THE PRIMAX PAYMENTS PULSE: SPRING 2025 SPENDING REPORT

Welcome to the Spring 2025 Spending Report of the Primax Payments Pulse! This special edition report explores year-over-year, same-store financial institution comparisons and provides a view of consumer transactions and trends during the first three months of 2025.

On April 2, President Trump announced sweeping tariffs on imports from all nations that trade with the United States, with a 10% baseline tariff that took effect on April 9. Though a 90-day pause has been placed on most tariffs, those targeting China remain in place, fueling increased uncertainty and anticipated price increases. Consumer sentiment continues to erode, while both economists and Fortune 50 CEOs warn of the ripple effects – rising inflation, higher unemployment and the possibility of a recession if trade flows are significantly disrupted. While the impact of tariffs is not yet reflected in our March data, it is certainly weighing on consumers' minds and beginning to influence spending behavior. Early signs suggest that American consumers may be stockpiling essential imported goods in anticipation of price increases. As this situation unfolds, we will be closely tracking how these developments shape spending behaviors in the coming months.

The Consumer Confidence Index declined for the fourth consecutive month in March to 92.9, with less optimism in the area of future business conditions and future income. The 7.2-point drop was primarily driven by consumers 55 and older and followed by those aged 35 to 55. The decline was across most income levels with one exception: those earning more than $125,000 per year. The University of Michigan Index of Consumer Sentiment dropped 11% from March to 50.8 in April – its second-lowest level in history – and has lost more than 34% year over year. Consumers across all ages, income and political demographics expressed pessimism and concern over anticipated upcoming price surges.

In the Labor Department's April 10 update, the Consumer Price Index (CPI) decreased 0.1% in March, bringing the cumulative 12-month rate of inflation up to 2.4%. The Energy index dropped 2.4%, which was led by a 6.3% decline in the Gasoline index. Food increased by 0.4%, with the indexes for food at home up 0.5% and food away from home increasing 0.4% over the month. Core CPI, which excludes the Food and Energy sectors, increased by 0.1% in March following a 0.2% decrease in February, bringing the 12-month Core CPI to 2.8% – the smallest 12-month increase since March 2021.

In March, jobs grew by 228,000, with increases in healthcare, social assistance and transportation and warehousing. Federal government workers declined by 4,000 in March, following a decline of 11,000 in February. The overall jobs increase was larger than expected, as economists anticipated growth of roughly 130,000. February's job growth numbers were downwardly revised by 34,000 to 117,000. The U.S. Bureau of Labor Statistics (BLS) reported the overall unemployment rate increased slightly for March to 4.2%, or 7.1 million people, and has hovered between 4.0% and 4.2% since May 2024. On a positive note, the labor force participation rate has maintained at 62.5% since December 2023.

On April 4, Federal Reserve Chair Jerome Powell indicated that interest rate changes have a "highly uncertain outlook" as higher-than-expected tariffs are likely to raise inflation and lower economic growth, the extent of which is uncertain. While the next Federal Open Market Committee (FOMC) meetings end on May 7, there have been signals that the earliest a rate change could occur would be with the June meeting that concludes on June 18.

We hope that the insights from the Primax Payment Pulse continue to help our financial institutions make informed, strategic decisions.

Primax

OVERALL PERFORMANCE – JANUARY TO MARCH 2025

TRANSACTIONS

2025 VS. 2024

Credit ↑0.8%

Debit ↑1.7%

2024 VS. 2023

Credit ↑2.2%

Debit ↑3.3%

PURCHASES

2025 VS. 2024

Credit ↑0.6%

Debit ↑4.2%

2024 VS. 2023

Credit ↑0.4%

Debit ↑4.2%

KEY TAKEAWAYS

- The consequence of tariffs on consumer spending could have a profound impact on 2025 payment results, with mixed thoughts on timing. Price increases could begin to materialize in the coming weeks, while others could take a few months depending on supply chain constraints. We will monitor changes in consumer discretionary spending, as tariffs could impact non-discretionary spending in basic categories like supermarkets, drug stores and discount stores. While year-over-year growth remains positive in debit discretionary activity, results have softened from the start of the year, which could be a preemptive measure by Primax Payments Pulse consumers in advance of high inflationary prices.
- Softer growth rates were apparent for the first quarter of 2025 for both credit and debit, with debit outperforming credit. Debit purchases were up 4.2% and credit purchases were up 0.6%. Debit transactions were up 1.7% and credit transactions were up 0.8%. The Money Services and Services sectors were the largest contributors to growth for debit and credit, respectively. The Goods sector was the top contributor to growth in both credit and debit transactions.
- Over 40% of all transactions were digital (41% debit and 46% credit) for the quarter ending March 2025. For the same timeframe, at least half of all card purchases were digital (51% debit purchases and 56% credit purchases).
- Digital wallets continue to grow in popularity, with 8% of all debit transactions (CP & CNP) taking place via a digital wallet and 5% of all credit transactions (CP & CNP) via a digital wallet for the January to March 2025 timeframe.
- The 12-month CPI through March decreased by 2.4%, down 0.1% from February. The Energy index declined 2.4%, with most of the reductions coming from gasoline, which was down 6.3%. Core inflation, which excludes food and energy, is now at 2.8%, up 0.1% for March.

As we navigated the first quarter of 2025, the uncertainty of impending tariffs and a noticeable decline in consumer confidence presented some challenges for financial institutions. Softer growth rates were evident across both credit and debit, with debit continuing to outperform credit. While year-over-year growth in debit discretionary activity remained positive, we saw a softening trend early in the quarter – potentially a preemptive response by consumers anticipating higher inflationary pressures. Overall, financial institutions demonstrated resilience and adaptability. However, with ongoing economic uncertainties – particularly around trade policy and inflation – it will be critical for them to remain vigilant and adaptable to effectively weather ongoing economic fluctuations."

– Bill Hampton, President, Primax

DEEP DIVE: DIGITAL PAYMENTS

In this edition, we revisit the primary ways credit and debit cards are used and provide our view of "digital payments," which represent the alternative ways cards can be used without a physical card required to facilitate the transaction. This includes all Card Not Present (CNP) activity, as well as all tokenized transactions. While most tokenized transactions are CNP, we include Card Present (CP) tokenized activity associated with digital wallets, namely the "Pays" (Apple Pay, Google Pay, etc.).

For the first quarter of 2025, digital transactions accounted for 46% of all credit card transactions and 41% of all debit card transactions. Digital purchases represented a greater share of overall purchases. For the period ending March 2025, digital credit purchases represented 56% of all credit purchases and digital debit purchases represented 51% of all debit purchases.

