The Credit Economy:

How Consumers are Approaching Holiday Spending and Travel

November 2023

The Credit Economy: How Consumers are Approaching Holiday Spending and Travel, a PYMNTS Intelligence and i2c collaboration, examines consumer behaviors and attitudes related to holiday spending. We surveyed 3,302 U.S. consumers between Sept. 20 and Sept. 26 to explore what drives interest in and usage of credit cards and BNPL for paying for gifts and holiday travel.

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Introduction

Economic uncertainty and inflationary pressures have remained stubbornly high heading into the 2023 holiday season. As a result, many U.S. consumers plan to cut their spending this year — though they do not intend to skimp on gifts. Instead, they plan to trim other seasonal expenses, such as travel and dining out, to make ends meet.

PYMNTS Intelligence data finds that consumers plan to cut spending this holiday season by 26% compared to last year. On average, consumers anticipate spending approximately $860 this year on non-gift holiday purchases — experiences such as live entertainment or retail products for personal use — compared to $1,160 in 2022. Those earning more than $100,000 — the income group who spends the most on the holidays — plan to trim their non-gift holiday purchases by $500 this year, more than any other income bracket. Meanwhile, spending on gifts will rise modestly year over year across income levels and average roughly $1,000 in aggregate.

Personal finance considerations have an outsized influence on consumers' spending decisions — especially at the holidays. On average, just 1 in 4 respondents currently plan to travel for the holidays. For those who do, they anticipate spending roughly $1,950, on average. In contrast, consumers annually earning more than

$100,000 expect to spend $2,616, on average, for holiday travel. Pricey travel costs have contributed to the reluctance of most consumers to spend as much as last year — at least for now.

Finally, the data shows that credit cards remain the most popular type of credit product used for all holiday purchases, with 3 in 4 consumers planning to cover their expenses in this way. Moreover, credit card usage to power through the holiday shopping list increases with annual income. Still, it varies by age group, as younger consumers opt for other credit products, such as buy now, pay later (BNPL). Among consumers who choose not to use credit products to pay for travel, debit cards and cash are the leading alternatives. Younger consumers, particularly members of Generation Z, opt for BNPL as a better option to maintain cash flow or out of greater trust in the provider.

The Credit Economy: How Consumers are Approaching Holiday Spending and Travel, a PYMNTS Intelligence and i2c collaboration, is based on a survey of 3,302 U.S. consumers conducted between Sept. 20 and Sept. 26 that examined consumers' behaviors and attitudes as they relate to using credit cards to pay for holiday purchases. We explore the forces driving consumers' decisions about gift giving and holiday travel this year, as well as their interest in and usage of credit products to cover holiday expenses.

This is what we learned.

1 **Consumers plan to cut holiday spending this year, with travel and dining out seeing the deepest cuts.**

Consumers plan to make significant revisions to their overall holiday budgets, spending roughly $860 for non-gift expenses, down 26% from $1,160 in 2022. Notably, those with incomes of more than $100,000 intend to reduce their overall spending more than most. Just one-quarter of consumers plan to travel, budgeting an average of $1,950, with most travelers planning to focus on paying visits to friends or relatives on Christmas Day. Nevertheless, the outlay on gifts is projected to rise modestly.

2 **Nine out of 10 holiday shoppers anticipate taking some action to mitigate rising prices.**

Most holiday shoppers plan to offset rising prices by budgeting, reducing overall spending or picking up additional shifts. Primary drivers for spending cuts include heightened costs, with 57% attributing reduced holiday spend to high prices and 52% to personal finances. Gen Z consumers represent an outlier here, however, and those planning to increase gift spending cite job stability or perceived financial stability this year. However, a significant portion of holiday shoppers will adjust other spending areas to accommodate holiday budgets.

3 **More than one-third of holiday shoppers will reach for gift cards, one of the most popular gifts this year.**

Traditional in-store shopping continues to dominate following the lifting of pandemic-related restrictions. Affluent consumers have the highest propensity for online shopping, though most still favor in-person experiences. Retail products still take overall precedence, at 58%, with clothing as the standout within the retail category, at 39%. Consumer electronics are a planned purchase for 14% of shoppers.

4 **The most popular payment method this holiday shopping season will be credit cards.**

Eighty-two percent of millennials and 87% of higher-income consumers plan on using credit cards to pay for at least some of their holiday purchases. Conversely, individuals annually earning less than $50,000 demonstrate greater caution about using credit products to cover holiday expenses. The adoption of alternative credit solutions, such as BNPL, is noteworthy, with one-quarter of holiday shoppers indicating they plan to use them. This preference is particularly strong among Gen Z consumers.

