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State of the Consumer: Where are they now, and where are they headed?

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Agenda

- High-level economic trends (and our somewhat artificial environment)
- Consumer expectations
- Demand for credit and credit utilization

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High-level economic trends

Short-term aid, lockdown creates somewhat artificial environment

Employers struggle to compete with $600 coronavirus unemployment payments

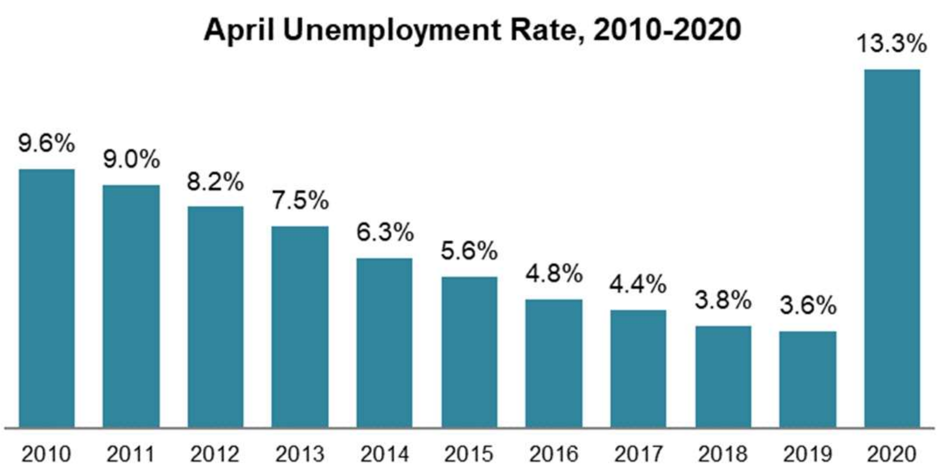
The CARES Act is providing extra money on top of usual unemployment checks.

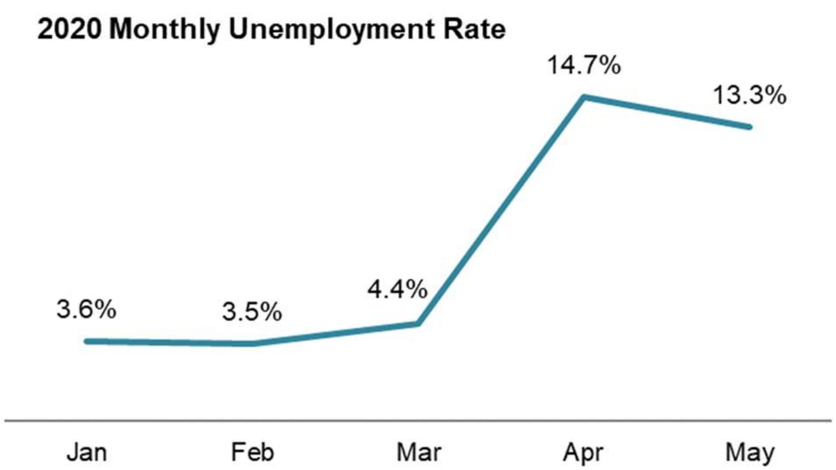
U.S. savings rate hits record 33% as coronavirus causes Americans to stockpile cash, curb spending

Mortgages in forbearance rise to 4.2 million, MBA says

About 8.4% of U.S. home loans have suspended payments amid COVID-19 economic shock

Unemployment formidable, but declining/stabilizing(?)