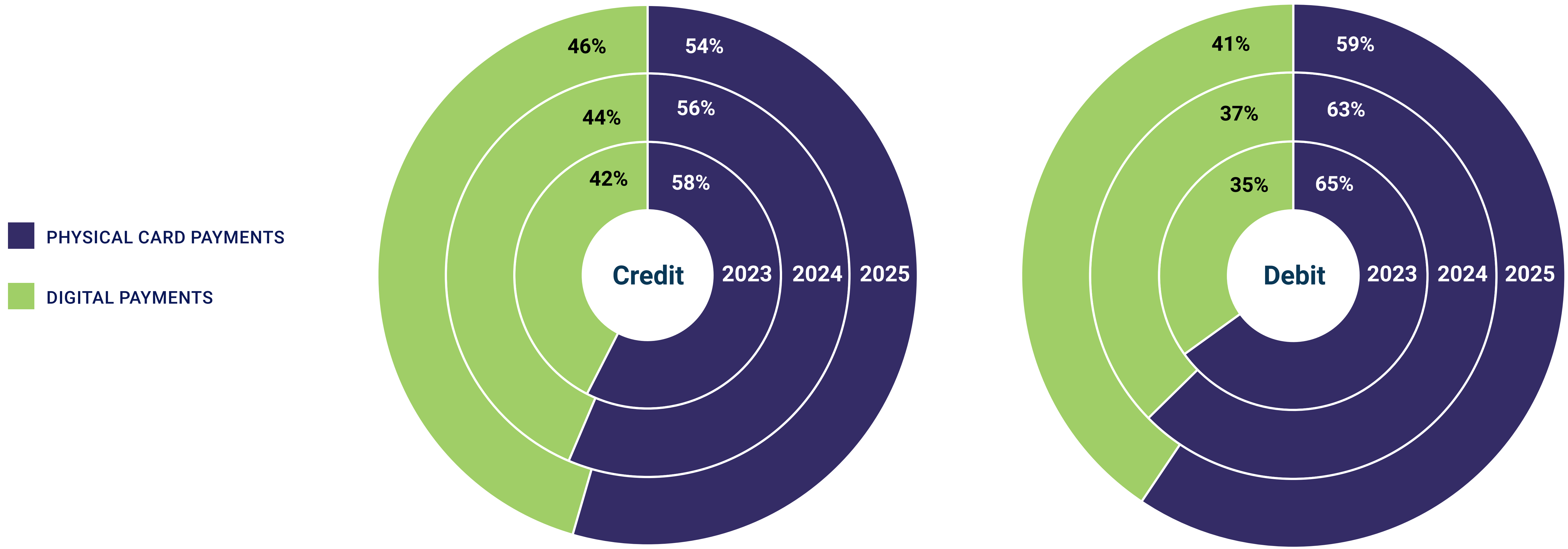
The converse of digital payments represents the remainder of activity for credit and debit cards and includes more traditional physical card payments, or "card in hand" activity. These transactions and purchases are the total of all tapped (contactless), dipped (EMV chip), swiped (mag stripe) and nominal activity in which the card was keyed. Contactless "tap and go" activity is encrypted, but not tokenized in the manner that digital wallet activity is tokenized.

As a percentage of overall credit and debit card transactions, contactless transactions continue to increase. Contributing to the growth are the increase in contactless cards in the market, consumer comfort and acceptance of "tapping" transactions and increased merchant adoption of terminals accepting contactless transactions. For the first quarter of 2025, credit contactless transactions represented 24% of all credit transactions, up from 18% in 2024. Debit contactless transactions represented 15% of all debit transactions, up from 10% in 2024. There was an expectation that contactless card activity would replace lower-dollar-value cash transactions, which does appear to be happening, as the percentage of overall contactless card purchases is lower than the percentage of contactless transactions. For the period ending March 2025, contactless credit purchases represented 17% of overall credit purchases and contactless debit purchases represented 12% of overall debit purchases.

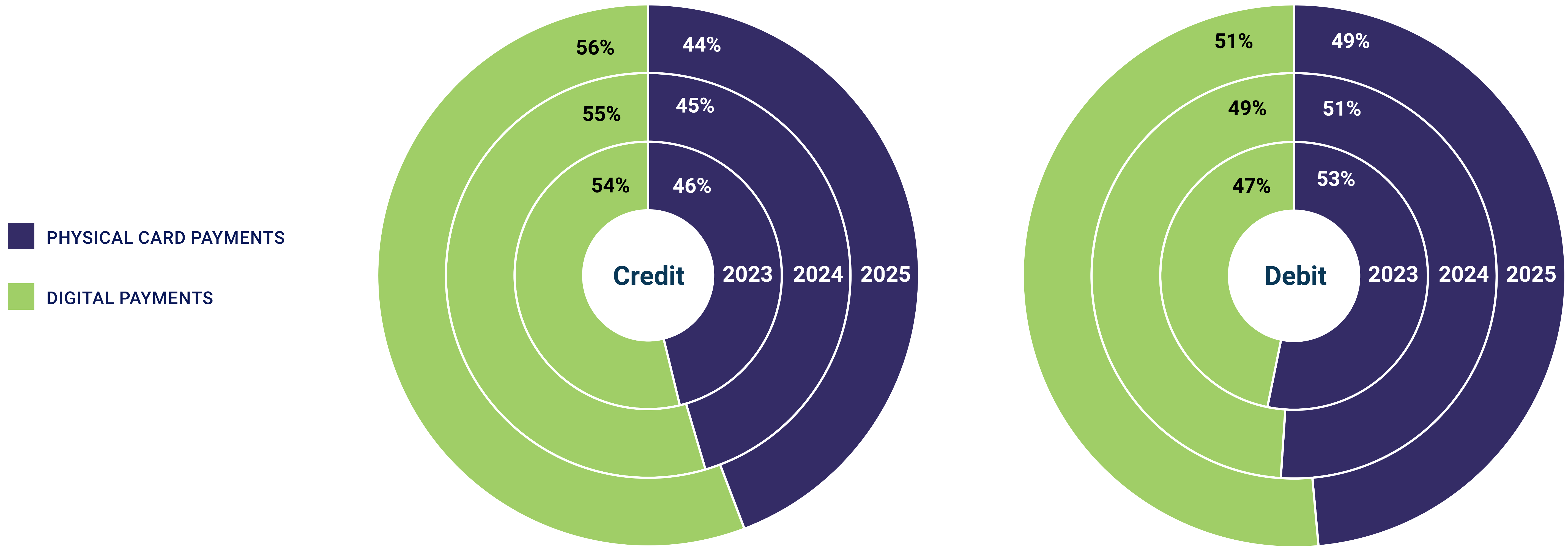
The percentage of overall transactions that are mag stripe, or swiped, is on the decline for both credit and debit cards. For the first quarter of 2025, mag stripe represented only 1% of all credit transactions, down from 2% in 2024. Mag stripe debit represented 3% of overall debit card transactions, down from 6% in 2024.