Consumers plan to cut holiday spending without skimping on gifts.

Consumers plan to spend significantly less this holiday season — 26% less, in fact — and they are cutting back on almost anything but gifts. The data reveals a marked contraction in holiday spending, with consumers preparing to reduce their non-gift expenses from $1,160 one year ago to $860. This downshift reflects a broader reconsideration of discretionary spending in the face of economic headwinds. However, those with higher incomes — those earning more than $100,000 — also anticipate paring back their overall holiday budget by $500.

At the same time, the projected growth in gift spending, at 2.2%, signals a tempered yet sustained commitment to traditional holiday giving. This increase, which is roughly in line with historic inflation rates, points to a conscious effort by consumers to maintain the basic customs of the holiday season, even though economic pressures and uncertainty loom large for many U.S. consumers.

FIGURE 1:

Cutting non-gift holiday spending
Average amount consumers report they spent on non-gift items last year and average amount they expect to spend this year, by demographic

	UPCOMING HOLIDAY SEASON	2022 HOLIDAY SEASON
• Sample	$858.82	$1,162.21
GENERATION		
• Baby boomers and seniors	$390.60	$733.54
• Generation X	$807.06	$1,186.04
• Bridge millennials	$1,353.48	$1,736.47
• Millennials	$1,305.96	$1,597.44
• Generation Z	$1,110.28	$1,203.32
INCOME		
• More than $100K	$1,253.15	$1,768.08
• $50K-$100K	$713.89	$897.97
• Less than $50K	$504.82	$658.10

Source: **PYMNTS Intelligence**
The Credit Economy: How Consumers are Approaching Holiday Spending and Travel, November 2023
N = 3,088: Consumers who made purchases in the 90 days prior to being surveyed, fielded Sept. 20, 2023 – Sept. 26, 2023

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However, many gifts may arrive by mail as few consumers plan to travel this holiday season. The data reveals that just 1 in 4 consumers intend to travel during this period. Travel costs go a long way to explaining why. On average, those planning to travel anticipate spending $1,950. At the time of the survey, just 10% of prospective travelers had booked their travel plans. This reluctance might indicate a wait-and-see approach, influenced by fluctuating travel conditions or hoping for deals, as 20% remain unsure of their travel plans for the holidays. However, 55% of consumers do not plan to travel at all.
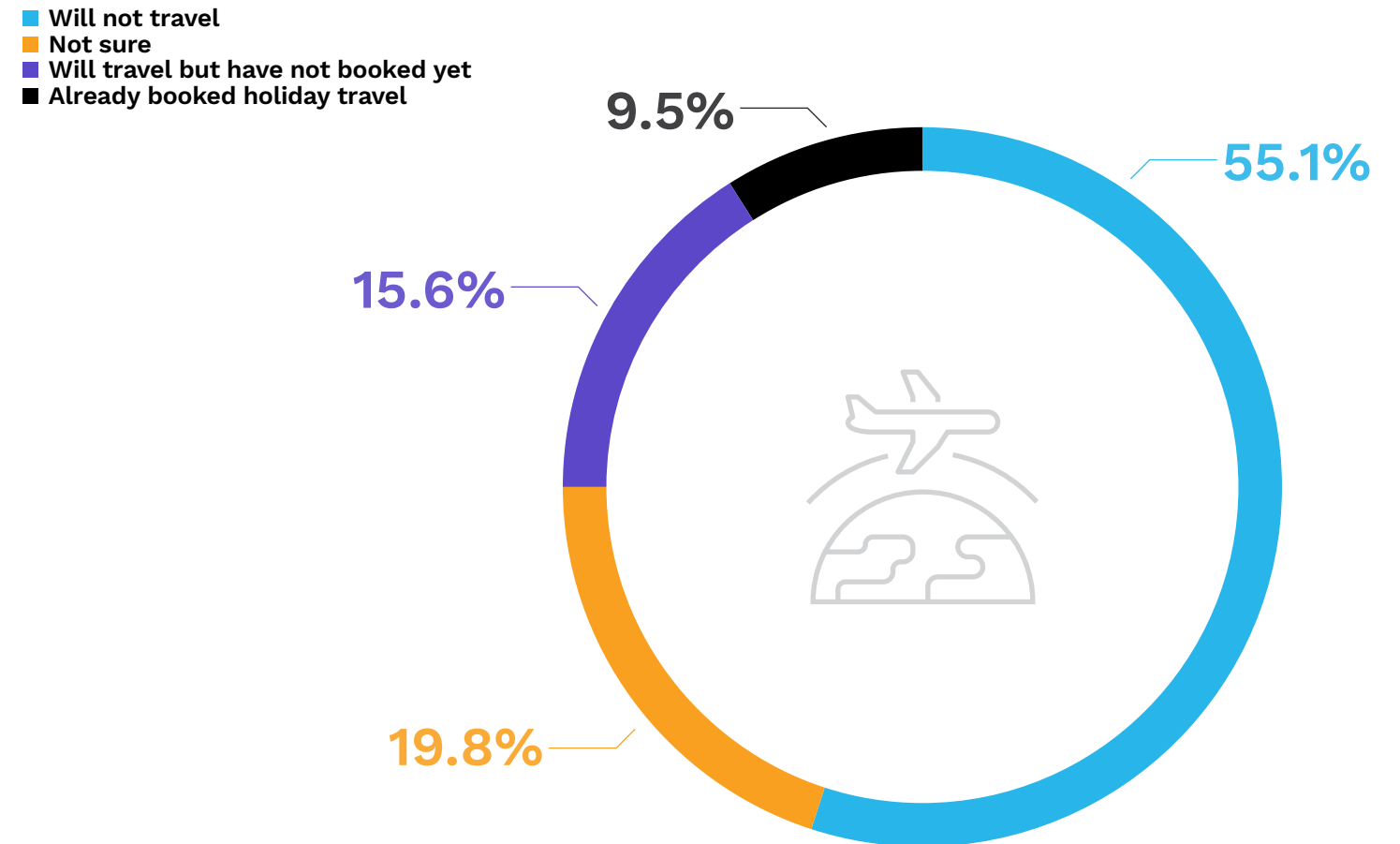
Among those who plan to travel this year, 57% will hit the road on Christmas Day. Likewise, roughly half of respondents plan to travel on Thanksgiving, suggesting that many travelers have budgeted for travel on one but not both major holidays. Furthermore, individuals annually earning more than $100,000 anticipate spending $2,616 on travel — approximately 34% more than the average. This disparity in budget highlights the deeper correlation between income levels and holiday spending. It may also point to the greater distances involved in travel for more affluent consumers. Overall, 46% of consumers who plan to travel anticipate traveling even more this year compared to last.

