SIBS
Partner in Payments

100 DAYS OF PANDEMIC

Reflection of changes in Portuguese consumption habits

29/06/2020

SIBS
Analytics

SCOPE AND OBJECTIVES OF THIS REPORT

SIBS is the company responsible for the management of the MULTIBANCO network in its multiple channels – ATM terminals, Point-of-Sales, online channels or smartphones - ensuring the processing and complete operation of transactions between issuers and acquirers, on multiple devices, with multiple protocols and on multiple systems (i.e. AmericanExpress, MasterCard, MB, VISA, UnionPay, among other).

SIBS Analytics is a Consumer Indicators Portal, created and managed by SIBS, that shows, in an aggregated and organised manner, consumption data in Portugal, through the activities carried in the multiple channels managed by the company. This service allows end customers and companies to access more detailed or in-depth data (for example, by sectors of economic activity and geography), thus aiming to provide a better understanding of the economic activity in Portugal and, above all, to assist and support in the decision-making process.

This report provides different perspectives on the evolution of consumption in Portugal in the 100 days period that followed the declaration of the state of emergency (18 March). The behaviour of consumption indicators is a reflection of the mobility and confinement restrictions experienced in the context of the health crisis caused by COVID-19 in the first weeks, as well as the gradual reopening of the economy that has occurred in the most recent weeks.

In the scope of the partnership established between SIBS and ISEG – Lisbon School of Economics and Management, which aims to study, amongst other, the socioeconomic impact of the COVID-19 pandemic in Portugal, ISEG INSIGHTS were included throughout this report, which add a more in-depth perspective about the analysed dimensions.

AGENDA

1. 100 DAYS OF PANDEMIC:
THE DIFFERENT PHASES AND THEIR IMPACT ON GLOBAL CONSUMPTION

2. THE CONSUMER IN PORTUGAL:
ANALYSIS OF THE MAIN CHANGES

- IN THE PURCHASING METHOD: REDUCTION OF PHYSICAL CONTACT

- ECONOMY SECTORS : FOCUS ON THE "ESSENTIAL GOODS"

- THE DIFFERENT REGIONS: ASYMMETRY OF EFFECTS
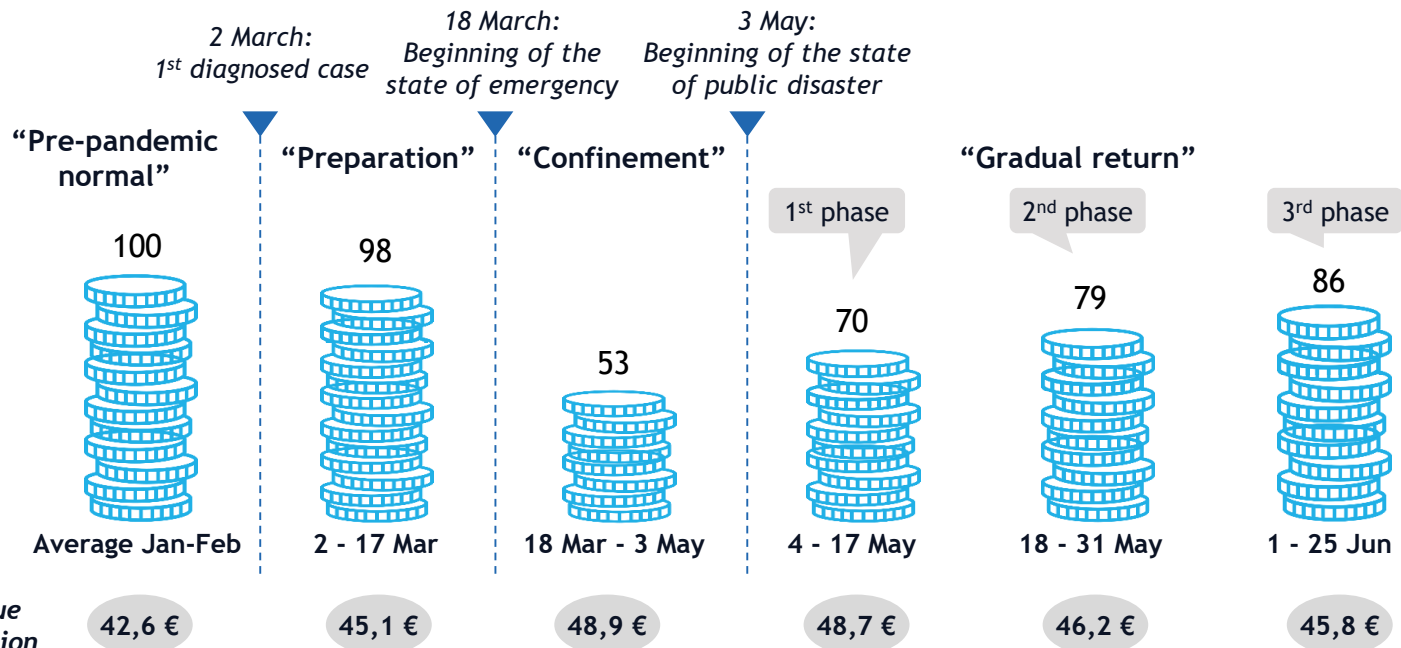
1. 100 DAYS OF PANDEMIC:
The different phases and
their impact on global consumption

3 DISTINCT PHASES OF CONSUMPTION: RESILIENCE, REDUCTION AND GRADUAL RECOVERY

100 days after the declaration of the state of emergency and the official beginning of the health crisis in Portugal, 3 major phases are observed in the consumption behaviour of the Portuguese consumers: "Preparation" (before the beginning of restrictions on mobility), "Confinement" (abrupt and significant reduction of consumption) and "Gradual return" (progressive recovery of transaction levels).

Number of transactions in SIBS channels (physical and online purchases + cash withdrawals) at index = 100 for volumes of Jan-Feb 2020
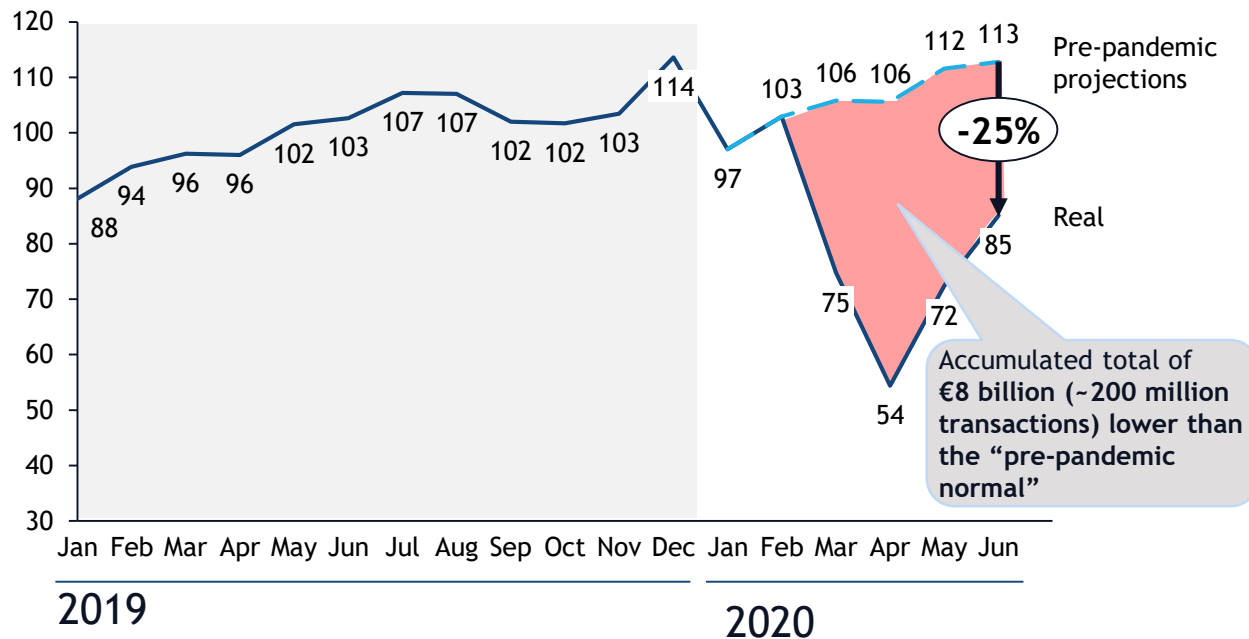

