

Payments and e-commerce report

North America



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Dear reader,

Welcome to the PPRO regional payments and e-commerce report for North America.

E-commerce is one of the big business success stories of the last decade. It has created jobs, injected new dynamism into our economies and given people, who wouldn't otherwise have had it, access to goods and services that improve their lives.

At PPRO, we're proud to help make possible the payments revolution that underpins the explosive growth of the e-commerce industry. But we're even prouder to have helped our partners and their merchants grow and succeed in more markets every year.

And that's what this report and its companions are really about. They are tools designed to give you the knowledge you need to open new markets. We hope you find them useful and we wish you every success.

Yours sincerely,

Simon Black
CEO, PPRO

North America: uncertainty amongst ever-changing trade revisions

On Friday 30 November 2018, US President Donald Trump, Canadian Prime Minister Justin Trudeau and outgoing Mexican President Enrique Peña Nieto signed the United States-Mexico- Canada Agreement (USMCA).¹

The new deal is substantially similar to the NAFTA pact it replaces. Under the terms of the new pact, Mexico agrees that, from 2020, 30% of automobile production must be done by workers earning an average production wage of at least \$16 per hour (a three factor increase on today's average). This was done to assuage American concerns that Mexico was unfairly competing for jobs in this field.

Other changes include a liberalisation of Canada's rules for dairy imports, new policies to promote the trading of biotechnology, new protections for proprietary formulas in pre-packaged food and the inclusion of some nice words about promoting increased integration and market access in agriculture. The 25% US tariff on steel from Canada, as well as the 10% tariff on steel, remain in place. So does the NAFTA dispute resolution process, which was originally on the Trump administration's hit list.^{2,3}

The new treaty also has a section that deals specifically with digital trade. Among other things, this prohibits the signatory nations from applying discriminatory tariffs to digital goods (e-books, software, music etc.). It also contains clauses to promote open access to government generated public data in all three countries and to ensure that consumer protections (including privacy protections) are available to consumers throughout the USMCA area.⁴

Under the treaty, the threshold value of an e-commerce shipment to the US must meet before its subject to US import taxes has been increased for both Mexico and Canada. For Mexico, the value rises from \$50 to \$100. For Canada it goes up to C\$40 from C\$20.5. This has clear implications for cross-border e-commerce merchants.

The US economy had a good 2018. Growth for the year was around 3%, though this is expected to slow to 2.3% in 2019. By the end of the year, the unemployment rate was just 3.7%, below the 4% threshold economists usually use when defining "full employment".⁵ Inflation is currently sitting just below the Federal Reserve's 2% target.⁷

There are, however, warning signs for 2019. In December 2018, Goldman Sachs warned that the US was headed for a slowdown in the coming year. Specifically, it said that there would be no recession but that the impact of the Trump administration's tax cuts would wear off this year, causing the pace of economic growth to slow.⁸

The OECD forecast Canada's economy to grow at a rate of 2.2% in 2019.⁹ Falling consumption, a slowing housing market and slowing exports to the US have all contributed to a slowing of economic growth. On the bright side, oil output is rising to an average of 4.59 million barrels a day (22,000 higher than last year).¹⁰ Prospects for the year ahead depend very much on the outlook in the US, which absorbs over 70% of Canada's exports.¹¹ According to one recent study, 39% of Canadian small to medium-sized businesses are struggling

to find the labour they need to fuel continued growth.¹² On the downside, the oil price is still bobbing along at around \$50 a barrel. Oil accounts for almost a quarter of Canada's exports, supports over half a million jobs and contributes around 8% of the country's entire tax take.¹³

Mexican GDP is forecast to grow 2.5% in 2019, up from 2.2% last year.¹⁴ In December 2018, the new Mexican president Andrés Manuel López Obrador was sworn in. A veteran left-winger, Obrador has promised to tackle corruption and crime. He's also said he can fund new social programmes without increasing the budget deficit by cutting state spending and recovering funds currently lost to corruption.