For physical card activity, the growth in contactless transactions comes from a shift in EMV transactions. For the period ending March 2025, credit EMV chip transactions represented 28% of all credit transactions, down from 35% in 2024. Debit EMV chip transactions represented 38% of all debit transactions, down from 44% in 2024.

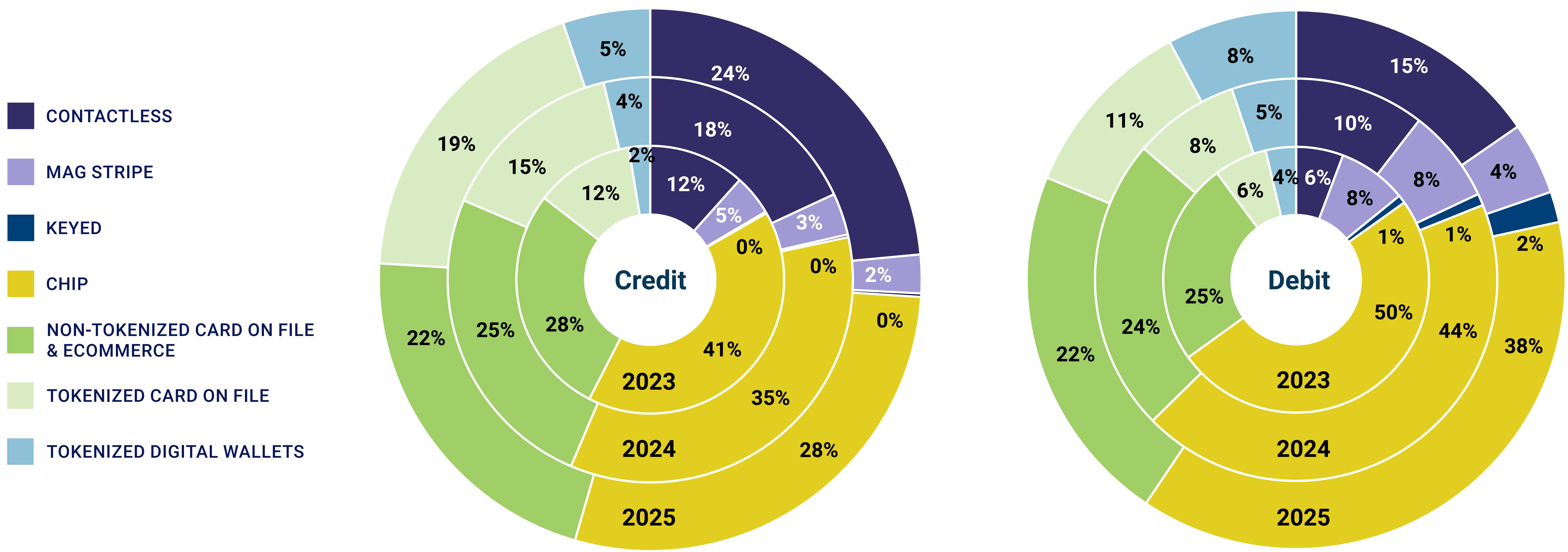
DIGITAL PAYMENTS VS. PHYSICAL CARD TRANSACTIONS



DIGITAL PAYMENTS VS. PHYSICAL CARD PURCHASES



DIGITAL PAYMENTS VS. PHYSICAL CARD TRANSACTIONS: DETAILED



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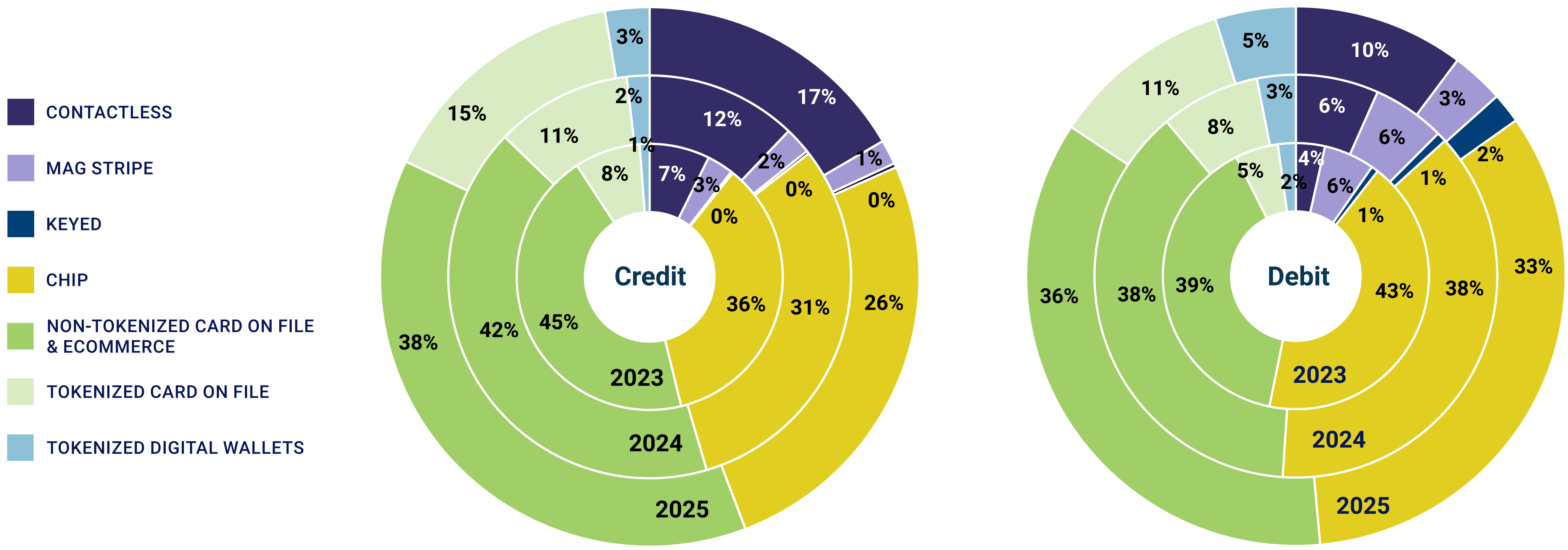