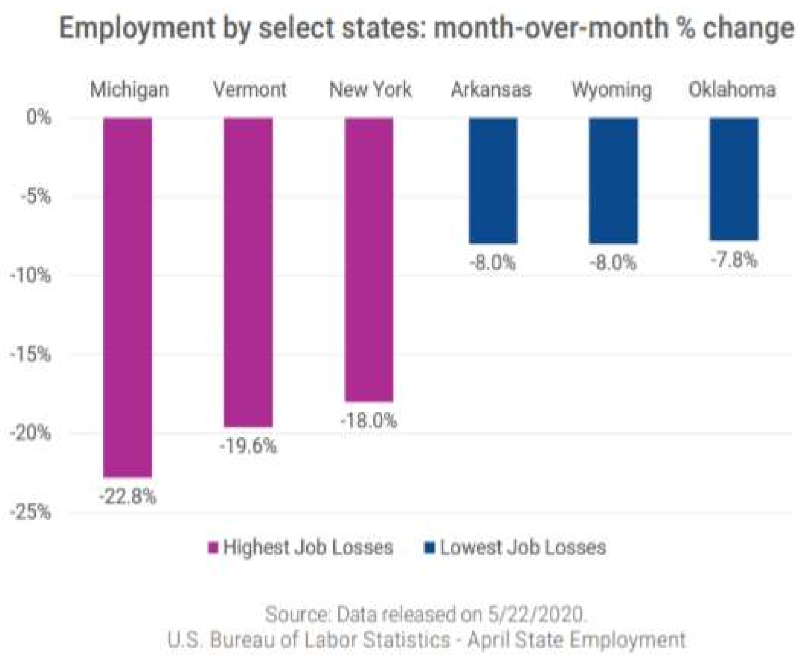




Note: BLS reports April and May 2020 unemployment rates are likely underreported by several percentage points

