

Financial Cards and Payments in the United Arab Emirates

Industry Overview | 24 Feb 2016

EXECUTIVE SUMMARY

Population growth push the financial cards market

The uncertainty which continues to plague much of the Middle East and the comparatively healthy economic development of the United Arab Emirates is resulting in an intense inflow of people to the country. The banked population increased over the course of 2015 in line with economic development, which translates into healthy growth within all types of financial cards. The number of financial cards in circulation is, however, considerably higher than the overall banked population, creating an intense competitive environment in the battle for space in the consumer wallet. This is stoking the fires of extreme competition within the market, primarily to the benefit of consumers, who have wide choice in financial cards and most of the bargaining power.

Co-branding and rewards systems continue to shape the development of the market

During 2014 and 2015, booming rewards systems and loyalty programmes related to financial cards contributed to strong development in the market. These rewards systems are well developed within credit cards and charge cards and are already spilling over to other financial cards categories such as debit cards and even pre-paid cards. Despite this, consumers are exhibiting rather low institutional loyalty and, in many cases, they are limiting the use of certain cards to simply purchasing goods and services that only offer them loyalty rewards.

Confidence in using financial cards continues to grow

During 2015, higher customer confidence was observed in terms of use the financial cards for daily transactions in the United Arab Emirates. The growing awareness of financial cards is being boosted by the transition to chip and pin cards as well as the extra incentives that are on offer for those who choose to pay with plastic. In addition, increases are being seen in internet retailing and mobile retailing as increasingly hectic lifestyles give rise to the need for convenience, fuelling growth in online and mobile retailing, thereby benefiting financial cards and payments indirectly.

Cash culture hampers the growth potential of the market

Cash based payments still account for the lion's share of payment transactions value in the United Arab Emirates. The country's unbanked population and intense tourism inflows are, however, stimulating the prevalence of cash-driven transactions in the United Arab Emirates. Despite all, the country has shaped its strategy to become a leading financial hub in the Middle East region and, for this reason, it is expected that the current factors supporting cash transactions and driving growth will diminish substantially over the forecast period.

Future: challenging but with healthy stream

The main potential threat to growth in financial cards and payments in the United Arab Emirates over the forecast period is set to be uncertainty within the global crude oil market at a time of all-time low crude oil prices. However, the anticipated increase in the number of expatriates moving to the United Arab Emirates as well as the preparations for Expo 2020 are likely to sustain healthy growth both in the number of cards in circulation and transactions volume. Additionally, the declining average transactions value is set to foster the wellbeing of upstream and downstream players in the market over the forecast period.

KEY TRENDS AND DEVELOPMENTS

Population growth translates into healthy development for financial cards and payments

The uncertainty which prevails in many parts of the Middle East and comparatively healthy economic development in the United Arab Emirates are attracting many tourists and new residents to the country. According to the UN, the size of population of the United Arab Emirates has now reached 9.1 million, up from 8.2 million in 2010. Over the course of 2015, the banked population in the country increased by 4%, rising to 4.5 million, which translates to some 47% of the total actual population of the country.

In 2015, Euromonitor International noted healthy growth in all financial cards and payments categories. In total, 2015 saw the number of financial cards in circulation in the United Arab Emirates increase by 10%, rising to 16 million.

The number of financial cards in circulation in the United Arab Emirates is considerably higher than the number of people within the overall banked population in the country, creating an intensely competitive environment in financial cards and payments as companies vie for space in the consumer wallet. It is estimated the average person living in the United Arab Emirates has more than two financial cards in their position, not including the loyalty cards. This second fact acts as kindling in the extremely volatile trading conditions which exist within the market. This is of benefit primarily to consumers, who have a wide range of financial cards to choose from and who possess the bargaining power in the financial cards and payments market.

