

WELCOME TO THE PSCU PAYMENTS INDEX

As we present the August edition of the PSCU Payments Index, the nation finds itself once again facing unprecedented times. Just as the country was beginning to emerge from COVID-19 throughout the summer, the surge of the Delta variant has turned back the clock on the pandemic. Yet as consumers have grown more accustomed to change over the past 17 months, the economy continues to demonstrate its resilience. While the mix of spend has shifted, overall consumer spending continues to recover and adapt in the changing environment.

As the Delta variant brings a renewed level of fear and uncertainty, many of the economic trends we have seen over the course of the pandemic are now beginning to intersect. The Dow Jones Industrial Average reached a record high earlier this month following the release of the latest jobs report, while the Consumer Price Index (CPI) has persistently increased from 1.4% in January to 5.4% in July. A positive economic sign comes from the growth in the Travel and Entertainment sectors, as August 9 marked the re-opening of trans-border travel between the [U.S. and Canada](#), restarting tourism between the two countries that has been closed since March 2020 for non-essential travel. We will continue to monitor activity in these areas, as the impacts of the Delta variant could temper this growth in the coming weeks as we transition to the fall.

Despite the anticipated ebbs and flows of unfolding events, we continue to see positive signs of economic recovery and increased consumer spending and confidence. In the August 2021 edition of the PSCU Payments Index, we revisit a Deep Dive into the Restaurant sector, which we covered previously in our weekly Transaction Trends earlier in the pandemic. We hope that the demographic data from this sector of consumer spending, along with insights on consumer confidence in spending, economic and social activities, will help our financial institutions make informed decisions and help keep their cards in the coveted top-of-wallet position.

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

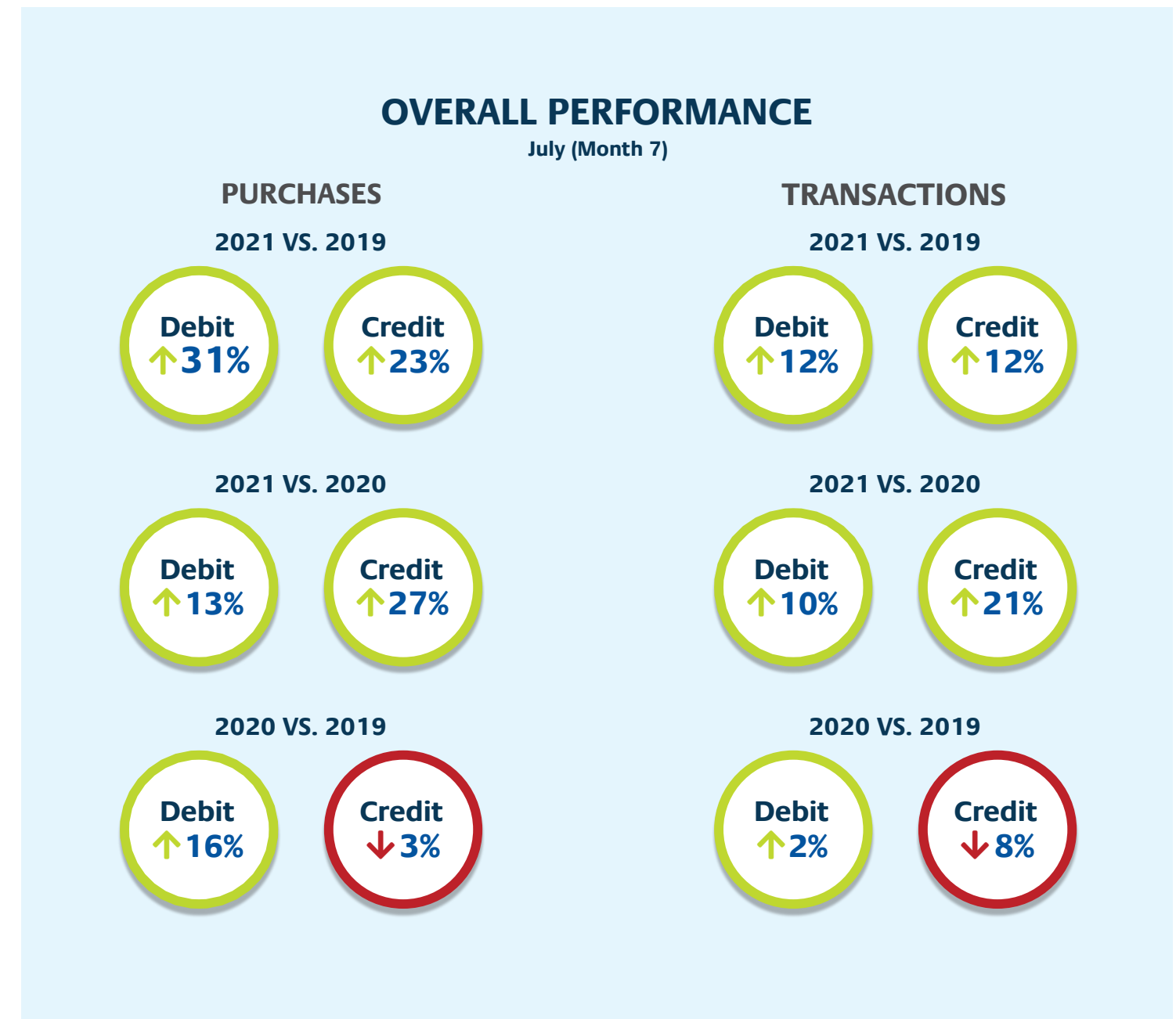
MONTHLY PERFORMANCE

With no dramatic fluctuations in consumer behavior for a second straight month among our same-store population in July, consumers remain resilient and show strong spending. Despite continued uncertainty surrounding the economic impacts of the pandemic, from dramatically rising hospitalizations and lagging vaccination rates to the ebbs and flows of several pandemic-related government benefits, consumers continue to spend more – although many are taking a more tentative approach.

According to [data released](#) by the Labor Department on August 11, the Consumer Price Index (CPI) rose 0.5% in July to 5.4% year over year, marking its highest growth in 30 years. The continued increase in housing costs, including rent and home prices, poses a substantial threat to inflation and is being closely watched by both the Fed and the White House.

As of August 13, the [CDC reports](#) that 61% of the U.S. adult population is fully vaccinated against COVID-19 and 71.5% have had at least one dose, reaching President Biden’s goal of 70% just over one month late. The seven-day average of [daily cases](#) in the U.S. has increased to 110,000 – seven times the daily infection rate of 15,500 that we reported on in last month’s Payment Index. This surge is fueled by the rampant spread of the [Delta variant amongst the unvaccinated](#), especially in portions of the Midwest, the West and the South.

The Bureau of Labor Statistics [reported](#) on August 6 that job creation for July was 943,000, above the June number. 253,000 of the new jobs came in the restaurant and bar industries, where we focus this month’s Deep Dive. The July overall unemployment rate improved a half a percentage point, dropping to 5.4%, and the Department of Labor [reported](#) new claims for unemployment benefits dropped by 4,000 for the week, finishing at 385,000 for the week ending July 31.



KEY TAKEAWAYS

- July CPI-U remained at a 13-year high of 5.4% annually. [Increasing housing costs](#) – including rising rent and home prices – collectively pose a substantial threat to inflation and are being closely watched by both the Fed and the White House. On a positive note, while the annual July CPI-U remained the same from June, the July impact to the annual metric was the smallest in the past 15 months, posting at 0.5%.
- While no dramatic fluctuations in consumer behavior were seen for the second straight month, consumers remained resilient with strong spending. At the same time, the impact of the Delta variant, along with other economic influences like the stopping and re-starting of government assistance programs, are intersecting to create underlying uncertainty for consumers.
- Restaurants (this month's Deep Dive) saw purchases up 28% for debit and 26% for credit compared to July 2019. Within the Restaurant sector, [the rebound to in-person dining is being met with mixed sentiment](#), with a much more pronounced return to restaurants among younger generations. For July, the Gen Z population (ages 18-22) had the biggest increase in spending compared to 2019, with debit purchases up 66% and credit purchases up 72%. Baby Boomers and above had modest growth, with debit purchases up 5% and credit purchases up 9% compared to 2019.
- Credit card portfolio balances (for our same-store population) in July 2021 held steady, with a 0.2% increase. These balances are down 13% compared to the pre-pandemic July 2019 timeframe, an improvement of 1 percentage point compared to June.
- Card Present volume remains steady from June to July 2021 for both credit and debit while still trailing Card Not Present growth.



Signs of economic recovery continued as consumer spending remained strong throughout July, despite the uncertainty brought forth by the recent surge of the Delta variant. While all merchant categories experienced growth, the mix of spend has shifted. In this month's Deep Dive, we revisit the Restaurant sector, where the rebound has been much more pronounced from younger generations, with the largest increase in spending across debit and credit coming from the Gen Z population. These digital natives are also avid users of mobile wallets, which have experienced triple-digit usage growth over the past two years. As many restaurants adopted these digital payment technologies during the pandemic, it increased efficiency and consumer spending across this sector.

— *Cindy McGinness, Vice President, Digital Experience at PSCU*

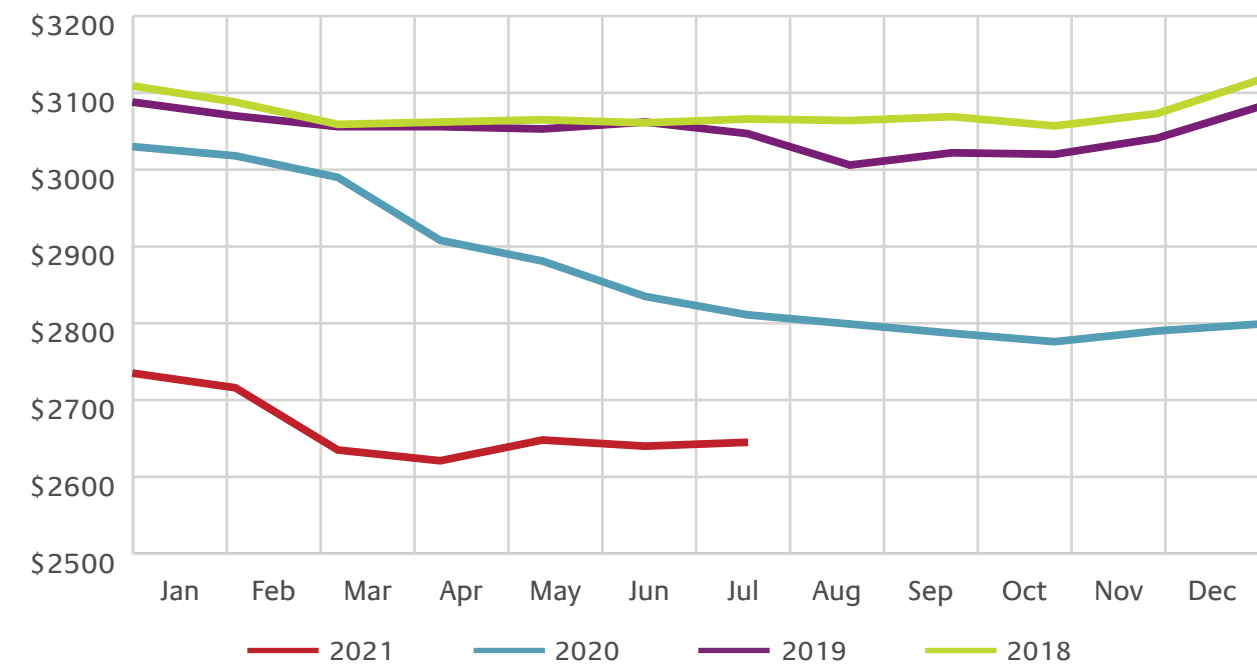
CREDIT CARD ACCOUNT BALANCES

Average credit card account balances (for our same-store population) held steady for July 2021 with a 0.2% increase. Additional findings of note in PSCU's same-store population include:

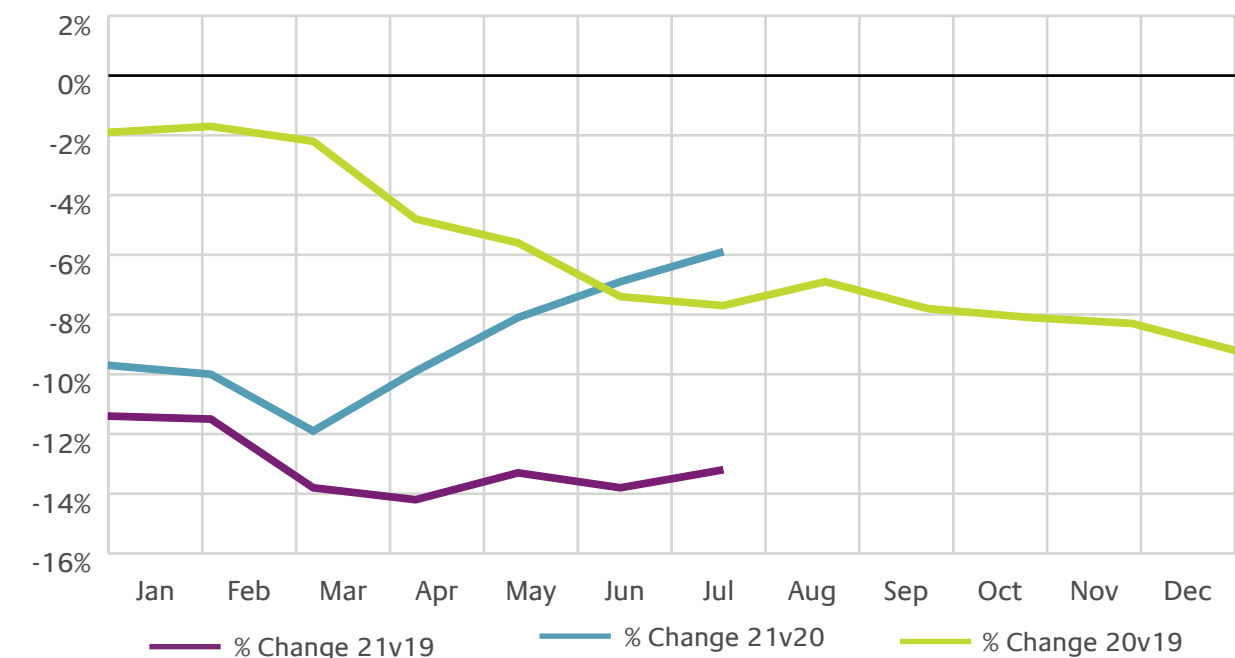
- The average credit card balance per gross active account is \$2,645, up \$5 from June 2021.
- Year-over-year average credit card account balances (July 2021 vs. July 2020) have dropped 6%, or \$166.
- Compared to July 2019, average credit card account balances have dropped 13%, or \$402.

PSCU's Advisors Plus Consulting forecasts that credit card balances will increase by approximately 2% by the end of 2021. We continue to anticipate modest growth in credit card balances as fall approaches, following the expiration of federal unemployment benefits, higher inflation and continued strength in purchase volumes, which could be offset through the extension of the eviction moratorium and student loan forbearance. All sectors except Travel are exhibiting double-digit growth in credit card purchases for July 2021 as compared to the pre-pandemic July 2019 timeframe. Travel is almost back to 2019 levels, down by just 1%.

AVERAGE CREDIT CARD BALANCES PER GROSS ACTIVE ACCOUNT
July (Month 7)



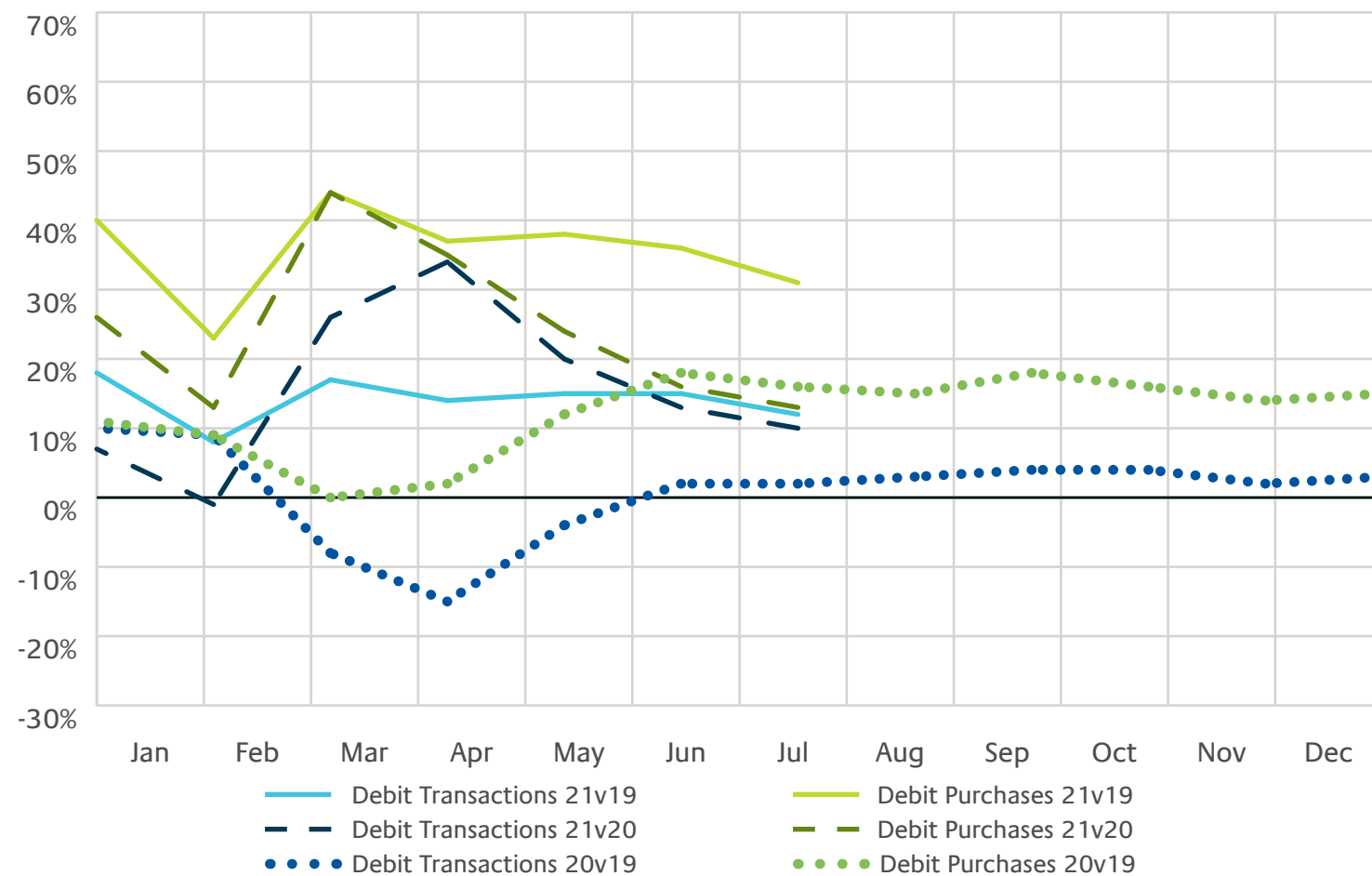
PERCENTAGE CHANGE IN AVERAGE CREDIT CARD BALANCES
July (Month 7)