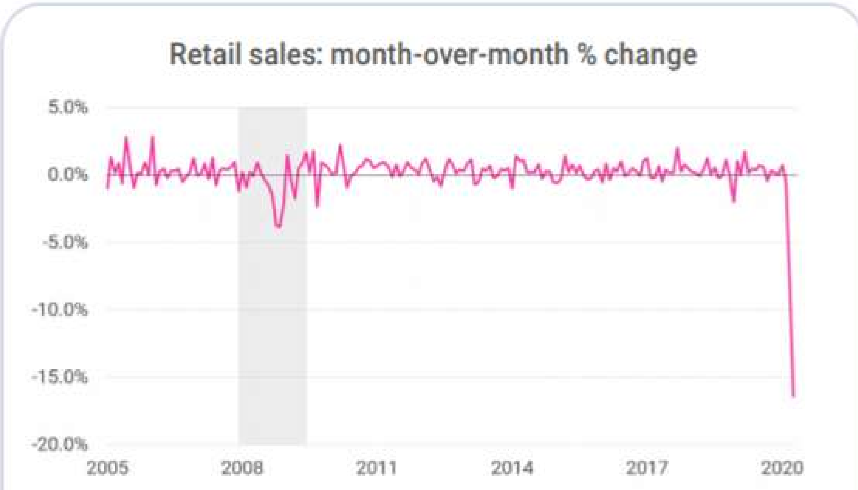
Source: Bureau of Labor Statistics

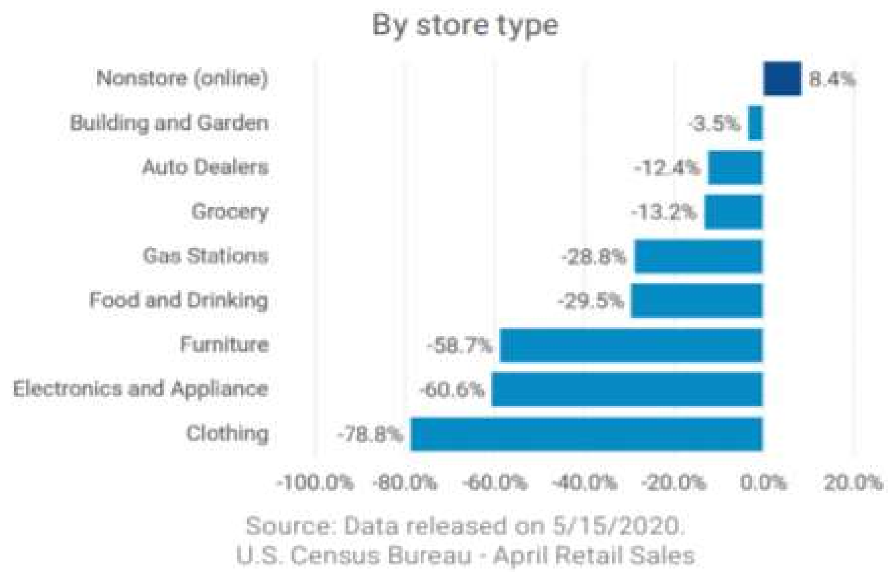
Impact varies by region and sector



Source: Experian

Consumer spending trends vary by category





Source: Experian

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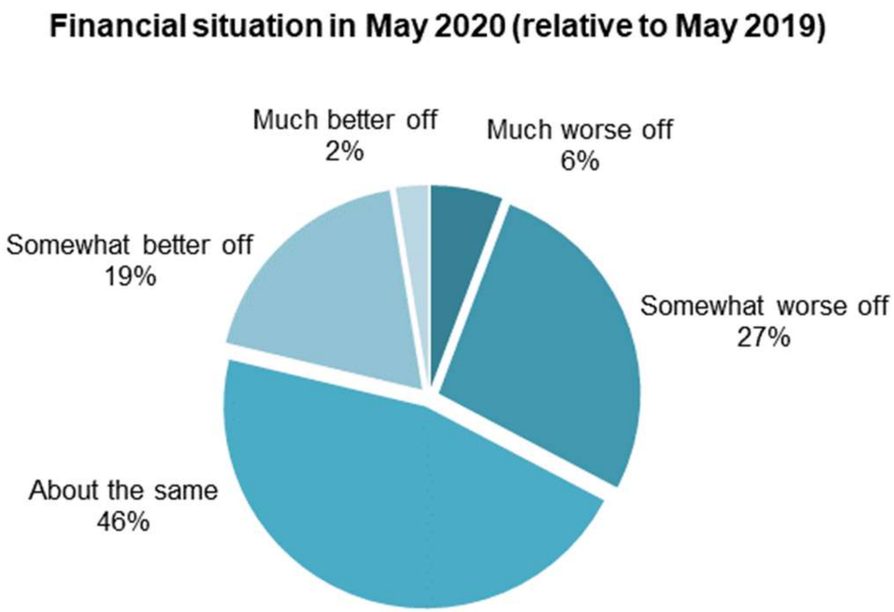
Consumer expectations

