

## THE PSCU PAYMENTS INDEX: OCTOBER 2023

Actions continue to speak louder than words. Consumer payment behavior remained positive for both credit and debit in this month's PSCU Payments Index despite a drop in consumer sentiment for September, while the 12-month rate of inflation remained unchanged. This month's Deep Dive investigates discretionary spending trends in September results.

The [Consumer Confidence Index](#) declined again in September to 103.0 (1985=100), down from a revised 108.7 in August. Consumers remain concerned with rising prices in general, notably with groceries and gasoline, along with the current political situation and higher interest rates. In the September survey, the decline in confidence spanned all age groups and was notable with consumers of household incomes of \$50,000 or more.

In the Labor Department's Oct. 12 update, the [Consumer Price Index \(CPI\)](#) increased by 0.4% for September, with more than half of the increase attributable to shelter. The annual rate of inflation remained flat from the August update at 3.7% through September, while the energy index rose 1.5%. Excluding the volatile energy and food sectors, core CPI increased 0.3%. The next Federal Open Market Committee (FOMC) meeting is scheduled for Oct. 31 – Nov. 1.

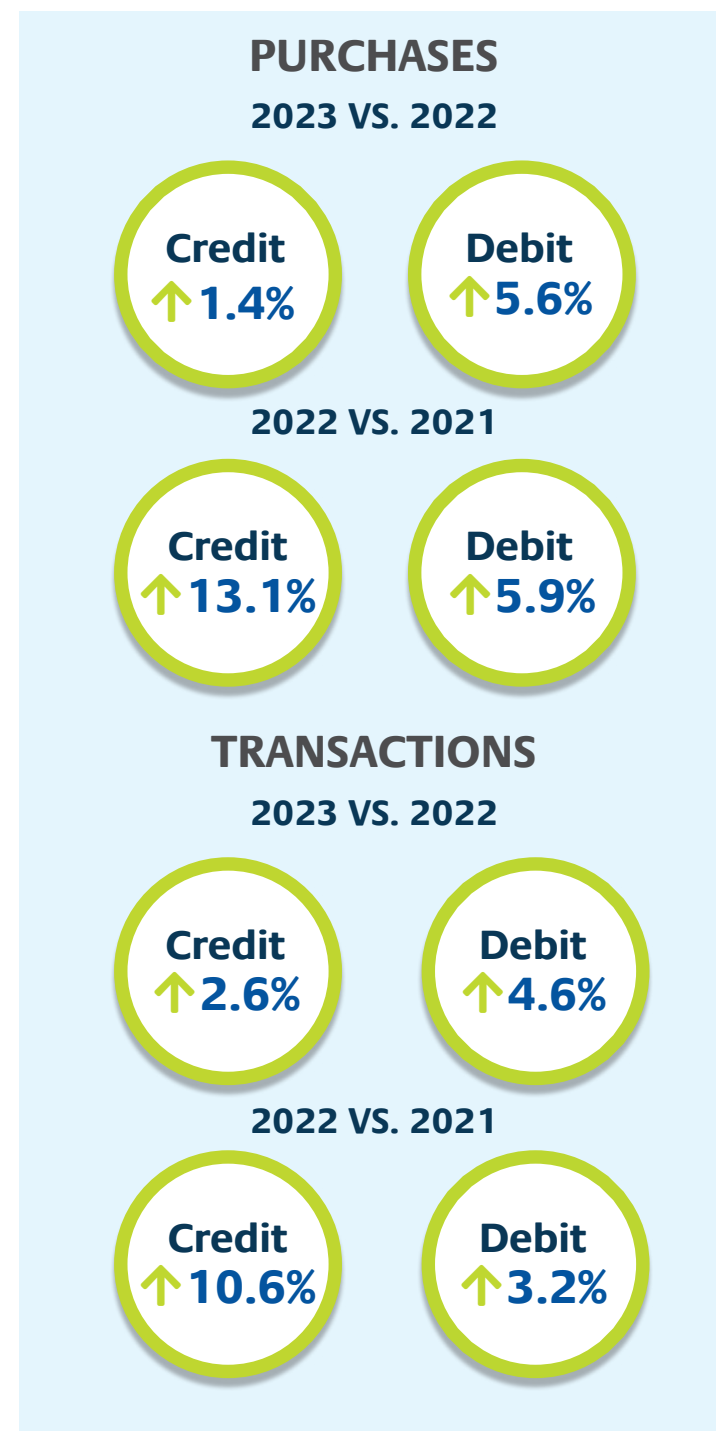
In a much stronger than expected update, the Bureau of Labor Statistics (BLS) [reported](#) in its September 2023 jobs report that 336,000 jobs were added for the month, with increased jobs in leisure and hospitality, government, health care, professional, scientific, and technical services and social assistance. In the September report, the July and August jobs updates were both revised upwards by 79,000 and 40,000, respectively. These are the [first upward job revisions](#) after seven months of downward revisions. The overall unemployment rate was unchanged, remaining at 3.8%, or 6.4 million people, for September.

While President Biden [signed a short-term measure](#) to fund the government on Sept. 30, the new deadline for Congress to pass a longer-term bill is Nov. 17. Without a speaker of the House of Representatives currently in place, this date looms large as a government shutdown will have a substantive impact on the U.S. economy.

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 – SEPTEMBER 2023



### KEY TAKEAWAYS

- Consumer purchases maintained their consistent and positive trends in September, although were down from the prior-month growth. Year-over-year growth in debit purchases was up 5.6%, while credit purchases were up 1.4%. Transaction growth finished with debit up 4.6% and credit up 2.6% for the month.
- For credit and debit purchases in September, the largest contributor to growth was again the Services sector. Goods and Utilities were the only categories offsetting credit purchase growth, contributing to a 0.6% and 0.1% reduction, respectively. For debit purchases, all sectors contributed positively to year-over-year growth.
- The Consumer Price Index (CPI-U) increased by 0.4% in September, while the 12-month rate of inflation remained unchanged at 3.7%. Shelter accounted for more than half of the monthly increase in September. Excluding the volatile Energy and Food sectors, the core CPI index increased 0.3% again in September.
- Growth in discretionary spending remained strong in September, with debit purchases up 6.2% and credit purchases up 1.8%. Two-thirds of the growth in debit discretionary purchases came from the Entertainment sector – Online Gambling and Events (concerts). For credit discretionary purchases, Events (concerts) and Cruises were top contributors.
- Growth in Buy Now, Pay Later (BNPL)-related payments were strong when looking at the top providers, including Affirm, Afterpay, Klarna, PayPal (Pay In 4) and Sezzle. For September 2023, BNPL debit payments were up 28.0%.
- The credit card delinquency rate increased in September and finished at 2.23%, above the September 2019 pre-pandemic level by 32 basis points. Total credit card balances were up 11.6% for September compared to a year ago. The average credit card balance for active accounts was \$3,001 for September, up 7.3% (or \$204) year over year.

Consumers adjust their spending patterns, shifting between discretionary and non-discretionary expenses based on changing priorities. The COVID-19 pandemic was a clear example – with a reduction in discretionary spending on items such as travel and entertainment, followed by an increased focus on essential non-discretionary purchases like replacing household items. As we look forward to 2024, it will be interesting to observe how tighter budgets may lead to a decline in discretionary spending.

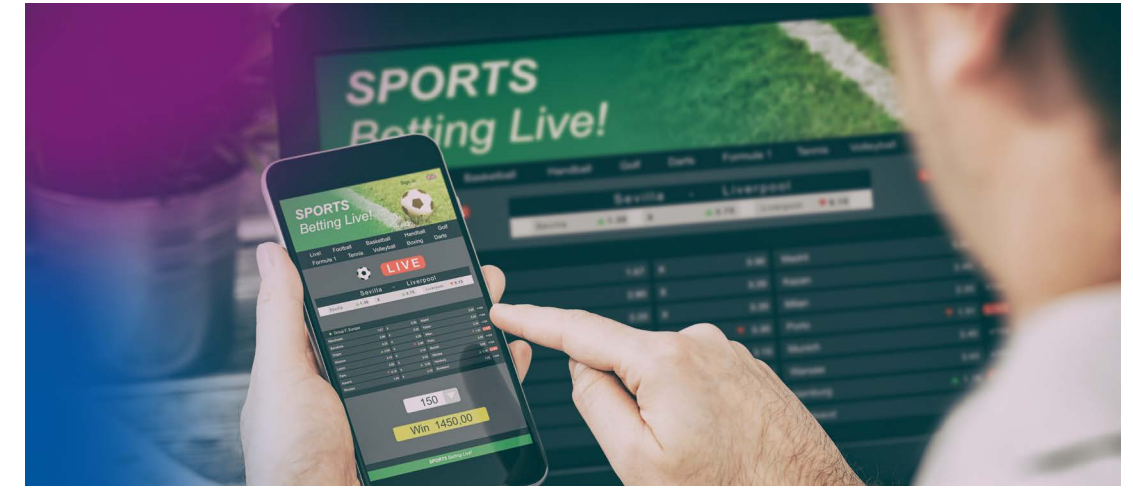


— **James Wester, Co-Head of Payments and Director of Digital Assets and Cryptocurrency Practice at Javelin Strategy & Research**

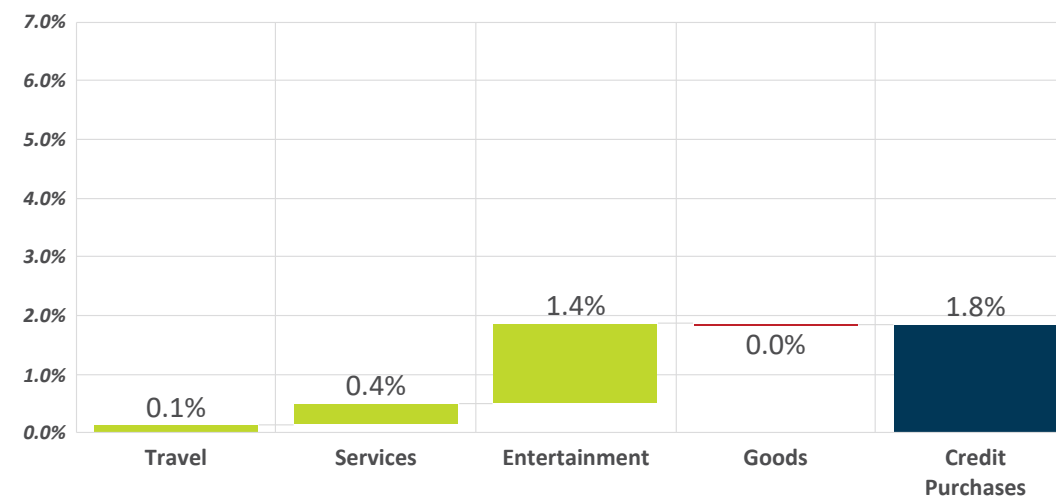
## DEEP DIVE: DISCRETIONARY SPENDING

Consumers continue to [splurge on select non-essential purchases](#). Our Deep Dive this month explores trends in the group of merchant categories that comprise discretionary spending. Activity in these non-essential categories includes parts or all of the following sectors: Travel, Entertainment, Services and Goods. For September 2023, credit purchases were up 1.8% year over year in discretionary purchases and debit discretionary purchases were up 6.2%.

