

Credit Union Trends Report

Executive Summary September 2023

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

Economy

- For the first time since 1948 the U.S. money supply is declining. In fact, it is down more than \$1 trillion since its high-water mark of \$21.906 trillion set back in April 2022.
- It is no coincidence that the high-water mark for credit union savings-per-member was also set back in April 2022 when it reached \$14,133 and has also declined 5% to \$13,479 today.
- This drop in the money supply is due to the Federal Reserve's policy of "quantitative tightening," (QT) designed to drain excess liquidity from the banking system in its efforts to bring inflation down to its 2% target.
- Expect the Federal Reserve to continue its balance sheet "normalization" and therefore lower the U.S. money supply and bank and credit union deposits through the first half of 2024.

Lending

- Credit union loan balances grew at a 7.4% seasonally adjusted, annualized growth rate in July, significantly below the 19% pace set in July 2022 when credit unions picked up market share in the auto loan space.
- We are forecasting below-trend credit union loan growth for the next two years (around 4%) as the economy slows under the weight of higher interest rates, and the unemployment rate rises to the natural rate of 4.5%.
- Credit union consumer installment credit rose 10.7% during the 12 months ending in July, above the 6.9% pace reported by all other lenders.
- Vehicle sales rose to a 15.8 million seasonally-adjusted annualized sales rate in July – up 0.6% from June and 18.3% above the 13.3 million sales pace set in July 2022.
- The increased supply of vehicles has reduced new car prices 3.2% below their recent peak.
- The stage is set for a weak second half of 2023 due to the recent rise in mortgage interest rates above 7% and low supply of home for sale.

Members/Assets

- During the first 7 months of 2023, savings balances rose only 0.2%, the slowest in modern credit union history and below the 3.9% reported in the first 7 months of 2022.
- We expect credit union savings balances to report no growth in 2023 and then accelerate to only 3% in 2024.
- The average asset sized credit union rose to \$469 million from \$436 million compared to one year earlier.

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Source: September 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