

velera

PAYMENTS INDEX

Deep Dive: Rewards/Loyalty

June 2025



Consumer spending for May suggests continued momentum, albeit at a slower pace than prior years. Growth in year-over-year purchases and transactions was positive, with debit results stronger than credit. Part of this is supported by low unemployment and steady job growth, which aids consumer confidence. Consumer goods again had the highest contribution to growth in May 2025 for credit and debit purchases. And while inflation has been trending downward, worries over the impact of tariffs have created anxiety that has been somewhat suppressed in the near-term. In our June 2025 edition of the Velera Payments Index, we explore rewards and loyalty program results and the need to understand consumer preferences for credit unions to remain top of wallet.

After five months of consecutive declines, the [Consumer Confidence Index](#) increased in May, up 12.3 points to 98.0. All three expectation components – business conditions, employment prospects and future income – improved from the April low. While the Expectations index, which considers consumers’ short-term view of income, labor market and business conditions, increased 17 points to 72.8 in May, it remains below what has been the recession threshold of 80.

Performance Snapshot: May 2025

Market/Economic Variables

98.0
Consumer Confidence Index
 ↑ Change 12.3 points

52.2
U of M Index of Consumer Sentiment
 — No change

2.4%
Consumer Price Index
 ↑ Change 0.1%

2.8%
Core CPI (e.g., Food/Energy)
 ↑ Change 0.1%

139,000
BLS/Job Growth
 ↑ Change 14,000

4.2%
Unemployment Rate
 — No change

4.25-4.5%
Federal Reserve Interest Rate
 — No change

Payments Index Growth

Purchases

2025 v 2024

Credit
 ↑ **1.3%**

Debit
 ↑ **5.2%**

2024 v 2023

Credit
 ↑ **0.1%**

Debit
 ↑ **6.4%**

Transactions

2025 v 2024

Credit
 ↑ **1.8%**

Debit
 ↑ **3.2%**

2024 v 2023

Credit
 ↑ **1.8%**

Debit
 ↑ **4.5%**

The May 2025 University of Michigan [Index of Consumer Sentiment](#) remained unchanged from April at 52.2. While the current outlook on the economy is unchanged, potentially influenced by the temporary pause in tariffs, concerns about the future remain top of mind for consumers.

In the Labor Department's June 11 update, the [Consumer Price Index \(CPI\)](#) increased 0.1% in May, bringing the cumulative 12-month rate of inflation up to 2.4%. Shelter, which continues to account for a significant portion of the monthly increases, is up 0.3% in May. The food index increased 0.3%, while the energy index declined 1.0% in May as a result of lower gasoline prices. Core CPI, which excludes the Food and Energy sectors, increased by 0.1% in May following a 0.2% decrease in April, bringing the 12-month Core CPI to 2.8%

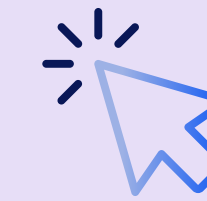
Jobs grew by 139,000 in May, with increases in healthcare, leisure and hospitality, and social assistance, offset by a decline in jobs with the Federal Government. [Reuters reports](#) that economists believe that uncertainty on the actual level and lasting impacts of the President's import tariffs are contributing to slower job growth and complicating business planning. Also in the current jobs report, both March and April



new jobs figures were downwardly revised, lowering the three-month average of new jobs from 155,000 to 135,000. The U.S. Bureau of Labor Statistics (BLS) [reported](#) the overall unemployment rate was unchanged for May at 4.2%, or 7.2 million people. Contributing to the steady unemployment rate was the reduction of 625,000 people who dropped out of the workforce in May.

Much of the economic uncertainty stems from the expected impacts of the Trump import tariffs and the reciprocal impact of tariffs on U.S. exports. The [World Bank](#) recently cut the global growth forecast by four-tenths of a percent, due to these

“significant headwinds” emanating from the United States. While the 90-day pause on reciprocal U.S.-China tariffs would end on Aug. 12, 2025, there is news from the White House that a “[deal is done](#),” locking in Chinese imports at a 55% tariff without additional increases. At the same time, [President Trump continues to pressure](#) Fed Chair Jerome Powell to reduce interest rates by up to a full percentage point – although there is little expectation in the market that a reduction will occur. Two scheduled Federal Open Market Committee (FOMC) meetings remain this summer, concluding on June 18 and July 30, where subsequent rate adjustments could be communicated.



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We hope that the insights from the Velera Payments Index continue to help our financial institutions make informed, strategic decisions. To subscribe and receive updates when the report is published, [click here](#).

We welcome questions and feedback on the Payments Index by way of [this link](#) or scan the QR code.





"Rewards and loyalty programs are most effective when they reflect the real behaviors and preferences of members. Our analysis shows that while Boomers and Gen X generate the majority of rewards earnings, they tend to redeem less frequently – often saving for larger redemptions or letting points expire. In contrast, millennials and Gen Z are more active redeemers, using rewards as part of their everyday financial strategy. Income also plays a key role, with lower-income members redeeming at higher rates, suggesting a greater reliance on the tangible value rewards provide. These patterns highlight the importance of segmentation – not just by age or income, but by lifecycle and behavior. Credit unions that design flexible, personalized rewards experiences based on these preferences and relationships will be better positioned to build loyalty, increase engagement and become the trusted, go-to financial partner for every member segment."

Annie Cox

Vice President, Product Management
Velera

Key Takeaways for May 2025

- Growth for both credit and debit for May was steady and positive, influenced by the uncertainty around import tariffs. Debit purchases were up 5.2%, with the Goods sector contributing just over one-third of the growth. Credit purchases were up 1.3%, with the Goods sector contributing just over half of the increase. For May, debit transactions were up 3.2% and credit transactions were up 1.8%.
- In this month's analysis of loyalty and rewards programs, we see the following trends:
 - The two oldest generational segments (Boomers+/Gen X) historically represented 67.3% and 88.5% of rewards accounts and earnings, respectively, while the remaining generations collectively accounted for only 11.5% of rewards earnings, despite accounting for 32.7% of account mix.
 - Boomers+ and Gen X demonstrated lower rewards redemption/earned ratio at 14.6% and 15.9%, respectively, compared to younger cohorts ranging from 26.5% to 34.9%.
 - Cash consistently represents the majority of rewards redemptions, with the exception of the holiday season, when a downturn in cashback was mirrored by an uptick in gift card redemptions.
- The 12-month CPI through May increased by 2.4%, up 0.1% from April. The shelter index continues to contribute significantly to the monthly increase. Energy decreased by 1.0% due to drops in gasoline. Core inflation, which excludes food and energy, is up 0.1% at 2.8% for May.



Deep Dive: Rewards/Loyalty

For June, we explore consumer demographics and preferences in rewards and loyalty card activity. By understanding rewards earnings and redemption behavior over time, credit unions can better deliver the value and member experience necessary to be well-positioned for growth. Addressing generational differences and delivering personalized experiences are key to achieving and maintaining top-of-wallet status.

Gen X and Boomers+ members make up the majority of rewards accounts (67.3%) historically, while contributing disproportionately in terms of spend and rewards earnings (88.5%). Furthermore, these cohorts have redeemed the least amount of rewards relative to what has been

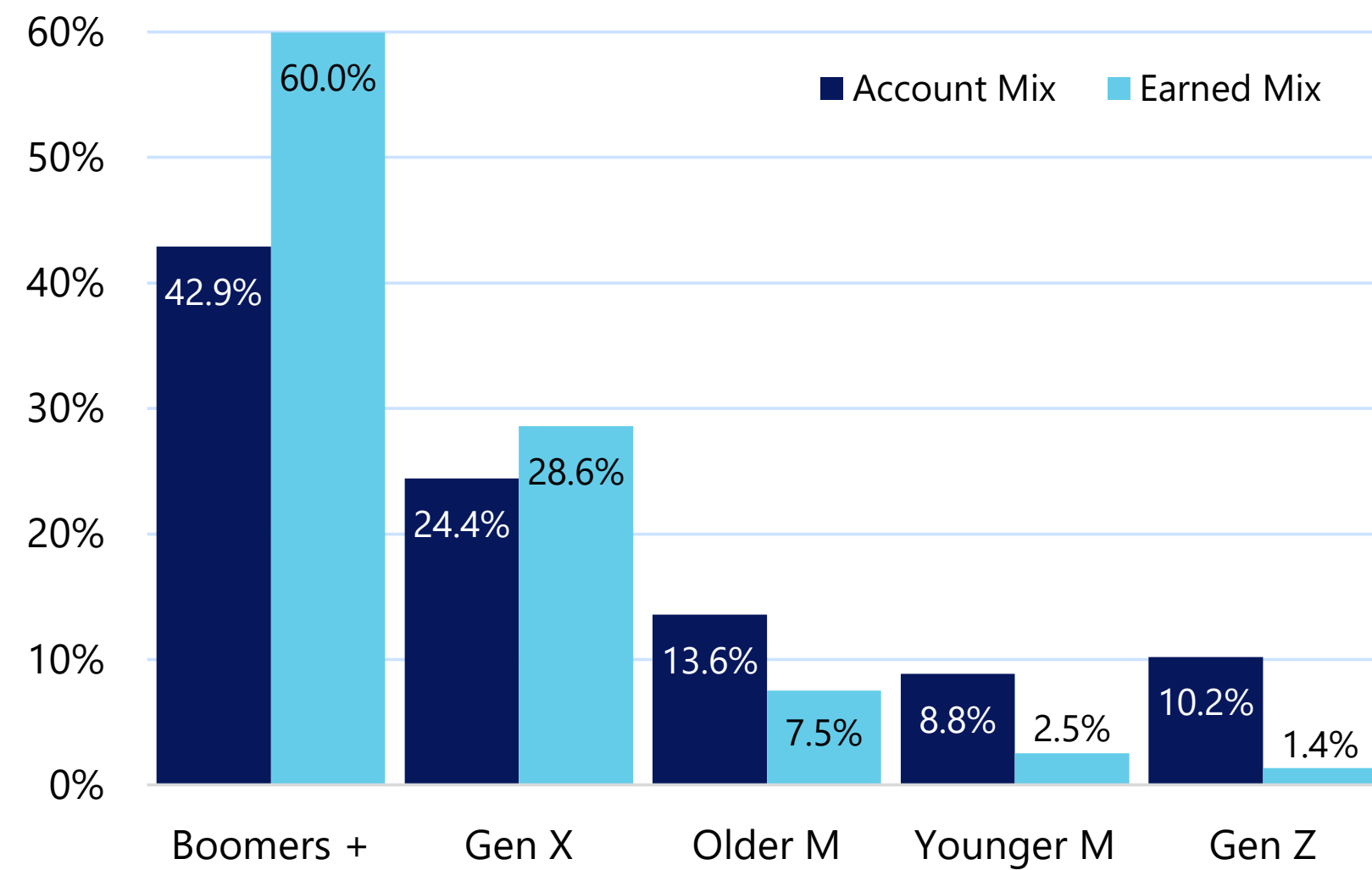
earned. The converse is true for millennials and Gen Z, who collectively have more than twice the redemption/earnings ratio, despite accounting for nearly one-third of accounts and only 11.5% of rewards earned. Redemption rates also vary according to estimated income, with lower-income members demonstrating a higher redemption rate than those with higher income. This demonstrates the importance of tailoring rewards offerings available for established high-value and emerging segments to ensure member engagement. Cashback is the overwhelming preference for rewards redemptions, but members appreciate the flexibility of the gift card redemption option, especially during the holiday season.



