THE PSCU PAYMENTS INDEX: FEBRUARY 2024

2024 has shown continued positive consumer spending trends – as credit card debt continues to rise. In the February 2024 edition of the PSCU Payments Index, we present a Deep Dive on credit card delinquency rates. The New York Federal Reserve published that Q4 2023 consumer credit card debt was $1.129 trillion, up 14.5% (or $143 billion) year over year.

With its third consecutive monthly increase, the Consumer Confidence Index rose in January to 114.8 from a revised December result of 108.0. While all age group showed gains, the largest gauin was the 55+ group. Similarly, the University of Michigan Consumer Sentiment Index increased 13.3% in January, the largest month-over-month increase since July 2021. While consumers cited easing inflation and improvement in personal incomes for the gains, 41% of consumers had a favorable view of business conditions in the coming year and 48% expect worsening conditions.

January 2024 also showed strong job growth, with 355,000 new jobs as reported by the U.S. Bureau of Labor Statistics. The overall unemployment rate for January held steady again at 3.7%, or 6.3 million people. An additional strength in the report included stronger than expected hourly earnings, up 0.6% from December and up 4.5% year over year versus the expected 0.3% and 4.1%, respectively. Job gains trended up in professional and business services, health care, retail trade and social assistance. An area of potential concern is the growth of persons working part-time for economic reasons. This seasonally adjusted figure – 4.4 million people for January 2024 – was up 5.0% from December and 9.2% year over year.

In their Jan. 31 meeting, the Federal Reserve indicated the central bank would likely not be comfortable enough with the path of inflation for an interest rate cut by the next Federal Open Market Committee (FOMC) meeting, scheduled for March 19-20. These comments were made prior to the strong jobs report, pushing a potential rate decrease further in the year.

In the Labor Department's Feb. 13 update, the Consumer Price Index (CPI) increased 0.3% in January, bringing the 12-month rate of inflation to 3.1%, with Shelter contributing to over two-thirds of the increase. Core CPI, which excludes the Food and Energy sectors, rose 3.9% year over year, up 0.4% from December.

We hope that the insights from the PSCU Payments Index help our financial institutions make informed decisions in 2024. Please note that when our credit union populations are reviewed and updated each year for this publication, some metrics may have a nominal change from previously posted results.

The PSCU Payments Index welcomes your feedback 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 – KEY TAKEAWAYS FOR JANUARY

PURCHASES

2024 VS. 2023

Credit ↑1.1%

Debit ↑3.4%

2023 VS. 2022

Credit ↑8.7%

Debit ↑7.9%

TRANSACTIONS

2024 VS. 2023

Credit ↑2.3%

Debit ↑2.4%

2023 VS. 2022

Credit ↑7.2%

Debit ↑6.9%

- Debit purchase growth, up 3.4% for January, again continued to outpace growth in credit purchases, up 1.1%. For transactions, debit grew 2.4% and credit grew 2.3% year over year.
- Delinquencies have been on the rise after bottoming out in May 2021 at 1.03%. Overall credit card delinquencies for January 2024 were 2.67%. We also see that delinquency rates lower as age demographics get higher. For year-over-year changes, there were notable increases for Older Millennials, up 0.77 percentage points to 3.86% for January 2024, and Gen X, up 0.63 percentage points to 2.55%.
- The Consumer Price Index (CPI-U) increased 0.3% in January, while the 12-month rate of inflation was 3.1%. Shelter contributed to over two-thirds of the increase. Excluding the volatile Energy and Food sectors, the core CPI index increased 0.4% from December, putting the 12-month Core CPI index at 3.9%.
- Through the lenses of Discretionary and Non-Discretionary purchases, growth in debit purchases, up 2.6% and 3.5% respectively, outpaced growth in credit purchases, each up 1.1%.
- The average credit card balance dropped in January, finishing at $2,915. This was down $34, or 1.2%, compared to December 2023. Year over year, average credit card balances were up 4.0%, or $111. Total credit card balances were down 1.1% compared to December.

While consumer spending trends remain positive, there is growing reliance on credit cards to finance this spending. In this month's Deep Dive, we explore escalating delinquency rates, which are well above pre-pandemic levels. At a time when credit card interest rates have reached historic highs, many consumers who have been grappling with inflation for more than two years have likely depleted their savings and accrued higher credit card balances. The uptick in balances, coupled with the rise in delinquency rates, are indicative of financial strain, particularly among younger and lower-income households.

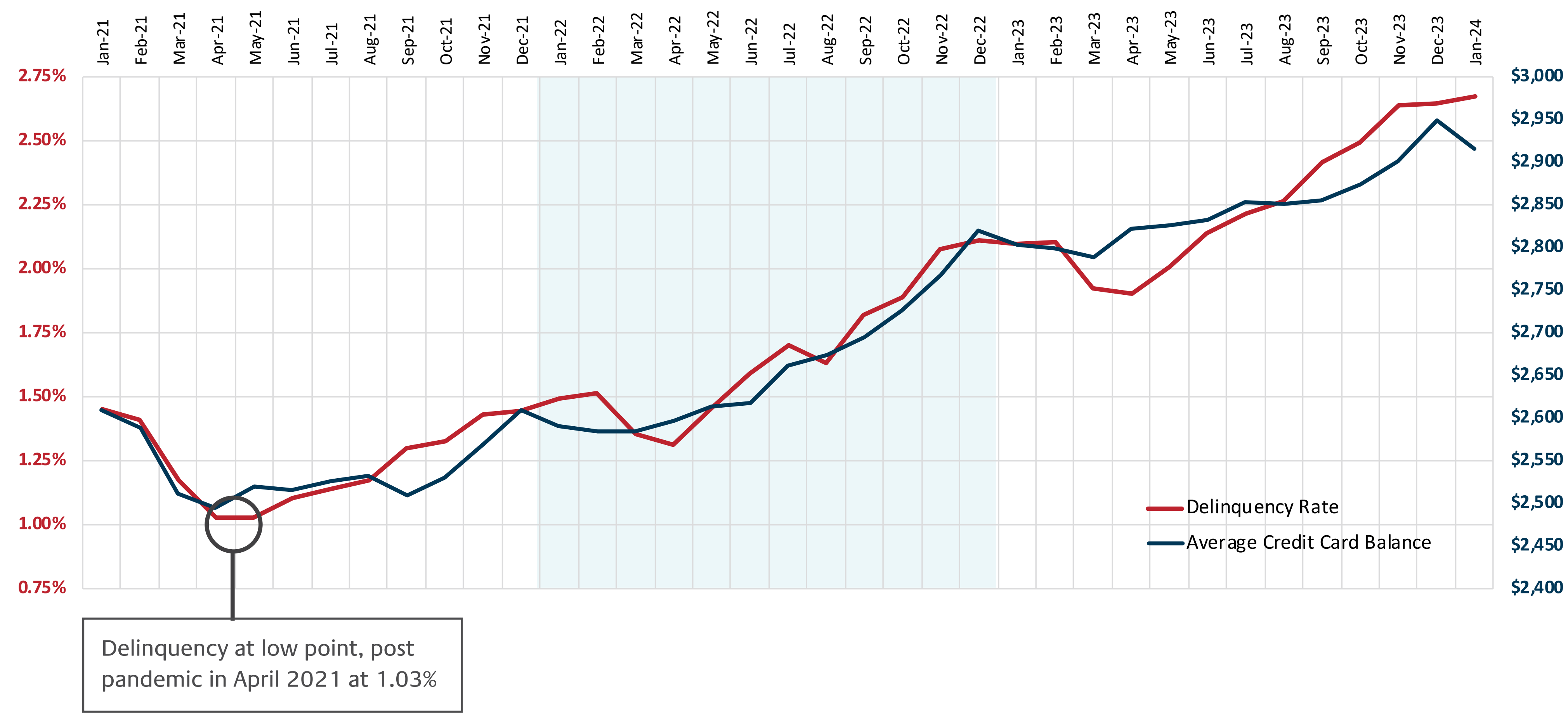
— Wendy Elieff, Senior Vice President, Client Service and Marketing, TriVerity and The Loan Service Center

DEEP DIVE: DELINQUENCIES

Credit card delinquencies have been rising and exceeding pre-pandemic 2019 levels. From our October 2021 Payment Index, there were notable impacts to both metrics from April 2020 through March 2021 as three separate economic stimulus packages resulted in government monies to consumers. As a result, April 2021 marked the low point for both the monthly delinquency rate (1.31%) and the average credit card balance ($2,711). Since that point, each metric has been on the rise aside from slight drops each spring from income tax refunds.

