

American Express's and Discover's growth moderated in Q1, propped up by travel spend

Article

The news: American Express's and Discover's Q1 performances outlined similar trends despite catering to different core demographics.

American Express's numbers: Total network volume grew 16% year over year (YoY) to reach \$399 billion, down from 32% YoY growth the year prior, per its earnings report.

- Goods and services (G&S) growth was moderate at 9% YoY, but the real jump came from **travel and entertainment (T&E), which was up 39% YoY.**
- This reflects both the post-pandemic travel rebound and soaring airline prices: **Airline spending was up 60% YoY**, and flight ticket prices jumped 28.5% over the course of 2022, per the US Bureau of Labor Statistics.
- Restaurant spending also grew 28% YoY for the quarter. Amex CEO Stephen Squeri said consumers booked a record number of reservations on Amex's restaurant platform, **Resy**, in March.
- Amex noted it's on track for its revenue growth goal of between 15% and 17% for the full-year 2023.

Discover's numbers: Discover's total network volume grew a modest 9% YoY to hit \$50.558 million, flat compared with Q1 2022, per its earnings report.

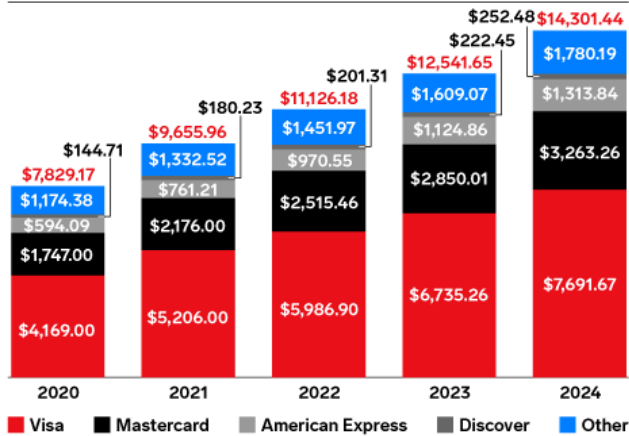
- Diners Club's card volume surged 28% YoY, reflecting an improvement in both global T&E and corporate spending.
- Discover benefitted from the same T&E growth that juiced Amex's volume, along with inflation-bumped prices.
- But network partner volume dropped 1% YoY, bringing down overall growth.
- Revenues net of interest expense were \$3.8 billion, up 29% YoY, due to higher net interest income and prior losses on equity investments.

The bottom line: While card spending growth continues, networks must prepare for economic headwinds.

Given inflation, record-fast interest rate hikes, and shaky economic conditions, issuers like American Express and Discover may need to consider **tightening lending standards** and **adjusting expenses** to protect their revenues. For example, Amex eliminated one of its biggest travel perks in January to tighten rewards expenses.

US Total Card Transaction Value, by Card Network, 2020-2024

billions



Note: includes consumer and commercial cards; excludes returns, balance transfers, cash advances, and other activity
Source: Insider Intelligence, Oct 2022

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