finder

Credit Card Report 2024

Contents

Introduction

The Australian credit card market is undergoing a revival. After a significant downturn between May 2017 and April 2022 – during which 3.6 million cards were removed from circulation – cost of living pressures have compelled Australians to reconsider their financial strategies.

Following 31 months of a sub-1% cash rate, the Reserve Bank of Australia (RBA) lifted its target 13 times between May 2022 and June 2023, increasing pressure on household budgets. Around the same time, the number of credit card accounts in Australia started to increase.

Since April 2022 Australians have opened over 356,000 new credit card accounts. In August 2023, Australia's credit card spending hit an all-time high of $34.6b. These changes correlate directly with the increasing cash rate and indicate that credit cards are becoming a vital component of financial management for many Australians trying to cope with rising living costs. From everyday groceries to mortgage repayments, they offer a flexible means to navigate through tough financial periods.

This report will examine the factors driving the surge, the impact that changing consumer behaviour is having on the credit card industry, and the future of the market.

Explaining the resurgence

Why are Australians picking up plastic?

Financial Stress

The proportion of Australians reporting extreme stress regarding their financial circumstances has been on a rise along with the cash rate, reaching a peak of **31% in July 2023**.

This figure is a significant jump from August 2021, when it stood at 15%. Notably, it began to fall once the RBA reached the end of its initial series of rate hikes in June 2023, peaking again in November after the RBA's final hike of last year.

Percentage of Australians who are extremely stressed with their current financial situation

Chart: Finder • Source: Finder Consumer Sentiment Tracker

Reliance

Higher costs have made Australians more dependent on credit cards. In May 2021, only 18% of individuals felt they couldn't manage their finances without the aid of a credit card. By June 2023, following the cessation of government pandemic stimulus and the entrenched reality of rising inflation and interest rates,

dependency increased to **30%.**

Percentage of Australians card holders who could not manage their finaces without a credit card

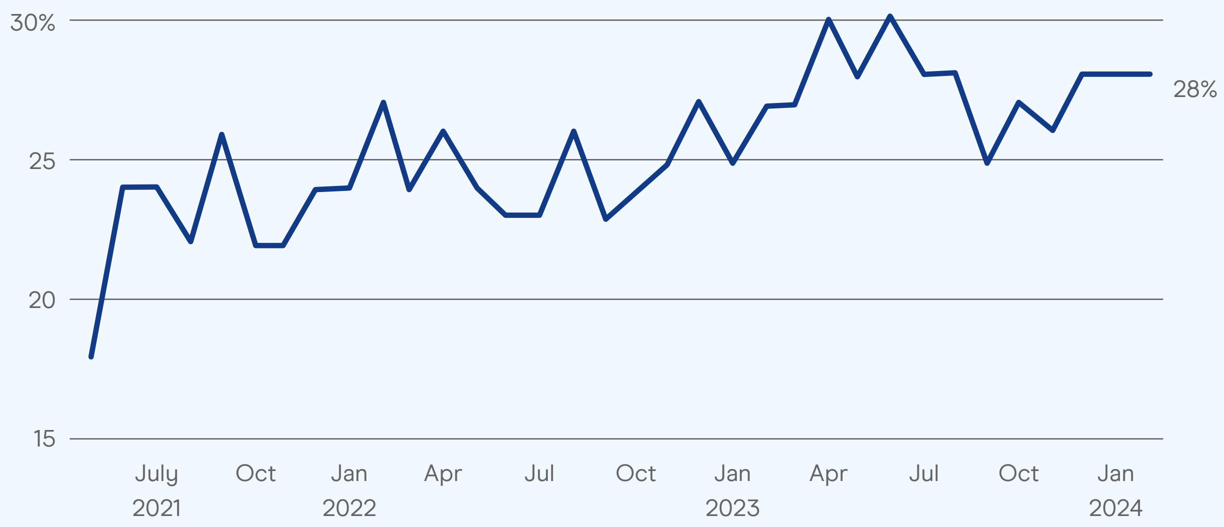


Chart: Frinder • Source: Finder Consumer Sentiment Tracker

Cost of Living Factors

As a result of Australia's increasing dependency on credit cards, the total value of transactions on these cards has seen an emphatic rebound - despite there being far fewer cards in the market.

After peaking at **16.8m credit card accounts in May 2017**, the number of active cardholders fell steadily to a low of **13.1m in April 2022** before rebounding slightly to **13.5m in December 2023.**

Total number of credit card accounts

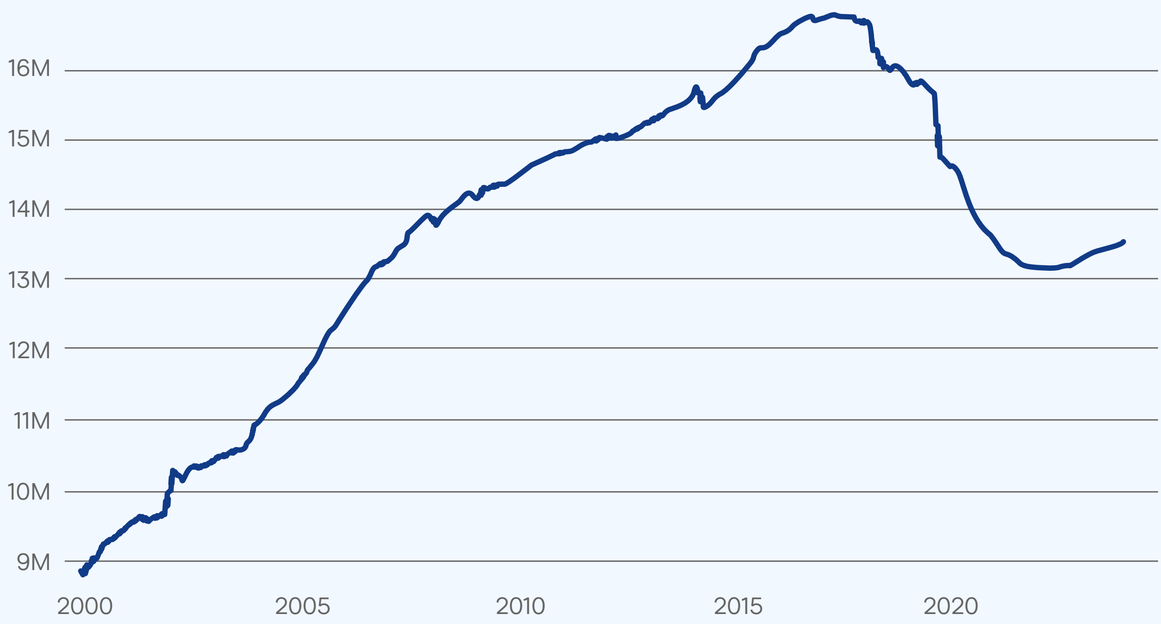


Chart: Frinder • Source: Reserve Bank of Australia (RBA)

The impact of COVID-19 and the cost of living crisis have had a dramatic effect on the total value of credit card transactions. Spending volume fell steeply during the early lockdowns, before recovering. Inflationary pressures have pushed spending 11% above where it would have been if the trends evident for the preceding 3 years had continued - with the current value of $35.3b.

Inflation and interest rates remain the primary forces driving the cost of living pressures. Yet, in the context of credit cards, inflation has particularly exacerbated the cost of daily expenses, propelling the spending on credit cards beyond the anticipated trend.

Total value of credit card transactions

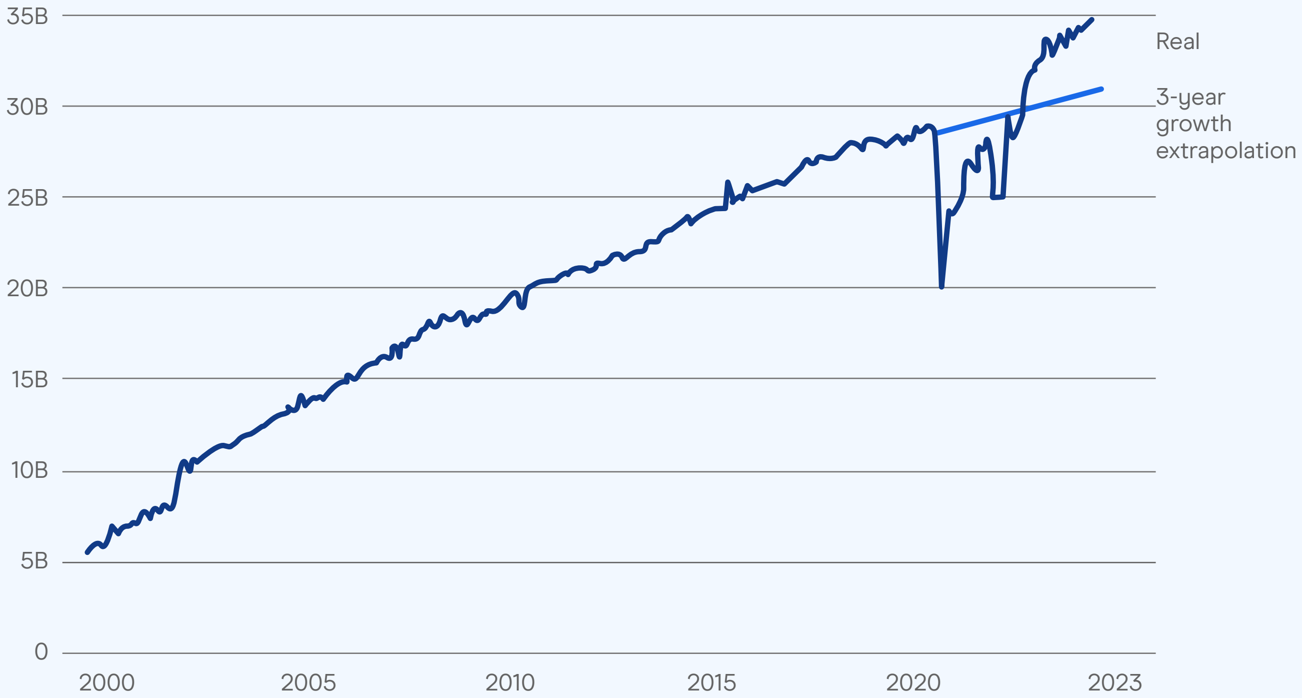


Chart: Frinder • Source: Reserve Bank of Australia (RBA)

