



## INFORMATION RELEASE

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### Volume of electronic payments reaches record high

*At 25 per cent, payment card turnover rose most strongly in the second quarter of 2017, exceeding all previous growth rates. In particular, the expansion in contactless payments became continued, with the new technology accounting for two-thirds of the number of domestic purchase transactions conducted with payment cards. Turnover in the Hungarian payment and securities clearing and settlement systems rose in the second quarter of 2017 relative to the first quarter. Payment and settlement system liquidity continued to be ample.*

#### **Expanding payment table set**

The Payment table set, published by the MNB quarterly, has been expanded by data on revenue of service providers related to payment services. The new tables provide detailed information on revenues collected under various items related to payment services in each period. In addition, data on revenues of payment service providers related to card acceptance and charged against merchants, shown in a breakdown by categories of merchant turnover, are now also available.

In the second quarter of 2017, the number of payment accounts managed by payment service providers was some 10.4 million, broadly unchanged from previous periods. The number of consumer accounts used primarily for payment purposes, at 6.6 million, was practically unchanged relative to the previous quarter. Within this, the number of accounts with restricted access, e.g. employee or private banking accounts, rose slightly. The number of domestic payment cards, at nearly 9 million, was also little changed, with the number of cards increasing by 43,000 relative to the first quarter. The number of contactless payment cards continued to rise, with nearly 68 per cent of total cards offering contactless payment functionality at the end of the first half. The number of physical merchant acceptance points rose more strongly (by 5 per cent) than that of online acceptance points (by 4 per cent) in the second quarter relative to the previous period. The increase in POS terminals (119,000) operating at the 92,000 physical merchant acceptance points relative to the first quarter exceeded 5 per cent. Nearly 79 per cent of them were able to make contactless payments.

The volume of purchase transactions conducted with domestic payment cards in the second quarter of 2017 increased more strongly than in any other previous period. The 152 million transactions conducted in the domestic acceptance network with cards issued in Hungary, representing a total value of HUF 1,066 billion, reflected a 25 per cent and a 26 per cent increase, respectively, in terms of number and value relative to the second quarter of the previous year. Debit cards accounted for 86 per cent of purchase transactions conducted with cards both in terms

of the number and value of transaction. This dominance continued to grow at the expense of credit cards. While debit card turnover increased by around 27 per cent relative to the same period of the previous year in terms of the number and value of transactions, credit card turnover increased by 13 per cent and 15 per cent, respectively. Growth in contactless payments within purchases continued: total value of the 99 million transactions was HUF 546 billion in the second quarter, rising by 72 per cent and 210 per cent, respectively, relative to the same period of the previous year. This meant that contactless payments accounted for two-thirds and more than a half, respectively, of the number and value of total payment card transactions (139 million). As with previous periods, the number (9.5 million) and value (HUF 104 billion) of Internet transactions rose by more than 35 per cent relative to the second quarter of 2016. This indicates the unbroken growth of e-commerce.

The number (7,200) and value (HUF 224 million) fell by 8 per cent and 7 per cent in the first quarter of 2017 relative to the same period of the previous year. The majority of frauds continued to be related to card-not-present transactions (72 per cent of cases), and 71 per cent of the value of losses was related to this segment. In terms of the direction of transactions, frauds were related mainly to cross-border payments: 75 per cent of the number of cases and 87 per cent of the total amount of loss were in connection with cross-border payments. Both the number of frauds (984) and the total value of losses caused (HUF 49.4 million) increased relative to the same period of the previous year; however, the ratio of frauds to total turnover continued to be extremely low.

Revenues of financial institutions from payment services amounted to nearly HUF 124 billion in the second quarter of 2017. This was some 6 per cent higher than in the same period of the previous year. This growth was lower than the increase in electronic payment transactions, i.e. there was a decline in the cost of payment services charged to customers. Credit transfers and account management were the most important sources of revenue: these two services accounted for nearly one-quarter and 19 per cent, respectively, of total revenue. The size of revenues from credit transfers mainly reflected the significant average value of corporate transactions. Due to this factor, credit transfers have the highest total amount within payment methods.

Revenues of domestic payment service providers related to card acceptance rose by more than 23 per cent in the second quarter relative to the same period of 2016 and exceeded HUF 9.1 billion. The amount of interchange fees collected from merchants and transferred to card issuing banks was nearly HUF 2.4 billion. Revenues of payment service providers from fees related to POS terminals amounted to HUF 285 million. Other revenues, mainly representing merchant fees, accounted for the remaining HUF 6.4 billion. Analysing revenues by merchant turnover categories, there may be significant differences in terms of the titles of revenues. While revenues from fees related to POS terminals account for nearly 35 per cent of total bank revenue of the smallest category of merchants, the same ratio is less than 1 per cent for larger merchants, where turnover accounts for the bulk of revenue.

Both the value and volume of VIBER transactions increased slightly in the second quarter of 2017 relative to the first quarter of 2017 (by 2 per cent and 4 per cent, respectively). The increase in value mainly reflected the expansion in interbank turnover, securities transactions and ICS turnover. As a result, 394,000 items were settled in VIBER in a value of some HUF 302,000 billion. The quantitative limit set for tenders for three-month deposits (the MNB's main policy instrument) was also perceptible: counterparties conducted transactions only in a total value of HUF 500 billion in Q2, down from HUF 750 billion in the first quarter of 2017.

The liquidity of VIBER participants was practically unchanged relative to the first quarter of 2017 and its level continued to be adequate. This is well illustrated by the fact that the lower and upper liquidity bounds were not breached. VIBER participants did not have to use significant amounts of their credit lines to conduct their payment turnover. Maximum utilisation of the intraday credit line rose only very slightly (by 2-5 percentage points), with the value of the indicator remaining between 8 and 11 per cent. The number of VIBER participant banks with a maximum utilisation of the intraday credit line of over 90 per cent rose slightly. The intraday timing of VIBER transactions is one of the key tools of bank's liquidity management, which showed little change in the period. There was no significant change in the composition of the securities portfolio pledged for the MNB: the ratio of government securities continued to be high, nearly 80 per cent.

Turnover in ICS also increased. The number of transactions in ICS clearing turnover rose by 5 per cent and the total value of turnover rose by 7 per cent in the second quarter of 2017 relative to the previous quarter. Around 75 million transactions, at a total value of HUF 25,000 billion were cleared in the period. The number and value of intraday rollovers in the intraday settlement in ICS was insignificant at system level. Higher-value rollovers occurred only in April (affecting only three banks on two value days).

In the second quarter of 2017, turnover in the spot capital market guaranteed by KELER KSZF (CCP in Hungary) rose by 6 per cent whereas turnover in the derivative capital market fell by 5 per cent relative to the previous quarter. The value of open positions in June rose by some 27 per cent in the derivative market relative to their value in March 2017.

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Detailed tables: [Payment table set](#)

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