

card markets



German card growth continues, despite ECB figures

In 2007, German payment card sales' volume reached €200 billion, implying an annual growth rate of 6.9%. Compared with other European countries, this growth rates puts Germany mid-league, according to *Payment Card Market Statistics Germany 1998-2007*, published by PaySys Consultancy at the end of January.

The sales volume by cards amounted to 27.1% (compared with 25.8% in 2006) of consumer spending in Germany, excluding regular expenses usually paid for by direct debit or credit transfer, such as rent, electricity, water, phone and insurance.

In some other countries, the share of consumer spending paid by card is above

50% (for instance, in the Netherlands and Belgium), suggesting there is still considerable potential for card growth in Germany.

All of which belies the figures published by the European Central Bank (ECB) in its *Blue Book*. Dr Hugo Godschalk of PaySys tells *PCM*, "The Card Market Statistics Germany 2007 were only completed in January of 2009 because of the decline in data availability and data quality."

Yet according to the *Blue Book's* results for the German market, published by the European Central Bank (based on data collected by the Deutsche Bundesbank), there was an enormous decline of card sales' volumes – minus 26% – in Germany.

Godschalk says, "That would mean the total volume had dropped to €120.9 billion, as compared to the likely value of €200 billion estimated by PaySys. The *Blue Book* also shows a disastrous decline on the issuing side of the market. Foreign observers and investors without knowledge of the current developments in the German market would get a completely wrong idea."

He adds, "Due to a change in methodology, the quality of these data has deteriorated markedly: the Bundesbank now collects data from credit institutions directly. In 2007, only about 75% of all credit institutions participated in the survey (from 2008

onward they will be obliged to participate)."

In the meantime, the data of the institutes that didn't publish data had to be estimated.

PaySys found that the number of payment cards in Germany had increased by 3.3% to 130 million. Bank debit cards still account for the largest part of card sales' volume (69%), with credit cards a distant second (23%), followed by fuel and store cards (private label cards: 9%).

Compared with 2006's figures, credit cards (MasterCard, Visa and American Express) experienced the highest growth rate (+10.3%). Debit cards (ec cash, ELV and Maestro) had lower growth rates (4.4% in 2007 and 7.6% in 2006).

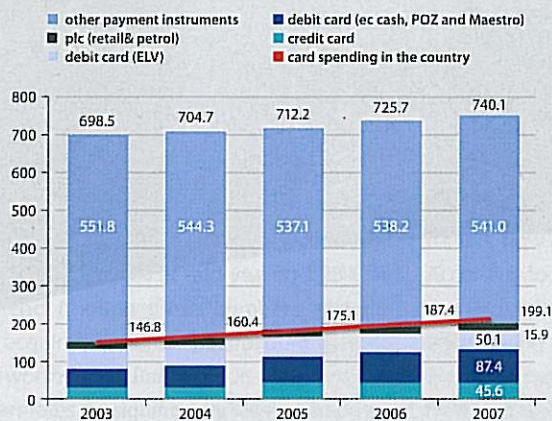
POZ, the debit card payment without guarantee that was offered by banks, was terminated at the end of 2006. The corresponding payment volume has migrated to ec cash or ELV. Ec cash, in particular, seems to have profited from this substitution.

In the retail sector, ec cash sales saw an increase of 17.2%. In the petrol sector the increase was only a moderate 6.7%. Due to an expansion of the Maestro acceptance network in Germany, the sales volume of foreign Maestro card holders rose by more than 50%.

Total growth in card sales at the POS amounted to €12.9 billion; 45% of this is due to an increase in debit card usage. Credit cards account for 33% of sales' growth and fuel and retail cards for 22%. It still remains a mystery why credit card sales' growth (2007: €4.2 billion) seems to have taken place entirely outside the retail sector.

Like the bank-issued cards, the fuel and retail cards (mostly issued by non-banks) rose in 2007. In particular, trucker cards (DKV, UTA, etc.) and fleet cards issued by the petrol companies, were strong engines of growth. In the segment of retail cards the new Payback Plus card (a bonus card with payment function issued by West LB) is mostly responsible for the growth. ■

Consumer spending* in € billion



* Spending for housing, utilities, cars, health care, education, telecommunications and financial services are excluded.

POS-sales volume Germany 2007: €199.1 billion (domestic and foreign cardholders)