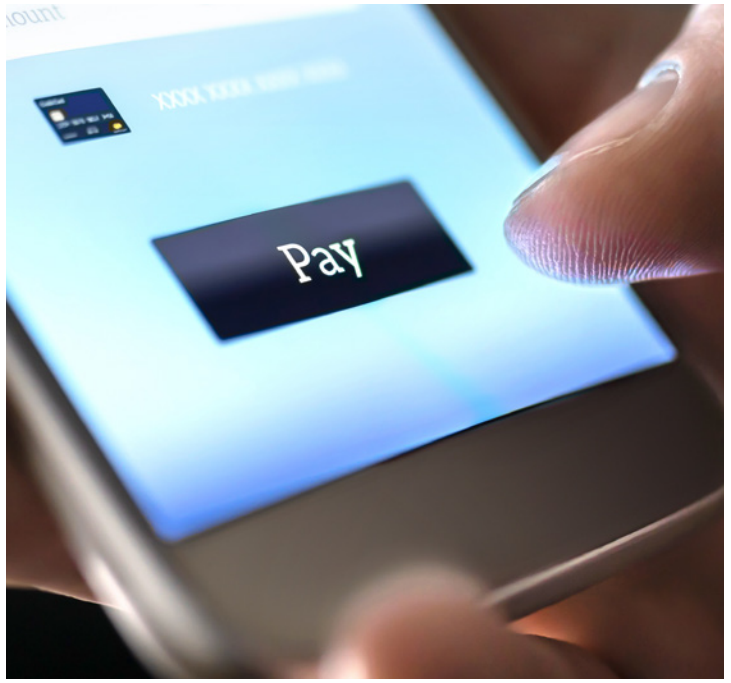
TOKENIZED DIGITAL WALLETS

Tokenized digital wallets, or the “Pays,” also continue to grow in consumer acceptance. Debit digital wallet transactions represented 8% of overall debit transactions, up from 5% in 2024. Credit digital wallet transactions represented 5% of overall credit transactions, up from 4% in 2024.

Apple Pay maintained its market share dominance based on total digital wallet transactions. Apple Pay debit transactions represented 94% of all digital wallet debit transactions and Apple Pay credit transactions represented 90% of all digital wallet credit transactions. Google Pay has the second-most market share with 4.9% of all digital wallet debit transactions and 8.1% of all digital wallet credit transactions. Samsung Pay was third in transaction market share with 1.4% of all digital wallet debit transactions and 2.0% of all digital wallet credit transactions.

Of the three primary digital wallet providers, Apple Pay has the greatest percentage of its respective wallet services in a Card Not Present (CNP) environment – with 39.9% of all Apple Pay debit transactions as CNP and 35.7% of all Apple Pay credit transactions are CNP. Google Pay has 25.4% of its debit digital wallet transactions as CNP and 21.5% of credit digital wallet transactions. Nearly all Samsung Pay credit and debit transactions are card present.

There are several differentiators to understand the sectors in which the three main digital wallet providers are used. In the Money Services (person-to-person) sector, Apple Pay had 7% of debit transactions and 21% of debit purchases while Google Pay had 1% of debit purchases. For all three providers on credit digital wallets, the percentage of transactions and purchases was between zero and 1%.



DIGITAL WALLET TRANSACTION MARKET SHARE BY PROVIDER: QUARTER ENDING MARCH 2025

Digital Wallet	Credit			Debit		
	CNP	CP	Overall	CNP	CP	Overall
Apple Pay	94.8%	87.2%	89.8%	96.8%	91.8%	93.7%
Google Pay	5.2%	9.7%	8.1%	3.2%	5.9%	4.9%
Samsung Pay	0.0%	3.0%	2.0%	0.0%	2.2%	1.4%
Overall	100%	100%	100%	100%	100%	100%

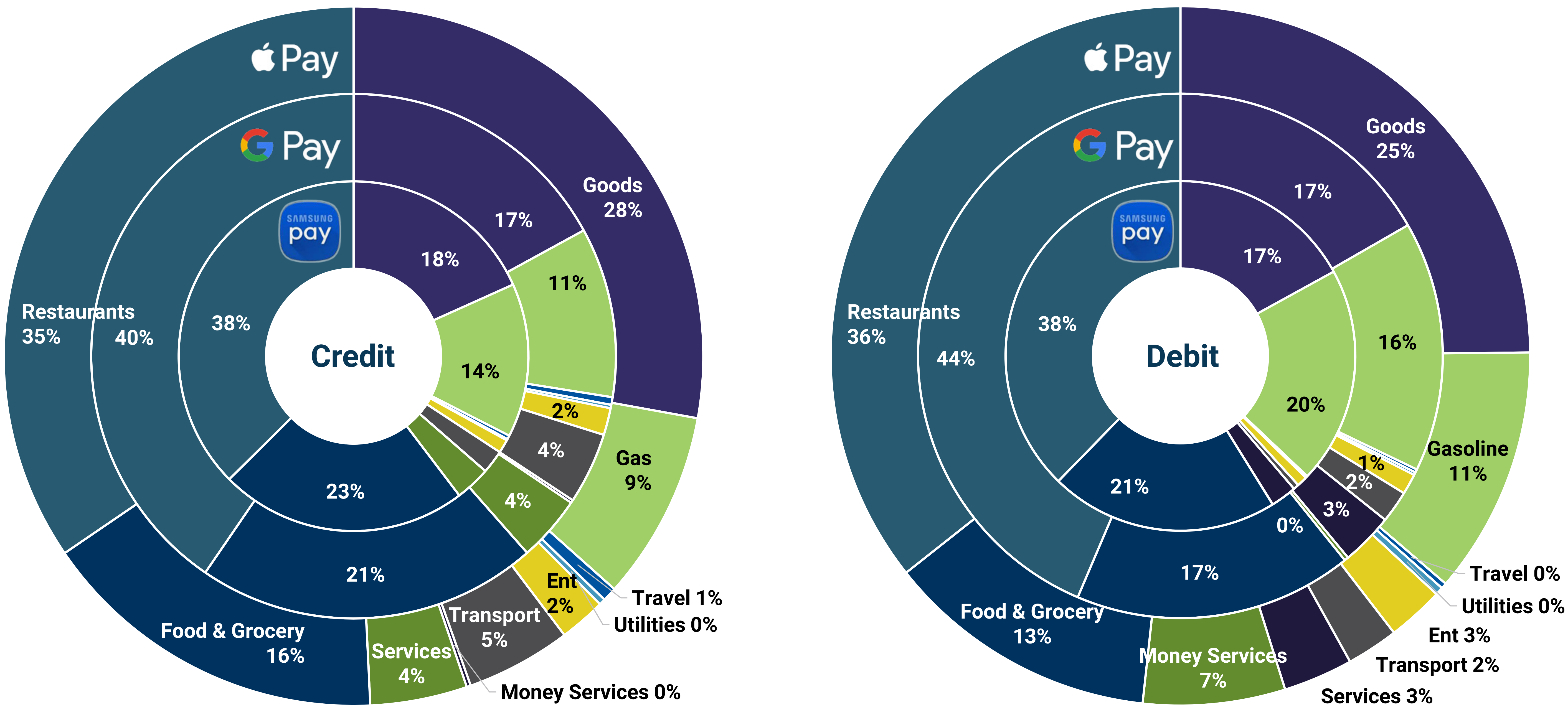
DIGITAL WALLET TRANSACTION BREAKDOWN BY CNP/CP AND PROVIDER: QUARTER ENDING MARCH 2025

