

THE PSCU PAYMENTS INDEX: SEPTEMBER 2023

While consumer sentiment erased gains from the past two months, actual consumer behavior remained steady for both credit and debit in this month's PSCU Payments Index, even with a larger-than-expected inflationary increase for August. This month's Deep Dive highlights the second largest annual spending event of back-to-school purchases for the month of August.

The [Consumer Confidence Index](#) dropped in August to 106.1 (1985=100), down from a revised 114.0 in July. This reduction offset sentiment increases from June and July updates. In the August survey, consumers again identified the general rise in prices with particular emphasis on groceries and gasoline.

In the Labor Department's Sep. 13 update, the [Consumer Price Index \(CPI\)](#) increased by 0.6% in August, its largest monthly gain since June 2022. The annual rate of inflation increased from 3.2% through July to 3.7% through August. Energy prices rose 5.6% in August, including a 10.6% increase in gasoline prices, which fueled much of the overall CPI increase. Excluding the volatile energy and food sectors, core CPI increased 0.3%, slightly higher than estimates. The shelter index also increased 0.3% for the month, marking the 40th straight monthly increase. The next Federal Open Market Committee (FOMC) meeting is scheduled for Sept. 19-20.

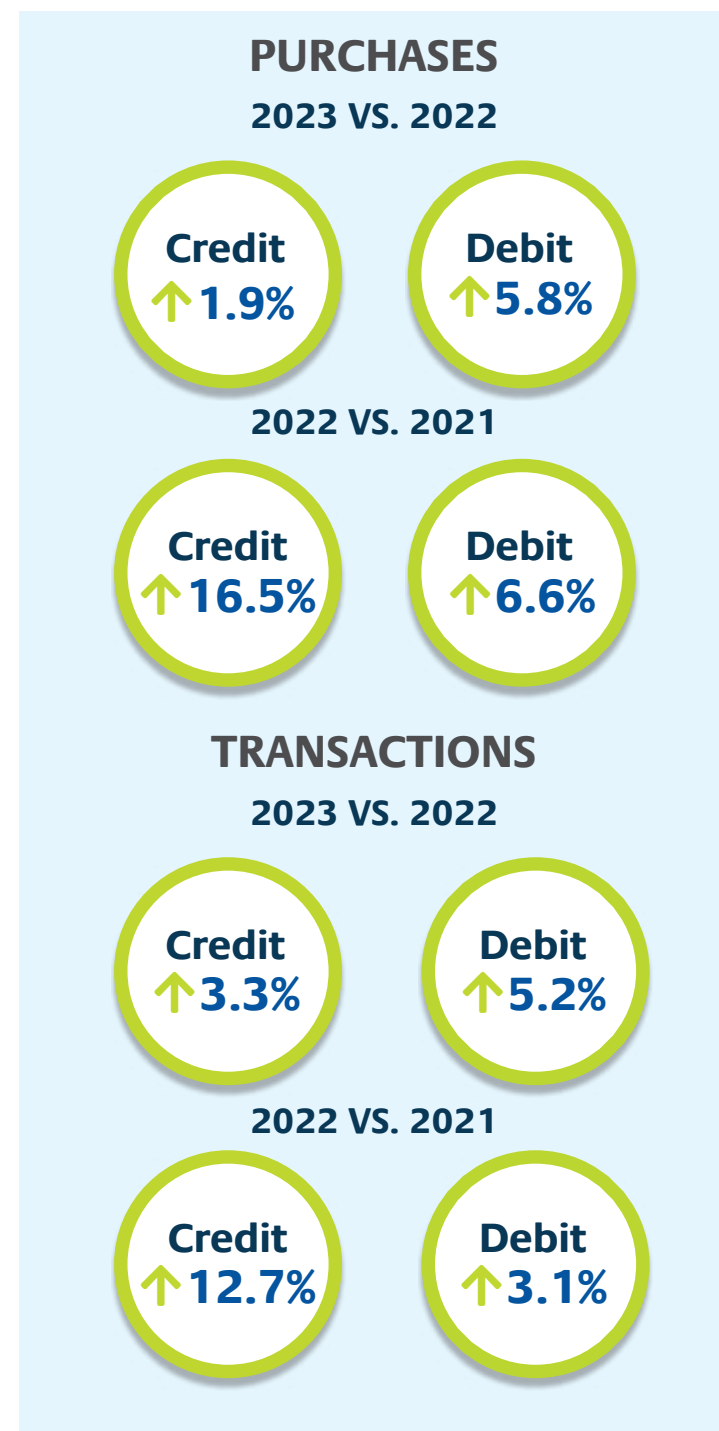
For the first time in more than three years, federal student loans began interest accruals on Sept. 1, with [payments set to resume in October](#) – likely impacting disposable income for many beginning next month. Federal student loans represent 92% of the student loan market, with the [average owed per borrower at \\$28,950](#).

Amidst [reports of a cooling job market](#), the Bureau of Labor Statistics (BLS) [reported](#) in its August 2023 jobs report that 187,000 jobs were added for the month, with increased jobs in healthcare, leisure and hospitality, social assistance, and construction. Employment in transportation and warehousing declined. The overall unemployment rate increased by 0.3% to 3.8%, or 6.4 million people, for August.

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: AUGUST 2023



KEY TAKEAWAYS

- Consumer purchases remained buoyant in August. Debit maintained steady year-over-year growth, with purchase volumes up 5.8%, while credit purchases were up 1.9%. Transaction growth remained positive, with debit up 5.2% and credit up 3.3% for the month.
- For credit and debit purchases in August, the largest contributor to growth was the Services sector. Goods was the only notable category offsetting credit purchase growth, contributing to a 0.5% reduction. For debit purchases, all sectors contributed positively to year-over-year growth.
- The Consumer Price Index (CPI-U) increased by 0.6% in August, its largest monthly gain since June 2022. Energy prices rose 5.6% in August, including a 10.6% increase in gasoline prices, which fueled much of the overall CPI increase. Excluding the volatile energy and food sectors, core CPI increased 0.3%, slightly higher than estimates.
- In back-to-school merchant categories, purchase growth in debit, up 3.6%, aligned with the National Retail Federation (NRF) 2023 estimates of 3.0%. Year-over-year growth in back-to-school credit purchases was down 0.6%. Merchant categories representing larger retail merchants like Amazon, Walmart and Target posted stronger growth when compared to the overall back-to-school group.
- The credit card delinquency rate increased again in August and finished at 2.11%, above the August 2019 pre-pandemic level by 35 basis points. Total credit card balances were up 12.2% for August compared to a year ago. The average credit card balance for active accounts exceeded \$3,000 for the first time since February 2020, finishing August at \$3,003, up 8.0% (or \$223) year over year.

Overall spending behavior held steady in August, despite a slight dip in consumer confidence – proving the economy is remaining stronger than expected. As we look at back-to-school spending trends in this month’s Deep Dive, the larger retail merchants of Amazon, Walmart and Target experienced stronger growth than smaller clothing store merchants, who experienced notable reductions. Looking ahead, as federal student loan payments are set to resume in October, we expect to see household cutbacks in other areas and will monitor any potential impacts on the upcoming holiday shopping season. —Yvonne Stelpflug, SVP, Advisors Plus at PSCU



DEEP DIVE: BACK TO SCHOOL

For 2023, the National Retail Federation (NRF) [projected that back-to-school spending](#) would rise 3.0% compared to 2022, with the expected spending per household at \$897. In our third annual installment measuring the impact of back-to-school purchases, we return to a relevant group of 16 merchant categories/groupings representing typical back-to-school spend areas for our same-store population of credit unions.

Aggregate debit purchases in these merchant categories were up for August 2023 compared to August 2022 by 3.6%. Credit purchases in the same categories and time frame were down by 0.6%. Bucking the trend from last fall, growth in both credit and debit purchases was lower in these select back-to-school purchasing-related categories when compared to the overall growth in credit and debit purchases, respectively.

YEAR-OVER-YEAR GROWTH IN BACK-TO-SCHOOL MERCHANT CATEGORIES: AUGUST 2023

Merchant Category	Credit		Debit		Top Merchants
	Transactions	Purchases	Transactions	Purchases	
Digital Merchants	4.6%	5.1%	5.2%	6.3%	Amazon, 2nd and Charles, university bookstores
Wholesale Clubs	7.5%	4.4%	8.8%	6.6%	Costco, Sam's Club, BJ Wholesale
Sports and Riding Apparel Stores	2.6%	4.0%	2.1%	3.1%	Nike, Adidas, Under Armour
Books, Periodicals and Newspapers	4.4%	3.8%	3.1%	5.6%	MBS, Barnes & Noble, eCampus.com
Family Clothing Stores	-0.6%	2.0%	0.0%	0.4%	Marshalls/TJ Maxx, Burlington, Old Navy
Men's and Women's Clothing Stores	2.0%	0.1%	4.2%	3.4%	American Eagle, Lululemon, Abercrombie & Fitch, Zulily, Banana Republic
Discount Stores	-3.7%	-1.0%	4.2%	7.2%	Target, Walmart, Ross, HomeGoods, Dollar General
Men's and Boy's Clothing Accessories Stores	-6.7%	-4.0%	-11.9%	-8.2%	Men's Wearhouse, Levi's, Untuckit, Tommy Hilfiger, Jos. A. Bank
Shoe Stores	-6.2%	-4.3%	-6.3%	-4.3%	Zappos, DSW, Foot Locker, Rack Room Shoes, Champs Sports
Stationery, Office and School Supply Stores	-3.0%	-4.5%	-4.6%	-5.5%	Office Depot/Office Max, Staples
Children's and Infants' Wear Stores	-2.6%	-5.3%	-3.4%	-6.4%	Carter's, The Children's Place
Department Stores	-4.4%	-8.9%	16.0%	7.4%	eBay, Kohl's, JCPenney, Macy's
Women's Ready to Wear Stores	-9.7%	-9.9%	-14.3%	-15.7%	Shein, Victoria's Secret, Michael Kors, rue21, Forever 21
Sporting Goods Stores	-6.7%	-10.0%	-3.6%	-5.4%	Dick's, REI, Cabela's, MidwayUSA, Academy Sports + Outdoors, Hibbett Sports
Electronics Stores	-5.4%	-10.2%	-5.1%	-6.5%	Apple, Samsung, Best Buy, Total Tech, PlayStation Direct
Women's Accessory and Specialty Stores	-8.5%	-18.2%	-4.5%	-13.1%	Louis Vuitton, Coach, Kate Spade, Tory Burch, David's Bridal, Ann Taylor
Grand Total	1.2%	-0.6%	4.3%	3.6%	

DEEP DIVE: BACK TO SCHOOL

Within the back-to-school categories, growth in debit purchases outpaced growth in credit purchases during August, with the highest percentages at the larger retailers including Amazon, Walmart, Target, Sam’s Club and Costco. The top six merchant categories in our back-to-school grouping represented 81% of credit purchases and 84% of debit purchases. For August, many of the clothing-related merchant categories had notable reductions in year-over-year purchases. These categories have consistently represented a smaller percentage of back-to-school purchasing activity.