In January this year, the government made the first move to do this by instructing the state oil company Pemex to take petrol out of the nation's network of pipelines and transport it in tankers instead. This was done in response to widespread fuel theft, with narcotics gangs in many parts of the country simply tapping into pipelines and stealing fuel. The result has been a widespread fuel shortage. The government also unnerved investors when it announced that it would cancel the \$13.3 billion Mexico City Airport Project, for which many contracts had already been awarded to private contractors.¹⁵

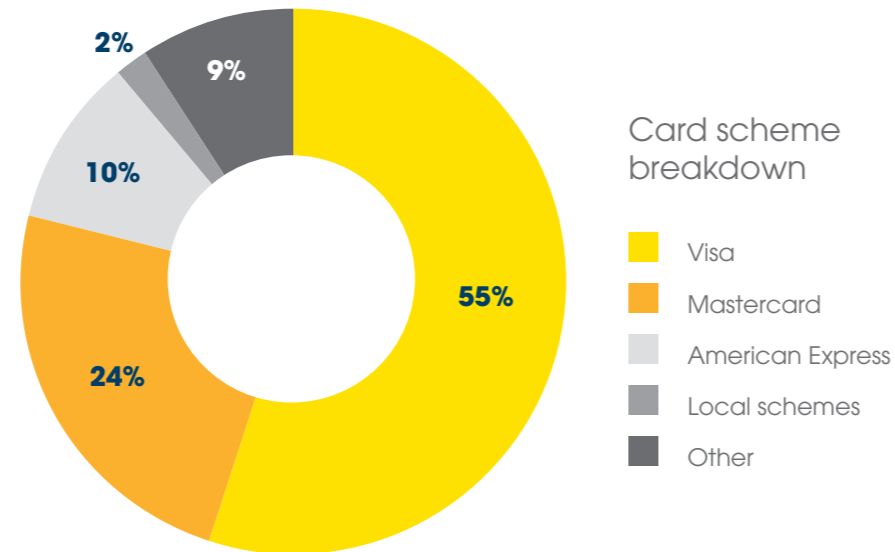
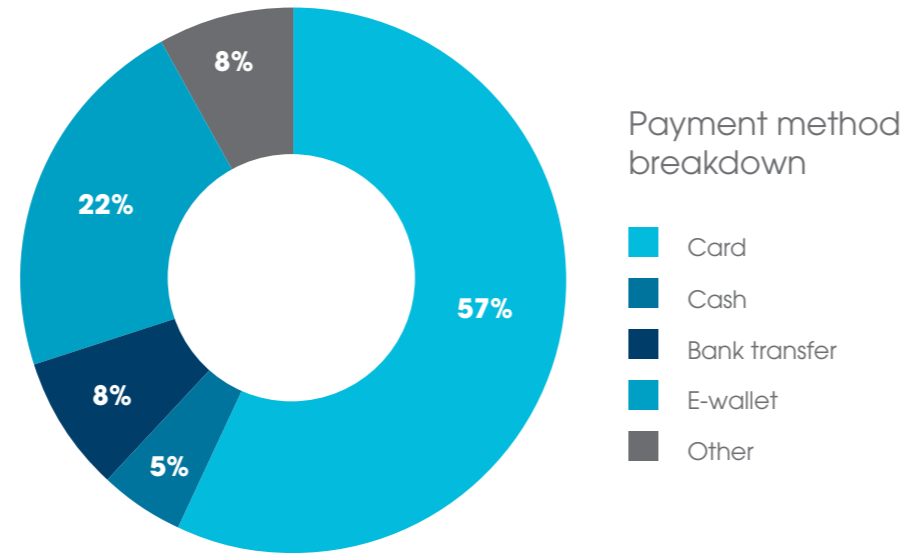
Whether or not 2019 sees the previous year's growth continue or stall, the North American market is stable, prosperous and easy for merchants to operate in. The reduction in import tariffs on small shipments will help boost cross-border trade. And even if the economy slows, it's not forecast to contract. So, while consumer confidence may fluctuate, shoppers will still have dollars to spend.

