

THE PSCU PAYMENTS INDEX: JUNE 2023

As inflation has reached an inflection point, higher prices for many goods and services are still weighing on consumer spending decisions. This month's PSCU Payments Index finds the continued trend of slower year-over-year growth for both credit and debit. In May, year-over-year growth in credit card purchases was negative for the first time since August 2020. While still positive, growth in debit card purchases exhibited a similar softening trend. This month's Deep Dive highlights our Money Services sector, which has a more notable share of overall debit activity as compared to credit and includes peer-to-peer (P2P) activity of merchants and payment facilitators such as Cash App, Venmo and PayPal.

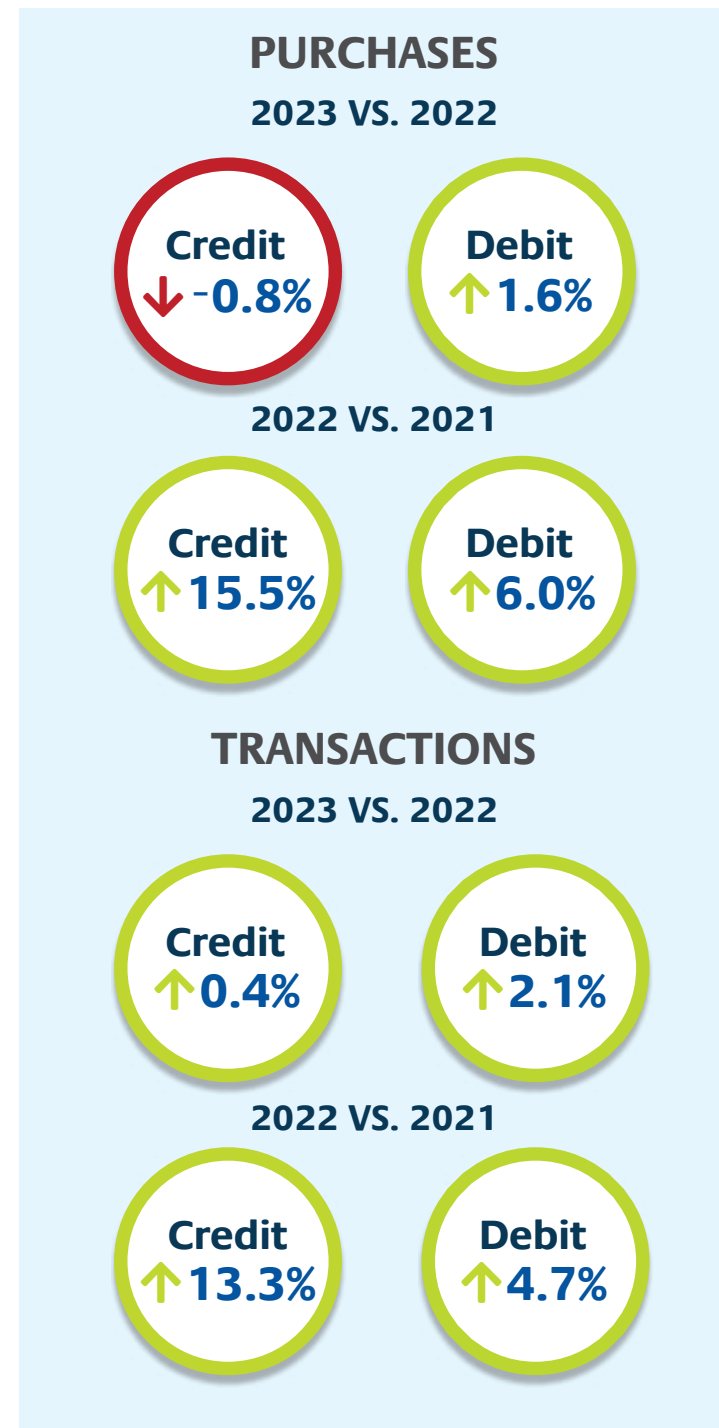
In the Labor Department's June 13 update, the [Consumer Price Index \(CPI\)](#) increased by 0.1% in May. The annual rate of inflation dropped from 4.9% through April to 4.0% through May. While this is the eleventh consecutive monthly drop in the annual rate from the peak of 9.1% in June 2022, it remains higher than the Fed's target annual inflation rate of 2.0%. The largest contributor to inflation continues to be shelter, followed by used cars and trucks. The energy index declined 3.6 percent in May, which includes gasoline. Following their June meeting, the Federal Reserve did not increase interest rates, keeping the current Fed Funds rate at 5.25% - while signaling the possibility of two additional rate hikes in 2023. The Fed's next scheduled meeting is set for July 25-26.

The [Consumer Confidence Index](#) fell in May to 102.3 (1985=100), down from a revised 103.7 in April, while the job market remains resilient and the unemployment rate ticks up. The Bureau of Labor Statistics (BLS) [reported](#) in its May 2023 jobs report that 339,000 jobs were added for the month, with increased jobs in professional and business services, government, health care, construction, transportation and warehousing and social assistance. This is much stronger than the 190,000 new jobs that were [expected by economists](#). The overall unemployment rate for May increased to 3.7%, or 6.1 million people.

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 – MAY 2023



KEY TAKEAWAYS

- For the first time since the summer of the COVID-19 pandemic (August 2020), year-over-year growth in credit purchases was negative, finishing at -0.8% for May. Growth in debit purchases was positive at 1.6% for May and was half the reported growth from April 2023. Growth in transactions in May continued to be stronger than growth in purchases.
- For credit purchases, the largest contributor to growth was the Services sector (1.36 percentage points of growth) while offset by reductions in Gasoline (1.15 percentage points) and the Goods sector (1.03 percentage points). For debit purchases, two sectors generated the highest growth, with Services contributing 1.1 percentage points and Money Services contributing 0.9 percentage points. Debit purchases were offset by a reduction of 1.3 percentage points in Gasoline. Credit transactions were up just 0.4% and debit transactions were up 2.1%.
- The Consumer Price Index (CPI-U) decreased on an annual basis from 4.9% to 4.0% in May. For the fourth consecutive month, shelter accounted for the majority of the all-items inflationary increase. Following their June meeting, the Federal Reserve did not increase interest rates, keeping the current Fed Funds rate at 5.25% - while signaling the possibility of two additional rate hikes in 2023. Money Services represented 10.7% of overall debit purchases in May and includes peer-to-peer (P2P) payments with Cash App, Venmo and PayPal. There is notable growth in this sector when considering that for the pre-pandemic May 2019 timeframe, Money Services represented 3.8% of overall debit purchases. P2P payments are used at a greater rate by the youngest age demographic (Gen Z), representing 15.4% of their overall debit purchases.
- Growth in non-discretionary spending was negative on credit cards at -2% for May and up 1% for debit cards year over year. Discretionary spending again grew at a greater rate than non-discretionary spending, with credit up 2% and debit up 9%. Transaction growth on credit cards was up 1% for discretionary transactions and flat at 0% for non-discretionary transactions. Transaction growth on debit cards was up 9% for discretionary and up 1% for non-discretionary transactions.
- The credit card delinquency rate for May finished at 1.86%, above the May 2019 pre-pandemic level by 0.16%. Total credit card balances were up 12.7% for May compared to a year ago, while the average credit card balance for active accounts was \$2,962, up 8.7% (or \$238) year over year.

As inflation continues to cool, it's trending in the right direction. Yet consumer spending continues to slow, indicating consumers are likely being more financially cautious.



In May, credit card purchases experienced negative year-over-year growth for the first time since August 2020. While debit card purchases experienced positive growth, the softening trend is evident. In this month's Deep Dive into the Money Services sector, we see peer-to-peer (P2P) payments driving the largest growth, with the volume of debit activity notably greater than credit.

— **Denise Stevens, SVP, Chief Product and Digital Officer, PSCU**

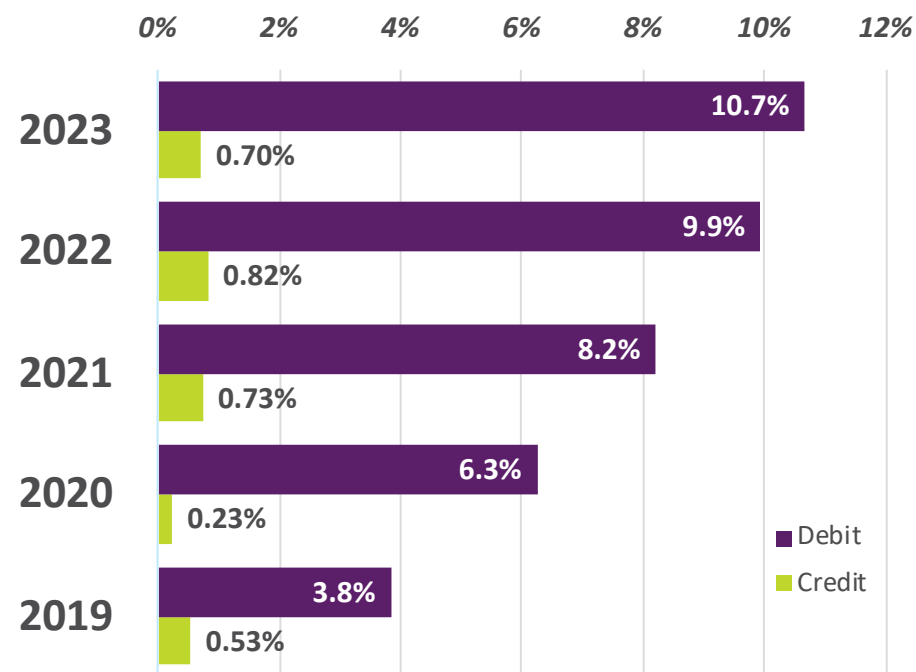
DEEP DIVE: MONEY SERVICES

For May 2023, Money Services represented 10.7% of overall debit card purchases, but only 0.7% of overall credit card purchases. There has been notable growth in Money Services as a percentage of debit purchases when comparing to pre-pandemic 2019, when it represented 3.8% of overall purchases. For this Deep Dive, we focus primarily on debit activity given the notable growth, but include a view of credit activity separately. Year-over-year growth for debit cards within the Money Services has been strong, with transaction and purchase growth each at 9%.

This sector represents a group of merchant categories, the largest of which is peer-to-peer (P2P) payments with 71% of the debit purchases for this sector. Top merchants in this grouping include Cash App, Venmo, Apple Cash, Metapay, PayPal, Zelle and Western Union. Also in this sector are securities and cryptocurrency merchants, including crypto.com, Coinbase and Robinhood.



MONEY SERVICES AS A % OF OVERALL PURCHASES - MAY



YEAR-OVER-YEAR GROWTH IN MONEY SERVICES SECTOR – MAY

	Debit	
	Transactions	Purchases
2023 v 2022	9%	9%
2022 v 2021	13%	7%

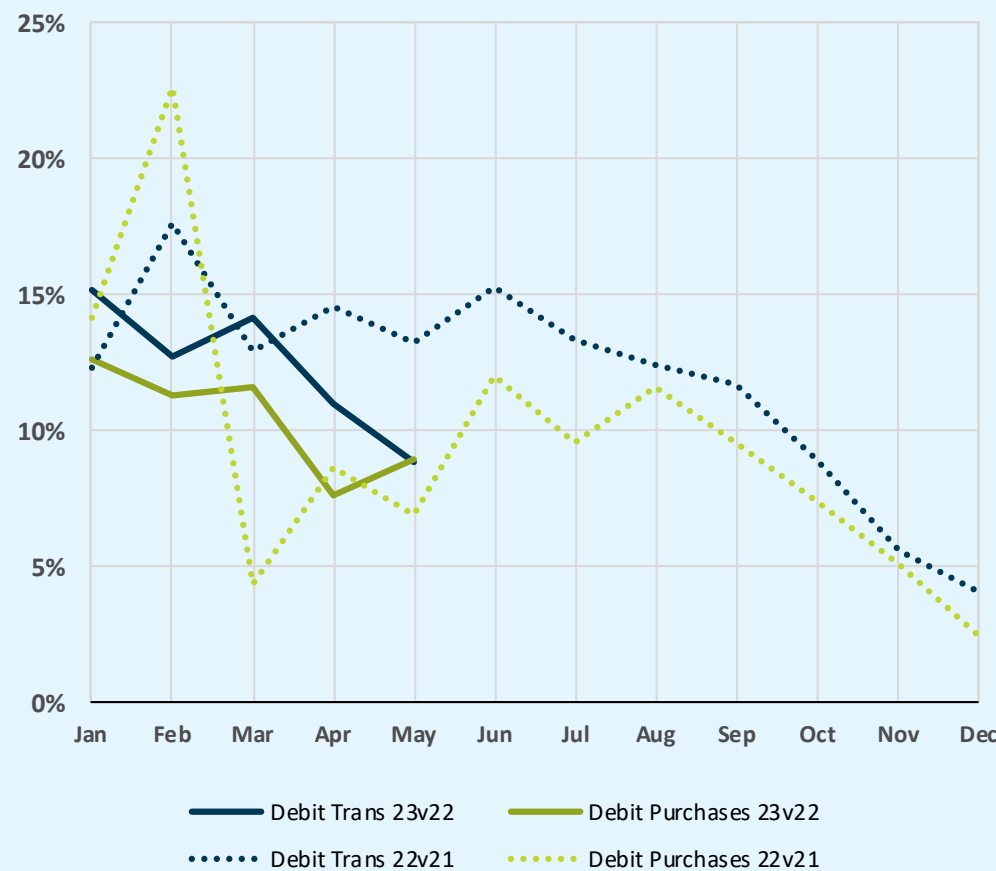
With the growth in activity for this sector, the opportunity exists for consumers to hold balances with these P2P vendors. Recently, the Consumer Financial Protection Bureau (CFPB) [issued a consumer advisory](#) reminding consumers that funds held in a payments app should be moved to an account with deposit insurance. Payment apps are often not protected by NCUA or FDIC insurance. Beyond the CFPB advisory, consumers need to be cognizant of the lack of support and customer services associated with these tools. Minimal to no live support, the absence of fraud protection and lack of chargebacks should be taken into consideration with the use of these apps.

The second largest merchant category in the sector by purchases is Merchandise and Services (Financial Institution). For May this makes up 17% of all debit purchases in the Money Sector. Top merchants on the debit side include AFFIRM, ACI, Zelle, SYNCB and Capital One.