Transaction growth for this group of merchant categories was up for both credit (+1.2%) and debit (4.3%) compared to August 2022. For the aggregate back-to-school categories, the August 2023 average purchase size was down 1.7% on credit purchases (\$73.37) and down 0.6% on debit purchases (\$53.35).

BACK-TO-SCHOOL MERCHANT CATEGORIES – AVERAGE PURCHASE AMOUNTS: AUGUST 2023

Merchant Category	Average Credit Purchase			Average Debit Purchase			Top Merchants
	2023	Growth	% Purchases	2023	Growth	% Purchases	
Electronics Stores	\$238.66	-5.1%	5%	\$144.57	-1.5%	3%	Apple, Samsung, Best Buy, Total Tech, PlayStation Direct
Men's and Boy's Clothing Accessories Stores	\$135.11	2.9%	1%	\$101.02	4.2%	1%	Men's Wearhouse, Levi's, Untuckit, Tommy Hilfiger, Jos. A. Bank
Wholesale Clubs	\$128.50	-2.9%	15%	\$97.73	-2.0%	14%	Costco, Sam's Club, BJ Wholesale
Shoe Stores	\$111.61	2.1%	3%	\$95.39	2.1%	4%	Zappos, DSW, Foot Locker, Rack Room Shoes, Champs Sports
Sports and Riding Apparel Stores	\$112.77	1.4%	1%	\$94.57	1.0%	1%	Nike, Adidas, Under Armour
Sporting Goods Stores	\$141.76	-3.5%	7%	\$90.87	-1.8%	6%	Dick's, REI, Cabela's, MidwayUSA, Academy Sports + Outdoors, Hibbett Sports
Men's and Women's Clothing Stores	\$100.22	-1.9%	5%	\$72.27	-0.7%	5%	American Eagle, Lululemon, Abercrombie & Fitch, Zulily, Banana Republic
Women's Ready to Wear Stores	\$106.65	-0.3%	2%	\$70.78	-1.7%	2%	Shein, Victoria's Secret, Michael Kors, rue21, Forever 21
Women's Accessory and Specialty Stores	\$116.91	-10.6%	1%	\$66.46	-9.0%	1%	Louis Vuitton, Coach, Kate Spade, Tory Burch, David's Bridal, Ann Taylor
Family Clothing Stores	\$81.44	2.6%	3%	\$58.92	0.4%	3%	Marshalls/TJ Maxx, Burlington, Old Navy
Children's and Infants' Wear Stores	\$74.95	-2.7%	0%	\$57.75	-3.1%	0%	Carter's, The Children's Place
Department Stores	\$75.17	-4.7%	7%	\$57.11	-7.4%	6%	eBay, Kohl's, JCPenney, Macy's
Books, Periodicals and Newspapers	\$50.38	-0.6%	0%	\$45.43	2.4%	0%	MBS, Barnes & Noble, eCampus.com
Discount Stores	\$63.62	2.8%	13%	\$42.28	2.8%	22%	Target, Walmart, Ross, HomeGoods, Dollar General
Stationery, Office and School Supply Stores	\$61.46	-1.5%	1%	\$41.79	-0.9%	1%	Office Depot/Office Max, Staples
Digital Merchants	\$48.64	0.5%	33%	\$40.24	1.0%	31%	Amazon, 2nd and Charles, university bookstores
Grand Total	\$73.37	-1.7%	100%	\$53.35	-0.6%	100%	

DEEP DIVE: BACK TO SCHOOL

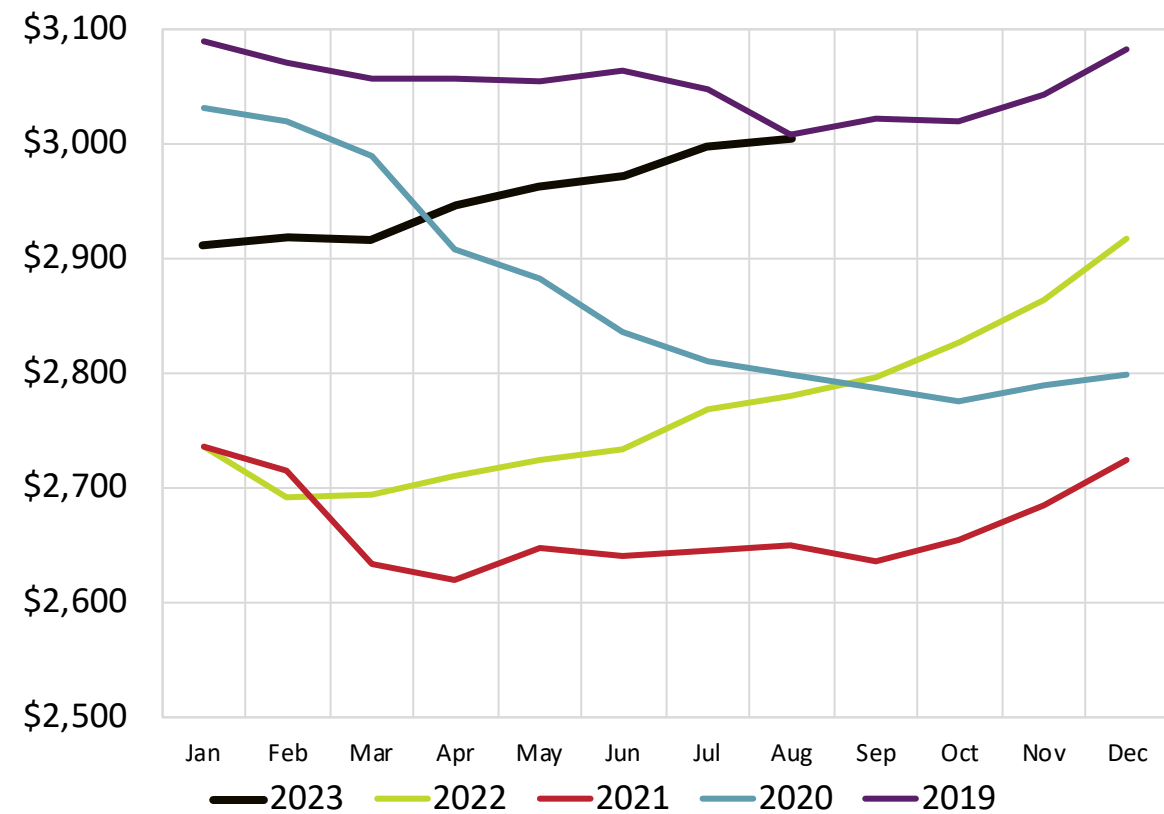
Enticing back-to-school shoppers, many states enacted [tax-free holiday periods](#), which can have restrictions on the categories and/or amounts of purchases that qualify for sales tax waivers. While tax-free events can occur throughout the year, many are targeted to back-to-school shopping in the July to September time frame.



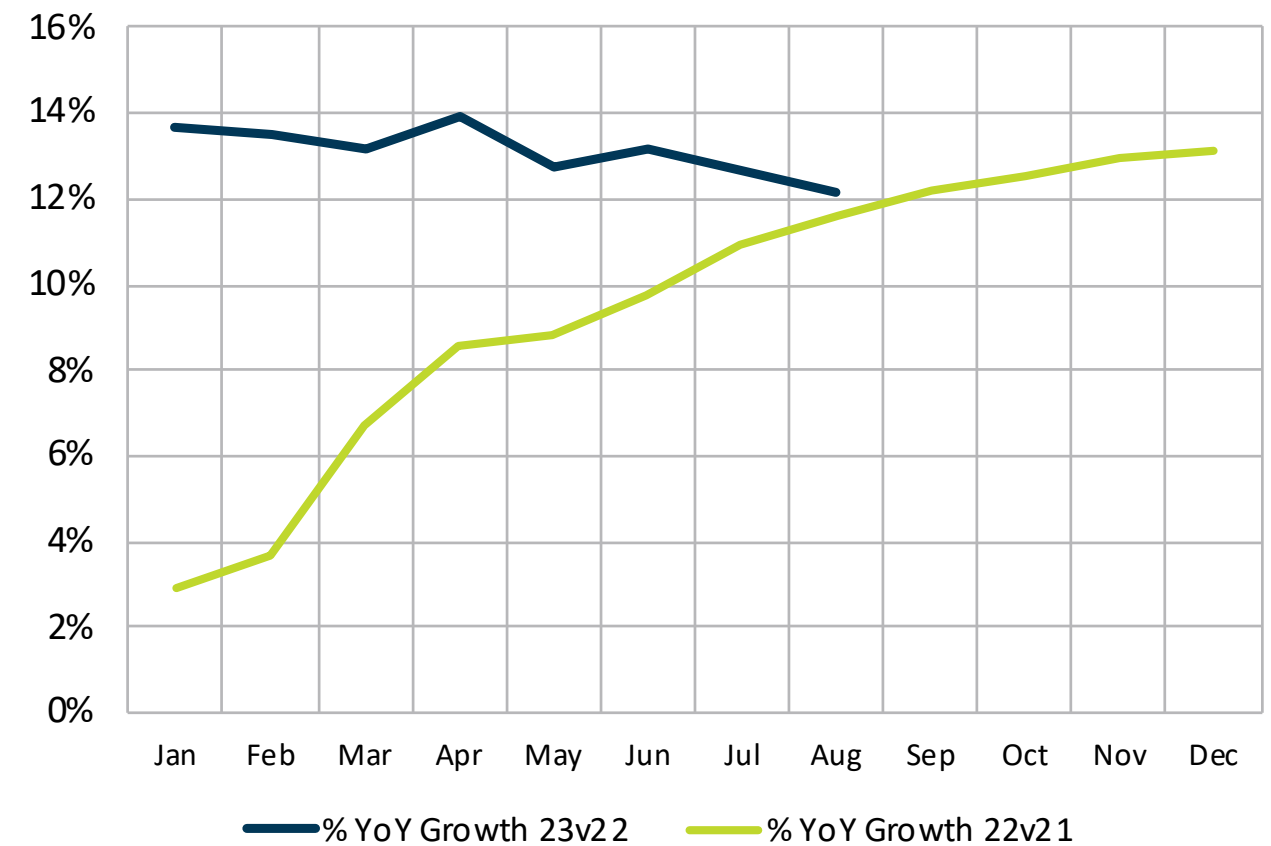
CREDIT CARD BALANCES

In August 2023, the average credit card account balance among gross active accounts averaged \$3,003, equivalent to the August 2019 average. Compared to one year ago, the average balance increased 8% or \$223. Total credit card balances grew 12.2% year over year.