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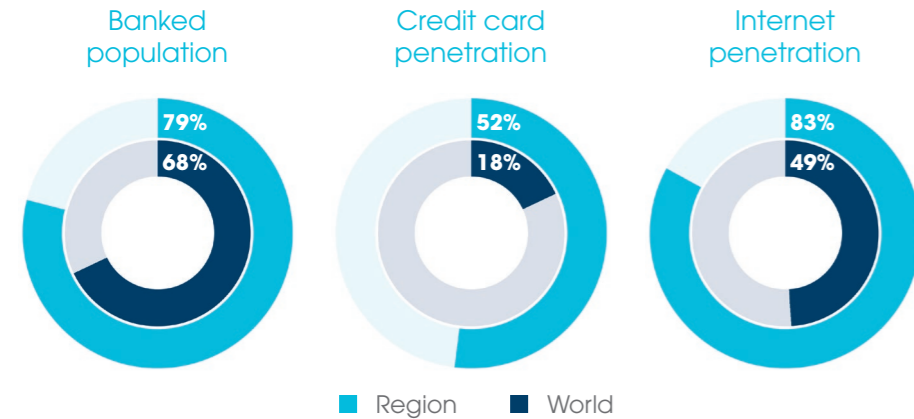
Regional payment trends

	Region	World
Population	491 million	7,4 billion
Population (15+)	389 million	5,5 billion
GDP (millions)	22,193,566	79,211,592
GDP per capita (\$)	45,146.00	10,741.00
B2C e-commerce	808.5 billion	2,932.9 billion
B2C e-commerce growth	13%	15%
Online population	358 million	3,6 billion
Smartphone penetration	79%	53%
Average online spend (\$)	3,286.00	2,335.00
Mobile e-commerce	34%	45%
E-commerce % of total retail	13%	16%

Currencies in this report are always depicted in \$USD



Canada	8
Mexico	10
USA	12





15%
e-commerce growth

Canada

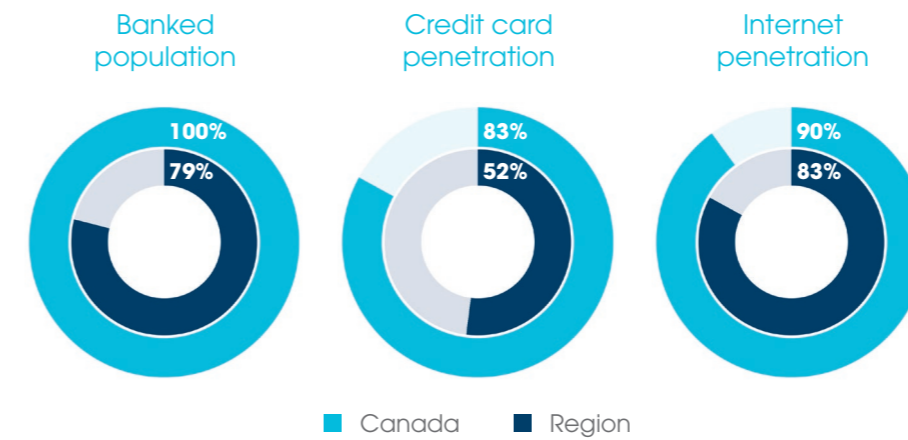
Canada is a constitutional monarchy, in which Queen Elizabeth II is the head of state. 59% of the population speak English at home and 22% French. The remainder speak one of the country's many minority languages. The Francophone population is concentrated in the province of Quebec, on the east coast, and is fiercely protective of its language and heritage. The OECD expects Canada's economic growth to grow by 2.2% in 2019. This is good compared to last year but there are challenges on the horizon as the property market cools and the Bank of Canada raises interest rates. The newly signed USMCA trade treaty with the USA and Canada lifts the spectre of Canadian exports being shut out of their major markets. But the prospect of US slowdown in 2019 means there is still reason for caution.