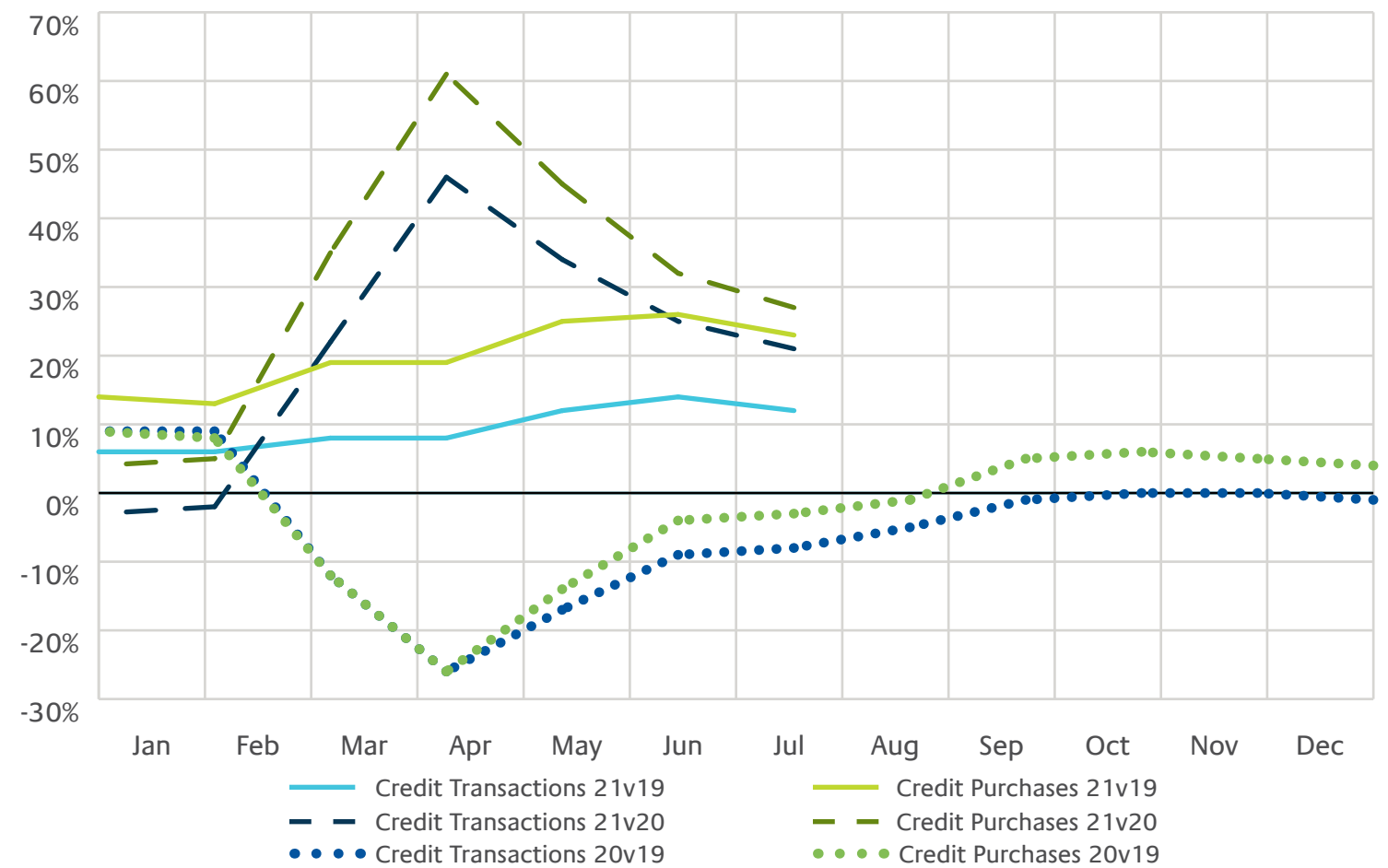
CREDIT AND DEBIT CARDS

While July 2021 continued to show strong performance in overall consumer spending for both credit and debit card payments, there was some softening from the June results. In July 2021, debit purchases were up 31% and credit purchases were up 23% compared to July 2019. As PSCU has reported over the past 17 months, the rebound to pre-pandemic spending patterns continues to vary by card product and sector, with some improving to historic levels and others still elevated from pre-pandemic levels. With the easing of restrictions from the spring, consumers have returned to dine-in and fast food restaurants, as well as bars and taverns. This month's Deep Dive revisits the Restaurant sector, including purchasing performance by age demographics contributing to the speed of the recovery.

DEBIT ACTIVITY
July (Month 7)



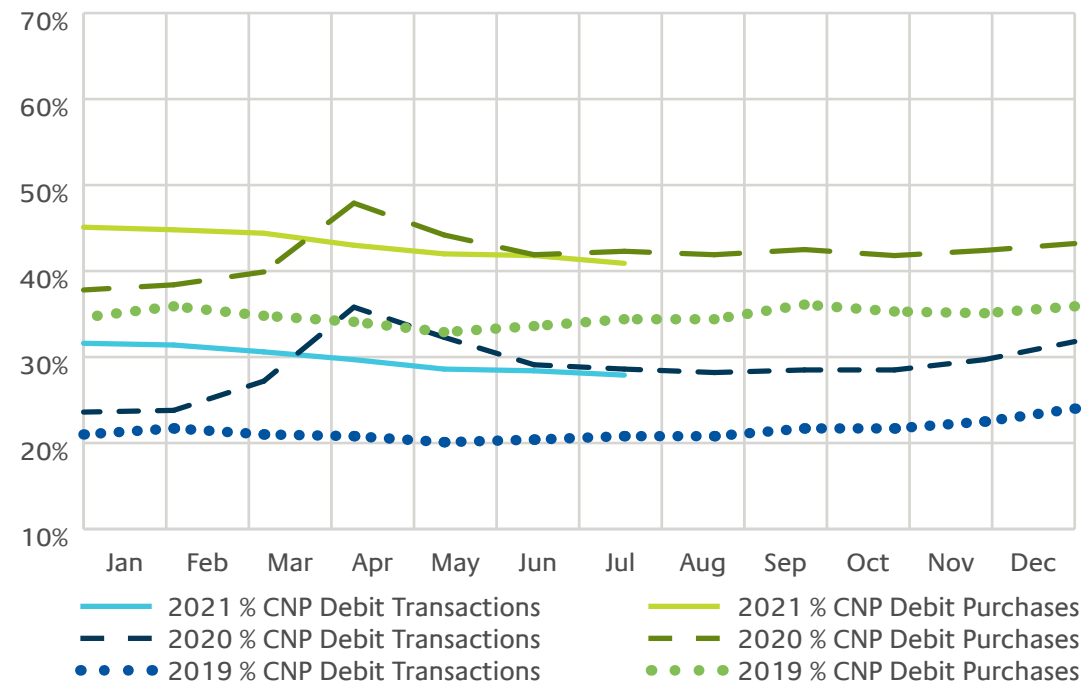
CREDIT ACTIVITY
July (Month 7)



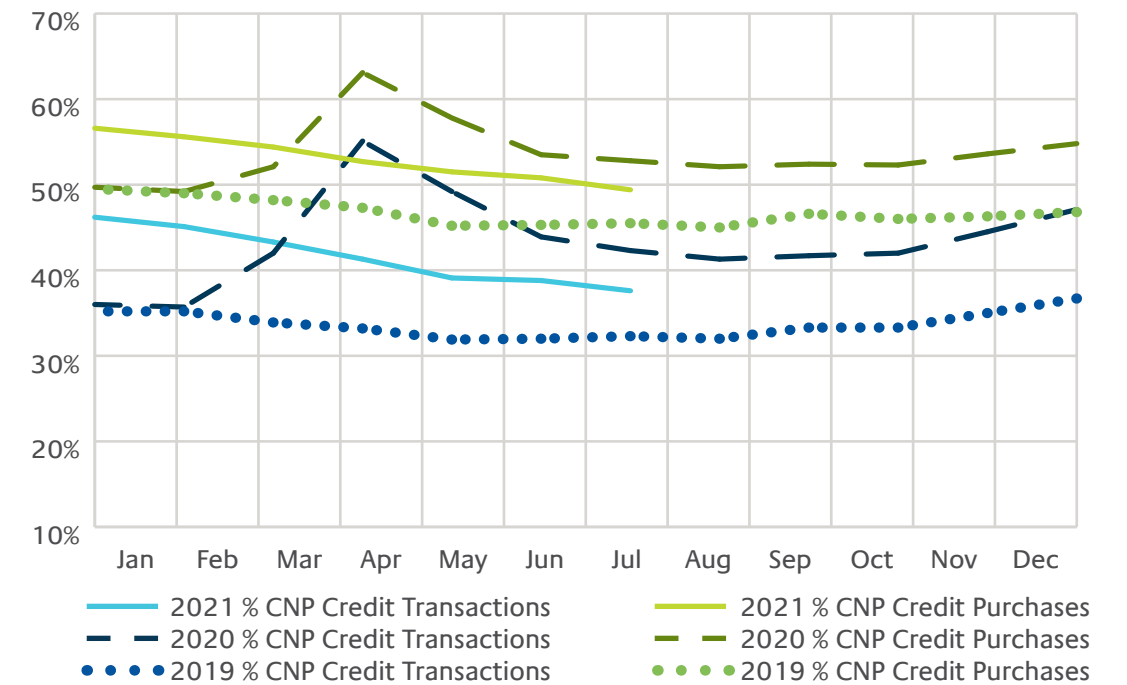
CARD NOT PRESENT (CNP) & CARD PRESENT (CP) ACTIVITY

July 2021 Card Not Present (CNP) debit purchases represented 41% of all purchases, up seven percentage points from July 2019. CNP credit purchases represented 49% of overall credit purchases in July 2021, up three percentage points from June 2019. We continue to see increases in Card Present (CP) activity, with CP debit transactions for July 2021 up 11% compared to 2020 and up 2% compared to 2019. CP credit transactions were up 31% for June 2021 compared to 2020 and up 3% compared to 2019.

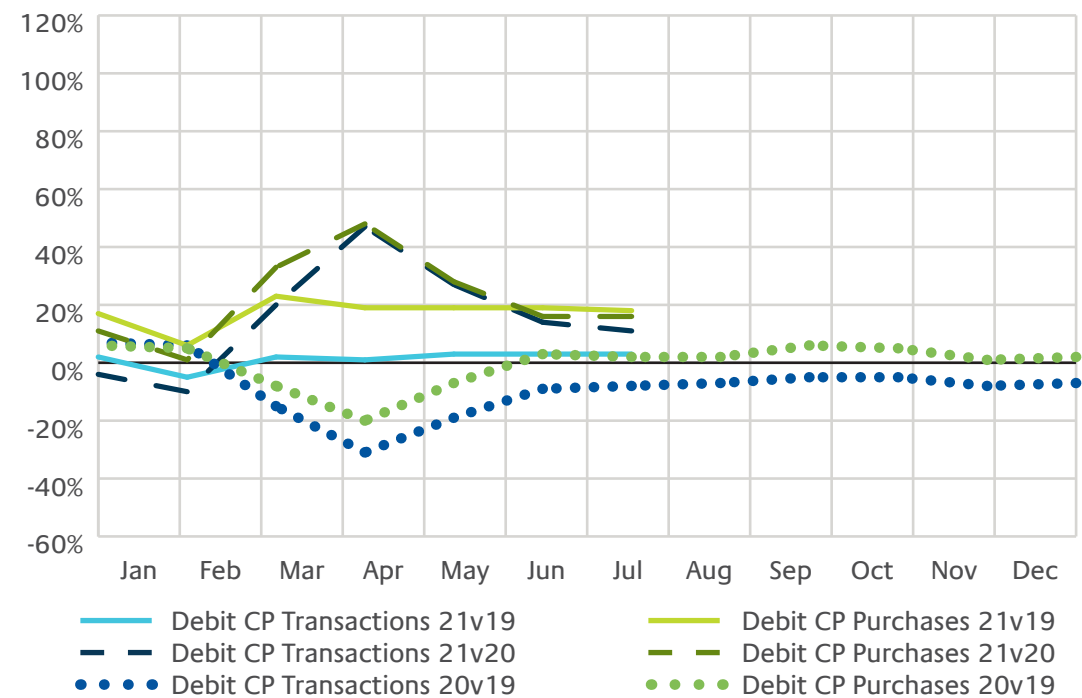
% DEBIT ACTIVITY CNP
July (Month 7)



