

THE PSCU PAYMENTS INDEX: JULY 2023

While recession fears are abating in the near-term, they will continue to be a concern over the next 12 months. This month's PSCU Payments Index finds improved consumer sentiment and renewed purchasing growth for both credit and debit. In June, credit card purchases rebounded with positive year-over-year growth, while debit card purchases posted similar upward gains. This month's Deep Dive highlights the Services sector, including which of the varied merchant groupings contributed to making this sector the most impactful on the overall growth in purchases for June.

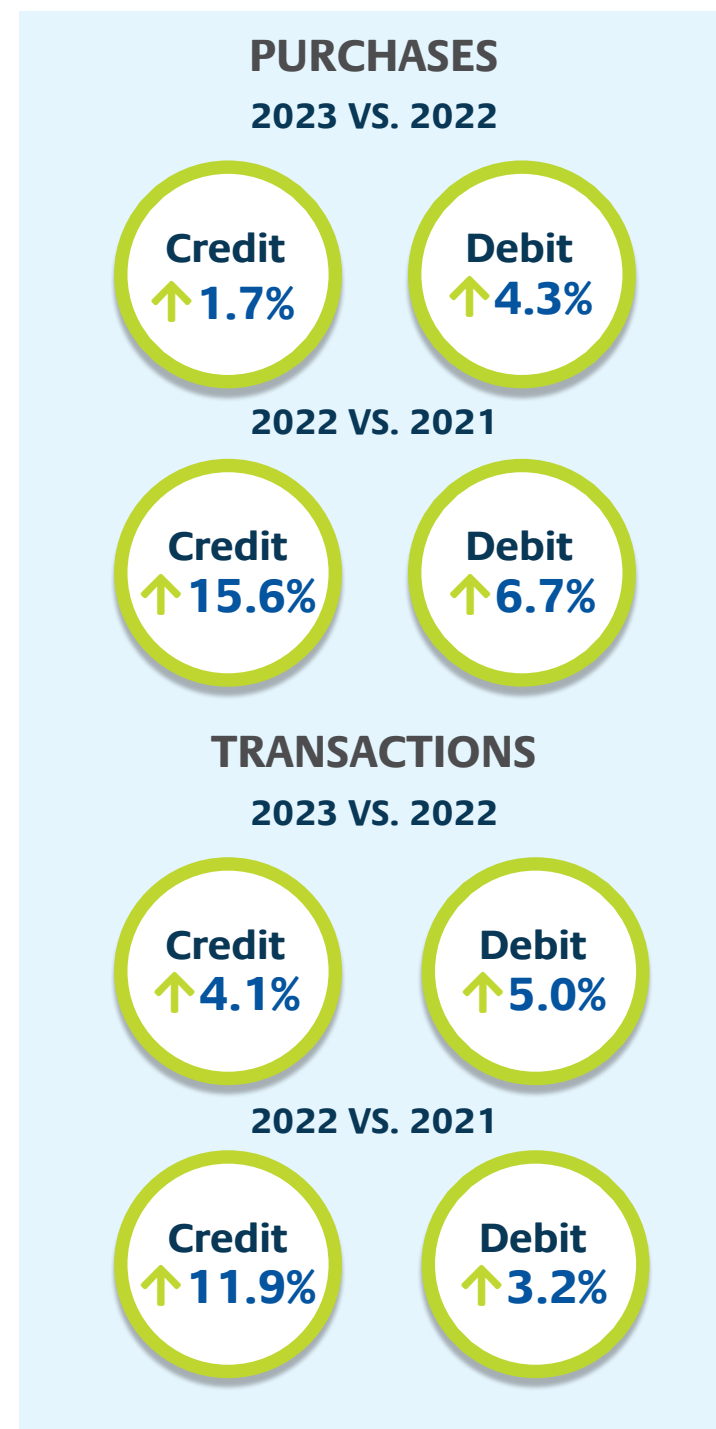
In the Labor Department's July 12 update, the [Consumer Price Index \(CPI\)](#) increased by 0.2% in June. The annual rate of inflation dropped from 4.0% through May to 3.0% through June, the lowest in the past 26 months. While this is the 12th consecutive monthly drop in the annual rate from the peak of 9.1% in June 2022, it remains higher than the Fed's target annual inflation rate of 2.0% and is likely to tick up slightly in August. The largest contributor to inflation continues to be shelter, accounting for over 70% of the annual increase, with contributions from motor vehicle insurance, apparel, recreation and personal care. After falling in May, the energy index (which includes gasoline) increased 0.6% in June.

The [Consumer Confidence Index](#) improved substantially in June to 109.7 (1985=100), up from 102.5 in May. While this is the highest level since January 2022, consumers continue to signal expectations that a recession is on the horizon in the next six to 12 months. Treasury Secretary Janet Yellin [recently commented](#) that a recession is not completely off the table and "we should expect job gains to be coming down to more normal levels." The Bureau of Labor Statistics (BLS) [reported](#) in its June 2023 jobs report that 209,000 jobs were added for the month (nearly 100,000 fewer than the revised May figures), with increased jobs in government, health care, social assistance and construction. The overall unemployment rate, remaining low, decreased to 3.6%, or six million people for June. With inflation still above the Fed target rate of 2%, low unemployment and job creation cooled, yet still solid, a [subsequent additional rate increase](#) may occur sooner than expected. The next Federal Open Market Committee (FOMC) meeting is set for July 25-26.

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](#).

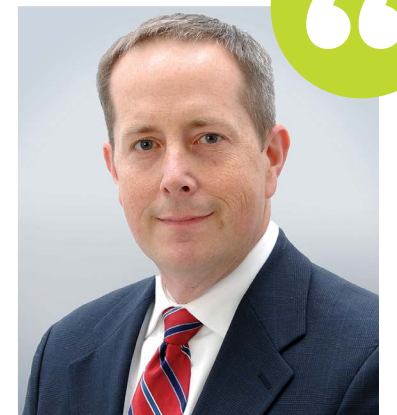
OVERALL PERFORMANCE – JUNE 2023



KEY TAKEAWAYS

- After a decline in May, year-over-year growth in credit purchases rebounded in June, finishing up 1.7%. Growth in debit purchases also grew, up 4.3% for June. Transaction growth for June continued to be stronger than growth in purchases, with credit up 4.1% and debit up 5.0%.
- For credit purchases, the largest contributor to growth continued to be the Services sector (1.3 percentage points of growth) while again offset by a reduction in Gasoline (1.4 percentage points). For debit purchases, the two sectors that generated the highest growth for June were Money Services, contributing 1.7 percentage points, and Restaurants, contributing 1.0 percentage point. Debit purchases were offset by a reduction of 1.8 percentage points in Gasoline.
- The Consumer Price Index (CPI-U) decreased on an annual basis from 4.0% to 3.0% in June, marking the lowest annual inflation rate since March 2021. Shelter accounted for over 70% of the all-items inflationary increase. The Fed has indicated that two additional rate increases in 2023 are likely.
- Purchase growth in the Services sector had the biggest impact in June for credit cards. While growth in most of the merchant categories in Services was marginally positive, the two common standout categories were Insurance and Medical/Healthcare. For the overall Services sector, growth in credit purchases was up 6.0% and debit purchases were up 6.6% for June with these top merchant categories contributing over half of the growth for the sector.
- Credit card non-discretionary spending also rebounded from the negative growth in May, finishing up 0.8% for June. Non-discretionary spending for debit cards was up 3.2%. Discretionary spending continues to grow at a greater rate than non-discretionary spending growth, with credit up 4.9% and debit up 12.2%.
- The credit card delinquency rate for June finished at 1.94%, above the June 2019 pre-pandemic level by 20 basis points. Total credit card balances were up 13.1% for June compared to a year ago, while the average credit card balance for active accounts was \$2,971, up 8.7% (or \$238) year over year.

While consumers continue to feel financial pain from two years of high inflation and sharply increased borrowing costs, signs of improved sentiment were evident in the



positive year-over-year credit and debit purchase growth in June. In this month's Deep Dive, we explore the Services sector, which contributed to the largest share of positive overall growth for credit purchases. For now, resilient consumer spending and the strong job market are staving off the odds of a full-blown recession. The coming months will be key in determining the full effects of the Fed's aggressive rate hikes.

— Norm Patrick, Vice President,
Advisors Plus Consulting at PSCU

DEEP DIVE: SERVICES SECTOR

Our Deep Dive this month explores the Services sector, which comprises 20 distinct merchant groupings. The Services sector accounts for 22% of overall consumer purchasing on credit cards and 13% of all purchases on debit cards.

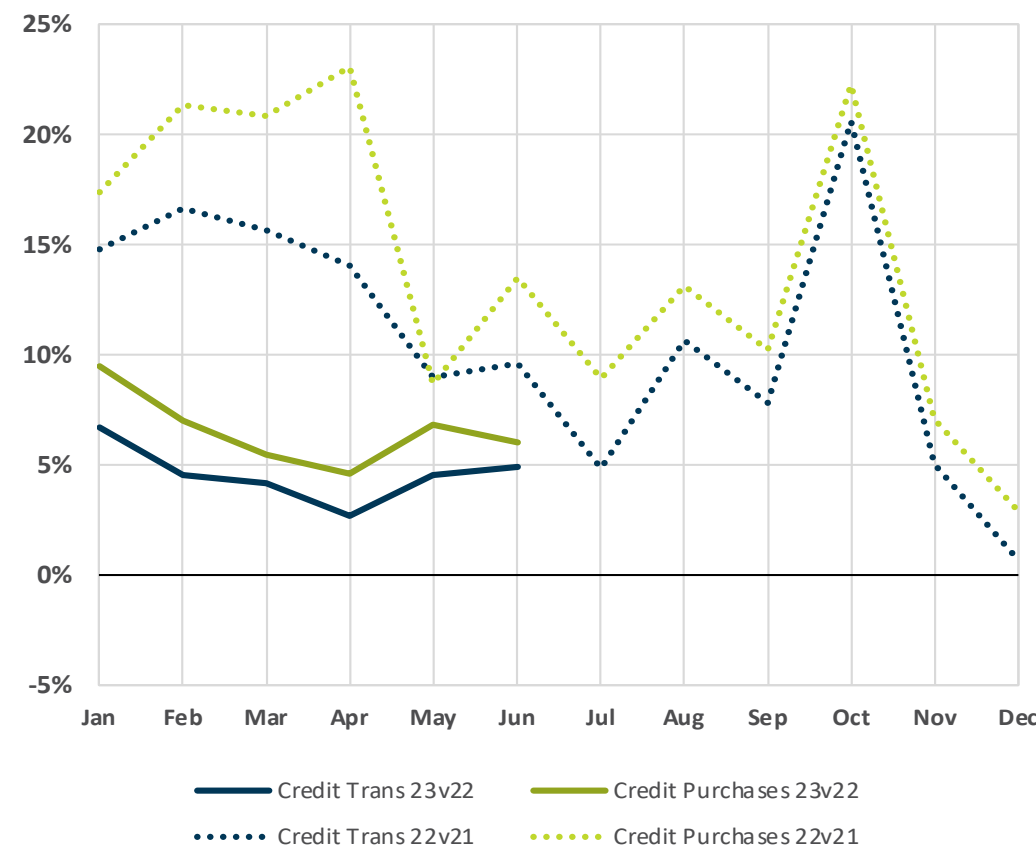
Year over year, credit purchases were up 6.0% for Services in June, while debit purchases were up 6.6%. Compared to 2022, transaction growth was up 4.9% for credit and up 4.8% for debit. In the table listing the 20 segmentations, they are sorted in descending order based on the percentage of Services sector spend for debit purchases.