Deep Dive: Rewards/Loyalty

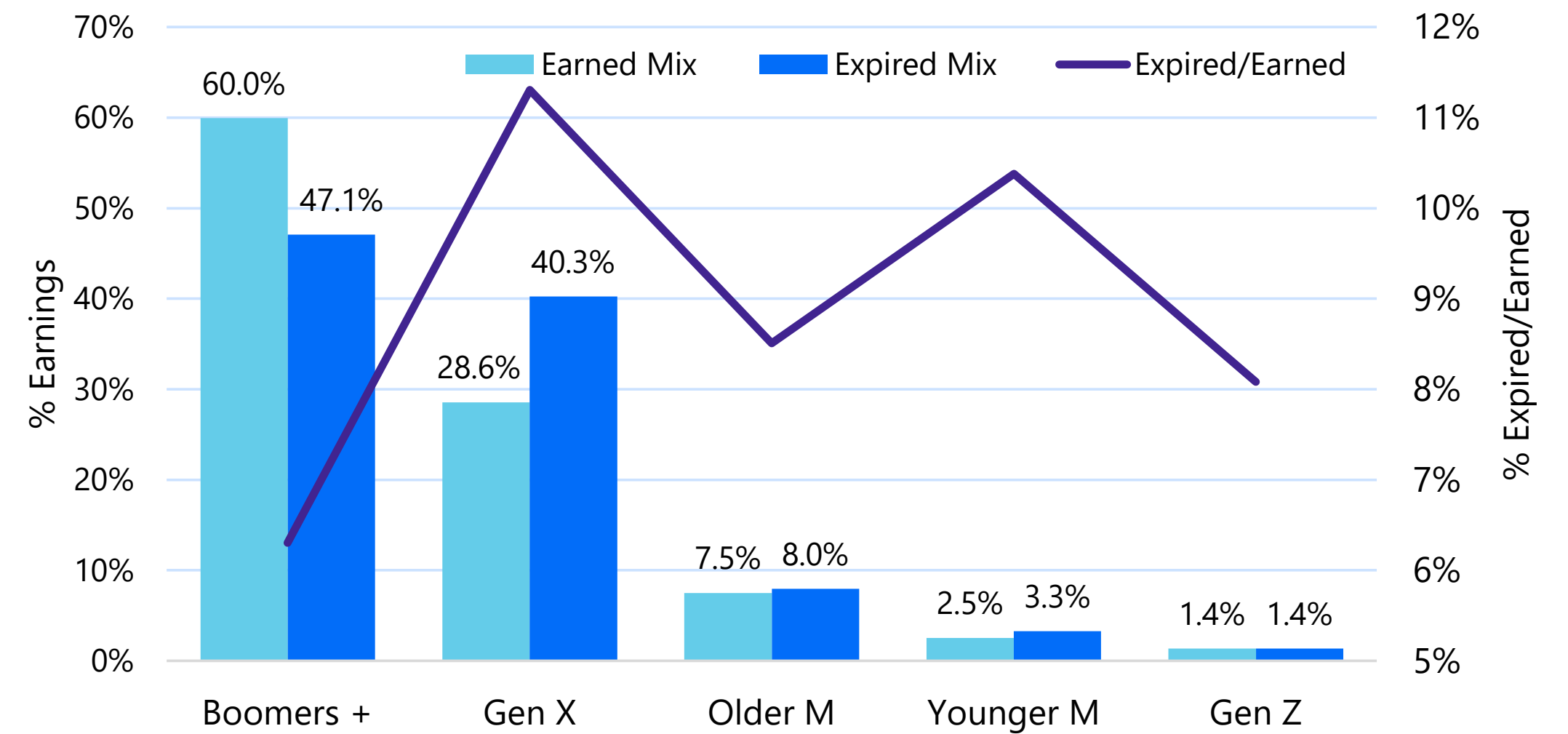
Section 1: Rewards Behavior Observations

YTD 2025 Rewards Accounts and Earnings Mix by Generation



- The two oldest generational segments (Boomers+ and Gen X) historically represented 67.3% and 88.5% of rewards accounts and earnings, respectively, while the remaining generations collectively accounted for only 11.5% of rewards earnings, despite combining for 32.7% of account mix.

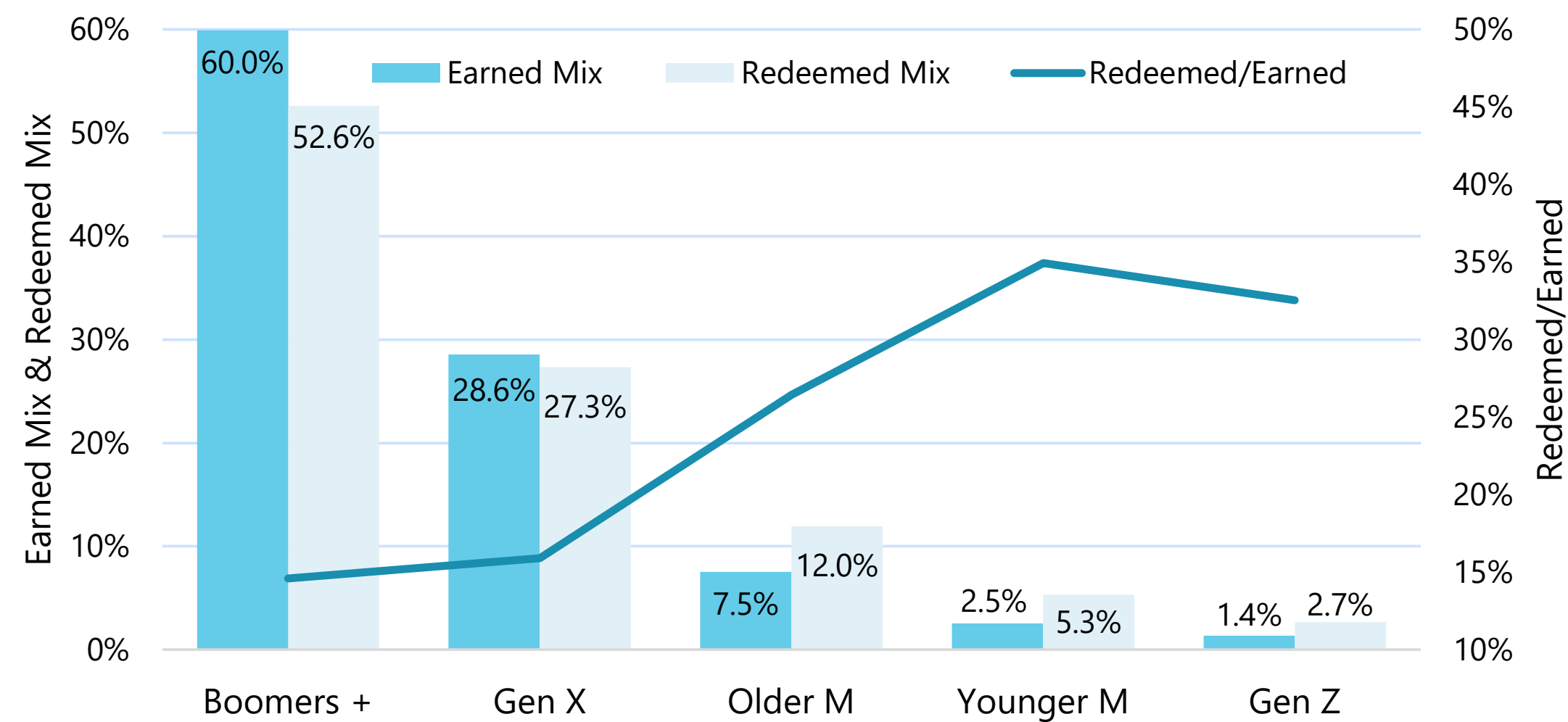
YTD 2025 Rewards Earnings and Redemptions by Generation



- Boomers+ earn the most rewards and are the least likely to allow those rewards to expire. Gen X has the highest rate of rewards expiration, despite being the second-largest earner of rewards.

