



INFORMATION RELEASE

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Acceptance network expands by one-quarter in 2017

The turnover of electronic payment methods continued to rise strongly in 2017, according to data from the payment table set. The payment card acceptance network grew by 25 per cent and 83 per cent of POS terminals supported the fast and comfortable method of contactless payment. The expansion in contactless payment technology was also reflected in payment turnover: this payment method accounted for two-thirds of card payments in 2017. The ratio of card frauds to total turnover fell in the third quarter, i.e. the safety of this payment method increased. Turnover of the payment and settlement systems was broadly unchanged in the final quarter of 2017 compared with the previous quarter. Payment and settlement system liquidity continued to be ample.

In 2017, the number of payment accounts managed by payment service providers stabilised around 10.5 million. Within this, the number of consumer accounts used primarily for payment purposes, at 6.6 million, also rose only slightly, by less than 1 per cent compared with the previous year. The number of domestic payment cards exceeded 9.1 million at the end of 2017, after rising by some 2 per cent or 170,000. Within the total, the number of contactless payment cards rose extremely strongly, by nearly 18 per cent, in 2017. As a result, 72 per cent of cards offered contactless payment functionality. The acceptance infrastructure of payment cards also grew significantly in 2017: cards could be used for payment purposes at more than 106,000 points at the end of the year, reflecting an increase of 25 per cent in the number of physical merchant acceptance points. The number of POS terminals operating at physical merchant acceptance points rose similarly, by 24 per cent, and more than 83 per cent of the 136,000 terminals facilitated contactless payments. The number of online acceptance points rose steadily, by 11 per cent, during the year, their number reaching 9,400.

In 2017, the volume of purchase transactions conducted with domestic payment cards, at 24.1 per cent in terms of the number of transactions and at nearly 28 per cent in value terms, increased more strongly than in any other previous period. The 606 million transactions conducted in the domestic acceptance network with cards issued in Hungary represented a total value of HUF 4,300 billion. Looking at payment turnover, the contactless payment technology continued to expand, affecting not only small-value payments, but also card payments in general. The number of purchases with contactless cards rose by 65 per cent in 2017 compared with a year earlier, and, as a result, this payment method accounted for two-thirds of total purchases. By contrast, the number of traditional physical purchase transactions fell by more than one-quarter compared with 2016. Card-not-present transactions, conducted mostly on the Internet, rose markedly, by more than 35 per cent both in terms of the number and the

value of transactions relative to a year earlier. However, their ratio to total turnover continued to be low (7 per cent and 10 per cent, respectively, in terms of number and value).

In 2017, the number of individual forint credit transfers exceeded 232 million, rising by 4 per cent. Their total value was nearly HUF 639,000 billion (an increase of 10 per cent). The volume of credit transfers initiated in batch increased even more strongly: the around 87 million transactions, conducted in a total value of HUF 13,000 billion, reflected increases of 13 per cent and 9 per cent, respectively, compared with 2016. The more than 72 million direct debit transactions accounted for nearly HUF 830 million in 2017. This represented increases of 3 per cent in terms of number and 8 per cent in terms of value relative to a year earlier.

In the third quarter of 2017, the number of frauds committed with domestic payment cards was 9,700, causing a total loss of HUF 296 million. This reflected increases of 15 per cent and 21 per cent, respectively, in terms of number and value relative to the same period of 2016, which, however, was lower than growth in payment card turnover, and therefore the safety of use of the domestic payment card system increased. From the perspective of consumers, it is at least equally important that only 6 per cent of the HUF 258 million losses written off by issuers was charged to card holders. The number of frauds committed in the domestic card acceptance network doubled compared with the third quarter of 2016; however, most of this was related to cross-border transactions, and therefore affected domestic card holders only slightly.

Revenues of financial institutions from payment services amounted to nearly HUF 503 billion in 2017, which was some 6 per cent higher than in the previous year. One-quarter of revenues was related to credit transfers and nearly one-fifth (19 per cent) to account management services. The size of revenues from credit transfers mainly reflected the significant average value of corporate transactions. Revenues of payment service providers from payment card acceptance, at HUF 37 billion, rose by 24 per cent during the year relative to 2016. This was slightly less compared with the increase in payment card turnover.

The volume of VIBER transactions was unchanged overall compared with the third quarter of 2017. Compared with the same period of 2016 there was a slight increase of 7 per cent based on transaction value; however, the number of items barely changed, rising by less than 1 per cent. The increase mainly reflected rises in interbank, customer and ICS turnover. As a result, nearly 400,000 items were settled in VIBER in a value of some HUF 320,000 billion in the period under review.

The liquidity of VIBER participants increased by 7 per cent compared with the previous quarter and fell slightly, by 6 per cent, relative to the same period a year earlier. Nevertheless, its level continued to be stable and adequate. As seen in the previous quarter, 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 at system level fluctuated at low levels (around 8 per cent). The number of VIBER participant banks with a maximum utilisation of the intraday credit line of over 90 per cent was broadly unchanged (currently their number is 4-6). Intraday timing of VIBER transactions is one of the key tools of banks' liquidity management, which showed little change compared with the previous period. However, compared with the same period prior year, transactions were executed 30 minutes later on average, in every time band, which was particularly significant during the afternoon hours. There was no

considerable change in the composition of the securities portfolio pledged for the MNB: the ratio of government securities continued to be high, nearly 75 per cent.

Turnover in ICS increased slightly compared with the third quarter of 2017. The number of transactions in ICS clearing turnover rose by 11 per cent and the total value of turnover rose by 16 per cent in the final quarter of 2017. This was mainly due to the increase in credit transfers and credit transfers initiated in batch relative to the previous quarter (e.g. financial transactions typically occurring at the end of the year, such as pension premiums, bonus payments, etc.). Turnover changed only slightly compared with the same period of 2016. The value of clearing turnover rose by only 2 per cent and the number of transactions by 7 per cent. Consequently, approx. 82 million transactions, at a total value of HUF 29,000 billion, were cleared in the fourth quarter of 2017. The number and value of transaction rollovers between intraday cycles in intraday clearing in ICS continued to be insignificant at system level. There were occurrences of rollovers in the months of October and December (although these affected only one bank each, on two value days in the fourth quarter).

In the fourth quarter of 2017, turnover in the spot capital market guaranteed by KELER KSZF (CCP in Hungary) rose by 15 per cent, while turnover in the derivative capital market declined by 30 per cent compared with the previous quarter. The underlying trends were similar when compared to the same period prior year: spot turnover increased (by 26 per cent) and derivative turnover declined (by 46 per cent). The value of open positions in December fell by some 10 per cent in the derivative market compared with September 2017 and it fell by 20 per cent compared with December 2016.

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Detailed tables: [Payment table set](#)

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