

THE PSCU PAYMENTS INDEX: FEBRUARY 2023

The intended economic outcomes from the Fed's ongoing interest rate hikes appear to be making an impact. In January 2023, we find inflation slowing, though job creation remains strong, unemployment is at a 53-year low and consumer purchasing was positive for both credit and debit cards.

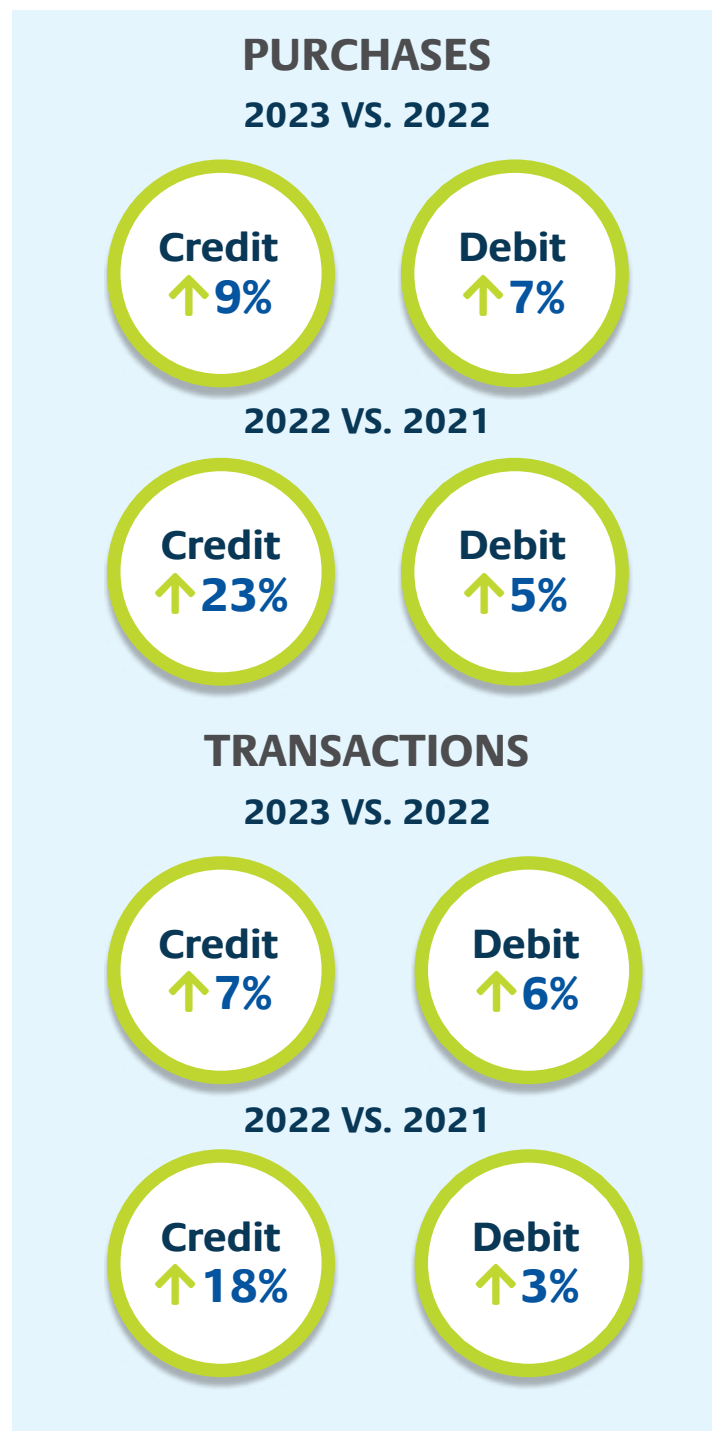
In the Labor Department's Feb. 14 update, the [Consumer Price Index \(CPI\)](#) declined by 0.1% for the month of January, bringing the 12-month rate of inflation to 6.4%. The largest contributor to the continuing inflation, accounting for nearly half of the monthly all-items increase, is shelter, with food, gasoline and natural gas also contributing. The Bureau of Labor Statistics (BLS) [reported](#) in its January 2023 jobs report that 517,000 jobs were added for the month – more than three times what the market was expecting – with leisure and hospitality, professional and business services and government jobs accounting for just over half of January's increase. With the unemployment rate for January at 3.4% (the lowest jobless rate since May 1969), U.S. Treasury Secretary Janet Yellin sees the possibility of [navigating away from a recession](#) in 2023. The Federal Reserve's next meeting occurs on Mar. 21-22 with another anticipated rate increase. On Feb. 7, Federal Reserve Chair Jerome Powell [indicated](#) that inflation could be cooling, but the central bank still needs to keep up its guard. While inflation appears to be receding, the robust creation of new jobs could lead the Fed to implement higher and/or subsequent rate hikes as the year progresses.

The [Consumer Confidence Index](#) decreased slightly in January to 107.1 (1985=100). The January result was higher than the lowest point of 2022 (July) when it was 95.7. The Expectations Index dropped to 77.8, which is notable as the Conference Board indicated that, when below 80, it would often signal a recession in the next year. The national average price per gallon of gasoline finished at [\\$3.39](#) for the week ending Feb. 13, down 3% year over year. While daily gasoline prices have dropped every day since Jan. 28, [Russia announced plans to cut daily oil production by 5%](#), which should have a ripple effect through the worldwide oil market.

In the February 2023 edition of the PSCU Payments Index, January's growth rates finished better than December growth rates for credit and debit cards, with debit experiencing a bit stronger growth compared to prior months. In addition, we are beginning to see growth rates for transactions and purchases converge for both products as the rate of inflation slows. In this month's Deep Dive, we outline several refinements to the PSCU Payments Index and introduce new measures on discretionary and non-discretionary consumer spending.

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 – JANUARY 2023



KEY TAKEAWAYS

- Consumer spending growth on payment cards posted positive results for January, with debit card growth improving more than credit card growth when compared to December growth rates. For January, credit purchases were up 9% and debit purchases were up 7% year over year. Growth in transactions was also strong, with credit up 7% and debit up 6% year over year.
- The Consumer Price Index (CPI-U) decreased on an annual basis to 6.4% in January, down by 0.1 percentage points. Shelter accounted for nearly half of the all-items increase. While Chairman Powell has signaled for another subsequent rate increase at the Fed’s next meeting on Mar. 21-22, the degree will be based on the strength of upcoming key metrics.
- To provide greater context around the growth in consumer payments and consumer sentiment, this month we have categorized all merchant categories into discretionary and non-discretionary spending buckets. For January 2023, the mix of discretionary/ non-discretionary spending for credit purchases was 22% discretionary and 78% non-discretionary. For debit purchases, the ratio was 11% discretionary and 89% non-discretionary. Consumers continue to show confidence in discretionary spending categories. For January, discretionary spending was up two percentage points for credit purchases and up 1% for debit purchases compared to January 2022.
- The credit card delinquency rate for January returned to 2019 pre-pandemic levels, finishing at 1.97%. Total credit card balances are up 13.7% for January compared to a year ago, while the January average credit card balance per active account was \$2,912, up 6.4% (or \$176) year over year.

As we begin reporting 2023 payment performance and continue to evolve the PSCU Payments Index, we are excited to introduce several enhancements to bring greater clarity on trends in consumer sentiment and payment preferences. From the reorganization of merchant categories into more relevant groupings to the new reporting of payment trends in discretionary and non-discretionary buckets, we are committed to providing additional insights and value for our financial institutions. As an example, with the growth of P2P payments such as CashApp, Venmo, Zelle and PayPal, we hope that the new Money Services sector will provide a greater understanding of these payment options, which now account for 10% of all debit purchases.



– **Mike Bell, Vice President of Insights, PSCU**

DEEP DIVE: PAYMENTS INDEX REFINEMENTS

As we enter 2023, we continue to evolve the PSCU Payments Index to provide the most timely and relevant insights, trends, analysis and thought leadership on consumer payment preferences and transactions. This month, we are introducing enhancements that further identify consumer payment preferences and shifting behaviors, including adjustments to our organization of merchant categories into sectors and grouping merchant categories into discretionary and non-discretionary.

Merchant Category Adjustments

After analyzing trends and actual merchants that reside in specific merchant categories, we are adjusting the sectors established in our weekly Transaction Insights (predecessor to the current monthly PSCU Payments Index) in 2020. This will allow us to spotlight macro trends while also calling out subtleties in our Deep Dives and other analyses. A few of the major changes include:

- Creation of the Money Services sector. The growth of P2P services such as Cash App, Venmo and Zelle continues to be robust and, given the size and growth rate, deserving of its own sector. This sector is generally debit-centric and represented 11% of overall purchase volume in January.
- Creation of the Transportation sector. As more workers are returning to physical offices, this sector – while small at just 1% of purchases for credit and for debit – shows strong growth rates. Some of the categories in this sector include local commuter transport, taxicabs, buses, tolls and parking. For January 2023, purchases in the Transportation sector were up 36% for credit and 24% for debit year over year. Credit transactions were up 37% and debit transactions were up 25% compared to January 2022.
- Additionally, we have consolidated the Drug Store sector into Goods and have also created a subcategory within Goods for Digital Merchants to highlight this high-growth area.



