

## Talking point

### Payments in the euro area: Are they stagnating? – No!

February 4, 2016

**In 2014, for the first time, the number of cashless payments in the euro area did not grow – according to ECB figures. The transaction volume remained flat at 68 bn payments. However, this is due to an overhaul of the statistical methodology which caused breaks in many of the series. Corrected for this, there was actually a strong development of the market: cashless payments grew by about 7% yoy or almost 5 bn transactions. This growth rate is even at the upper end of growth in recent years.**

As usual, there were differences in the development of the various payment instruments, but these were more pronounced in 2014 – at first sight. Card payments continued to gain popularity among consumers and increased by 6% yoy, broadly in line with the expansion in previous years. They now account for 40% of the cashless payments market by number of transactions. E-money payments kept increasing by over 15% yoy, albeit from a very low level, and now represent 3% of the market. By contrast, credit transfers and direct debits did not continue their typical moderate growth, but shrank by 2% and 9% yoy respectively. This resulted in slightly smaller market shares of 26% each. But this contraction was driven by methodological changes and as such does not reflect a fundamental shift from “traditional” electronic instruments to more “modern” ways to pay.

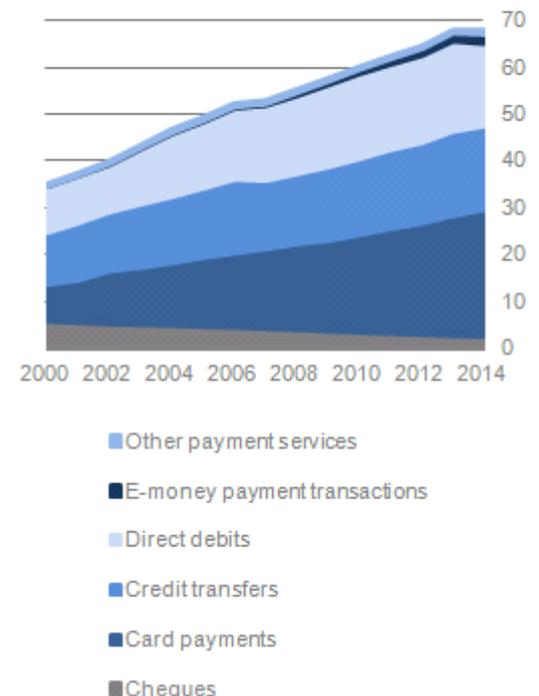
A reclassification of several billions of credit transfers and direct debits as simple book entries explains the drop in these payment categories. Simple book entries are transactions initiated by a payment service provider (mostly banks) in order to credit or debit a (non-bank) customer’s account, for example to pay the interest accrued to a deposit account. It is important to note that simple book entries are not included in the ECB’s payments statistics. Some countries, like Spain and Portugal, have long adjusted their reporting accordingly. Germany and Austria, by contrast, only implemented this categorisation in 2014. As a result, Germany reclassified a total of 3.7 bn credit transfers and direct debits as simple book entries, Austria 0.9 bn transactions. This makes comparisons with previous data difficult, but it does considerably improve the comparability of data between different countries as well as the quality of aggregate data for the euro area.

Further methodological changes had no noticeable impact on the number of payments – like amendments regarding the reporting population or the residency concept. However, more granular information is collected for various payment instruments, e.g. on counterparties and the methods of payment initiation. Over time, this data may give better insights into the payment market structure, and justify the increased reporting burden. Non-euro countries are not obliged to adopt the ECB’s new reporting rules though, which might impair data comparability and market transparency.

Payment volumes in the euro area have risen every year since reporting started – including 2014 if the impact of statistical changes is taken into account. Figures for 2015 will not be released before late summer this year, but further growth can be expected. Transaction numbers published by leading payment service providers for 2015 do not indicate any reversal of the growth story. Also, underlying trends like cash replacement and digitalisation are

#### Number of cashless payments in the euro area

Transactions in billions per year



Sources: ECB, Deutsche Bank Research

set to continue and to fuel payments growth in the coming years. To date, it is mostly card payments that have benefitted from the replacement of cash. But many new payment services are also targeting this potential, e.g. with solutions for mobile person-to-person or instant payments. Also, the rise in online shopping is fostering innovative services tailored to distant and often anonymous payment situations. It remains to be seen whether new payment solutions will complement or substitute the established instruments that dominate today's payments statistics.

More information on  
Instant revolution of payments? The quest for real-time payments



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