YEAR-OVER-YEAR GROWTH IN SERVICES SECTOR – JUNE

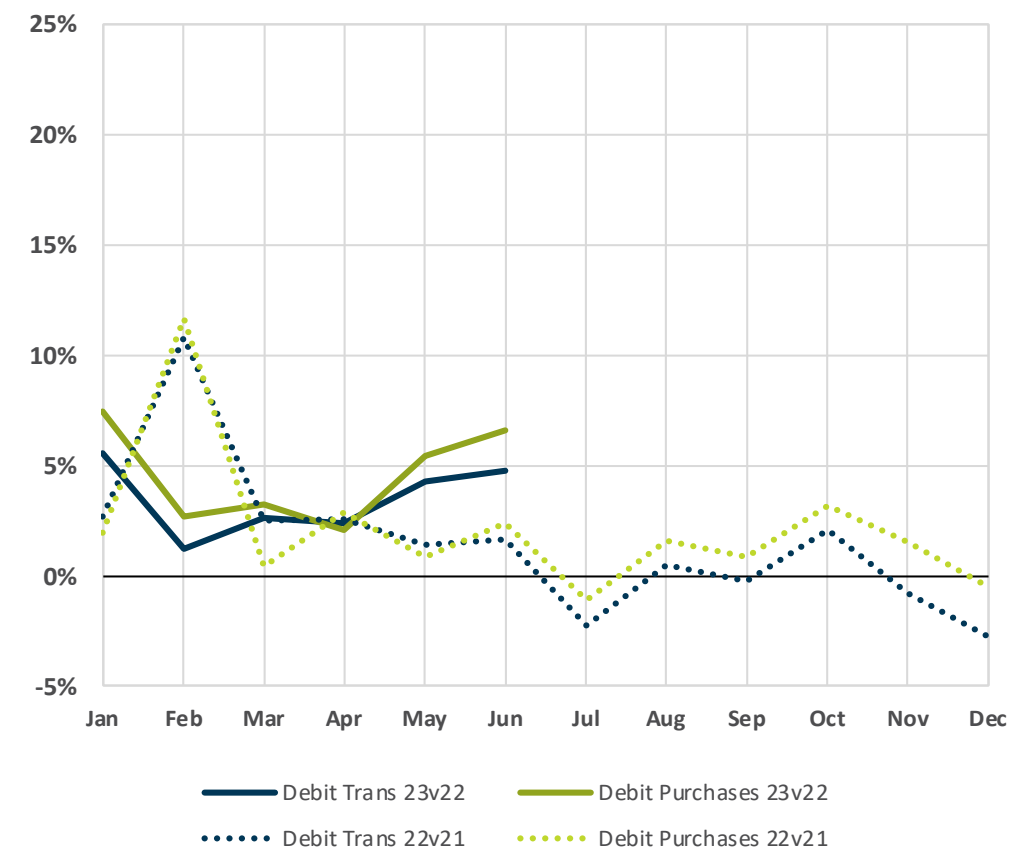
	Credit		Debit	
	Transactions	Purchases	Transactions	Purchases
2023 v 2022	4.9%	6.0%	4.8%	6.6%
2022 v 2021	9.6%	13.5%	1.6%	2.4%



SERVICE SECTOR CREDIT – JUNE



SERVICE SECTOR DEBIT – JUNE



From the full list, the top seven merchant groupings accounted for over 70% of the total Services sector purchases for both credit cards and debit cards. While the top seven are slightly different between credit and debit, the two merchant categories that were at or near the top for both were Insurance and Medical/Health Care. Here are some notable details on the top merchant categories within the Services sector:

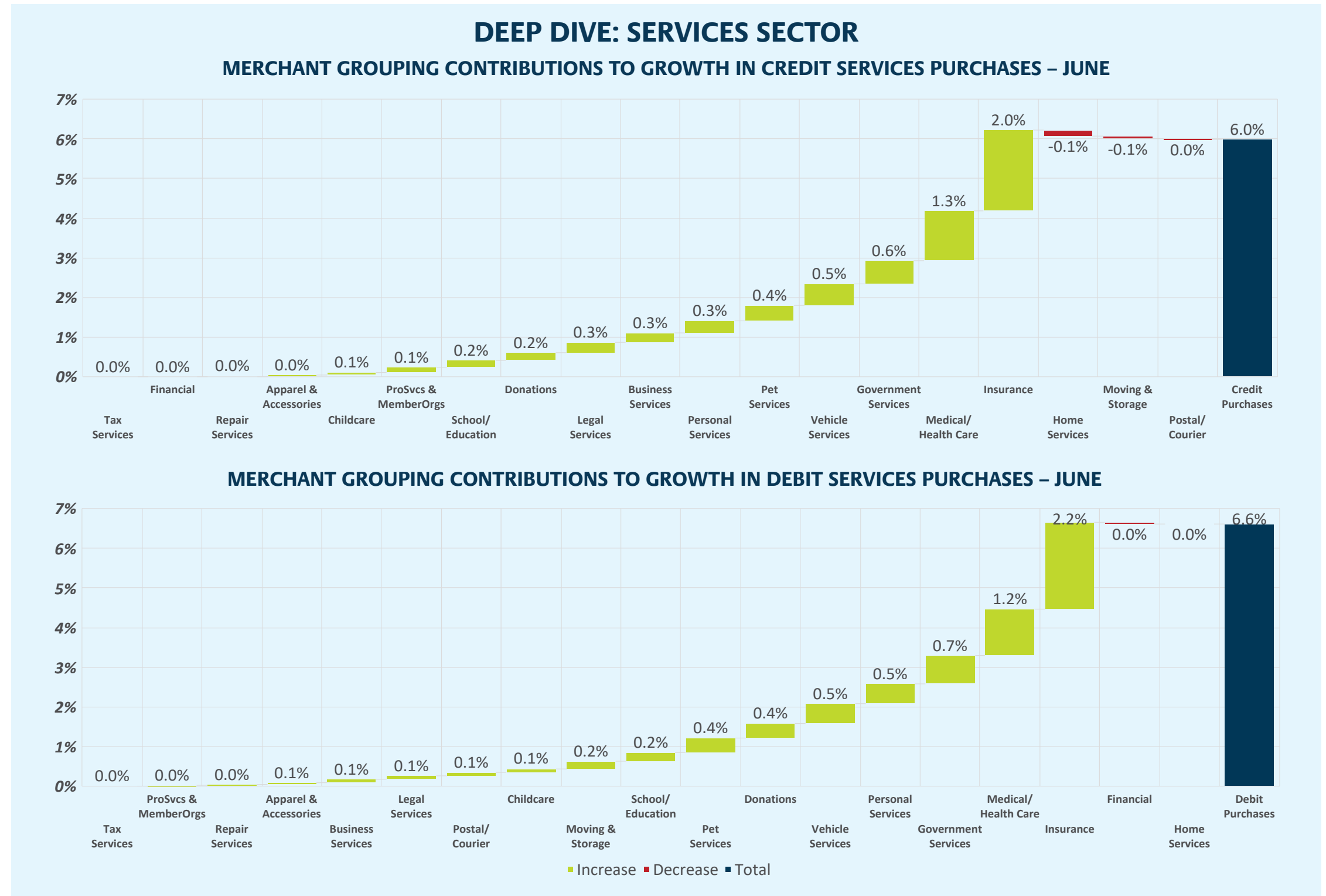
Insurance – This merchant grouping represented the largest portion of debit card purchases in the Services sector at 18.2% for June 2023 and the second largest for credit purchases at 13.8% of Services credit purchases. Year over year, purchases in this category were up 15.8% for credit and up 11.9% for debit. Increases in storm-related claims and workers’ daily commutes (returning to the physical workplace) are contributing to an [expected increase in car insurance premiums](#) by more than 8% in 2023.

