

## THE PSCU PAYMENTS INDEX: MAY 2023

Welcome to the May edition of the PSCU Payments Index! This month's report finds continued softening of consumer purchasing activity amidst contracting inflation. While overall payment growth is still positive, April 2023 data revealed extended weakening of consumer spend and lower average purchases for both credit and debit cards. This month's Deep Dive highlights strength in contactless card payments, led partially by generational differences, as well usage concentrations in certain sectors.

In the Labor Department's May 10 update, the [Consumer Price Index \(CPI\)](#) increased by 0.4% in April. The annual rate of inflation dropped from 5.0% through March to 4.9% through April. While this is the tenth consecutive monthly drop in the annual rate from the peak of 9.1% in June 2022, it is still much higher than the Fed's target annual inflation rate of 2.0%. The largest contributor to inflation was again shelter, followed by used cars and trucks, which offset the decline in the gasoline index. The Federal Reserve increased rates by 25 basis points on May 3 and signaled a [potential pause in rate hikes](#), with their next meeting scheduled for June 13-14. The current Fed Funds Rate is 5.25%, compared to 0.5% a year ago.

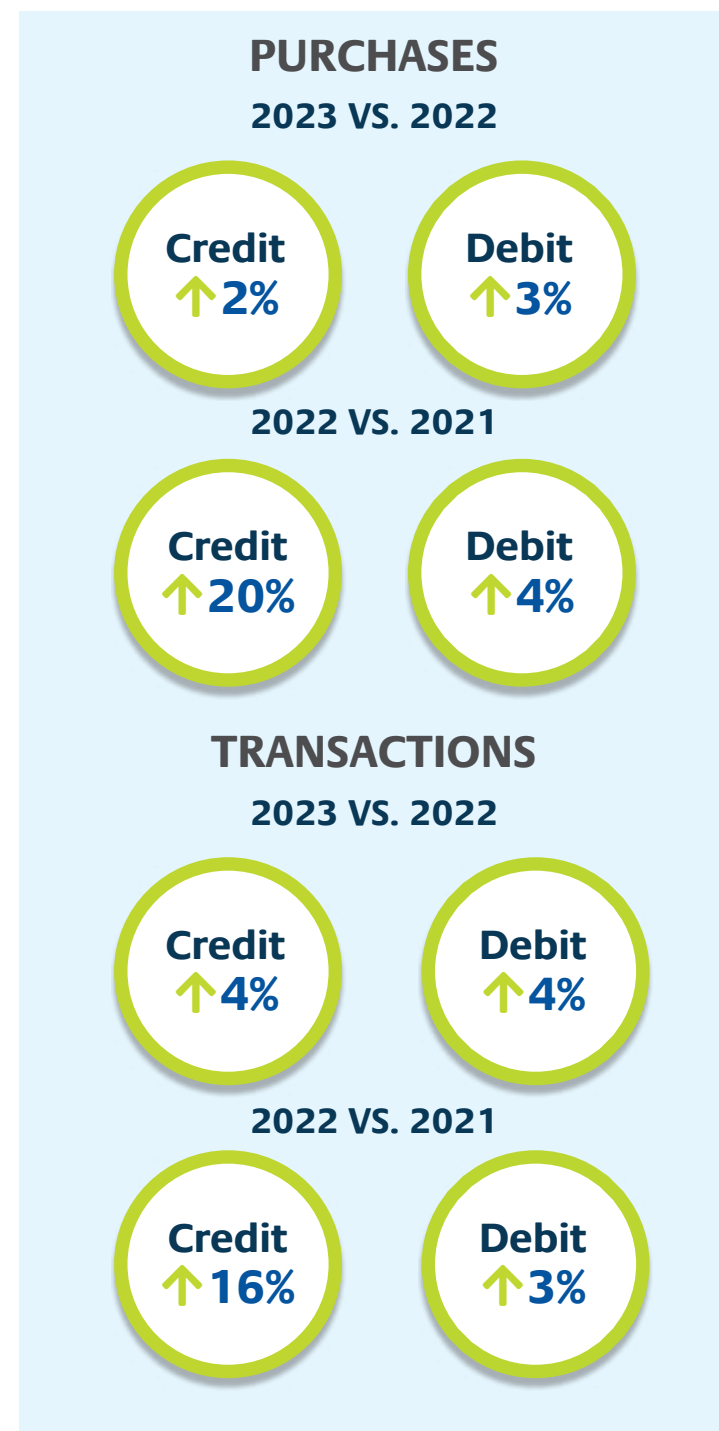
The [Consumer Confidence Index](#) fell in April to 101.3 (1985=100), down from 104.0 in March, while the job market remains strong. The Bureau of Labor Statistics (BLS) [reported](#) in its April 2023 jobs report that 253,000 jobs were added for the month, with the continued trend of increased jobs in professional and business services, health care, leisure and hospitality and social assistance. This is stronger than the 180,000 new jobs that were expected by economists in a [recent WSJ poll](#). The overall unemployment rate for April finished at 3.4% or 5.7 million people, which is now the lowest since 1969.

Taking center stage in Washington, D.C. in the coming weeks will be the battle to increase the [debt ceiling](#), with the Treasury Secretary indicating that the U.S. Government will default on or about June 1. The [White House estimates](#) that a protracted default would have a devastating impact on the economy, with potential job losses at over eight million, raising unemployment by five percentage points and dropping GDP by over six percentage points. One of the immediate impacts would likely be a delay of social security benefits and military staff payments.

We hope these monthly insights continue to help our financial institutions navigate the evolving financial landscape to make informed, strategic decisions for their organizations and members.

The PSCU Payments Index welcomes your feedback on content to guide future enhancements to the report. Click [here](#) to share your feedback. To subscribe to the Payments Index and receive updates when we publish each month, click [here](#).

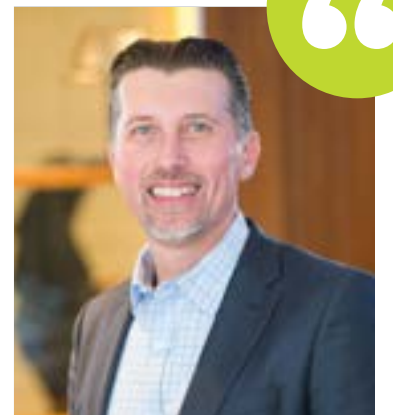
## OVERALL PERFORMANCE – APRIL 2023



### KEY TAKEAWAYS

- Transactions in April grew at a higher rate than purchase dollars, for both credit and debit cards, for the second consecutive month. For April, both credit and debit transactions were up 4% year over year. Credit purchases were up 2% and debit purchases were up 3%. For credit purchases, the largest contributor to growth was the Services sector (1.0 percentage point of growth) while the Goods sector offset that with a 0.8 percentage point reduction. For debit purchases, three sectors generated the highest growth, with Restaurants, Money Services and Food & Groceries each contributing 0.8 percentage points of growth. Debit purchases were offset by a reduction of 0.6 percentage points in Gasoline.
- The Consumer Price Index (CPI-U) decreased on an annual basis from 5.0% to 4.9% in April. For the third consecutive month, shelter accounted for the majority of the all-items inflationary increase. The Fed increased rates by 25 basis points on May 3 and signaled a potential pause on subsequent near-term increases. The next update will occur on June 14.
- Growth in contactless “tap-and-go” transactions remained strong in April, with credit transactions up 9.6 percentage points and debit transactions up 11.7 percentage points compared to a year ago. Growth in “tap-and-go” was strongest in the food-related sectors of Restaurants and Grocery Stores, as well with the younger age demographics of Gen Z and Millennials.
- Growth in non-discretionary spending slowed on both credit and debit cards with credit up 1% and debit up 2% year over year. Discretionary spending grew at a greater rate than non-discretionary spending, with credit up 4% and debit up 8%. Transaction growth on credit cards was up 4% each for discretionary and non-discretionary transactions. Transaction growth on debit cards was up 12% for discretionary and up 3% or non-discretionary transactions.
- The credit card delinquency rate for April finished at 1.81%, above the March 2019 pre-pandemic level by 0.13%. Total credit card balances were up 13.9% for April compared to a year ago, while the average credit card balance for active accounts was \$2,946, up 8.7% (or \$235) year over year.

While contactless adoption is still behind other regions, we expect that contactless card volume in the U.S. will continue to grow quickly. The acceptance infrastructure is already available, with Apple Pay now accepted at more than 90 percent of U.S. retailers. The recent introduction of SoftPOS, aka Tap to Pay, enables merchants to accept contactless payments on a regular smartphone. SoftPOS will further drive the migration from cash to card, as well as the shift to contactless as the preferred payment method at the point of sale.



– *David Albertazzi, Director, Retail Banking & Payments at Aite-Novarica Group*

## DEEP DIVE: CONTACTLESS

Contactless cards were introduced into the market for PSCU credit unions in the spring of 2019. Roughly one year later, the global pandemic impacted all aspects of society, initially limiting in-person interactions. Accordingly, the popularity and use of contactless cards was accelerated, as it presented an alternative method of payment in which no physical contact with a merchant terminal was needed. The number of credit unions offering contactless, the total number of contactless cards in the market and the volume of true “tap-and-go” payment activity grew exponentially.

Our measurement for contactless card performance is the amount of true “tap-and-go” Card Present activity as a percentage of all Card Present activity performed by contactless cards. For April, contactless “tap-and-go” credit transactions were 31% of all Card Present transactions on contactless credit cards. Contactless “tap-and-go” debit transactions were 34% of all Card Present transactions on contactless debit cards. Contactless “tap-and-go” credit purchases

were 25% of all Card Present purchases on contactless credit cards, while contactless “tap-and-go” debit purchases were 28% of all Card Present purchases on contactless debit cards.

As the expression goes, “it takes two to tango.” The same principle applies to enable a contactless transaction: while the consumer needs to have a contactless-enabled card, the merchant must also have a contactless-accepting payment terminal. In our analyses, we have seen varying degrees of contactless adoption fueled by notable merchant acceptance and non-acceptance. [In past reporting](#), we identified the notably

CONTACTLESS ACTIVITY AS A PERCENTAGE OF CARD PRESENT ACTIVITY ON CONTACTLESS CARDS – OVERALL U.S.

	Contactless "Tap-and-Go" Credit			Contactless "Tap-and-Go" Debit		
	Transactions	Purchases	Average Purchase	Transactions	Purchases	Average Purchase
April 2023	31%	25%	\$46.76	34%	28%	\$28.31
April 2022	22%	16%	\$43.70	22%	16%	\$24.61

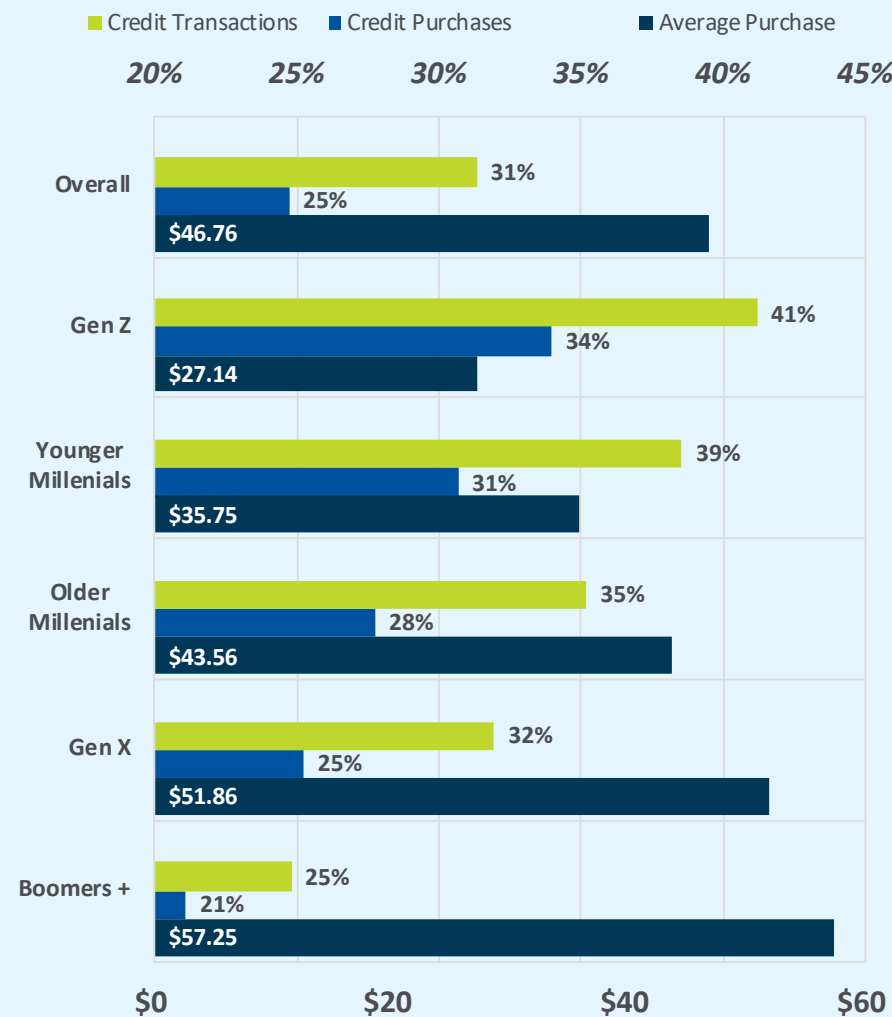


higher percentage of tap-and-go transactions at drug stores. This was accelerated by two of the larger merchants, CVS and Walgreens, being early adopters of contactless card acceptance. Conversely, large merchants like Walmart, Home Depot and Lowe’s all have very limited acceptability of true contactless card “tap-and-go” activity.

