CREDIT CARD MARKET MONITOR

March 2023

American Bankers Association®

Q3 2022 Credit Conditions Through the Eyes of Consumers

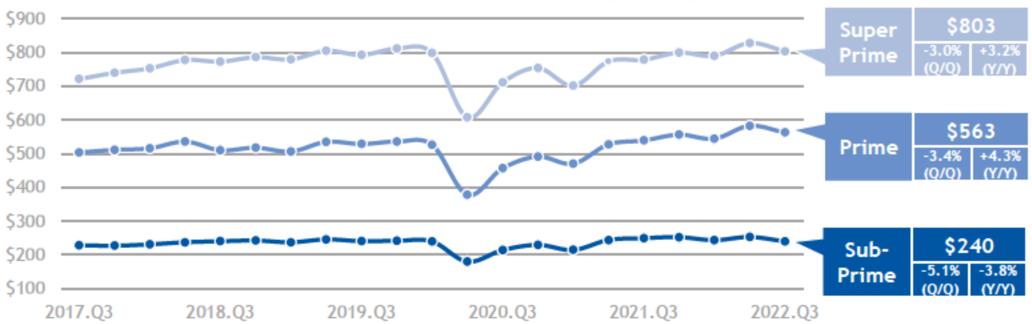
Overview

Consumer credit conditions softened in Q3 2022 as the Federal Reserve continued raising interest rates.

1) Real monthly purchase volumes (seasonally adjusted) fell across risk tiers in Q3 compared to the previous quarter, consistent with broader consumer spending trends during this period. Purchase volume increased on a year-over-year basis for prime and super-prime groups.
2) Credit card credit outstanding as a share of disposable income increased as credit card debt rose faster than disposable income. However, the measure remains 43 bps below its pre-pandemic level.
3) The share of Revolvers rose in Q3, putting upward pressure on the effective finance charge yield. Coupled with the Federal Reserve's rapid rate hikes (150 bps in Q3 alone), the rising share of Revolvers led to an increase in the effective finance charge yield.

Real Monthly Purchase Volume per Account by Risk Type (SA)†

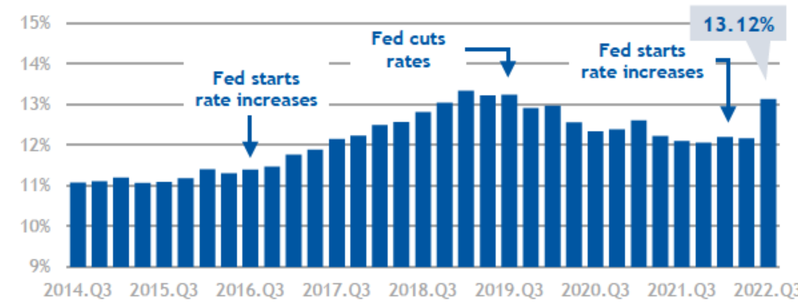
Across all risk tiers, real seasonally adjusted purchase volumes decreased in Q3 after reaching new series highs for super-prime and prime accounts last quarter. After an unusual period of volatility in 2020 and 2021, real purchase volumes appear to be normalizing to roughly pre-pandemic levels.



Source: Argus Advisory, a TransUnion company. Seasonally adjusted. Inflation adjusted to Q3 2022.

Effective Finance Charge Yield†

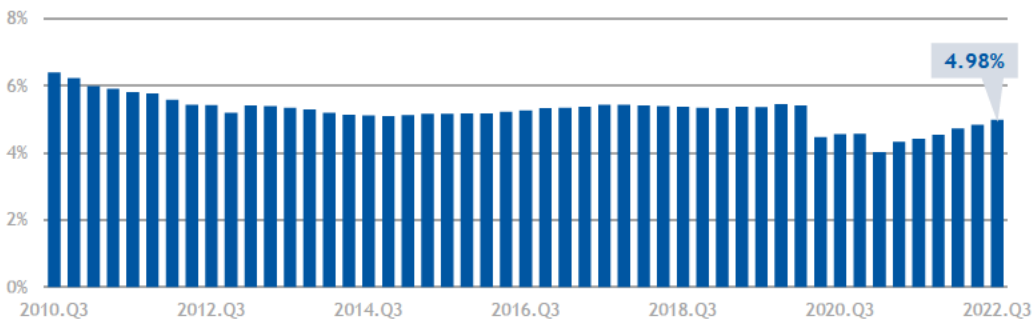
The effective finance charge yield (EFCY) rose 96 bp in Q3, as the Fed Funds Rate increased 150 bps over the same period. Combined with a growing share of Revolvers, the Federal Reserve's interest rate hikes drove the increase in the EFCY.



Source: Argus Advisory, a TransUnion company.

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

Credit card debt as a share of disposable income (seasonally adjusted) rose by 14 bps in Q3 as the increase in credit card credit outstanding outpaced disposable income. The metric continued to gradually return to pre-pandemic levels.



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

Distribution of Accounts by Behavior Type

In Q3, the share of Revolving accounts increased 117 bps to 43.4 percent, while the share of Transactors fell 57 bps to 33.6 percent. Dormant accounts are down more than 250 bps from Q1 2021, suggesting an increased reliance on credit cards.