MERCHANT GROUPINGS WITHIN SERVICES SECTOR – JUNE 2023

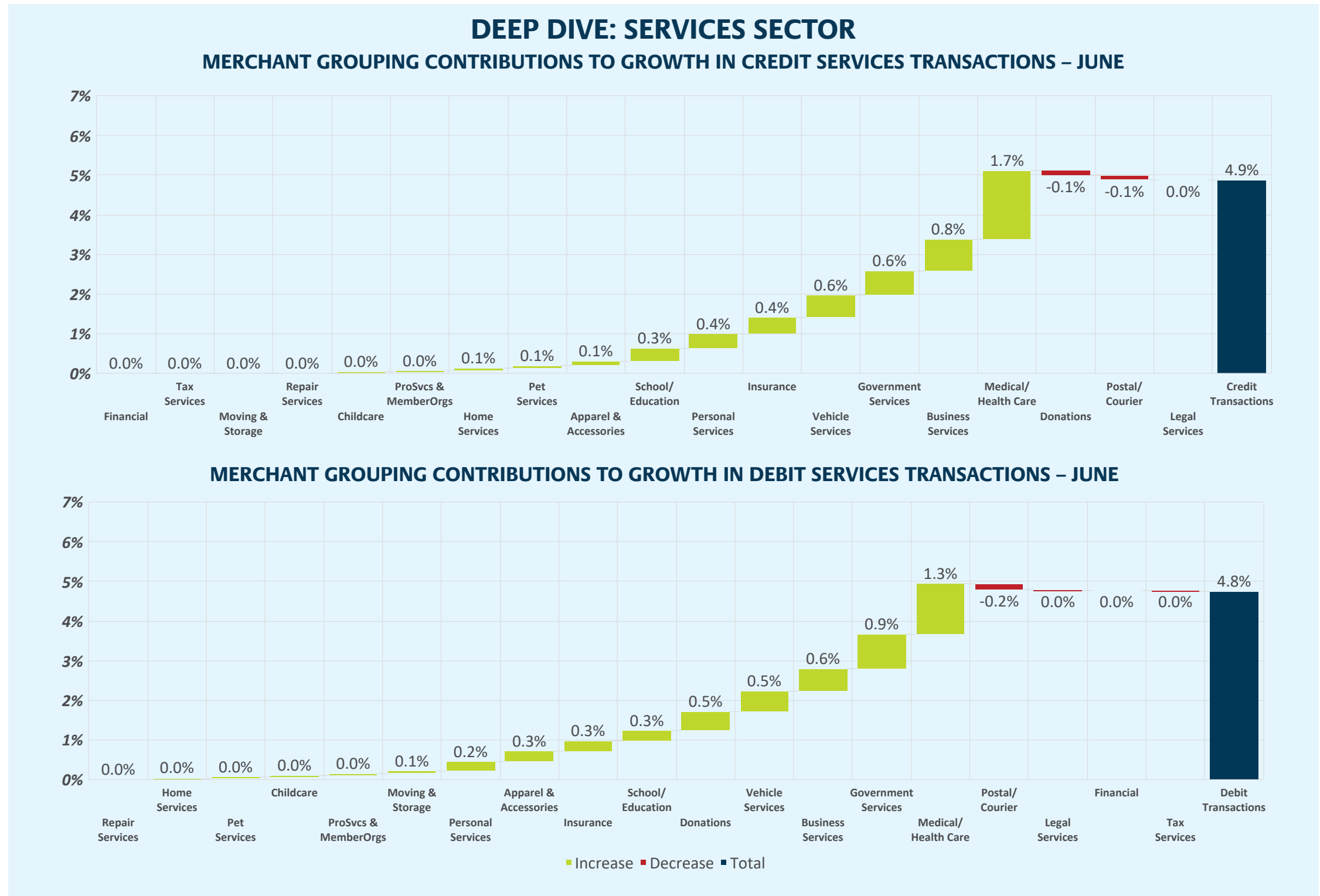
Merchant Grouping	Credit				Debit			
	Transaction Growth	Purchase Growth	% of Sector Spend	Average Purchase	Transaction Growth	Purchase Growth	% of Sector Spend	Average Purchase
Insurance	4.3%	15.8%	13.8%	\$255	2.2%	11.9%	18.2%	\$184
Medical/Health Care	8.7%	5.7%	21.7%	\$178	7.3%	6.3%	17.4%	\$21
Government Services	7.1%	8.9%	6.5%	\$128	8.4%	8.5%	8.2%	\$506
Personal Services	3.7%	5.2%	5.3%	\$93	1.9%	5.7%	8.1%	\$66
Vehicle Services	6.6%	6.4%	8.3%	\$162	4.7%	6.1%	7.5%	\$71
Business Services	7.4%	3.4%	7.1%	\$112	6.0%	1.1%	6.1%	\$80
Donations	-1.3%	4.4%	4.4%	\$82	7.2%	8.0%	4.6%	\$173
Pet Services	1.8%	7.0%	5.7%	\$235	1.3%	7.8%	4.3%	\$165
Home Services	2.0%	-1.3%	9.9%	\$576	1.9%	0.0%	4.0%	\$54
Professional Services and Membership Organizations	0.6%	2.5%	4.5%	\$180	1.3%	0.3%	3.5%	\$445
School/Education	8.7%	4.2%	4.1%	\$182	8.9%	5.7%	3.5%	\$76
Moving & Storage	0.1%	-2.8%	2.2%	\$251	3.4%	6.2%	2.8%	\$158
Postal/Courier	-3.8%	-3.0%	0.6%	\$34	-4.3%	5.0%	1.7%	\$101
Legal Services	-1.1%	12.3%	2.1%	\$942	-3.1%	5.2%	1.5%	\$176
Childcare	7.0%	11.8%	0.6%	\$259	7.2%	9.5%	1.0%	\$105
Financial	0.0%	0.0%	0.0%	\$592	-6.6%	-4.5%	0.6%	\$198
Apparel & Accessories	6.1%	9.3%	0.3%	\$32	9.8%	10.7%	0.5%	\$66
Repair Services	2.5%	1.7%	0.4%	\$340	2.2%	6.3%	0.3%	\$113
Tax Services	2.8%	1.1%	0.1%	\$306	-13.3%	3.6%	0.1%	\$73
Total Services Sector	4.9%	6.0%	100.0%	\$167	4.8%	6.6%	100.0%	\$99

Medical/Health Care – This merchant grouping represented the largest portion of credit card purchases in the Services sector at 21.7% for June 2023 and the second-largest for debit purchases at 17.4% of Services debit purchases. Year over year, purchases in this category were up 5.7% for credit and up 6.3% for debit. Transactions grew at a greater rate than purchases in this category, with credit transactions up 8.7% compared to June 2022 and debit transactions up 7.3%. This grouping includes doctors, health practitioners, dentists, optometrists, chiropractors, hospitals and medical-related counseling services.

Home Services – This merchant grouping was the third-largest portion of credit card purchases in the Services sector at 9.9% for June 2023. For debit purchases, it was in the top seven, representing 4.0% of Services debit purchases. Year over year, purchases in this category were down 1.3% for credit and flat 0.0% for debit. Home Services credit transactions were up 2.0% compared to June 2022 and debit transactions were up 1.9%. This grouping includes air conditioning repair, plumbers, landscaping services and roofing and electrical contractors.



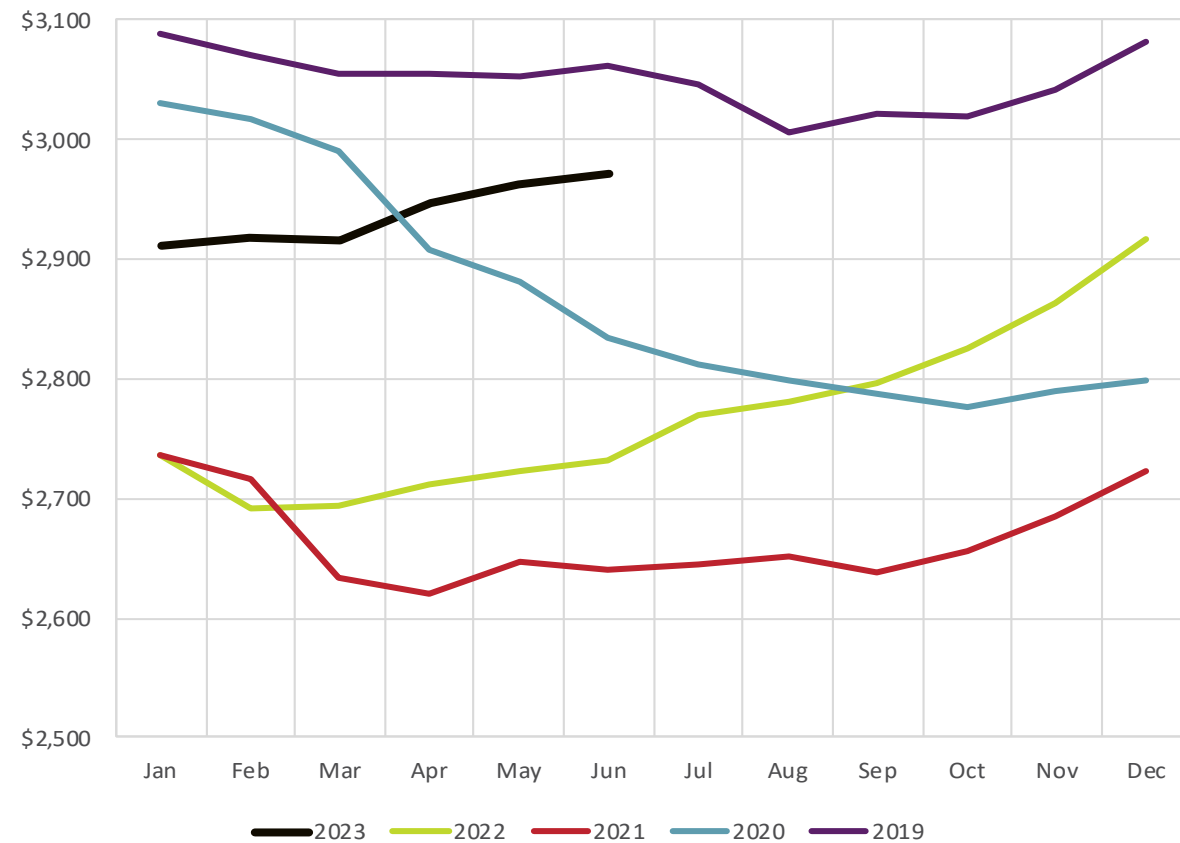
Government Services – This merchant grouping was the third-largest portion of debit card purchases in the Services sector at 8.2% for June 2023. For credit purchases, it was in the top seven, representing 6.5% of Services credit purchases. Year over year, purchases in this category were up 8.5% for debit and up 8.9% for credit. In this category, debit transactions were up 8.4% compared to June 2022 and credit transactions were up 7.1%. This grouping includes tax payments, court costs and fines.



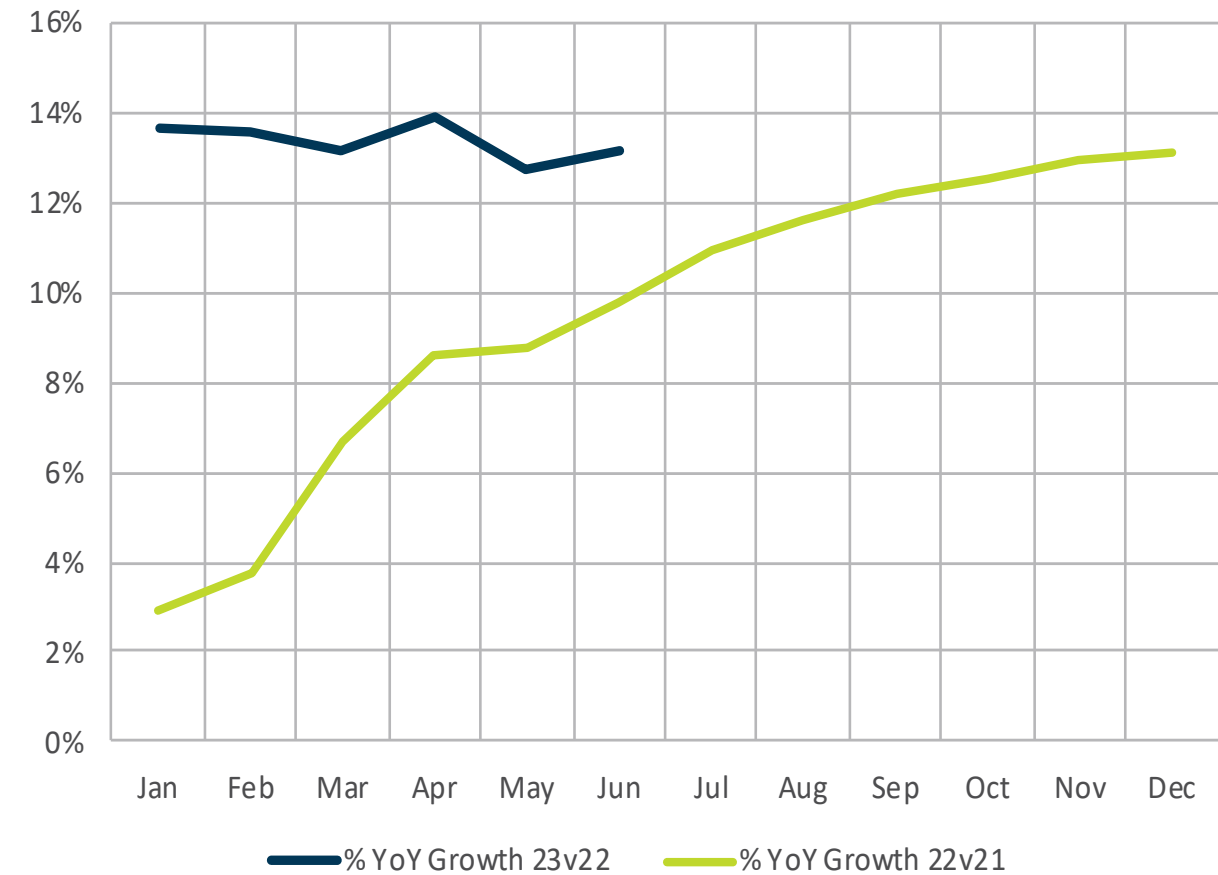
CREDIT CARD BALANCES

For June 2023, growth in total credit card balances measured 13.1% year over year. Additionally, total credit card balances increased 1.4% from May, the largest month-over-month growth for 2023. Total credit card balances are up 3.2% since year-end, the same as mid-year 2022.