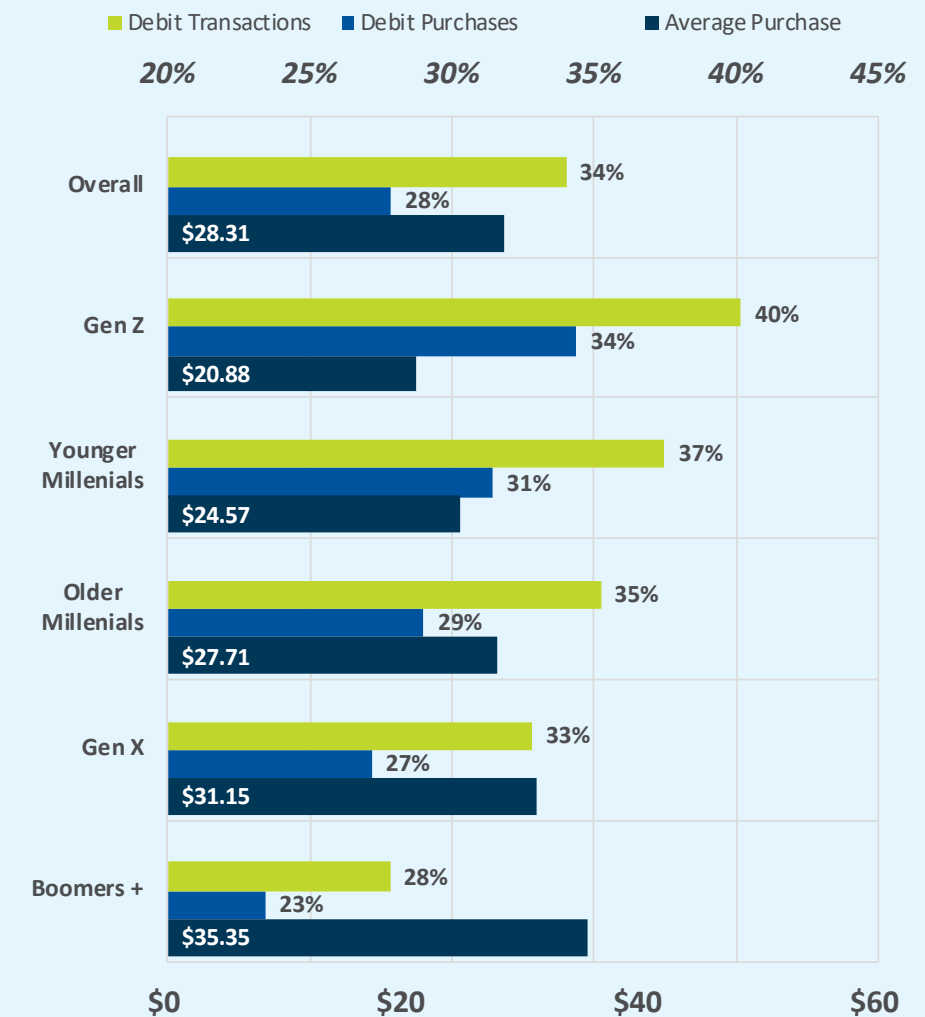
To understand “tap-and-go” consumer adoption by age demographic, we find that the youngest age group has the highest “tap-and-go” rates for both transactions and purchases on both credit and debit cards. The “tap-and-go” transaction percentage for Gen Z was 41% for credit and 40% for debit. The “tap-and-go” rates declined as age demographics progressed. Average purchase amounts, however, worked in the exact opposite order. In April, the highest “tap-and-go” credit purchase was \$57.25 with the Boomer+ generations and \$35.35 for debit purchases. Gen Z had the lowest average purchase amounts at \$27.14 for credit and \$20.88 for debit.

## DEEP DIVE: CONTACTLESS

### PERCENTAGE OF “TAP-AND-GO” CREDIT ACTIVITY



### PERCENTAGE OF “TAP-AND-GO” DEBIT ACTIVITY

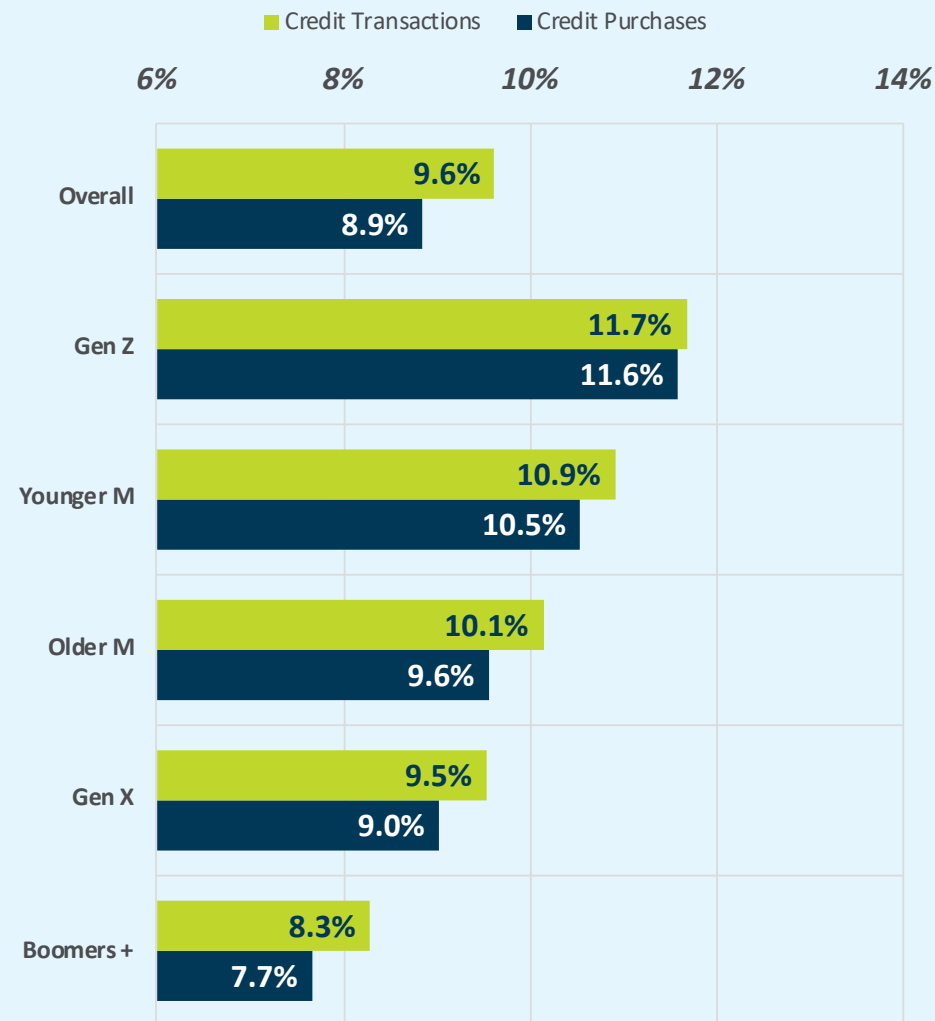


There has been notable growth in year-over-year activity. For April 2023, the overall rate of credit “tap-and-go” transactions has increased by 9.6 percentage points from a year ago. Similarly, overall debit “tap-and-go” transactions increased by 11.7 percentage points. Similar findings were seen by age demographic, with the younger populations having the greatest increase in contactless adoption.

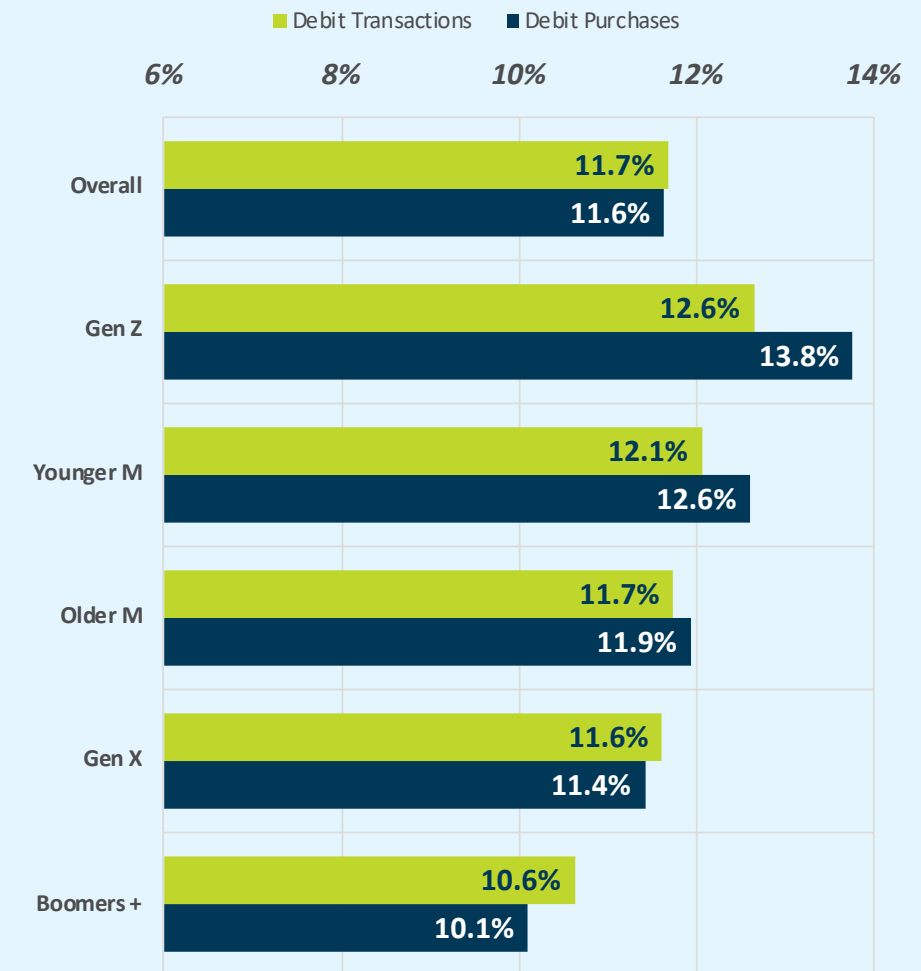
Looking further into merchant sectors, we find significant concentration in where spend is occurring and some differences by generation. Four sectors accounted for 90% of the “tap-and-go” transaction activity for both credit and debit in April 2023. Food – the combination of both Restaurants and Grocery stores – accounted for almost two-thirds of these transactions. Differences existed within each age demographic as well, with the youngest population (Gen Z)

## DEEP DIVE: CONTACTLESS

YEAR-OVER-YEAR PERCENTAGE CHANGE IN “TAP-AND-GO” CREDIT ACTIVITY – APRIL



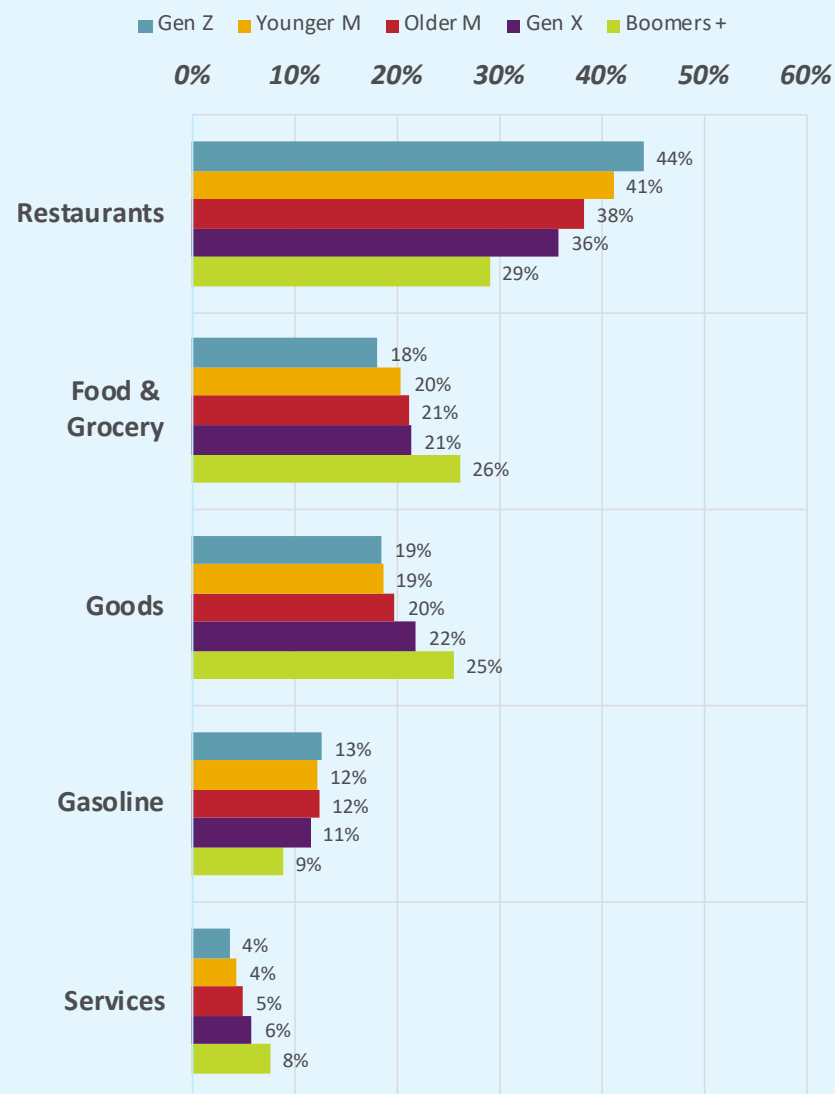
YEAR-OVER-YEAR PERCENTAGE CHANGE IN “TAP-AND-GO” DEBIT ACTIVITY – APRIL



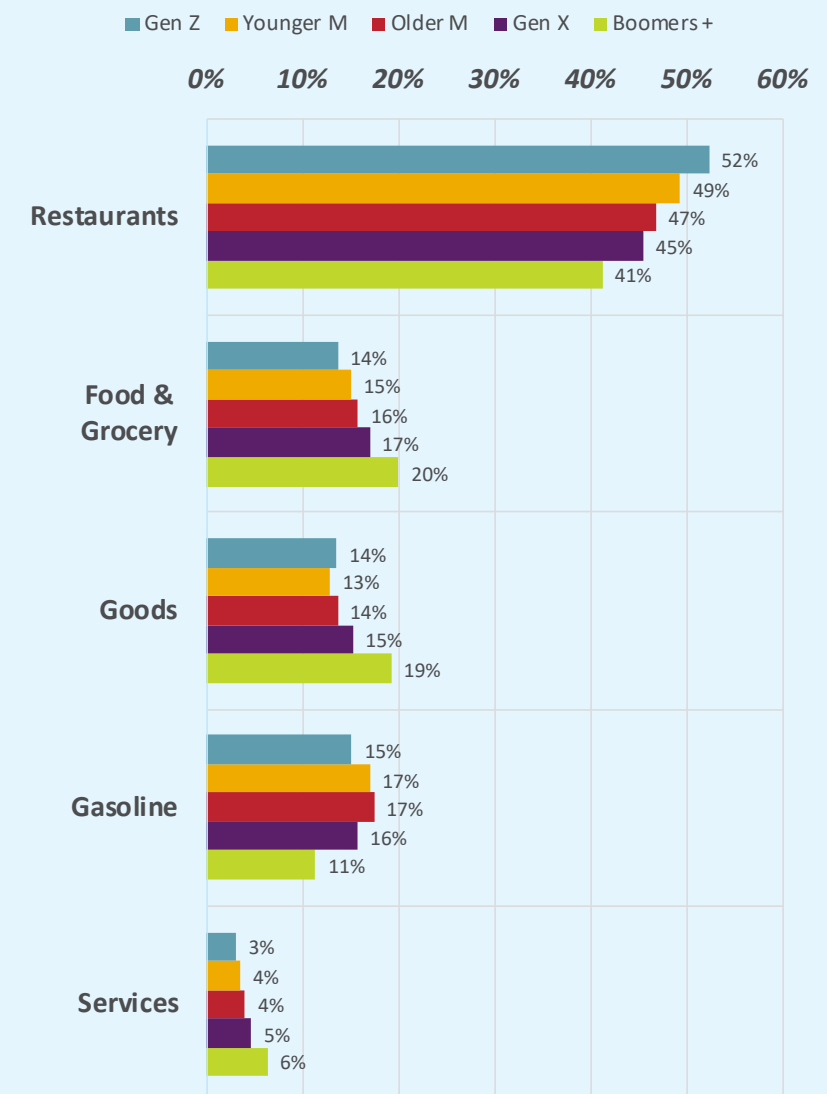
having the highest percentage of their “tap-and-go” transactions in the Restaurant sector at 44% for credit transactions and 52% for debit transactions. This was driven by activity at fast food restaurants. The older the age demographic, the lower the percentage of “tap-and-go” within this sector, with the Boomer+ generations at 29% of their “tap-and-go” credit transactions and 41% of debit.