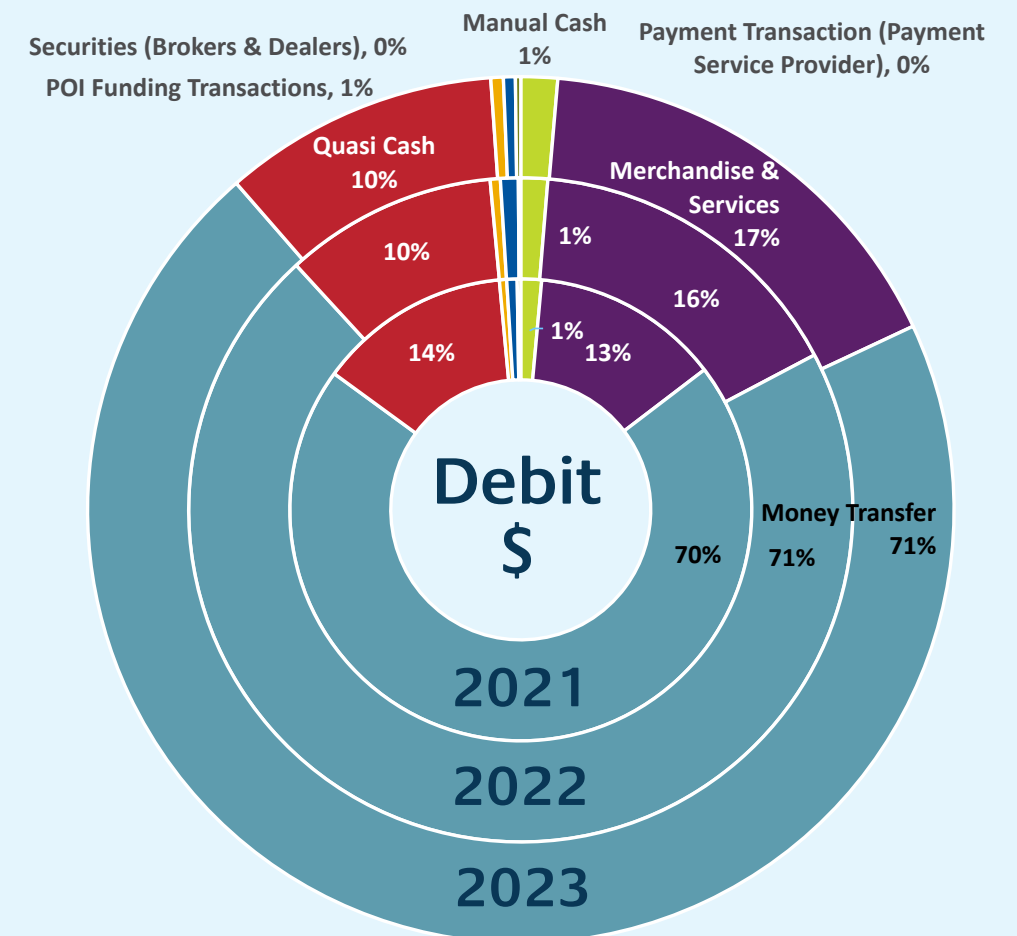
The third largest merchant category in the Money sector by purchases is Quasi Cash. For May this makes up 10% of all debit purchases in the Money Sector. Top merchants on the debit side includes ACI, Coinbase, PayPal, PNM, EVI and Cash App.

DEEP DIVE: MONEY SERVICES

MONEY SERVICES GROWTH – DEBIT



% OF DEBIT PURCHASES WITHIN MONEY SERVICES SECTOR BY MERCHANT CATEGORY

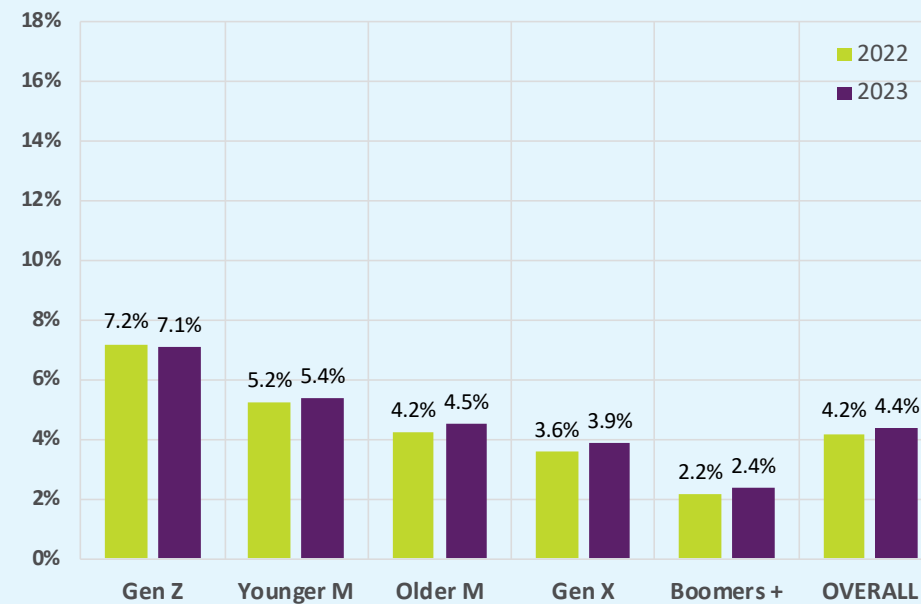


MONEY SERVICES BY GENERATIONS

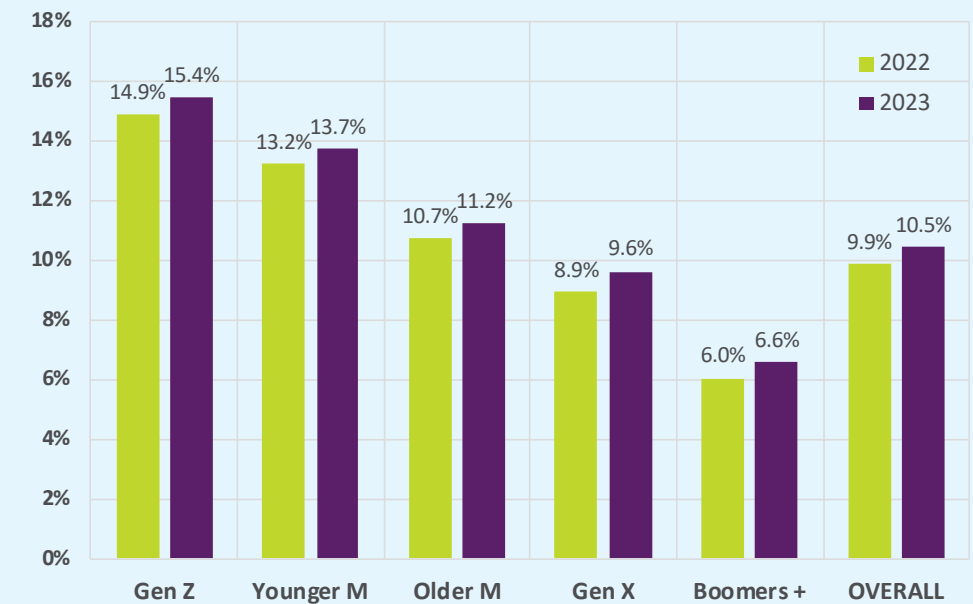
In May 2023, consumers were spending 10.5% of their overall debit purchases in the Money Services sector, with 70% of those purchases specifically within the Money Transfer merchant category for peer-to-peer exchanges. Differences exist when breaking the population down by age, with the largest percentage of debit purchases attributable to the youngest age demographic (Gen Z) at 15.4% for May.

DEEP DIVE: MONEY SERVICES

% OF DEBIT TRANSACTIONS IN MONEY SERVICES BY GENERATION



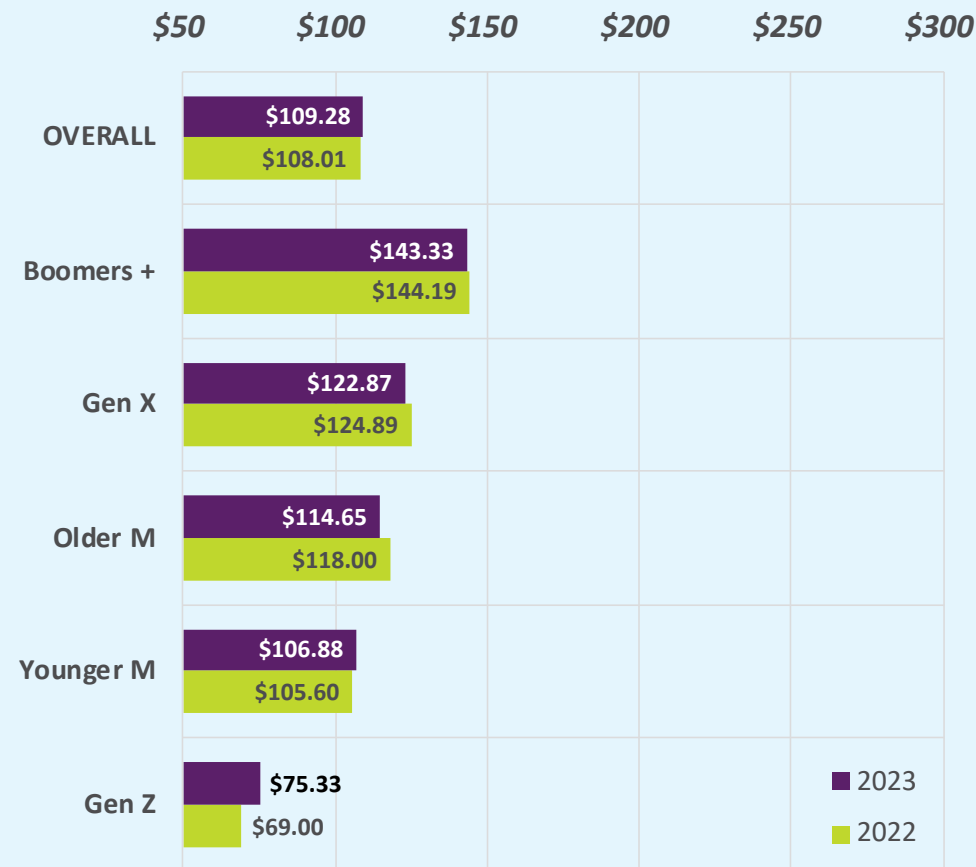
% OF DEBIT PURCHASES IN MONEY SERVICES BY GENERATION



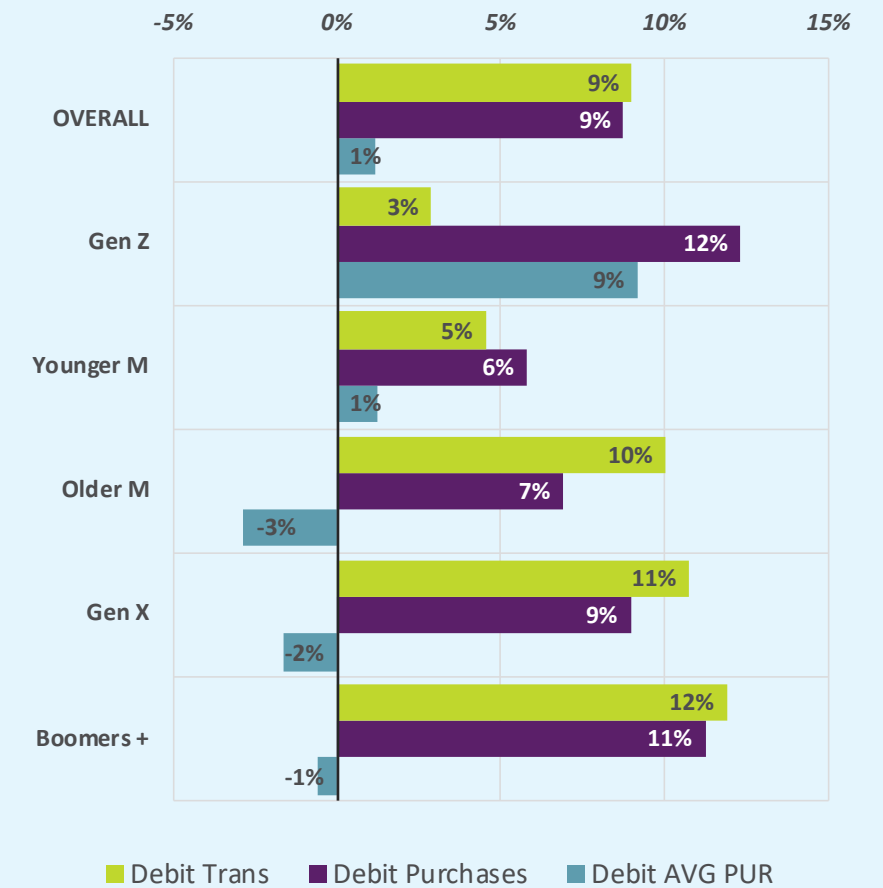
The percentage of overall debit purchases for this sector declines as the population advances. For the oldest population, Baby Boomers, purchases in the Money Services sector represented 6.6% of their overall purchases. When considering the average purchase amount, the scale flips, with Baby Boomers having the highest average debit purchase at \$143.33. The average purchases decreased by age group down to the youngest population, Gen Z, with an average purchase amount of \$75.33 for May.

DEEP DIVE: MONEY SERVICES

MONEY SERVICES AVERAGE DEBIT PURCHASE BY GENERATION - MAY



MONEY SERVICES DEBIT GROWTH BY GENERATION - MAY 2023

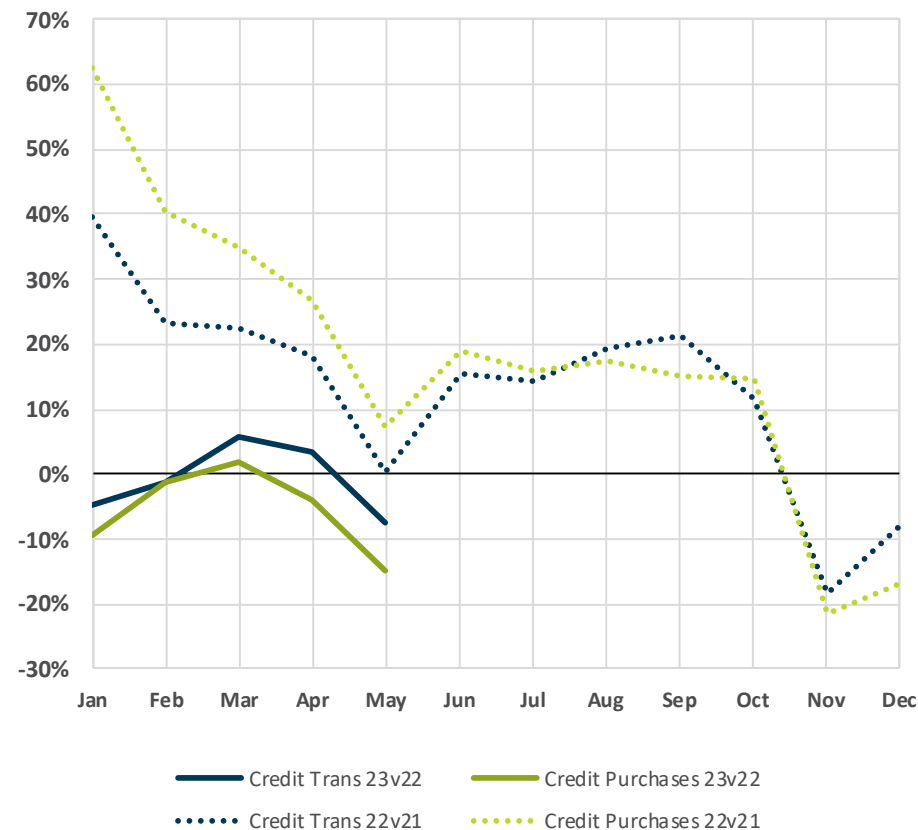


MONEY SERVICES – CREDIT

Money Services on credit cards represented a very small portion of overall credit card activity, as many of the peer-to-peer transaction facilitators intentionally discourage the use of credit. Use cases for Money Services credit include cash advances, casinos, iPhone financing with Citizens Bank and crypto-related activity. Additionally, credit growth in this sector has seen a notable decline from the peaks of early 2022. For May, credit purchases in Money Services finished down 15% and credit transactions were down 7% compared to 2022. It is important to note the substantial drop in growth for this sector on credit cards in the November 2022 timeframe, which roughly aligns with the [fallout of the FTX cryptocurrency exchange](#). Again, the purchasing activity in this sector was small, at just 0.7% of overall credit purchases in May 2023.