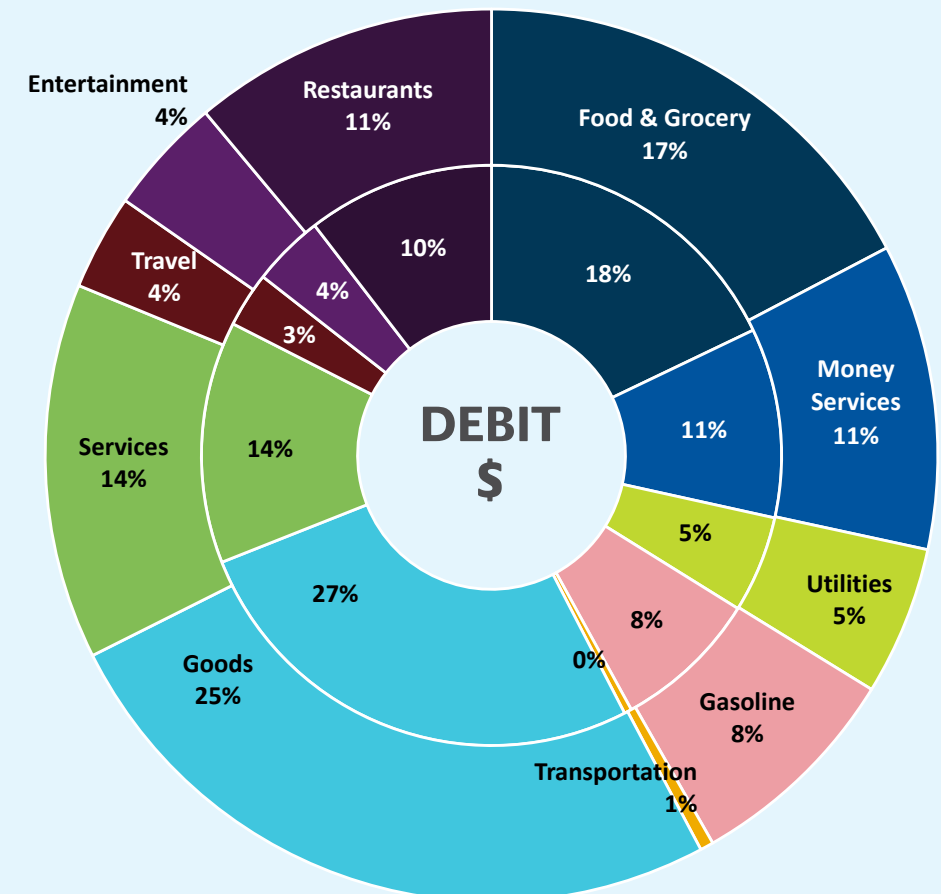
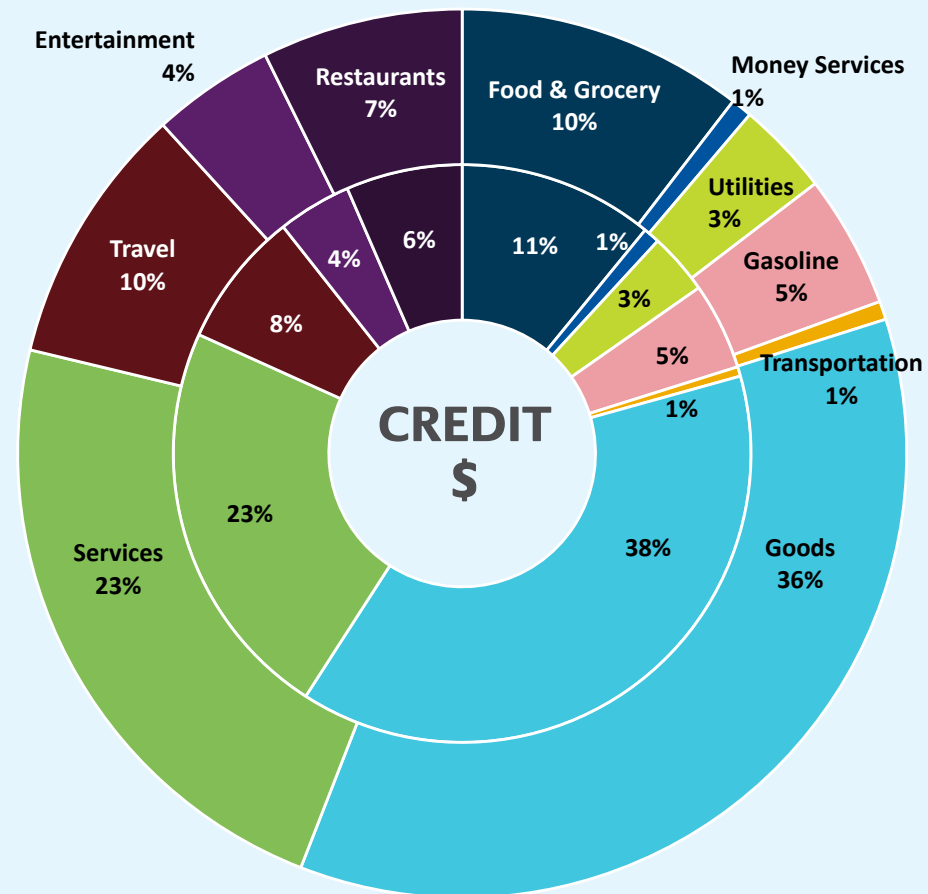
There are now ten sectors comprising overall volumes as shown in the charts above. The circles in each of the pie charts represent the percentage of overall purchases each sector represents for January results.

Discretionary and Non-Discretionary Categories

Our second enhancement to the Payments Index is the grouping of expenses into discretionary and non-discretionary. While not an exact process, it directionally provides additional insight in understanding consumer payment activity during an economic climate that is looking for greater clarity and direction.

Discretionary activity is made up of most/all of the merchant categories codes (MCCs) within the Entertainment and Travel sectors and just under half of the MCCs in the Service Sector. There are a few MCCs identified as discretionary within the Food & Grocery and Goods sectors. These expense-type assignments come after a review of each MCC name and the merchants within each code. For January 2023, consumer discretionary spending represented 22% of overall credit purchases and 11% of overall debit purchases. This represents 21% growth

SECTOR PERCENTAGE OF OVERALL PURCHASES - JANUARY



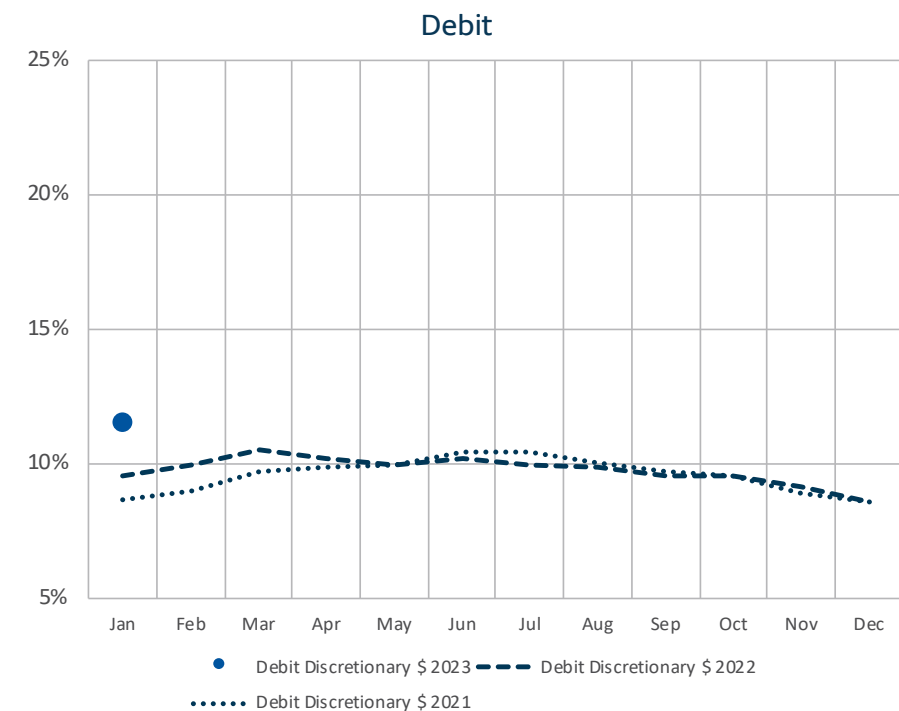
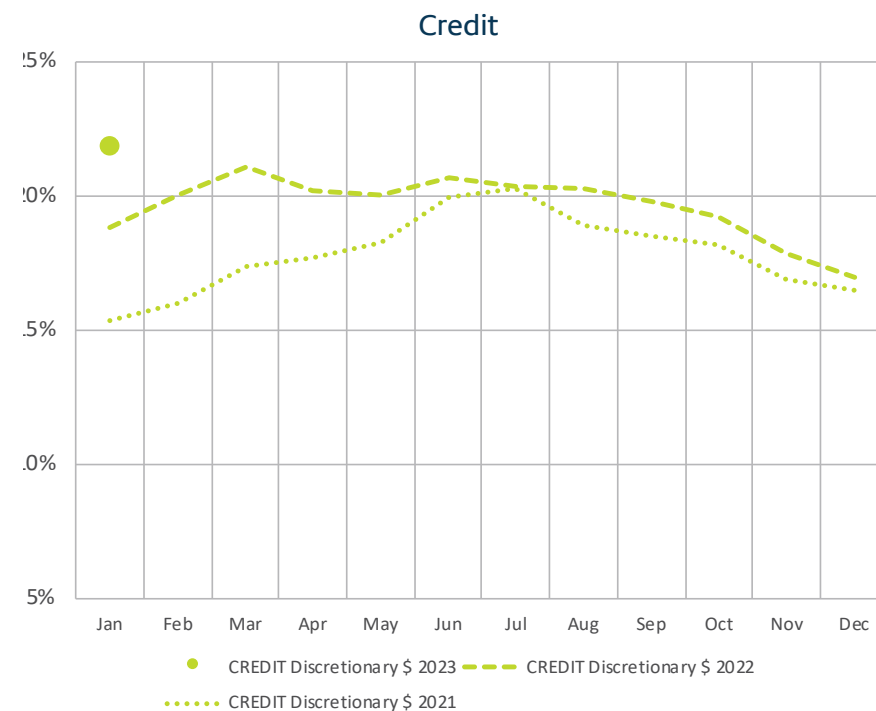
year over year in credit discretionary purchases and 15% of debit purchases. For year-over-year growth in non-discretionary spending, credit purchases and debit purchases were each up 6% compared to 2022.

Year-over-year growth in consumer spending for both discretionary and non-discretionary for both credit and debit has been positive all throughout 2022 and now in January 2023. Additionally, year-over-year transaction growth has also remained positive. These will be two key measures to watch in 2023 in understanding changes to consumer payment trends.