## DEEP DIVE: CONTACTLESS

PERCENTAGE OF “TAP-AND-GO” CREDIT TRANSACTIONS BY SECTOR & AGE DEMOGRAPHIC



PERCENTAGE OF “TAP-AND-GO” DEBIT TRANSACTIONS BY SECTOR & AGE DEMOGRAPHIC

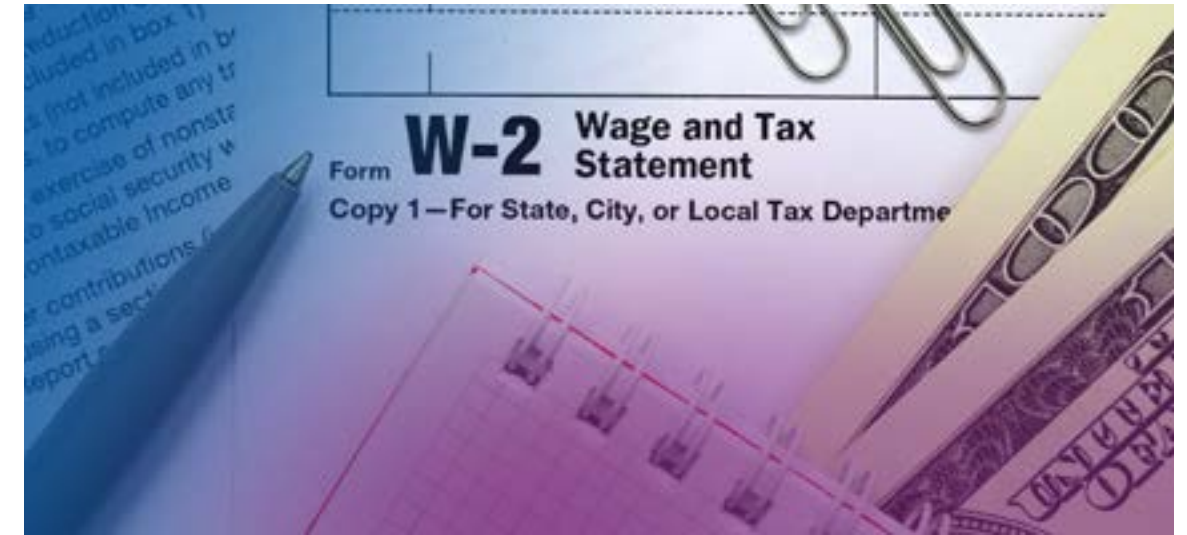


## CHECKING IN: INCOME TAX PREP AND TAX PAYMENTS

The Federal Government started accepting 2022 Federal income tax filings on Jan. 28, with all returns due by April 18. There were corresponding spikes in the weekly credit and debit activity in the Tax Payment merchant category for these two bookend weeks. The spikes in the Tax Preparation merchant category started earlier and, as expected, also had a spike during the final week of the Federal tax season in April. While the IRS indicated that refunds this year may be smaller, those having to pay taxes saw a 16.9% increase in credit purchases and a 9.2% increase in debit purchases for the cumulative period of January through April compared to a year ago. For Tax Payments, merchants include many city, county and state-level tax collectors.

### YEAR-OVER-YEAR GROWTH IN INCOME TAX PREP AND TAX PAYMENTS – JANUARY TO APRIL

	Credit			Debit		
	Transactions	Purchases	Average Purchase	Transactions	Purchases	Average Purchase
Tax Preparation Services	0.7%	3.8%	\$212	2.9%	6.5%	\$180
Tax Payments	12.2%	16.9%	\$633	0.1%	9.2%	\$258

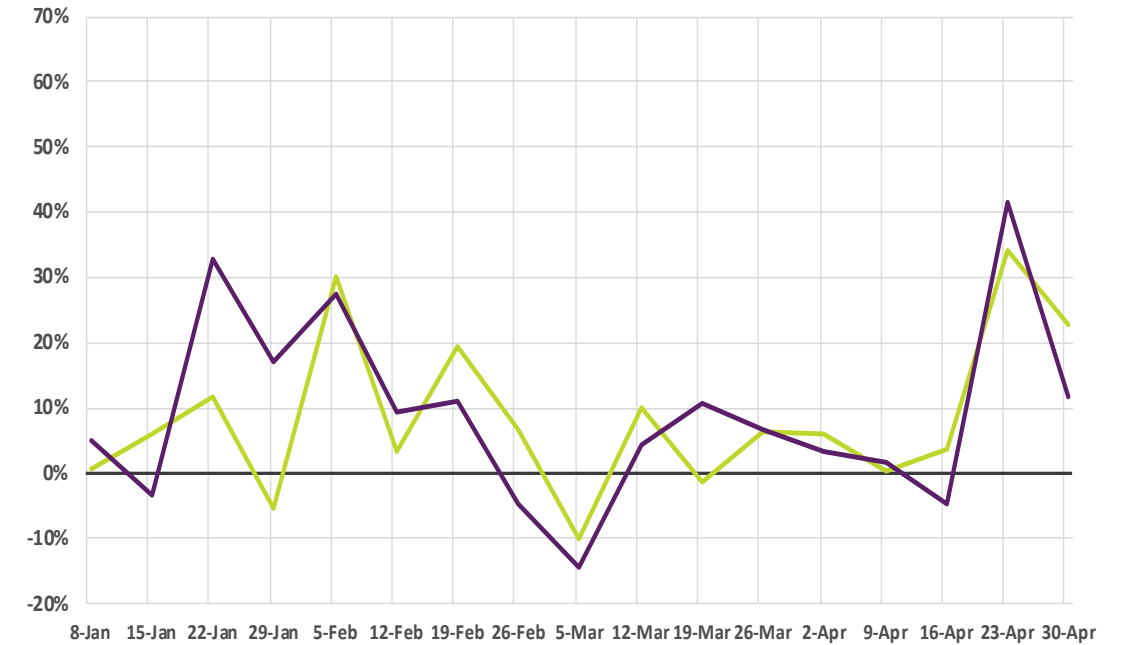


For the cumulative period of January through April, credit purchases were up 3.8% for Tax Prep Services and up 6.5% for debit purchases. Merchants in this category include many local tax and accounting service providers, as well as larger tax preparation firms like H&R Block, Jackson Hewitt and Liberty Tax.

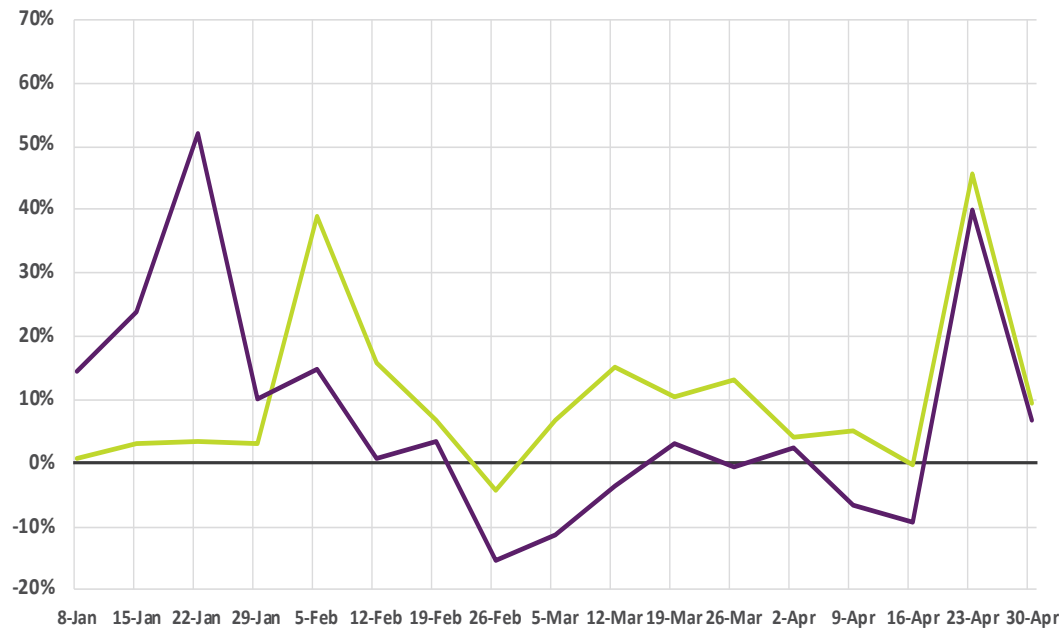
**YOY GROWTH IN CREDIT PURCHASES – WEEKLY**



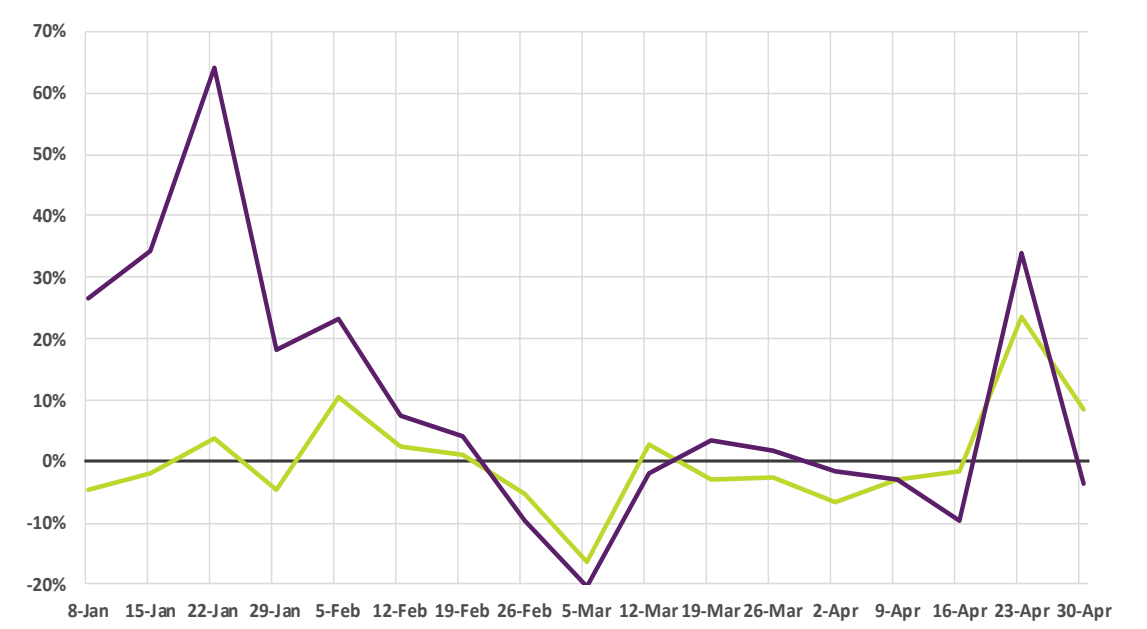
**YOY GROWTH IN DEBIT PURCHASES – WEEKLY**



