Millennials should be the focus of lenders in the Philippines...

In Hong Kong, the Millennial generation (born 1980 to 1994) is small relative to older generations and less established in credit use, yet they're still the engine for balance growth. In the Philippines, the same lifestyle drivers alone would make Millennials a vital segment, plus they're significantly larger than preceding generations, plus those preceding generations missed out on some of the economic opportunities today's consumers now have—the first credit card in the Philippines was issued twenty years after the same milestone in Hong Kong, for example.

Generation Xers (1965 to 1979) do hold the most credit cards in the Philippines, but Millennials accounted for 57% of the new cards opened in Q1 2017, or 2 for every 1 opened by a Generation Xer. This continues a 4 year trend of growing prominence, starting in Q2 2013 when Millennials first became the chief openers of new credit card accounts.

In that period, Baby Boomers (1946 to 1964) have gone from opening 20% of new accounts to opening just 11% of new accounts. The tables overleaf describes this, first showing the distribution of all card accounts by risk and generation.

DISTRIBUTION of CREDIT CARD ACCOUNTS

	Silent Born 1945 and earlier	Baby Boomer 1946 to 1964	Gen X 1965 to 1979	Millennial 1980 to 1994	Gen Z Born 1995 onwards
Subprime	0.2%	3.7%	7.9%	7.2%	0.0%
Near Prime	0.2%	3.5%	6.6%	6.7%	0.0%
Prime	0.5%	7.9%	14.5%	13.2%	0.1%
Prime Plus	0.6%	6.5%	8.4%	6.0%	0.0%
Super Prime	0.6%	3.0%	2.4%	0.5%	0.0%

The second table shows a similar distribution, but only for card accounts opened in Q1 2017; the replacement ratio is a proxy for growth trajectory and would be 100% if the generation in question opened the exact same proportion of new accounts as it already held of open accounts.

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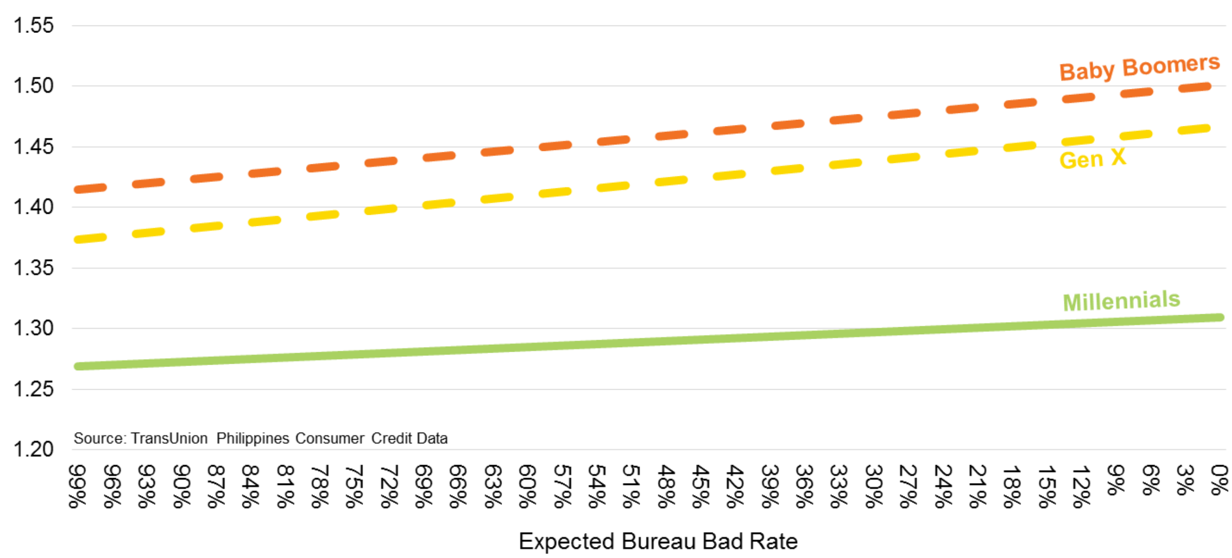
Subprime	0.0%	0.7%	2.2%	3.5%	0.1%
Near Prime	0.0%	2.2%	7.0%	15.6%	0.5%
Prime	0.1%	4.8%	14.2%	28.9%	0.8%
Prime Plus	0.1%	2.6%	5.3%	8.1%	0.1%
Super Prime	0.1%	1.0%	1.2%	1.0%	0.0%
Replacement Ratio	15.7%	45.8%	75.1%	169.5%	844.8%

TransUnion 環聯

The recent rapid growth from Millennials has not necessarily exhausted their demand for new banking relationships. Firstly, though the demographic data to which I have access is incomplete, it is still sufficient to make it noteworthy that the percentage of Millennials who are reported as married is half of that of Generation Xers. If the timing of a wedding is a decent proxy for the timing of some of life's other large purchases, then we've yet to see the peak credit demand for Millennials.

Secondly, Millennials have, at the median, one fewer card relationships than Generation Xers and Baby Boomers of similar risk. Or, looking across the portfolio, Millennials have 10% fewer card relationships on average. The graph below describes this, with each line representing the average number of unique card issuers a consumer with a given expected bad rate has—typically lower-risk consumers have access to more relationships, being a more attractive pool for lenders.



If Millennials do continue to grow their credit exposure, they are well-placed to absorb it—they have reported incomes 10% lower than Generation Xers at the median, but credit limits that are 40% to 50% lower. That said, they are also riskier according to the bureau score, so lenders may be wary. 30% of Millennial card balances are *subprime*—in-line with Generation X and Baby Boomer balances—but only 10% of balances are *prime plus* or *super prime*, versus 15% of Generation X card balances and 24% of Baby Boomer card balances.

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