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JPMorgan, Citi, Wells Fargo highlight strong card volume in Q1

Article

The news: Major banks highlighted strong card volume in their Q1 2022 earnings.

- **JPMorgan's credit card sales volume increased roughly 29% year over year** (YoY) in Q1, mirroring Q4 performance and strongly outpacing Q1 2021 (+2.6% YoY). The issuer's card outstandings grew 11% YoY, outpacing the previous quarter's 5% bump, CFO Jeremy Barnum said on the company's earnings call. Barnum also highlighted a "robust reacceleration" of travel and entertainment spending, which **surged 64%** in the quarter.

- **Citi's branded card volume grew 24% YoY** in Q1, in line with Q4 and outperforming a flat Q1 2021. Citi said Q1 branded card **revenues declined 1%** YoY due to higher repayment rates and higher acquisition and rewards costs.
- **Wells Fargo's credit card point-of-sale (POS) volume jumped 33% YoY** in Q1, accelerating from both Q4 2021 (+28% YoY) and the same period a year ago (+6% YoY).

How we got here: Inflated prices and increased consumer spending likely contributed to higher card volumes in Q1.

- US retail and food services sales increased 6.9% YoY in March, per the US Census Bureau. However, only sporting goods, electronics, and general merchandise retail sales outpaced inflation, senior Wells Fargo economist Tim Quinlan told the Wall Street Journal.
- Gas prices also surged during the quarter due to energy sector interruptions stemming from Russia's war on Ukraine, which may have also directly affected card spend.
- And localities lifted lingering COVID-19 restrictions, allowing more consumers to spend on indoor dining and entertainment activities. New York City, for instance, dropped its COVID-19 vaccine and mask mandates on March 7.

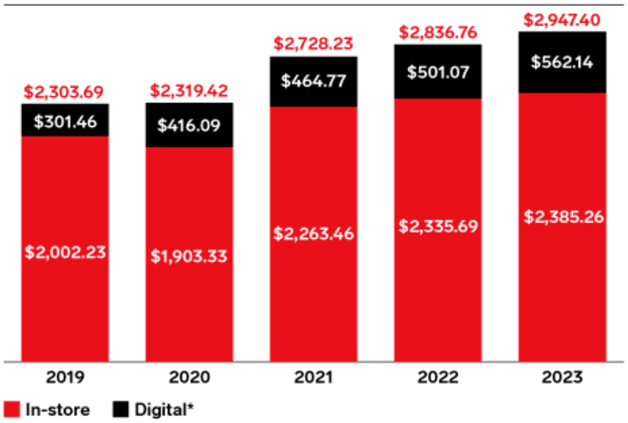
What's next? The bevy of new and revamped card products to recently hit the market should help issuers sustain volume heading into the spring and summer months, especially cards that include T&E-centric rewards: Chase, for example, recently launched the IHG Rewards Premier Business co-brand card and updated IHG Rewards Traveler and Premier consumer co-brand cards.

The bigger picture: Issuers should keep an eye on delinquencies in the months ahead.

- The rate of credit card delinquencies (at least 30 days past due) has gradually risen since the start of the year. Typically, delinquencies peak in January following the holiday season, but this year, the delinquency rate rose through February.
- But delinquency rates are still well below pre-pandemic levels, per Autonomous Research. This trend may not be an immediate cause for concern among issuers—it may simply reflect a return to pre-pandemic norms. But that doesn't mean issuers should ignore it as consumer spending ramps up in the coming months.

US Digital* vs. In-Store Credit Card Spending, 2019-2023

billions



*Note: includes food services and drinking places sales and sales tax; excludes travel and event tickets, payments (such as bill pay or money transfers), mail orders, and gambling and other vice good sales; in-store includes point-of-sale (POS) transactions made in-store using credit cards including proximity mobile payments linked to a credit card; digital includes transactions made over the internet (includes desktop/laptop, mobile, and tablet purchases) using credit cards; *forecast from July 2021*
Source: Insider Intelligence, Nov 2021

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