2 March:
1st diagnosed case

18 March:
Beginning of the state of emergency

3 May:
Beginning of the state of public disaster

"Pre-pandemic normal"

"Preparation"

"Confinement"

"Gradual return"

1st phase   2nd phase   3rd phase

	100	98	53	70	79	86
	Average Jan-Feb	2 - 17 Mar	18 Mar - 3 May	4 - 17 May	18 - 31 May	1 - 25 Jun
Average value per transaction	42,6 €	45,1 €	48,9 €	48,7 €	46,2 €	45,8 €

€8 BILLION OF ACCUMULATED FALL OF TRANSACTIONS

Despite the global recovery, consumption is still 25% lower than expected at this time of the year, and the accumulated number of transactions lost in the pandemic period (March to June) amounts to about €8 billion, equivalent to 200 million transactions.

Number of transactions in SIBS channels (physical and online purchases + cash withdrawals) at index = 100 for volumes of Jan-Feb 2020

- It is estimated that **200 million fewer transactions were carried out, equivalent to € 8 billion**, during the pandemic period (March to June) in comparison to the pre-pandemic estimate.

- Although transactional volume is close to the pre-pandemic values in June, since the seasonality of consumption and migratory movements are typically reflected in higher volumes in the 2nd quarter compared to the beginning of the year, it is estimated that the **global consumption is still 25% lower than expected in June 2020**.

2.1. THE CONSUMER IN PORTUGAL
In the purchasing method: reduction of physical contact

60% OF CONSUMERS HAVE SIGNIFICANTLY REDUCED THEIR CONSUMPTION

Comparing pre-pandemic and current health crisis behaviour, 60% of consumers have significantly reduced card transactions, compared to what happened before, and only 10% belong to a group that shows no signs of ever having "confined".
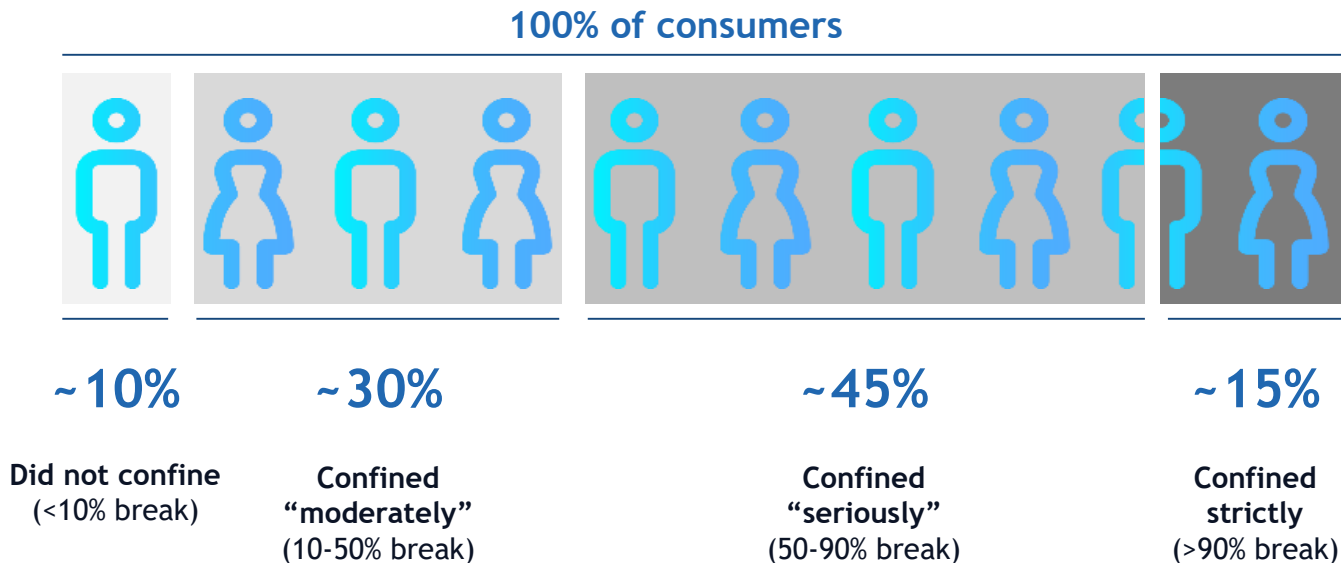
Percentage of cards used in SIBS network (physical purchases + cash withdrawals) in the period jan-fev 2020

Scope of the analysis

Cards with regular transactions (2 or more transactions per week in the period of Jan-Feb 2020).

Classification of cards according to the evolution of the number of transactions between the confinement phase (18 Mar – 3 May) and the pre-pandemic period (1 Jan – 17 Mar).

100% of consumers

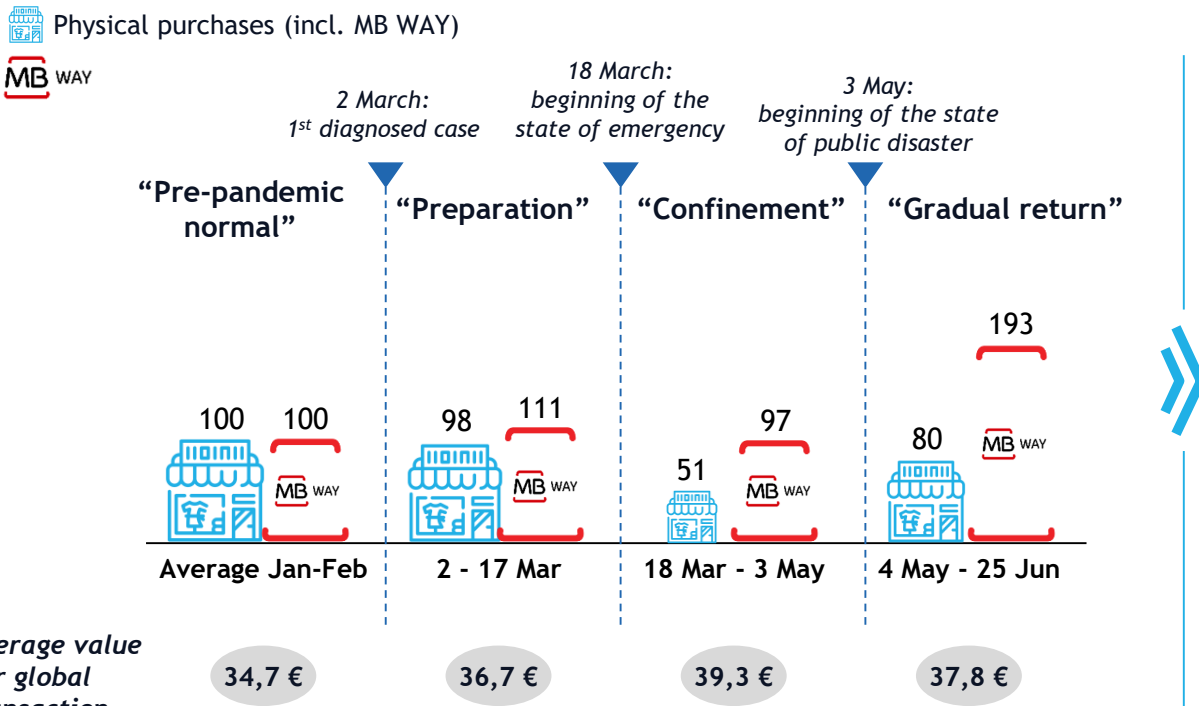| ~10%	~30%	~45%	~15%
Did not confine (<10% break)	**Confined "moderately"** (10-50% break)	**Confined "seriously"** (50-90% break)	**Confined strictly** (>90% break)

