

2014 | BREAKDOWN OF THE USE OF NON-CASH PAYMENT INSTRUMENTS

2015 assessment
(2014 data)

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1| The Banque de France's oversight mission

In the framework of its oversight of non-cash payment instruments set out in Articles L141-4¹ of the *Monetary and Financial Code*, the Banque de France collected, between 9 February and 20 April 2015, data enabling it to make a breakdown of the payment instruments used in France in 2014, in accordance with Article L141-6² of the *French Monetary and Financial Code*.

For further information on the Bank's oversight of non-cash payment instruments, see the 2014 Report on the oversight of payment instruments and financial market infrastructure.³

A significant change in the methodology for collecting data was introduced in 2015 via the implementation of the new Regulation (EU) No 1409/2013 on payments statistics of the European Central Bank (ECB). The most significant changes concern the breakdown by country of cross-border flows within the euro area. However, the summary of the 2015 data collection exercise only partly takes account of these new indicators, which will become compulsory in 2016; therefore, the number of institutions able to provide them was insufficient to allow for an effective analysis of the results.

The statistics for the euro area and the European Union used in this document are taken from the data published by the ECB.⁴

2| Key developments

In France, the use of non-cash payment instruments has increased steadily since 2000 with a growth rate of 3.45% per year on average. It reached 19.11 billion transactions in 2014 (up 5.6% on 2013).

In value terms, after falling in 2013 probably due to the economic situation, payment flows

rose by 6.9% compared with 2013, to stand at EUR 28,505 billion.

2|1 Card payments reached the threshold of 50% of non-cash payments

The use of bank cards has risen continually since 2000, by 8% on average per year. For the first year, this means of payment was used in over half the non-cash payments made in 2014, with a 6% rise on 2013.

2|2 The use of cheques continued to decline, but at a slower pace

After falling sharply in 2013 (by 19% in value), cheque use decreased more moderately in 2014, by 5% in volume and by 8% in value.

It should be recalled that the decree providing for all real estate payments above EUR 3,000 to be made by transfer instead of cheque led to the sharp decline observed in 2013. In 2014, the use of cheques decreased at its average rate of decline over the past ten years.

2|3 Sharp rise in the number of electronic payment orders for the third consecutive year

Like the two previous years, the use of electronic payment orders continued to rise at a sustained pace, with a 20% increase in transactions in 2014. This trend, observed for several years (up 27% in 2013 and 29% in 2012), can be directly attributed to the decision of the French Ministry of Finance to lower the threshold above which companies must file and pay VAT online. As this threshold has been steadily lowered, the average unit values of transactions per electronic payment order has tended

1 Article L141-4: "The Banque of France shall take the necessary measures to ensure the security of means of payment as defined in Article L311-3, other than cash, and shall ensure the relevance of the applicable standards in this area. [...]."

2 Article L141-6-1: "The Banque de France is authorised to have sent to it by credit institutions, investment firms, mutual funds, financial corporations, insurance and reinsurance companies governed by the *Insurance Code* and industrial and commercial firms any documents and information necessary for carrying out its basic tasks."

3 https://www.banque-france.fr/uploads/tx_bdfgrandesdates/rapport-surveillance-des-moyens-de-paiement-et-des-systemes-d-echange-2014.pdf

4 The statistics for the euro area and the European Union used in this document are taken from the data published by the ECB, available at the following link: <http://sdw.ecb.europa.eu/reports.do?node=1000004051>

to fall, leading to a deceleration in the increase in values, to stand at 7% in 2014 after 16% in 2013.

3| Brief analysis of the data collected

3|1 In volume terms

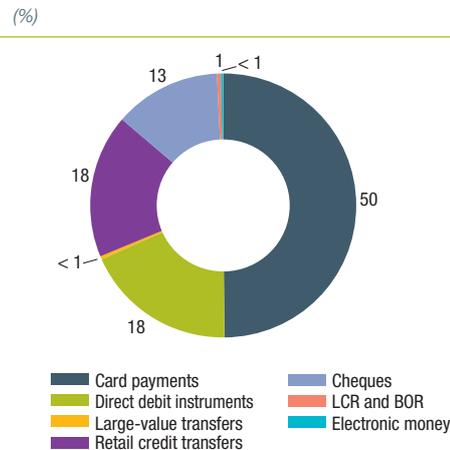
In 2014, the number of non-cash payments continued to rise in France (5.6%), at a pace that has outstripped that of the rise of the European Union (2.8%), but nevertheless slower than that of the United Kingdom (7.8%).

