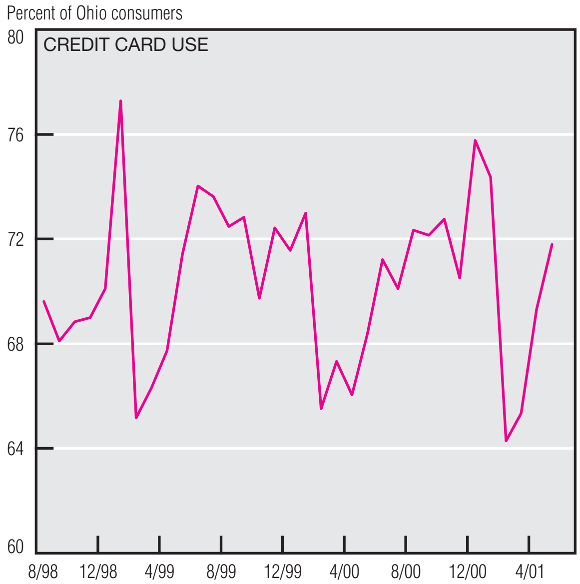
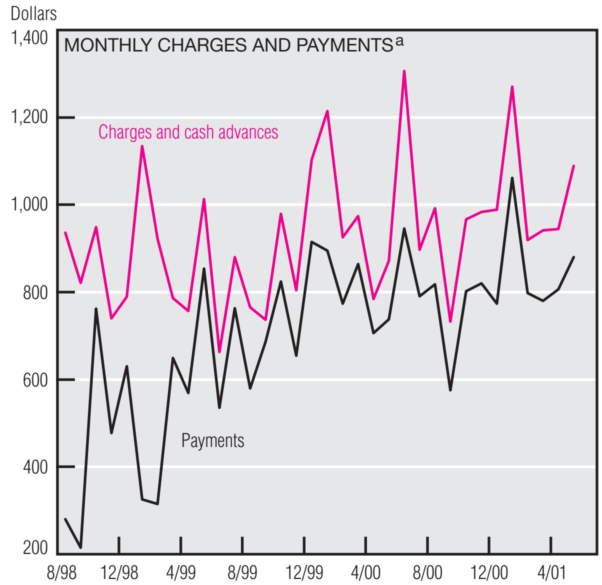
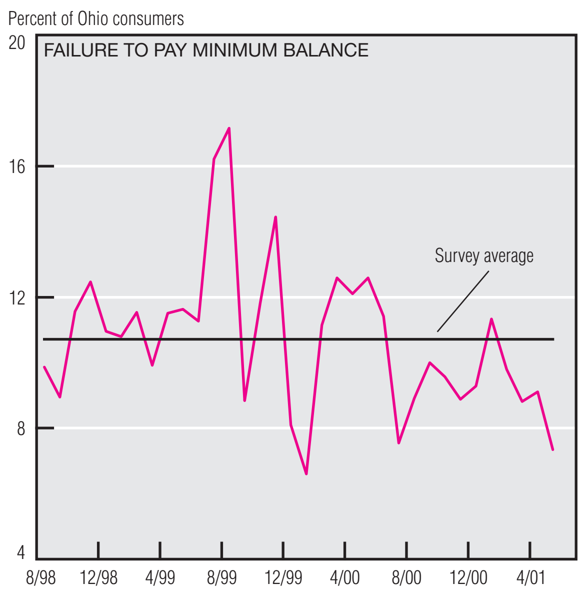
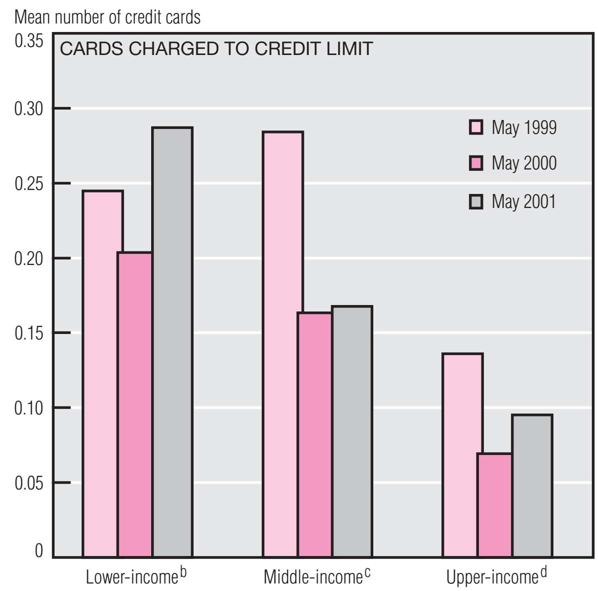
Credit Card Use in Ohio