Holiday travel plans
Share of consumers citing select travel plans for this holiday season

■ Will not travel
■ Not sure
■ Will travel but have not booked yet
■ Already booked holiday travel
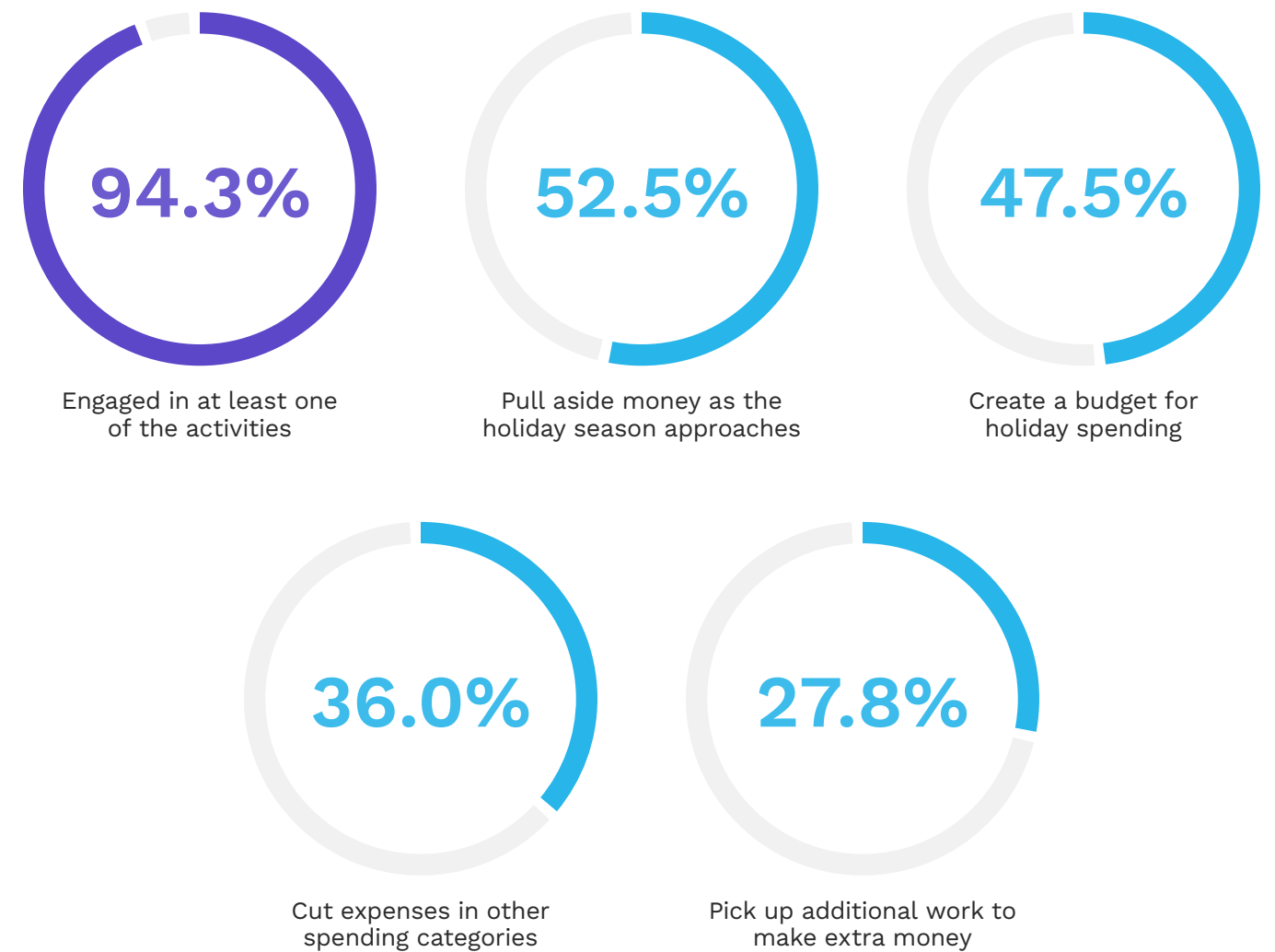