In 2015, higher levels of consumer confidence were noted in the United Arab Emirates and this was reflected in the positive growth recorded in the use of financial cards for daily transactions. The growing consumer awareness of these cards is being boosted by the transition to chip and pin cards as well as the extra incentives that are offered by banks to those who choose to pay with plastic.

Outlook

The young and technology-savvy population of the United Arab Emirates is expected to remain the key consumer group using financial cards in the United Arab Emirates. According to the UN, the population of the United Arab Emirates is expected to continue increasing to reach 9.8 million in 2015. At the same time, the median age of the country's population is expected to reach 34.1 years. This latter demographic indicator is set to remain the key measure underpinning positive development in the country's financial cards market. In addition, the United Arab Emirates 2021 development vision is expected to result in a rapid transition towards a cashless society in the United Arab Emirates. This is set to create greater synergies in the financial cards and payments market, translating into healthy double-digit growth throughout the forecast period. According to Euromonitor International, by 2020 the number of financial cards in circulation in the United Arab Emirates is expected to have reached 23 million.

The other driver of healthy growth in financial cards and payments is expected to come from the initiative of the United Arab Emirates government to introduce tourist cards, which will give visitors access to public transport and local attractions at attractive prices with these cards likely taking the form of open loop pre-paid cards. Travel and tourism is expected to continue witnessing strong growth in the United Arab Emirates over the forecast period, especially after the United Arab Emirates won the bid to host Expo 2020, which led to a surge in the number of construction projects in the country and a boom in the hospitality industry in preparation for the event. According to the vision of the United Arab Emirates government, by 2020, the country is expecting to be hosting some 20 million travellers per year.

Intensive rewards and co-branding a bridge the consumer loyalty

During 2014 and 2015, the reward points systems and loyalty programmes related to the financial cards being offered in the United Emirates were booming, supporting the overall development of the market. These rewards systems are well developed within credit cards and charge cards and they are already spilling over into other financial cards categories such as debit cards and even pre-paid cards. In 2014, NBAD agreed on a sponsorship deal with the Spanish football club Real Madrid. In order to note this historical moment, NBAD presented its new co-branded debit cards, Real Madrid World Elite Debit Card and Real Madrid Platinum Debit Card. Each of these debit cards enables the holder to collect points within the NBD Star rewards system as well offering complementary airport lounge access and membership to the Real Madrid fan club.

At the same time, pre-paid cards was a financial cards category in which co-branding was a core area of market innovation during 2014 and 2015. 2014 was quite intense in terms of new product development, with major introductions targeting the youth segment such as Emirates Islamic bank's introduction of the Football Prepaid Card, a football-themed, Shariah-compliant pre-paid card targeting mainly young people. Majid Al Futtaim Finance, meanwhile, introduced the Angry Birds branded pre-paid card.

Meanwhile, loyalty was hardly visible among financial card users, especially the holders of credit cards as many people living in the United Arab Emirates feel no attachment or loyalty to one bank for any period of time as the account balance shift is comparatively easy. The latter case is less visible within pre-paid cards and debit cards, where consumers usually prefer to stick to one bank and use this as the account which they use to manage the bulk of their income. The positioning of charge cards as niche and luxury payment tools means that there is less dynamic growth and more loyalty in the category.

Outlook

Over the historic period, the general trend in financial cut of payments is expected to be banks reducing the scope of their overloaded card portfolios as they are eventually offering little essential difference for card holders. In line with the intense competition among the retail banks operating in the country as well as the existing limitations on the more intense development of the banked population, mainly due to the minimum income limit for opening a bank account, are set to consolidation in the financial cards portfolios of the industry's leading players over the forecast period, resulting in a process of optimisation emerging.

Within credit cards, meanwhile, the key driver of change in the category during the forecast period is expected to be the rising pressure on banks to follow stricter lending criteria and requirements in order to maintain better credit risk management. Additionally, banks are expected to pay more attention to 'fit borrowers' by offering them more incentives in the form of favourable interest rates and longer credit repayment periods.