AVERAGE CREDIT CARD BALANCES PER GROSS ACTIVE ACCOUNT



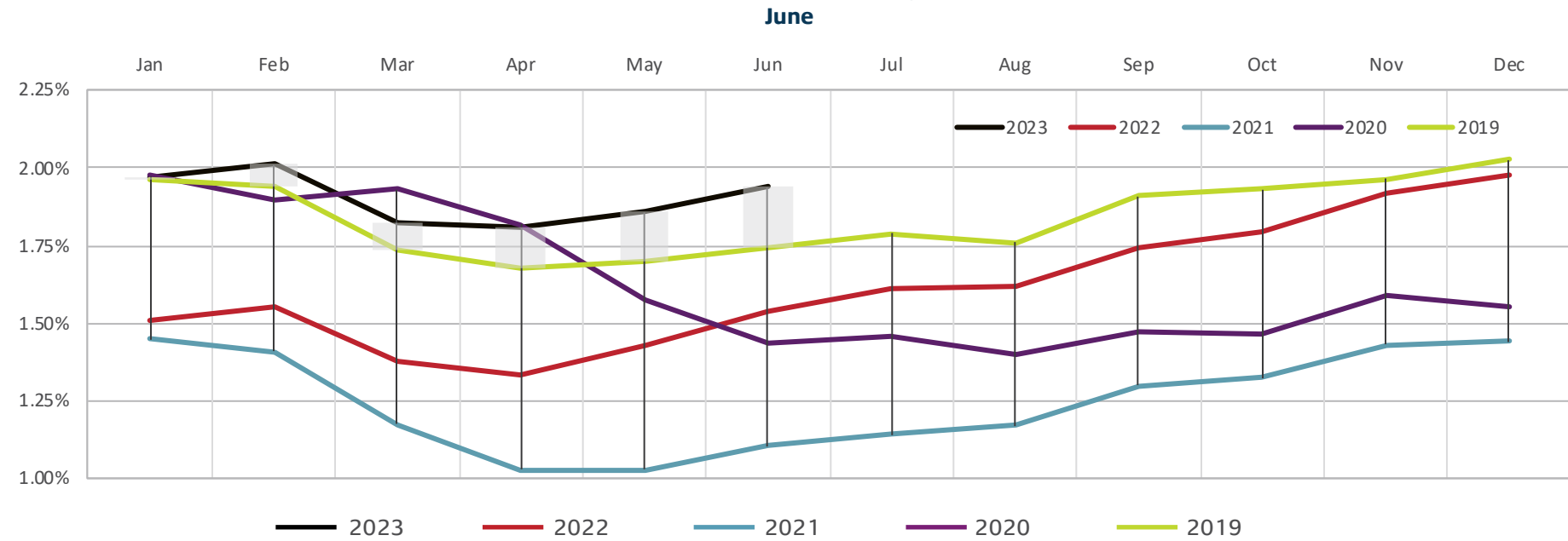
PERCENTAGE CHANGE IN TOTAL CREDIT CARD BALANCES



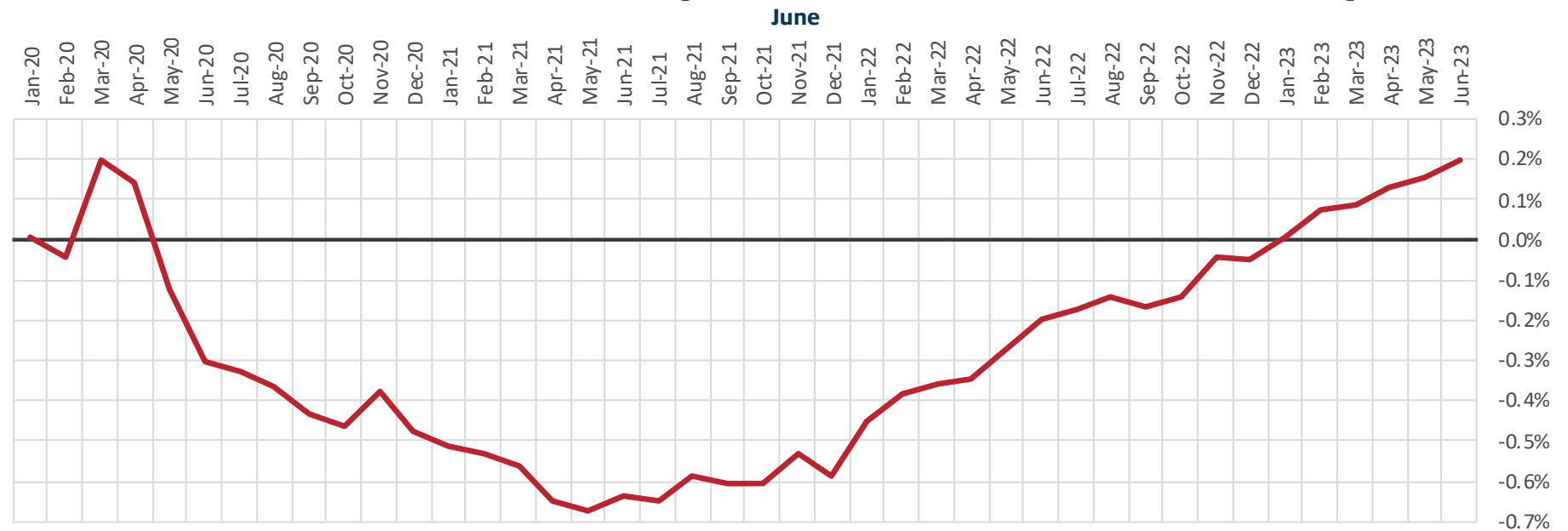
CREDIT CARD DELINQUENCIES

In June 2023, the credit card delinquency rate increased to 1.94%, up 0.08% from the prior month. Compared to a year ago, the percent of balances delinquent increased by 40 basis points, up from 1.54%. Compared to the June 2019 pre-pandemic level, the delinquency rate was 20 basis points higher.

OVERALL CREDIT CARD DELINQUENCY RATE



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

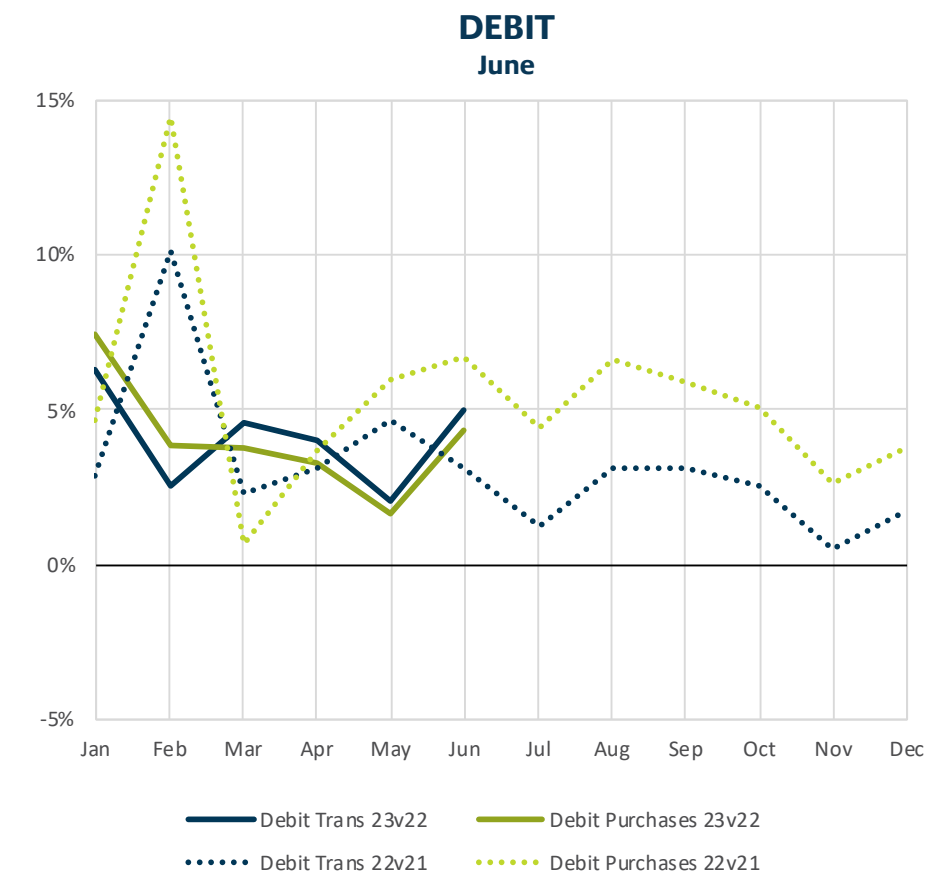
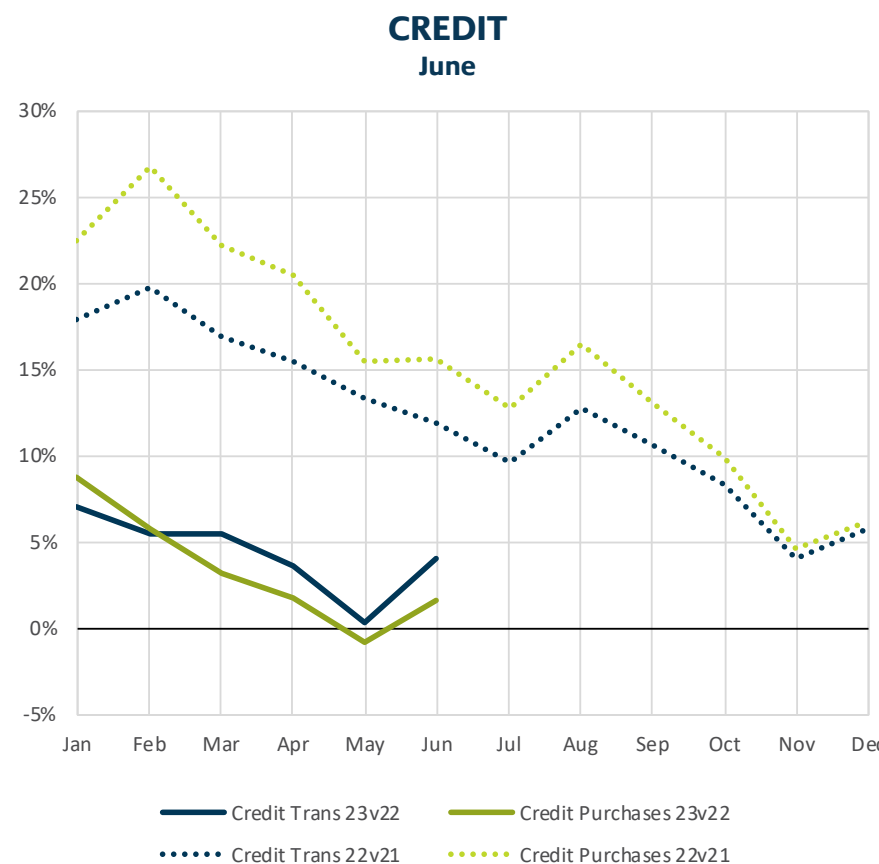


