

Credit Conditions Through the Eyes of Consumers

Overview

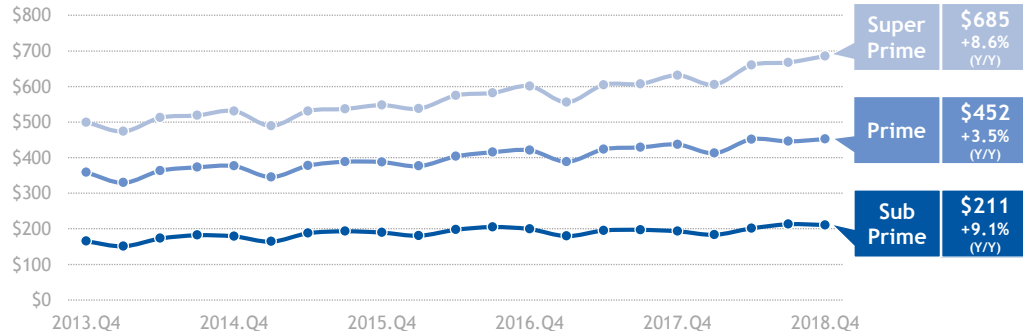


The credit card market continued to expand in the fourth quarter of 2018, reflecting a positive economic climate for consumers.

- 1) Compared to the prior quarter, purchase volumes increased among super-prime (+2.7 percent, or \$18/month) and prime (1.4 percent, or \$6/month) accounts, but fell for subprime accounts (-0.9 percent, or \$2/month).
- 2) The effective finance charge yield (a measure of interest payments relative to overall card usage) climbed above 13 percent in the fourth quarter, mirroring growth in the Fed's benchmark interest rate in late 2018 which increased the cost of credit overall.
- 3) The share of Transactor accounts reached its second-highest level in the last decade, reflecting the strong financial position of many U.S. consumers.

Monthly Purchase Volume by Risk Type

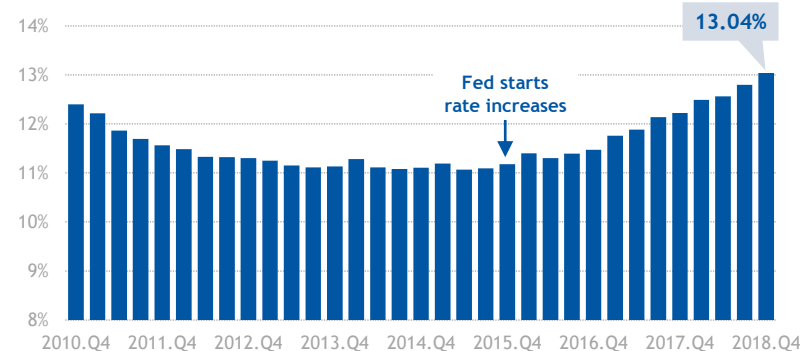
Monthly purchase volumes rose for super-prime and prime accounts in Q4 compared to Q3, but fell for subprime accounts. On a year-over-year basis, monthly purchase volumes rose across risk tiers, including subprime (+9.1 percent, or \$18/month), super-prime (+8.6 percent, or \$54/month), and prime accounts (+3.5 percent, or \$15/month).



Source: Argus Information & Advisory Services LLC.

Effective Finance Charge Yield

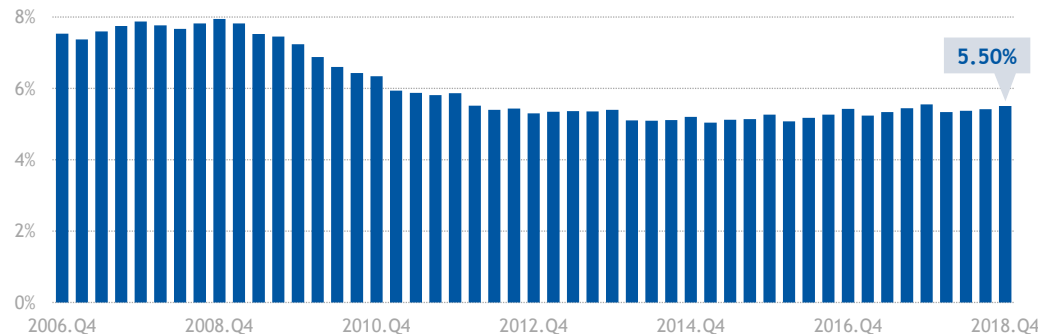
The effective finance charge yield rose 24 basis points to 13.04 percent in Q4. The Fed raised its benchmark rate 225 bp from December 2015 to December 2018, and during this time the effective finance charge yield climbed 195 bp.



Source: Argus Information & Advisory Services LLC.