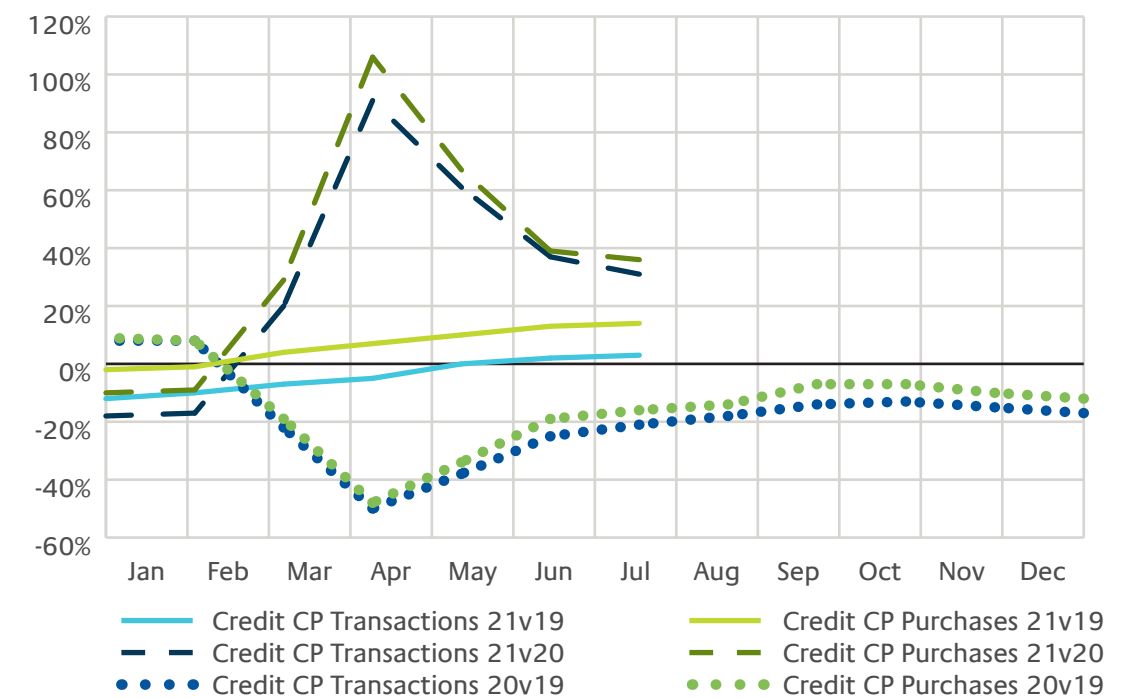
% CREDIT ACTIVITY CNP
July (Month 7)



% CHANGE IN CP DEBIT ACTIVITY
July (Month 7)



% CHANGE IN CP CREDIT ACTIVITY
July (Month 7)

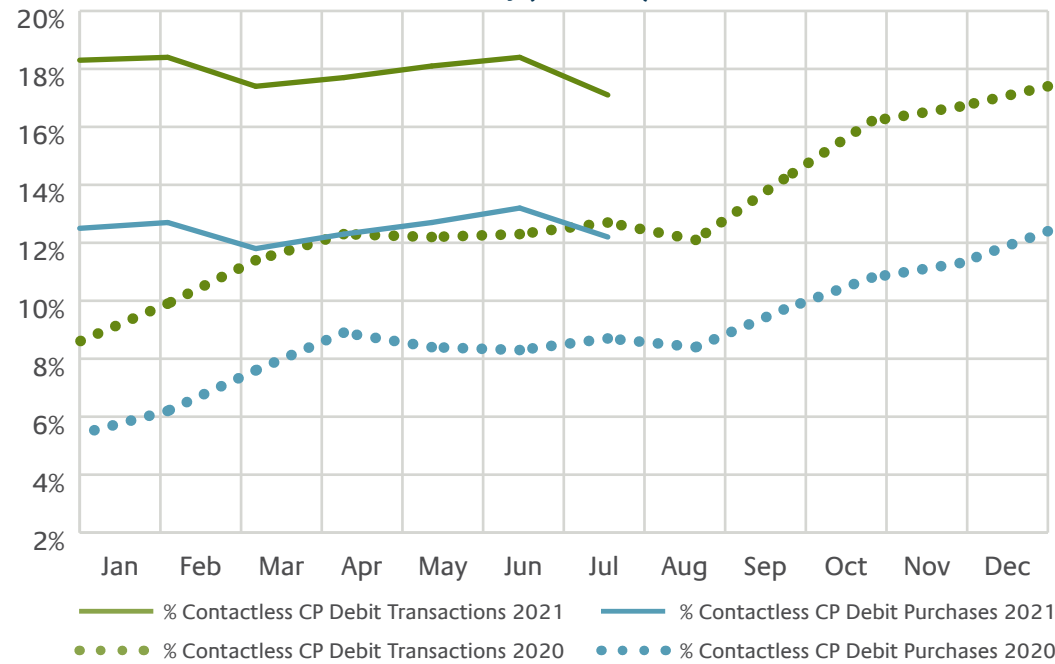


CONTACTLESS TRANSACTIONS

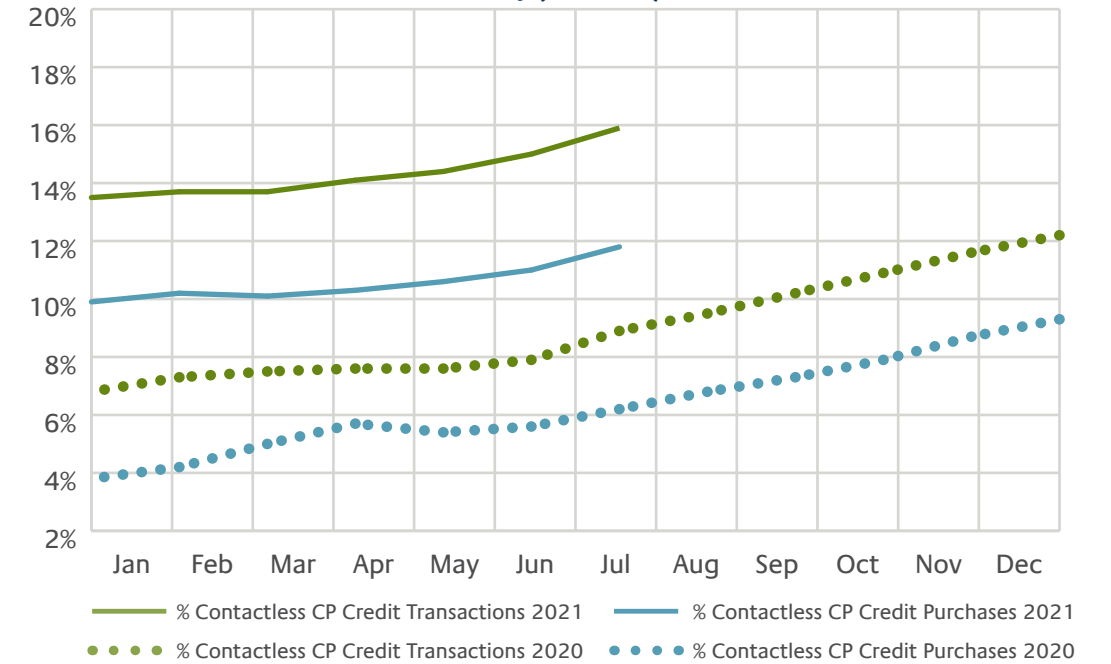
Usage of contactless cards continues to grow. In July 2021, contactless tap-and-go debit transactions were 17% of total Card Present volume, compared to 13% in July 2020. For credit, contactless tap-and-go transactions also remained strong at 16% in July 2021, compared to 9% in July 2020.

As contactless transactions have continued to replace cash for smaller purchases, the average contactless purchase remains well below the non-contactless card purchase. For July 2021, the average debit contactless purchase was \$23.33 and the average credit contactless purchase was \$42.62.

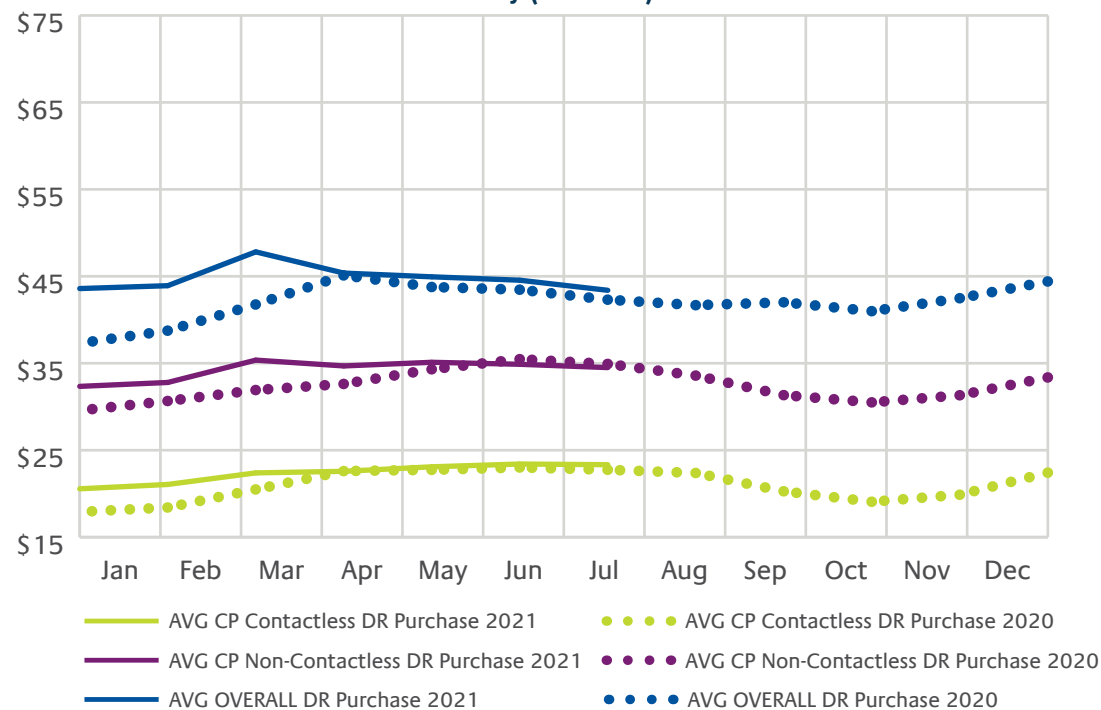
CONTACTLESS DEBIT ACTIVITY July (Month 7)



