

Consumer Finance

January spending deceleration is nothing out of the ordinary

Industry Overview

Jan credit card spending slows less than seasonality

BAC aggregated credit card data indicates spending declined 0.8% y/y in January, better than the 1.0% y/y decrease in December. Notably, January credit card spending declined 10.6% m/m. While there have been headlines about January softness, we note that our data suggests spending historically declines by 14.6% m/m in January. As such, we view the data as better than expected. 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 slows

The readthrough from January data is overall credit card spending trends appear stable on a y/y basis and overall trends actually improved on a m/m basis. Notably, similar to total credit card spending described above, credit card spending by high earners also accelerated on a y/y basis in January (-0.2%) compared to December (-0.6%). The improvement appears to be driven by G&S spend, as restaurant and travel spend decelerated m/m. While still early, it could be an early sign that AXP billings growth will accelerate from 6% in 4Q. Note that G&S spend represents 75% of total billings at AXP.

Jan. Total credit card spend: -10.6% m/m; -0.8% y/y

Total credit card spend in BAC card data was down 0.8% y/y in January, an acceleration from -1.0% in December. Similarly, overall credit card spending by high earners (\$125K+) was down 10.5% m/m and 0.2% y/y in January (-0.6% y/y in December). 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 (Exhib. 1-3).

Jan. Restaurant spend: -16.6% m/m; -4.4% y/y

According to aggregated BAC credit card data, on a one-year basis, spending at restaurants decelerated to -4.4% y/y in January vs. +3.7% in December. Restaurant spend historically decreases by 12.4% m/m in January and 2024 performance was weaker at 16.6% m/m. Spending at restaurants represented 7% of billed business at AXP in 4Q23. Over the past two years BAC restaurant credit card spend trends are highly correlated with AXP's restaurant and US consumer T&E spending trends (Exhibits 4-5).

Jan. Travel spend: +28.6% m/m; -1.5% y/y

According to aggregated BAC credit card data, on a one-year basis, spending on travel decelerated to -1.5% in January, from -0.5% in December. The large increase m/m in travel spend is not surprising as December is typically a trough in travel spend. Credit card spending in January typically increases 27.0% m/m. 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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G&S: Goods and Services

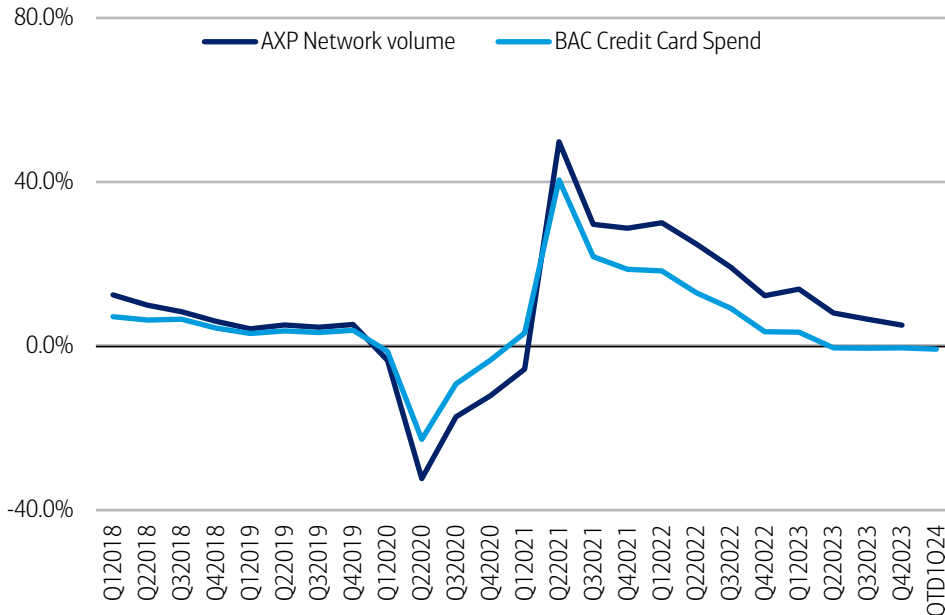
T&E: Travel and Entertainment

See also: [AXP: CEO and CFO meeting takeaways 07 February 2024](#)

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 growth)