B2C e-commerce
45 billion USD

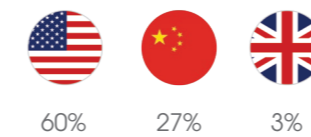

Mobile e-commerce
21% of total


Average online spend
1,977 USD

	Canada	Region	World
Population	36.7 million	491 million	7.4 billion
Population (15+)	30.8 million	389 million	5.5 billion
GDP (millions)	1,653,043	22,193,566	79,211,592
GDP per capita (\$)	45,032.00	45,146.00	10,741.00
Online population	33 million	358 million	3.6 billion
Smartphone penetration	76%	79%	53%
E-commerce % of total retail	7%	13%	16%



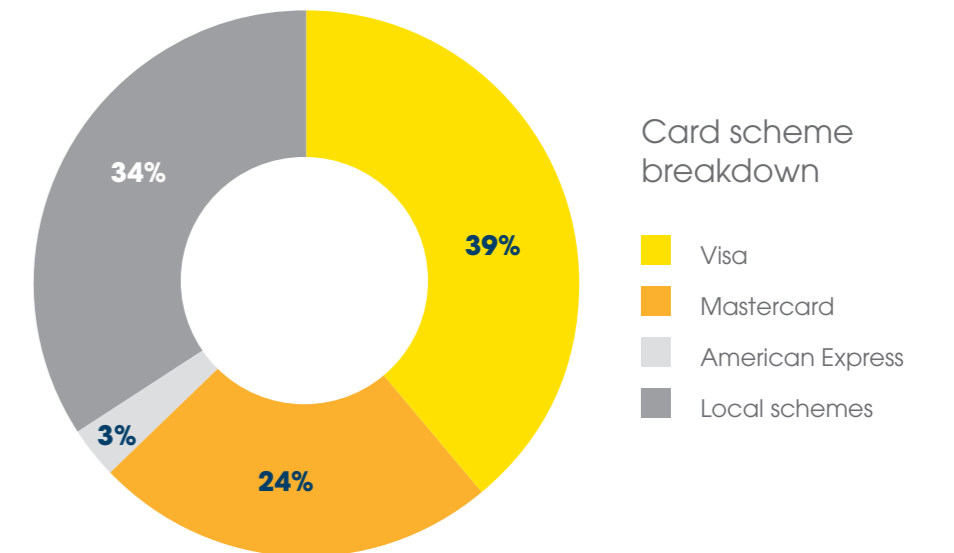
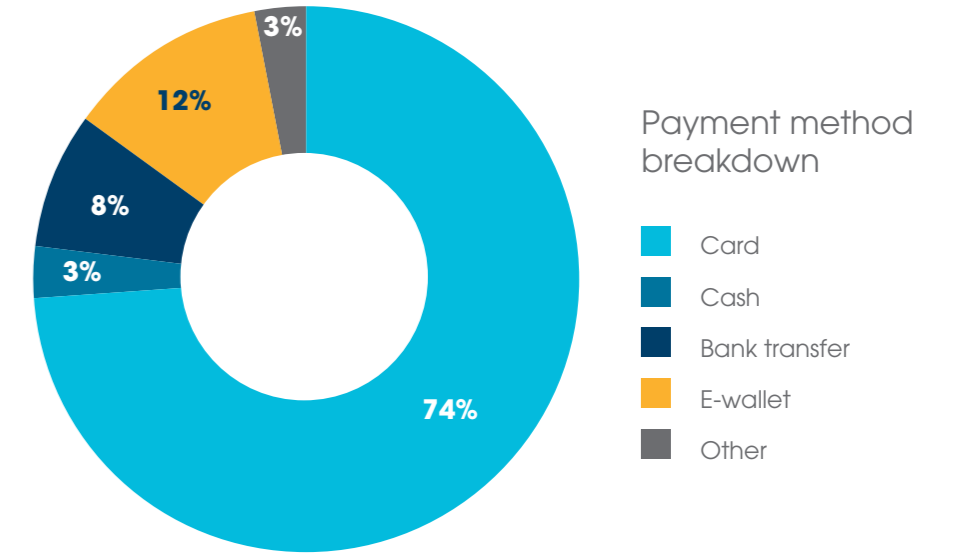
64% shop cross-border



Top e-commerce segments

Airlines & Hotels (22%)
Clothing & Footwear (12%)
Electrical Goods (10%)

 Instadebit  Interac Online





34%
e-commerce growth

Mexico

Mexico has been a member of the North American Free Trade (NAFTA) Association since 1994 and is now a signatory to the new United States-Mexico-Canada Agreement (USMCA) trade agreement. Modern Mexico is a major manufacturing nation. Finished consumer and capital products account for almost 80% of its exports. In 2018, Mexico's manufacturing industry grew by an estimated 2.9%, with a booming US economy stimulating demand for Mexican-made automotive and electronic goods in particular. Exports in goods and service account for just under 38% of GDP. Mexican manufacturing is highly dependent on supply-chain links with the US and Canada, particularly in high-value-added sectors such as the automotive industry. According to Trading Economics, the other two USMCA countries together absorb over 80% of Mexico's total exports.



B2C e-commerce
21.8 billion USD

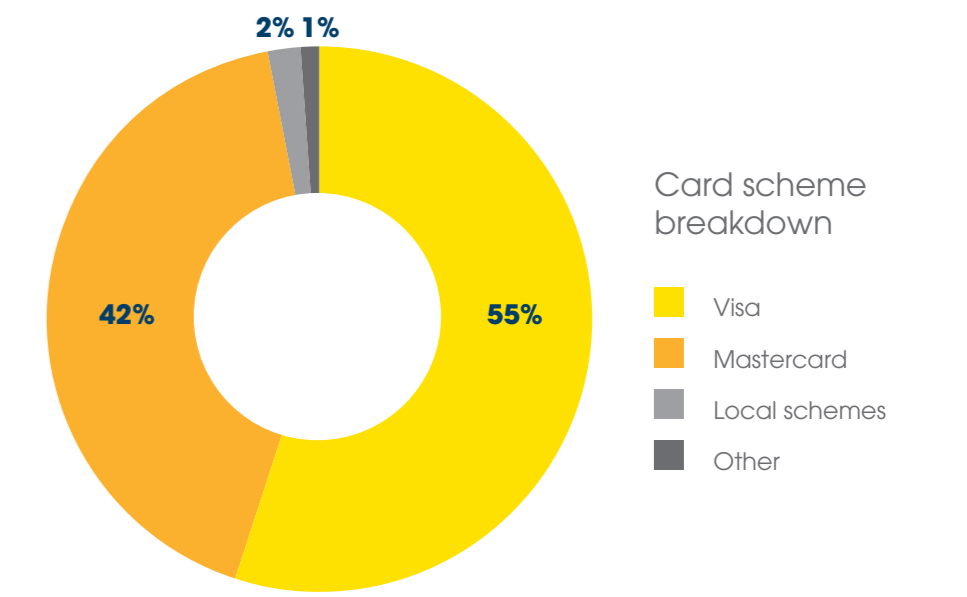
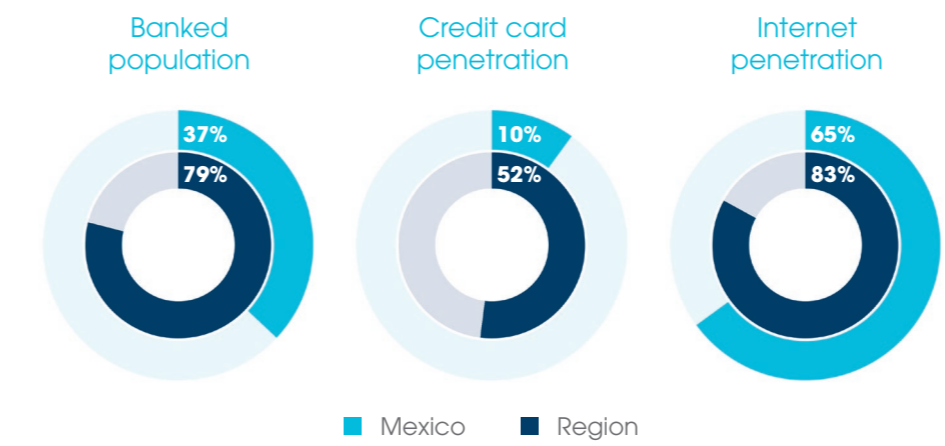
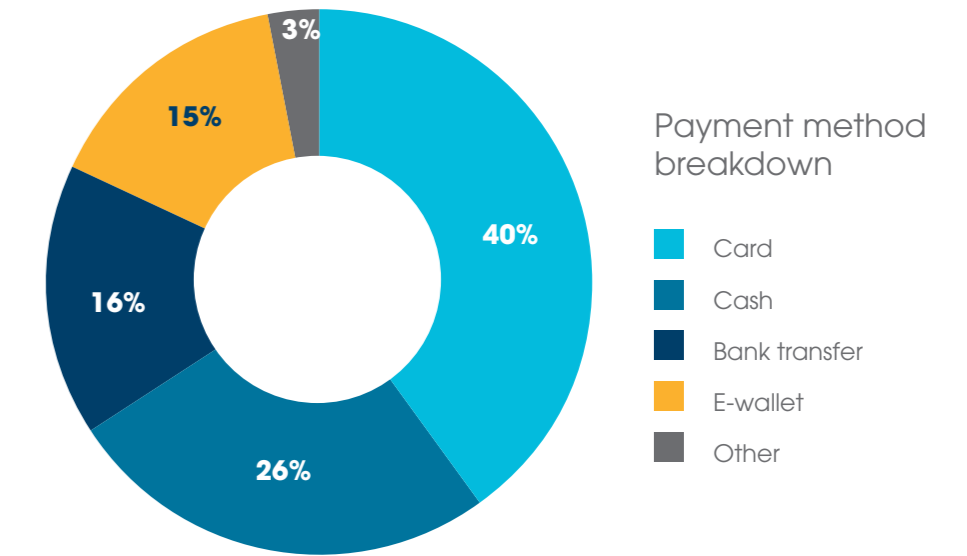


Mobile e-commerce
39% of total




Average online spend
590 USD


	Mexico	Region	World
Population	129.2 million	491 million	7.4 billion
Population (15+)	94.7 million	389 million	5.5 billion
GDP (millions)	1,149,919	22,193,566	79,211,592
GDP per capita (\$)	8,903.00	45,146.00	10,741.00
Online population	76.9 million	358 million	3.6 billion
Smartphone penetration	72%	79%	53%
E-commerce % of total retail	2%	13%	16%




66% shop cross-border



52%



29%



6%

Top e-commerce segments

- Airlines & Hotels (18%)
- Electrical Goods (14%)
- Clothing & Footwear (11%)