The overall credit card delinquency rate (credit card balances that are two or more cycles past due as a percentage of total credit card balances) for January 2024 was 2.63%. While the year-over-year growth in delinquencies was up 0.58%, there were increases for each credit score grouping (super-prime, prime and subprime). Super-prime consumers (with a credit score greater than 759) were 0.21% in January, up 0.06 percentage points year over year. Prime consumers (with a credit score between 660 and 759) were 0.89% in January, up 0.16 percentage points year over year. The largest movement comes from subprime consumers (with a credit score less than 660), who were 10.42% in January, up 1.85 percentage points year over year.

MONTHLY DELINQUENCY RATE AND AVERAGE CREDIT CARD BALANCES BEGINNING JANUARY 2021



When looking at delinquency rates by generation over time, the older the population, the lower the delinquency rate. The Boomer+ population had the lowest rate for January 2024 at 1.61%, while Gen Z had the highest rate at 5.17%. When looking at the year-over-year differences in delinquency by age demographic, the Older Millennials had the largest difference – up 0.77 percentage points, finishing at 3.86% for January 2024. While the youngest group, Gen Z, had the highest delinquency rate in January at 5.17%, they also had the lowest year-over-year increase, up just 0.02 percentage points compared to January 2023.

CREDIT CARD DELINQUENCY RATES BY CREDIT SCORE GROUPING

Credit Score Grouping	Credit Score	Jan-22	Difference 22v23	Jan-23	Difference 23v24	Jan-24
Super-prime	>759	0.11%	0.03%	0.14%	0.06%	0.21%
Prime	660 - 759	0.51%	0.21%	0.72%	0.17%	0.89%
Subprime	< 660	6.57%	2.00%	8.57%	1.85%	10.42%
Overall		1.50%	0.60%	2.10%	0.57%	2.67%

CREDIT CARD DELINQUENCY RATES BY GENERATION

Generation	Jan-22	Difference 22v23	Jan-23	Difference 23v24	Jan-24
Gen Z	4.10%	1.04%	5.14%	0.02%	5.17%
Younger M	2.74%	1.09%	3.83%	0.57%	4.40%
Older M	2.17%	0.92%	3.09%	0.77%	3.86%
Gen X	1.34%	0.58%	1.92%	0.63%	2.55%
Boomers +	1.05%	0.22%	1.27%	0.34%	1.61%
Overall	1.50%	0.60%	2.10%	0.57%	2.67%

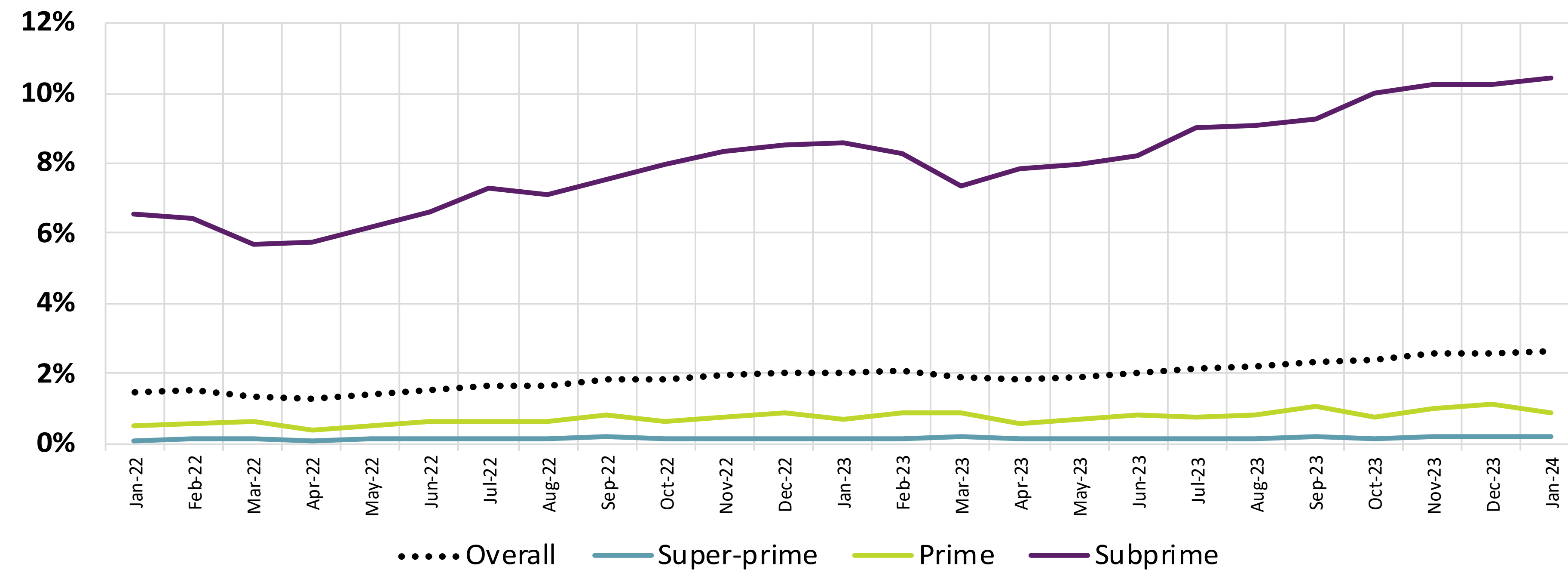
With January economic results, the strength in the job market and wage growth helped consumers limit rising delinquencies as they manage increased debt obligations. However, an uptick in larger layoff announcements in early 2024 is leading to concern regarding how consumers, historically shielded by low unemployment rates, will manage debt loads in the face of potential layoffs. These factors are also compounded by federal student loan payments resuming. For credit unions, understanding the complete financial profile of a member becomes paramount, as well as taking proactive measures to identify areas of risk and opportunity.

What should credit unions do now?