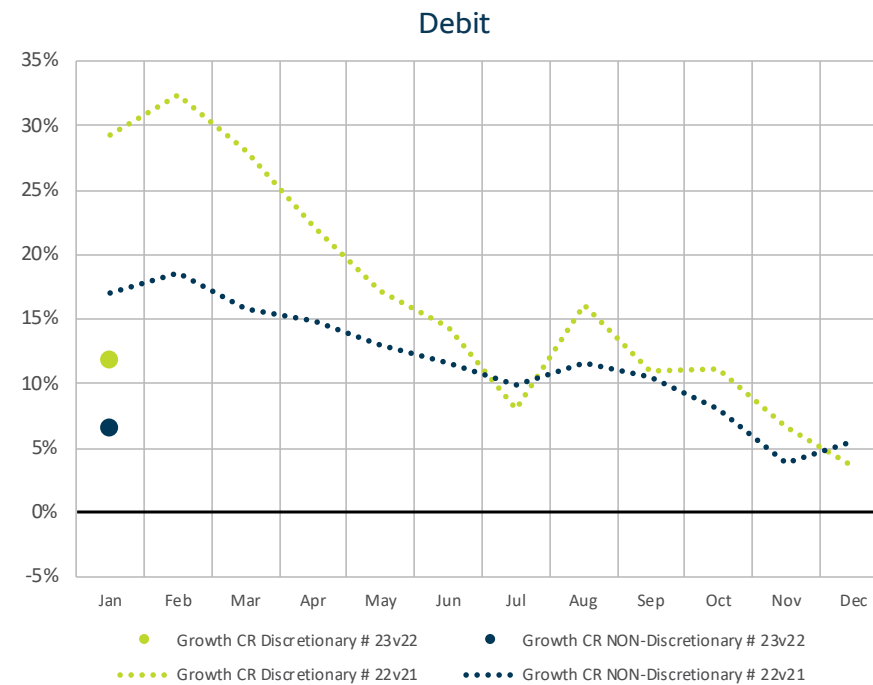
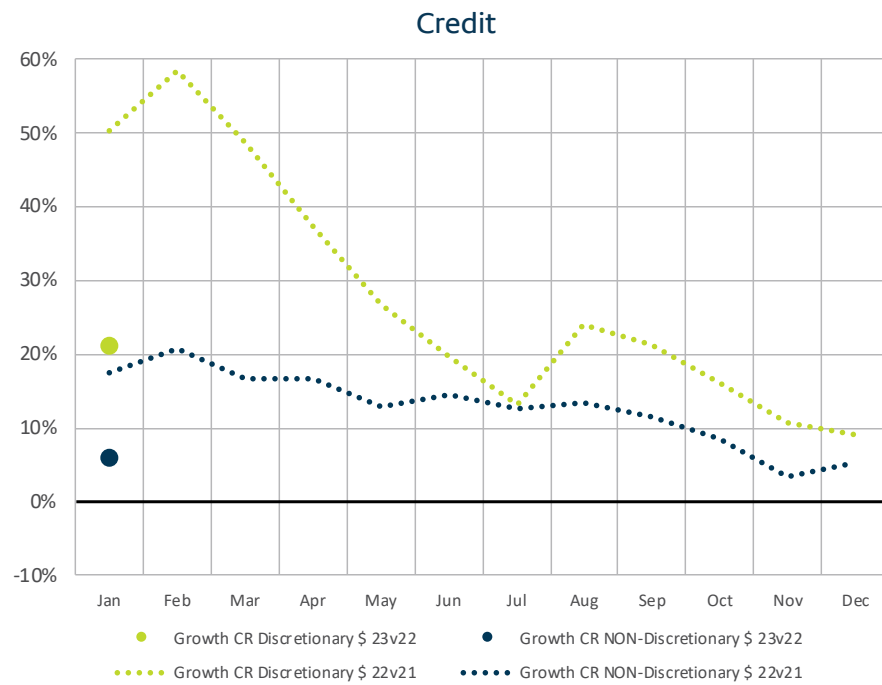
DISCRETIONARY AND NON-DISCRETIONARY PURCHASES – JANUARY 2023

	Credit Purchases			Debit Purchases		
	% of Overall Purchases	YoY Growth	Average Purchase	% of Overall Purchases	YoY Growth	Average Purchase
Discretionary	22%	21%	\$174.17	11%	15%	\$87.92
Non-Discretionary	78%	6%	\$62.10	89%	6%	\$42.42

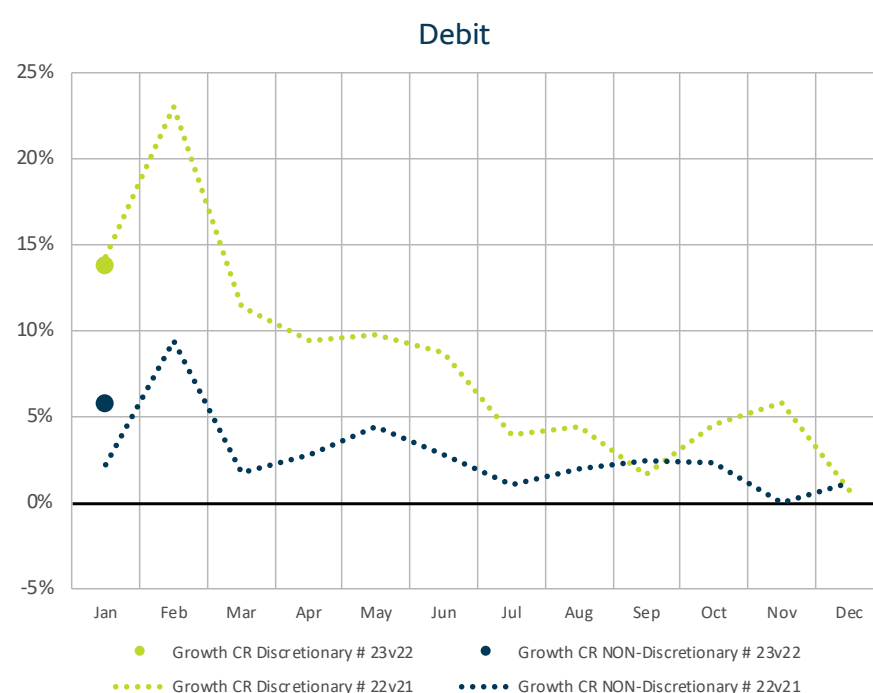
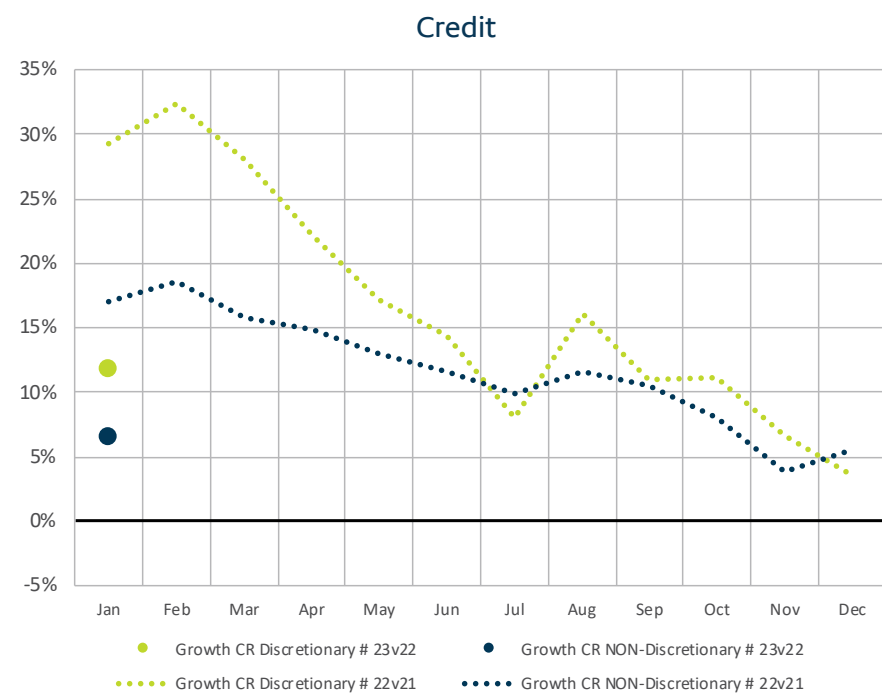
DISCRETIONARY PURCHASES AS A PERCENTAGE OF OVERALL PURCHASES