Digital Wallet	Credit			Debit		
	CNP	CP	Overall	CNP	CP	Overall
Apple Pay	35.7%	64.3%	100%	39.9%	60.1%	100%
Google Pay	21.5%	78.5%	100%	25.4%	74.6%	100%
Samsung Pay	0.4%	99.6%	100%	0.3%	99.7%	100%
Overall	33.8%	66.2%	100%	38.7%	61.3%	100%

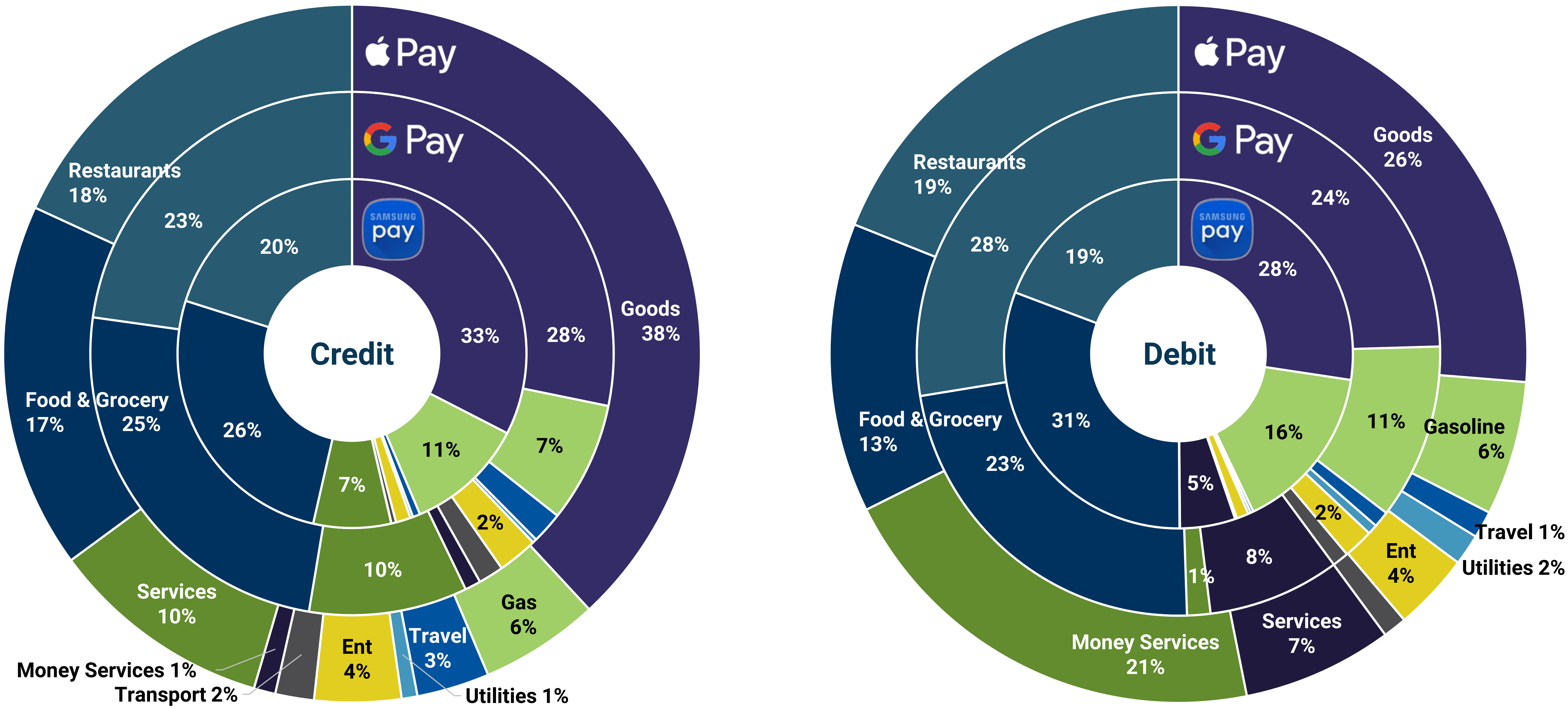
DIGITAL WALLET AVERAGE PURCHASE AMOUNTS BY CNP/CP AND PROVIDER: QUARTER ENDING MARCH 2025

Digital Wallet	Credit			Debit		
	CNP	CP	Overall	CNP	CP	Overall
Apple Pay	$45.59	$31.80	$36.72	$41.47	$21.82	$29.66
Google Pay	$37.49	$30.56	$32.05	$29.11	$22.25	$23.99
Samsung Pay	$44.51	$29.82	$29.87	$24.81	$21.71	$21.72
Overall	$45.17	$31.62	$36.20	$41.07	$21.84	$29.28