12%
e-commerce growth

USA

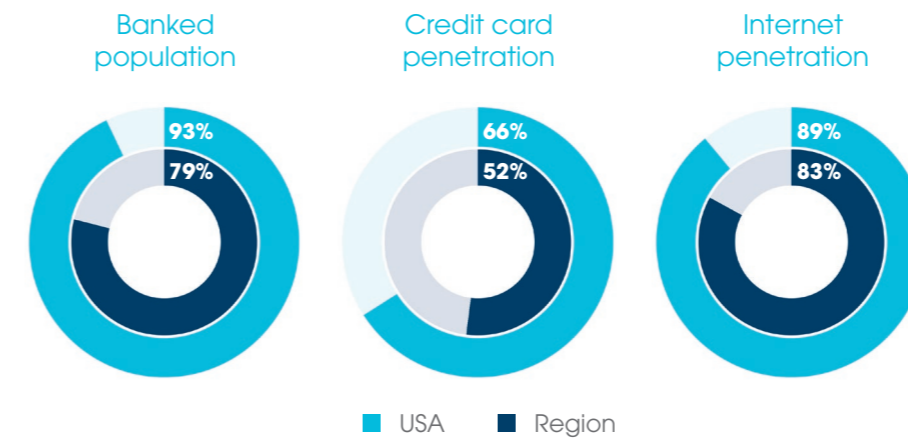
The United States alone accounts for just under 24% of the Gross World Product. Its closest competitor is China, with a 16% share of world GDP. The US economy had a good 2018. By the third quarter, growth was running at 3.5% — down from 4.2% in the previous quarter but still a respectable performance. The nonpartisan Congressional Budget Office (CBO) predicts growth of 2.4%, below the 3% target set by the White House. By the third quarter of 2018, US consumer confidence hit an 18-year high thanks to tax cuts, a strong job market and the impression that the US economy was weathering trade disputes with China better than many had expected. In October 2018, retail sales rose by 4.6% year-on-year, driven by strong domestic demand for consumer goods and for larger items, such as automobiles.


B2C e-commerce
741.7 billion USD

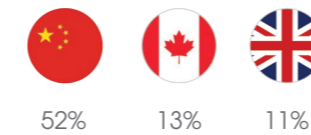

Mobile e-commerce
35% of total


Average online spend
3,445 USD

	USA	Region	World
Population	325.7 million	491 million	7.4 billion
Population (15+)	264.1 million	389 million	5.5 billion
GDP (millions)	19,390,604	22,193,566	79,211,592
GDP per capita (\$)	59,532.00	45,146.00	10,741.00
Online population	248.1 million	358 million	3.6 billion
Smartphone penetration	82%	79%	53%
E-commerce % of total retail	14%	13%	16%