For its part, Germany saw a decline in the number of non-cash payments for the first time since 2000 (-9.7%). This decline applies to all payment instruments but may be linked to the 2014 change in data collection methodology implemented in 2015.⁵

Against this backdrop, France exceeded Germany for the first time this year regarding the number of non-cash payments in Europe. It ranks second with 18.4% of the number of transactions recorded after the United Kingdom (20.6%), and ahead of Germany (17.4%).

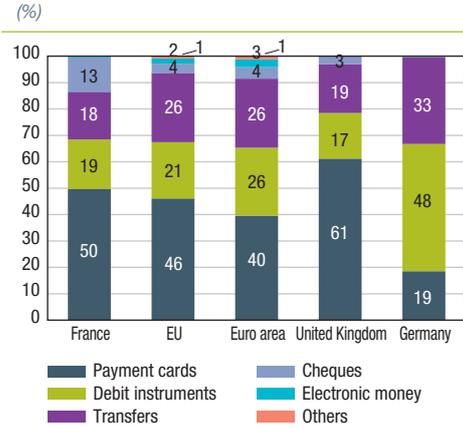
In France, the ranking of the number of non-cash payment transactions remained unchanged in 2014 and is as follows:

Chart 1 Breakdown of payment instruments in volume in France



Source: Banque de France.

Chart 2 Relative share of the different payment instruments in volume in 2014 by geographical area

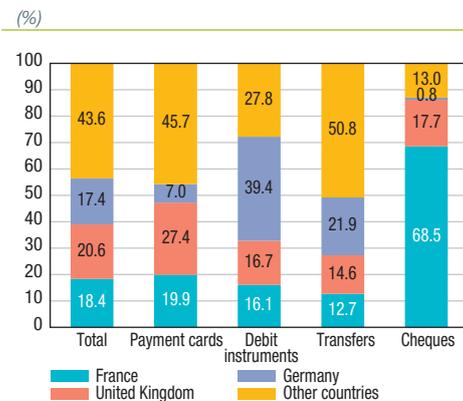


Source: Banque de France.

1. **Bank cards**, which remain the most widely used payment instrument, reached the threshold of 50% of total payments in 2014, with 9.47 billion payments made with bank cards or loyalty cards in France.

France accounted for 19.9% card payments made in the European Union and ranked second behind the United Kingdom (27.4%), and ahead of Germany (7%).

Chart 3 Share of the three largest Member States within the EU in the use of payment instruments in volume in 2014

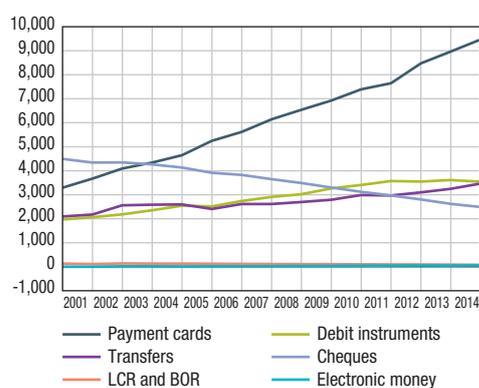


Source: Banque de France.

⁵ According to the notes published alongside the Blue Book, Germany included account entries in its statistics in previous years.

Chart 4 Volume change of payment instrument use in France

(in millions)



Source: Banque de France.

2. **The category of debit instruments** recorded a 2% fall in volume in 2014 after a 1.9% rise in 2013. In France, this category includes SEPA direct debits (96.4% in volume terms in 2014), interbank payment orders (2.4% of debits) and electronic payment orders (1.2% of debits).

Germany remains the country with the largest volume of direct debits in the European Union (39.4% of the total volume).

