

Amex attributes strong Q2 to robust travel and entertainment spending

Article



The data: American Express' billed business grew 30% year over year (YoY) in Q2, per its earnings presentation. That's a slowdown from Q2 2021's 51% YoY surge, which was fueled by a release of post-lockdown spending.

Here's a closer look at Amex's billed business segment:

- **Travel and entertainment (T&E) spending surged 84% YoY** compared with last year's 340% increase, which was heavily augmented by post-lockdown conditions.
- **Goods and services (G&S) grew 18% YoY.** G&S spending in Q2 2021 increased 31% thanks to improved consumer financial metrics compared with the year before.

How we got here: Four factors may have contributed to Amex's strong Q2.

1. **Amex's market position.** Despite saying that inflation was a "modest contributor" to the quarter's volume growth, Amex didn't notice any significant signs of stress among its customers, CEO Steve Squeri said on the company's [earnings call](#). Amex's strong positioning in the premium and ultra-premium card space suggests it has a large segment of affluent cardholders who may be less exposed to inflation than lower-income consumers.
2. **T&E recovery tailwinds.** A strong jump in travel spending through the last quarter helped support Amex's billed business: **Spending on airlines increased 148%** annually, while restaurants and lodging grew 48% and 90% YoY, respectively. Corporate travel, which has been slower to recover, also increased in Q2. Squeri noted that T&E spending surpassed pre-pandemic levels for the first time in April.
3. **Younger cardholder acquisitions.** Amex has been working on capturing business from Gen Zers and millennials, who made up a large part of Amex's customer base and were the fastest growing age cohort, Squeri said. These customers—who had **a combined spending power of nearly \$3 trillion** in 2020, [per](#) YPulse—accounted for 75% of new US consumer Platinum and Gold cardholders in Q2. US consumer Platinum and Gold card acquisitions reached record highs in the quarter.
4. **Investments in digital innovations.** Amex has been investing more in [digital solutions](#). Most recently, it [partnered](#) with issuer-processor **i2c** so fintechs and other businesses working with i2c can launch cards on the Amex network. It's also powering the [Abra crypto card](#), Amex's first major foray into cryptos. These tie-ups and investments may have helped Amex fuel more spending on its network.

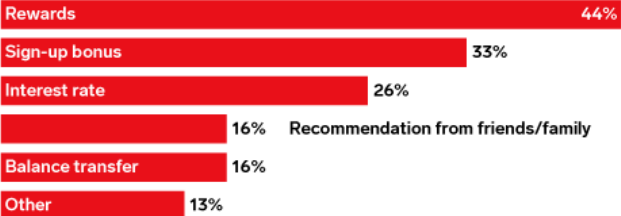
What's next? Amex's card revamps can help it capitalize on consumer spending trends.

Amex [updated](#) rewards on its Blue Cash Everyday card earlier this month with higher cash-back rewards for online shopping and gas stations and new rewards for streaming services. And it [added](#) several new T&E perks for its Marriott Bonvoy Business card last week. Amex's reward updates can help strengthen customer loyalty and acquire new cardholders: **Forty-**

four percent of US consumers cited rewards as their main reason for applying for a new credit card during the pandemic, [per](#) a 2022 LendingTree survey.

Reasons US Adults Applied for a New Credit Card During the Coronavirus Pandemic, Feb 2022

% of respondents



Note: n=400 ages 18+; among those who applied for new credit cards during the coronavirus pandemic
Source: LendingTree survey conducted by Qualtrics as cited in company blog, March 8, 2022

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