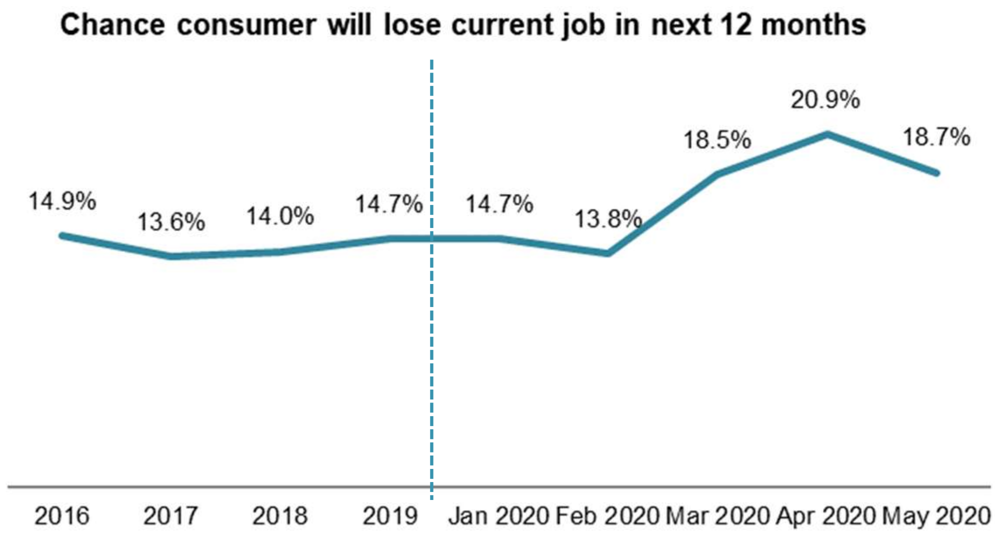
Deteriorating financial condition



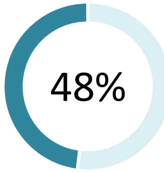
- By comparison, in May 2019 19% of consumers believed they were much or somewhat worse off than the previous year
- Looking ahead to 2021, only about a quarter (27%) of consumers believe their financial condition will improve and about half (48%) believe it will remain the same

Source: NY Federal Reserve, Survey of Consumer Expectations

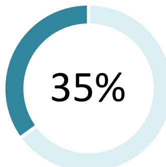
More job, income losses expected



Source: NY Federal Reserve, Survey of Consumer Expectations



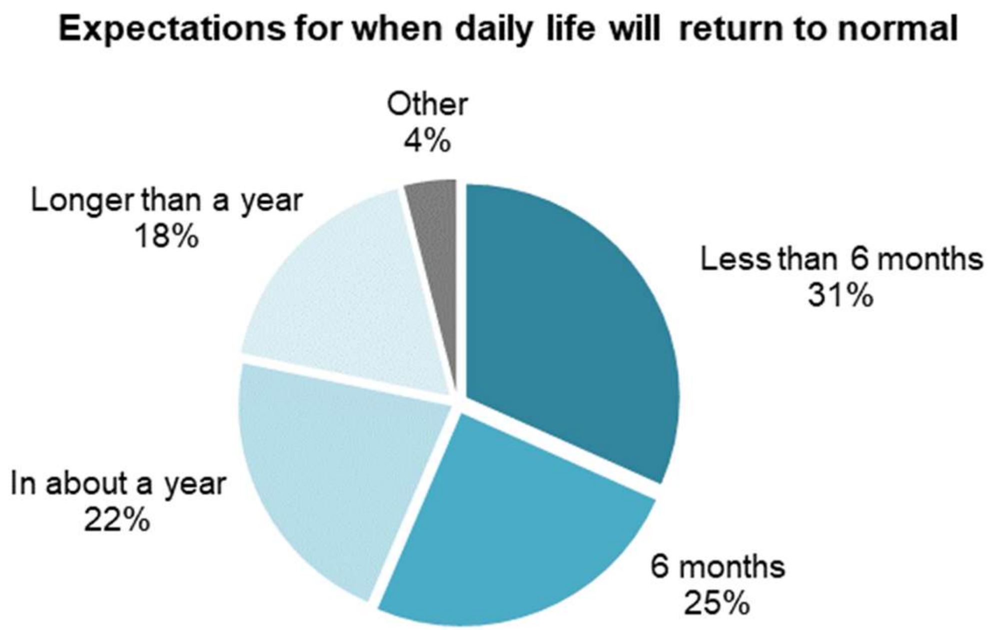
report a loss of household income since mid-March



expect a loss of household income in next four weeks

Source: Census household pulse survey, 5/21/20-5/26/20. Note that percentages are not mutually exclusive.