AVERAGE CREDIT CARD BALANCES PER GROSS ACTIVE ACCOUNT



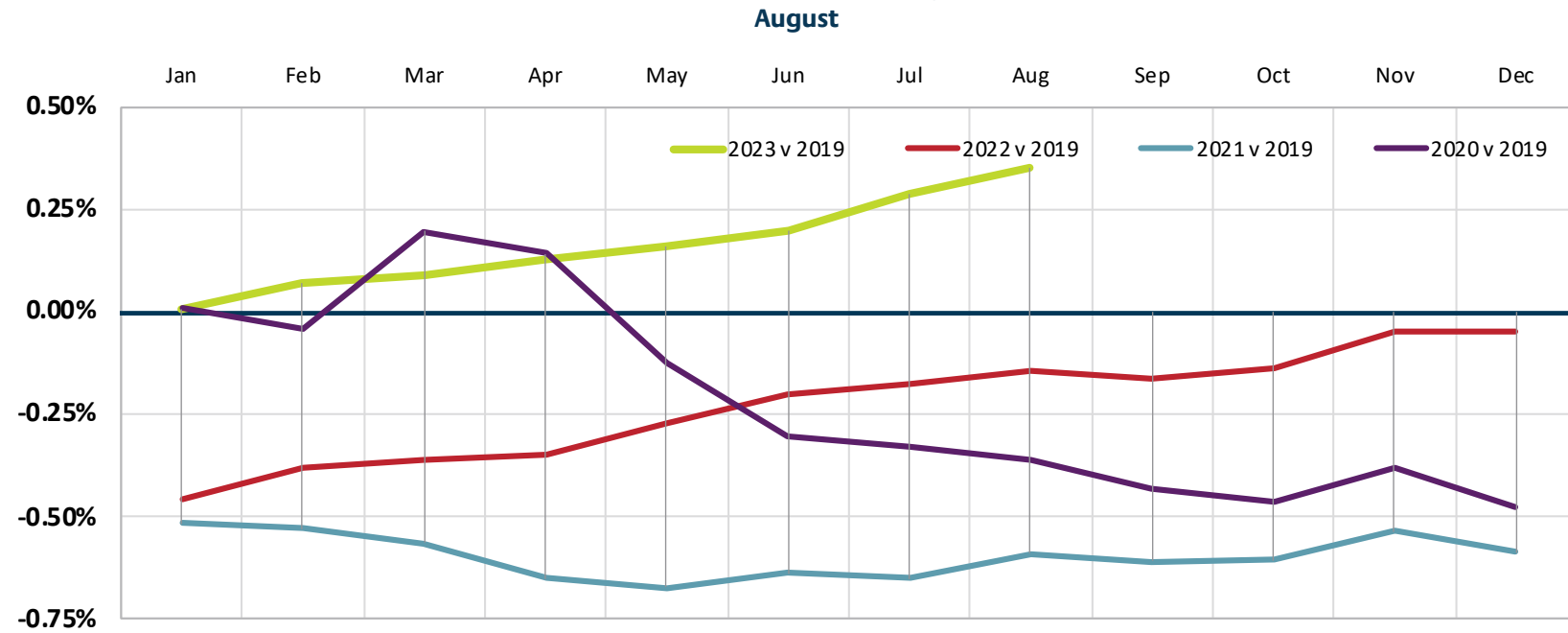
PERCENTAGE CHANGE IN TOTAL CREDIT CARD BALANCES



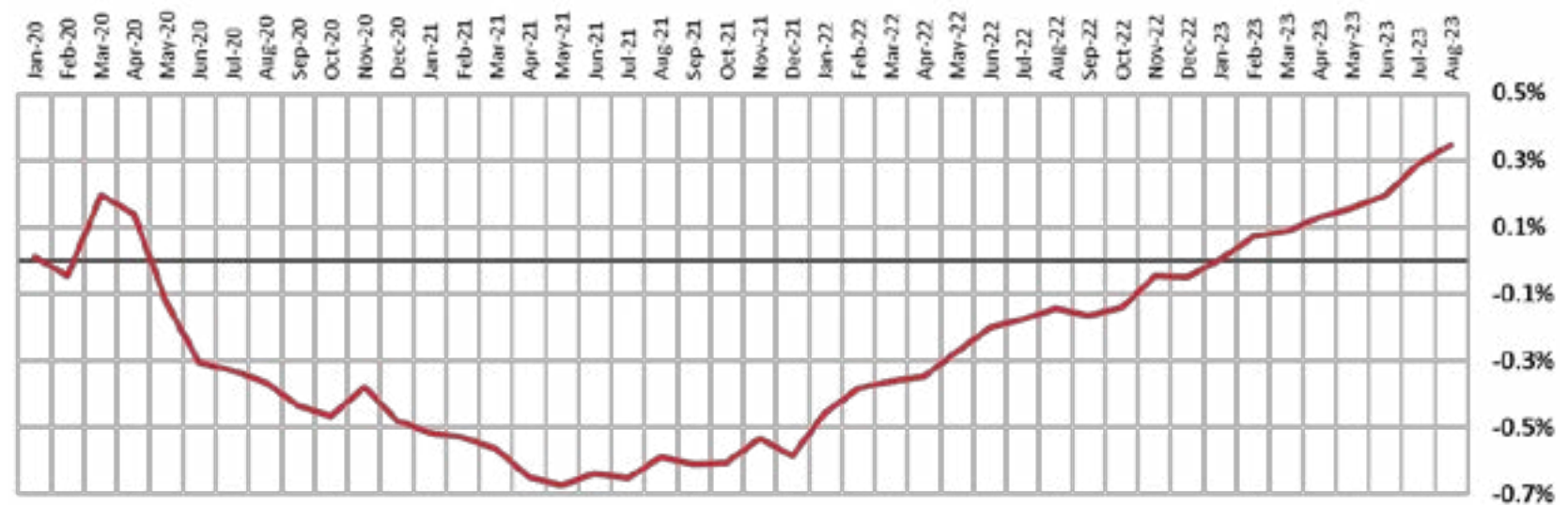
CREDIT CARD DELINQUENCIES

The credit card delinquency rate continued to increase, measuring 2.11% for August 2023. Compared to one year ago, the percent of balances delinquent increased by 49 basis points, up from 1.62%. In addition, the delinquency rate has surpassed the 2019 pre-pandemic levels by 35 basis points.

OVERALL CREDIT CARD DELINQUENCY RATE



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

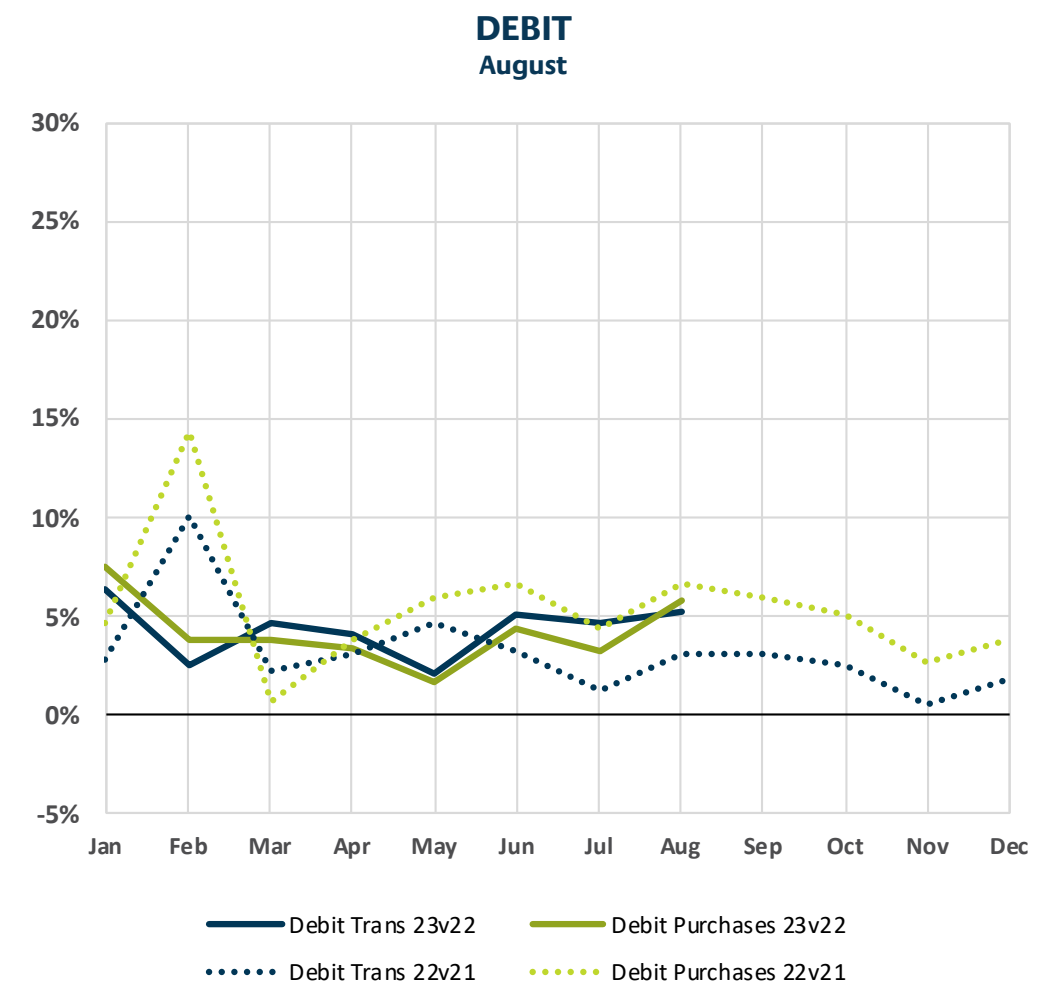
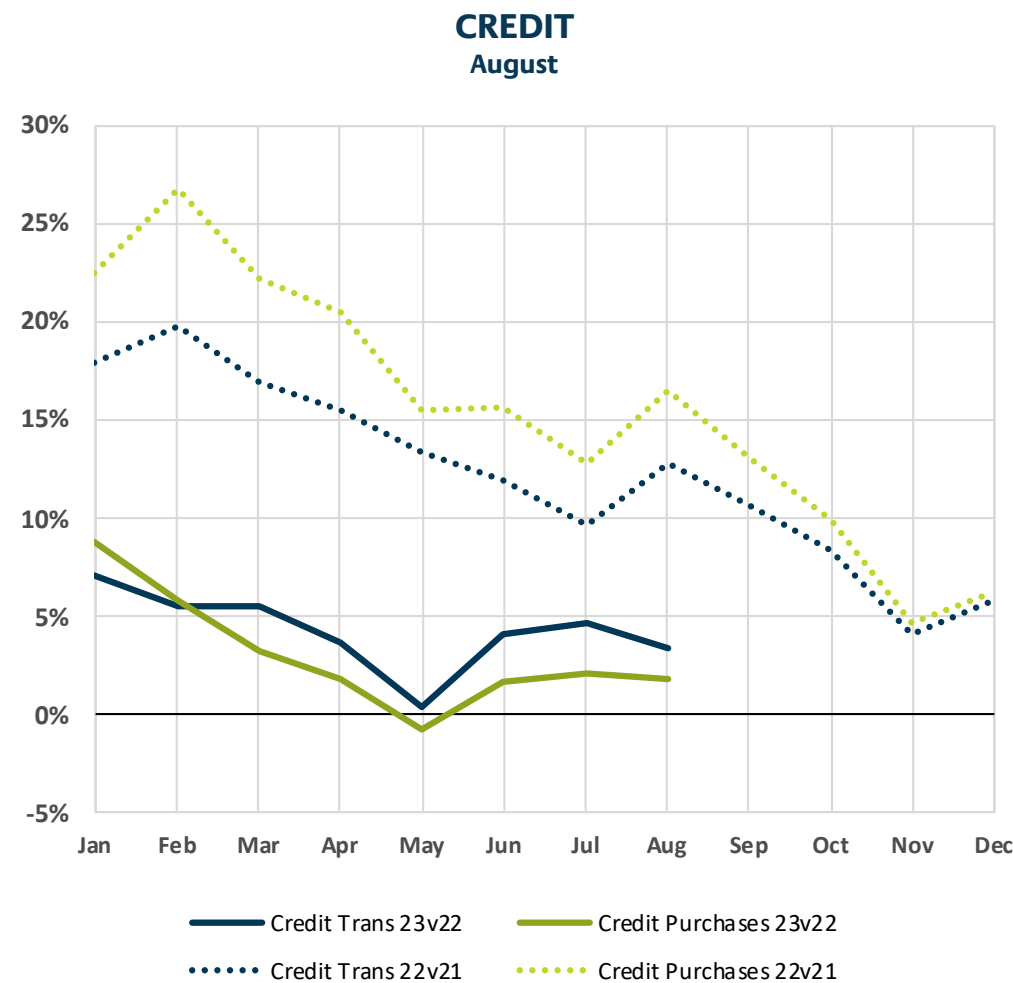