**YOY GROWTH IN CREDIT TRANSACTIONS – WEEKLY**



**YOY GROWTH IN DEBIT TRANSACTIONS – WEEKLY**

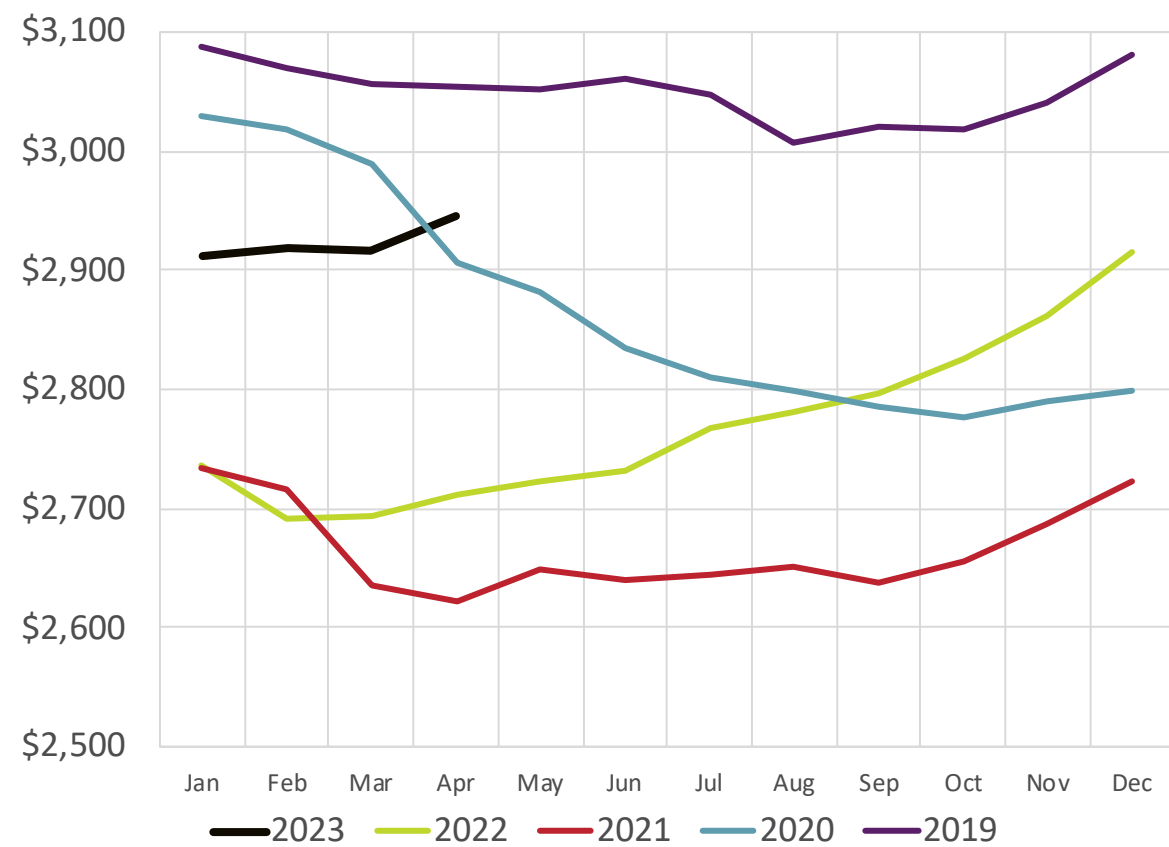


— Tax Payments — Tax Preparation Services

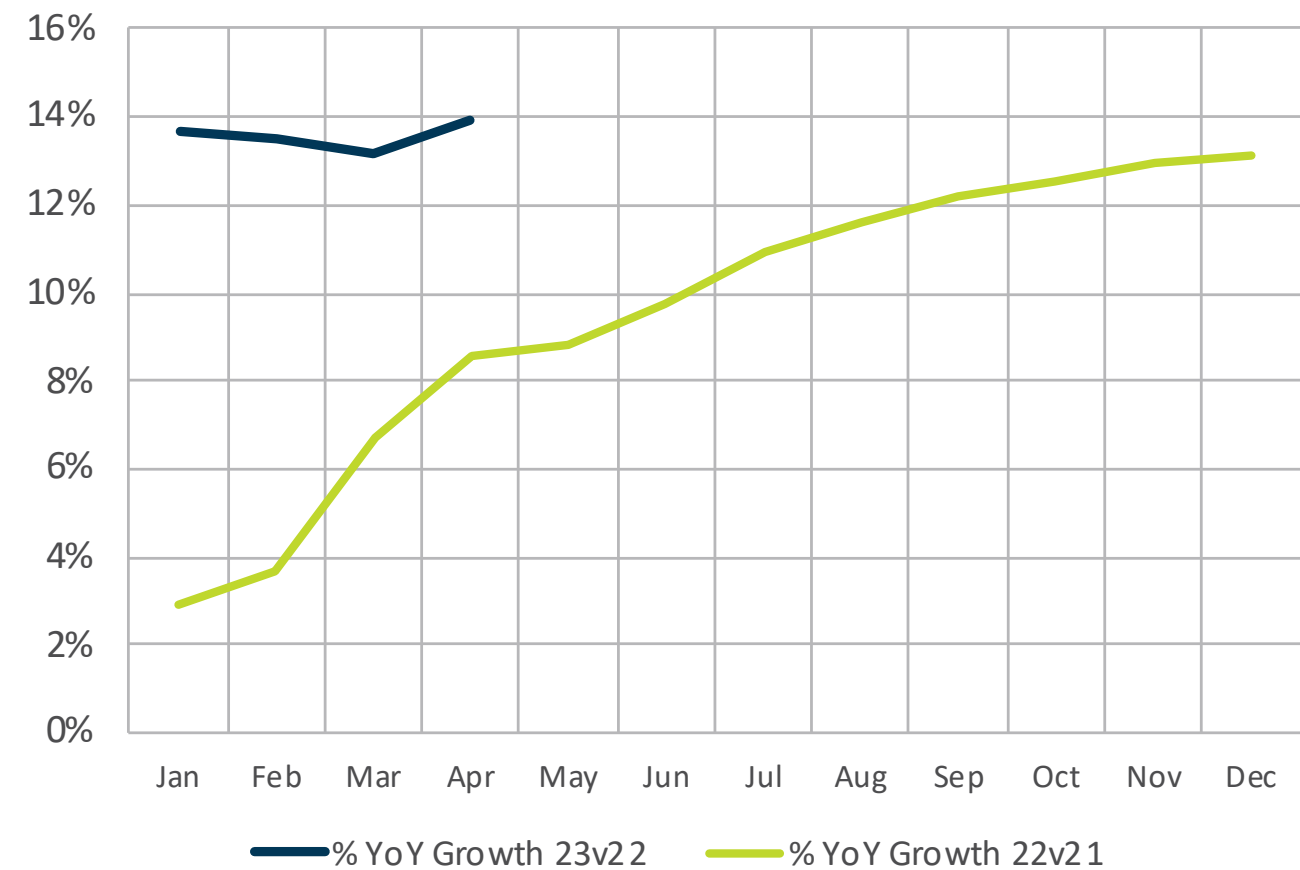
## CREDIT CARD BALANCES

Total credit card balances were up 13.9% for April 2023 compared to a year ago. Average credit card account balances measured \$2,946, up \$29 from the March 2023 average. Compared to April 2022, the average balance was up 8.7%, or \$235.

**AVERAGE CREDIT CARD BALANCES PER GROSS ACTIVE ACCOUNT**  
April



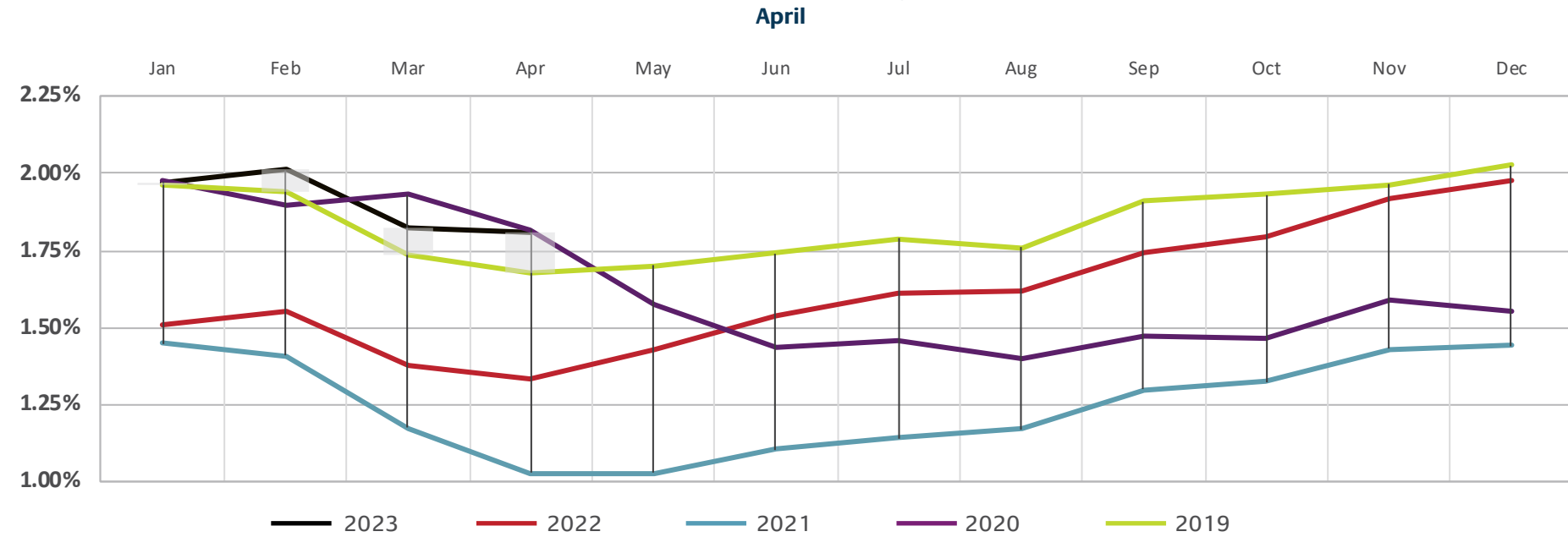
**PERCENTAGE CHANGE IN TOTAL CREDIT CARD BALANCES**  
April



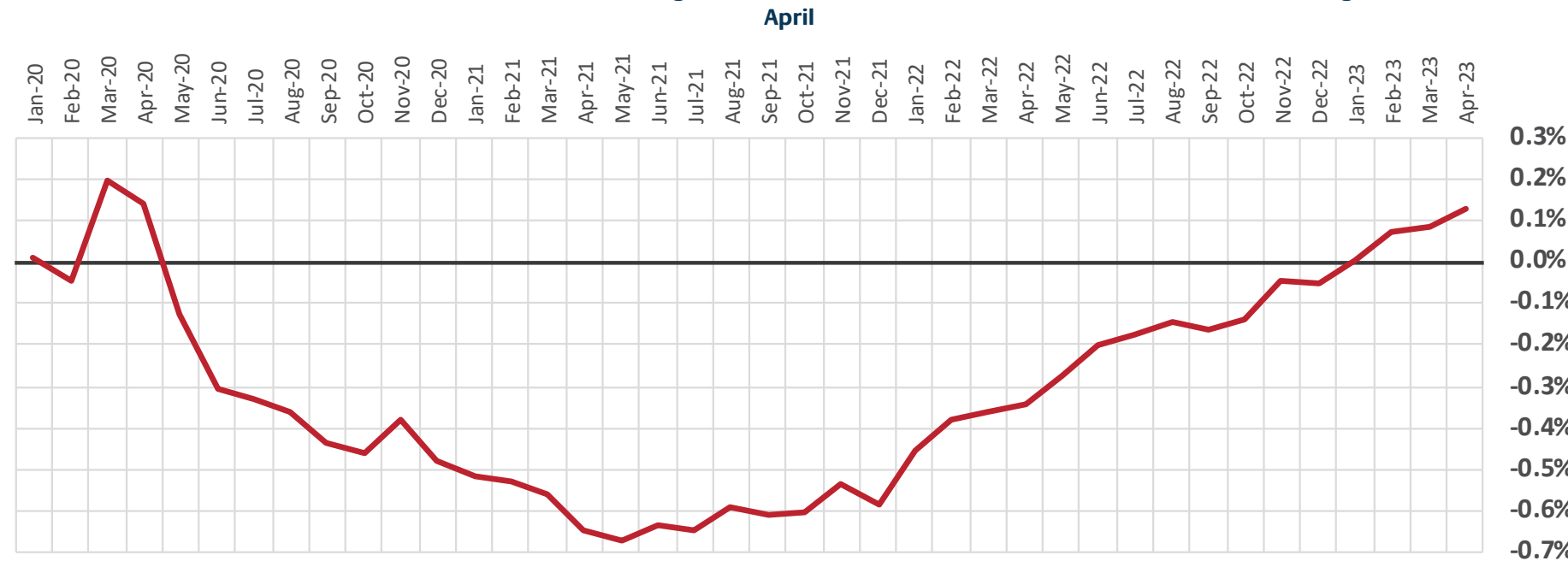
## CREDIT CARD DELINQUENCIES

The April 2023 credit card delinquency rate measured 1.81%, down by 0.01% from March 2023. Compared to April 2022, the percent of balances delinquent increased 48 basis points, up from 1.33%. In comparing the monthly trend to the 2019 pre-pandemic levels, the delinquency rate continues an upward climb, surpassing 2019 monthly levels in February 2023.

### OVERALL CREDIT CARD DELINQUENCY RATE



### DIFFERENCE BETWEEN 2019 MONTHLY DELINQUENCY RATES COMPARED TO EACH LIKE SUBSEQUENT MONTH

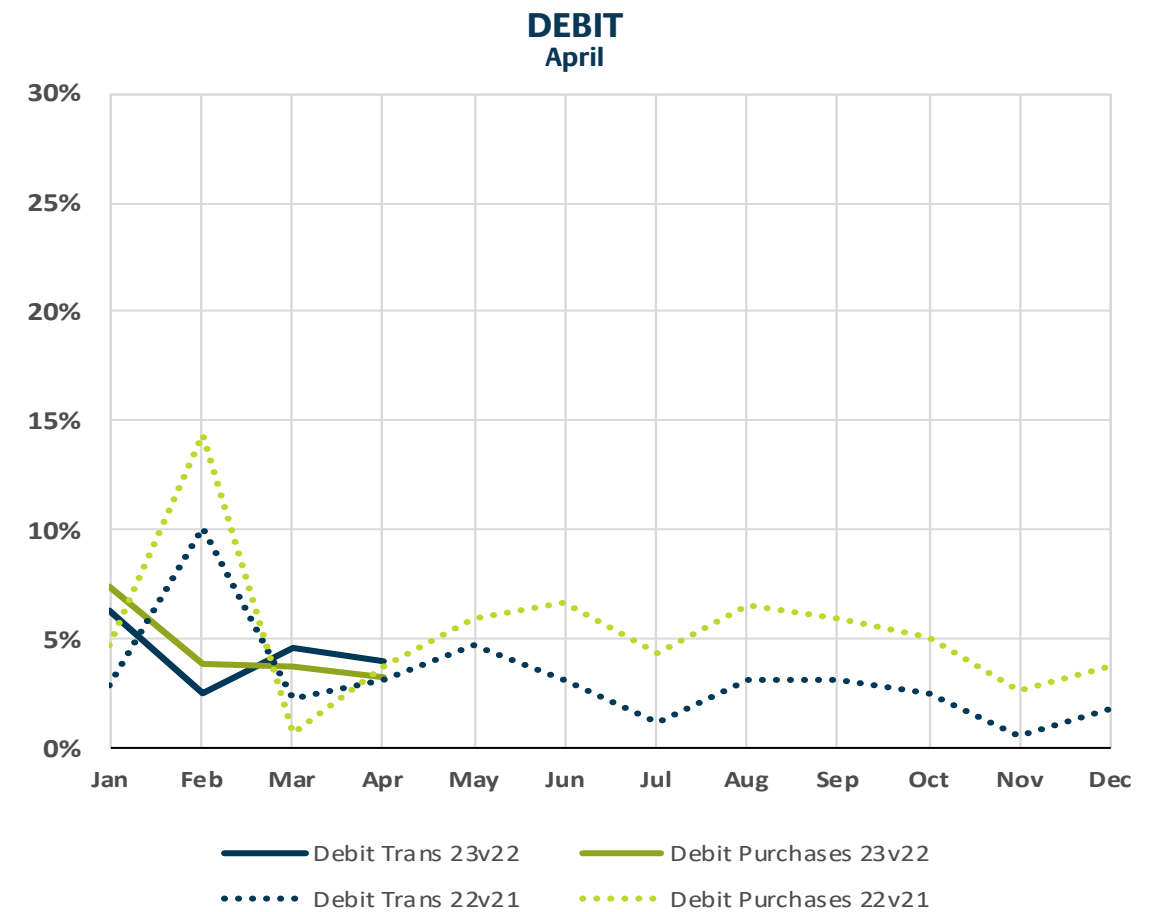
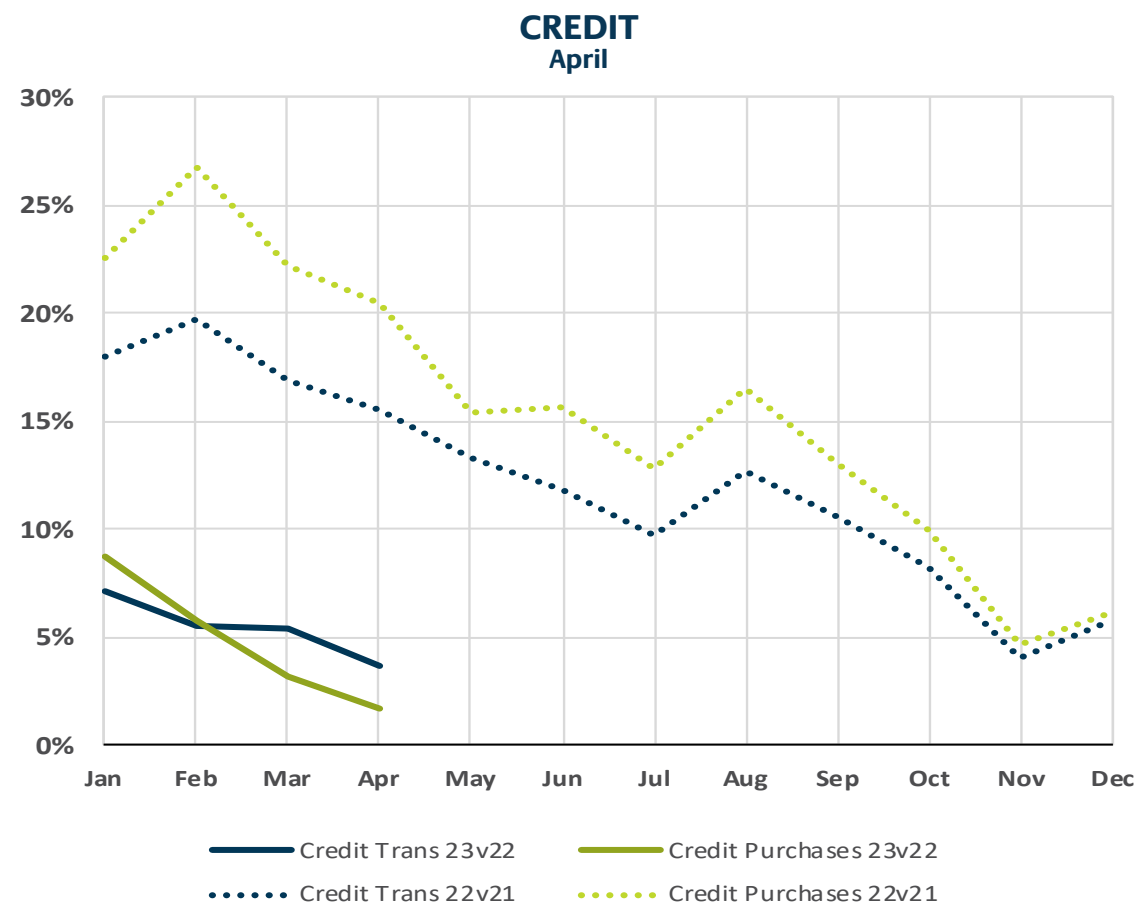