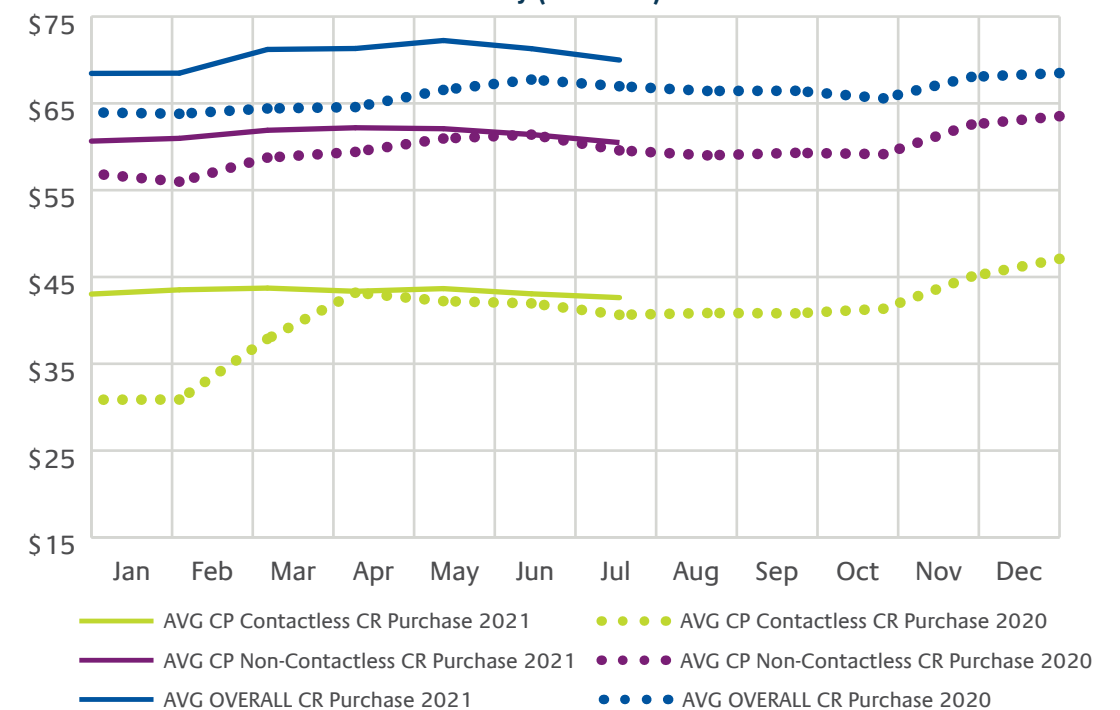
CONTACTLESS CREDIT ACTIVITY July (Month 7)



CONTACTLESS DEBIT AVERAGE PURCHASE July (Month 7)



CONTACTLESS CREDIT AVERAGE PURCHASE July (Month 7)



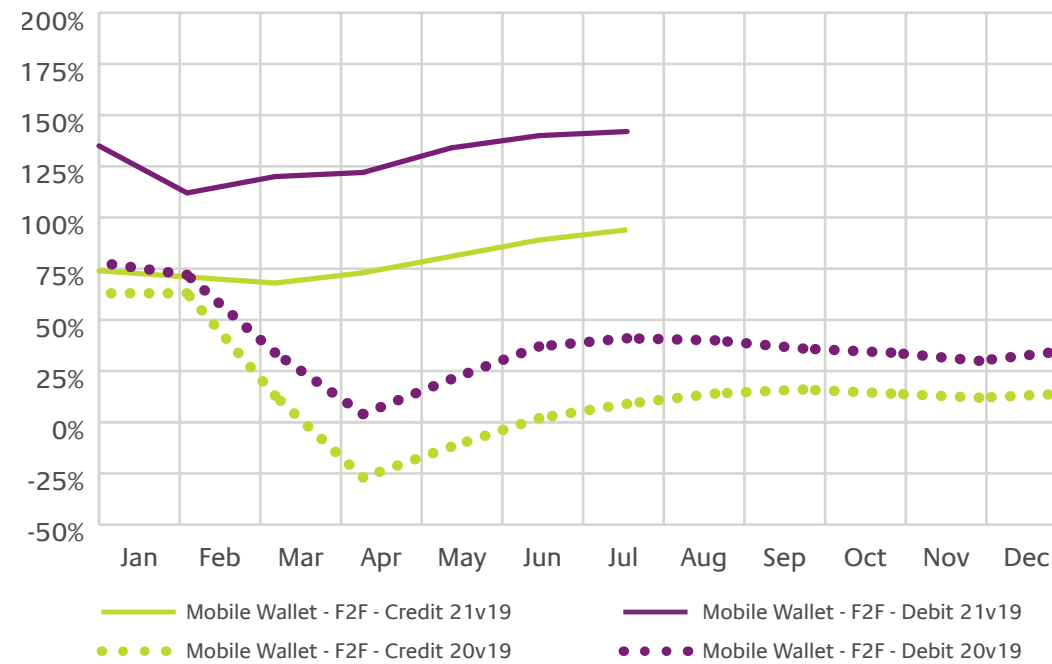
MOBILE WALLETS

Mobile Wallets continue to see an increase in usage since the start of 2021, especially for debit. Debit Mobile Wallet transactions finished July up 142% compared to 2019, reflecting two years of growth, and up 72% compared to 2020. Purchases were up a bit higher than transaction volumes, with growth on total Mobile Wallet purchases up 194% for debit and 137% for credit compared to 2019. Average purchase size has increased from \$14.73 in July 2019 to \$18.30 in July 2021, an increase of 24%.

For Mobile Wallet credit activity, year-over-year growth in transaction volume has remained strong, up 94% for July 2021. Credit Mobile Wallet purchases were up 137% for July compared to 2019. The average Mobile Wallet credit purchase increased by \$5.57 in July to \$31.02, up compared to 2019 by 22%.

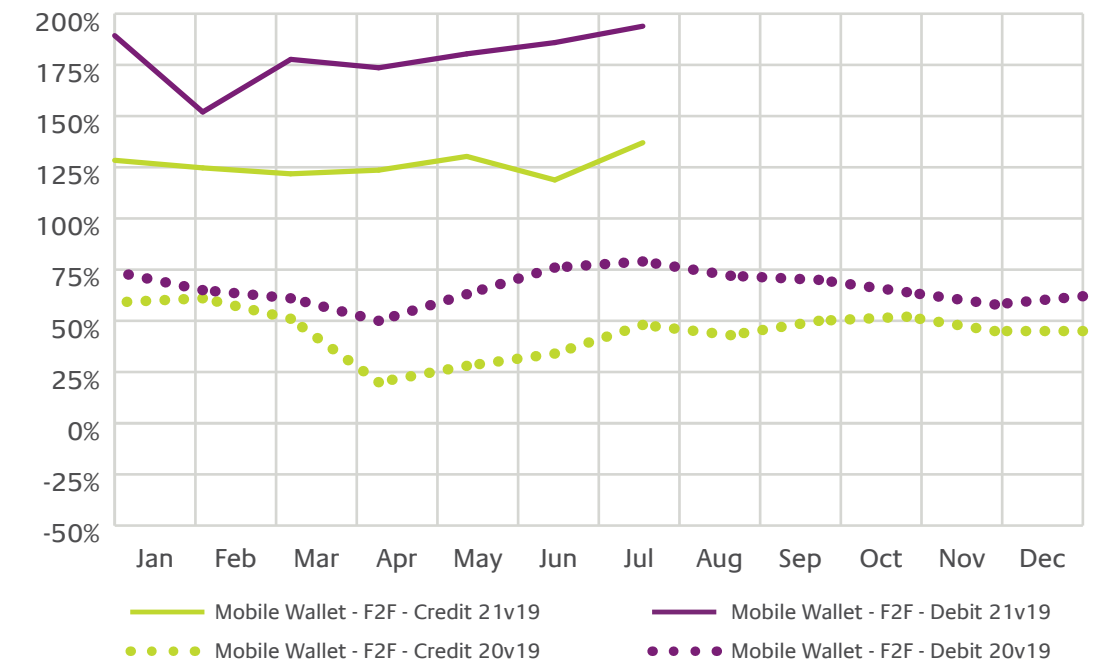
MOBILE WALLET TRANSACTIONS (2019 BASELINE)

July (Month 7)



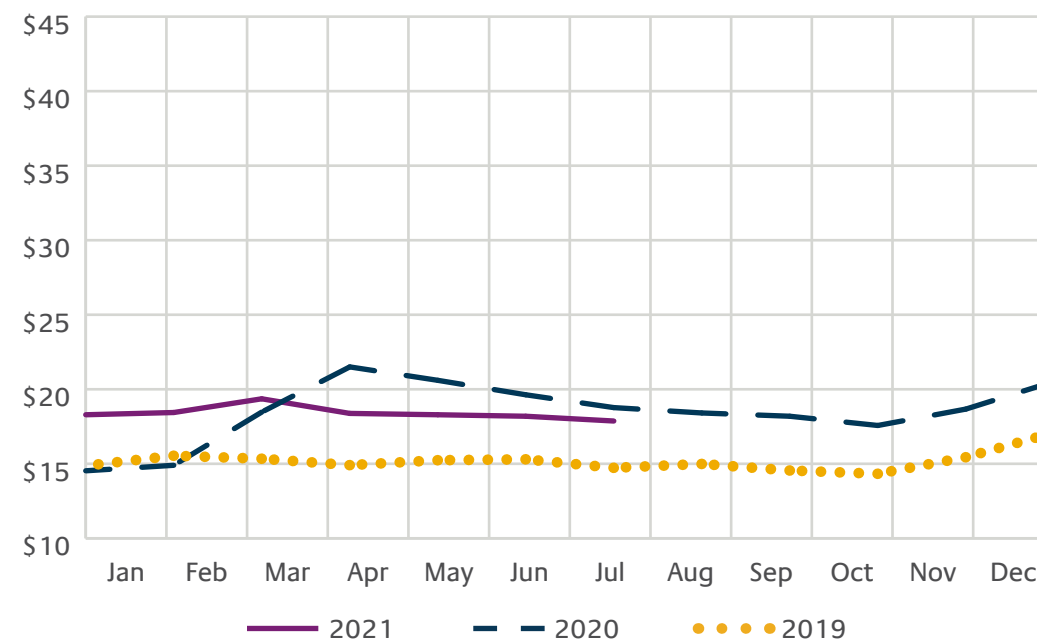
MOBILE WALLET PURCHASES (2019 BASELINE)

July (Month 7)



