

# Credit Union Trends Report

Executive Summary October 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

- Credit union liquidity has dropped to the lowest level since October 2019, and close to the lowest level in credit union history.
- The average credit union member reduced their total credit union deposits by \$430 over the last year, from \$13,879 in August 2022 to \$13,449 in August 2023.
- Weak year-to-date savings growth has crashed head-on with a 5.3% year-to-date loan growth rate, pushing up the loan-to-asset ratio to 71.3%, which is above the loan run average of 64%.
- With the Federal Reserve expected to raise short-term interest rates by another 25 basis points later this year, credit union net interest margins could tighten as funding costs rise faster than asset yields.

## Lending

- During the last 12 months, credit union loan balances increased a strong 10.7%, which is above the 7% long-run annual loan growth rate.
- Credit union new-auto loan balances rose only 0.2% in August, below the 2.3% pace set in August 2022.
- Used-auto loan balances didn't fare much better with balances rising only 0.6% in August, down from 1.6% in August 2022.
- Higher interest rates have reduced housing demand to recessionary lows, but a simultaneous reduction in housing supply is keeping home prices from declining.
- We are forecasting below-trend credit union loan growth for the next two years (4% in 2024 and 6% in 2025).

## Members/Assets

- Credit union deposit growth is under downward pressure due to the Federal Reserve reducing the money supply with their "Quantitative Tightening" program.
- Members demand for share certificates is exceptionally strong due to the surge in short-term market interest rates.
- We expect savings balances to grow 0% in 2023 and 3% in 2024, below the long-run average of 7%.
- The slowdown in credit union membership growth to 2.5% was to be expected as the average growth rate during the last 20 years was about 2.3%.
- The recent pace of 2.5% is still 5 times faster than the overall U.S. population growth rate of 0.4%.

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Source: October 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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