BAC credit card spending was down 0.8% in January

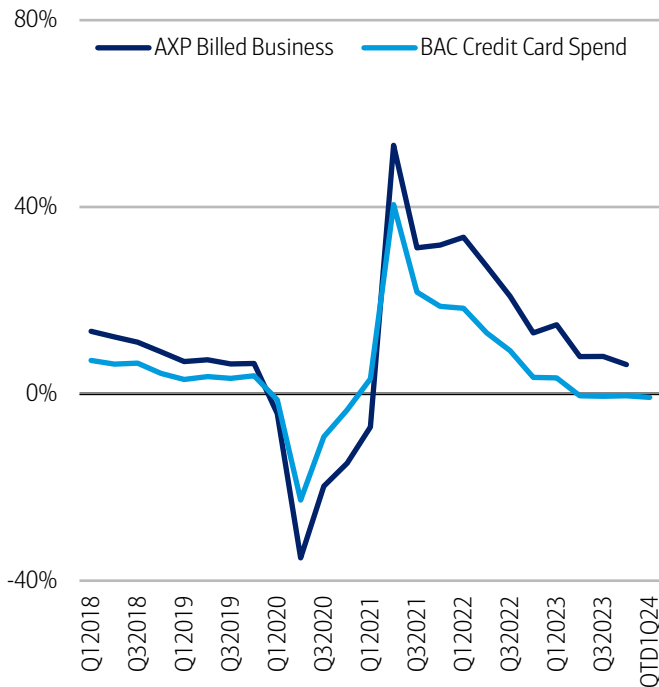


Source: BAC Internal data, Company reports

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

BAC credit card spending was down 0.8% in January

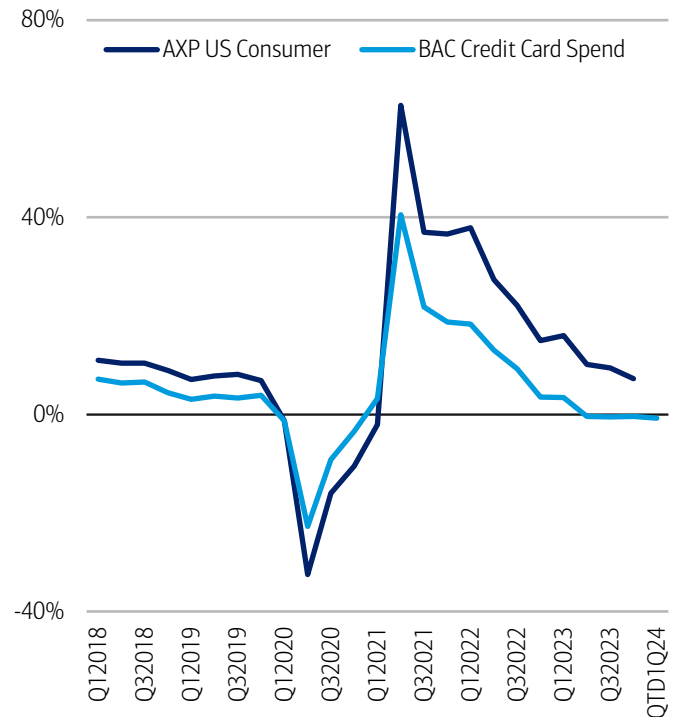


Source: BAC Internal data, Company reports

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

BAC credit card spending was down 0.8% in January



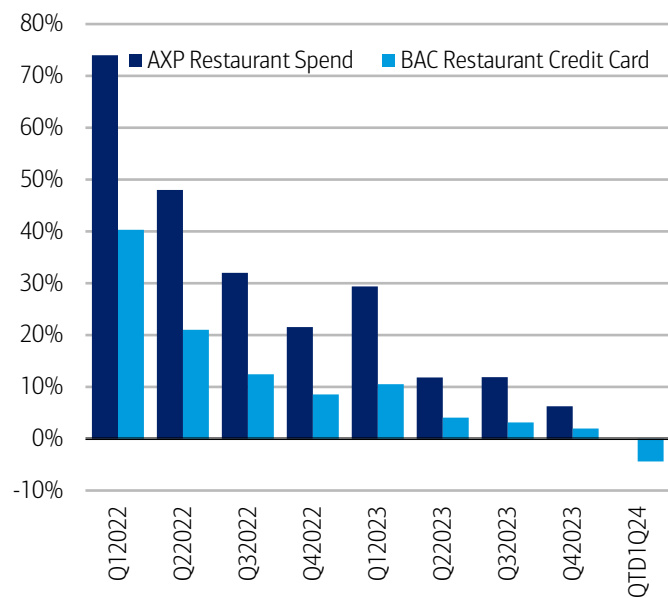
Source: BAC Internal data, Company reports