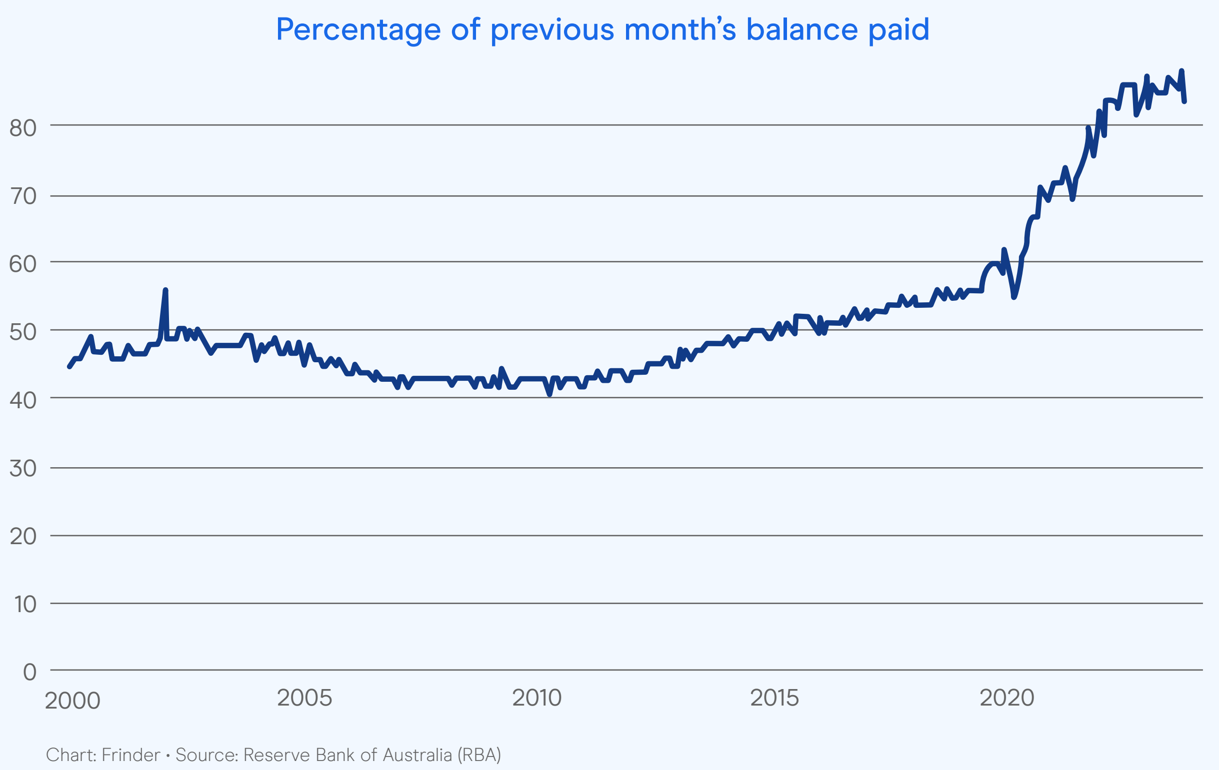
Current state of the market

Savings buffers save us, for now

The surge in interest rates has not translated into increased stress over credit card bills - why? Despite spending and balances on credit cards rising consistently over the last two years, Australians are not yet struggling to pay off their balances. In fact, thay have been getting better at doing so.

Between 2000 and 2019, the percentage of the previous month's national balance paid off remained consistent, averaging under 50%. From 2020, however, this percentage started rising. The increasing payment trend accelerated even further in 2022, reaching a record high of 88% of the previous month's balance paid off in November 2023.

The national balance accruing interest currently sits at $18b, having not increased significantly since its steep drop from $29b in January 2020, itself a lower total than the peak value of $37b in April 2012.

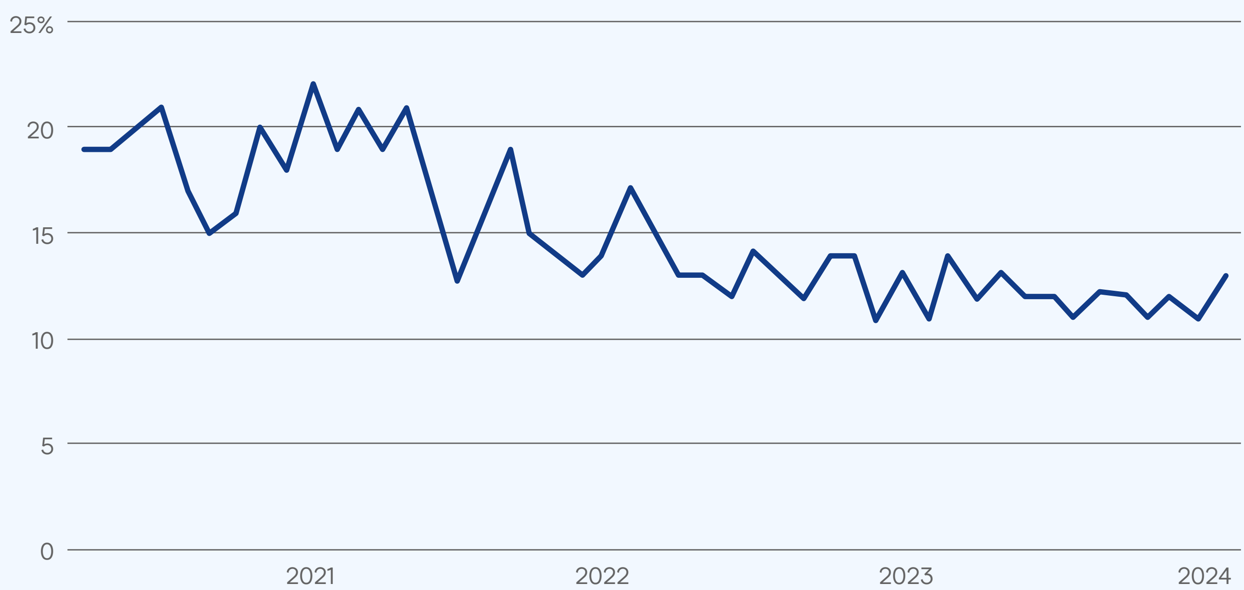


National balance accruing interest on credit cards

Chart: Finder • Source: Reserve Bank of Australia (RBA)

These record-low balances have pushed credit card bill stress down **from 22% in January 2021 to 11% currently**.

Percentage of card holders experiencing credit card bill stress

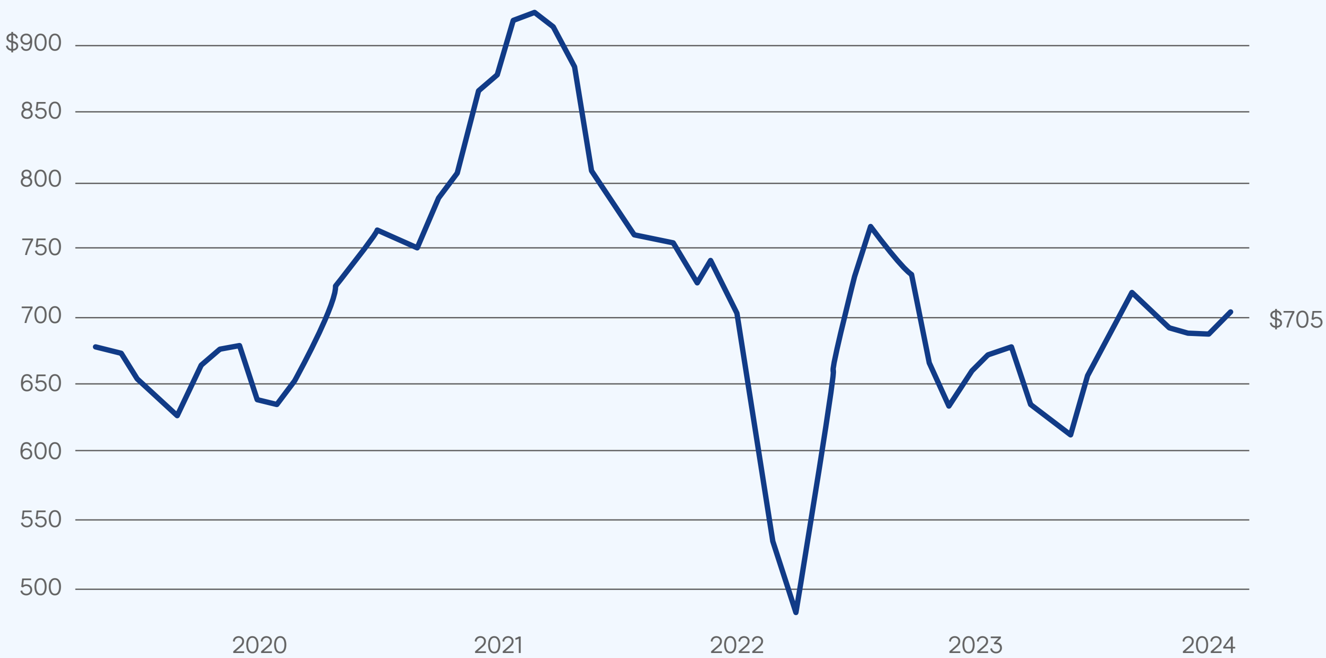


Source: Finder Consumer Sentiment Tracker

Why is credit card debt so low?

