SIBS®

Partner
in Payments

365 DAYS OF PANDEMIC

Report on the changes of Portuguese consumer habits

18th March, 2021

SIBS Analytics

FRAMEWORK, OBJECTIVES AND METHODOLOGY OF THE REPORT

365 DAYS OF PANDEMIC

SIBS is a technological and innovative company that provides physical and digital payments to Portuguese consumers, by managing the MULTIBANCO network in its multiple channels - ATMs, Point-of-Sales terminals, online channels and mobile phones.

SIBS Analytics is a Consumer Indicator Portal, created and managed by SIBS, that shows, in an aggregated and organised manner, consumption data in Portugal, through the activities carried out in the multiple channels of MULTIBANCO Network. This service allows end customers and businesses 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 of economic players.

This report provides different perspectives on the evolution of consumption in Portugal in the period of the 365 days after the declaration of the state of emergency (18 March). The behaviour of consumption indicators is a reflection of the mobility and lockdown restrictions experienced in the context of the health crisis caused by COVID-19 in its first weeks, as well as in the most recent phase and the gradual reopening of the economy that has occurred in the period between May and December 2020.

The analyses included in the report are based on the year-on-year change for each period under analysis. It should be noted that the actual rates of change will be greater than shown in the report, given the annual growth trend of the payments market.

EXECUTIVE SUMMARY (1/2)

365 DAYS OF PANDEMIC

The consumption trajectory of the Portuguese during the 365 days of the pandemic signals 3 phases: "1st lockdown", with a sharp drop in consumption; "restriction phases", with a progressive recovery; and "2nd lockdown", with a new drop in the volume of transactions.

Among the most relevant indicators is the year-on-year change in the total value of operations (physical purchases, online purchases and cash withdrawals) in the 2nd lockdown (-19,2%), which was less than half the value registered in the 1st lockdown (-40,4%). This may indicate a certain level of adaptation of consumers and businesses to the pandemic context, with structural changes and non-face-to-face services becoming a trend that is here to stay.

On what concerns in-store transactions, the reduction of physical contact in the act of purchase prevails through an increase in the weight of digital payments in total purchases. The weight of 'contactless' purchases, in the total physical purchases, reaches close to 4 in every 10 purchases in the 2nd lockdown, compared to 1 in every 10 purchases in the pre-pandemic period. In this segment, physical purchases with MB WAY show significant growth compared to the same period of the previous year – 2 to 4 times higher – reinforcing the consumer's preference for reducing physical contact and for mobile, convenient and safe solutions. It should also be noted the sustained growth of local commerce – ‘Grocery stores & Mini-markets’ and ‘Food, Beverages & Tobacco’, revealing counter-cyclical behaviour. In the opposite sense, the most vulnerable sectors were ‘Passenger Transportation’, ‘Clothing & Accessories’, ‘Restaurants’ and ‘Hotels & Accommodation’, which fell by more than 50%, compared with the same period of the previous year.

EXECUTIVE SUMMARY (2/2)

365 DAYS OF PANDEMIC

Among the most relevant indicators in this analysis, which allow measuring changes in the consumption habits of the Portuguese, e-commerce stands out, continuing to grow as the indicator which has most boosted consumption over the last year, already representing 18% of total electronic purchases in Portugal – a figure that nearly doubled compared to the pre-pandemic period. MB WAY online purchases stand out with a continuous growth throughout the period under analysis – 2 to 4 times higher than in the same period of the previous year – reinforcing MB WAY's contribution to the transformation/adaptation of businesses and merchants in Portugal, from traditional commerce to new non-face-to-face models.

Emphasis should be given to the increase in the weight of Portuguese merchants in the total number of merchants with online purchases, which now represent 37% of total purchases in the digital channel – compared to 28% in the pre-pandemic period.

When comparing the two lockdown periods, some differences are also visible in the mobility indicator in Portugal. SIBS mobility index, which includes physical and online purchases in the 'Passenger Transportation' and 'Petrol Station' sectors, as well as other mobility-related operations (car parks, tolls and travel), shows significant decreases in travel between 18 March and 3 May 2020 (-64% compared to the pre-pandemic period), and between 15 January and 17 March 2021 (-45% compared to the pre-pandemic period), starting from an index base of 100, in which 100 represents mobility expenditure before the beginning of the pandemic.

AGENDA

365 DAYS OF PANDEMIC

1. **THE EVOLUTION OF PAYMENTS**

THE DIFFERENT PHASES OF THE PANDEMIC AND THEIR IMPACT ON GLOBAL CONSUMPTION

2. **THE CONSUMER IN PORTUGAL:**

PICTURE OF THE MAIN CHANGES

- **PHYSICAL COMMERCE:** REDUCTION OF PHYSICAL CONTACT
- **E-COMMERCE:** INCREASE OF THE CHANNEL'S RELEVANCE
- **MOBILITY:** MOVING OUT FROM MAJOR URBAN CENTRES

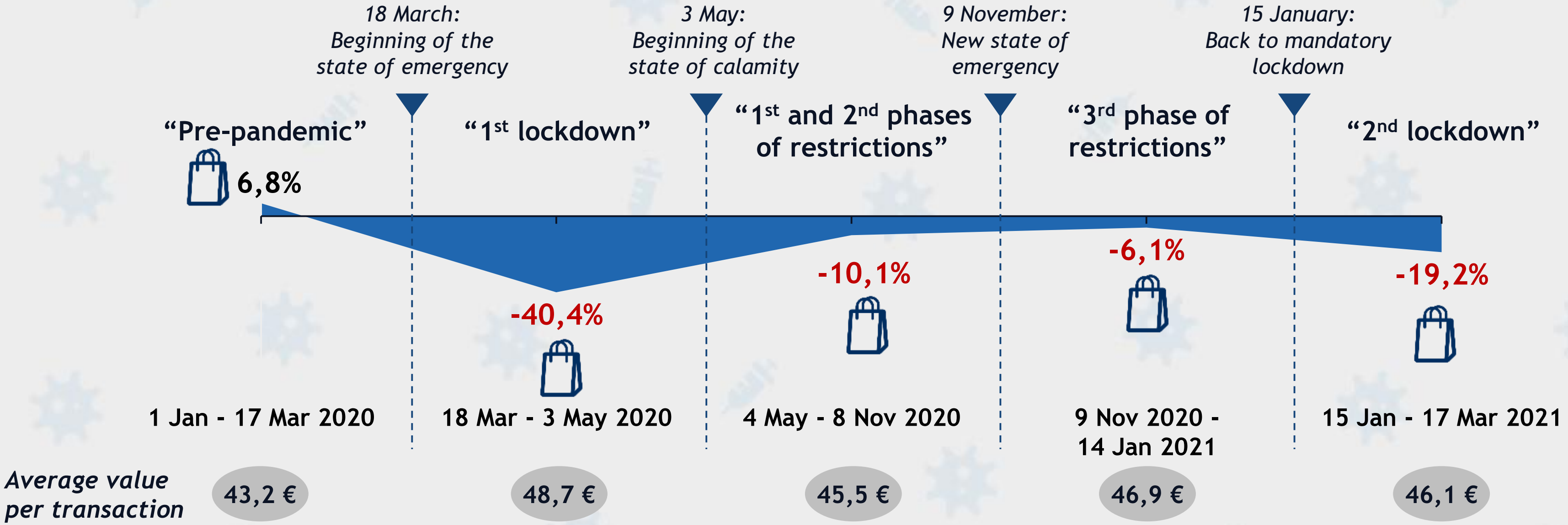
1. THE EVOLUTION OF PAYMENTS

The different phases of the pandemic and their impact on global consumption

365 DAYS OF PANDEMIC: FALL, RECOVERY AND NEW REDUCTION OF CONSUMPTION

The consumption path of the Portuguese during the 365 days of the pandemic shows 3 major phases: "1st lockdown" (abrupt fall in consumption after the 1st state of emergency), "Restriction phases" (gradual recovery) and "2nd lockdown" (new drop in consumption)