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

Restaurant y/y spend growth decelerated to -4.4% y/y in January from +3.7% y/y in December

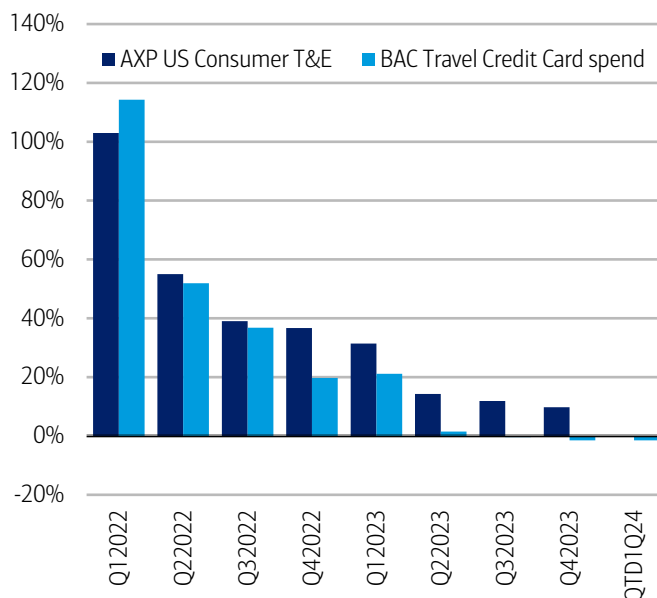


Source: BAC Internal data, Company reports

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

Travel y/y spend growth decelerated to -1.5% y/y in January from -0.5% y/y in December

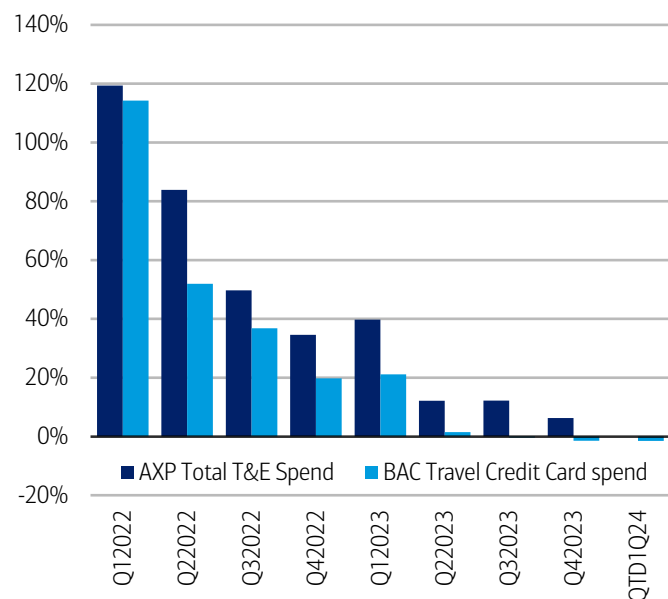


Source: BAC Internal data, Company reports

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

Travel y/y spend growth decelerated to -1.5% y/y in January from -0.5% y/y in December

