

# JPMorgan, Citi, and Wells Fargo report strong Q2 earnings but brace for potential economic downturn

Article

**The news:** Card issuers reported strong volume growth in Q2 despite a notable slowdown from the same period last year, when post-lockdown spending kicked into overdrive.

- **JPMorgan's credit card sales volume increased 21% year over year (YoY) in Q2 and hit \$271.2 billion, per its earnings presentation.** Growth slowed from a 51% YoY surge the same period last year.
- **Citi's branded card volume jumped 18% YoY in the second quarter, reaching \$122 billion, according to its earnings presentation.** Volume growth decelerated from Q2 2021's 40% YoY increase.
- **Wells Fargo's credit card point-of-sale (POS) volume grew 28% annually in Q2—compared with 46% YoY last year—hitting \$30.1 billion, per its earnings release.**

**Key context:** Record inflation may have augmented Q2's volume growth—higher prices mean more spending on a dollar-for-dollar basis.

Inflation grew 9.1% in June, the fastest pace since November 1981. The average consumer is spending 35% more on gas and about 6% more on essential purchases than they did a year ago, JPMorgan CFO Jeremy Barnum said on the company's earnings call. **And 35% of US consumers cited gas and transportation as the spending categories they rely on their credit card for, per LendingTree.**

However, some volume growth may also have been organic—Barnum said the bank hadn't noticed a pullback in discretionary spending. It's possible that spending trends in Q1 may have continued into the second quarter.

- Consumer spending on travel and entertainment surged 54% YoY in Q1 2022, Cardlytics found, despite persistent inflation through the quarter.
- Unemployment is also still low, and consumers' wages are growing—which has potentially given consumers more confidence to up their discretionary spending despite inflation.

**What's next?** While consumer spending metrics aren't flashing warning signs yet, card issuers are still preparing for a possible recession. JPMorgan set aside \$428 million for bad loans, and Citi and Wells Fargo followed suit with their own reserves.

**Here are two other ways issuers may prepare for a possible recession:**

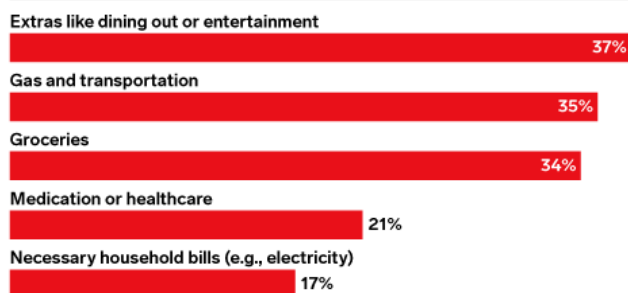
1. More issuers may adapt cards by doubling down on rewards for everyday purchases, which could help encourage spending and tighten loyalty during an economic downturn. **American Express** recently revamped its Blue Cash Everyday card with higher rewards on gas spending, for instance.
2. Issuers could also ramp up investments in solutions that emphasize payment flexibility —like buy now, pay later (BNPL) offerings, which many banks have started offering. This would give customers additional financing options and help banks minimize the risks of delinquency.

**Coming soon:** Stay tuned for our *Era of Uncertainty: Credit Cards* report, which details how a recession might impact issuers and what they can do to respond.

---

**Spending Categories in Which US Credit Card Holders Are Reliant on Their Cards to Make Payments, March 2022**

% of respondents



Note: ages 18+

Source: LendingTree survey conducted by Qualtrics as cited in company blog, April 25, 2022

275535

eMarketer | InsiderIntelligence.com