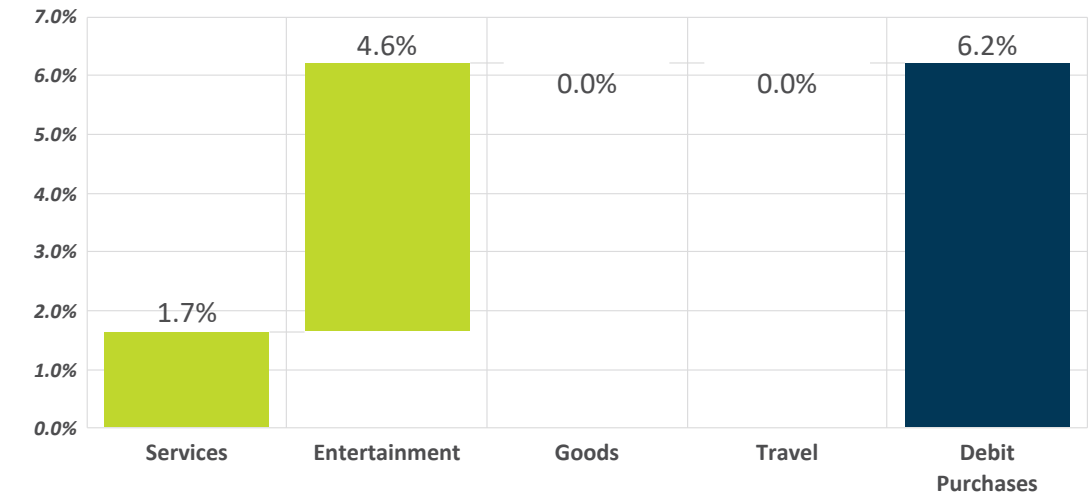
The Entertainment sector had the largest contribution to the growth in discretionary purchases for both credit and debit, generating 78% of the growth in credit and 74% of the growth in debit.



**SECTOR CONTRIBUTIONS TO GROWTH IN CREDIT DISCRETIONARY PURCHASES - SEPTEMBER**



**SECTOR CONTRIBUTIONS TO GROWTH IN DEBIT DISCRETIONARY PURCHASES - SEPTEMBER**



■ Increase ■ Decrease ■ Total

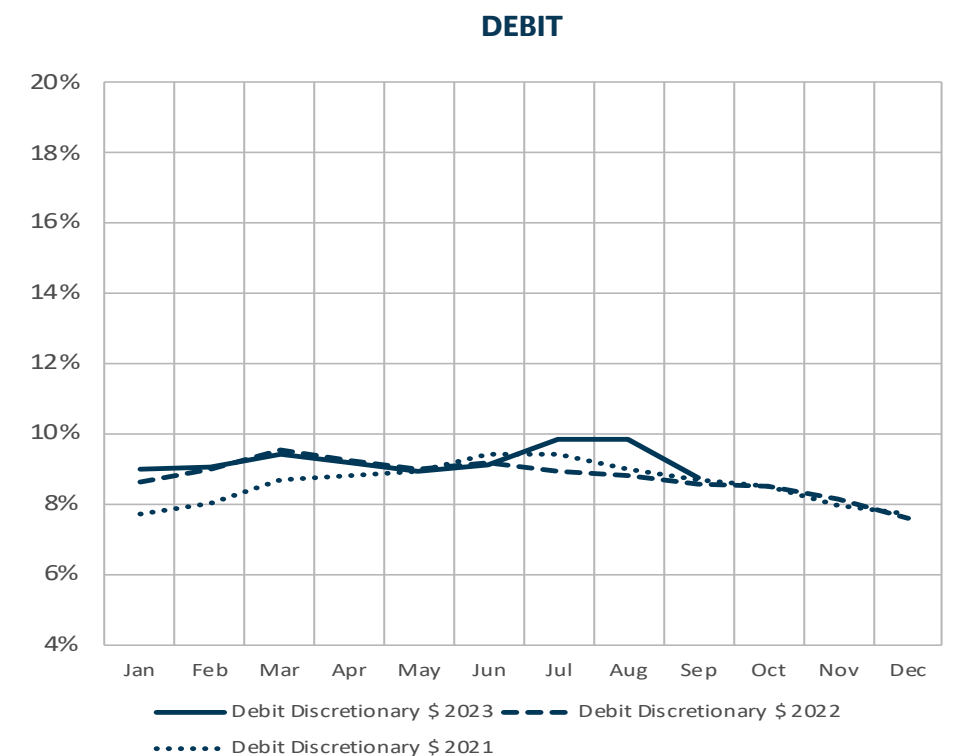
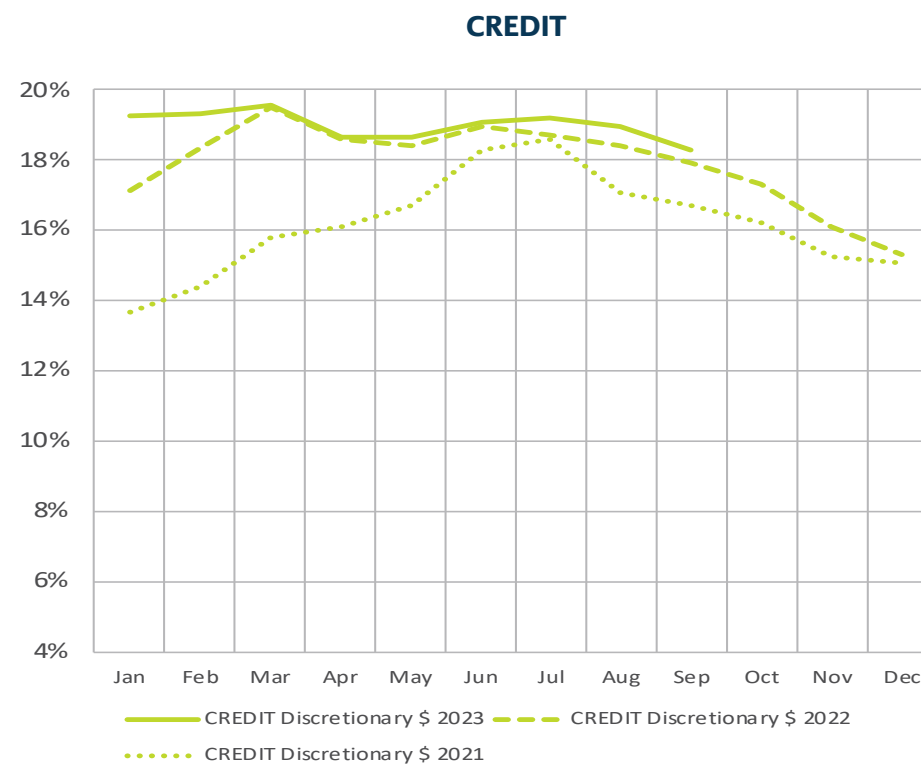
Within the Entertainment sector, the biggest contributions to the growth in debit discretionary purchases came from Online Gambling. The timing of the growth corresponds to the start of the NFL season. The Events (concerts) category, also within the Entertainment sector, impacted growth for both credit and debit discretionary purchases led by the overwhelming success of Taylor Swift’s Eras Tour and the annual music festival season throughout the country. Merchants in this category include Ticketmaster, StubHub and Vivid Seats. From the travel sector, cruise line purchases represented the largest discretionary growth impact for credit purchases.

Starting next month, [ESPN will begin to offer online sports betting](#) through its new ESPN Bet app, following the Disney subsidiary’s 10-year deal with Penn Entertainment signed in August. The new offering will continue to expand this notable Entertainment sector category, and we will continue to monitor the results in the Payments Index.

## DISCRETIONARY AND NON-DISCRETIONARY: SEPTEMBER 2023

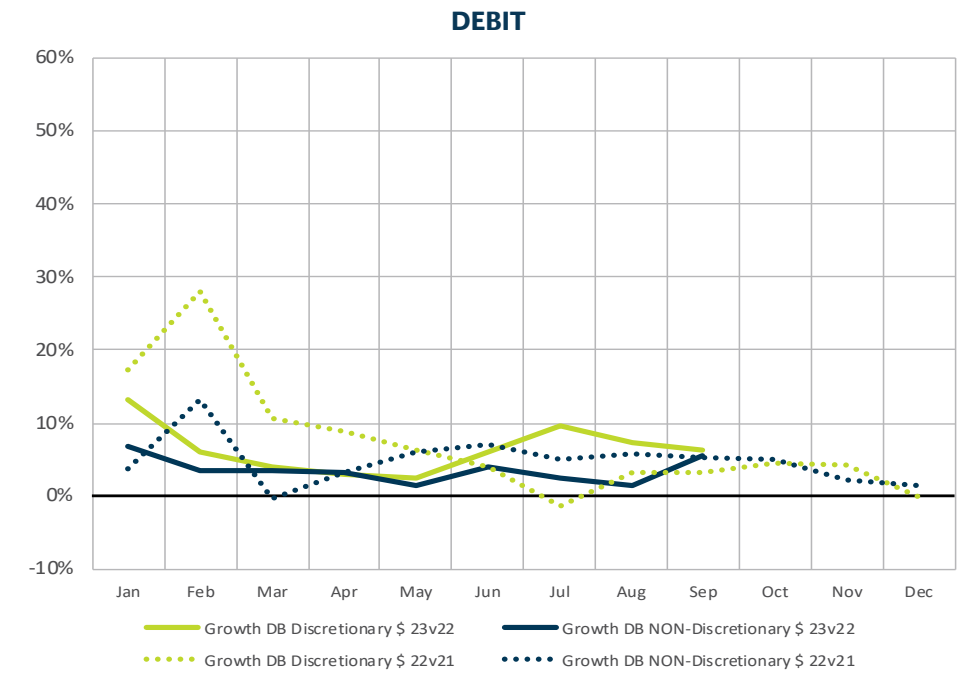
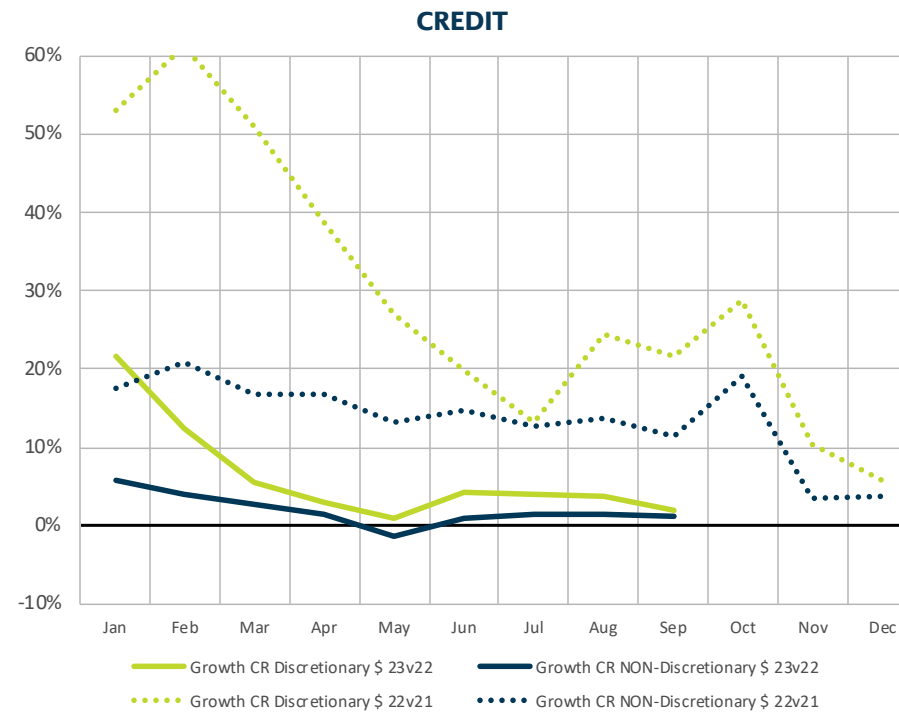
	% of Overall Purchases	Credit YoY Growth		Average Purchase	% of Overall Purchases	Debit YoY Growth		Average Purchase
		Transactions	Purchases			Transactions	Purchases	
Discretionary	<b>18%</b>	<b>2.4%</b>	<b>1.8%</b>	<b>\$150</b>	<b>9%</b>	<b>8.3%</b>	<b>6.2%</b>	<b>\$73</b>
Non-Discretionary	<b>82%</b>	<b>2.6%</b>	<b>1.1%</b>	<b>\$62</b>	<b>91%</b>	<b>4.3%</b>	<b>5.6%</b>	<b>\$44</b>

