



Economics Group

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Consumer Credit Growth Continues to Slow

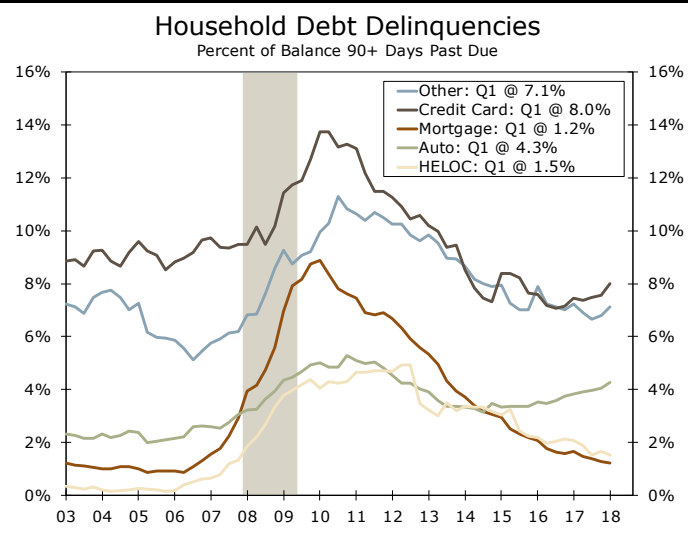
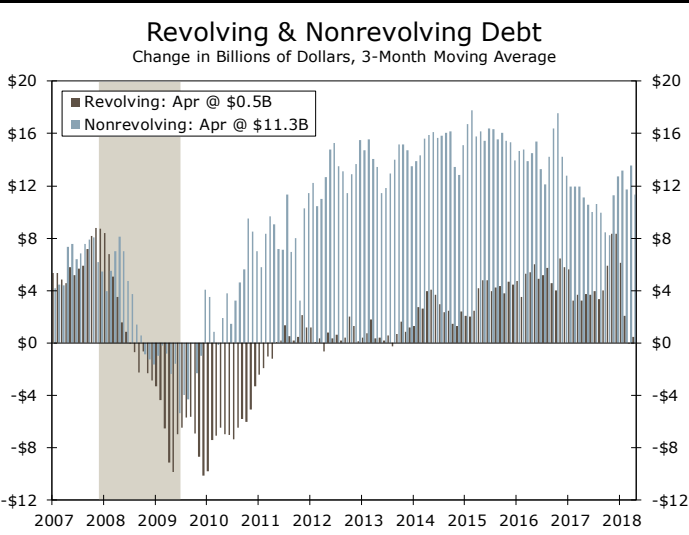
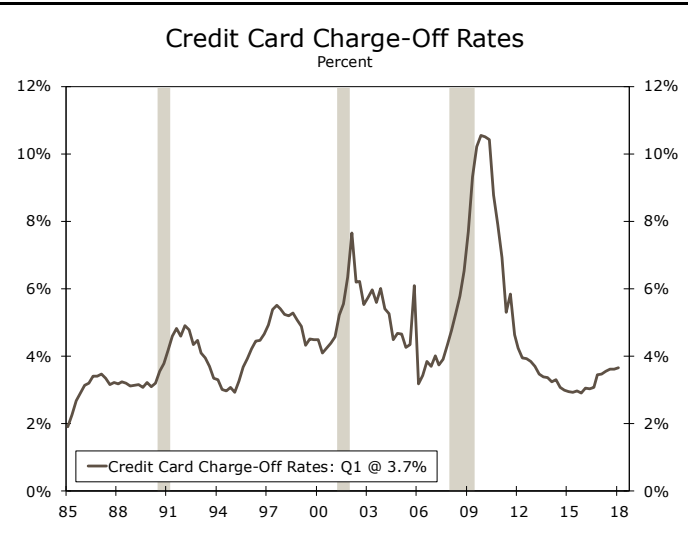
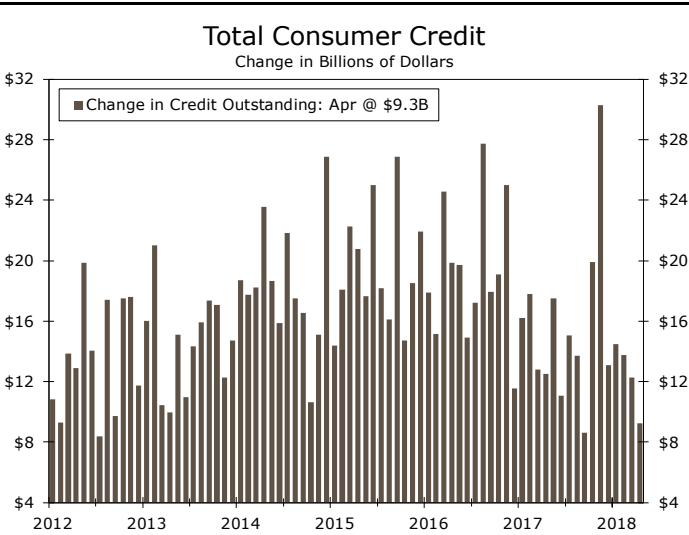
Consumer credit expanded just \$9.3B in April, undershooting the consensus which called for an expansion of \$14.0B. This now marks the fourth consecutive month in which consumer credit growth has slowed.

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

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