

Consumer Finance

December spending trends show deceleration in y/y growth, but solid 4Q

Industry Overview

Credit card spending slows slightly in December

BAC aggregated credit card data indicates spending declined 1.0% y/y in December, a slowdown from the 0.2% y/y increase in November. Positively, 4Q23 credit card spending was down 0.4% compared to the prior year period, slightly better than 3Q23 which declined 0.5% vs 3Q22. Credit card spending behavior is important for all card issuers because it drives loan growth. It is particularly important for American Express (AXP) given its more spend-centric model.

Readthrough to AXP: stable overall but T&E mixed

The readthrough from December data is overall credit card spending trends remain quite stable on a q/q basis. Total credit card spending and credit card spending by high earners decelerated on a y/y basis in December compared to November, but improved in 4Q vs. 3Q. And in 4Q, restaurant spending increased 2.0% y/y, but travel spend was down 1.5%.

Dec. Total credit card spend: +2.3% m/m; -1.0% y/y

Total credit card spend in BAC card data was down 1.0% y/y in December, a slowdown from +0.2% in November. We note overall credit card spending by high earners (\$125K+) was up 3.2% m/m, but was down 0.6% y/y in December (+0.7% y/y in November). For 4Q, spending by high earners was up 0.1% y/y, better than 3Q which was down 0.1% y/y. Over the past few years, BAC credit card spending trends have been highly correlated with AXP's reported network volume, billed business, and US consumer spending trends (See Exhibits 1-3).

Dec. Restaurant spend: +11.8% m/m; +3.7% y/y

According to aggregated BAC credit card data, on a one-year basis, spending at restaurants accelerated to +3.7% y/y in December vs. 2.5% in November. Restaurant spend (+11.8% m/m) historically increases in December, and 2023 was no different. Spending at restaurants represented 7% of billed business at AXP in 3Q23. Over the past two years BAC restaurant credit card spend trends have been highly correlated with AXP's restaurant and US consumer T&E spending trends (Exhibits 4-5).

Dec. Travel spend: -8.5% m/m; -0.5% y/y

According to aggregated BAC credit card data, on a one-year basis, spending on travel accelerated to -0.5% in December, from -0.7% in November. Travel spend is typically lower in December and 2023 trends are in-line with historical trends. BAC travel credit card spending trends are highly correlated with AXP's US Consumer T&E and Total T&E spending. (Exhibit 6-7).

See [BofA on USA](#) report for methodology, limitations, and disclaimers related to BAC aggregated credit and debit card data and commentary on broader retail trends from the BofA Global Research US Economics team.

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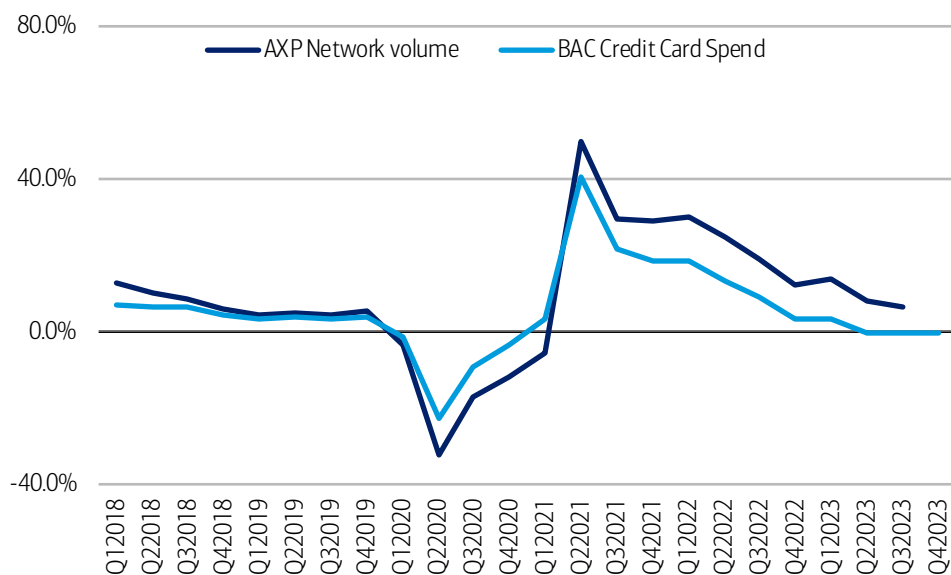
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T&E: Travel and Entertainment