GROWTH IN DISCRETIONARY/NON-DISCRETIONARY OVERALL PURCHASES



GROWTH IN DISCRETIONARY/NON-DISCRETIONARY OVERALL TRANSACTIONS



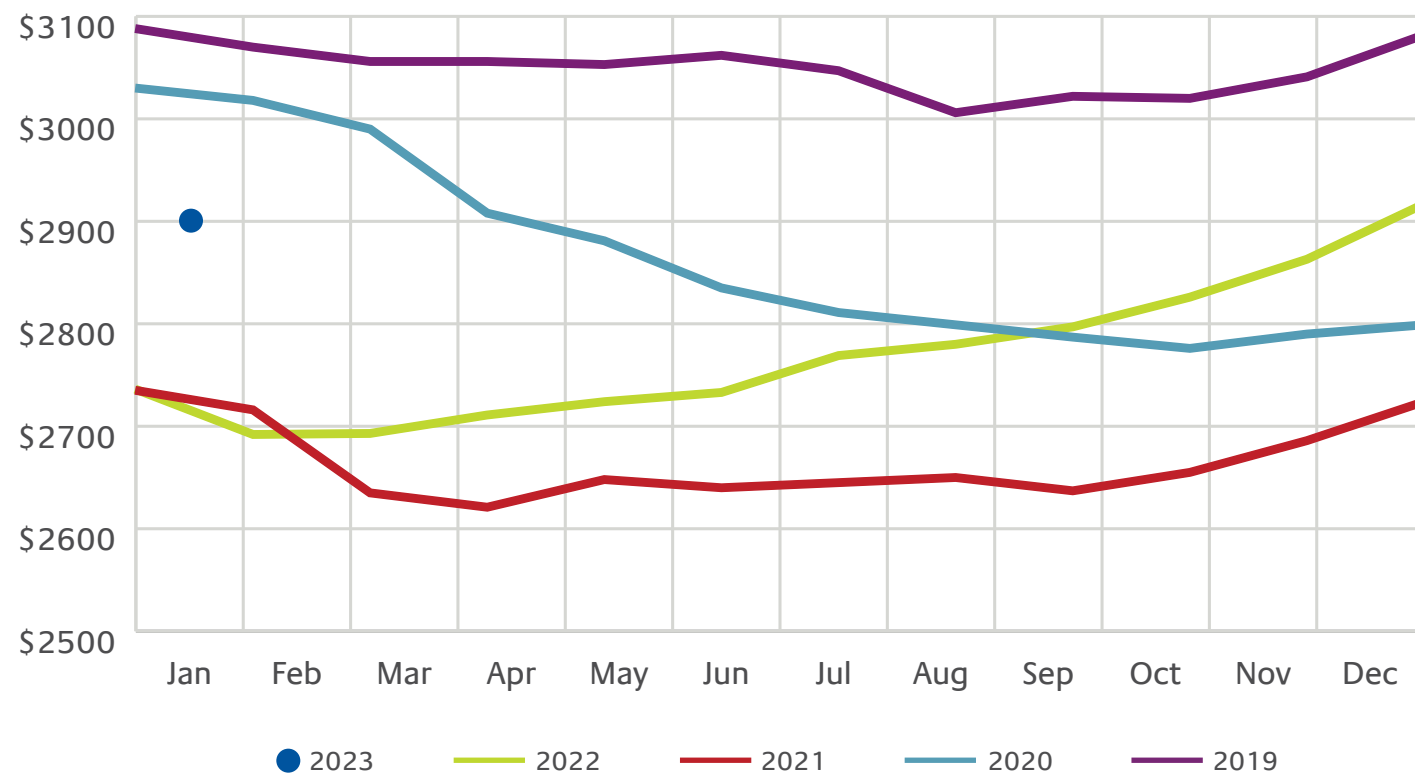
CHECKING IN: LEGAL ONLINE GAMBLING

Super Bowl LVII, held Feb. 12 in Glendale, Ariz., was the first held in a state in which sports betting is legal. Currently, [21 states allow online gambling](#) and [the American Gaming Association](#) forecasted that a record 50 million American adults would wager on the game – a 61% increase from last year’s Super Bowl. We will track the growth in legal online gambling transactions and purchases in the March edition of the PSCU Payments Index.

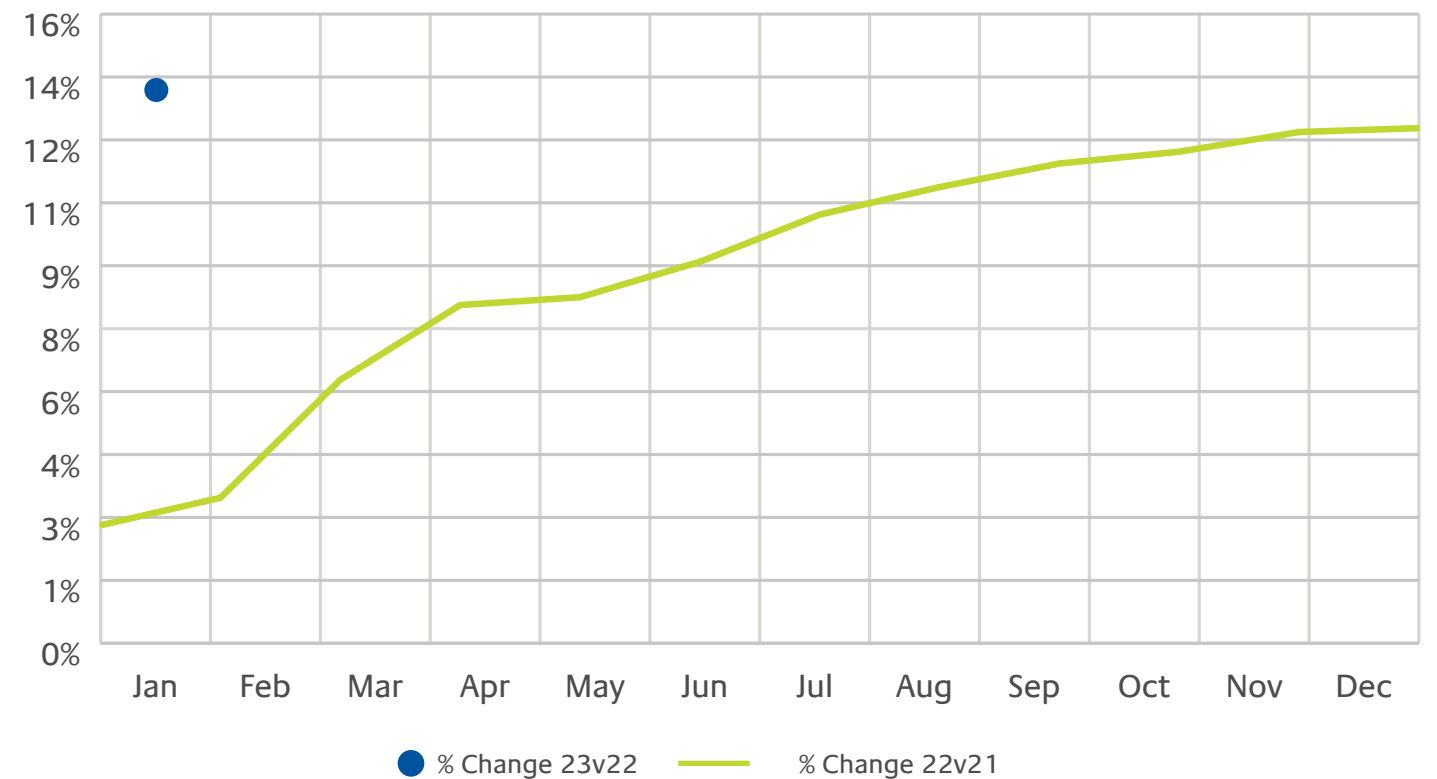
CREDIT CARD BALANCES

Total credit card balances were up 13.7% for January compared to a year ago. Average credit card account balances measured \$2,912 for January 2023, down only \$5 from the December 2022 average. Additionally, the January 2023 average was well above the averages for January 2022 and 2021, but still below 2020 and 2019 figures. Compared to January 2022, the average balance was up 6.4%, or \$176.

AVERAGE CREDIT CARD BALANCES PER GROSS ACTIVE ACCOUNT
January



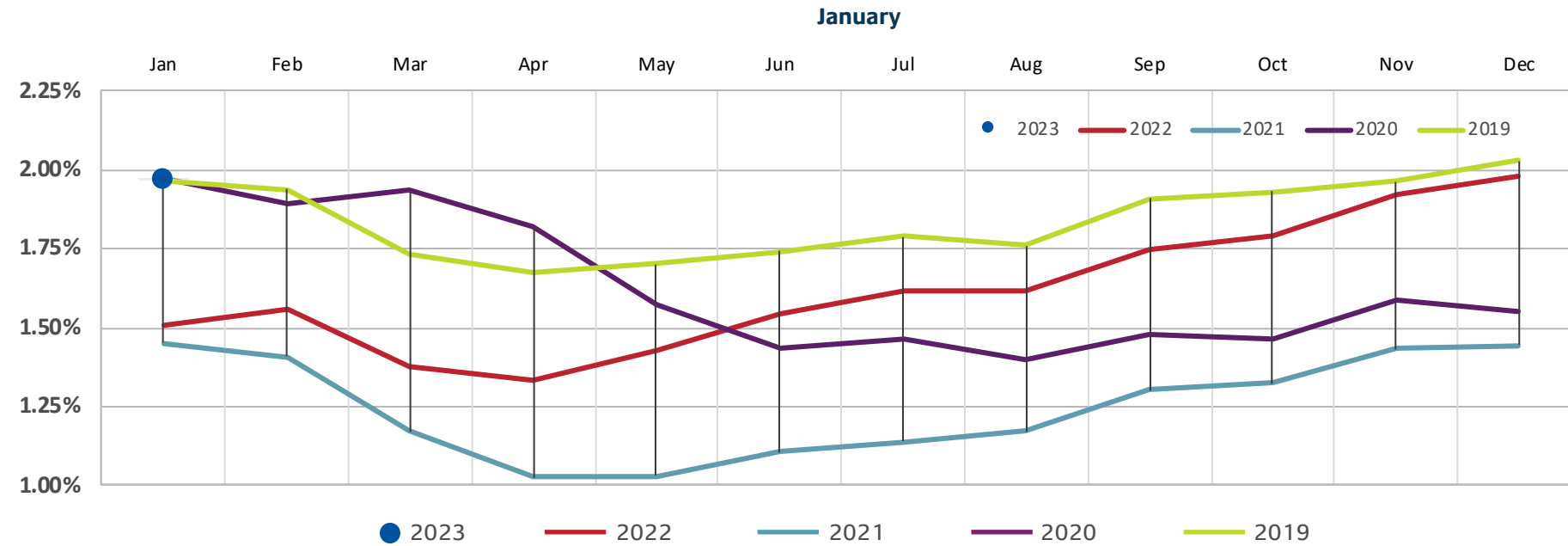
PERCENTAGE CHANGE IN TOTAL CREDIT CARD BALANCES
January



