

Credit Card Use During Economic Turbulence

MAY 2023 ■

Credit Card Use During Economic Turbulence, a PYMNTS and Elan Credit Card collaboration, draws on a survey of 2,203 U.S. consumers to identify trends regarding increased credit card usage, focusing on the impact of higher inflation.



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Credit Card Use During Economic Turbulence was done in collaboration with Elan Credit Card, and PYMNTS is grateful for the company's support and insight. PYMNTS retains full editorial control over the following findings, methodology and data analysis.

INTRODUCTION

Credit cards play critical roles in the daily spending and financial lives of many consumers, with an estimated 198 million in the United States holding at least one bank-issued card. Inflation is pushing credit card spending to new heights.

PYMNTS' latest study finds that one-third of cardholders increased their share of credit card spending in the last six months, while just 15% reduced spending. Higher costs are fueling this greater reliance on credit cards, both for cardholders who do not revolve balances and those who do, and data shows that reductions in income are a key driver propelling this increase in usage.

As higher incomes are out of the question for some consumers, cardholders also increasingly seek features that help them improve their financial efficiency by better managing their finances. Our research shows that rewards and cash-back programs are the

primary motivators for cardholders to choose one card instead of another, with real-time fraud monitoring alerts second. However, those most adversely impacted by inflation prioritize monitoring features that empower them to optimize their spending in real time.

Credit Card Use During Economic Turbulence, a PYMNTS and Elan Credit Card collaboration, examines the evolving role of credit cards in the U.S. in the face of inflation. We surveyed 2,203 U.S. consumers between Feb. 27 and March 1 to identify trends in increased credit card usage, factors influencing carrying balances and key drivers for choosing certain card features.

This is what we found.

The more impact consumers feel from inflation, the more likely they are to use credit cards for large shares of their spending and end up revolving their balances.

Fifty-five percent of consumers with bank-issued credit cards always or almost always pay their balances in full for each statement. For the remaining 45% that frequently carry revolving balances, factors such as income and the impact of rising prices on their ability to pay bills strongly influence their tendency to carry revolving balances. Low-income consumers are more likely to revolve balances, with 40% doing so, whereas high-income cardholders are less likely, at just 24%. Consumers struggling to pay bills because of inflation are much more likely to revolve their card balances, at 45%.

Inflation is spurring much higher credit card spending.

Thirty-three percent of cardholders, on average, increased their reliance on credit cards in the last six months, and just 15%, on average, decreased it. High-spending revolvers were the most likely to shift more spending to their cards, as nearly half did so, and younger generations were also more likely to increase their reliance on cards than older ones. Inflation's impact is massive: 43% of consumers who reported experiencing deeply negative impacts from higher prices ramped up their card spending in the last six months.

Consumers prioritize credit cards with rewards and financial management features during economic uncertainty.

Inflation drives consumers toward credit cards that offer rewards and financial management features. Rewards and cash-back programs (31%) and real-time fraud detection alerts (13%) are the top reasons current cardholders would choose one card instead of another. Those who do not currently hold cards are most interested in cards that offer holder-controlled flexible spending limits (15%).

Cardholder types and their payment habits

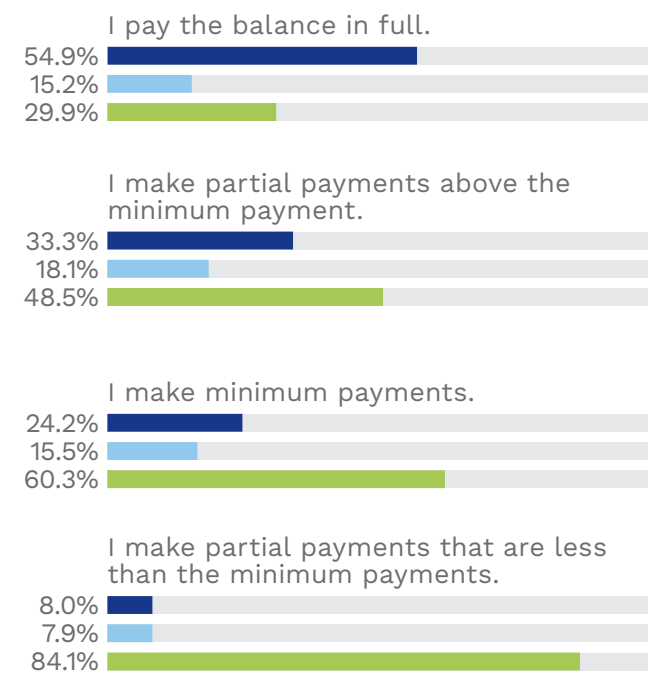
Consumers in the U.S. love credit cards, with an estimated 198 million — 77% of the adults in the country — holding at least one. PYMNTS’ latest consumer research shows that 55% of consumers with bank-issued credit cards always or usually pay their card balances in full each month, while 45% — approximately 89 million consumers — carry revolving balances.

