

Credit Conditions Through the Eyes of Consumers

Overview

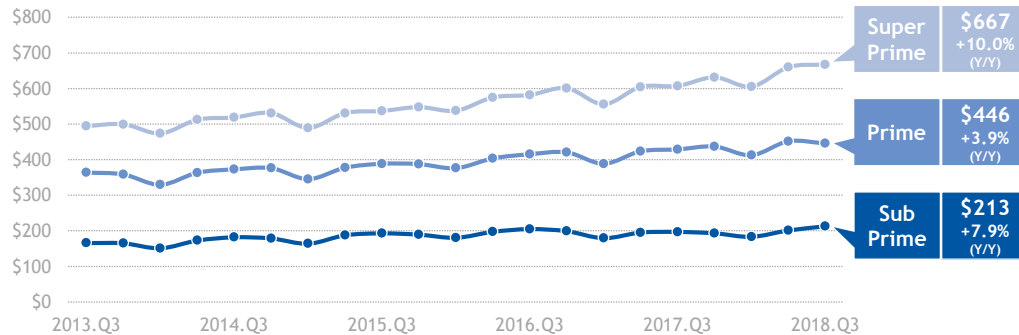


The credit card market continued to expand in the third quarter of 2018, as strong consumer spending supported robust economic growth.

- 1) Compared to year-ago levels, purchase volumes increased across risk tiers in Q3, led by super-prime accounts (+10 percent).
- 2) The effective finance charge yield (a measure of interest payments relative to overall card usage) rose to 12.80 percent in the third quarter, likely reflecting recent federal interest rate hikes which have increased the cost of credit overall.
- 3) As a share of disposable income, credit card credit outstanding rose 4 basis points to 5.42 percent. However, the metric remains near post-recession lows and has been essentially flat since 2012 after hovering between 7 and 9 percent for several years before the 2008-09 recession.

Monthly Purchase Volume by Risk Type

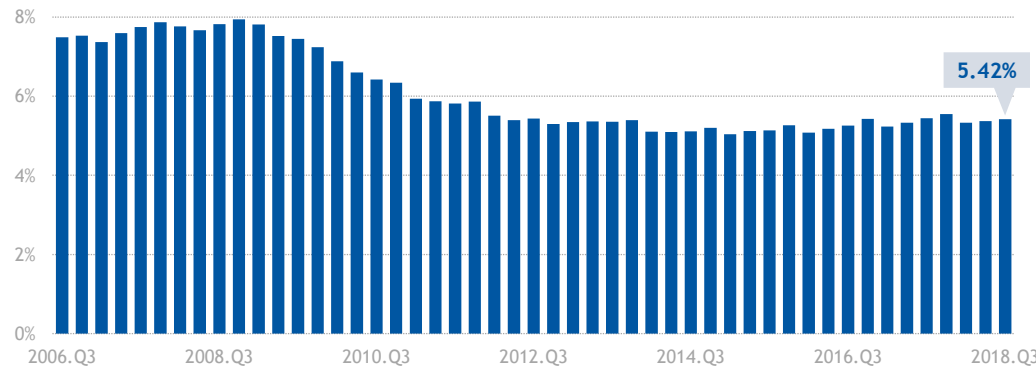
Monthly purchase volumes rose across risk tiers on an annual basis, led by super-prime accounts which saw their strongest year-over-year growth since Q4 2010. Compared to last quarter, purchase volumes increased for both subprime and super-prime accounts in Q3, but fell slightly for prime accounts.



Source: Argus Information & Advisory Services LLC.

Credit Card Credit Outstanding as a Share of Disposable Income

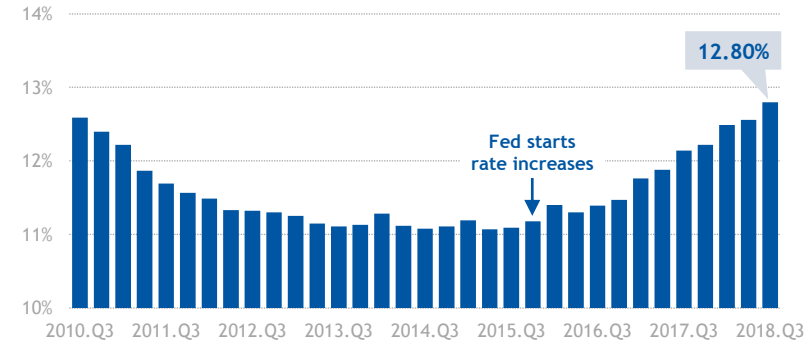
As a share of disposable income, credit card credit outstanding rose 4 basis points to 5.42 percent in Q3, but remains well below recession-era levels and has seen little growth over the past six years.



