



INFORMATION RELEASE

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Dynamic growth of the payment card network and purchases

In the third quarter of 2017 the payment card acceptance network has been significantly extended, the number of physical acceptance points increased by 6.5 per cent and the number of terminals operating at these locations increased by 6 per cent. Partly due to this increase, a growth of more than 25 per cent could be observed in the turnover of card purchases, of which 69 per cent was realized by the use of the fast and modern contactless technology. In addition, the ratio of frauds committed with payment cards to total turnover decreased, that is, the use of payment cards has become even safer for consumers. In comparison to the second quarter the volume of payment systems showed a small-scale increase in the third quarter of 2017, liquidity remains abundant.

In the third quarter of 2017 the number of payment accounts increased by more than 44 thousand compared to the data of the preceding quarter, thus it exceeded 10.5 million. About 91 per cent of the accounts were owned by natural persons and 81 per cent was available through the internet or by means of a target software. The number of customer accounts primarily used for payment purposes exceeded 6.6 million as a result of the small increase (of about 28 thousand), which accounted for 70 per cent of the total number of accounts in HUF. The number of payment cards issued in Hungary increased by 104 thousand, thus more than 9 million were in circulation by the end of the period. The 85 per cent share of the debit cards remained unchanged, however, the proportion of contactless cards kept increasing in the third quarter, thus 70 per cent of the total number of cards makes this function available. Similarly, to the second quarter the number of physical merchant acceptance points showed a significant growth of 6.5 per cent during the object period, thus their total number exceeded 98 thousand. The number of POS terminals operating at the acceptance locations has also been largely extended (by about 6 per cent), as a result card purchases are feasible at about 126 thousand terminals, 80 per cent of these terminals supports contactless payment.

The dynamic growth of purchases by payment cards in Hungary continued in the third quarter. In the Hungarian payment card acceptance system purchases of a total amount of 1099 billion were realized by payment cards issued in Hungary, more than 160 million payment transactions and more than 26 percent growth accounts for an increase both regarding value and volume when compared to the third quarter of the preceding year. In line with the previous period, contactless payments gained ground as well, this has a significant impact upon the purchases by payment cards, which equals to 69 percent of the total number of payment transactions, and regarding the value of payment transactions 56 percent of the total purchases are executed this way. The average value of purchases by contactless cards remains still lower than that of traditional transactions (HUF 5551 and 9639), this means that in case of card transactions with a lower value the use of the new technology is more frequent. Purchases via internet are constantly increasing, both regarding volume and value a growth of 37 percent could be

observed in this area, however, a small part of the total number of card transactions (6 and 10 percent regarding volume and value) are realized this way. The volume of cash withdrawal transactions only grew by 2 percent compared to the third quarter of the preceding year, however, regarding the total value of the money withdrawn, the increase accounted for about 9 percent, an amount of HUF 1865 billion was withdrawn during this period.

The total value of the 57 million individual money transfers reached HUF 157 thousand billion which meant an increase of 4 and 11 per cent compared to the examined period during the preceding year. Compared to the third quarter of 2016, the volume of direct debits primarily used for paying utility bills and other invoices grew by about 3 per cent regarding volume (18 million) and by 8 percent regarding value (HUF 202 billion).

In the second quarter of 2017 the number of frauds committed with payment cards on the issuer side (9949) increased by 9 percent which is smaller than the growth rate of the total turnover, while the value of financial loss caused (HUF 256 million) accounted for a 20 percent decrease compared to the same period in the preceding year. It is still typical that the frauds were primarily connected to online purchases, which do not require the physical presence of payment cards, both regarding volume and value 80 percent of the frauds can be related to these transactions. Due to the legislative background favouring consumers, card holders only had to incur 9 percent of the total value of the financial loss on the issuer side during the quarter (about HUF 212 million). On the acquirer side the number of frauds committed increased less significantly than the growth in the volume of transactions (1179) and the value of the financial loss (HUF 50 million) which accounted for a growth of 10 and 4 percent regarding the volume of transactions and the value compared to the same period in the preceding year.