With inflation continuing to weaken their spending power, cardholders with revolving balances tend to manage their credit cards through one of three payment patterns: 51% at least occasionally make partial payments above the minimum required payment amount, 40% at least occasionally remit the minimum required payment amount and 16% at least occasionally make partial payments that are less than the minimum required payment amount.

FIGURE 1:
How consumers pay their credit card bills

Share of consumers stating how often select statements apply to them

- Always or usually
- Occasionally
- Rarely or never



Source: PYMNTS
Credit Card Use During Economic Turbulence, May 2023
N = 1,697: Respondents with a credit card issued in their name, fielded Feb. 27, 2023 – March 1, 2023

55%

of credit card holders typically **pay their monthly card balances in full.**

Our study finds two key drivers for consumers' tendency to regularly carry revolving balances: income level and reported impact of rising prices. Low-income consumers — those earning less than \$50,000 per year — are more likely to consistently revolve their credit card balances, with 40% doing so, whereas 24% of those earning more than \$100,000 per year — still a sizable portion, albeit a much smaller one — do so as well.

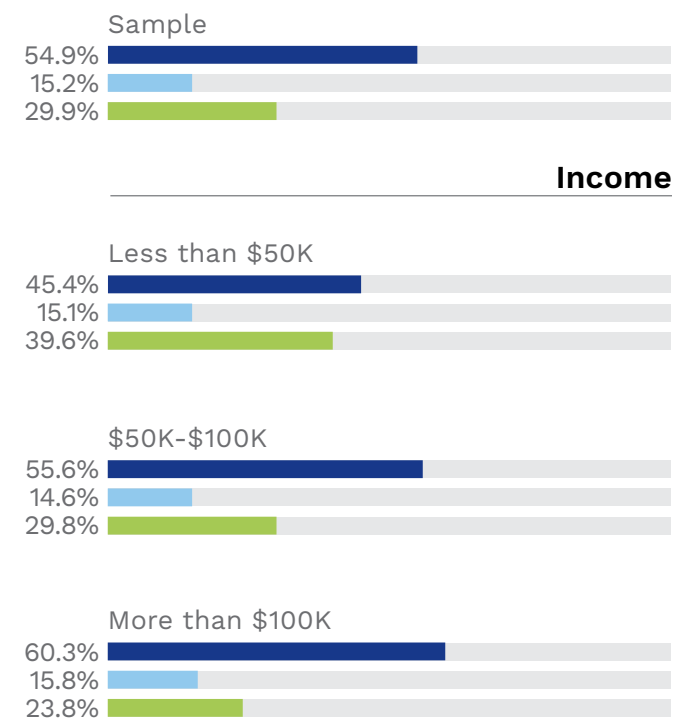
Inflation also plays a large role. Twenty-two percent of cardholders who experienced no adverse effects from rising prices regularly carry revolving balances. Among those highly impacted by inflation, the share more than doubles to 45%.



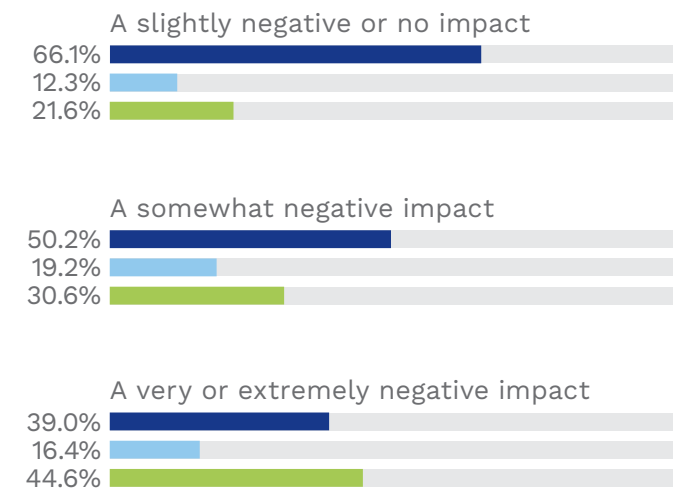
FIGURE 2:
To revolve or not to revolve

Share of consumers stating how they manage their credit card balances, by demographic

- Non-revolvers
- Occasional revolvers
- Revolvers



Impact of rising prices on the ability to pay bills



Source: PYMNTS
Credit Card Use During Economic Turbulence, May 2023
N = 1,697: Respondents with a credit card issued in their name, fielded Feb. 27, 2023 – March 1, 2023

Credit Management Personas

This study identified four distinct credit management personas based on two criteria: the share of total spending paid by credit card and tendency to revolve credit card balances rather than pay them off in full.

