CREDIT CARD MARKET MONITOR
July 2018

American Bankers Association

Credit Conditions Through the Eyes of Consumers

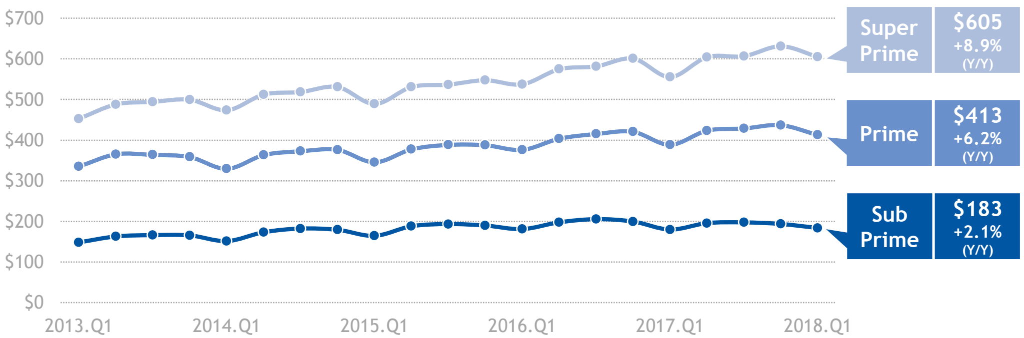
Overview

The credit card market moderated in the first quarter of 2018 as purchase volumes eased on a quarterly basis and credit card leverage fell.

1) Compared to the previous quarter, purchase volumes fell across the board. On an year-over-year basis, purchase volumes rose across risk tiers, led by super-prime (+8.9 percent) and prime accounts (+6.2 percent); subprime purchase volumes grew more slowly (+2.1 percent).
2) The effective finance charge yield (a measure of interest payments relative to overall card usage) increased to 12.5 percent. Recent increases in this metric have coincided with federal interest rate hikes.
3) As a share of disposable income, credit card credit outstanding fell 21 basis points to 5.52 percent after a seasonal rise in the fourth quarter.

Monthly Purchase Volume by Risk Type

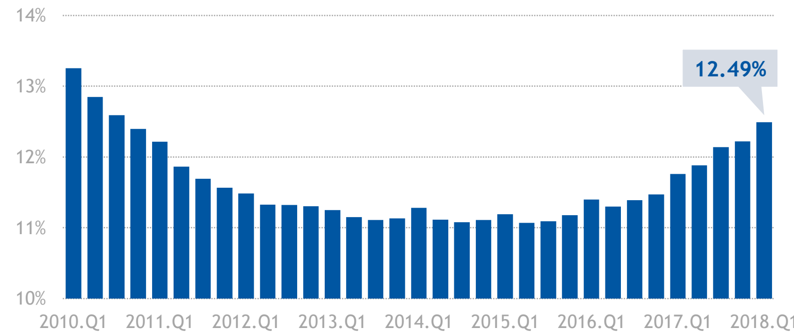
Monthly purchase volumes fell across risk tiers in the first quarter, consistent with seasonal trends. However, compared to year-ago levels, purchase volumes rose 8.9 percent for super-prime accounts and 6.2 percent for prime accounts. Subprime purchase volumes grew at a slower 2.1 percent rate.



Source: Argus Information & Advisory Services LLC.

Effective Finance Charge Yield

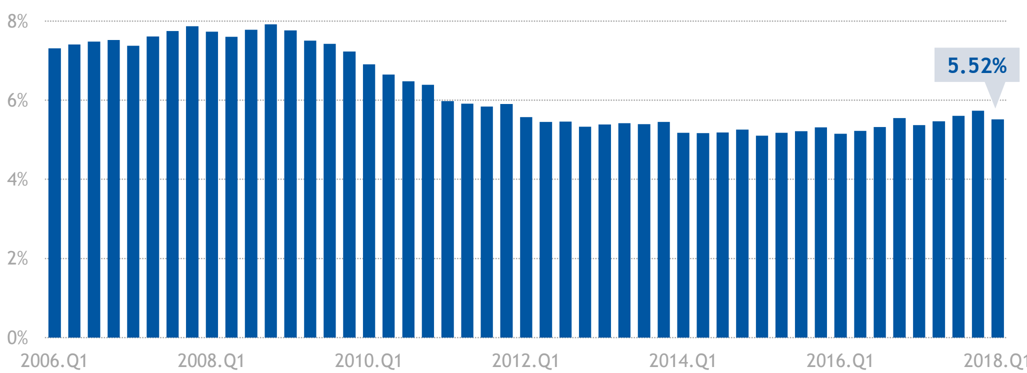
The effective finance charge yield rose 27 basis points in Q1 2018, mirroring Fed action to raise interest rates last December. The Fed has increased rates twice already this year and expects to raise them another 25-50 basis by year end.



Source: Argus Information & Advisory Services LLC.

