

Credit is the digitization winner, and mobile P2P payments may have a cap, per Fed survey

Article

The news: Consumers made more payments last year than ever before, and their habits revealed shifts in cash, credit card, and peer-to-peer (P2P) trends, per the Federal Reserve's

2024 Diary of Consumer Payment Choice.

On average, **US consumers made 46 payments a month in 2023**, seven more than in 2022.

Here are the top three trends that emerged:

Cash isn't going away.

- **Cash's share of total payments decreased to 16%** in 2023, down from 18% the year prior. And for the first time, cash was not the most-used payment method for transactions of \$25 or less.
- But the number of people who carry cash remains stable thanks to consumers using it as a holding instrument and as a backup payment method. **Almost 80% of survey participants carried cash at least one day** during the survey period.

Why it matters: Despite cash's decline, it's an important part of consumers' financial lives. Merchants that go cashless could face pushback, especially from older and lower-income customers, who tend to use cash more often.

Credit is the digitization winner.

- **Consumers averaged 15 credit card payments a month**, up from 12 in 2022. By comparison, consumers made **14 debit payments a month**, versus 11 the year before.
- Credit is beating out debit as people move away from cash. The share of consumers who prefer credit cards for in-person payments increased 4 percentage points compared with 2021, while debit's share declined by 5 points.

What this means: Consumers are turning to credit cards for rewards and to finance strong spending as their excess savings dwindled. Strong rewards programs can help issuers capture this spending.

Digital P2P payment growth may have hit a ceiling.

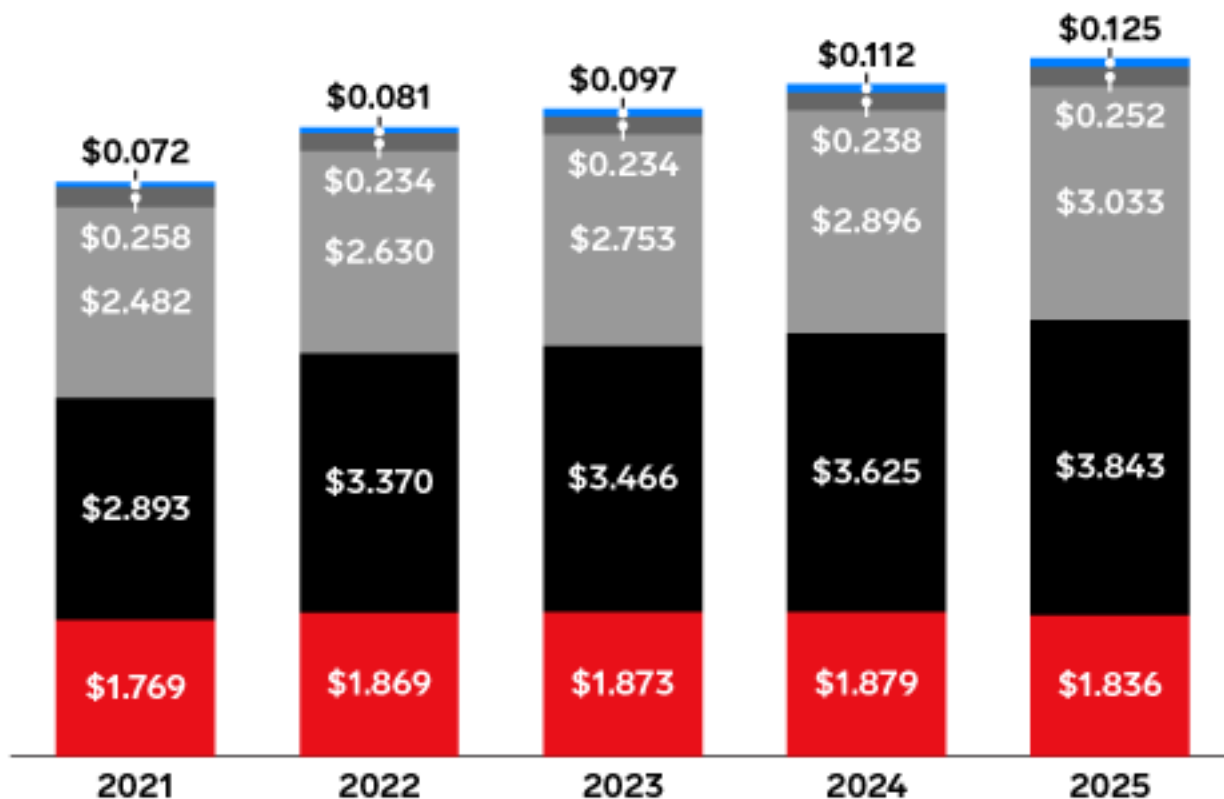
- **Consumers used mobile apps for 50% of all peer-to-peer (P2P) payments** in 2023. This is down from 55% in 2022 but still well above the pre-pandemic 27%.
- The YoY decline may suggest that there is a cap for digital P2P payment growth and that consumers aren't willing to ditch cash and checks entirely.

Why it's important: Mobile P2P payment providers like **Venmo** and **Cash App** will need to find new ways to boost growth if P2P payments have found a limit. They could shift their marketing to focus on other products in their mobile wallets, like their point-of-sale payments and buy now, pay later services.

The takeaway: Payment providers across the industry need to adapt to changing consumer payment preferences. For example, [Visa's slew of announcements](#) last week show how the payment network is planning for the future and trying to stay competitive.

US Transaction Value of Select Payment Types, 2021-2025

trillions



- Total cash/check transaction value
- Total credit card transaction value
- Total debit card transaction value
- Total prepaid card transaction value
- Buy now, pay later (BNPL) payment value

Note: includes point-of-sale (POS) transactions made in-store and over the internet using each payment type; includes food services and drinking place 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; BNPL includes products or services paid with a BNPL service platform
 Source: EMARKETER Forecast, Aug 2023

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