PHYSICAL COMMERCE: CONSUMER WITH PREFERENCE FOR CONTACTLESS SOLUTIONS

The number of MB WAY transactions in-store shows resilience throughout the confinement period, despite of a break of 50% in the volume of physical purchases, reflecting the demand for secure payment methods that minimise contact (via mobile phone).
Number of physical purchases in SIBS channels at index = 100 for volumes of Jan-Feb 2020

Physical purchases (incl. MB WAY)

MB WAY

2 March:
1st diagnosed case

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beginning of the
state of emergency

3 May:
beginning of the state
of public disaster

"Pre-pandemic normal"   **"Preparation"**   **"Confinement"**   **"Gradual return"**

193

100   100   98   111   97   80   MB WAY
                                    51
MB WAY   MB WAY   MB WAY   MB WAY

Average Jan-Feb   **2 - 17 Mar**   **18 Mar - 3 May**   **4 May - 25 Jun**

Average value per global transaction

34,7 €   36,7 €   39,3 €   37,8 €

- MB WAY shows a notable growth in the period of deconfinement - an increase of 93% compared to the beginning of the year.

- In the context of the pandemic, consumers look for convenient payment methods that minimise physical contact. MB WAY, as a mobile payment solution, totally satisfies this need.
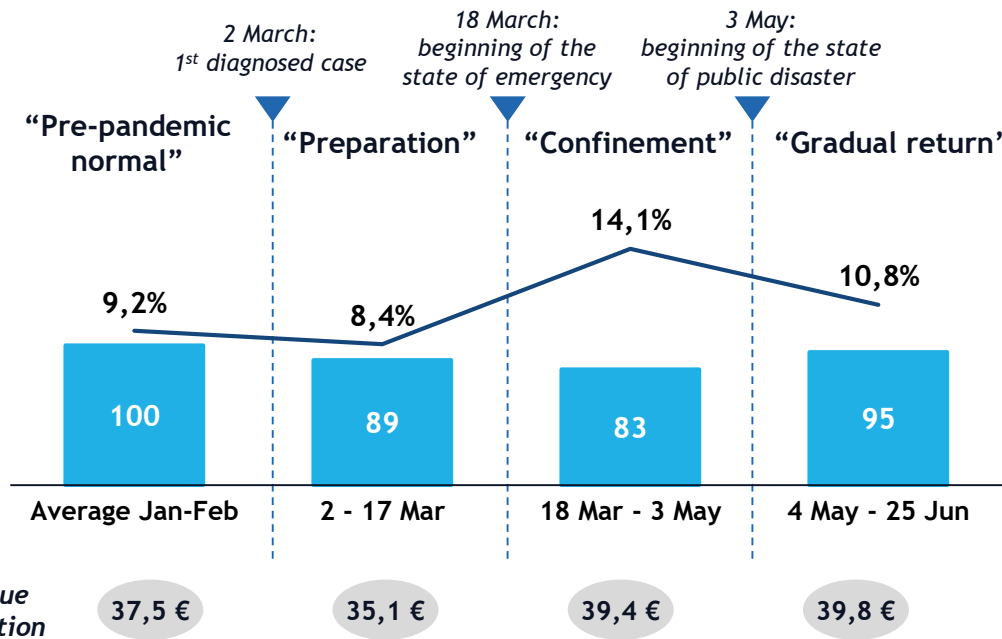
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E-COMMERCE: INCREASED RELEVANCE IN SPITE OF THE SLIGHT BREAK IN VOLUMES

The increase in the weight of the digital channel may show both the need - as a result of confinement - and the preference - for security reasons - to use the digital channel, although it is not enough to compensate for the drop in global consumption.

Number of online purchases (card and MB WAY) in SIBS channels at index = 100 for volumes of Jan-Feb 2020

— Weight of e-commerce in the purchases' total

2 March:
1st diagnosed case

18 March:
beginning of the
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3 May:
beginning of the state
of public disaster

"Pre-pandemic normal"   **"Preparation"**   **"Confinement"**   **"Gradual return"**

9,2%   8,4%   14,1%   10,8%

Average Jan-Feb	2 - 17 Mar	18 Mar - 3 May	4 May - 25 Jun
100	89	83	95

Average value per transaction
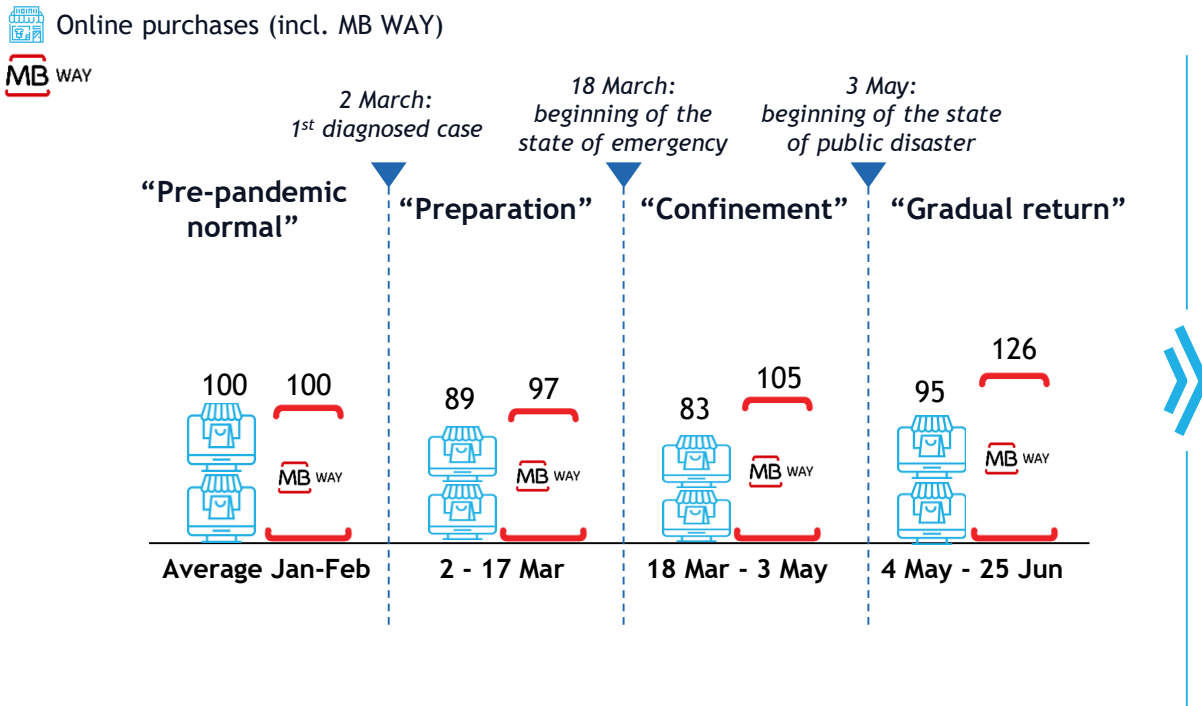
37,5 €   35,1 €   39,4 €   39,8 €

- The weight of e-commerce in the purchases' total rose from 9% in the period before the first diagnosed case to 14% in the period of confinement, despite the fall in total volumes (-5% in the "gradual return" phase).

