

Bank of America credits 'healthy' consumer spending for resilient Q2

Article

By the numbers: Bank of America's [Q2 results](#) were boosted by solid growth from card spending despite growing economic uncertainty.

- **Combined credit and debit card spend reached \$221 billion**, up 10% year over year (YoY). Credit spend jumped 17%, and debit rose 6% to a record high.

- **Total payment spend for H1 rose 13% YoY** to a record \$2.1 trillion, driven by increases in every category.
- **Average credit card outstanding balances rose 10% YoY** to \$81 billion, although they were still below the \$86.2 billion reported in the [same period of 2020](#). Net charge-offs increased 46% from Q1 to \$571 million, driven by loan sales and “other credit decisions.”
- **Consumers opened more than 1 million credit card accounts**, a 15% YoY rise.

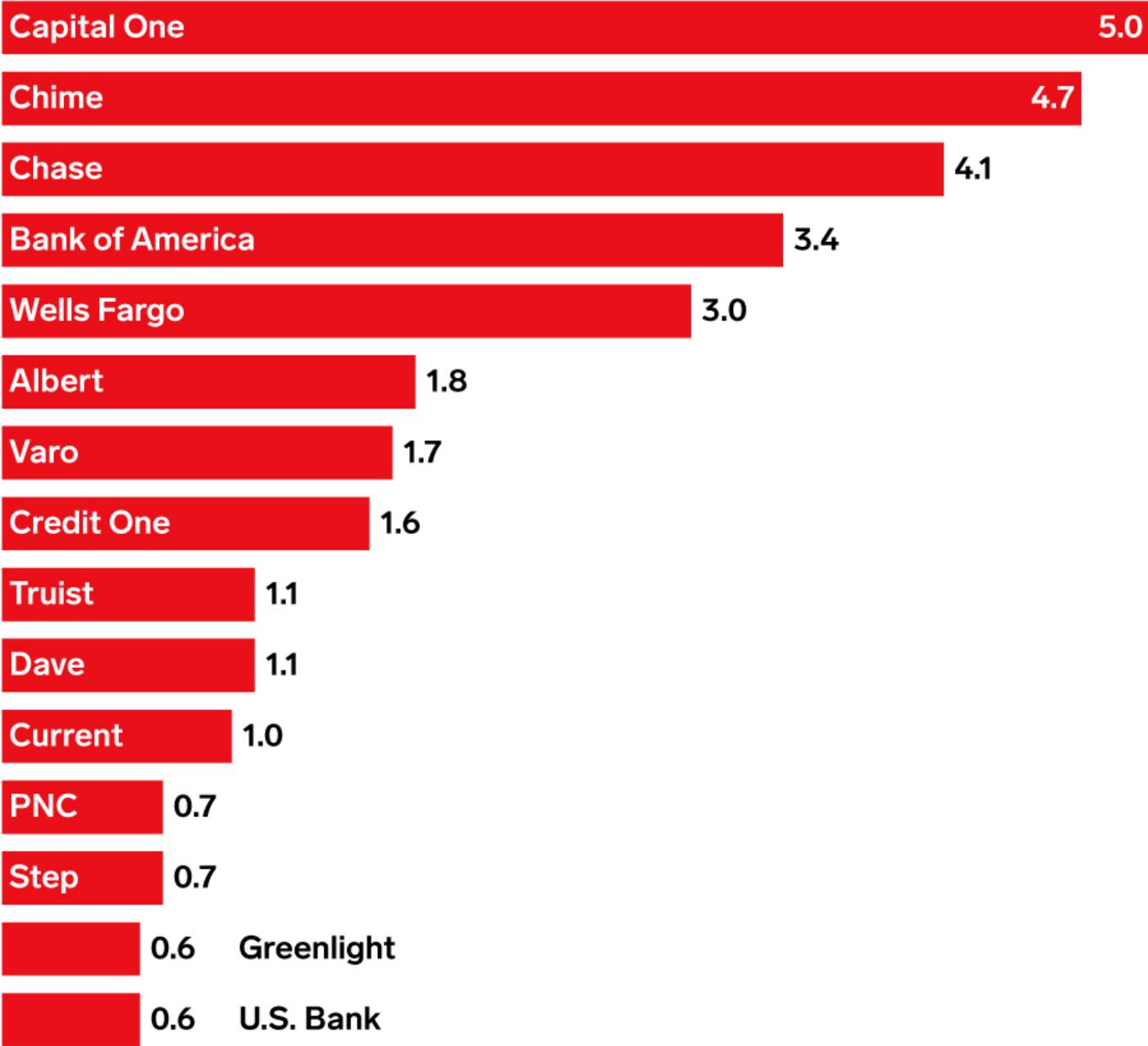
Quotable: In the bank’s [earnings call](#), **CEO Brian Moynihan** said “the organic growth engine at Bank of America that existed pre-pandemic is back in full,” adding that “consumers continue to spend at a healthy pace.”

Moynihan noted: “We continue to see shifts in what people are spending on as the quarter took place. ... We saw that higher gas spend as well as the continued recovery in the travel categories.”

CFO Alastair Borthwick said card loan growth reflected “healthy spend levels” despite higher card interest rates.

Most Downloaded Banking Apps in the US, Jan-April 2022

millions of net new installs



Source: Apptopia as cited in company blog, May 3, 2022

275725

[InsiderIntelligence.com](https://www.insiderintelligence.com)

The market picture: Other [card issuers](#), including **JPMorgan** and **Citi**, also reported strong Q2 volume growth. [Record-high inflation](#) likely played a role in those gains by increasing spending on a dollar-for-dollar basis.

Bank of America's results fit this trend, although organic growth may also have contributed to higher volumes. The post-pandemic resurgence in **consumer spending on travel and entertainment**—which surged 54% YoY in Q1 2022, [per](#) Cardlytics—likely boosted volume

What next? Mounting concerns about high inflation and economic uncertainty are forcing banks to prepare for a possible recession. Bank of America made a \$523 million provision for credit losses but released \$48 million from its bad loan buffer.

In the event of a recession, lenders would also have to contend with shrinking card spend.

- Strategies to counter this could include innovative programs to boost payment flexibility, like post-purchase installment plans that mimic buy now, pay later (BNPL) products.
- Card issuers could also use credit card apps to drive user engagement for mobile financial management tools.
- And issuers can promote practical benefits from cards that consumers will value more, such as rewarding cardholders for paying bills on time or maximizing rewards for household staples.

Dive deeper: Read our [Era of Uncertainty: Credit Cards report](#) for more on how a recession could impact issuers and what they could do to respond.