CREDIT AND DEBIT CARDS

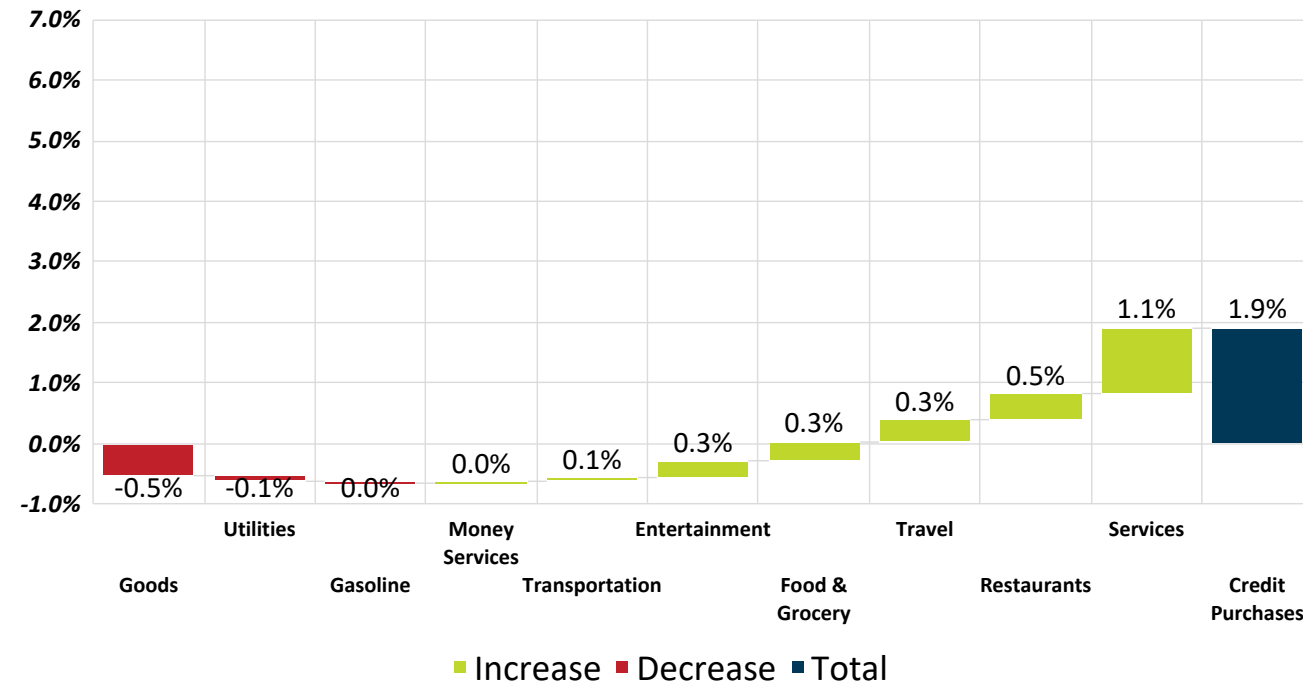
Consumer card activity remained solid in August 2023 with debit growth outperforming credit. Debit purchase dollars increased 5.8% year over year while transaction volumes were up 5.2%. Consumer spending on credit cards yielded year-over-year increases of 1.9% for purchases and 3.3% for transactions.

Debit purchase growth was primarily driven by the Services, Money Services and Goods sectors, collectively contributing 3.4% of the 5.8% growth. Influenced by different sectors than purchases, debit transaction growth was led by the Goods, Restaurants and Food & Grocery sectors (2.9%). For credit purchases, the Services and Restaurant sectors provided 1.6% growth, while the Goods sector drove purchases down 0.5%. The Restaurants and Food & Grocery sectors were the top contributors toward credit transaction growth (1.6%).

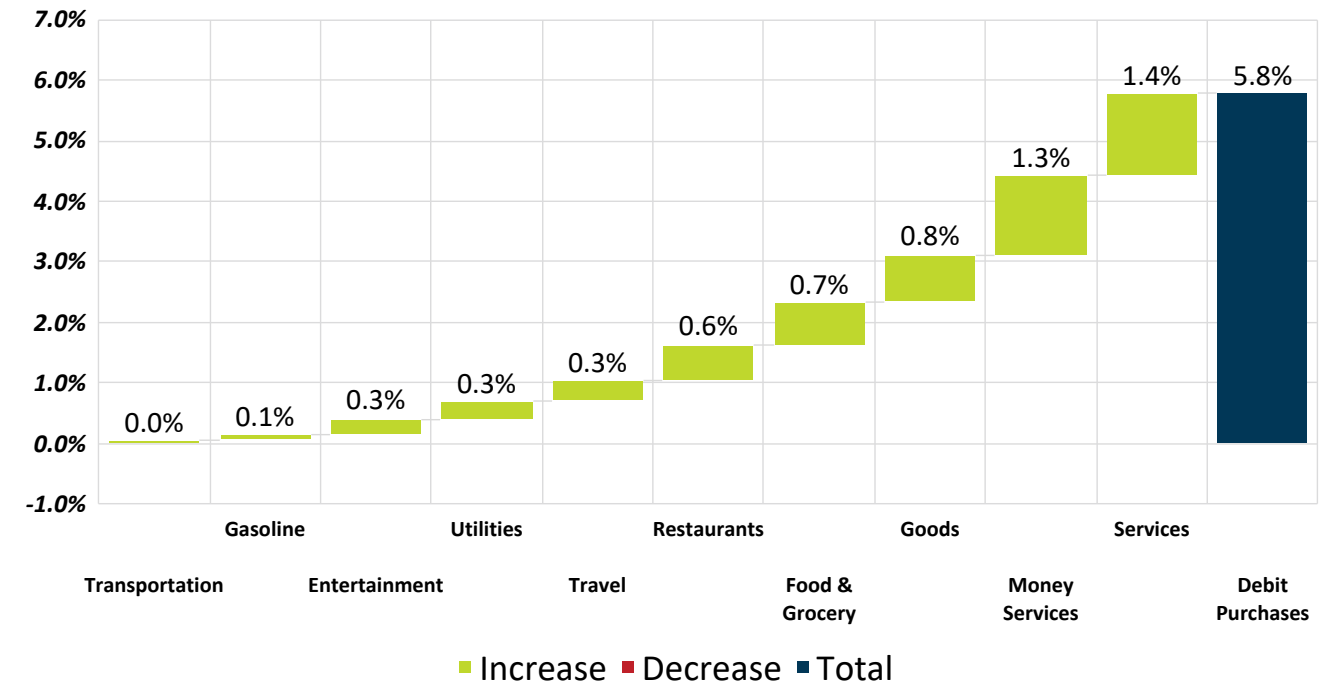
	Credit		Debit	
	Transactions	Purchases	Transactions	Purchases
2023 v 2022	3.3%	1.9%	5.2%	5.8%
2022 v 2021	12.7%	16.5%	3.1%	6.6%