a. Data plotted for each month refer to expenditures and payments in the previous month. For example, the amounts reported in January 2000 refer to the amounts charged/paid on cards during the December 1999 billing cycle.
b. Annual household income of less than $30,000.
c. Annual household income of more than $30,000 but less than $75,000.
d. Annual household income of more than $75,000.
SOURCE: Federal Reserve Bank of Cleveland calculations, based on data from the Buckeye State Poll, which is conducted by The Ohio State University's Center for Survey Research.

The Buckeye State Poll is a monthly telephone survey that queries Ohio residents on a range of political, economic, and religious topics. The survey, started in September 1998, has a short history, but even within the 34 months of data accumulated so far, patterns of credit card use and indebtedness are starting to emerge.

Roughly 70% of Ohio consumers use credit cards in an average month, with annual peaks in December (the holiday shopping season) and lows in February. Data on monthly charges and cash advances, both peaking in December, also hint at seasonality.

While charges and cash advances have drifted only slowly upward, monthly payments on credit cards have climbed more rapidly since the survey began. The gap between how much consumers charge on their cards and how much they pay on them each month has been closing. In August–October 1998 (the first three months of the survey) the gap averaged $483. For the same period in 2000, the gap was roughly two-thirds smaller, at $165. (The three-month period ending in May 2001 showed a gap of $169.) Throughout 2001, survey data have shown general improvement in consumers' ability to pay down their debts. The percent failing to pay the minimum balance on their cards has declined throughout this year.

The mean number of cards that consumers have charged to their limit varies by income level. Not surprisingly, the number is highest among lower-income cardholders. Between May 2000 and May 2001, the average number of maxed-out cards rose across all income levels, although the increase in the middle-income group was negligible. While the number of

