

The Electronic Payments Data Dashboard provides quarterly updates on various data related to the credit and debit card system, including interchange and merchant discount rates, BNPL, electronic payments, and consumer stress.

The increasing popularity of e-commerce, especially during the height of the COVID-19 pandemic, has led to a dramatic increase in card-not-present fraud. The share of transaction value lost to fraud has also been increasing in the U.S., Canada, and Australia for the past several years.

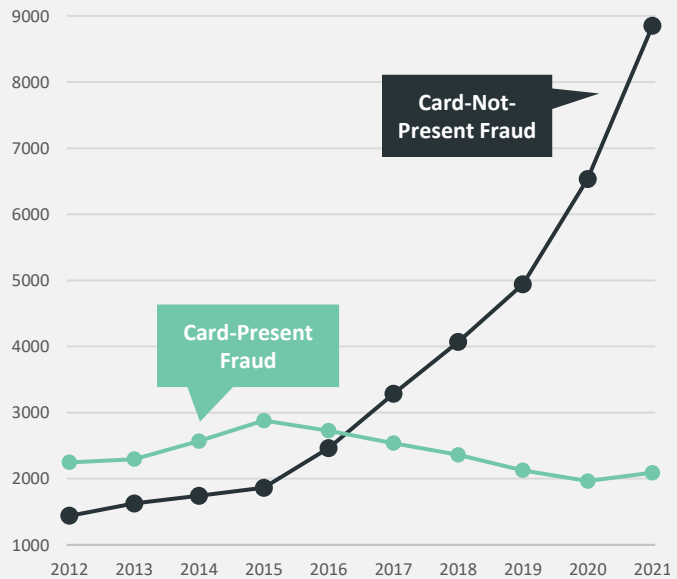
As a share of purchase volume, credit interchange and merchant discount rates have remained stable for the past 7 years. In 2021, the credit merchant discount rate remained between 2.17% and 2.22% (depending on the source). Interchange rates (the largest component of the MDR) have stayed at 1.8% for the past 7 years, according to Verisk.

Holiday spending is expected to increase this year, despite inflationary pressures weighing on consumers. Rewards, points, and Buy Now, Pay Later (BNPL) services are likely to play a larger role than usual in spending decisions, particularly for travel and gift shopping.

Card Fraud is Evolving in the U.S.

As detailed in a forthcoming report from EPC, the card industry is evolving in the U.S., with more consumers than ever using the internet for their purchases. Fraudsters have taken advantage of these new landscapes: since 2016, losses from Card-Not-Present (CNP) fraud have exceeded losses from Card-Present (CP) fraud. CNP fraud exploded in 2020 and 2021 as consumers shift into online shopping due to pandemic lockdowns. CP fraud saw a small uptick in 2021 after 5 years of consecutive decline.

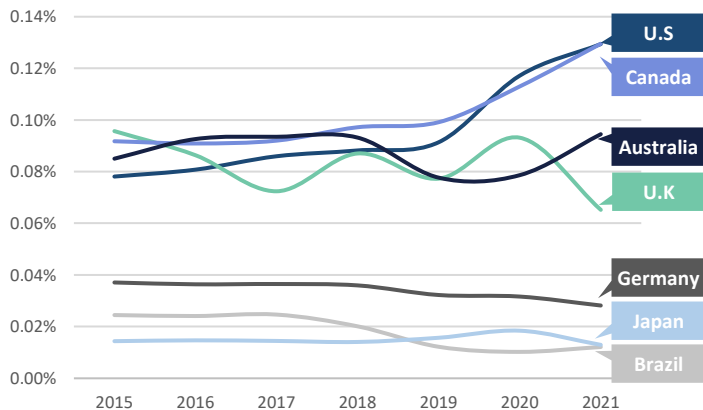
To combat the rapid rise in CNP fraud, card networks and issuers have invested in payment security innovations. Technologies like point-to-point encryption (P2PE), tokenization, and biometrics are being deployed to protect payment security. P2PE allows for card data encryption through the whole payment process, while tokenization creates a unique identifier to replace sensitive card information. Biometrics set up a secure authentication process using fingerprints, facial recognitions, and/or voice identifications.



