



## INFORMATION RELEASE

16 March 2017

### Contactless payments exceed traditional card payments in 2016

*Data published in the table set showed that the increase in Hungarian electronic payment turnover characterising earlier periods continued in the final quarter of 2016. In the payment card infrastructure, the expansion in the technology allowing contactless payment continued throughout the year. As a result, nearly 63 per cent of payment cards and more than three-quarters of POS terminals allowed contactless payments. In addition to the payment infrastructure, contactless payment has been dominating payment card turnover, with the result that this technology accounted for more than half of total domestic purchase transactions conducted with payment cards. The growth rate of frauds committed with cards moderated in the third quarter of 2016, and moreover the value of loss caused by frauds on the issuer side did not increase at all. Due to seasonality around the end of the year, turnover in the payment and securities clearing and settlement systems rose.*

The number of payment accounts managed by financial service providers was nearly 2 per cent higher in 2016, rising to almost 10.4 million at the end of the year. Although the number of consumer accounts used primarily for payment purposes edged up by less than 1 per cent relative to the previous quarter, it nevertheless exceeded 6.6 million. During the year, the number of domestic payment cards rose by more than 130,000 to 9.1 million. At more than 18 per cent, the dynamic increase in the number of contactless payment cards continued. As a result, nearly 63 per cent of domestic cards were available for contactless payments. In respect of the payment card acceptance infrastructure, the number of POS terminals operating at more than 85,000 physical merchant acceptance points rose by more than 9 per cent during the year and, as a result, more than 110,000 terminals were available for payment with card in the fourth quarter. More than three-quarters of these terminals allowed contactless payment. The number of online acceptance points grew by nearly 4 per cent to almost 8,500 relative to the previous quarter.

Strong growth in purchase transactions conducted with domestic payment cards continued in 2016. The more than 488 million transactions conducted in the domestic acceptance network with cards issued in Hungary, representing a total value of HUF 3,401 billion, rose by 24 per cent in their value and by 20 per cent in their number relative to the previous year. Looking at turnover in terms of the types of card, this growth mainly affected payments conducted with debit cards, which rose by nearly one-quarter both in terms of number and value relative to 2015. By contrast, turnover conducted with credit cards rose less strongly, by over 15 per cent both in terms of the number and value of transactions. An important change in 2016 was that, following the expansion in the infrastructure, contactless technology became dominant in payment transaction turnover as well. Whereas in 2015

contactless payments accounted for 30 per cent of payments, in 2016 more than half (51 per cent) of payments was conducted with the new technology. The volume of card-not-present transactions, mainly Internet transactions, continued to rise strongly relative to 2015, both in terms of number (36 per cent) and value (42 per cent); however, its ratio to total turnover continued to be low (accounting for 6 per cent and nearly 10 per cent, respectively, in terms of number of value). The value of cash withdrawals using payment cards fell slightly, by around 1 per cent in 2016; however, their total value rose by largely the same amount as in the previous year. As a result, the average value of transactions was close to HUF 65,000.

The number of individual credit transfers (223 million), rose by 3.4 per cent in 2016 relative to the previous year, with their value (HUF 580 trillion) rising by nearly 12 per cent, mainly as a result of the expansion in domestic turnover. The number and value of direct debits, used primarily to pay for utilities and other regular services, rose by nearly 3 per cent to more than 69 million and by more than 6 per cent to HUF 752 billion, respectively, relative to previous year.

In the third quarter of 2016, the total value of losses caused by around 8,400 frauds committed with domestically issued payment cards was HUF 245 million. Although this represented a 40 per cent increase relative to the same period a year earlier in terms of the number of cases, the value of losses caused by frauds barely changed. Consequently, the average value of losses caused by frauds fell significantly, representing a positive shift relative to the upward trends of earlier periods. The ratio of frauds to total purchases continued to be very low; and, due to the client-friendly regulation, financial service providers charged only around one-tenth of total fraud-related loss in the third quarter of 2016. Frauds were related mainly to cross-border payments: 68 per cent of the number of cases, and 84 per cent of the total amount of loss was in connection with this turnover. In terms of the types of fraud, card-not-present transactions continued to be affected the most, accounting for around 68 per cent both in terms of number and loss caused. Both the number (1,024) and value (nearly HUF 60 million) of frauds committed in the Hungarian card acceptance network rose by around 10 per cent relative to the third quarter of 2015, representing a smaller increase than the expansion in the volume of card payments.

As seen in previous years, there was a seasonal increase in VIBER (the real-time gross settlement system) turnover in the final quarter of 2016: based on transaction value, turnover increased by some 14 per cent, with the number of transactions remaining unchanged. The number and value of VIBER transactions were 395,000 and HUF 300,000 billion, respectively, in the review period. The increase in value was mainly accounted for by a rise in the ratio of transactions with a value of more than HUF 10 billion. Growth in turnover was related mainly to interbank and securities transactions as well as to the increase in ICS turnover (transactions cleared in ICs are settled in VIBER). In addition to the above, the reduction in, and the quantity limit set for, tenders for three-month deposits, the MNB's main policy instrument, were also perceptible: turnover related to three-month deposits fell by some HUF 1,000 billion relative to the third quarter.

At system level, the liquidity of VIBER participants continued to be adequate in the fourth quarter of 2016. As a result of the reduction in the reserve ratio from 2 per cent to 1 per cent on 1 December 2016, the closing account balance of VIBER participants at aggregate level fell sharply in December relative to previous months (by 44 per cent or HUF 144 billion from November to December). This, however, was offset by an increase in the number of

pledging securities as collateral and, consequently, by more active use of credit lines. Despite the reduction in the reserve ratio, payment liquidity grew by some 20 per cent in the fourth quarter, and 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; at aggregate level, maximum utilisation of the intraday credit line (MICL) was practically unchanged (its level continued to be 8-9 per cent).

Due in part to seasonality around the end of the year, the value of transactions in the ICS (Interbank Clearing System) rose in the final months of the year. The number of transactions in ICS clearing turnover rose by 7 per cent and the total amount of turnover by 20 per cent in the fourth quarter of 2016. Around 77 million transactions, representing a value of nearly HUF 28,000 billion, were cleared in the period. In the fourth quarter, intraday rollovers took place in intraday settlement in ICS only in December, with their number and value continuing to be negligible at system level. No transaction was queued in the fourth quarter of 2016 (and in 2016 as a whole) in the overnight settlement in ICS.

In the fourth quarter of 2016, turnover in both the spot and derivative capital markets guaranteed by KELER KSZF (CCP in Hungary) rose relative to the previous quarter (by 13 per cent and 40 per cent, respectively). The value of open positions rose by some 15 per cent in the derivative market relative to September 2016.

**MAGYAR NEMZETI BANK**  
DIRECTORATE FINANCIAL INFRASTRUCTURES  
DIRECTORATE STATISTICS

Detailed tables: [Payment table set](#)

**Contact information:**

Telephone: + 36 (1) 428-2750

Fax: + 36 (1) 429-8000

E-mail: [sajto@mnbb.hu](mailto:sajto@mnbb.hu)