CREDIT AND DEBIT CARDS

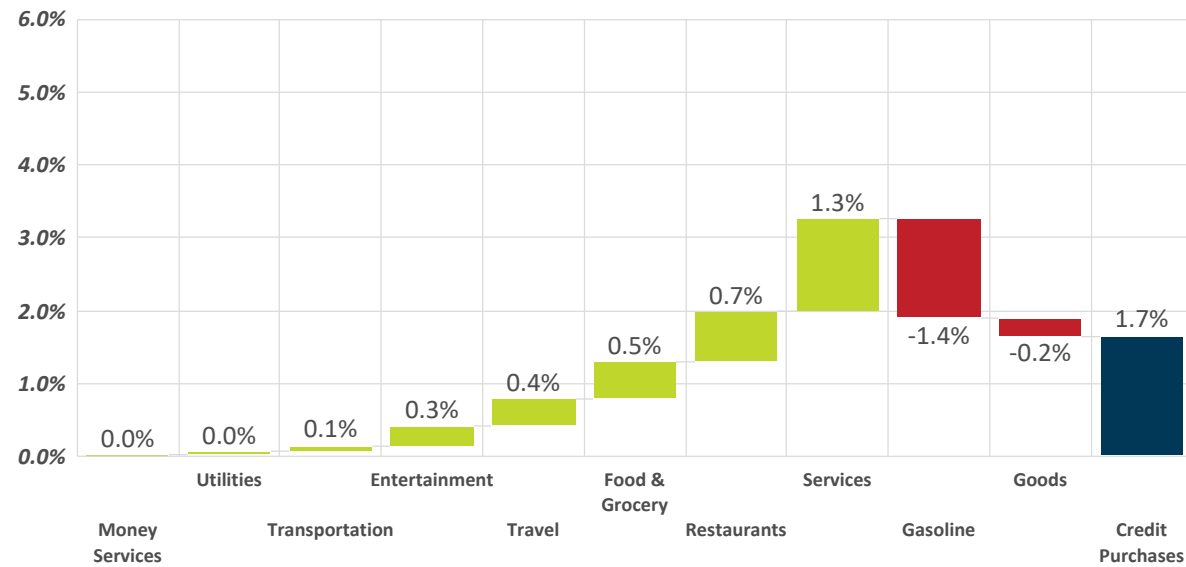
Consumer card spending rebounded in June 2023. Credit purchases increased 1.7% year over year and credit transactions grew by 4.1%. For debit activity, growth rates ticked up at 4.3% for purchases and 5.0% for transactions.

For credit purchases, the sector with the largest positive growth was Services (this month's Deep Dive), which contributed 1.3%. The combined Restaurants and Food & Grocery sectors contributed an additional 1.2% of the growth. Gasoline and Goods were again the only two sectors with negative year-over-year growth, driving credit purchases down by 1.4% and 0.2% respectively in June. For the growth in debit purchases, the sectors with the largest positive growth were unchanged from last month with Services and Money Services each contributing 1.3% of the growth. Gasoline again had the largest drop in year-over-year growth, impacting debit purchases negatively by 1.8% in June.

	Credit		Debit	
	Transactions	Purchases	Transactions	Purchases
2023 v 2022	4.1%	1.7%	5.0%	4.3%
2022 v 2021	11.9%	15.6%	3.2%	6.7%