Many expect “normal” is at least 6 to 12 months away



Source: Marist/NPR/PBS NewsHour poll, May 2020

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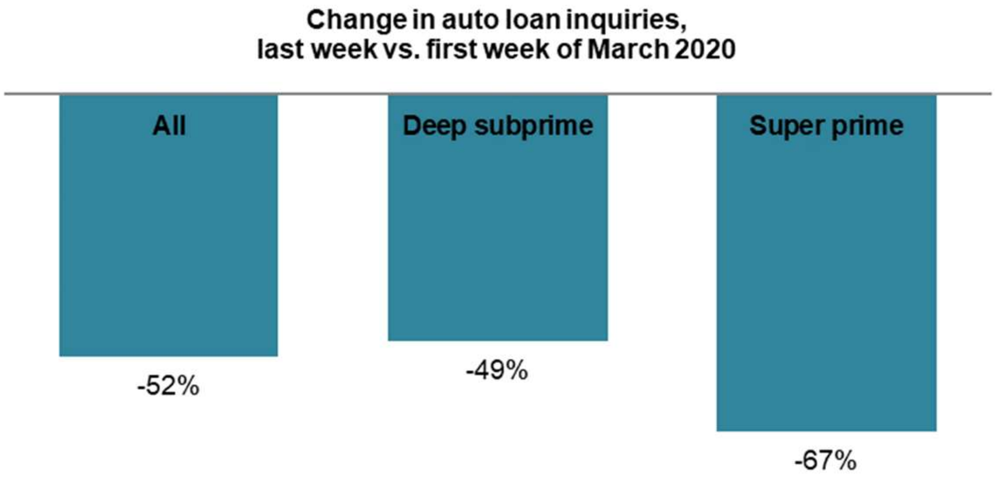
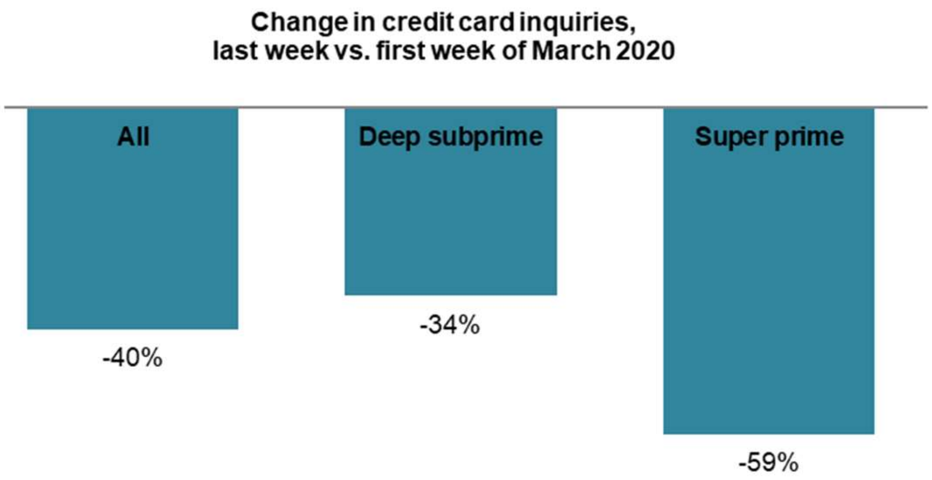
Credit demand and utilization