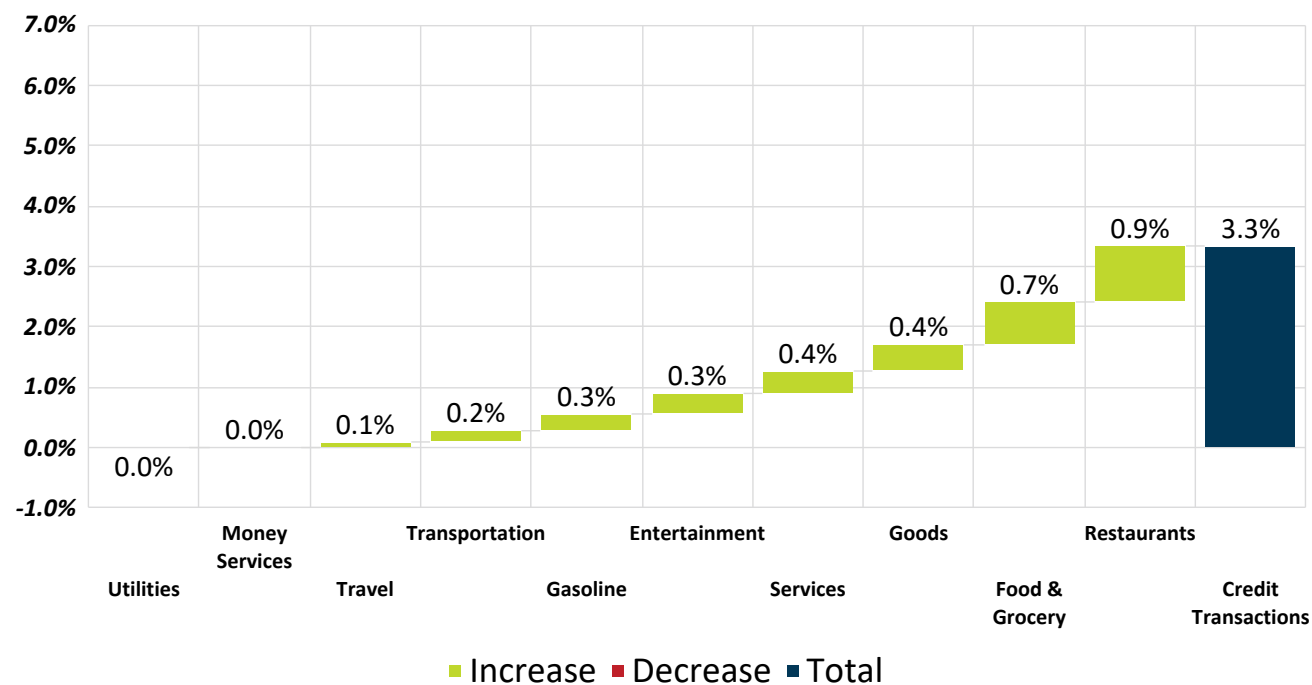
SECTOR CONTRIBUTIONS TO GROWTH IN CREDIT PURCHASES: AUGUST



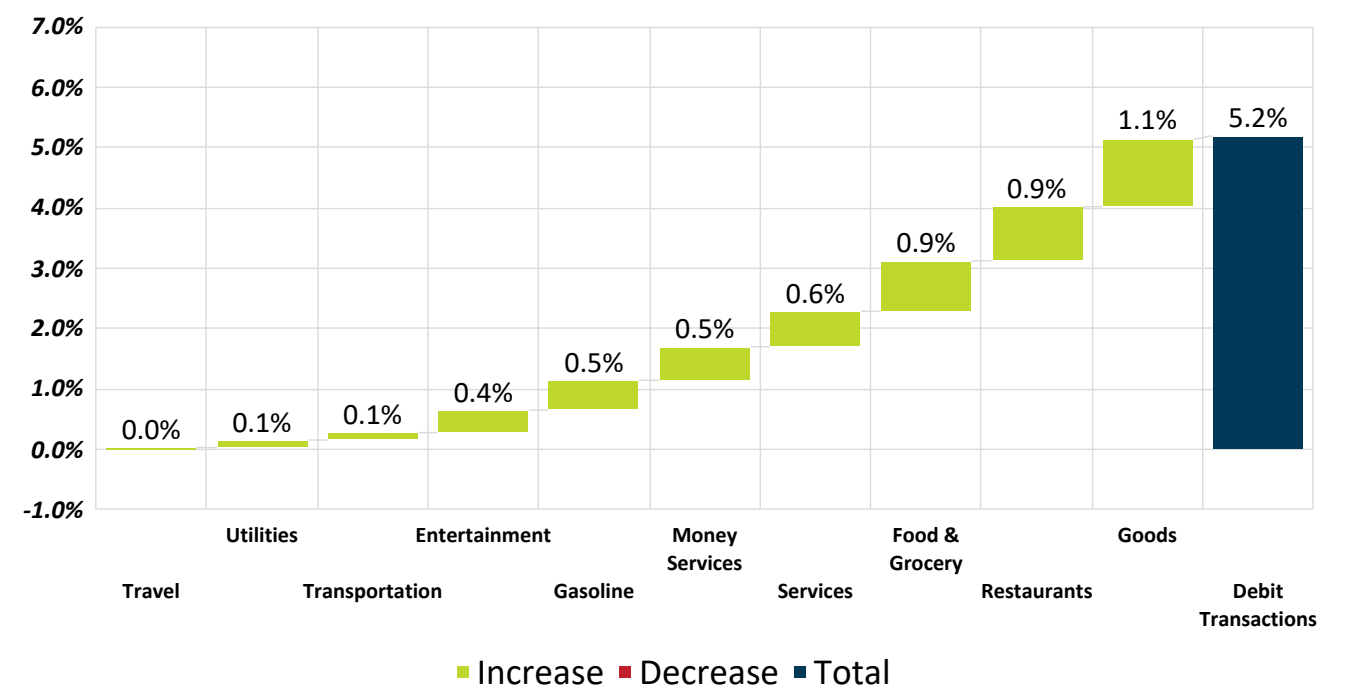
SECTOR CONTRIBUTIONS TO GROWTH IN DEBIT PURCHASES: AUGUST



SECTOR CONTRIBUTIONS TO GROWTH IN CREDIT TRANSACTIONS: AUGUST



SECTOR CONTRIBUTIONS TO GROWTH IN DEBIT TRANSACTIONS: AUGUST



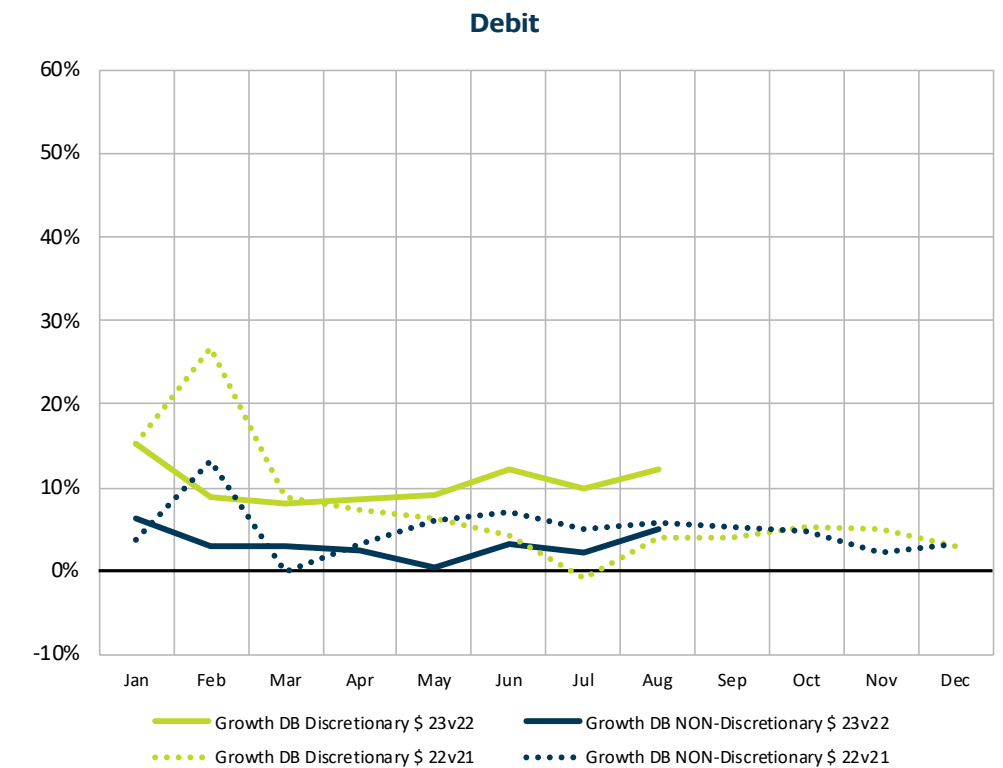
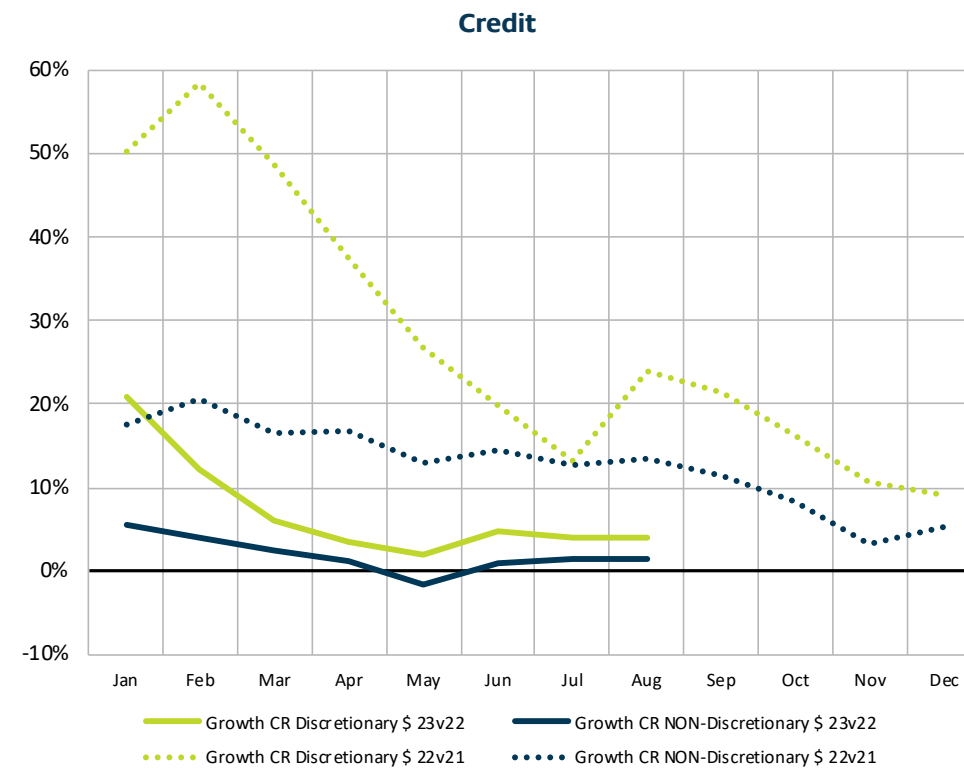
DISCRETIONARY AND NON-DISCRETIONARY ACTIVITY

The grouping of expenses into discretionary and non-discretionary spend continues to provide insight into consumer payment activity amidst the current economic backdrop. Discretionary activity consists of nearly all 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 several merchant categories identified as discretionary within the Food & Grocery and Goods sectors.