- This change in consumer habits shows two behaviours: (a) necessity due to confinement and (b) preference for safer channels.

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E-COMMERCE: MB WAY RISING AS A PAYMENT METHOD

The MB WAY payment method in online purchases, in contrast to the global online purchases, registered a significant increase compared to the beginning of the year, affirming itself as a safe and convenient online payment channel.
Number of online purchases (card and MB WAY) in SIBS channels at index = 100 for volumes of Jan-Feb 2020

Online purchases (incl. MB WAY)

MB WAY

2 March:
1st diagnosed case

18 March:
beginning of the state of emergency

3 May:
beginning of the state of public disaster

"Pre-pandemic normal"   **"Preparation"**   **"Confinement"**   **"Gradual return"**

100   100   89   97   83   105   95   126

Average Jan-Feb   **2 - 17 Mar**   **18 Mar - 3 May**   **4 May - 25 Jun**

- MB WAY online purchases with a resilient behaviour during confinement: 5% above the values of the beginning of the year, despite a fall of more than 15% of total online commerce.

- The progressive adoption of this online payment method has led to growth rates of over 20% compared to the beginning of the year, in a context of a general drop of the transactional volume.

- This channel affirms itself as a more secure online payment method (no need to insert any card details).

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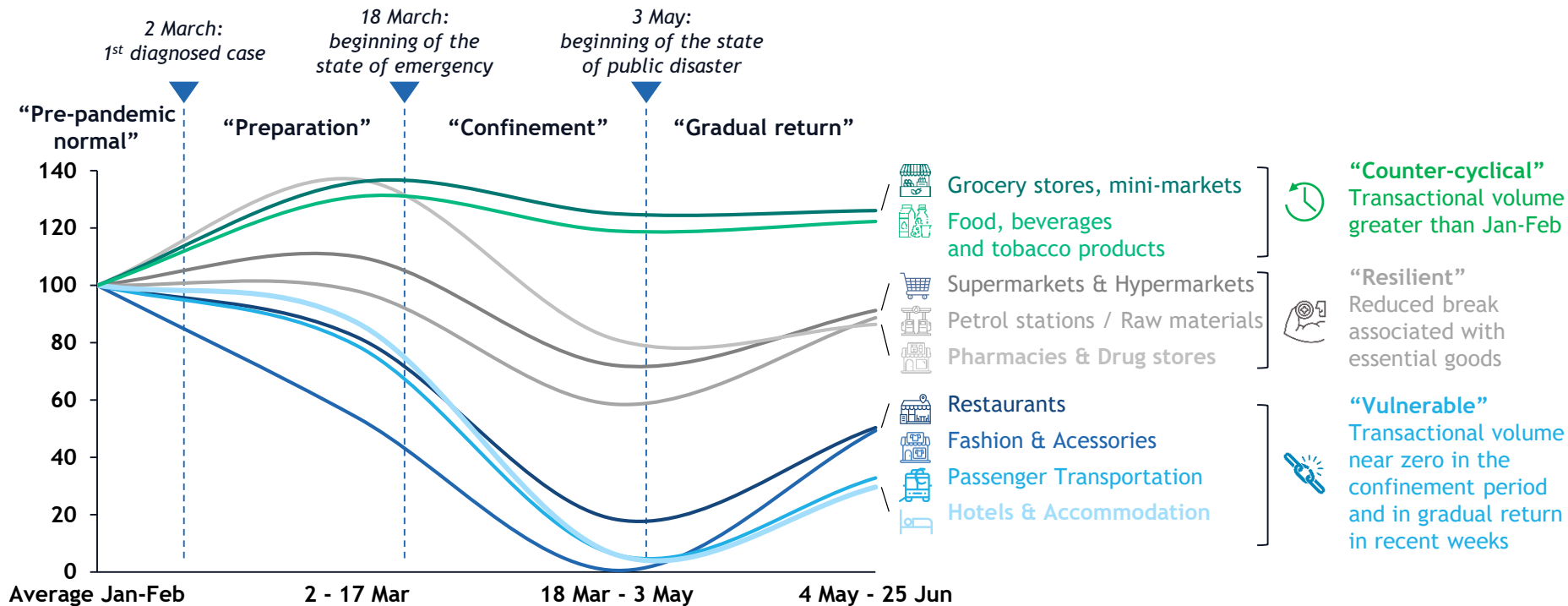# 2.2. THE CONSUMER IN PORTUGAL
Economy sectors: focus on the "essential goods"

PHYSICAL COMMERCE: LOCAL COMMERCE PREFERRED DURING THE CRISIS

The local commerce – grocery stores, mini-markets and food, beverages and tobacco products – appear as counter-cyclical sectors, with a higher number of transactions in the confinement period in comparison to the beginning of the year.

Number of physical purchases in SIBS channels at index = 100 for volumes of Jan-Feb 2020

2 March:
1st diagnosed case

18 March:
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"Pre-pandemic normal"   **"Preparation"**   **"Confinement"**   **"Gradual return"**

Grocery stores, mini-markets
Food, beverages and tobacco products

"Counter-cyclical"
Transactional volume greater than Jan-Feb

Supermarkets & Hypermarkets
Petrol stations / Raw materials
Pharmacies & Drug stores

"Resilient"
Reduced break associated with essential goods

Restaurants
Fashion & Acessories
Passenger Transportation
Hotels & Accommodation

"Vulnerable"
Transactional volume near zero in the confinement period and in gradual return in recent weeks

Average Jan-Feb   **2 - 17 Mar**   **18 Mar - 3 May**   **4 May - 25 Jun**

PHYSICAL COMMERCE: GREATER CONCENTRATION ON ESSENTIAL GOODS

Consumption patterns have evolved over the different phases of the pandemic, and in the confinement period more than 2 out of 3 purchases were in sectors of essential goods, congregated in the "resilient" group.

Number of physical purchases in SIBS channels at index = 100 for volumes of Jan-Feb 2020
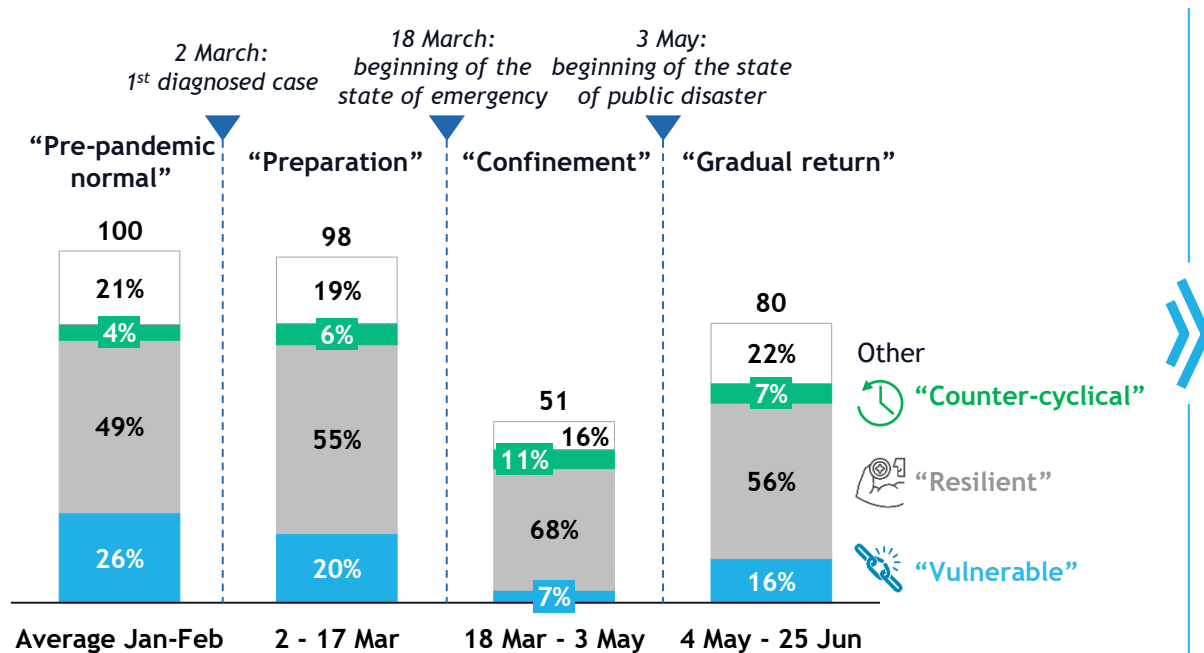
- The "resilient" sectors, associated with essential goods, took on a prominent role during the pandemic, although not enough to compensate for the loss of the global transactional volume.