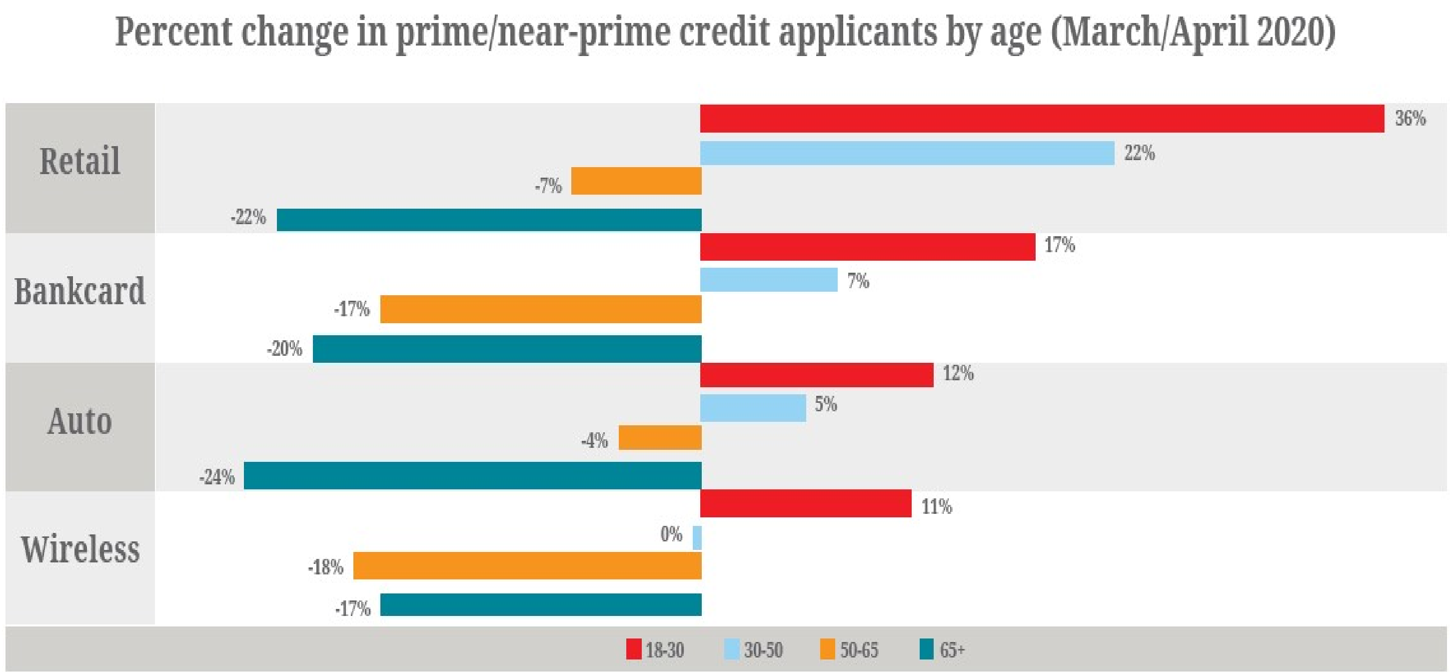
Demand for new credit down, esp. among highly-qualified applicants





Source: CFPB. Deep subprime = <500 Vantage score; Super prime = >780 Vantage score

Multiple theories on why younger consumers have higher credit demand



Source: ID Analytics, a Lexis Nexis company

- Lack of other means, comfort with digital channel, or a reflection of credit scores as a lagging indicator?