The future of pre-paid cards in the United Arab Emirates is expected to be defined by more conservative lending and borrowing behaviours, mainly due to the rising attraction of debit cards, while charge cards are expected to remain niche cards, with growth in this category set to be driven mainly by a very affluent consumer segment.

Slow improvement towards cashless culture

Cash based payments still account for the lion's share of total payment transactions value in the United Arab Emirates accounting for around 80% of the total transactions in the market. However, during 2015 greater interest in e-commerce was seen, which naturally increased demand for financial cards and improved the general cash and card transactions statistics. The government of the United Arab Emirates is encouraging its residents to opt to pay with financial cards, not least as some government institutions no longer accept cash payments.

In 2014, the Dubai Chamber of Commerce and Industry together with Commercial Bank of Dubai introduced a pre-paid card, part of an initiative to stop accepting cash payments for Chamber-related payments. Another bank, National Bank of Abu Dhabi has continued to develop the eDirham pre-paid card in collaboration with the Ministry of Finance (MOF). The e-Dirham system consists of a smartphone app and an e-wallet which enable customers to process their payments without the need to present an actual card.

In 2015, more than 70% of the population of the United Arab Emirates were low-income labourers from Asian countries, which ensured that cash remained the dominant form of payment in the country. In addition, the high inbound tourism flows into the country also stimulate the prevalence of cash-driven transactions in the United Arab Emirates. Finally, transaction fees are comparatively high in the country compared with other developed countries in Europe and North America, which has resulted in some merchants insisting on a minimum transaction value for card-based payments.

Outlook

The existing restrictions to greater financial inclusion, mainly due to the minimum income requirement for bank account holders, remains a key stumbling block to government attempts to create a more prosperous and financially literate population. However, the country has shaped its strategy carefully in this regard to become a leading financial hub in the Middle East region and it is thus expected that the level of income required for one can pass the existing restrictions on holding a bank account will be downgraded during the mid-term period

Over the forecast period, card payment transactions value in the United Arab Emirates is set to increase at a CAGR of 7% CAGR in constant terms, reaching AED1.1 trillion by 2020. The high levels of transactions in the country are expected to receive a boost from the inbound expected the country towards the end of the review period tourism boom due to Expo 2020. According to the existing plan which has been put in place by the Dubai government, EXPO 2020 is expected to host over 20 million visitors, with an average stay of 3-4 days among these visitors.

MARKET INDICATORS

Table 1 Number of POS Terminals: Units 2010-2015

'000 Units	2010	2011	2012	2013	2014	2015
No of POS Terminals	66.4	67.7	80.1	91.8	105.3	123.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 2 Number of ATMs: Units 2010-2015

'000 Units	2010	2011	2012	2013	2014	2015
No of ATMs	3.8	4.2	4.5	4.7	4.8	5.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 3 Value Lost to Fraud 2010-2015

AED million	2010	2011	2012	2013	2014	2015
Value Lost to Fraud	52.8	56.1	57.6	60.5	62.1	62.8

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 4 Card Expenditure by Location 2015

% value analysis	Card holder present	Card holder not present	Total
Charge Card Transactions	83.0	17.0	100.0
Credit Card Transactions	79.5	20.5	100.0
Debit Transactions	80.8	19.2	100.0
Open Loop Pre-Paid Card Transactions	76.5	23.5	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 5 Financial Cards in Circulation by Type: % Number of Cards 2010-2015

% number of cards	2010	2011	2012	2013	2014	2015
Contact Smart Cards	29.0	30.0	31.0	32.0	33.0	34.0
Contactless Smart Cards	2.5	3.0	3.5	4.0	4.5	5.0
Non-Smart Cards	68.5	67.0	65.5	64.0	62.5	61.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 6 Domestic versus Foreign Spend 2015