## CREDIT AND DEBIT CARDS

Consumer card spending remained at moderate levels in April 2023. Credit and debit transactions both increased 4% year over year, while debit purchases were up 3% compared to 2% for credit.

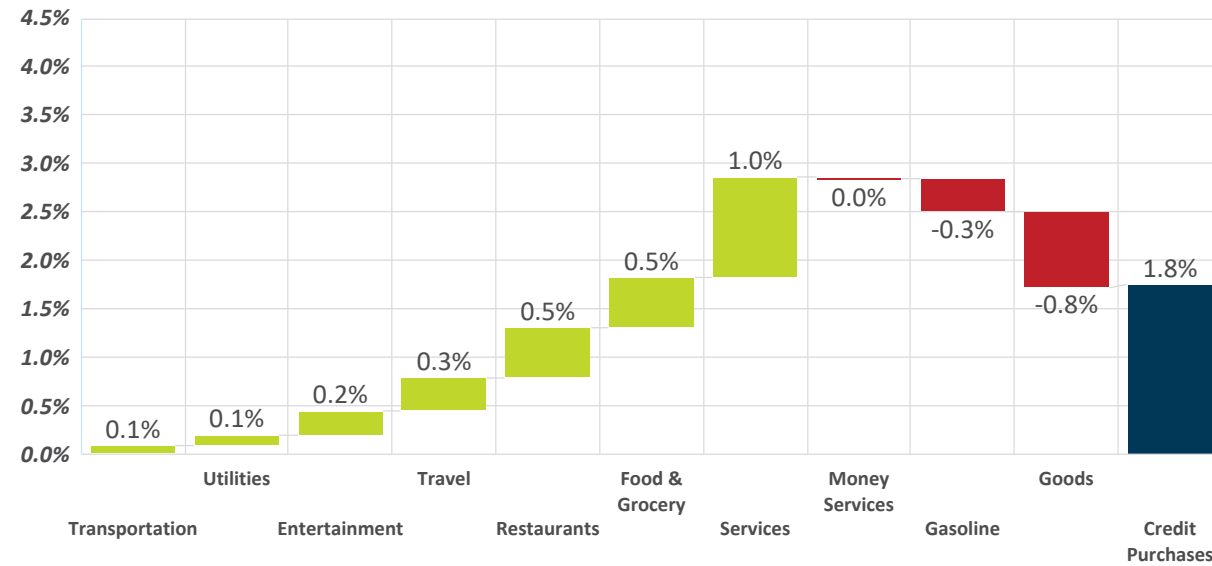
This month, we introduce new information detailing the contribution of each sector to overall monthly growth. For the growth in credit purchases, the sectors with the largest positive growth included Service, which was up 1.0%, along with Restaurants and Food & Groceries, each up 0.5%. Goods had the largest drop in year-over-year growth, driving credit purchases down by 0.8% in April. For the growth in debit purchases, the sectors with the largest positive growth included Restaurants, Money Services and Food & Groceries, each up 0.8%. Gasoline had the largest drop in year-over-year growth, impacting debit purchases negatively by 0.6% in April.

	Credit		Debit	
	Transactions	Purchases	Transactions	Purchases
2023 v 2022	4%	2%	4%	3%
2022 v 2021	16%	20%	3%	4%