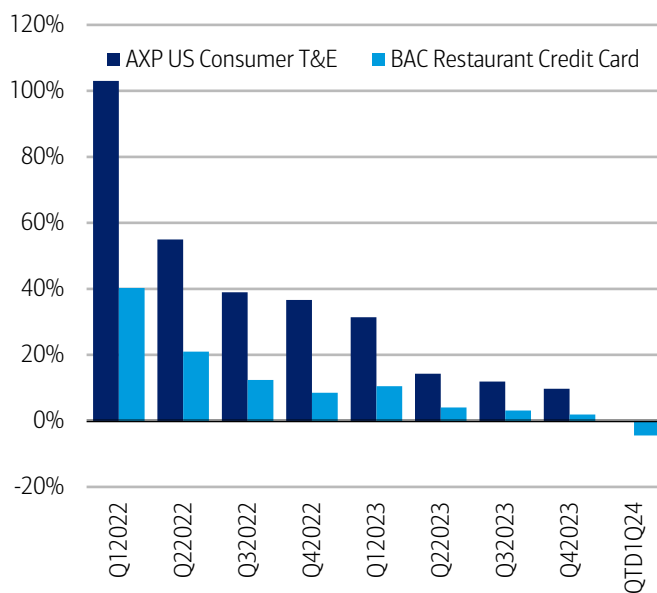


Source: BAC Internal data, Company reports

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

Restaurant y/y spend growth decelerated to -4.4% y/y in January from +3.7% y/y 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.

Exhibit 8: Stock Mentioned

Stock prices and ratings mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AXP	AXP US	American Express	US\$ 212.48	B-1-7

Source: BofA Global Research

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Price objective basis & risk**American Express Company (AXP)**

Our \$224 price objective is based on a 15x multiple to our 2025 EPS forecast. The 15x PE multiple is the middle of the historical range (12-18x) for AXP, which we think is appropriate given the 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.

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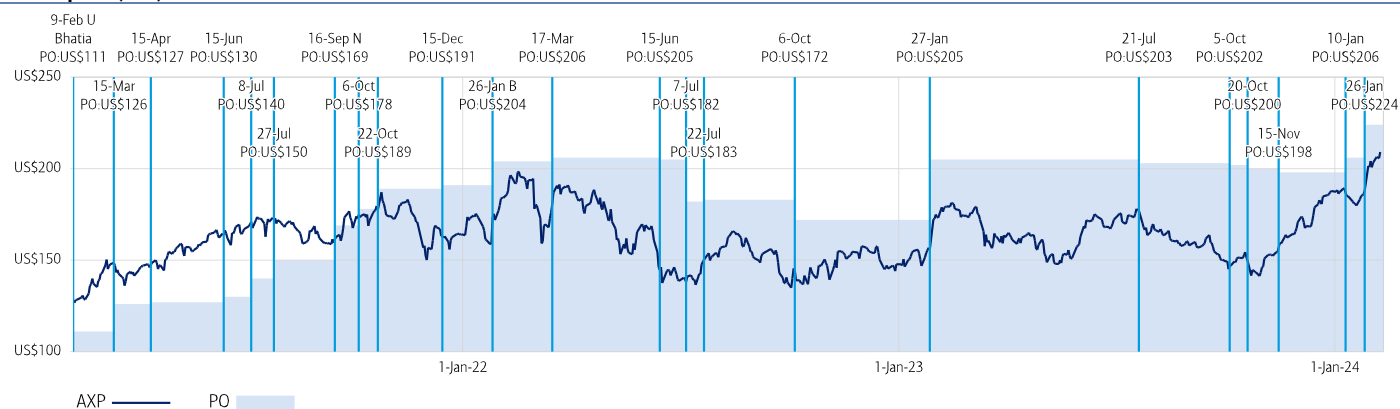
US - Payments, Processors, Specialty Finance and IT services Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Accenture Plc	ACN	ACN US	Jason Kupferberg
	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
	Fidelity National Information Services	FIS	FIS US	Jason Kupferberg
	Fiserv Inc	FI	FI US	Jason Kupferberg
	FleetCor Technologies Inc.	FLT	FLT US	Mihir Bhatia
	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				
	ADP	ADP	ADP US	Jason Kupferberg
	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	Cassie Chan
	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
	TTEC Holdings	TTEC	TTEC US	Cassie Chan
UNDERPERFORM				
	CGI Inc.	GIB	GIB US	Jason Kupferberg
	CGI Inc.	YGIBA	GIB/A CN	Jason Kupferberg
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	Coinbase	COIN	COIN US	Jason Kupferberg
	DXC Technology	DXC	DXC US	Jason Kupferberg
	EPAM Systems	EPAM	EPAM US	Jason Kupferberg
	Paychex	PAYX	PAYX US	Jason Kupferberg
	Radian Group Inc	RDN	RDN US	Mihir Bhatia
	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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American Express (AXP) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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