Year-on-year change in value of transactions (physical purchases + online purchases + withdrawals)



The year-on-year change in the 2nd lockdown (-19,2%) was less than half of that registered in the 1st lockdown (-40,4%), which may indicate a certain level of adaptation of consumers and businesses to the pandemic context

2.1. THE CONSUMER IN PORTUGAL

Physical commerce: reduction of physical contact

PHYSICAL COMMERCE: LESS CARDS AND LOWER TRANSACTIONAL FREQUENCY

In the pre-pandemic period, 39% of the cards show a consumption higher or equal to 10 transactions per month (average of the period), reducing to 23% and 29% during the 1st and 2nd lockdowns, respectively

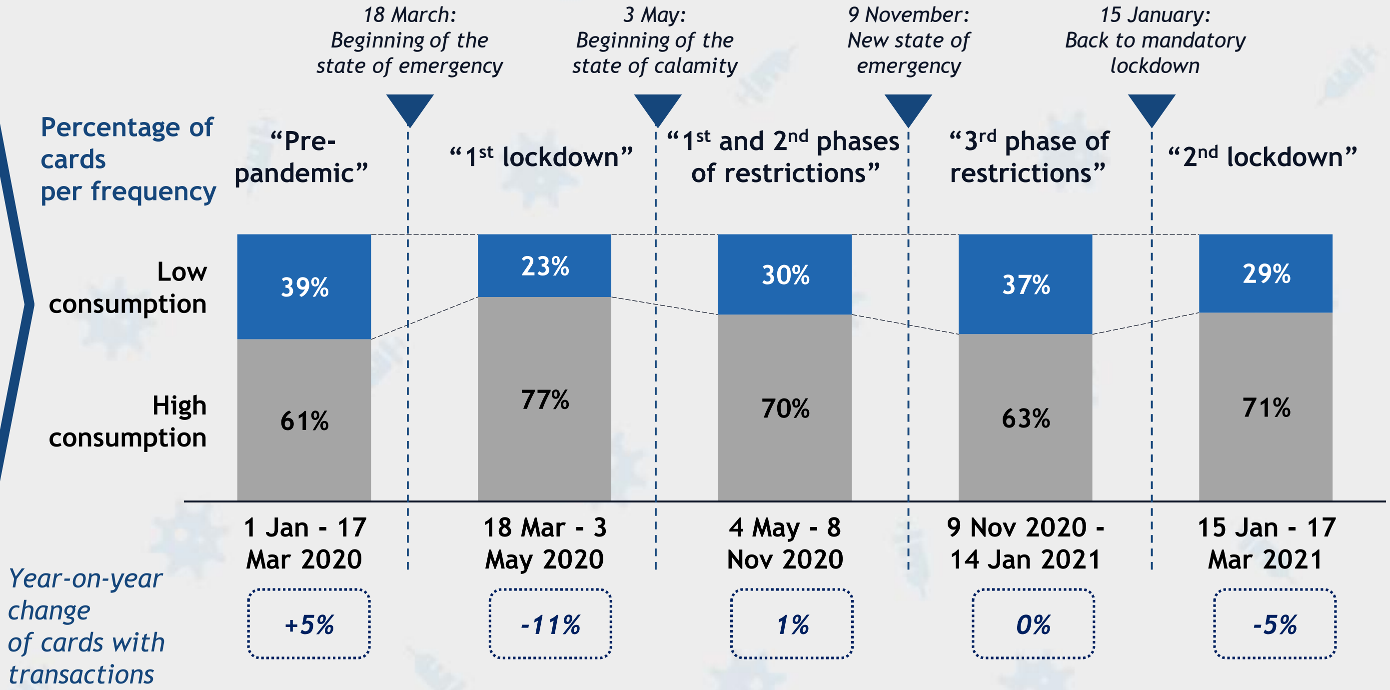
Classification of cards with physical transactions (withdrawals + physical purchases) by frequency of consumption

Scope of the analysis

Cards with physical transactions (withdrawals and physical purchases) in each of the periods under analysis.

Classification of cards based on the average number of transactions per month in the pre-pandemic period:

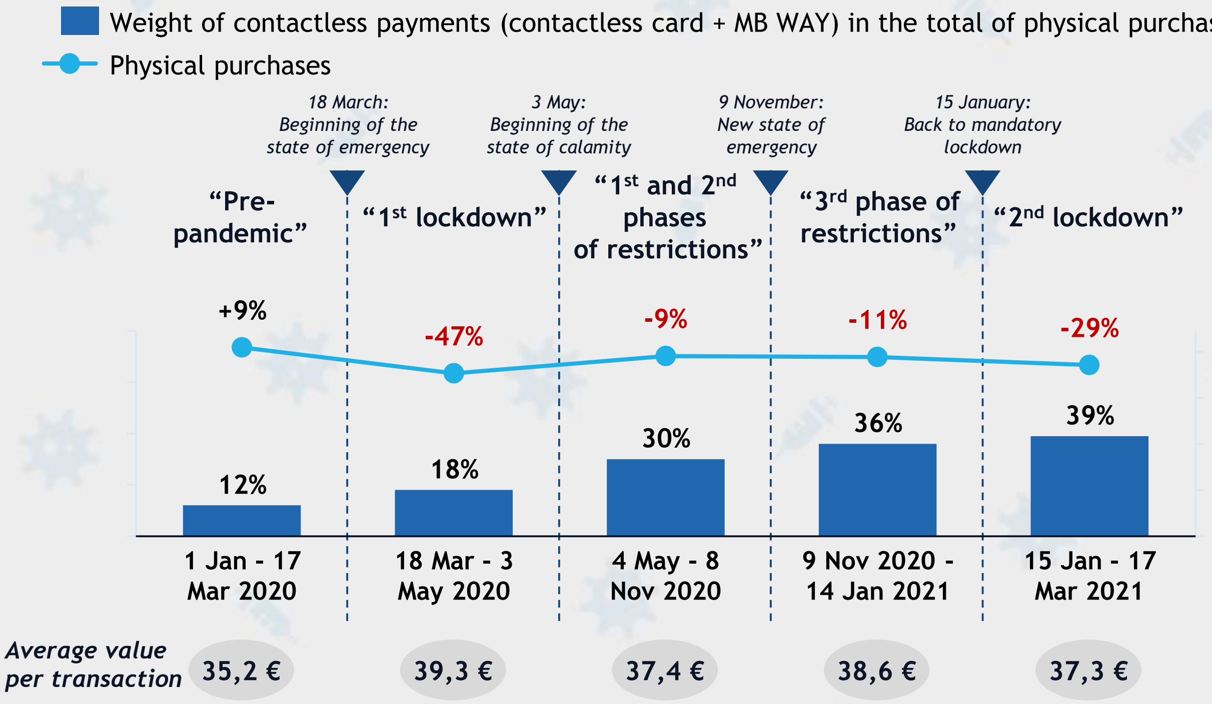
- **Low consumption:** <10 transactions/month
- **High consumption:** ≥10 transactions/month