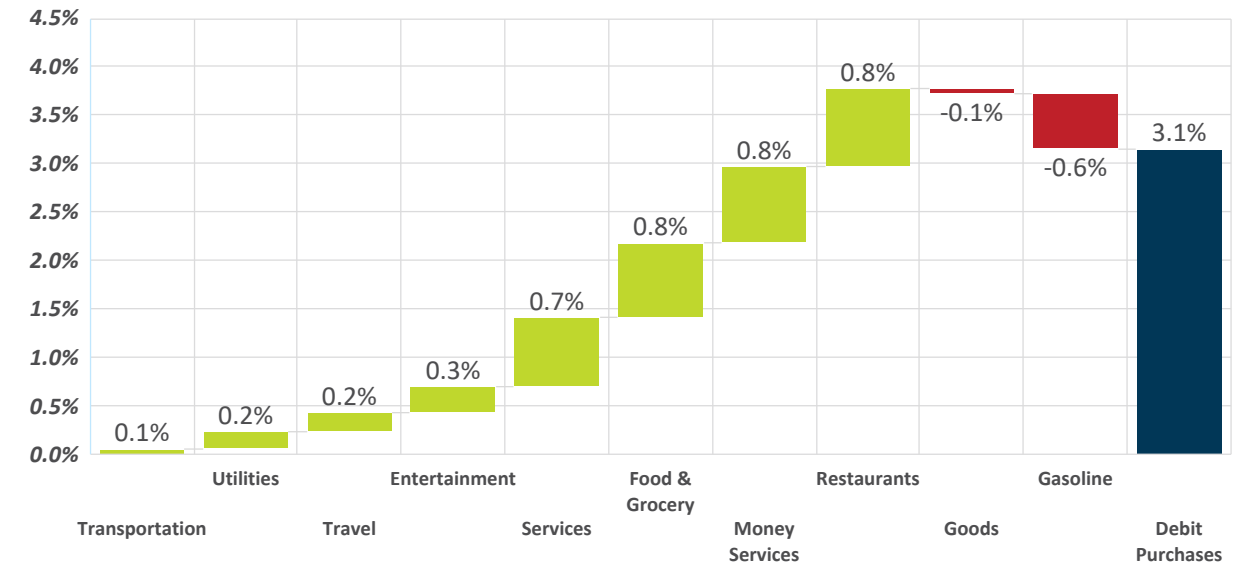


## SECTOR CONTRIBUTIONS TO YEAR-OVER-YEAR GROWTH

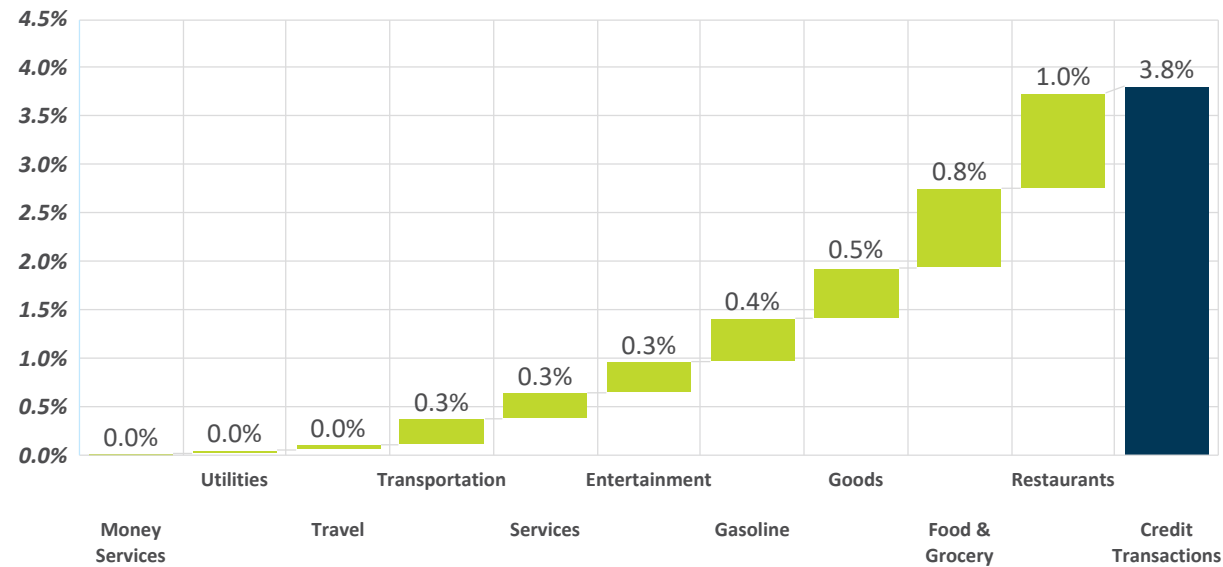
### CREDIT PURCHASES – APRIL



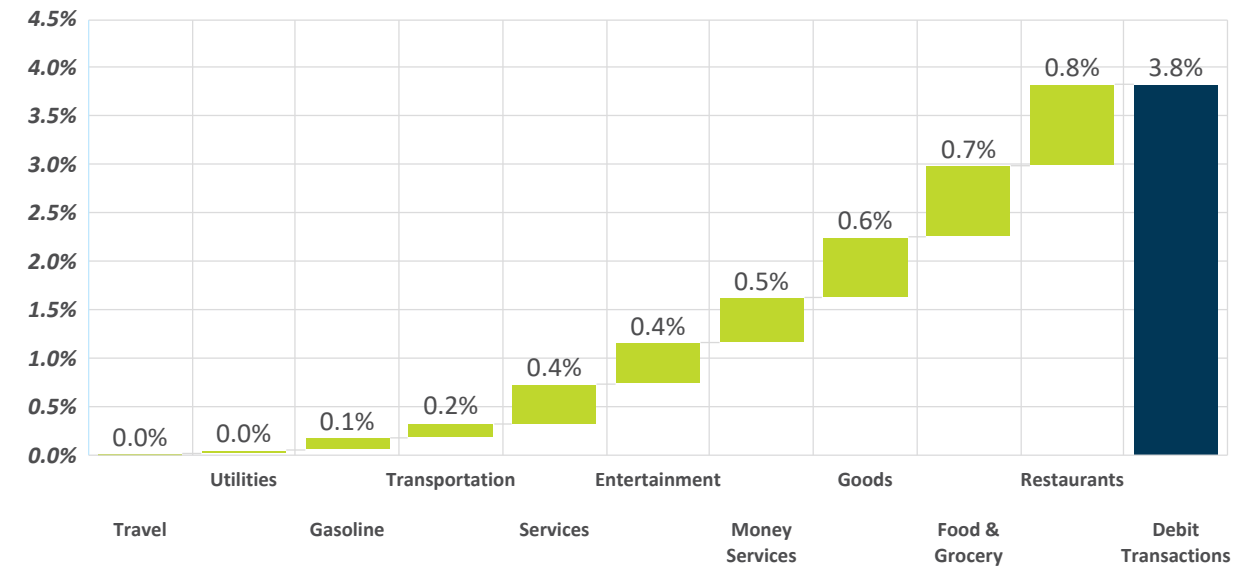
### DEBIT PURCHASES – APRIL



### CREDIT TRANSACTIONS – APRIL



### DEBIT TRANSACTIONS – APRIL



■ Increase ■ Decrease ■ Total

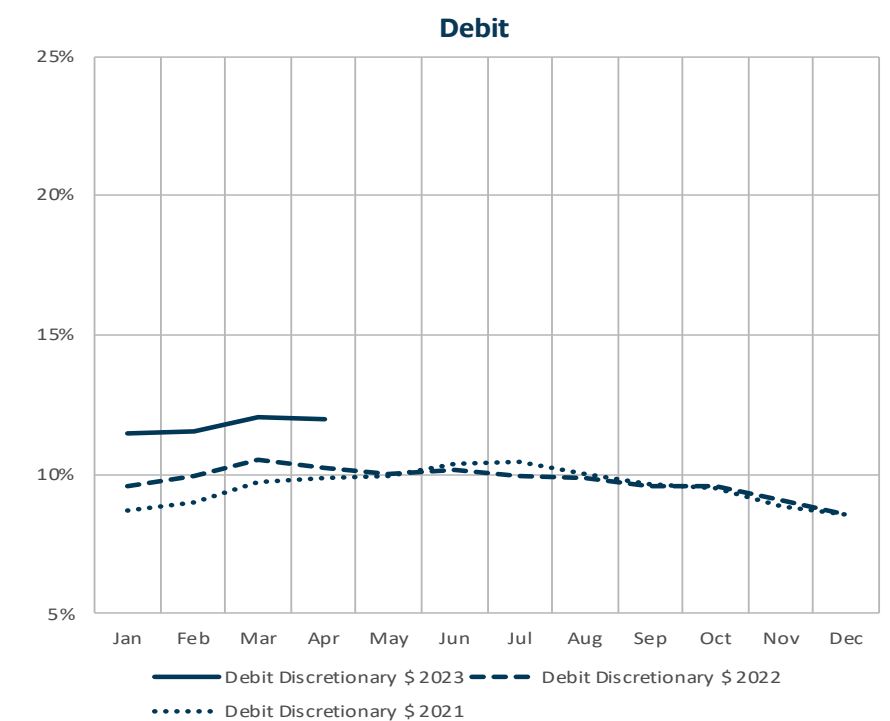
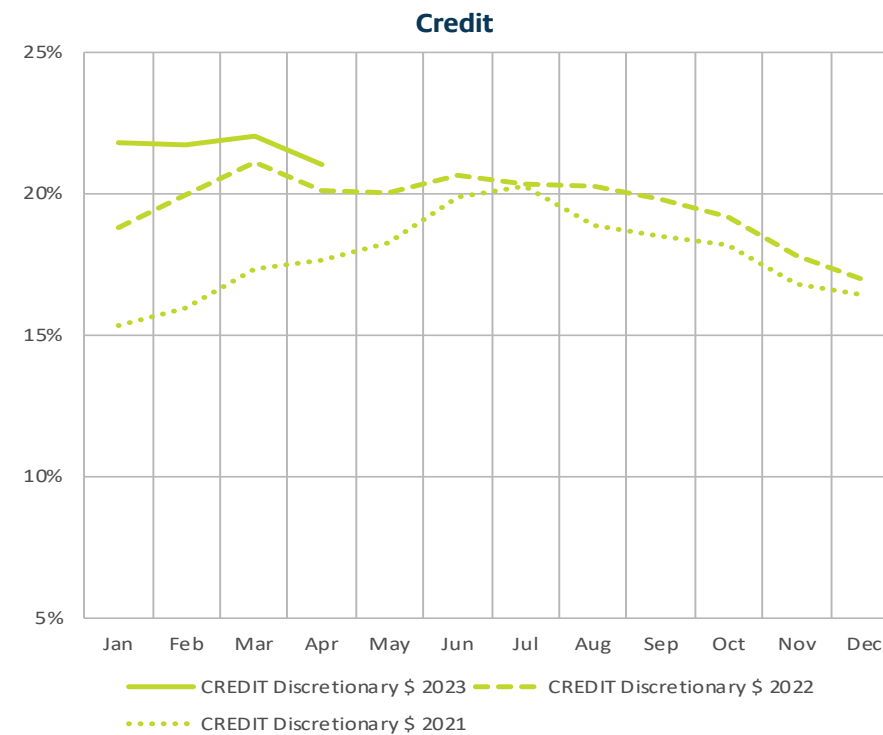
## DISCRETIONARY AND NON-DISCRETIONARY ACTIVITY

The grouping of expenses into discretionary and non-discretionary spend provides additional insight in understanding consumer payment activity within a volatile economic climate. Discretionary activity consists of most/all of the merchant categories within the Entertainment and Travel sectors and just under half of the merchant categories in the Service sector. There are a few merchant categories identified as discretionary within the Food & Grocery and Goods sectors.

### DISCRETIONARY AND NON-DISCRETIONARY – APRIL 2023

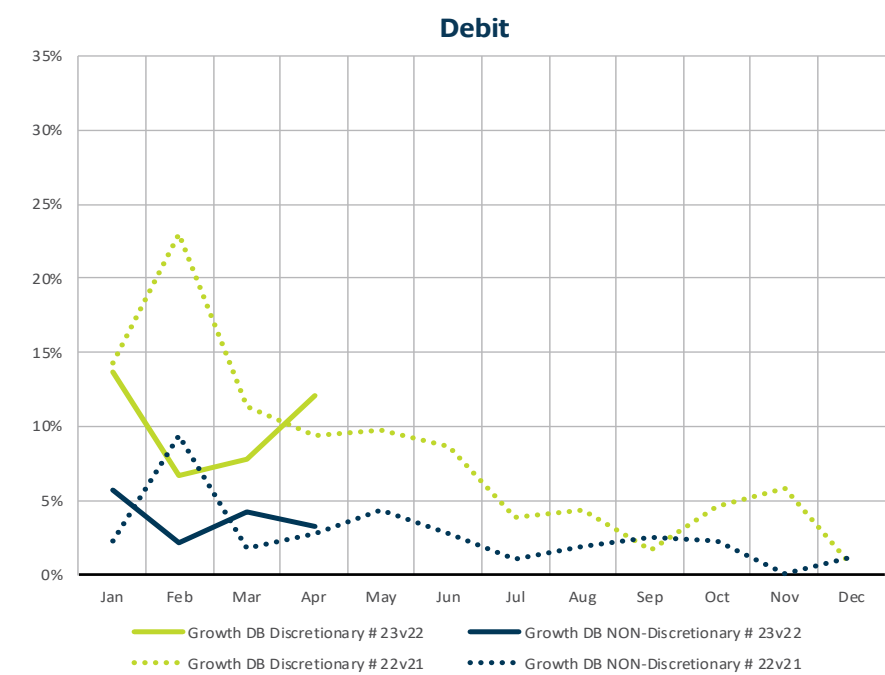
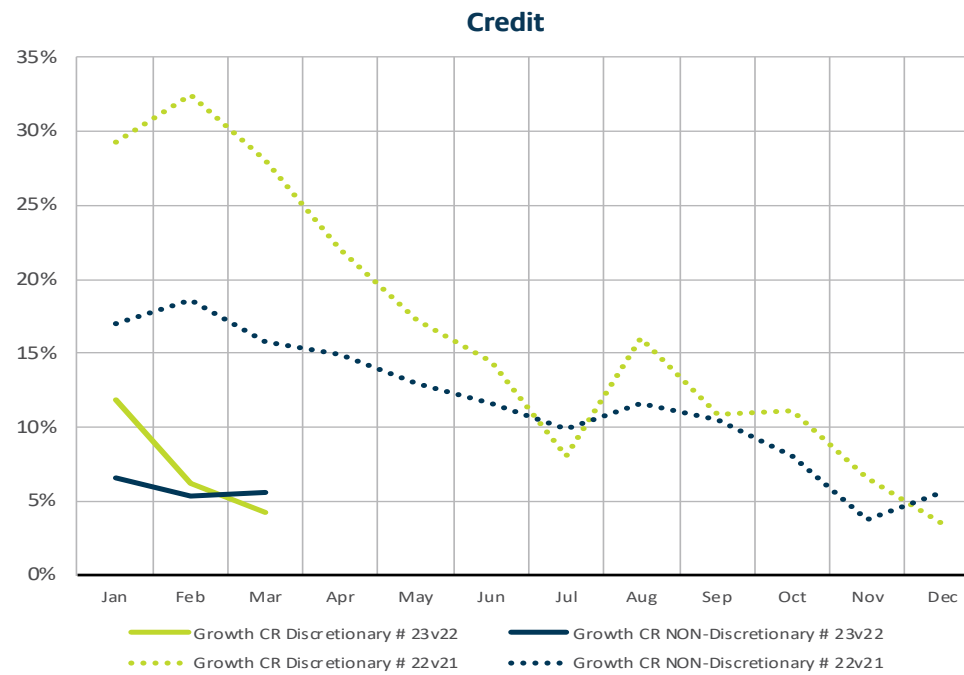
	% of Overall Purchases	Credit YoY Growth		Average Purchase	% of Overall Purchases	Debit YoY Growth		Average Purchase
		Transactions	Purchases			Transactions	Purchases	
Discretionary	<b>21%</b>	<b>4%</b>	<b>4%</b>	<b>\$168</b>	<b>12%</b>	<b>12%</b>	<b>8%</b>	<b>\$89</b>
Non-Discretionary	<b>79%</b>	<b>4%</b>	<b>1%</b>	<b>\$64</b>	<b>88%</b>	<b>3%</b>	<b>2%</b>	<b>\$43</b>

### DISCRETIONARY PURCHASES AS A PERCENTAGE OF OVERALL PURCHASES

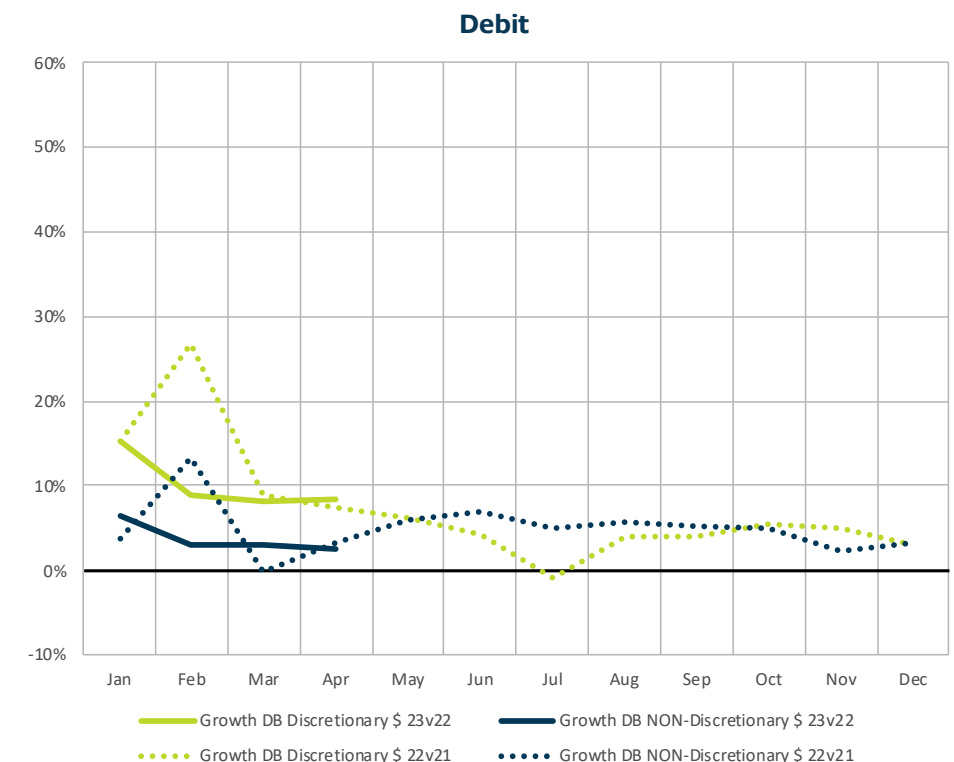
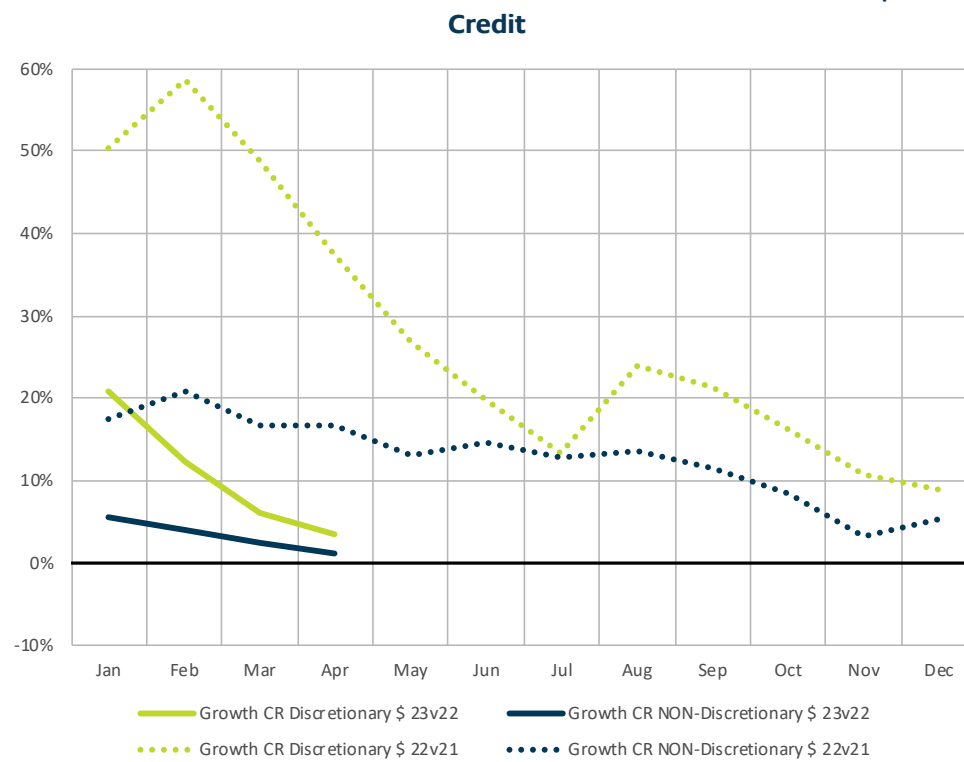


Growth in discretionary spend and transactions for debit continued to outpace that of credit in April 2023, with year-over-year debit purchases up 8% compared to 4% for credit, and debit transactions up 12% versus 4%. The average discretionary purchase for both debit and credit dipped in April, with the average for credit falling 3.3% from March and down 0.4% year over year. The average discretionary purchase for debit was down 3.3% month over month and 3.2% year over year. The average non-discretionary purchase remained largely unchanged.

## GROWTH IN DISCRETIONARY/NON-DISCRETIONARY OVERALL TRANSACTIONS




## GROWTH IN DISCRETIONARY/NON-DISCRETIONARY OVERALL PURCHASES



## SECTORS/MERCHANT CATEGORIES


Sector growth was a little slower, but remained healthy. In April 2023, the sectors with the highest year-over-year growth in purchases were similar to those in March. Leading for credit were Transportation (+14%), Restaurants (+7%) and Entertainment (+6%), with Transportation (+14%), Money Services (+8%) and Restaurants (+8%) leading for debit.

The national average price per gallon of gasoline finished at [\\$3.54](#) for the week ending May 8, down 18% (or \$0.80) year over year. Year-over-year purchases in gasoline reflected reductions in spending for both credit and debit cards for April.




