Credit and debit spending continued to rebound in the first half of June, as businesses across the country began to reopen. Overall, the number of debit transactions was down 5 percent year-over-year but the total dollar amount of those transactions increased 10 percent. Similarly, credit transaction volume was down 3 percent, but the dollar amount increased 6 percent. According to the Federal Reserve, increased consumer spending might signal that we are moving into the “second phase” of economic recovery.

Looking at spending within CO-OP’s own Credit and Debit portfolio data, we are seeing the following trends inside these essential categories (data comparing June 1 – 15, 2020 with June 1 – 15, 2019):

<table>
<thead>
<tr>
<th>Category</th>
<th>Debit Increase</th>
<th>Debit Decrease</th>
<th>Credit Increase</th>
<th>Credit Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Online Bookstores (Amazon)</strong></td>
<td>26%</td>
<td>61%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Grocery Stores / Supermarkets</strong></td>
<td>12%</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hardware Stores</strong></td>
<td>35%</td>
<td>32%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Freezer &amp; Meat Locker Provisioners</strong></td>
<td>18%</td>
<td>23%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Department Stores</strong></td>
<td>15%</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Discount Stores</strong></td>
<td>10%</td>
<td>20%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For online bookstores, specifically on Amazon, Amazon continues to be a strong top-of-wallet opportunity for credit unions, particularly as the marketplace begins offering summer deals and discounts.

In-store grocery purchases saw a slight recovery in the first half of June but it appears consumers are still being cautious when it comes to trips to the store. This may indicate a longer-term trend towards online shopping becoming the preferred method for buying groceries.

Quarantine home improvement projects appear to be a lasting trend as hardware stores sales have seen steady positive year-over-year growth over the last several weeks.

Bulk frozen foods continue to be a popular grocery item for consumers. Last month, Nielsen reported that frozen food purchases had increased 40 percent year-over-year in 11 weeks.

With almost every state relaxing stay-at-home guidelines, departments are undoubtedly hoping to recover from months of declining revenues. Unfortunately, it looks like that recovery may take longer than they had hoped. Some are speculating that the decline may be permanent; one former department store executive predicted that one-third of American malls will close over the next decade.

Discount stores, on the other hand, saw their tenth consecutive week of year-over-year growth in credit and debit transactions.
A BCG Consumer Sentiment Study found that most consumers expect to resume the same levels of spending (if not more) as COVID-19 becomes more under control.³ Credit unions should use this opportunity to refocus their payments strategies, not only as a means of driving meaningful interchange revenue but also to position themselves at the center of their members’ lifestyles — with the goal of becoming their Primary Financial Relationship (“PFR”).

As the effects of COVID-19 continue to unfold, here are three payments trends to watch for:

1. **PAYMENTS DRIVING LENDING OPPORTUNITIES**

   With interest rates at record-lows right now, members may be looking to apply for auto and mortgage loans and credit unions will want to quickly seize on those opportunities.

   **By analyzing card portfolios and looking at spending patterns, credit unions can identify and introduce lending opportunities to members at the right time.** This will enable them to simultaneously capture new lending revenue while also holistically supporting their members’ financial needs.

   Credit unions should also consider the fact that more of their members are likely carrying credit card balances or have missed payments due to COVID-19. This can adversely impact lending opportunities, in which case it may be worth reevaluating your lending criteria or relaxing penalties on delinquent cardholders.

2. **CONTACTLESS AND MOBILE WALLET ADOPTION**

   Experts agree that even as physical distancing guidelines are relaxed, consumers will still prefer digital and contactless payments. **27 percent of small businesses have reported an increase in mobile wallet transactions over the last few weeks.⁴** A Mastercard global study found that 46 percent of consumers have swapped out their top-of-wallet card for a card that provides contactless functionality and 74 percent of consumers will continue using contactless payments post-pandemic.⁵

   - Now is the time to reassess your mobile wallets and contactless payment offerings, as well how you’re promoting them to your members. As more members adopt digital payments into their daily lives, it will be vital for credit unions to secure top-of-digital-wallet.

3. **INCREASED PAYMENTS FRAUD AND DELINQUENCY**

   As card-not-present transactions continue to rise, credit unions should remain vigilant about an uptick in online fraud.

   - Encourage your members to actively monitor and control their payments activity using card controls and by signing up to receive fraud text alerts.
   - Remain proactive in your credit union’s risk mitigation efforts and financial wellness communication outreach with your members.

CO-OP will continue to monitor trends across our Credit and Debit portfolio and provide solutions to ensure credit unions have what they need to serve their members. For more information on how we can support you throughout COVID-19, please visit co-opfs.org/covid19.

**Sources:**


⁴ CNBC: “A third of America’s malls will disappear by next year, says ex-department store exec” June 10, 2020.


⁷ Mastercard: “Global Consumer Study” April 29, 2020