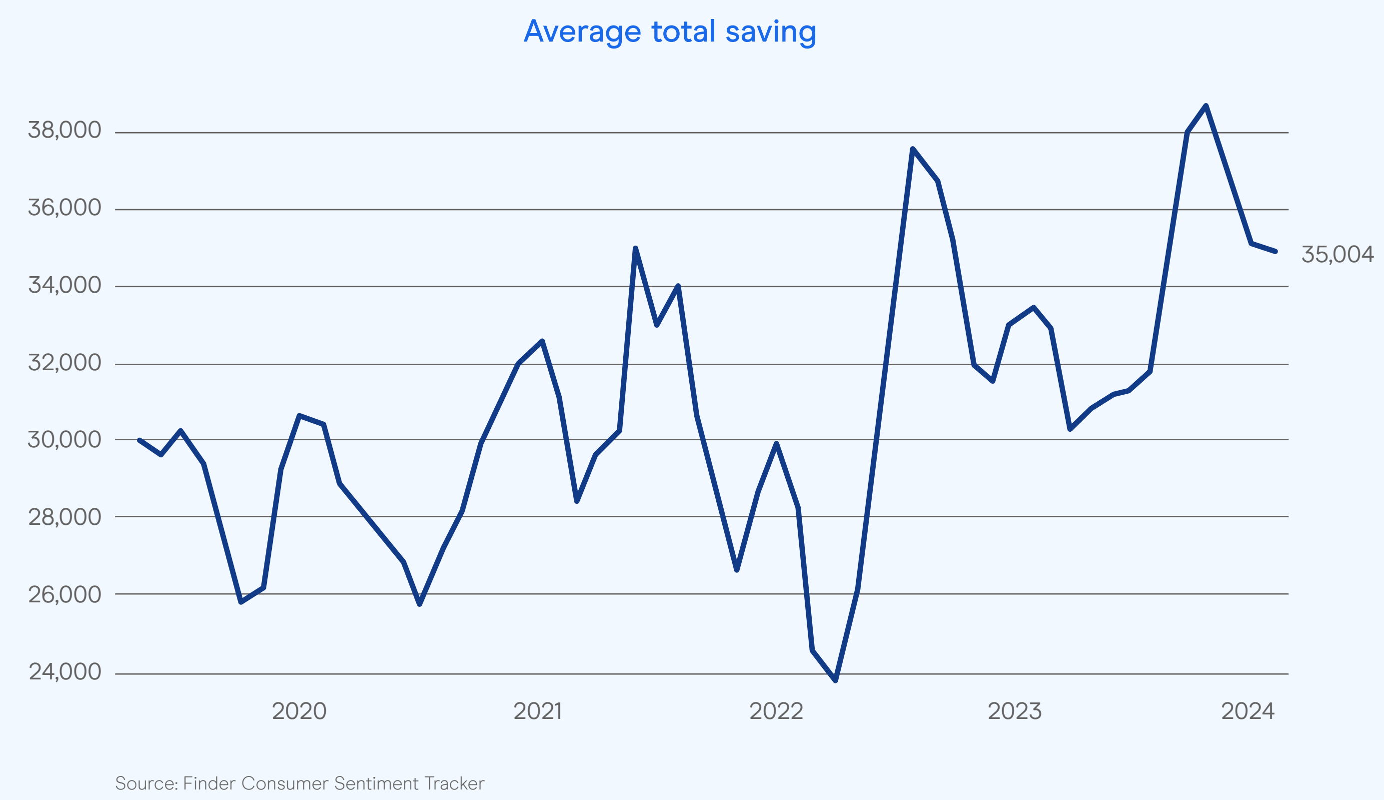
At the height of the pandemic (March 2021), Australians were saving $925 in a month. This figure is nearly double that of the previous year, when the monthly savings average was about $635. Whilst monthly savings have now dropped back to usual levels, Australians have been protected from high levels of financial stress thanks to the savings of the pandemic.

Average savings per month



Source: Finder Consumer Sentiment Tracker

Government stimulus, combined with **lower spending on social activities and travel during pandemic restrictions**, helped the average Australian to build their savings buffers, even as cost of living pressures increased.



These two graphs can help to partially explain why we haven't seen a significant uptick in balances accruing interest – and as a result, credit card bill stress. **The majority of consumers haven't had to rely on credit and can tap into their savings when their income doesn't suffice.**

The hidden holders

These overall figures aren't telling the full story. One segment of cardholders have depleted their savings buffers and are experiencing increased financial strain. With their savings exhausted, this group has begun to depend on credit for daily expenses.

Nearly one in ten (7%) Aussie credit card holders have turned to plastic after running out of money before payday. That equates to 746,000 Australians who risk going into debt because they've run out of cash before their next pay cheque hits.

Moreover, a worrying 1 in 5 (21%) cardholders got caught out by an emergency expense and had to reach for their credit card to bail themselves out.

This behaviour leaves these consumers at a higher risk of missing repayments. Data from the same survey revealed one in eight (13%) Australian credit card holders say they missed a repayment by 30 days or more in the three months to January 2024. This is equivalent to 1.75 million credit card holders who have missed a payment since October 2023 as households struggle to make ends meet.

Who's being left behind?

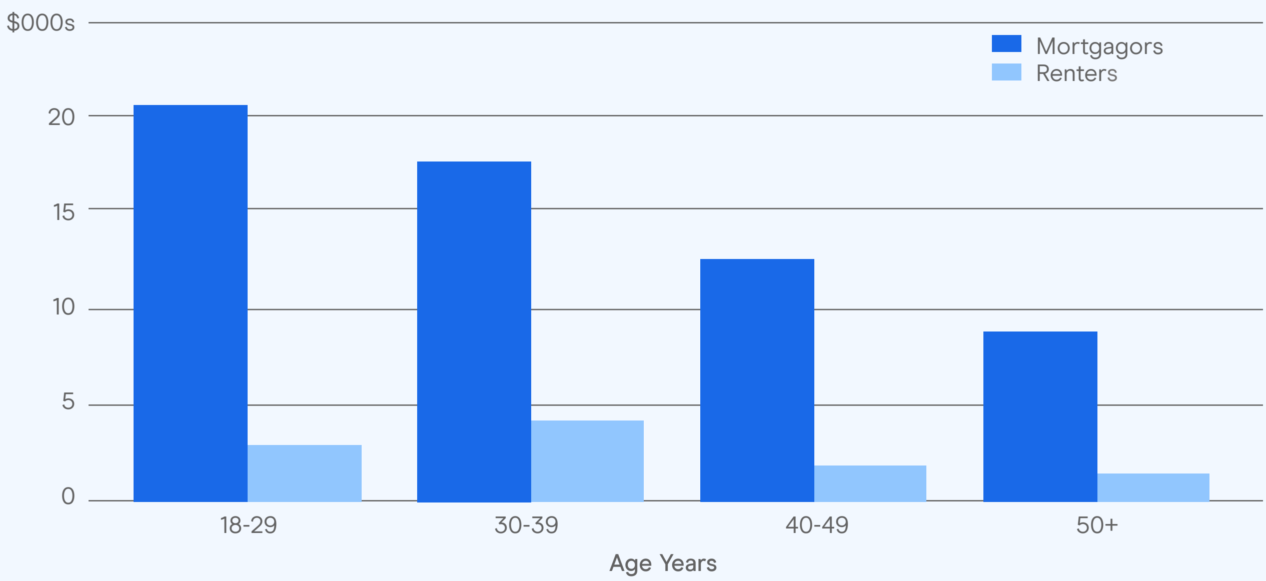
Our analysis reveals a significant discrepancy in financial resilience between renters and mortgage holders: 24% of renters have missed a repayment by 30 days or more, in stark contrast to just 13% of mortgage holders.

This discrepancy aligns with expectations that accumulated savings are predominantly held by older, wealthier households, thereby elevating the average savings figures.

Conversely, younger, lower-income households have considerably less financial cushioning to fall back on when their earnings are insufficient to cover their expenses, a situation that is especially acute for renters.

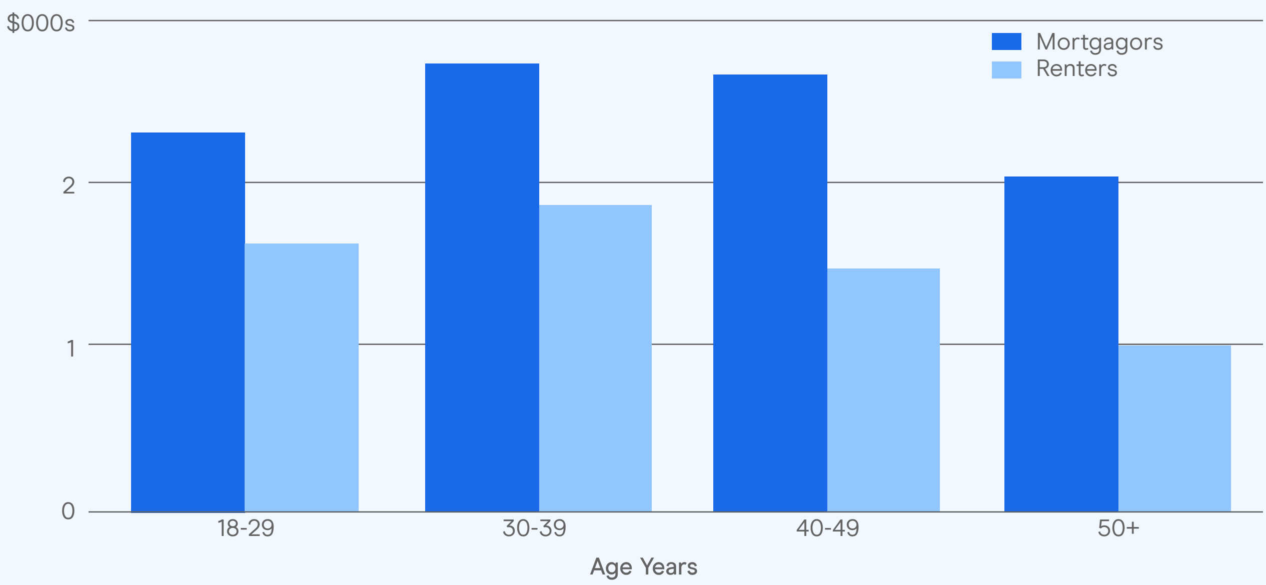
A closer examination of renters offers insight into the financial challenges faced by those less visible in broader economic analyses. According to Reserve Bank of Australia (RBA) data, young mortgage holders possess savings that are more than fourfold those of renters and earn approximately 25% more.[1] This small but financially secure segment distorts the average savings figures, masking the difficulties encountered by those who are genuinely struggling.