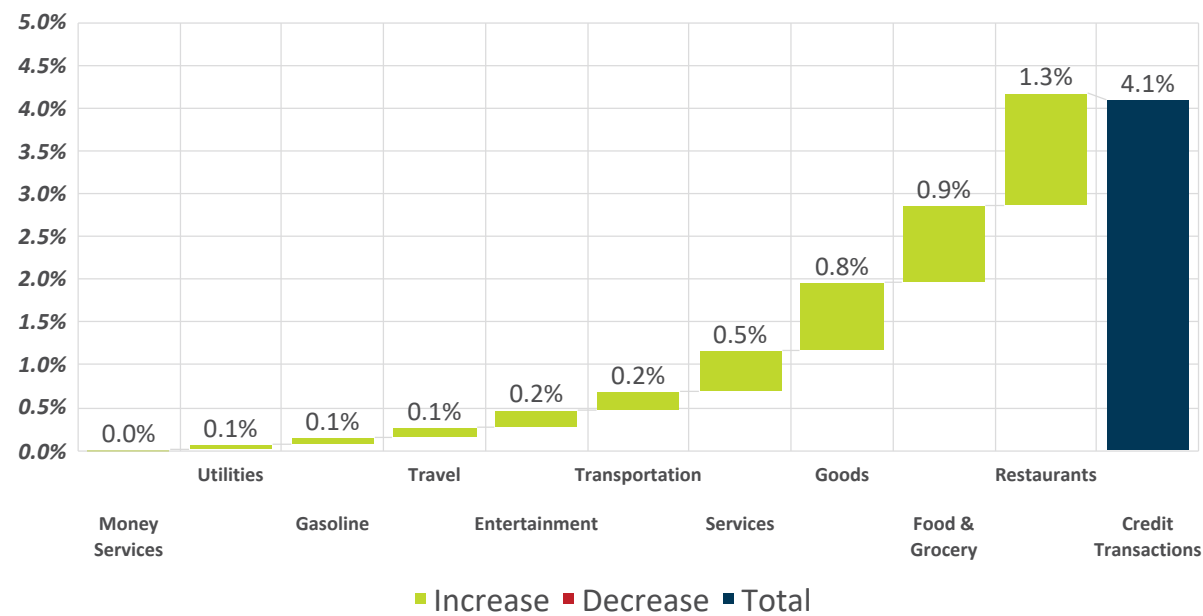
SECTOR CONTRIBUTIONS TO GROWTH IN CREDIT PURCHASES – JUNE



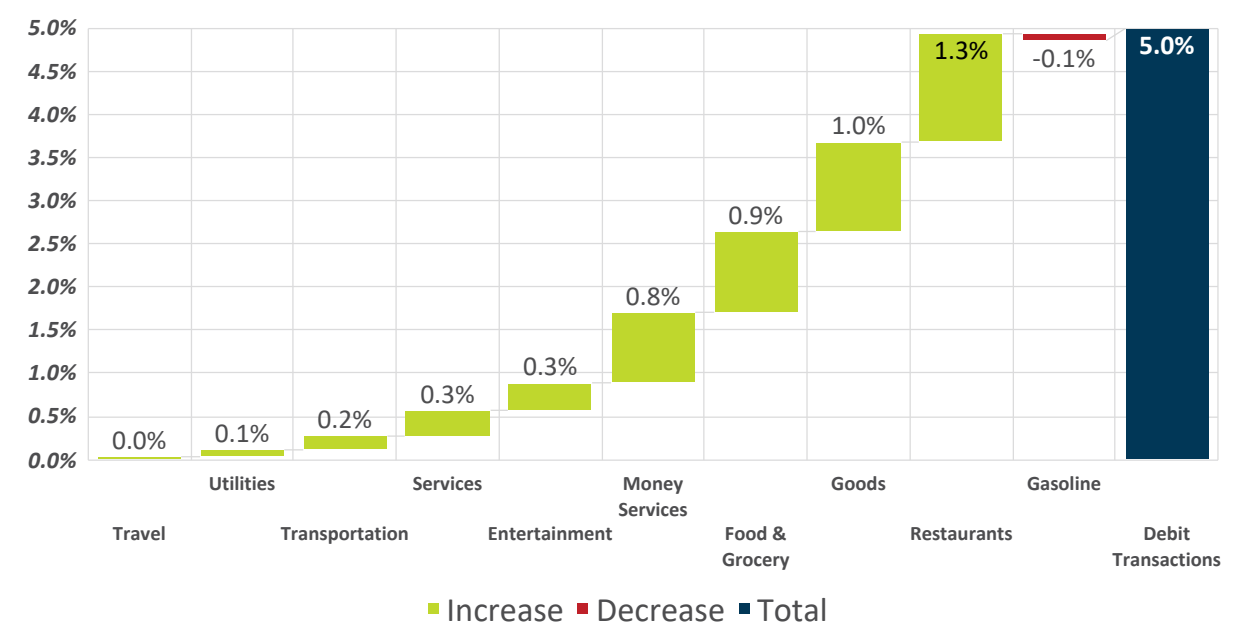
SECTOR CONTRIBUTIONS TO GROWTH IN DEBIT PURCHASES – JUNE



SECTOR CONTRIBUTIONS TO GROWTH IN CREDIT TRANSACTIONS – JUNE



SECTOR CONTRIBUTIONS TO GROWTH IN DEBIT TRANSACTIONS – JUNE



DISCRETIONARY AND NON-DISCRETIONARY ACTIVITY

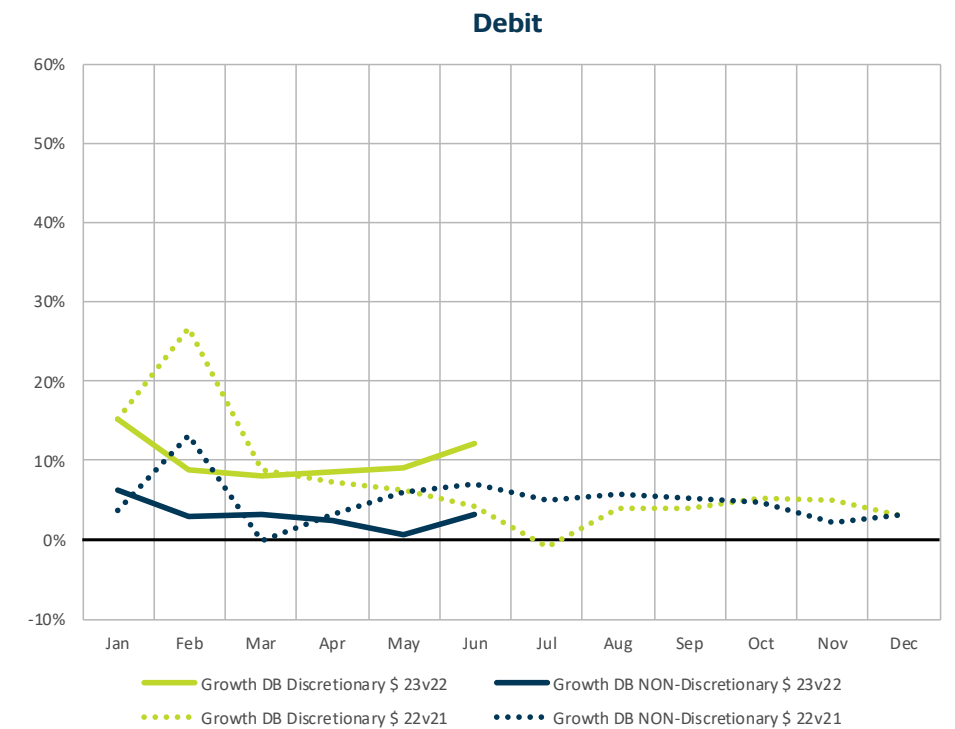
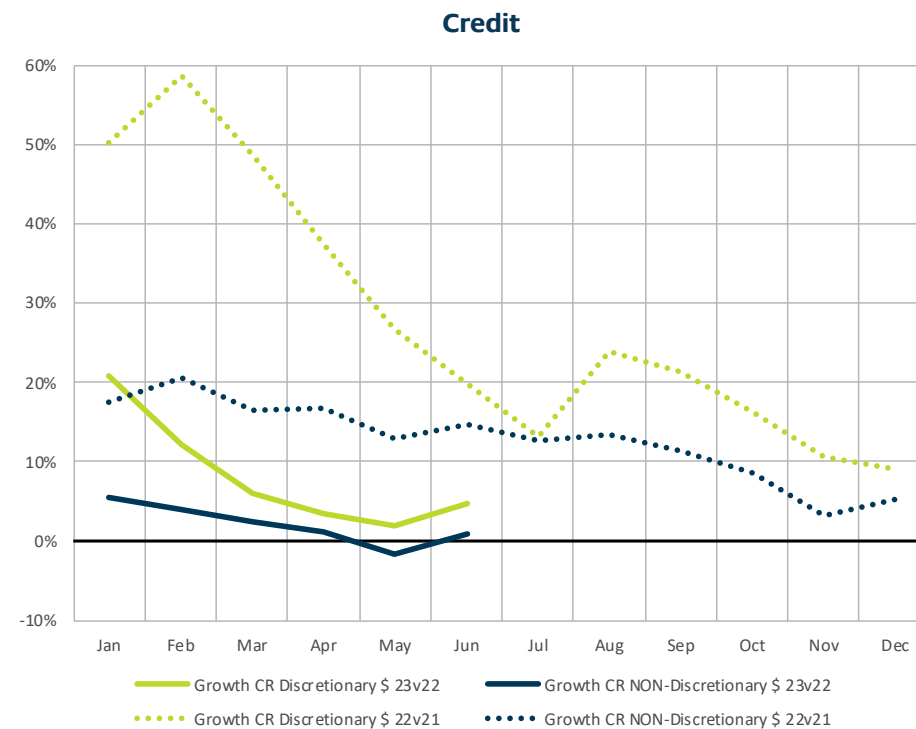
The grouping of expenses into discretionary and non-discretionary spend provides additional insight in understanding consumer payment activity within a volatile economic climate. Discretionary activity consists of most/all of the merchant categories within the Entertainment and Travel sectors, as well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

Credit discretionary and non-discretionary spend in June realized similar growth in transactions at 4% year over year, with discretionary purchases outpacing non-discretionary at 5% versus 1%.

DISCRETIONARY AND NON-DISCRETIONARY – JUNE 2023

	% of Overall Purchases	Credit			Average Purchase	% of Overall Purchases	Debit			Average Purchase
		Transactions	YoY Growth				Transactions	YoY Growth		
Discretionary	22%	4%	5%	\$169	12%	12%	12%	\$88		
Non-Discretionary	78%	4%	1%	\$63	88%	4%	3%	\$43		

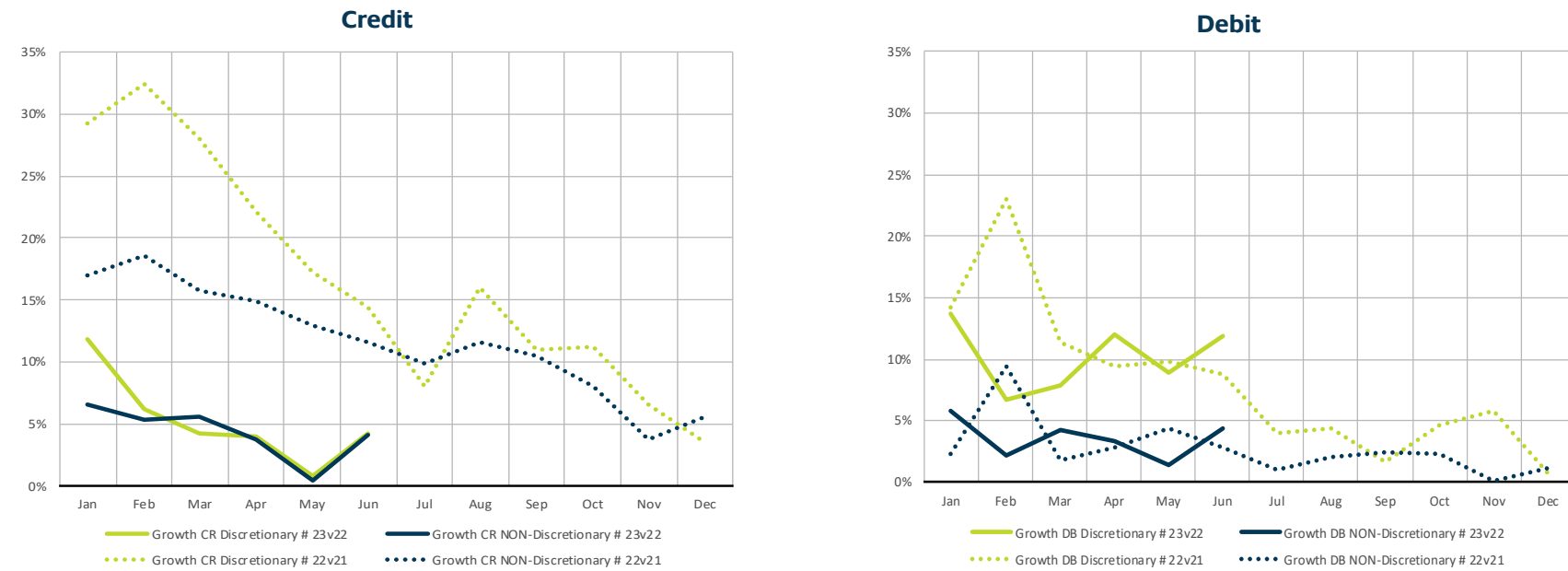
GROWTH IN DISCRETIONARY/NON-DISCRETIONARY OVERALL PURCHASES



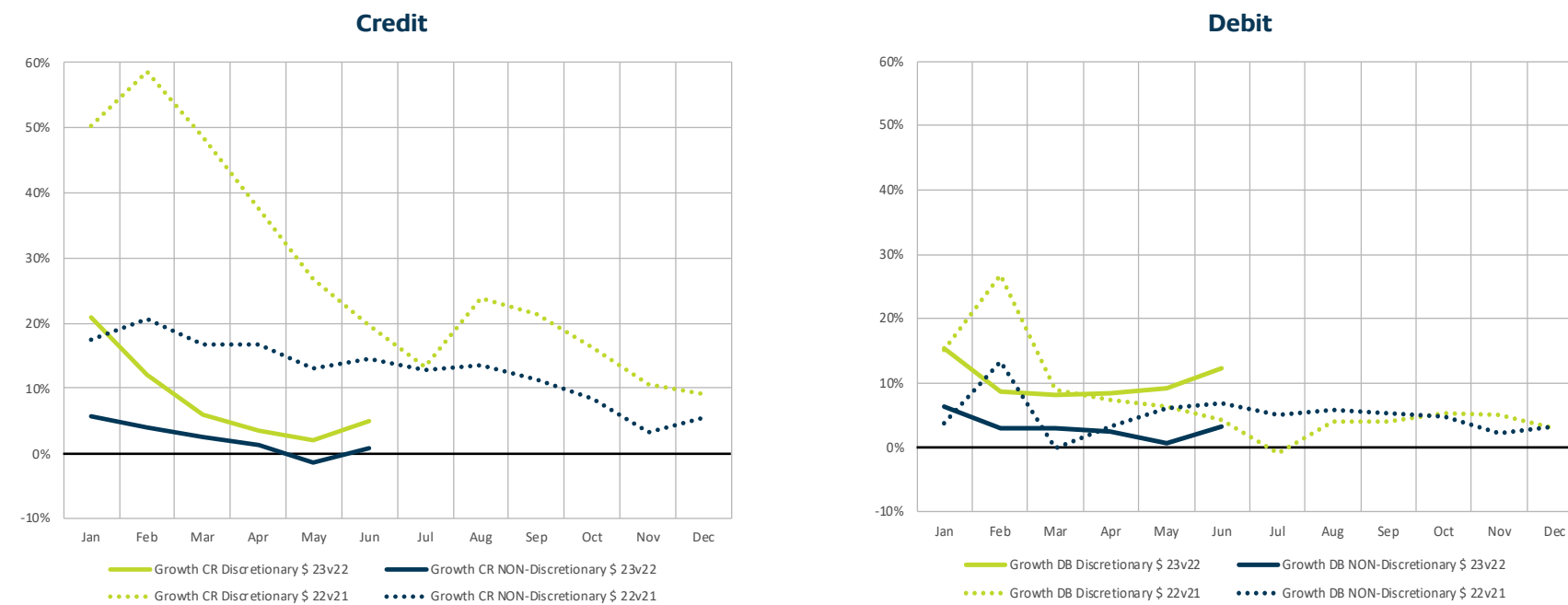
Debit discretionary activity increased 12% year over year for both transactions and purchases. Growth rates for debit non-discretionary spend were similar to credit, with growth in purchases just slightly higher.

Growth in credit non-discretionary average purchases dropped 3.2% year over year, the largest decrease to date, versus a 0.5% increase for discretionary average purchases. Debit non-discretionary average purchase growth was also negative, down 1.2%, compared to a 0.3% increase for discretionary average purchases.

GROWTH IN DISCRETIONARY/NON-DISCRETIONARY OVERALL TRANSACTIONS



GROWTH IN DISCRETIONARY/NON-DISCRETIONARY OVERALL PURCHASES




SECTORS/MERCHANT CATEGORIES

Sector growth for the start of summer heated up as consumer confidence in the economic outlook improved. The Travel, Restaurant, Entertainment and Food & Grocery sectors experienced increased transaction and purchase growth in June for both credit and debit.


Compared to June 2022, the Restaurants and Transportation sectors experienced the highest growth rates for credit, while Money Services and Transportation were the top sectors for debit. Gas prices remained considerably lower than a year ago, corresponding to the double-digit decrease in both credit and debit Gasoline sector purchases.

The national average price per gallon of gasoline finished at [\\$3.55](#) for the week ending July 10, down 24% (or \$1.10) year over year. While the 10% Saudi oil production cut started to take effect in July, [production of U.S. petroleum has been on the increase](#), with year-to-date production up 9% through April.