% value analysis	Domestic	Foreign	Total
- Charge Card Transactions	83.0	17.0	100.0
- Credit Card Transactions	59.5	40.5	100.0
- Debit Transactions	82.5	17.5	100.0
-- Open Loop Pre-Paid Card Transactions	96.5	3.5	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

MARKET DATA

Table 7 Financial Cards by Category: Number of Cards in Circulation 2010-2015

'000 cards	2010	2011	2012	2013	2014	2015
ATM Function	8,902.0	9,730.6	10,481.4	11,318.6	12,689.9	13,977.9
Charge Card Function	17.3	18.1	19.0	20.0	21.0	22.0
Credit Function	3,591.5	3,926.6	4,022.1	4,237.3	4,903.6	5,372.7
Debit Function	5,690.0	6,150.9	6,349.0	6,653.6	7,684.1	8,529.2

'000 cards	2010	2011	2012	2013	2014	2015
Pre-Paid Function	1,788.3	2,236.3	2,637.8	3,018.5	3,382.3	3,738.3
Store Cards	-	-	-	-	-	-
Financial Cards in Circulation	9,645.2	10,671.5	11,857.0	13,055.7	14,781.5	16,321.2

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 8 Financial Cards by Category: Number of Accounts 2010-2015

'000 accounts	2010	2011	2012	2013	2014	2015
Charge Card Function	13.4	13.9	14.6	15.0	15.9	16.8
Credit Function	4,153.8	4,231.5	4,358.9	4,557.6	4,785.1	5,055.4
Debit Function	4,812.5	5,117.6	5,460.0	5,844.9	6,311.9	6,831.4
Store Cards	-	-	-	-	-	-
Financial Cards in Circulation	8,979.8	9,363.0	9,833.5	10,417.6	11,112.9	11,903.6

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 9 Financial Cards Transactions by Category: Value 2010-2015

AED bn	2010	2011	2012	2013	2014	2015
ATM Transactions	243.5	274.3	300.9	319.6	349.0	384.4
Card Payment Transactions	241.1	259.7	281.1	305.4	336.1	375.8
- Charge Card Transactions	0.4	0.4	0.5	0.5	0.5	0.6
- Credit Card Transactions	101.2	105.4	110.2	116.0	124.1	134.9
- Debit Transactions	126.8	138.1	151.3	166.1	183.6	208.6
- Pre-Paid Transactions	12.7	15.7	19.2	22.7	27.8	31.7
- Store Card Transactions	-	-	-	-	-	-
Total Cards Transactions	484.6	533.9	582.0	624.9	685.2	760.3

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 10 Financial Cards by Category: Number of Transactions 2010-2015

million transactions	2010	2011	2012	2013	2014	2015
ATM Transactions	300.9	323.5	349.7	382.6	418.0	457.7
Card Payment Transactions	880.5	946.4	1,022.6	1,112.4	1,224.7	1,348.0
- Charge Card Transactions	3.1	3.3	3.6	3.9	4.2	4.5
- Credit Card Transactions	719.9	765.4	819.1	883.5	966.4	1,055.3
- Debit Transactions	80.2	86.6	93.7	101.2	110.4	121.4
- Pre-Paid Transactions	77.3	91.1	106.2	123.9	143.7	166.9
- Store Card Transactions	-	-	-	-	-	-
Total Cards Transactions	1,181.4	1,270.0	1,372.3	1,495.0	1,642.7	1,805.8

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 11 Consumer Payments by Category: Value 2010-2015

AED bn	2010	2011	2012	2013	2014	2015
--------	------	------	------	------	------	------

AED bn	2010	2011	2012	2013	2014	2015
Card Payment Transactions (Excl Commercial)	217.0	234.1	254.2	276.8	305.5	342.6
Electronic Direct/ACH Transactions	9.1	10.3	11.7	13.1	14.9	16.9
Paper Payment Transactions	317.0	347.6	373.2	416.7	487.3	501.2
- Cash Transactions	269.0	290.6	318.6	352.1	412.2	422.9
- Other Paper Payment Types	48.0	57.0	54.7	64.6	75.2	78.2
Consumer Payment Transactions	543.1	592.0	639.0	706.6	807.7	860.7