Source: Euromonitor (U.S. card fraud, \$M)

Share of Transaction Value Lost to E-Payment Fraud

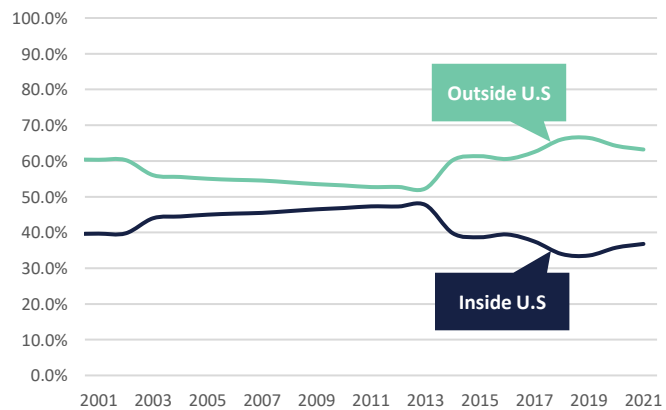
As a share of transaction value, fraud losses have been on the rise in the U.S., Canada, and Australia over the past three years. As of 2021, about 0.13% of card transaction value was lost to fraud in the U.S. and Canada.



Source: Euromonitor

Fraud Inside vs. Outside the U.S.

The U.S. accounts for slightly more than a third of global card fraud, down from its peak near 50% in 2013. The share of fraud occurring inside the U.S. rose slightly in 2020 and 2021, but it remains below 20-year-ago levels.



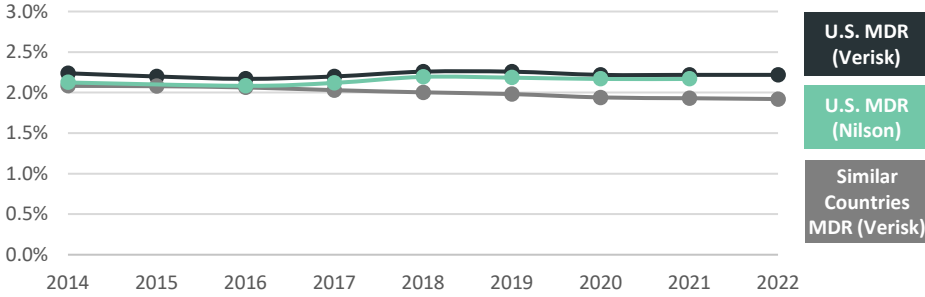
Source: Nilson Report,

Interchange and Merchant Discount Rates

Merchants keep the vast majority of revenue from credit card sales. They pay a small fee, called the merchant discount fee or the merchant discount rate (MDR), to accept card payments. **The average MDR (of which interchange is the largest component) is around 2% of total sales revenue.**

Credit Merchant Discount Rate (MDR)

Verisk Financial Research and the Nilson Report publish frequently cited estimates of the MDR. In 2021 in the United States, Nilson estimated that the MDR held steady at 2.22% for Visa and Mastercard, fell 2bp to 2.26% for American Express, and dropped 3bp to 2.15% for Discover. Verisk found that the weighted average merchant discount fee across all credit cards was 2.22% in 2022, unchanged since 2020.



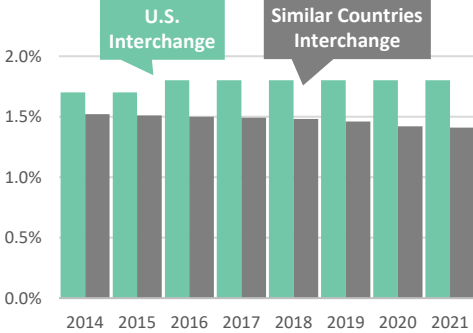
Year	Nilson MDR	Verisk MDR	
	U.S.	U.S.	Similar Countries*
2014	2.13%	2.24%	2.08%
2015	-	2.20%	2.08%
2016	2.09%	2.17%	2.06%
2017	2.12%	2.20%	2.03%
2018	2.20%	2.26%	2.00%
2019	2.19%	2.26%	1.98%
2020	2.17%	2.22%	1.94%
2021	2.17%	2.22%	1.93%
2022	-	2.22%	1.92%

*Average MDR for similar countries consists of a simple average of data for countries other than the U.S. that do not cap credit interchange or MDR. Countries with caps are excluded.

Interchange Rate (Largest Component of MDR)

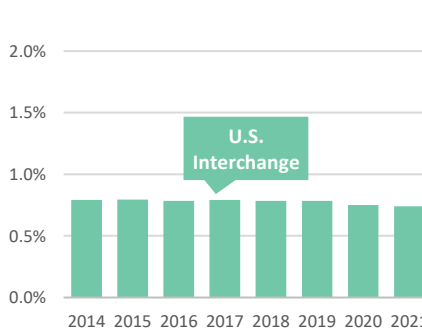
The average credit interchange rate in the U.S. held steady at 1.70% from 2012–2015 before rising to 1.80% in 2016. The debit interchange rate, kept artificially low due to the Durbin amendment, is about 0.74% as of 2021.

