



INFORMATION RELEASE

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Nearly two-thirds of card payments are contactless

As seen in previous periods, electronic payment turnover continued to rise in 2018 Q1. Contactless purchases accounted for three-quarters of total payment card transactions, representing nearly two-thirds of total turnover in terms of volume. The ratio of frauds committed with domestic cards to total turnover fell in 2017, i.e. the safety of this payment method increased further. In 2018 Q1, turnover of the payment and settlement systems rose both in comparison with the previous quarter and the same period of 2017 (based on transaction values). Payment and settlement system liquidity continued to be ample.

In 2018 Q1, the number of payment accounts managed by payment service providers and, within this, the number of consumer accounts used primarily for payment purposes remained unchanged at 10.5 million and 6.6 million, respectively. The number of domestic payment cards exceeded 9 million, even despite a slight decline. Nearly 86 per cent of these were debit cards. Nearly three-quarters of cards, more than 6.7 million pieces, offered contactless payment functionality. The acceptance infrastructure of payment cards also grew significantly to exceed 110,000 acceptance points at the end of the period, while the number of POS terminals operating at physical merchant acceptance points was broadly unchanged, remaining around 136,000. Illustrating the development of the domestic card acceptance infrastructure, 85 per cent of POS terminals supported the faster and more convenient contactless method of payment. Underlining the development of electronic commerce, the number of online acceptance points expanded by 3 per cent in 2018 Q1 relative to the end of 2017, as seen in previous periods, with their number exceeding 9,700.

In 2018 Q1, the nearly 167 million transactions conducted in the domestic acceptance network with cards issued in Hungary represented a total value of HUF 1,172 billion. This indicated that the dynamic rise in payment card turnover continued, i.e. the number and volume of transactions both increased by over 24 per cent relative to 2017 Q1. The importance of the contactless payment technology in purchases continued to increase and, consequently, the number of purchases with contactless cards rose by some 41 per cent in 2018 Q1 compared with the same period a year earlier. As a result, this new payment method accounted for 76 per cent and 64 per cent, respectively, of the number and volume of card payments. At Hungarian card acceptance points, the number and volume of card-not-present transactions, conducted mostly on the Internet, also rose dynamically, by 38 per cent and 37 per cent, respectively. However, their share of total Hungarian turnover was only 8 per cent and 13 per cent, respectively, in terms of the number and total volume of transactions.

In 2018 Q1, the nearly 59 million individual forint credit transfers reflected an increase of 5 per cent relative to the same period of the previous year. Their total value was HUF 163,000 billion, increasing by more than 4 per cent over the same period. The number and total volume of direct debit transactions, used mainly to pay regular utility charges, increased by some 2 per cent (18.6 million) and nearly 7 per cent (HUF 226 billion) in 2018 Q1 relative to a year earlier.

In 2017 Q4, the number of frauds committed with domestic payment cards was 12,000, causing a total loss of HUF 378 million. The increase in frauds was much smaller than growth in the volume of payment card transactions, i.e. the safety of domestic card use increased in the period 2017. In addition, it should be highlighted that, mainly due to the regulations protecting consumers' interests, less than 10 per cent (HUF 101 million) losses written off by issuers was charged to card holders in 2017. Fraud continued to be connected mainly to online purchases. In terms of both the number of frauds and the value of losses caused, this type of fraud accounts for over 75 per cent. The value and number of frauds committed in the domestic card acceptance network were HUF 290 million and 5,800, respectively, in 2017, which is negligible relative to total turnover conducted at domestic card acceptors.

Revenues of financial institutions from payment services amounted to HUF 123 billion in 2018 Q1, which was some 5 per cent higher than in the same period of 2017. The distribution of revenues was little changed relative to previous periods: revenues related to credit transfers (24 per cent) and account management services (20 per cent) continued to be the most important items. The size of revenues from credit transfers mainly reflected the significant average value of corporate transactions. In 2018 Q1, revenues of payment service providers from payment card acceptance were nearly HUF 8.8 billion, representing a 15 per cent increase relative to the same period of 2017. This was slightly less compared with the 24 per cent increase in payment card turnover.

In 2018 Q1, the volume of VIBER transactions rose slightly (by 4 per cent) and the number of items fell slightly (by 4 per cent) compared with the final quarter of 2017. Compared with the same period of 2017, there was a significant increase of nearly 13 per cent based on transaction value; however, the number of items barely changed, rising by only around 1 per cent. The increase in value mainly reflected rises in ICS and other interbank transactions (e.g. bank card settlement, cash items). As a result, 383,000 items were settled in VIBER in a value of some HUF 333,000 billion in the period under review.

Compared with the previous quarter and the same period a year earlier, the liquidity of VIBER participants increased similarly, by 5 per cent and 6 per cent, respectively, in 2018 Q1. The level of liquidity 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 3-7 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 2-5). Intraday timing of VIBER transactions is one of the key tools of banks' liquidity management. Compared with the same period of 2017, transactions were executed with a slight delay (of 30 minutes on average) in every time band, which was particularly significant during the afternoon hours. There was a similar change in comparison with the previous quarter: transactions were executed 20 minutes later in 2018 Q1 on average. There was no considerable

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

Turnover in the ICS fell slightly compared with the final quarter of 2017. The number of transactions in ICS clearing turnover dropped by 9 per cent and the total volume of turnover by 7 per cent in 2018 Q1 relative to 2017 Q4. This was mainly due to a decline in credit transfers and credit transfers initiated in batch relative to the previous quarter. Turnover grew slightly compared with the same period of 2017. The value of clearing turnover rose by 11 per cent and the number of transactions by 4 per cent. Consequently, approximately 75 million transactions, at a total value of HUF 26,000 billion, were cleared in 2018 Q1. 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 January and March (but these affected only two banks, on three value days).

In 2018 Q1, turnover in the spot capital market guaranteed by KELER KSZF (CCP in Hungary) rose by 15 per cent relative to the previous quarter. Turnover in the derivative capital market increased by 34 per cent in the period. Spot capital market turnover grew by 26 per cent relative to same period of 2017 and derivative turnover declined by nearly 23 per cent compared with a year earlier. The value of open positions in March 2018 fell by nearly 8 per cent in the derivative market compared with December 2017 and by 17 per cent compared with March 2017.

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Detailed tables: [Payment table set](#)

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