MONEY SERVICES GROWTH – CREDIT



YEAR-OVER-YEAR GROWTH IN MONEY SERVICES SECTOR CREDIT – MAY

	Credit	
	Transactions	Purchases
2023 v 2022	-7%	-15%
2022 v 2021	0%	7%

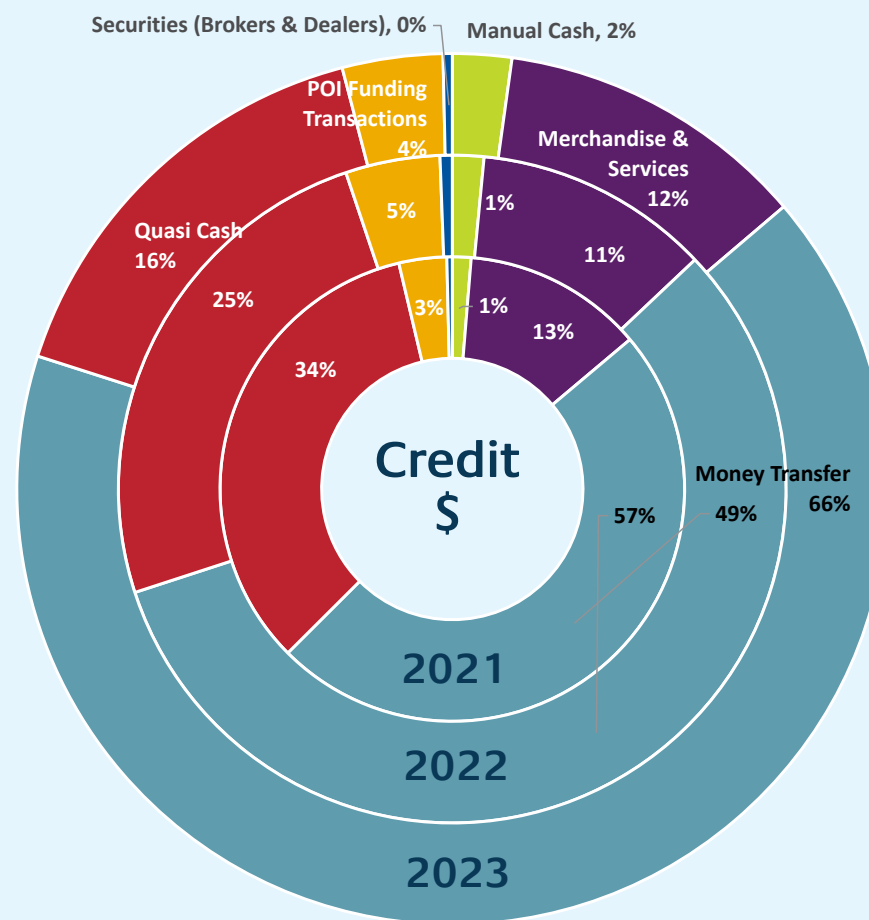
Within Money Services, there are three subcategories that make up the vast majority of purchasing activity or 94% of credit purchases. The largest is Money Transfer, which represented 66% of all Money Services sector credit purchases in May. Merchants on the credit side include: EVI, Cash App, Western Union, Venmo, PayPal and crypto.com. (EVI is a payment solution associated with many local resorts and casinos.)

The second largest merchant category in the sector by purchases is Merchandise and Services (Financial Institution). For May, this included 12% of all credit purchases within the Money Services sector. For credit purchases, top merchants are made up of credit unions and community banks, as well as purchases of iPhones through Citizens Bank.

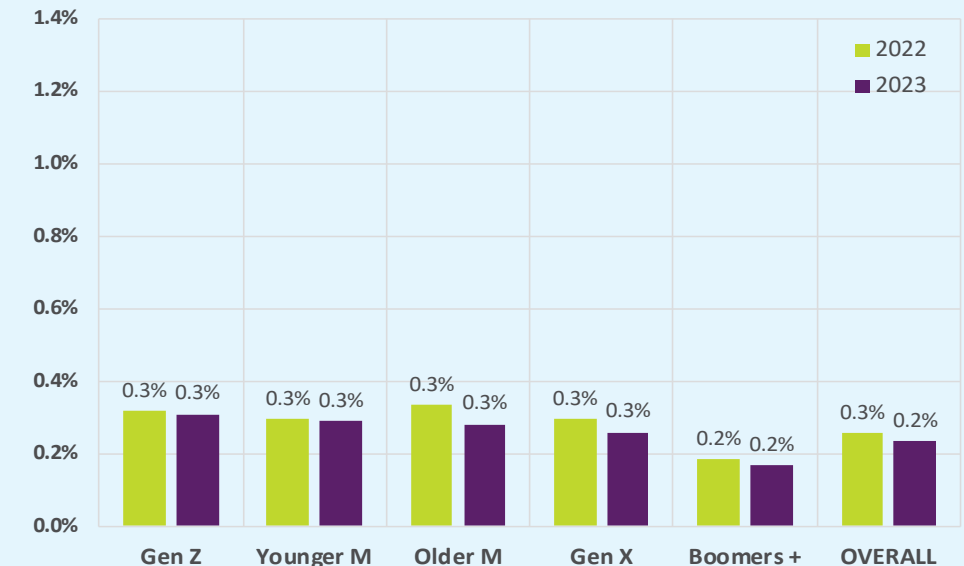
The third largest merchant category in the Money Services sector by purchases is Quasi Cash. For May, this comprised 16% of all credit purchases within the Money Services sector. Top merchants for credit purchases include crypto.com and EVI.