France ranks third, with 16.1% of direct debits, just after the United Kingdom, with 16.7%.

3. **The category of credit transfers** continued to grow, rising by 7% compared with 2013 to reach 3.46 billion transactions.

It includes retail transfers that account for 99.6% of the total volume, which mainly involve individuals and SMEs. The remaining 0.4% is made up of large-value transfers exchanged in the TARGET2 and EURO1.

In the European Union, Germany ranks first in terms of the volume of transfers (21.9%). France ranks third (12.6%) behind the United Kingdom (14.6%).

4. **The use of cheques** continued to decrease to the benefit of other non-cash means of payment, in particular those involving cards and electronic payment orders. In 2014, volumes of cheque

payments fell by 4.9% compared with 2013 to reach 2.49 billion transactions, or 13% of non-cash payments.

In Europe, France remains the country with by far the highest use of cheques, accounting for 68.5% of cheque payments in the European Union, well ahead of the United Kingdom (17.8%) and Italy (6.4%). Moreover, the fall in cheque payments, in 2014, was more marked in these two countries (–10.3% in the United Kingdom and –8.3% in Italy).

5. In 2014, **electronic trade bills (LCR)** and **electronic promissory notes (BOR)**, which come under trade bills specific to each country, continued to follow the downtrend that started in 2000, falling by an average of around 4.4 % per year. This fall nevertheless accelerated in 2014 (–6%).

6. **The use of electronic money** increased by 4%, after an exceptional fall of 3% in 2013. The number of electronic money payments nevertheless remained relatively modest (55 million).

France only accounts for 0.28% of the electronic money payments in the European Union. It should be noted that Luxembourg ranks an easy first (89%), as it is home to the largest player in the European market, PayPal.

3|2 In value terms

The total value of non-cash payments in France rose in 2014 by 7%, after falling in the two previous years by 4.9% in 2013 and 3.6% in 2012.

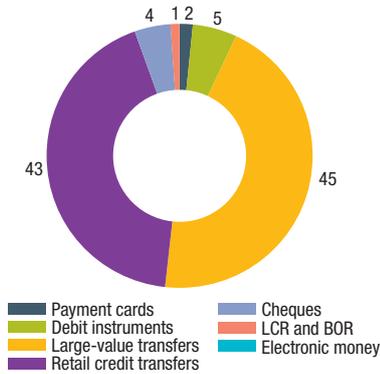
Conversely, the European Union as a whole saw a fall in the value of payments (–7.4%), due to the impact of the marked decline in the value of total payments in Germany (–19.6%), with this country accounting for almost a quarter of EU flows (22.5%). France ranks third in terms of payment values (10.8%), behind the United Kingdom (36.3%) and Germany.

In France, the payment instrument ranking by transaction values in 2014 is as follows:

1. After declining for two consecutive years, **the category of credit transfers** returned to its average

Chart 5 Breakdown of payment instrument in value

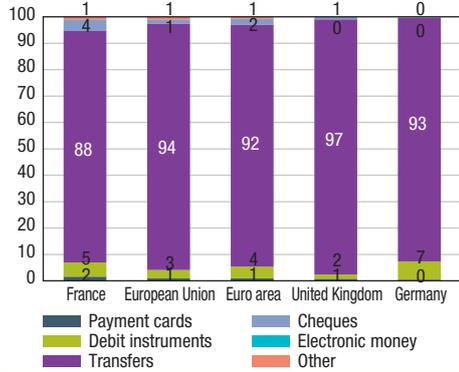
(%)



Source: Banque de France.

Chart 6 Relative share of the different payment instruments in value in 2014 by geographical area

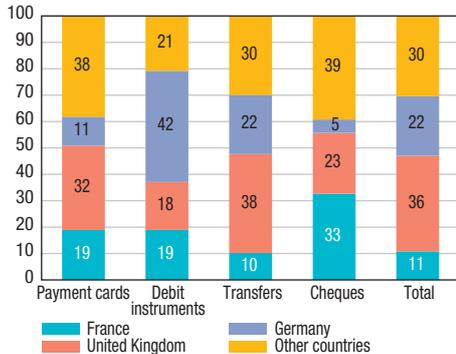
(%)



Source: Banque de France.

