



Economics Group

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Consumer Credit Surged in April, Revolving Credit Shows Up

Consumer credit saw the largest growth in over three years in April with a \$26.8 billion expansion. Revolving credit, which has been weak in past months, finally showed signs of picking up.

Revolving Credit Shows Signs of Life: A Turnaround?

Consumer credit surged in April with a rise of \$26.8 billion (top chart), the largest increase since January 2011, and 6.5 percent growth year over year. March data was also revised upward to \$19.5 billion from \$17.5 billion. Gains in consumer credit are typically led by nonrevolving credit, which is made up of student loans and auto loans. This month was no exception, with an \$18 billion contribution and a 9.5 percent annualized gain. However, the real story comes from revolving credit, which contributed a significant \$8.8 billion to overall growth.

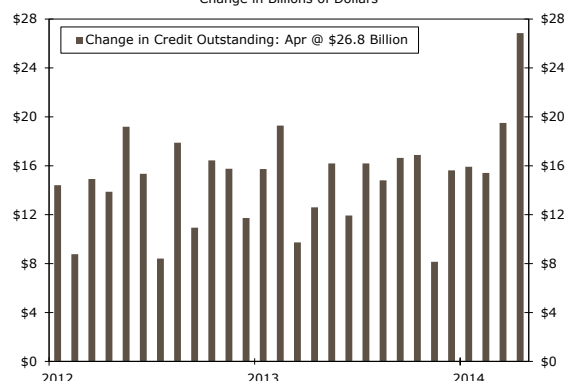
Revolving credit, primarily made up of credit card spending, is a fairly volatile series, and over the past few months had contributed little to overall consumer credit growth. April showed a stronger 12.3 percent annualized gain, the highest level of growth seen since November 2007, reflecting increased demand for credit card debt and a shifting spending trend for consumers (middle chart). Consumer credit as a percent of disposable personal income has followed a long-term upward trend, and now sits at an all-time high that accounts for almost a quarter of disposable personal income. Consumers are drawing down savings in exchange for further spending, and the saving rate has fallen in recent years. However, it does not appear that consumers are overextending themselves in terms of credit, as credit card charge-off rates continue to drop and currently remain at only 3.3 percent for the first quarter.

The surge in April from revolving credit is likely a buyback after weakness seen in the beginning months of the year. Many consumers delayed spending due to unseasonably cold weather, so it has yet to be seen if this surge in revolving credit will continue into the future. However, continued growth in credit card spending could have positive implications for personal consumption expenditures and overall economic growth.

No Sign of Stopping of Credit Growth Ahead

Consumer credit is poised to expand in coming months regardless of future growth in revolving credit. Nonrevolving credit has seen consistent positive gains over the past couple years with growth in the 8-10 percent range (on a year-over-year basis). Auto loan rates have fallen to new lows, which should increase demand for auto loans. Commercial banks currently hold more than a third of all consumer credit, and data from the Senior Loan Officer Opinion Survey for the second quarter indicates that banks continue to increase their willingness to lend to consumers, while easing lending standards and experiencing stronger demand (bottom chart). Within lending categories, credit card loans have seen the largest percent of banks easing standards, followed by loans for new and used automobiles.

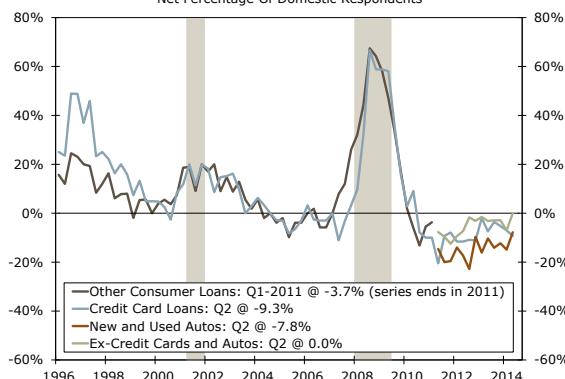
Total Consumer Credit
Change in Billions of Dollars



Revolving Consumer Credit
Change in Billions of Dollars, 3-Month Moving Average



Net Percent of Banks Tightening Standards
Net Percentage Of Domestic Respondents



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