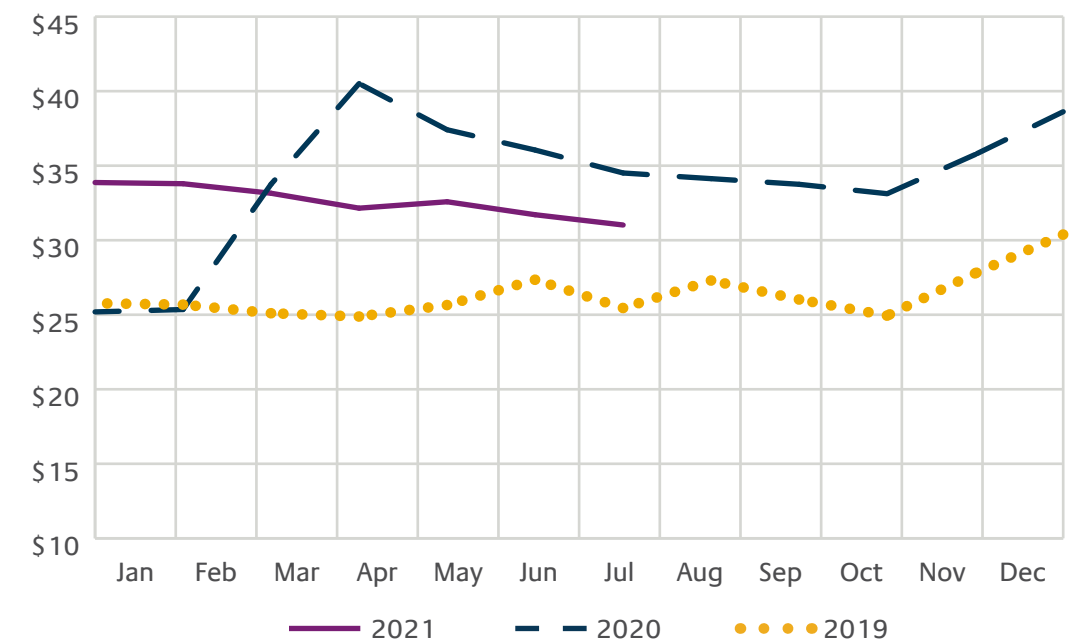
MOBILE WALLET DEBIT AVERAGE PURCHASE

July (Month 7)



MOBILE WALLET CREDIT AVERAGE PURCHASE

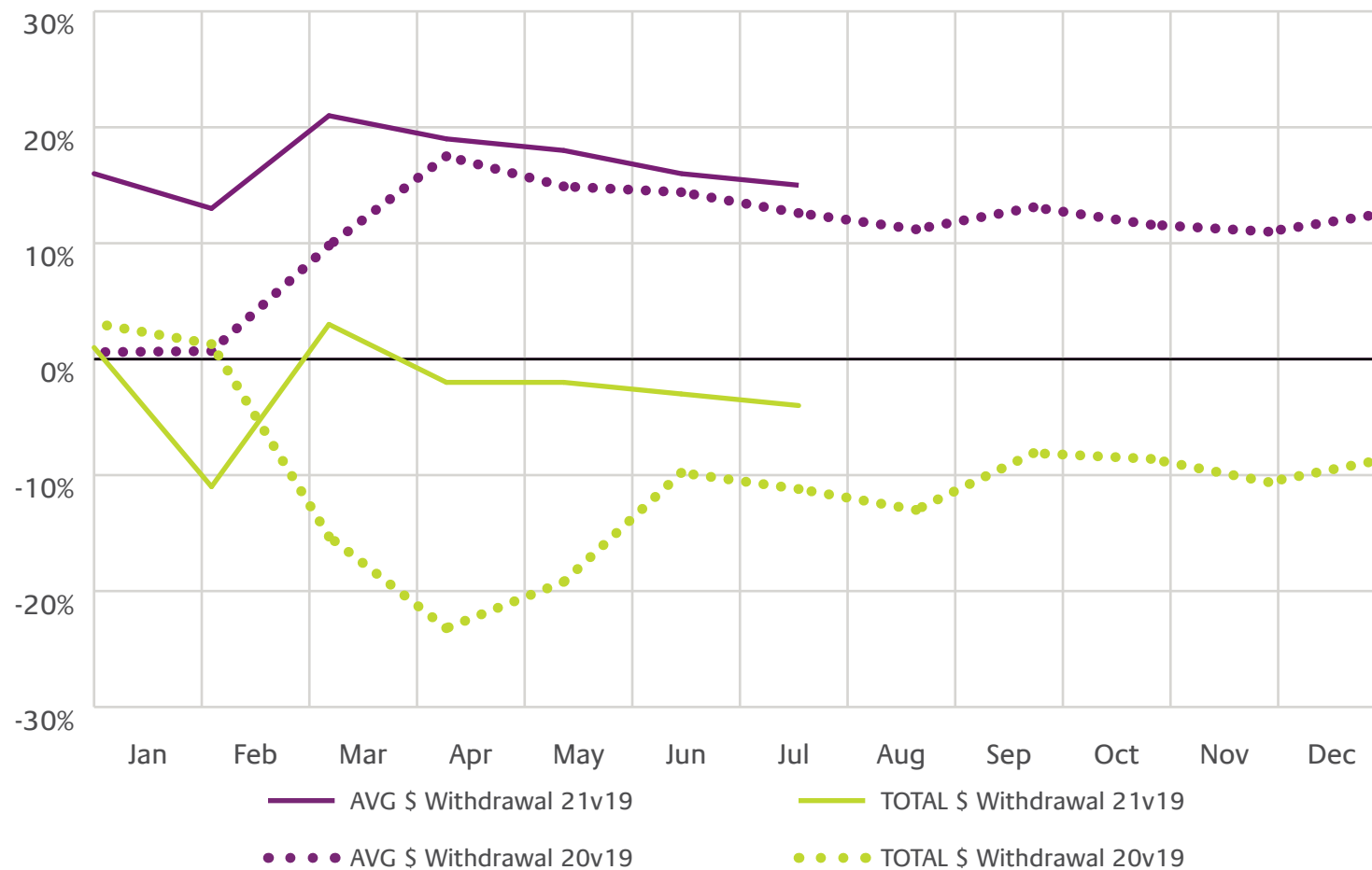
July (Month 7)



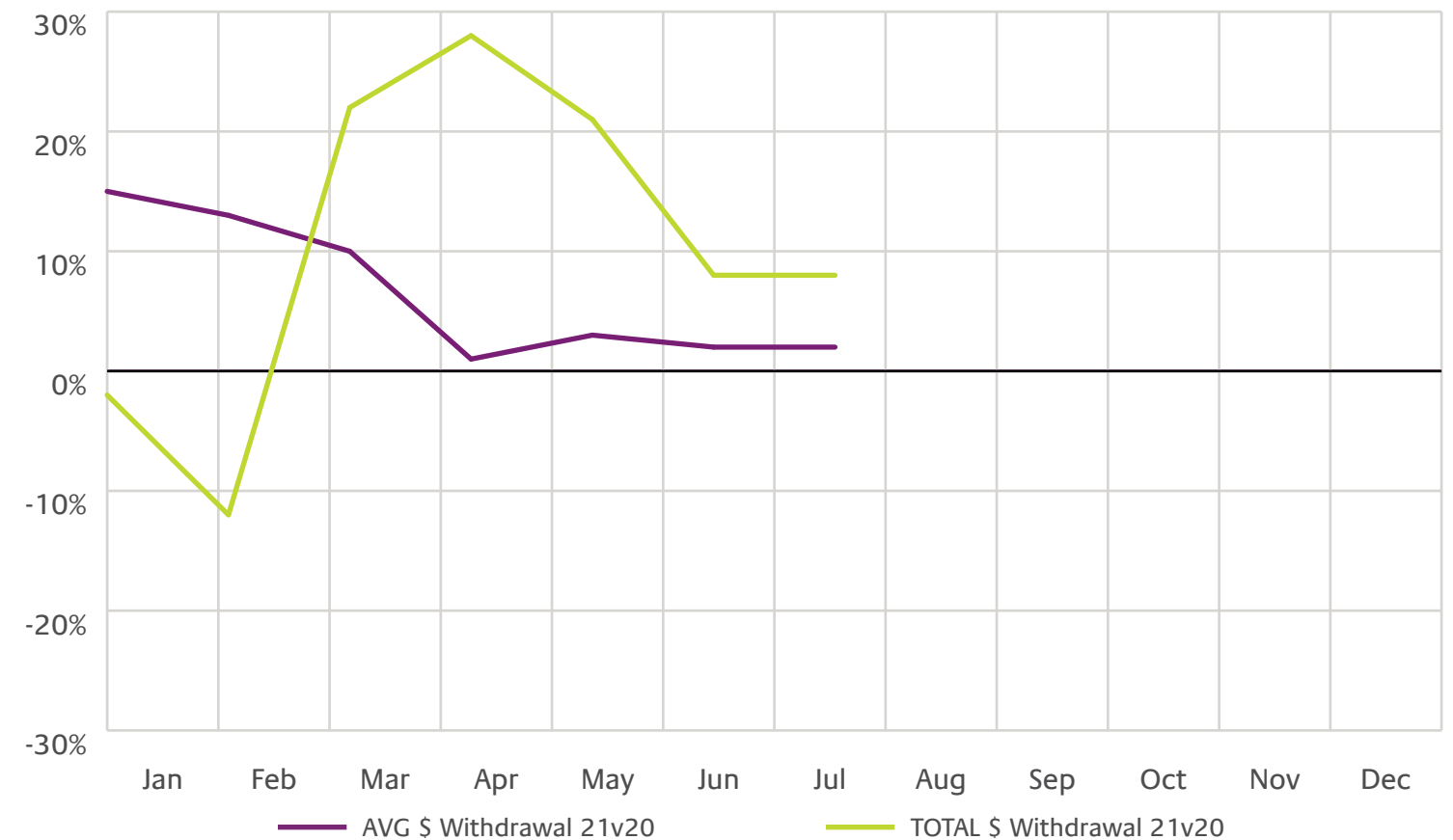
ATM

While ATM transaction volume remains low, we continue to see an increase in the average amount withdrawn per transaction. For July 2021, the total cash withdrawn remained below the baseline levels of July 2019 by 4%, but was above the July 2020 levels by 8%. The average monthly cash withdrawn was close to July 2020 levels, finishing up by 2% at \$141, which was 15% higher than average ATM cash withdrawn in July 2019.

ATM MONTHLY WITHDRAWALS (2019 BASELINE)
July (Month 7)



ATM MONTHLY WITHDRAWALS (2020 BASELINE)
July (Month 7)



SECTORS/MERCHANT CATEGORIES

For debit purchases, every sector again remained above its respective 2019 baseline for July 2021 results. Grocery Stores and Drug Stores, which both experienced a tremendous surge at the start of pandemic, were each down by 1% in July when comparing their July 2021 results to 2020. As the Restaurant sector has rebounded, we can see that growth in grocery has been impacted accordingly.

For credit purchases, Travel again remains the only sector below 2019 levels for July, finishing just under the pre-pandemic timeframe at -1%. Travel, Entertainment and Restaurants – sectors that operate around people socializing, often in larger groups – saw the largest increases in credit purchases as compared to July 2020. Year-over-year credit purchases were up for July 2021 for these sectors by 150%, 142% and 72%, respectively.