Low-spending revolvers:

22% of consumers

These consumers pay less than 40% of their total expenses by credit card; they always or usually carry a revolving balance between statements.

Low-spending non-revolvers:

16% of consumers

These consumers pay less than 40% of their total expenses by credit card; they rarely or never carry a revolving balance between statements.

High-spending revolvers:

12% of consumers

These consumers pay more than 40% of their total expenses by credit card; they always or usually carry a revolving balance between statements.

High-spending non-revolvers:

26% of consumers

These consumers pay more than 40% of their total expenses by credit card; they rarely or never carry a revolving balance between statements.

Note: These shares do not add up to 100% because consumers who do not use credit cards make up the remaining percentage.

Consumers' reliance on credit card spending ramps up

PYMNTS' data reveals that cardholders are using credit cards much more heavily in the face of elevated inflation. Across all demographic groups included in our study, 33% of cardholders increased the share of their expenses paid by credit card in the last six months while just 15% decreased it.

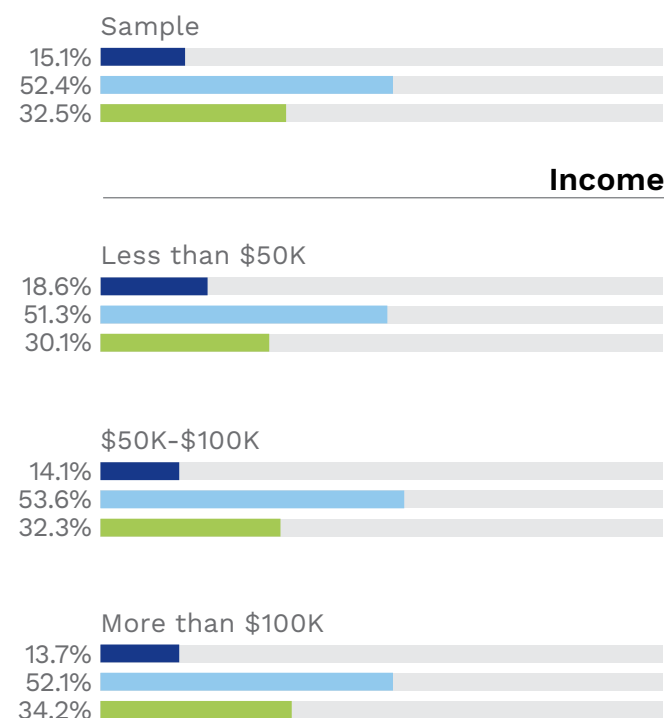
Leading this uptick in reliance are high-spending revolvers, with 49% increasing the share of spending they placed on cards in the last six months. We found that younger generations were more likely to shift more spending to their credit cards, with 43% of Generation Z consumers and millennials and 46% of bridge millennials doing so. In contrast, we observed just a 4 percentage-point variation across income brackets.

PYMNTS' findings also show that the severity of inflation plays a role in the increased reliance on credit cards. While 28% of respondents who reported experiencing just a slightly negative or no impact from inflation increased their spending by credit card, 43% of those who reported experiencing a very or extremely negative impact did so.