SECTOR PERCENTAGE OF OVERALL TRANSACTIONS BY DIGITAL WALLET PROVIDER: QUARTER ENDING MARCH 2025



SECTOR PERCENTAGE OF OVERALL PURCHASES BY DIGITAL WALLET PROVIDER: QUARTER ENDING MARCH 2025



CREDIT AND DEBIT CARDS

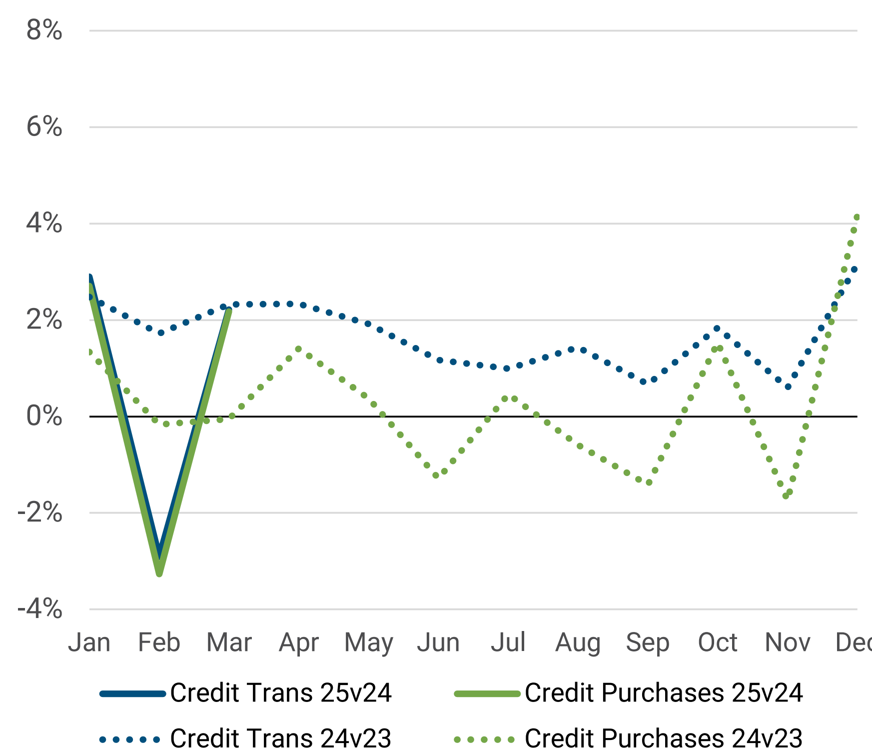
Compared to the first quarter of 2024, transaction growth for both credit and debit was considerably lower while purchase growth was similar, with debit continuing to outperform credit. Transaction growth for the first quarter of 2025 measured 0.8% and 1.7% for credit and debit, respectively, while purchases grew 0.6% for credit and 4.2% for debit.

The Goods sector was the lead driver for both credit and debit transaction growth, contributing one-half and nearly three-fifths of growth, respectively. The main drivers of credit purchase growth included the Services and Utilities sectors, collectively contributing 1.0% of growth. The main drivers of debit purchase growth included the Money Services and Goods sectors, which together contributed 3.0% of the growth.

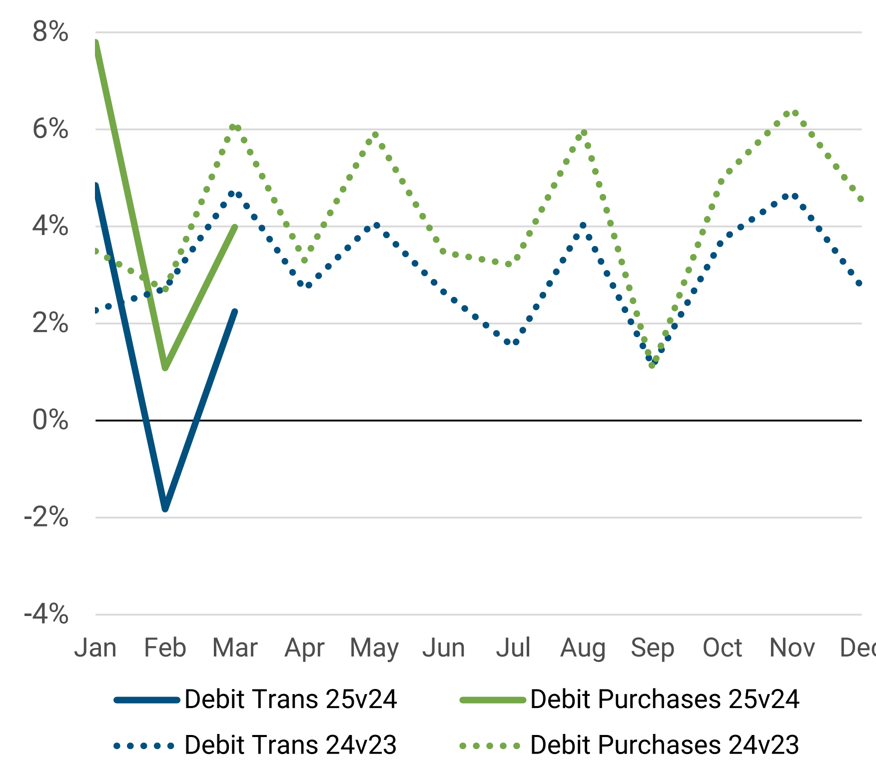
JANUARY TO MARCH 2025

	Credit		Debit	
	Transactions	Purchases	Transactions	Purchases
2025 v 2024	0.8%	0.6%	1.7%	4.2%
2024 v 2023	2.2%	0.4%	3.3%	4.2%

