

# Fed report highlights major consumer payment shifts in 2020

Article

**The news:** The Federal Reserve [released](#) its annual US payments study examining transaction trends in 2019 and 2020.

**Key findings:** While data for 2019 closely mirrored trends from previous years, 2020 underwent dramatic shifts triggered by the pandemic.

## Automated Clearing House (ACH) payments quickly gained steam in 2020.

- **ACH payments volume increased 7.7%** year over year (YoY) in 2020—much faster than 2019's 1.8% YoY growth.
- The share of check payments fell substantially, reflecting the shift to digital payments in recent years. But ACH growth accelerated in 2020 as the pandemic exacerbated the **need** to access funds faster.
- ACH transactions will likely grow rapidly going forward thanks to system innovations that make these payments more convenient. For instance, in 2021, the **National Automated Clearing House Association (NACHA)**—which manages the ACH payment system—**increased** the transaction limit for same-day ACH to **\$1 million**, up from \$100,000.

## For the first time ever, card payments volume declined—though total value increased.

- Card payment volume whipsawed from 3.7% growth in 2019 to a **3.1% slide the following year**. But card payments value growth in 2020 closely mirrored 2019, climbing 5.2% YoY.
- The volume decline in 2020 was mostly driven by in-person card transactions plummeting, especially earlier in the year, when stay-at-home orders and temporary store closures upended economic activity.
- Remote (online) card payments offset some of the overall card volume contraction. In 2020, these payments grew by **8.7 billion transactions**—the biggest one-year increase recorded by the Federal Reserve. Major growth in **ecommerce retail**, **online grocery** and **food delivery**, and streaming services helped supercharge remote payments.
- Going forward, card volume will likely return to growth. Many of the restrictive factors related to the pandemic that suppressed volume in early 2020 are unlikely to return to the same extent.

## The pandemic made consumers try out new payment technologies.

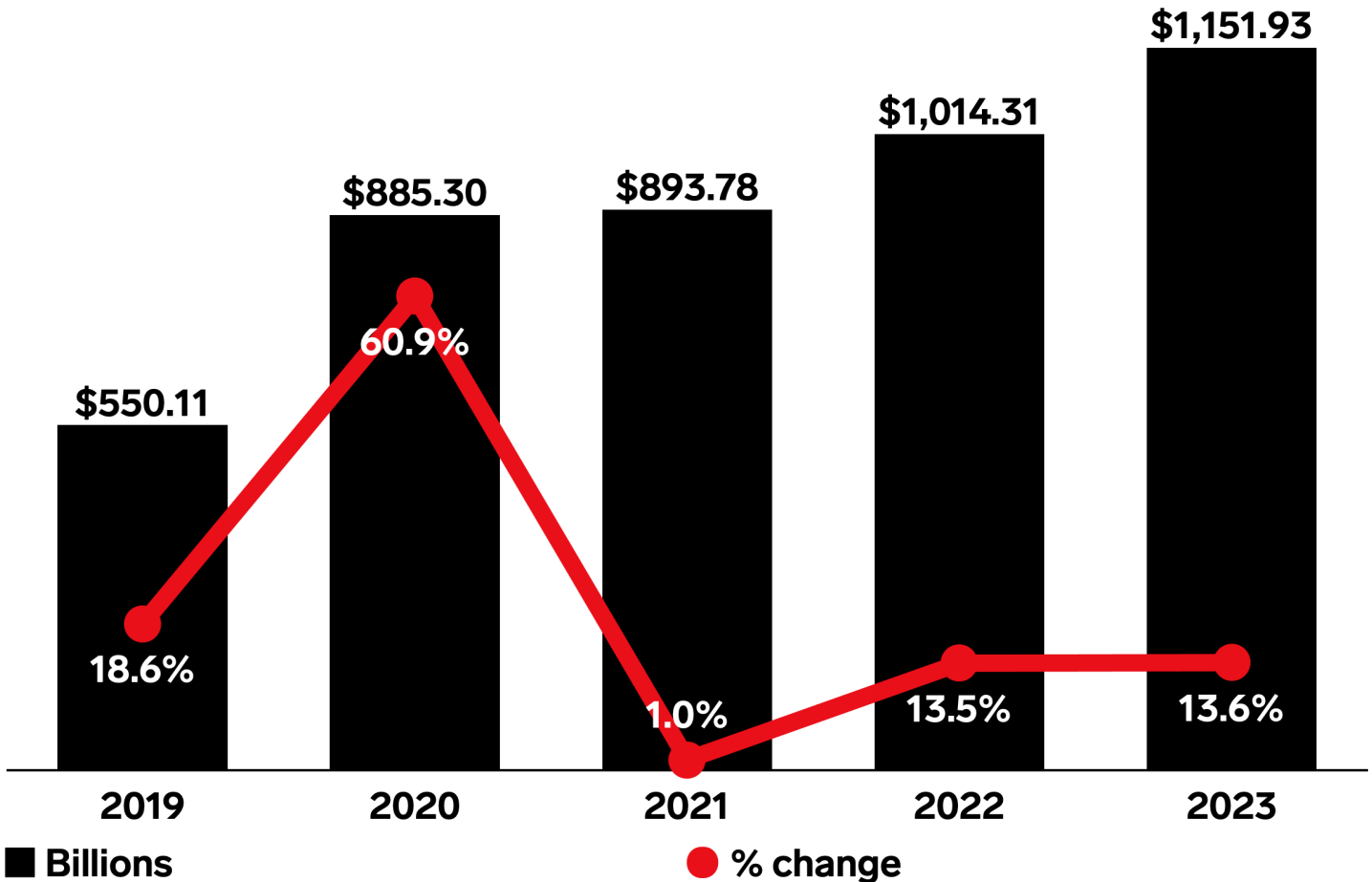
- Despite the drop in overall card volume, contactless card payments rose in 2020—consumers hoped these transactions would reduce the risk of virus transfer at the physical point-of-sale. **The number of contactless card payments hit 3.7 billion in 2020**, an annual increase of 172.3% compared with 2019's 121.2% YoY growth. Part of this increase stemmed from new users, who may have previously lacked a strong enough **incentive** to try contactless.

- The number of first-time P2P payments users also grew rapidly at the onset of the pandemic. New users may have adopted the payment method to pay others remotely and to avoid using cash or checks.
- And mobile wallets experienced significant first-time growth in later quarters of 2020 as businesses reopened and consumers sought out contactless in-person alternatives.

***Related content:*** Check out [\*\*\*"The Payments Ecosystem"\*\*\*](#) report for an in-depth look at the biggest shifts in the payments industry.

# Digital Payment Card Transaction Value

US, 2019-2023



*Note: Transactions made over the internet using credit cards, debit cards, and prepaid cards; includes food services and drinking places sales; includes sales tax; excludes travel and event tickets, payments (such as bill pay, taxes or money transfers), mail orders, gambling, and other vice goods sales; includes desktop/laptop, mobile and tablet purchases.*

*Source: eMarketer, July 2021*

*Methodology: Estimates are based on the analysis of data from the US Department of Commerce and the Federal Reserve, estimates from other research firms, reported company revenues, historical trends, consumer buying trends, and macro-level economic conditions.*

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