- The sectors labeled "counter-cyclical" (grocery stores, mini-markets and food, beverages and tobacco products) reinforced their weight, although relatively limited in relation to the total consumption.

- Others include sectors such as agriculture, finance and real estate.

PHYSICAL COMMERCE: GRADUAL RECOVERY OF INTERNAL TOURISM

ISEG INSIGHT: A gradual recovery of the domestic tourism is noticeable, where hotels with restaurant have 60% of the volumes compared to the beginning of the year, although travel agencies remain practically nil, showing little demand for foreign tourism.
Weekly variation in the number of physical transactions in SIBS channels (purchases and bill payments) at index = 100 for volumes of Jan-Feb 2020
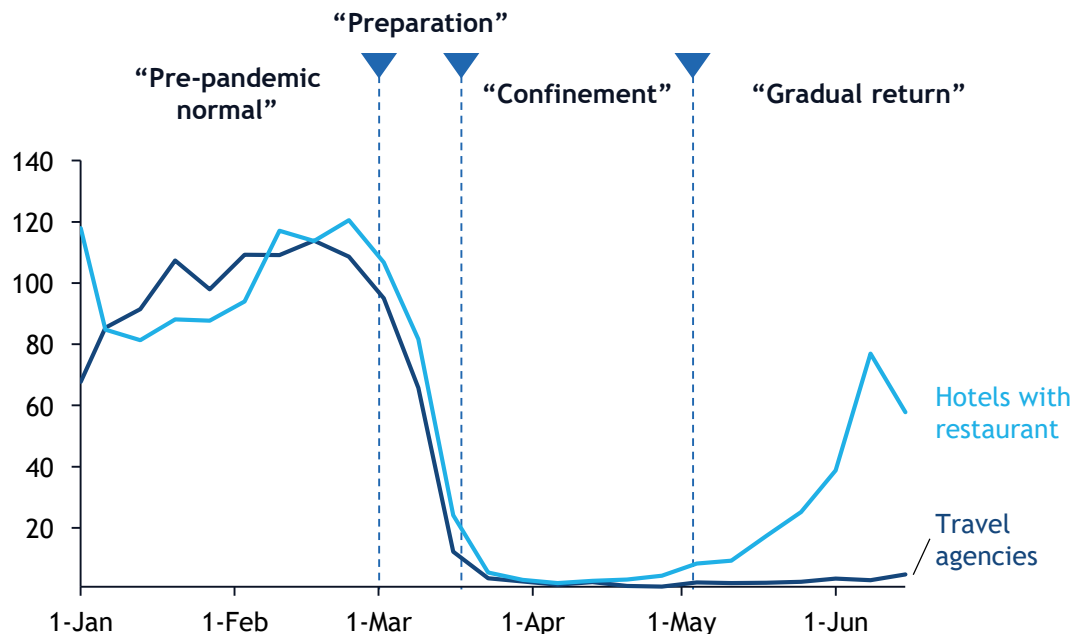

- Hotels with restaurant, partly representative of domestic tourism, show signs of a gradual recovery in the period of deconfinement, with volumes of 40-60% compared to the beginning of the year, after nil activity in the confinement period.

- On the other hand, travel agencies maintain almost no activity, which may show that the Portuguese consumer is not yet looking to travel abroad.

PHYSICAL COMMERCE: DENTISTS FALL BUT VETERINARY STAY RESILIENT

ISEG INSIGHT: Evidence of insignificant drops in veterinary activity, in the order of 30%, with dentistry breaking its activity almost completely during the confinement period.

Weekly variation in the number of physical transactions in SIBS channels (purchases and bill payments) at index = 100 for volumes of Jan-Feb 2020
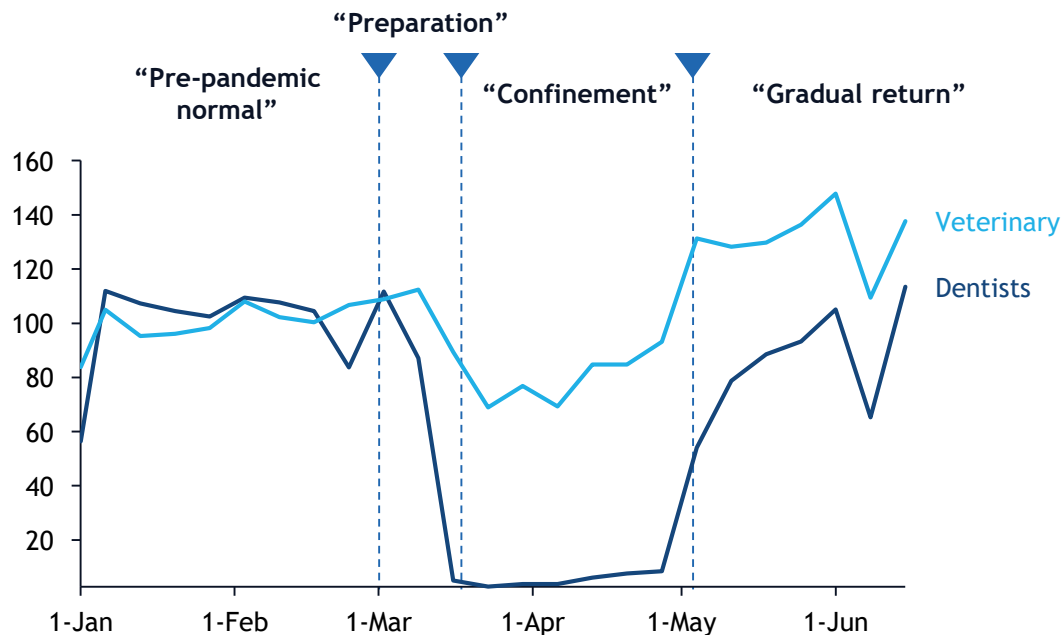

- Veterinary activity remained resilient throughout the pandemic period, with falls of around 30% in the confinement period, and already showing values higher than those of the beginning of the year, with the gradual recovery of the economy.

- On the other hand, dentists saw reductions in their activity of 90-100% during the confinement period, although currently they already register higher values than in the beginning of the year.