Credit



Source: Verisk (2022)

Debit



Source: Federal Reserve (2022)

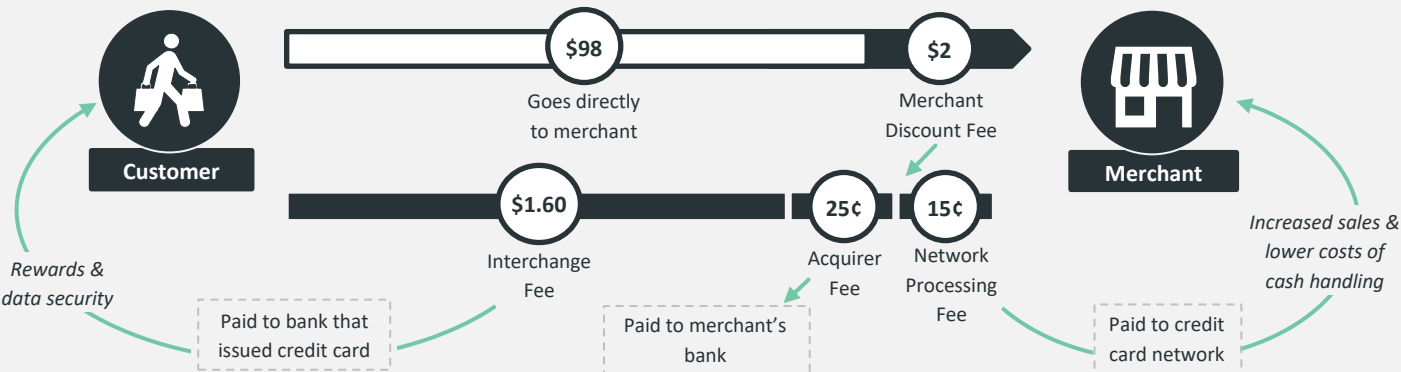
Year	Debit Int.	Credit Int.	
	U.S.	U.S.	Similar Countries*
2014	0.79%	1.70%	1.52%
2015	0.80%	1.70%	1.51%
2016	0.78%	1.80%	1.50%
2017	0.79%	1.80%	1.49%
2018	0.78%	1.80%	1.48%
2019	0.78%	1.80%	1.46%
2020	0.75%	1.80%	1.42%
2021	0.74%	1.80%	1.41%
2022	-	1.80%	1.40%

Source: Verisk (Credit) and Federal Reserve (Debit). Note: debit interchange estimates are weighted averages that account for exempt and covered transactions for signature and PIN networks.

*Average interchange for similar countries consists of a simple average of data for countries other than the U.S. that do not cap credit interchange or MDR. Countries with caps are excluded.

Payment Process

The MDR consists of an interchange fee, a network fee, and an acquirer fee. Each fee is set by, and paid to, a different entity. Merchants pay in order to receive the benefits of electronic payments, including increased sales, guaranteed payments, access to online channels, and lower costs of cash handling. Customers also benefit through ease of payment, rewards, and data security.

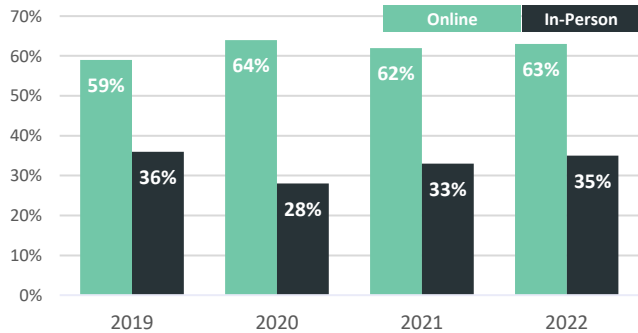


Electronic Payments Boost Holiday Spending Plans

Despite decades-high inflation, cardholders are entering the 2022 holiday shopping season fairly energized. Holiday spending is expected to surpass 2021 levels, and growth rates have returned to pre-pandemic trends. Many consumers are using different spending methods than usual to finance their holiday gifts and travel, such as rewards, points and Buy Now, Pay Later services. However, traditional electronic payments, such as debit and credit cards, remain the most popular choice.

Online Shopping Dominates Holiday Spending

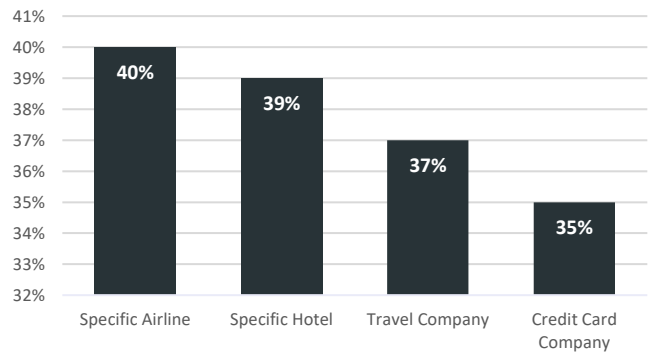
Shoppers are continuing the trend of online shopping this holiday season. However, in-person spending has ticked up since the worst of the pandemic in 2020.