Credit Card Credit Outstanding as a Share of Disposable Income

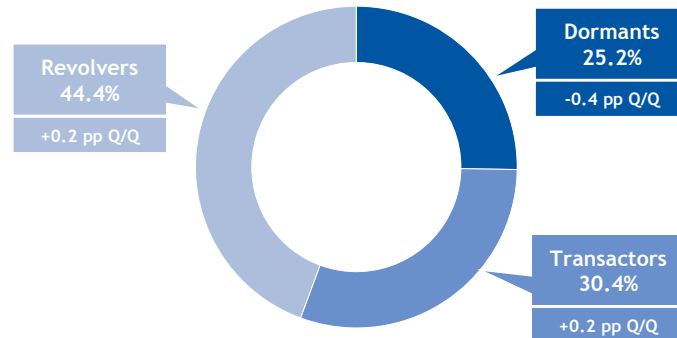
As a share of disposable income, credit card credit outstanding rose 8 basis points to 5.50 percent in Q4, reflecting seasonal spending patterns. Despite the increase on a quarterly basis, the measure remains 5 basis points below its year-ago level and has shown little growth over the past six years.



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

Distribution of Accounts by Behavior Type

Transactors and Revolvers both rose 0.2 percentage point in Q4, consistent with seasonal trends. The share of Transactors has exceeded 30 percent for three consecutive quarters and is at its second-highest level since 2008.



Source: Argus Information & Advisory Services LLC.

Broader Credit Market Conditions

Overview



New account openings were little changed in the fourth quarter and are down nearly 5 percent compared to a year ago. Average credit lines increased across the board but remain well below recession-era levels.

- 1) The decline in new account openings (i.e., those opened in the previous 24 months) was driven by sharp decreases in newly-opened subprime (-11 percent) and prime (-7 percent) accounts. However, new openings of super-prime accounts continue to hover near post-recession highs, and the share of super-prime accounts as a percentage of all open accounts is near a three-year high.
- 2) Average credit lines increased across risk tiers for both new accounts and all accounts, with prime and subprime credit lines experiencing the strongest growth. Among all accounts, credit lines have grown steadily for the last 4-5 years, but remain 10-25 percent below recession-era highs.

Average Credit Line (New Accounts*)

Average credit lines for accounts opened in the previous 24 months rose across the board in Q4, led by prime accounts (+1.5 percent). Prime credit lines experienced strong quarterly growth after falling on an annualized basis for three consecutive quarters.

Super Prime

\$10,319

Q/Q Change

▲ 0.2%

Prime

\$5,736

▲ 1.5%

Sub Prime

\$2,701

▲ 1.1%

Source: Argus Information & Advisory Services LLC.

Average Credit Line (All Accounts)

In Q4, average credit lines for all accounts expanded across risk tiers. Credit lines have steadily risen for most of the last decade as consumers have increased their credit card spending while also demonstrating good payment behavior.

Super Prime

\$11,732

Q/Q Change

▲ 0.5%

Prime

\$7,608

▲ 1.1%

Sub Prime

\$3,830

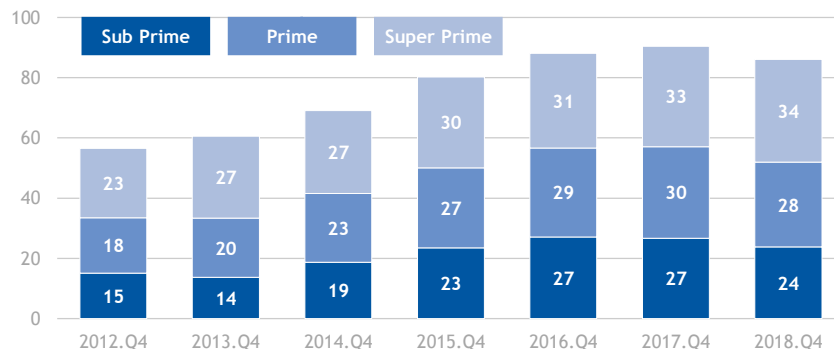
▲ 1.1%

Source: Argus Information & Advisory Services LLC.

*New Accounts include accounts vintage less than 24 months.

Number of New Accounts* (Millions)

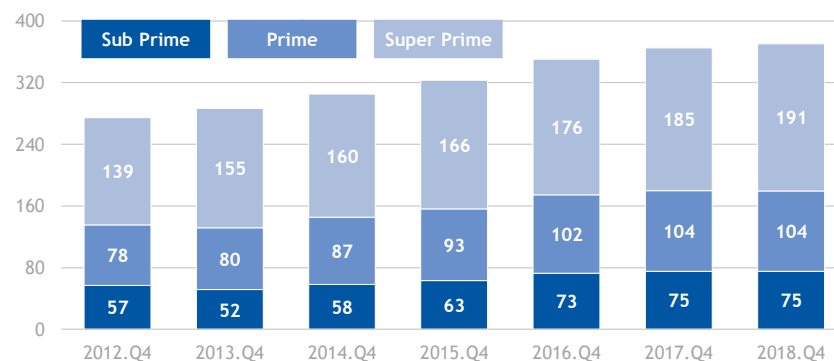
New account openings fell 4.9 percent compared to year-ago levels due to sharp annualized declines in new prime and subprime account openings. New super-prime account openings are essentially unchanged over the last two years.



Source: Argus Information & Advisory Services LLC.

Number of All Accounts (Millions)

On an annualized basis, total open accounts increased 1.5 percent in Q4, driven by the super-prime risk tier. Super-prime accounts now comprise 51.6 percent of all accounts – the 29th consecutive quarter above 50 percent.



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.

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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