PHYSICAL COMMERCE: CONSUMERS PREFER CONTACTLESS PAYMENT SOLUTIONS

Significant increase in the weight of contactless payments in total physical purchases over the pandemic period, reaching almost 4 in every 10 purchases in the 2nd lockdown, compared to 1 in every 10 purchases in the pre-pandemic period

Year-on-year change in the number of physical purchases

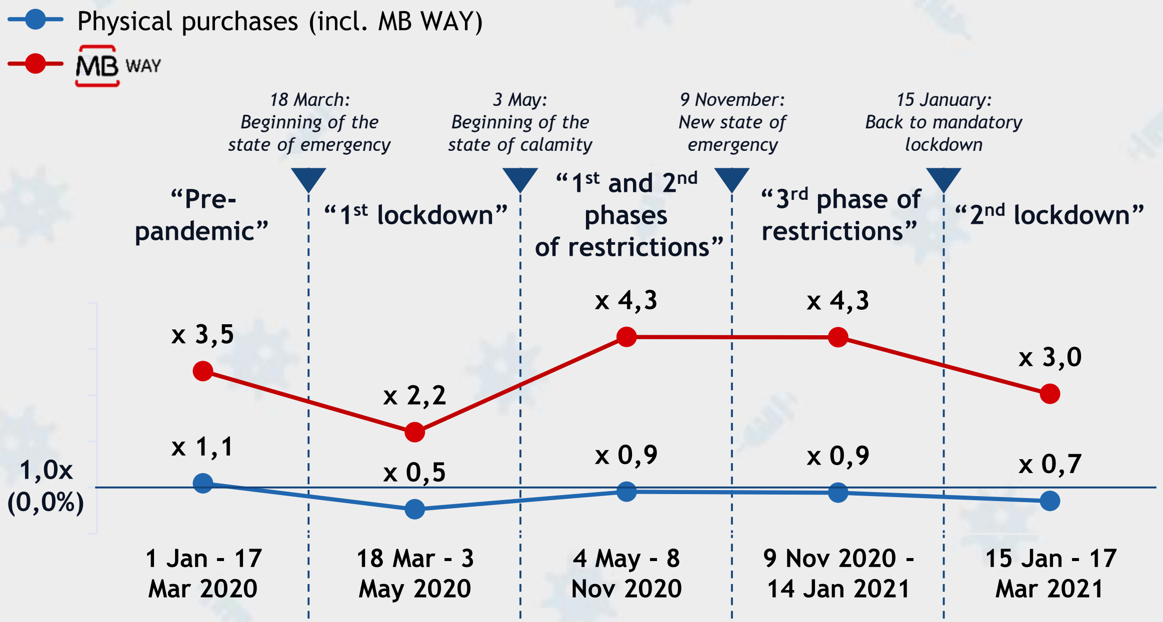


- The year-on-year change in physical consumption dropped significantly, by 47% and 29%, in the 1st and 2nd lockdowns, respectively.
- The restriction phases saw less significant falls, although with a level of consumption still below that verified in the same period of the previous year.
- At the same time, there is a significant growth in 'contactless' payments, a reflection of consumer demand for more secure solutions, where 4 out of 10 payments are contactless (1 out of 10 in the pre-pandemic).

PHYSICAL COMMERCE: IN-STORE MB WAY PURCHASES (MOBILE PHONE) STAND OUT

On what concerns digital payment solutions, MB WAY in-store purchases showed significant growth compared to the same period of the previous year - 2 to 4 times higher - reinforcing the consumer's preference for reducing purchases that require physical contact

Year-on-year change in the number of physical purchases

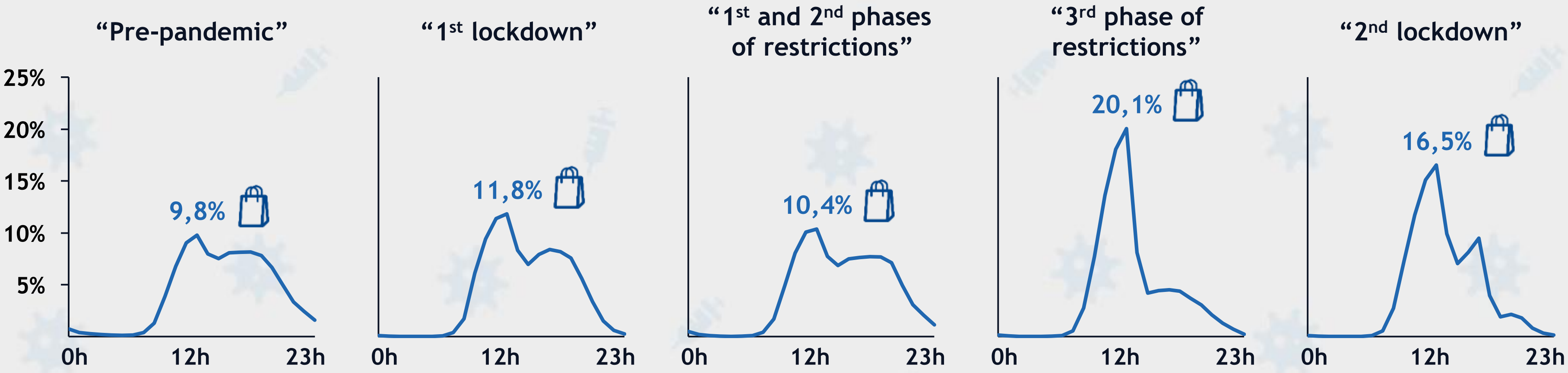


- In the 1st lockdown, MB WAY has more than doubled the number of transactions compared to the same period of the previous year and reached 3x that number in the 2nd lockdown.
- During the restriction periods, MB WAY maintained a 4x growth rate, compared to the same period of the previous year.
- In the pandemic context, consumers are looking for payment methods that minimise physical contact, namely payment via mobile phone, and this trend could become permanent.

