**Consumer Credit Market 2022**

**Inflation Is Not Always Good for Credit Card Companies**

Historically, as inflation increases, consumers increase their credit card purchases for essentials, such as housing, groceries and energy/utilities. This is good for credit card companies unless continued economic pressures result in more delinquencies.

According to the Federal Reserve Bank of New York, Q1 2022 credit card debt increased 9% YOY to $841 billion, although the total was two percent less than Q4 2021 when credit card usage typically increases for holiday shopping.

It’s too early to determine if economic factors, from continuing low unemployment and wage increases to pandemic-related supply chain issues to the Federal Reserve’s rate increases, will affect consumers’ ability to pay their increased credit card debt.

**Comparison of Consumers’ Expectations of Credit Availability**

**One Year Ago and One Year Ahead, April 2022**

|  |  |  |
| --- | --- | --- |
| Expectations | One Year Ago | One Year Ahead |
| Much harder | * 8.94%
 | * 10.85%
 |
| Somewhat harder | * 36.80%
 | * 41.29%
 |
| Equally harder and easier | * 44.38%
 | * 40.66%
 |
| Somewhat easier | * 8.65%
 | * 5.90%
 |
| Much easier | * 1.21%
 | * 1.30%
 |

 Federal Reserve Bank of New York, May 2022

 (color represents change from one year ago to one year ahead)

**Americans Are Most-Worried About Inflation**

Multiple sources have found via surveys that inflation has surpassed the pandemic as Americans’ top concern. In a March 2022 Ipsos survey, 42% of respondents were worried about inflation or increasing prices. The pandemic was 11th on a list of 19 concerns at 13%.

The substantial increase in the cost of fuel has caused financial hardship among 49% of all Americans, according to the Ipsos survey. The financial hardship is even more among those with household incomes of less than $50,000 and $50,000–$100,000 at 58% each.

Some economists and financial and investment advisors forecast an easing of inflationary pressure during the second half of 2022 and less likelihood of a recession, which could have a positive effect on summer spending and Back-to-School shopping.

**Inflation’s Effect on Consumer Spending During Next Few Months, April 2022**

|  |  |  |  |
| --- | --- | --- | --- |
| Change | Percent | Change | Percent |
| Likely to buy brands on sale/promotion | * 42%
 | * Likely to buy cheaper brands
 | * 32%
 |
| Likely to buy fewer products overall | * 34%
 | * Likely to sacrifice other purchases to pay for more costly essentials
 | * 27%
 |
| Likely to wait to buy items when on sale | * 33%
 | * Likely to buy private label/store brands
 | * 26%
 |

Ipsos, April 2022

**Credit Card Interest Rates Are Increasing**

The US Federal Reserve’s half-point prime rate increase was the signal for some credit card lenders to increase their interest rates, too. Most of these increases are coming from retailers' credit cards while other lenders (Discover, Chase, etc.) are likely to do so soon.

CreditCards.com reports 55 of the 100 cards it monitors offered APRs of less than 15% during early March. As of the week of 5/18/22, 41 of those 100 cards offered APRs of 14.99% and 27% had APRs of less than 14%.

Increasing rates haven’t seemed to affect consumer spending yet. Bank of America reported a 13% increase in total debit and credit card spending during April. Consumers’ finances are generally good, with larger checking account balances and less debt.

**Weekly Credit Card Interest Rate Comparisons\* by Type of Card, May 2022**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Card Type | Avg. APR | Last Week | 6 Months Age | Card Type | Avg. APR | Last Week | 6 Months Age |
| National average | * 16.58%
 | * 16.54%
 | * 16.13%
 | * Student
 | * 17.07%
 | * 17.07%
 | * 16.78%
 |
| Low interest | * 13.53%
 | * 13.50%
 | * 12.94%
 | * Airline
 | * 16.04%
 | * 16.04%
 | * 15.46%
 |
| Cash back | * 16.51%
 | * 16.47%
 | * 16.14%
 | * Rewards
 | * 16.39%
 | * 16.35%
 | * 15.91%
 |
| Balance transfer | * 14.57%
 | * 14.56%
 | * 13.99%
 | * Instant approval
 | * 19.67%
 | * 19.57%
 | * 19.10%
 |
| Business | * 14.62%
 | * 14.59%
 | * 14.16%
 | * Bad credit
 | * 26.09%
 | * 26.09%
 | * 25.80%
 |

CreditCards.com, May 2022 \*for the week ending 5/18/22 (color represents change from the previous week)

**Consumer Spending Insights**

McKinsey & Company’s February/March 2022 Consumer Pulse Survey found that despite inflation, Americans were still willing to spend, increasing 18% during March 2022 compared to March 2020 and 12% more than pre-pandemic forecasts.

Americans now have $2.8 trillion more in savings than during 2019, which is likely to boost consumer spending for several more months. Nonetheless, 46% of surveyed consumers said they were shopping for a different brand compared to 33% during September 2020.

A February 2022 CreditCards.com survey found 47% of surveyed consumers were unlikely to increase their discretionary spending during summer 2022; however, Gen Zers and Millennials were more likely to spend more compared to Gen Xers and Baby Boomers.