Please note most of the BAC card data in this report and references to spending are in connection to BAC credit card spending only as we believe credit card spending trends are most relevant for Amex

Exhibit 1: BAC aggregated credit card spend and AXP Network volume (y/y quarterly percent change)

BAC credit card spending was down 1.0% in December

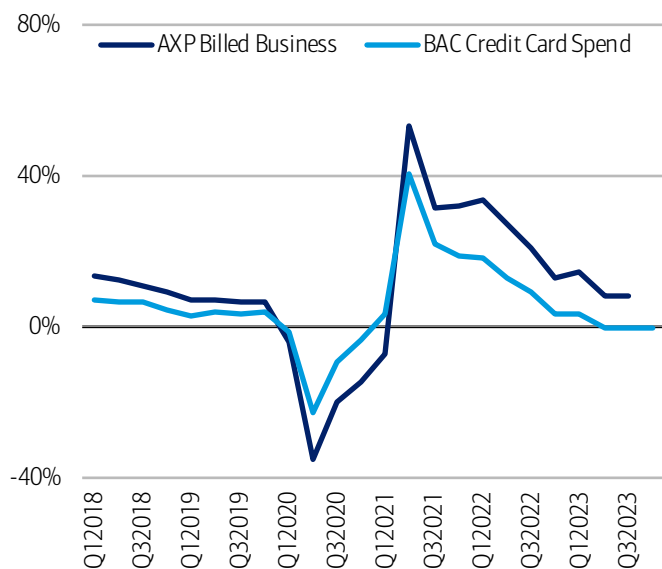


Source: BAC Internal data, Company reports

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Exhibit 2: BAC aggregated credit card spend and AXP Billed business (y/y quarterly percent change)

BAC credit card spending was down 1.0% in December

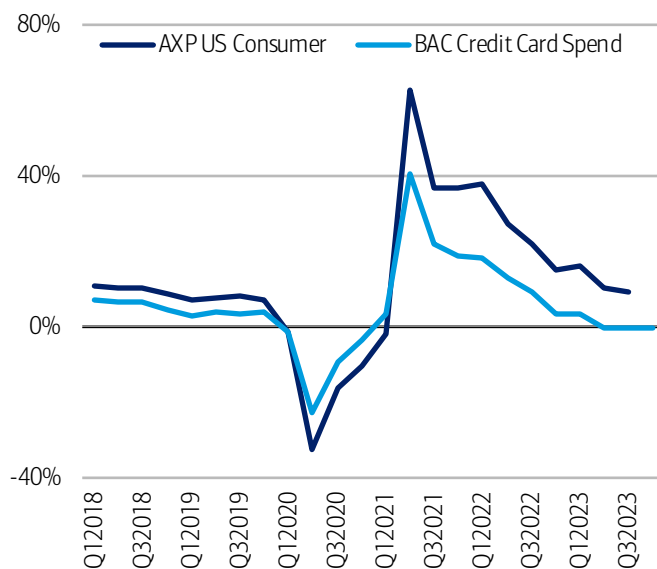


Source: BAC Internal data, Company reports

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Exhibit 3: BAC aggregated credit card spend and AXP US Consumer volume (y/y quarterly percent change)