Liquid Assets by Tenure and Age*
Median amounts held in deposit accounts, February to July 2023



* Liquid assets include balances held in deposit accounts. Medians are interpolated from survey response buckets.
Sources: Reserve Bank of Australia (RBA); RFI Global's DBM

Median Household Weekly Income*
By tenure and age, February to July 2023



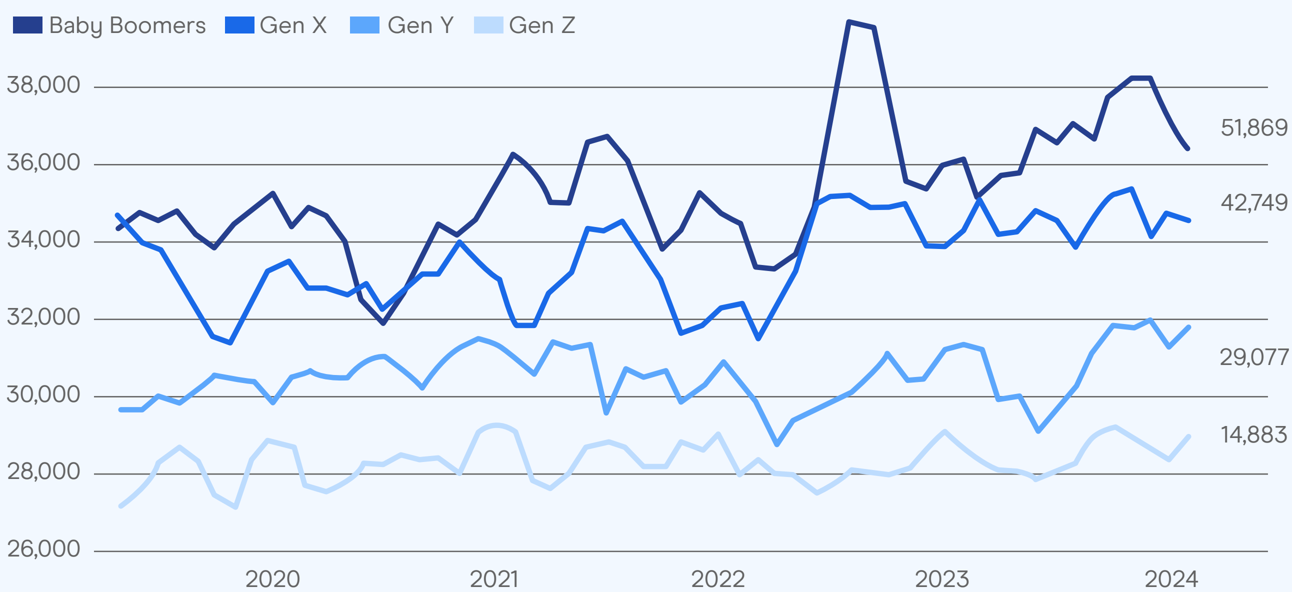
* Survey respondents report gross (before tax) income. Medians are interpolated from survey response buckets.
Sources: Reserve Bank of Australia (RBA); RFI Global's DBM

Investigating the primary demographic groups that constitute the majority of renters — namely, young Australians and low-income earners — does not provide straight forward answers.

However, it's evident that the rental market is disproportionately represented by these groups, highlighting and exacerbating the observed financial disparities.

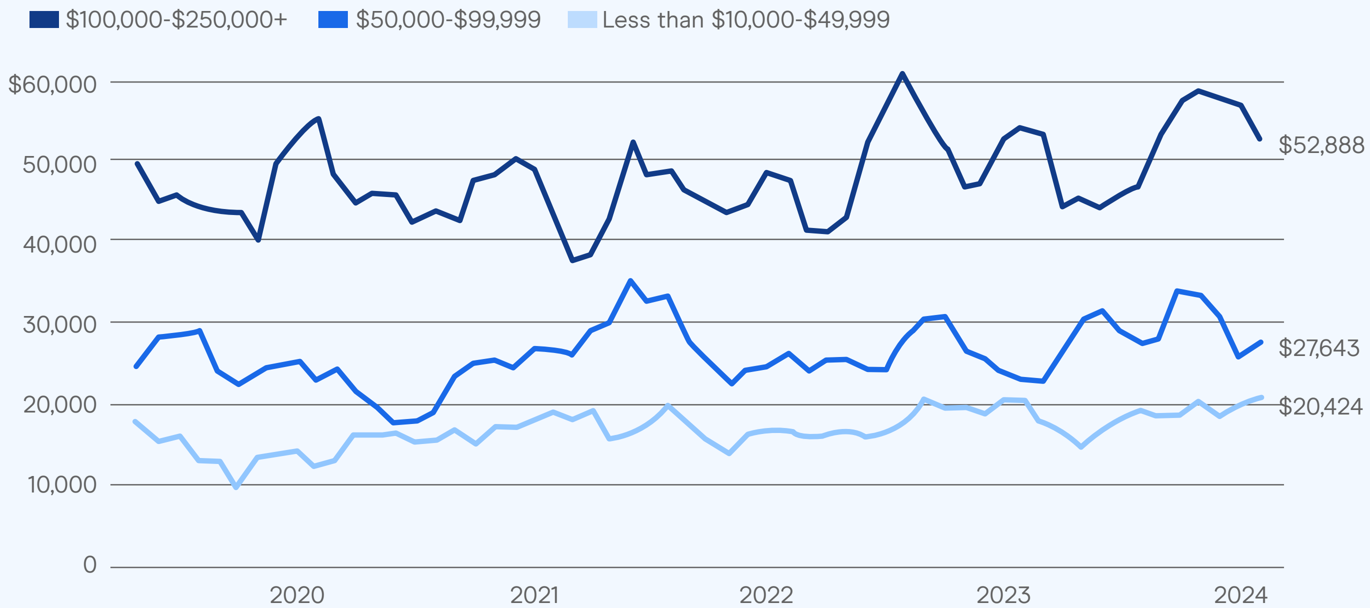
This becomes evident through a comparative analysis of savings across various demographics, including age, income, and housing tenure, further illuminating the disparities in financial security and resilience.

Average total savings by generation and combined household income



Source: Finder Consumer Sentiment Tracker

Average total savings by combined household income



Source: Finder Consumer Sentiment Tracker

As previously mentioned, the largest pressure on households is higher interest rates and the spike in housing costs they have created.

Those who have paid off their mortgage are doing well — they have $67,979 in savings.

Consumers currently paying a mortgage have significantly less — close to $29,153 in savings.

However, their savings have risen by over 50% since before the pandemic.

It is renters that are the worst-placed with just $14,839 saved. Their savings balance has barely changed over the last 4 years and, depending which months you compare, have actually decreased.

