

BOX 3: TRANSACTIONS AT POINT OF SALE IN MALTA BETWEEN 2018 AND 2022¹

Introduction

This review updates previous analysis carried out by the Central Bank of Malta on transactions at Point of Sale (POS) terminals in Malta.² The Bank collects data on a semi-annual basis on card-based payments from local credit, payment, and e-money institutions to analyze closely the payments landscape and trends at a national level. This study investigates the number and type of payment cards issued in Malta, together with all payment transactions effected with such cards, particularly at POS terminals located in Malta which are provided by local acquirers.

The analysis is based on reporting from both acquirers and issuers. Acquiring data are reported by payment service providers (PSPs) offering the physical POS terminal to local merchants for transactions effected with resident and non-resident cards, while the issuer data are reported by locally registered institutions which issue the payment cards to customers.

Data for the period 2018-2021 are reported pursuant to CBM Directive No. 5 on Statistics Reporting Requirements, and in line with ECB Regulation on Payment Statistics ECB/2013/43. On the other hand, data for 2022 falls under the new ECB Regulation ECB/2020/59 on Payment Statistics. While the new Regulation requires the collection of similar payments data, it mandates more granular reporting.³

It should be noted that data on POS terminals with the contactless functionality are collected under the umbrella of the ECB Regulation on Payment Statistics ECB/2020/59, with these data available as from reference year 2022. This analysis also depicts the volume and value of payment transactions initiated online with domestic cards, directed to local and foreign based merchants.

General overview

During 2022, there was a considerable increase in payments at local POS terminals, with both locally-issued and foreign-issued cards. There could be several factors that led to this increase. During 2022, economic activity rebounded strongly as restrictions on high contact services sectors were lifted. The recovery in economic activity accompanied by strong employment growth, and hence more card users, has led to a strong rise in domestic consumption. The efficiency, reliability and security associated with card payments, especially when compared to traditional paper-based payment instruments, is making such payment instrument more popular and changing payment habits. Additionally, enhanced marketing

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² See Briffa, V. (2022), "Transactions at Point of Sale (POS) Terminals in Malta in Recent Years", *Quarterly Review* 2022(4), pp. 73-78, Central Bank of Malta.

³ Data for 2022 are provisional and subject to change and revision.

campaigns by the reporting agents to further promote the use of electronic payments could have also contributed to this increase.

During the five years under review, transactions at POS terminals with resident cards increased in both volume and value terms. However, data with non-resident cards depict a substantial drop in values during 2020 due to travel restrictions as a result of the COVID-19 pandemic. As expected, data for 2021 presents a steady recovery following the lifting of several pandemic-related restrictions, and a sharp rebound in private consumer expenditure at physical POS terminals. A stronger increase is presented during 2022, with both the volumes and values of transactions carried out at physical POS terminals with foreign cards doubling when compared with the previous year, and exceeding pre-pandemic levels as remaining restrictions were removed.

Card issuers

Table 1 shows the number of payment cards issued with a debit, credit, and e-money functionality in Malta during recent years.⁴

In terms of debit card issuance over a five-year period, a marginal drop of 0.3% was registered over the period 2018-2020. However, issuance of debit cards recovered in subsequent years, recording an annual increase of 11.0% in 2021 and a further annual jump of 53.8% during 2022, reaching a total number of 1.2 million debit cards issued by year end. The reason for this substantial increase is mainly attributed to new products and marketing efforts from several reporting institutions, a shift in payment habits towards electronic means of payment and an increase in employment.

Similarly, cards with a credit function decreased over the first four years under review, from 179,359 in 2018 to 170,455 in 2021, resulting in a decrease of 5.0%, reflecting the effects of the pandemic. During 2022, an annual increase of 9.5% in credit card issuance is recorded, ending 2022 with a total of 186,612 cards.