Credit Card Credit Outstanding as a Share of Disposable Income

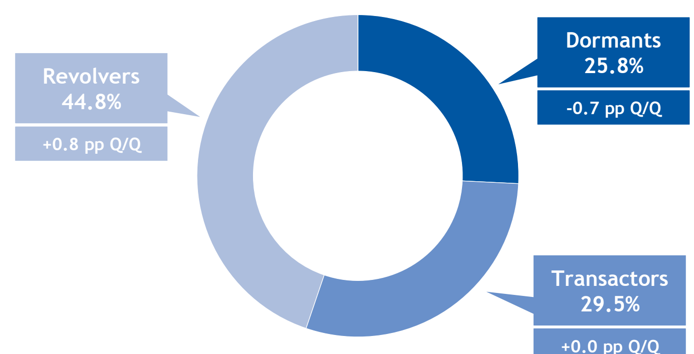
As a share of disposable income, credit card credit outstanding fell 21 basis points to 5.52 percent in Q1 following a seasonal jump in Q4. Credit card leverage remains near post-recession lows.



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

Distribution of Accounts by Behavior Type

Revolvers increased 0.8 percentage point in Q1 while Dormant accounts fell 0.7 percentage point. The share of Transactors held steady at 29.5 percent.



Source: Argus Information & Advisory Services LLC.

CREDIT CARD MARKET MONITOR

July 2018

Broader Credit Market Conditions

Overview

Credit line growth was mixed in Q1, while total account growth slowed and the number of new accounts contracted on an annual basis.

1) The number of new accounts (i.e., accounts opened in the previous 24 months) was essentially unchanged at 90.5 million in Q1. On an annual basis, new accounts fell for the first time in nearly seven years, reflecting a decline in new subprime accounts. Similarly, annual growth in the number of total open accounts eased to its slowest pace since late 2012.
2) Average credit lines among all accounts rose across risk tiers in Q1 compared to the previous quarter. However, they remain 10-25 percent below their recession-era peaks.

Average Credit Line (New Accounts*)

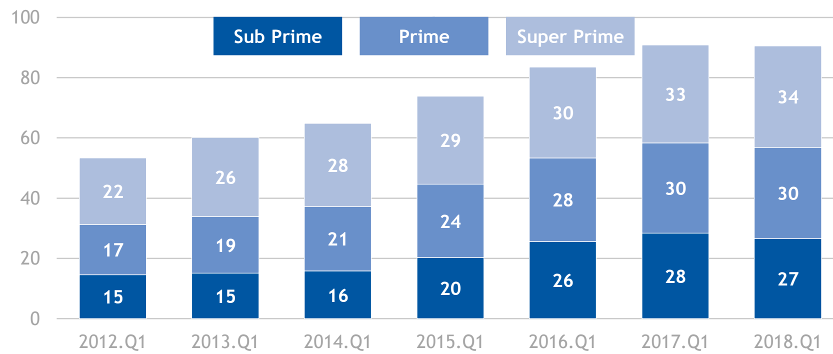
In Q1 2018, average credit lines for accounts opened in the previous 24 months fell 0.5 percent and 0.6 percent for prime and super-prime accounts, respectively. Average credit lines rose 2.5 percent for subprime accounts but remain 14 percent below post-recession highs.

		Q/Q Change
Super Prime	$10,412	▼0.6%
Prime	$5,724	▼0.5%
Sub Prime	$2,643	▲2.5%

Source: Argus Information & Advisory Services LLC.

Number of New Accounts* (Millions)

New account openings were essentially unchanged in Q1 relative to the previous quarter, as growth in new prime and super-prime accounts was offset by a decline in new subprime accounts. Compared to last year, new account openings fell 0.4 percent.



Source: Argus Information & Advisory Services LLC.

Average Credit Line (All Accounts)

Average credit lines for all accounts increased across the board in the first quarter. Credit lines have climbed fairly consistently in recent years but remain 10-25 percent below their recession-era peaks.

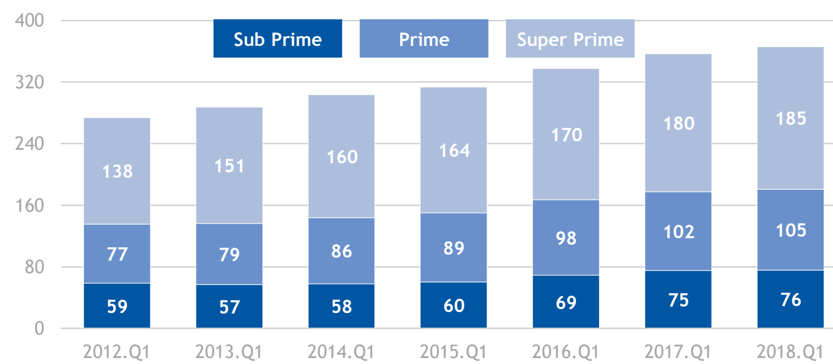
		Q/Q Change
Super Prime	$11,590	▲0.4%
Prime	$7,456	▲0.2%
Sub Prime	$3,716	▲1.1%

Source: Argus Information & Advisory Services LLC.

*New Accounts include accounts vintage less than 24 months.

Number of All Accounts (Millions)

Total open accounts rose on both a quarterly and year-over-year basis. However, the quarterly growth (0.3 percent) slowed for the fourth consecutive quarter, and the year-over-year growth rate (2.5 percent) is at its lowest point since late 2012.



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 Mike Townsend, ABA Director of Public Relations, at 202-663-5471.

LAST UPDATED July 26, 2018