Credit Union Trends Report

Executive Summary December 2024

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

Economy

- We expect the Federal Reserve to continue lowering the effective Fed Funds interest rate by another 50 basis points in 2025.
- A good analogy would be the Federal Reserve is slowing pulling their foot off the brake pedal in a car, still slowing the car down but reducing the pace of deceleration.
- So, to ensure a "soft landing" for the economy, the Fed will keep lowering the fed funds interest rate and approach the 3% neutral interest rate as core inflation approaches 2% during the next 18 months.

Lending

- Credit union loan balances grow on average 8.0% per year over the long run, but today credit union loan balances are only rising at a 1.8% seasonally-adjusted annual rate, the slowest pace since 2011.
- Year–to–date, credit union consumer installment credit fell 1.1%, significantly below the 4.2% gain reported through October in 2023.
- The effect of this lending slowdown is the number of new-auto loans as a percent of members in offering credit unions – the penetration rate – fell to 7.1% in the third quarter, down from 7.5% last year.
- Expect new vehicle sales to rise 7% in 2025 compared to 2024, due to rising auto inventories, a healthy labor market, rising stock prices, falling vehicle prices and lower interest rates.
- However as short-term interest rates fall another 50 basis points in 2025, we are forecasting credit union loan growth to rise to 6%.

Members/Assets

- This year members were rebuilding their savings deposits to maintain their current pace of consumption spending in this era of high and rising prices.
- We expect credit union deposit growth to rise 8% in 2025, above the 7% long–run average.

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Source: December 2024, 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