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

Effective Finance Charge Yield

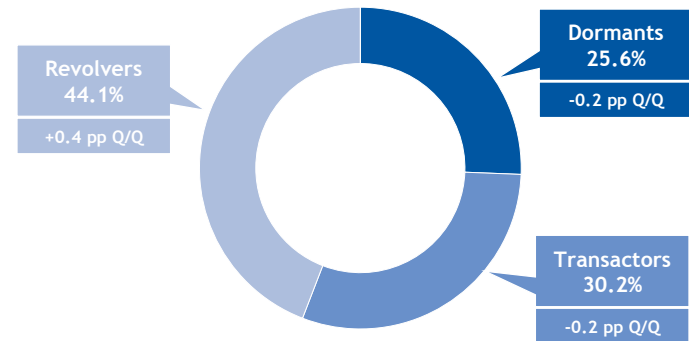
The effective finance charge yield rose 24 basis points to 12.80 percent in Q3. The Fed raised its benchmark rate 200 basis points from Q3 2015 to Q3 2018, and during this time the effective finance charge yield climbed 171 basis points.



Source: Argus Information & Advisory Services LLC.

Distribution of Accounts by Behavior Type

Transactors and Dormant accounts each fell 0.2 percentage point in Q3, while the share of Revolvers increased 0.4 percentage point.



Source: Argus Information & Advisory Services LLC.

Broader Credit Market Conditions

Overview



The number of total credit card accounts continued to increase in Q3, but at a slower pace. Meanwhile, average credit lines were mixed.

- 1) New account openings (i.e., those opened in the previous 24 months) fell to 86.3 million (down 6 percent year-over-year), mostly due to slower account creation among prime and subprime consumers. Total accounts continued to rise, but annual growth slowed to its weakest rate in nearly six years.
- 2) Average credit lines among new accounts decreased 1.2 percent for super-prime accounts and 0.9 percent for prime accounts, but increased 2.4 percent for subprime accounts (though they remain well below recession-era levels). Among all accounts, average credit lines increased for prime and subprime cardholders, consistent with improved consumer purchasing power due to low unemployment and healthy wage growth.

Average Credit Line (New Accounts*)

In Q3, average credit lines for accounts opened in the previous 24 months fell 1.2 percent and 0.9 percent for super-prime and prime accounts. The average credit line for new subprime accounts rose 2.4 percent, but remains 13 percent below its post-recession peak.

Super Prime

\$10,300

Q/Q Change

▼ 1.2%

Prime

\$5,653

▼ 0.9%

Sub Prime

\$2,672

▲ 2.4%

Source: Argus Information & Advisory Services LLC.

Average Credit Line (All Accounts)

Average credit lines expanded 1.1 percent for prime accounts and 2.6 percent for subprime accounts in Q3 after declining for both risk tiers in the previous quarter. The average credit line for super-prime accounts was essentially unchanged.

Super Prime

\$11,671

Q/Q Change

▲ 0.1%

Prime

\$7,529

▲ 1.1%

Sub Prime

\$3,790

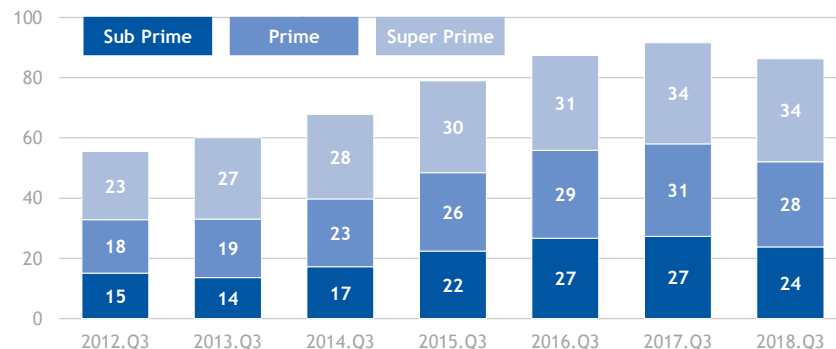
▲ 2.6%

Source: Argus Information & Advisory Services LLC.

*New Accounts include accounts vintage less than 24 months.

Number of New Accounts* (Millions)

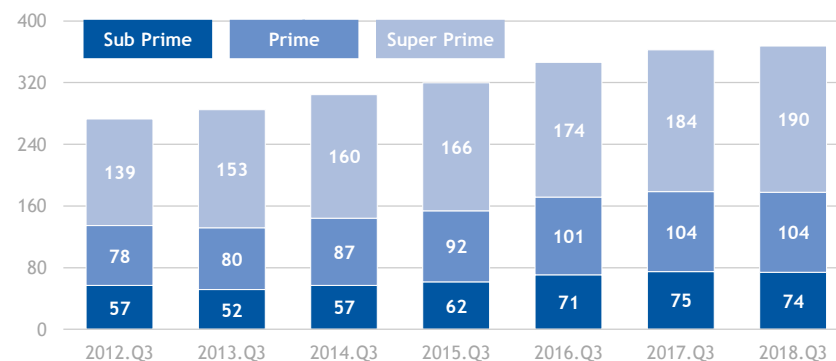
New account openings fell 1.8 percent on a quarterly basis and are nearly 6 percent below year-ago levels, reflecting sharp declines in new prime and subprime accounts. Meanwhile, the growth rate for new super-prime accounts was unchanged.



Source: Argus Information & Advisory Services LLC.

Number of All Accounts (Millions)

Compared to the previous quarter, total open accounts increased 0.6 percent in Q3. Total accounts continued to expand on a year-over-year basis, but growth is slowing – particularly for subprime and prime accounts.



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.

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