E-COMMERCE: THE HARBOUR OF FASHION, RESTAURANTS AND CULTURE SECTORS

Restaurant and fashion sectors showed strong growth in e-commerce; by contrast, there was a significant drop in passenger transportation (e.g., aviation and TVDE) and leisure, two sectors traditionally very relevant in e-commerce.
Number of online purchases (card and MB WAY) in SIBS channels at index = 100 for volumes of Jan-Feb 2020
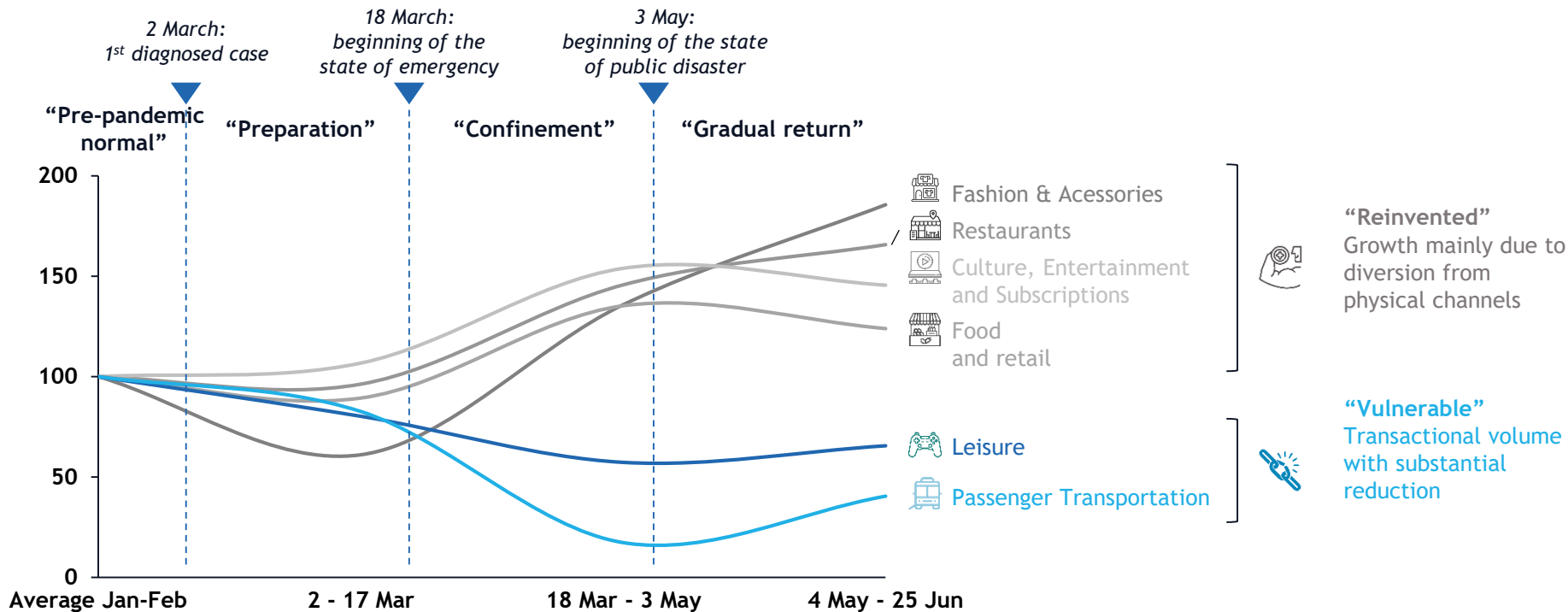
2.3. THE CONSUMER IN PORTUGAL
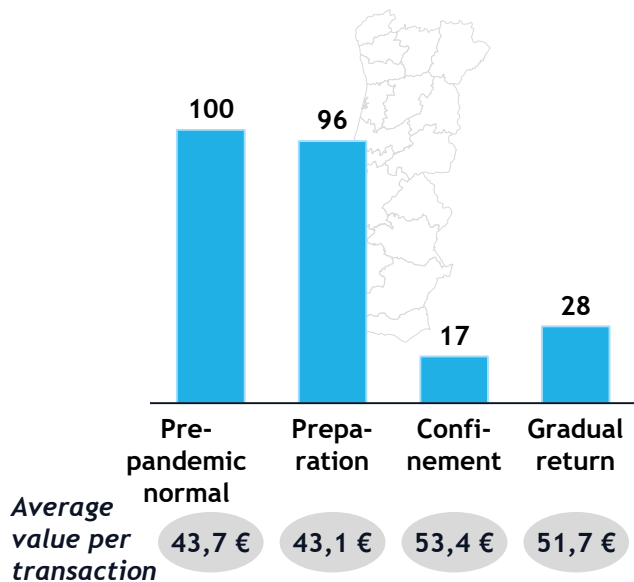The different regions: asymmetry of effects
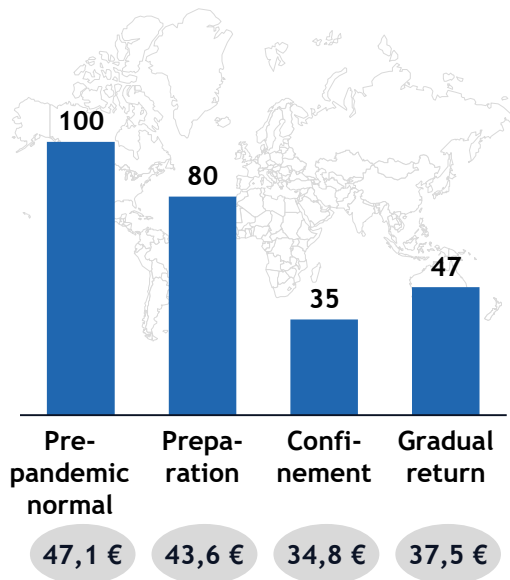
INTERNATIONAL PURCHASES FELL BY 65% TO 80%

The number of international purchases in the context of the pandemic fell 65% to 80% compared to the pre-COVID period, based on the transactionality of Portuguese cards abroad and international cards in Portugal.

Number of physical purchases with international cards in SIBS channels (foreign consumers in Portugal) and with Portuguese cards abroad (Portuguese consumers abroad) at index = 100 for volumes of Jan-Feb 2020

Foreign consumers in Portugal

	Pre-pandemic normal	Prepa-ration	Confi-nement	Gradual return
Index	100	96	17	28
Average value per transaction	43,7 €	43,1 €	53,4 €	51,7 €

Portuguese consumers abroad

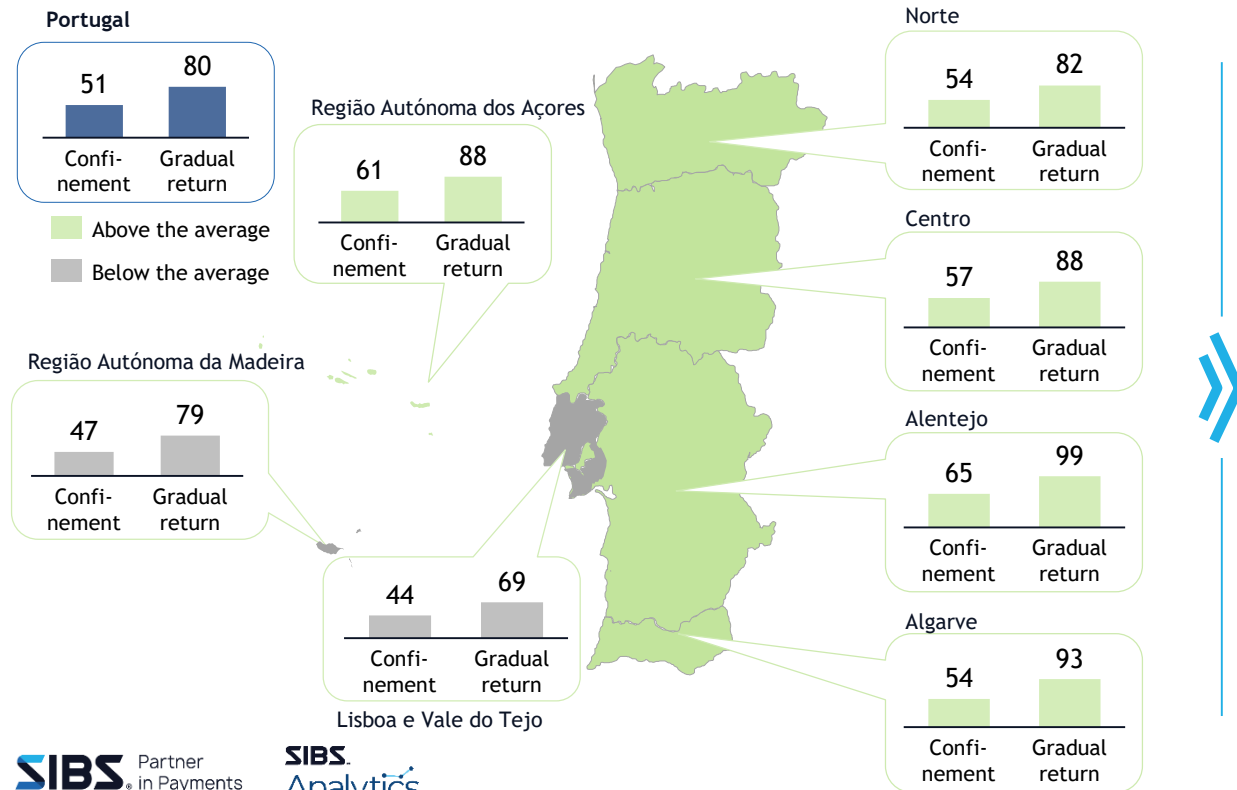|	Pre-pandemic normal	Prepa-ration	Confi-nement	Gradual return
Index	100	80	35	47
Average value per transaction	47,1 €	43,6 €	34,8 €	37,5 €

