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Visa and Mastercard are still riding the wave of travel and cross-border spend

Article

The news: Travel and cross-border spend were yet again highlights in **Mastercard's** and **Visa's** Q3 earnings, a sign that post-pandemic spending trends haven't yet buckled under macroeconomic pressures.

- **Visa's total payment volume increased 8.7% year over year (YoY) to $3.196 trillion** in the quarter ended September 30, per its earnings data. Volume growth was flat on the quarter and down from 10.1% a year ago. Cross-border volume surged 18% YoY, down sharply from 49% a year ago.
- **Mastercard's gross dollar volume hit $2.305 trillion in Q3—a 10.8% increase**, per its earnings data. Growth fell on a quarterly (12.4% in Q2) and annual (11.6% in Q3'23) basis. Cross-border volume was up 21%, down from 44% in the same quarter last year.

It's still a traveler's world: Consumers have shown a relentless appetite to spend over the last quarter—particularly on travel.

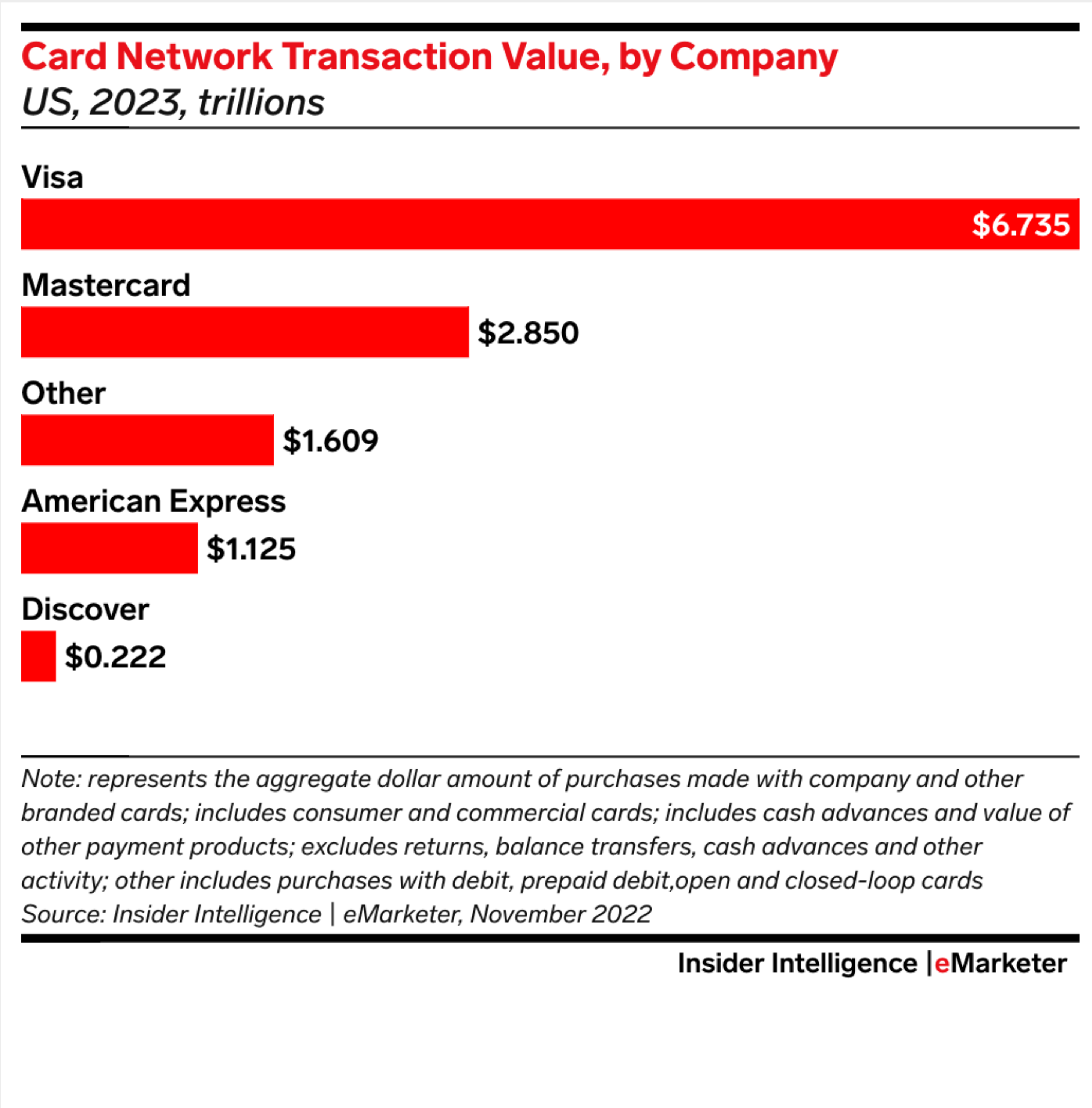
- US gross domestic product (GDP) catapulted up 4.9% in Q3, per the Bureau of Economic Activity. Consumer spending on services, which includes travel, contributed 1.6 percentage points to GDP, versus 1.1 percentage points from goods spending.
- Travel spending is still enjoying a fantastic recovery. The number of travelers passing through TSA checkpoints now regularly surpasses 2019 levels. Visa's cross-border travel-related spend is **up a whopping 141% indexed to 2019**. That figure popped to 155% for Mastercard.
- As a result, networks and issuers have rushed to capitalize on this deluge of travel spend: Visa recently clinched a co-brand with Universal Studios. **Capital One** and other travel card issuers are revamping their airline lounge strategies. More airlines are launching co-brand cards.

Both networks noted during their earnings calls that elevated travel spend doesn't show signs of pulling back meaningfully any time soon—and in some cases, still has room to grow. This can help pad out Visa's and Mastercard's volume as they brace for more "geopolitical and economic uncertainty," in the words of Visa CEO Ryan McInerney.

But issuers are watching out for new debit rules: Debit transactions already make up the majority of both Visa's and Mastercard's volume—and consumers' reliance on debit cards tends to increase during periods of economic uncertainty. So Visa and Mastercard likely weren't happy to see the Federal Reserve's **proposal to lower the cap on debit card transaction fees**.

- The Fed proposed lowering the base debit fee from 21 cents to 14.4 cents—**a 30% drop**. Those fees are set by networks, but go mostly to issuers.

- Lowering the fee cap therefore wouldn't have as much of a direct effect on the networks' revenues. But card issuers have to think about knock-on effects, like whether fee competition could pull volume toward other networks.
- Both Visa and Mastercard said they were monitoring the situation, and Mastercard CEO Michael Miebach noted that the industry had already rallied together to oppose the proposal.



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