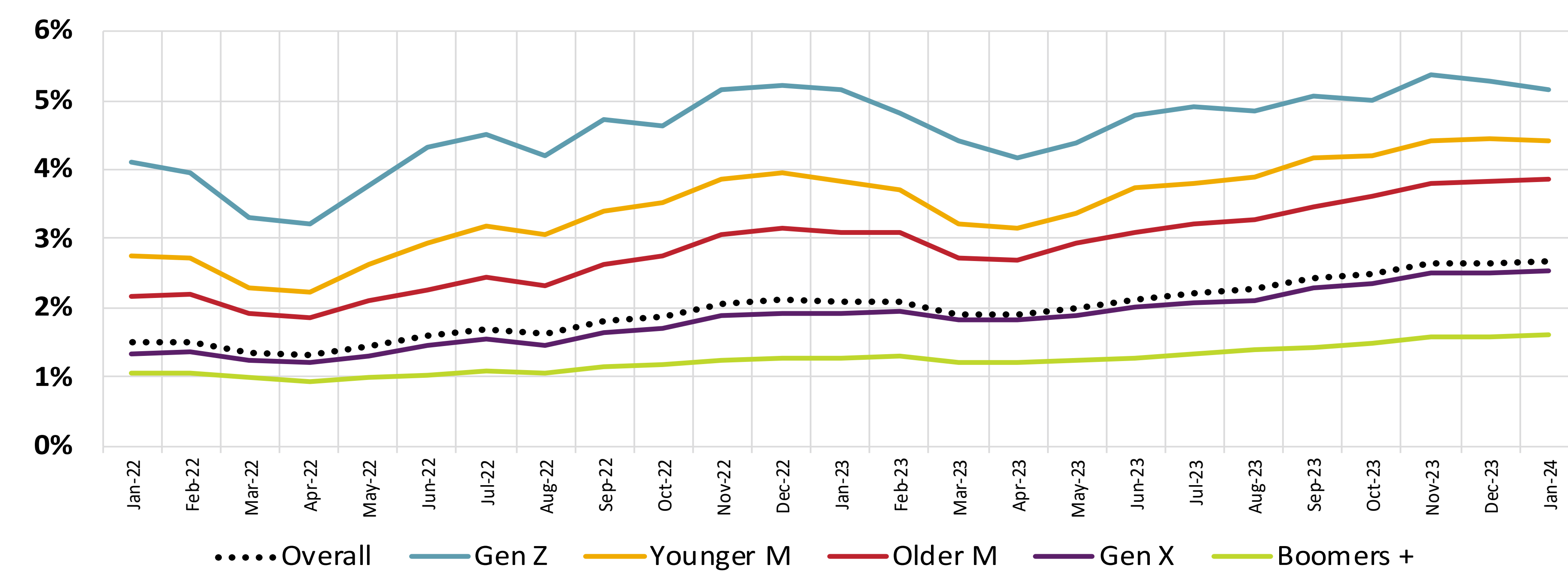
First, it starts with understanding. While it's likely that there are other pockets of delinquency across the balance sheet that are larger and deserving of attention, it is critical to get ahead of rising credit card delinquencies. Examine performance and trends over time to understand the specific trends for your credit union's members versus those observed in the PSCU Payments Index and other sources.

With rising delinquencies, credit unions should enhance their collection efforts, supplementing with additional resources as necessary. PSCU has seen significant growth in credit unions utilizing TriVerity, our specialized delinquency management company, as an alternative to adding staff.

MONTHLY CREDIT CARD DELINQUENCY RATES BY CREDIT SCORE GROUPING

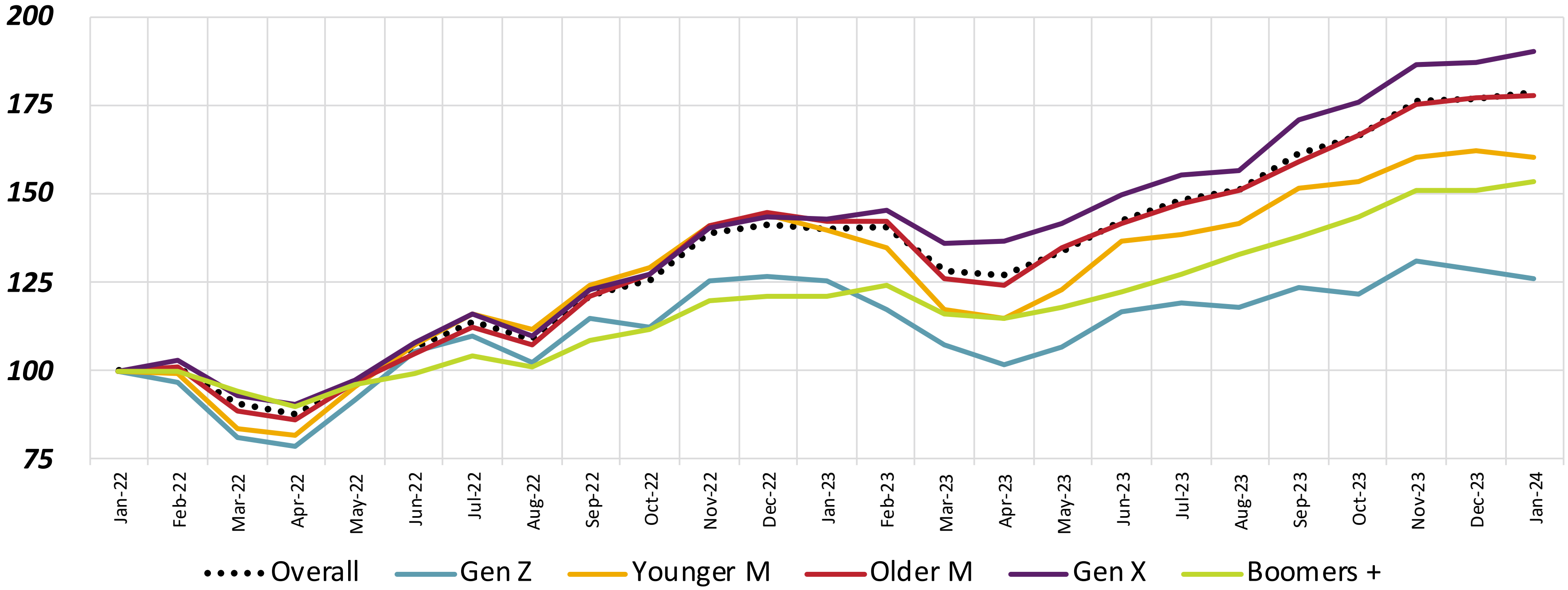


MONTHLY CREDIT CARD DELINQUENCY RATES BY GENERATION



Indexed scores represent a measure of change relative to the baseline – in this case, each group's January 2022 delinquency rate. Here we show the monthly changes for each generational group on the same scale starting at 100 for January 2022. The age group, over this 25-month period, with the highest change from their baseline is Gen X, up 90%, or indexed to 190. The age group with the lowest change over the 25-month period is the youngest population, Gen Z, up 26%. Gen Z also has the highest overall delinquency rate for all 25 months.

