



INFORMATION RELEASE

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Contactless payments account for nearly two-thirds of total card payments

The expansion in Hungarian electronic payment turnover, characterising earlier periods, continued in the first quarter of 2017. In the payment card infrastructure, contactless payments became dominant, with 63 per cent of transactions conducted using the contactless technology. This accounted for nearly a half of the value of total domestic purchase transactions conducted with payment cards. The safety of the payment card system increased: the number of frauds committed with domestically issued cards rose by only 2 per cent, and the value of loss caused by frauds even fell in the final quarter of 2016. Turnover in the Hungarian payment and securities clearing and settlement systems rose relative to the same period a year earlier.

The number of payment accounts managed by financial service providers, at 10.4 million, was practically unchanged from the previous quarter; however, the percentage of online accounts exceeded 81 per cent, due to increases over previous periods. The number of consumer accounts used primarily for payment purposes continued to exceed 6.6 million. Within this, there were 522,000 accounts with restricted access, e.g. private banking accounts. The number of domestic payment cards exceeded 8.9 million,¹ of which 7.6 million were debit cards. The number of contactless payment cards rose by more than 5 per cent to 5.9 million, i.e. nearly two-thirds of total cards offered contactless payment functionality. In respect of the payment card acceptance infrastructure, some 113,000 POS terminals were in operation at nearly 88,000 physical merchant acceptance points in the first quarter; and the number of devices allowing contactless payment also rose strongly, by more than 4 per cent relative to the previous quarter. This also means that more than 77 per cent of terminals supported the faster and more convenient contactless payment method. The number of online acceptance points grew by some 4 per cent, to over 8,800, relative to the previous quarter.

Purchase transactions conducted with domestic payment cards continued to be the engine of growth in electronic payment turnover in the first quarter of 2017. The more than 134 million transactions conducted in the domestic acceptance network with cards issued in Hungary, representing a total value of HUF 944 billion, reflected a more than 25 per cent increase both in terms of number and value relative to the first quarter of the previous year. Within purchase transactions, the use of credit cards grew slightly more modestly, by 14 per cent both in terms of number and value, while the growth rate of debit card transactions, accounting for the vast majority of total

¹ Due to a data correction covering one data provider, the number of payment cards was revised backwards. This affected the number of cards (9.1 million) published for the end of 2016.

turnover, was around 26 per cent. Consistent with the trend which started during the previous year, the expansion in contactless payments within purchases continued: the number of contactless transactions grew by some 80 per cent relative to the same period a year earlier. This meant that contactless payments accounted for 63 per cent and 48 per cent, respectively, of the number and value of total payment card transactions. The volume of card-not-present transactions, mainly Internet transactions, continued to rise strongly, by 34 per cent in terms of number and by 37 per cent in terms of value relative to the same period of 2016. Its ratio to total turnover was 7 per cent and 11 per cent, respectively, in terms of number and value. The number and value of cash withdrawals using payment cards rose slightly in the first quarter, with their average value exceeding to HUF 65,000.

The 56 million individual credit transfers in the first quarter represented a nearly 4 per cent increase and the total transferred amount of HUF 157,000 billion represented a nearly 15 per cent increase relative to the same period a year earlier. The number and value of direct debits, used primarily to pay for utilities and other regular services, rose by 4 per cent to 18 million and by more than 9 per cent to HUF 212 billion, respectively, relative to first quarter of 2016.

The total value of losses caused by less than 8,000 frauds committed with domestically issued payment cards was HUF 244 million in the last quarter of 2016. This represented an only 2 per cent increase and a 13 per cent decline, respectively, in terms of the number and total value of cases relative to the same period a year earlier. At the annual level, the number of frauds, at 33,000, rose by 37 per cent and the value of losses of HUF 1.1 billion caused by frauds by 26 per cent, i.e. a significant part of the increase reflected the expansion in turnover. The ratio of frauds to total purchases continued to be low; and, due mainly to the client-friendly regulation, card holders bore only 10 per cent, or HUF 99 million, of total fraud-related losses in 2016. Frauds were related mainly to cross-border payments: three-quarters of the number of cases and nearly 87 per cent of the total amount of loss were in connection with this turnover. In terms of the types of fraud, card-not-present transactions continued to be affected the most, accounting for over 70 per cent both in terms of number and loss caused. In 2016, the 3,700 frauds committed in the Hungarian card acceptance network, causing a total loss of HUF 165 million, represented a 27 per cent increase in terms of their number and an 8 per cent increase in terms of their value. This mainly reflected the expansion in the volume of card payments.

Both the value and number of VIBER transactions increased in the first quarter of 2017 relative to the same period a year earlier (by 6 per cent and 2 per cent respectively). The increase in turnover partly reflected the expansion in ICS turnover and in the items submitted to VIBER (e.g. overnight deposits). As a result, 378,000 items were settled in VIBER in a value of some HUF 295,000 billion. In addition to the above, the quantitative limit set for tenders for three-month deposits, the MNB's main policy instrument, was also perceptible: counterparties conducted three-month transactions only in a total value of HUF 750 billion, down from HUF 2,560 billion in the same period of the previous year.

The liquidity of VIBER participants rose significantly, by 30 per cent relative to the first quarter of 2016 and its level continued to be adequate. Although credit institutions' current account balances with the MNB fell as a result of the reduction in the reserve ratio from 2 per cent to 1 per cent on 1 December 2016 (from HUF 833 billion at aggregate level in the fourth quarter to around HUF 527 billion in the first quarter of 2017), this decline was offset

by an increase in the value of collateral securities and, consequently, credit lines. Accordingly, payment system liquidity continued to be adequate, which is illustrated well by the fact that the lower and upper liquidity bounds were not breached. VIBER participants do not have to use significant amounts of their credit lines to conduct their payment turnover and, moreover, maximum utilisation of the intraday credit line even fell slightly at system level. The value of the indicator was 6–9 per cent in the first quarter of 2017 following 8–10 per cent in the first quarter of 2016; and the number of VIBER participants with a maximum utilisation of the intraday credit line of over 90 per cent also fell. The intraday timing of VIBER transactions is one of the key tools of bank’s liquidity management, which shifted slightly to a later point in time relative to the first quarter of 2016. This trend started back in 2016 Q4 and continued this January, before reversing slightly in February. Due to the quantitative limit set on three-month deposits, banks presumably continued to apply a more cautious liquidity management and, consequently, a more cautious sending approach: whilst sending their items into VIBER, they took into account the financing capacity of incoming transactions as well. In terms of the composition of the securities portfolio pledged for the MNB, the ratio of government securities rose by 5 percentage points to the current nearly 80 per cent relative to the same period of the previous year.

As seen in VIBER turnover, turnover in ICS also increased. The number of transactions in ICS clearing turnover rose by 5 per cent and the total amount of turnover by some 9 per cent in the first quarter of 2017 relative to a year earlier. Around 72 million transactions, at a total value of HUF 24,000 billion, were cleared in the period. In the first quarter, there was no intraday rollover in intraday settlement in ICS and no transaction was queued in overnight settlement in ICS.

In the first quarter of 2017, turnover in both the spot and derivative capital markets guaranteed by KELER KSZF (CCP in Hungary) fell by 9 per cent and 17 per cent, respectively, relative to the same period of 2016. The value of open positions in March was practically unchanged in the derivative market relative to their value in March 2016.

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Detailed tables: [Payment table set](#)

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