

# Credit Union Trends Report

Executive Summary July 2023

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TruStage's Chief Economist, Steven Rick, shares trends of lending volume and credit quality. Additional highlights this month include:

## Economy

- On July 12, the Bureau of Labor Statistics reported headline inflation rose only 3% during the year ending in June 2023, this is down from the 9% reported in June 2022.
- So, with inflation rapidly approaching the Federal Reserve's 2% inflation target, can we assume the Fed is done raising interest rates and may begin lowering them sometime soon? Well not so fast.
- The Federal Reserve is worried that the very strong labor market and rising wages are keeping this inflation measure elevated above their 2% target.
- We don't expect the Federal Reserve to lower interest rates until the middle of 2024.

## Lending

- Credit union loan balances rose 0.6% in May, much slower than the 2.1% pace reported in May 2022 and 14.5% during the last 12 months due to a consumer spending rebound post pandemic.
- Credit union consumer installment credit balances (auto, credit card and other unsecured loans) reported an increase of 0.05% in May, below the 2.3% increase set in May 2022, due to a deceleration in new and used auto loans.
- Expect new auto sales to remain below its long run average of 16.5 million sales pace for the remainder of the year due to higher interest rates and high prices.
- Expect slower loan growth for the 2<sup>nd</sup> half of 2023 and into 2024 as the labor market cools and interest rates rise further.

## Members/Assets

- Credit union savings balances fell at a 1.5% seasonally adjusted, annualized growth rate in May, significantly below the 4.2% pace set in May 2022.
- The deposit growth slowdown was caused by increased member spending and funds leaving credit unions for alternate savings products paying higher interest rates.
- Credit union share certificates deposit accounts grew 60.3% during the last year (\$147 million) as members moved \$67.4 million from money market accounts, \$59.5 million from regular share accounts, \$11.8 million from share draft accounts and the remainder coming from new deposit inflows.
- The membership gain year-to-date slowed to 1.197 million, down from 2.525 million for the similar period in 2022.
- Expect credit union memberships to grow 2.5% in 2023 and 2024.

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Source: July 2023, CUNA Economics & Statistics and TruStage Economics. This report on key CU indicators is based on data from TruStage E&S's Monthly Credit Union Estimates, the Federal Reserve Board, and TruStage – Economics

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