Source: Argus Advisory, a TransUnion company.

†In an effort to portray a more accurate picture of the US Consumer Card Industry, Argus has leveraged TransUnion's data to calibrate changes in the benchmark composition. This change took effect in Feb'2023. This change begins in the data in Q1 2021.

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Q3 2022 Broader Credit Market Conditions

Overview

Card issuers continued to raise credit lines in Q3 2022, and nearly half of all accounts were super-prime.

1) Credit lines for new accounts increased across risk tiers in Q3 and are also up across risk tiers on a yearly basis.
2) Among all accounts, average credit lines rose across risk tiers in Q3, with the largest increases occurring among prime and subprime accounts. After adjusting for inflation, however, credit lines for subprime and super-prime accounts decreased modestly.
3) Nearly four-in-ten new accounts were subprime in the third quarter, while 30 percent were super-prime. Nearly half of all accounts were super-prime. New account volume increased substantially from Q3 2021 to Q3 2022, with subprime account openings up more than 50 percent over that period.

Average Credit Line (New Accounts*)

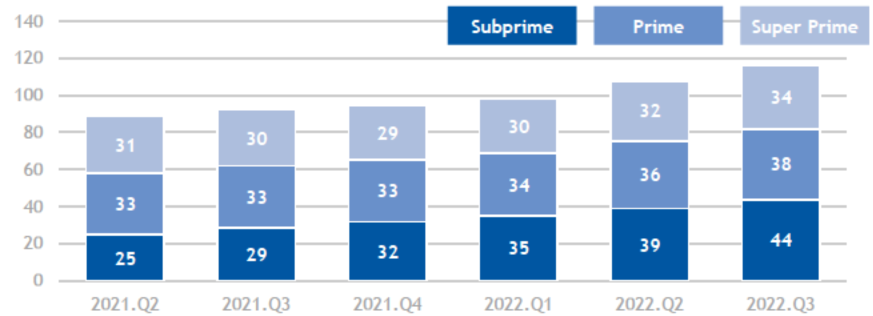
In Q3, average credit lines for new accounts rose across risk tiers after decreasing the prior quarter. Increases were highest among prime and subprime accounts.

		Q/Q Change
Super Prime	$9,453	▲ 4.4%
Prime	$5,000	▲ 6.1%
Subprime	$2,132	▲ 5.0%

Source: Argus Advisory, a TransUnion company.

Number of New Accounts*† (Millions)

In Q3 2022, subprime accounts made up the largest share of new accounts at 38 percent, up from 36 percent in Q2 2022 and 31 percent a year prior. On a quarterly basis, the total number of new accounts increased by roughly 19 percent.



Source: Argus Advisory, a TransUnion company. Seasonally adjusted

Average Credit Line (All Accounts)

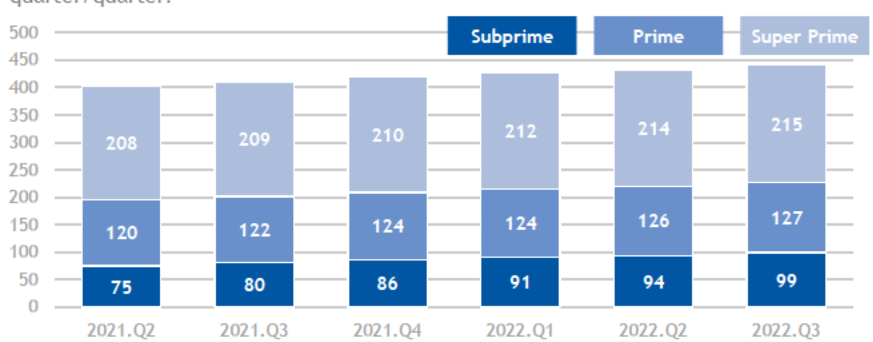
Among all accounts, average credit lines increased across risk tiers. As with new accounts, credit line increases were greatest for prime and subprime accounts.

		Q/Q Change
Super Prime	$12,046	▲ 0.7%
Prime	$7,392	▲ 2.0%
Subprime	$3,190	▲ 1.3%

Source: Argus Advisory, a TransUnion company.

Number of All Accounts† (Millions)

In Q3 2022, nearly half of all accounts were super-prime, while prime accounts comprised another 29 percent. The share of subprime accounts rose slightly quarter/quarter.



Source: Argus Advisory, a TransUnion company. Seasonally adjusted.

†Accounts with an unlabeled risk tier comprise 3.1 percent of all accounts and 2.4 percent of new accounts. Unlabeled accounts excluded.
**New Accounts include accounts vintage less than 24 months.*

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 Advisory, a TransUnion Company, 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. In an effort to portray a more accurate picture of the US Consumer Card Industry, Argus has leveraged TransUnion's data to calibrate changes in the benchmark composition. This change took effect in February 2023. This change begins in the data in Q1 2021.

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). For inquiries related to the Monitor, please contact Mike Townsend, ABA Director of Public Relations, at 202-663-5471.

LAST UPDATED March 17, 2023