Chart 7 Share of the three largest Member States within the EU in the use of payment instruments in value in 2014

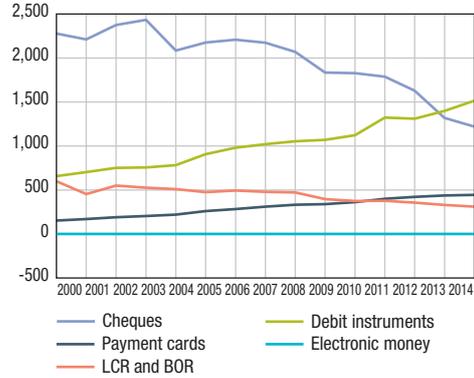
(%)



Source: Banque de France.

Chart 8 Value of transactions excluding transfers in France

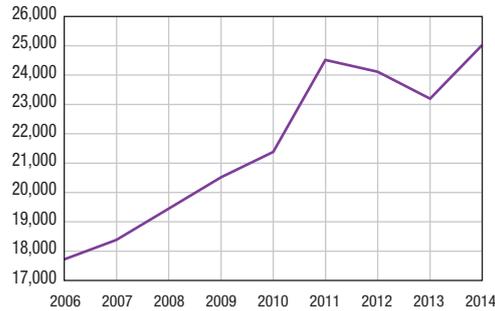
(EUR billions)



Source: Banque de France.

Chart 9 Value of transfers

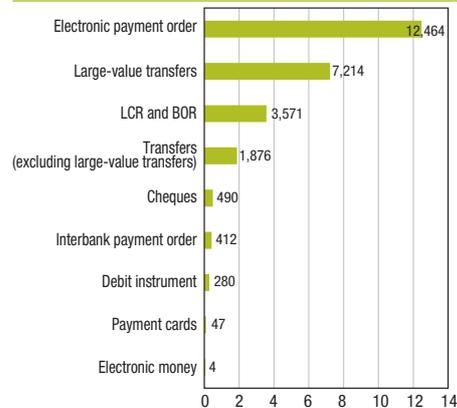
(EUR billions)



Source: Banque de France.

Chart 10 Average value of transactions by non-cash payment instrument in 2014

(EUR)



Source: Banque de France.

annual growth rate observed since 2005 (7.5%), recording 7.9% in 2014.

France ranks third in terms of the value of transfers at 10.2 % of the total value of transfers in the European Union, behind the United Kingdom (37.5 %) and Germany (22.4 %).

2. **The direct debit category** grew (8.3%) at a pace close to average (7.5 %).

In this payment instrument category, trends vary according to the type of instrument:

- SEPA direct debits rose by 10% following the completion of the migration to SEPA format in August 2014;
- interbank payment orders fell by 5%, which was a sharper decline than in previous years (–0.04% in 2013, –1% in 2012), in probable anticipation of the migration of this national payment instrument, considered a niche product similar to a SEPA direct debit, to other payment instruments;
- electronic payment orders rose by 7%, benefiting from tax law that requires VAT to be paid electronically above a certain threshold.

France ranks second in the European with 7.7 % of the total value of debits, far behind Germany (42.1%) and ahead of the United Kingdom (7.2 %).

3. **Cheque** use declined at a slower pace in 2014. Indeed, after a very sharp fall in 2013 (–19 %), the value of cheque transactions fell by 7.6% in 2014.

The decrease observed in 2014 is closer to the natural trend stemming from the safe and practical alternative payment means that have been made available to consumers.

France ranks first in the European Union with 32.6% of the total value of cheques, ahead of the United Kingdom (23.1%) and Italy (14.3%).

4. **Payment cards** saw their overall value of transactions increase moderately, i.e. by 1.5% in 2014. Indeed, despite being increasingly widely used, bank cards were reserved for small-value payments (EUR 47 per transaction on average),

and are more and more frequently used for small amounts thanks to the development of contactless payments. In 2014, this payment instrument accounted for a total value of EUR 537 million, or 0.12% of total card payments.