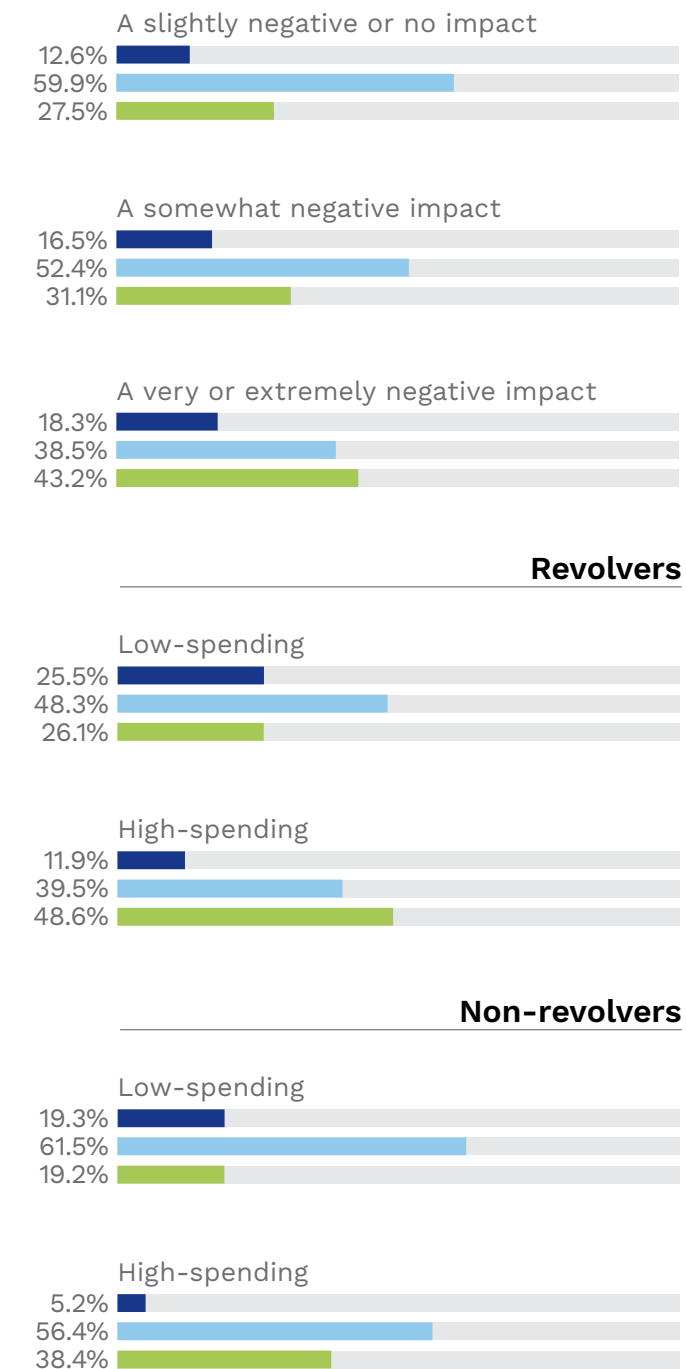
FIGURE 3:
Credit card reliance

Share of consumers who made select changes in the share of total expenses paid with bank-issued credit cards in the last six months