BAC credit card spending was down 1.0% in December

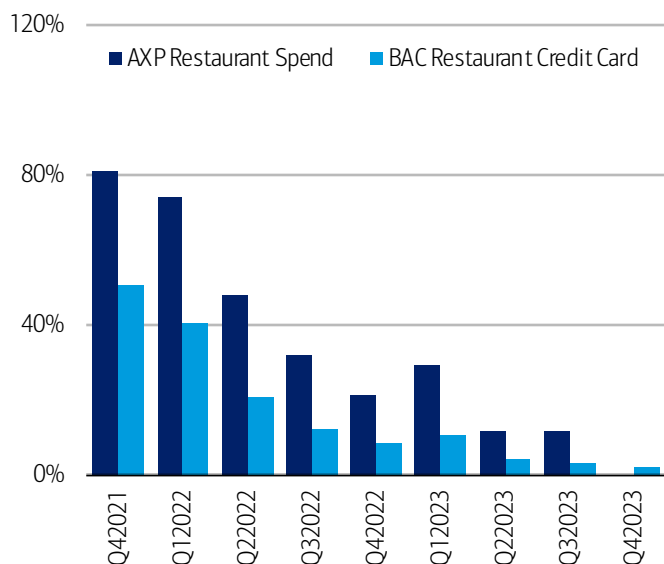


Source: BAC Internal data, Company reports

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Exhibit 4: BAC aggregated credit card spend at restaurants and AXP billed business at restaurants (y/y quarterly percent change)

Restaurant y/y spend growth accelerated from 2.5% in November to 3.7% in December

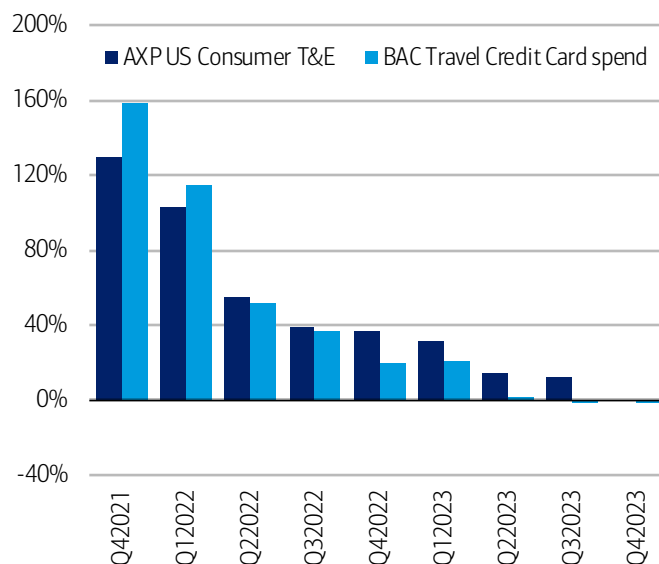


Source: BAC Internal data, Company reports

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Exhibit 5: BAC aggregated credit card spend on travel and AXP US Consumer T&E volume (y/y quarterly percent change)

Travel y/y spend growth accelerated from -0.7% in November to -0.5% in December

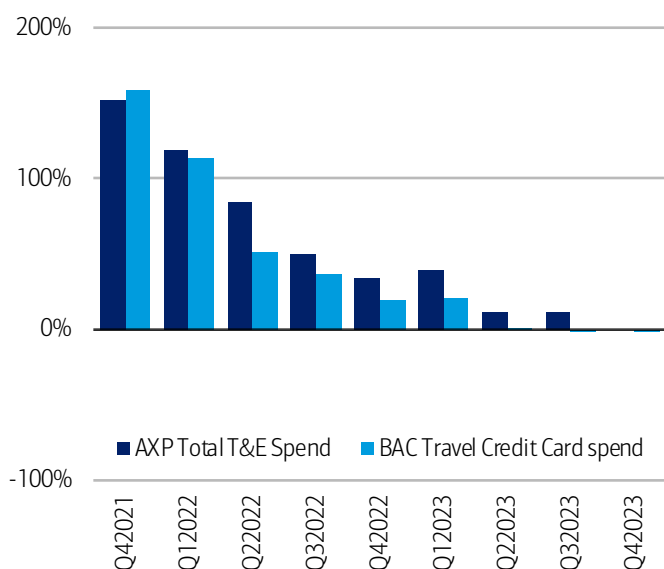


Source: BAC Internal data, Company reports

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Exhibit 6: BAC aggregated credit card spend on travel and AXP Total T&E Spend (y/y quarterly percent change)