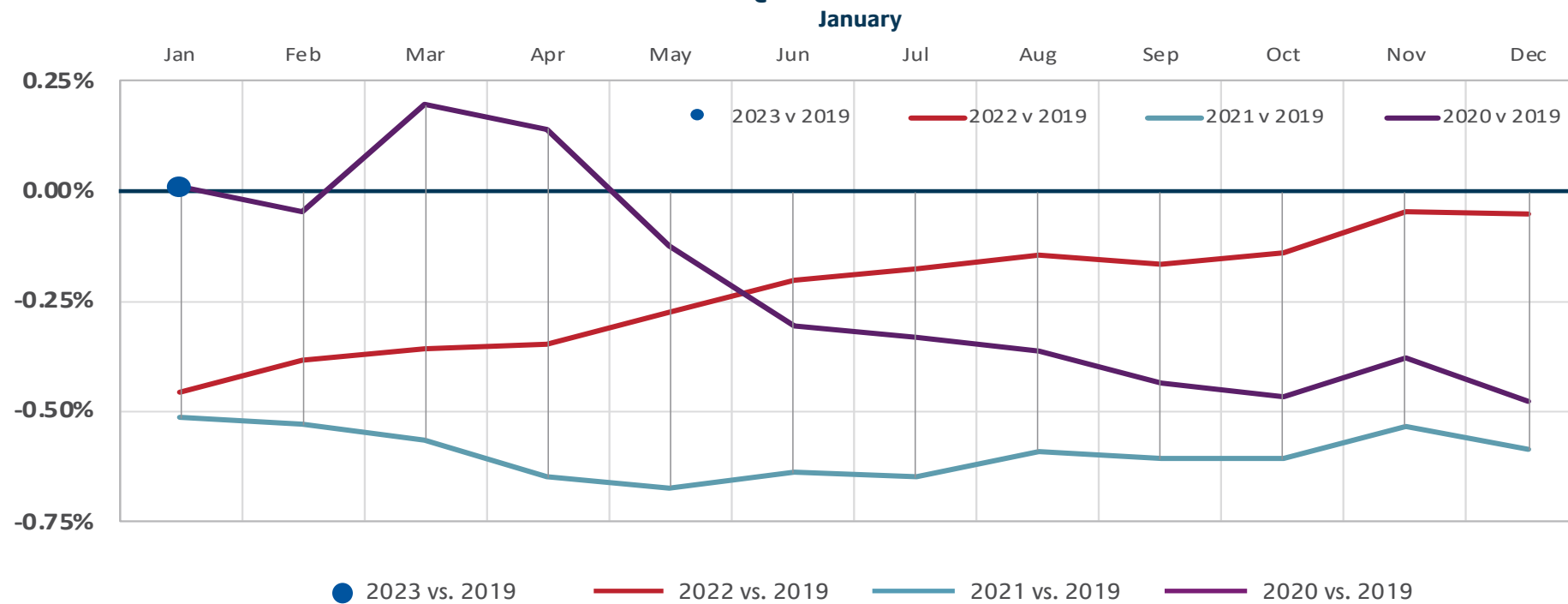
CREDIT CARD DELINQUENCIES

The January 2023 credit card delinquency rate measured 1.97%, the same as pre-pandemic January 2019. Compared to January 2022, the percent delinquent increased 46 basis points, up from 1.51%. [TransUnion is forecasting](#) credit card delinquency rates to rise to levels not seen since 2010.

OVERALL CREDIT CARD DELINQUENCY RATE



CREDIT CARD DELINQUENCY RATES COMPARED TO 2019

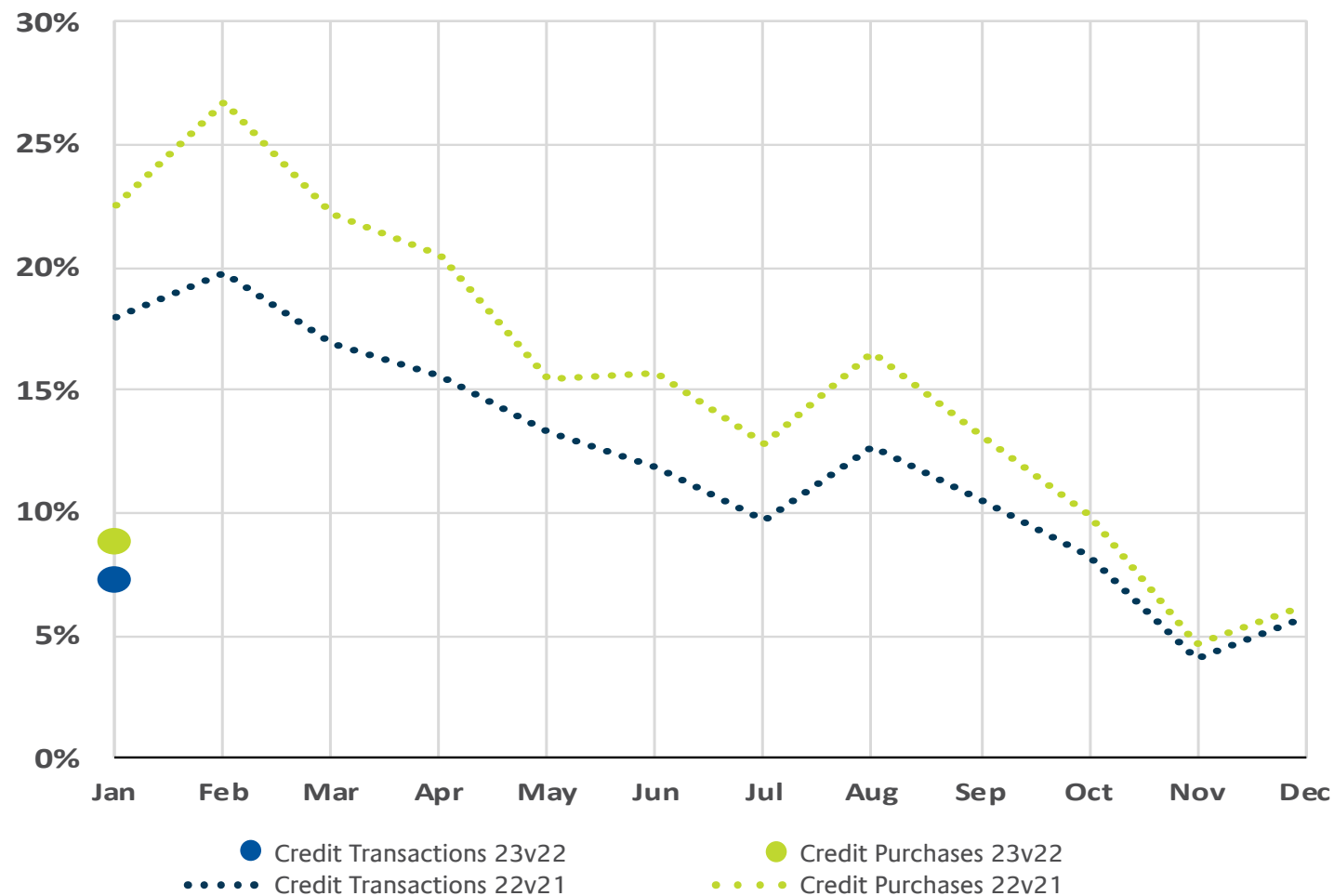


CREDIT AND DEBIT CARDS

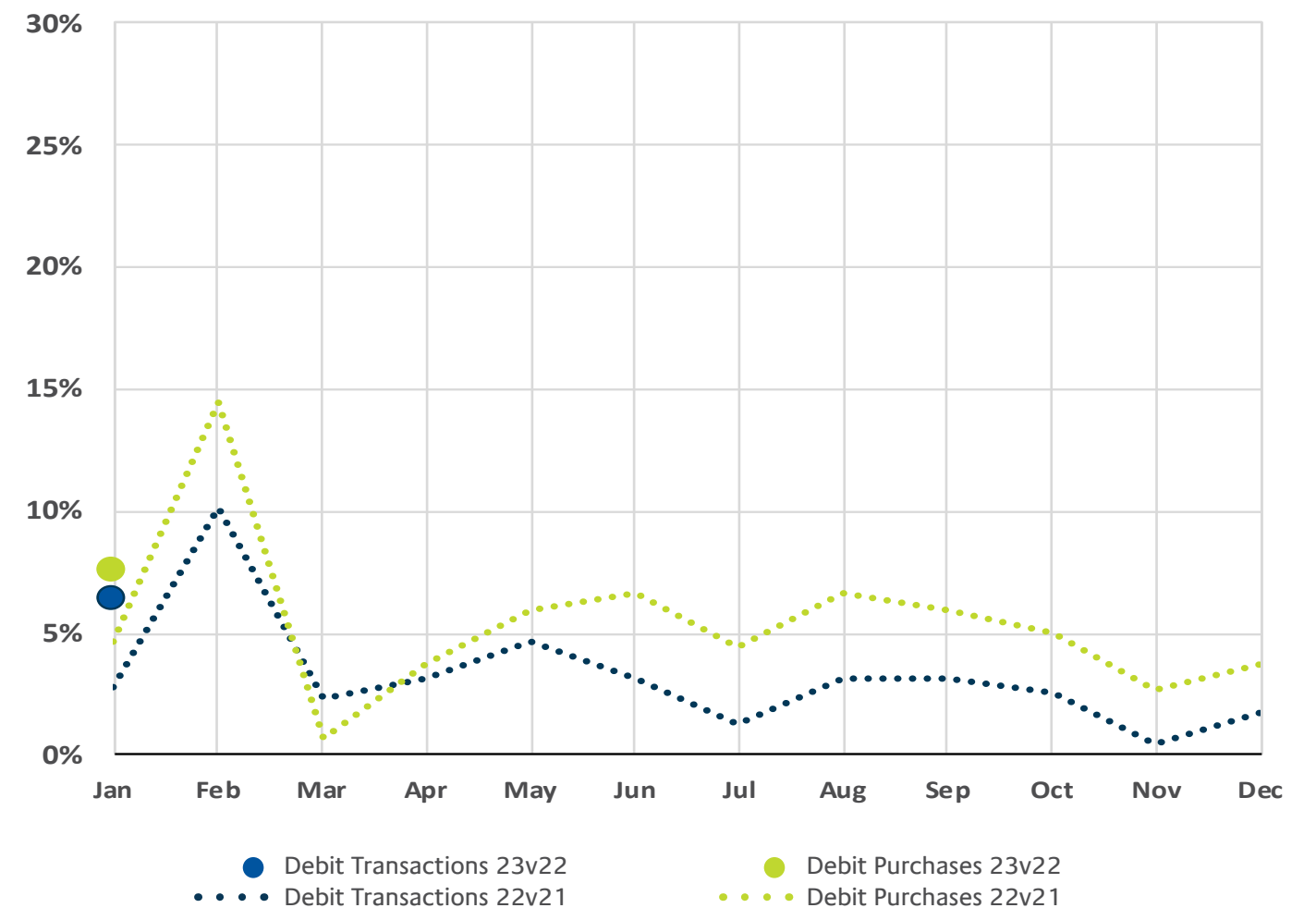
Consumer card spending growth rates were higher month over month for credit and debit, and higher year over year for debit. For January 2023, credit purchases grew 9% and debit purchases increased 7% compared to January 2022. Transactions continued to grow at a slower pace than purchases, with the volume of credit transactions up 7% and debit transactions up 6% compared to the same timeframe a year ago.