DEEP DIVE: MONEY SERVICES

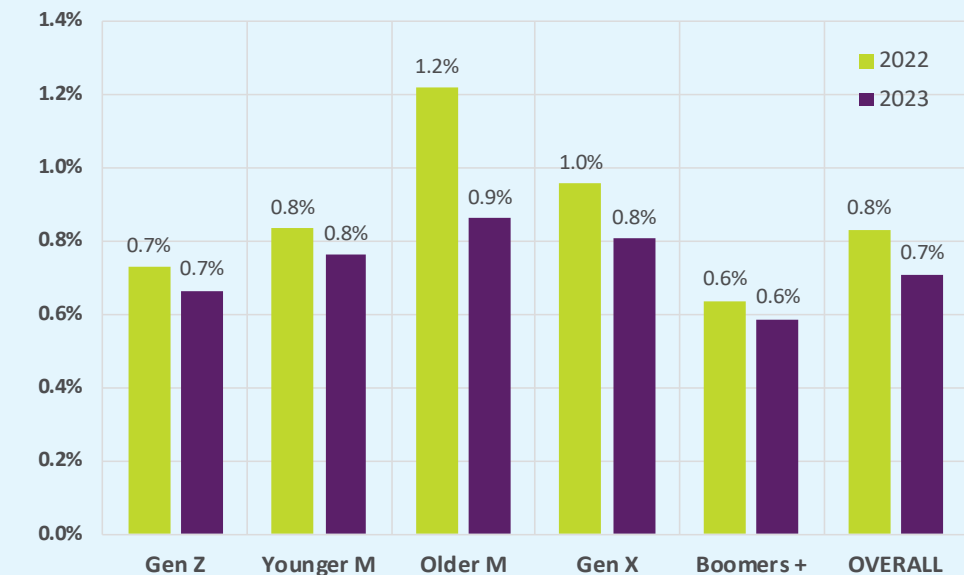
% OF CREDIT PURCHASES WITHIN MONEY SERVICES SECTOR BY MERCHANT CATEGORY



% OF CREDIT TRANSACTIONS IN MONEY SERVICES BY GENERATION

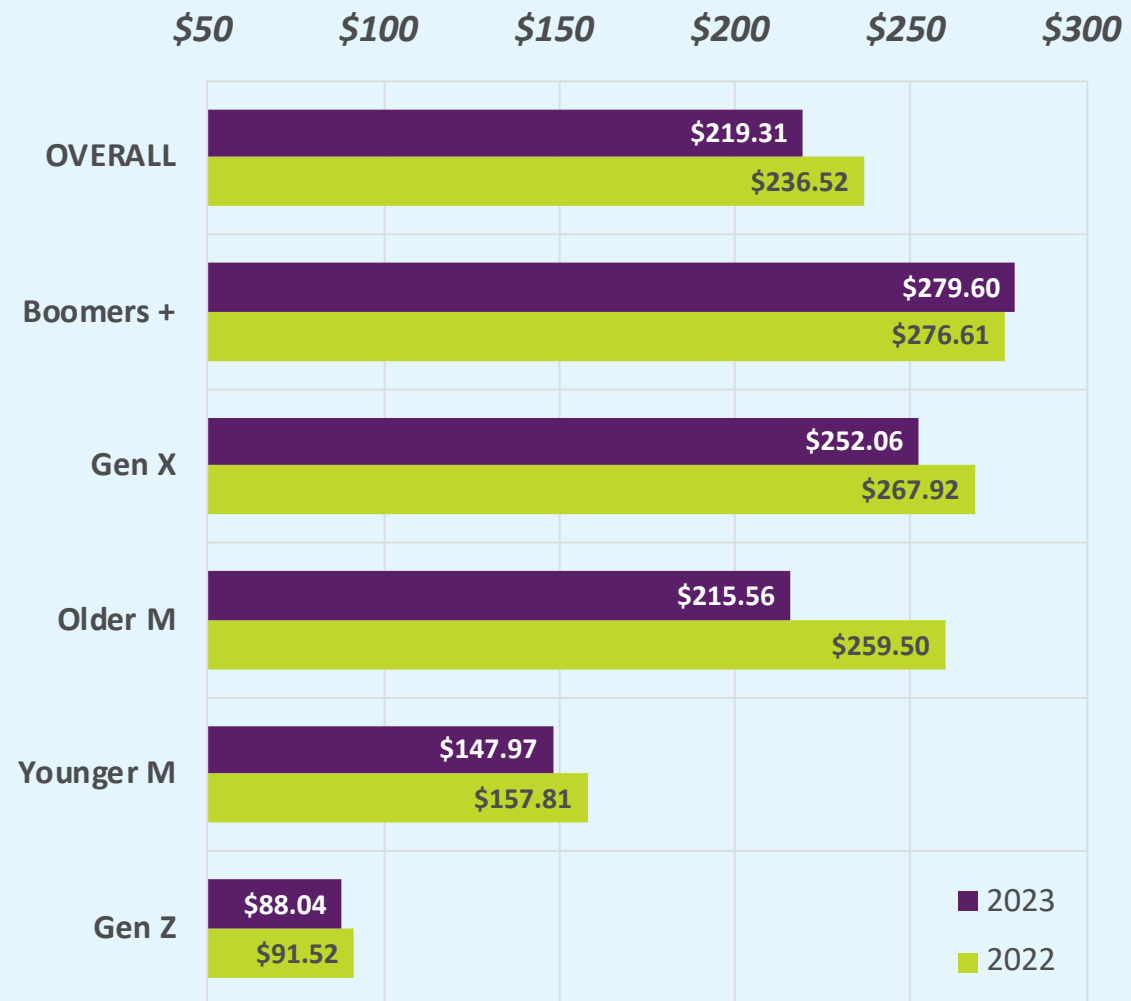


% OF CREDIT PURCHASES IN MONEY SERVICES BY GENERATION

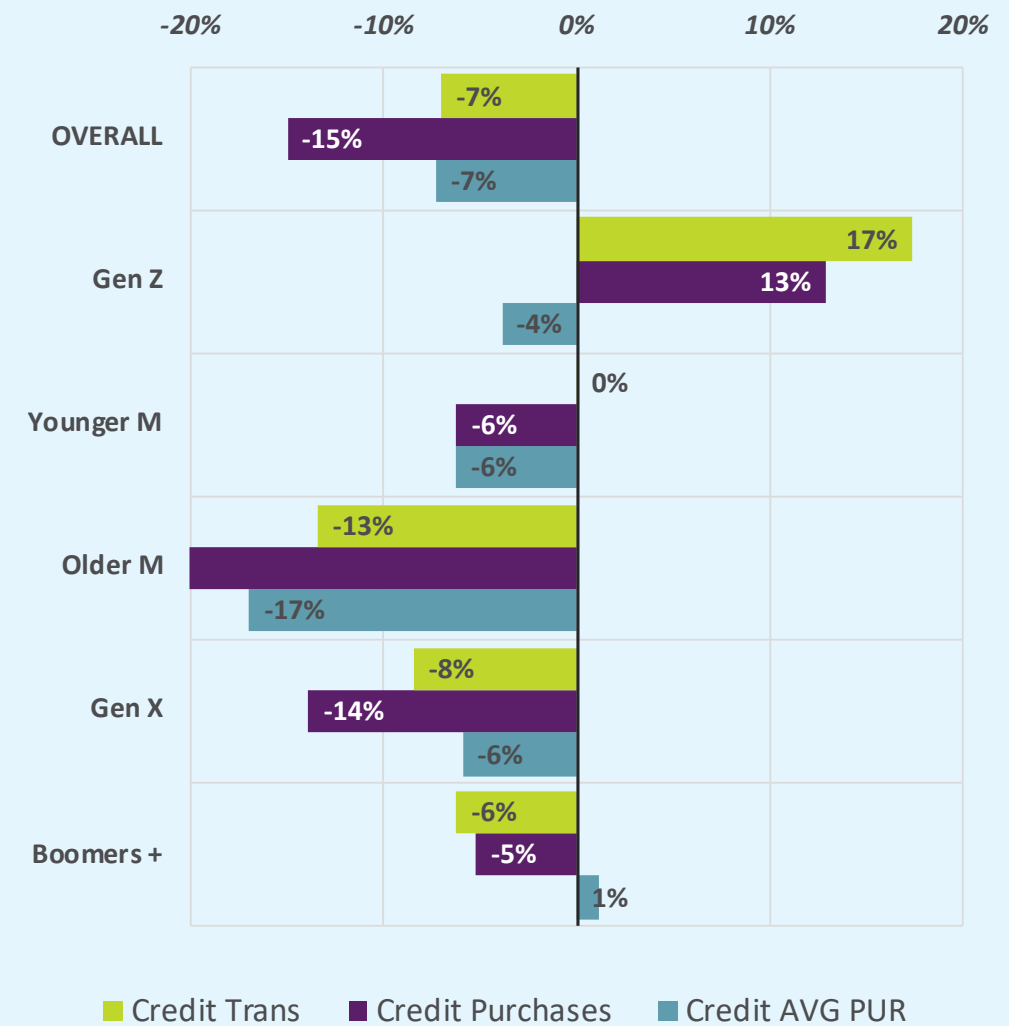


DEEP DIVE: MONEY SERVICES

MONEY SERVICES AVERAGE CREDIT PURCHASE BY GENERATION



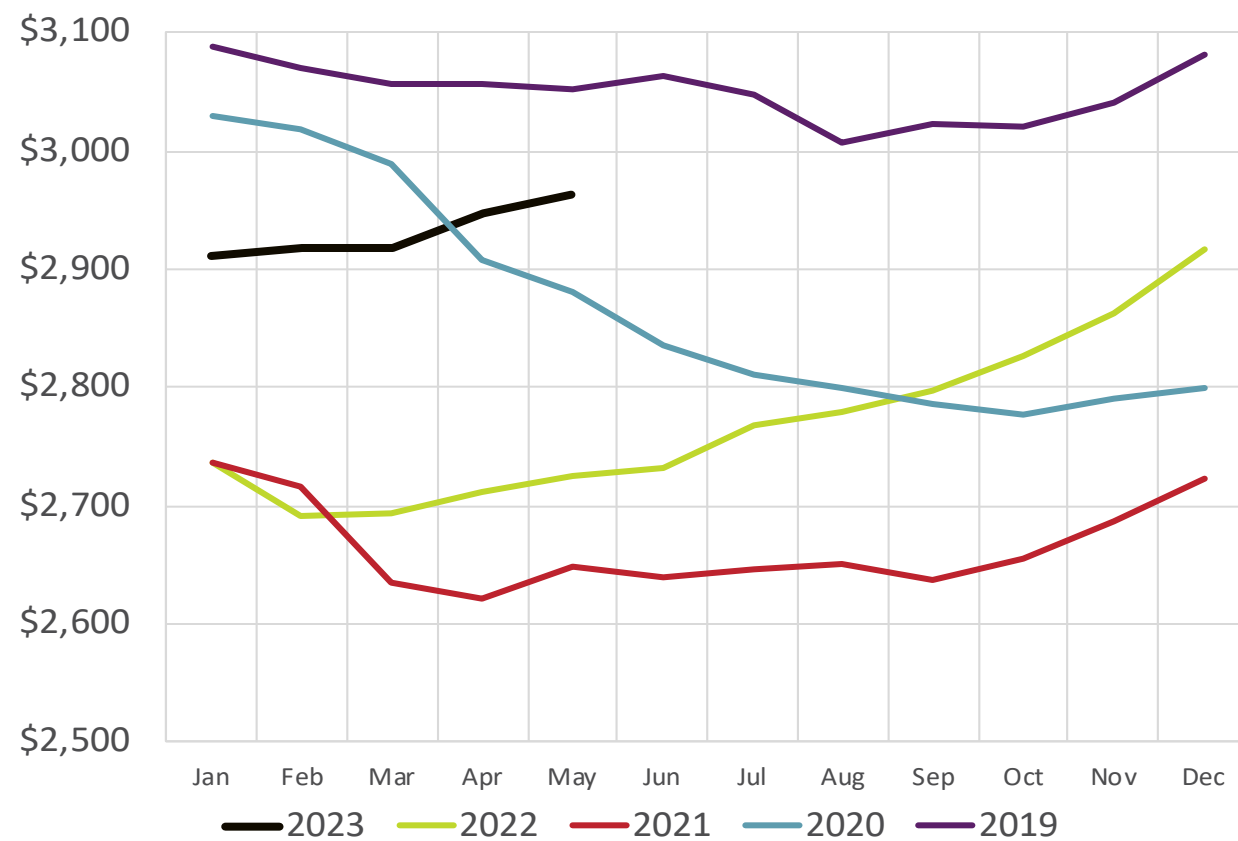
MONEY SERVICES CREDIT GROWTH BY GENERATION



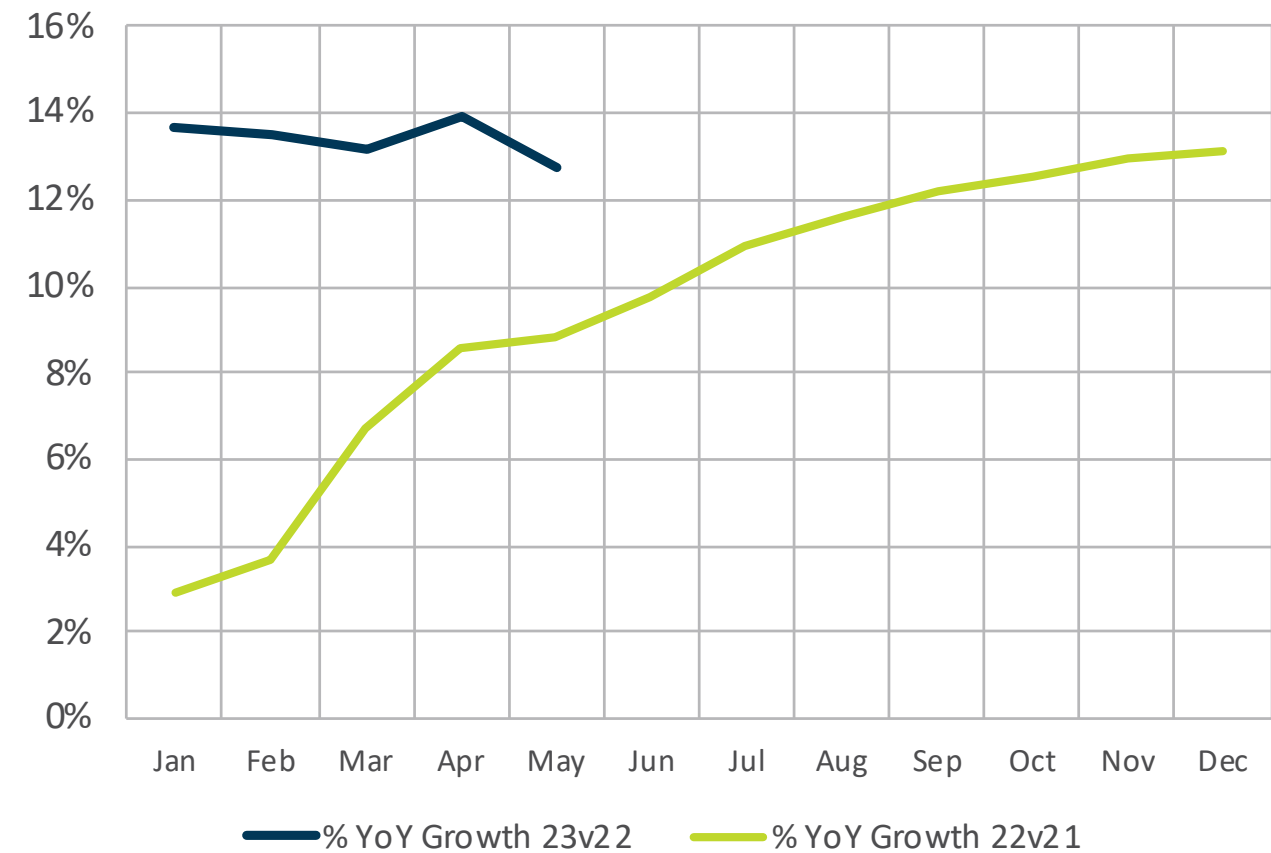
CREDIT CARD BALANCES

After increasing to 14% in April, growth in total credit card balances moderated to 12.7% in May, the lowest growth rate to date for 2023. Among gross active accounts, the average credit card account balance increased month over month, up \$16 from the April 2023 average to \$2,962. Year-over-year growth in average credit card balances measured 8.7%, or \$238.

AVERAGE CREDIT CARD BALANCES PER GROSS ACTIVE ACCOUNT



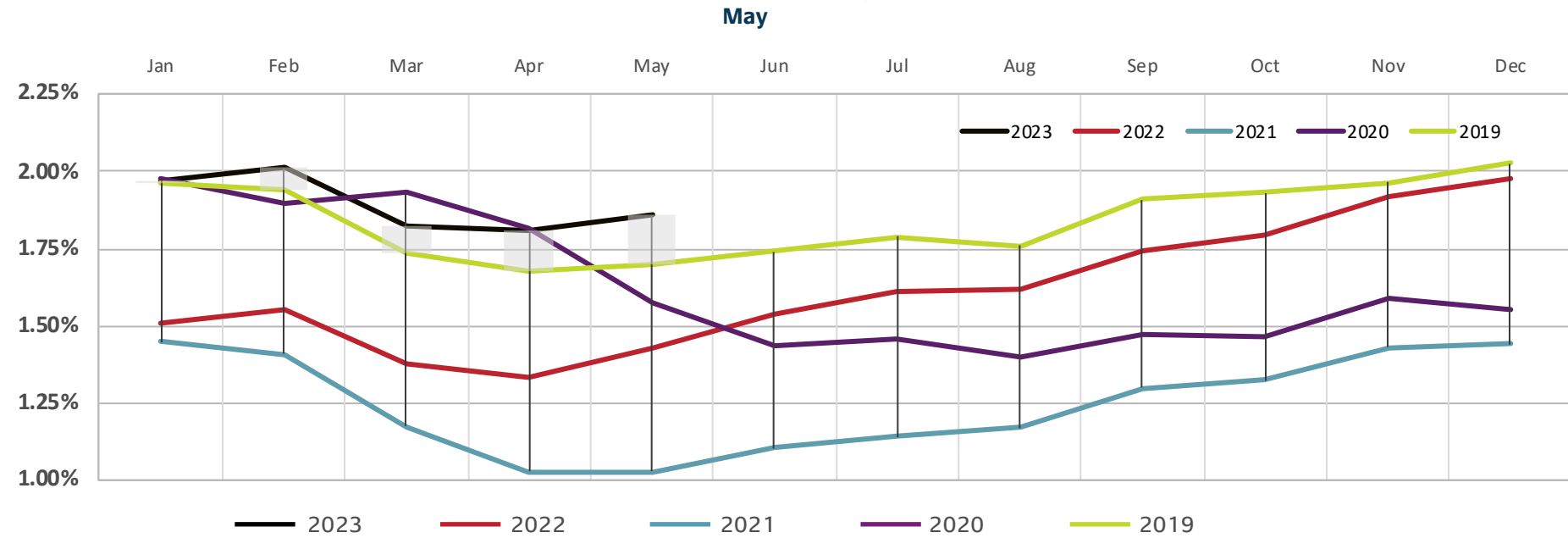
PERCENTAGE CHANGE IN TOTAL CREDIT CARD BALANCES



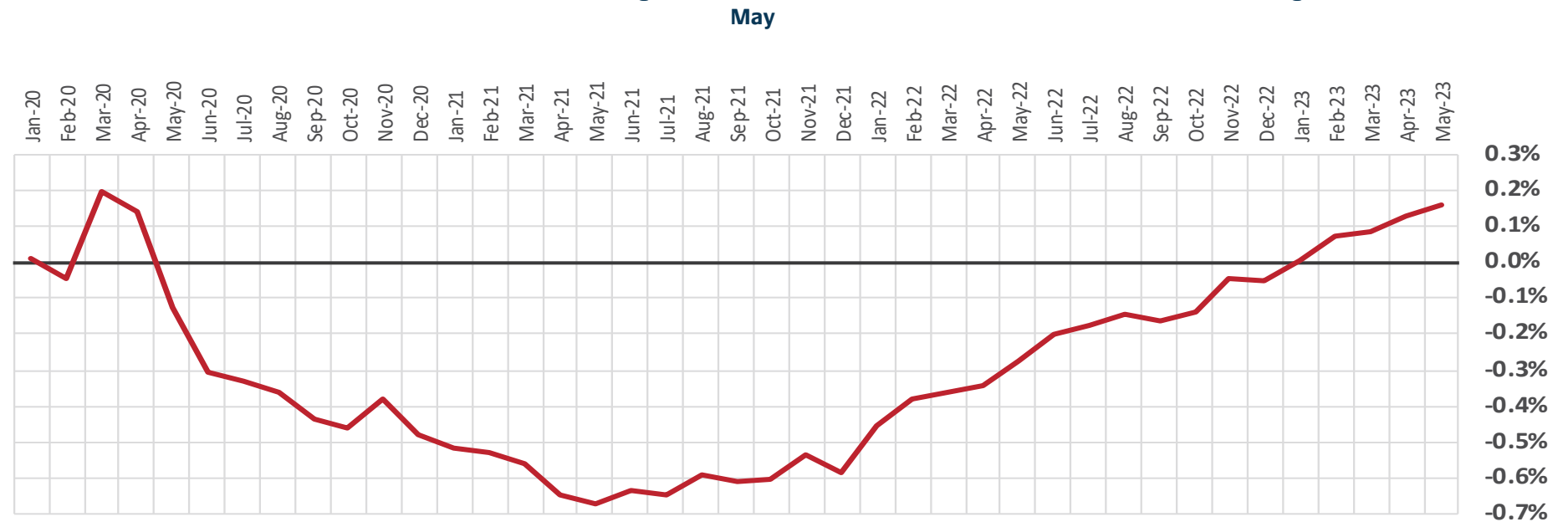
CREDIT CARD DELINQUENCIES

In May 2023, the credit card delinquency rate measured 1.86%, which was 0.05% higher than the previous month's measure. Compared to a year ago, the percent of balances delinquent increased 43 basis points, up from 1.43%. Relative to the May 2019 pre-pandemic level, the delinquency rate was 16 basis points higher.