Travel y/y spend growth accelerated from -0.7% in November to -0.5% in December

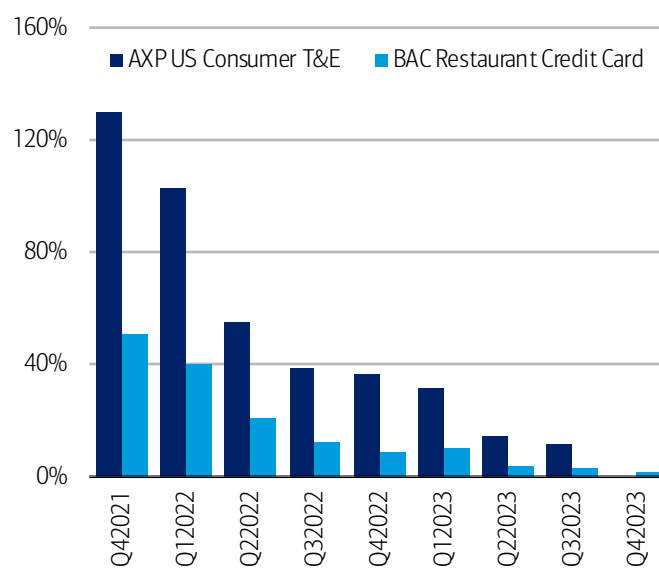


Source: BAC Internal data, Company reports

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Exhibit 7: BAC aggregated credit card spend on restaurants and AXP US Consumer T&E volume (y/y quarterly percent change)

Restaurant y/y spend growth accelerated from 2.5% in November to 3.7% in December



Source: BAC Internal data, Company reports

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Methodology explained

Readers should be aware that although the BAC datasets utilized in our analysis represent a significant number of data points, they nevertheless present a degree of selection bias, including but not limited to income levels and geographies. In addition, the data is limited to debit and credit cards and does not include other payment methods such as cash or checks.

Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

BAC data used in this report include spending from active US households only. Spending from corporate cards are excluded.

Additional information about the methodology used to aggregate the data is available upon request.

Price objective basis & risk**American Express Company (AXP, \$183.21, B-1-7)**

Our \$206 price objective is based on a 16x multiple to our 2024 EPS forecast. An 16x PE multiple is on the higher end of the historical range (12-18x) for AXP, which we think is appropriate given the faster growth outlook and strong operating momentum it is experiencing.

Downside risks to our PO are weaker-than-expected macroeconomic conditions, softer consumer and business spending, weaker loan growth, increasing competition, weaker US consumer credit performance, disruptions in capital markets, or an increasing regulatory burden.

Analyst Certification

I, Mihir Bhatia, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Payments, Processors, Specialty Finance and IT services Coverage Cluster