	Credit		Debit	
	Transactions	Purchases	Transactions	Purchases
2023 v 2022	7%	9%	6%	7%
2022 v 2021	18%	23%	3%	5%

CREDIT
January




DEBIT
January



SECTORS/MERCHANT CATEGORIES


The top sectors for year-over-year growth in credit purchases for January included Transportation (+36%), Travel (+35%), Restaurants (+22%) and Entertainment (+15%). The same sectors had double-digit growth in transactions, while the Transportation and Goods sectors outpaced purchases.

For debit, the Transportation (+24%), Travel (+21%), Entertainment (+14%) and Money Services (+13%) sectors experienced double-digit growth in purchases for January. Transaction growth exceeded purchases in the Transportation, Money Services, Entertainment and Goods sectors.




ENTERTAINMENT
January 2023 V 2022

	Credit	Debit
YoY Purchases	21%	17%
YoY Transactions	17%	18%




FOOD & GROCERIES
January 2023 V 2022

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




GASOLINE
January 2023 V 2022

	Credit	Debit
YoY Purchases	12%	-0.2%
YoY Transactions	5%	-1%



GOODS
January 2023 V 2022

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




MONEY SERVICES
January 2023 V 2022

	Credit	Debit
YoY Purchases	-7%	15%
YoY Transactions	-3%	18%




RESTAURANTS
January 2023 V 2022

	Credit	Debit
YoY Purchases	12%	4%
YoY Transactions	7%	0.2%




UTILITIES
January 2023 V 2022

	Credit	Debit
YoY Purchases	10%	9%
YoY Transactions	6%	4%



SERVICES
January 2023 V 2022

	Credit	Debit
YoY Purchases	12%	10%
YoY Transactions	9%	9%



TRANSPORTATION
January 2023 V 2022

	Credit	Debit
YoY Purchases	42%	28%
YoY Transactions	42%	29%



TRAVEL
January 2023 V 2022

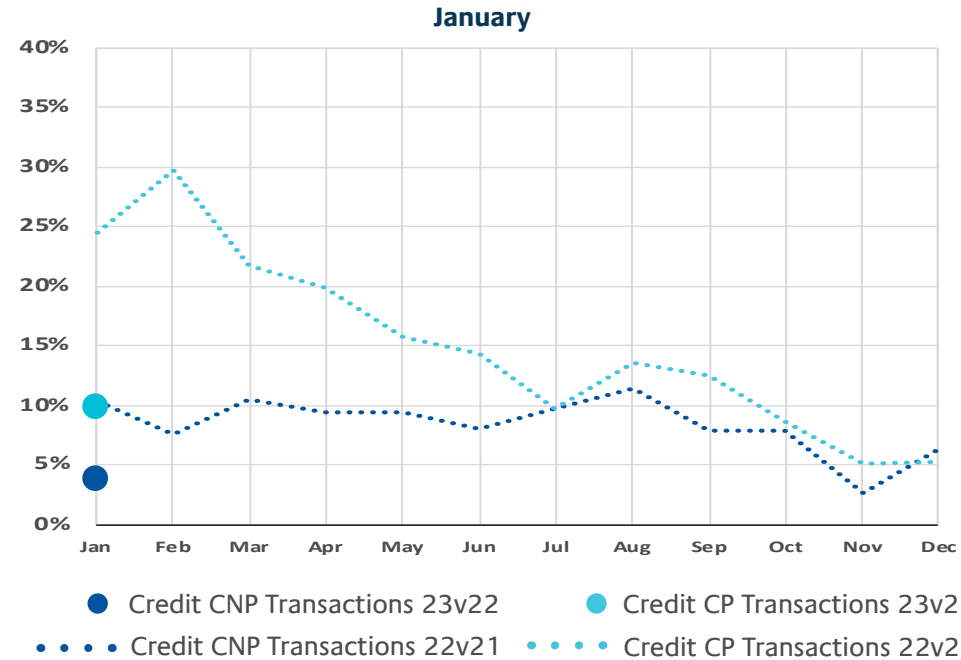
	Credit	Debit
YoY Purchases	8%	-14%
YoY Transactions	7%	-18%

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

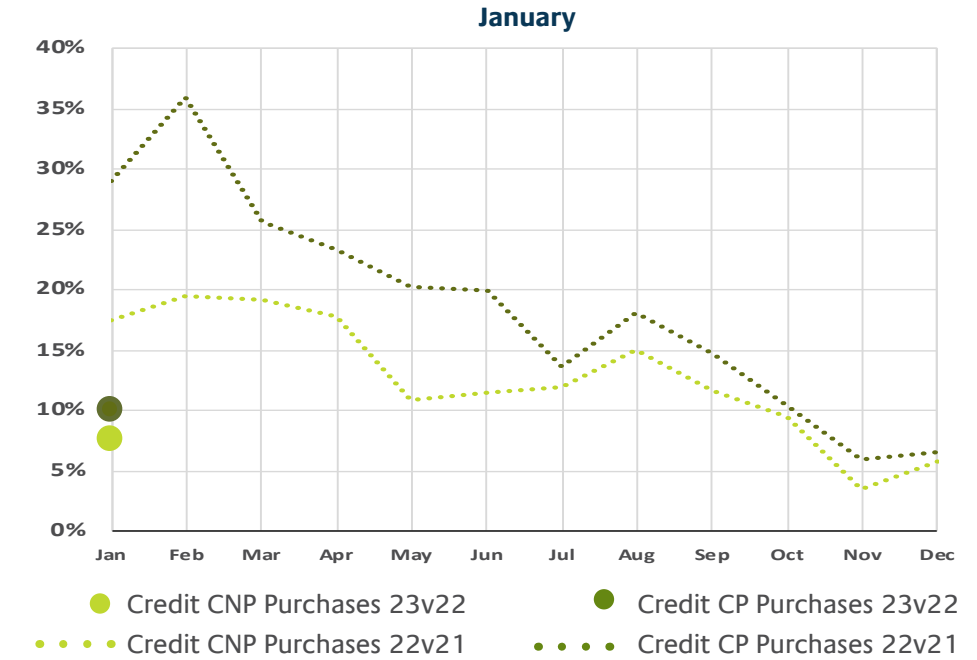
January 2023 Card Not Present (CNP) credit purchases represented 55% of all purchases, up slightly from 54% for January 2022. CNP debit purchases represented 49% of overall debit purchases in January, up from 46% for January 2022.

Year-over-year growth in credit transaction volumes increased by 4% for CNP and 10% for Card Present (CP). For debit transactions, CNP increased 14% while CP transactions were up 3% compared to January 2022.