DISCRETIONARY AND NON-DISCRETIONARY: AUGUST 2023

	% of Overall Purchases	Credit YoY Growth		Average Purchase	% of Overall Purchases	Debit YoY Growth		Average Purchase
		Transactions	Purchases			Transactions	Purchases	
Discretionary	21%	4.7%	4.0%	\$163	12%	14.3%	12.2%	\$87
Non-Discretionary	79%	3.2%	1.4%	\$62	88%	4.6%	5.0%	\$42

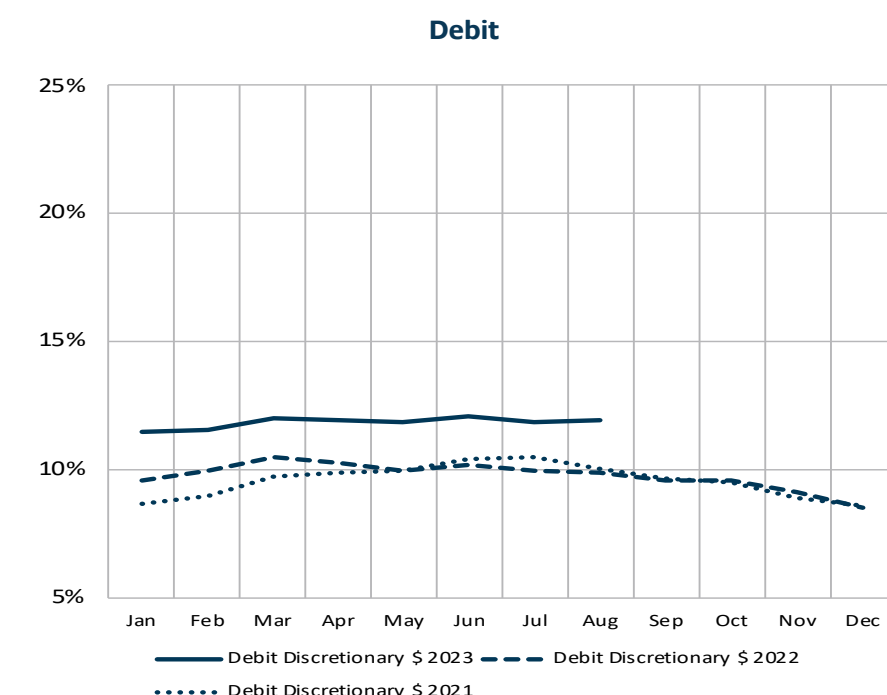
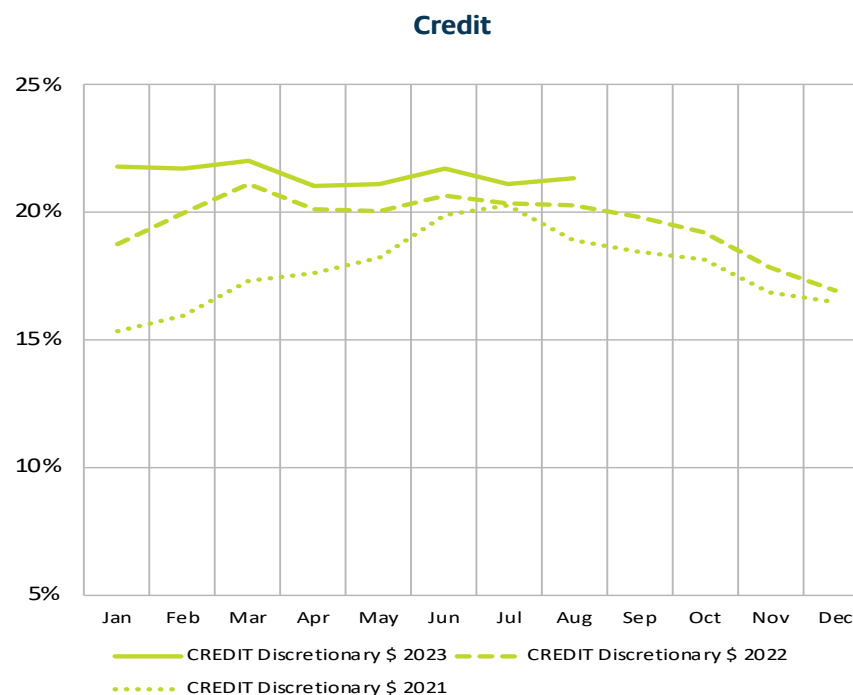
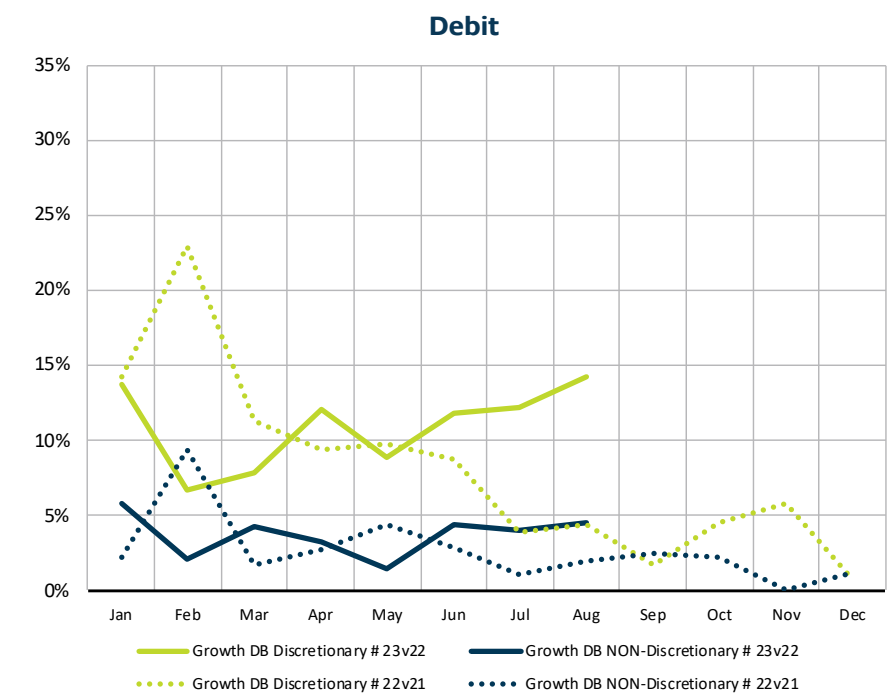
GROWTH IN DISCRETIONARY/NON-DISCRETIONARY OVERALL PURCHASES



DISCRETIONARY AND NON-DISCRETIONARY ACTIVITY


Debit discretionary activity growth continued to outpace credit discretionary growth, with discretionary transaction growth outperforming purchases. In August 2023, debit discretionary transactions increased 14.3% year over year, while purchases were up 12.2%. This compares to credit discretionary transaction and purchase growth rates of 4.7% and 4.0%, respectively. The discretionary and non-discretionary spending mix of purchases for both debit and credit has remained relatively consistent throughout 2023.

GROWTH IN DISCRETIONARY/NON-DISCRETIONARY OVERALL TRANSACTIONS




SECTORS/MERCHANT CATEGORIES

In August 2023, the top-performing sectors included Transportation, Entertainment and Restaurants for credit and Money Services, Services and Travel for debit. Overall, transaction growth tended to outperform purchase growth. The Gasoline sector returned from negative growth rates as gas prices recently surged. The national average price per gallon of gasoline finished at \$3.82 for the week ending Sept. 11, up 3.6% or \$0.13 year over year.




ENTERTAINMENT
August 2023 V 2022

	Credit	Debit
YoY Purchases	7%	7%
YoY Transactions	8%	9%



FOOD & GROCERIES
August 2023 V 2022

	Credit	Debit
YoY Purchases	3%	4%
YoY Transactions	5%	5%




GASOLINE
August 2023 V 2022

	Credit	Debit
YoY Purchases	0%	1%
YoY Transactions	2%	3%



GOODS
August 2023 V 2022

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




MONEY SERVICES
August 2023 V 2022

	Credit	Debit
YoY Purchases	4%	13%
YoY Transactions	4%	12%




RESTAURANTS
August 2023 V 2022

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



SERVICES
August 2023 V 2022

	Credit	Debit
YoY Purchases	5%	10%
YoY Transactions	4%	9%




TRANSPORTATION
August 2023 V 2022

	Credit	Debit
YoY Purchases	8%	9%
YoY Transactions	9%	11%



TRAVEL
August 2023 V 2022

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



UTILITIES
August 2023 V 2022

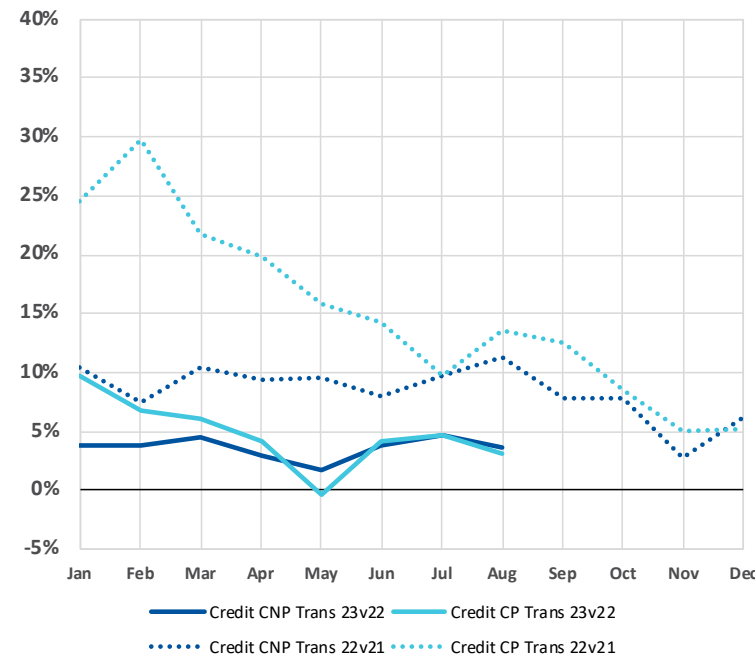
	Credit	Debit
YoY Purchases	-3%	6%
YoY Transactions	0%	7%