ENTERTAINMENT
June 2023 V 2022

	Credit	Debit
YoY Purchases	6%	5%
YoY Transactions	4%	8%




FOOD & GROCERIES
June 2023 V 2022

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




GASOLINE
June 2023 V 2022

	Credit	Debit
YoY Purchases	-20%	-17%
YoY Transactions	1%	-1%




GOODS
June 2023 V 2022

	Credit	Debit
YoY Purchases	-1%	2%
YoY Transactions	2%	4%




MONEY SERVICES
June 2023 V 2022

	Credit	Debit
YoY Purchases	3%	17%
YoY Transactions	3%	18%




RESTAURANTS
June 2023 V 2022

	Credit	Debit
YoY Purchases	10%	9%
YoY Transactions	7%	5%




SERVICES
June 2023 V 2022

	Credit	Debit
YoY Purchases	6%	7%
YoY Transactions	5%	5%



TRANSPORTATION
June 2023 V 2022


	Credit	Debit
YoY Purchases	10%	12%
YoY Transactions	11%	13%



TRAVEL
June 2023 V 2022

	Credit	Debit
YoY Purchases	4%	10%
YoY Transactions	6%	6%

Along with [Iran increasing oil production](#), these dynamics are adding worldwide capacity and keeping gasoline prices at bay, at least for the near term.



UTILITIES
June 2023 V 2022

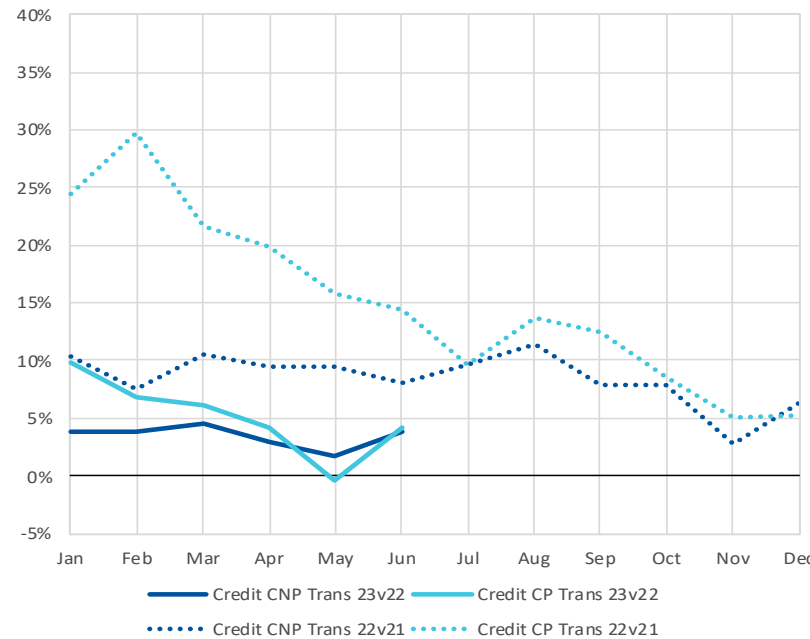
	Credit	Debit
YoY Purchases	2%	6%
YoY Transactions	3%	5%

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

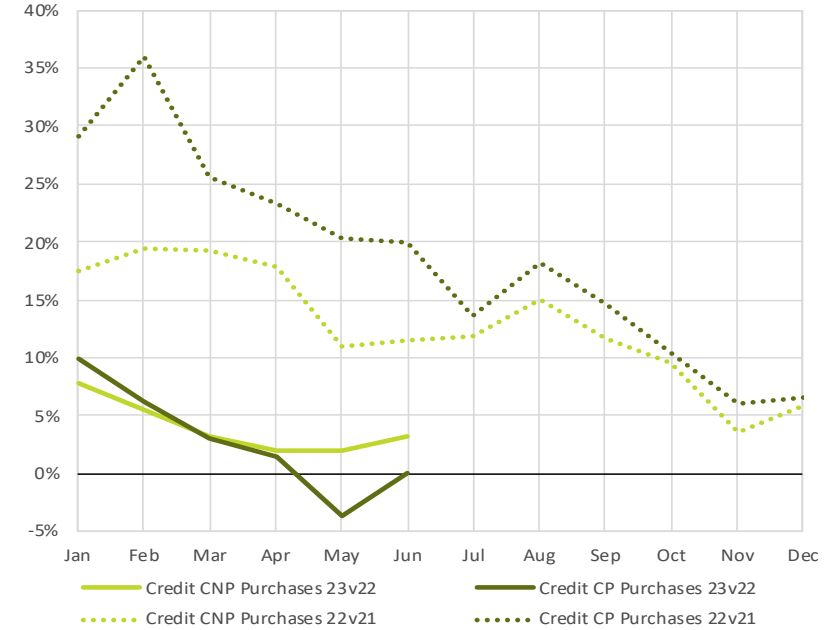
Year-over-year growth in transaction volumes for June 2023 increased 4% for both credit Card Present (CP) and Card Not Present (CNP) activity. For debit transactions, CNP outpaced CP, up 7% compared to 4% year over year.

Purchase dollars growth was greatest for debit CNP at 8%, followed by 3% for credit CNP and 2% for debit CP, while credit CP purchases growth remained unchanged from a year ago.

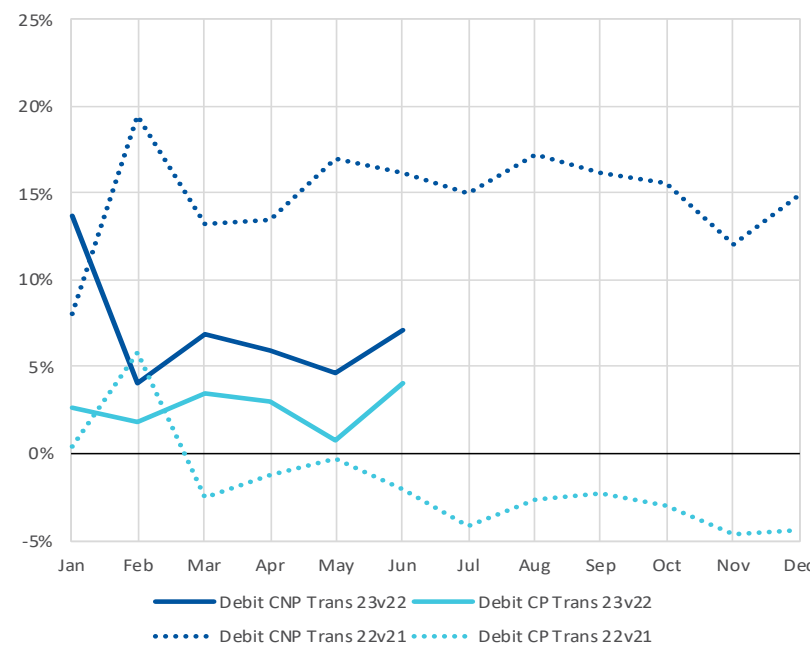
YOY % GROWTH IN CREDIT TRANSACTIONS June



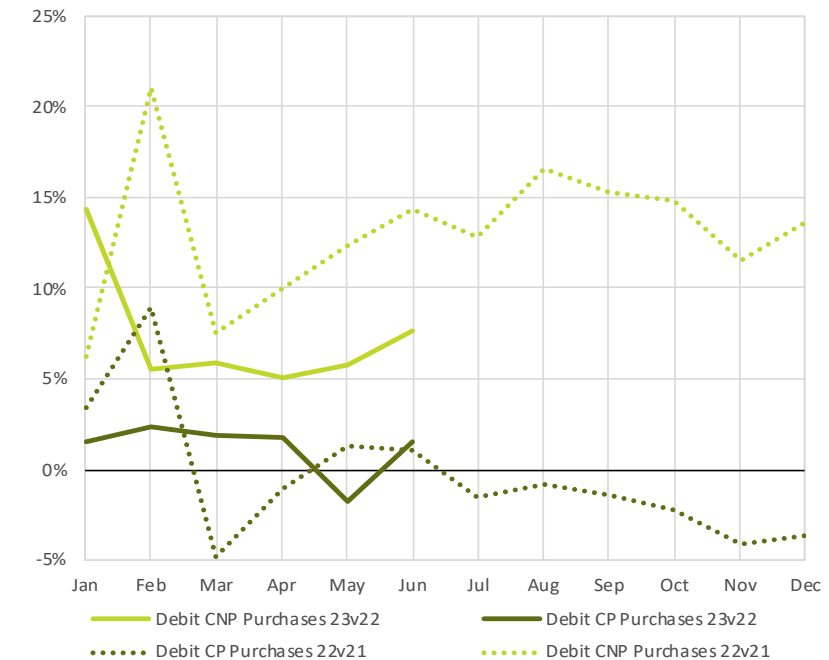
YOY % GROWTH IN CREDIT PURCHASES June



YOY % GROWTH IN DEBIT TRANSACTIONS June



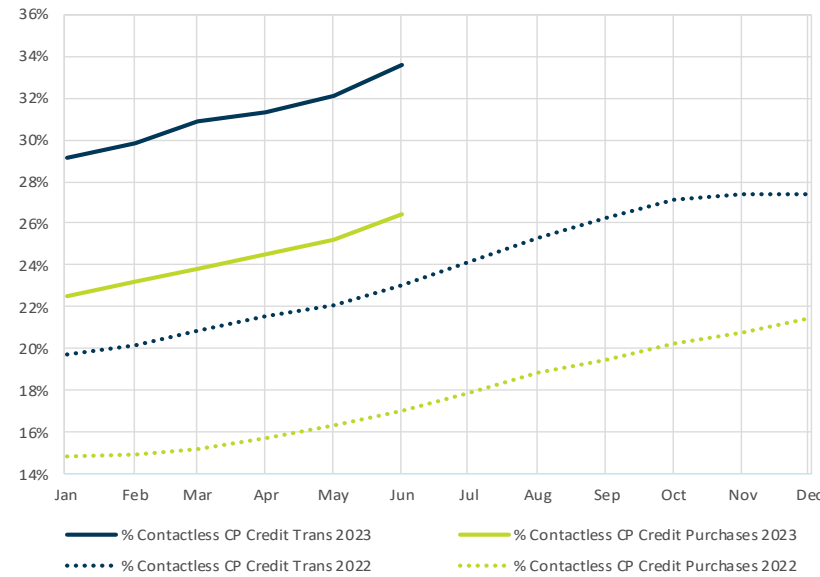
YOY % GROWTH IN DEBIT PURCHASES June



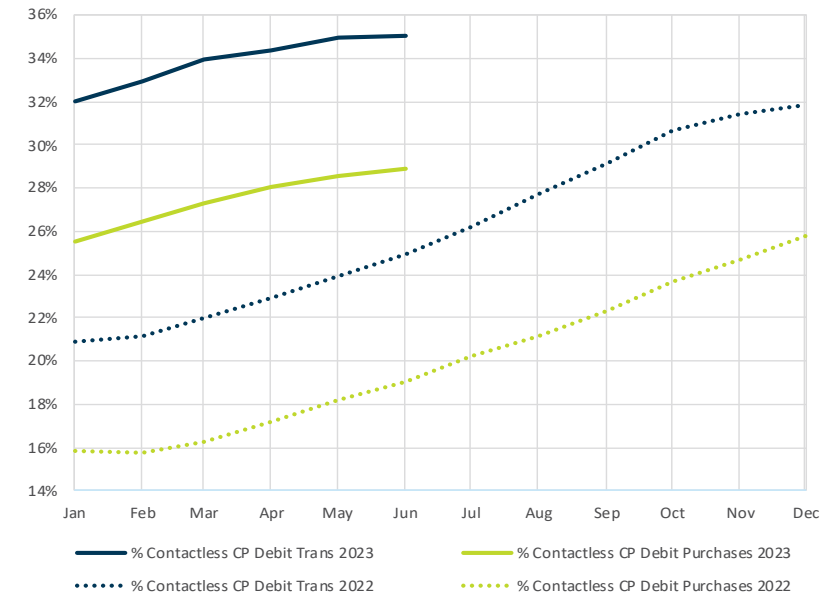
CONTACTLESS TRANSACTIONS

Contactless activity continued to capture an increasing percentage of Card Present (CP) transactions and purchases for credit while remaining unchanged for debit. In June 2023, contactless accounted for 34% of credit CP transactions and 26% of CP purchases, up from 32% and 25%, respectively, in the previous month. For debit, contactless remained unchanged at 35% of CP transactions and 29% of CP purchases.