**Top 10 Categories of Average Monthly**

**Consumer Spending by US Adults, March 2022**

|  |  |  |  |
| --- | --- | --- | --- |
| Category | Amount | Category | Change |
| #1: Housing | * $1,169
 | * #6: Health insurance
 | * $149
 |
| #2: Grocery | * $443
 | * #7: Telecom
 | * $138
 |
| #3: Utilities | * $205
 | * #8: Recreation/Entertainment
 | * $137
 |
| #4: Auto leases and loans | * $159
 | * #9: Car insurance
 | * $125
 |
| #5: Gas | * $149
 | * #10: Restaurants
 | * $102
 |

Morning Consult, April 2022

**Attracting Gen Zers, the Next Generation of Cardholders**

Many Gen Z adults face expensive college costs and/or student loan debt and an increasing need for consumer products; however, some are cautious about acquiring their first credit card, although Bankrate.com reports 55% of Gen Zers have a credit card.

Federal legislation of 2009 made the acquisition of a credit card more difficult for adults younger than 21. It requires a cosigner or income proof. More importantly, credit card companies are not allowed to promote cards on college campuses.

Various analysts in this sector state Gen Zers are not against credit cards, but want them to provide a useful value. Data from Transunion indicates 3.1 million of the Q3 2021 card originations were Gen Zers, compared to 1.8 million during Q3 2020.

**Indices of Gen Z Adults’ Planned Purchases by Household Income, 2021**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Planned Purchase | <$15,000 | $15,000–$24,999 | $25,000–$34,999 | $35,000–$49,999 | $50,000–$74,999 |
| Buy or lease new vehicle\* | * 71
 | * 129
 | * 122
 | * 87
 | 84 |
| Buy or lease used vehicle\* | * 80
 | * 133
 | * 119
 | * 137
 | * 83
 |
| Major household appliance\* | * 74
 | * 120
 | * 141
 | * 149
 | * 56
 |
| New TV\* | * 97
 | * 93
 | * 123
 | * 121
 | * 88
 |
| New furniture\* | * 78
 | * 102
 | * 116
 | * 116
 | * 95
 |
| A home† | * 109
 | * 119
 | 122 | * 95
 | * 90
 |

Based on The Media Audit’s 2021 Aggregate Report of 49 consumer/market surveys

\*during the next 12 months †during the next 2 years

**Credit Card Alternatives Gain Acceptance**

McKinsey & Company reports 82% of Americans digitally paid for a purchase during 2021, compared to 78% during 2020. These included purchases from a Web browser or an app, a mobile phone or a QR code for an in-store purchase or a peer-to-peer payment.

The July 2021 survey shows 30% of respondents had used BNPL (buy now, pay later). As more consumers use BNPL, many of the major BNPL players (Klarna, Affirm, etc.) are yet to generate a profit. They face more governmental scrutiny and substantial investment needs.

Although cryptocurrencies are popular with many people, they are unlikely to become widely accepted alternatives to credit cards because of their almost-daily volatility.

**Percentages of BNPL Users Who Had Problems, March–April 2022**

|  |  |  |  |
| --- | --- | --- | --- |
| Problem | January | February | March |
| Received a call from a debt collector about a missed payment | * 17%
 | * 18%
 | * 14%
 |
| Credit score decreased due to missed or late payment | * 18%
 | * 21%
 | * 22%
 |
| Paid a late fee for a missed payment | * 21%
 | * 21%
 | * 19%
 |
| Missed a payment | * 20%
 | * 19%
 | * 15%
 |

Morning Consult, April 2022 (color represents change from the previous month)

**More Valuable Insights**

The US Federal Reserve Bank of New York’s latest Survey of Consumer Expectations (April 2022) provides critical insights about consumers’ perspectives on their household finances.

**Comparison of Consumers’ Expectation of Household Financial**

**Situation One Year Ago and One Year Ahead, April 2022**

|  |  |  |
| --- | --- | --- |
| Expectation | One Year Ago | One Year Ahead |
| Much worse | * 9.23%
 | * 6.64%
 |
| Somewhat worse | * 30.27%
 | * 25.23%
 |
| Same | * 39.22%
 | * 41.75%
 |
| Somewhat better | * 17.52%
 | * 21.83%
 |
| Much better | * 3.76%
 | * 4.55%
 |

 Federal Reserve Bank of New York, May 2022

 (color represents change from one year ago to one year ahead)

**Comparison of Consumers’ Median Expectation of Increase to Their Household Income One Year Ahead, by Various Demographics, April 2022 vs. April 2021**

|  |  |  |
| --- | --- | --- |
| Demographic | April 2021 | April 2022 |
| Age; younger than 40 | * 3.90%
 | * 4.89%
 |
| Age: 40–60 | * 2.43%
 | * 3.35%
 |
| Age: older than 60 | * 1.79%
 | * 1.98%
 |
| Education: high school or less | * 1.94%
 | * 2.24%
 |
| Education: some college | * 2.34%
 | * 3.04%
 |
| Education: BA or higher | * 2.88%
 | * 3.91%
 |
| Income: less than $50,000 | * 1.83%
 | * 2.52%
 |
| Income: $50,000–$100,000 | * 2.91%
 | * 3.05%
 |
| Income: more than $100,000 | * 2.59%
 | * 4.06%
 |
| Region: Northeast | * 2.18%
 | * 3.27%
 |
| Region: South | * 2.42%
 | * 3.37%
 |
| Region: Midwest | * 2.55%
 | * 2.92%
 |
| Region: West | * 2.39%
 | * 3.16%
 |

 Federal Reserve Bank of New York, May 2022

 (color represents change from one year ago to one year ahead)

*Sources:* Payment Dive Website, 5/22; Federal Reserve Bank of New York Website, 5/22; Ipsos Website, 5/22; Reuters Website, 5/22; CreditCards.com Website, 5/22; McKinsey & Company Website, 5/22; Morning Consult Website, 5/22; The Media Audit Website, 5/22.

*Updated*: May 2022

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**Local Market and Station Information**