OVERALL CREDIT CARD DELINQUENCY RATE



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

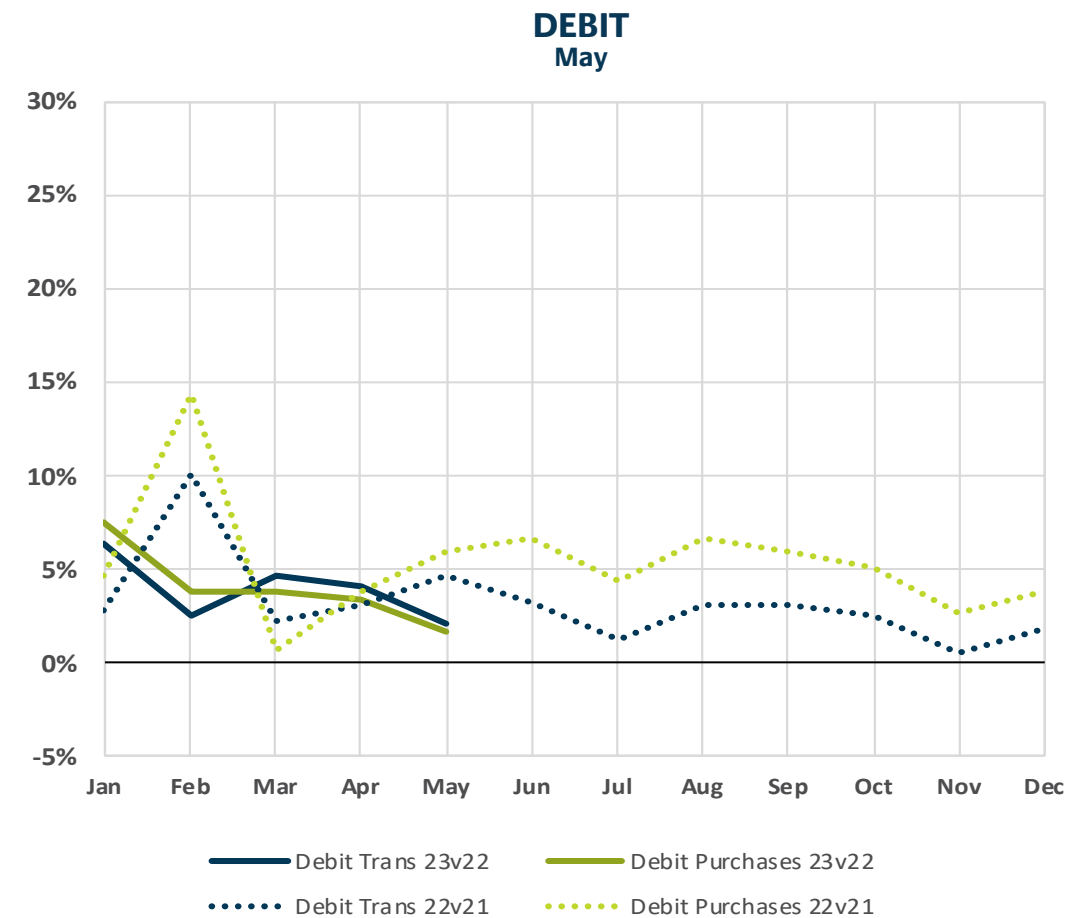
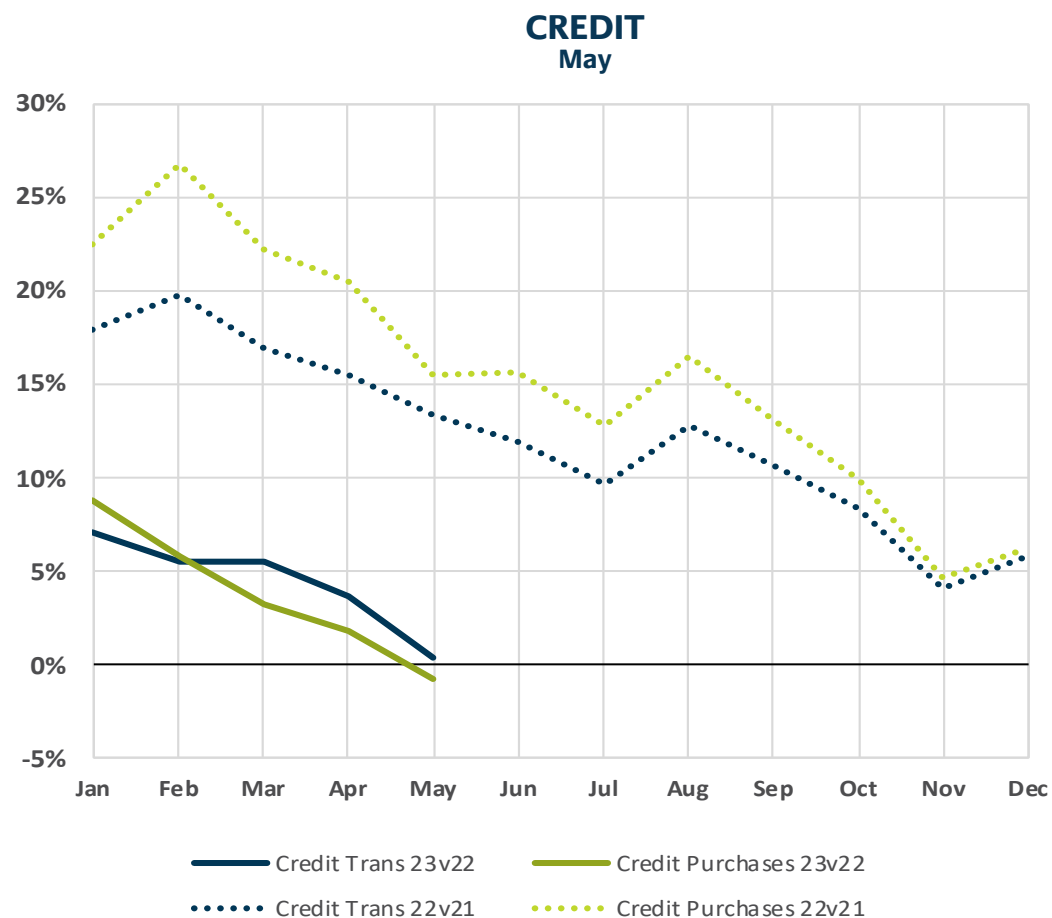


CREDIT AND DEBIT CARDS

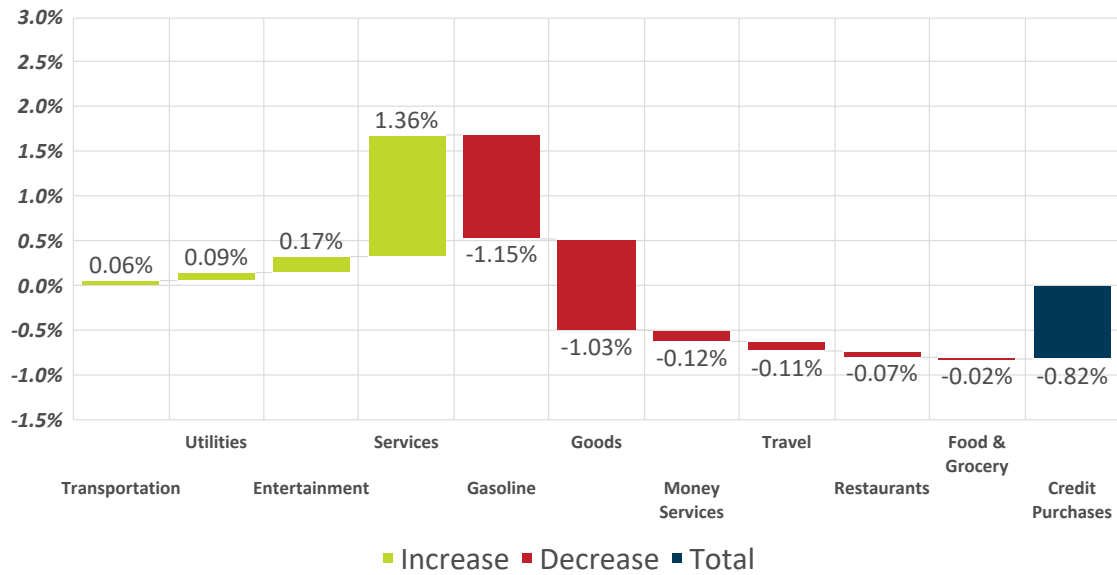
Consumer card spending was sluggish in May 2023. Credit purchases declined 0.8% year over year while transactions were only up 0.4%. For debit activity, growth rates were positive, with 1.6% for purchases and 2.1% for transactions, but at the lowest levels for 2023.

For credit purchases, the sector with the largest positive growth was Services, which was up 1.36%. Entertainment, Utilities and Transportation were all positive as the year-over-year growth numbers continue to flatten. Gasoline and Goods had the largest drop in year-over-year growth, driving credit purchases down by 1.15% and 1.03% respectively in May. For the growth in debit purchases, the sectors with the largest positive growth included Services up 1.1% and Money Services up 0.9%. Gasoline again had the largest drop in year-over-year growth, impacting debit purchases negatively by 1.3% in May.

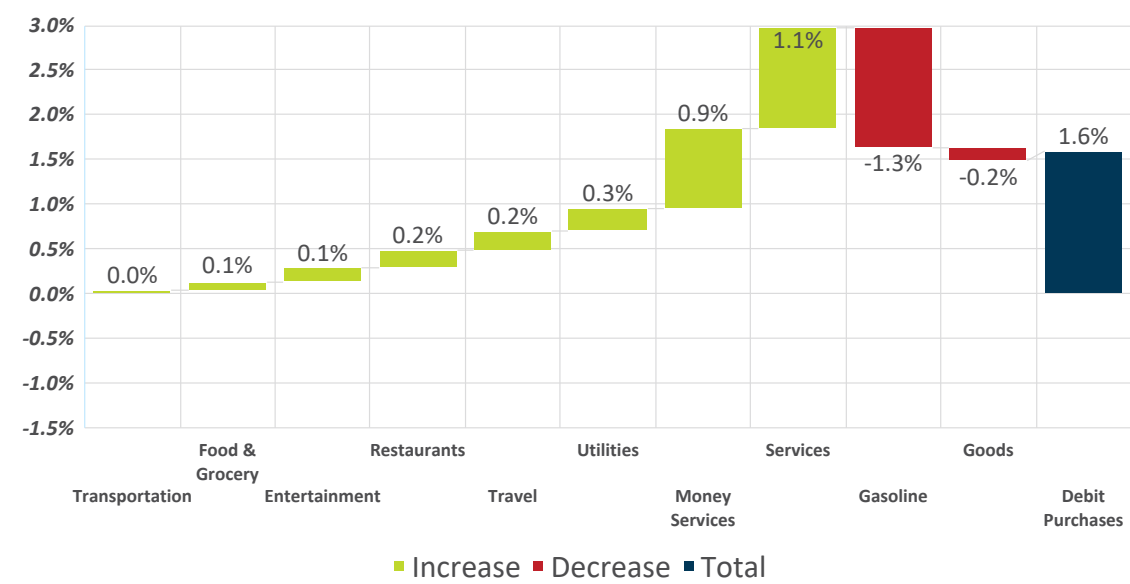
	Credit		Debit	
	Transactions	Purchases	Transactions	Purchases
2023 v 2022	0.4%	-0.8%	2.1%	1.6%
2022 v 2021	13.3%	15.5%	4.7%	6.0%