Source: [Deloitte](#) (2022)

More Travelers Using Rewards to Book Trips

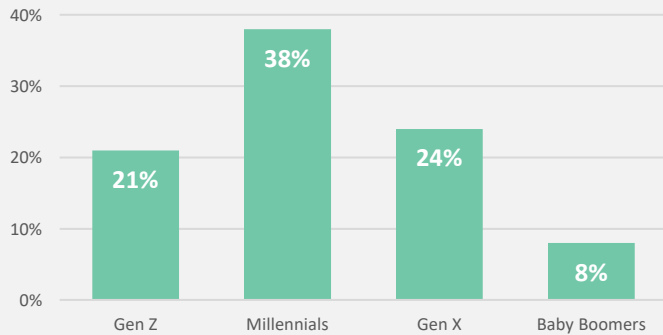
Lingering concerns over inflation have led more travelers to use saved points or rewards to cover their costs for winter holidays.



Source: [Morning Consult](#) (2022).

Millennials, Gen X to Use BNPL to Fund Holidays

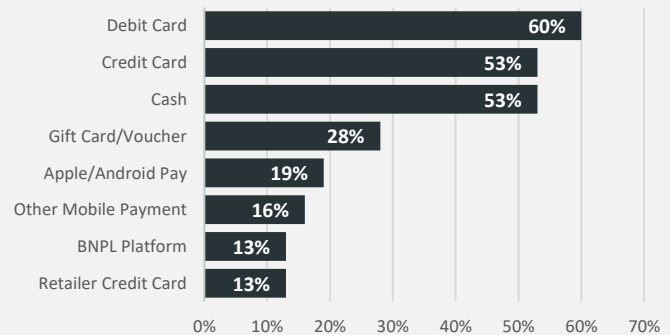
Millennials and Gen X, along with higher-income earners, were the most likely to respond that they planned to make holiday-related purchases using BNPL services this year.



Source: [Morning Consult](#) (2022)

Debit Cards Still Most Preferred Payment Method

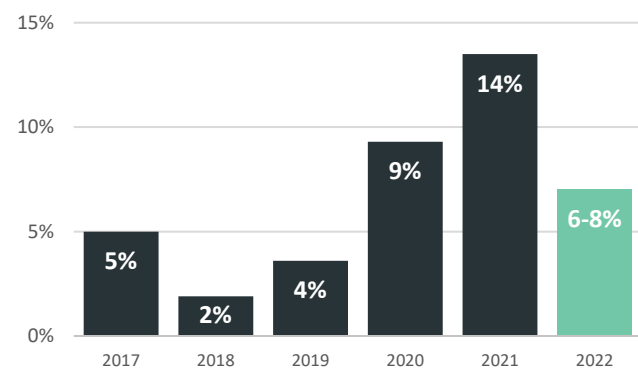
While BNPL has become more popular, debit and credit cards remain the most popular payment methods. Nearly two-thirds of respondents plan to use debit for holiday purchases.



Source: [PWC](#) (2022).

Healthy Holiday Spending Despite Inflation

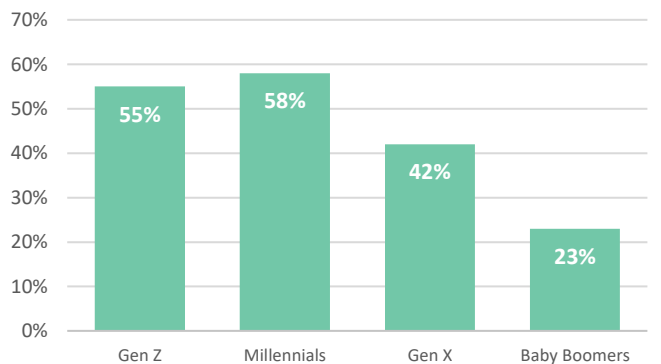
The National Retail Federation predicted that holiday spending would increase between 6% and 8% over 2021 levels, with online and non-store sales up 10% to 12%.



Source: [NRF](#) (2022)

Consumers Feel Pressure to Overspend on Gifts

Nearly half (43%) of holiday shoppers reported feeling pressure to spend more than they would like on holiday gifts. This was particularly true among younger generations.



Source: [NerdWallet](#) (2022).