- Break of 65% to 80% in international purchases during the confinement period (both from Portuguese abroad and foreigners in Portugal), remaining at less than 50%, even after the gradual reopening of the economy.

- These trends indicate: (i) a fall in tourism caused by the closure of borders; and (ii) the return of emigrants to their countries.

- A slight difference in the evolution of the two groups may indicate a profile more linked to the emigration of the Portuguese abroad, remaining in the places of destination.

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RELATIONSHIP BETWEEN GREATER DEGREE OF CONFINEMENT AND SLOWER RECOVERY

The regions of Lisboa e Vale do Tejo and Região Autónoma da Madeira showed a greater degree of confinement, and simultaneously revealed a slowest recovery of the economy, still in the 70% to 80% compared to the values of the beginning of the year.
Number of physical purchases in SIBS channels at index = 100 for volumes of Jan-Feb 2020

Portugal

51	80
Confi-nement	Gradual return

Above the average
Below the average

Região Autónoma dos Açores

61	88
Confi-nement	Gradual return

Região Autónoma da Madeira

47	79
Confi-nement	Gradual return

Lisboa e Vale do Tejo

44	69
Confi-nement	Gradual return

Norte

54	82
Confi-nement	Gradual return

Centro

57	88
Confi-nement	Gradual return

Alentejo

65	99
Confi-nement	Gradual return

Algarve

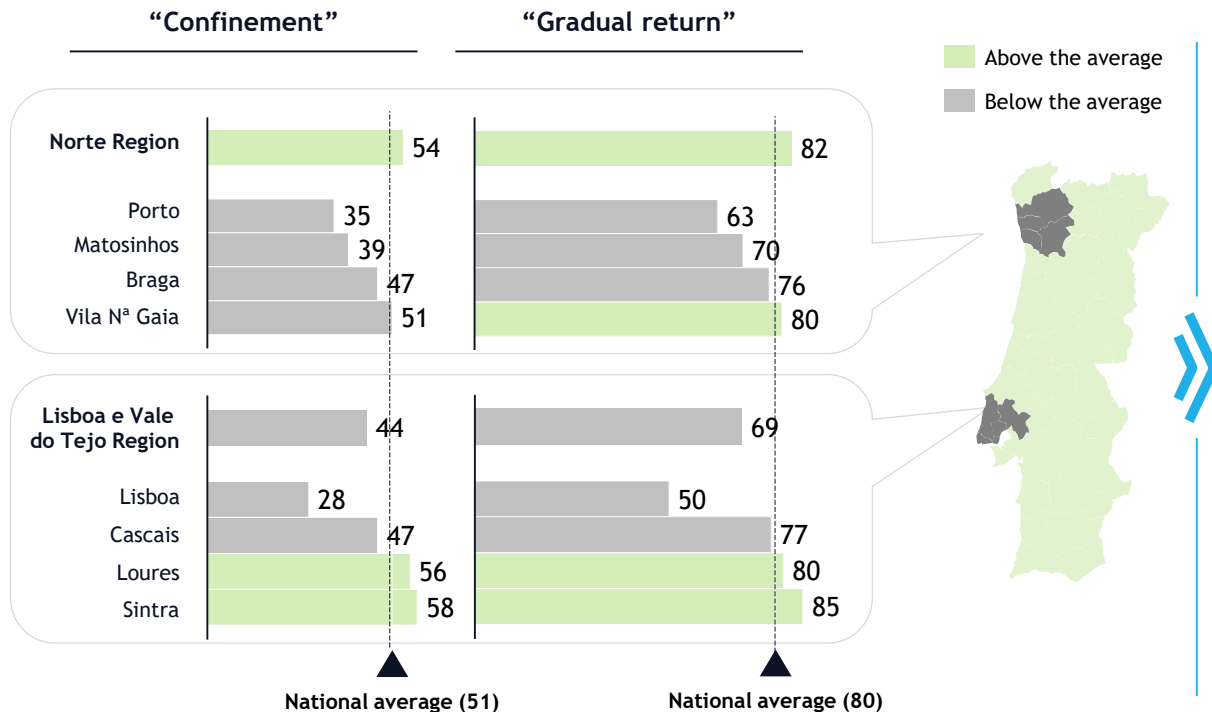| 54	93
Confi-nement	Gradual return

- The regions of Lisboa e Vale do Tejo and Madeira registered breaks of around 50% during the confinement period.

- Simultaneously, these are the regions most far away from pre-crisis values (69% to 79%).

- The regions of Alentejo, Algarve and Azores show a lower degree of confinement, with Alentejo already very close to pre-pandemic values.

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MAJOR URBAN CENTERS WERE THE MOST IMPACTED BY THE HEALTH CRISIS

The cities of Lisboa and Porto show a reduction of 65% to 70% in the global consumption during the confinement period, compared to the volumes of the beginning of the year, with Lisboa still registering 50% of pre-pandemic volumes.

Number of physical purchases in SIBS channels at index = 100 for volumes of Jan-Feb 2020

"Confinement"   **"Gradual return"**

Above the average
Below the average

	"Confinement"	"Gradual return"
Norte Region	54	82
Porto	35	63
Matosinhos	39	70
Braga	47	76
Vila Nª Gaia	51	80
Lisboa e Vale do Tejo Region	44	69
Lisboa	28	50
Cascais	47	77
Loures	56	80
Sintra	58	85

National average (51)   National average (80)

- Relationship between transactional volume losses and the size of the urban center and consumer pendularity: significant breaks in the municipalities of Lisboa and Porto (65% to 70% in the period of confinement).

- Cities with high resident populations show declining volumes in line with the national average.

- The Lisboa municipality is one of the most impacted, with falls of 50% even in the period of "gradual return".

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HIGHER NUMBER OF INITIAL CASES IMPLIES GREATER CONSUMPTION REDUCTION

ISEG INSIGHT: Municipalities with a higher number of infected people at an early stage – on March 24th –, show more abrupt reductions in the number of transactions, due to the adoption of more severe isolation behaviours from individuals.