In the third quarter financial institutions made a revenue of more than HUF 128 billion from providing financial transaction services which accounted for an increase of 7 percent compared to the same period of the preceding year. However, the extent of growth falls behind the growth of volume, thus the unit cost of electronic financial transactions decreased. Financial institutions made the greatest profit from credit transfer and bank account management related services, this accounted for 24 and 19 percent of the total revenue. The volume of the revenue obtained through credit transfer transactions can be primarily explained by the significant average value of business transactions. The revenues made by financial institutions from providing payment card acceptance services (HUF 10 billion) grew by 24 percent compared to the third quarter of 2016 which slightly lags behind the growth observed in the use of payment cards.

Compared to the second quarter of 2017 the VIBER turnover increased, based on transaction value we observed a growth of 5 percent. In relation to the same period last year the growth is even more significant, 21 percent. As for the number of transactions no significant change can be observed – compared to the preceding quarter it is of 0.2 percent; in comparison to the same period of the preceding year the extent of growth accounts for only 2 percent. Since the volume has scarcely changed and the total value of transactions grew, the *average transaction size* settled in VIBER increased by HUF 33 million compared to the previous quarter, and by HUF 126 million compared to the same period of the preceding year. The growth in the value of transactions primarily affected the higher-value transactions (above HUF 10 billion) and can be mainly associated with the increase of interbank and other (e.g. central bank deposits, preferential deposit and HIRS-related) transactions. Thus 395 000 transactions were executed in VIBER during the examined period, accounting for a value of HUF 316 thousand billion. 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 300 billion, down from HUF 500 billion in the second quarter of 2017.

The liquidity of VIBER participants practically remained unchanged when compared to the previous quarter or the same period of the preceding year, its extent remained adequate and stable. This is demonstrated by the fact that similarly to the previous quarter and the preceding year the lower and upper liquidity limits were not breached. Just like in the previous quarter, VIBER participants did not have to use significant amounts of their credit lines to conduct their payment turnover, the value of maximum usage of intraday credit line was low (9-10 percent) at aggregate level. There was no significant change in the number of credit institutions which resorted to their credit facilities to a larger extent than 90 percent whilst executing their financial transactions (this currently covers about 2-5 participants). The intraday timing of VIBER transactions is one of the key tools of bank's liquidity management. In the third quarter, the timing of transactions slightly shifted to a later point in time (presumably due to the usual year-end seasonality and the slight increase in turnover. All in all, it can be stated that the transactions are generally executed 30 minutes later compared to the previous quarter (based on transaction value). There has been no significant change in the composition of the securities portfolio compared to the preceding period, the share of government securities is still high, about 75 percent.

In case of ICS turnover no significant changes can be observed. Compared to the second quarter the number of transactions of the ICS decreased by only 2 percent and the value by 3 percent during the third quarter of 2017. Compared to the same period last year the value of the transactions grew by 6 percent while the number of transactions increased by 3 percent, thus approximately 74 million transactions, at a total value of HUF 25 thousand billion, were cleared during the third quarter of 2017. The number and value of intraday rollovers in the intraday settlement in ICS was insignificant at system level. Higher-value rollovers occurred only in September (affecting only 1 bank on 3 value days).

The spot capital market transactions guaranteed by KELER KSZF (CCP in Hungary) decreased by 10 percent, while turnover in the derivative market increased by 12 percent, in the third quarter of 2017 compared to the previous quarter. Relative to the preceding year the spot market turnover grew by 24 percent and the derivative market turnover by 9 percent. The level of open positions in September decreased by 21 percent in the derivatives markets compared to June 2017, whereas the situation remained unchanged compared to the level reached a year earlier (in September 2016).

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Detailed tables: [Payment table set](#)

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