

CONSUMER INSTALMENT CREDIT, MARCH 31, 1948

The amount of consumer instalment credit outstanding at the end of March is estimated at 6.4 billion dollars, or more than 2 billion dollars above the level of a year ago and at about the same record high as was reached in August 1941. Outstanding credits arising from loans are well above, while credits arising from instalment sales are still below, corresponding prewar peaks. See attached table.

Instalment Sale Credit

Consumer indebtedness arising from instalment sales of automobiles and other durable goods is estimated at 2.9 billion dollars at the end of March. In 1947 this type of credit accounted for the largest share of the increase in total instalment credit but the amount outstanding is still well below the prewar level of approximately 4 billion dollars. Further increased expansion in this segment of instalment credit may be expected. The percentage of credit sales to total sales is on the increase and credit terms are being considerably relaxed. Substantial lengthening of contract maturities and relaxed downpayment requirements are increasingly evident with respect to the instalment selling of new and used cars, refrigerators, radios, furniture, and other durable goods.

Instalment Loan Credit

In contrast to instalment sale credit instalment loans outstanding are well above their prewar high and are currently estimated at 3.5 billion dollars. The record level of instalment loans is traceable in part to a moderate shift from the use of retail credit to the use of direct loans as a method of financing the sale of consumer durable goods. In part, also, the present high level of loans stems from the need to borrow money in order to meet increases in living costs. Easier credit terms are in evidence in this field of consumer indebtedness. Repayment periods on new consumer instalment loans have lengthened substantially in recent months and it is probable that a large number of old loans outstanding are being renewed on a more liberal basis.

Conclusion

Consumer instalment credit outstanding is now at the record level attained before the war and is expected to expand further at a rapid rate. The degree to which people are going into debt either by seeking instalment loans to meet a variety of personal expenditures or by obtaining credit from retailers in order to purchase automobiles and other durable goods is on the increase. This tendency may be accentuated by the return to prewar competition in credit terms. With a limited supply situation facing likely curtailment in the near future, the inevitable consequence will be an intensification of inflationary pressures.

4/12/48

Consumer Instalment Credit Outstanding
(Estimates in billions of dollars)

Instalment credit	March 31, 1948	March 31, 1947	August 31, 1941
Total credit	6.4	4.3	6.4
Sale credit	2.9	1.7	4.1
Loan credit	3.5	2.6	2.3