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Adriana Nunez

Banks post consistent card volume growth in Q4, but consumer spending remains uncertain in 2023

Article

The data: Major US credit card issuers rounded out 2022 with tempered results as consumers contended with stronger economic headwinds.

- **JPMorgan Chase's** credit card sales volume grew about 12% year over year (YoY) in Q4—slower than the 29% YoY increase from the same period in 2021.
- **Citi's** branded credit card volume grew 9% YoY in Q4, down from Q4 2021's 24% YoY jump.
- **Wells Fargo's** credit card point-of-sale (POS) volume jumped 17.5% YoY in Q4. Volume surged 28% YoY during the same period in 2021.
- **Bank of America's** Q4 credit card spending volume increased 6% YoY. In Q4 2021, the bank's volume jumped 26% YoY.

Card spending in Q4 was consistent with prior quarters in 2022, but couldn't compete with 2021's post-lockdown spending boom.

Key context: Two factors likely affected volume growth in Q4 2022.

- **Inflation.** Q4 opened with a 7.7% YoY increase in October, according to the Bureau of Labor Statistics' consumer price index. Even as inflation slows (down to 6.5% in December), consumers are still spending more on a dollar-for-dollar basis than they were last year.
- **Holiday shopping.** Issuers also benefited from strong holiday spending throughout Q4. **US holiday retail and ecommerce sales reached $1.297 trillion last year**, according to Insider Intelligence forecasts.

Looking ahead: Economic headwinds coupled with an elevated reliance on credit cards among consumers may increase the risk of missed payments and delinquencies.

While it's up to the National Bureau of Economic Research (NBER) to declare a recession (which sometimes doesn't happen until after the recession is over), some economists at big banks are expecting one in 2023. And there are signs that consumers are feeling financially strained.

- The savings stockpile that US consumers built up during the pandemic has dwindled: The Federal Reserve estimated that US households had about $2.3 trillion in savings from 2020 through the summer of 2021. But by mid-2022, those savings had shrunk to $1.7 trillion.
- About **46% of US consumers** are carrying credit card debt from month to month, compared with 39% last year, according to Bankrate data.

Banks are already [setting aside cash] to cover potential delinquencies. Some have also cut costs by devaluing select credit card rewards. To help consumers better manage their spending, banks might also integrate flexible payment features into their cards, which players like **TD Bank** have already done.

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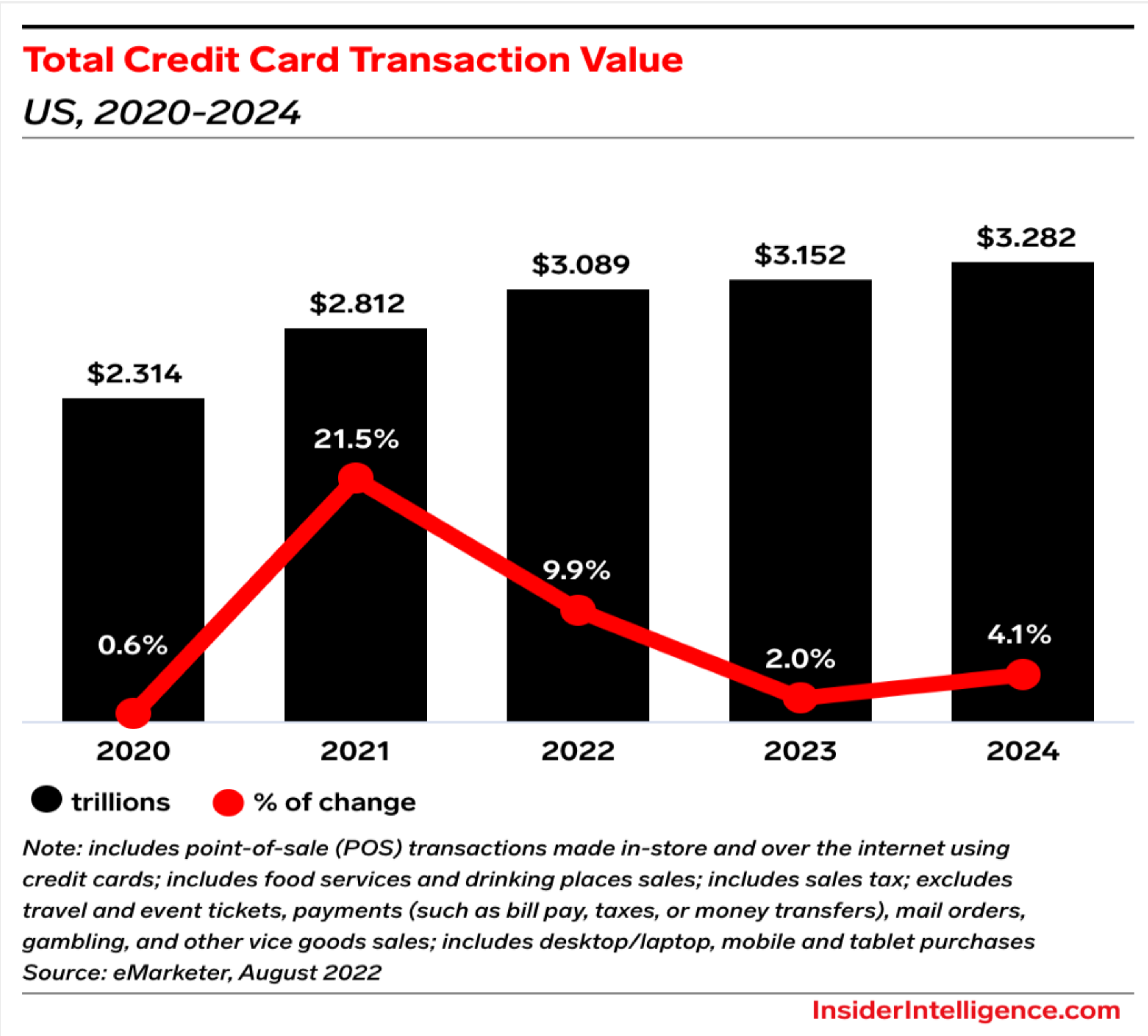

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