In terms of total card payments, France ranks second in the EU with 18.9%, behind the UK (32,0%) and ahead of Germany (10,9 %).

5. **Electronic trade bills (LCR)** and **electronic promissory notes (BOR)** account for a relatively high share of the total value given their low volumes. Their average value stood at EUR 3,571.

In 2014, the total value of LCR and BOR fell by 5.9%, extending the trend observed over the past few years (–6.8% on average per year since 2000), to stand at EUR 311 billion. These products, which are specific to the French market, are gradually being replaced by other electronic means of payment.

6. The value of **electronic money** transactions doubled (up 127%) in 2014, to reach EUR 240 million. It is still used for very small transactions, i.e. EUR 4.6 on average per payment. This development can be ascribed to the new legal framework following the transposition of the second Electronic Money Directive into French law in early 2013, aiming to stimulating supply on this market. Luxembourg ranks far ahead of other EU countries with 78% of the total value of electronic money payments, with Italy in second place at 18.4%. France ranks sixth with 0.3 % of the total.

3|3 Breakdown of transactions by channel

The share of card payments processed in interbank systems rose in 2014 to reach 82% of total value of card payment transactions (against 74 % in 2013).

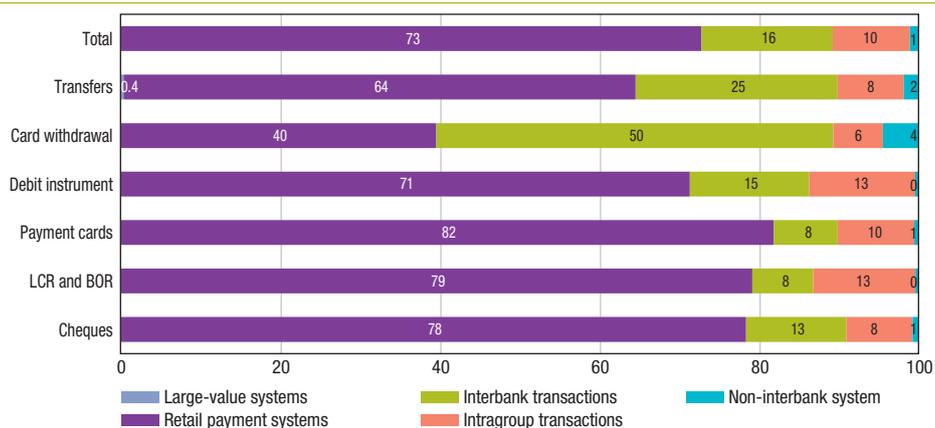
The share of credit transfers using intrabank channels increased in 2014 to reach a quarter of total payment flows. At the same time, the share of direct debits processed by interbank systems rose slightly (71% in 2014 against 67% in 2013).

Like in previous years, card withdrawals were an exception in that the intrabank channel accounted

for an increasingly large share, i.e. almost 56% in 2014. This is chiefly due to the specific fees applied by many banks to withdrawals from other banks'

ATMs above a certain number of withdrawals, thus encouraging customers to use the ATMs of their own bank or of the group to which it belongs.

Chart 11 Breakdown interbank/non-interbank system by payment instrument in volume in 2014
(%)



Source: Banque de France

Appendix

Table Breakdown of non-cash payments in 2014

(number of transactions in millions, value in EUR billions, average value in euros, share and change in %)

Payment instrument	Number of transactions		Value of transactions		Average value
	2014	Annual change	2014	Annual change	
Card payments	9,467	6	445	2	47
Direct debit instrument category	3,542	-2	1,515	8	428
<i>o/w: SDD + "MINOS"</i>	3,415	4	957	10	280
<i>interbank payment orders</i>	85	-7	35	-5	412
<i>electronic payment orders</i>	42	20	524	7	12,464
Credit transfers	3,469	7	25,026	8	7,214
Cheques	2,492	-5	1,220	-8	490
LCR and BOR	87	-7	311	-6	3,571
Electronic money	53	4	0.24	127	5
Total	19,110	6	28,505	7	1,492

Explanation: SDD: Sepa Direct Debit; "MINOS": domestic direct debits.

Source: Banque de France.

