

## Economics Group

John E. Silvia, Chief Economist  
[john.silvia@wellsfargo.com](mailto:john.silvia@wellsfargo.com) • (704) 410-3275  
 Harry Pershing, Economic Analyst  
[harry.pershing@wellsfargo.com](mailto:harry.pershing@wellsfargo.com) • (704) 410-3034

## Consumer Credit Growth Continues to Slow

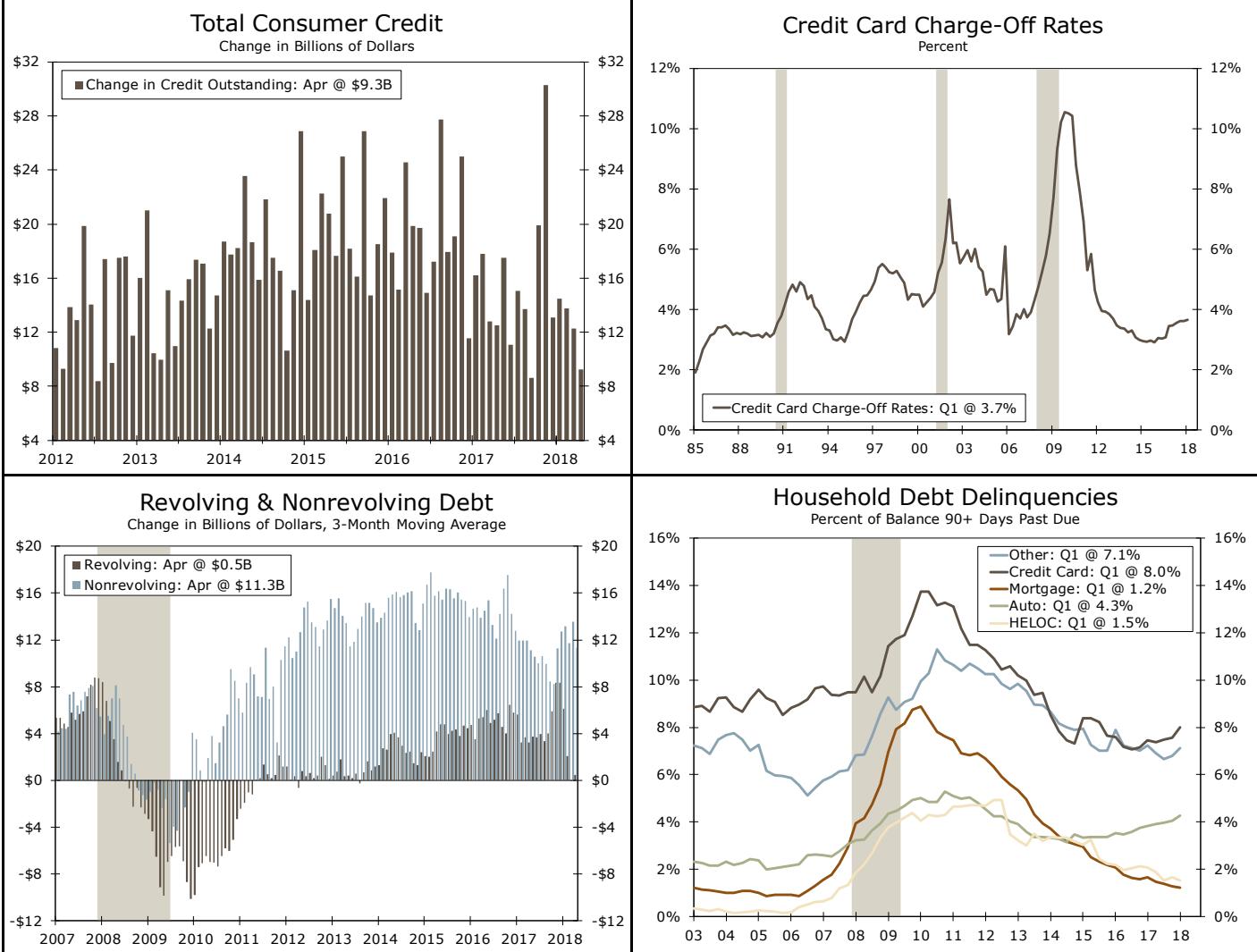
*Consumer credit expanded just \$9.3B in April, undershooting the consensus which called for an expansion of \$14.0B. This now marks the fourth consecutive month in which consumer credit growth has slowed.*

### Softening Consumer?

- Throughout the impressive duration of this expansion, the American consumer has been the primary driver of economic growth. However, the past several consumer credit reports depict a consumer who is increasingly wary to spend. Although we do not think a credit dry-up is around the corner, the recent trend is slightly concerning.
- Revolving and non-revolving credit increased \$2.3B and \$7.0B, respectively, both below their averages during this expansion.

### Are Higher Rates Really Stretching the Consumer?

- The FOMC is in the midst of tightening monetary policy, which has had the direct effect of raising short term interest rates. This phenomenon is expected to continue through at least the end of 2019. As a result, interest rates on consumer debt products, such as credit cards and auto loans are also rising.
- Likewise, delinquency rates on these products are also rising. As financing becomes more costly, it is no surprise that consumers have less of a willingness and ability to spend on credit.



Source: Federal Reserve System and Wells Fargo Securities

# Wells Fargo Securities Economics Group

Diane Schumaker-Krieg	Global Head of Research, Economics & Strategy	(704) 410-1801 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 410-3275	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Jay H. Bryson, Ph.D.	Global Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Currency Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Eugenio J. Alemán, Ph.D.	Senior Economist	(704) 410-3273	eugenio.j.aleman@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 410-3270	azhar.iqbal@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Eric Viloria, CFA	Currency Strategist	(212) 214-5637	eric.viloria@wellsfargo.com
Sarah House	Senior Economist	(704) 410-3282	sarah.house@wellsfargo.com
Michael A. Brown	Economist	(704) 410-3278	michael.a.brown@wellsfargo.com
Charlie Dougherty	Economist	(704) 410-6542	charles.dougherty@wellsfargo.com
Jamie Feik	Economist	(704) 410-3291	jamie.feik@wellsfargo.com
Erik Nelson	Currency Strategist	(212) 214-5652	erik.f.nelson@wellsfargo.com
Michael Pugliese	Economist	(212) 214-5058	michael.d.pugliese@wellsfargo.com
Harry Pershing	Economic Analyst	(704) 410-3034	harry.pershing@wellsfargo.com
Hank Carmichael	Economic Analyst	(704) 410-3059	john.h.carmichael@wellsfargo.com
Ariana Vaisey	Economic Analyst	(704) 410-1309	ariana.b.vaisey@wellsfargo.com
Abigail Kinnaman	Economic Analyst	(704) 410-1570	abigail.kinnaman@wellsfargo.com
Shannon Seery	Economic Analyst	(704) 410-1681	shannon.seery@wellsfargo.com
Donna LaFleur	Executive Assistant	(704) 410-3279	donna.lafleur@wellsfargo.com
Dawne Howes	Administrative Assistant	(704) 410-3272	dawne.howes@wellsfargo.com

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