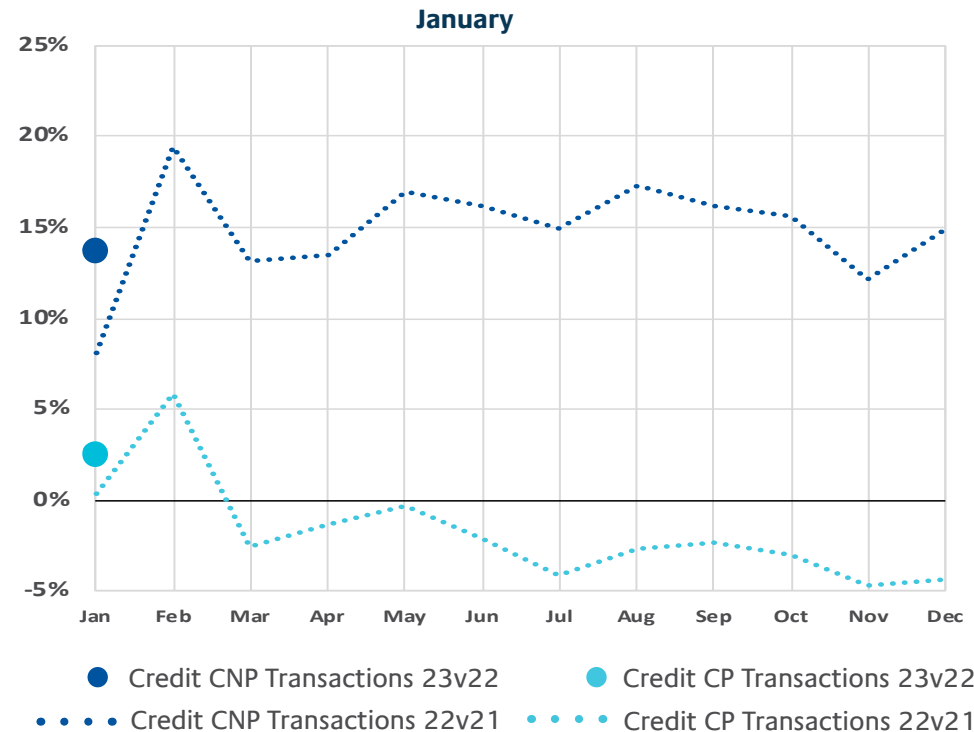
YOY % GROWTH IN CREDIT TRANSACTIONS



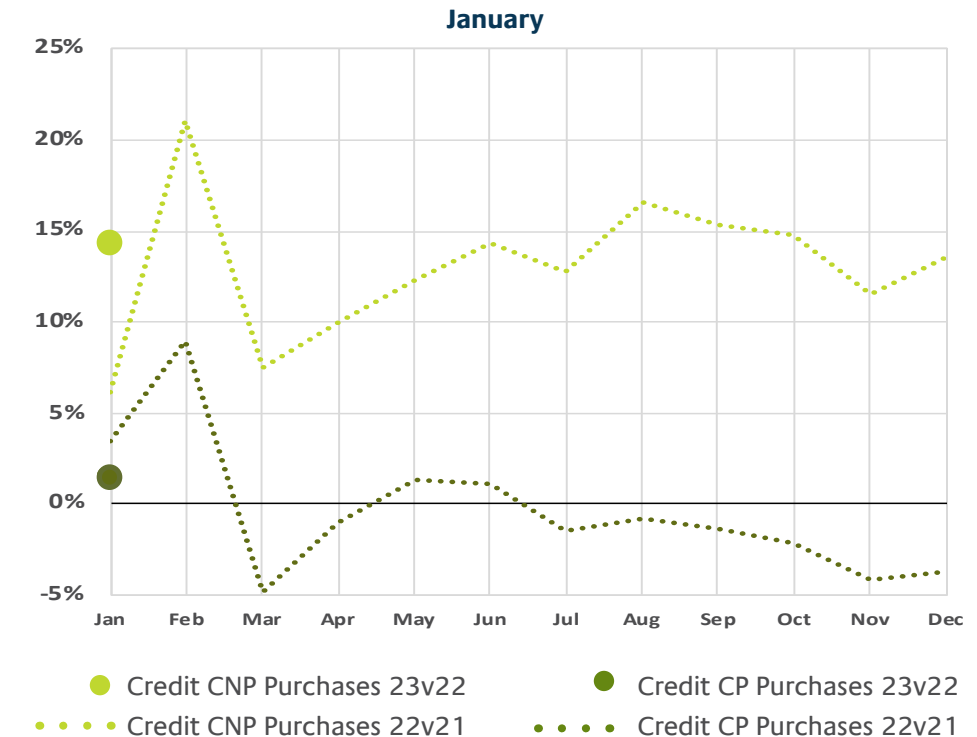
YOY % GROWTH IN CREDIT PURCHASES



YOY % GROWTH IN DEBIT TRANSACTIONS



YOY % GROWTH IN DEBIT PURCHASES

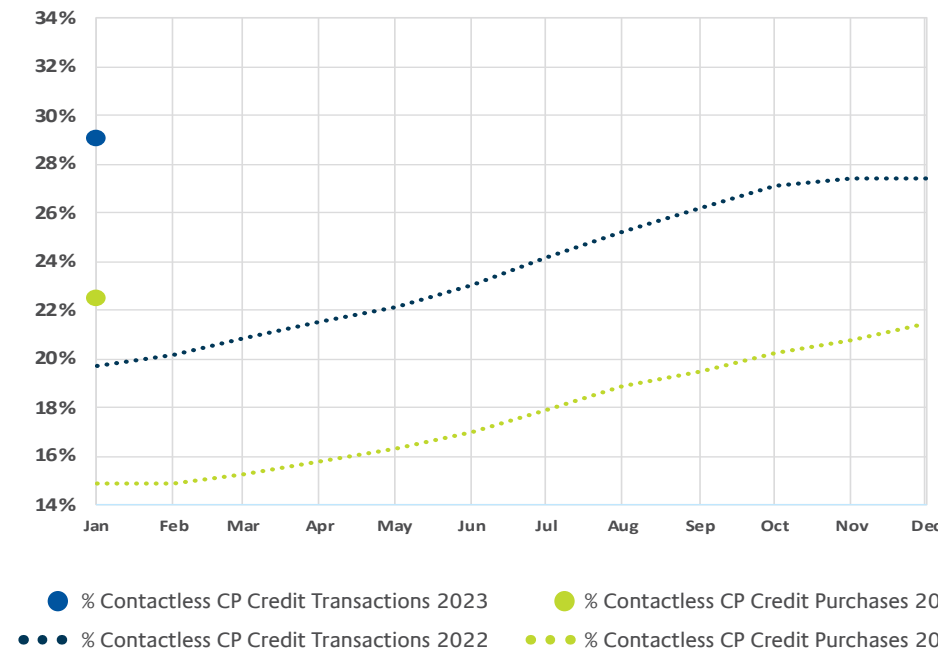


CONTACTLESS TRANSACTIONS

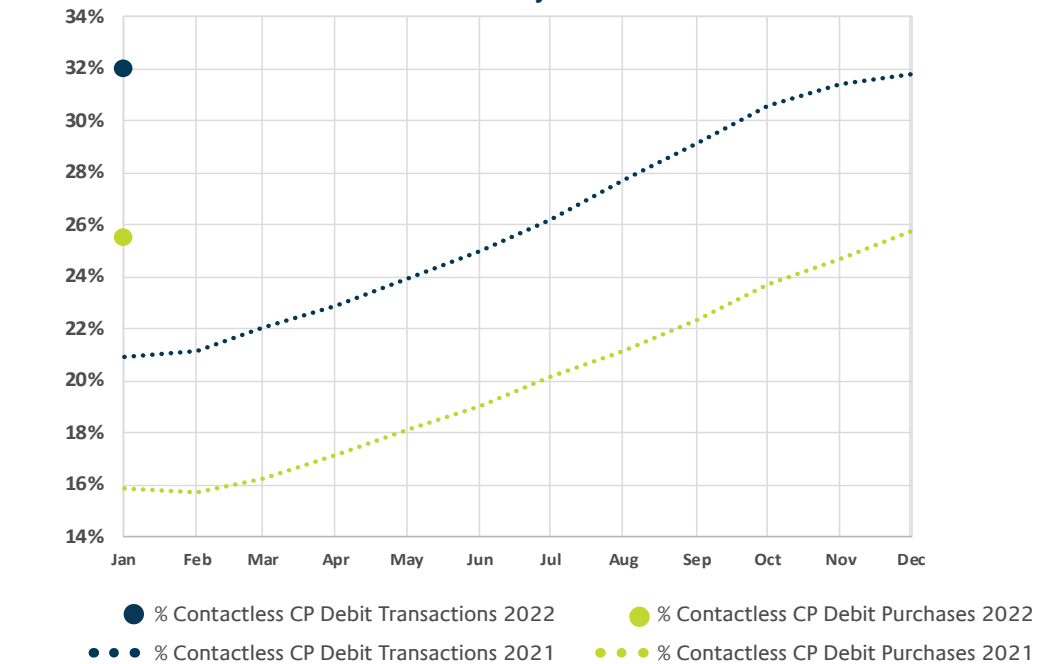
In January 2023, contactless tap-and-go credit transactions comprised 29% of total Card Present volume on contactless cards, compared to 20% in January 2022. For debit, contactless tap-and-go transactions comprised 32%, compared to 21% in January 2022.

The transaction size continues to suggest contactless represents smaller-dollar transactions, as the average contactless purchase remains well below the overall average card purchase. For January, the average credit contactless purchase measured \$44.84, 38% lower than the overall credit Card Present purchase of \$57.43, while the average debit contactless purchase was \$26.15, 42% lower than the overall debit Card Present average purchase of \$35.65.

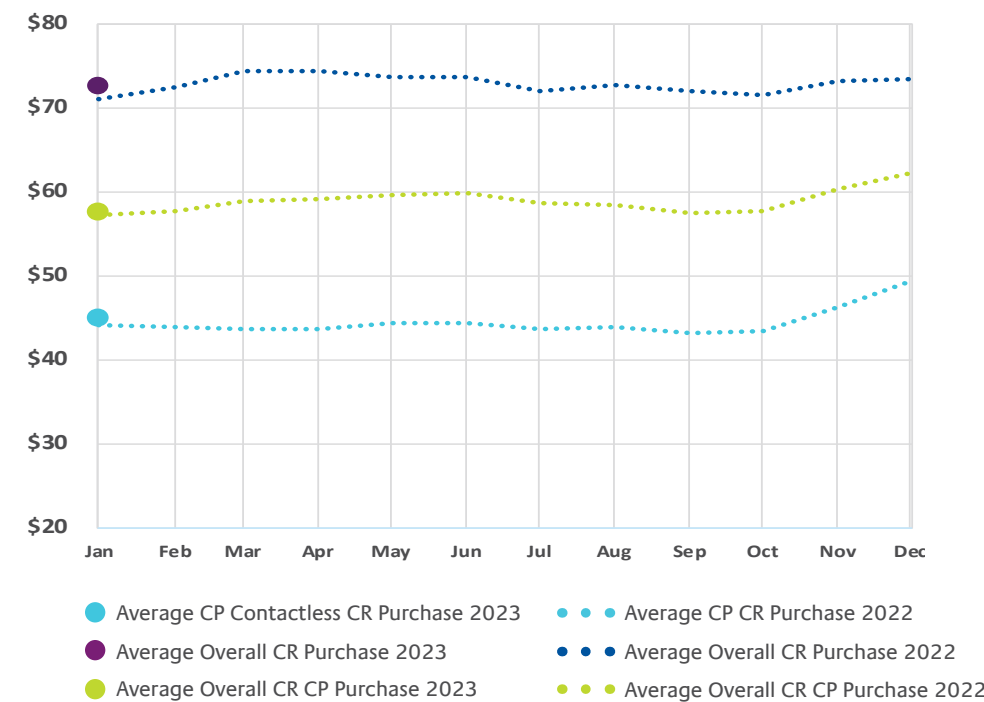
% CONTACTLESS CREDIT ACTIVITY ON CONTACTLESS CARDS January



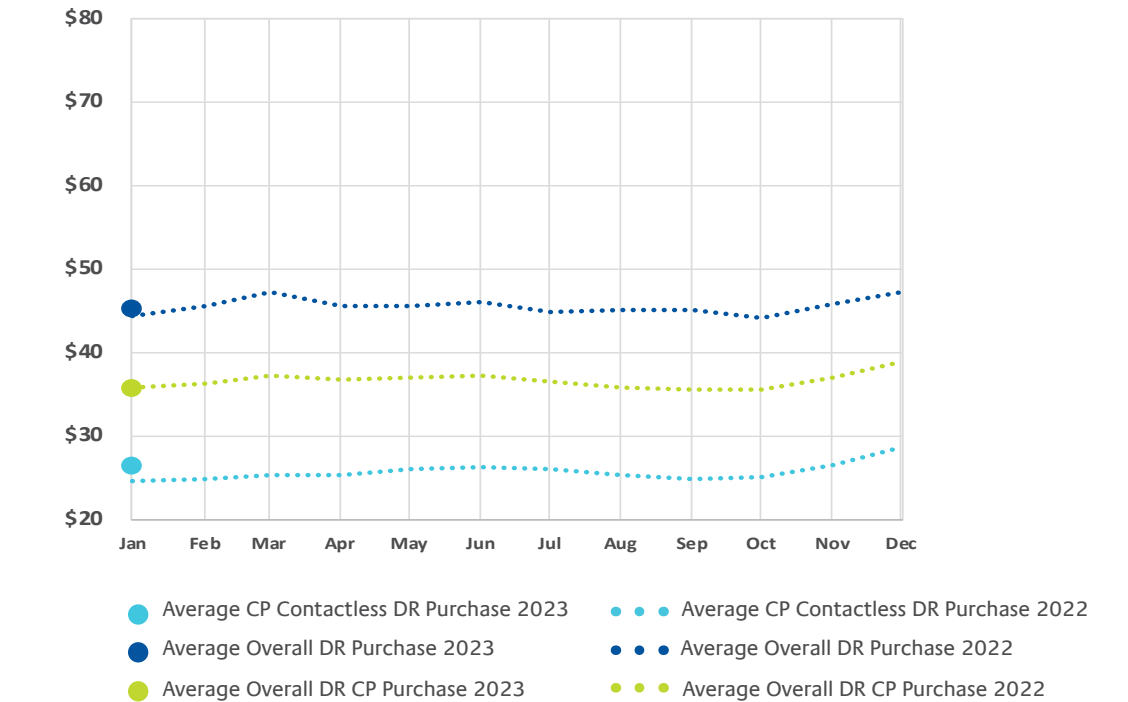
% CONTACTLESS DEBIT ACTIVITY ON CONTACTLESS CARDS January