**ENTERTAINMENT**  
April 2023 V 2022

	Credit	Debit
YoY Purchases	6%	7%
YoY Transactions	7%	10%




**FOOD & GROCERIES**  
April 2023 V 2022

	Credit	Debit
YoY Purchases	5%	5%
YoY Transactions	6%	5%




**GASOLINE**  
April 2023 V 2022

	Credit	Debit
YoY Purchases	-6%	-6%
YoY Transactions	4%	1%




**GOODS**  
April 2023 V 2022

	Credit	Debit
YoY Purchases	-2%	-0.2%
YoY Transactions	2%	2%




**MONEY SERVICES**  
April 2023 V 2022

	Credit	Debit
YoY Purchases	-4%	8%
YoY Transactions	4%	11%




**RESTAURANTS**  
April 2023 V 2022

	Credit	Debit
YoY Purchases	7%	8%
YoY Transactions	5%	3%




**SERVICES**  
April 2023 V 2022

	Credit	Debit
YoY Purchases	5%	5%
YoY Transactions	3%	6%




**TRANSPORTATION**  
April 2023 V 2022

	Credit	Debit
YoY Purchases	14%	11%
YoY Transactions	13%	13%



**TRAVEL**  
April 2023 V 2022

	Credit	Debit
YoY Purchases	4%	6%
YoY Transactions	3%	1%



**UTILITIES**  
April 2023 V 2022

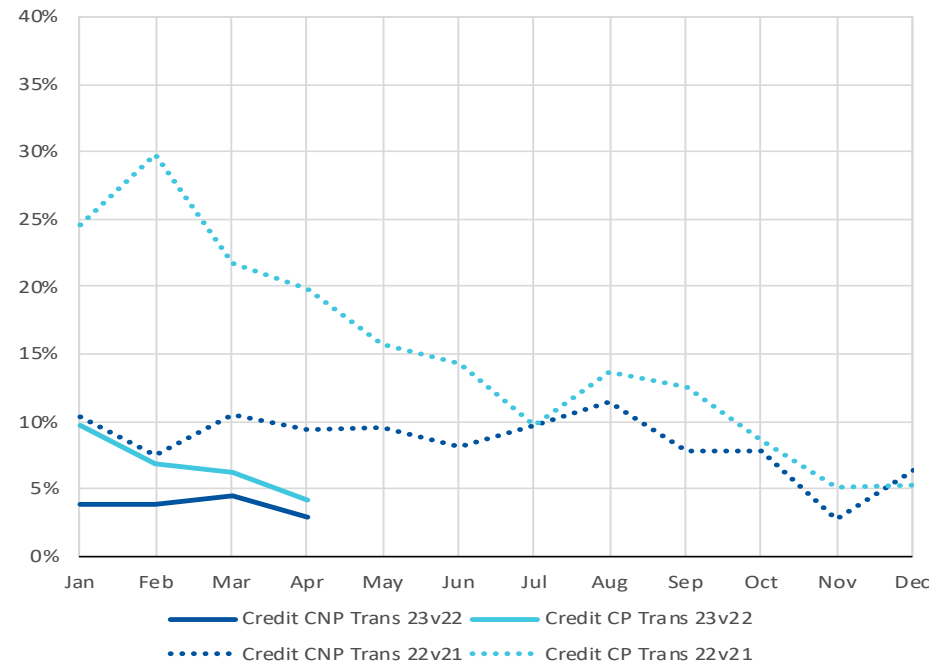
	Credit	Debit
YoY Purchases	4%	4%
YoY Transactions	2%	2%

## CARD NOT PRESENT (CNP) & CARD PRESENT (CP) ACTIVITY

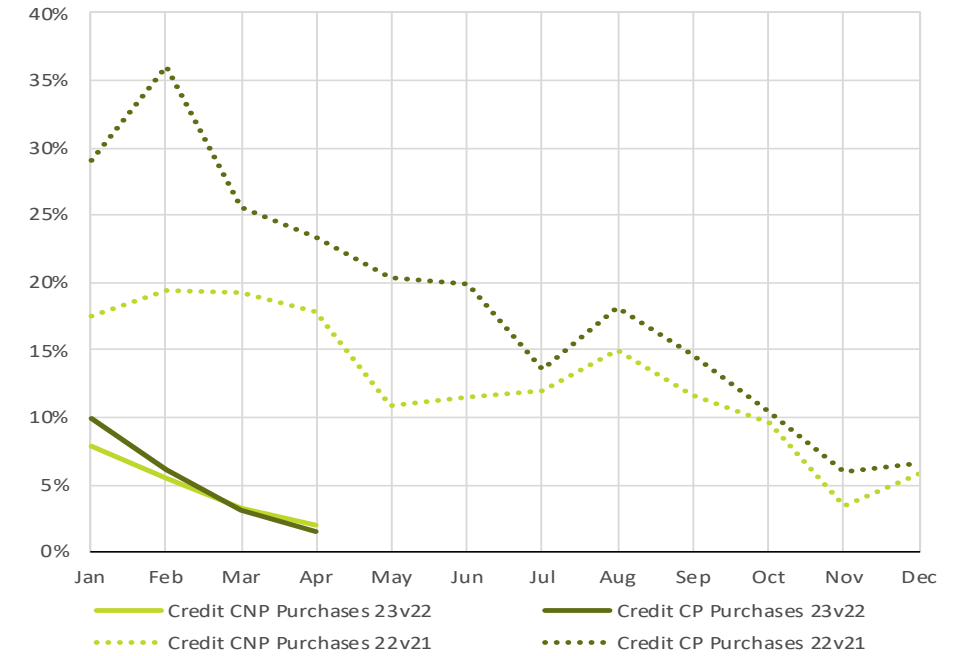
Card Not Present (CNP) purchases continued to capture the majority of credit purchases, while the majority of debit purchases were Card Present (CP), both representing 53% of total purchases. Card present transactions comprised the largest portion of transactions for both credit (60%) and debit (66%), but were down one percentage point compared to the same period one year ago.

Credit transaction volumes for CNP increased 3% year over year, while CNP purchases were up 2% compared to 4% for CP transactions and 1% for CP purchases. For debit, CNP transactions increased 6% year over year and CNP purchases increased 5%, versus 3% and 2%, respectively, for CP transactions and purchases growth.

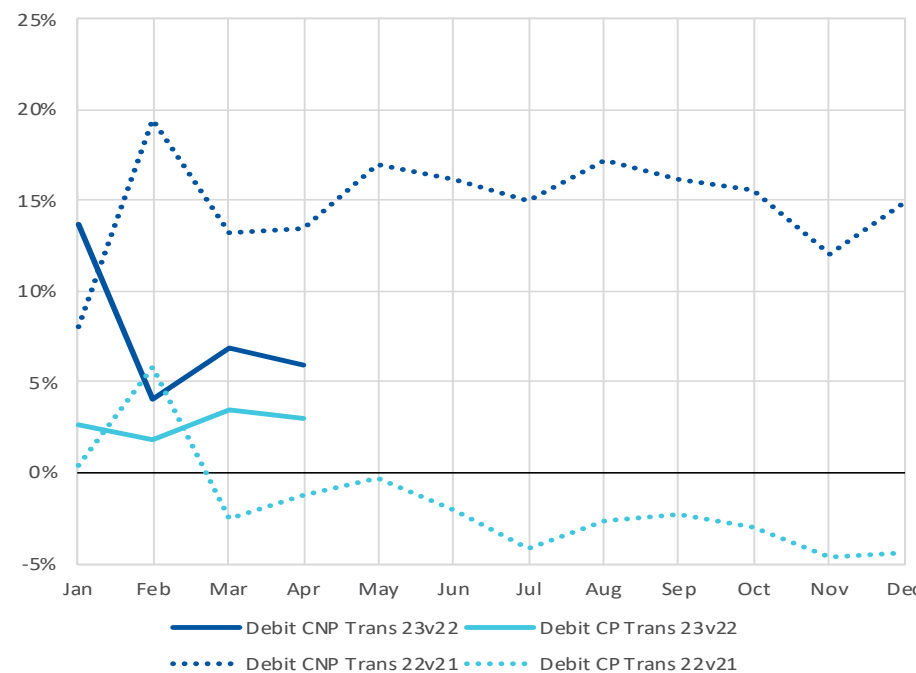
**YOY % GROWTH IN CREDIT TRANSACTIONS**  
April



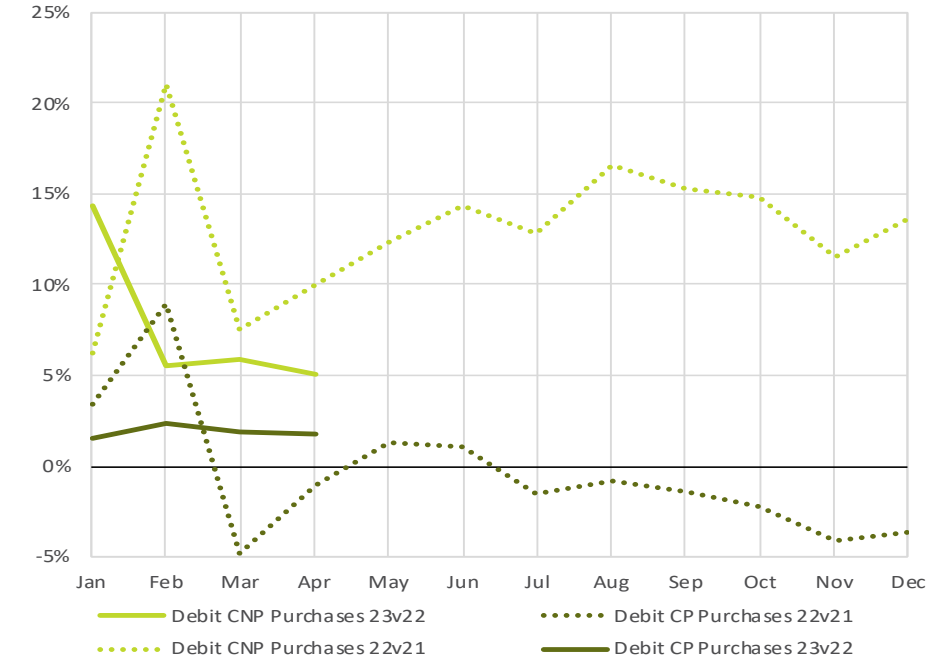
**YOY % GROWTH IN CREDIT PURCHASES**  
April



**YOY % GROWTH IN DEBIT TRANSACTIONS**  
April



**YOY % GROWTH IN DEBIT PURCHASES**  
April

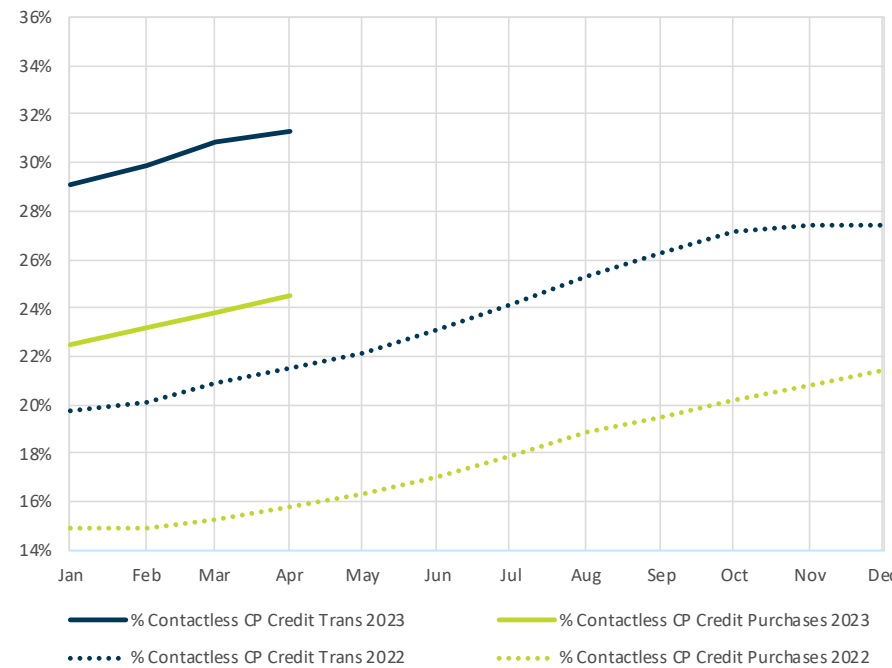


## CONTACTLESS TRANSACTIONS

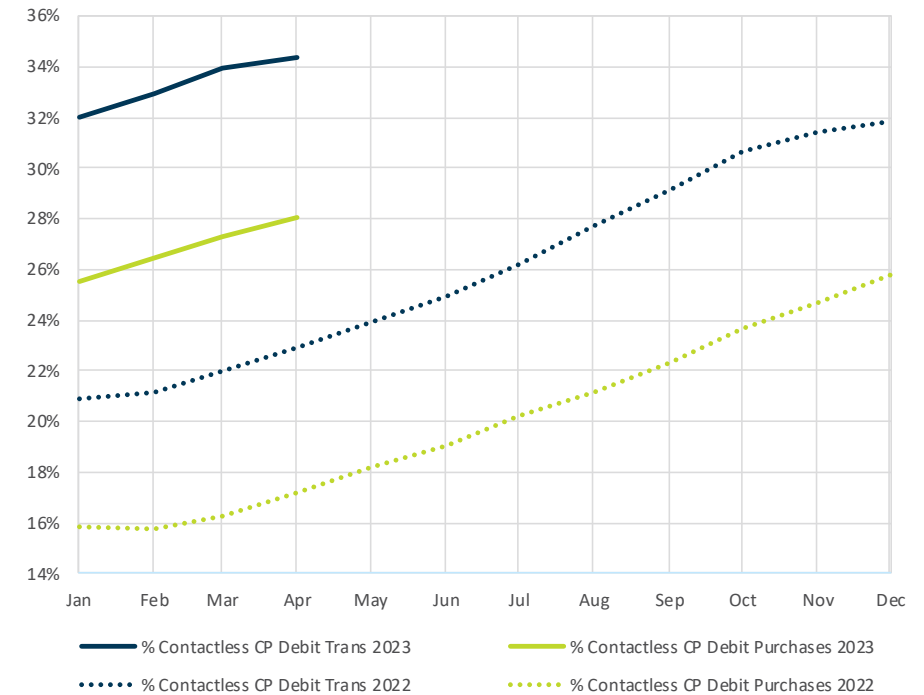
In April 2023, contactless tap-and-go credit transactions comprised 31% of total Card Present volume on contactless cards, while contactless credit purchases accounted for one-fourth of total Card Present purchase dollars. Debit contactless transactions measured 34% of total Card Present volume and contactless debit purchases represented 28% of total Card Present spend.

The growth in the average purchase amounts for both credit and debit contactless purchases outpaced the rates for overall credit and debit purchases, as well as overall credit and debit Card Present purchases. The average contactless purchase amount was up 6% year over year for credit and 8% for debit.