## DISCRETIONARY PURCHASES AS A PERCENTAGE OF OVERALL PURCHASES

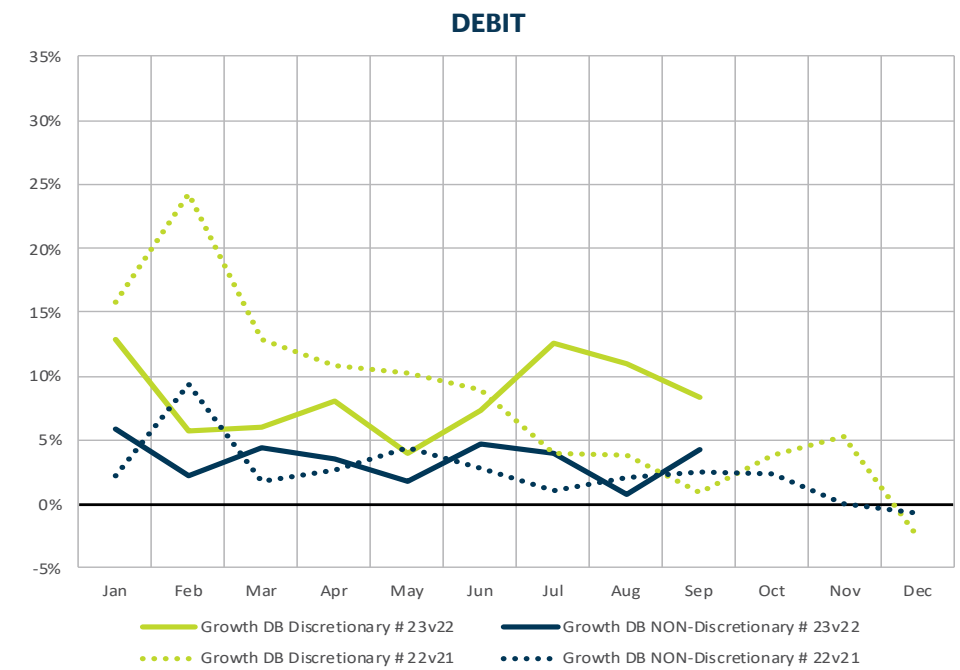
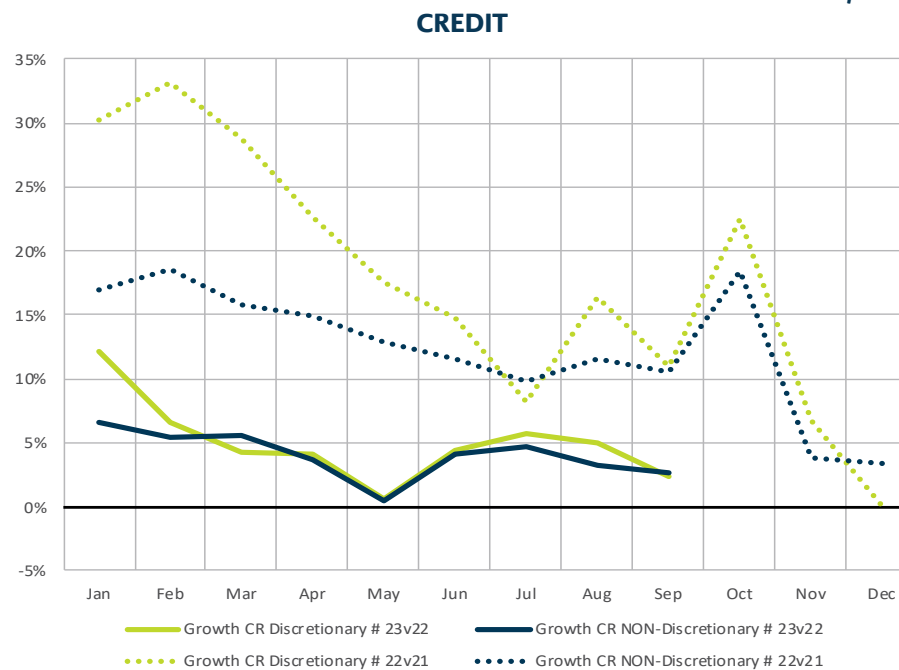


Following previous seasonal downward trends, the distribution of discretionary purchases as a percentage of overall purchases fell for both credit and debit. Discretionary purchases accounted for 18% of overall credit purchases in September, down from previous measures of 19% while debit discretionary purchases comprised 9%, down from 10% previously.

## GROWTH IN DISCRETIONARY/NON-DISCRETIONARY OVERALL PURCHASES



## GROWTH IN DISCRETIONARY/NON-DISCRETIONARY OVERALL TRANSACTIONS



## CHECKING IN: BUY NOW, PAY LATER

Consumer payments remained strong with Buy Now, Pay Later (BNPL) solutions when looking at activity for the top five BNPL providers. In aggregating the year-over-year growth in BNPL payments for Affirm, Afterpay, Klarna, PayPal “Pay in 3” and “Pay in 4,” and Sezzle, debit purchases were up by 28.0% for September. Transactions were up by a greater rate than purchases (+32.3%) when compared to 2022 – leading to lower average purchase amounts. The average BNPL debit payment with these top providers was \$37.40, down 3.2% compared to September 2022.

It is important to note that the average payment amounts represent only one of each installment transaction with the BNPL vendor.

From a generational perspective, Gen X consumers had the highest percentage of overall debit BNPL payments, at 31.8%. Gen X had the second highest year-over-year growth in BNPL payments, up 28.4% compared to September 2022. The Boomers+ generation had the top growth for debit payments, up 32.4%. As a percentage of overall BNPL purchases with these top providers, the Boomers+ generation had the lowest percentage of that pie, representing only 7.5% of BNPL debit payments.

### BUY NOW PAY LATER (BNPL) YEAR-OVER-YEAR GROWTH BY GENERATION, SEPTEMBER 2023

Generation	Debit				
	Transactions	Payments	% of Payments	Avg Payment	YoY Avg Payment Grow
Gen Z	30.6%	30.3%	13.1%	\$37.28	-0.2%
Younger M	27.4%	26.5%	24.0%	\$37.75	-0.7%
Older M	30.0%	26.6%	23.6%	\$38.09	-2.6%
Gen X	36.0%	28.4%	31.8%	\$37.42	-5.6%
Boomers +	43.5%	32.4%	7.5%	\$34.58	-7.7%
<b>OVERALL</b>	<b>32.3%</b>	<b>28.0%</b>	<b>100%</b>	<b>\$37.40</b>	<b>-3.2%</b>

## LOOKING AHEAD: THE HOLIDAY SHOPPING SEASON IS HERE

The 2023 Holiday Shopping season is already underway, with many of the large retailers kick-starting the season with October sale events. [Target's Circle Week](#) sale spanned the first seven days of the month, running Oct. 1-7 for Target Circle members. [Walmart Deals Holiday Kickoff](#) sales ran Oct. 9-12, while [Amazon's Big Deal Days](#) for Prime members was held Oct. 10-11. Numerous other retailers also had their own events.

