OCT 18
Adriana Nunez

Strong Q3 card growth allays some economic fears, but execs forecast storm clouds

Article

The data: Major US banks reported a double-digit surge in card spending during the third quarter even as growth slowed from the post-lockdown spending boom of the same quarter last year.

- **JPMorgan's credit card volume increased roughly 17% year over year (YoY)** in Q3, slowing from the 30% YoY jump it reported a year ago.
- **Citi's branded card volume grew 14% YoY**, down from Q3 2021's 24% increase.
- **Wells Fargo's credit card point-of-sale (POS) volume climbed 25% YoY** in Q3, roughly flat from a year ago.
- **Bank of America's Q3 credit card spending volume rose 13% YoY**, compared with 26% YoY growth in Q3 2021.

The inflation effect: Like last quarter, inflation likely played a role in Q3's card volume increases. US shoppers are spending more at grocery stores, restaurants, and bars, for example, as the cost of food products increases—in September, food prices grew 11.2% annually. Higher prices translate to higher dollar-for-dollar card spending.

Industry perspectives: Among bank executives, the general consensus is that consumer spending is strong, but warning signs point to an impending economic downturn.

JPMorgan. Consumer spending is growing faster than income, JPMorgan CFO Jeremy Barnum noted on the company's earnings call—a troubling sign for consumers who are feeling financially strained. CEO Jamie Dimon said recently the US could see a recession in the next six to nine months but added that consumers would likely fare better than they did during the 2008 financial crisis.

Citi. There's "accumulating evidence of slowing global growth," Citi CEO Jane Fraser said on the firm's earnings call, but the "severity and timing" of a recession will vary by country. Fraser said that the US economy is resilient, with the bank's consumer business seeing low net credit losses.

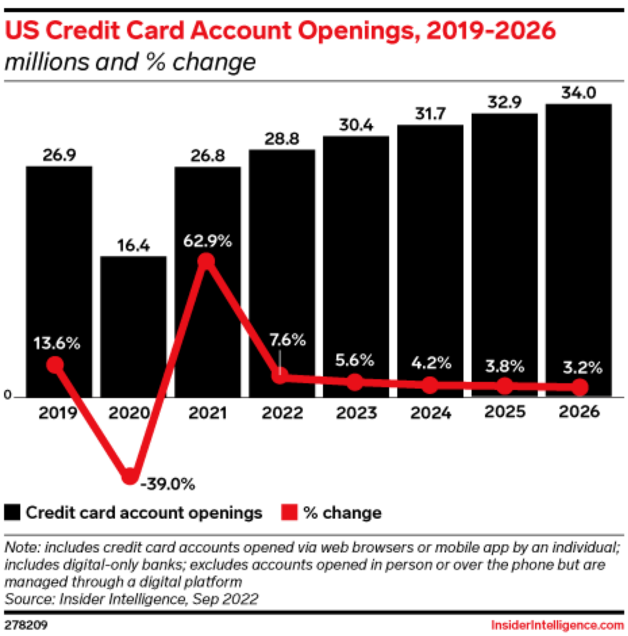
Wells Fargo. A "significant portion" of the bank's card spending came from new products and the accompanying strong credit profiles of the customers using them, CEO Charlie Scharf said on the firm's earnings call. But Scharf also said clients have told the bank they "continue to be impacted by persistent inflation, rising interest rates, and tight labor market."

Bank of America. The bank's CFO, Alastair Borthwick, said that customers are resilient and are paying down balances at an elevated pace. And CEO Brian Moynihan said that with card balances still 12% below pre-pandemic levels, there's capacity for more borrowing. Even so, Bank of America is keeping a close eye on early stage delinquencies as they start to increase "modestly."

What this means: As everyone watches for signs of an economic misfire, banks may start tightening lending standards to preserve their bottom lines, like they did at the onset of the pandemic.

More banks may also shift credit card rewards toward everyday spending categories. And they'll likely emphasize payment flexibility as consumers lean into competing buy now, pay later (BNPL) providers.

Related content: *Check out what our Banking Innovation analysts have to say about Q3 earnings and what banks are doing to prepare for an economic downturn.*



*This article originally appeared in **Insider Intelligence's Payments Innovation Briefing**—a daily recap of top stories reshaping the payments industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

- *Are you a client? Click here to subscribe.*
- *Want to learn more about how you can benefit from our expert analysis? Click here.*