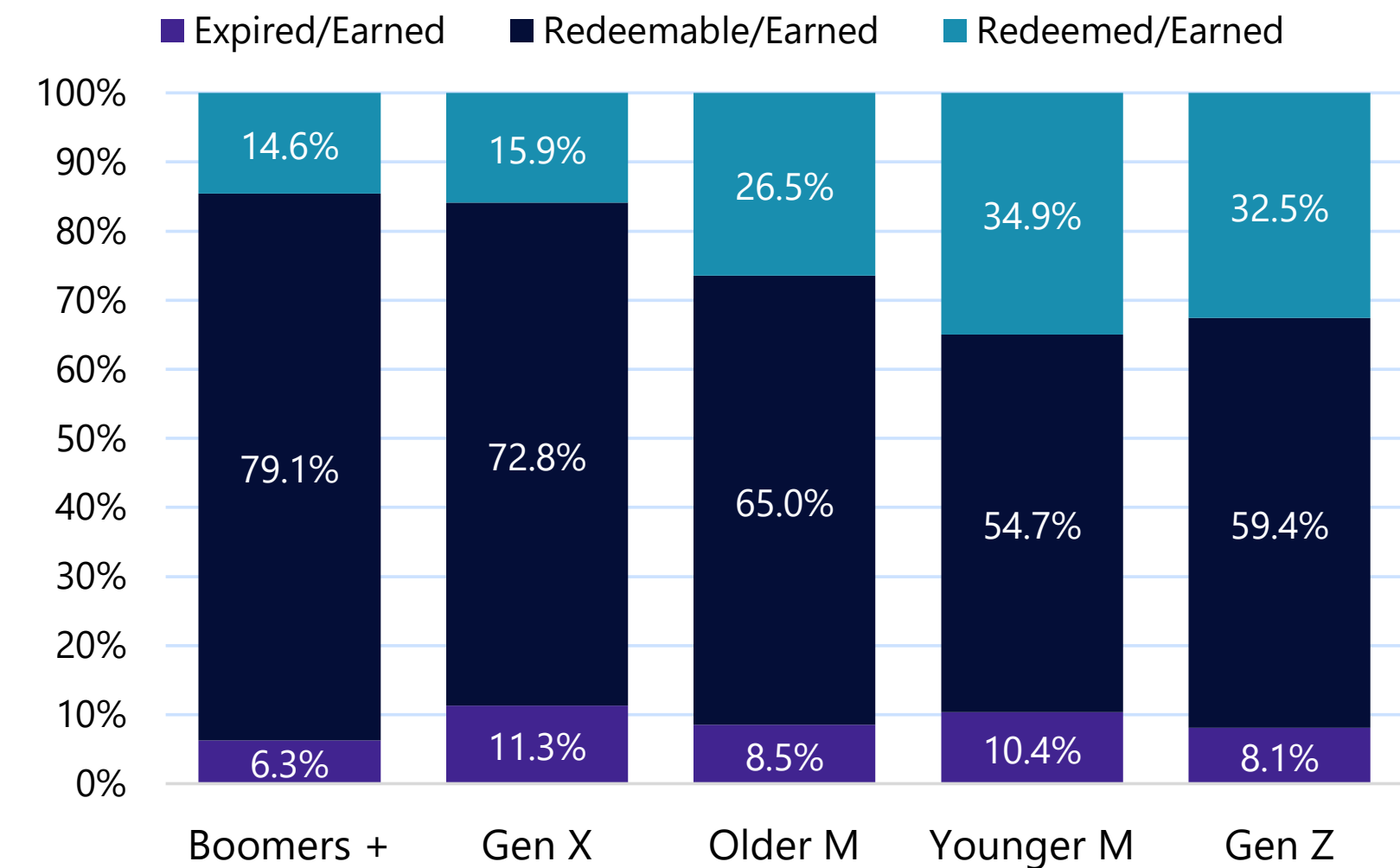
Deep Dive: Rewards/Loyalty

YTD 2025 Rewards Earnings and Redemptions by Generation



- Boomers+ and Gen X demonstrate lower redemption rates, at 14.6% and 15.9%, respectively, compared to younger cohorts ranging from 26.5% to 34.9%.

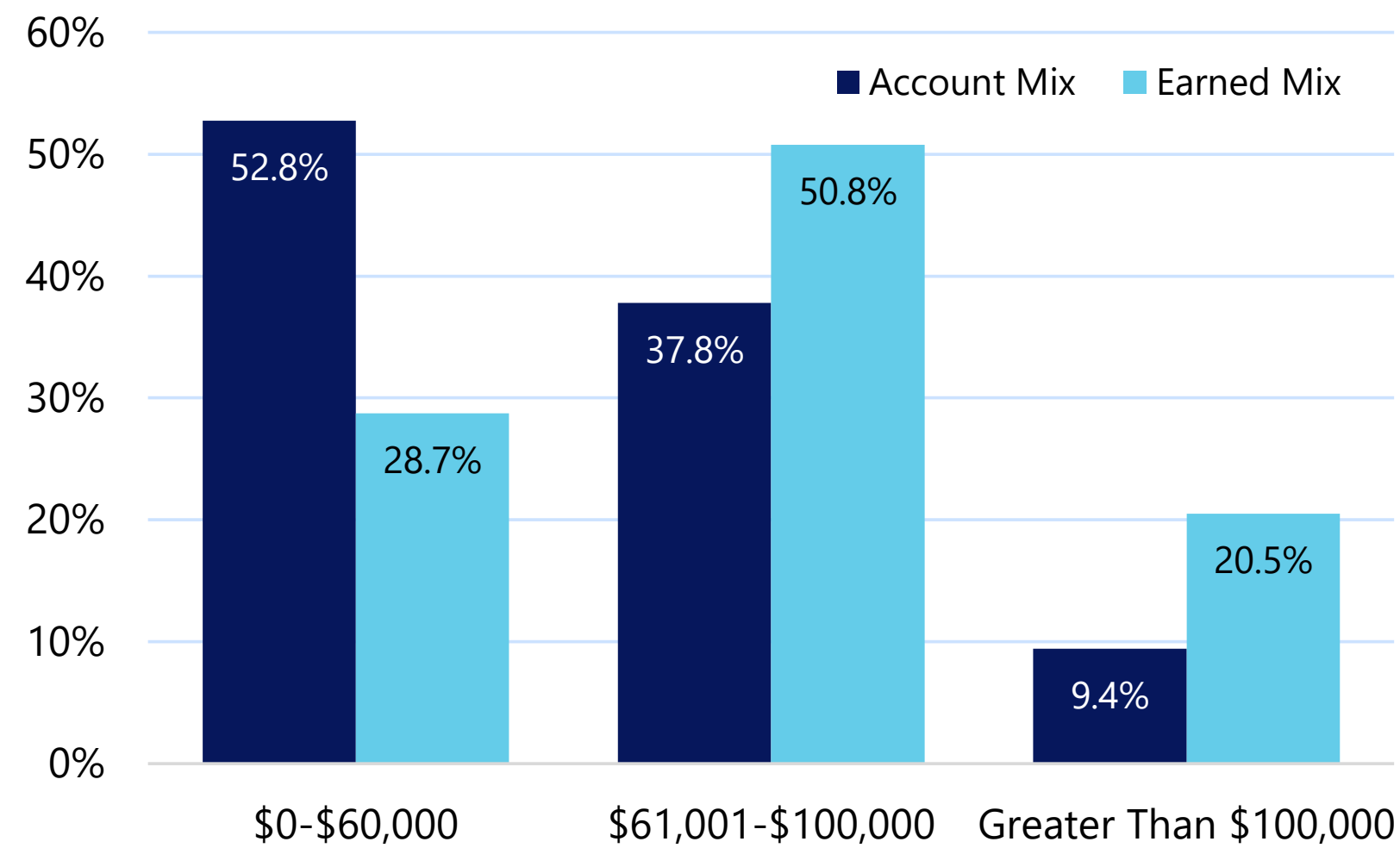
YTD 2025 Rewards Earnings Disposition by Generation



- Older millennials, younger millennials and Gen Z demonstrate “burn” behavior, which is categorized by a higher redemption-to-earnings ratio.
- Boomers+ would most closely be described by “yearn” behavior due to a low redemption rate coupled with a low expiration rate. This is consistent with either saving up for trophy redemptions or impending expiration-triggered rewards redemptions.
- Gen X, while similar to Boomers+ in terms of redemption rate, is differentiated by its higher expiration rate, resulting in relatively less redeemable rewards consistent with “earn” behavior.

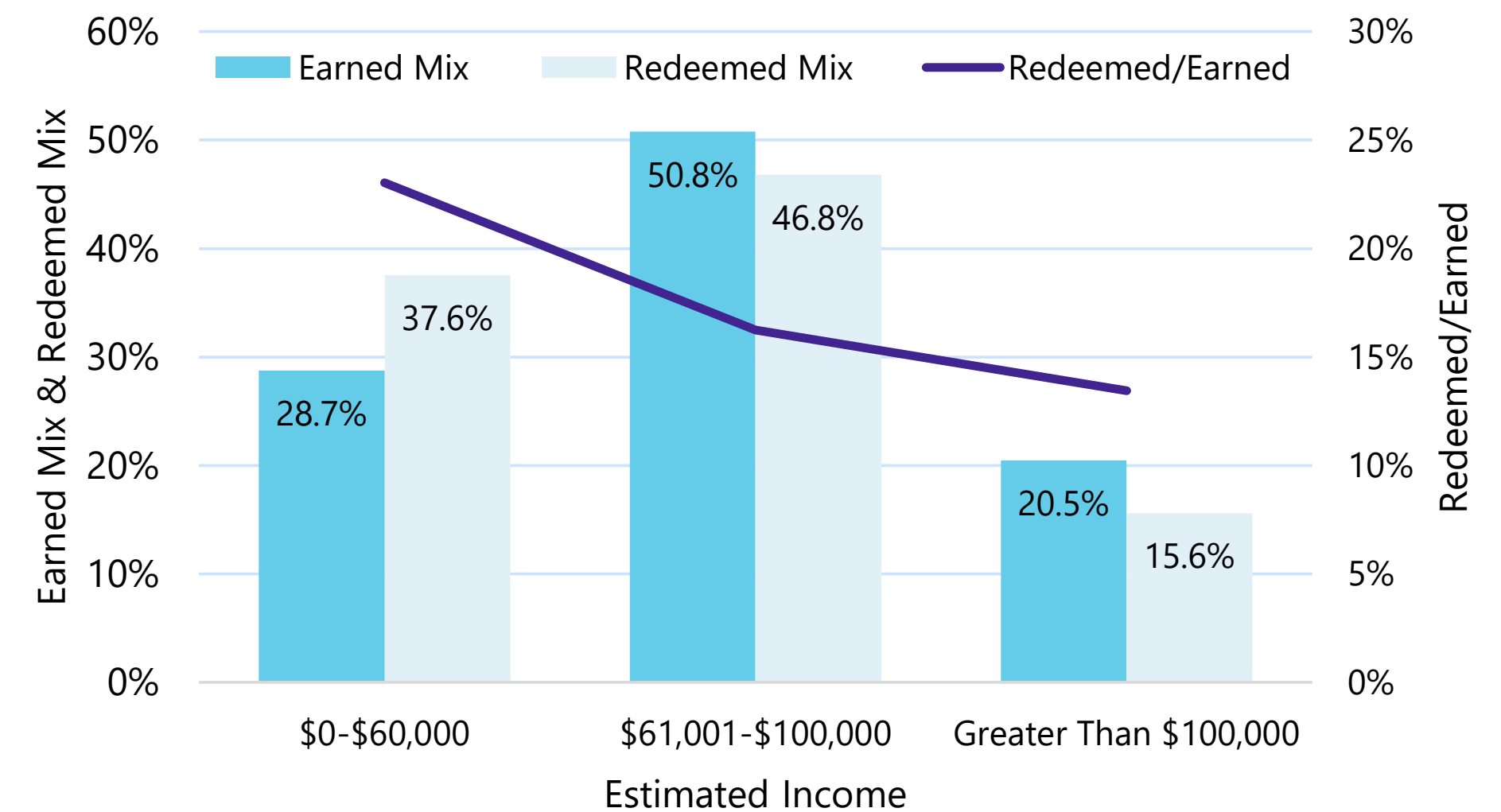
Deep Dive: Rewards/Loyalty

YTD 2025 Rewards Accounts and Earnings Mix by Estimated Income



- Reward cardholders with an estimated income up to \$60K represent 52.8% of accounts, but only 28.7% of rewards earnings. Conversely, estimated income over \$60K collectively accounts for 71.3% of rewards redemptions, despite comprising less than half (47.2%) of the rewards accounts.