Average total savings by type of resident

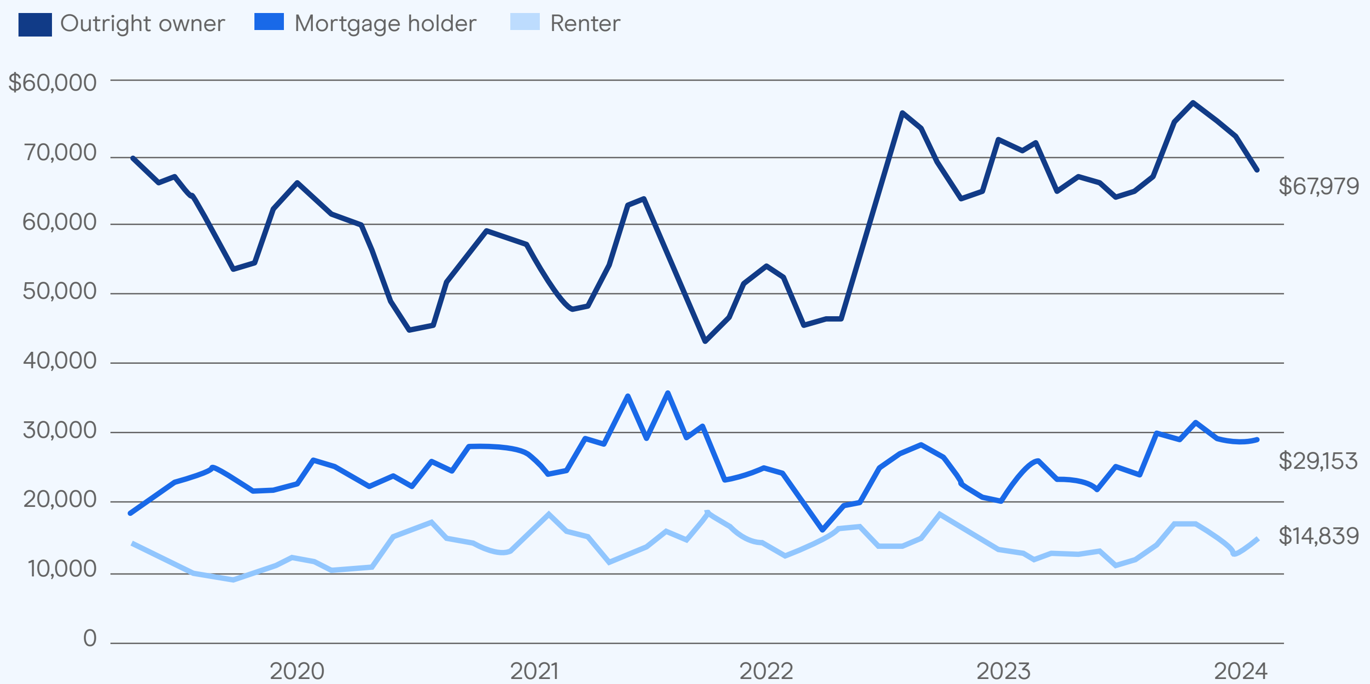
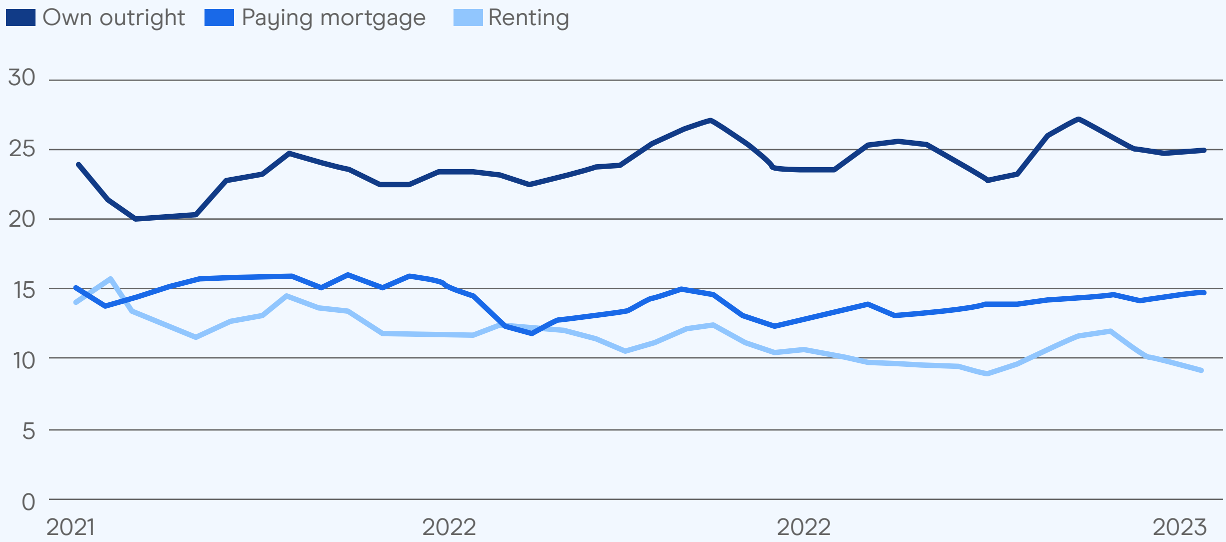


Chart: Finder • Source: Finder Consumer Sentiment Tracker

Berrenjoy economists predict the bottom 60% of households by income have depleted their savings buffers. They also expect this figure to jump to 80% by March 2024. The leftover 20% are the households that won't need to use their buffers at all.

Finder data supports this. The number of weeks that those with a mortgage say they could live off their savings has stayed relatively steady in the last 2 years, staying well above 3 months. Renters have seen their buffers drop by 17% to just above 2 months.

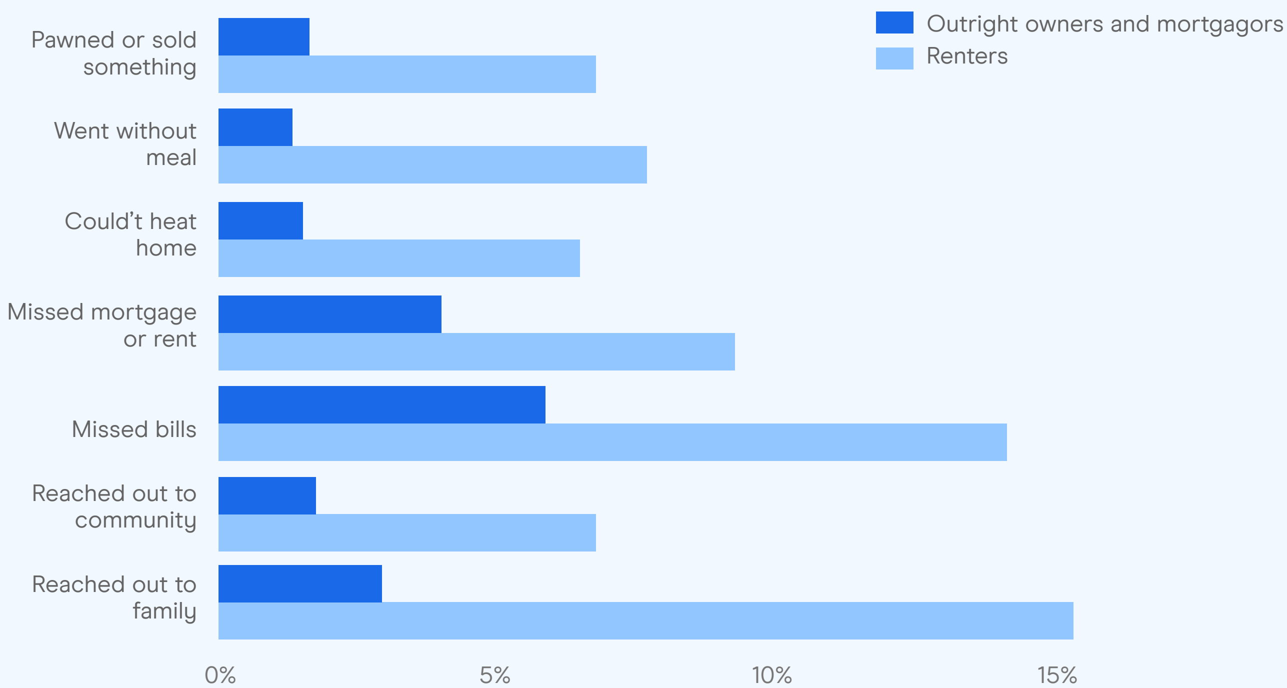
Number of weeks that consumers could live off savings by type of resident



Source: Finder Consumer Sentiment Tracker

RBA data shows these renters are more likely to experience financial stress.[1]

Incidences of Financial Stress
Share by tenure type, 2021

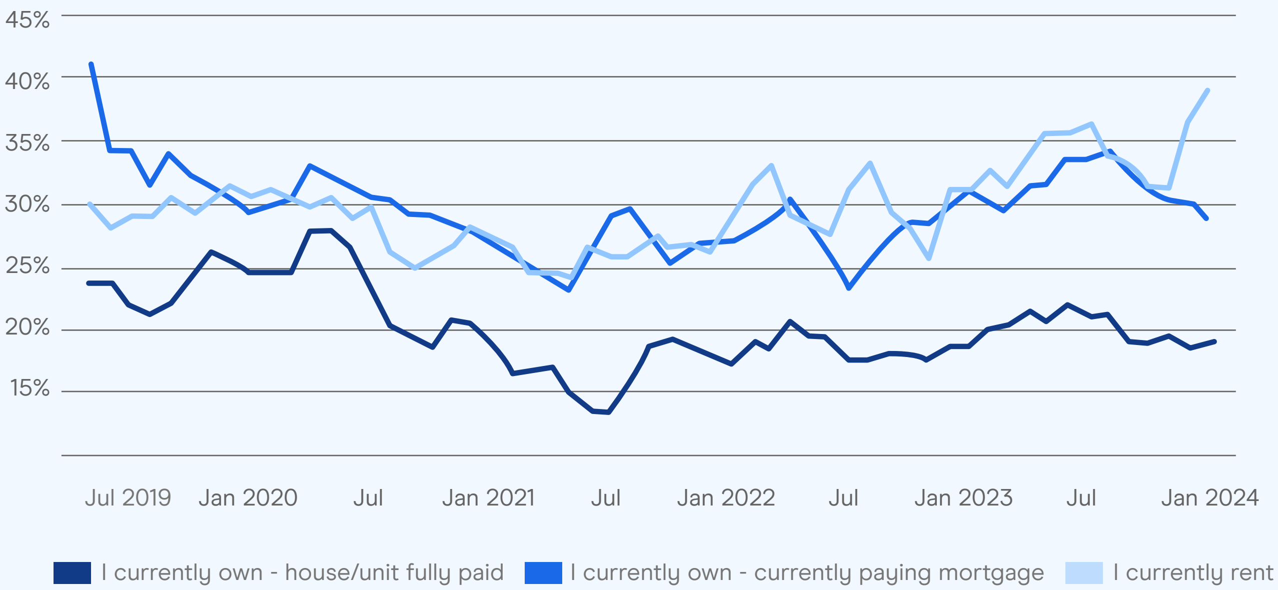


Sources: HILDA Survey Release 21.0; RBA.

We are seeing the first signs of elevated credit card stress for these consumers. In the past, renters (who typically fall into the lower income and age brackets) have typically relied on their credit cards as much as mortgage holders.