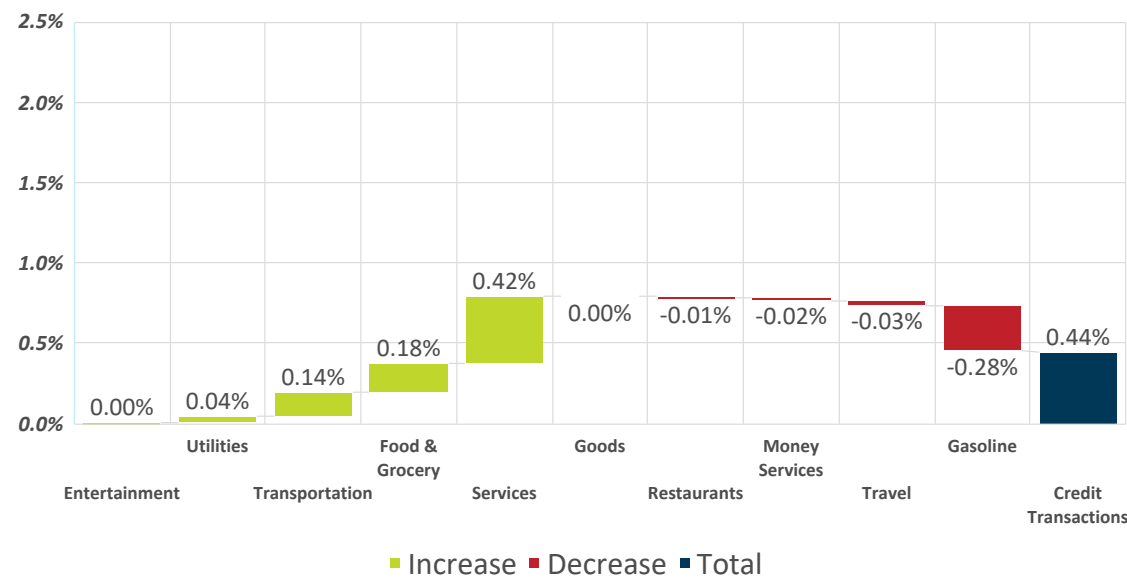
SECTOR CONTRIBUTIONS TO GROWTH IN CREDIT PURCHASES – MAY



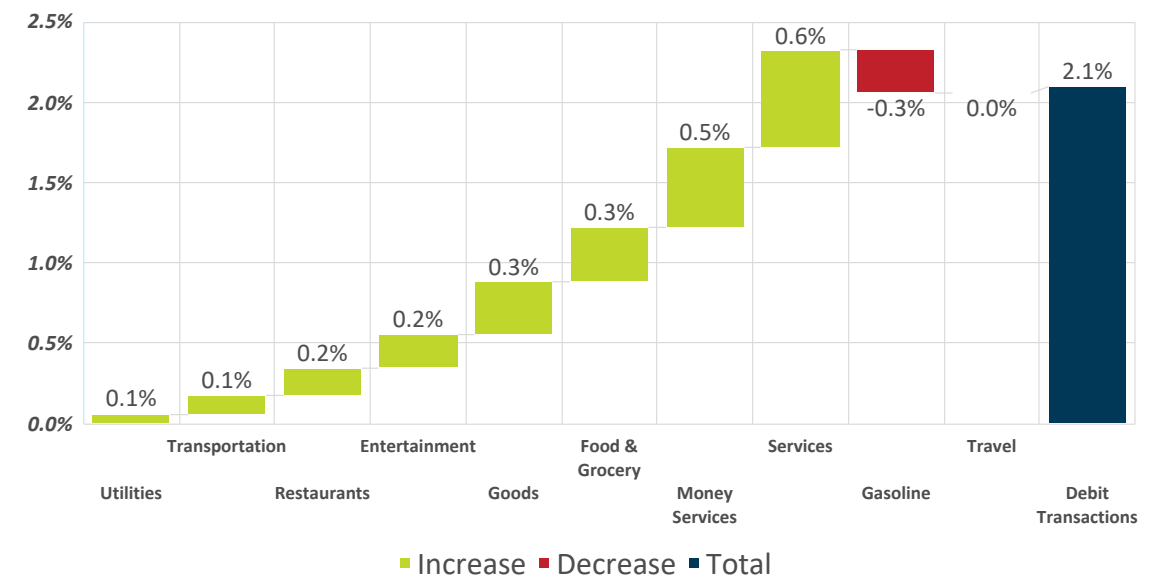
SECTOR CONTRIBUTIONS TO GROWTH IN DEBIT PURCHASES – MAY



SECTOR CONTRIBUTIONS TO GROWTH IN CREDIT TRANSACTIONS – MAY



SECTOR CONTRIBUTIONS TO GROWTH IN DEBIT TRANSACTIONS – MAY



DISCRETIONARY AND NON-DISCRETIONARY ACTIVITY

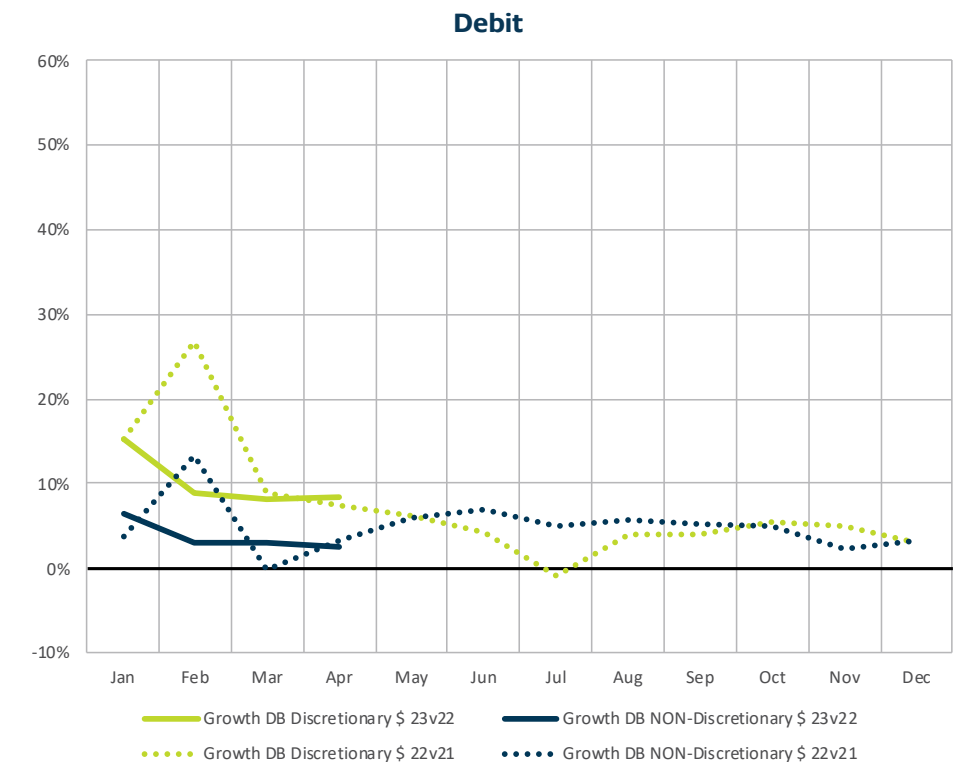
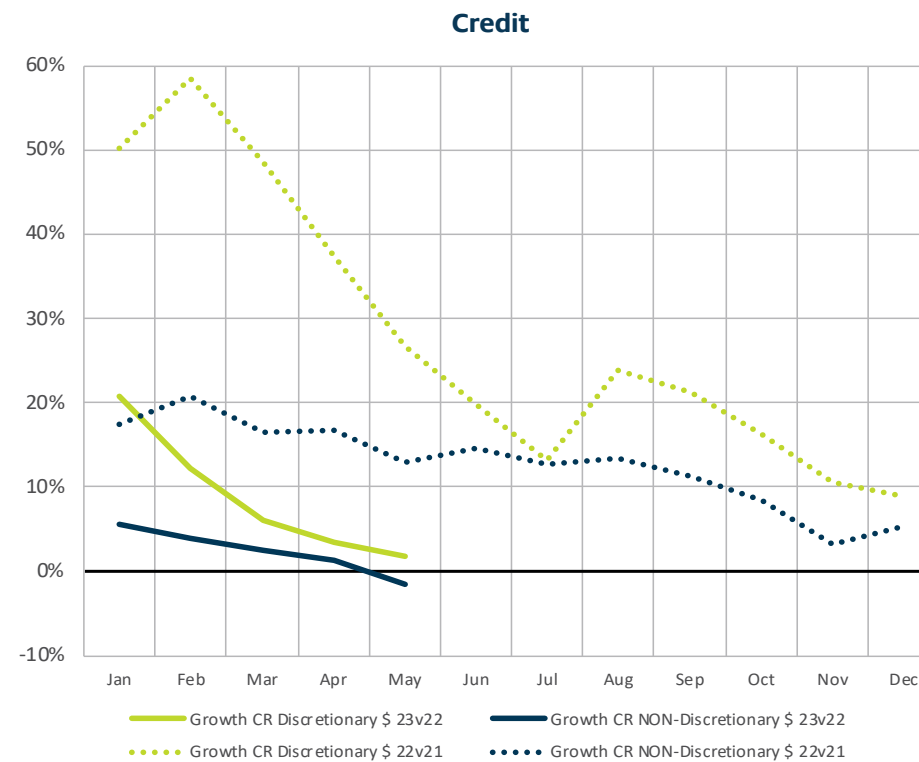
The grouping of expenses into discretionary and non-discretionary spend provides additional insight in understanding consumer payment activity within a volatile economic climate. Discretionary activity consists of most/all of the merchant categories within the Entertainment and Travel sectors and just 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.

The difference in the discretionary spend and transaction growth between debit and credit further increased in May 2023. Both discretionary transactions and purchases for debit increased 9% year over year, compared to 1% and 2%, respectively, for credit.

DISCRETIONARY AND NON-DISCRETIONARY – MAY 2023

	% of Overall Purchases	Credit YoY Growth		Average Purchase	% of Overall Purchases	Debit YoY Growth		Average Purchase
		Transactions	Purchases			Transactions	Purchases	
Discretionary	21%	1%	2%	\$171	12%	9%	9%	\$89
Non-Discretionary	79%	0%	-2%	\$63	88%	1%	1%	\$43

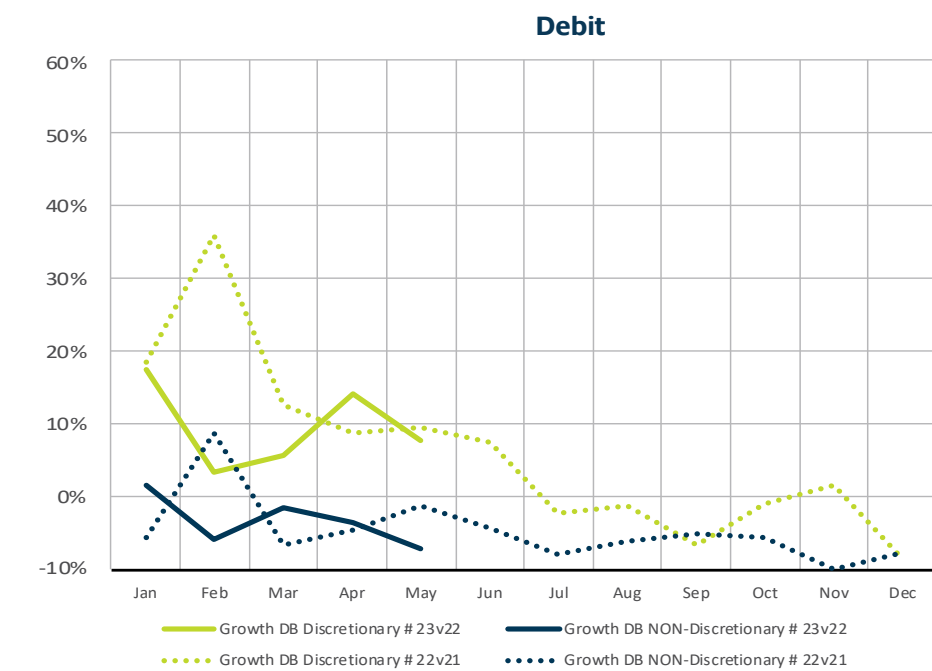
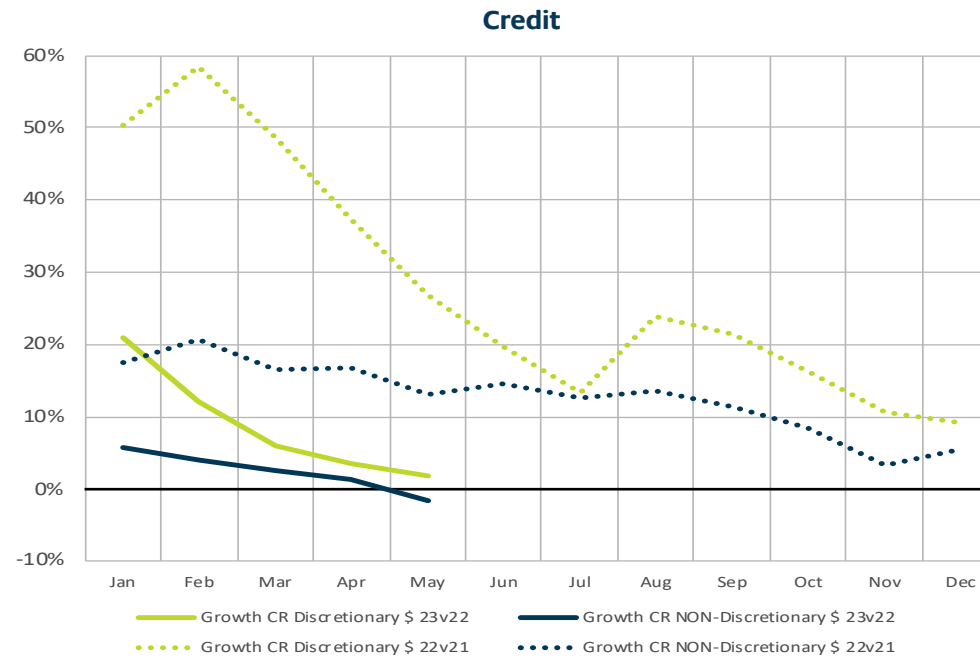
GROWTH IN DISCRETIONARY/NON-DISCRETIONARY OVERALL PURCHASES



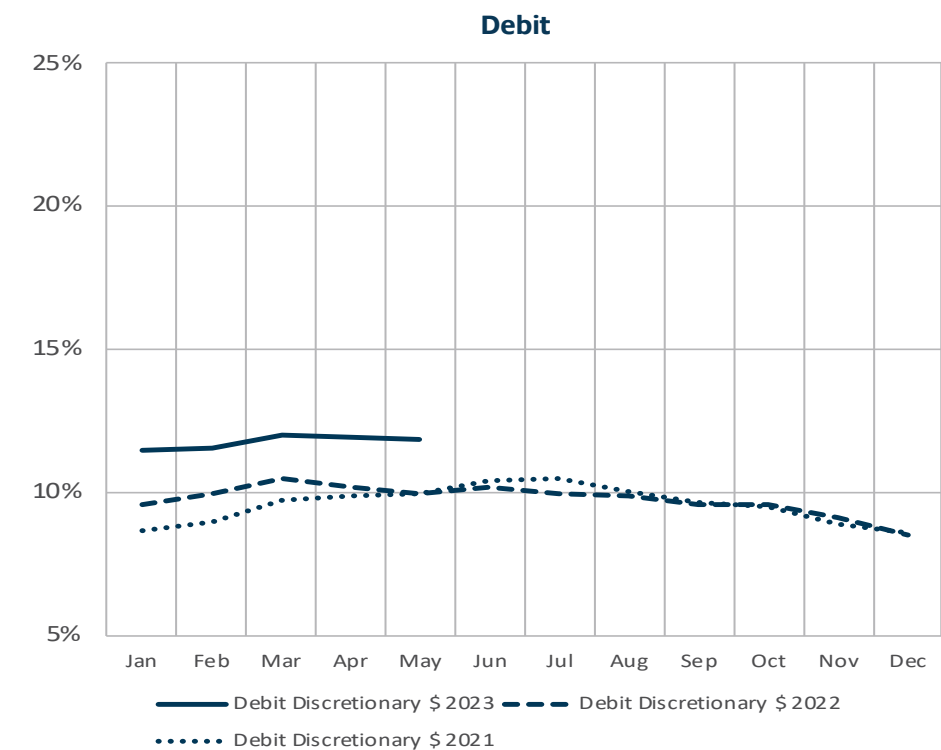
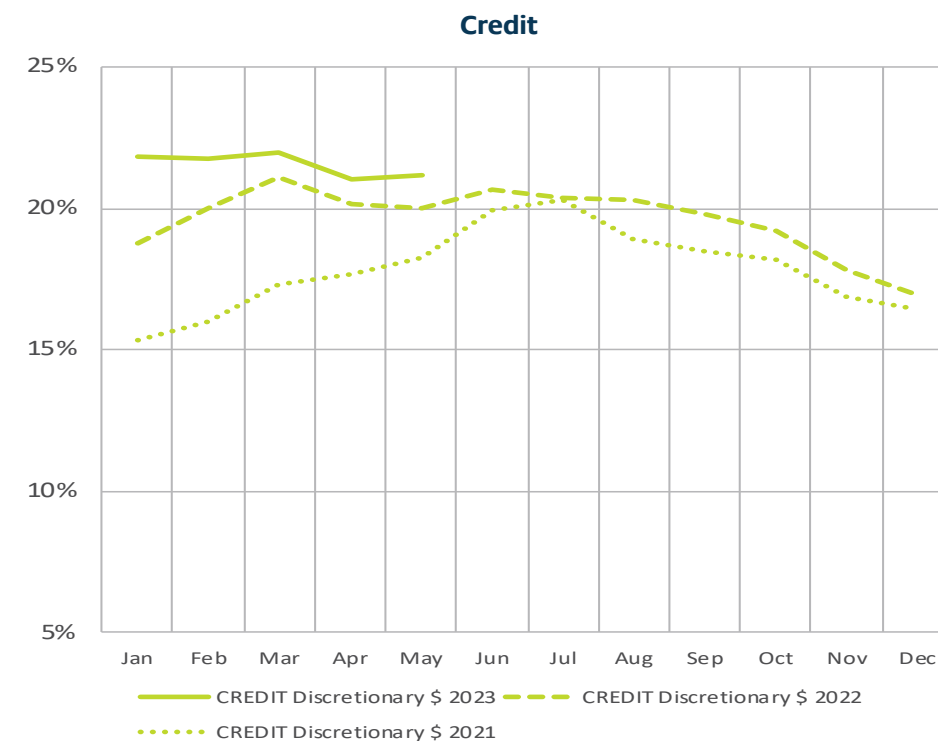
Non-discretionary credit and debit growth rates in May were at their lowest levels. Credit non-discretionary purchases were down 2% and transactions remained unchanged year over year, while debit transactions and purchases were up 1%.

The distribution of discretionary to non-discretionary transactions and purchases has remained relatively unchanged for both credit and debit for 2023 compared to 2022.

