

Banking and Payments **BULLETIN**



Contactless sits at the heart of digital payments

Rapid rise of digital payments will drive change in global landscape

Japan's integrated circuit 'IC' cards remain unique

Cash reigns supreme in Austria and Germany

BNPL takes off in Indonesia, bypassing credit card rules

Country profile: Kazakhstan

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Contactless sits at the heart of digital payments

Welcome to *Banking and Payments Bulletin* – we have tweaked the name to reflect the

payments content which has been a core part of the *Bulletin* for many years, and we kick off the issue with a feature on contactless payments, based on RBR's proprietary global payments research (see page 2).

Over 1 in 4 card payments are contactless, a figure that is set to rise to over 40% by end-2027 according to the research. It could be argued that the seemingly inexorable rise in use of payment cards, in a world with an ever-growing range of digital payment solutions, is at least in part dependent on the role contactless plays in creating the frictionless payments environment that customers expect.

While use of contactless is growing strongly overall, there is significant variation geographically. The USA is one country that stands out for relatively slow contactless adoption. Part of the reason for this is the prevalence of swipe to pay, where the card's magnetic stripe is often, but not always, used in conjunction with a customer signature.

McKinsey & Company forecasts in its *Global Payments Report* (see page 5) that digital payments will grow at a CAGR of 9% over the next five years, which is faster than the 6-7% it was forecasting pre-pandemic. It argues that the resilience of the global payments ecosystem is particularly impressive in the face of macroeconomic and geopolitical upheaval. Unsurprisingly, the company suggests that COVID-19 encouraged the switch from cash to card, but it also credits faster growth in e-commerce and support of digital payments by governments for this acceleration. Interestingly, it presents a fourth factor which is perhaps the greatest threat to traditional payment cards – the amount of investment going into digital payments and payment-focused fintechs.

Finally, it would be remiss in an industry which is saturated with positive digital payments stories, not to draw attention to our feature 'Cash reigns supreme in Austria and Germany' (page 8). This is a useful reminder that while the direction of travel for payments is clear, the pace of change varies widely. There are many countries around the world where cash remains wildly popular – for the digital payments sector, this is an opportunity, not a threat.

Dominic Hirsch, Editor

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Editor Dominic Hirsch

Managing Editor Morten Jorgensen

Assistant Editor Tomomi Kimura

Contributors Chris Allen, Helen Amos, Natasha Doughty, Ben Joseph, Felix Kronabetter, Thomas Newman, Gillian Shaw, Angus Stahelin, Alice Whitelam

Subscriptions Manager Dani Wright

Advertising Managers Amanda Hardy, Felix Kronabetter

For all editorial and advertising enquiries:

Telephone: +44 20 8831 7300

Email: bulletin@rbrlondon.com

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393 Richmond Road
London TW1 2EF, United Kingdom