9.5%
55.1%
15.6%
19.8%

Although travel plans will take a hit due to higher costs, many consumers feel relatively confident about their economic situations. Nearly one-third of consumers who will spend more this holiday season than last year report feeling good enough about the state of their personal finances as a reason for the increased budget. Likewise, 31% who will spend more than last year cite job stability as the reason they anticipate spending more this holiday season. Gen Z consumers embody both trends more than other demographics and, as a result, anticipate spending 55% more on gifts this year.

Nevertheless, 94% of shoppers plan to take active measures to counterbalance financial strain from rising costs, with more than one-quarter willing to take on additional hours at work. Moreover, 36% plan to reallocate funds from other spending areas. Among those who plan to reduce or eliminate holiday spending, half explicitly cite inflation for their decision. Tracking this widespread consumer sentiment is pivotal for retailers, as part of what drives inflation is simply the expectation of inflation. It also highlights the overall economic unease many consumers still feel as they head into a peak commercial period for retailers.
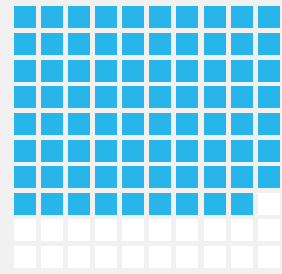
FIGURE 3:

Making ends meet
Share of holiday shoppers citing select activities they will engage in to prepare for the holiday shopping season

94.3%
Engaged in at least one of the activities

52.5%
Pull aside money as the holiday season approaches

47.5%
Create a budget for holiday spending

36.0%
Cut expenses in other spending categories

27.8%
Pick up additional work to make extra money

79%

of consumers plan to cut back on buying food from restaurants this holiday season.

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Where consumers plan to cut spending
Share of consumers citing select categories of expenses they will cut back on due to concerns about holiday spending, by generation

	SAMPLE	BABY BOOMERS AND SENIORS	GENERATION X	BRIDGE MILLENNIALS	MILLENNIALS	GENERATION Z
• Food from a restaurant	78.9%	82.4%	79.9%	71.2%	77.3%	74.2%
• Live entertainment	67.4%	64.7%	70.2%	65.3%	63.4%	75.0%
• Clothing and accessories	65.7%	77.2%	61.7%	61.2%	64.1%	57.6%
• Leisure travel expenses	61.1%	58.6%	59.2%	62.9%	68.9%	43.7%
• Household furnishings	60.6%	76.3%	54.8%	58.3%	62.4%	46.2%

Source: **PYMNTS Intelligence**
The Credit Economy: How Consumers are Approaching Holiday Spending and Travel, November 2023
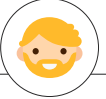N varies based on product category, fielded Sept. 20, 2023 – Sept. 26, 2023