MONTHLY CREDIT CARD DELINQUENCY RATES BY GENERATION INDEXED TO JANUARY 2022



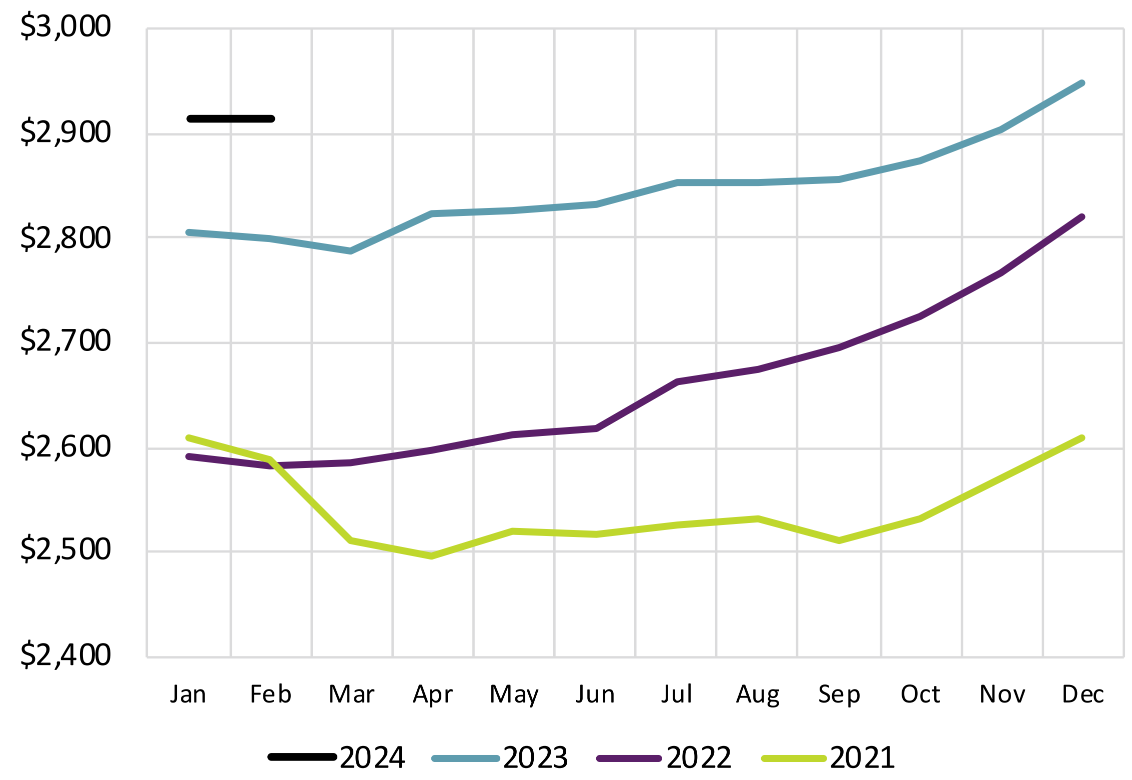
CREDIT CARD DELINQUENCY RATES BY GENERATION – INDEXED TO JANUARY 2022

Generation	Jan-22	Difference 22v23	Jan-23	Difference 23v24	Jan-24
Gen Z	100	25	125	1	126
Younger M	100	40	140	21	161
Older M	100	42	142	35	178
Gen X	100	43	143	47	190
Boomers +	100	21	121	32	153
Overall	100	40	140	38	179

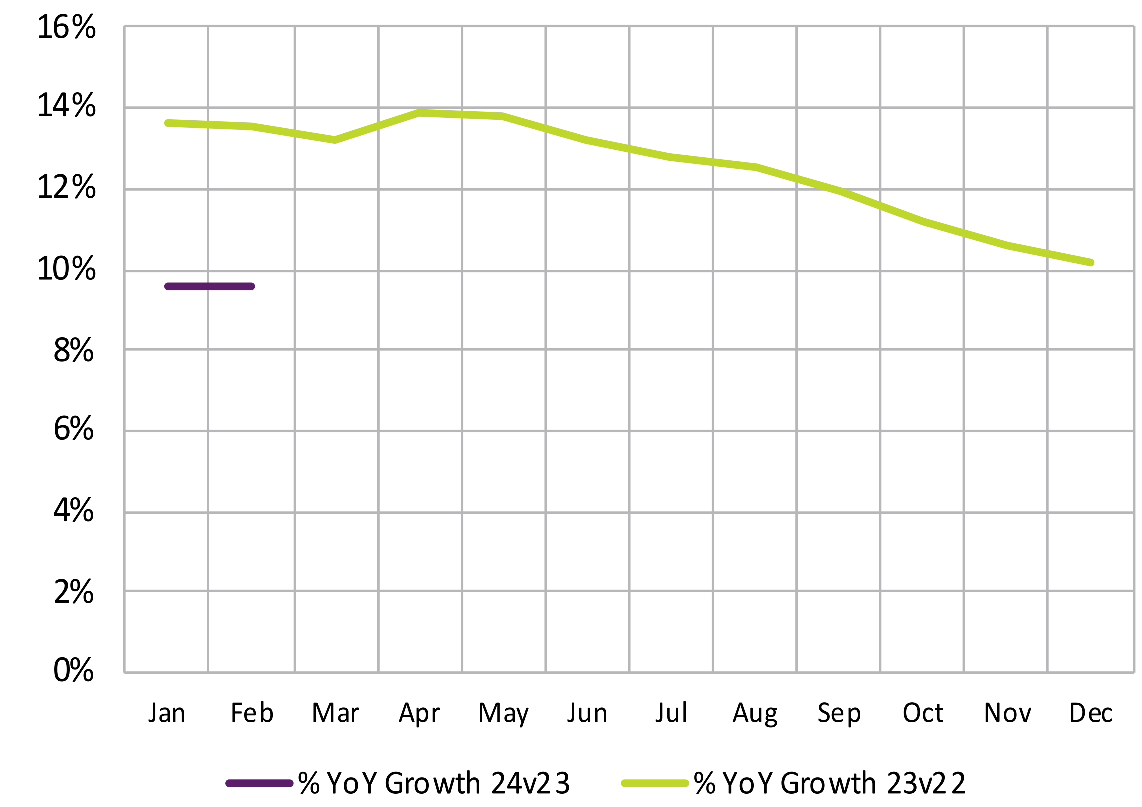
CREDIT CARD BALANCES

Total credit card balances increased 9.6% year over year in January 2024. Compared to December 2023, total balances were down 1.1%. The average credit card balance measured $2,915, up $111 or 4.0% compared to January 2023.

AVERAGE CREDIT CARD BALANCES PER GROSS ACTIVE ACCOUNT



PERCENTAGE CHANGE IN TOTAL CREDIT CARD BALANCES



CREDIT AND DEBIT CARDS

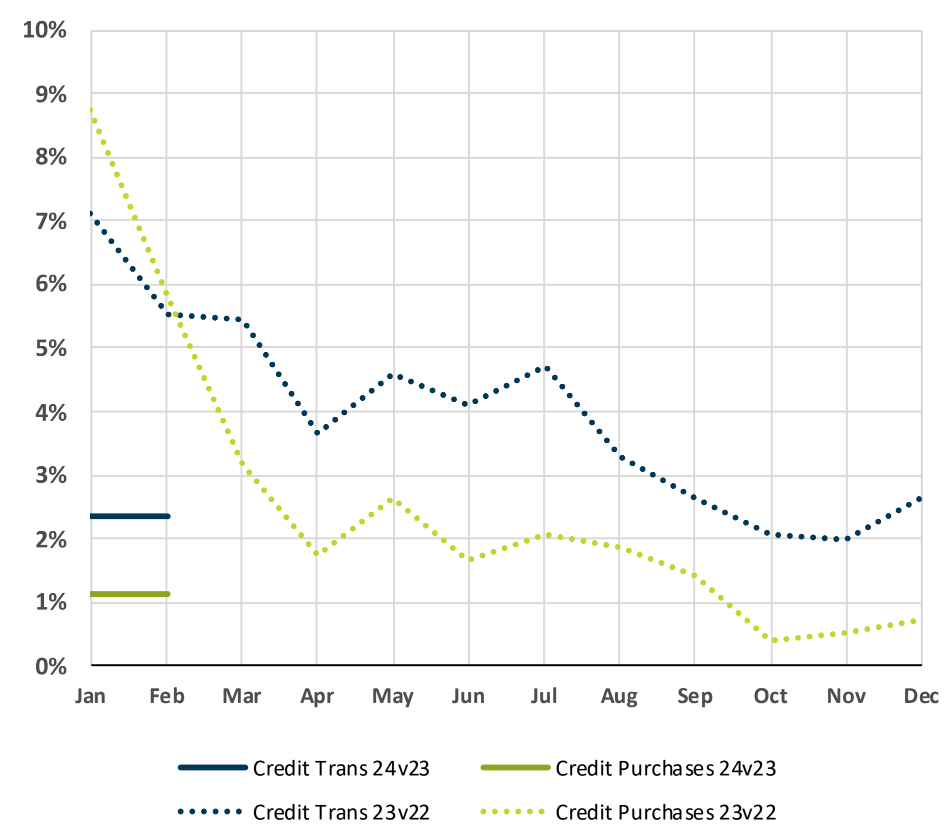
For January 2024, debit purchase growth continued to outpace credit, while transaction growth rates were similar. Debit purchases grew 3.4% year over year and credit purchases increased 1.1%. Debit and credit transaction volumes increased 2.4% and 2.3%, respectively, compared to one year ago.