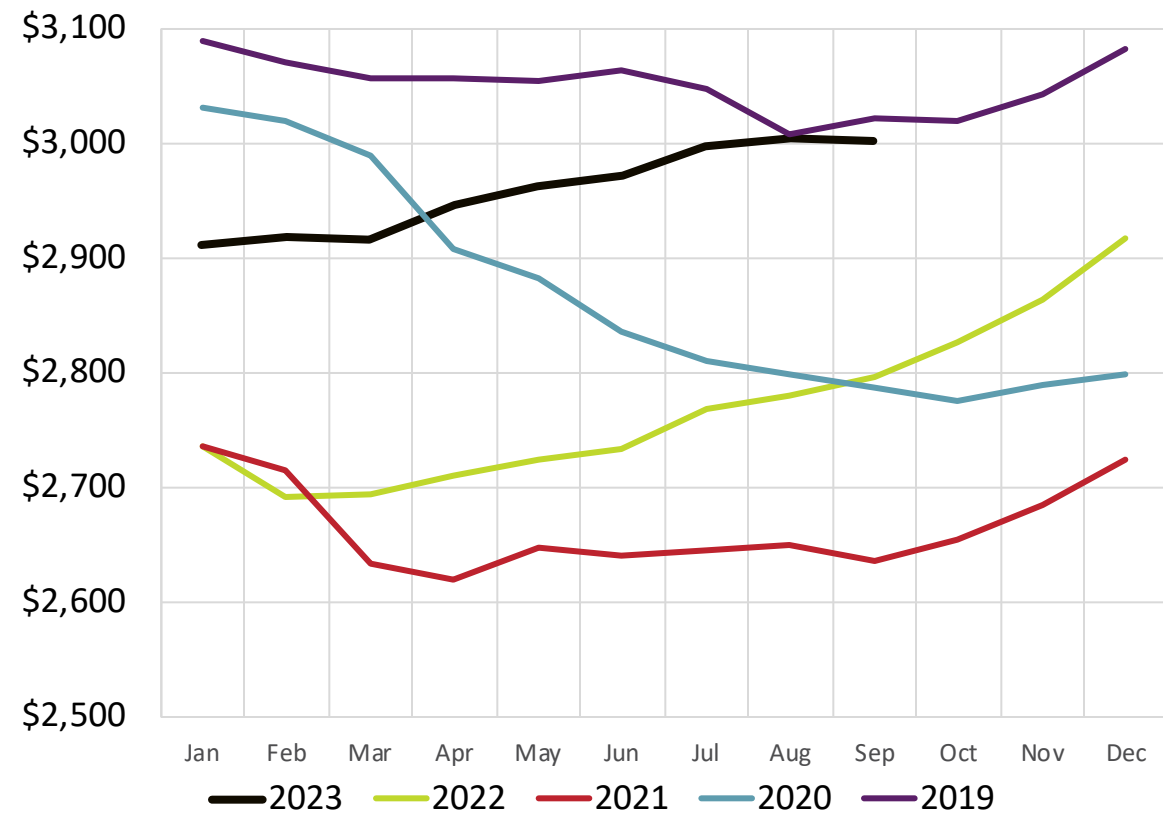


November's PSCU Payments Index will report the first installment of our annual three-part series on holiday spending.

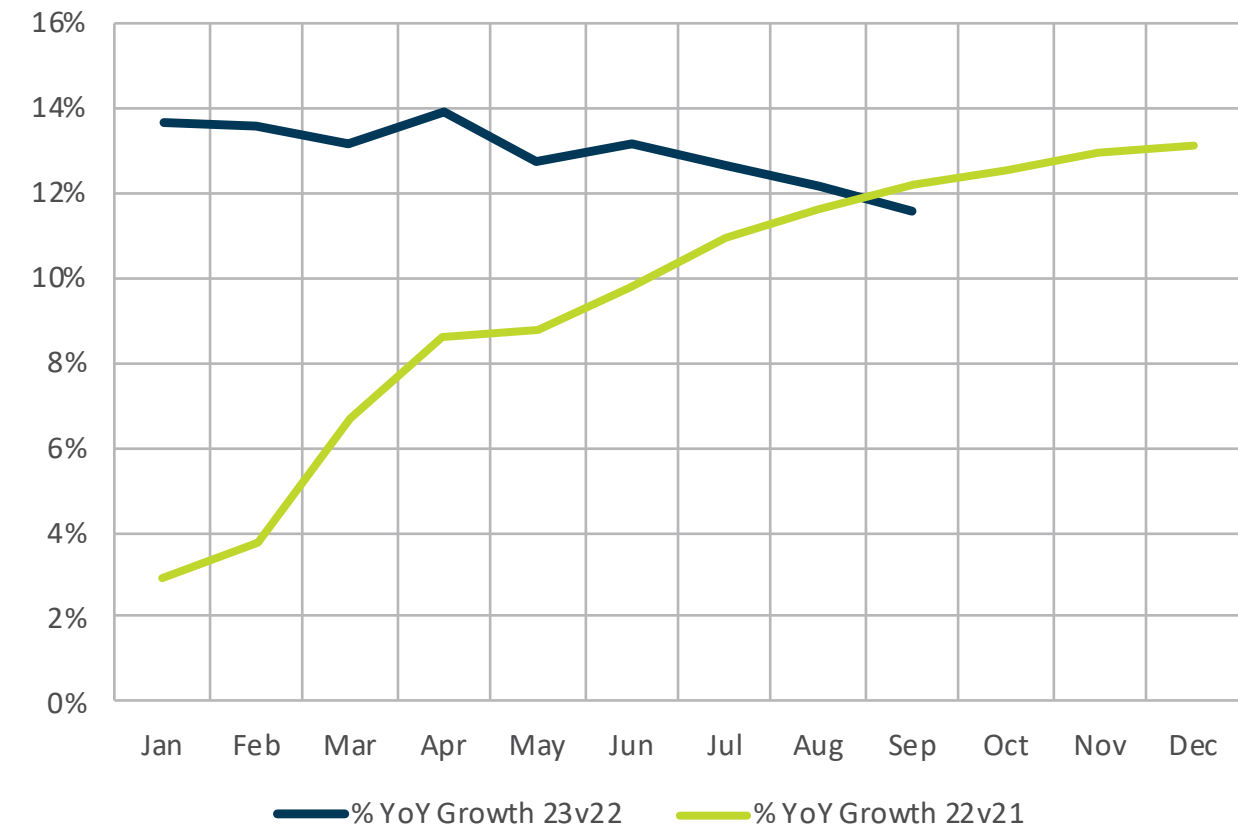
## CREDIT CARD BALANCES

The average credit card account balance among gross active accounts averaged \$3,001 in September 2023. Compared to one year ago, the average balance increased 7.3%, or \$204. Total credit card balances grew 11.6% year over year.

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



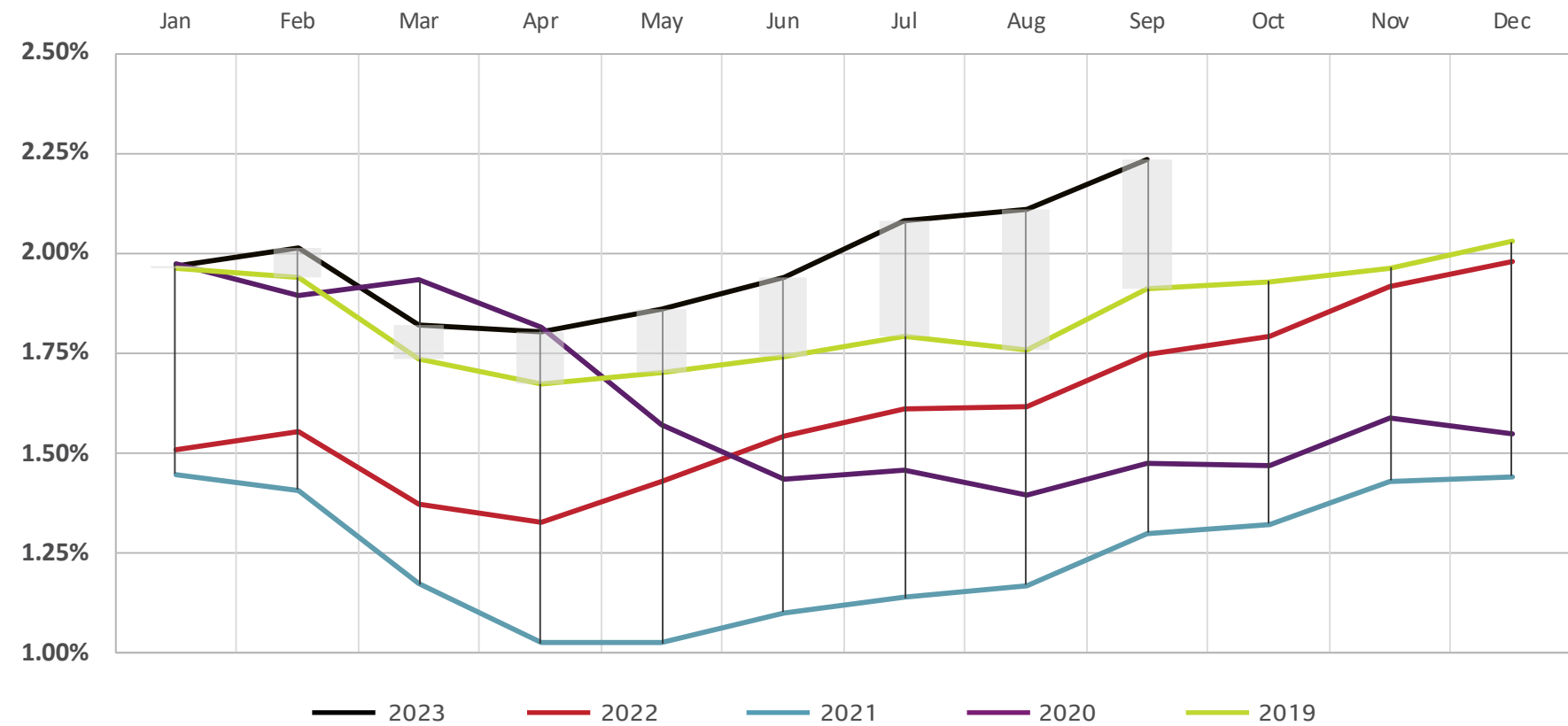
**PERCENTAGE CHANGE IN TOTAL CREDIT CARD BALANCES**



## CREDIT CARD DELINQUENCIES

In September 2023, the credit card delinquency rate measured 2.23%, up 49 basis points from one year ago and up 12 basis points from the prior month. Compared to 2019 pre-pandemic levels, the delinquency rate was 32 basis points higher.

**OVERALL CREDIT CARD DELINQUENCY RATE**  
September



## CREDIT AND DEBIT CARDS

Debit card purchase growth continued to outpace credit, as positive consumer spending persisted. Additionally, debit purchase growth exceeded transaction growth for the second consecutive month, measuring 5.6% and 4.6% year over year, respectively, in September 2023. Credit card purchase dollars were up 1.4% year over year and transaction volumes increased 2.6%.

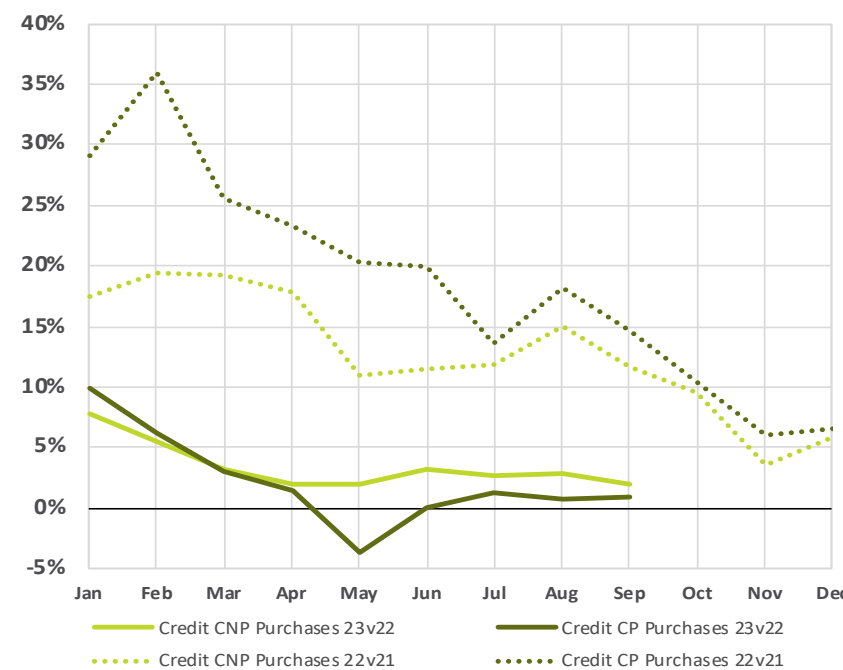
The average debit transaction amount measured \$45.07 in September, up 1% year over year. For credit, the average transaction amount was \$69.97, down 1.2% year over year.