Credit balances largely stable or declining

Bankcards
$818B → $744B

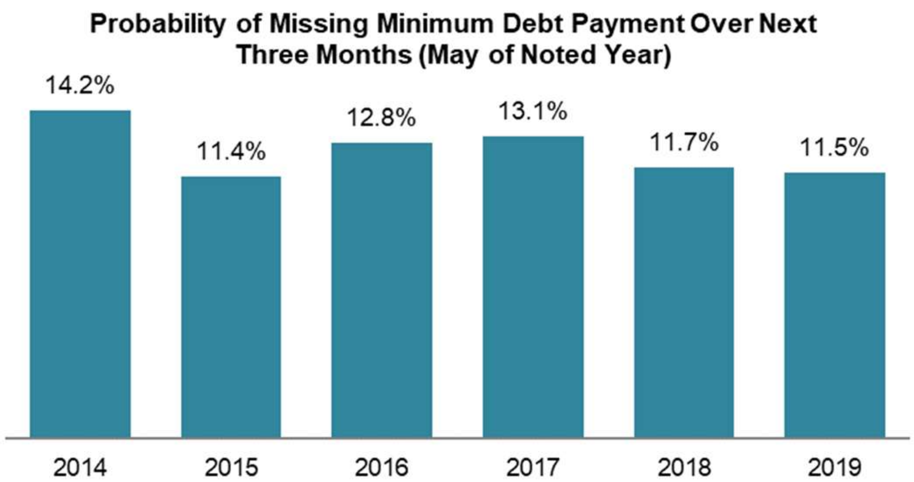
Retail Cards
$77B → $71B

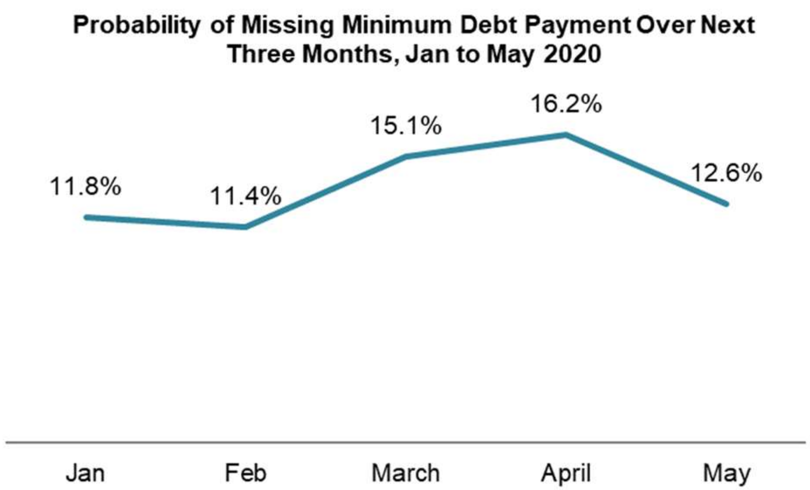
Auto Loans & Leases
$1.35T → $1.37T

Consumer Finance
$120B → $119B

Source: Equifax

Expected difficulty meeting obligations

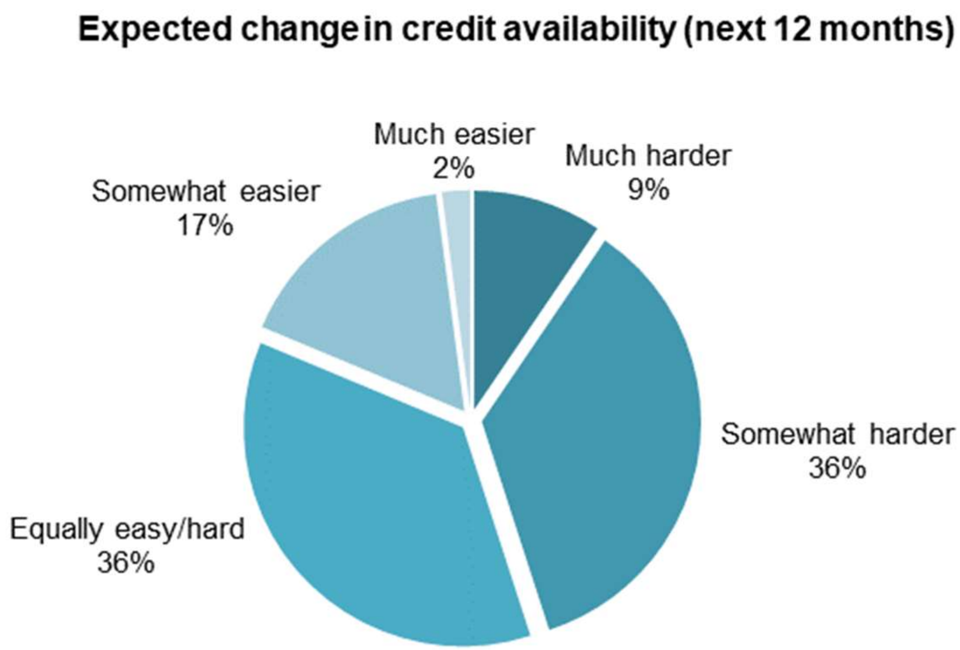




Greatest probability of missed payment: age <40, those without a college degree, income <$50K

Source: NY Federal Reserve, Survey of Consumer Expectations

Many feel credit access will be curtailed



Source: NY Federal Reserve, Survey of Consumer Expectations

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