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Grace Broadbent

Q3 bank earnings show consumer financial health remains fairly unchanging

Article

By the numbers: Consumer spending remained steady in Q3 2024, according to card data from **JPMorgan Chase** and **Wells Fargo**’s Q3 earnings reports.

- JPMorgan’s **debit and credit sales volume increased 6% YoY**, per its Q3 earnings presentation, compared with 8% YoY growth last year.

- Wells Fargo's **credit card point-of-sale (POS) volume increased 10% YoY** in Q3, per its earnings presentation—down from almost 15% YoY growth last year.

During Wells Fargo's earnings call, CFO Mike Santomassimo said that consumer financial health remains solid despite slower credit card spend. He noted growth is being driven by higher income consumers as lower income cardholders feel inflation more acutely.

Other signs of consumer health: For both issuers, the 30-day delinquency rate increased on the quarterly and on the year.

- JPMorgan's **30-day delinquency rate for card services was 2.20%**, up from 2.08% last quarter and 1.94% in Q3 2023.
- Wells Fargo's **30-day delinquency rate for credit cards was 2.87%**, compared with 2.71% last quarter and 2.61% last year.

Net charge-offs also increased year over year, but they declined over the quarter for both issuers.

- JPMorgan's **card services net charge-off rate was 3.24%**, up from 2.49% last year but below Q2's 3.50%.
- Wells Fargo's **net charge-off rate for credit cards was 4.38%**, up from 3.41% last year but down from 4.96% last quarter.

Looking forward: Growing credit card balances also affected both issuers' provisions for credit losses.

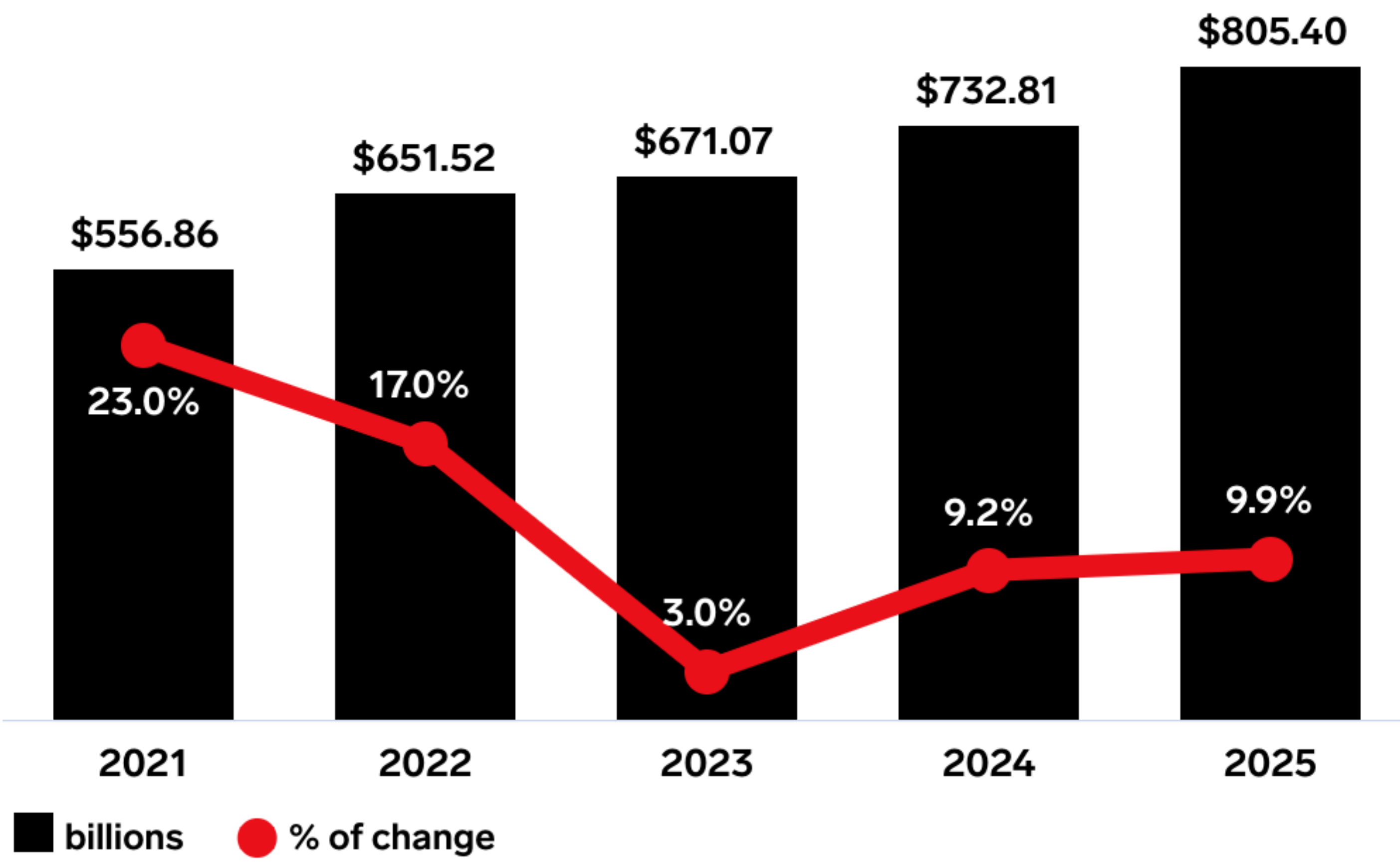
- JPMorgan's provision for credit losses came in at **$3.1 billion**. This is compared with $1.7 billion a year ago. But CFO Jermey Barnum said this increase was not a sign consumer health is declining, but rather due to the bank growing its book of credit card loans.
- Wells Fargo's **provision for credit losses was $1.0 billion**, versus $1.2 billion last year. The company said the modest decrease was partially offset by a higher allowance for credit card loans.

Our take: The US credit card industry is in stasis. Some metrics show a modest weakening, while others paint a more positive picture.

Moving forward, credit card interest rates will likely start to come down as the Fed keeps cutting rates. It will take a few quarters before we see these effects, but it should help consumers' ability to pay down their balances and reduce charge-offs for issuers.

Digital Credit Card Transaction Value

US, 2021-2025



Note: transactions made over the internet using credit cards; includes food services and drinking places sales; includes sales tax; excludes travel and event tickets, payments (such as bill pay, taxes, or money transfers), mail orders, gambling, and other vice goods sales; includes desktop/laptop, mobile and tablet purchases

Source: EMARKETER Forecast, August 2023

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