The Services sector was the leading driver of purchase growth for both credit and debit, contributing half of credit growth and one-fourth of debit. In addition, the Restaurants and Entertainment sectors collectively provided 0.8% growth for credit, while Money Services and Goods together contributed 1.9% growth for debit. The Goods sector negatively impacted credit purchases, driving growth down 0.6%.

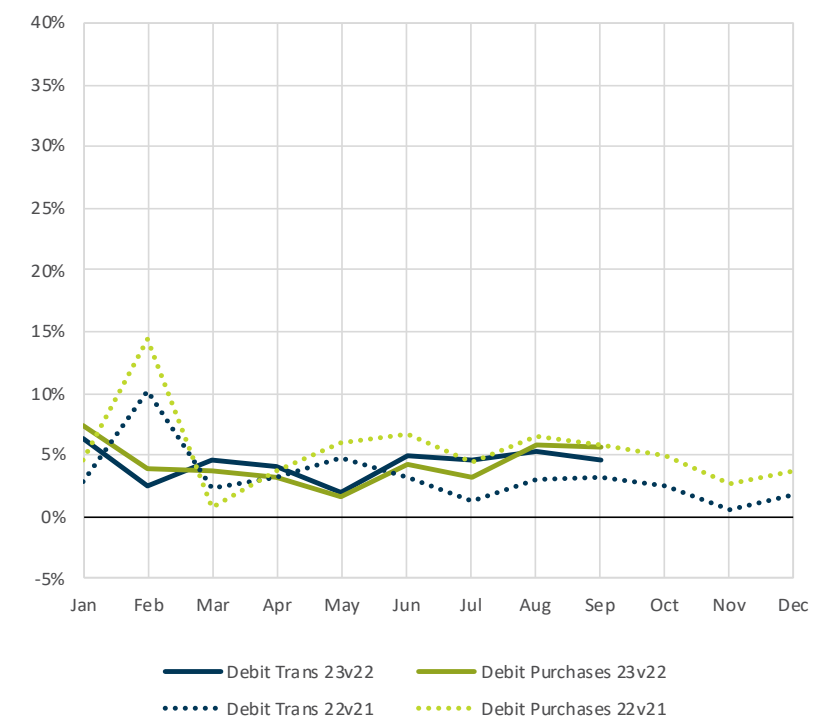
Top contributors toward transaction growth included Restaurants and Food & Grocery for credit, with 1.5% combined, and Goods and Restaurants collectively with 2.0% for debit.

	Credit		Debit	
	Transactions	Purchases	Transactions	Purchases
2023 v 2022	2.6%	1.4%	4.6%	5.6%
2022 v 2021	10.6%	13.1%	3.2%	5.9%