Credit and debit purchase growth was largely driven by the Services sector, which contributed 1.5% of growth for each. The Goods sector had the greatest impact on credit and debit transaction growth, accounting for 0.7% for credit and 0.9% for debit.

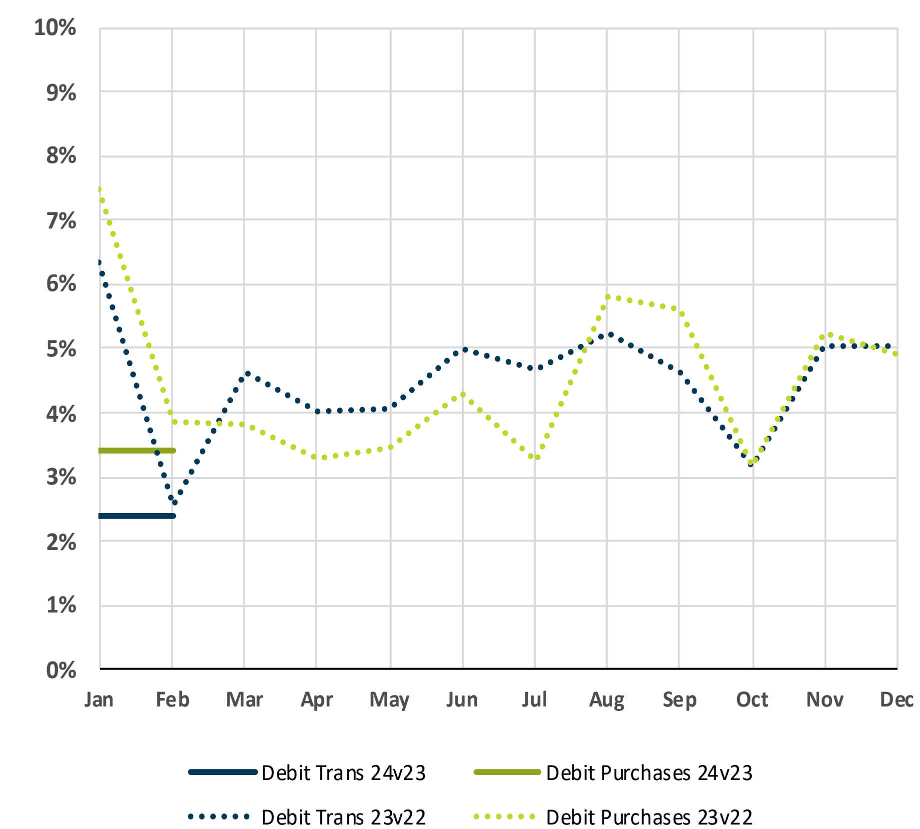
The Gasoline sector had the largest negative impact on debit purchase and transaction growth, driving purchases down 0.5% and transactions down 0.2%. For credit, the Goods and Gasoline sectors collectively drove purchase growth down 0.6%, while transaction growth was minimally impacted by the Utilities and Travel sectors.

	Credit		Debit	
	Transactions	Purchases	Transactions	Purchases
2024 v 2023	2.3%	1.1%	2.4%	3.4%
2023 v 2022	7.2%	8.7%	6.9%	7.9%