PHYSICAL COMMERCE: CONSUMERS PREFER TO SHOP ON SATURDAYS AT 12, NOON

Consumers in Portugal show a preference for physical shopping on Saturdays at 12 noon, and this characteristic is present in all the periods analysed. It should be noted that the volume of purchases during this time period is most representative during the 3rd phase of restrictions and 2nd lockdown, representing 17% to 20% of the total purchases of the day

Percentage of the average physical purchases in each hourly period, compared to the average daily purchases verified Saturday

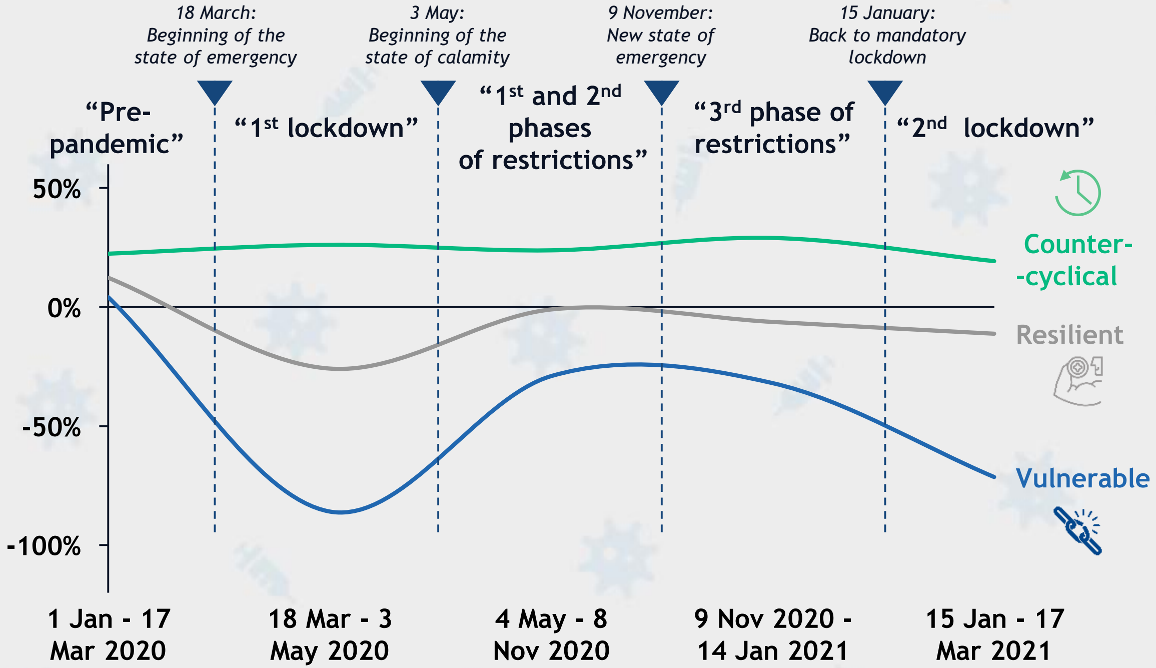


The analysis of the volume of purchases by day and time shows a peak of physical purchases on Saturdays, at 12 noon, in all the periods analysed. It can be seen that this peak represents a higher volume than the average purchases during the 3rd phase of restrictions and the 2nd lockdown, with 20,1% and 16,5% of the total, respectively. Additionally, in line with the specificities of the displacement restrictions in these two periods, there is less dispersion of purchases throughout the day.

PHYSICAL COMMERCE: PREFERENCE FOR LOCAL AND ESSENCIAL SUPPLIES

Local commerce – 'Grocery stores, Mini markets and Similar' and 'Food, Beverages & Tobacco' – are counter-cyclical sectors with a higher number of transactions than in the same period of the previous year, throughout the pandemic period. The vulnerable sectors – 'Passenger Transportation', 'Clothing & Accessories', 'Restaurants', 'Hotels & Accommodation' - registered falls of more than 50%

Year-on-year change in the number of physical purchases



Transaction increase throughout the pandemic period when compared to the previous year

- Grocery stores, Mini markets & SImilar
- Food, Beverages & Tobacco

Slight drop associated with "essential" nature

- Super & Hypermarkets
- Petrol Stations
- Pharmacies & Drug stores

Significant drop during tighter restrictions and lockdown periods

- Restaurants
- Clothing & Acessories
- Passenger Transportation
- Hotels & Accomodation

Detailed next

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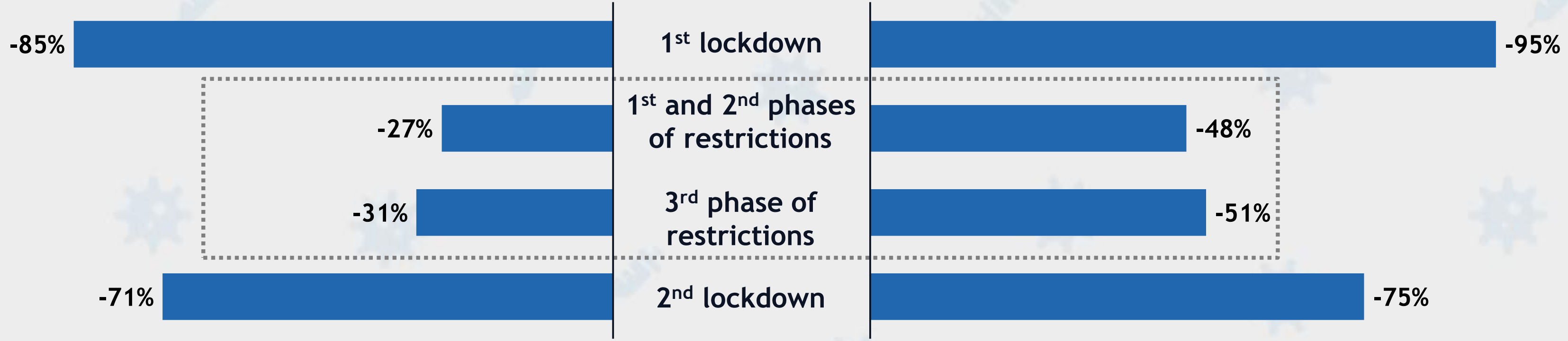
PHYSICAL COMMERCE: INSIGHTS

Among the vulnerable sectors, two distinct groups are identified: sectors with substantial recovery from the restriction phases – 'Restaurants' and 'Clothing & Accessories' – and those with weak recovery – 'Passenger Transportation' and 'Hotels & Accommodation'

Year-on-year change in the number of physical purchases

SUBSTANTIAL RECOVERY:
RESTAURANTS AND CLOTHING & ACCESSORIES

WEAK RECOVERY:
PASSENGER TRANSPORTATION AND HOTELS & ACCOMMODATION



The 'Restaurants' and 'Clothing & Accessories' sectors show less significant falls in restriction periods compared to the 1st and 2nd lockdowns, of -85% and -71%, respectively.

On the other hand, the 'Passenger Transportation' and 'Hotels & Accommodation' sectors show very significant falls, both in the lockdown periods and restriction phases.