Dining out is poised to take a big hit, with 79% of restaurant patrons intending to cut back. However, there is some generational nuance to this picture. Baby boomers and seniors plan to reduce their dining out more than any other demographic, at 82%, while bridge millennials plan to cut back in this category the least, at 71%. Meanwhile, millennials and Gen X consumers plan to decrease food purchases from restaurants, at 77% and 80%, respectively, to accommodate holiday spending in other areas. For Gen Z, the big category for cutting back on spending this holiday season is live entertainment, with 75% identifying this area of their budgets as one to trim.
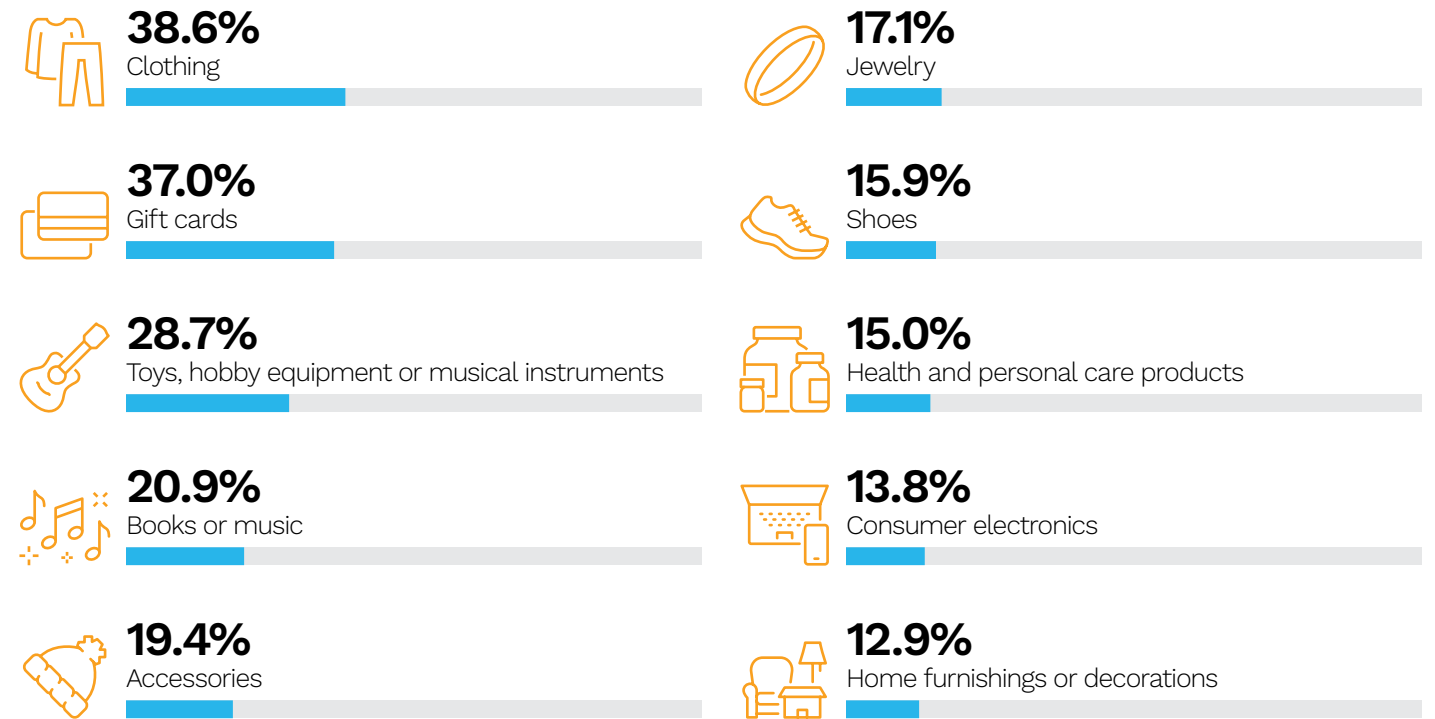
Gift cards are expected to be the second-most popular retail gift category this holiday season, with 37% of shoppers planning to purchase them.

Gift cards are expected to be the second-most popular retail gift category this holiday season, with more than one-third of shoppers planning to purchase them overall. However, gift cards are notably less popular among Gen Z shoppers. Just 26% of Gen Z holiday shoppers intend to buy gift cards for others this holiday season, compared to 43% of Gen X holiday shoppers. Clothing is the most popular retail gift item across all demographics, with 39% of holiday shoppers planning to purchase clothing this year. Toys, hobby equipment or musical instruments take third place, at 29%. Popular non-retail gift items include food from restaurants, at 28%, and tickets to live entertainment, at 17%.