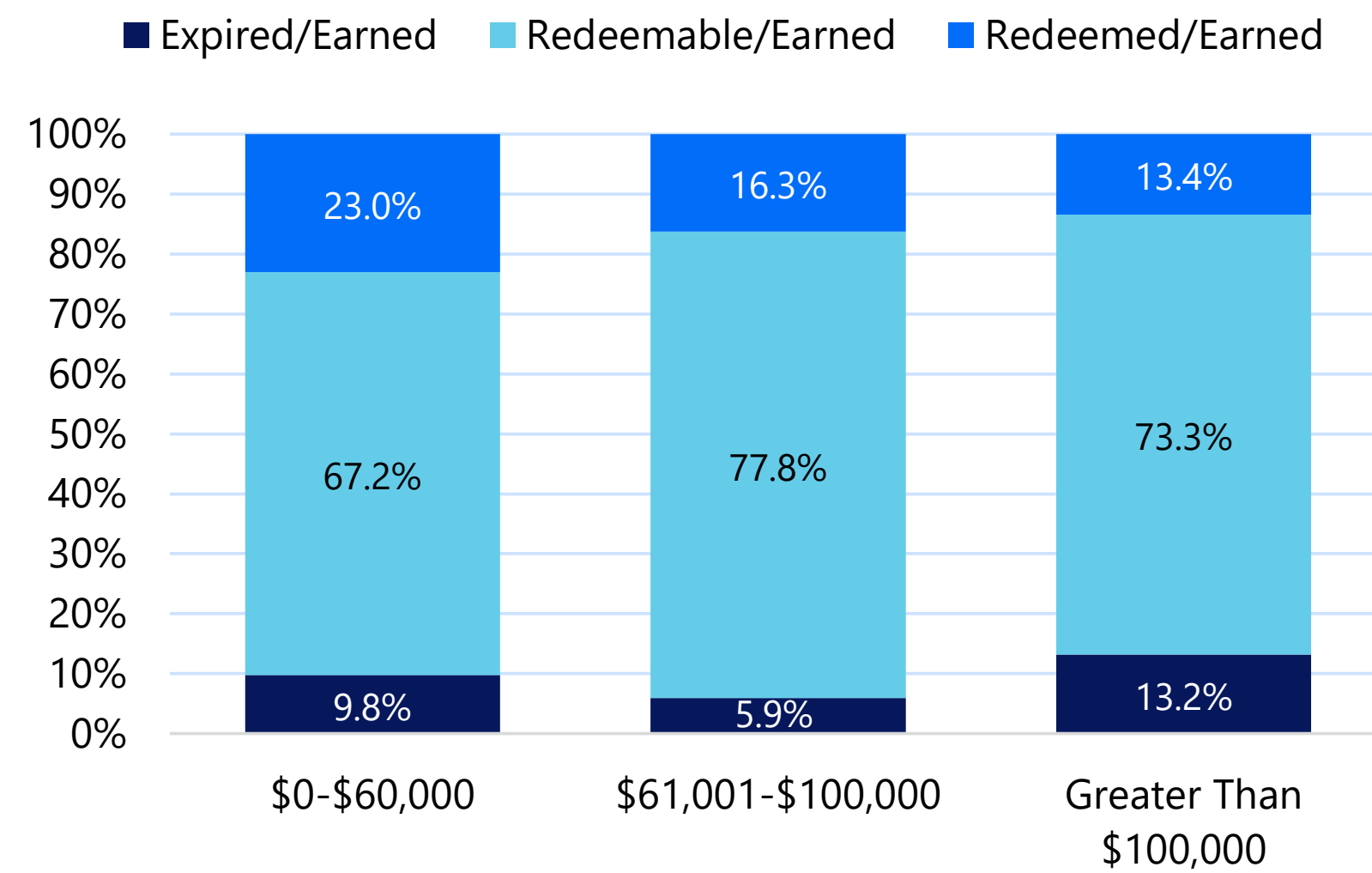
YTD 2025 Rewards Earnings and Redemptions by Estimated Income



- The redemption rate decreases with the increase in estimated income.

Deep Dive: Rewards/Loyalty

YTD 2025 Rewards Earnings Disposition by Estimated Income



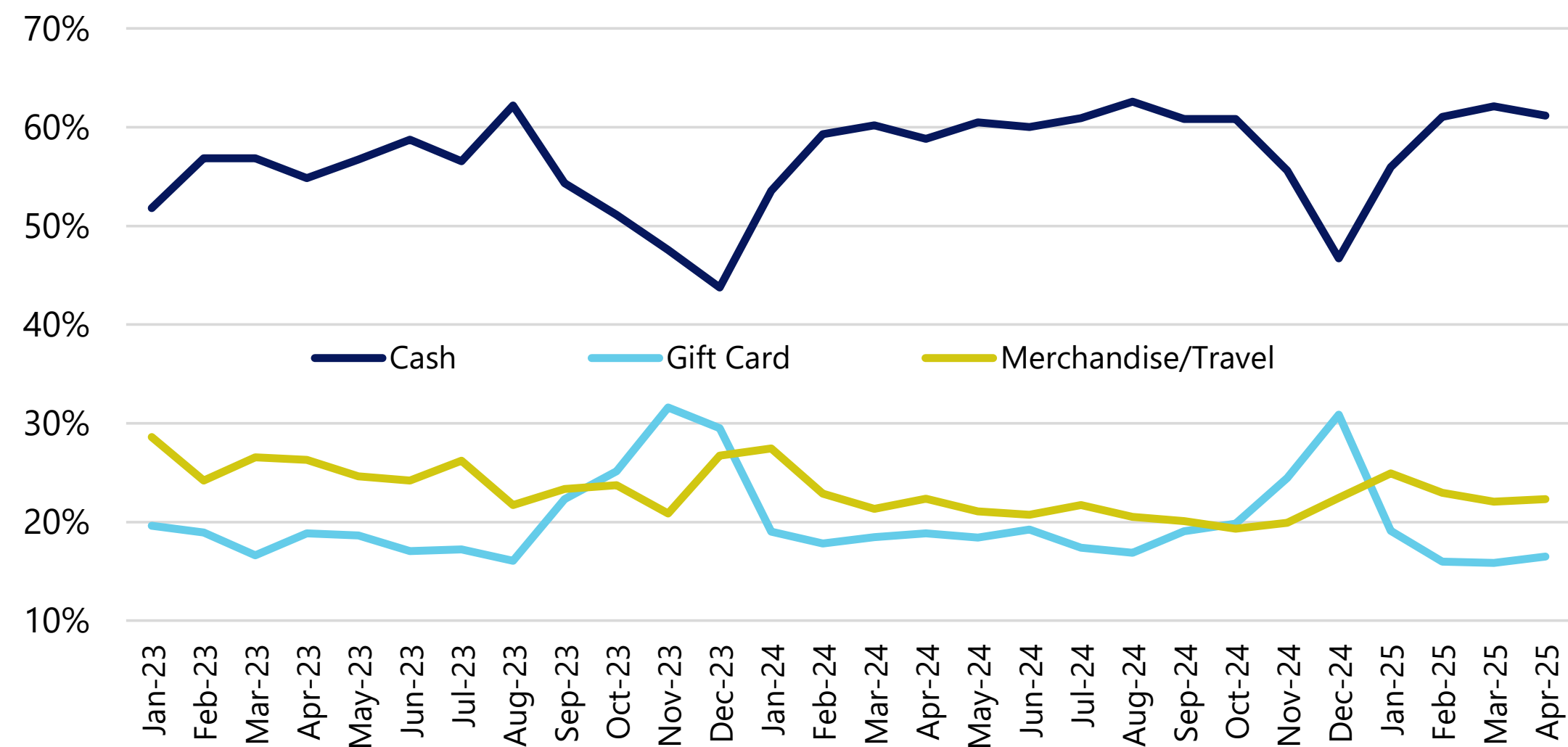
- \$60K and below are consistent with “burn” redemption behavior, while \$60K to \$100K and over \$100K represent “yearn” and “earn” redemption behavior, respectively.



Deep Dive: Rewards/Loyalty

Section 2: Rewards Redemption Activity

Reward Redemption Mix by Category

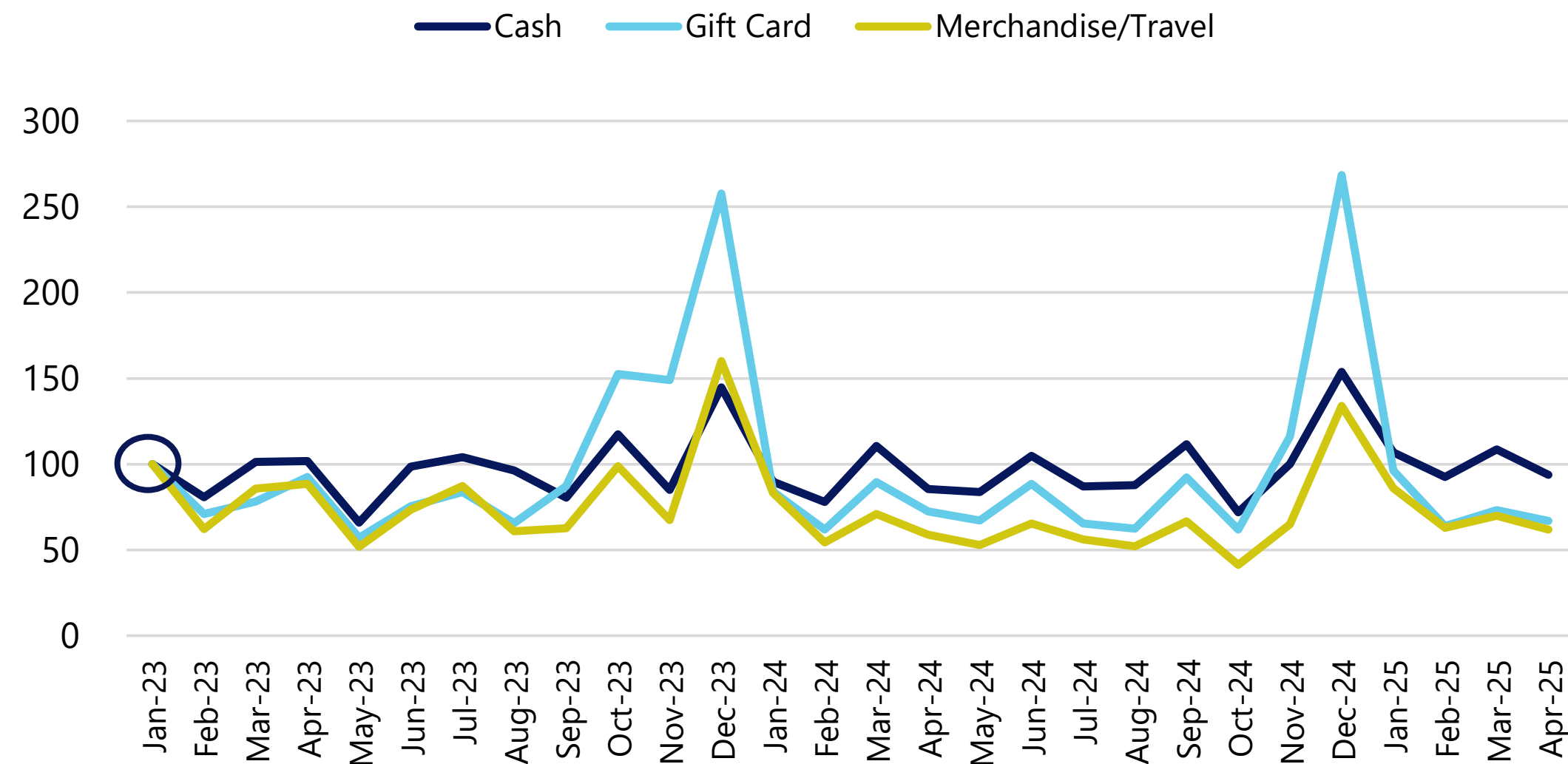


- While cash consistently represents the majority of rewards redemptions, the recurring exception is the holiday season, when a downturn in cashback is mirrored by an uptick in gift card redemptions.



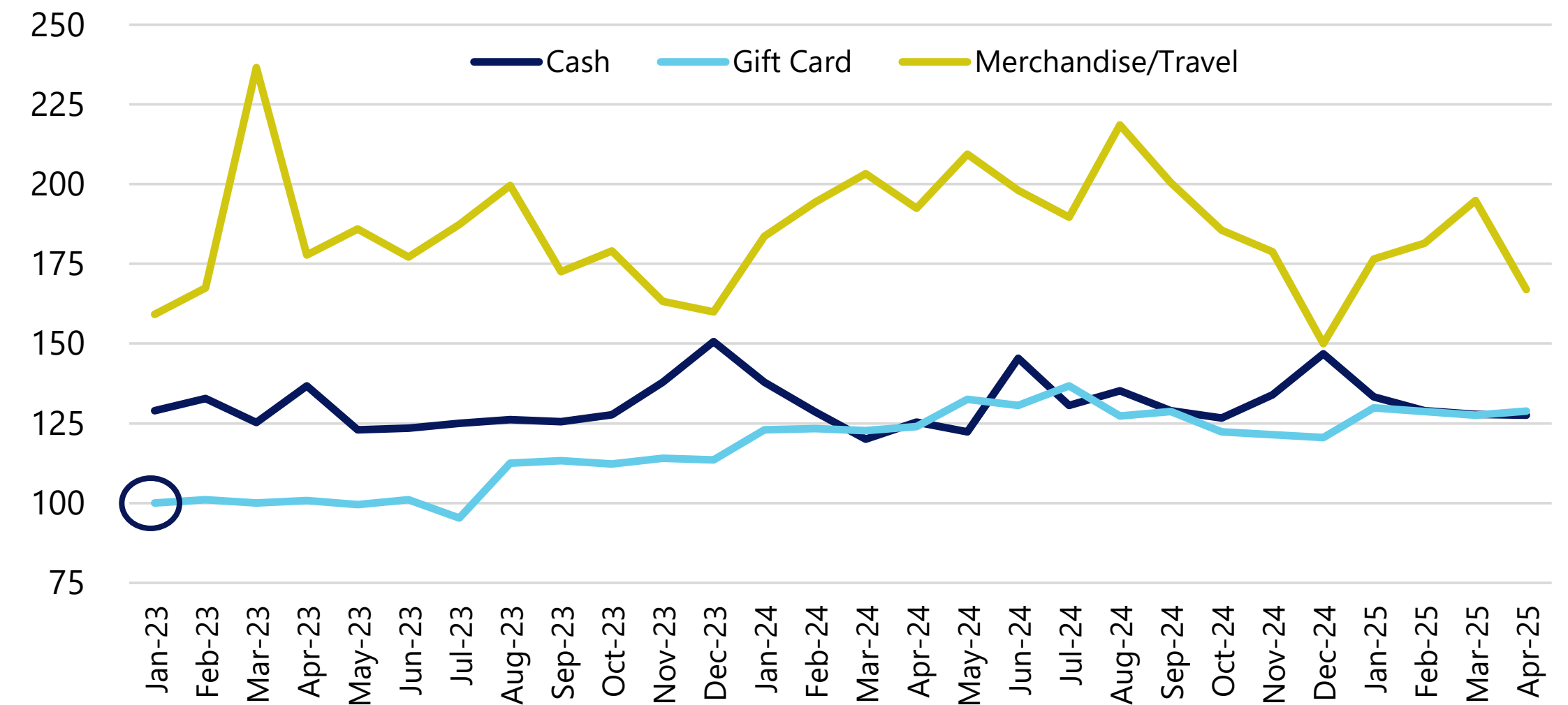
Deep Dive: Rewards/Loyalty

Reward Redemptions by Category (All Indexed to Jan 2023)



- A spike in redemption activity is visible across all redemption categories, consistent with the holiday season.

Rewards Points per Redemption (All Indexed to Gift Cards in Jan 2023)



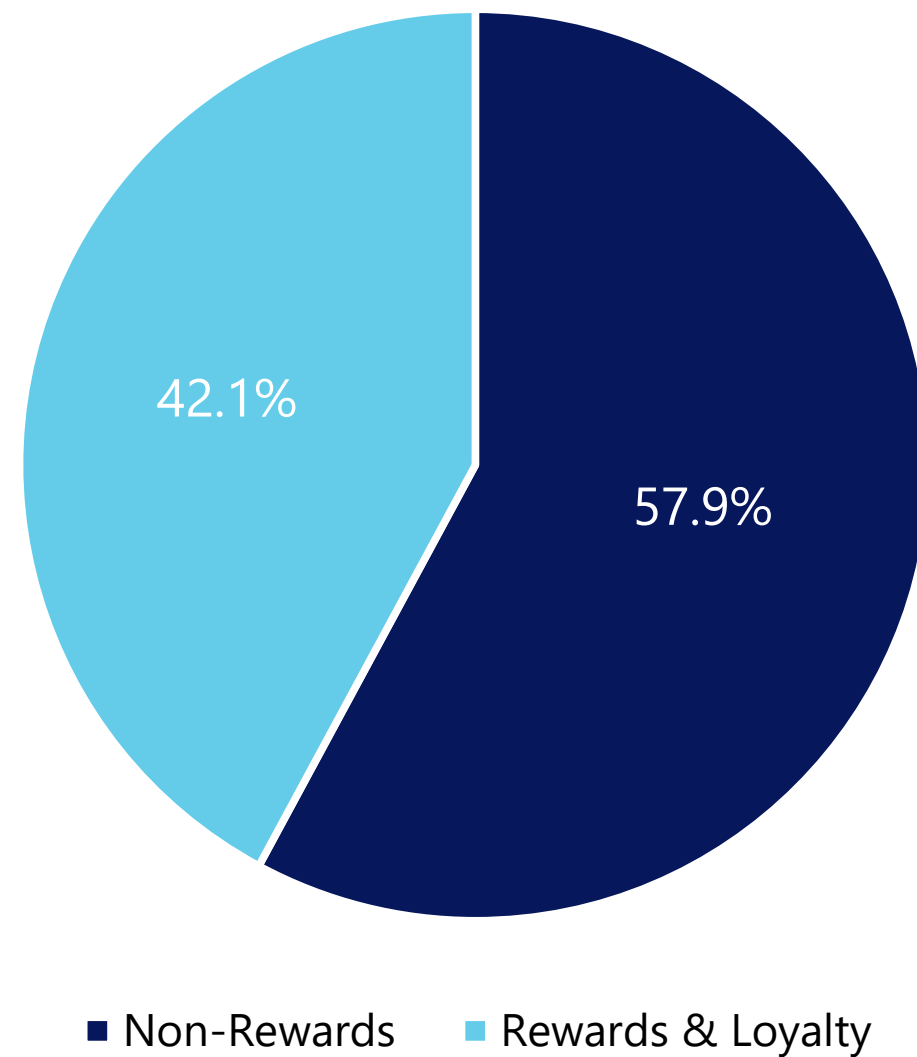
- Since 2023, Merchandise/Travel has shown the highest average monthly redemption, despite demonstrating high volatility.
- The gift card category has grown steadily in average redemptions and recently overcame cash as the second-leading category.

Deep Dive: Rewards/Loyalty

Section 3: Rewards & Loyalty vs. Non-Rewards Comparison

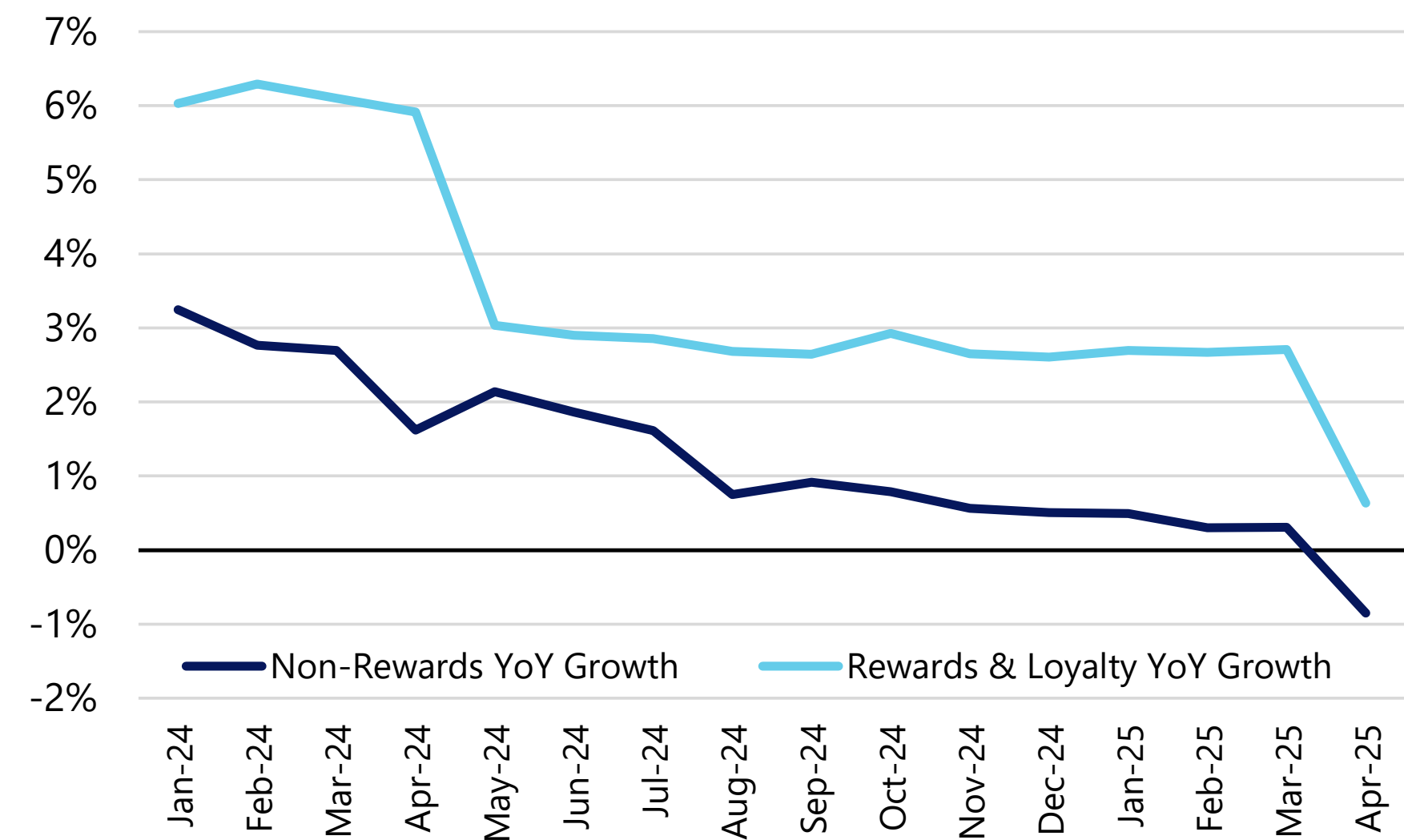
For this exercise, credit unions within the Payments Index fixed set that have both rewards and loyalty programs and non-rewards programs were considered.

YTD Rewards vs. Non-Rewards Account Mix



- The overall account mix skews slightly toward non-rewards accounts. Similar proportions are evident within transaction mix, purchase mix and balance mix between rewards and non-rewards programs.

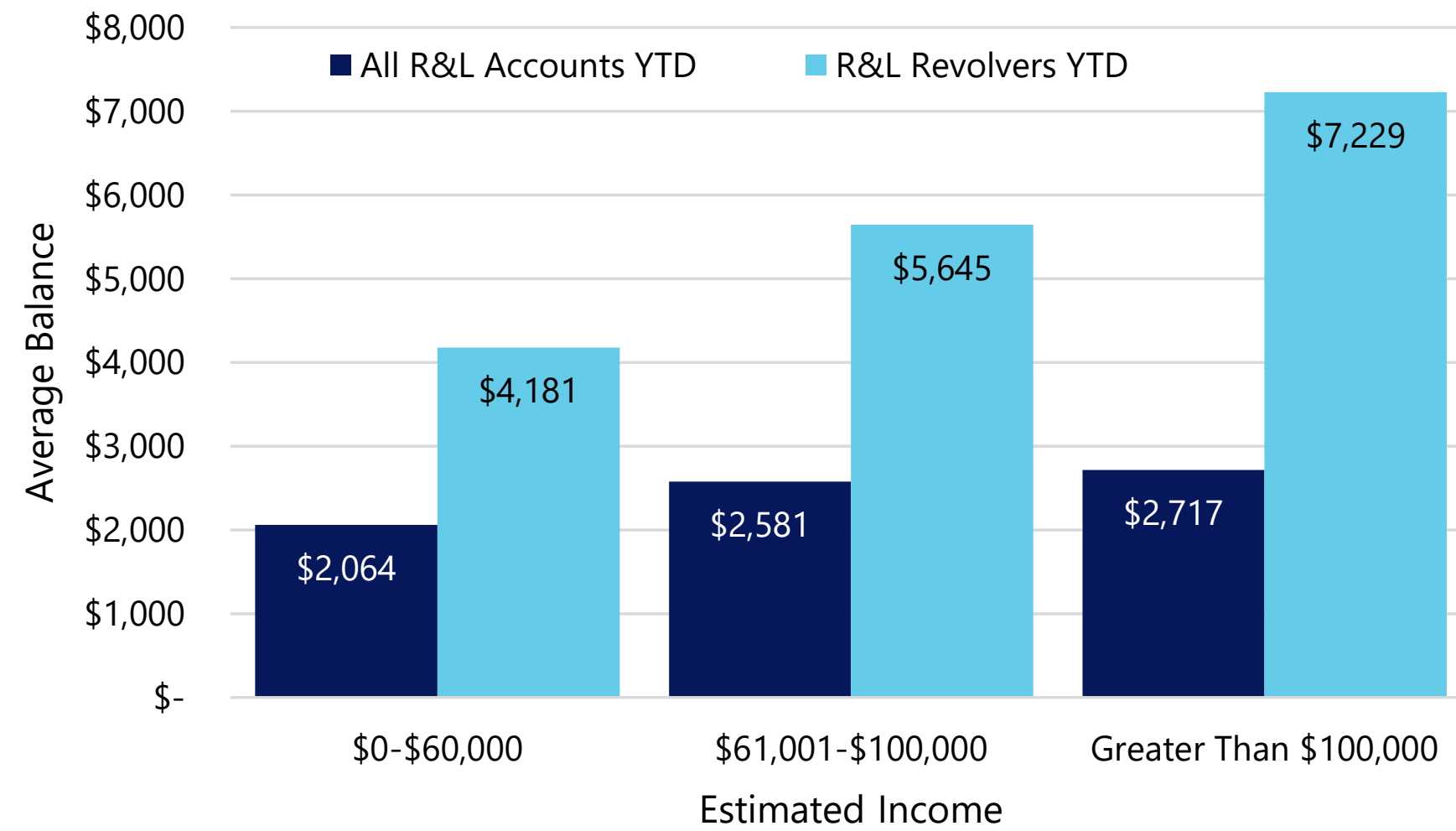
Rewards vs. Non-Rewards Account YoY Growth



- Year-over-year account growth for both non-rewards and rewards has been slowing since January 2024; however, the slowing has been more gradual for rewards accounts.

Deep Dive: Rewards/Loyalty

Year-to-Date Average Balance by Estimated Income



- Within rewards and loyalty, the average balance YTD for revolvers exceeds the overall average balance by at least a factor of 2X across all estimated income bands. The average balance amongst revolvers and revolver rate are especially important for the lower estimated income bands, which demonstrate a higher redemption velocity.

Opportunities to Act On: What Credit Unions Should Do Now



Position Rewards Programs as Valuable Tools

Strengthen their portfolios by offering competitive rewards products that drive member engagement and enhance loyalty. Positioning rewards programs as valuable financial tools will allow credit unions to deepen member relationships, increase transaction volumes and boost fee income.



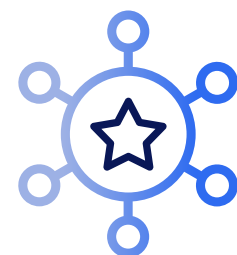
Target Younger Generations with Gamification

Explore more lower-point redemption options or gamified rewards offerings to drive engagement with more frequent rewards redeemers – often associated with younger generations.



Offer a Compelling Mix of Redemption Options

Offer a variety of compelling travel and “trophy purchase” redemption options for higher-income, typically older members who tend to accrue a higher percentage of earned rewards.



Encourage Active Participation In Your Loyalty Program

Launch customized, targeted, multichannel marketing campaigns to boost engagement with cardholders, including reminders for soon-to-expire points.



Contact your Client Growth Executive for further details or to explore how Velera can support your credit union with these opportunities.

Credit and Debit Cards

In May 2025, consumer credit and debit card spending growth slowed but remained steady. Credit transactions grew 1.8% year over year, slightly outperforming credit purchase growth of 1.3%. For debit, purchases increased 5.2% year over year, while transactions were up 3.2%, with both lower than 2024 measures.

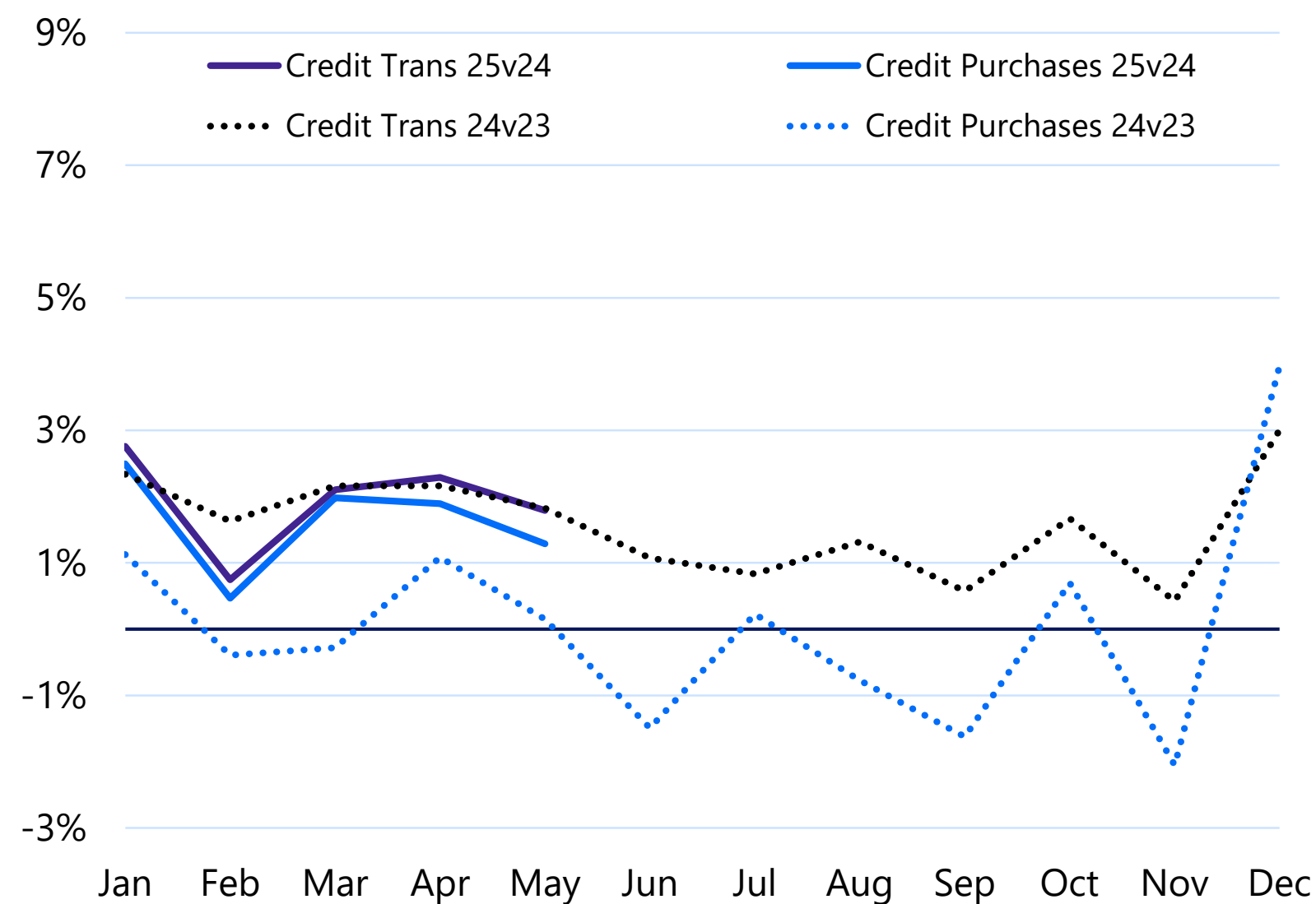
The Goods sector was the leading driver of purchase growth for both credit and debit, contributing to more than half of credit growth and one-third of debit. Notable increases occurred in the following merchant categories within the Goods sector: Wholesale Clubs, General Merchandise Stores, Variety Stores and Cosmetics Stores. In addition, the Services and Restaurant sectors collectively provided 1% growth for credit, while the Money Services and Services sectors together contributed 2.5% growth for debit. Top contributors toward transaction growth included Restaurants and Goods with 1.3% and 2.1% combined for credit and debit, respectively.

The average credit transaction amount measured \$69.88 in May, down 0.5% year over year. For debit, the average transaction amount increased 1.9% year over year to \$65.45.

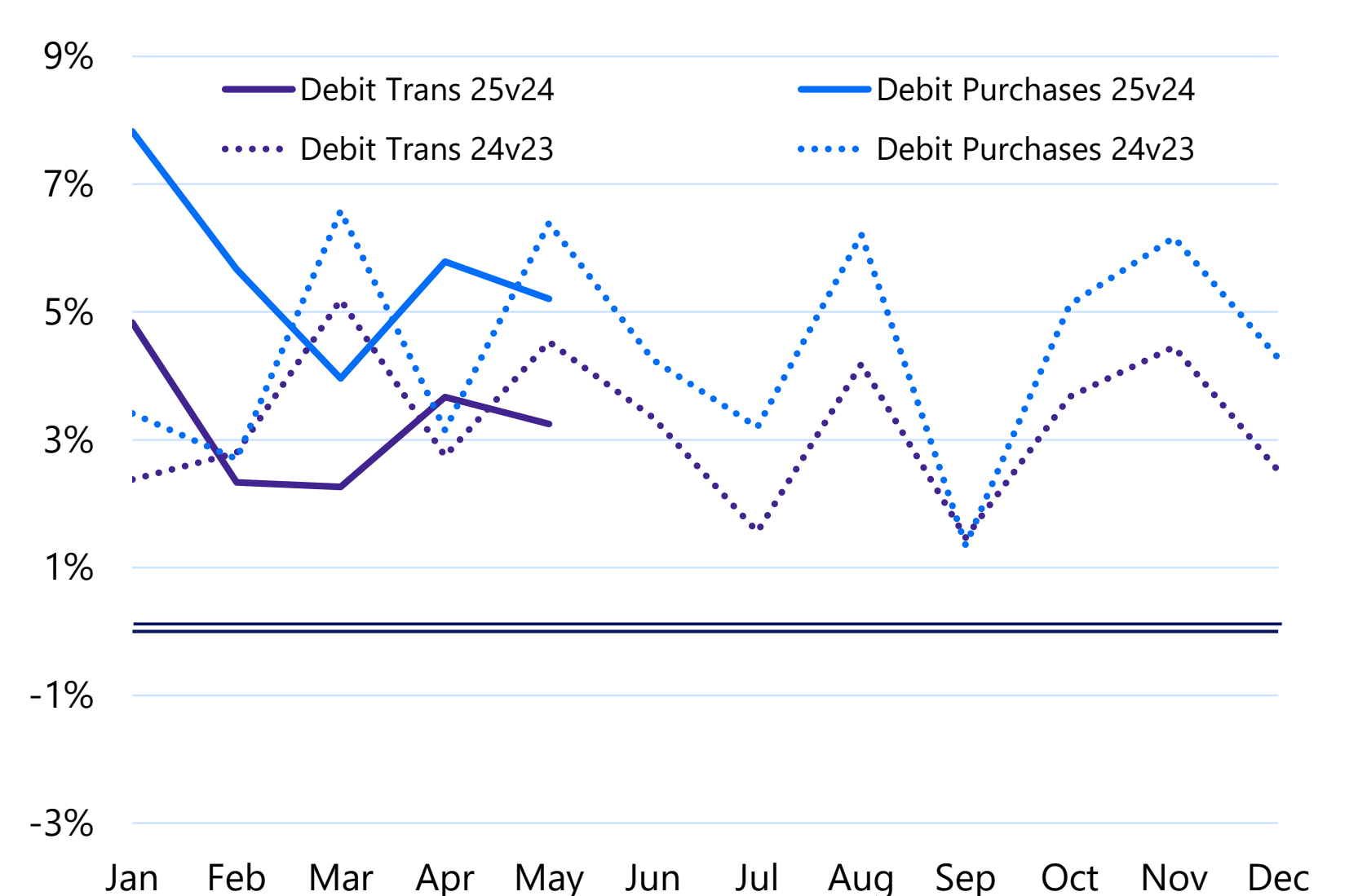
Month of May

	Credit		Debit	
	Transactions	Purchases	Transactions	Purchases
2025 v 2024	↑ 1.8%	↑ 1.3%	↑ 3.2%	↑ 5.2%
2024 v 2023	↑ 1.8%	↑ 0.1%	↑ 4.5%	↑ 6.4%