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 12 Consumer Payments by Category: Number of Transactions 2010-2015

million transactions	2010	2011	2012	2013	2014	2015
Card Payment Transactions (Excl Commercial)	847.5	911.1	984.6	1,071.3	1,179.5	1,298.6
Electronic Direct/ACH Transactions	57.3	65.8	75.9	87.5	101.2	117.4
Paper Payment Transactions	3,298.4	2,999.6	2,850.5	2,733.5	2,594.6	2,528.9
- Cash Transactions	3,227.1	2,913.2	2,766.5	2,653.6	2,562.3	2,513.1
- Other Paper Payment Types	71.2	86.4	84.0	79.9	32.3	15.8
Consumer Payment Transactions	4,203.1	3,976.5	3,910.9	3,892.3	3,875.3	3,944.8

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 13 M-Commerce by Category: Value 2010-2015

AED million	2010	2011	2012	2013	2014	2015
Mobile Phone M-Commerce	-	-	-	35.9	52.0	66.5
- Mobile Phone - Proximity	-	-	-	3.1	5.1	7.8
- Mobile Phone - Remote	-	-	-	32.7	46.9	58.7
Tablet M-Commerce	-	-	-	24.3	34.8	44.5
M-Commerce	38.2	42.3	47.2	60.1	86.8	111.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 14 M-Commerce by Category: % Value Growth 2010-2015

% current value growth	2014/15	2010-15 CAGR	2010/15 Total
Mobile Phone M-Commerce	28.0	-	-
- Mobile Phone - Proximity	54.5	-	-
- Mobile Phone - Remote	25.1	-	-
Tablet M-Commerce	27.9	-	-
M-Commerce	28.0	23.8	190.5

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 19 Forecast Financial Cards by Category: Number of Cards in Circulation 2015-2020

'000 cards	2015	2016	2017	2018	2019	2020
ATM Function	13,977.9	15,311.7	16,936.0	18,231.6	19,675.5	21,200.4

'000 cards	2015	2016	2017	2018	2019	2020
Charge Card Function	22.0	23.0	23.5	24.3	25.1	25.8
Credit Function	5,372.7	5,710.9	6,293.1	6,617.7	7,200.7	7,814.4
Debit Function	8,529.2	9,334.3	10,236.9	11,146.9	11,563.5	12,455.1
Pre-Paid Function	3,738.3	4,131.3	4,518.8	4,767.3	5,012.5	5,257.1
Store Cards	-	-	-	-	-	-
Financial Cards in Circulation	16,321.2	17,661.2	18,557.5	20,038.4	21,529.2	23,109.5

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 20 Forecast Financial Cards by Category: Number of Accounts 2015-2020

'000 accounts	2015	2016	2017	2018	2019	2020
Charge Card Function	16.8	17.6	18.6	19.5	20.4	21.4
Credit Function	5,055.4	5,375.9	5,698.0	5,994.8	6,288.0	6,602.4
Debit Function	6,831.4	7,347.9	7,810.8	8,270.8	8,748.1	9,272.9
Store Cards	-	-	-	-	-	-
Financial Cards in Circulation	11,903.6	12,741.4	13,527.4	14,285.2	15,056.4	15,896.7

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 21 Forecast Financial Cards Transactions by Category: Value 2015-2020

AED bn	2015	2016	2017	2018	2019	2020
ATM Transactions	384.4	399.7	411.1	422.2	433.0	443.5
Card Payment Transactions	375.8	413.8	456.8	506.7	563.5	627.1
- Charge Card Transactions	0.6	0.6	0.7	0.7	0.7	0.8
- Credit Card Transactions	134.9	144.2	154.6	166.0	178.9	192.7
- Debit Transactions	208.6	232.9	260.8	294.2	332.4	375.5
- Pre-Paid Transactions	31.7	36.1	40.7	45.8	51.5	58.1
- Store Card Transactions	-	-	-	-	-	-
Total Cards Transactions	760.3	813.5	867.9	929.0	996.5	1,070.6