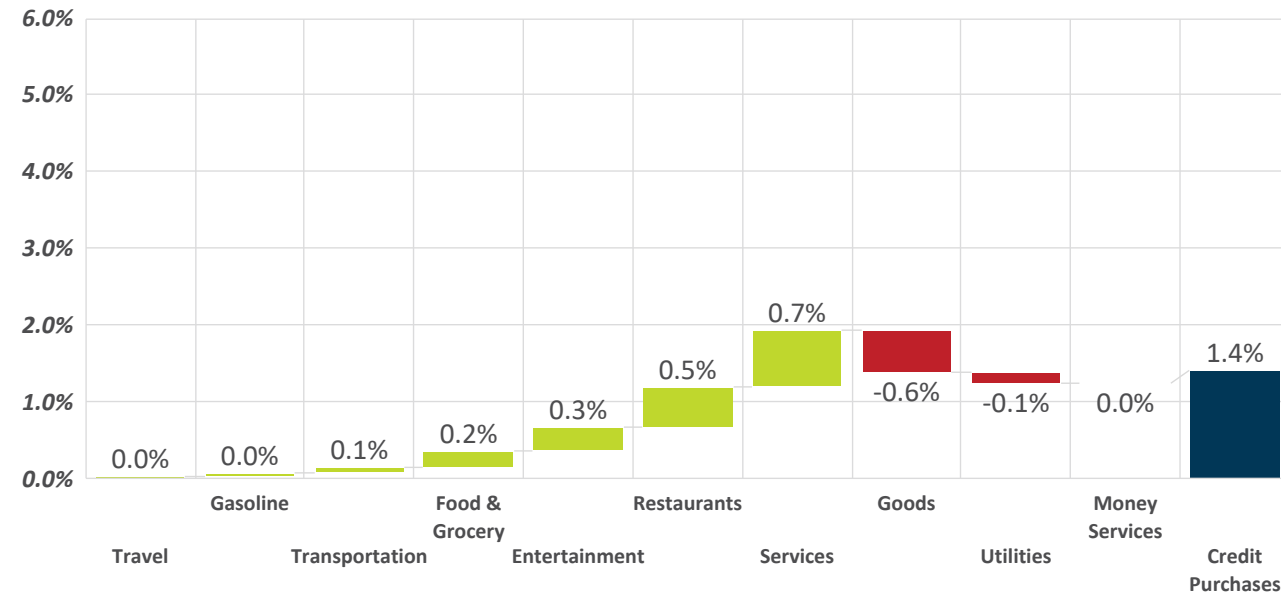
**CREDIT**  
September



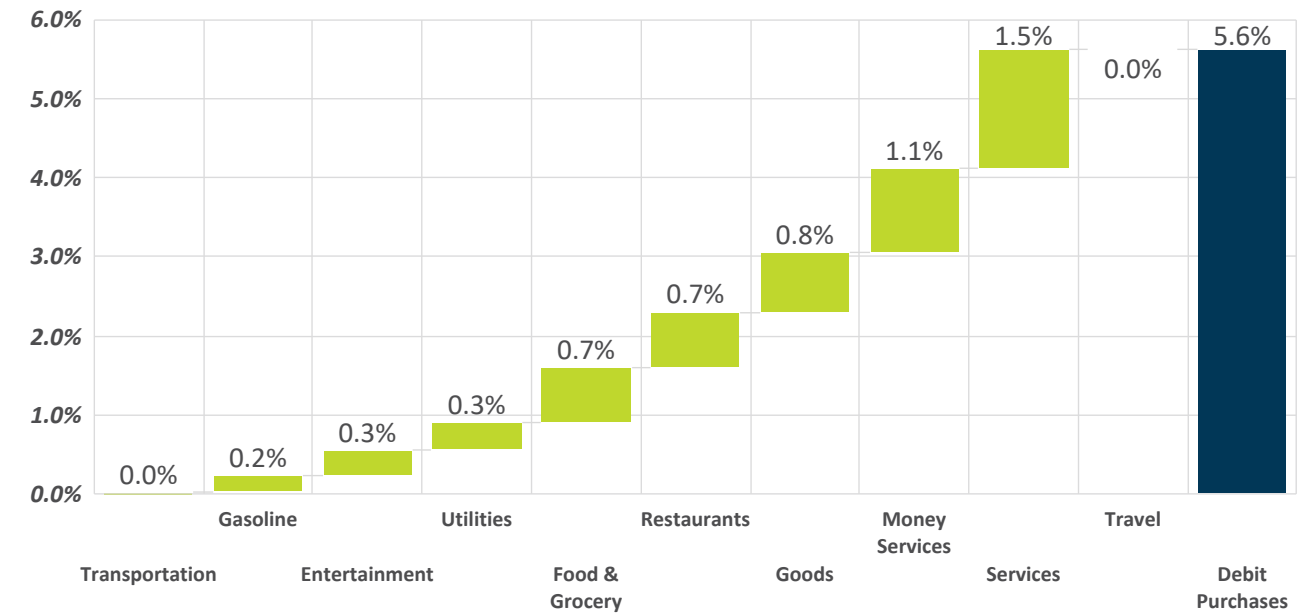
**DEBIT**  
September



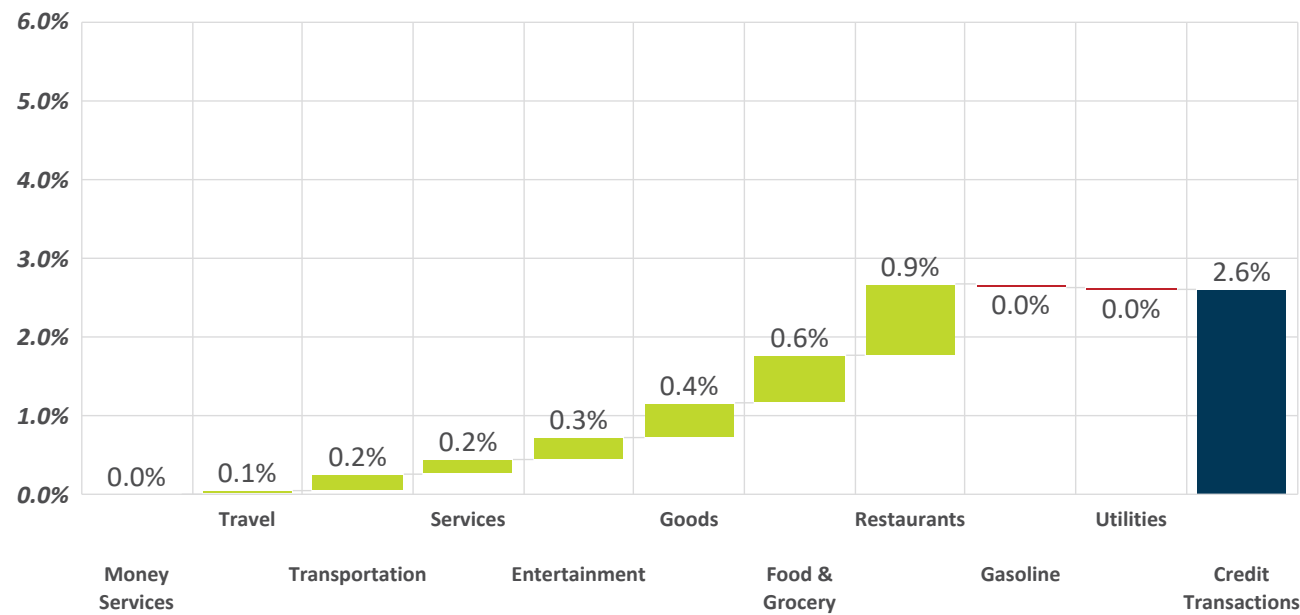
**SECTOR CONTRIBUTIONS TO GROWTH IN CREDIT PURCHASES: SEPTEMBER**



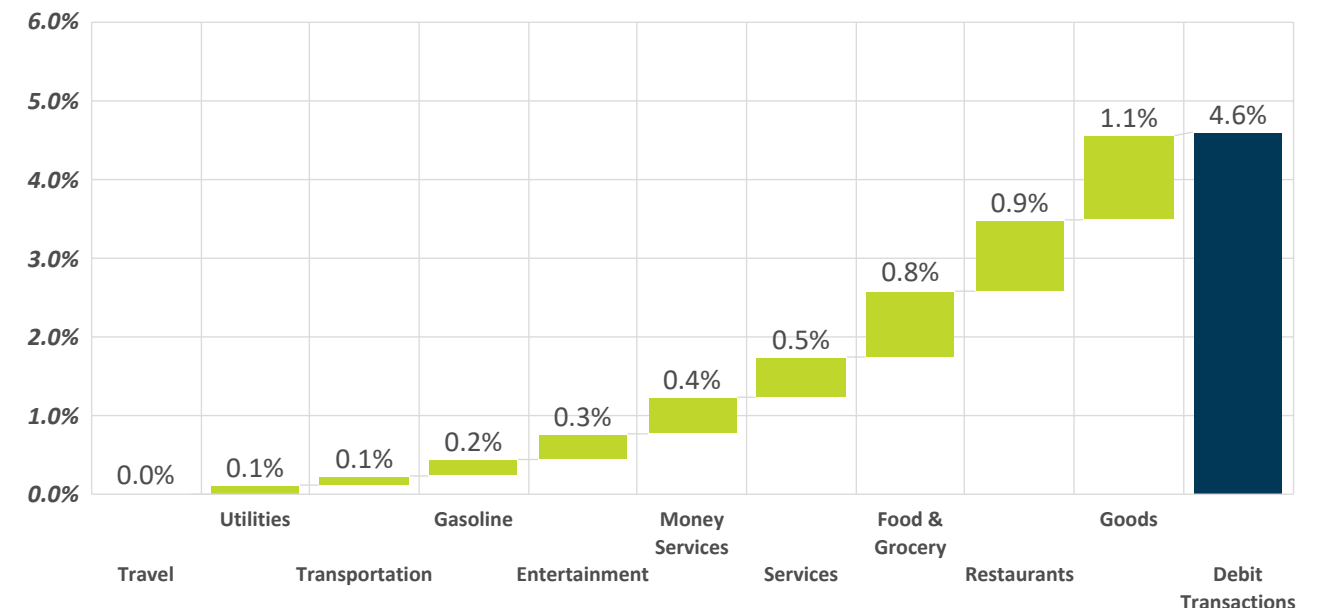
**SECTOR CONTRIBUTIONS TO GROWTH IN DEBIT PURCHASES: SEPTEMBER**



**SECTOR CONTRIBUTIONS TO GROWTH IN CREDIT TRANSACTIONS: SEPTEMBER**



**SECTOR CONTRIBUTIONS TO GROWTH IN DEBIT TRANSACTIONS: SEPTEMBER**




■ Increase ■ Decrease ■ Total

## SECTORS/MERCHANT CATEGORIES

The sectors with the greatest year-over-year growth in September 2023 included Transportation, Entertainment and Restaurants for credit and Money Services, Services and Entertainment for debit.


In looking at individual Merchant Category Codes (MCCs), the largest in terms of credit transactions and dollars for September was Grocery Stores. Restaurants and Automated Fuel Dispensers took the next two spots for credit purchases, while Fast Food Restaurants and Automated Fuel Dispensers followed Grocery Stores on the transactions list. For debit purchases, Grocery Stores took the top spot while Fast Food Restaurants topped the list for debit transactions. Money Orders/Wire Transfers and Restaurants followed Grocery Stores for debit purchases, while Grocery and Gas/Service Stations rounded out the top MCCs for debit transactions.

Gas prices remained elevated in September, which aided continued positive Gasoline sector purchases growth. The national average price per gallon of gasoline finished at [\\$3.68](#) for the week ending Oct. 9, down 5.8% or \$0.23 year over year.




**ENTERTAINMENT**  
September 2023 V 2022

	Credit	Debit
YoY Purchases	8%	9%
YoY Transactions	6%	8%




**FOOD & GROCERIES**  
September 2023 V 2022

	Credit	Debit
YoY Purchases	2%	4%
YoY Transactions	4%	5%



**GASOLINE**  
September 2023 V 2022

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



**GOODS**  
September 2023 V 2022

	Credit	Debit
YoY Purchases	-2%	3%
YoY Transactions	1%	4%




**MONEY SERVICES**  
September 2023 V 2022

	Credit	Debit
YoY Purchases	-2%	10%
YoY Transactions	1%	10%




**RESTAURANTS**  
September 2023 V 2022

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



**SERVICES**  
September 2023 V 2022

	Credit	Debit
YoY Purchases	4%	10%
YoY Transactions	2%	8%




**TRANSPORTATION**  
September 2023 V 2022

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



**TRAVEL**  
September 2023 V 2022

	Credit	Debit
YoY Purchases	0%	0%
YoY Transactions	3%	4%



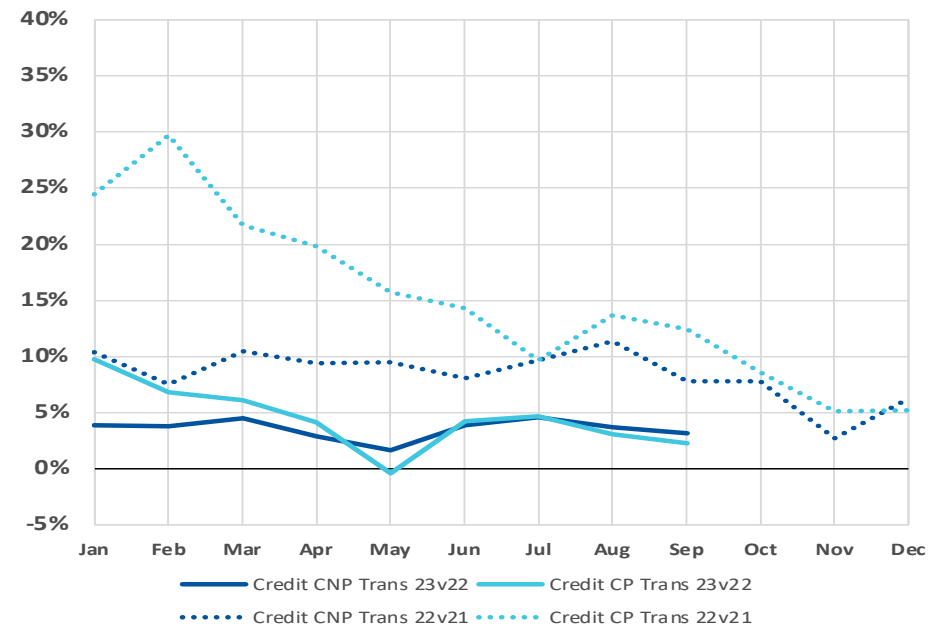
**UTILITIES**  
September 2023 V 2022

	Credit	Debit
YoY Purchases	-4%	7%
YoY Transactions	-2%	6%

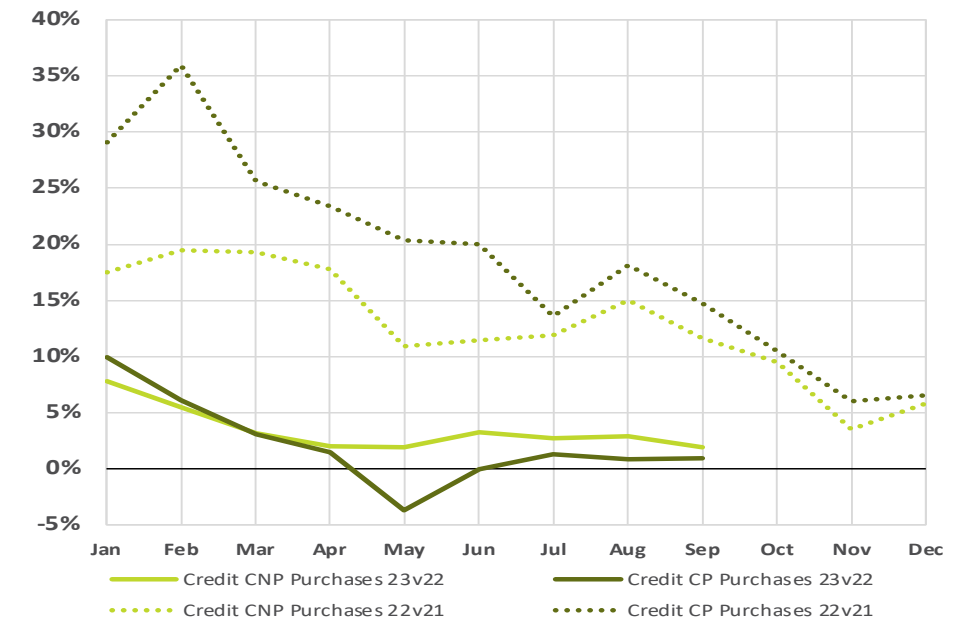
## CARD NOT PRESENT (CNP) & CARD PRESENT (CP) ACTIVITY

Card Not Present (CNP) purchase growth measured 2% year over year for credit and 8% for debit in September 2023. Card Present (CP) purchases increased 1% year over year for credit and 3% for debit. Transaction growth was up 3% for credit CNP and 8% for debit, while CP transactions increased 2% for credit and 3% for debit.

