



# Payment choices in Europe in 2020

## Convergence at the till, reinforcement of national differences at the online checkout

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Over 101 billion non-cash payments were made in the euro area in 2020, a year hallmarked by the coronavirus pandemic. Thus, the number of non-cash payments rose again, but only by a meagre 3.7%. More than half of this increase took place in Germany.

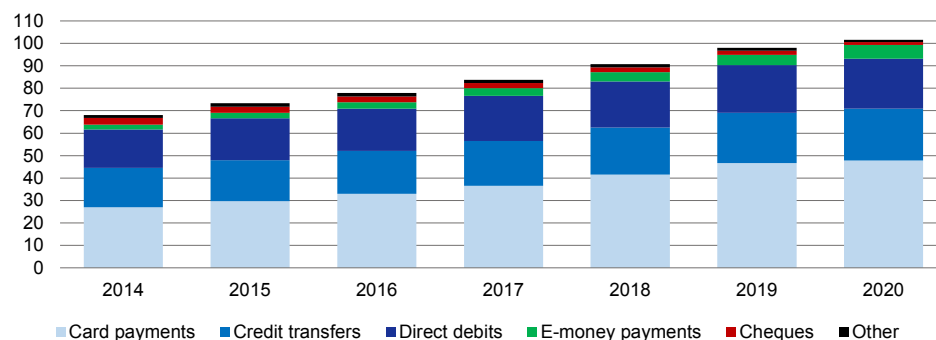
The main reason for the small increase in the euro area was a slump in growth of card payments, which account for about half of all transactions in the euro area. Depending on the country and on the payment situation (i.e. at the till or online), there were different or even opposing trends.

At the till, payment habits are converging: euro-area customers increasingly use cards – and this is also true for some countries where they (traditionally) prefer cash payments. In Germany, the number of shoppers who switched from cash to card payments rose so strongly that the latter saw considerable growth despite the lockdown.

By contrast, national differences seem to become more pronounced in online shopping. Depending on the country, either the use of card payments increased (for example in France or Spain) or that of e-payment solutions (for example in Germany, in the form of e-money).

Pandemic slows growth in non-cash payments

Euro area, number of transactions in bn



Sources: ECB, Deutsche Bank Research



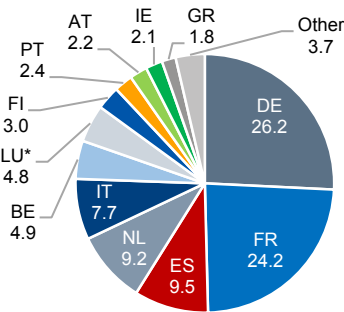
## Payment choices in Europe in 2020

### Growth in non-cash payments slows down

Large countries determine payment trends in the euro area

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Number of transactions in bn, 2020



\* 4.4 bn e-money transactions which appear in the statistics for Luxembourg are effected by users from other countries.

Sources: ECB, Deutsche Bank Research

Euro-area retail and corporate customers made more than 101 billion non-cash payments in 2020, a year hallmarked by the coronavirus pandemic. While the number of non-cash payments rose again, it grew only by a meagre 3.7% (+3.6 billion transactions). More than half of this total (55%) was driven by a dynamic increase in Germany, which accounts for about one-quarter of aggregate euro-area payment transactions.

The small increase in the euro area was mainly due to card payments, which make up about half of all non-cash transactions. Their growth rate slumped to only 2.5%, down from double digits in the years before. This may mainly reflect the cutback in household consumption due to lockdowns and income losses during the pandemic. However, depending on the country and on the payment situation (i.e. at the till or online checkout), there were different or even opposing trends. The bottom line is that payment habits at the till are converging: euro-area customers increasingly use cards – and this is also true for some countries where they (traditionally) prefer cash payments. At the same time, national differences seem to become more pronounced in online shopping. Depending on the country, either the use of cards or e-payment solutions increased.

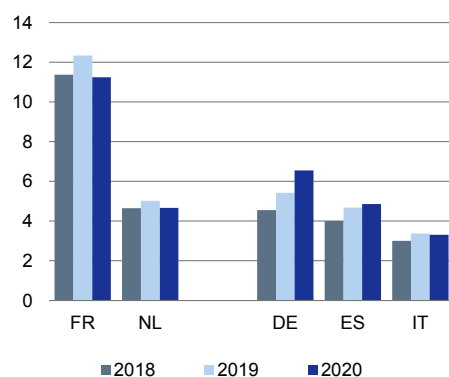
### National payment preferences

The restrictions of private, business and public life met with very different payment preferences and payment service offerings in the individual countries. In some cases, the preferences converged, in others the differences became more pronounced.