GROWTH IN DISCRETIONARY/NON-DISCRETIONARY OVERALL PURCHASES




GROWTH IN DISCRETIONARY/NON-DISCRETIONARY OVERALL TRANSACTIONS




SECTORS/MERCHANT CATEGORIES

May 2023 sector growth mirrored consumers' indications of reduced spending in discretionary categories. The recent leading growth sectors of Entertainment, Restaurants, Travel and Transportation dipped in May for both purchases and transactions. Travel and Restaurant credit purchases were down 1% and, while the Transportation and Entertainment sectors were among the top for growth in credit purchases, the measures were considerably lower than in previous months. For debit purchases, the Restaurant and Food & Grocery sectors dropped from rates of 8% and 5%, respectively, in April to 2% and 1% for May. Additionally, the Goods sector continued to contract, with credit and debit purchases down 3% and 1%, respectively. Conversely, the Services sector was one of the top performers in May for both credit and debit purchases and transactions, with heightened levels of growth particularly for debit. Consumer activity is showing signs of a [“Discretionary Recession”](#) with year-over-year growth in the Services sector and pullback in Goods.




ENTERTAINMENT
May 2023 V 2022

	Credit	Debit
YoY Purchases	4%	4%
YoY Transactions	0%	5%



FOOD & GROCERIES
May 2023 V 2022

	Credit	Debit
YoY Purchases	0%	1%
YoY Transactions	1%	2%




GASOLINE
May 2023 V 2022

	Credit	Debit
YoY Purchases	-18%	-14%
YoY Transactions	-2%	-2%




GOODS
May 2023 V 2022

	Credit	Debit
YoY Purchases	-3%	-1%
YoY Transactions	0%	1%




MONEY SERVICES
May 2023 V 2022

	Credit	Debit
YoY Purchases	-15%	9%
YoY Transactions	-7%	9%




RESTAURANTS
May 2023 V 2022

	Credit	Debit
YoY Purchases	-1%	2%
YoY Transactions	0%	1%




SERVICES
May 2023 V 2022

	Credit	Debit
YoY Purchases	7%	9%
YoY Transactions	4%	9%



TRANSPORTATION
May 2023 V 2022

	Credit	Debit
YoY Purchases	8%	7%
YoY Transactions	7%	10%




TRAVEL
May 2023 V 2022

	Credit	Debit
YoY Purchases	-1%	6%
YoY Transactions	-1%	0%

The national average price per gallon of gasoline finished at [\\$3.60](#) for the week ending June 12, down 28% (or \$1.41) year over year. On June 5, [Saudi Arabia announced a 10% cut in their daily oil production](#), which is

the equivalent of one million barrels of oil. While this could impact crude prices in the international market, it can be seen as an offset to maintain current prices given that oil production is up for both Russia and the UAE.



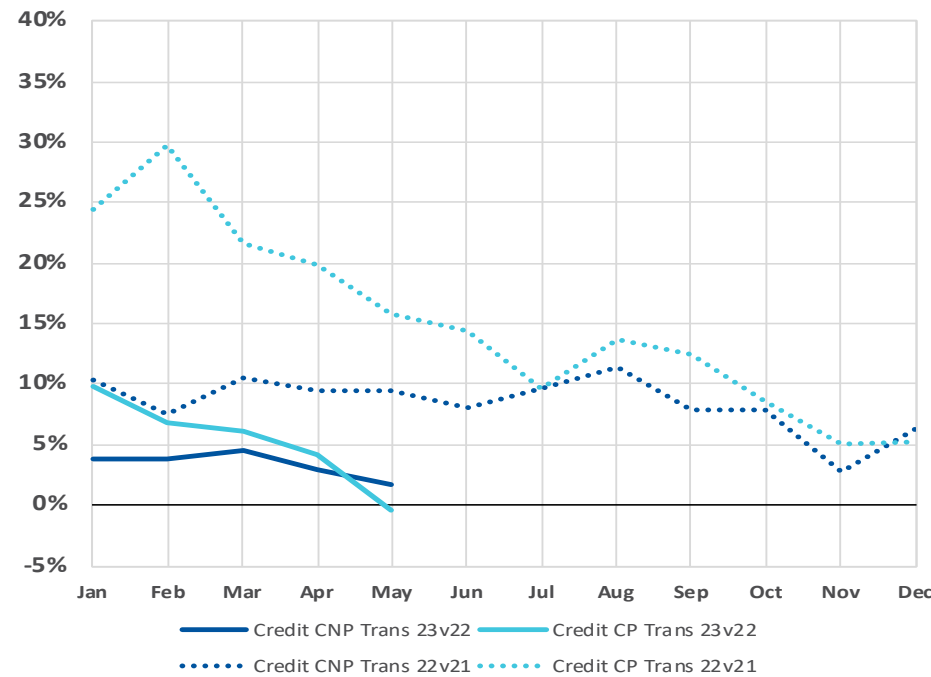
UTILITIES
May 2023 V 2022

	Credit	Debit
YoY Purchases	3%	6%
YoY Transactions	2%	3%

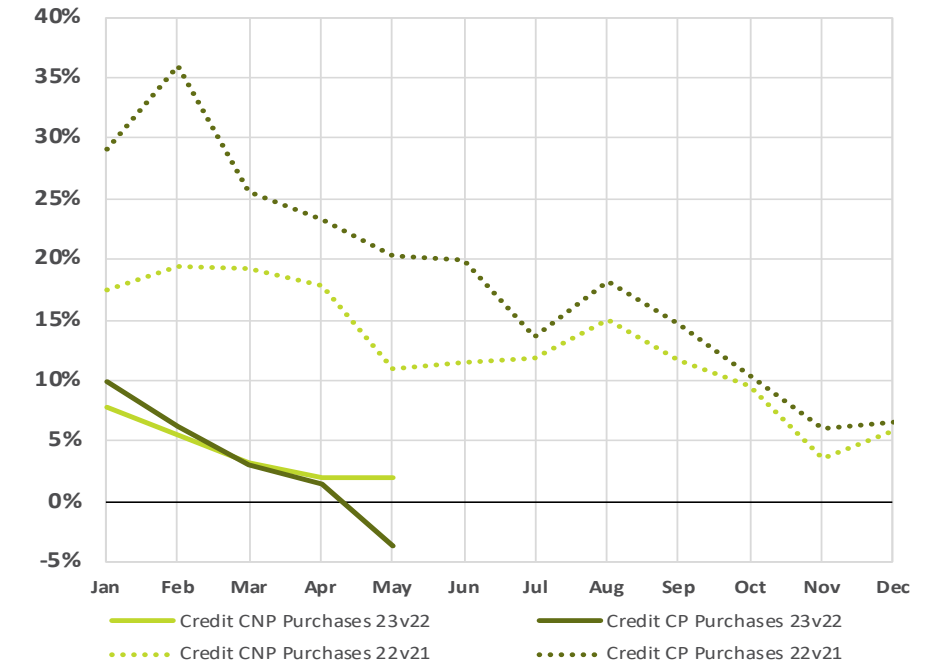
CARD NOT PRESENT (CNP) & CARD PRESENT (CP) ACTIVITY

In May 2023, the growth rate for Card Not Present (CNP) transactions and purchases outperformed that of Card Present (CP) transactions and purchases for both credit and debit. Credit CP purchases were down 4% year over year versus a 2% increase for CNP, while credit CP transactions decreased 0.4% compared to 2% growth for CNP. Debit CP purchases dropped 2% over the previous year while CNP purchases increased 6% and CP debit transaction growth measured 1% versus 5% for CNP.

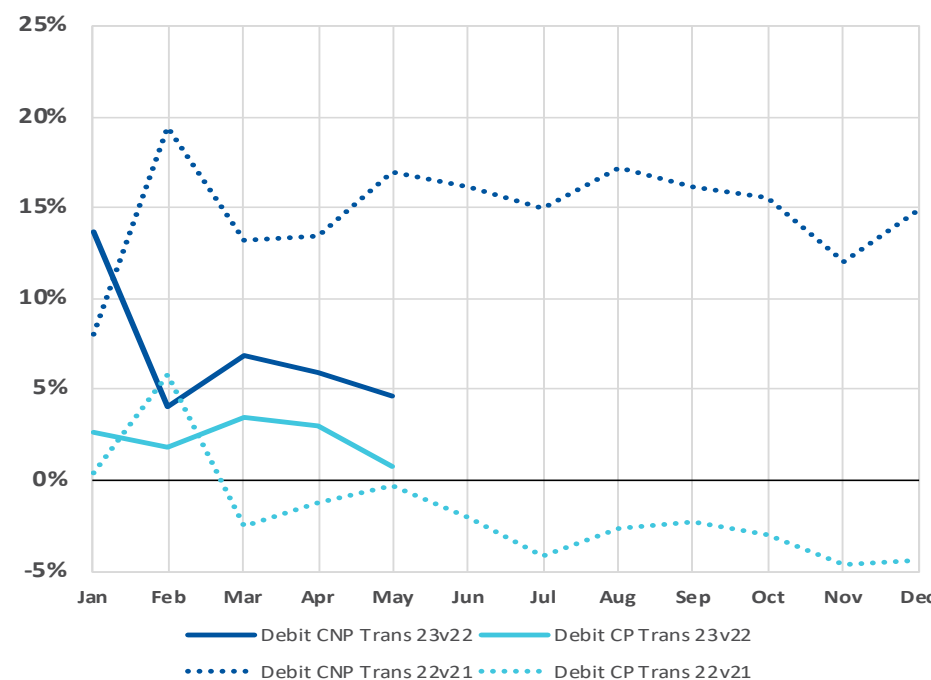
YOY % GROWTH IN CREDIT TRANSACTIONS
May



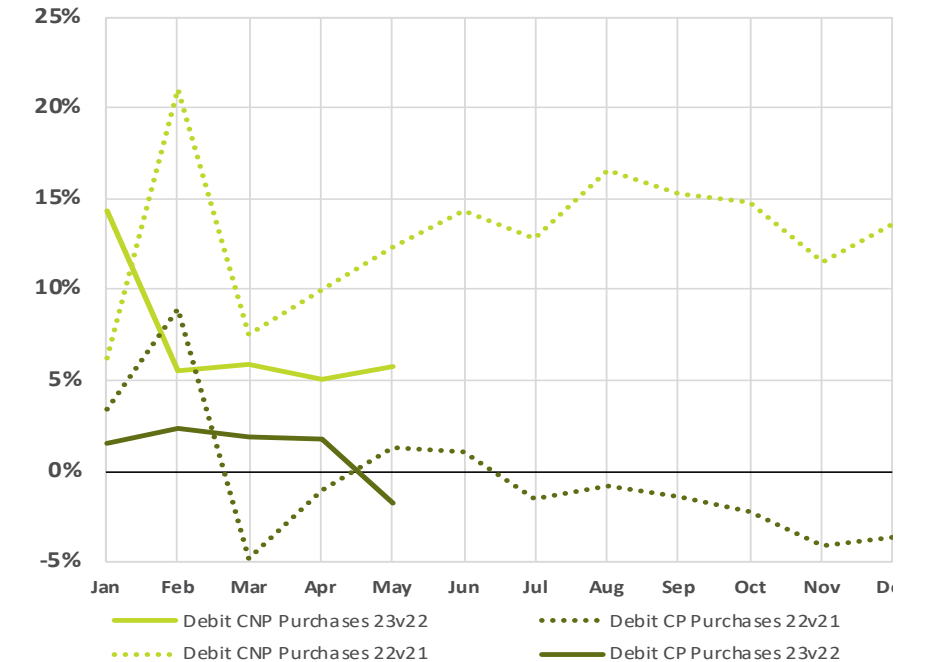
YOY % GROWTH IN CREDIT PURCHASES
May



YOY % GROWTH IN DEBIT TRANSACTIONS
May



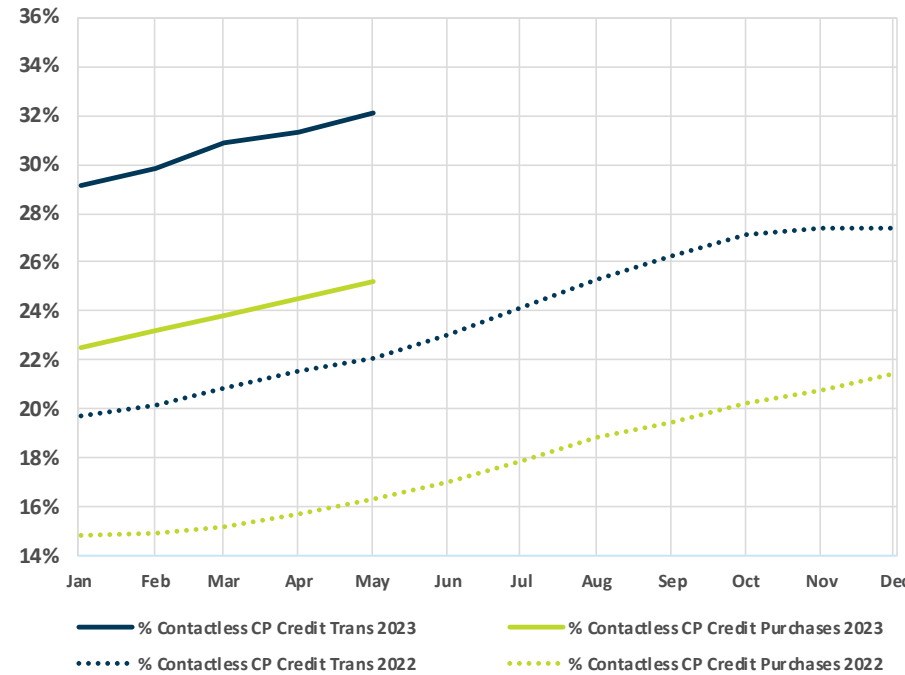
YOY % GROWTH IN DEBIT PURCHASES
May



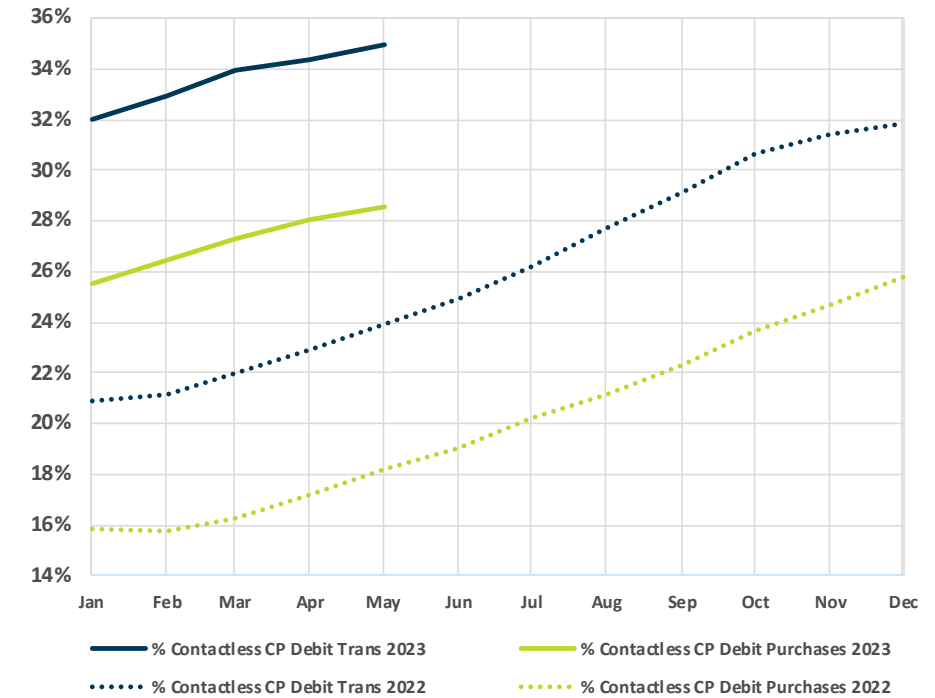
CONTACTLESS TRANSACTIONS

Contactless activity continued to trend higher for both credit and debit, capturing 32% of credit and 35% of debit CP transactions as of May 2023. Consumers' use of contactless tends to correlate to higher engagement and is also accelerating the shift to digital payments by often replacing lower-ticket-size purchases that have traditionally been cash-based. The average purchase for credit and debit contactless transactions remains well below both the overall credit and debit CP averages and overall credit and debit averages.