Table 1
TOTAL NUMBER OF PAYMENT CARDS ISSUED IN MALTA

(number of cards)

	2018	2019	2020	2021	2022
Cards with a credit or debit function	860,833	809,819	846,850	924,264	1,345,679
<i>of which:</i>					
Cards with a debit function	681,474	632,101	679,281	753,809	1,159,067
Cards with a credit function	179,359	177,718	167,569	170,455	186,612
Cards with an e-money function ⁽¹⁾	55,636	32,939	33,388	105,883	164,598
Total	916,469	842,758	880,238	1,030,147	1,510,277

Source: Central Bank of Malta.

⁽¹⁾ Excludes closed loop cards.

⁴ E-money cards are considered as pre-paid cards which can be re-loadable (from an e-money account).

Cards with an e-money function initially declined from a total number of 55,636 cards in 2018 down to 32,939 cards the following year, remaining close to that level in 2020. However, after 2020, these picked up strongly, more than trebling to 105,883 in 2021, rising further to 164,598 cards in 2022, almost trebling the number compared to that of 2018.

When analysing the total number of debit and credit cards issued in Malta during 2022, a considerable increase of 45.6% was registered when compared to the previous year. A more significant increase of 56.3% is recorded when comparing data to that registered in 2018, mainly coming from debit card issuance.

Overall, the total number of issued cards stands 64.8% higher than its 2018 level. The strongest year-on-year increase registered along the five years under review, is that of 2022 with a 46.6% gain over the previous year. Table 1 clearly shows that this is the result of the increase in e-money card issuance followed by debit cards issued during that year, reflecting increased interest of consumers in owning a card.

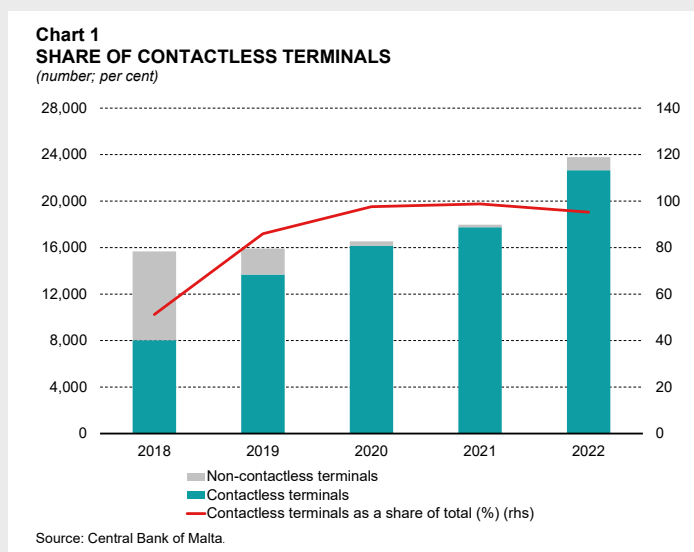
Card acquirers

This section reports data from acquirers, which provide the physical POS terminals to merchants.

During 2018, only three institutions offered such terminals. However, by 2022 the total increased to seven acquiring institutions which eventually facilitated the increase in the number of physical POS terminals by local merchants. It should be noted that transactions effected on POS terminals provided by foreign acquirers to local merchants are not included in this analysis since these report traffic in the countries where they are licensed. Thus, the true number of POS terminals in Malta, as well as card payment transactions made at POS terminals in Malta, are higher, and is therefore a limitation of this report.

The number of POS terminals located in Malta increased from 15,672 in 2018 to 23,786 terminals in 2022, resulting in a 51.8% cumulative increase over a period of five years. The year 2022 also registered the strongest annual increase of 32.4%, or 5,818 physical terminals (see Chart 1).

The substantial increase during 2022 mainly emanates from a single acquirer, tripling the



number of physical POS terminals offered to Maltese merchants when compared to the previous year.