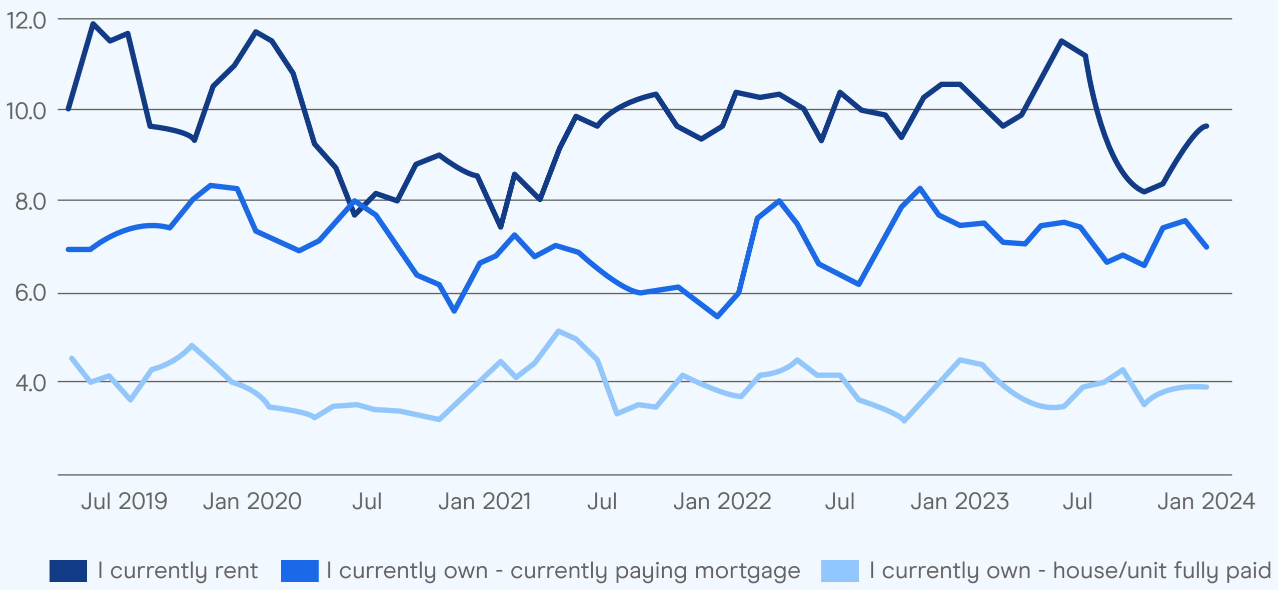
This trend has changed recently. **10% more** renters relied on their credit cards in January 2024.

Proportion of consumers who rely on credit cards to manage their finances by type of resident



Source: Finder Consumer Sentiment Tracker

Average number of months it will take to pay off credit card debt by type of resident



Source: Finder Consumer Sentiment Tracker

The high cost of forgotten overseas fees

Renters are not the only group that need to be careful of their credit card usage. Even those with $0 accruing interest can still end up losing hundreds of dollars to overseas fees.

The value and number of overseas purchases have rebounded strongly since COVID-19, fuelled by a surge in travel, online shopping and inflation.

Number of overseas purchases - Credit Cards

Source: Reserve Bank of Australia (RBA)

Value of overseas purchases - Credit Cards

Source: Reserve Bank of Australia (RBA)

Compared to four years ago, Australians spent an extra $12.6 million in overseas fees during October 2023. This equates to $145 million spent on overseas fees annually.

The average overseas transaction fee on the top 10 most popular cards on Finder was 3%. This would add an extra $5 to the average transaction of $171 recorded in October.

Consumers need to be aware that these fees can also impact online purchases made with a company or payment provider based overseas.

People may be managing their debts more effectively but unexpected fees, especially on overseas transactions, can still cost them. According to Finder's Consumer Sentiment Tracker, 77% of Australians shopped online in December and they spent an average of $205 per week. If the full amount was spent with an international vendor, overseas fees would add up to $320 annually.

Maximising points comes with risks as well as rewards

Credit card rewards have risen in popularity significantly over the past 10 years. In December 2023, 42% of Australians owned a rewards credit card. As competition amongst providers has heated up, the deals available to consumers have improved. High spending consumers can unlock thousands of dollars in value with relatively low effort.

Rewards cards currently on the market offer up to 275,000 bonus points if you meet a spend requirement. This often means spending a certain amount (such as $3,000 - $5,000) in the first few months. But some offers have monthly spend requirements to collect introductory bonus points or other rewards. There are also offers that require people to meet a spend requirement and keep the card for at least 12 months to collect all the bonus points – which can mean paying the annual fee twice.

While the value of bonus points varies a lot, Finder analysis of current offers on personal credit cards shows that people could get up to $1,300 in gift card rewards – and $3,000 in frequent flyer rewards (or more, depending on how points are redeemed).

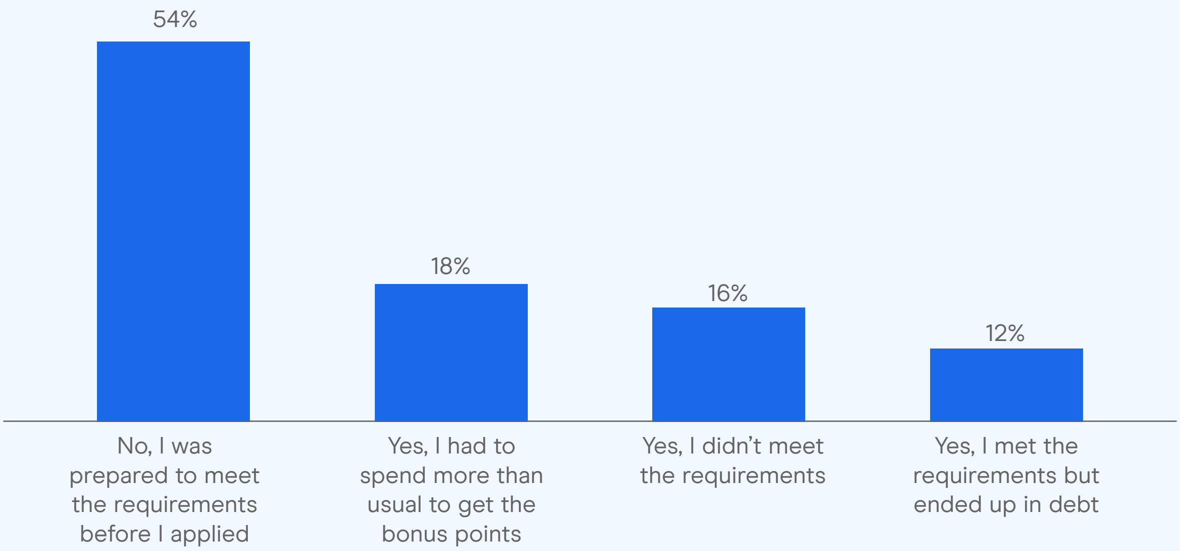
However, as the popularity of these cards grows, so too does the risk that some consumers will spend more than they can afford in the search for these deals. This risk is exacerbated by the cost of living, which has tightened budgets and forced many Australians to cut back on spending.

Our data reveals nearly half of credit card holders (46%) who collect rewards points struggled to satisfy minimum spend requirements.

One in six credit card users (16%) admit they didn't meet the spending requirements and missed out on bonus points on the credit card they signed up for. Meanwhile, 1 in 8 (12%) admit they met the spending requirement stipulated by a rewards credit card but ended up in debt. A further 18% had to spend more than usual to qualify.

This means **1 in 3 (30%) Australians** who collect points have **spent more** than usual or gone into debt **for rewards points, despite the cost of living crisis.**

Have you ever had trouble meeting the spending requirements for a credit card bonus point offer?



Source: Finder sample of 441 Autralians who have collected credit card rewards points.

Spending more than usual, ending up in debt or not reaching the spend requirements will usually mean consumers come out worse-off once the annual fees and any interest charges are factored in.

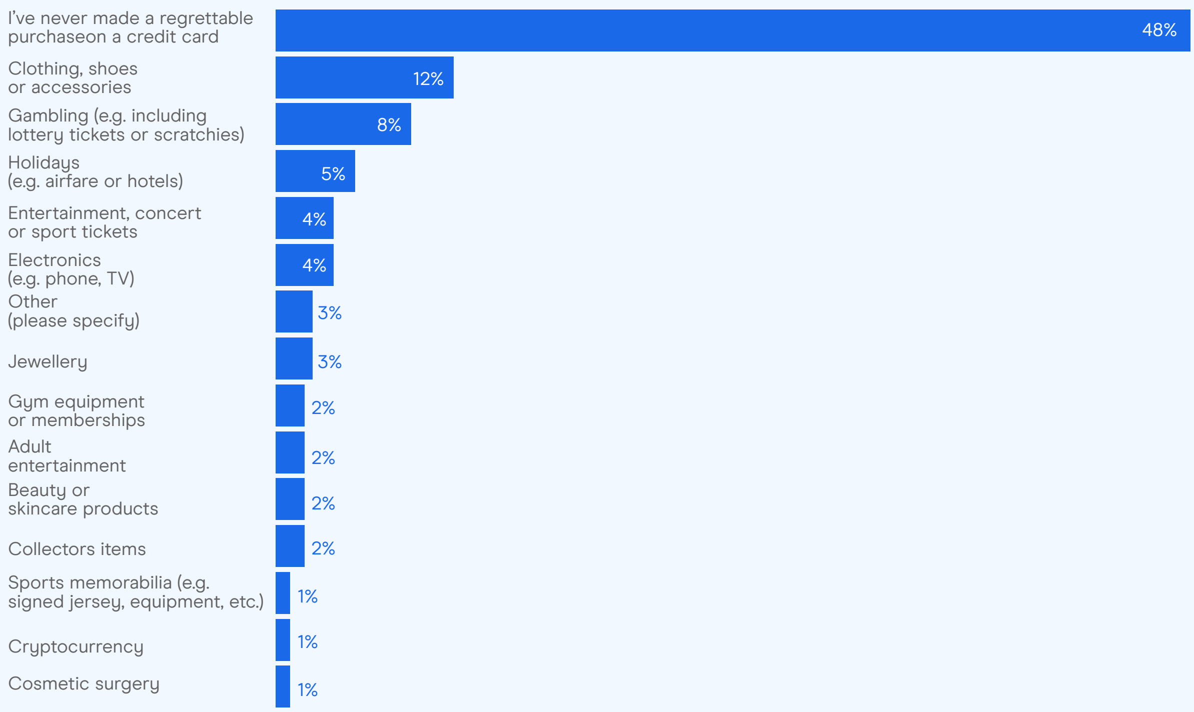
A research paper from the US found that consumers who paid only part of their monthly balance paid 94% of all interest and fees charged in 2022 by major credit card companies but earned just 27% of the total reward value.[2]

Finder's own analysis of the Australian rewards card market revealed that 7 out of 10 personal rewards cards that offer a large amount of bonus points would leave consumers worse off if they don't meet the bonus points requirements.