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 22 Forecast Financial Cards by Category: Number of Transactions 2015-2020

million transactions	2015	2016	2017	2018	2019	2020
ATM Transactions	457.7	502.8	553.8	611.5	673.2	749.6
Card Payment Transactions	1,348.0	1,471.0	1,600.9	1,739.7	1,887.4	2,055.7
- Charge Card Transactions	4.5	4.8	5.0	5.3	5.6	5.9
- Credit Card Transactions	1,055.3	1,138.0	1,221.6	1,307.4	1,397.2	1,494.3
- Debit Transactions	121.4	134.6	149.5	166.3	184.4	204.5
- Pre-Paid Transactions	166.9	193.7	224.7	260.8	300.2	351.0

million transactions	2015	2016	2017	2018	2019	2020
- Store Card Transactions	-	-	-	-	-	-
Total Cards Transactions	1,805.8	1,973.8	2,154.6	2,351.2	2,560.6	2,805.3

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 23 Forecast Consumer Payments by Category: Value 2015-2020

AED bn	2015	2016	2017	2018	2019	2020
Card Payment Transactions (Excl Commercial)	342.6	378.3	418.9	466.2	520.0	580.2
Electronic Direct/ACH Transactions	16.9	18.7	20.4	22.1	23.9	26.3
Paper Payment Transactions	501.2	504.6	518.0	529.5	539.8	554.0
- Cash Transactions	422.9	425.6	438.0	448.3	457.8	473.2
- Other Paper Payment Types	78.2	79.1	80.0	81.1	81.9	80.8
Consumer Payment Transactions	860.7	901.7	957.4	1,017.8	1,083.7	1,160.5

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 24 Forecast Consumer Payments by Category: Number of Transactions 2015-2020

million transactions	2015	2016	2017	2018	2019	2020
Card Payment Transactions (Excl Commercial)	1,298.6	1,417.3	1,542.9	1,677.5	1,820.7	1,983.7
Electronic Direct/ACH Transactions	117.4	138.4	163.4	192.8	223.0	258.7
Paper Payment Transactions	2,528.9	2,473.2	2,426.9	2,364.7	2,292.4	2,246.6
- Cash Transactions	2,513.1	2,466.5	2,424.6	2,362.9	2,291.1	2,245.3
- Other Paper Payment Types	15.8	6.7	2.3	1.8	1.3	1.3
Consumer Payment Transactions	3,944.8	4,028.8	4,133.1	4,234.9	4,336.0	4,488.9

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 25 Forecast M-Commerce by Category: Value 2015-2020

AED million	2015	2016	2017	2018	2019	2020
Mobile Phone M-Commerce	66.5	81.5	99.8	123.5	153.3	192.3
- Mobile Phone - Proximity	7.8	12.0	19.7	26.8	45.3	61.5
- Mobile Phone - Remote	58.7	69.5	80.0	96.7	108.0	130.8
Tablet M-Commerce	44.5	53.9	65.3	80.1	98.9	122.9
M-Commerce	111.0	135.4	165.1	203.6	252.2	315.2

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Table 26 Forecast M-Commerce by Category: % Value Growth 2015-2020

% constant value growth	2015/2016	2015-20 CAGR	2015/20 TOTAL
Mobile Phone M-Commerce	22.6	23.7	189.1
- Mobile Phone - Proximity	53.5	51.0	684.6
- Mobile Phone - Remote	18.4	17.4	122.9
Tablet M-Commerce	21.0	22.5	176.1

% constant value growth	2015/2016	2015-20 CAGR	2015/20 TOTAL
M-Commerce	21.9	23.2	183.9

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources