

THE PSCU PAYMENTS INDEX: MARCH 2022

We are pleased to present the March edition of the PSCU Payments Index, which finds consumer behavior impacted by both the downward-trending pandemic and the volatile geopolitical environment.

Following Russia's invasion of the Ukraine on Feb. 24 and the ensuing refugee crisis, the economic ripple effects are starting to be felt around the world. Russia is the [third largest producer of crude oil](#) in the world and, while the United States imports only [5% of its oil from Russia](#), post-pandemic supply chain concerns have already raised the average price of a gallon of gasoline (now surpassing a national average of \$4.30 after reaching \$4.00 per gallon for the first time since 2008 earlier this month) with anticipation that prices will further increase. Russia is also the [third largest producer of wheat](#) and Ukraine is the ninth largest producer. As the conflict endures and economic sanctions are levied, these and other exported commodities could further threaten global supply chains.

Visa and Mastercard suspended operations in Russia as a result of the conflict. For both networks, cards issued by financial institutions outside of Russia will no longer work within the country. For our Payments Index population, the volume of impacted transactions that occur inside of Russia, as well as those that occur inside Ukraine, is insignificant.

While the COVID-19 infection rate continues to decline, the ongoing effects of supply chain disruptions remain. [The Consumer Confidence Index](#) fell in February, with results posted on February 22 – just days before the Russian invasion – that reflect concerns around inflation and economic conditions.

Looking at other macroeconomic indicators, the [Consumer Price Index \(CPI\)](#) increased 0.8% in February, to 7.9% – its highest point since January 1982 – according to data released by the Labor Department on March 10. Sectors leading the increases this month include Gasoline and Food. Additionally, the Bureau of Labor Statistics (BLS) [reported](#) on March 4 that the unemployment rate decreased by 0.2 percentage points to 3.8%, with the estimated number of unemployed workers at 6.3 million, down 200,000 from February. These metrics have improved from February 2021 by 2.4 percentage points and 3.7 million workers, respectively.

Consumer spending remained very strong throughout the month of February, with the growth rate of credit purchases nearly twice that of debit purchases year over year. Overall credit purchases were up 27% and overall debit purchases were up 14%, with continued top results in the Travel and Entertainment sectors, followed by the Gasoline and Restaurant sectors.

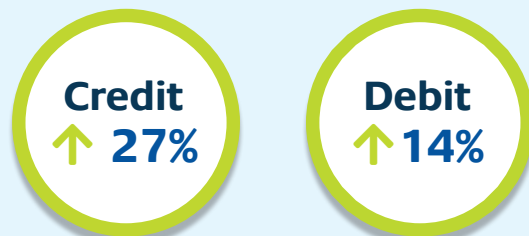
This month, we detail Gambling and the notable growth in legal sports betting – both following Super Bowl LVI last month and over the past several years. We hope that the relevant insights from the Payments Index will continue to help our financial institutions make informed, strategic decisions in 2022.

Click [here](#) to subscribe to the PSCU Payments Index and receive updates when we publish each month.

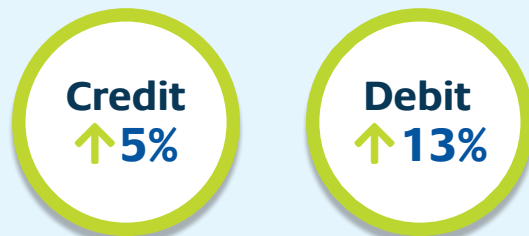
OVERALL PERFORMANCE – FEBRUARY 2022

PURCHASES

2022 VS. 2021



2021 VS. 2020

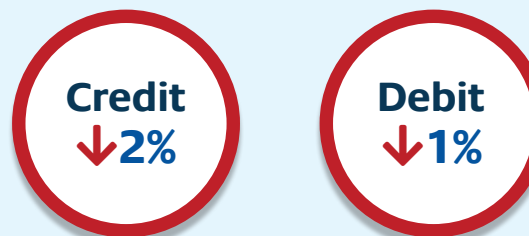


TRANSACTIONS

2022 VS. 2021



2021 VS. 2020



KEY TAKEAWAYS

- Consumer spending was very strong for both credit and debit purchases in February, with growth in credit (27%) nearly double the growth in debit (14%). The Travel and Entertainment sectors continue to experience the most growth, while increasing gasoline prices continue to propel the Gas sector. Restaurants continue to deliver impressive results, up 52% for credit purchases and 23% for debit purchases.
- Online legal gambling has accelerated since 2019 with growth in sports betting. Merchants like FanDuel and DraftKings have drawn in a younger population of consumers as the number of states that permit online gambling grows. Consumer education on financial wellness remains key for activities in this sector.
- The Consumer Price Index (CPI-U) for February increased to 7.9%, its highest point since January 1982. This represents a 0.8% increase from January. A quarter-point interest rate increase is expected from the Fed following their March meeting.
- Continued stronger-than-expected job growth was recorded for February, with 678,000 new jobs. The unemployment rate dropped to 3.8%, approaching the pre-pandemic low of 3.5% in January 2020.
- The credit card delinquency rate increased five basis points to 1.56%. February 2022 results were 38 basis points lower than the pre-pandemic level of February 2019. The continued strong growth in credit purchases over the past three months contributed to the slight rise in delinquencies after 18 months of reductions.



Overall consumer spending growth remained strong throughout February, with credit continuing to greatly outpace debit and the Travel and Entertainment

sectors experiencing the highest growth once again. In this month's Deep Dive, we look into the Entertainment sector to explore Gambling transactions – a small but growing area. As more states have begun to legalize online gambling over the past few years, merchants such as FanDuel and DraftKings are driving accelerated growth in this segment through sports betting activity. This growth also presents an opportunity for credit unions to provide their members with education on financial wellness, as legal online sports betting is most appealing to younger demographics.

— Karen Postma, Vice President,
Risk Analytics at PSCU

DEEP DIVE: GAMBLING

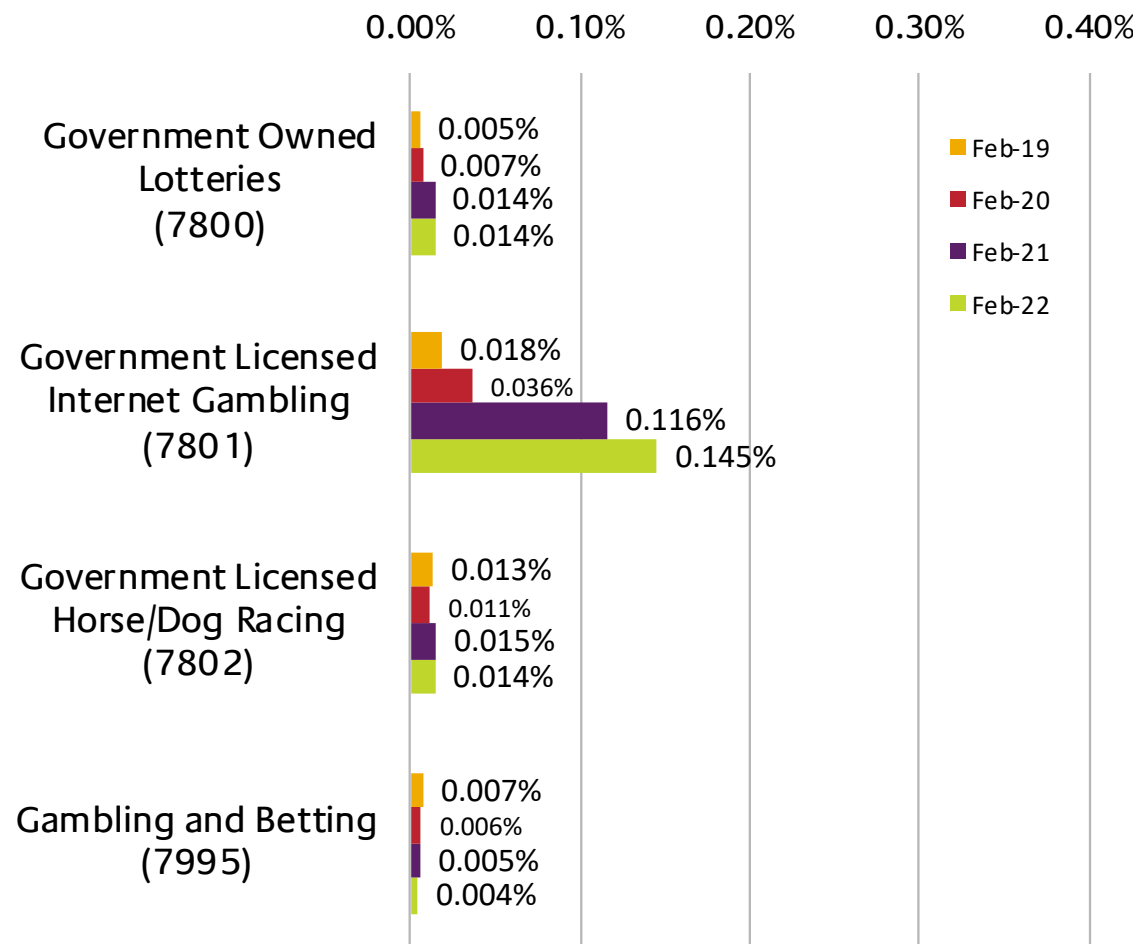
If you have viewed or attended a recent professional sporting event, you have probably noticed the increasingly ubiquitous inclusion of betting odds, gambling/betting commercials and in-stadium/arena gambling advertising. To understand how we arrived here, we look back to May 2018, when the Professional and Amateur Sports Protection Act of 1992 was declared unconstitutional by the Supreme Court of the United States, thus allowing states outside of Nevada to legalize sports betting. Since that decision, the number of states that allow gambling, specifically online sports gambling, has grown to 30 states with more on the horizon.

In 2015, new merchant category codes (MCCs) were created in anticipation of these government licensed and/or owned categories that include: 7800 (Government Owned Lotteries), 7801 (Government Licensed Internet Gambling) and 7802 (Government Licensed Horse/Dog Racing). Transactions in these three MCCs are legal by registered merchants as noted by the associations (Visa and Mastercard).

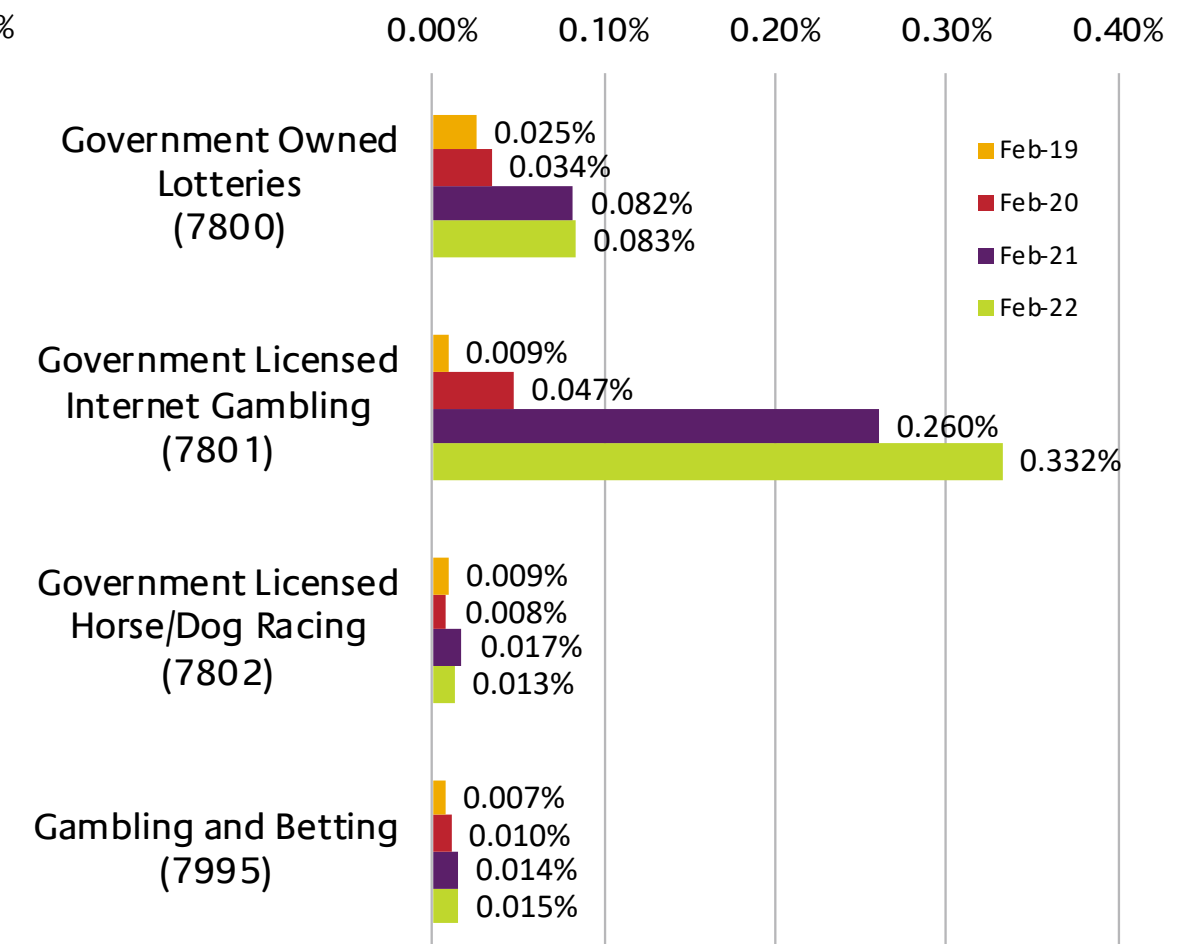
These transactions are part of the Entertainment sector as reported within the Payments Index – and it’s important to note that, while growing rapidly, they still represent a very small portion of overall purchases. For the February 2022 results, purchases of all legal gambling MCCs represented 0.18% of total credit purchases and 0.48% of total debit

purchases. The largest merchant category was Government Licensed Internet Gambling (7801) which represented 0.15% of overall credit purchases and 0.33% of overall debit purchases. The table illustrates the weight of monthly spend over the past four years for each of the four categories.

MCC % OF OVERALL CREDIT PURCHASES



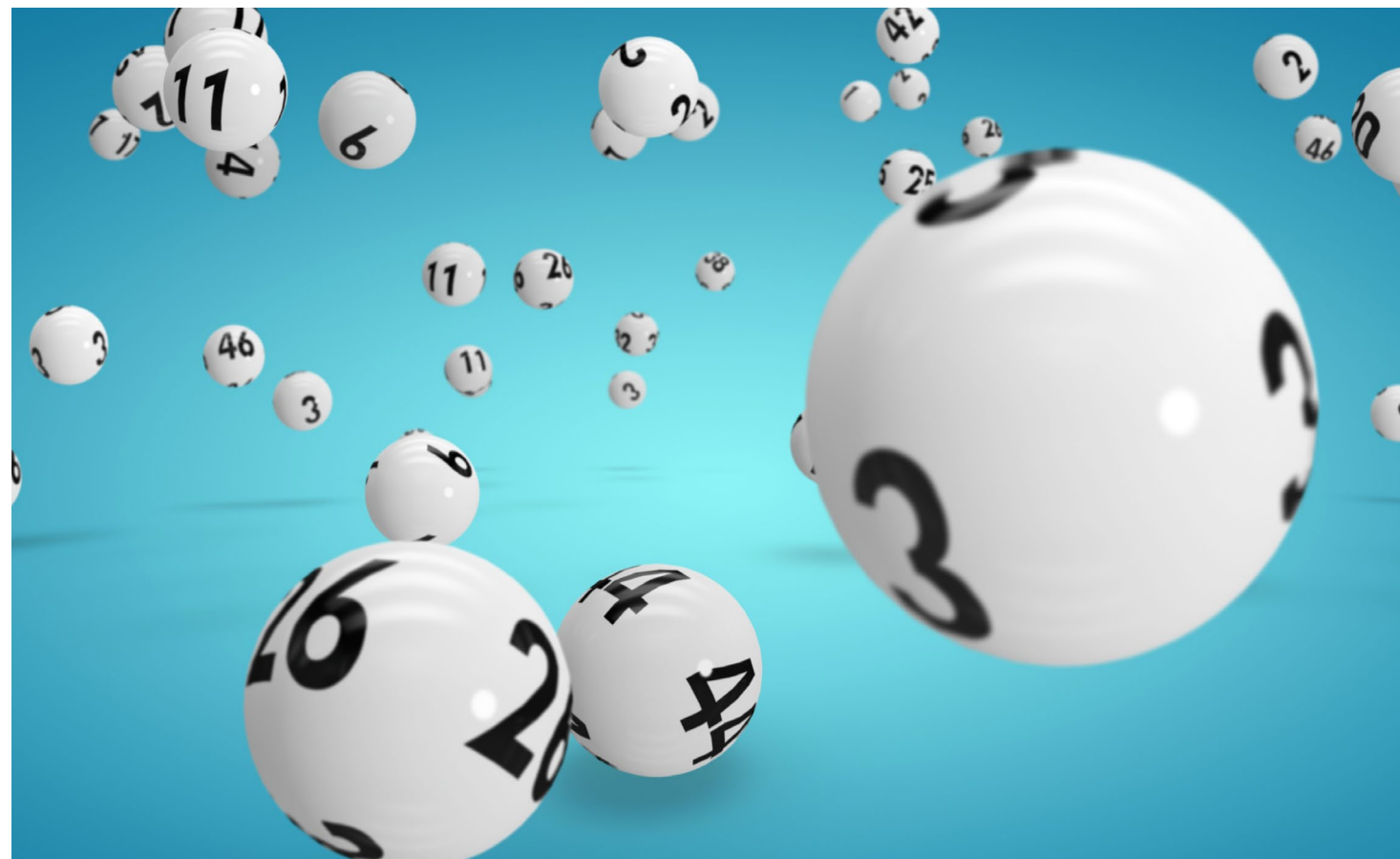
MCC % OF OVERALL DEBIT PURCHASES





**OVERALL FOUR GAMBLING MERCHANT CATEGORY CODES
FEBRUARY 2022**

	Credit		Debit	
	Transactions	Purchases	Transactions	Purchases
2022 v 2021	22%	52%	61%	59%
2021 v 2020	182%	154%	202%	266%



It is critical to note that the merchant category code 7995, “Gambling and Betting - Including Lottery Tickets, Casino Gaming Chips, Off-Track Betting, and Wagers at Race Tracks,” still exists, as do the rules for monitoring and blocking of illegal gambling transactions related to [Regulation GC](#) and the Unlawful Internet Gambling Enforcement Act (UIGEA). For this MCC, the acquirer must register all high brand risk merchants with the associations, as merchants are unable to distinguish a betting transaction from other transactions, and the realized activity is mainly card present. During the initial weeks of the COVID-19 pandemic, results in this MCC came to a virtual stop. For the month of February 2022, credit purchases in MCC 7995 were 0.004% of overall credit purchases and debit purchases in MCC 7995 were 0.015% of overall debit purchases.

For the month of February, which includes Super Bowl LVI, credit purchases were up 52% and debit purchases were up 59% compared to 2021 in the combined group of the four gambling-related merchant category codes.

Of the four Gambling MCCs, notable growth over the past four years has been in the Government Licensed Internet Gambling (7801) MCC, which includes sports betting activity. For February 2022 in this category, credit purchases were up 60% and debit purchases were up 71% year over year. The notable merchants in this category include FanDuel, DraftKings, BetMGM and BetRivers. Within sports betting, leagues include MLB, NFL, NBA, NHL, PGA Tour (golf), ATP Tour (tennis), NASCAR, Premier League and UEFA Champions League Football (soccer), UFC (MMA), XFL and NCAA Basketball.

Growth in Government Owned Lotteries (7800) was strong, with credit purchases up 32% and debit purchases up 37% for February 2022 compared to 2021. Merchants in this category include grocery stores, gas stations and state-run lottery entities.

For Government Licensed Horse/Dog Racing (7802), credit purchases were up 22% for February while debit purchases were down 3% compared to 2021. The top merchant in this category, with over 50% of credit and debit purchases in this category, is the TVG Network, a digital cable and satellite television network owned by FanDuel.



Gov't Licensed Internet Gambling (7801)

February

	Credit	Debit
2022 v 2021	60%	71%
2021 v 2020	227%	439%



Gov't Owned Lotteries (7800)

February

	Credit	Debit
2022 v 2021	32%	37%
2021 v 2020	102%	125%



Gov't Licensed Horse/ Dog Racing (7802)

February

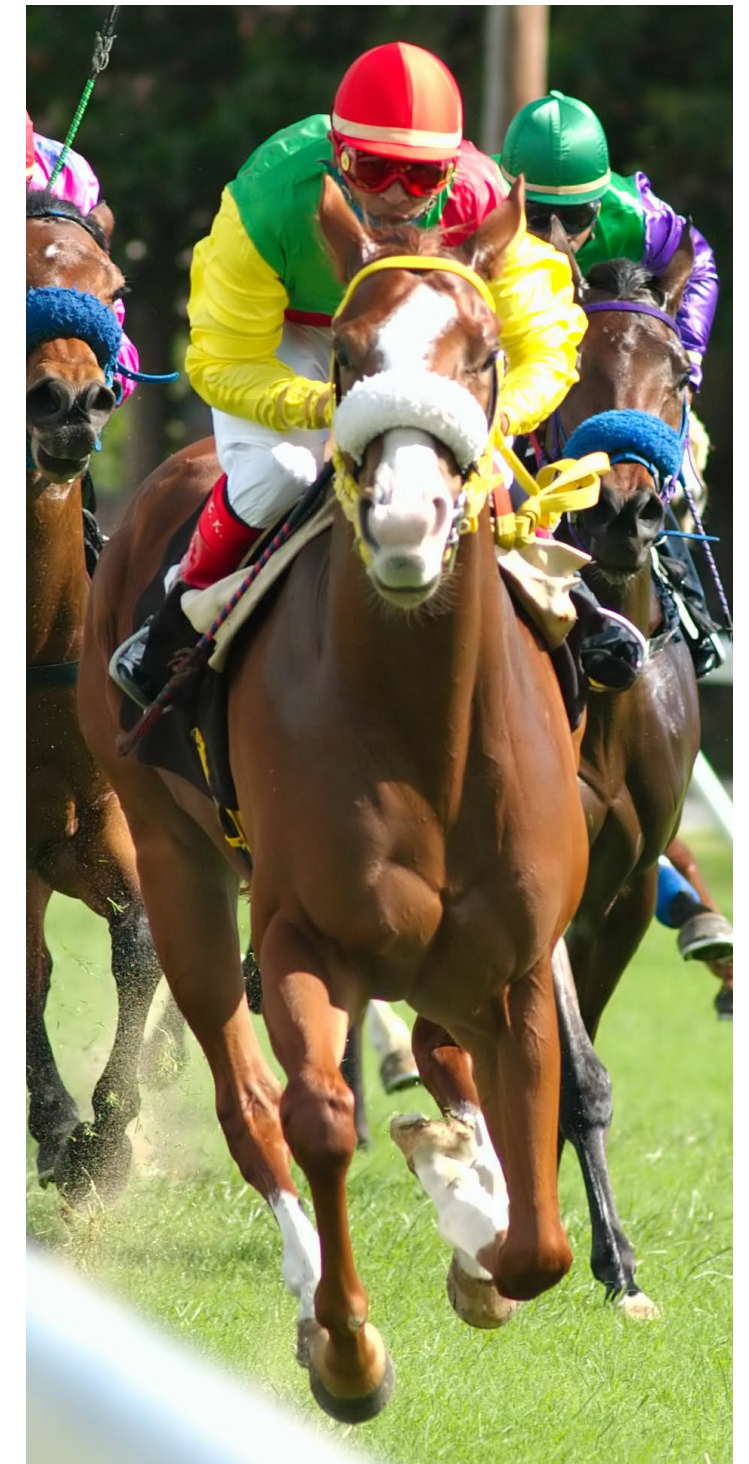
	Credit	Debit
2022 v 2021	22%	-3%
2021 v 2020	43%	121%



Gambling and Betting (7995)

February

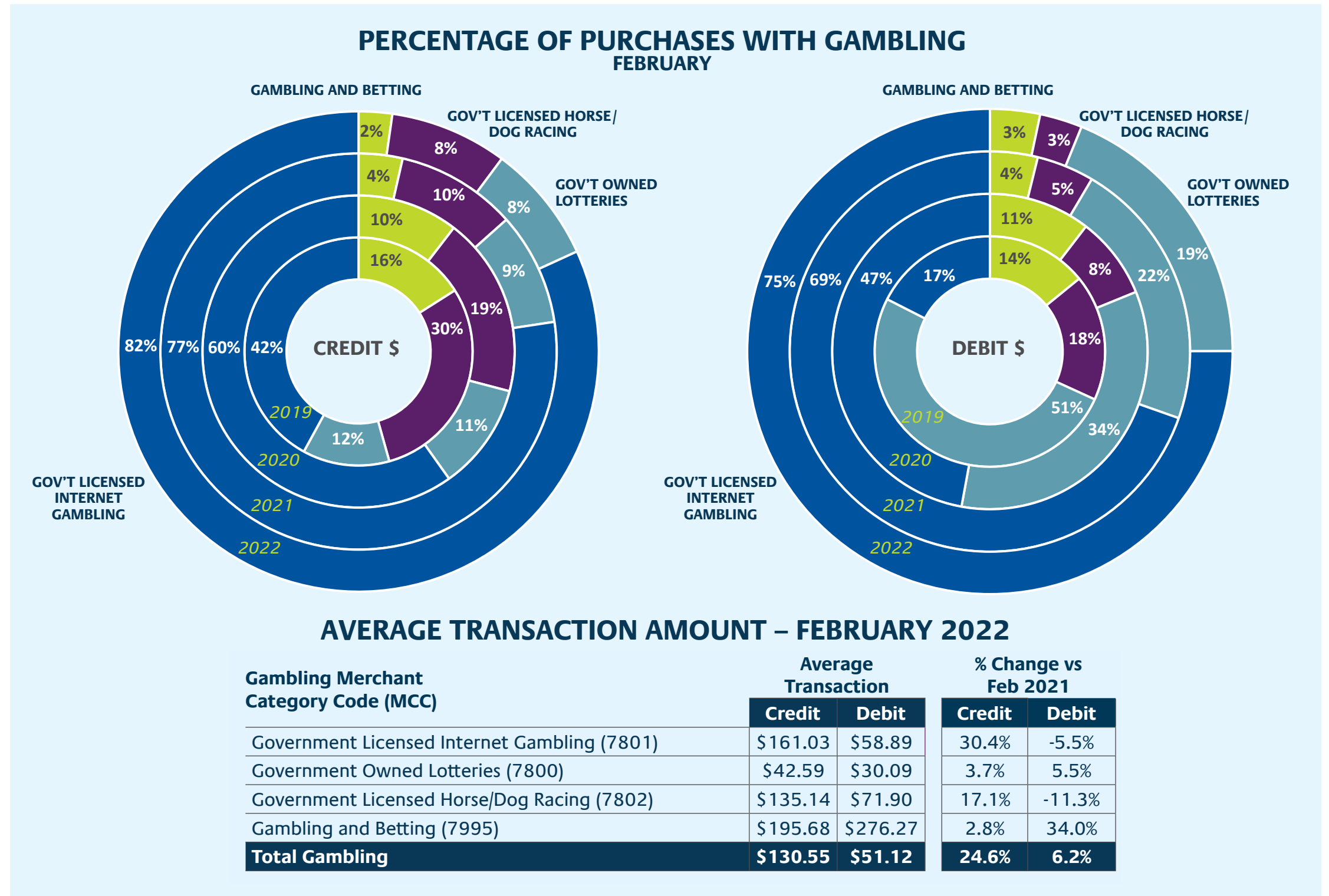
	Credit	Debit
2022 v 2021	-4%	37%
2021 v 2020	-10%	58%



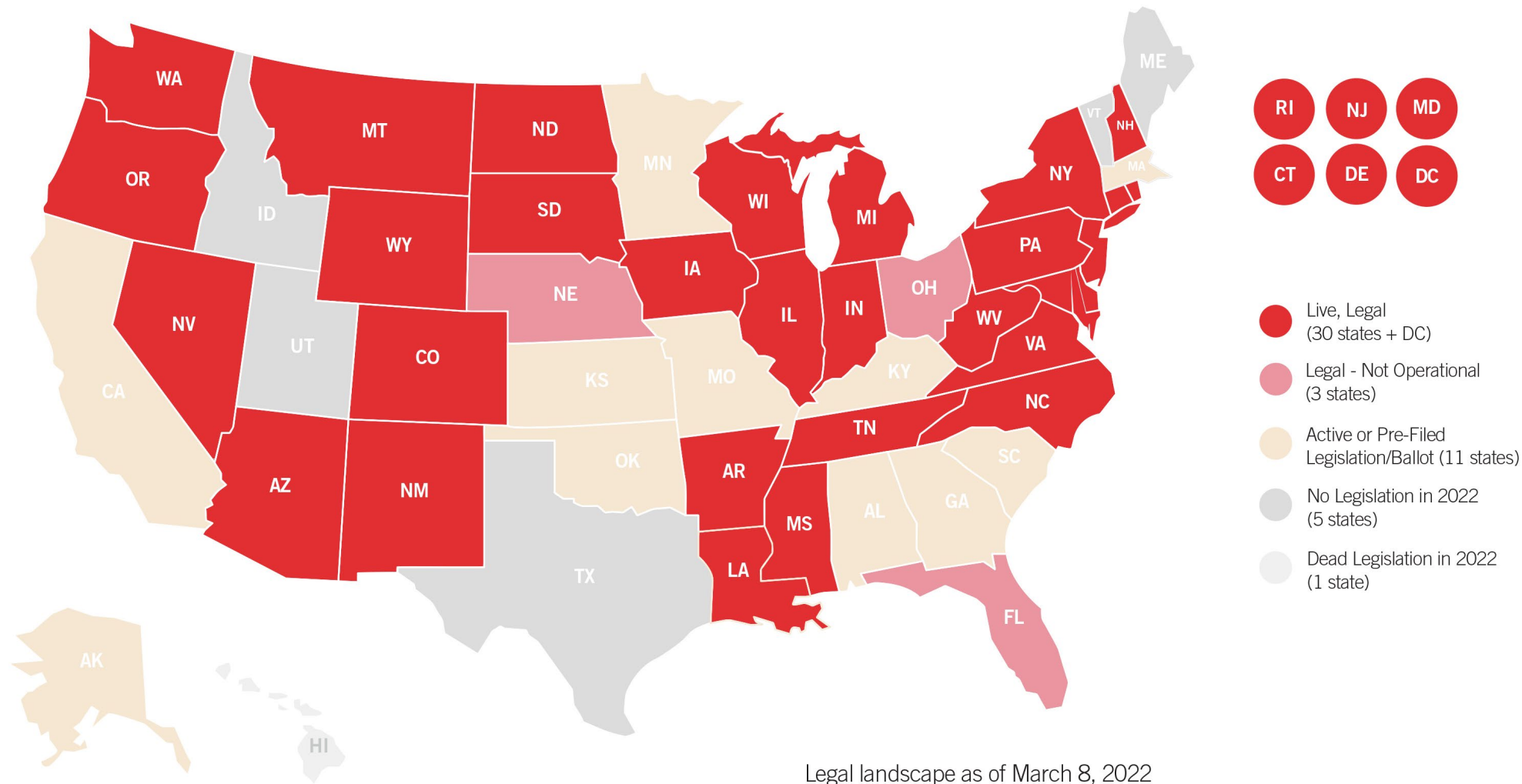
Source: Wirestock - stock.adobe.com

As a percentage of purchases within the overall Gambling category, debit purchases for MCC 7801 grew from 17% of gambling purchases in February 2019 to 75% of debit card gambling purchases in February 2022. Similarly, MCC 7801 credit purchases grew from 42% of credit gambling purchases in February 2019 to 82% of credit gambling purchases in February 2022.

For these Gambling codes, the average purchase amount increased in February as compared to 2021. The average credit purchase size was up by 24.6% to \$130.55 and the average debit purchase was up 6.2% to \$51.12. The amounts vary greatly within each individual merchant code as well as by credit versus debit amounts. The highest average transaction size exists in the merchant category with the lowest purchase volume and fewest transactions among these four codes, Gambling & Betting (7995). With the growth in legal online sports betting, now more than ever, there is opportunity for credit unions to provide their members with education on fiscal responsibility and financial wellness.



Legal Sports Betting in the U.S.



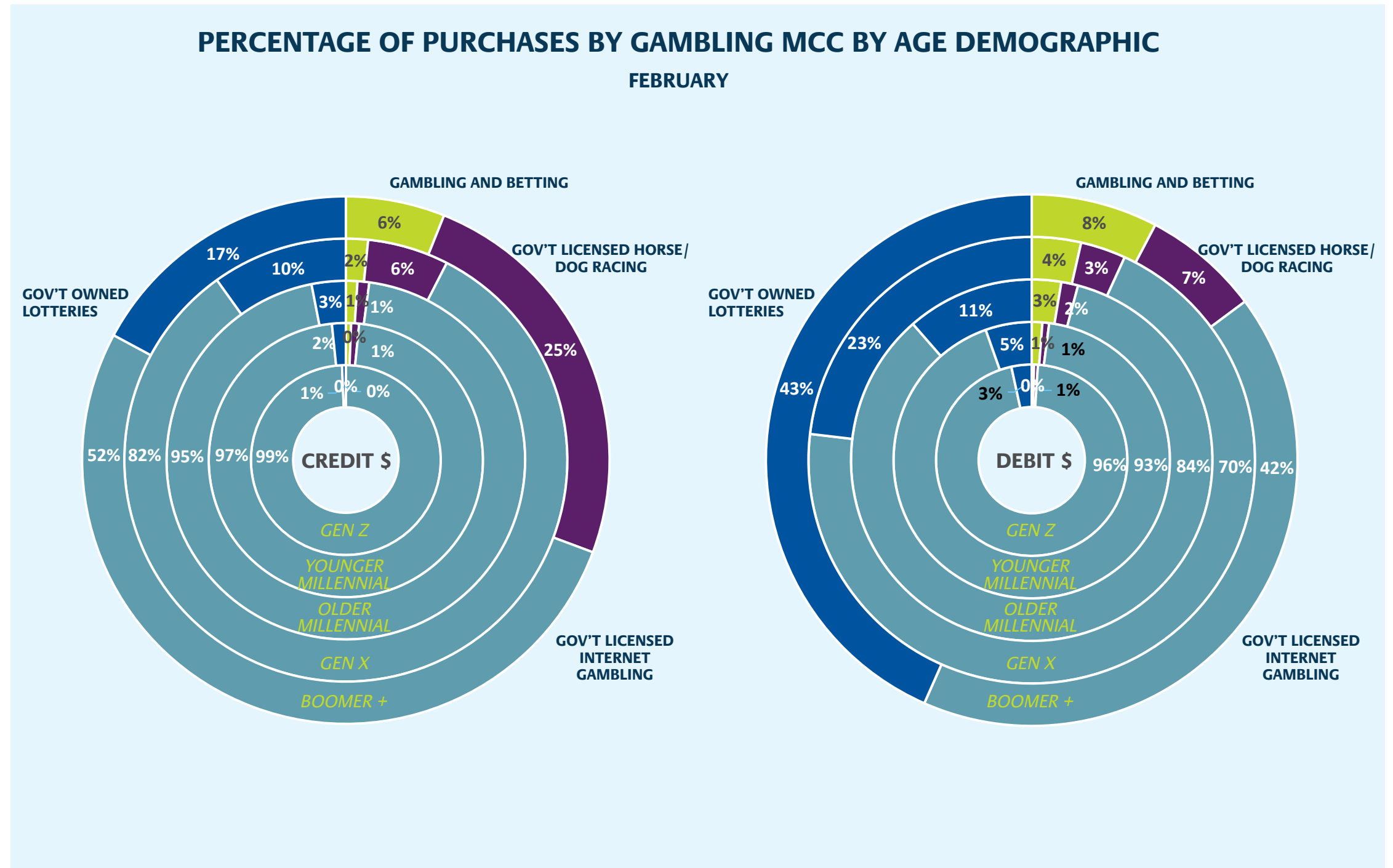
Driving much of the growth in the Gambling sector is the expansion of state-level legislation allowing sports gambling, with the number of states permitting online betting increasing. As of March 8, 2022, the [American Gaming Association](#) cites that 30 states and Washington, DC allow legal sports betting, with an additional three states having it legalized but not yet operational. These 30 states plus DC now represent 50% of the U.S. population – a 50% increase compared to February 2021, when there were 20 states online representing 33% of the U.S. population. It is important to note that the laws in each state have subtleties that outline exactly what is permitted and what is excluded related to sports betting, casino-type gambling and poker, with specifics on in-person and online activities. For example, states may allow sports betting and not allow online/mobile betting activity (restricting it to in-person wagers) and many states have restrictions on in-state collegiate sports event and team betting activity.

[Click here](#) for an interactive state level sports betting map from American Gaming.

Source: American Gaming Association

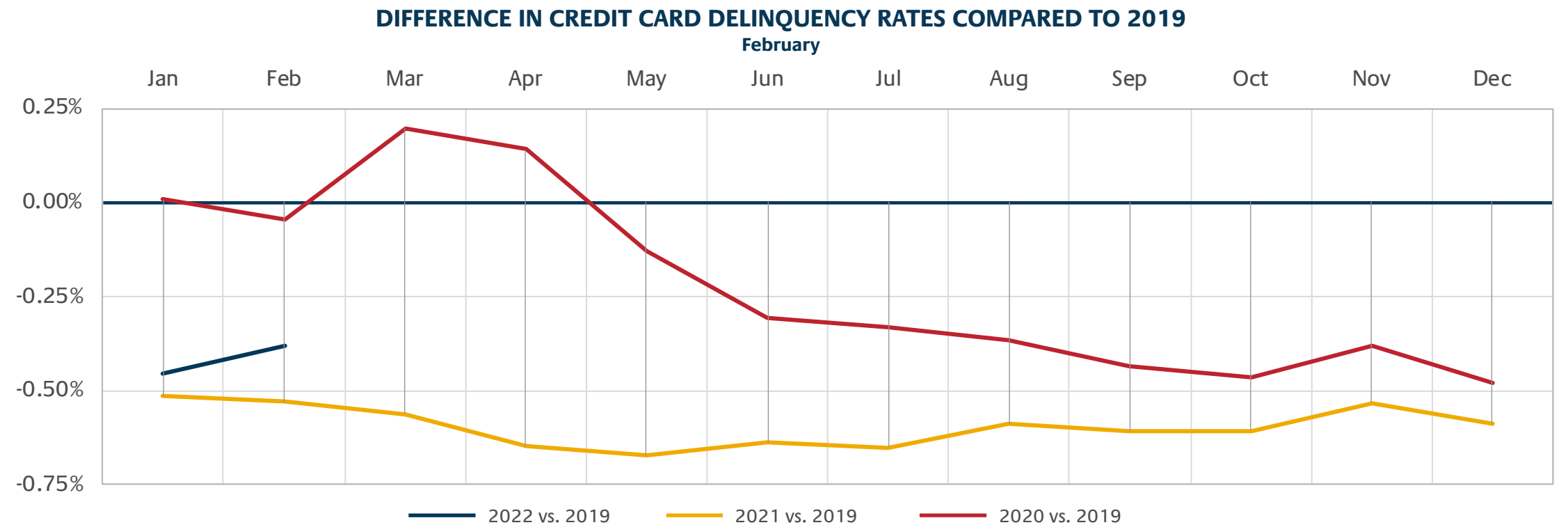
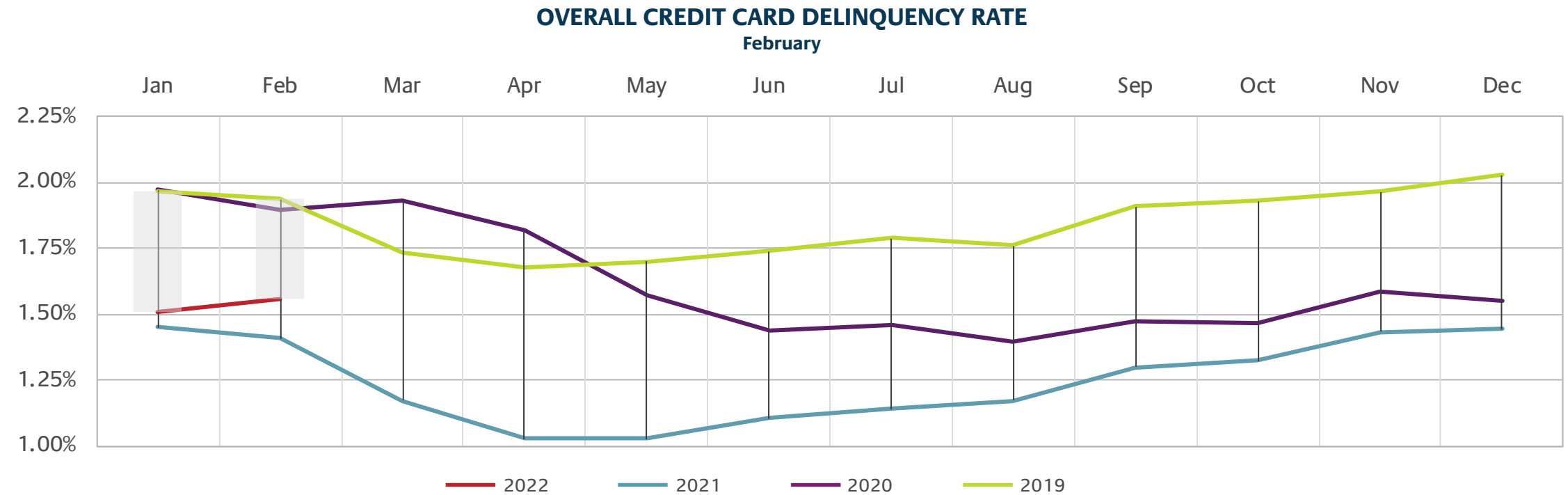
For three of the four Gambling merchant codes, the majority of purchases are being made by Baby Boomers+ (56 and older) and the Gen X (42 to 55) age demographics. For purchases in Lotteries, Horse/Dog Racing and Gambling & Betting (7995), persons 43 and older made up 90% of credit gambling purchases and 79% of all debit gambling purchases for these three MCCs in the month of February.

The scene is very different in the Government Licensed Internet Gambling (7801) category, where there is a greater dispersion of purchases among all age demographics. It does appear that Baby Boomers+ (56 and older) have not caught on to sports betting as much as the younger demographics have and they continue to choose Lotteries, Horse/Dog Racing and in-person visits to casinos as their preferred gambling venues. The population of Baby Boomers+ (56 and older) has the second lowest percentage of credit purchases at 15% of credit purchases in MCC 7801 and the lowest of debit purchases at 10% of MCC 7801 debit purchases for February.



CREDIT CARD DELINQUENCIES

During a month in which the month-over-month delinquency rate typically drops (Jan. to Feb.), the February 2022 delinquency rate increased five basis points to 1.56%, but was 38 basis points lower than the pre-pandemic level of February 2019. The continued strong growth in credit purchases over the past three months contributed to the slight rise in delinquencies following 18 months of reductions.



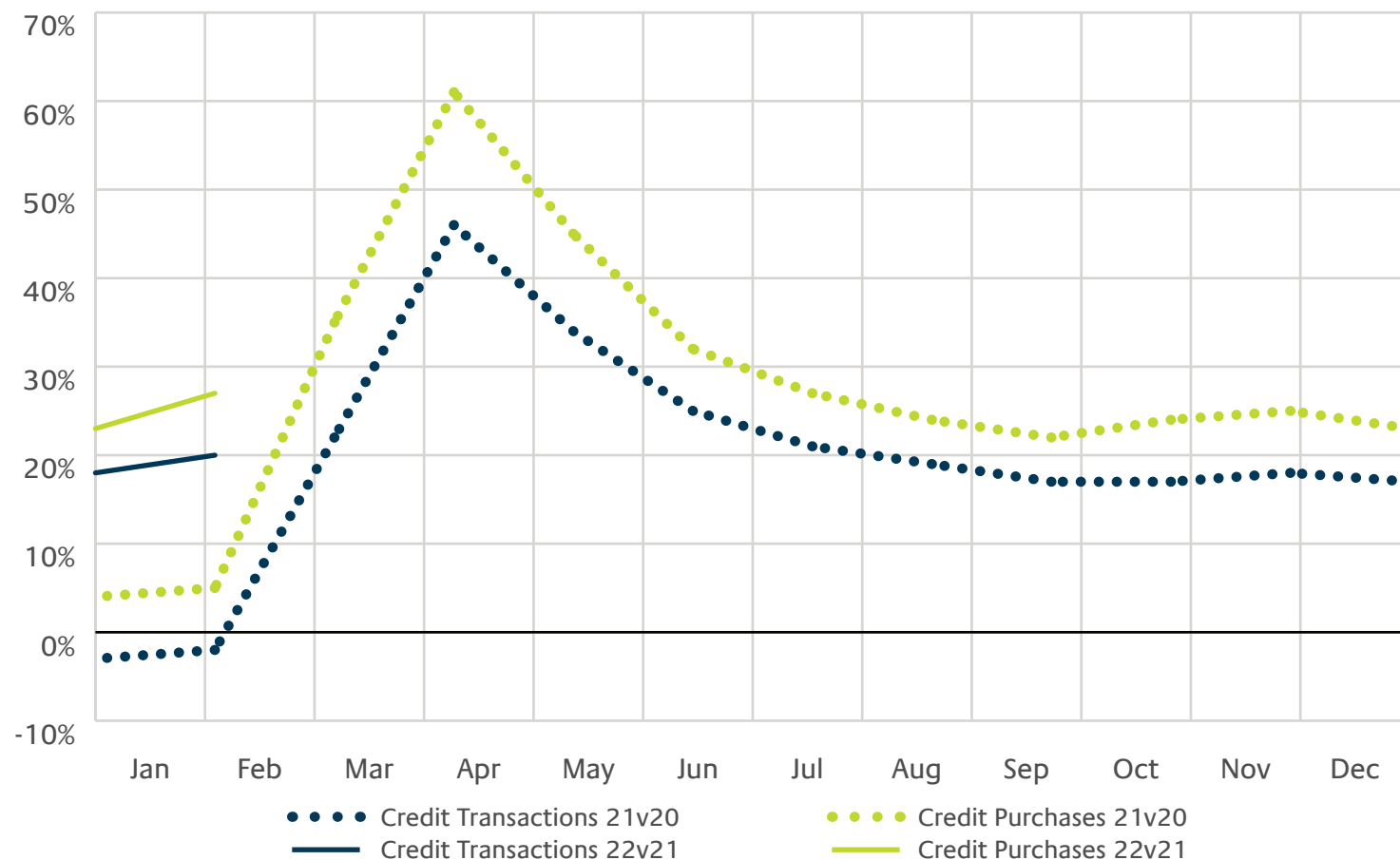
CREDIT AND DEBIT CARDS

Overall consumer spending growth remains strong in both credit and debit card purchases. In February 2022, credit purchases were up 27% and debit purchases were up 14% year over year.

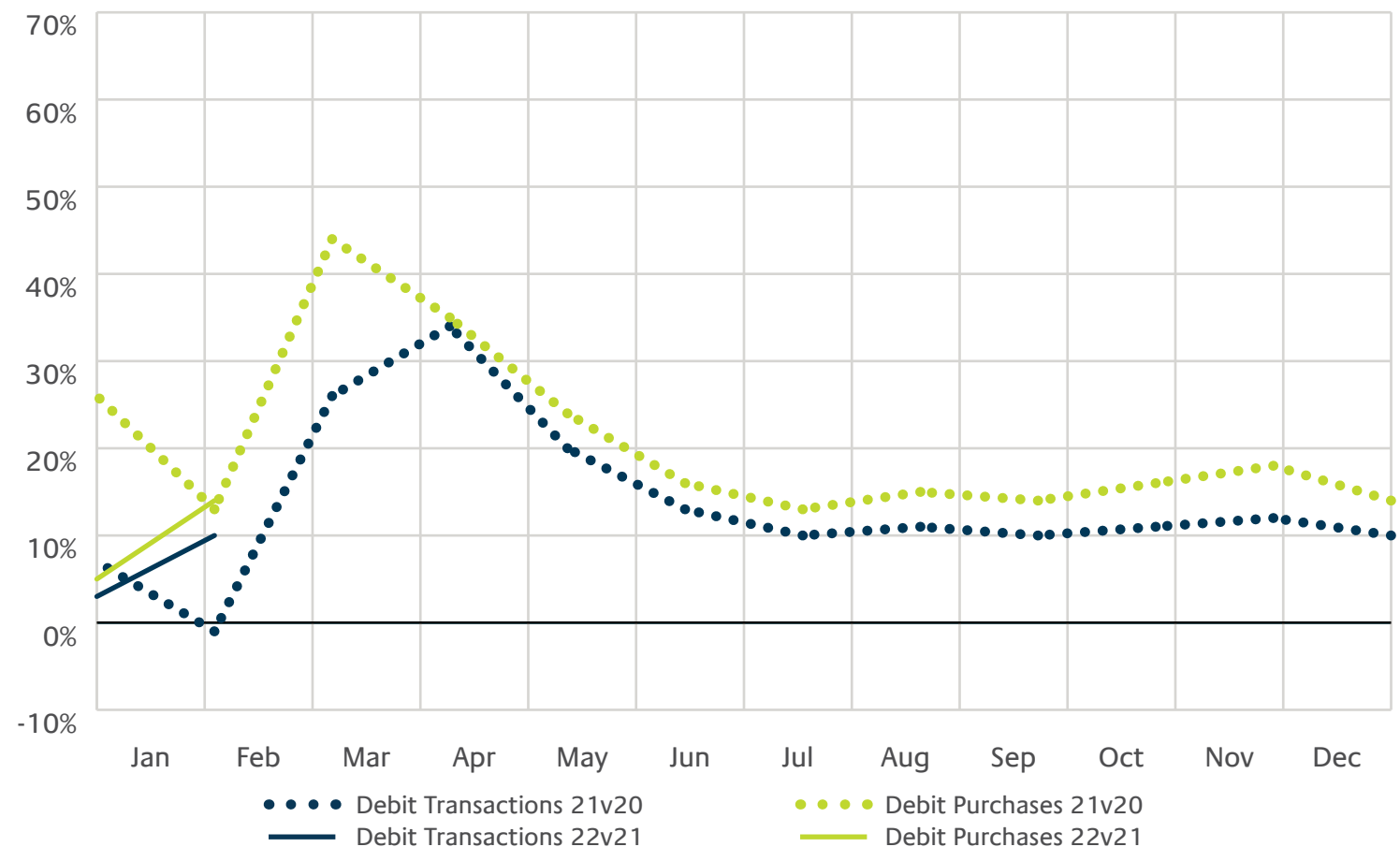
With the trend of growth in purchases being higher than the growth in transaction volume, the average purchase amount continues to increase. For February, the average credit purchase was \$72.38, up 5.8% compared to February 2021. The average debit purchase was \$45.58, up 3.9%.

	Credit		Debit	
	Transactions	Purchases	Transactions	Purchases
2022 v 2021	20%	27%	10%	14%
2021 v 2020	-2%	5%	-1%	13%

CREDIT ACTIVITY
February



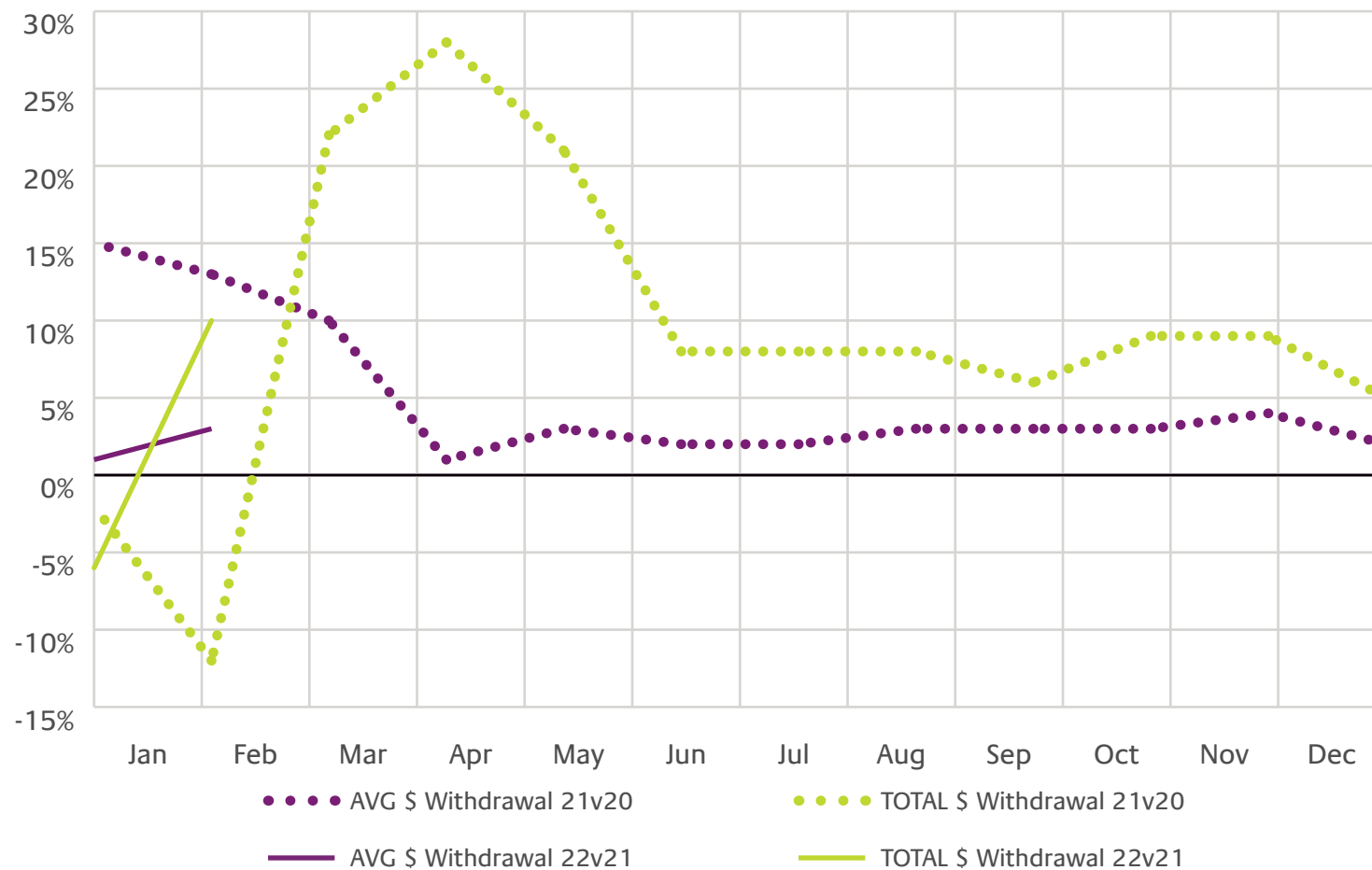
DEBIT ACTIVITY
February



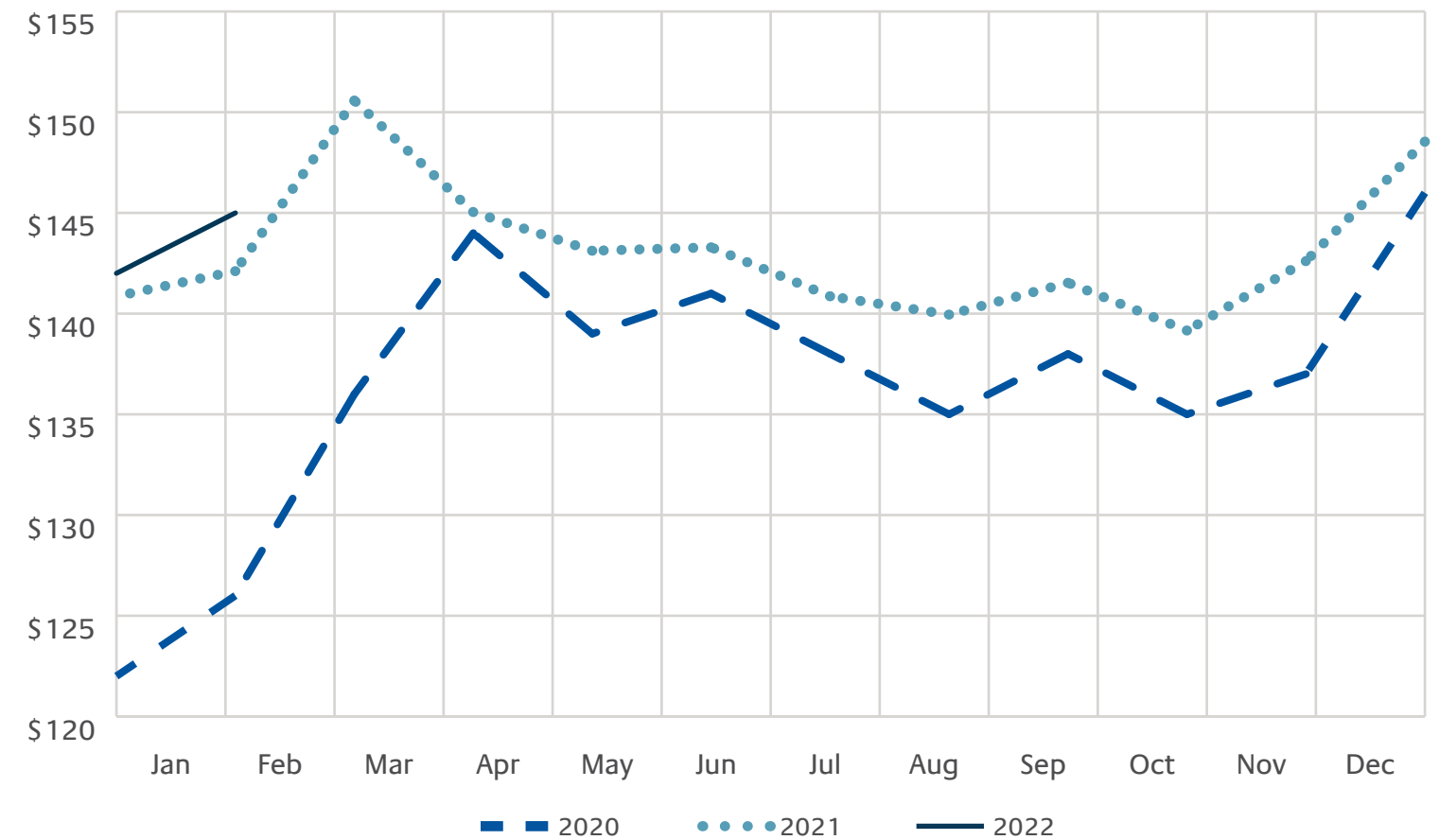
ATM

ATM withdrawal transaction volume growth was up 7% year over year in February 2022 and we continue to see an increase in the average amount withdrawn per transaction. The average monthly cash withdrawal was up 3% compared to February 2021 at \$145. For February 2022, total cash withdrawn was up 10% year over year.

YOY GROWTH IN ATM WITHDRAWALS
February



AVERAGE ATM WITHDRAWAL
February



SECTORS/MERCHANT CATEGORIES

For credit purchases in February, all sectors reported positive double-digit growth above 2021 levels. The Travel (112%) and Entertainment (100%) sectors reported the highest growth numbers, followed by Gasoline (60%) and Restaurants (52%).

For debit purchases, every sector had positive year-over-year growth in February, including modest growth in Groceries (3%) and the Drug Store (6%) sectors. The Entertainment (69%) and Travel (43%) sectors reported the highest growth numbers.



DRUG STORES

February

	Credit	Debit
2022 v 2021	15%	6%
2021 v 2020	1%	5%



ENTERTAINMENT

February

	Credit	Debit
2022 v 2021	100%	69%
2021 v 2020	-48%	-16%



GASOLINE

February

	Credit	Debit
2022 v 2021	60%	35%
2021 v 2020	-14%	1%



GOODS

February

	Credit	Debit
2022 v 2021	16%	8%
2021 v 2020	26%	49%



GROCERIES

February

	Credit	Debit
2022 v 2021	12%	3%
2021 v 2020	15%	15%



RESTAURANTS

February

	Credit	Debit
2022 v 2021	52%	23%
2021 v 2020	-18%	10%



SERVICES

February

	Credit	Debit
2022 v 2021	20%	17%
2021 v 2020	8%	26%



TRAVEL

February

	Credit	Debit
2022 v 2021	112%	43%
2021 v 2020	-55%	-17%



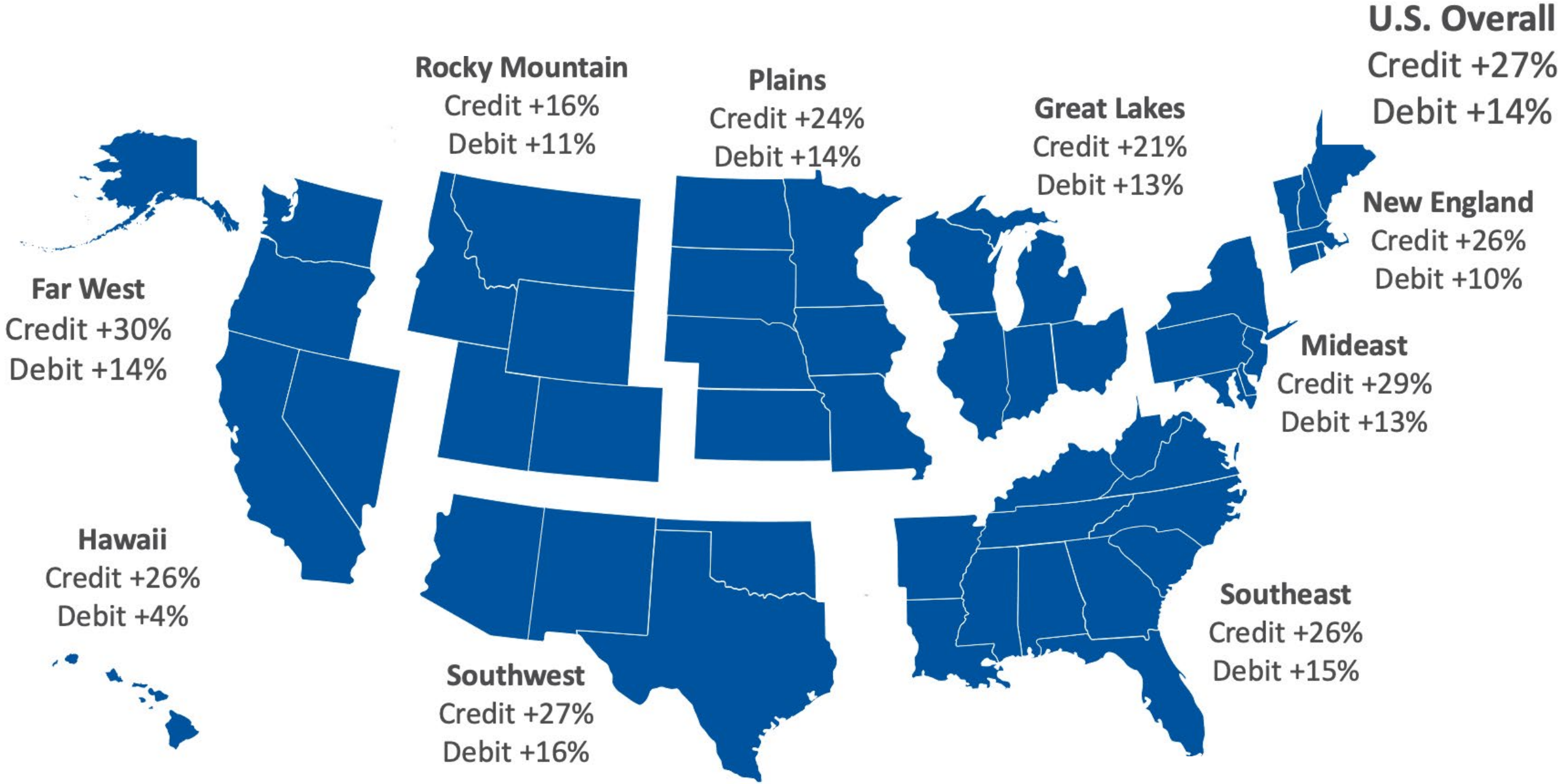
UTILITIES

February

	Credit	Debit
2022 v 2021	15%	8%
2021 v 2020	14%	28%

REGIONAL STATE LEVEL PURCHASE DOLLARS FEBRUARY

Our regional analysis of spend utilizes the segmentation used by the U.S. Bureau of Economic Analysis for economic analysis.

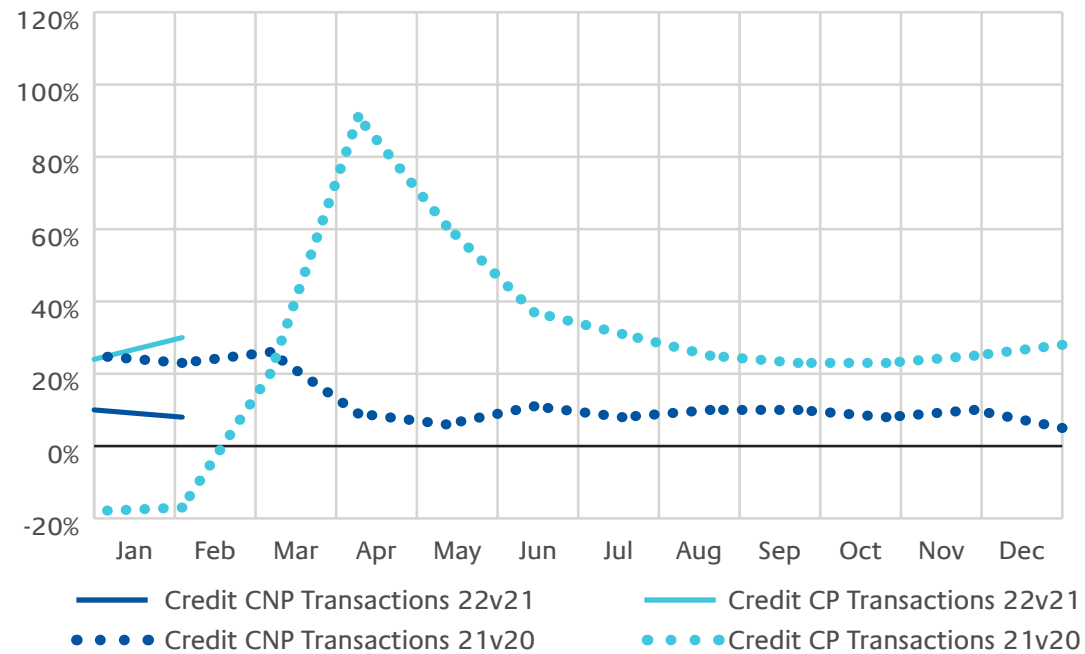


CARD NOT PRESENT (CNP) & CARD PRESENT (CP) ACTIVITY

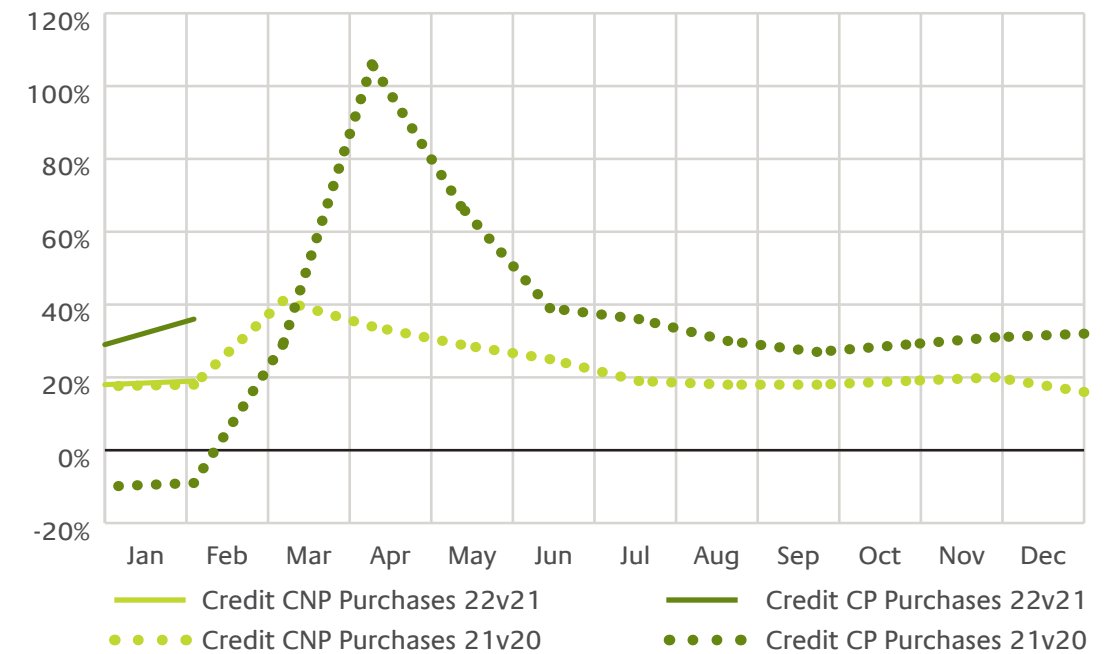
February 2022 Card Not Present (CNP) credit purchases represented 52% of all purchases, down four percentage points from February 2021. CNP debit purchases represented 48% of overall debit purchases in February 2022, up three percentage points from February 2021.

We continue to see higher growth in credit Card Present (CP) activity compared to CNP, with CP credit transactions for February 2022 up 30% compared to 2021, while CNP credit transactions were up 8% compared to 2021. For debit, there was greater growth in CNP activity as debit transactions were up 19% compared to 2021, while CP debit transactions were up 6% year over year.

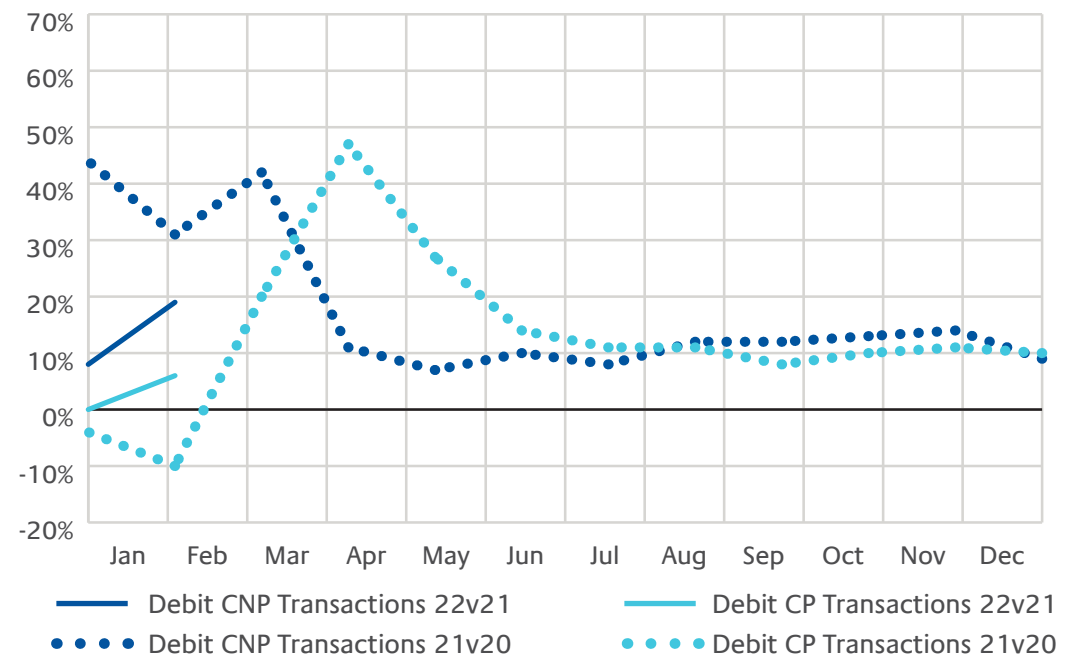
YOY % GROWTH IN CREDIT TRANSACTIONS
February



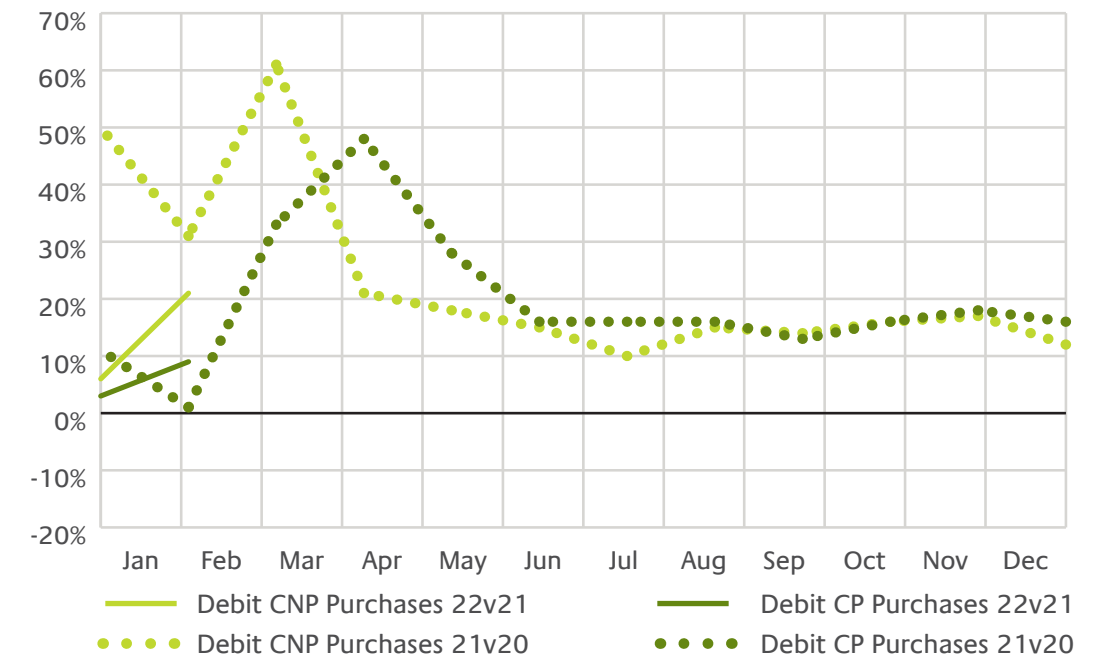
YOY % GROWTH IN CREDIT PURCHASES
February



YOY % GROWTH IN DEBIT TRANSACTIONS
February



YOY % GROWTH IN DEBIT PURCHASES
February

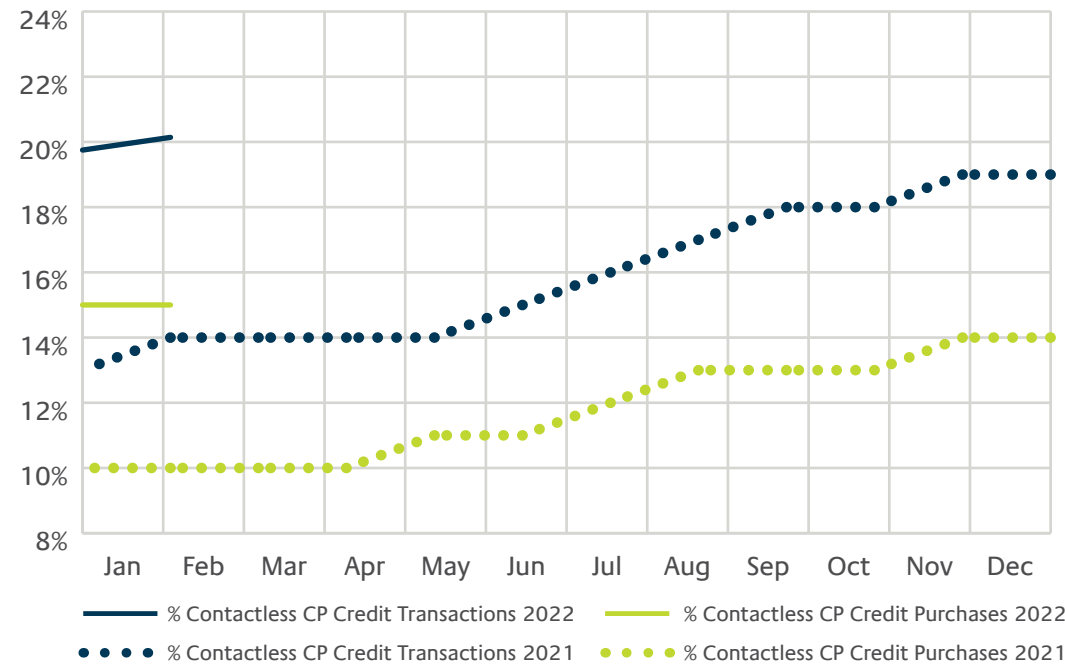


CONTACTLESS TRANSACTIONS

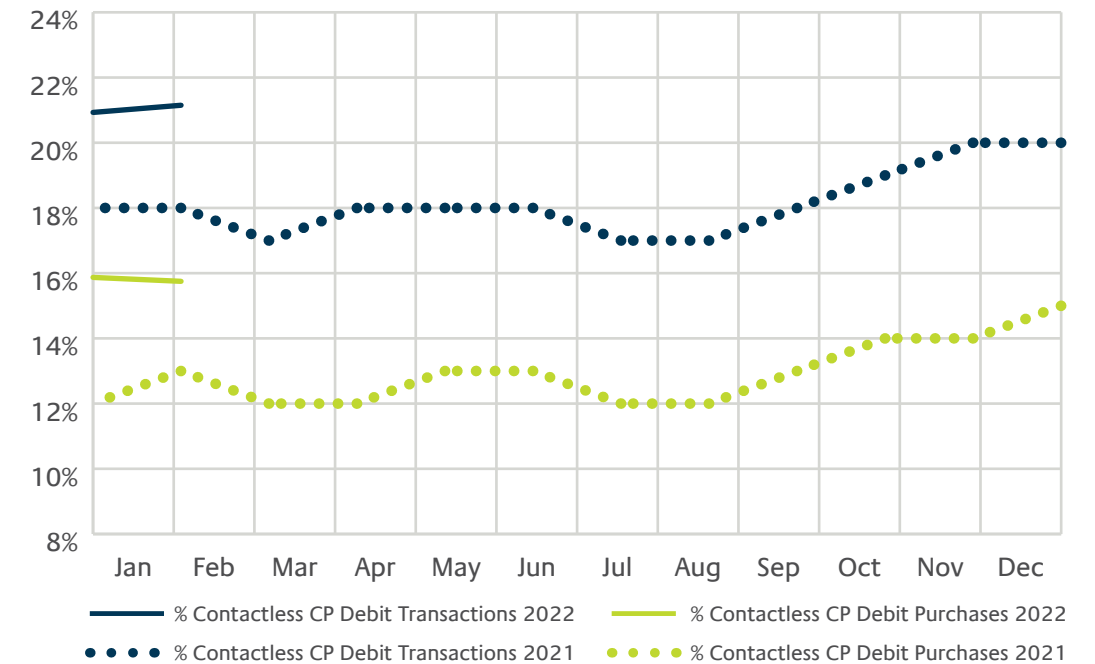
Growth in contactless card usage continues to set new high points for both credit and debit. In February 2022, contactless tap-and-go credit transactions were 20% of total Card Present volume, compared to 14% in February 2021. For debit, contactless tap-and-go transactions finished at 21% in February 2022, compared to 18% in February 2021.

As contactless transactions have continued to replace cash for smaller purchases, the average contactless purchase remains well below the non-contactless card purchase. For February 2022, the average credit contactless purchase was \$43 and the average debit contactless purchase was \$25.

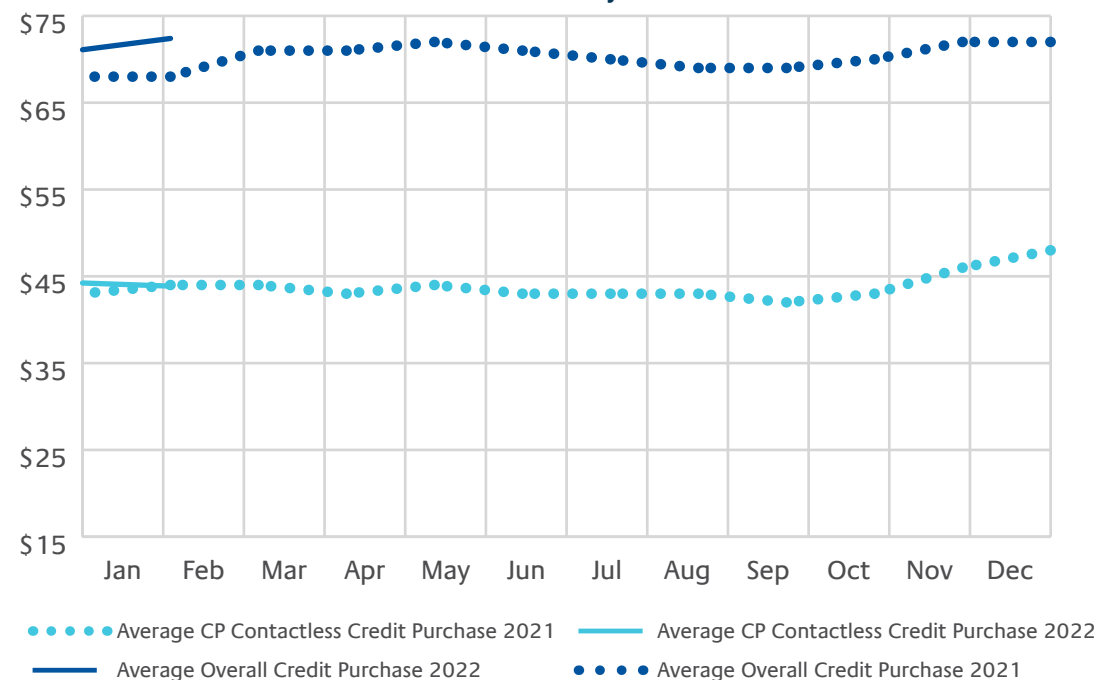
% CONTACTLESS CREDIT ACTIVITY ON CONTACTLESS CARDS
FEBRUARY



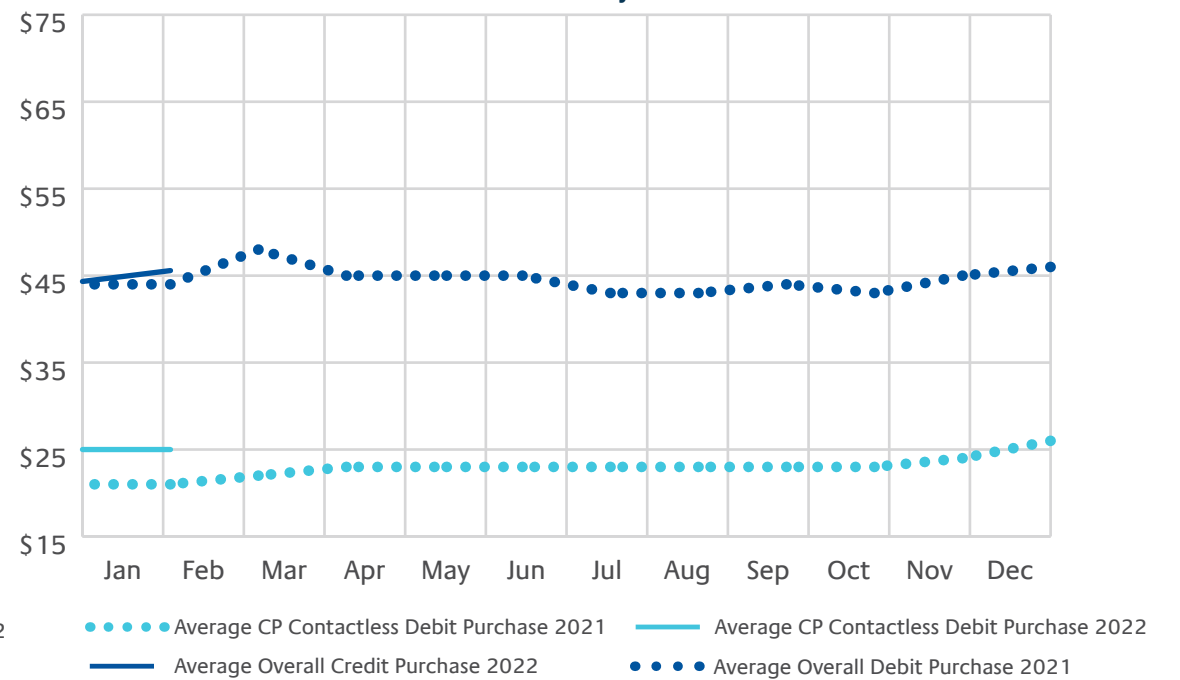
% CONTACTLESS DEBIT ACTIVITY ON CONTACTLESS CARDS
FEBRUARY



CONTACTLESS CREDIT AVERAGE PURCHASE
February



CONTACTLESS DEBIT AVERAGE PURCHASE
February



MOBILE WALLETS

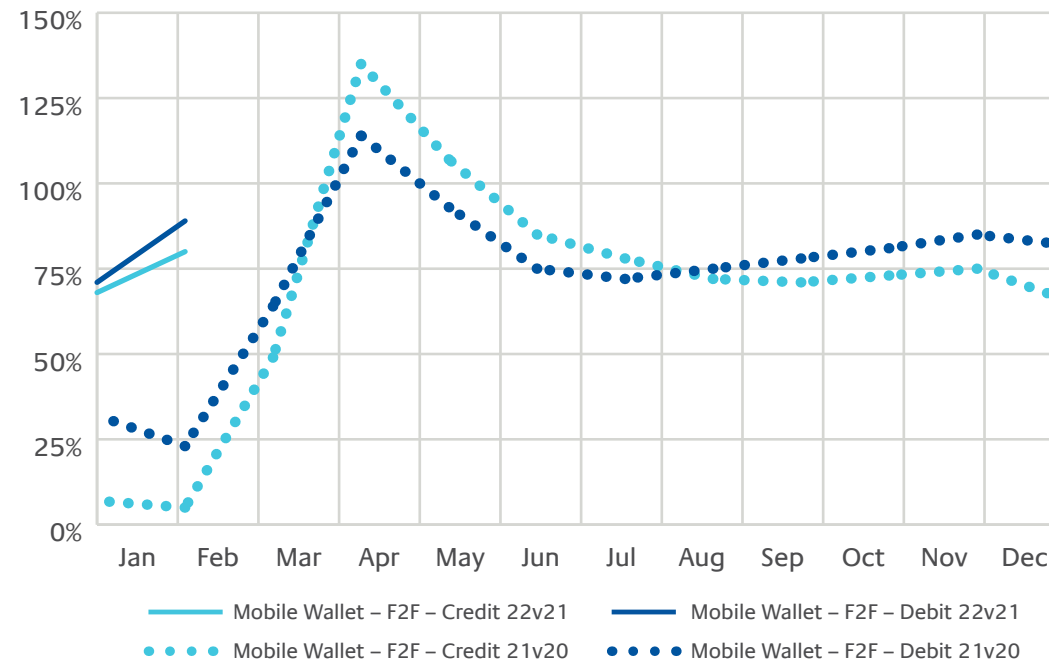
Mobile Wallet usage experienced continued year-over-year growth throughout February 2022, with debit outpacing credit growth in each of the last seven months.

Mobile Wallet credit transaction volume remained strong, finishing up 80% in February 2022 compared to February 2021. Credit purchase performance was also strong, up 63% year over year. The average Mobile Wallet credit purchase decreased by \$3.31, down 10% to \$30.27 year over year.

For Mobile Wallet debit activity, year-over-year growth in transaction volume grew by 89% in February 2022 and Mobile Wallet debit purchases increased by 88% over the same period. The average Mobile Wallet debit purchase decreased by \$0.12, down 1% year over year to \$18.16 in February 2022.

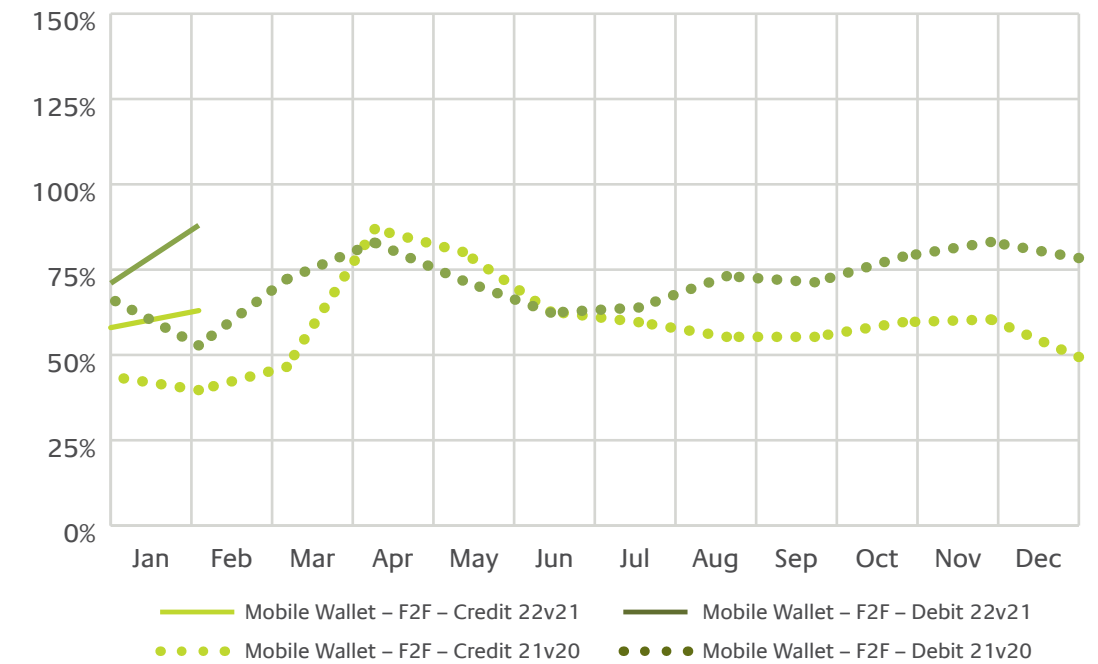
YOY % GROWTH IN MOBILE WALLET TRANSACTIONS

February



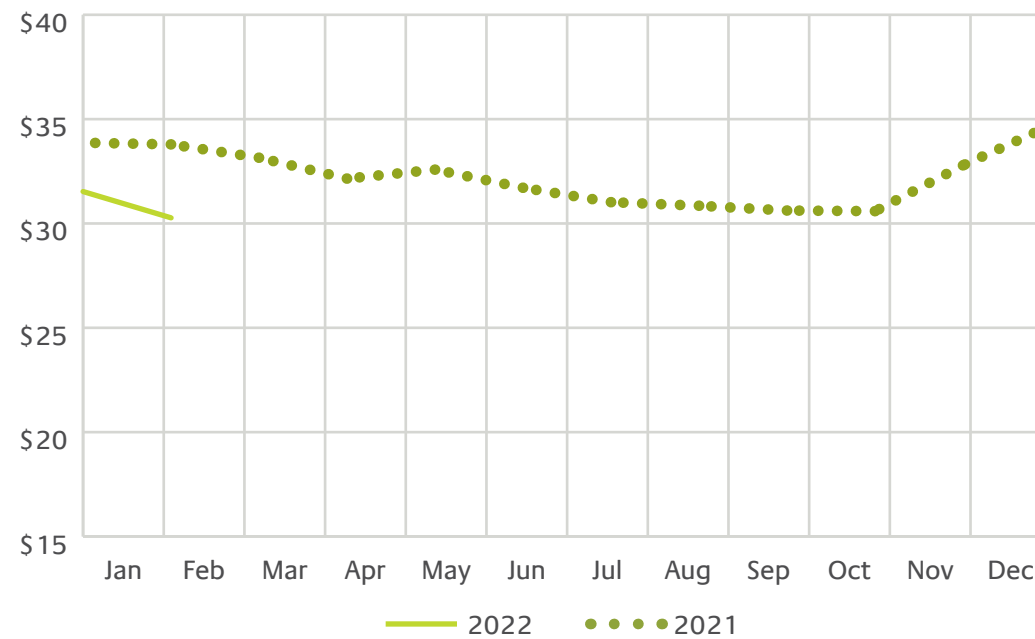
YOY % GROWTH IN MOBILE WALLET PURCHASES

February



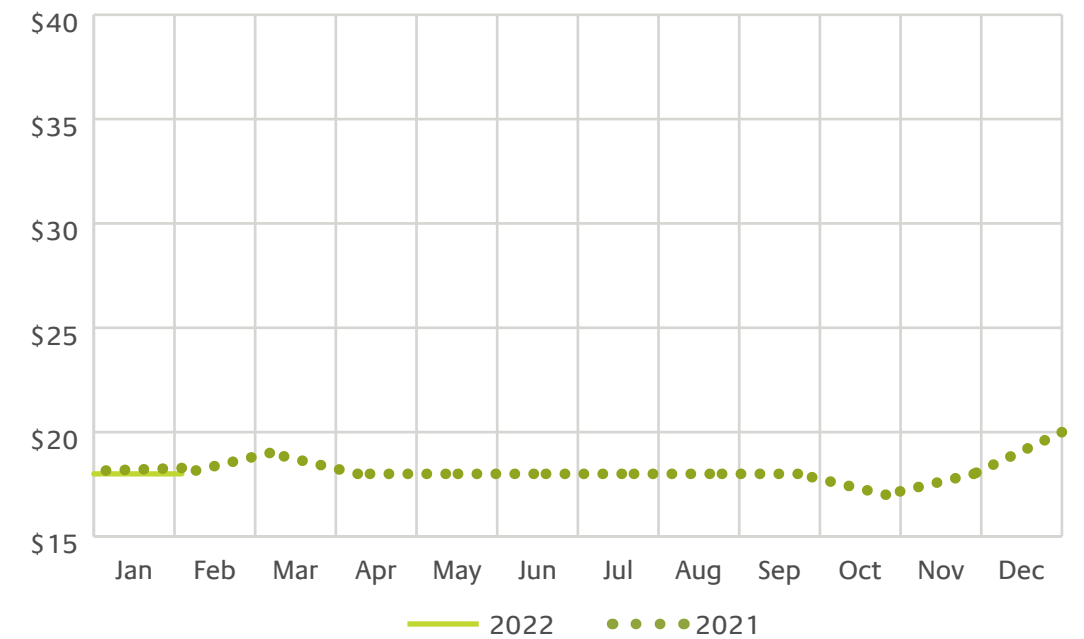
MOBILE WALLET CREDIT AVERAGE PURCHASE

February



MOBILE WALLET DEBIT AVERAGE PURCHASE

February





ABOUT THE PSCU PAYMENTS INDEX

For current year results, credit unions included in the PSCU Payments Index dataset have been processing with PSCU from the start of 2020 through the most current month of 2022, enabling an accurate and relevant year-over-year same-store comparison (2021 vs. 2022) for purchasing behaviors and data.

For the “same-store” population of credit unions over the past rolling 12-month period, the March edition of the Payments Index represents a total of 2.6 billion transactions valued at \$130 billion of credit and debit card activity from March 2021 through February 2022.

Financial institutions that process with PSCU can access comparable reports to benchmark their own cardholder data with the PSCU Payments Index for debit, credit and ATM transactions via [Member Insight](#), our comprehensive data analytics and reporting tool. Additionally, a library of past PSCU Payments Index reports and historical weekly Transactional Insights infographics and state/territory analyses are available on the [PSCU Payments Index site](#).

To subscribe to the PSCU Payments Index and receive alerts when the Index is published each month, please visit the [PSCU Payments Index site](#).

ABOUT PSCU

PSCU, the nation’s premier payments CUSO, supports the success of more than 1,900 financial institutions representing nearly 7 billion transactions annually. Committed to service excellence and focused on innovation, PSCU’s payment processing, risk management, data and analytics, loyalty programs, digital banking, marketing, strategic consulting and mobile platforms help deliver possibilities and seamless member experiences. Comprehensive, 24/7/365 member support is provided by contact centers located throughout the United States. 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 40 years. Today, PSCU provides an end-to-end, competitive advantage that enables credit unions to securely grow and meet evolving consumer demands. For more information, visit [pscuh.com](#).