■ Decreased
■ Stayed about the same
■ Increased



Impact of rising prices on the ability to pay bills



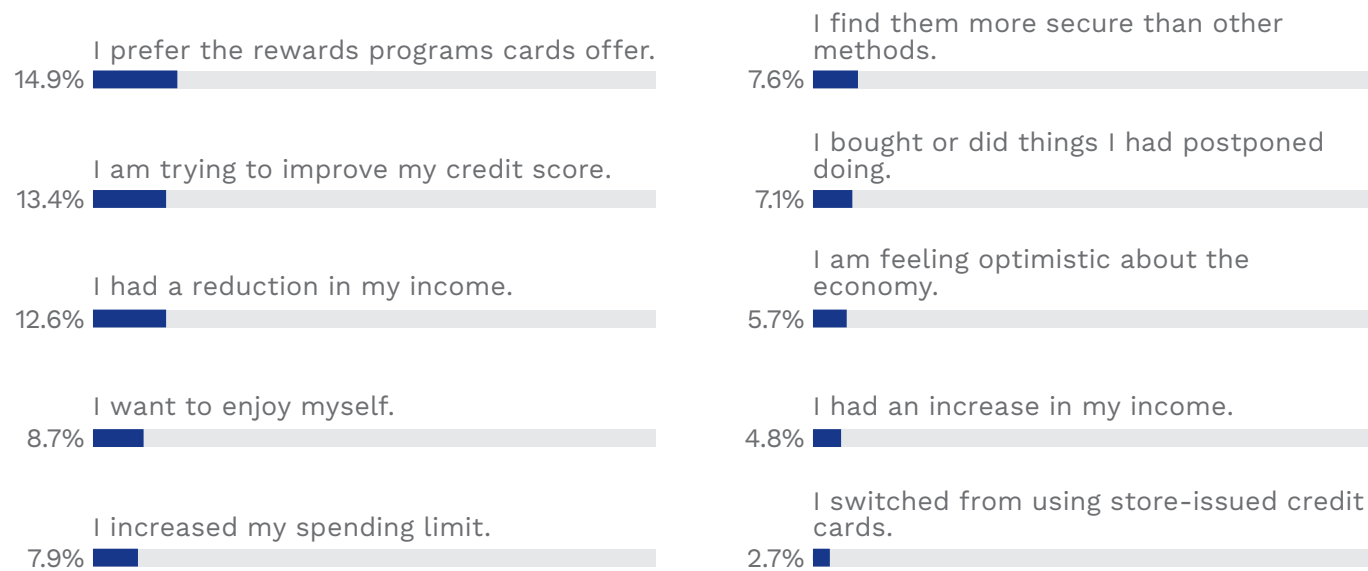
Source: PYMNTS

Credit Card Use During Economic Turbulence, May 2023

N = 1,697: Respondents with a credit card issued in their name, fielded Feb. 27, 2023 – March 1, 2023

FIGURE 4:
Why consumers are depending more on credit

Share of consumers stating select reasons for increasing the share of total expenses paid with credit cards

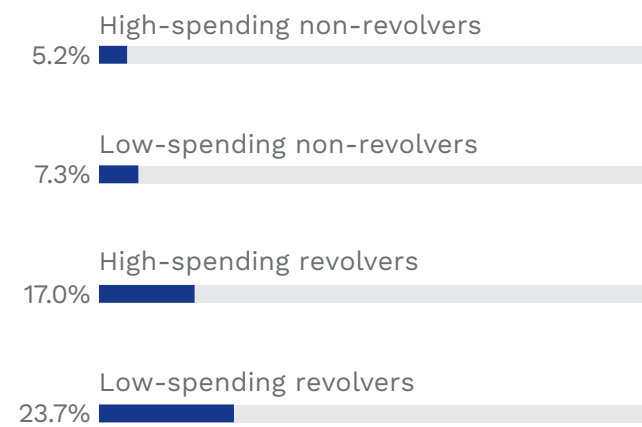


Source: PYMNTS
 Credit Card Use During Economic Turbulence, May 2023
 N = 533: Respondents with an increase in the share of total expenses paid with bank-issued credit cards, fielded Feb. 27, 2023 – March 1, 2023

Our research dug into the recent increase in credit card spending and found that the top three drivers are credit card rewards programs, cited by 15% of cardholders, an effort to improve credit standing, cited by 13%, and a reduction in income, also cited by 13%. When we focused on consumers most impacted by inflation, we discovered that reduced income is by far their most important driver.

FIGURE 5:
Revolving credit and reduced income

Share of consumers who cited a reduction in income as the most important reason for increasing the share of total expenses paid with credit cards, by credit management persona



Source: PYMNTS
 Credit Card Use During Economic Turbulence, May 2023
 N = 533: Respondents with an increase in the share of total expenses paid with bank-issued credit cards, fielded Feb. 27, 2023 – March 1, 2023

Among consumers who increased their credit card spending in the last six months, 24% of those highly impacted by inflation cited reduced income as the top reason for doing so. Similarly, consumers who revolve their balances — both high- and low-spending revolvers — were much more likely than non-revolvers to cite reduced income as the top reason for increasing their credit card spending.

15%

of cardholders who **increased the share of their spending paid by credit card** cite reward programs as the top reason for doing so.