2.2. THE CONSUMER IN PORTUGAL

E-commerce: increase of the channel’s relevance

E-COMMERCE: FREQUENCY OF PURCHASES INCREASED DURING LOCKDOWN

The frequency of online purchases per card is higher in the 3rd phase of restrictions and 2nd lockdown, with around 45% of cards experiencing 2 or more purchases per month on average, compared to 39% in the pre-pandemic period

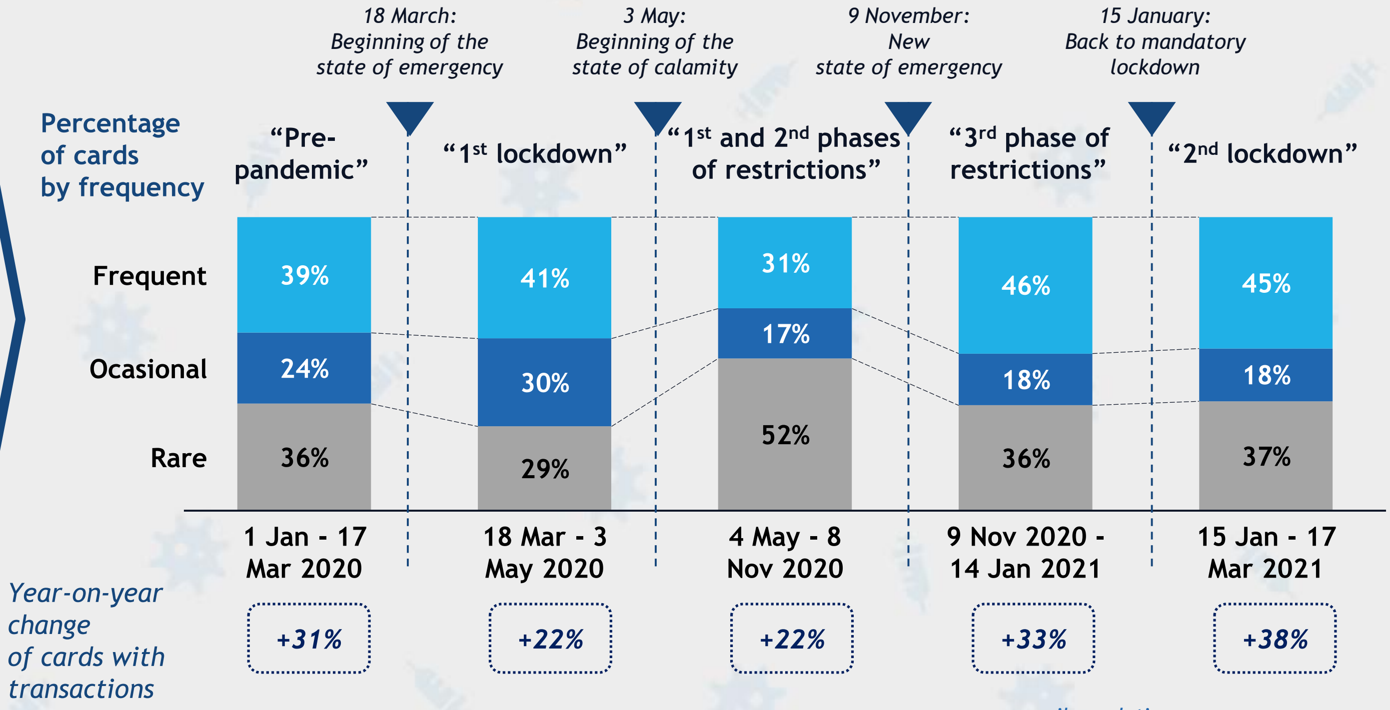
Classification of cards with online purchases (card and MB WAY) by frequency

Scope of the analysis

Cards with online transactions (card and MB WAY) in the periods under analysis.

Classification of cards based on the average number of online purchases per period, per frequency:

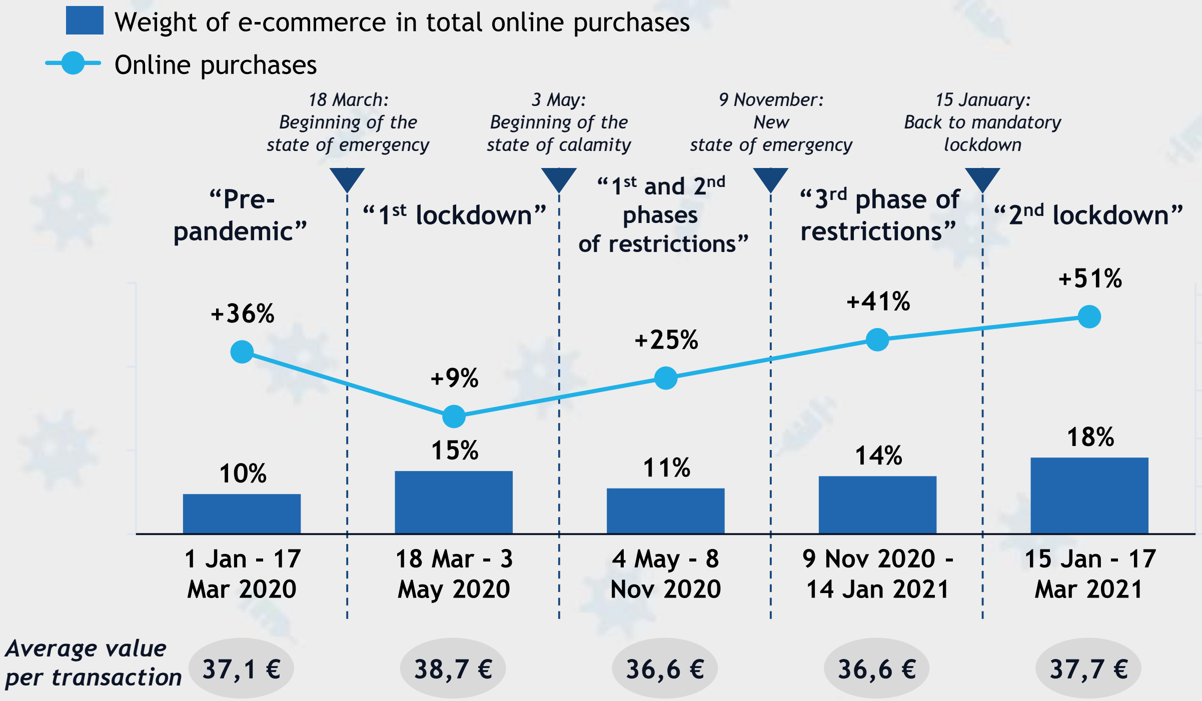
- **Rare:** < 1 purchase/month
- **Ocasional:** [1-2[purchases/month
- **Frequent:** ≥ 2 purchases/month



E-COMMERCE: RELEVANCE INCREASED DURING THE PANDEMIC PERIOD

E-commerce already represents 18% of total e-purchases, a figure that nearly doubled compared to the pre-pandemic period, demonstrating the relevance of the digital channel as a consumption driver in periods of lockdown

Year-on-year change in the number of online purchases (card and MB WAY)

