

Economics Group

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Consumer Credit: A Smaller Decline in October

Consumer credit outstanding fell \$3.5B in October, a much smaller decline than the consensus estimate. The nonrevolving component registered a 2.6 percent gain while the revolving component continued to decline.

The Pace of Decline Appears to Be Slowing

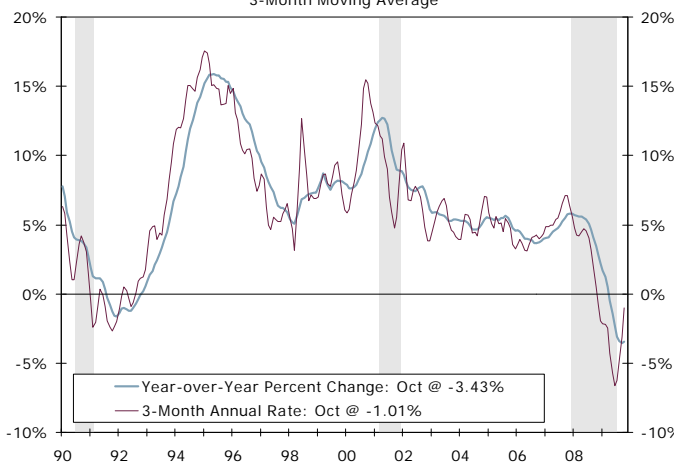
- The latest data this month show the pace of decline in total consumer credit outstanding appears to be slowing. However, we will have to wait to see if this is sustainable.
- Nonrevolving credit increased \$3.4 billion in October and the August number was revised up to a gain of \$4.7 billion. The positive numbers are likely due to the cash-for-clunkers program in August and the increase in auto sales in October.

Revolving Credit Continued to Fall

- The revolving component, which includes credit cards, continues to decline, now down \$87 billion from its peak in September 2008. The drop is consistent with increasing credit card charge-off rates. Lenders are tightening standards and increasing interest rates today to beat a looming February deadline when credit card companies will no longer be able to easily raise rates due to the Credit Card Act signed in May.

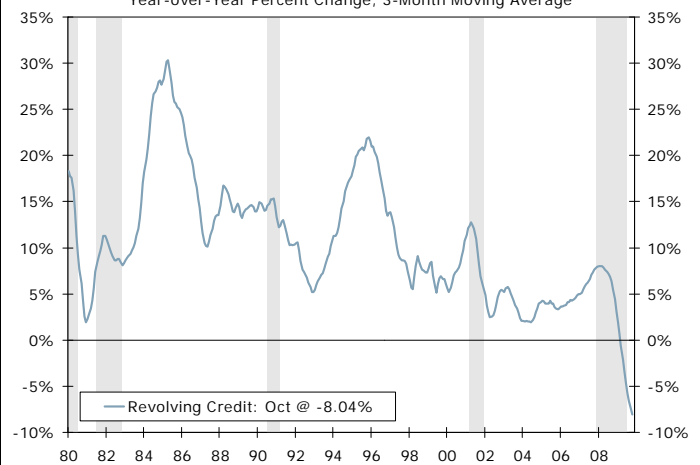
Consumer Credit

3-Month Moving Average



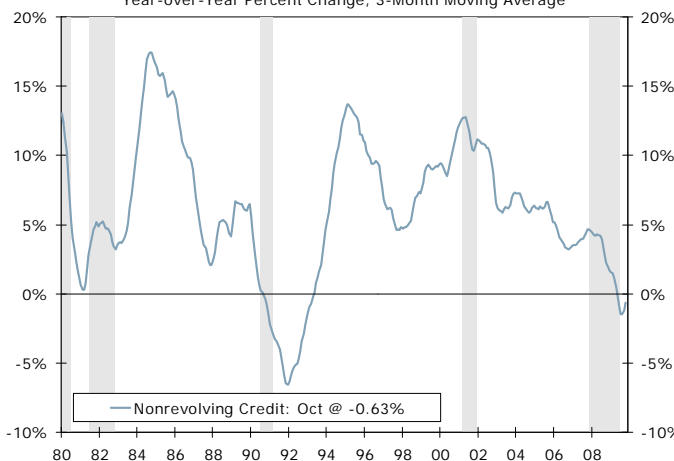
Revolving Consumer Credit

Year-over-Year Percent Change, 3-Month Moving Average



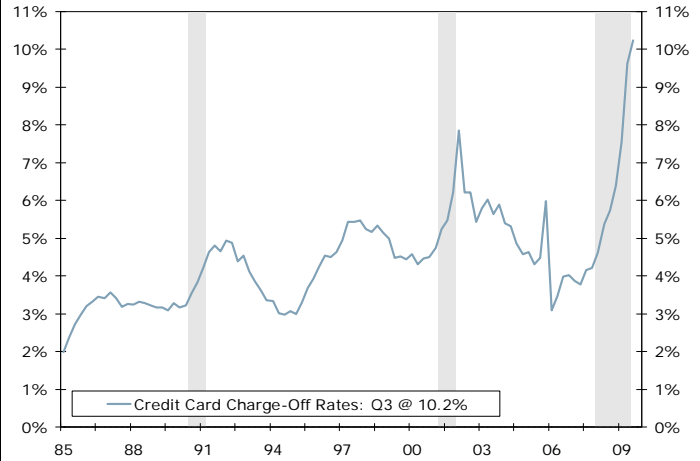
Nonrevolving Consumer Credit

Year-over-Year Percent Change, 3-Month Moving Average



Credit Card Charge-Off Rates

Percent



Source: Federal Reserve Board and Wells Fargo Securities, LLC

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