CONTACTLESS CREDIT AVERAGE PURCHASE January



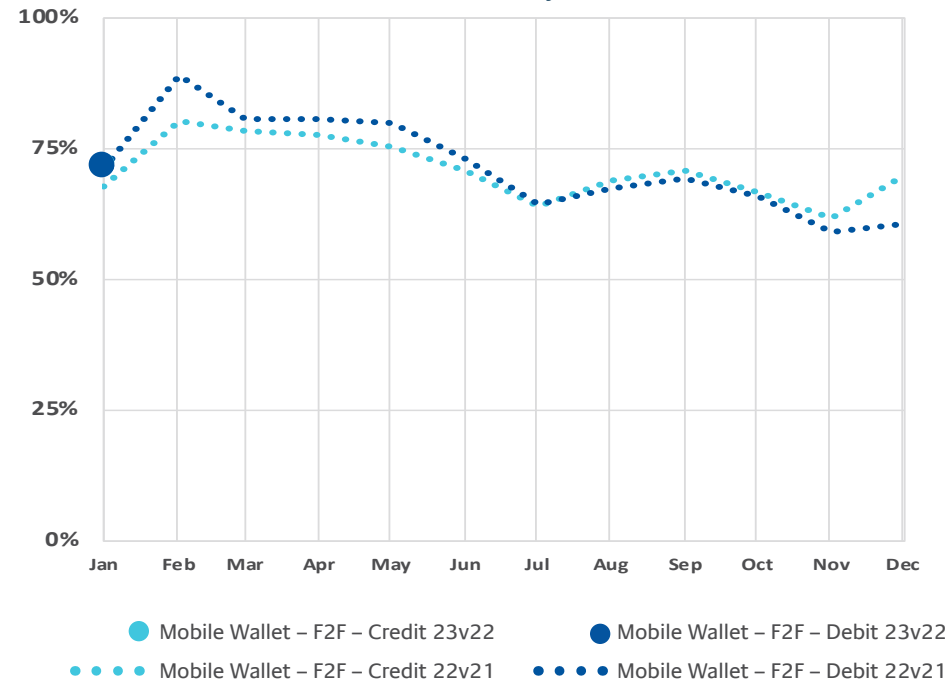
CONTACTLESS DEBIT AVERAGE PURCHASE January



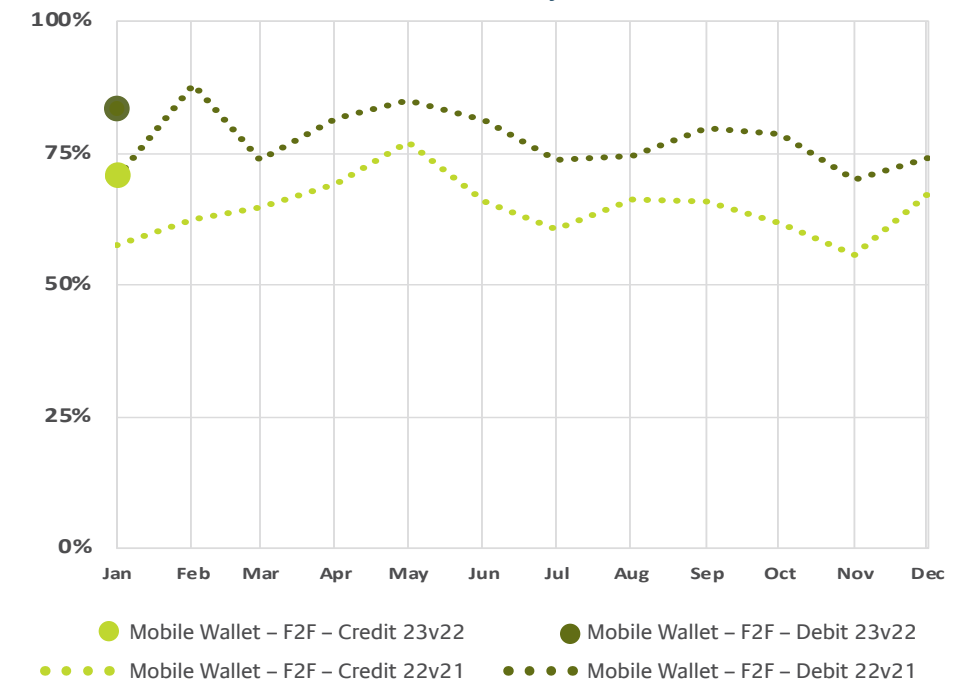
MOBILE WALLETS

Robust growth in Mobile Wallet transactions continued into January, measuring 72% for credit and 71% for debit compared to January 2022. Mobile Wallet purchase performance also increased in January, with debit outpacing credit at 82% versus 70% year-over-year growth, respectively. The average Mobile Wallet credit purchase measured \$30.62, down 1.2% (or \$0.36) compared to January 2022, while the average debit purchase increased 6.4% (or \$1.15) to \$19.14.

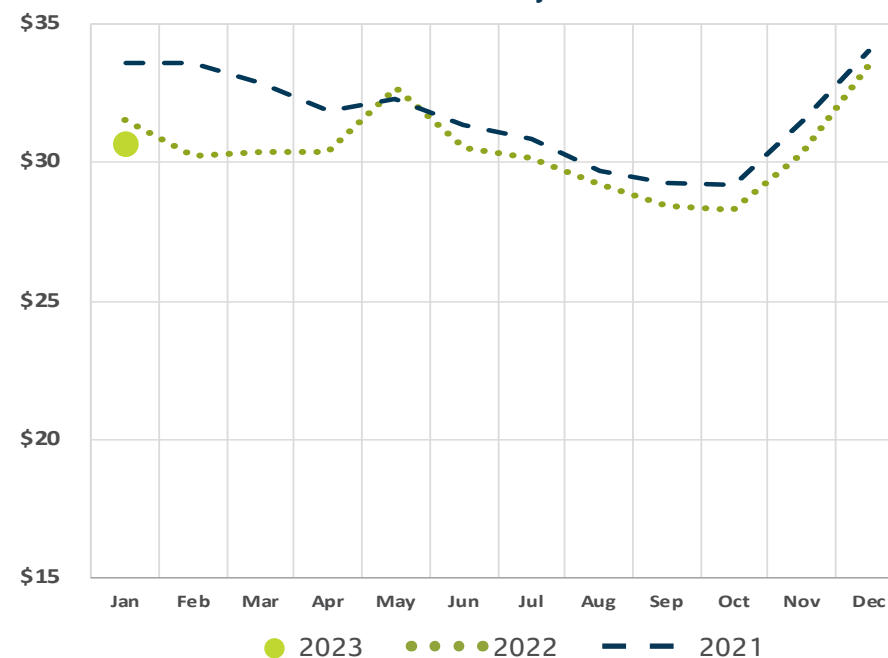
YOY % GROWTH IN MOBILE WALLET TRANSACTIONS
January



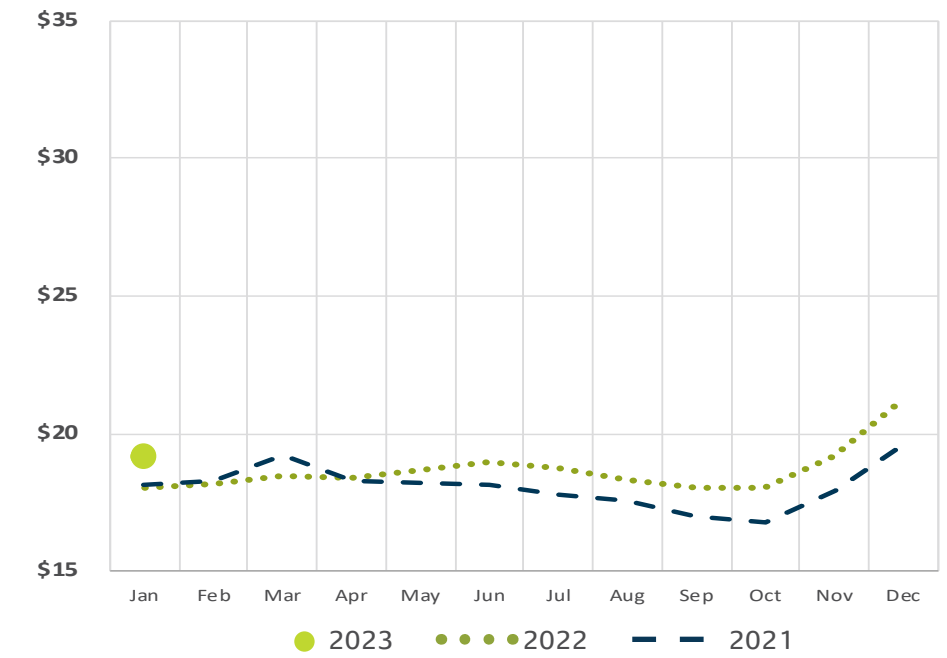
YOY % GROWTH IN MOBILE WALLET PURCHASES
January



MOBILE WALLET CREDIT AVERAGE PURCHASE
January



MOBILE WALLET DEBIT AVERAGE PURCHASE
January





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 financial institutions 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 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 January edition of the Payments Index represents a total of 2.9 billion transactions valued at \$146 billion of credit and debit card activity from February 2022 through January 2023.

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 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 [pscuh.com](#).