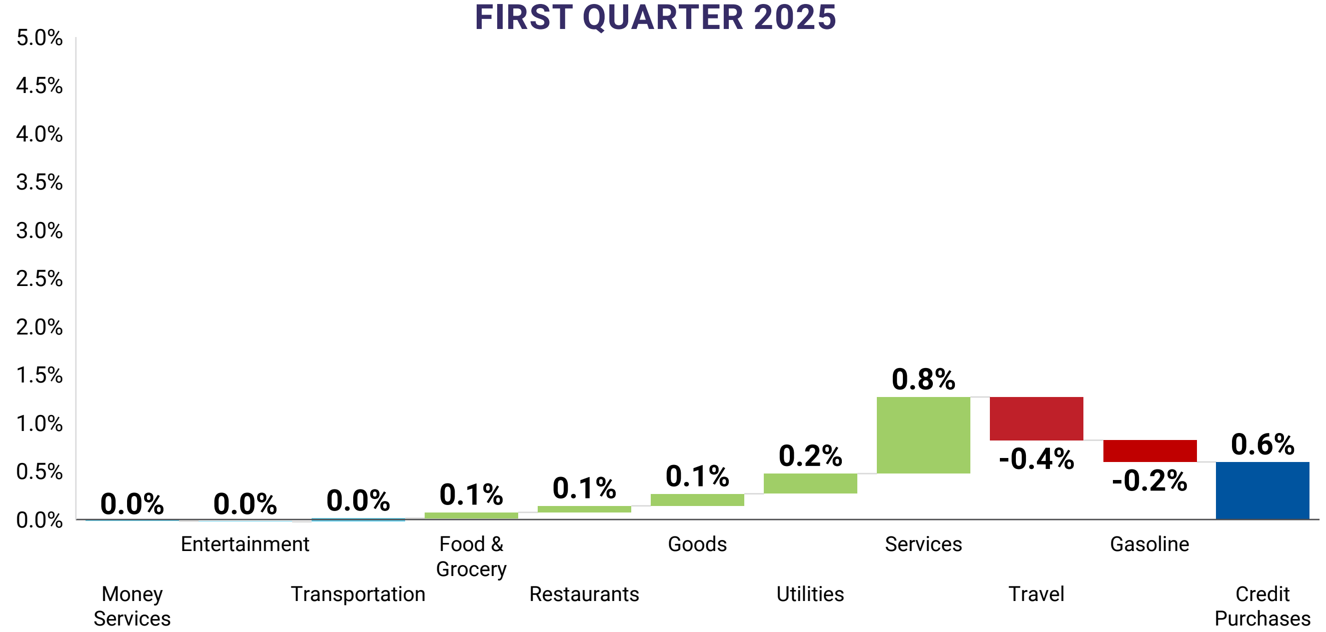
CREDIT



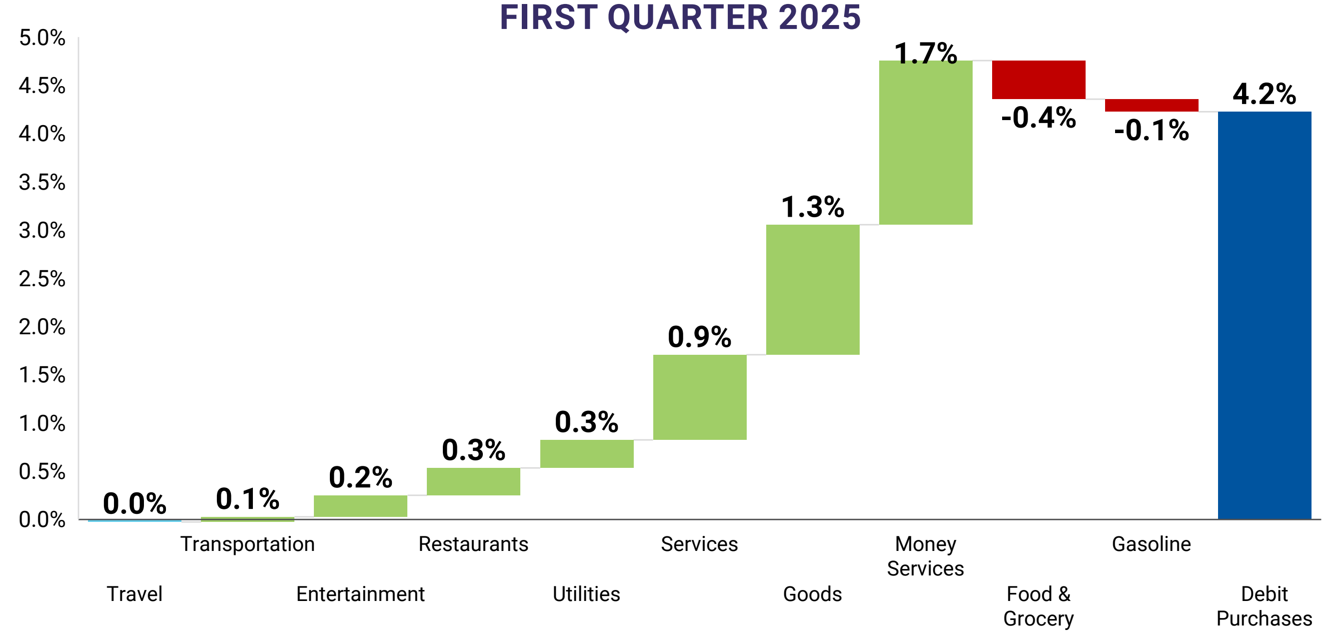
DEBIT



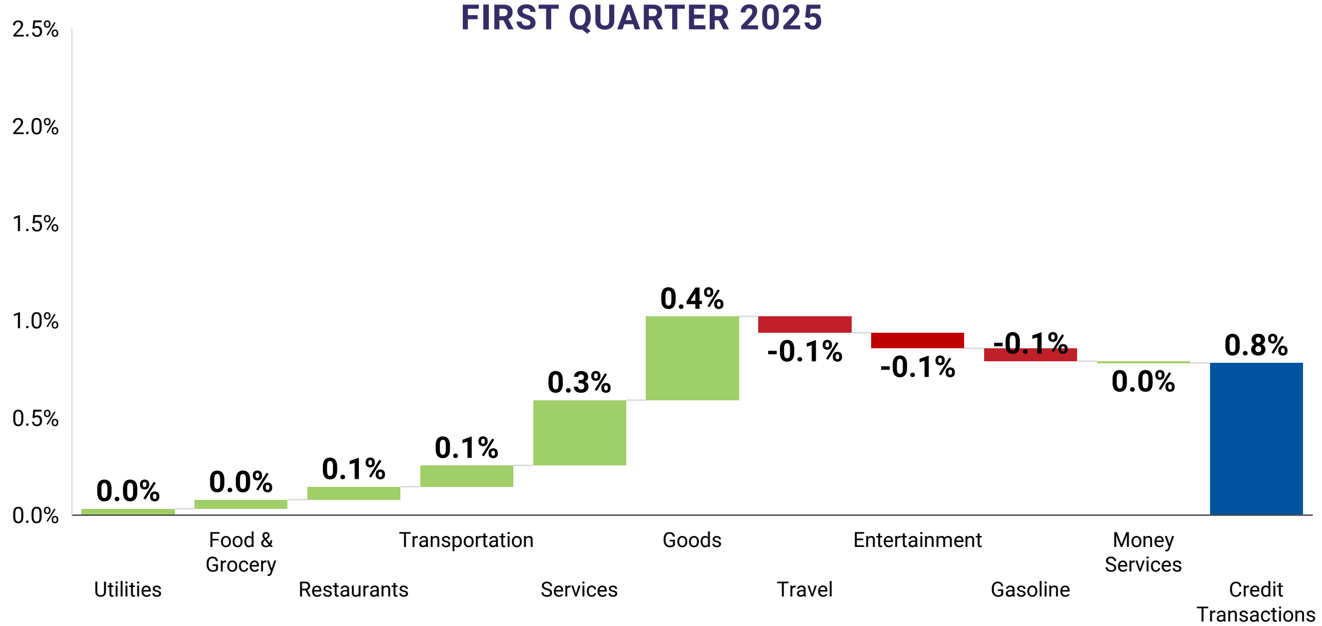
SECTOR CONTRIBUTIONS TO GROWTH IN CREDIT PURCHASES FIRST QUARTER 2025



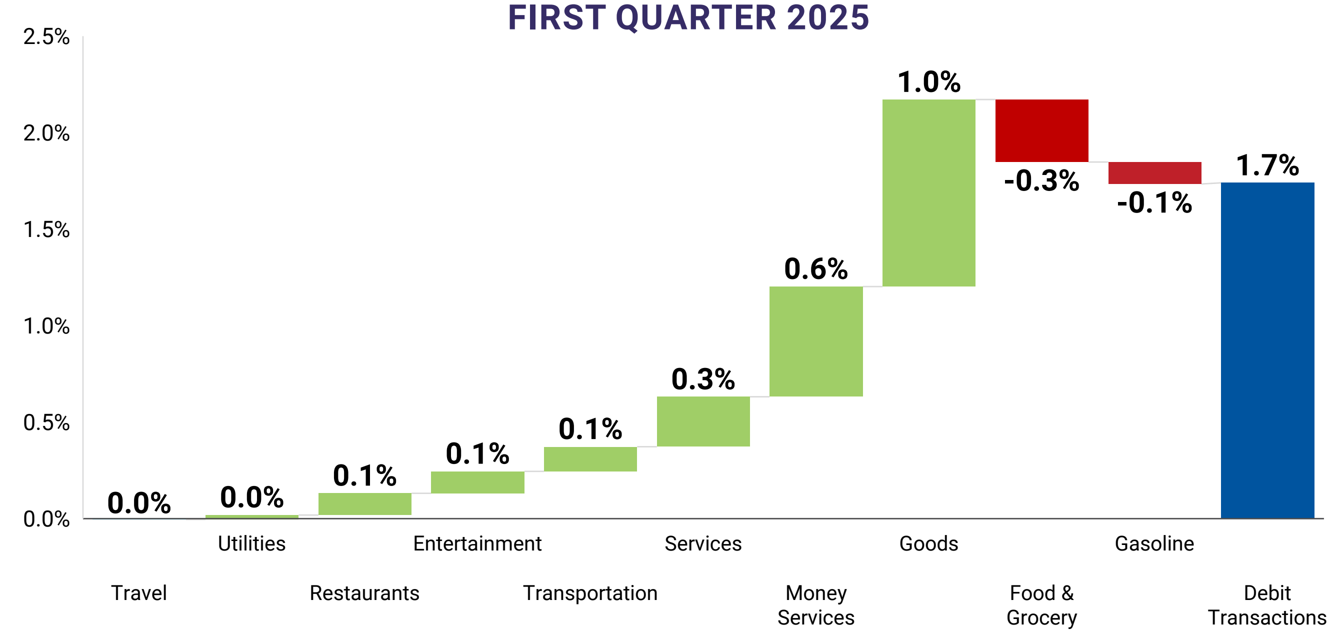
SECTOR CONTRIBUTIONS TO GROWTH IN DEBIT PURCHASES FIRST QUARTER 2025



SECTOR CONTRIBUTIONS TO GROWTH IN CREDIT TRANSACTIONS FIRST QUARTER 2025



SECTOR CONTRIBUTIONS TO GROWTH IN DEBIT TRANSACTIONS FIRST QUARTER 2025



Increase Decrease Total

SECTORS/MERCHANT CATEGORIES

The Money Services and Transportation sectors achieved double-digit debit purchase growth for the quarter, up 15%, year over year, with the Taxi/Rideshare merchant category contributing to growth within Transportation. However, debit purchase growth in Food & Grocery was softer, reflecting slowing inflation for food consumed at home, while purchase growth in Restaurants improved (+3%), stimulated by Fast Food merchants.

Travel growth was negative for both credit and debit while growth in the Utilities sector growth was strong, fueled by increased utility costs in February as NOAA identified January 2025 as the coldest January since 1988.

Gasoline prices have been falling year over year for the past few months, with credit and debit purchase growth rates down 5% and 2%, respectively, for the quarter ending March 2025. The national average price per gallon of gasoline finished at $3.24 for the week ending Apr. 14, down 12.7% or $0.46 year over year.

ENTERTAINMENT
Full Year 2025 V 2024

	Credit	Debit
YoY Purchases	-0.1%	5%