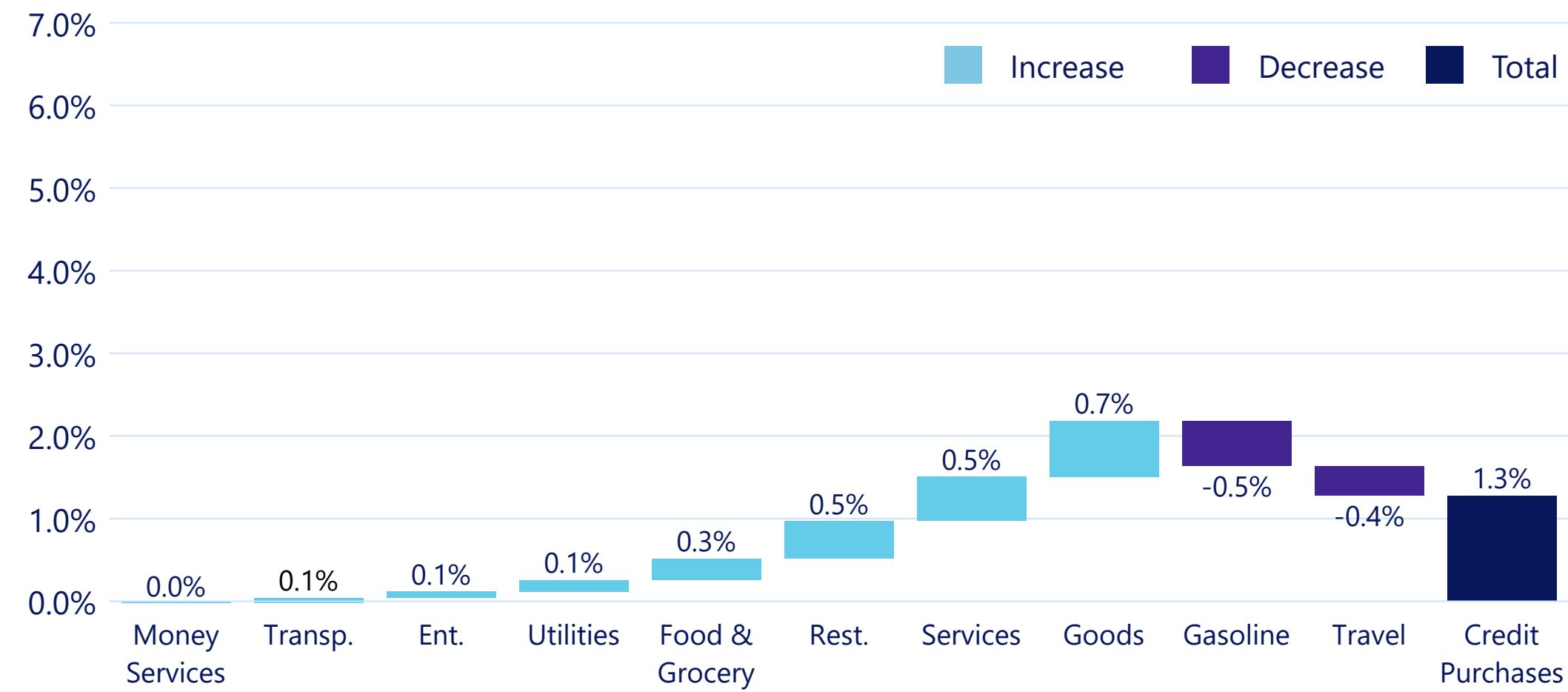
Credit



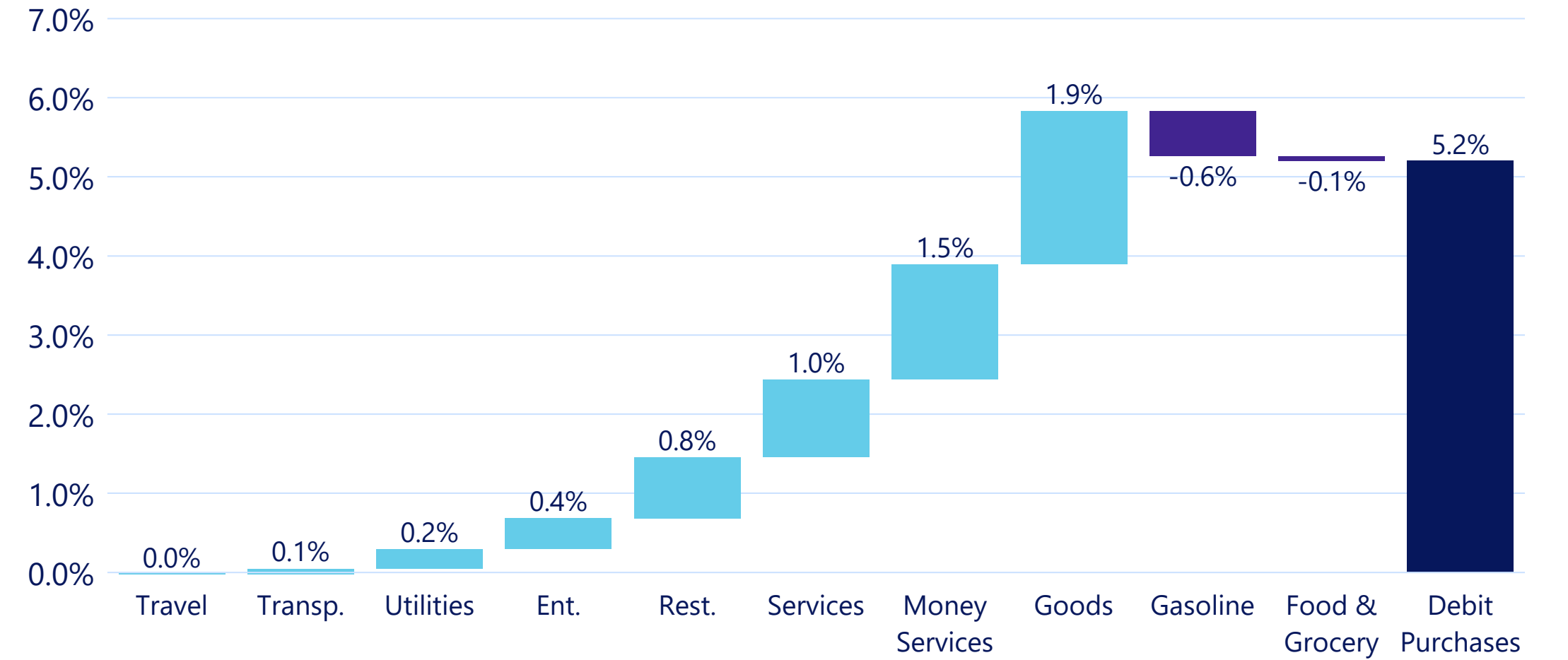
Debit



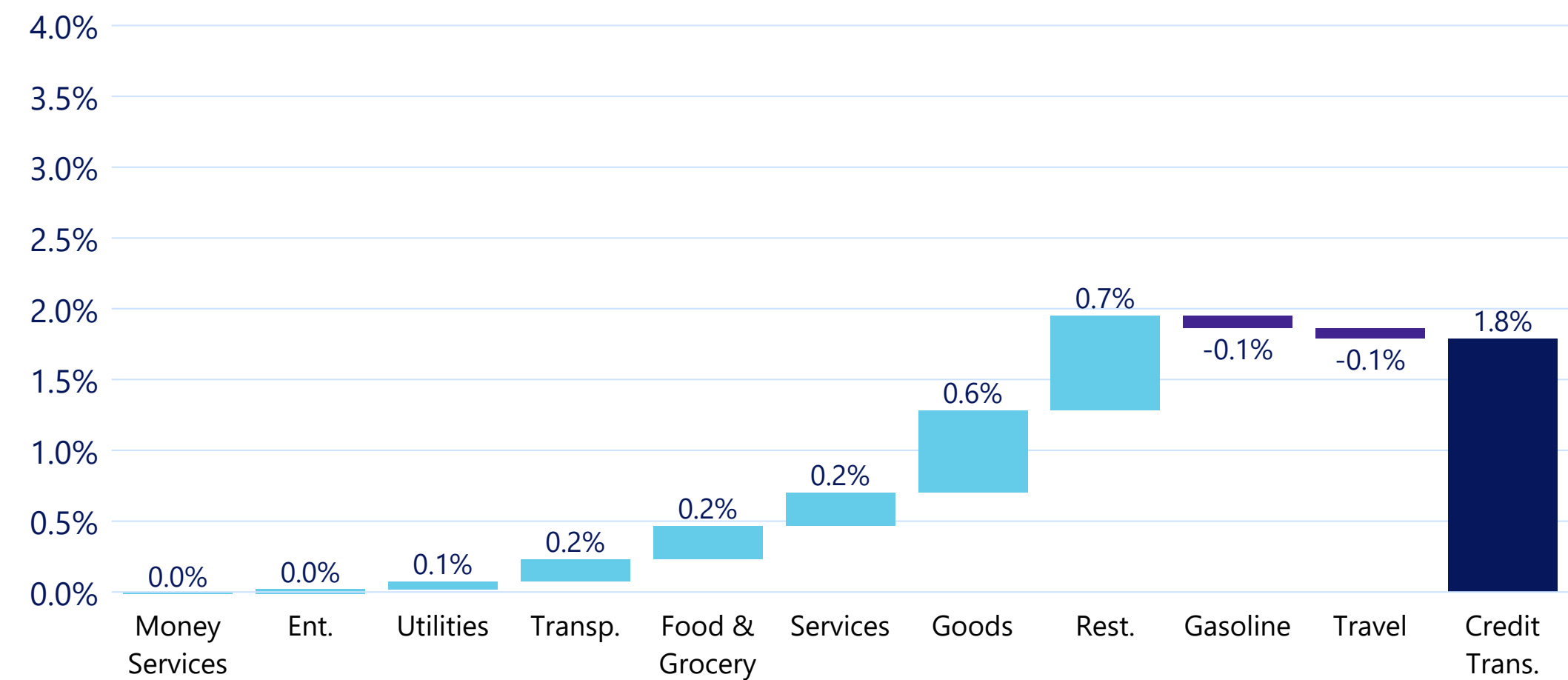
Sector Contributions to Growth in Credit Purchases: May



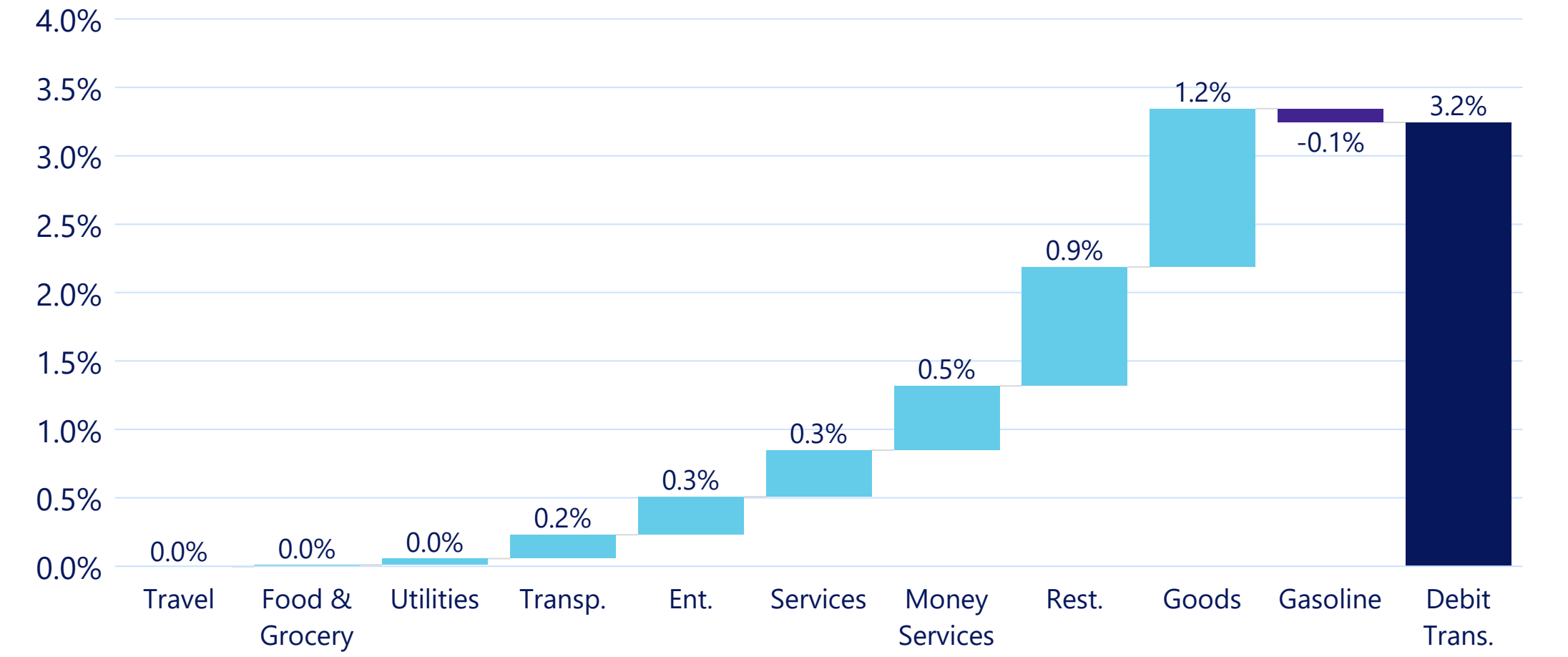
Sector Contributions to Growth in Debit Purchases: May



Sector Contributions to Growth in Credit Transactions: May



Sector Contributions to Growth in Debit Transactions: May





About the Velera Payments Index

The Velera 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 Velera 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 Velera Payments Index data set have been processing with our company from the start of 2023 through the most current complete month of 2025, enabling an accurate and relevant year-over-year same-store comparison (2025 vs. 2024, 2024 vs. 2023) for purchasing behaviors and data. When the credit union populations are reviewed and updated each year, some metrics may have a nominal change from previously posted results. Additionally, 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.

For the “same-store” population of credit unions over the past rolling 12-month period, the June 2025 edition of the Velera Payments Index represents a total of 3.5 billion transactions valued at \$175 billion of credit and debit card activity from June 2024 through May 2025.

About Velera

Velera 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, operating with velocity to help its clients keep pace with the rapid momentum of change and fuel growth in the new era of financial services. Velera 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 velera.com.



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