Sales seasons are also dangerous for consumers with credit cards. 14% admitted to spending more than they could afford at events such as the Black Friday sales.

Mixing credit with incentives such as sales or rewards can lead to regrets and wastage. Recent data shows that more than one in two Australians with a credit card (52%) regret a purchase they've made on their card. The most common included clothing, shoes and accessories (12%), gambling (8%) and holidays (5%).

Percentage of Australians who have regretted a purchase on a credit card



Source: Finder Consumer Sentiment Tracker

Even if consumers reach their rewards requirements without getting carried away, awareness around the process of redeeming rewards varies. While gift cards and cashback can be almost "instant" as a reward option, redeeming retail items typically involves shipping (and doesn't usually offer the highest value per point).

Flight rewards typically offer the highest value.

However, Finder research found 43% of the 21% of Australians who have tried to book a flight using frequent flyer points in the last 6 months were unable to or found it more difficult or expensive than they expected.

The high demand for reward flights means consumers need to be aware that these seats are typically released 11-12 months in advance. So planning ahead is essential for people that don't want to miss out.

Future state

The age of gen Z

The credit preferences across generations are clearly delineated, with credit card ownership correlating positively with age. Ownership increases significantly, from 2 in 5 (39%) of gen Z owning a card to almost 3 in 4 (71%) baby boomers. The inverse is the case for buy now pay later (BNPL). The same number of gen Z who own a credit card, have a BNPL account (39%) compared to just 11% of baby boomers.

Use of credit cards and BNPL by generation

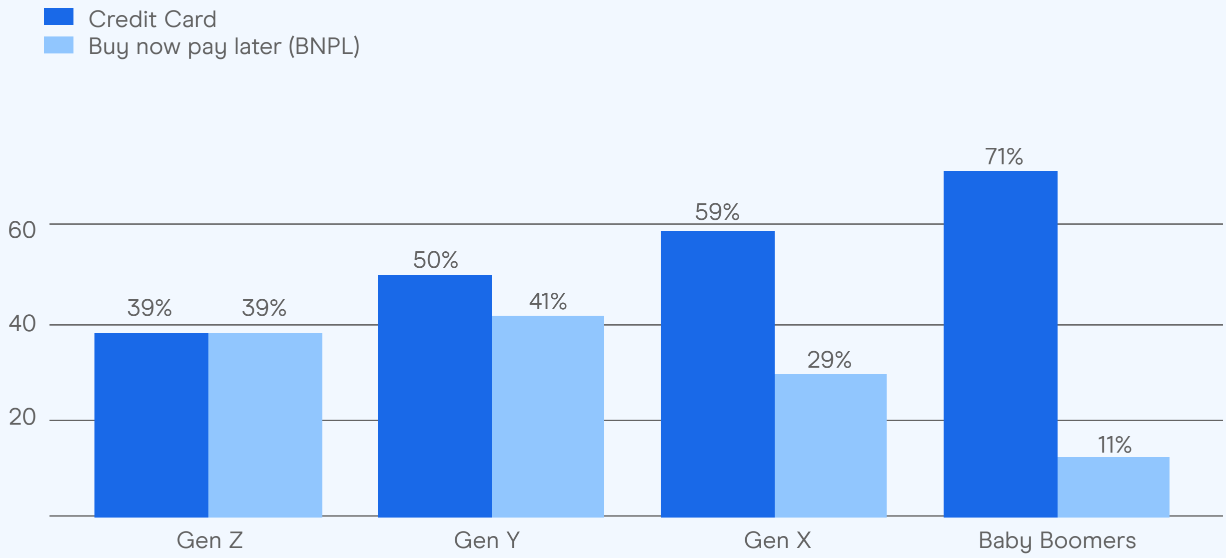


Chart: Finder • Source: Finder Consumer Sentiment Tracker

Much of the credit card ownership pattern has to do with the launch and regulation timeline of the product. Younger generations grew up hearing or seeing first-hand the risks of credit cards, especially millennials who were exposed to credit cards before they were significantly regulated in 2018. This helps to explain why 46% of gen Y and 37% of gen X and gen Z believe credit cards are risky compared to only 34% of baby boomers.

Meanwhile, BNPL only came onto the market in 2016. Younger generations grew up with BNPL which was especially designed for and marketed towards them with slick digital experiences and young branding.

This newer product is not positioned towards older Australians, explaining why **54% of baby boomers believe BNPL is risky compared to 35% of gen X and Y and 27% of gen Z**.

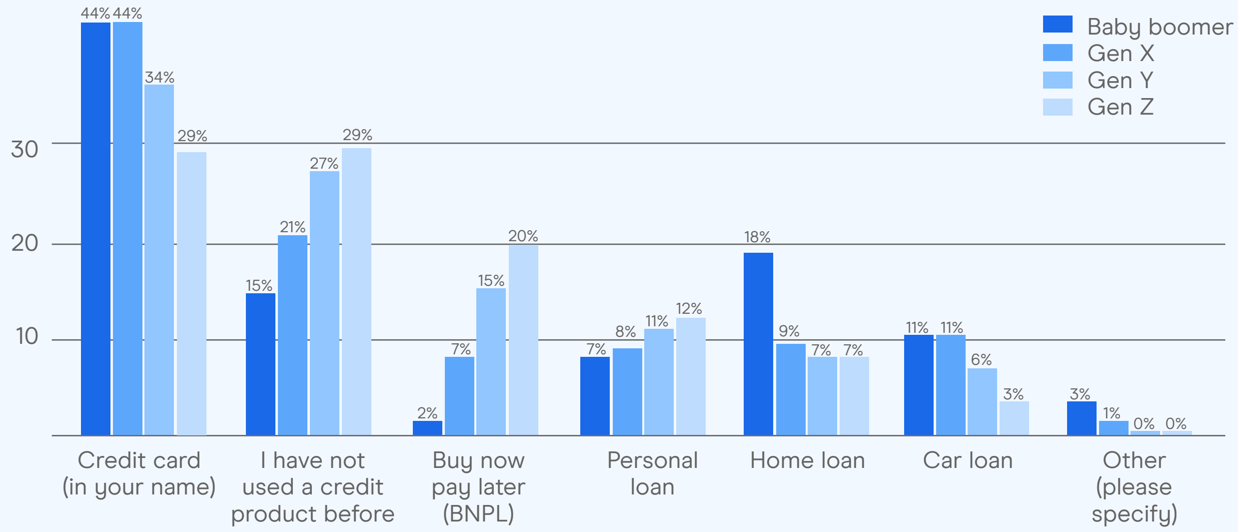
It is understandable that gen Z and Y are more comfortable with BNPL when 20% and 15% of them respectively used BNPL as their first line of credit. This is compared to only 7% of gen X and 2% of baby boomers.

This data also indicates that an estimated 1.1 million people across gen Z and gen Y will enter the credit market over the next 3 to 4 decades if uptake is similar to previous generations.

There is a massive opportunity for credit card companies in understanding and appealing to "next gen" consumers.

The first line of credit for an Australian

Generation



Source: Finder Consumer Sentiment Tracker

Credit cards and Buy Now, Pay Later

Credit cards and buy now pay later schemes appeal to two different demographics. While both products serve a purpose and there is a place for each, they have competed since BNPL became popular in Australia with the rise of Afterpay.

As well as a small range of no interest credit cards that charge a monthly fee, all major credit card providers in Australia now offer instalment plans similar to BNPL. These plans typically allow eligible customers to pay off specific purchases, part of their balance (or both) with fixed repayments over a set period of time. These plans typically offer reduced or 0% interest, but may charge a transfer fee.

The market has also shifted for BNPL, as consumer advocacy groups drew more awareness to the potential costs and risks of these accounts. Unlike credit cards, BNPL has been self-regulated since it came on the market. Calls for regulation were heard by the government and will be introduced in 2024.

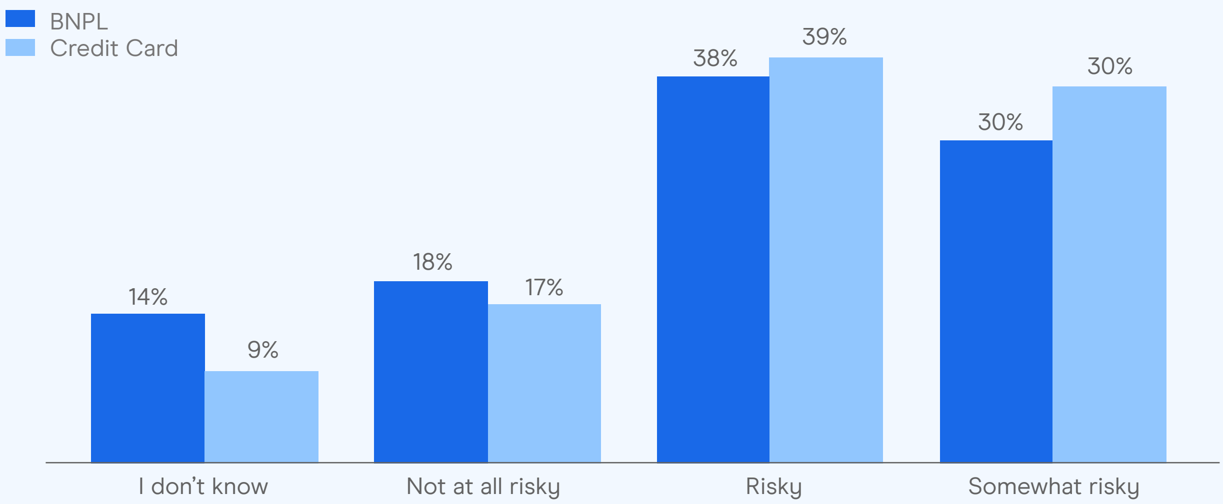
While it is not yet known what impact this will have on BNPL or credit cards, regulation should provide a more level playing field. As credit cards already have requirements around disclosing rates, fees and other crucial details, the same requirement for BNPL should help consumers make informed decisions around what type of product they choose for payments.