DRUG STORES July (Month 7)

	Credit	Debit
2021 v 2019	14%	9%
2021 v 2020	10%	-1%
2020 v 2019	4%	10%



ENTERTAINMENT July (Month 7)

	Credit	Debit
2021 v 2019	12%	28%
2021 v 2020	142%	107%
2020 v 2019	-54%	-38%



GASOLINE July (Month 7)

	Credit	Debit
2021 v 2019	21%	19%
2021 v 2020	64%	35%
2020 v 2019	-26%	-12%



GOODS July (Month 7)

	Credit	Debit
2021 v 2019	32%	41%
2021 v 2020	12%	3%
2020 v 2019	18%	37%



GROCERIES July (Month 7)

	Credit	Debit
2021 v 2019	22%	9%
2021 v 2020	64%	-1%
2020 v 2019	15%	10%



RESTAURANTS July (Month 7)

	Credit	Debit
2021 v 2019	26%	28%
2021 v 2020	72%	30%
2020 v 2019	-27%	-1%



SERVICE July (Month 7)

	Credit	Debit
2021 v 2019	24%	29%
2021 v 2020	17%	14%
2020 v 2019	6%	14%



TRAVEL July (Month 7)

	Credit	Debit
2021 v 2019	-1%	19%
2021 v 2020	150%	68%
2020 v 2019	-60%	-29%



UTILITIES July (Month 7)

	Credit	Debit
2021 v 2019	22%	28%
2021 v 2020	16%	7%
2020 v 2019	6%	20%

DEEPER DIVE: RESTAURANTS

Restaurants were greatly affected by the economic downturn from COVID-19 and, until March 2021, when more consistent growth rates emerged. (While debit saw growth a bit earlier, we had not seen positive growth rates for credit until March 2021). For July, debit purchases in this sector were up 28% compared to 2019 and up 26% for credit purchases.

Both fast food and dine-in Restaurants were experiencing strong mid- to high-20 percent increases in purchases compared to the pre-pandemic 2019 timeframe for both credit and debit.



RESTAURANTS OVERALL

July (Month 7)

	Credit	Debit
2021 v 2019	26%	28%
2021 v 2020	72%	30%
2020 v 2019	-27%	-1%



EATING PLACES

July (Month 7)

	Credit	Debit
2021 v 2019	23%	29%
2021 v 2020	81%	38%
2020 v 2019	-32%	-7%



FAST FOOD

July (Month 7)

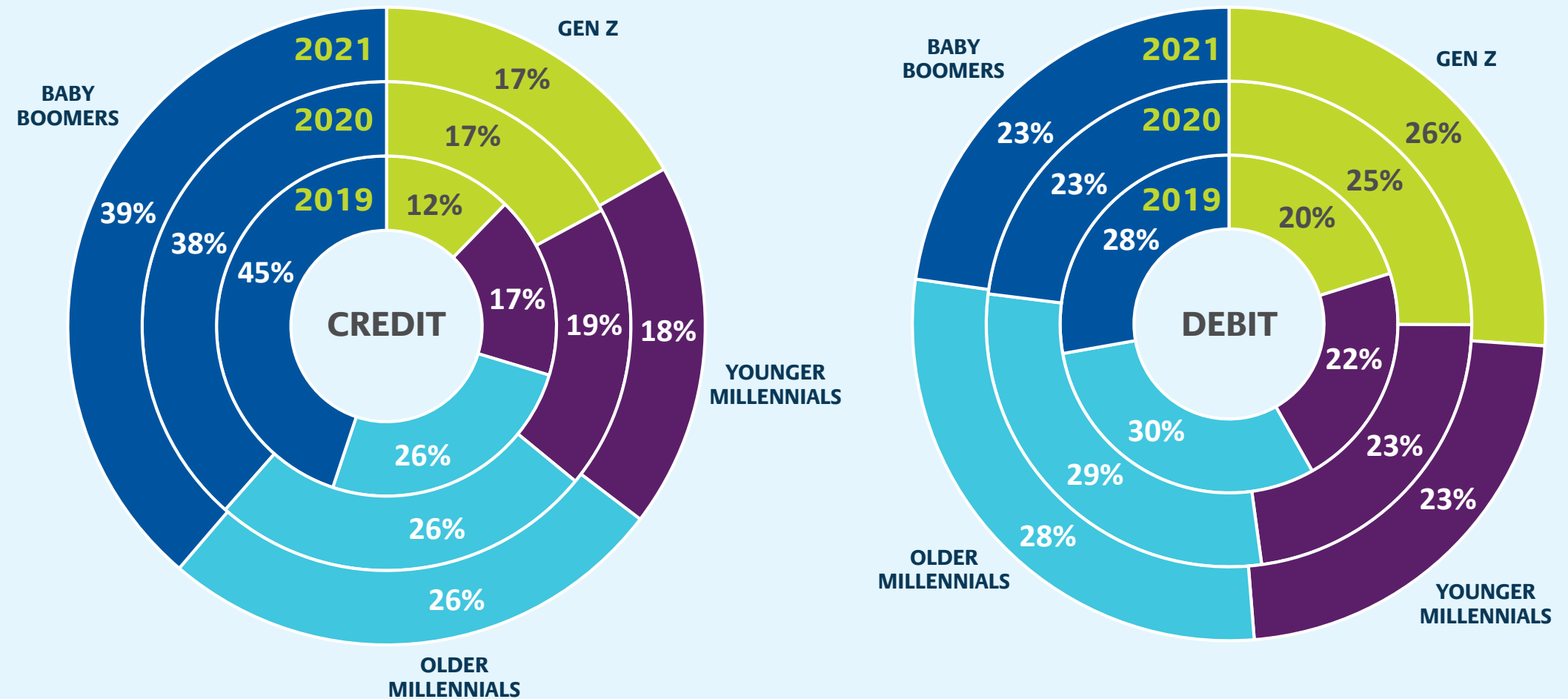
	Credit	Debit
2021 v 2019	28%	24%
2021 v 2020	39%	15%
2020 v 2019	-8%	8%



Within Restaurants, the rebound is much more pronounced for the younger generations. For July, the Gen Z population (ages 18-22) had the biggest increase in spending compared to 2019 with debit purchases up 66% and credit purchases up 72%. The Baby Boomers and above had more modest growth with debit purchases up 5% and credit purchases up 9% compared to 2019. Boomers still account for the majority of restaurant purchases on credit cards (39% for July 2021), which was down from 45% of total restaurant spend in July 2019. For debit purchases, the mix was a bit more evenly split between the four age groups, with Older Millennials and Gen Z remaining the largest at 28% and 26%, respectively.

RESTAURANT PURCHASES BY AGE GROUP

July (Month 7)



RESTAURANT PURCHASES

2021 V 2019

July (Month 7)

	Credit	Debit
Gen Z	72%	66%
Younger Millennials	34%	34%
Older Millennials	28%	20%
Boomers+	9%	5%

While representing a small subset of the sector, Bars and Taverns saw the largest growth in spending for July compared to 2019 and 2020. For July, debit purchases in Bars were up 72% compared to 2019 and up 58% for credit purchases.

In comparing 2021 versus 2020, we saw that the percentage increases on credit purchases were approximately double those of debit purchases consistently across all age demographics. This is a result of high debit card usage from the onset of the pandemic (where debit had a higher starting point) and an increase in credit card usage, driven in part by the return to more expensive in-person dining, now in the summer of 2021.

We will continue to monitor this influential sector, as the impacts of the Delta variant could temper growth in the coming weeks and months.

RESTAURANT PURCHASES 2021 V 2020

July (Month 7)

	Credit	Debit
Gen Z	69%	35%
Younger Millennials	70%	29%
Older Millennials	74%	27%
Boomers+	73%	28%



RESTAURANT PURCHASES 2020 V 2019

July (Month 7)

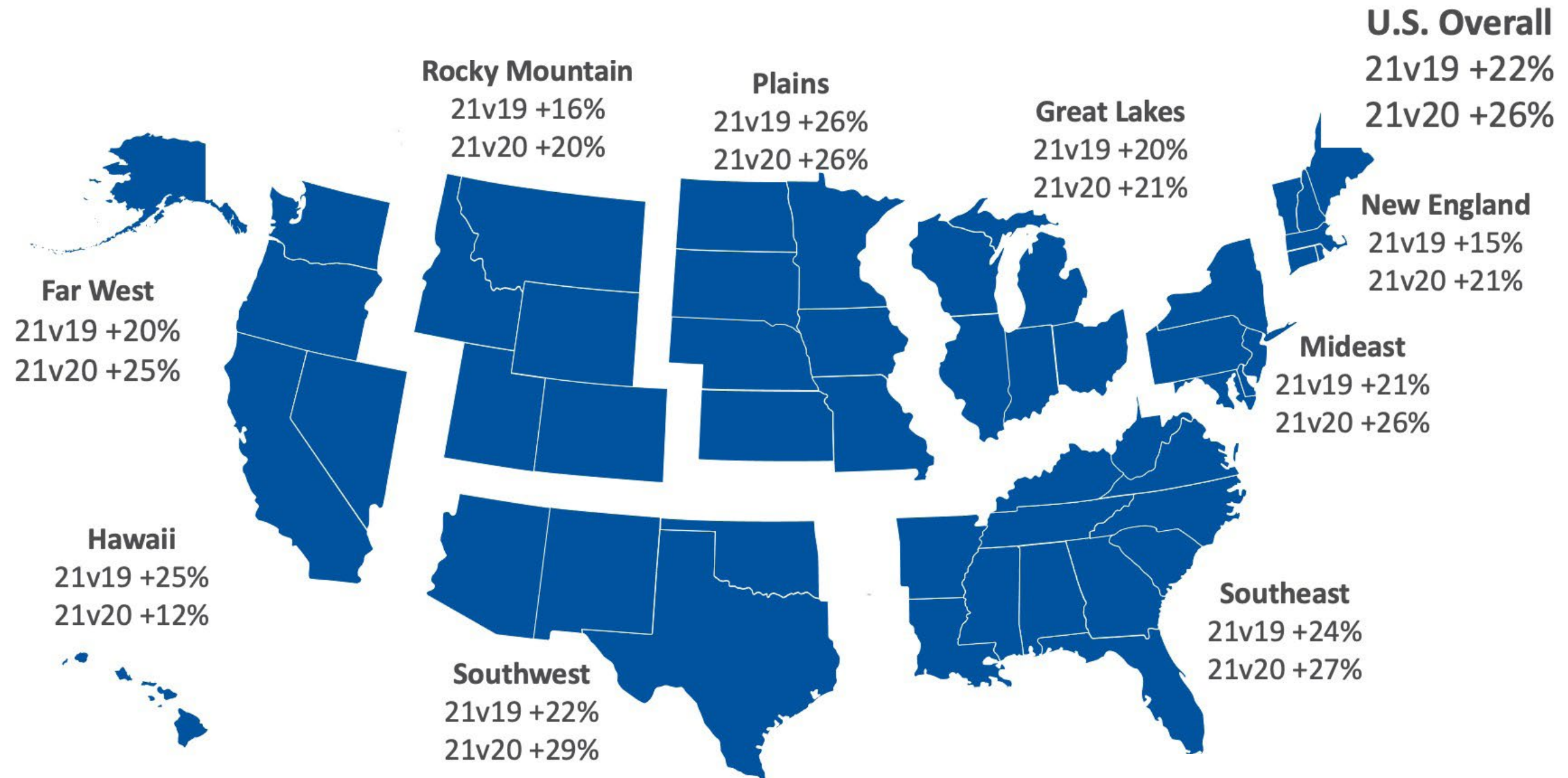
	Credit	Debit
Gen Z	2%	23%
Younger Millennials	-21%	4%
Older Millennials	-27%	-5%
Boomers+	-37%	-18%