Weekly variation in the number of physical transactions in SIBS channels (cash withdrawals, purchases bill payments and inquiries) at index = 100 for volumes of Jan-Feb 2020
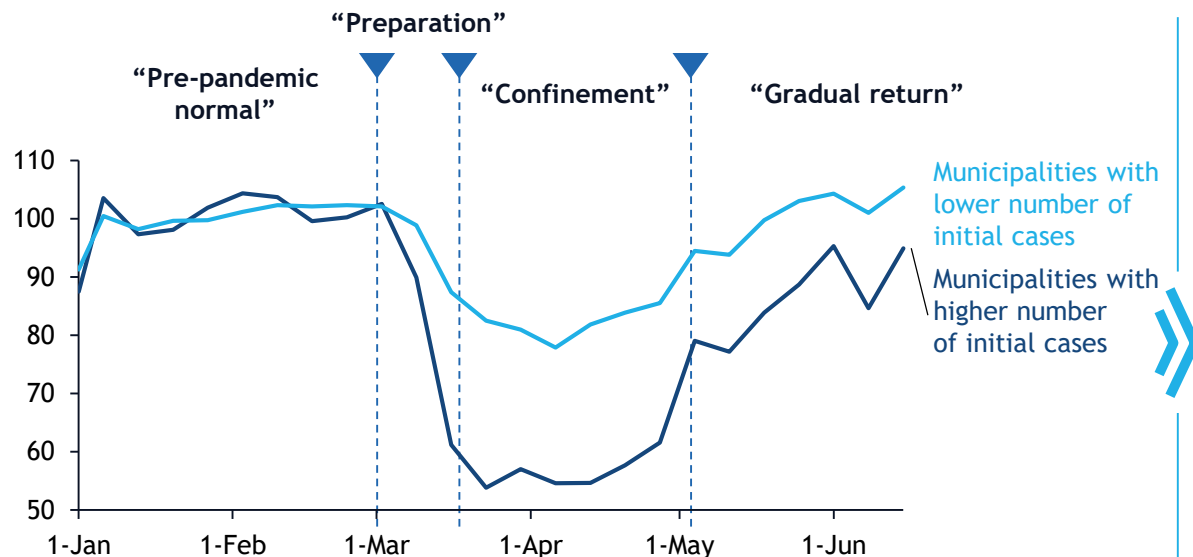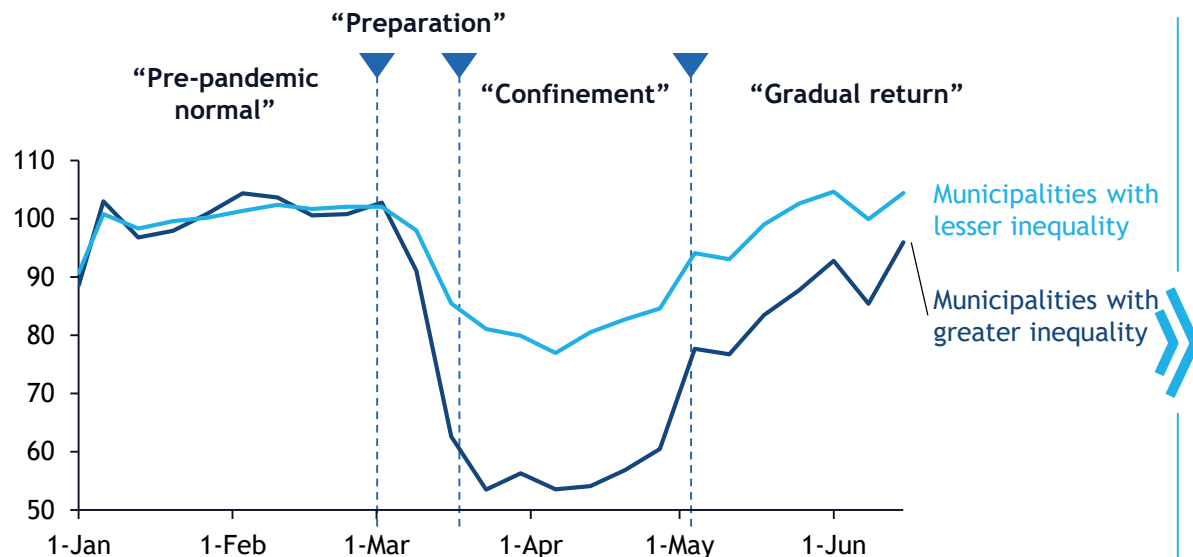

Note: The index is calculated based on 100 = average volumes of Jan-Feb 2020 for municipalities with the highest number of infected people (more than 8 cases - 10% of the municipalities) and the lowest number of infected individuals (the remaining 90%), according to information from the Portuguese Directorate-General for Health on March 24, 2020 (first date with municipal segmentation).

- Municipalities that register a larger number of initial cases - more than 8, on March 24 – have greater falls in consumption.

- Municipalities with higher number of initial cases, which represent 10% of the total, register breaks of around 40-50% in the weeks of confinement.

- Municipalities with lower number of initial cases register falls of around 15-25%, in the same period.

SHARPER FALL IN CONSUMPTION IN MUNICIPALITIES WITH GREATER INEQUALITY

ISEG INSIGHT: Municipalities with greater inequality show more pronounced drops in consumption when compared to the remaining municipalities, denoting more severe crisis situations.

Weekly variation in the number of physical transactions in SIBS channels (cash withdrawals, purchases bill payments and inquiries) at index = 100 for volumes of Jan-Feb 2020

Note: The index is calculated based on 100 = average volumes of Jan-Feb 2020 for municipalities with greater or lesser inequality, measured through the Gini coefficient of gross income declared by taxable person of 2017 (Portuguese Statistical Institute), where municipalities with greater inequality have a Gini index greater than 30% (10% of municipalities) and the remaining municipalities (90%) with lesser inequality.

- 10% of municipalities in Portugal show a Gini index higher than 30% (based on gross national income per capita).

- These municipalities, considered the ones with greater inequality, show breaks between 30% and 50% in the confinement period.

- In contrast, the remaining municipalities show falls in the order of 15% -25%, in the same period.

Periods	**Jan-Feb average**	Daily average for the period between the 1st of January and the 1st of March, with the first case of Covid-19 in Portugal being diagnosed on the 2nd of March.
	Preparation	Daily average for the period between the 2nd of March (1st case of Covid-19 in Portugal) and the 17th of March (the eve of the state of emergency declaration).
	Confinement	Daily average for the period between the 18th of March (beginning of the state of emergency) and the 3rd of May (entry into force of the first measures for the gradual reopening of the economy).
	Gradual return	Daily average for the period between the 4th of May and the 25th of June (period of gradual reopening of the economy, where the 25th of June (inclusive) marked the 100 days of the beginning of the state of emergency in Portugal).
Concepts	**MULTIBANCO Network**	The total MULTIBANCO ATM terminals and the point-of-sales terminals installed in the stores and registered at SIBS.
	Region/Municipality	Municipality (and the corresponding geographical region) of the store registered at SIBS, where the point-of-sales terminal is installed.
	Economic Sectors	Economic sector classification (based on the Portuguese Standard Industrial Code) of the merchant registered in SIBS.

DATA ANALYSIS CRITERIA (2/2)

Indicators

Physical purchases in MULTIBANCO Network	Considers the in-store purchases made in Portugal, in MULTIBANCO POS terminals, with Portuguese and international cards.
Cash withdrawals in MULTIBANCO Network	Considers the cash withdrawals made in MULTIBANCO ATM terminals.
Physical purchases of foreign consumers in Portugal	Considers the in-store purchases made in Portugal with international cards.
Physical purchases of Portuguese consumers abroad	Considers the in-store purchases made with Portuguese cards outside of Portugal.
Online purchases	Considers the purchases made with Portuguese cards and MB WAY in domestic and international gateways.

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