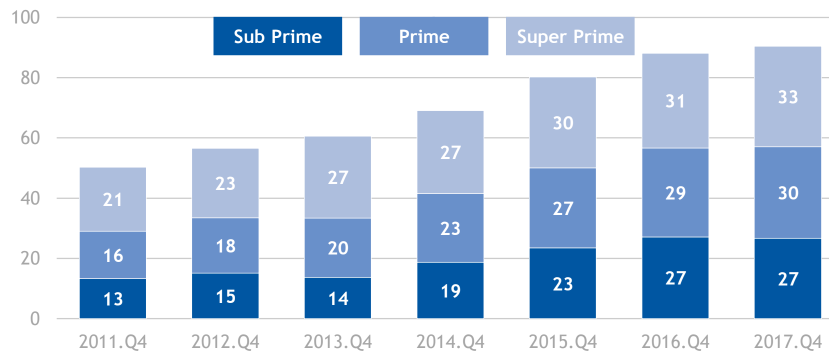
	Average Credit Line	Q/Q Change
Super Prime	$11,541	▲0.3%
Prime	$7,440	▲0.9%
Sub Prime	$3,673	▲1.0%

Source: Argus Information & Advisory Services LLC.

*New Accounts include accounts vintage less than 24 months.

Number of New Accounts* (Millions)

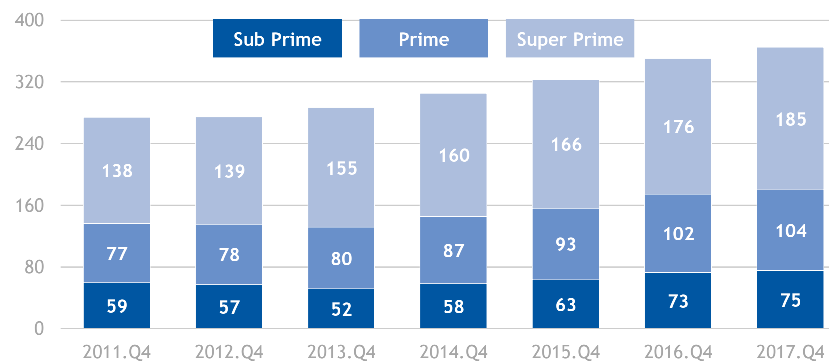
New account openings decreased 1.3 percent in Q4 compared to the previous quarter, marking only the second quarterly decline since 2010 and the first since 2013. Compared to a year ago, however, the number of new accounts rose 2.7 percent.



Source: Argus Information & Advisory Services LLC.

Number of All Accounts (Millions)

The number of open accounts increased 4.1 percent year-over-year in Q4 and has risen consistently on an annual basis since 2012. Growth occurred across risk tiers, led by super-prime accounts (+5.1 percent year-over-year).



Source: Argus Information & Advisory Services LLC.

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. Additionally, the Monitor will occasionally be accompanied by a supplemental "Special Report" on a specific key issue in the credit card industry.

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). For inquiries related to the Monitor, please contact Jeff Sigmund, ABA VP for Public Relations, at 202-663-5439.

LAST UPDATED April 25, 2018