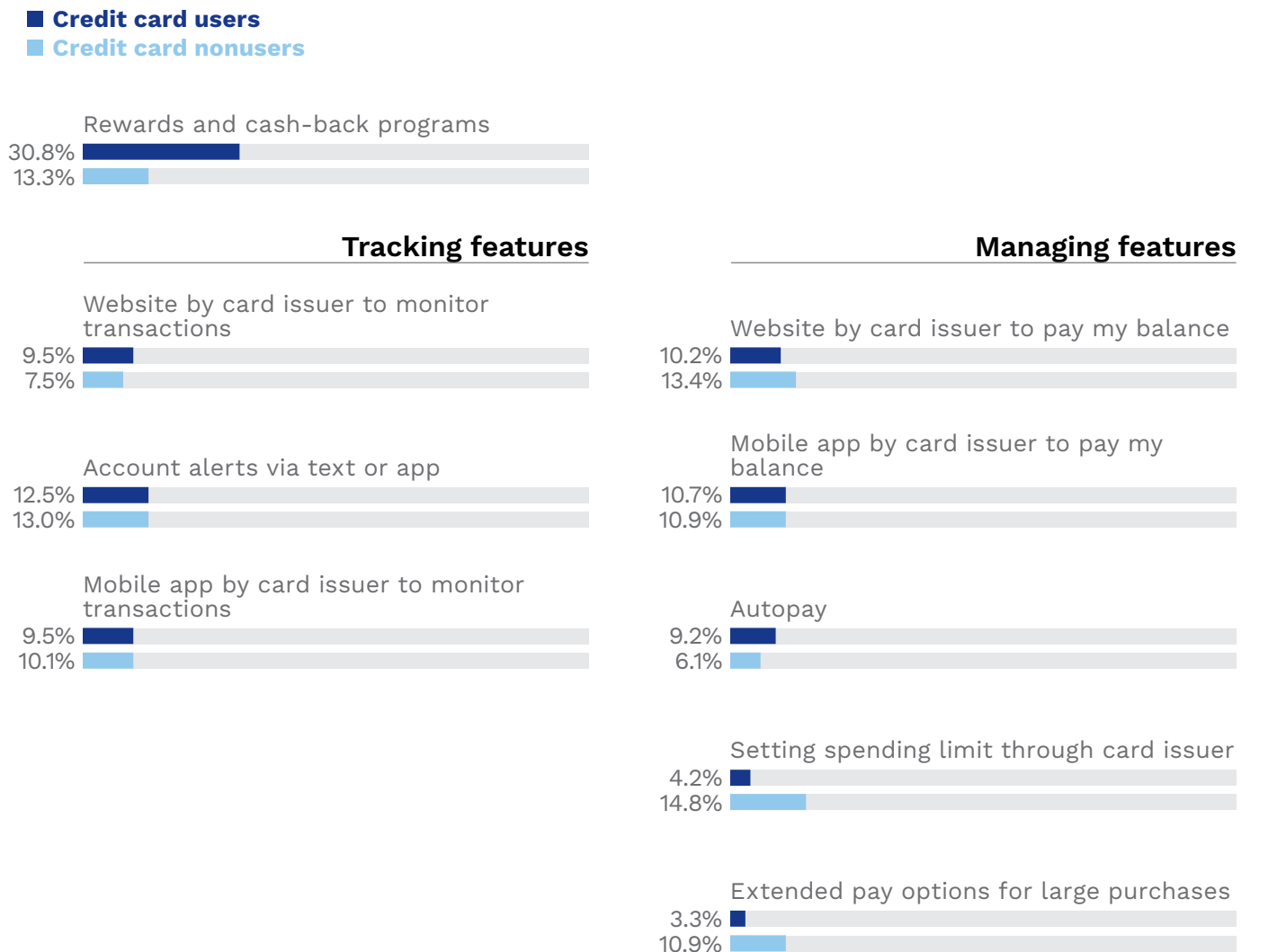
A consumer focus on value-added features

Inflationary pressure is driving consumers toward credit cards that offer rewards and features that help them manage their finances. PYMNTS’ research shows that among consumers who already have credit cards, rewards and cash-back programs are most cardholders’ top reason for choosing one card instead of another, at 31%, followed by real-time fraud detection alerts, at 13%. Rewards and cash-back programs also appeal strongly to 13% of consumers who do not currently have cards, although the most popular feature for that cohort is the ability to set spending limits, which was reported by 15%.

To better understand the drivers behind credit card feature preferences in times of economic uncertainty, we analyzed two crucial factors: the extent to which consumers were impacted by rising prices in the previous 12 months and their credit management persona. We discovered that although every credit management persona places considerable value on monitoring features designed to detect fraud, 68% of high-spending non-revolvers valued these features over all others, exceeding the average 62% of all other credit cardholders who said the same.

FIGURE 6:
Credit card features that matter most to consumers

Share of consumers stating the most important finance management feature when choosing one credit card over another, by type of consumer