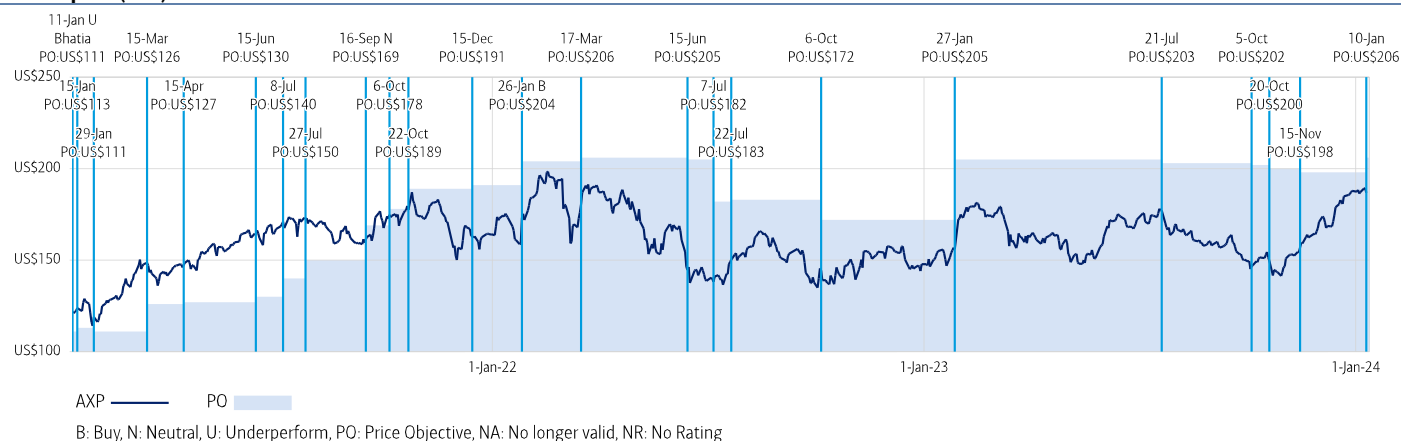
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	American Express Company	AXP	AXP US	Mihir Bhatia
	Block Inc	SQ	SQ US	Jason Kupferberg
	Capital One Financial	COF	COF US	Mihir Bhatia
	Discover Financial	DFS	DFS US	Mihir Bhatia
	Enact Holdings	ACT	ACT US	Mihir Bhatia
	Essent Group	ESNT	ESNT US	Mihir Bhatia
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	Fiserv Inc	FI	FI US	Jason Kupferberg
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	Flywire	FLYW	FLYW US	Jason Kupferberg
	Global Payments Inc	GPN	GPN US	Jason Kupferberg
	Jack Henry & Associates	JKHY	JKHY US	Jason Kupferberg
	Mastercard Inc	MA	MA US	Jason Kupferberg
	MGIC Investment Corp.	MTG	MTG US	Mihir Bhatia
	NMI Holdings	NMIH	NMIH US	Mihir Bhatia
	Nuvei	NVEI	NVEI US	Jason Kupferberg
	Nuvei	YNVEI	NVEI CN	Jason Kupferberg
	OneMain Holdings, Inc.	OMF	OMF US	Mihir Bhatia
	Shift4 Payments, Inc	FOUR	FOUR US	Jason Kupferberg
	Telus International	TIXT	TIXT US	Cassie Chan
	Telus International	YTIXT	TIXT CN	Cassie Chan
	Visa Inc.	V	V US	Jason Kupferberg
	WEX Inc.	WEX	WEX US	Mihir Bhatia
NEUTRAL				
	Affirm Holdings	AFRM	AFRM US	Jason Kupferberg
	Bread Financial Holdings Inc	BFH	BFH US	Mihir Bhatia
	DLocal	DLO	DLO US	Jason Kupferberg
	Globant SA	GLOB	GLOB US	Jason Kupferberg
	Marqeta	MQ	MQ US	Jason Kupferberg
	PayPal Holdings Inc	PYPL	PYPL US	Jason Kupferberg
	SoFi Technologies Inc	SOFI	SOFI US	Mihir Bhatia
	Synchrony Financial	SYF	SYF US	Mihir Bhatia
	Thoughtworks	TWKS	TWKS US	Jason Kupferberg
	Toast	TOST	TOST US	Jason Kupferberg
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	Coinbase	COIN	COIN US	Jason Kupferberg
	DXC Technology	DXC	DXC US	Jason Kupferberg
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	Rocket Companies, Inc.	RKT	RKT US	Mihir Bhatia
	TaskUs	TASK	TASK US	Cassie Chan
	Western Union	WU	WU US	Jason Kupferberg
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	EngageSmart	ESMT	ESMT US	Jason Kupferberg

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American Express (AXP) Price Chart



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Equity Investment Rating Distribution: Financial Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	156	53.79%	Buy	94	60.26%
Hold	72	24.83%	Hold	48	66.67%
Sell	62	21.38%	Sell	35	56.45%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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