

Credit Union Trends Report

Executive Summary November 2024

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

Economy

- Credit union liquidity has risen over the last year but remains close to the lowest ratio in credit union history.
- The average credit union member increased their total credit union deposits by \$504 over the last year, from \$13,420 in August 2023 to \$13,942 in August 2024.
- Year-to-date savings balances grew 3.9% in 2024, significantly below the past 23-year average of 5.7%, but above the 0.7% reported in 2023.
- But with the Federal Reserve expected to lower short-term interest rates by another 25 basis points later this year, credit union net interest margins could widen as funding costs fall faster than asset yields.

Lending

- During the last 12 months, credit union loan balances increased a relatively weak 3.5%, which is half the 7% long-run annual loan growth rate.
- Consumer credit outstanding is rising only 2.3% year-over-year, below the 5% long run average.
- High auto loan rates will ensure that new-vehicle sales remain below the 16.5 million pace through 2025.
- Following years of higher-than-average home price growth, the housing market appears overvalued. So, expect home price appreciation to slow below the 4% long run average in 2025.
- We are forecasting 6% credit union loan growth for 2025 due to faster deposit growth next year, lower loan interest rates on new loans, a shift in consumer spending from services back to goods and rising consumer confidence.

Members/Assets

- The personal savings rate (personal savings as a percentage of disposable personal income) has increased to 5% in August, up from 3.1% in August of 2022. We expect savings balances to grow 5% in 2024 and 7% in 2025.
- Year-to-date credit union memberships rose 0.6%, below the 2.4% pace in the similar time in 2023.
- The recent pace of 0.6% is still faster than the overall U.S. population growth rate of 0.4%. Therefore, credit unions are still picking up market share from banks and other depository institutions.

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