REGIONAL STATE LEVEL PURCHASE DOLLARS – CREDIT

JULY (MONTH 7)

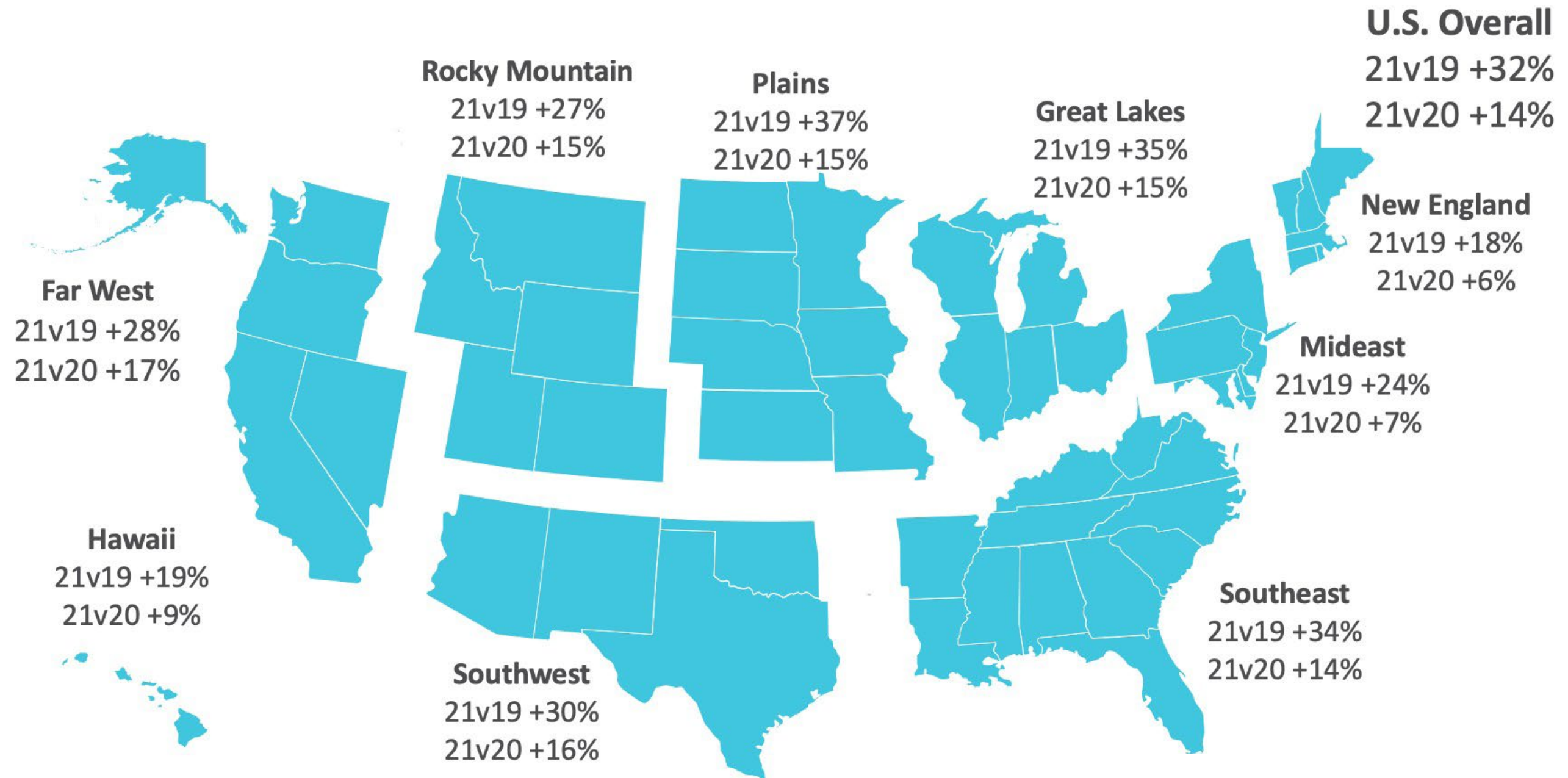
Our regional analysis of spend utilizes the segmentation used by the U.S. Bureau of Economic Analysis ([BEA](#)) for economic analysis.



REGIONAL STATE LEVEL PURCHASE DOLLARS – DEBIT

JULY (MONTH 7)

Our regional analysis of spend utilizes the segmentation used by the U.S. Bureau of Economic Analysis ([BEA](#)) for economic analysis.



MONTHLY U.S. STATE/TERRITORY USAGE FOR MONTH 7, JULY 2021 VS 2019

The following list of U.S. states, districts and territories highlight the year-over-year changes on credit card purchases, debit card purchases and ATM transactions for PSCU Owner credit unions. This month highlights the changes for Month 7, comparing the results of 2021 to 2019. The location results refer to the home address of the member conducting the transaction, and not the location of the transaction. The output represents 'same store' transactions, so the same credit unions are in both sets of data, for both 2019 and 2020. Each month, the percentage changes are sorted from highest to lowest in their respective categories and ranked with the highest being number 1, and the lowest as number 54.

Location	Credit Purchases	Credit Rank	Debit Purchases	Debit Rank	ATM Transactions	ATM Rank
Alabama	19%	31	39%	11	-5%	14
Alaska	19%	33	17%	44	-17%	34
Arizona	26%	12	30%	31	-10%	21
Arkansas	15%	40	13%	51	-27%	48
California	15%	41	28%	36	-15%	28
Colorado	10%	50	16%	47	-18%	38
Connecticut	14%	43	32%	26	-5%	11
Delaware	22%	21	29%	32	-18%	39
District of Columbia	7%	54	37%	15	-8%	16
Florida	25%	15	31%	30	-13%	25
Georgia	25%	14	33%	25	-17%	35
Guam	32%	6	34%	18	-4%	7
Hawaii	12%	46	19%	42	-29%	49
Idaho	25%	13	34%	19	-17%	36
Illinois	18%	35	32%	28	-5%	13
Indiana	19%	30	35%	17	7%	4
Iowa	22%	24	64%	2	-19%	40
Kansas	23%	19	39%	12	11%	3
Kentucky	21%	26	45%	5	-10%	19
Louisiana	42%	4	37%	14	-8%	17
Maine	38%	5	16%	45	-32%	50
Maryland	11%	47	35%	16	-16%	32
Massachusetts	11%	48	13%	50	-20%	41
Michigan	23%	20	44%	6	-20%	42
Minnesota	29%	9	39%	10	-7%	15
Mississippi	47%	3	47%	4	-9%	18
Missouri	16%	39	28%	37	-12%	23

Location	Credit Purchases	Credit Rank	Debit Purchases	Debit Rank	ATM Transactions	ATM Rank
Montana	18%	36	39%	9	-3%	6
Nebraska	23%	17	-4%	54	-35%	52
Nevada	13%	44	14%	49	-14%	27
New Hampshire	16%	38	17%	43	-14%	26
New Jersey	10%	49	16%	46	-24%	47
New Mexico	19%	32	34%	21	29%	2
New York	20%	29	1%	53	-38%	54
North Carolina	32%	7	28%	38	-22%	45
North Dakota	8%	53	29%	33	-5%	12
Ohio	21%	27	33%	22	-11%	22
Oklahoma	14%	42	26%	39	-16%	33
Oregon	29%	10	39%	13	-2%	5
Pennsylvania	28%	11	33%	23	-15%	31
Puerto Rico	87%	1	67%	1	-5%	10
Rhode Island	20%	28	21%	41	-24%	46
South Carolina	31%	8	44%	7	-17%	37
South Dakota	23%	18	15%	48	-20%	43
Tennessee	18%	34	41%	8	-12%	24
Texas	24%	16	29%	34	-15%	30
Utah	8%	52	10%	52	-38%	53
Vermont	10%	51	22%	40	-33%	51
Virgin Islands	12%	45	34%	20	-21%	44
Virginia	16%	37	31%	29	-5%	8
Washington	22%	23	32%	27	-10%	20
West Virginia	22%	22	29%	35	-15%	29
Wisconsin	21%	25	33%	24	-5%	9
Wyoming	51%	2	50%	3	53%	1



LOOKING AHEAD

As the Delta variant continues to spread, the FDA's expected full approval of the vaccine could boost confidence among the unvaccinated. The FDA also announced the approval of booster shots for the immunocompromised, while clinical trials are expanding for children ages 5 to 11 and emergency authorization for vaccines in this age group could come as early as the end of the year. Additionally, the U.S. Military and many companies – including United Airlines and Amtrak – are beginning to announce vaccines will soon be required for all military members and employees. These new policies come as the U.S. struggles with the new surge in infections and we will continue to monitor the impacts on consumer behavior.

As schools are re-opening for the fall throughout the country and most are back to offering in-person classes, [school masking requirements and choices vary state to state](#). These decisions will influence one of the

typical summer-time sales events: back-to-school sales. With some states having tax-free back-to-school shopping periods, we will take a closer look at those merchant categories that would have seen an impact.

Over the last several weeks, the starting and stopping of several programs with economic impact on the U.S. population will eventually influence consumer confidence and behavior as we transition from summer into the fall. These events include the [early expiration of federal unemployment benefits](#) by 26 states, starting with [the federal child tax credits on July 15](#), and the [ending](#) and [re-starting](#) of the moratorium on evictions. With the varying start and stop dates, coupled with the different regional timings, it will likely be some time before we can assess the true cumulative impact on consumer spending patterns.



ABOUT THE PSCU PAYMENTS INDEX

All credit unions included in the PSCU Payments Index dataset have been processing with PSCU from the start of 2019 through the most current week of 2021, enabling an accurate and relevant three-year same-store comparison (2019 vs. 2020 vs. 2021) for purchasing behaviors and data. In our previous weekly Transaction Insights reporting, the year-over-year comparisons were extracted from our data warehouse using the same population of credit unions, comparing each week year over year. Please note that as the Payments Index uses the same-store population across the entire three-year period, there may be slight differences in results if the Payments Index outputs are compared to past Transaction Insights reports.

For the “same-store” population of credit unions over the past rolling 12-month period, the August edition of the Payments Index represents a total of 2.4 billion transactions valued at \$117 billion of credit and debit card activity from August 2020 to July 2021.

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 1,500 credit unions representing more than 5.4 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](#).