

Consumer Credit Plunged in April

Consumer credit dropped \$15.7 billion in April, a far bigger drop than expected. Revolving credit fell at an annual rate of 11.0 percent, while nonrevolving credit decreased at a 5.3 percent pace. The sustained contraction in consumer credit suggests consumers are still reluctant to spend given the dismal employment and income outlook.

Total & Nonrevolving Consumer Credit Declined Steeply

- Total consumer credit declined at a 7.4 percent pace in April, after major contractions in February and March. The revolving component accounted for 55 percent of the decline.
- Nonrevolving credit, typically used for big-ticket purchases, declined \$7.1 billion, the second steep decline in a row. This sustained decline shows that consumers are still worried about the uncertain outlook for their incomes.

Consumer are Still Under Stress

- Revolving credit fell \$8.6 billion in April. The year-over-year percent change of the 3-month moving average reached negative territory for the first time, affirming a steep downward trend in revolving credit. Consumers are paring back purchases steeply, which will not likely change anytime soon.
- With unemployment rising and credit standards tightening, consumer spending will remain weak.