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

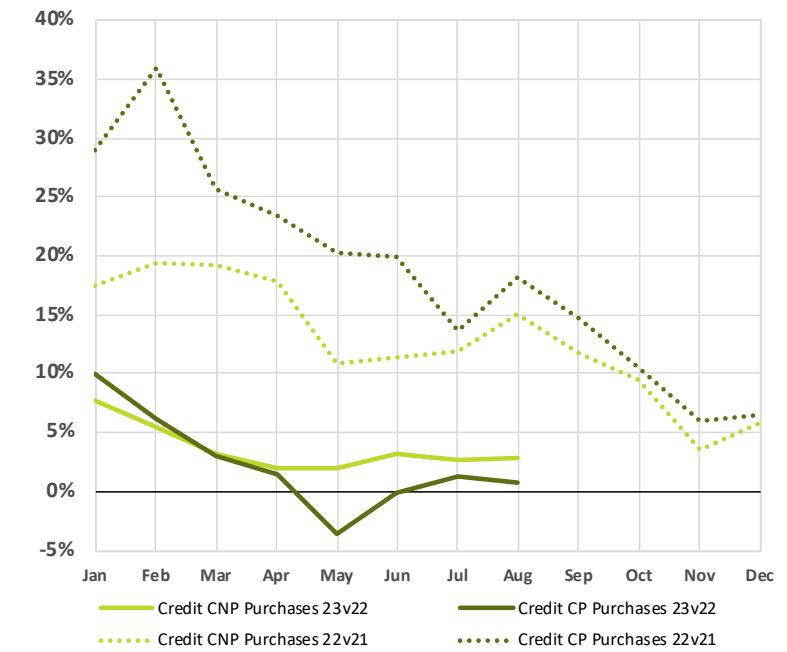
August 2023 growth rates for Card Not Present (CNP) and Card Present (CP) transactions and purchases were mostly unchanged for credit, while debit experienced increased growth in both CNP transactions and purchases. Debit CNP purchase growth increased 9% year over year, while transactions were up 8%.

Debit continued to capture a higher portion of CP transactions and purchases compared to credit. Currently, CP transactions account for 67% of debit and 62% of credit transactions, while CP purchases comprised 52% of debit and 50% of credit purchases.

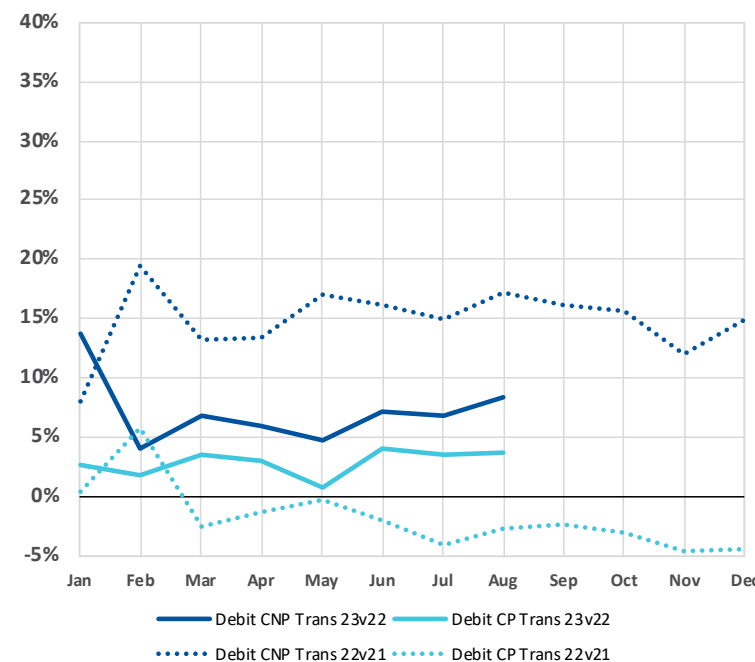
YOY % GROWTH IN CREDIT TRANSACTIONS August



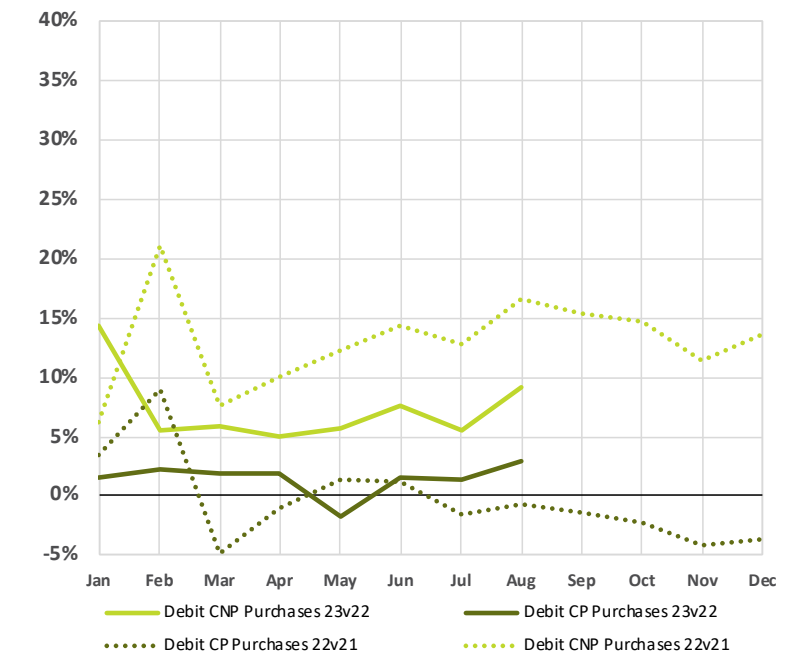
YOY % GROWTH IN CREDIT PURCHASES August



YOY % GROWTH IN DEBIT TRANSACTIONS August



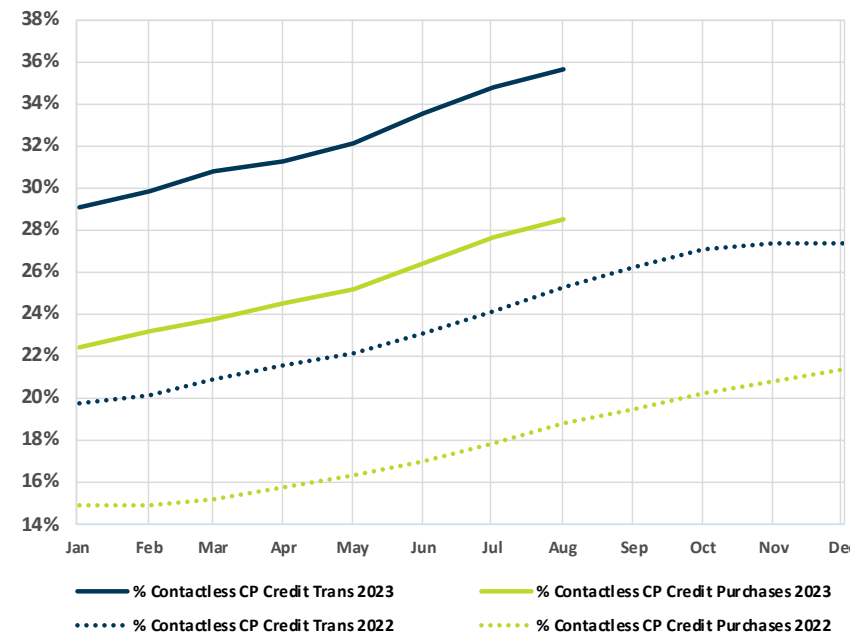
YOY % GROWTH IN DEBIT PURCHASES August



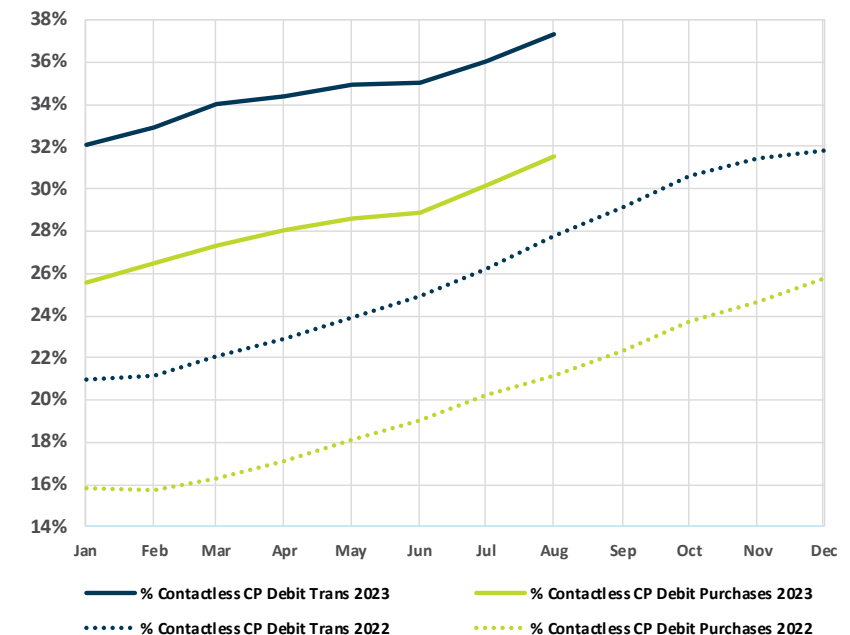
CONTACTLESS TRANSACTIONS

Contactless activity continued to capture an increasing percentage of Card Present (CP) transactions and purchases, with debit maintaining a slight lead over credit. In August, contactless comprised 37% of debit CP transactions and 36% of credit CP transactions, while accounting for 31% of debit CP purchases and 29% of credit CP purchases. The average contactless purchase amount for debit was up 10% year over year versus 5% for credit.