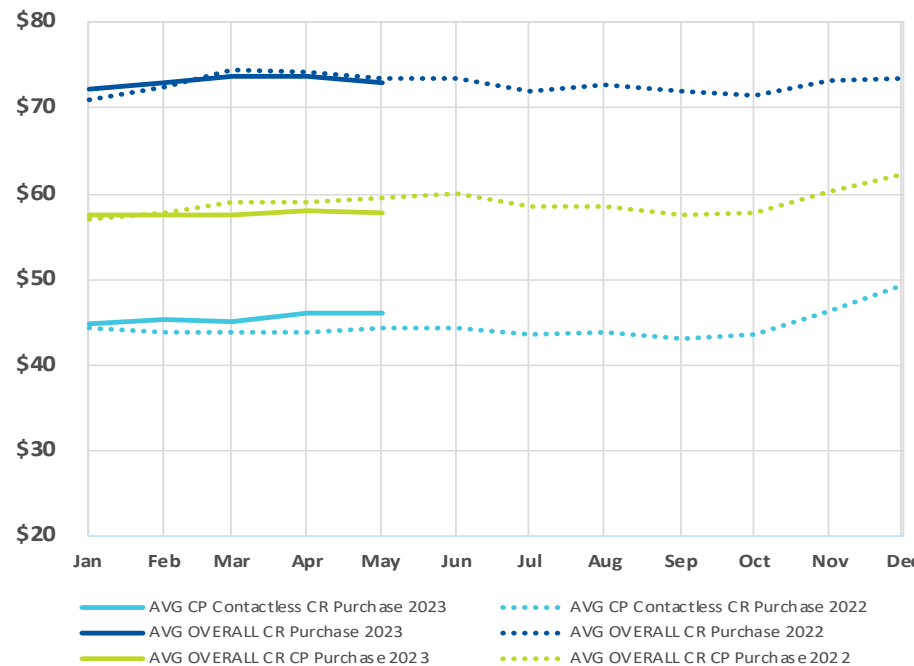
% CONTACTLESS CREDIT ACTIVITY ON CONTACTLESS CARDS
May



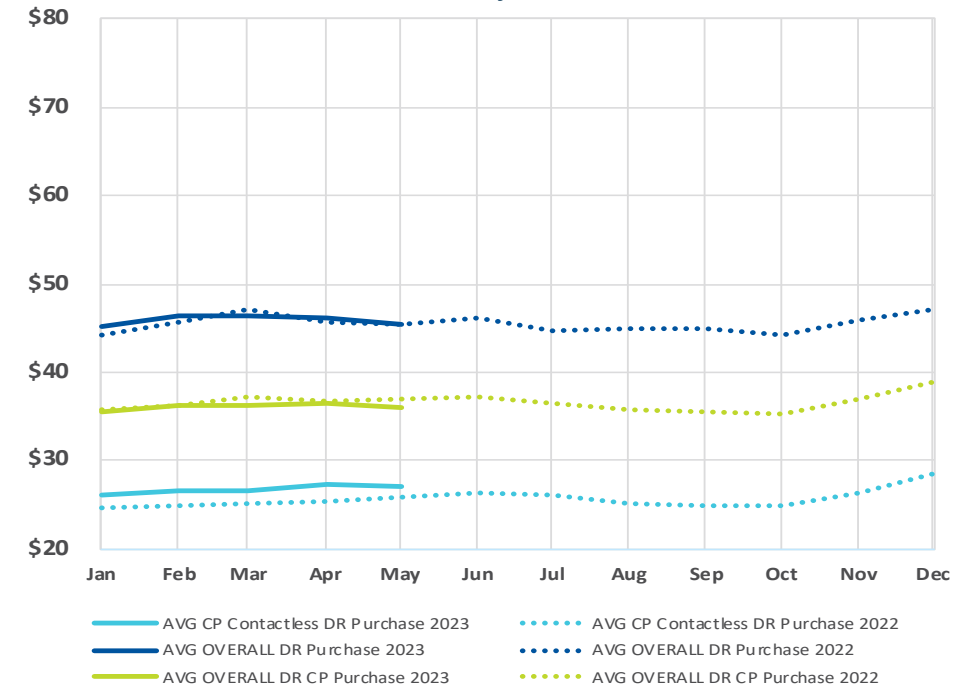
% CONTACTLESS DEBIT ACTIVITY ON CONTACTLESS CARDS
May



CONTACTLESS CREDIT AVERAGE PURCHASE
May



CONTACTLESS DEBIT AVERAGE PURCHASE
May



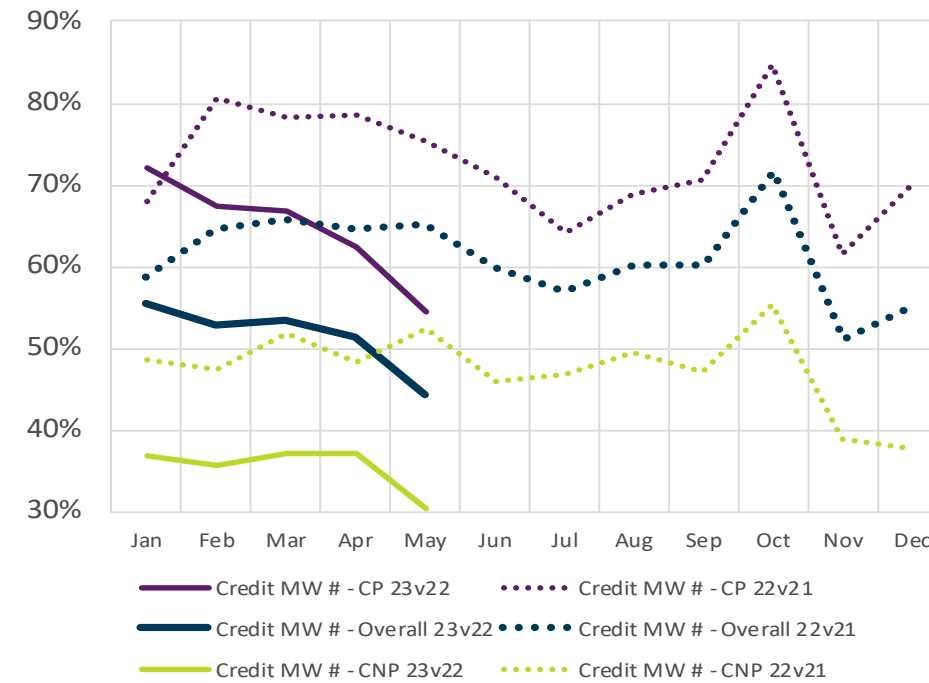
MOBILE WALLETS

In May 2023, the year-over-year overall Mobile Wallet transaction growth (CNP & CP) fell below 50% for both credit and debit, measuring 44% and 48%, respectively. Growth in overall Mobile Wallet purchases was also lower, with credit measuring 46% and debit 51%.

The average Mobile Wallet purchase (for the combined CNP & CP) for both credit and debit increased year over year, up 1% to \$34.24 for credit and 2% to \$27.25 for debit.

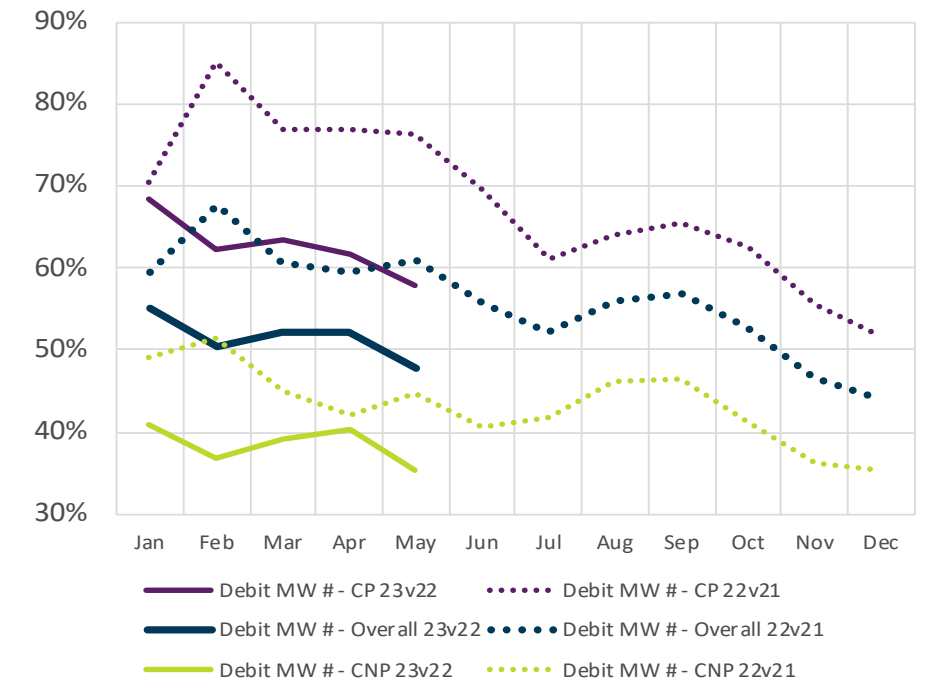
YOY % GROWTH IN MOBILE WALLET CREDIT TRANSACTIONS

May



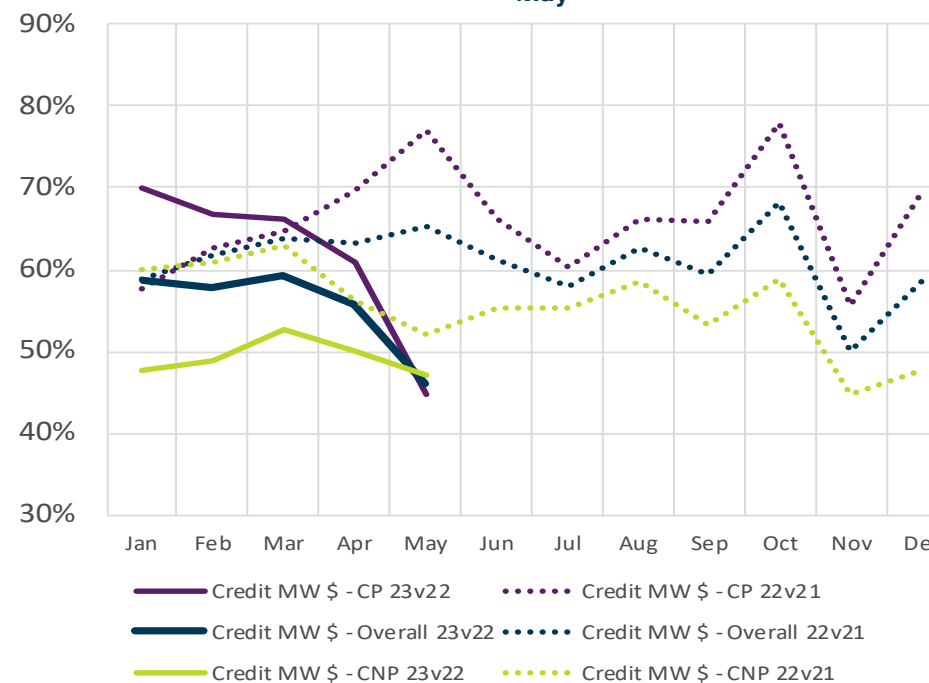
YOY % GROWTH IN MOBILE WALLET DEBIT TRANSACTIONS

May



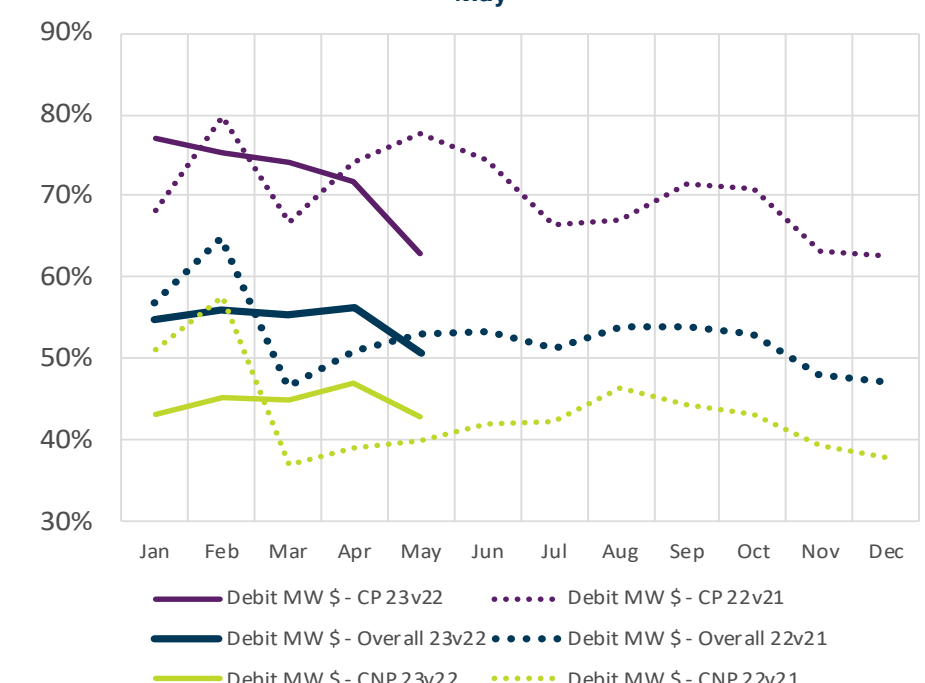
YOY % GROWTH IN MOBILE WALLET CREDIT PURCHASES

May



YOY % GROWTH IN MOBILE WALLET DEBIT PURCHASES

May





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 June edition of the Payments Index represents a total of 2.8 billion transactions valued at \$143 billion of credit and debit card activity from June 2022 through May 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 [pscuh.com](#).