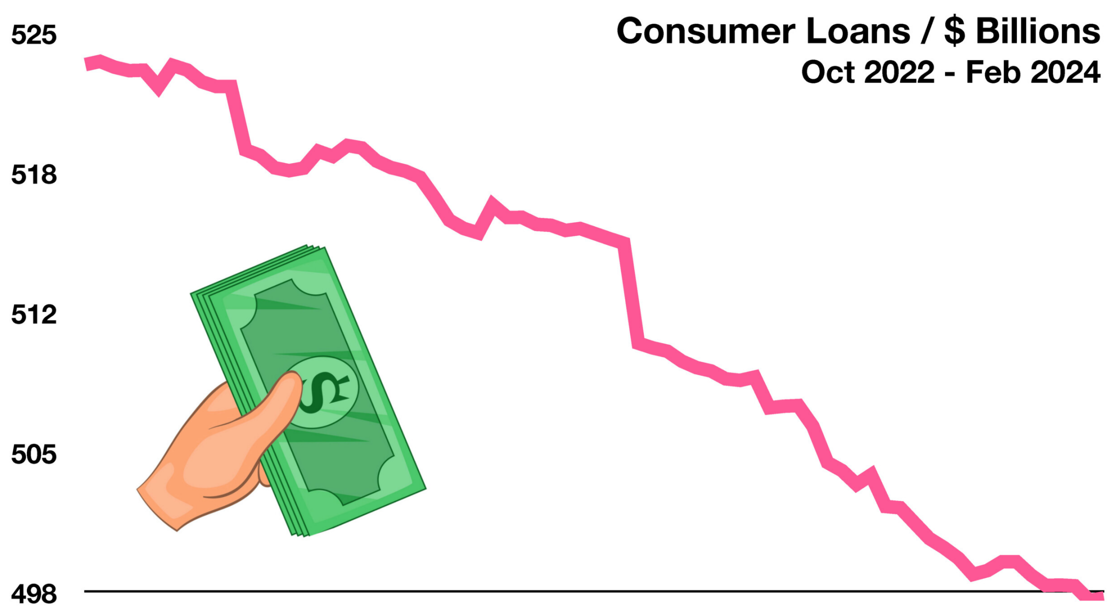
Consumer Loans Are Falling - Consumer Finance Behavior

Outstanding loans among consumers have been falling since October 2022, reflecting a drop from auto loans to credit card balances. Such data can be viewed differently, either as a positive or negative result of economic circumstances and consumer sentiment.

A number of variables determine loan activity among consumers, including loan approval, income, sentiment, and need for a loan. Historically, an increase in loan activity has been optimistic as increased income and sentiment among consumers leads to heightened loan requests. Also affecting loans recently are loan approvals, where banks and finance companies have increased lending requirements among consumers and businesses, making it more difficult to obtain a loan. A drop in wages or an increase in living expenses may also deter consumers from taking out loans, as financial constraints make it challenging to qualify and repay loans. The Federal Reserve tracks and analyses loan activity and data for signs of consumer hesitation and sentiment, which eventually affects the economy, since over two-thirds of GDP is contingent on consumer expenditures.

Sources: Federal Reserve



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