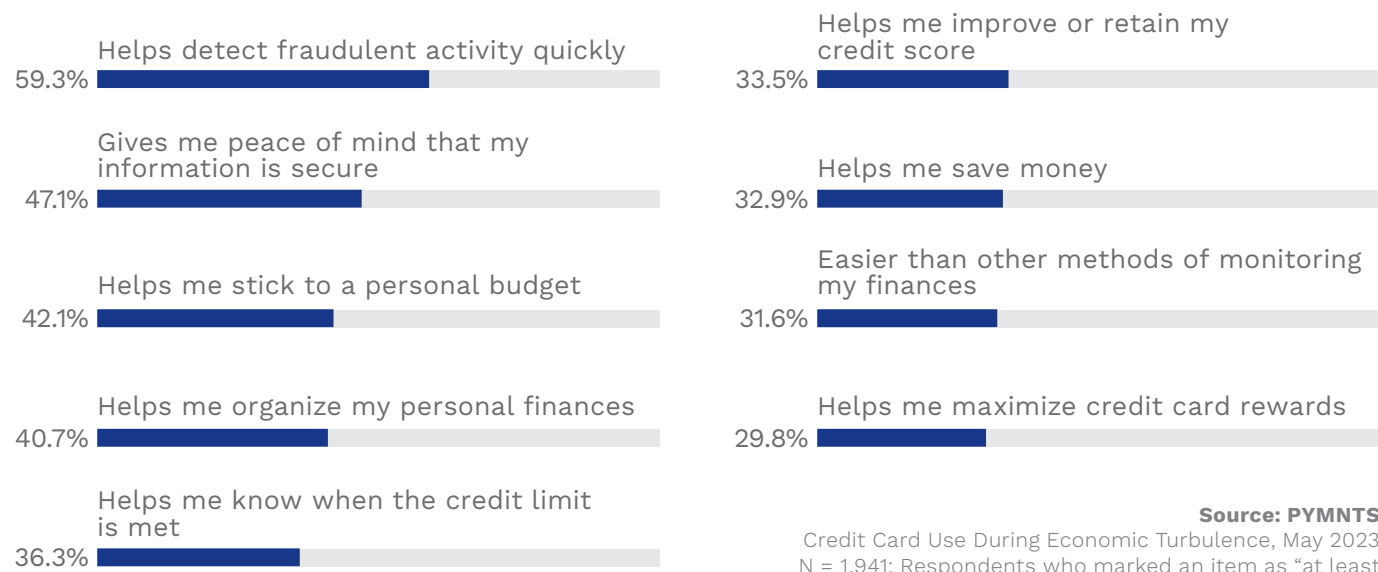


Source: PYMNTS
Credit Card Use During Economic Turbulence, May 2023
N = 1,697: Respondents with a credit card issued in their name, fielded Feb. 27, 2023 – March 1, 2023

Our analysis reveals a significant divergence in the feature preferences of high-spending revolvers and non-revolvers. Forty-seven percent of high-spending revolvers prioritize credit-limit monitoring features that alert them to approaching spending limits, compared to just 29% of high-spending non-revolvers. Forty-four percent of respondents most impacted by inflation share this same feature-preference profile, compared to 31% of those who report being unaffected by inflation.

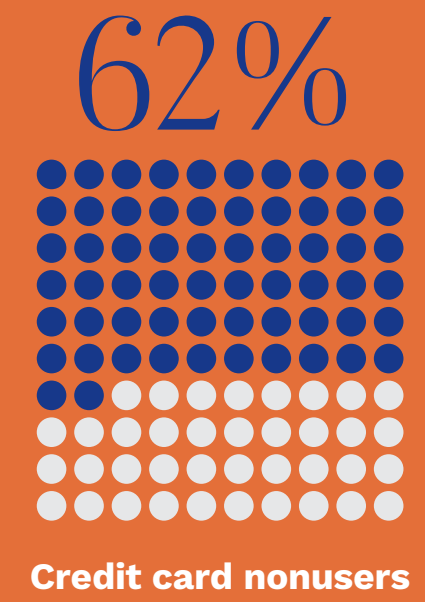
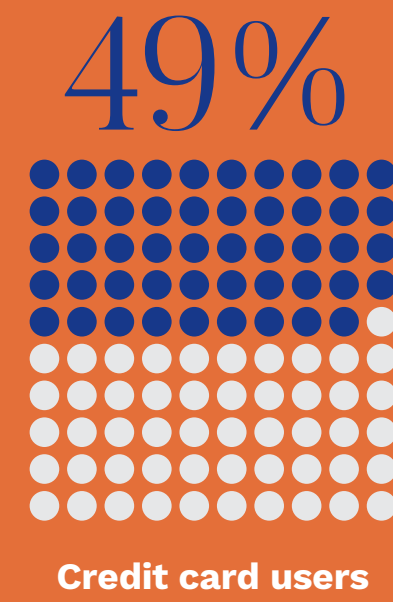
FIGURE 7:
Preferred credit card monitoring features

Share of consumers stating select reasons why credit card features that help them monitor their finances are important