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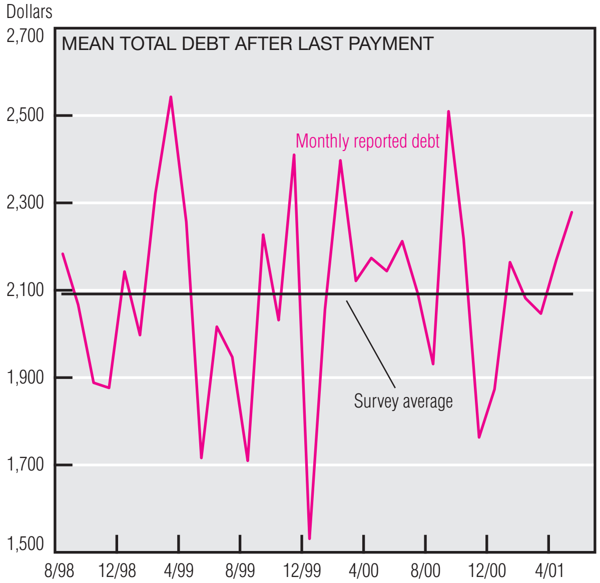
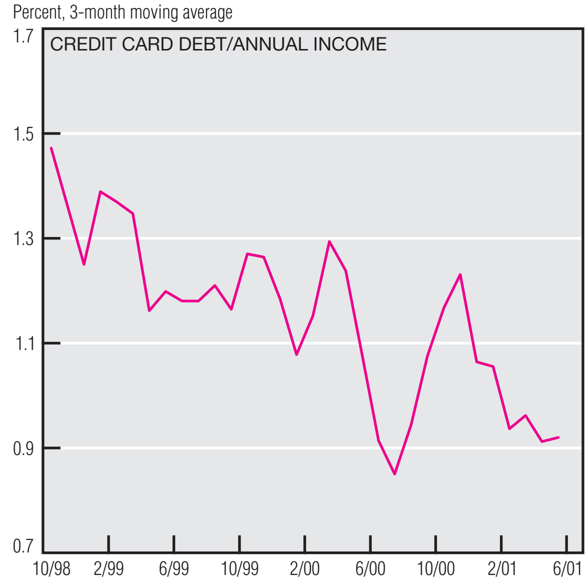
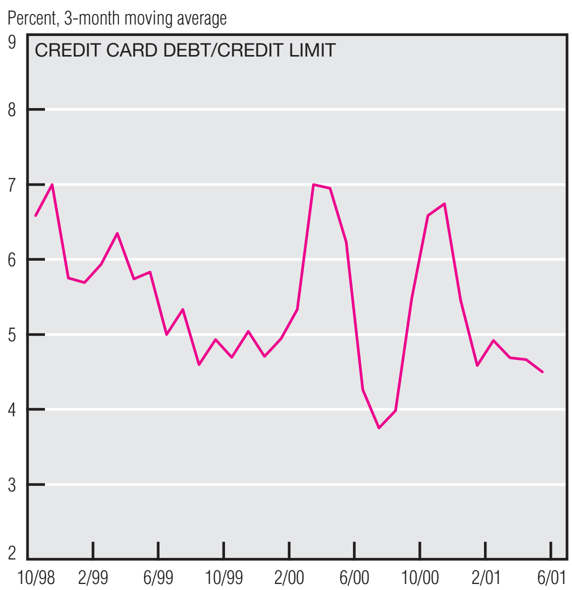
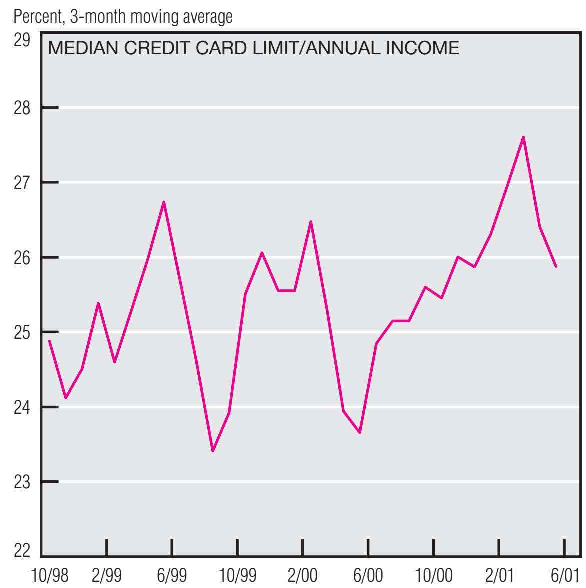
Credit Card Use in Ohio (cont.)









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cards charged to their limit has dropped since 1999 for middle- and upper-income consumers, it has increased for lower-income individuals. Whether this results from increased spending or a change in credit standards for lower-income cardholders is unclear.

The amount of debt that consumers hold on their credit cards is highly volatile; through the survey's history, debt has fluctuated around an average of about $2,100. Since November 2000, however, debt has grown notably, creating the longest period of rising debt in the survey's brief history. It is too soon to say whether this effect is seasonal or not; a similar effect occurred between November 1998 and March 1999.

Although the absolute amount of credit card debt has been drifting upward, debt as a share of income has been trending down throughout 2001, suggesting that respondents' average annual income has been growing. Similarly, credit card debt as a share of consumers' credit limit has remained fairly level since January, suggesting that credit limits have risen slightly. While consumers are using only about 4.5% of their available credit this year (an amount that, on average, accounts for less than 1% of their annual income), a look at the ratio of credit limit to annual income suggests that if consumers used all the credit available to them, they could take on debt exceeding 25% of their household income. This figure rose dramatically from June 2000 through March 2001, suggesting an increase in the amount of credit available to consumers. The drop in April and May could be the result of tightening standards, increasing incomes, or both.