Consumer Behavior before & during Covid-19

Data from national payments surveys

Talk About Payments
November 19, 2020

The views expressed in this presentation are those of the author and do not necessarily represent the views of the Federal Reserve Bank of Atlanta, the Federal Reserve System, or the Bank of Canada.

Some data described in this presentation relies on data from surveys administered by the Understanding America Study, which is maintained by the Center for Economic and Social Research at the University of Southern California. The content of this presentation is solely the responsibility of the authors and does not necessarily represent the official views of USC or UAS.

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Three questions about consumers

1. Are consumers shopping and paying in person?
2. What’s happening at the in-person point of sale?
3. Are consumers holding cash?
Today’s speakers

Kevin Foster
Sr Business Survey Specialist
Atlanta Fed

Claire Greene
Payments Risk Expert
Atlanta Fed

Shaun O’Brien
Senior Policy Consultant
Cash Product Office, San Francisco Fed

Heng Chen
Principal Researcher
Currency
Bank of Canada

Gradon Nicholls
Economist
Currency
Bank of Canada
Stepping up the pace of data collection
U.S. shutdown: Paying in person

Paid in person at least once, "typical month" or "past 30 days"

<table>
<thead>
<tr>
<th>Month</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2019</td>
<td>96%</td>
</tr>
<tr>
<td>April 2020</td>
<td>34%</td>
</tr>
<tr>
<td>August 2020</td>
<td>60%</td>
</tr>
</tbody>
</table>

Sources: 2019 Survey of Consumer Payment Choice, 2020 Understanding Coronavirus in America
Most already shop, pay bills online

US, 2019: 80% shop or pay bills online

Source: 2019 Survey of Consumer Payment Choice
Cash use & acceptance still evolving

<table>
<thead>
<tr>
<th></th>
<th>April</th>
<th>Summer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>More consumers used cash in summer</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>36%</td>
<td>54%</td>
</tr>
<tr>
<td>United States</td>
<td>20%</td>
<td>44%</td>
</tr>
<tr>
<td><strong>Varied experience of merchant acceptance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>Cash refused: 12%</td>
<td>Cash refused: 9%</td>
</tr>
<tr>
<td>United States</td>
<td>Cash refused: 7%</td>
<td>Card preferred: 42%</td>
</tr>
</tbody>
</table>

Cash use: U.S. cash is calculated as the share of consumers who paid in person and used cash. Canada cash use is share of consumers who reported making a cash payment in past week.
Merchant acceptance: U.S. (April) is share of consumers who paid in person. U.S. (August) is share of people who paid in person who “always,” “most of the time,” or “sometimes” were asked to pay with a card.

**In 2018 in Canada, 96% of small & mid-sized merchants accepted cash.**

Sources: Understanding Coronavirus in America, Bank of Canada Cash Alternative Survey, Bank of Canada Cash Pulse Survey
In Canada, tap & mobile evolve, too

Canada: tapping increasingly likely

<table>
<thead>
<tr>
<th></th>
<th>April</th>
<th>Summer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers more likely to tap</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debit</td>
<td>38%</td>
<td>54%</td>
</tr>
<tr>
<td>Credit</td>
<td>48%</td>
<td>56%</td>
</tr>
</tbody>
</table>

...& more likely to mobile pay

<table>
<thead>
<tr>
<th></th>
<th>April</th>
<th>Summer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile phone</td>
<td>8%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Pre-Covid-19, tapping rare in US

2019:
- 3% of in-person credit payments were tapped
- 0% of in-person debit were tapped
- ~3% of in-person card payments used a mobile device

Elements of currency in circulation

• Currency outside the U.S. (mostly $100s, more than half)
• Currency inside the U.S.
  • Depository institution vault cash
  • Held by businesses and government
  • Held by consumers
    • For immediate spending
    • To store value, perhaps for savings or to use in an emergency
US & Canada: CIC surges

Percentage change (value) from January 1

Sources: Bank of Canada, Federal Reserve Bank of St. Louis (FRED)
U.S. consumers held more cash

October 2019

- < $25: 43%
- $25 -< $100: 25%
- $100+: 32%

April/May 2020

- < $25: 34%
- $25 -< $100: 20%
- $100+: 46%

Sources: 2019 DCPC, 2020 Understanding Coronavirus in America.
Why might consumers have more cash?

- Stuck at home
- Stimulus payments
- Emergency preparedness
Perceptions on cash avoidance

**April:** Are you avoiding using cash because of the coronavirus?

**August:** For the in-person payments that you have made in the past 30 days, have you avoided using cash because of the coronavirus?

**April:** Do you currently have any plans to stop using cash in the future?

Sources: Understanding Coronavirus in America, Bank of Canada Cash Alternative Survey
Lots of questions going forward

Will shopping habits change permanently?

Will cash lose its dominance in small-dollar-value transactions?

Will Covid-19 jump-start the use of contactless pay?
References

Reports


Data and Information

“Running Essential Errands,” Centers for Disease Control.


FRED economic data, Federal Reserve Bank of St. Louis, “currency in circulation.”

“Understanding Coronavirus in America,” Understanding America Study, University of Southern California Dornsife Center for Economic and Social Research.

“U.S. Coin Task Force,” #getcoinmoving

Take On Payments Commentary

“Contactless Pay: A True Life Story,” 8/10/2020


“Are Contactless Cards Having their Moment?” 6/8/2020

“Some Seek Peace of Mind with Contactless,” 5/26/2020
Fed Consumer Surveys

- Survey of Consumer Payment Choice
- Diary of Consumer Payment Choice
- Survey of Consumer Finances
- Survey of Household Economics and Decisionmaking
- Survey of Consumer Expectations
- Consumers & Mobile Financial Services
- Federal Reserve Payments Study

• This week: [What Might Stormy Weather Mean for Banking Status?](#)

• October 26: [Will the Pandemic Change B2B Check Usage?](#)

• September 8: [New Payments Chassis Could Undergird Consumer-Friendly Vehicles](#)

Take On Payments blog: Every Monday