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Three trends that shaped credit cards in 2024

Article

Let's review: Total credit card transaction value hit $3.625 trillion in 2024, per our forecasts—growing 4.6% YoY. And consumer credit card debt hit a record $1.17 trillion in Q3.

Here's a look at three trends that defined the credit card sector in 2024.

1. The mega-merger.

- **Capital One's** proposed $35.3 billion acquisition of **Discover** would be the biggest credit card merger on record. While some argue that swapping Capital One cards to the Discover network could actually increase competition against the **Visa-Mastercard** duopoly, others are concerned that creating the largest credit card issuer by a wide margin would lead to higher fees and interest rates for consumers.

- The deal had a tricky path forward under the Biden administration, and many Senate Democrats have called on regulators to block the deal. But with a Republican sweep of both the White House and Congress, the deal has much better chances of being finalized in the first half of 2025.

Our take: Capital One hasn't committed to converting more than "selected credit card purchase volume" onto the Discover network. Considering Discover currently makes up just 2.2% of all US card network volume, per our forecast, the competitive pressure on Visa and Mastercard will be limited: The two together have a 76.5% share.

2. Delinquencies stalled out.

- After break-neck rises in both credit card delinquencies and net charge-offs in 2022 and 2023, we expected that consumers' pullback in discretionary spending coupled with issuers' tougher lending standards would start sending delinquencies back toward pre-pandemic levels.
- And while 30-day delinquencies dropped sharply in the first half of the year and rose more slowly in the second half, per VantageScore data, they're on track to match or surpass last year's high for the third consecutive year.

Our take: We expect modest improvements in 2025.

The Fed lowered interest rates by a full percentage point in 2024, which should lead to lower APRs that help consumers stay on top of their monthly payments. As pandemic-era credit vintages (which were issued with looser lending standards) work their way through the data, we may end 2025 with lower delinquency rates YoY.

3. Credit cards tapped experiences to draw Gen Z

- After issuers broadly devalued points and rewards in 2023, credit card companies jumped on a new trend to attract cardholders and induce spend: experiences.
- **American Express** won over the hearts and minds of Gen Z with a slew of experience-based perks and rewards, like exclusive restaurant access through **Resy** and a cardholder-only tent

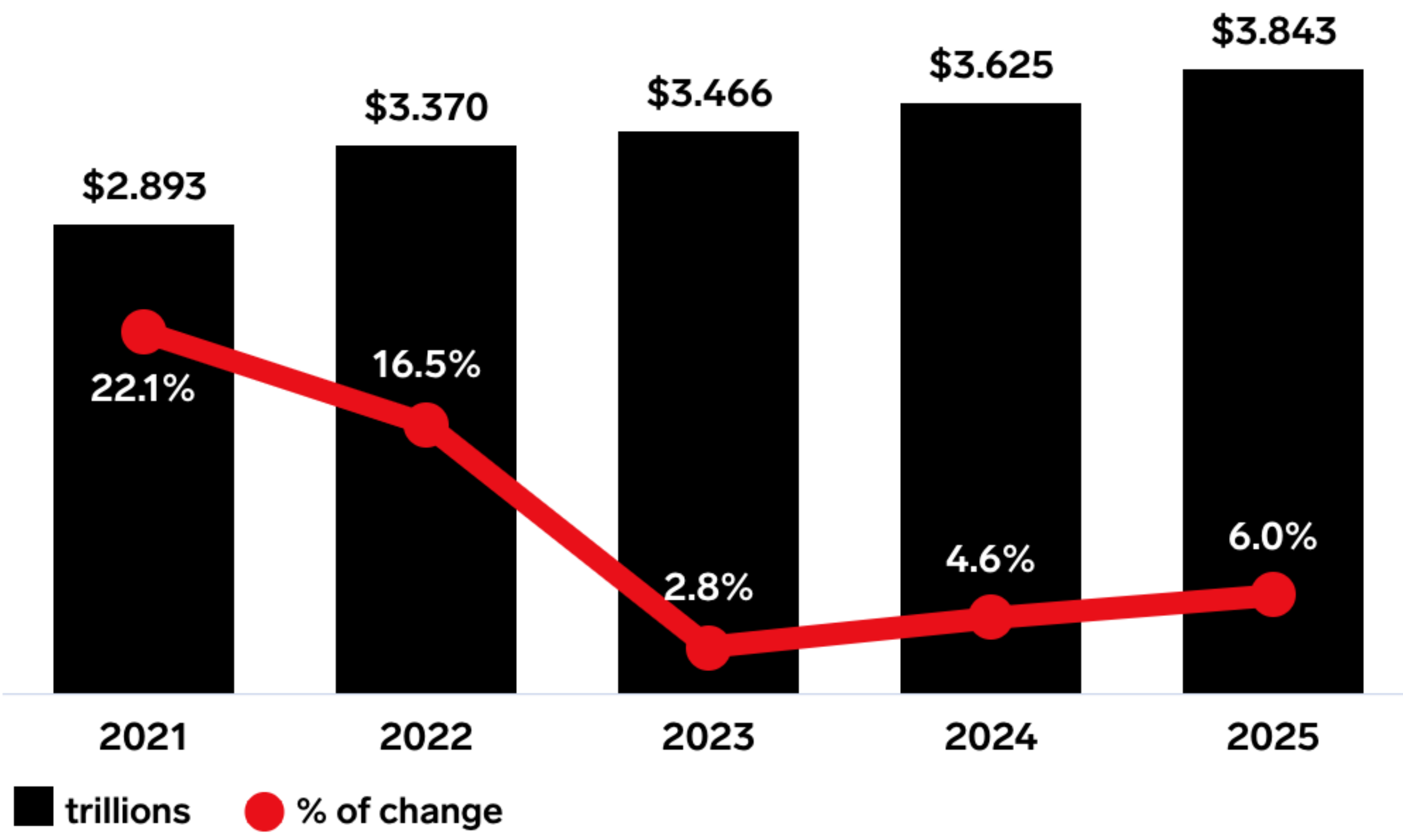
at Coachella. Mastercard also got in on the experiences game, giving cardholders access to more pre-sale tickets and exclusive perks at concerts and music festivals.

Our take: When it comes to creating the most competitive credit card, one approach is to offer the best cash-back or rewards multiples—a costly arms race for issuers.

But offering exclusive experiences can also be a highly effective approach, especially for younger consumers who prioritize travel and entertainment. And since these perks can't be "rewards maxed" in the same way cash back or points can, they can help issuers keep rewards costs down while still serving their cardholders.

Total Credit Card Transaction Value

US, 2021-2025



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 Forecast, August 2023

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