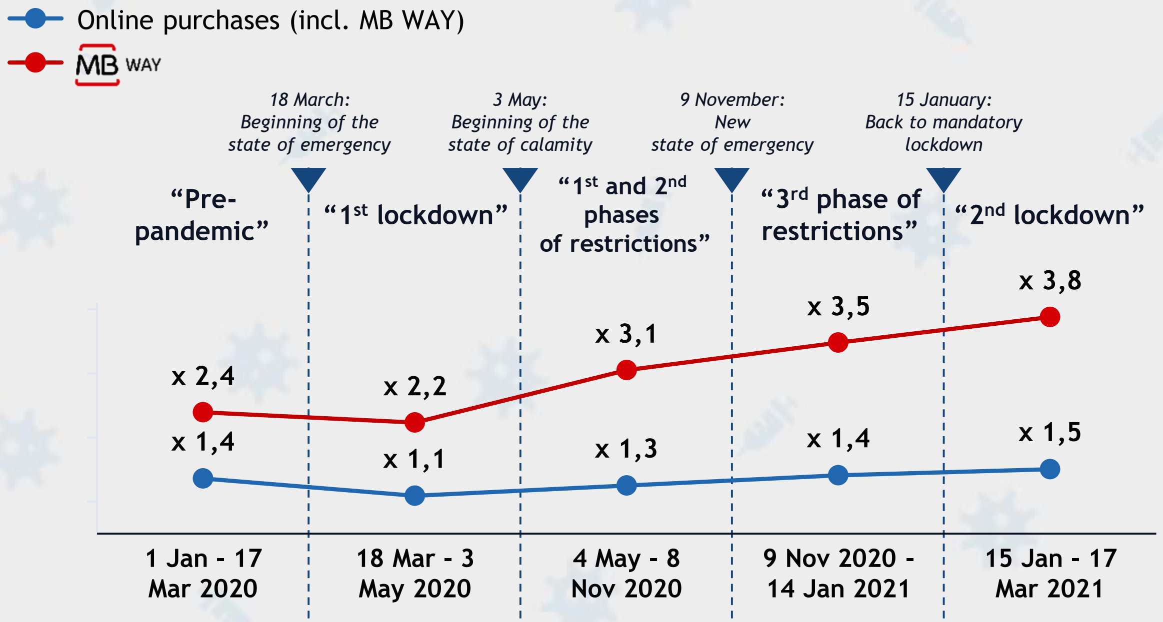


- The weight of e-commerce in total purchases rose from 10% in the pre-pandemic period to 18% in the 2nd lockdown. The latter is higher than the 15% recorded in the 1st lockdown, demonstrating an increasing adoption of the digital channel in the context of the pandemic.
- On the other hand, the number of online purchases surpassed, throughout the whole period, the figures recorded in the homologous periods, with emphasis on the increase of 51% in online purchases during the 2nd lockdown.

E-COMMERCE: MB WAY RISING AS ONLINE PAYMENT METHOD

MB WAY stands out with a continuous and sustained growth throughout the entire pandemic period - 2 to 4 times higher than in the same period of the previous year – establishing itself as a convenient and secure payment method

Year-on-year change in the number of online purchases (card and MB WAY)



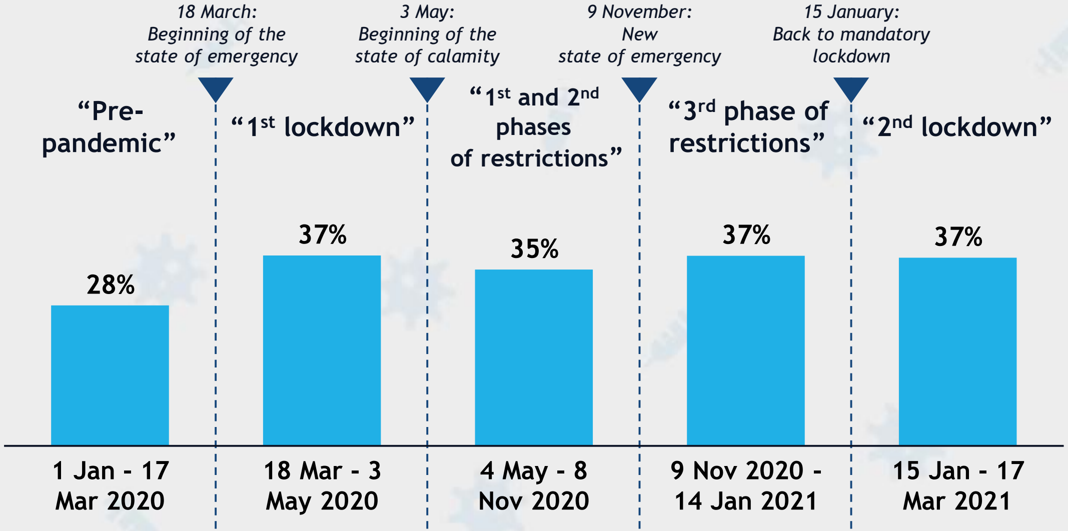
- There was a progressive adoption of the MB WAY payment method in e-commerce throughout the period under analysis, with emphasis on the 2nd lockdown, in which MB WAY payments were 3,8 times higher than in the same period of the previous year.
- Online purchases using MB WAY significantly outpaced the growth in total online purchases, year-on-year, throughout the entire pandemic period.

E-COMMERCE: PORTUGUESE MERCHANTS STAND OUT

The weight of online purchases (in value) at Portuguese merchants versus foreign merchants grew from 28% in the "pre-pandemic" period to 37% during the pandemic, evidencing the significant digital transformation of Portuguese businesses

Weight (in value) of online purchases (card and MB WAY)

Weight of Portuguese merchants in the total of online purchases (in value)

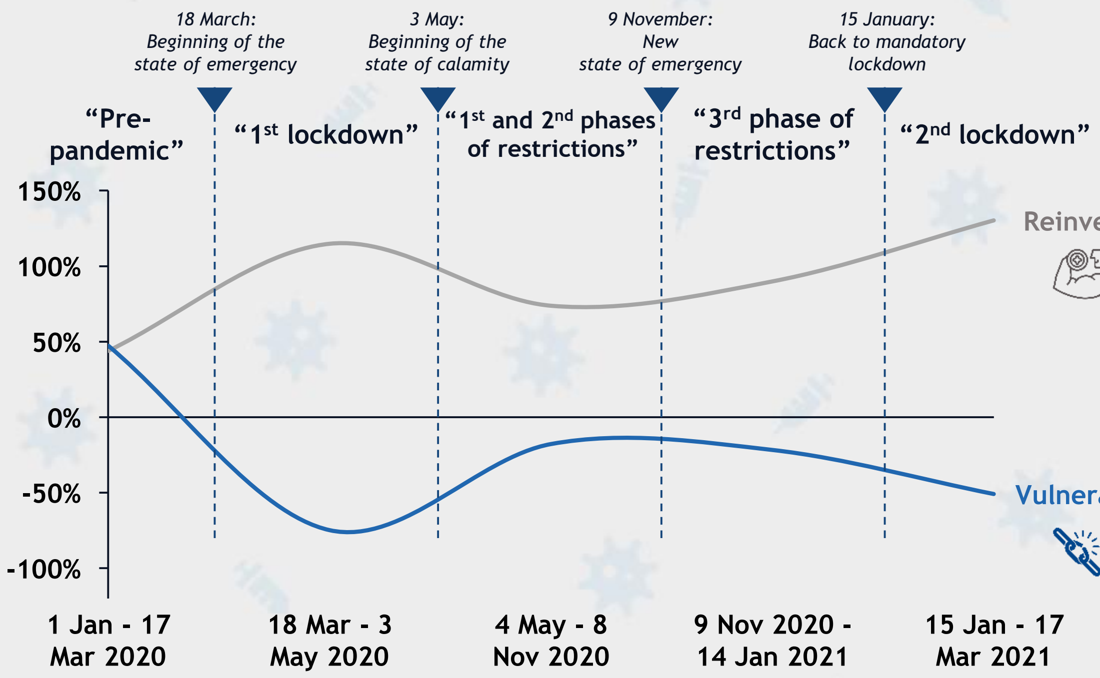


- There is an increase in the weight of online purchases (in value) in Portuguese merchants, when compared to foreign merchants. In the pre-pandemic period they represented 28%, rising to 37% in the different phases of the pandemic.
- This trend reflects the effort, digital transformation and reinvention capacity of Portuguese businesses in adapting to the pandemic context.