Chart 1 also outlines that POS terminals with contactless functionality has increased steadily, with such terminals providing a quicker and more convenient way for consumers to effect payments. During 2018 only 51.2% of all POS terminals located in Malta were contactless. This went up to 98.8% during 2021, resulting in nearly all the terminals having the contactless functionality. However, by the end of 2022, the number of contactless terminals as a share of total terminals decreased marginally to 95.3%. This decrease is mainly emanating from two institutions, with one new institution providing all the terminals with the non-contactless functionality during the year. Moreover, another institution increased the share of non-contactless terminals from 2.3% in 2021 to 6.9% in 2022. The increase in contactless POS terminals can be attributed to the fact that the amount for contactless payments made with a payment card without the user inputting the PIN has increased from €20/€25 to €50 in 2020. Additionally, mobile payments through the Near Field Communication (NFC) technology, which allow payments to be made via smartphones and wearables connected to the customer's payment card, were recently introduced and have gained in popularity. This technology offers added convenience, ease of use, enhanced security and improved efficiency to the users.

Payment transactions effected at local POS terminals with cards issued by local institutions

This section outlines some information on the volume and value of payment transactions effected at POS terminals provided by domestic institutions with locally issued debit and credit cards.

As outlined in Table 2, the volume and value of such card payment transactions have been increasing consistently, registering an increase of 149.1% in volume terms, from the 18.5 million transactions in 2018 to 46.1 million in 2022. The value of transactions also surged in this period, broadly doubling from €1.0 billion in 2018 to €2.0 billion in 2022. However, the average value per POS transaction decreased from €55 in 2018 to €44 per transaction in 2022. This implies that, on average, consumers are increasingly utilising their payment card to settle lower value payments at physical POS terminals.

The volume of payment transactions per POS terminal depicts an increasing trend, rising from 1,181 transactions in 2018 to 1,938 transactions during 2022. The corresponding values follow

Table 2
TRANSACTIONS AT TERMINALS WITH CARDS ISSUED BY RESIDENT PSPs (INVOLVING NON-MFIs)⁽¹⁾

	2018	2019	2020	2021	2022
Volume	18,511,316	20,090,198	22,399,033	29,433,832	46,108,160
Value (€)	1,025,829,382	1,055,401,856	1,090,082,357	1,333,348,693	2,028,631,942
Average value per transaction (€)	55	53	49	45	44
Number of POS terminals	15,672	15,911	16,538	17,968	23,786
Volume per terminal	1,181	1,263	1,354	1,638	1,938
Value per terminal (€)	65,456	66,332	65,914	74,207	85,287

Sources: Central Bank of Malta; authors' estimates.

⁽¹⁾ Except e-money transactions.

a similar trend, registering an average of €65,456 per terminal in 2018 to €85,287 per terminal in 2022 resulting in a 30.3% increase in five years.

The Central Bank of Malta also collects data on transactions initiated online which are known as e-commerce transactions.⁵ Data reported between 2018 and 2022 show that online payment transactions are on the increase, with a growth of

127.0% in volume terms (12.7 million transactions in 2018 to 28.8 million transactions in 2022). Likewise, the corresponding values rose significantly by 288.0%, from €818.9 million in 2018 to €3,177.5 million in 2022. Particularly in 2022, the volume and value of online payment transactions registered an annual increase of 16.5% and 95.0%, respectively. This means that during 2022, customers effected online transactions of a higher value when compared to the previous year. In fact, the average value per online transaction in 2022 was €110 compared to €66 registered during 2021. This increase may partly reflect the change in spending patterns, where customers are increasingly shifting their preference towards the convenience of online shopping rather than the more traditional in-store shopping.

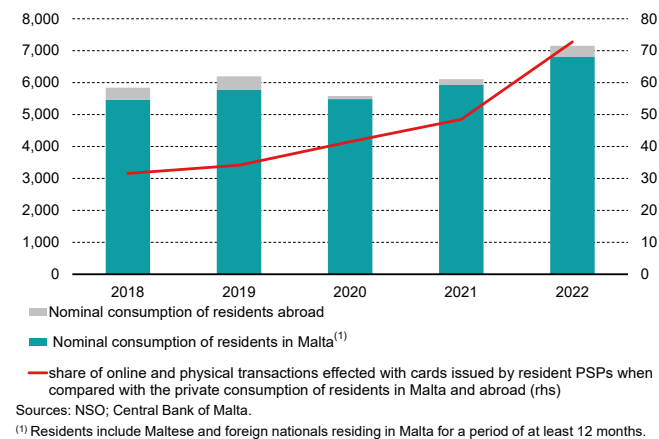
The share of physical and online transactions with cards issued by local PSPs in total consumption of Maltese residents more than doubled since 2018, rising from 31.6% to 72.8% (see Chart 2).⁶

From this analysis it can be concluded that both payments at physical POS terminals and online transactions have experienced a steady upward trend.