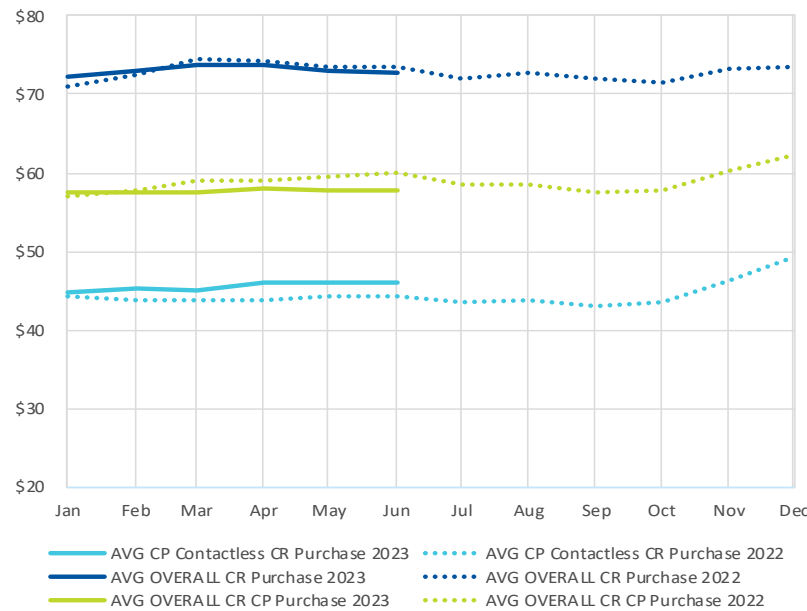
% CONTACTLESS CREDIT ACTIVITY ON CONTACTLESS CARDS June



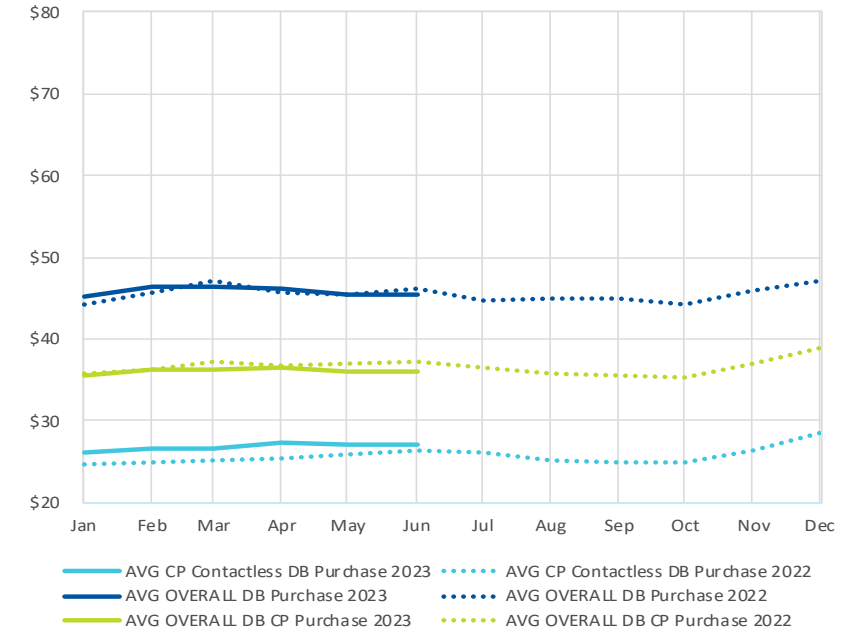
% CONTACTLESS DEBIT ACTIVITY ON CONTACTLESS CARDS June



CONTACTLESS CREDIT AVERAGE PURCHASE June



CONTACTLESS DEBIT AVERAGE PURCHASE June

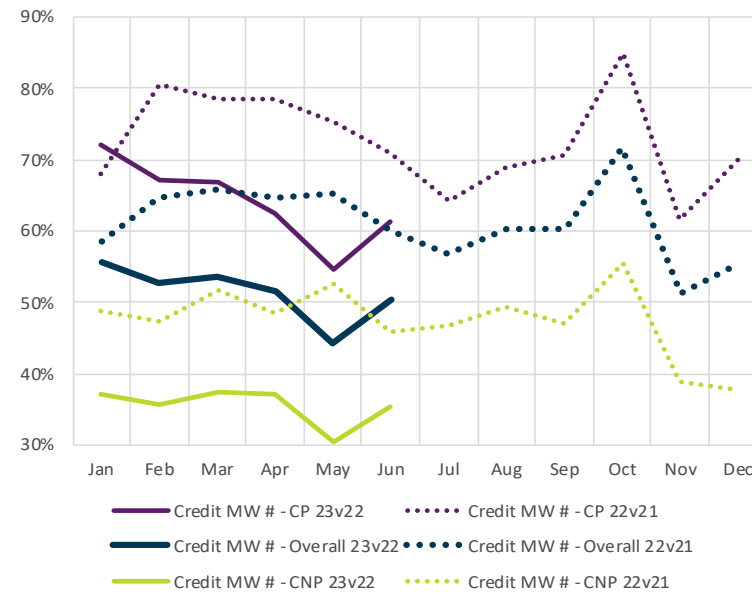


MOBILE WALLETS

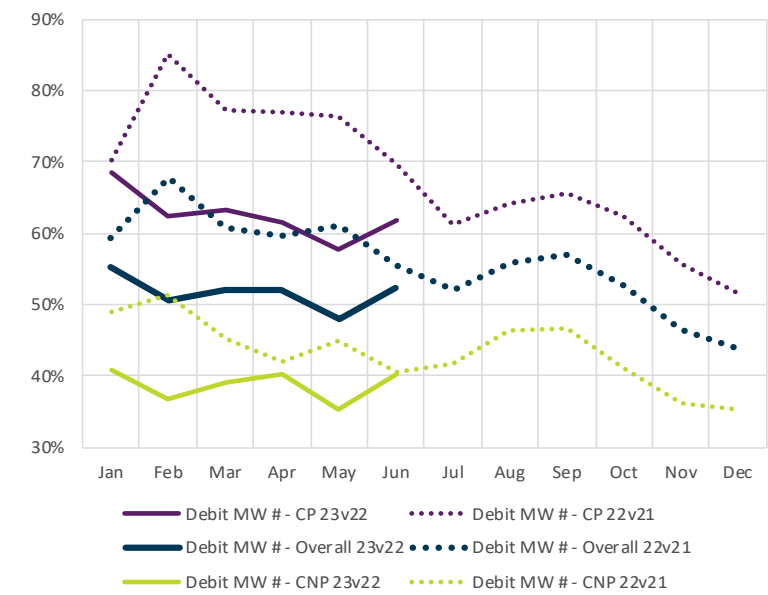
In June 2023, Mobile Wallet (MW) transaction growth measured 50% for credit and 52% for debit, while MW purchases growth reached 59% for credit and 57% for debit.

The average Mobile Wallet purchase (combined CNP and CP) for both credit and debit increased year over year, up 6% to \$34.32 for credit and 3% to \$27.23 for debit.

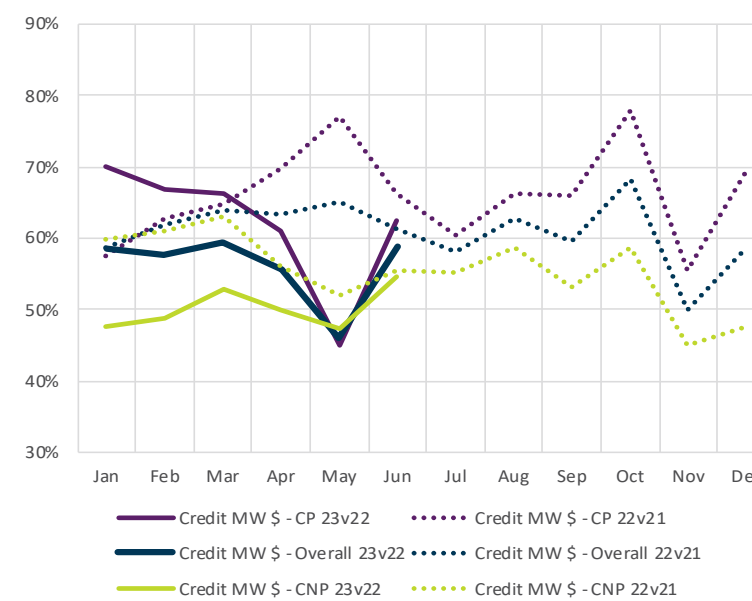
YOY % GROWTH IN MOBILE WALLET CREDIT TRANSACTIONS
June



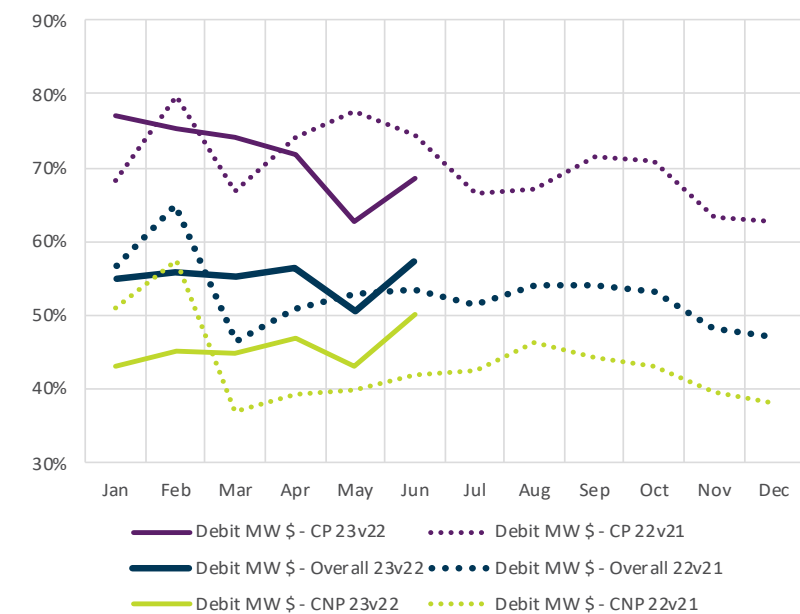
YOY % GROWTH IN MOBILE WALLET DEBIT TRANSACTIONS
June



YOY % GROWTH IN MOBILE WALLET CREDIT PURCHASES
June



YOY % GROWTH IN MOBILE WALLET DEBIT PURCHASES
June





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 2.7 billion transactions valued at \$139 billion of credit and debit card activity from July 2022 through June 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](#).