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

E- commerce affirms itself as a refuge of the ‘Restaurants’ and ‘Clothing’ sectors during the entire pandemic period, with emphasis on the lockdown periods. By contrast, expressive decline in the ‘Passenger Transportation’ and ‘Hotels & Accommodation’ sectors

Year-on-year change in the number of online purchases (card and MB WAY)



Reinvented

Growth mainly through diversion from physical channels

- Clothing & Acessories
- Restaurants
- Culture, Entertainment & Subscriptions
- Food Trade & Retail

Vulnerable

Significant drop during tighter restrictions and lockdown periods

- Passenger Transportation
- Hotels & Accomodation

E-COMMERCE: INSIGHTS

Contrary to the ‘Passenger Transportation’ sector, which registered significant falls in both lockdowns, the ‘Food trade & Retail’ and ‘Sports, Recreation & Leisure supplies’ sectors showed significant growth, compared with the same periods of the previous year

Year-on-year change in the number of online purchases (card and MB WAY)

PASSENGER TRANSPORTATION

+50%
Pre-pandemic

-75%
1st lockdown

-52%
2nd lockdown

‘Passenger Transportation’ (DTV and aviation) recorded falls of 75% and 52% in the 1st and 2nd lockdowns, respectively.

FOOD TRADE & RETAIL

+109%
1st lockdown

+97%
2nd lockdown

‘Food Trade & Retail’ shows peaks of growth in the lockdown periods, compared with the same period of the previous year.

SPORTS, RECREATION AND LEISURE SUPPLIES

+114%
1st lockdown

+190%
2nd lockdown

Significant growth in ‘Sports, Recreation & Leisure supplies’ during the 2nd lockdown, compared with the same period of the previous year.

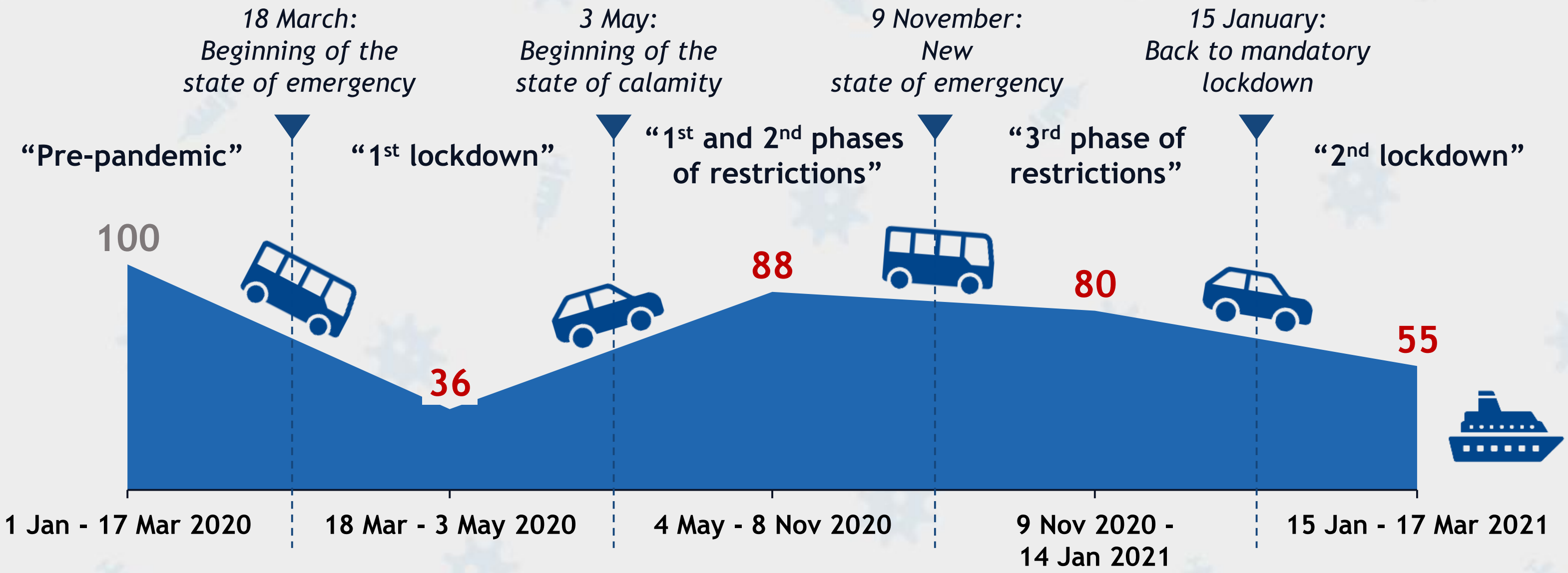
2.3. THE CONSUMER IN PORTUGAL

Mobility: moving out from major urban centres

MOBILITY: SIGNIFICANT FALLS IN THE LOCKDOWN PERIODS

SIBS Mobility Index shows significant falls in the two lockdown periods, particularly in the 1st lockdown, and a slight recovery in the restriction phases – although still far from the pre-pandemic period

"SIBS Mobility Index" (100 = Pre-pandemic) – number of transactions (physical purchases + online purchases + other operations)



SIBS Mobility Index includes physical and online purchases in the 'Passenger Transportation' and 'Petrol Station' sectors, as well as other mobility-related transactions – car parks, tolls and travel

MOBILITY: TREND TO MOVE OUT FROM MAJOR URBAN CENTRES DURING LOCKDOWNS

There is a trend towards leaving the major urban centres - Lisbon and Oporto municipalities - during the pandemic, reinforced during the lockdown periods. Changes of municipality of origin in 30% to 40% of the cards – possibly related to work activity – and changes of district of origin in 6% to 14% of the cards – potentially associated with a second home