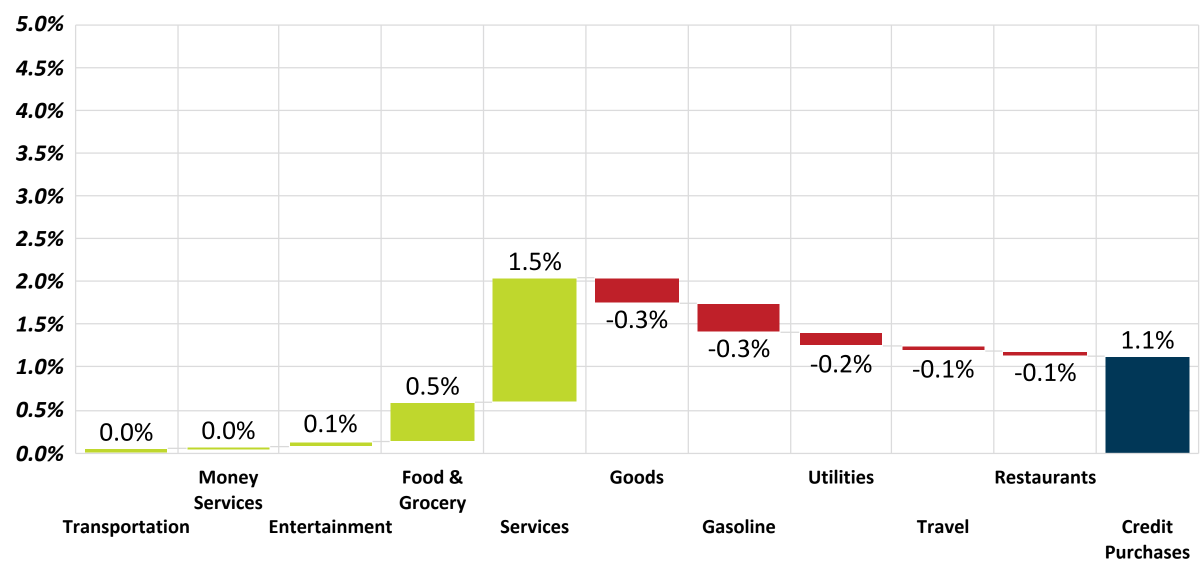
CREDIT
January



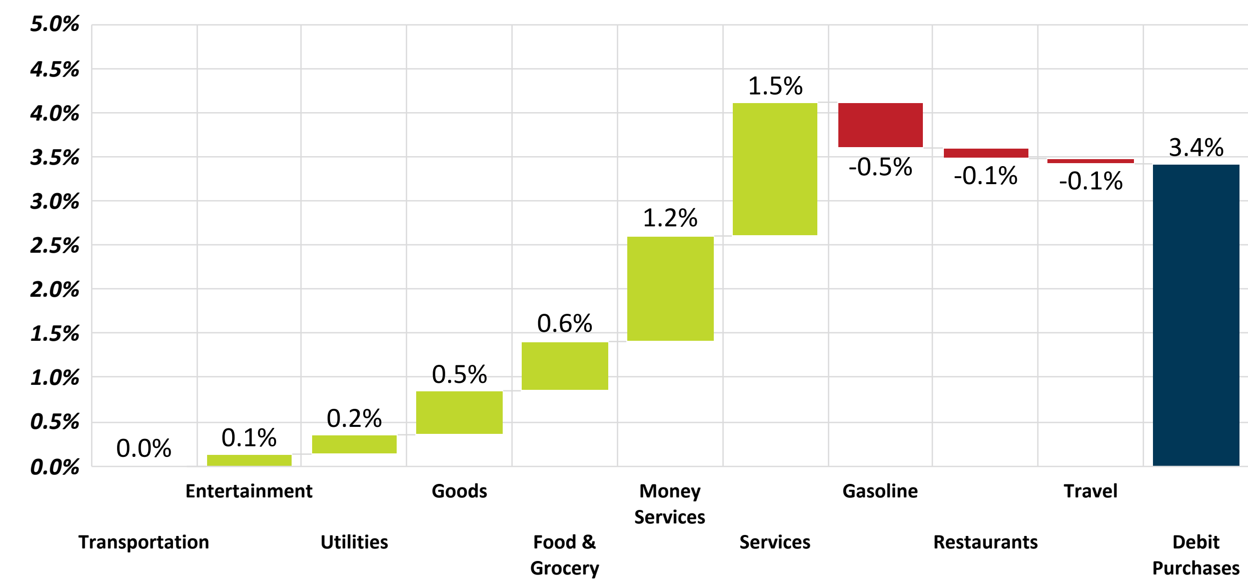
DEBIT
January



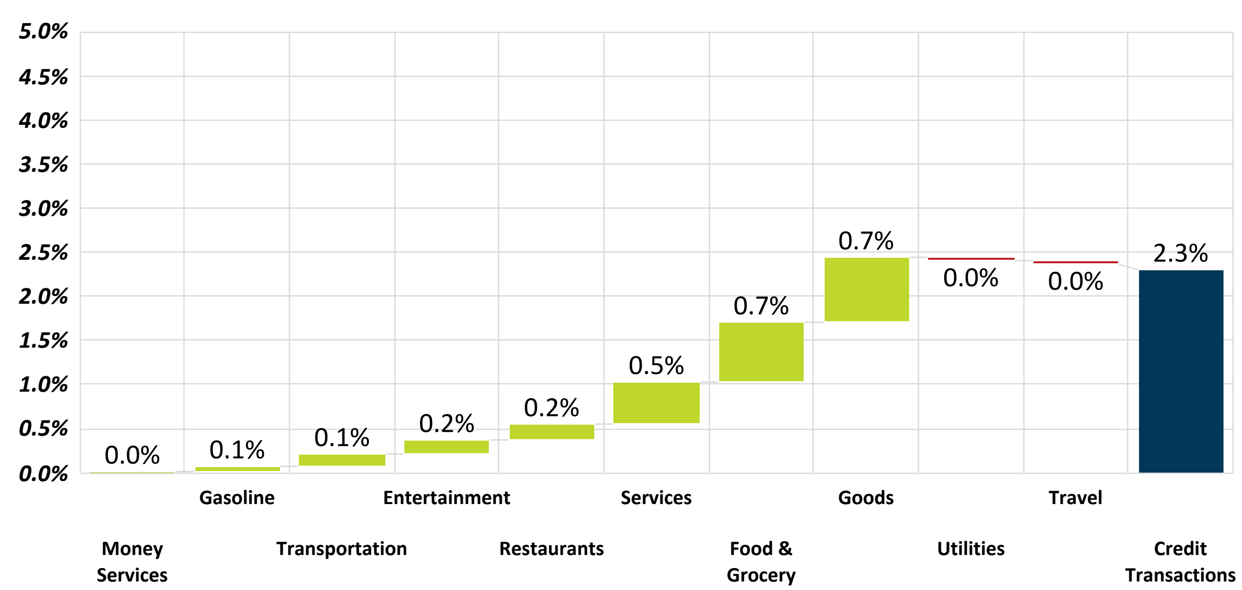
SECTOR CONTRIBUTIONS TO GROWTH IN CREDIT PURCHASES: JANUARY



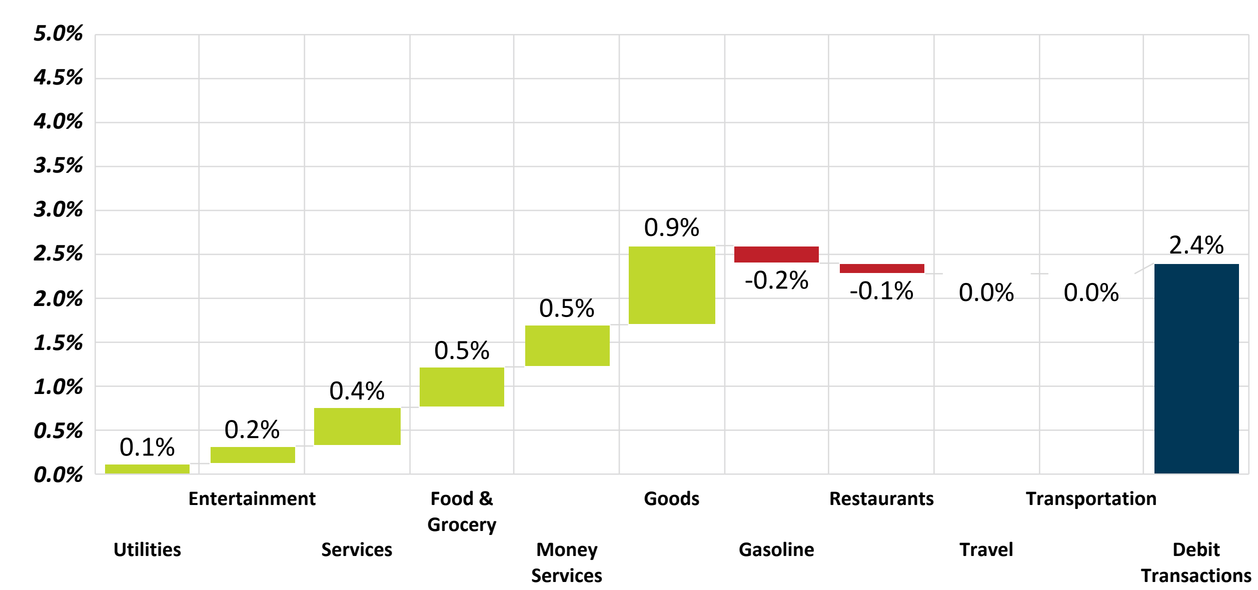
SECTOR CONTRIBUTIONS TO GROWTH IN DEBIT PURCHASES: JANUARY



SECTOR CONTRIBUTIONS TO GROWTH IN CREDIT TRANSACTIONS: JANUARY



SECTOR CONTRIBUTIONS TO GROWTH IN DEBIT TRANSACTIONS: JANUARY



■ Increase ■ Decrease ■ Total

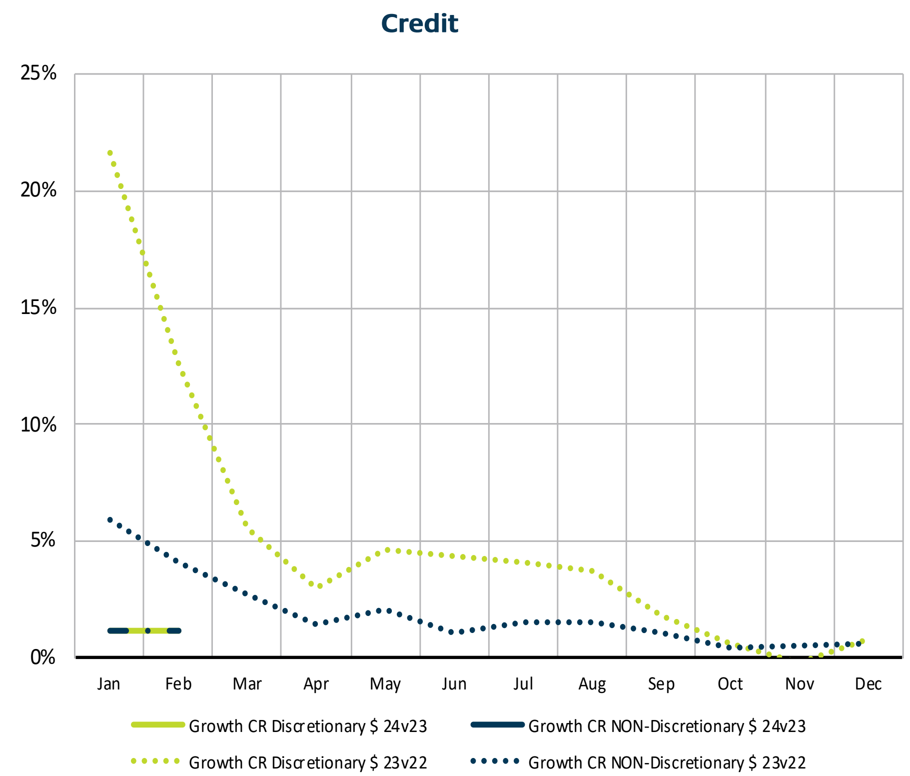
DISCRETIONARY AND NON-DISCRETIONARY ACTIVITY

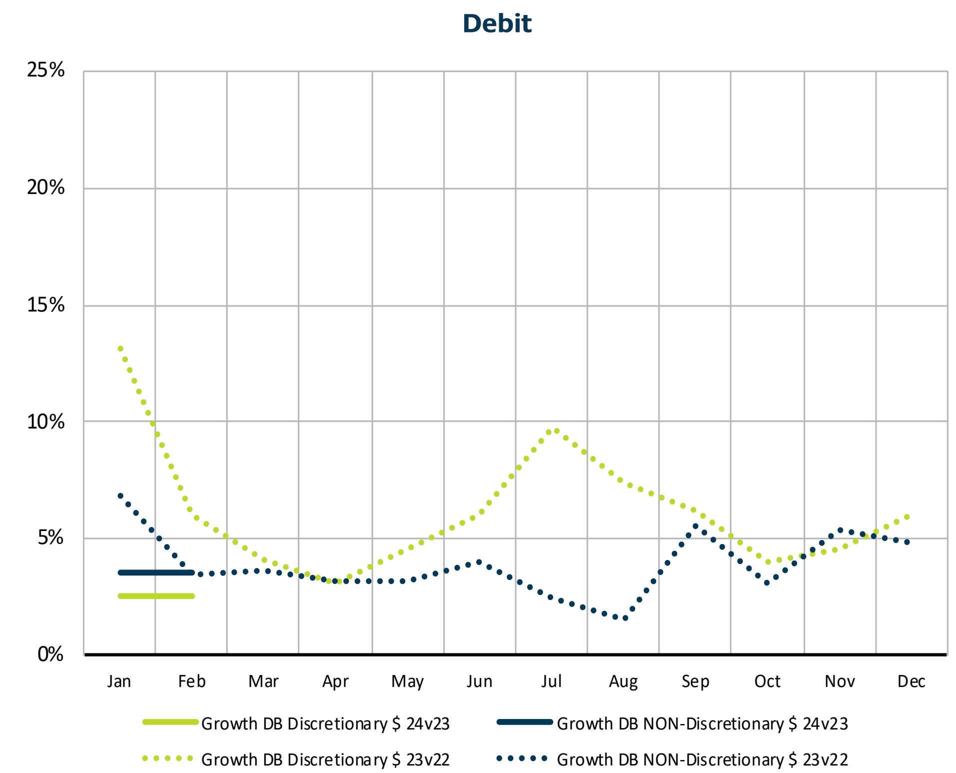
The grouping of expenses into discretionary and non-discretionary spend continues to provide insight into consumer payment activity amidst the current economic backdrop. Discretionary activity comprises nearly all merchant categories within the Entertainment and Travel sectors, as well as just under 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: JANUARY 2023

	Credit				Debit			
	% of Overall Purchases	YoY Growth Transactions	YoY Growth Purchases	Average Purchase	% of Overall Purchases	YoY Growth Transactions	YoY Growth Purchases	Average Purchase