What consumers are buying as gifts
Share of consumers citing select types of retail products they plan to purchase as gifts this holiday season

38.6%
Clothing

17.1%
Jewelry

37.0%
Gift cards

15.9%
Shoes

28.7%
Toys, hobby equipment or musical instruments

15.0%
Health and personal care products

20.9%
Books or music

13.8%
Consumer electronics

19.4%
Accessories

12.9%
Home furnishings or decorations

Source: **PYMNTS Intelligence**
The Credit Economy: How Consumers are Approaching Holiday Spending and Travel, November 2023.
N = 2,934: Consumers who are likely to spend on holidays purchases this year, fielded Sept. 20, 2023 – Sept. 26, 2023
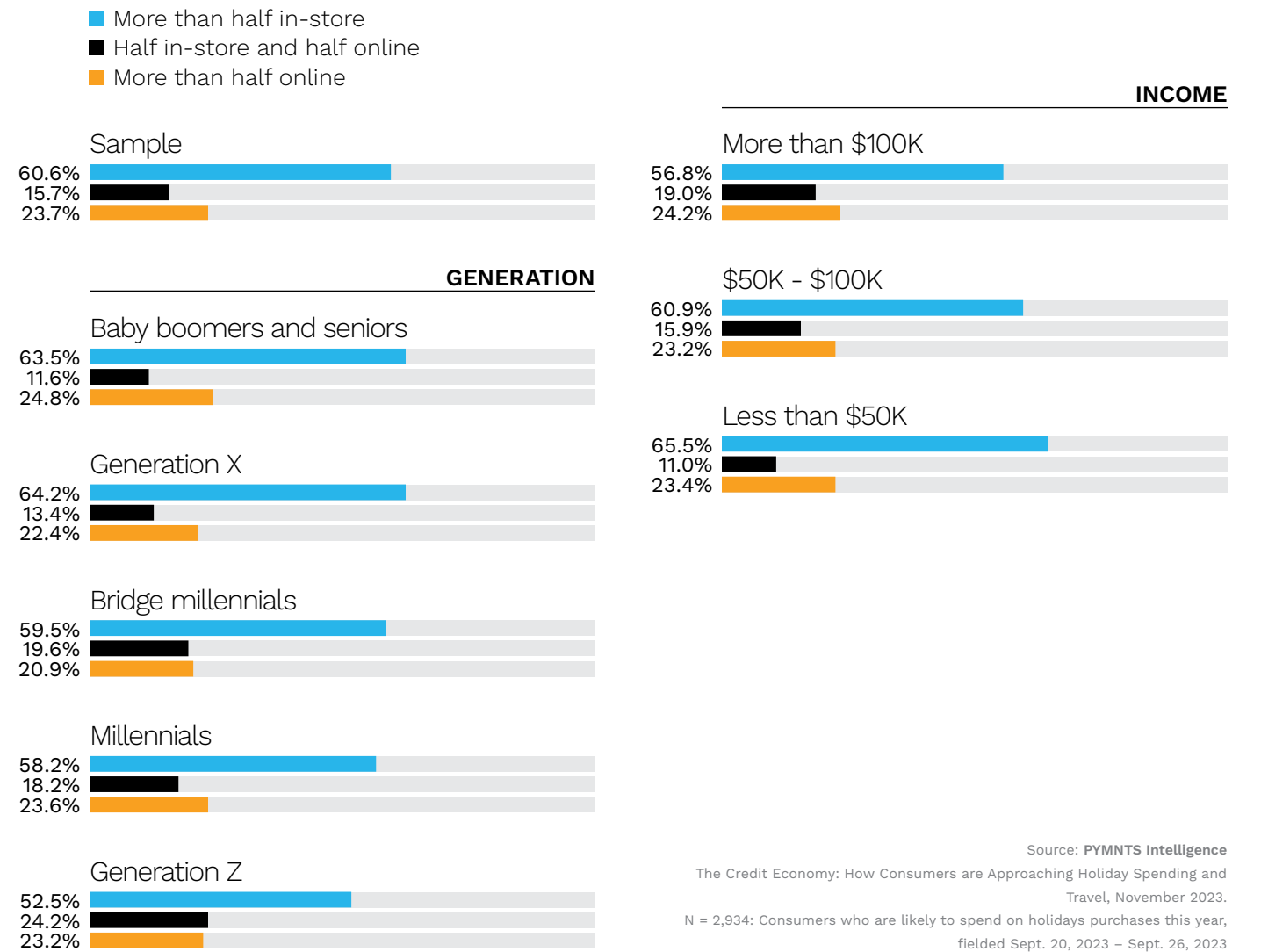
Despite Cyber Monday growing in popularity, most consumers still prefer to do much of their holiday shopping in-store. The data shows that 61% of holiday shoppers anticipate making more than half of their purchases in-store, with this share increasing to 64% for Gen X shoppers. Additionally, 57% of shoppers annually earning more than $100,000 expect to make more than half of their holiday purchases in-store. Retailers continue to focus on developing robust omnichannel strategies to reach and convert shoppers during the busy holiday season. This includes offering a variety of convenient shopping options that gained traction during the pandemic, such as buy online, pick up in-store and curbside pickup, as well as competitive pricing and promotions.
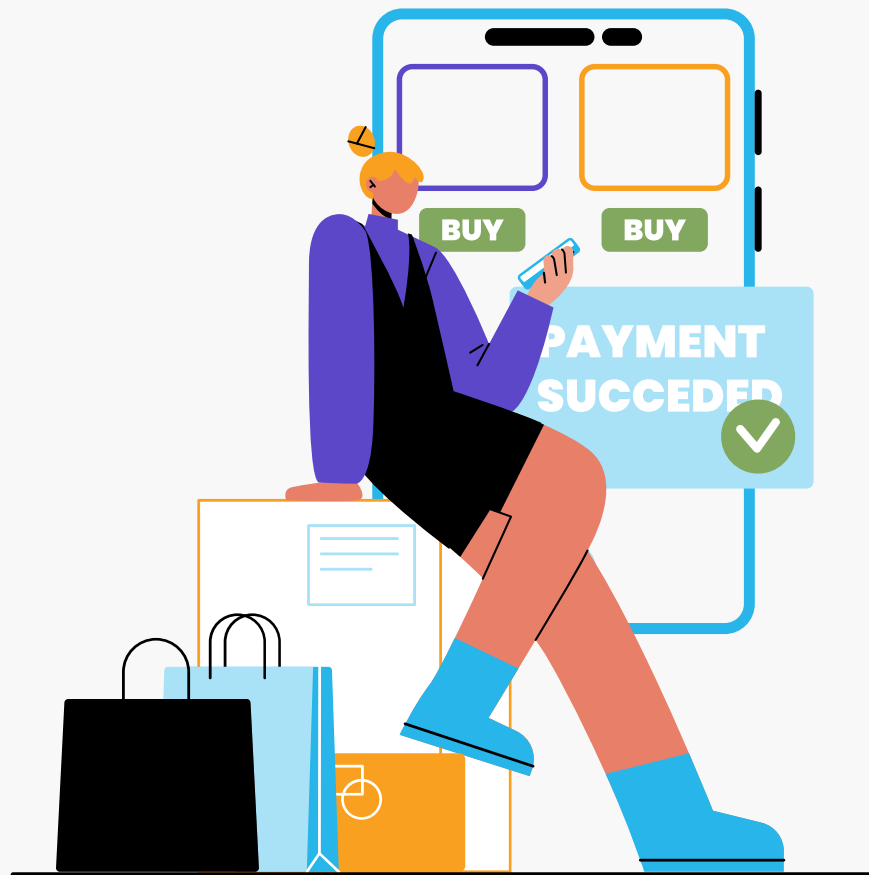
Where consumers plan to do their holiday shopping this year
Share of consumers citing where they will do most of their holiday shopping this year, by demographic