Fewer (more) card payments where people tended to use less (more) cash

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Number of POS card payments in bn

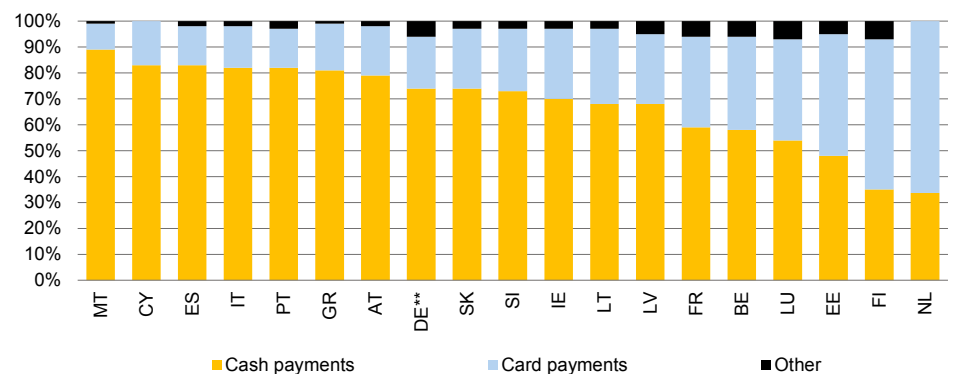


Sources: ECB, Deutsche Bank Research

How Europeans paid at the till\* before the pandemic

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Share in total transactions, surveys 2019



\* incl. person-to-person (P2P) payments

\*\* 2017; incl. a small number of payments in online shopping

Sources: ECB, Deutsche Bundesbank, Betaalvereniging Nederland, Deutsche Bank Research

At the point of sale (POS), i.e. in brick-and-mortar shops, the pandemic probably reduced traditional differences concerning the use of cash or cards. Customers in some countries with a strong preference for cash switched from cash to card payments to such an extent that card payments saw considerable growth despite the lockdown. This took place particularly in Germany and Spain, but also in Greece and Austria. In Italy, the number of POS card payments declined only slightly. By contrast, the Netherlands saw POS card payments drop

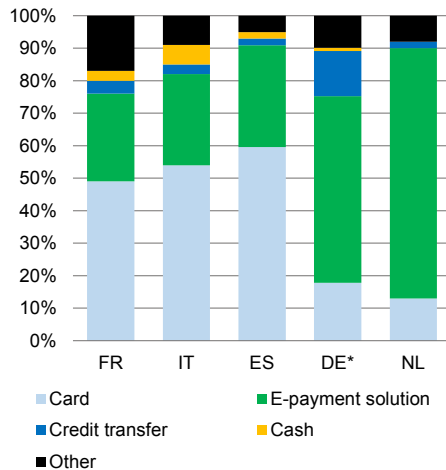


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Online shopping: Some prefer cards, others e-payment solutions

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Share in total online payments, surveys 2019 (Germany: 2017, Netherlands: Q1 2020)



\* Share in total online turnover; "credit transfers" include direct debits.

Sources: ECB, Deutsche Bundesbank, Currence, Thuiswinkel.org, Retail Insiders, PostNL, Betaalvereniging Nederland, Deutsche Bank Research

significantly as shops were closed – after all, the Dutch rarely used cash already before the pandemic. Developments were similar in France where cash payments were only marginally more popular than card payments even before 2020.

At the same time, national differences in online shopping seem to have been reinforced as a result of rising internet purchases during the pandemic. According to surveys, customers prefer to use cards to pay for their online purchases in some countries (for example in France, Italy or Spain), whereas in others (for example in Germany, the Netherlands) they like to pay by bank transfers (purchase on account) or e-payment solutions.<sup>1</sup> In this context, the term "e-payment solutions" covers both e-money transactions using e-money accounts, such as PayPal, or online services which are technically based on bank transfers (such as iDEAL or sofort). From the consumers' vantage point, the procedures are almost identical. In both cases, the payment process is closely integrated in the checkout process, and the customer triggers it online or by mobile device.

### Payment at the till

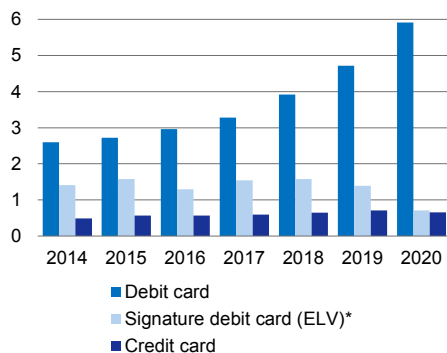
In fact, German customers paid considerably more often with cards at the till in 2020 than before the pandemic (+21%, +1.1 billion transactions), and card turnover rose as well (+6.8%). Customers switched to debit cards at the expense of cash payments. Indeed, many retailers asked them to make card instead of cash payments for reasons of hygiene. This boosted contactless payment methods in particular.<sup>2</sup> By contrast, the number of card payments which require a signature (Elektronisches Lastschriftverfahren – ELV) collapsed by half. Remarkably, credit cards were also less popular at the POS. While many credit cards offer contactless payment options, Germans often use them to pay in restaurants or hotels – and the hospitality sector was among those who suffered the most from the lockdowns.

