

# Bank of America's credit card volume slows as consumers rack up debt

Article

**By the numbers:** Bank of America's total payment volume hit \$1.1 trillion in Q1 2023, per its earnings presentation—a 9% year-over-year (YoY) increase. Growth slowed from 14% YoY in Q1 2022.

Credit and debit, which make up **75% of the bank's payment transaction volume**, increased 6% YoY.

- **Travel and entertainment spending** boosted the category, jumping 16% YoY. Travel spending was **4% above pre-pandemic levels** in January, [according to](#) the US Travel Association. And more than half of consumers in the US intend to travel in the next six months.
- Food spending on cards increased 8% YoY, likely due to inflation. The price of food for home consumption rose by 11.4 percent last year, according to the Bureau of Labor Statistics—the highest yearly percent change since 1974.
- The only credit and debit segment that lost volume was gas, which fell 5% YoY as gas prices steadied.

But with overall spending holding positive, consumers are racking up debt as inflation strains their budgets. Bank of America's **net charge-offs of \$807 million** in the first quarter were an increase on both a quarterly and yearly basis. And the issuer's **credit card delinquency rate increased to 1.14%** in February from 1.09% in January—although that's still below pre-pandemic levels.

**Card volume growth raises eyebrows:** Credit card debt is at a record high and becoming harder to pay off.

- The **CFPB** estimates that outstanding credit card debt **may hit \$1 trillion**. Credit card balances increased more than \$60 billion over the three months ending in December, growing debt to an all-time high of \$986 billion.
- And with the average interest rate for credit cards near 21%—another record high—it will be harder for consumers to pay back this debt, setting up a potentially dangerous situation for credit cardholders.

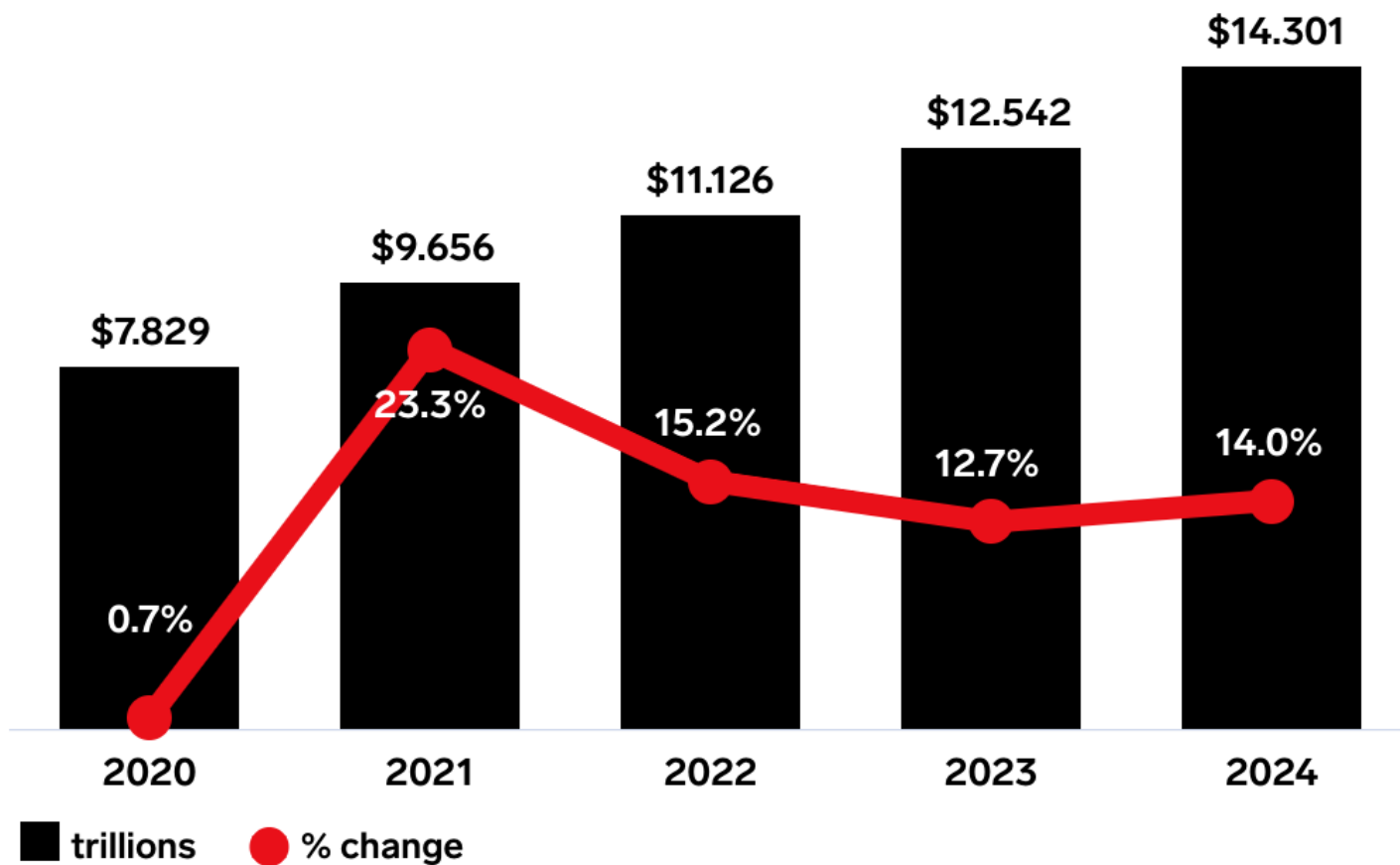
The CFPB wants to mitigate these concerns by increasing credit card competition and reducing costs, Director Rohit Chopra explained in a [blog post](#) this week.

- The agency [proposed](#) credit card penalty reforms, which are taking public comment until May 3. The proposal would lower the immunity provision to \$8.
- The CFPB is also [updating its credit card database](#). The agency hopes more transparent data can help increase rate competition in the high-interest-rate environment.

**The bigger picture:** The spending slowdown Bank of America faced in Q1 is only going to get worse—BofA already warned that credit and debit volume slowed in March. Banks also need to prepare for a future rise in delinquencies, and many may end up tightening lending standards.

# Total Card Network Transaction Value

US, 2020-2024



Note: value dollar amount of purchases made via payment networks with credit cards, debit cards, and prepaid debit cards; includes consumer cards like retail stored value cards, store cards, gift cards, reloadable cards, customer refund/incentive cards, FSA/HSA cards, mobile phone prepaid cards, and EBT (SNAP, WIC) cards, commercial cards like corporate cards, small business (credit and debit cards), purchasing, travel, fleet and payroll cards, and government administered benefits cards, open and closed-loop cards; excludes returns, balance transfers, cash advances and other activity; American Express figures include cash advances and value of other payment products

Source: eMarketer, November 2022

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