Source: PYMNTS
Credit Card Use During Economic Turbulence, May 2023
N = 1,941: Respondents who marked an item as "at least moderately important" from the list of credit card features when choosing or applying for a credit card, fielded Feb. 27, 2023 – March 1, 2023

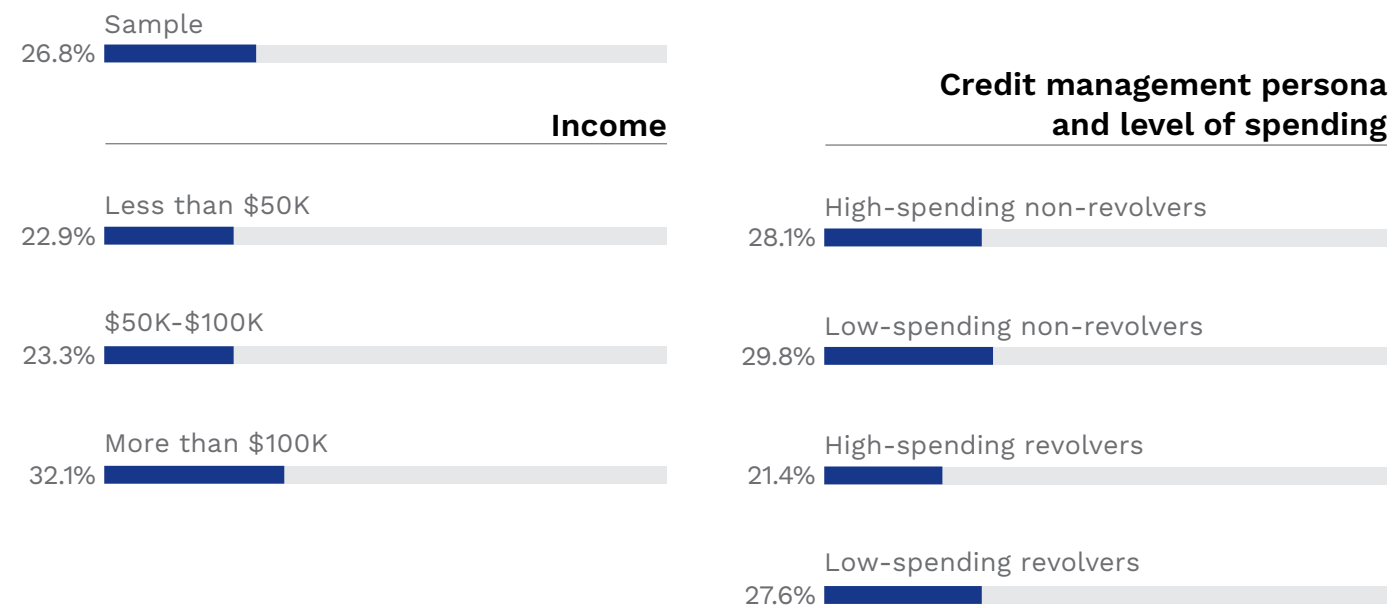
Share of consumers very or extremely interested in credit card monitoring features:



Large shares of consumers who currently do not hold a credit card are a potentially untapped opportunity — if the right features are available. Our research finds that monitoring features that empower these consumers to stay within their personal budgets are highly valued, with 52% of non-cardholders citing this as a top feature. Additionally, 47% highlighted a preference for features that help them save money, and 45% considered personal finance organization features important.

FIGURE 8:
Credit monitoring features and switching cards

Share of consumers who are likely to switch cards due to credit monitoring features' availability, by demographic



Source: PYMNTS
Credit Card Use During Economic Turbulence, April 2023
N = 1,697: Respondents with a credit card issued in their name, fielded Feb. 27, 2023 – March 1, 2023

27%
of cardholders say they would be likely to switch cards due to credit monitoring features.



CONCLUSION

Credit cards play a central role in the everyday spending and financial lives of most consumers. Although most cardholders generally pay their balances in full each statement, many carry revolving balances on their cards, and the combination of falling income levels and rising prices are fueling this tendency. These key drivers behind this shift in spending behavior are prompting cardholders to evaluate the efficacy and appeal of account features such as rewards and cash-back programs, as well as real-time fraud detection alerts when selecting a credit card. As inflation continues to erode consumers' purchasing power, credit card issuers can boost adoption rates by ensuring their credit cards provide consumers with rewards and financial management features.

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METHODOLOGY

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