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Adriana Nunez

Credit card balances reach pre-pandemic levels—but consumers face new pressures

Article

The data: **Total US credit card balances hit $916 billion** in September—reaching pre-pandemic levels for the first time, according to Equifax data cited by the Wall Street Journal.

Balances in September mirrored December 2019 levels and were 23% higher than their pandemic low in April 2021.

What's the catch? Although credit card balances have normalized, card issuers should remain alert as economic uncertainty weighs down on consumer budgets.

- **Consumers are carrying debt longer.** Sixty percent of US respondents with credit card debt have carried it for at least a year—up from 50% a year ago, per a CreditCards.com survey. Younger consumers and those with low incomes are most likely to carry credit card debt because of necessities like groceries, the survey found.
- **Consumers are leaning on credit cards as inflation bites.** The personal consumption expenditures (PCE) price index increased 5.1% year over year (YoY) in September—remaining at the highest levels since the early 1980s. Forty-eight percent of UK, US, and Australian respondents in a Marqeta study said their credit cards have been a "lifeline" for them as the cost of living increased. Sixty-seven percent of US respondents said they were using their cards to make ends meet.
- **The consumer savings rate is down.** US personal savings rate as a share of disposable income dropped to 3.3% in Q3—the lowest reading since the 1940s, per Bureau of Economic Analysis data cited by the Journal. In Q1 2020, that figure stood at 9.6%.

How we got here: Our credit card transaction volume forecast highlights the notable shift in consumer spending throughout the pandemic.

- **Early pandemic pullback.** Many consumers curbed their credit card spending at the onset of the pandemic as financial fears ran high. Total US credit card transaction volume grew a mere 0.6% YoY in 2020, per our forecasts.
- **Post-lockdown boon.** Government stimulus payments, declining unemployment, and easing COVID-19 restrictions gave consumers confidence to pick up their credit cards again. US credit card transaction volume last year surged 21.5% YoY, per our forecasts.

What's next? We highlight the challenges issuers may face in the event of an economic downturn and how consumers may react in our Era of Uncertainty: Credit Cards report.

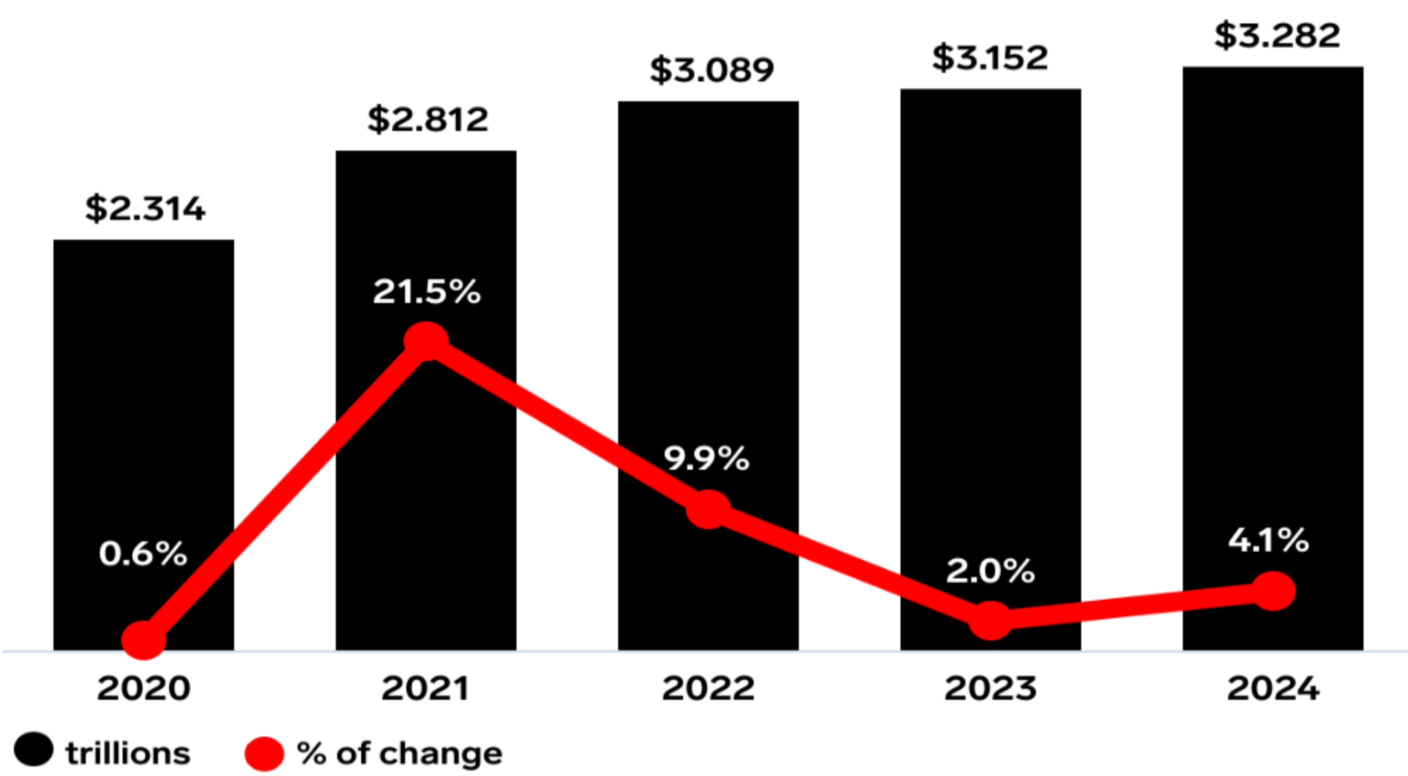
- **Short term.** A recession would likely cause credit card spending to drop. Issuers' losses may rise as consumer lending risks increase.

- **Long term.** Buy now, pay later (BNPL) might steal more market share from credit cards as consumers seek out flexible and interest-free payment options. Credit card rewards may shift to cater to everyday spending categories.

Issuers may want to pivot on travel and non-premium segments, emphasize payment flexibility, and add money management tools to support consumers and minimize their losses.

Total Credit Card Transaction Value

US, 2020-2024



Note: includes point-of-sale (POS) transactions made in-store and over the internet using credit cards; includes food services and drinking places sales; includes sales tax; excludes travel and event tickets, payments (such as bill pay, taxes, or money transfers), mail orders, gambling, and other vice goods sales; includes desktop/laptop, mobile and tablet purchases
Source: eMarketer, August 2022

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