YoY Transactions	-2%	3%

FOOD & GROCERIES
Full Year 2025 V 2024

	Credit	Debit
YoY Purchases	1%	-2%
YoY Transactions	0.3%	-2%

GASOLINE
Full Year 2025 V 2024

	Credit	Debit
YoY Purchases	-5%	-2%
YoY Transactions	-1%	-1%

GOODS
Full Year 2025 V 2024

	Credit	Debit
YoY Purchases	0.4%	5%
YoY Transactions	1%	4%

MONEY SERVICES
Full Year 2025 V 2024

	Credit	Debit
YoY Purchases	-2%	15%
YoY Transactions	-4%	12%

RESTAURANTS
Full Year 2025 V 2024

	Credit	Debit
YoY Purchases	1%	3%
YoY Transactions	0.3%	0.5%

SERVICES
Full Year 2025 V 2024

	Credit	Debit
YoY Purchases	3%	6%
YoY Transactions	3%	4%

TRANSPORTATION
Full Year 2025 V 2024

	Credit	Debit
YoY Purchases	5%	15%
YoY Transactions	5%	14%

TRAVEL
Full Year 2025 V 2024

	Credit	Debit
YoY Purchases	-5%	-1%
YoY Transactions	-5%	-1%

UTILITIES
Full Year 2025 V 2024

	Credit	Debit
YoY Purchases	7%	5%
YoY Transactions	2%	1%

ABOUT PRIMAX

Primax provides banks with payment processing services and an expansive array of value-added technology and solutions. Primax's customizable solutions, including risk management, mobile and online card management, data and analytics, loyalty programs, marketing, strategic consulting, delinquency management and contact center services, help banks profitably grow their portfolios and deliver an unparalleled experience to their accountholders. With a longstanding commitment to service excellence, Primax has been designing and providing support services for banks throughout the U.S. and the Caribbean for over 40 years. For more information, visit www.primax.us.