



Economics Group

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Record Drop in Consumer Credit Outstanding in July

Consumer credit fell \$21.1 billion in July, a record drop, with downwardly revised numbers for June. The decline was likely driven by outsized charge-offs at commercial banks.

Charge-offs Likely Drove Decline in Consumer Credit

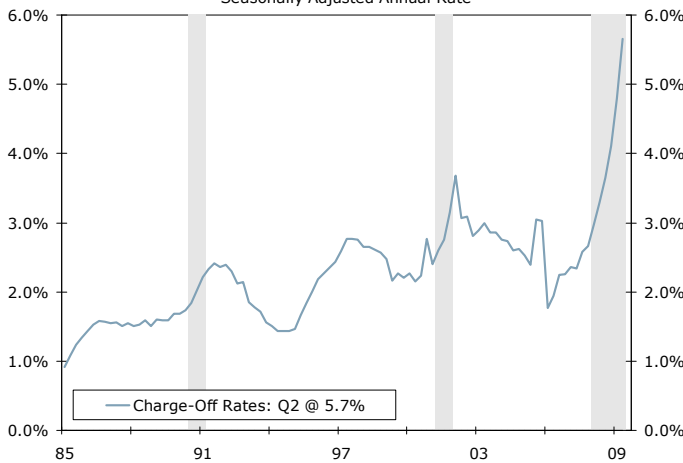
- Consumer credit outstanding fell at a 10.4 percent pace, the sixth straight decline. The record drop in July is likely due to large charge-offs at many banks, with the charge-off rate at the highest level since records began.
- Despite the cash-for-clunkers program starting in the last week of July, nonrevolving credit fell at a staggering 11.7 percent annualized pace.

Revolving Credit Drawdown Continued

- Revolving credit fell \$6.1 billion—an 8.0 percent annual pace. Lenders continue to tighten standards attempt to limit credit losses by increasing interest rates on credit cards and cutting or pulling credit lines.
- Consumer credit will likely continue to be drawn down as a weak labor market prevents consumers from taking on more debt and banks keep lending standards tight for fear of credit losses.

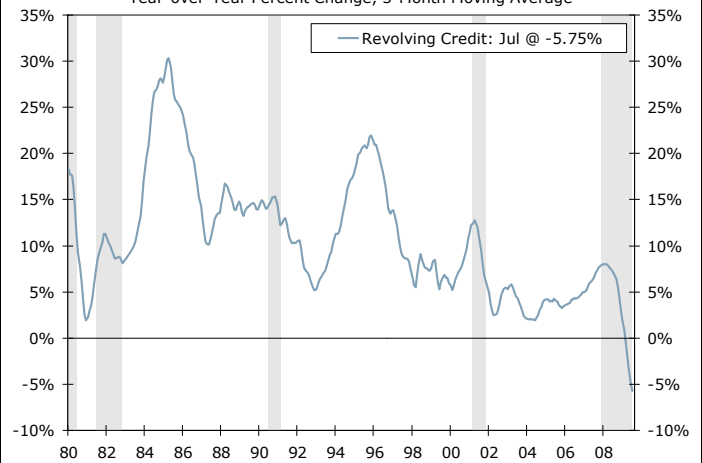
Charge-Off Rates at Commercial Banks

Seasonally Adjusted Annual Rate



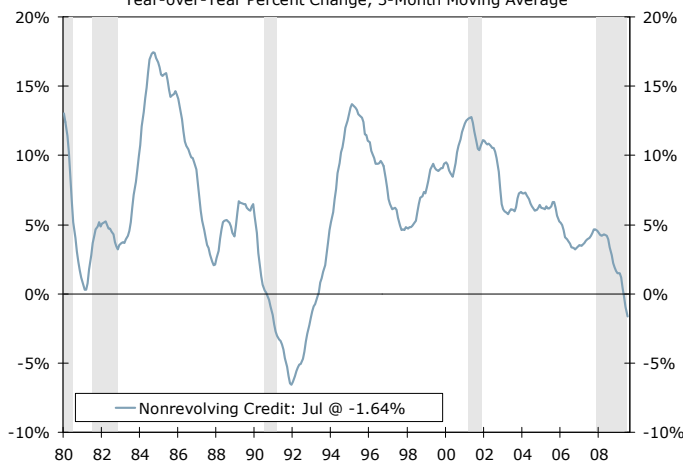
Revolving Consumer Credit

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



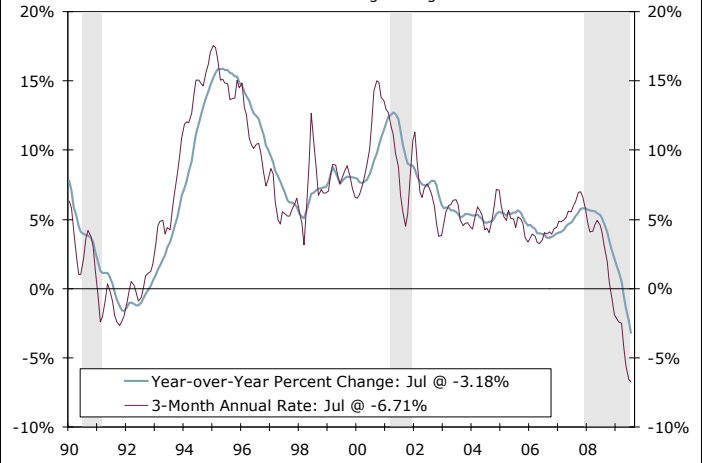
Nonrevolving Consumer Credit

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



Consumer Credit

3-Month Moving Average



Source: Federal Reserve Board and Wells Fargo Securities, LLC

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