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Amex boasts winning Gen Z strategy and healthy delinquency rates

Article

By the numbers: American Express's billed business increased 6% year over year (YoY) in Q2 2024 to total $441 billion, per its earnings release. Goods and services spending grew 6% YoY, while travel and entertainment grew 7% YoY.

Younger generations drove growth:

- **Gen Z and millennials' spending jumped up 13% YoY**.
- Gen X volume grew 5%, while baby boomers and older generations' volume increased just 2% YoY.

Why it matters: Amex's push to win over younger generations is working. Gen Z and millennials accounted for more than 60% of global acquisitions in Q1. Their spending now makes up **one-third of the company's overall volume**, per its Q2 earnings.

Healthier delinquencies than competitors:

- Amex's **30-day delinquency rate was 1.2%**, down from 1.3% last quarter. It's also below its pre-pandemic level of 1.5% in Q4 2019.
- Amex's net write-off rate was 2.1%, flat from the prior quarter and below its pre-pandemic level of 2.2%.

What this means: American Express is one of the only card issuers whose delinquency rate is better than before the pandemic.

It's achieved this thanks to its customer base of wealthier consumers with higher credit scores. These consumers' payment habits were less affected by higher inflation and debts.

Our take: Amex is setting itself up for long-term growth by bringing on consumers early in their financial lives. If Amex can keep them loyal, their spending will grow as they become more financially mature.

But the last quarter was not without difficulties: **eBay** announced it will stop accepting Amex cards in Q3, alleging the network charges "unacceptably high fees." While this likely won't have a significant impact on Amex's volume, it reflects the larger threats the company faces amid the swipe fee battle.