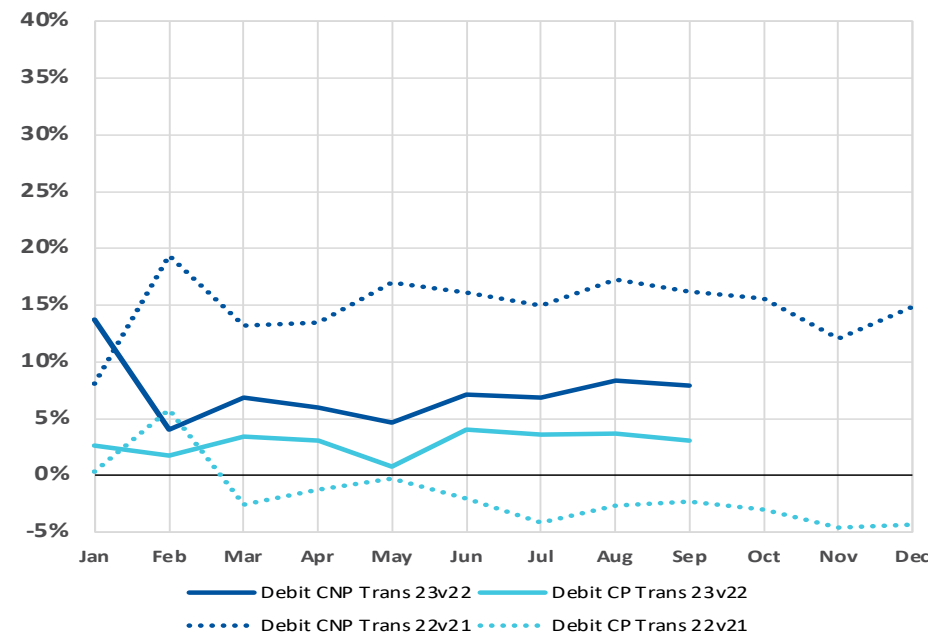
**YOY % GROWTH IN CREDIT TRANSACTIONS**  
September



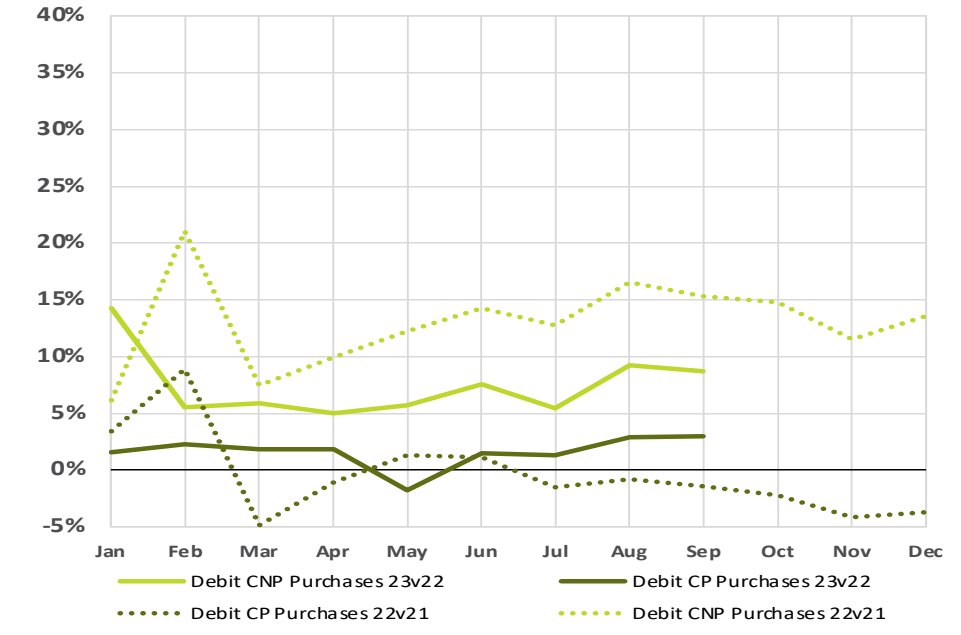
**YOY % GROWTH IN CREDIT PURCHASES**  
September



**YOY % GROWTH IN DEBIT TRANSACTIONS**  
September



**YOY % GROWTH IN DEBIT PURCHASES**  
September

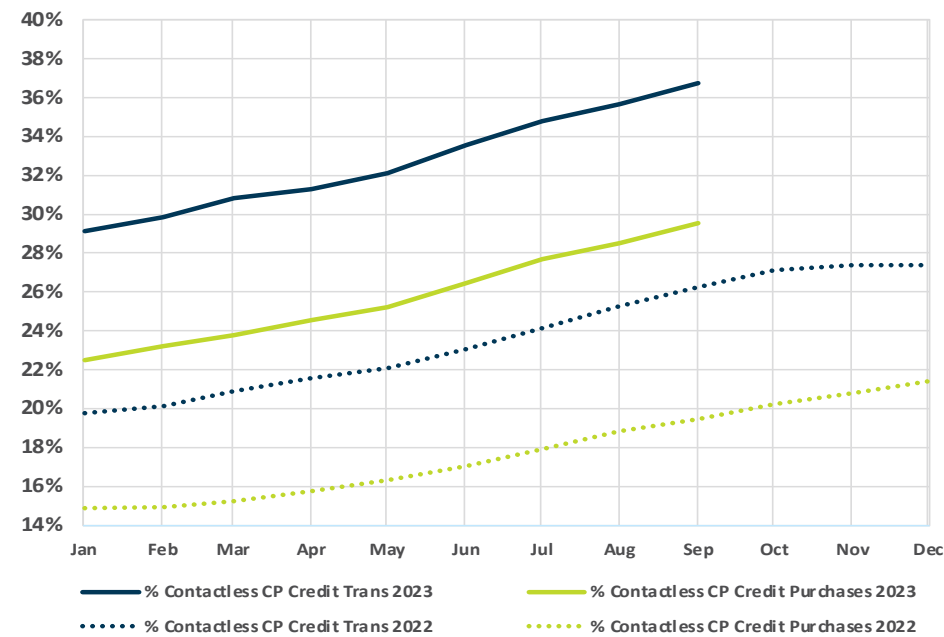


## CONTACTLESS TRANSACTIONS

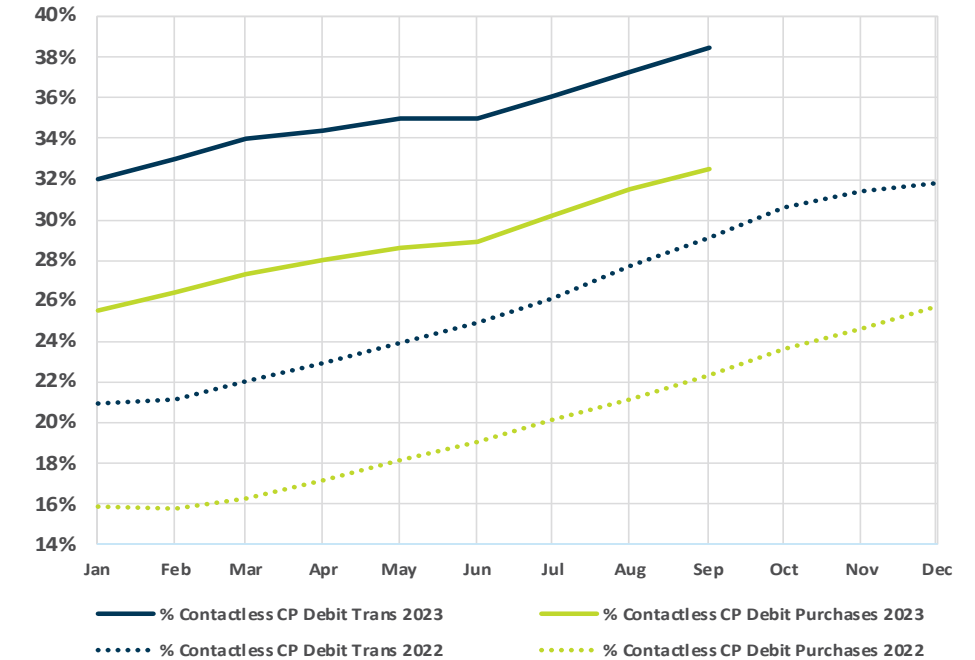
Contactless continued a steady upward trend, capturing an increasing percentage of both credit and debit Card Present (CP) transactions and purchases. In September 2023, contactless accounted for 37% of credit CP purchases, up 28% since January 2023, and 38% of debit CP purchases, a 19% increase since the beginning of the year.

The average contactless purchase amount for credit increased 6.3% year over year to \$45.78 while debit was up 11% to \$27.67.

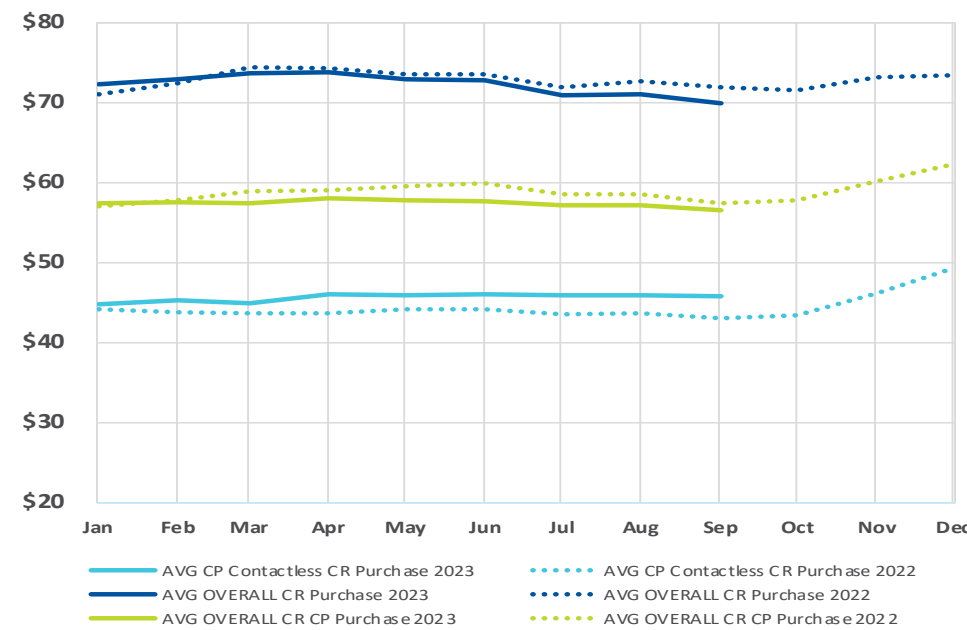
### % CONTACTLESS CREDIT ACTIVITY ON CONTACTLESS CARDS September