Payment transactions effected at local terminals with cards issued by non-resident institutions

The Central Bank of Malta also collects data on payment cards issued by non-resident PSPs and used at local POS terminals.⁷ Such payments are effected by tourists and foreign nationals residing in Malta, as well as Maltese holders of foreign cards.

Chart 2
PRIVATE CONSUMPTION OF RESIDENTS AND ONLINE TRANSACTIONS INITIATED WITH CARDS ISSUED BY RESIDENT PSPs
(EUR millions; % of private consumption of residents)



⁵ Data for transactions initiated online are reported from the issuing perspective.

⁶ For clarity's sake, the nominal consumption of residents abroad represents Maltese residents who temporarily travel outside Malta.

⁷ For more clarity, this section includes card payment data effected with cards issued by foreign licenced institutions (including cards offered to Maltese residents) on POS terminals provided by locally licenced institutions.

As shown in Table 3, the volume and value of POS payments with foreign issued cards increased steadily during the five years under review, with the number of transactions surging from 9.4 million in 2018 to 33.8 million in 2022. Likewise, the corresponding values increased, from €591.1 million in 2018 to €1,094.2 million in 2022, resulting in an increase of €503.1 million.

As expected, this upward trend was interrupted in 2020 due to the COVID-19 pandemic, where a decrease of 31.9% (€210.3 million) in value terms was registered, even while volumes rose somewhat. The decrease in transaction values partly reflects the drop in tourist arrivals as a result of the restrictions imposed during the pandemic, as well as lockdowns on the local population, which contributed to reduced consumption. By contrast, the rise in volumes in 2020 reflects the inclusion of data for transactions through the use of cards of a foreign institution with a high degree of presence in Malta, included with the foreign cards data. This foreign institution's data resulted in a 73.5% share of the volume but a lesser share of 55.4% in the corresponding value when compared to foreign cards, indicating that the average value of transactions for this foreign provider is somewhat lower.

In 2021, volumes went up to 18.2 million for a total value of €597.3 million, resulting in an annual increase of 34.9% and 33.3%, respectively. This reflects the gradual unwinding of pandemic-related restrictions, and the start of the recovery in tourism activity.

Furthermore, data for 2022 depict a considerable increase of 86.0% (15.6 million) in volume and 83.2% (€496.9 million) in value reflecting the fact that restrictions were completely lifted in the course of that year and activity in the tourism industry rebounded significantly.

Table 3 also shows that the average value per transaction with non-resident cards declined considerably, from €63 in 2018 down to €32 in 2022, indicating that payment cards issued by non-resident PSPs are increasingly being used to settle lower value payments. This is probably due to the wider use of contactless card payments following the increased penetration of a foreign institution in the domestic market since 2020.

Along the five years under review, the volume per terminal experienced an increasing trend, while the value aspect registered a sharp decline during 2020, resulting from the COVID-19

Table 3
TRANSACTIONS AT DOMESTIC POS TERMINALS WITH DEBIT AND CREDIT CARDS ISSUED BY NON-RESIDENT PSPs (INVOLVING NON-MFIs)⁽¹⁾

	2018	2019	2020	2021	2022
Volume	9,366,329	12,766,781	13,496,012	18,199,534	33,846,311
Value (€)	591,075,991	658,443,587	448,109,444	597,267,809	1,094,198,035
Average value per transaction (€)	63	52	33	33	32
Number of POS terminals	15,672	15,911	16,538	17,968	23,786
Volume per terminal	598	802	816	1,013	1,423
Value per terminal (€)	37,715	41,383	27,096	33,241	46,002

Sources: Central Bank of Malta; authors' estimates.