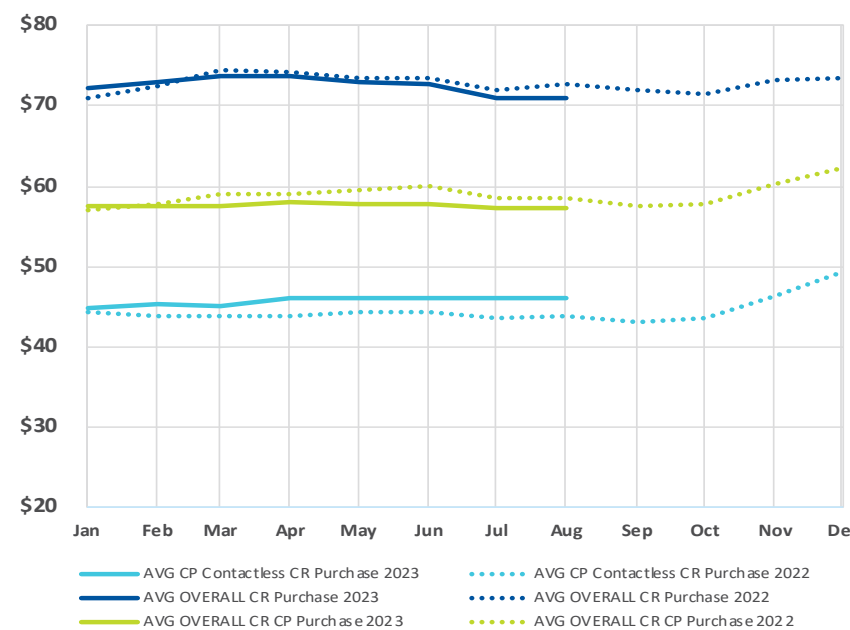
% CONTACTLESS CREDIT ACTIVITY ON CONTACTLESS CARDS August



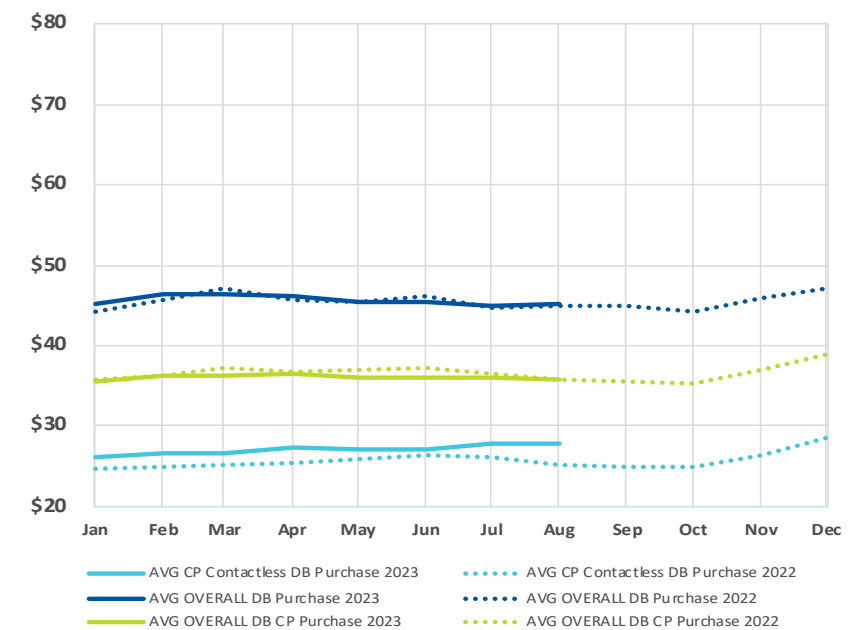
% CONTACTLESS DEBIT ACTIVITY ON CONTACTLESS CARDS August



CONTACTLESS CREDIT AVERAGE PURCHASE August



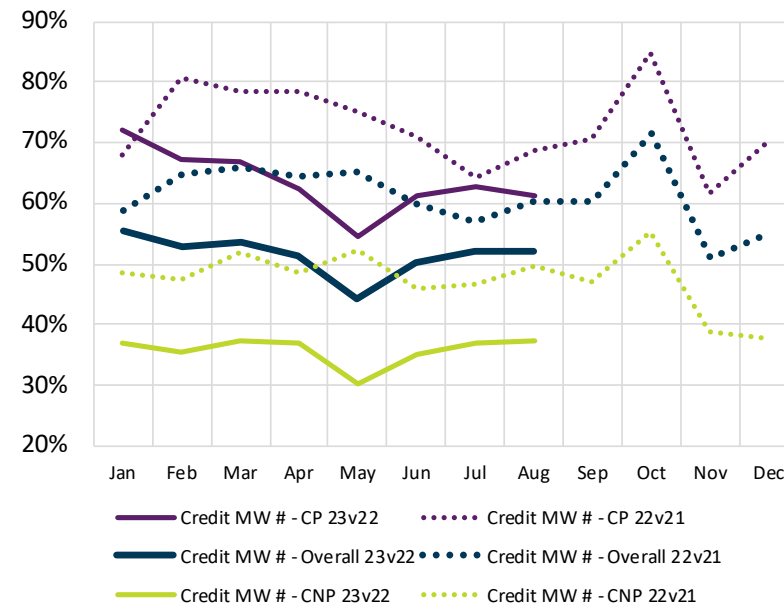
CONTACTLESS DEBIT AVERAGE PURCHASE August



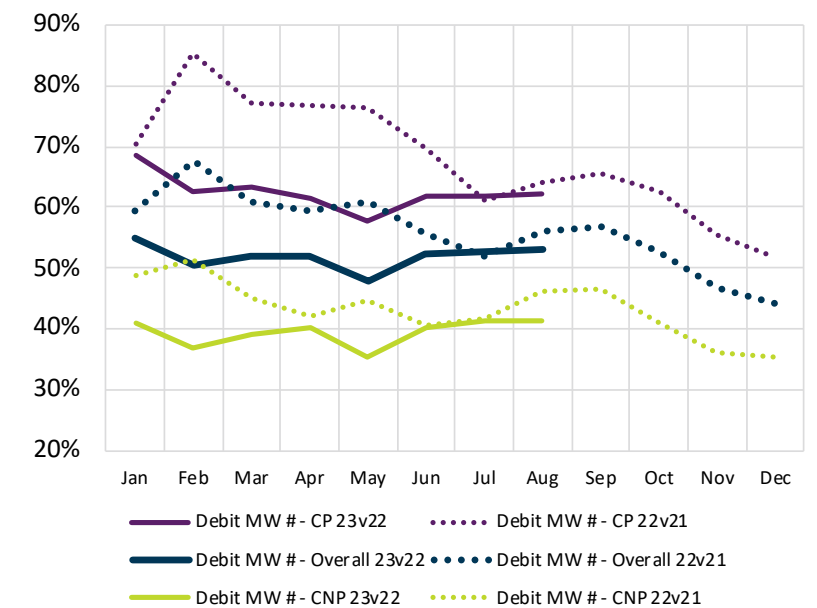
MOBILE WALLETS

Mobile Wallet transaction growth rates have somewhat moderated for both credit and debit. In August 2023, mobile wallet transaction growth measured 52% year over year for credit and 53% for debit. However, growth in debit mobile wallet purchases continued an upward trend relative to credit.

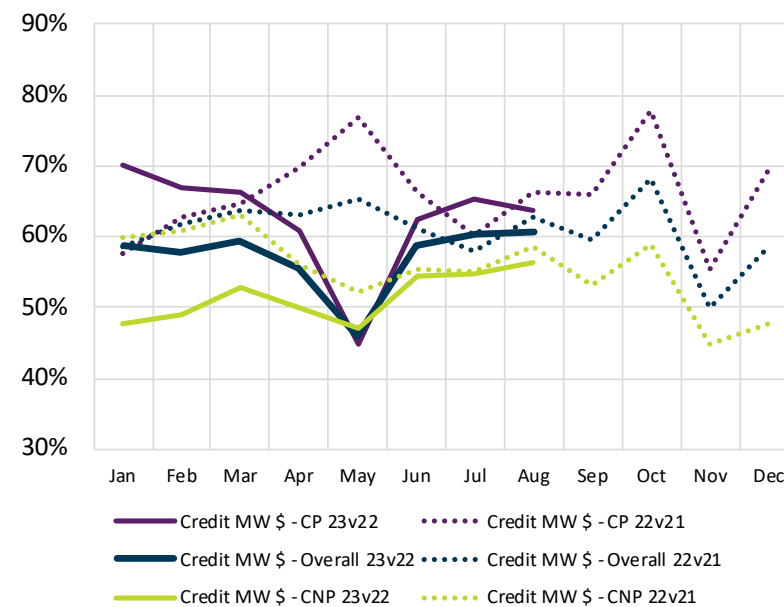
YOY % GROWTH IN MOBILE WALLET CREDIT TRANSACTIONS August



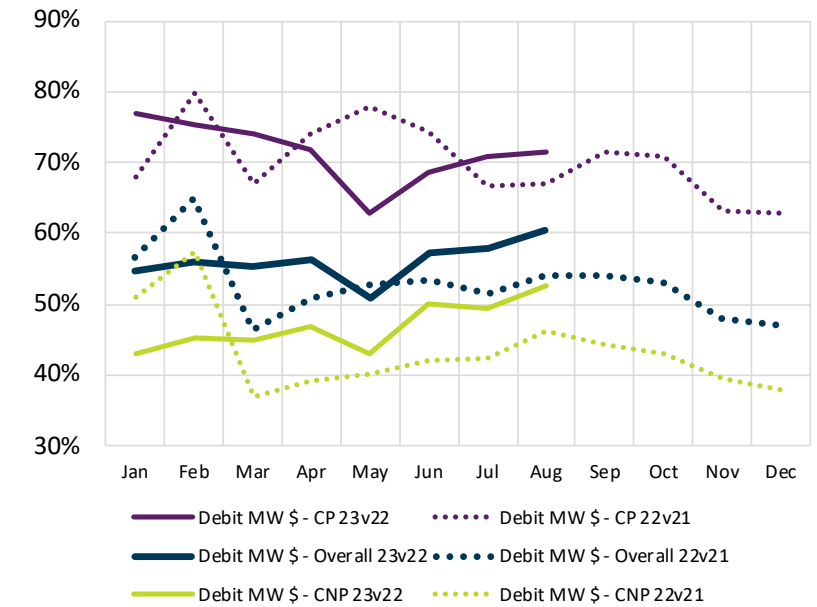
YOY % GROWTH IN MOBILE WALLET DEBIT TRANSACTIONS August



YOY % GROWTH IN MOBILE WALLET CREDIT PURCHASES August



YOY % GROWTH IN MOBILE WALLET DEBIT PURCHASES August





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 credit unions 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 complete 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 September edition of the Payments Index represents a total of 2.8 billion transactions valued at \$142 billion of credit and debit card activity from September 2022 through August 2023.

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ABOUT PSCU

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