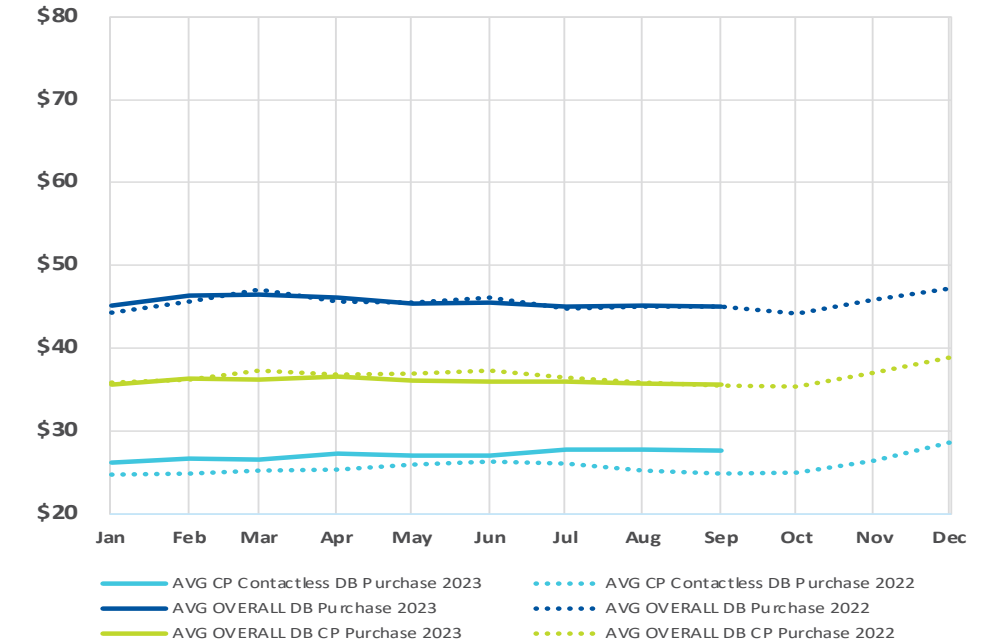
### % CONTACTLESS DEBIT ACTIVITY ON CONTACTLESS CARDS September



### CONTACTLESS CREDIT AVERAGE PURCHASE September



### CONTACTLESS DEBIT AVERAGE PURCHASE September

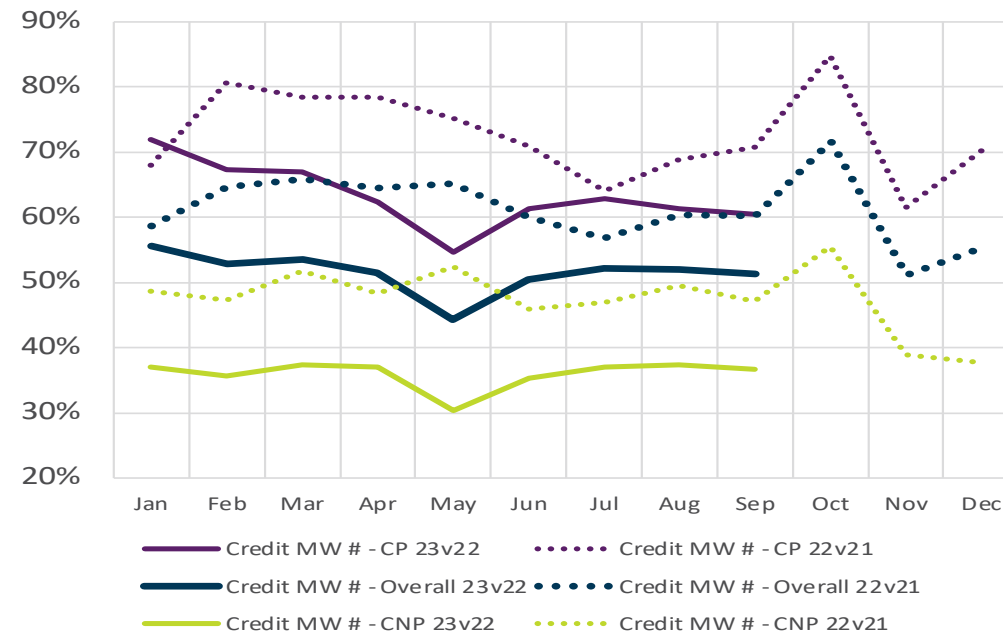


## MOBILE WALLETS

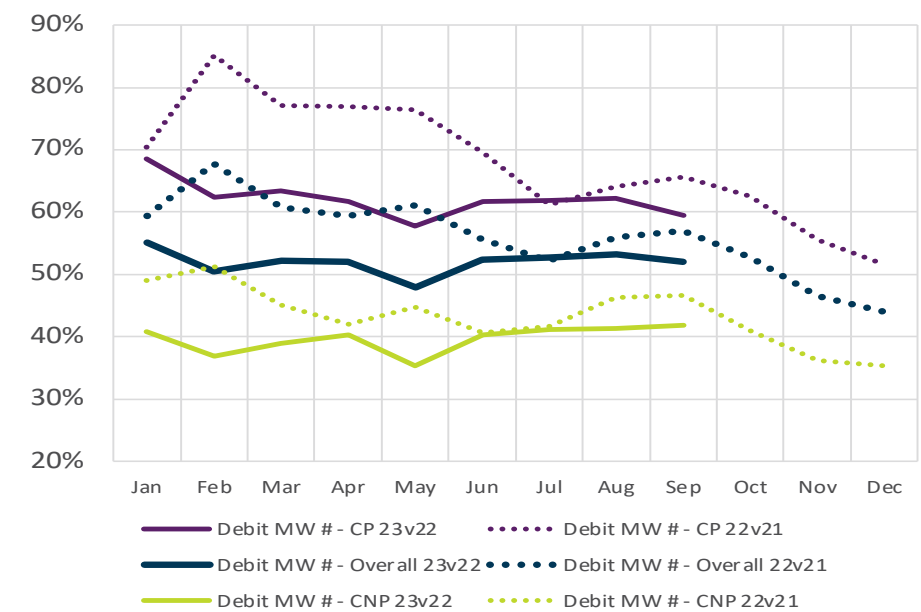
Mobile Wallet debit purchase growth reached a high of 62% year over year in September 2023, driven by Card Not Present purchase growth, up 56%. Mobile Wallet credit purchase growth measured 60% year over year, in line with previous months' levels.

Mobile Wallets are becoming a go-to payment option for many consumers. PSCU's 2023 [Eye on Payments study](#) reported 37% of credit union member survey respondents used a mobile wallet when paying for something at a retail location. Additionally, 28% of respondents aged 42 and younger use their mobile wallets a few times per week. Furthermore, 43% of credit union member respondents reported they are likely to use a mobile wallet in the next six months to pay for goods and services.

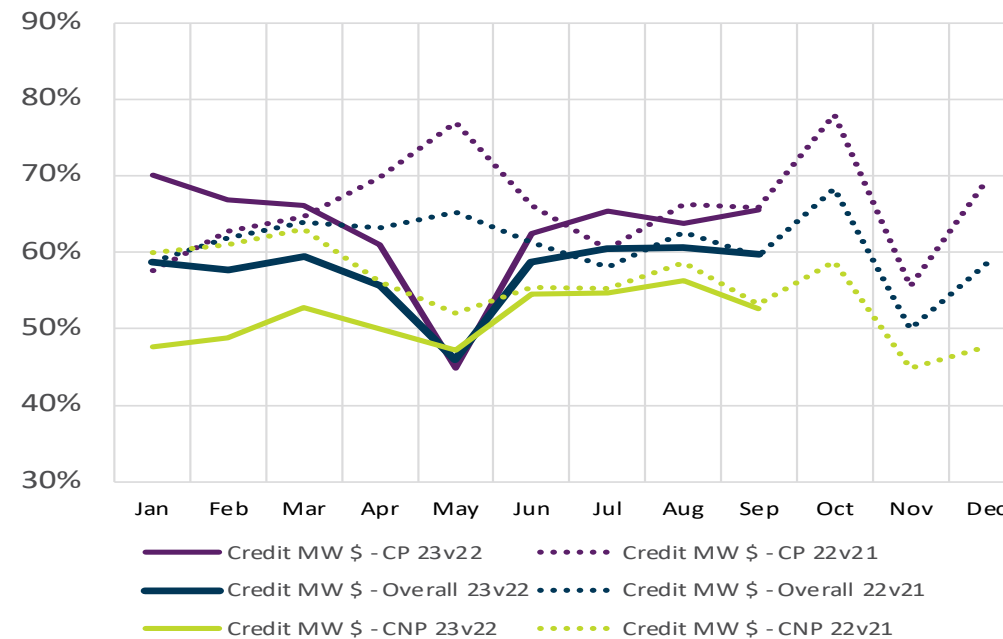
**YOY % GROWTH IN MOBILE WALLET CREDIT TRANSACTIONS**  
September



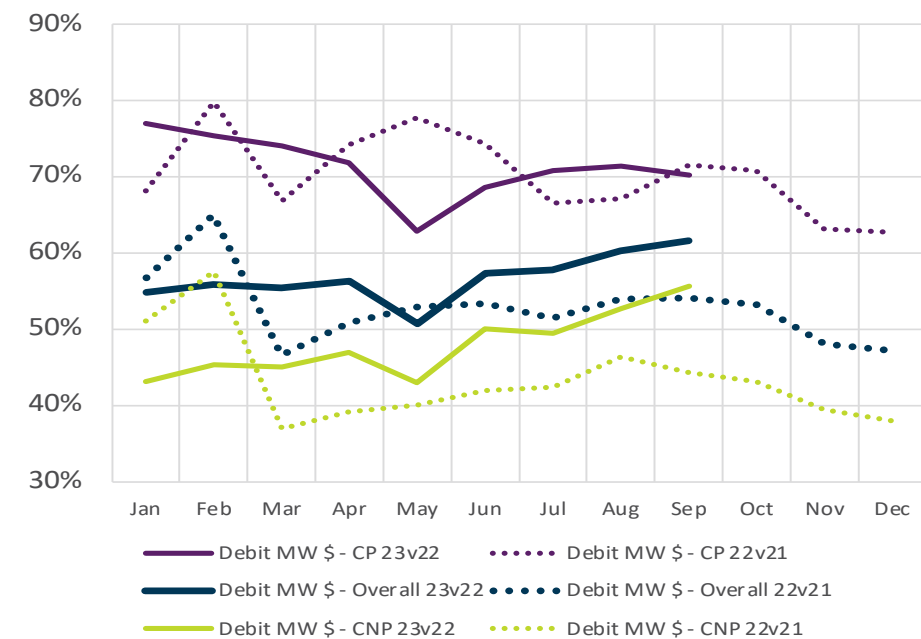
**YOY % GROWTH IN MOBILE WALLET DEBIT TRANSACTIONS**  
September



**YOY % GROWTH IN MOBILE WALLET CREDIT PURCHASES**  
September



**YOY % GROWTH IN MOBILE WALLET DEBIT PURCHASES**  
September





## 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 October edition of the Payments Index represents a total of 2.8 billion transactions valued at \$142 billion of credit and debit card activity from October 2022 through September 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](#).

*Note: As we become aware of new or changing market conditions, we may adjust merchant category code characteristics to portray the most accurate view of the consumer payments landscape.*

## 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 [psc.com](#).