⁽¹⁾ Except e-money transactions.

Note: As from 2020 data includes transactions by one foreign institution with a strong presence in Malta.

travelling restrictions and temporary closure of shops. Usage recovered during the following two years, where both volumes and values per terminal in 2022 registered an increase of 74.4% and 69.8%, respectively, when compared with 2020 data.

In 2022, the share of transactions effected on physical POS terminals and online with cards issued by resident and non-resident PSPs when compared with the overall consumption of all residents and non-residents, stood at 72.5%. This is above the share of 52.6% for 2021 and 32.9% registered in 2018 (see Chart 3).

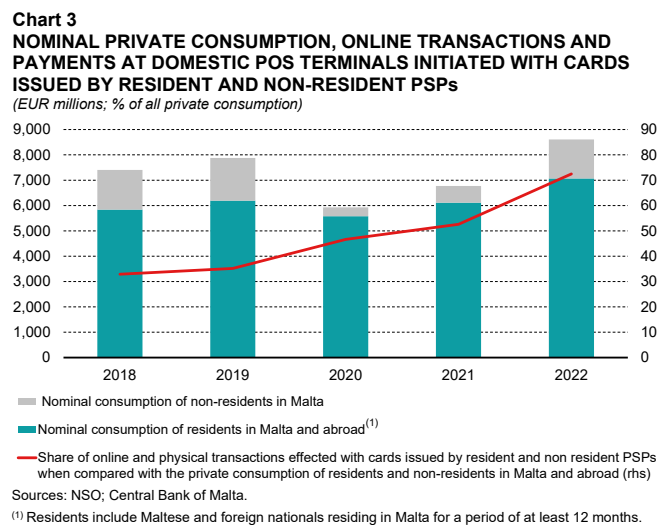
This was mostly due to the increased use of online transactions since the pandemic and, to a lesser extent, the increased use of cards issued by resident PSPs at POS terminals. Similarly, physical transactions carried out with cards issued by non-resident PSPs also exceeded pre-pandemic levels.⁸

Conclusion

The data and information presented in this study show that the number of physical POS terminals in Malta increased during 2022, with 95.3% of these terminals now being equipped with the contactless functionality. In recent years, foreign acquirers have also been passporting their services in Malta. However, transactions effected on their POS terminals are not included in the analysis since these acquirers are obliged to report traffic on their POSs in the countries where these are licensed.

The increase in POS terminals and the improved contactless functionality of debit and credit cards have resulted in increased use of these payment methods among Maltese consumers as reflected in the constant surge in the volume of transactions per terminal with cards issued locally along the five years under review. An annual increase of 18.3% in the volume of transactions per terminal, and an annual increase of 14.9% in the value of transactions per terminal can be observed when comparing 2022 to 2021. Data also reflects that such payment instrument is being used to settle payments for lower value transactions.

Likewise, transactions effected on local POS terminals with non-resident cards also increased in terms of volumes of transactions. While their corresponding values decreased



⁸ These figures are indicative. They exclude online transactions initiated with cards issued by non-resident PSPs. On the other hand, they may include business to business POS card payments and business to business online transactions.

significantly during 2020, due to the pandemic restrictions, impacting international travel and various elements of domestic consumption, by 2022 these registered the highest data recorded during the five-year analysis, recording a total volume of 33.8 million transactions with a corresponding value of €1,094.2 million, nearly doubling data for 2020, reflecting the recovery of the tourism sector.

There are various factors contributing to the results presented above. These include: more card issuers in the market, from seven in 2018 to nine in 2022, more card acquirers, from three in 2018 to seven in 2022, growth in the gainfully occupied population, the rolling out of contactless cards and terminals, the introduction of Apple Pay and Google Pay by a number of card issuers, changing payment habits, as well as the presence of a large foreign card issuer which has succeeded in penetrating the market for payment cards and accounts in Malta.

Future analysis will seek to compare such results with data on instant payments when such payment services are rolled out by PSPs, should the legislative proposal of the European Commission, which mandates PSPs to offer instant credit transfers to its customers, be adopted.