Discretionary	20%	1.0%	1.1%	$163	9%	3.8%	2.6%	$72
Non-Discretionary	80%	2.5%	1.1%	$62	91%	2.2%	3.5%	$43

GROWTH IN DISCRETIONARY/NON-DISCRETIONARY OVERALL PURCHASES



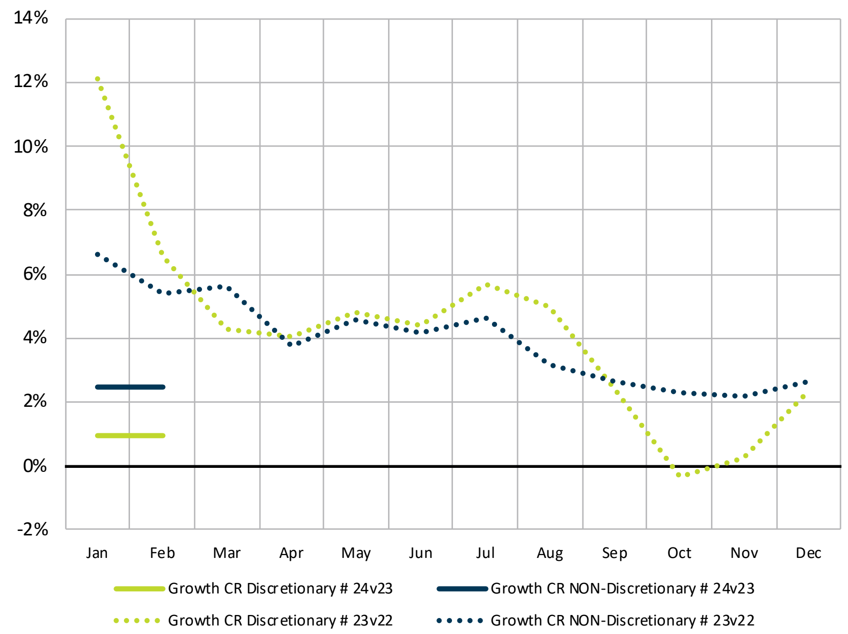


For January 2024, debit growth rates for both discretionary and non-discretionary purchases outpaced comparable growth in credit purchases. Similarly, growth in debit discretionary transactions outpaced growth in credit discretionary transactions. Credit non-discretionary transaction growth, up 2.5%, slightly outgrew debit non-discretionary transaction growth, up 2.2%.

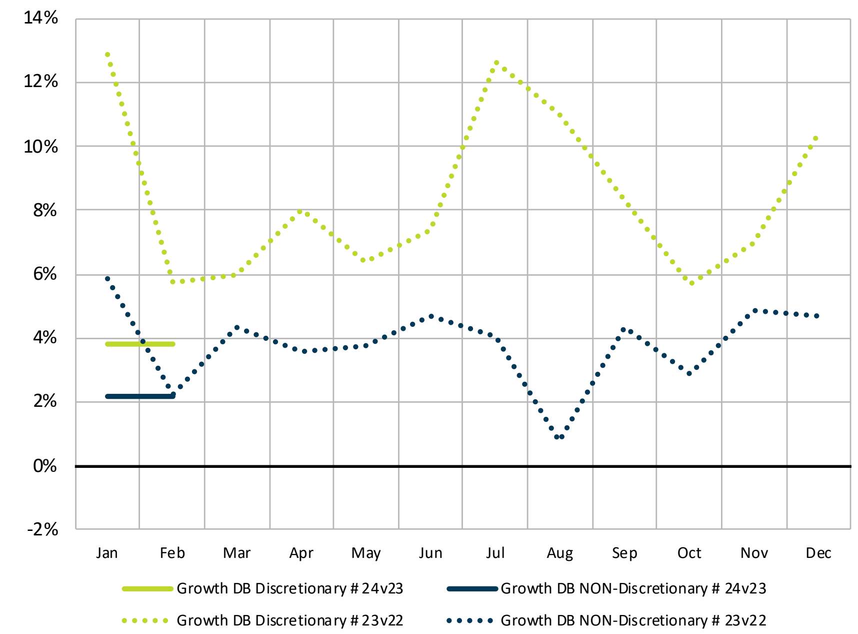
For December 2023, credit discretionary and non-discretionary transaction and purchase growth rates were nearly identical. Conversely, debit discretionary activity outpaced non-discretionary, with debit discretionary transaction growth reaching double digits. Transaction growth mostly exceeded purchase growth, except for debit non-discretionary activity, which had similar growth rates for both transactions and purchases.