- ■ More than half in-store
- ■ Half in-store and half online
- ■ More than half online

Sample
60.6%
15.7%
23.7%

GENERATION

Baby boomers and seniors
63.5%
11.6%
24.8%

Generation X
64.2%
13.4%
22.4%

Bridge millennials
59.5%
19.6%
20.9%

Millennials
58.2%
18.2%
23.6%

Generation Z
52.5%
24.2%
23.2%

INCOME

More than $100K
56.8%
19.0%
24.2%

$50K - $100K
60.9%
15.9%
23.2%

Less than $50K
65.5%
11.0%
23.4%

Paying for holiday purchases

How consumers pay for holiday shopping reflects their credit pref-erences, with significant differences emerging across age groups and income brackets. Credit cards are the most popular credit product consumers plan to use for holiday purchases, with 62% of consumers planning to do so this holiday season. Meanwhile, the data also reveals that overall credit product usage increases with annual income and across generations.

For instance, 87% of those annually earning more than $100,000 plan to use a credit product, such as credit cards or merchant financing, for holiday spending this year. In contrast, 62% of those earning less than $50,000 plan to make purchases using any credit product. Meanwhile, bridge millennials and millennials are the generations most likely to plan to use a credit product to pay for holiday purchases this year, at 82%, compared to 75% of Gen X and Gen Z consumers and 74% of baby boomers and seniors.

The credit product of choice reveals noteworthy generational dif-ferences. Gen Z consumers are more likely to use BNPL than other age groups, at 39%, drawn by the perceived ease of tracking repay-ment, at 37%, and managing cash flow, at 37%, or, above all, out of a greater sense of trust in the provider, at 39%. Thirty-seven per-cent of millennials are also drawn to BNPL, but older demographic groups remain much more skeptical. Just 9% of baby boomers and seniors plan to use BNPL this holiday season, and 21% of Gen X consumers say the same.

