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Cards sector growth driven by lower value payments and contactless

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Banking Automation



Cards sector growth driven by lower value payments and contactless

The publication of RBR's *Global Payment Cards Data and Forecasts to 2022* report (see page 2) presents an opportunity to evaluate the health of the global cards market.

The statistic that stands out for me is the 2% growth in the amount spent on payment cards worldwide in 2016 – at first glance it seems far too low. This feeling is only enhanced when you see that the number of cards grew by 8% and the number of transactions by 14%. So what's the catch?

It is worth getting the least interesting explanation out of the way first; the strengthening US dollar. Stripping out this effect by using constant exchange rates increases the value growth to a less anomalous 6%.

The second explanation is country specific, which can only mean one thing: China. A significant driver of growth in the Chinese cards market has been the country's property boom – the cards sector has benefited, as debit cards are widely used for paying deposits. A dramatic slowdown in the property market is the primary reason for the 9% drop in average spending per debit card (measured in local currency) and a 4% decline in total card spending (measured in dollars) in China last year.

For those with a vested interest in a buoyant cards market, it is not the modest value growth they should focus on, but the gap to volume growth. Cards are being used for ever smaller transaction amounts and as a result are penetrating previously untapped or underexploited segments. Of particular note is the 81% growth in contactless payments. Many of the barriers to expanding card usage are cultural, especially for lower value transactions and in locations where payments were historically made in cash. The latest figures suggest these cultural barriers are starting to break down.

There were a few surprises in the latest research, not least that the share of prepaid cards remained flat – there are various reasons, but competition from debit cards, e-wallets and increasingly onerous KYC regulations all conspired to constrain prepaid's potential. The next few years will be critical if prepaid is going to maintain a permanent foothold in the ever expanding payment cards market.

Overall, as the research highlights, there are still major geographic differences in card usage, indicating huge potential which will take a number of years to address. RBR is projecting a 22% increase in card numbers worldwide by 2022, and a 56% growth in both the number and value of payments over the same period.

Dominic Hirsch, Editor

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