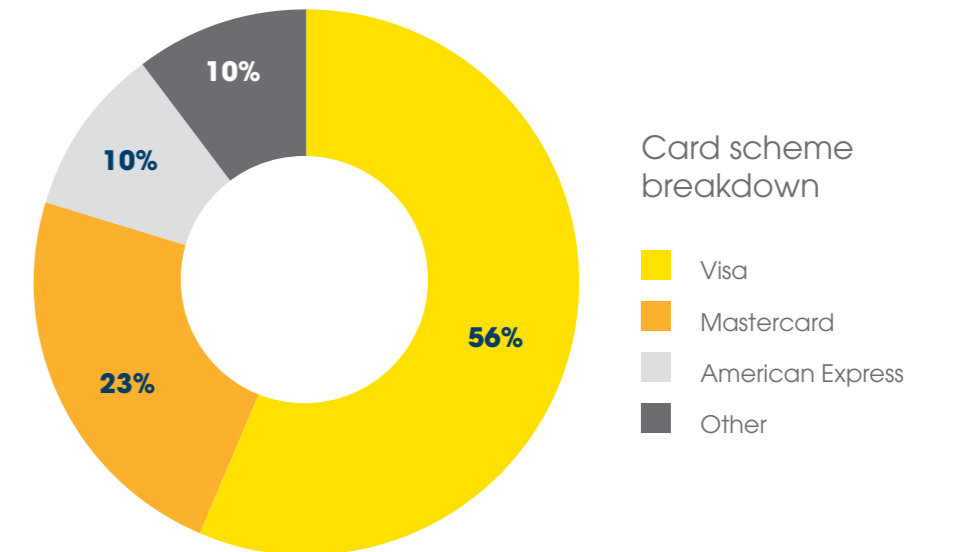
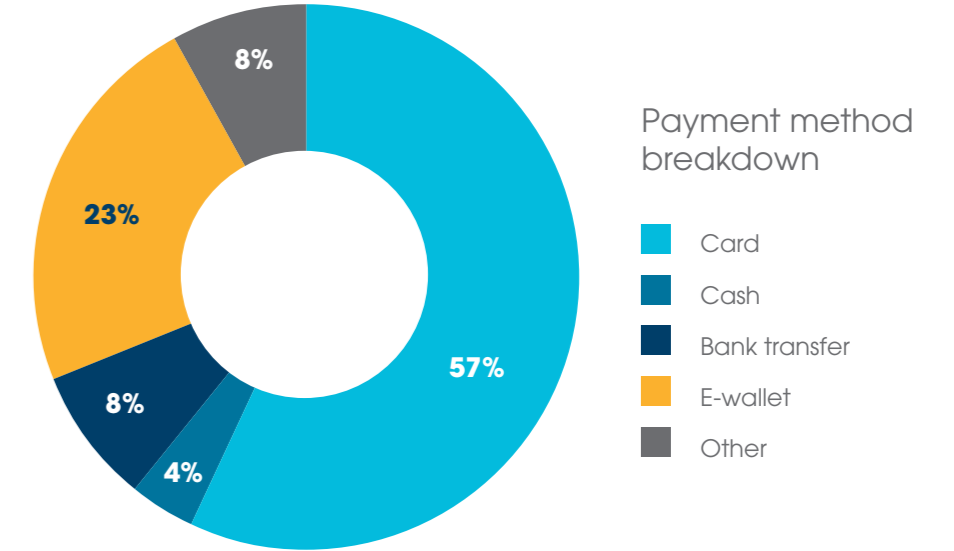


34% shop cross-border



Top e-commerce segments

Airlines & Hotels (14%)
Clothing & Footwear (12%)
Electrical Goods (8%)



ACH ACH PayNearMe PayNearMe payQuick PayQuick Square Cash Square Cash venmo Venmo zelle Zelle

We help people pay and get paid – everywhere, every time, every way.

PPRO reduces the complexity of international e-commerce payments by acquiring, collecting and processing an extensive range of local payment methods for PSPs and financial institutions under one contract, through one integration and one single settlement.

As a solution provider selling indirectly through industry partners, PPRO specialises in cross-border e-payments. We are working with PSPs and financial institutions, such as acquirers, to help them offer a vast range of local payment options to their merchant customers.

PPRO offers local and international payment methods across more than 175 countries, allowing clients of PSPs and financial institutions to expand their e-commerce reach, arrange hassle-free collection and achieve higher conversion rates.

The Online Almanac



PPRO's new and improved Online Almanac puts hundreds of hours of research at the tips of your fingers. Visit www.ppro.com/almanac to enjoy a 30-day trial of market insights and global trends.

Data Methodology

Edgar, Dunn & Company (EDC) uses a combination of sources and methods to support the PPRO Database. Where possible consistent sources are used for all markets to maintain the highest level of data integrity. EDC data sources can be split into three main areas:

1. Globally recognized, publicly available databases & resources
2. Central banks / national e-commerce associations / national internet associations
3. EDC proprietary data and models

Using a combination of these data sources allows EDC to best build a complete picture of the market.

The e-commerce market and payment methods develop at a fast pace. We therefore prepare and update our regional and country reports frequently. If you are interested in obtaining updated versions, please contact us. We also have comprehensive data on all payment methods worldwide. For global e-commerce and market information that meets your needs, just get in touch with us at PPRO.

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