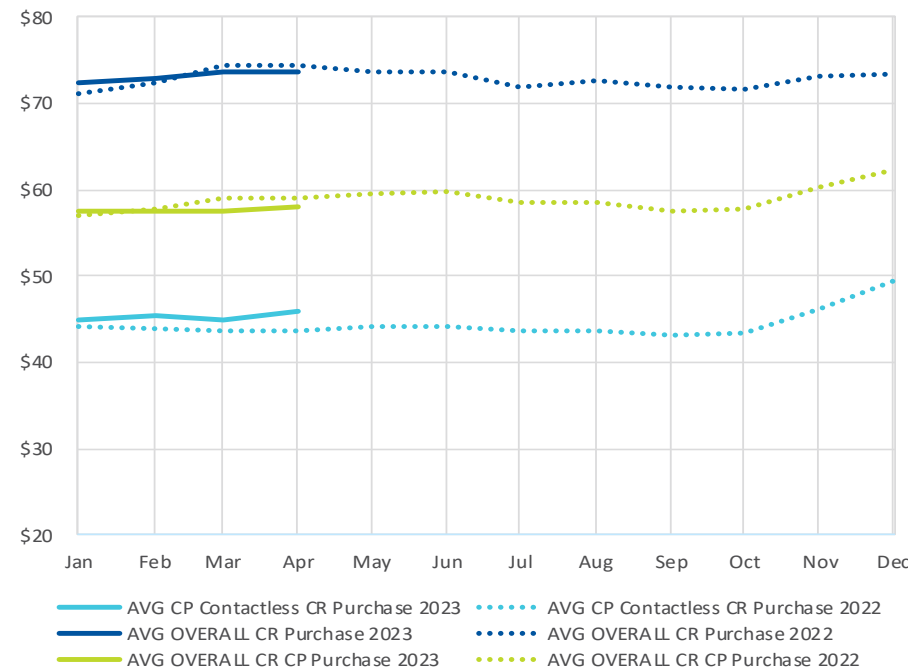
### % CONTACTLESS CREDIT ACTIVITY ON CONTACTLESS CARDS April



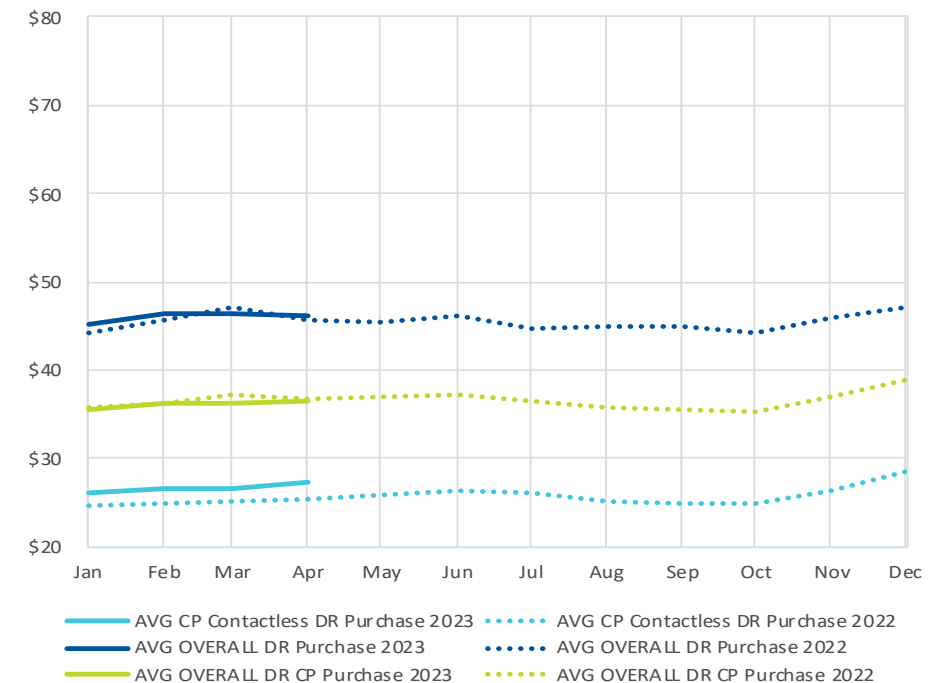
### % CONTACTLESS DEBIT ACTIVITY ON CONTACTLESS CARDS April



### CONTACTLESS CREDIT AVERAGE PURCHASE April



### CONTACTLESS DEBIT AVERAGE PURCHASE April

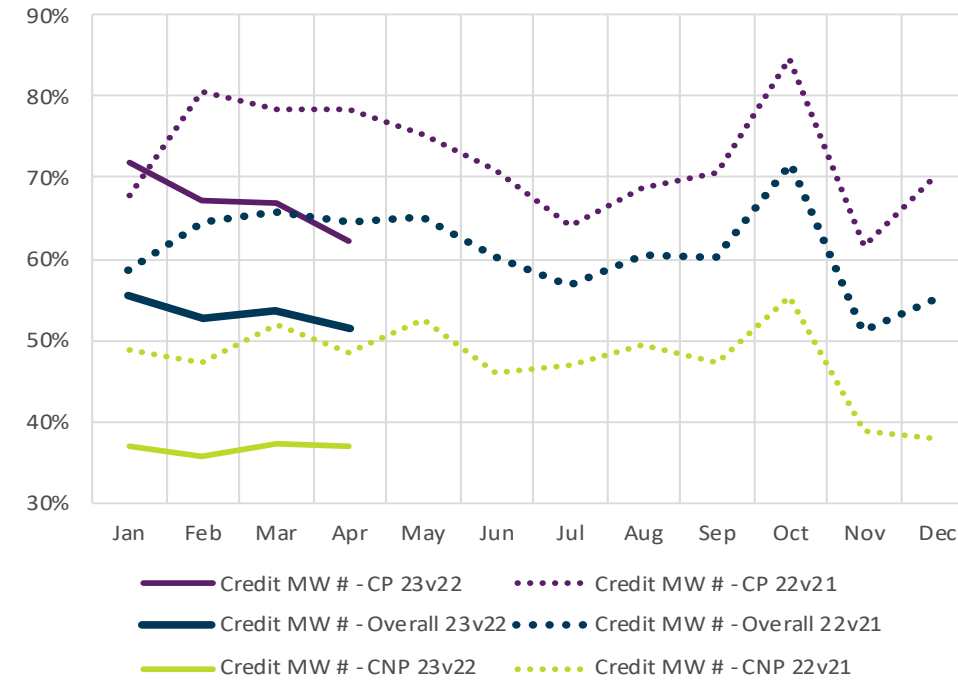


## MOBILE WALLETS

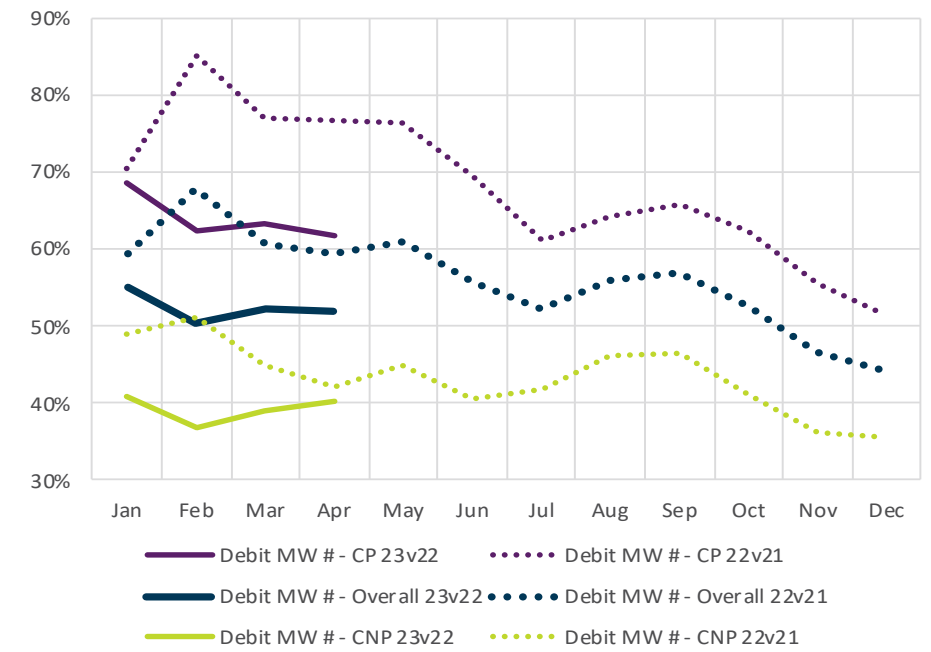
The year-over-year overall Mobile Wallet transaction growth (CNP & CP) measured 51% for credit and 52% for debit compared to April 2022. Both the credit and debit Mobile Wallet purchase performance were up 56% year over year.

The average Mobile Wallet purchase (for the combined CNP & CP) for both credit and debit increased 3%, measuring \$33.45 for credit and \$27.62 for debit in April 2023.

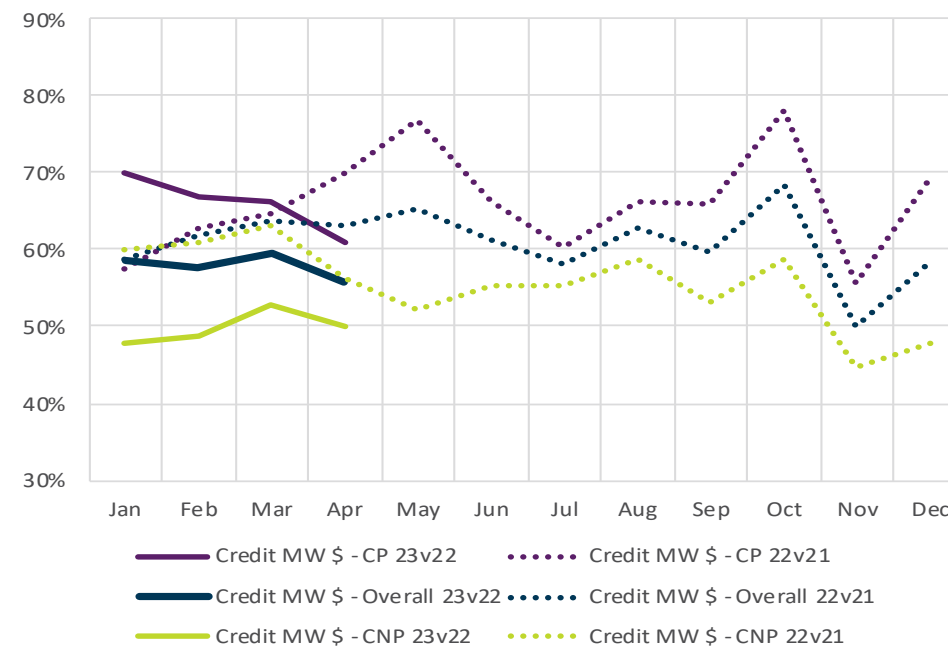
### YOY % GROWTH IN MOBILE WALLET CREDIT TRANSACTIONS April



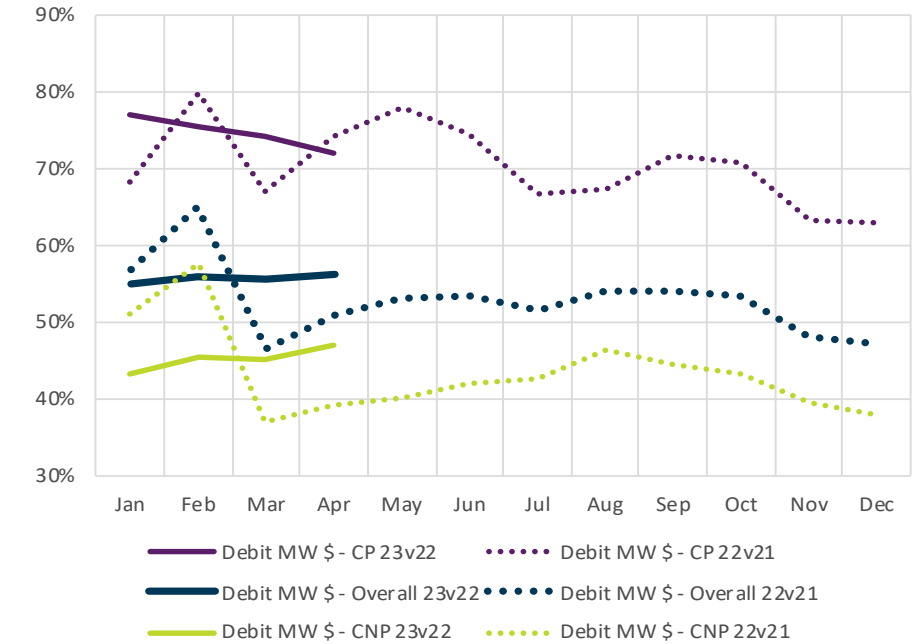
### YOY % GROWTH IN MOBILE WALLET DEBIT TRANSACTIONS April



### YOY % GROWTH IN MOBILE WALLET CREDIT PURCHASES April



### YOY % GROWTH IN MOBILE WALLET DEBIT PURCHASES April





## ABOUT THE PSCU PAYMENTS INDEX

The PSCU Payments Index provides timely insights, trend analysis and thought leadership on consumer payment preferences and behavior. Distributed monthly to financial institutions, the payments market and industry media, the PSCU Payments Index is designed to help financial institutions make strategic, data-informed decisions on behalf of their members.

For current year results, credit unions included in the PSCU Payments Index data set have been processing with PSCU from the start of 2021 through the most current month of 2023, enabling an accurate and relevant year-over-year same-store comparison (2023 vs. 2022, 2023 vs. 2021) for purchasing behaviors and data.

For the “same-store” population of credit unions over the past rolling 12-month period, the May edition of the Payments Index represents a total of 2.8 billion transactions valued at \$143 billion of credit and debit card activity from May 2022 through April 2023.

A library of past PSCU Payments Index reports and historical weekly Transactional Insights infographics and state/territory analyses are available on the [PSCU Payments Index site](#). To subscribe to the PSCU Payments Index and receive alerts when the Index is published each month, please visit the [PSCU Payments Index site](#).

## ABOUT PSCU

PSCU, the nation’s premier payments CUSO and an integrated financial technology solutions provider, supports the success of more than 2,400 financial institutions and processes nearly 7.7 billion transactions annually. Committed to service excellence and focused on continuous innovation, PSCU’s payment processing, fraud and risk management, data and analytics, digital banking, strategic consulting and real-time payments platforms, along with 24/7/365 member support via its contact centers, help deliver personalized, connected experiences. The origin of PSCU’s model is collaboration and scale, and the company has leveraged its influence on behalf of credit unions and their members for more than 45 years. Today, PSCU provides an end-to-end, competitive advantage that enables credit unions to securely grow and meet evolving consumer demands. For more information, visit [pscu.com](#).