14% of Australians don't know the risk of BNPL

compared to,

9% who do not understand the risks associated with credit cards.

Perceived risk of BNPL and credit cards



Source: Finder Consumer Sentiment Tracker

The most successful providers will be those who make it easiest for consumers outside of their traditional target market to access their product by tailoring offers, processes and the brand identity towards these consumers.

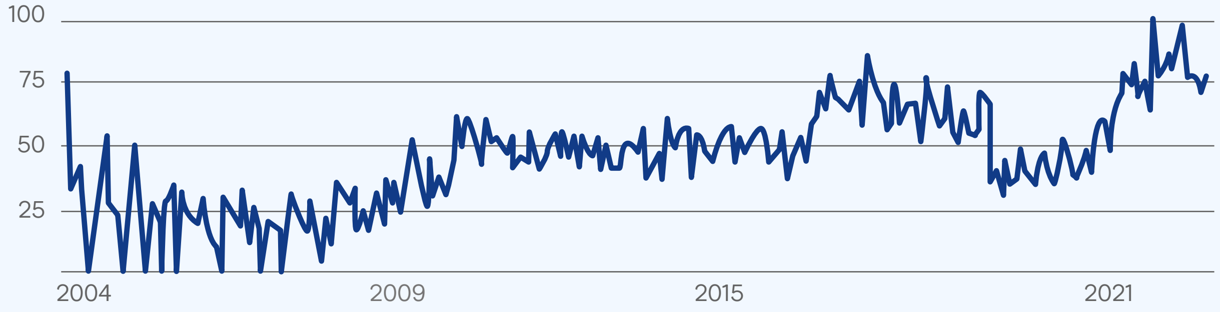
Finding value

Consumers want more value from their spending

Introductory credit card offers are very popular with consumers. Finder research has found 37% of Australians acquirted their last credit card for reward points or a balance transfer.

Almost 1 in 3 people (29%) chose a credit card for points or flights, which highlights the popularity of bonus point offers. This is also supported by Google data, with search volumes for “Reward credit cards” increasing significantly since October 2021.

Rewards credit card interest over time



Source: Google

As more people have considered rewards credit cards, the offers and features on these cards have also changed.

For example, Finder analysis in February 2024 revealed **16 credit cards with bonus point offers that had 2 separate requirements for consumers to collect the full amount offered.** In most cases, the requirements were:

1. Spending a set amount in the first few months
2. Keeping the card for at least a year

As more people have considered rewards credit cards, the offers and features on these cards have also changed.

This type of offer can discourage consumers from “churning” credit cards – a strategy of getting a card for the bonus points, then closing it and repeating the process. But for consumers, it can be less appealing than a single requirement as it means they have to pay the annual fee for a second year in order to receive all the bonus points.

Some rewards credit cards have also increased their purchase interest rates and reward program annual fees – in particular for cards that give people a choice of earning bank rewards or opting-in to earn Qantas Points.

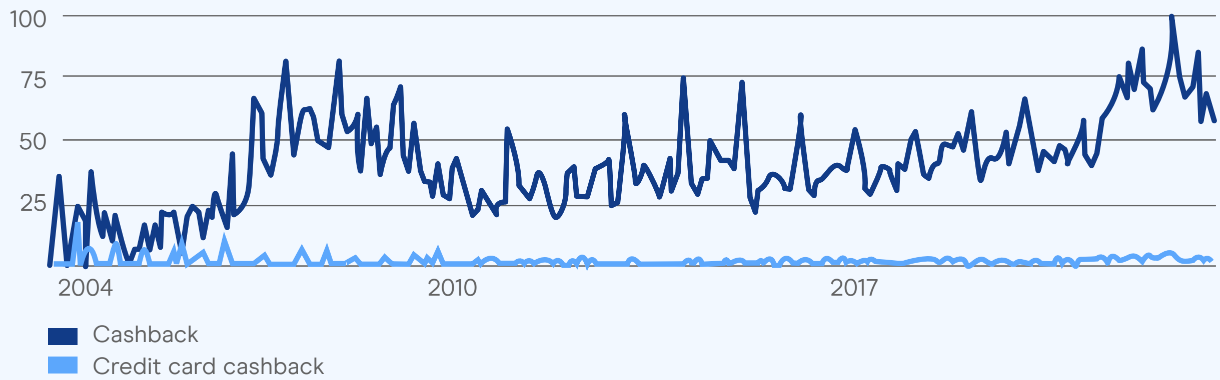
Several frequent flyer and reward credit cards were also taken off the market in 2023, including the only card to earn Emirates Skywards Miles directly (the Citi Emirates Skywards Mastercard), CommBank Platinum and Diamond Awards Credit Cards and the David Jones American Express Credit Card.

In contrast, CommBank and ANZ also both launched new credit cards: the CommBank Smart Awards and ANZ Qantas Business Rewards Credit Card, respectively. The ANZ credit card was the first co-branded credit card to be launched by Qantas and a bank in 6 years.

Both Qantas Frequent Flyer and Velocity Frequent Flyer have also taken a more active role in promoting credit cards as a way to earn points. In the past few years, these loyalty programs have run special promotions that offer additional benefits (such as extra points) when a consumer applies and is approved for a card that earns Qantas or Velocity Points.

This is an evolution from point transfer bonuses, where credit card customers could get a percentage of bonus points by transferring reward points to their frequent flyer program (although these offers are still available intermittently).

Credit card cashback interest over time



Source: Google

Cashback: Stagnant or overlooked opportunity?

Interest in cashback saw a strong uplift in the early stages of the cost of living crisis, with data from Google showing a huge surge in searches for "cashback" in March 2022. While there are fewer searches for "credit card cashback", the data revealed that interest also rose around this time but has been trending downwards since June 2023.

Despite this trend, cashback is still a popular reward option with some consumers. Previous Finder survey data found 58% of Australians that are part of a supermarket reward program use points to get cash off their shop, and a range of credit cards continue to provide cashback as an introductory benefit. Most of these offers have been on non-reward credit cards, particularly low rate cards, although some more premium reward cards have offered both bonus points and cashback over the past few years.

In its half-year results for the 2024 financial year, the Commonwealth Bank also reported 2 million cashbacks through CommBank Yello – a complimentary program offered to eligible CommBank credit card and debit card customers. This suggests that cashback may not be as much of an incentive to get a credit card, but does engage consumers when it's available.

Balance transfers

Consumer interest in balance transfer credit cards typically peaks in the first quarter of the year, after the December spending period. It then fluctuates throughout the seasons.

Google data has revealed that interest in balance transfer credit cards was much higher before the pandemic, with a major drop in August 2020. This correlates with consumer behaviour, as credit card debt also dropped during the pandemic when people were locked down, saving more and reducing debts.

Unfortunately, as this report has previously covered, the cost of living crisis has caused some consumers with credit cards to accrue more debt and miss payments.

The low number of Australians getting a credit card to pay off debt/do a balance transfer (8%) suggests some people are missing an opportunity to save on interest charges. More consumer awareness and education around the benefits of changing credit cards could help reduce instances of serious debt and defaults.

Balance transfer credit card

Australia 2004 - present

Interest over time

Source: Google

Comments from experts

Graham Cooke,
Finder's Head of Consumer Research

This report highlights that, following a considerable period of decline, the quantity of credit cards in circulation is increasing, with expenditure on these cards reaching record levels. Despite credit cards being a notably costly form of borrowing, the shift towards reliance on them, spurred by the cost of living crisis, raises concerns.

Nonetheless, there is substantial cause for optimism. While Australians are using credit cards for more purchases than ever, they are also improving at managing their balances, with the total national balance accruing interest at a historic low. This indicates that, although there's a resurgence in credit card usage, Australians are exercising responsible financial behaviour. Those capitalising on the added value from frequent flyer and rewards points are doing so without succumbing to potential debt pitfalls.

This trend underscores the value of financial literacy, demonstrating its crucial role in enabling consumers to navigate credit markets effectively. As Australians continue to balance the convenience of credit cards with the discipline of financial management, the market's dynamics offer both caution and hope. The adept handling of credit, coupled with an appreciation for the benefits of rewards programs, suggests a mature approach to personal finance that bodes well for the future.

Amy Bradney-George,
Credit card expert

Credit cards are a part of the financial landscape in Australia, and the research in this report shows that's not going to change anytime soon. What is changing, for the better, is that more people are managing their credit cards well. The amount of debt accruing interest on credit cards dropped significantly during the pandemic and has stayed below pre-2020 levels.

One outcome of more responsible credit card management is that more people are considering the potential value of credit card rewards and other perks. Younger generations, too, are more open to credit cards now that the shine of buy now pay later has worn off – influenced by media reports of serious debt and the government's plans to officially regulate it as a credit product.

But there is still a dark side to credit cards. As the cost of living crisis has continued, some people have turned to credit as a way to make costs meet, particularly for essentials, which could lead to more financial stress in the long run.

References and methodology

Finder's Consumer Sentiment Tracker (CST) surveys over 1,000 Australians every month through a survey distributed by Qualtrics – an SAP company. The survey sample is nationally representative in age, gender, location and income. The CST has run since April 2019 and surveyed 42,000 Australians so far.

[1]Reserve Bank of Australia (RBA), Financial Stability Review, October 2023

[2]Consumer Financial Protection Bureau, Consumer Credit Card Market Report, October 2023