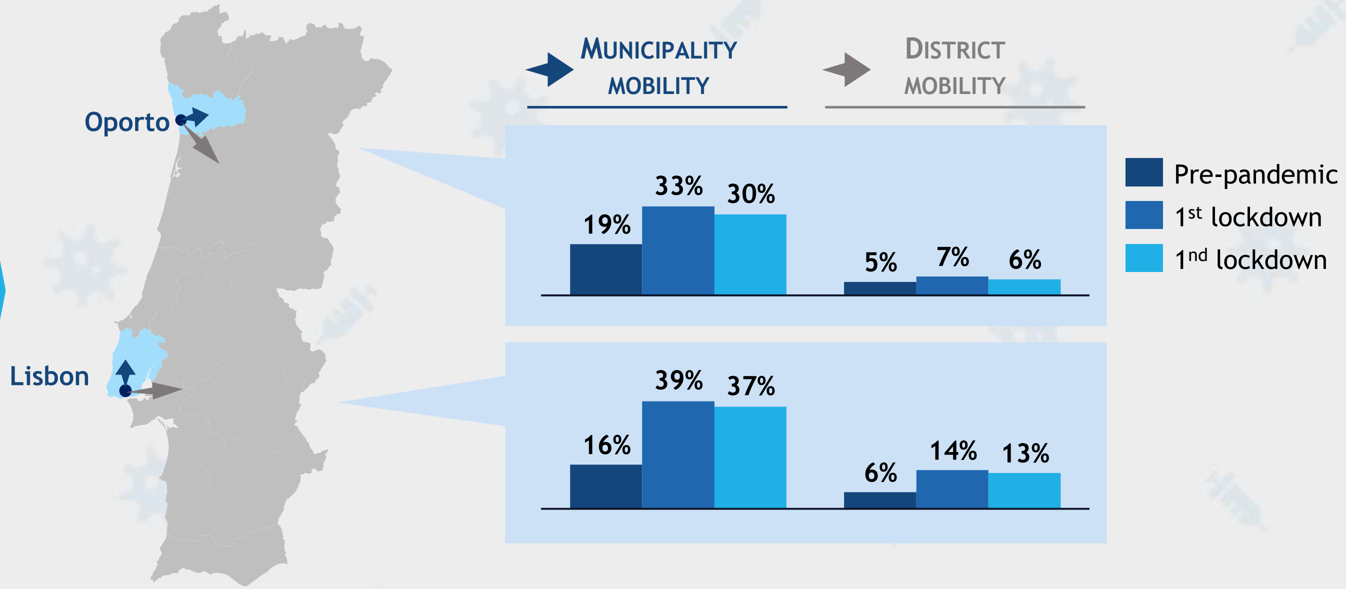
Percentage of cards used in SIBS network (physical purchases, cash withdrawals and other operations) in the pre-pandemic period

Âmbito da análise

Identification of cards originating transactions in Lisbon and Oporto municipalities in the pre-pandemic period, and with transactions in all periods.

Classification of cards according to the different municipalities and/or districts in the several pandemic periods, compared to the pre-pandemic period.

CARDS ORIGINATING TRANSACTIONS IN LISBON AND OPORTO IN THE PRE-PANDEMIC PERIOD



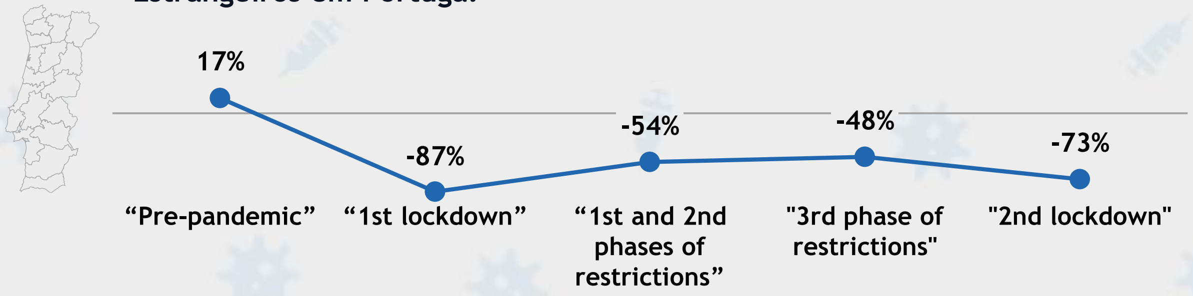
"Pre-pandemic": considers the % of cards that changed municipality and/or district of origin in the period "January to February 2020", compared to the card's municipality of origin in December 2019.

MOBILITY: DROPDOWN OVER 50% IN THE INTERNATIONAL PURCHASES

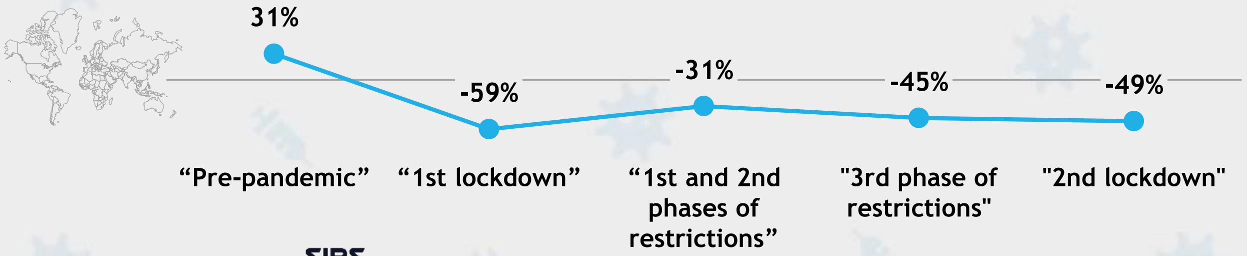
International purchases registered significant falls throughout the whole period, where the 1st lockdown stands out with a drop of 87% in purchases of foreign cards in Portugal and 59% in purchases of Portuguese cards abroad

Year-on-year change in the number of physical purchases with foreign cards in Portugal and Portuguese cards abroad

Estrangeiros em Portugal



Portugueses no estrangeiro



- A drop of 87% and 73% in purchases with foreign cards in Portugal in the 1st and 2nd lockdowns, respectively.
- Simultaneously, purchases with Portuguese cards abroad fell by 59% and 49% in the 1st and 2nd lockdowns, respectively.
- The difference in the evolution of the two groups may indicate a profile more linked to the emigration of the Portuguese abroad, who remain at their places of emigration, registering smaller falls than foreigner consumers in Portugal.

DATA ANALYSIS CRITERIA (1/2)

Periods	“Pre-pandemic”	Daily average for the period between 1 January (beginning of the year) and 1 March, (eve of the beginning of the state of emergency).
	“1st lockdown”	Daily average of the period between 18 March (beginning of the state of emergency) and 3 May (eve of the entry into force of the first measures to gradually reopen the economy).
	“1st and 2nd phases of restrictions”	Daily average of the period between 4 May (when the first measures to gradually reopen the economy came into force) and 8 November (the day before the state of emergency was resumed).
	“3rd phase of restrictions”	Daily average of the period between 9 November (return to the state of emergency) and 14 January (day before the return to mandatory lockdown).
	“2nd lockdown”	Daily average of the period between 15 January and 17 March (return to the state of emergency, where 17 March (inclusive) marked the 365 days of the beginning of the state of emergency in Portugal).
Concepts	MULTIBANCO Network	The total MULTIBANCO ATM terminals and the POS terminals installed in physical locations and registered at SIBS.
	Region/Municipality	Municipality (and the corresponding geographical region) where the store registered at SIBS is located, and the POS terminal is installed.
	Economic Sectors	Economic sector classification (based on the Portuguese Standard Industrial Code) of the merchant registered at SIBS.
	Municipality of origin	Municipality where the card carried out the most operations in physical locations during the last 12 months.

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 carried out in MULTIBANCO ATM terminals in Portugal.
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, including MB WAY-based purchases.

Note: The criteria of the report have been revised and updated, as have the periods under analysis.

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