The picture for the euro area is quite different, once the figures for Germany are excluded. Euro-area shoppers used cards less often at the POS during the pandemic (-2.8%, -1 billion transactions; turnover -5.3%). This was largely due to a slump in card usage in the two major (card) markets France and the Netherlands during the lockdowns.

Germans use cards more often at the till – preferably contactless debit cards

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Number of transactions in bn



\* Debit card payments authorised by the customer's signature. Processed as a direct debit.

Sources: ECB, Deutsche Bundesbank, Deutsche Bank Research

### Payment at the online checkout

The national payment preferences described above explain the different developments in online payments. In Germany, e-payment solutions, which were already predominant anyway, benefited from customers' shift towards online shopping. This is particularly true for e-money payments, whose number rose by at least 360 million (+31%) to about 1.5 billion transactions in 2020.<sup>3</sup> Part of the increase in the number of bank transfers is probably also due to the growth in online shopping. On the one hand, the use of e-payment solutions based on bank transfers increased (+11%, +17 million transactions), and on the other hand, the number of regular bank transfers for goods ordered on account

<sup>1</sup> See ECB (2020), Study on the payment attitudes of consumers in the euro area (SPACE), December; Deutsche Bundesbank (2021), Payment behaviour in Germany in 2020 – making payments in the year of the coronavirus pandemic, Survey on the use of payment instruments, January 14.

<sup>2</sup> One out of five contactless card users did not use this function until the pandemic. See Deutsche Bundesbank (2021), Making payments in Germany in 2020, the year of COVID-19: card-based and contactless payments trending, Press release, January 14.

<sup>3</sup> The number of e-money transactions made by German consumers can only be derived indirectly from the ECB payment statistics. Market leader in Germany is PayPal, whose European business

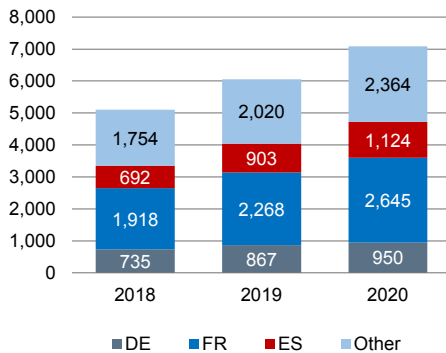


## Payment choices in Europe in 2020

Online card payments: Strong increase in France and Spain in particular

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Number of transactions in the euro area in m



Sources: ECB, Deutsche Bank Research

on the internet is likely to have risen as well. Such bank transfers are not registered separately in the statistics, nor are direct debits for internet purchases. But part of the significant increase in direct debits in Germany may be caused by online shopping, too. By contrast, growth in (less popular) card payments in online shopping halved to 9.6% (+83 million transactions), and turnover even declined by 10%. The drop in turnover may be due to the fact that many online card payments are made for travel purposes. However, tourism was hit hard by the pandemic. At the same time, booking flights, rental cars, hotels etc. often involve relatively large invoice amounts.

In the euro area (excluding Germany), the number of card payments in online shopping rose strongly by 18% (+0.9 billion transactions), similar to the preceding year. Turnover also climbed by 14%. In contrast to Germany, growth did not slump, mostly because French and Spanish customers increasingly used cards. However, the surge in online transactions did not fully offset the substantial dip in POS card payments.

### Outlook

In the post-pandemic period, the number of non-cash payments may increase considerably across the euro area, as many consumers will have switched permanently from traditional cash to card payments. Moreover, once the pandemic-related restrictions on (physical) shopping and the hospitality sector are lifted, transactions in card-oriented countries are likely to jump. It remains to be seen to what extent European consumers will return to local brick-and-mortar shops instead of shopping on the internet. Anyhow, this should not have a major impact on the aggregate number of non-cash transactions. If online shopping retains its higher share in total retailing, card or e-payment solutions will gain further in importance, depending on the individual country. And if customers return to brick-and-mortar shopping, they will probably use less cash than before the pandemic. Right now, this mostly drives up the number of card payments. In the future, mobile phone payments may gain in importance at the till, at the expense of cash and card payments. From 2026, another payment method might be used: the digital euro. It remains exciting to see which traditional and new payment methods customers will prefer.

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is domiciled and also statistically recorded in Luxembourg. An estimated one-third of the "Luxembourg" e-money payments can be attributed to online shopping in Germany, which accounts for more than 40% of total online retailing in the euro area.



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