US banks

US banks boosted by rise in credit card spending

Second-quarter results show quickening growth in purchases

Robert Armstrong in London YESTERDAY

US shoppers increased their credit card spending in the second quarter, giving a welcome boost to card issuers and adding to the debate about the financial health of consumers.

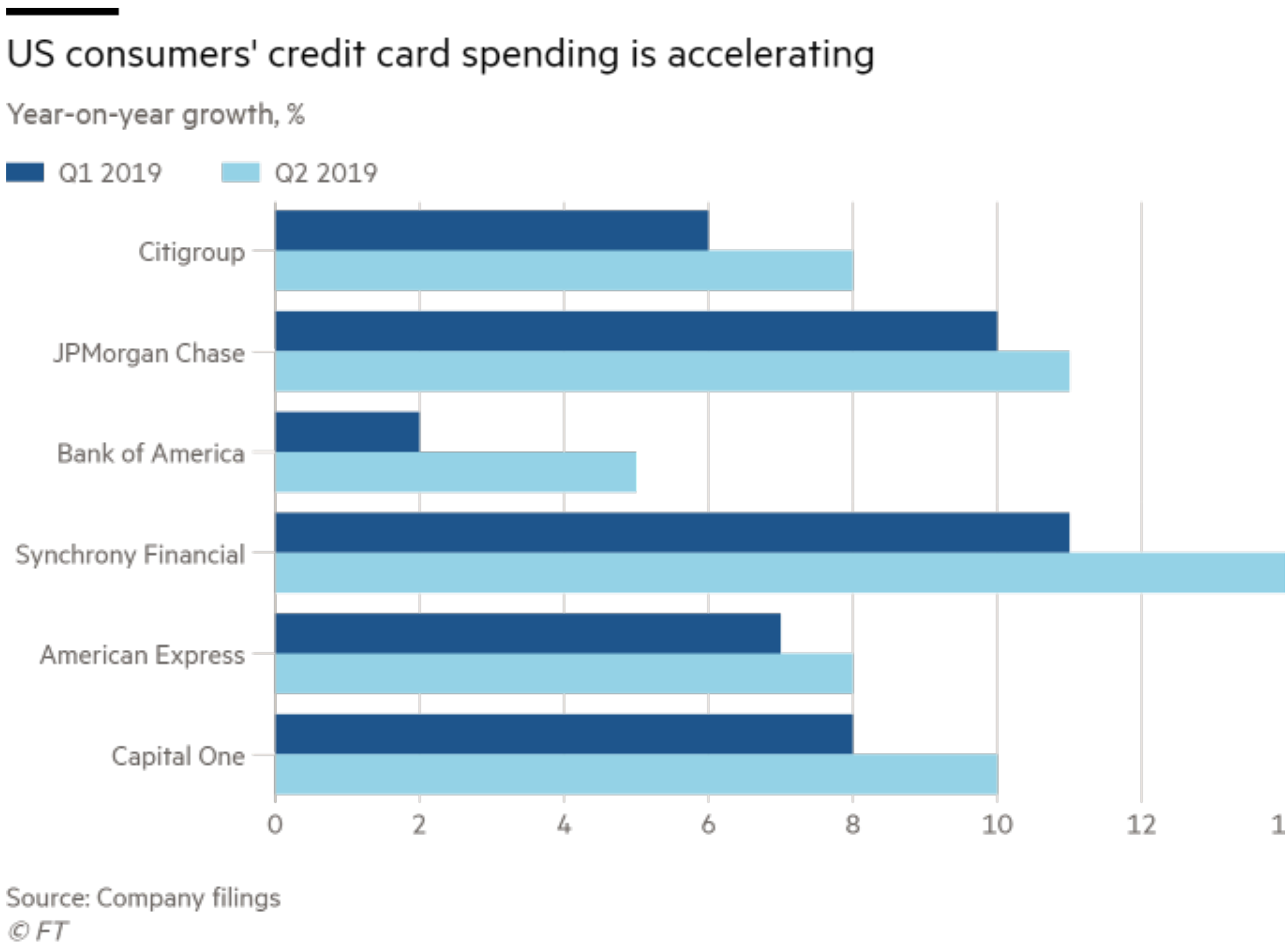
Companies from JPMorgan Chase and Capital One to Synchrony Financial have reported growth in card spending in the three months to June that eclipsed figures for the first quarter.

American Express chief executive Joseph Squeri said in a call with analysts last week that the spending was happening "[against] the backdrop of an economy that is growing at a steady if more modest pace relative to 2018". Amex said spending by its card members was up 8 per cent from the second quarter of 2018, an acceleration from the year on year growth of 7 per cent in the first-quarter.

Amex is the second-largest card issuer by purchase volume, according to the Nilson Report, after JPMorgan, which reported an acceleration in spending growth from 10 per cent in the first quarter to 11 per cent in the second.

Of the major issuers that have reported results in the past week — a group that also includes Citigroup and Bank of America — all reported faster spending growth in the second quarter than in the first.

Jennifer Piepszak, JPMorgan's chief financial officer, was asked about the growth in card spending volume on the bank's earnings call. "I would say that [the business is] firing on all cylinders. So [are] its brand, its people, its products. It does certainly help to have the backdrop of a healthy US consumer as well and, in fact, retail sales this morning looked strong. So we can expect that to continue," she said.



Retail sales figures in the US have been mixed this year, though they showed a fourth consecutive month of growth in June. Expanded use of credit cards could reflect consumer confidence or signal that consumers are having to borrow money to maintain spending levels.

The amount of debt that Americans are holding or "revolving" in their credit card accounts has picked up in recent months, as well. Total revolving consumer debt rose 8 per cent in April and May from the year before, hitting $1.07tn, according to the Federal Reserve. That is in contrast to the first quarter, when the growth in revolving balances rose only 1.5 per cent.

The last two months aside, the recent trend has been moderate growth in revolving balances, argued Brian Riley of Mercator Advisory. "The US consumer is fine — that's the backdrop." Mr Riley said. "The fact that spending is up and is not being pushed into revolving [balances] is a healthy sign."

The number of accounts overdue by more than 30 days rose slightly in the second quarter at both Amex and Capital One.

But Richard Fairbank, chief executive at Capital One, noted that growth in card purchase volume had outstripped the rise in card loans in the second quarter.