GROWTH IN DISCRETIONARY/NON-DISCRETIONARY OVERALL TRANSACTIONS

Credit

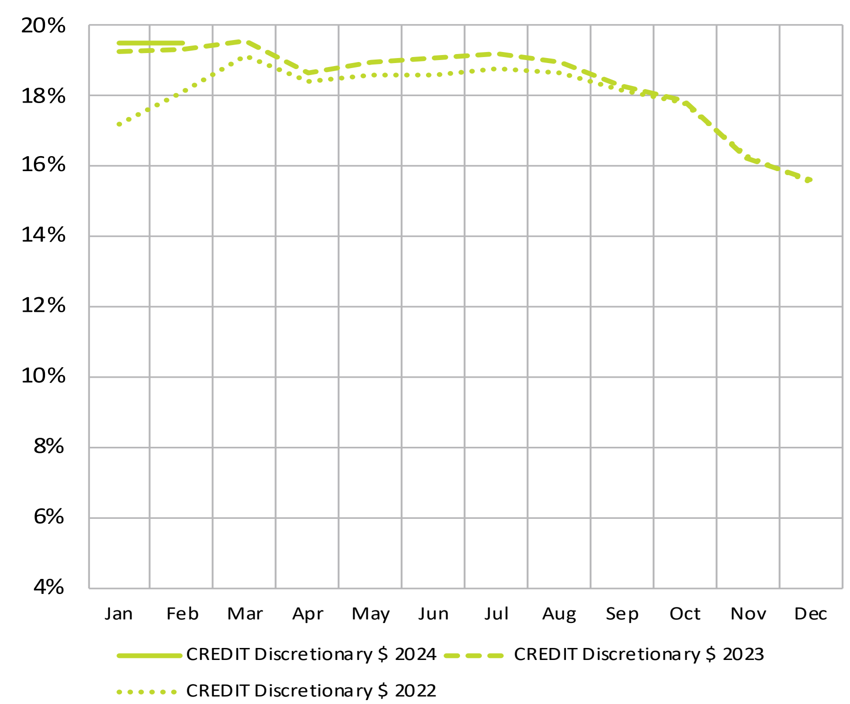


Debit

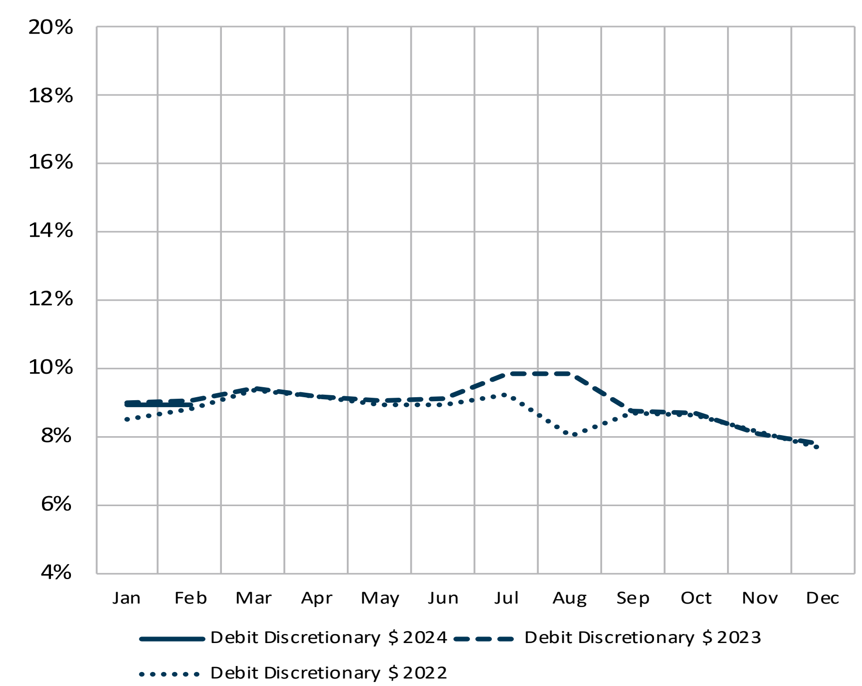


DISCRETIONARY PURCHASES AS A PERCENTAGE OF OVERALL PURCHASES

Credit



Debit



SECTORS / MERCHANT CATEGORIES

The Money Services and Services sectors achieved double-digit debit purchase growth in January, up 11% and 10% respectively year over year. The top sectors with the greatest growth in credit purchases included Transportation (+7%) and Services (+6%).

Credit and debit Restaurant purchase growth rates experienced a year-over-year decline, each down 1%. In addition, the Travel sector continued to post negative year-over-year growth rates for both credit and debit purchases and transactions.

Gasoline purchase growth decreased 7% year over year for both credit and debit. The national average price per gallon of gasoline finished at $3.19 for the week ending Feb. 12, down 5.8% or $0.20 year over year.

ENTERTAINMENT
January 2023 V 2022

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

FOOD & GROCERIES
January 2023 V 2022

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

GASOLINE
January 2023 V 2022

	Credit	Debit
YoY Purchases	-7%	-7%
YoY Transactions	1%	-1%

GOODS
January 2023 V 2022

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

MONEY SERVICES
January 2023 V 2022

	Credit	Debit
YoY Purchases	4%	11%
YoY Transactions	6%	10%

RESTAURANTS
January 2023 V 2022

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

SERVICES
January 2023 V 2022

	Credit	Debit
YoY Purchases	6%	10%
YoY Transactions	5%	7%

TRANSPORTATION
January 2023 V 2022

	Credit	Debit
YoY Purchases	7%	0%
YoY Transactions	7%	0%

TRAVEL
January 2023 V 2022

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

UTILITIES
January 2023 V 2022

	Credit	Debit
YoY Purchases	-5%	4%
YoY Transactions	-2%	6%

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 2022 through the most current complete month of 2024, enabling an accurate and relevant year-over-year same-store comparison (2024 vs. 2023, 2023 vs. 2022) for purchasing behaviors and data. When the credit unions populations are reviewed and updated each year, there is the likelihood that some metrics may have a nominal change from previously posted results.

For the "same-store" population of credit unions over the past rolling 12-month period, the February edition of the Payments Index represents a total of 3.0 billion transactions valued at $150 billion of credit and debit card activity from February 2023 through January 2024.

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 / CO-OP SOLUTIONS

PSCU/Co-op Solutions is the nation's premier payments credit union service organization (CUSO) and an integrated financial technology solutions provider. With over four decades of industry experience and a commitment to service excellence and innovation, the company serves more than 4,000 financial institutions throughout North America. PSCU/Co-op Solutions leverages its expertise and resources on behalf of credit unions and their members, offering an end-to-end product portfolio that includes payment processing, fraud and risk management, data and analytics, digital banking, instant payments, strategic consulting, collections, ATM and POS networks, shared branching and 24/7/365 member support via its contact centers. For more information, visit pscu.com and coop.org.