These older groups are much more amenable to conventional credit cards, however, with 68% of baby boomers and seniors and 64% of Gen X consumers planning to use them this year. By con-trast, just 44% of Gen Z shoppers plan to reach for a credit card — the lowest level surveyed.

FIGURE 7:

Financing holiday spending
Share of consumers saying they will likely use select credit products for holiday spending this year, including gifts and travel, by demographic

	SAMPLE	BABY BOOMERS AND SENIORS	GENERATION X	BRIDGE MILLENNIALS	MILLENNIALS	GENERATION Z
• Credit card	61.6%	67.7%	63.5%	64.0%	60.9%	44.4%
• BNPL	24.3%	8.9%	20.7%	35.2%	37.3%	39.1%
• Merchant financing	13.3%	7.3%	11.0%	15.7%	19.0%	19.3%
• Another credit product	0.9%	1.3%	0.6%	0.7%	1.1%	0.0%
• Unlikely to use a credit product	23.6%	26.4%	25.3%	18.0%	18.5%	25.3%

Source: **PYMNTS Intelligence**
The Credit Economy: How Consumers are Approaching Holiday Spending and Travel, November 2023
N = 2,934: Consumers who are likely to spend on holidays purchases this year, fielded Sept. 20, 2023 – Sept. 26, 2023

65%

of consumers say they are likely to use debit cards to pay for at least some of their holiday shopping.

Debit cards and cash are the most common non-credit methods consumers will use for holiday purchases this year: 52% of holiday shoppers cite debit cards as the payment method they are most likely to use, and 65% anticipate some level of debit card use this year. Although just 16% cite cash as their most likely payment method, nearly 2 in 3 holiday shoppers expect to use cash to some extent. Finally, nearly one-third of consumers overall plan to use PayPal to cover some of their holiday purchases.

FIGURE 8:

Non-credit payment methods consumers plan to use for holiday spending
Share of consumers citing select non-credit payment methods they plan to use, by how likely they are to use them

■ Most likely to use
■ Likely to use, but not most likely
■ Total

Debit card
52.3%
12.4%
64.7%

Cash
15.6%
47.3%
62.9%

PayPal
7.7%
21.5%
29.2%

Store card
5.0%
12.4%
17.4%

Rewards points
3.6%
24.4%
28.0%

Gift or prepaid card
3.5%
21.0%
24.5%

Apple Pay
3.5%
11.7%
15.1%

Check
2.8%
11.4%
14.3%

Bank account transfer
2.7%
7.7%
10.4%

Cryptocurrency
1.0%
3.8%
4.9%

Source: **PYMNTS Intelligence**
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N = 2,934: Consumers who are likely to spend on holidays purchases this year, fielded Sept. 20, 2023 – Sept. 26, 2023

Conclusion

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U.S. consumers are adapting to economic pressures by reallocating their budgets this holiday season. The significant 26% decrease in non-gift holiday spending, especially among higher-income consumers, highlights a strategic shift in consumer priorities. This behavior would appear to reflect a conscious effort to maintain gift-giving traditions by curtailing other expenditures in response to economic constraints.

Meanwhile, the generational divide in spending habits is becoming increasingly pronounced. Gen Z's anticipated 55% increase in gift spending, fueled by job stability and stronger personal finances, contrasts starkly with the overall trend of spending reduction. This divergence underscores the unique economic positioning of younger consumers and suggests a shift in market focus.

Finally, the evolving landscape of payment methods during the holiday season is notable. The prominent reliance on credit cards, especially among millennials and high-income shoppers, reflects a continued preference for more conventional deferred payment options in the face of economic uncertainty. Meanwhile, Gen Z's preference for BNPL options showcases a shift toward more flexible, cash flow-friendly payment solutions. This trend signals an opportunity for financial service providers to innovate and cater to these evolving consumer preferences, with potential to reshape the holiday retail landscape.

Methodology

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The Credit Economy: How Consumers are Approaching Holiday Spending and Travel, a PYMNTS Intelligence and i2c collaboration, is based on a census-balanced survey of 3,302 U.S. consumers conducted between Sept. 20 and Sept. 26. The report examines consumers' behaviors and attitudes as they relate to using credit products to pay for holiday purchases. We explore what drives consumers' interest in and usage of credit cards and BNPL for paying for gifts and holiday travel across income brackets and generations. Our sample was balanced to match the U.S. adult population in key demographic variables: 51% of respondents identified as female, 33% were college-educated and 34% reported incomes of more than $100,000 per year.

About

PYMNTS
INTELLIGENCE

PYMNTS Intelligence is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multi-lingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

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