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## INFORMATION RELEASE

### Uninterrupted rise in card payments

*It can be seen as a positive development that the number of physical merchant acceptance points rose further during the quarter. In line with this, the volume of domestic payment card transactions increased significantly, by nearly one-quarter in the period, 70 per cent of which was conducted using the fast and easy contactless payment technology. The stable upward trend of credit transfers and direct debits characterising previous periods also continued. Turnover of the payment and settlement systems rose significantly in 2018 Q3 compared with the same period of 2017. Based on turnover data for the past five years, growth in turnover of the payment and settlement systems rose the largest in 2018 Q3. Payment and settlement system liquidity continued to be ample.*

The number of payment accounts managed by domestic payment service providers was over 10.6 million in 2018 Q3, which accounted for an increase of 71,000 in volume relative to the previous quarter. There was no significant change in the composition of accounts: around 90 per cent was owned by natural persons and 83 per cent was available through the internet or by means of a target software. The number of customer accounts primarily used for payment purposes rose by 43,000 compared to the second quarter closely approximating 6,7 million in total. The number of payment cards issued in Hungary continued to increase by 95 thousand relative to 2018 Q2, thus 9.2 million were in circulation by the end of the period, a higher number than ever. Within this, the 85 per cent share of the debit cards remained unchanged relative to earlier periods, the proportion of contactless cards rose to 78 per cent, accounting for a ca. 200,000 increase in numbers relative to the previous period. The number of physical merchant acceptance points increased by more than 1,100 relative to the second quarter, exceeding 118,000; however, the number of POS terminals operating at these acceptance points was 145,000 in 2018 Q3. This reflected no change in the share of terminals capable of contactless card acceptance, 86 per cent of the terminals are still suitable for payment using the new technology.

The dynamic growth of purchases by payment cards in Hungary continued in the third quarter. The nearly 199 million domestic transactions with cards issued in Hungary, representing a total value of HUF 1,396 billion, reflected a 23 per cent increase in volume and value relative to 2017 Q3. 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 81 per cent of the total number of payment transactions, and regarding the value of payment transactions 70 per cent of the total purchases are executed this way. The average value of traditional transactions is nearly twice the value of purchases by contactless cards (HUF 11 and 6 thousand), 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, regarding volume and value a growth of 34 and 31 per cent could be observed, respectively, in this area, however, only a small part of the total number of card transactions (7 and 11 per cent regarding

volume and value) are realized this way. The volume of cash withdrawal transactions (27 million) remained unchanged relative to relative to 2017 Q3, regarding the total value of the money withdrawn (HUF 1,994 billion) the increase accounted for 7 per cent.

The total value of the 60 million individual money transfers reached HUF 162 thousand billion in the quarter, which meant an increase of 5 and 4 per cent compared to the examined period during the preceding year. Compared to the third quarter of 2017, the volume of direct debits primarily used for paying utility bills and other invoices grew by about 3 per cent regarding volume (19 million) and by 9 per cent regarding value (HUF 220 billion).

In the second quarter of 2018 the number of frauds committed with payment cards on the issuer side (15,000) and the value of financial loss caused (HUF 387 million) accounted for a 50 per cent increase compared to the same period in the preceding year. It is still typical that the frauds were primarily connected to card not present online purchases, both regarding volume and value over 83 per cent of the frauds can be related to these transactions. Due to the legislative background favouring consumers, card holders only had to incur 8 per cent of the total value of the financial loss on the issuer side during the quarter (about HUF 371 million). On the acquirer side, the number of frauds (2,157) and the value of financial loss (HUF 80 million) accounted for an 83, and a 59 per cent increase regarding the volume of transactions and the value compared to the same period in the preceding year; however, the ratio of frauds to the total payment card acceptance turnover is still low.

In 2018 Q3, financial institutions made a revenue of nearly HUF 136 billion from providing financial transaction services which accounted for an increase of 7 per cent compared to the same period of the preceding year. Financial institutions made the greatest revenue from credit transfer and bank account management related services, this accounted for 25 and 19 per cent of the total revenue. The revenues made by financial institutions from providing payment card acceptance services (HUF 10 billion) fell by 4 per cent compared to the third quarter of 2017 which reflects the continuous decline in costs of card acceptance by merchants.

VIBER turnover remained broadly unchanged relative to 2018 Q2. The volume and the number of items of VIBER transactions rose significantly (17 and 8 per cent) relative to the same period of 2017. The turnover growth primarily affected higher-value transactions (above HUF 10 billion). The increase in value primarily reflected rises in the number of interbank transactions, securities transactions, ICS turnover and other central bank transactions. The increase in the number of transactions reflected the rise in the number of interbank and customer payments. The average transaction size expanded by nearly HUF 70 million in one year. The number and value of VIBER transactions were 425,000 and close to HUF 369,000 billion in total, respectively, in the review period. Since the beginning of 2016 Q3, VIBER turnover shows a continually increasing trend. Considering the past 5 years' quarterly data, turnover generated in 2018 Q3 turned out to be the highest.

Compared with the previous quarter, the liquidity of VIBER participants was broadly unchanged (decreased by 4.5 per cent), while it rose by 7 per cent relative to the same period in 2017. The level of liquidity continued to be adequate: it fluctuated in the band of HUF 2,100-2,500 billion in the past two years. 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 9 per cent). There was no significant change in the number of credit institutions which resorted to their credit facilities to

a larger extent than 90 per cent whilst executing their financial transactions (this currently covers about 3-7 participants, monthly). Intraday timing of VIBER transactions is one of the key tools of banks' liquidity management. No significant change in terms of timing occurred relative to the previous quarter and the same period in 2017. The composition of the securities portfolio pledged for the MNB was broadly unchanged relative to the previous quarter: the ratio of government securities continued to be high, 75 per cent.

The upward trend in ICS turnover continued as seen in previous years. Relative to the same period of 2017, based on the turnover expansion of retail payment system the value and volume of clearing turnover rose by 14 per cent and 4 per cent, relatively, mainly due to an increase of credit transfers. In 2018 Q3, the value of ICS clearing turnover was broadly unchanged relative to the previous quarter. Consequently, approximately 77 million transactions, at a total value of HUF 28,000 billion, were cleared in 2018 Q3. The number and value of transaction rollovers between intraday cycles in intraday clearing in ICS continued to be insignificant at system level, in fact, there was a sharp decline relative to the previous quarter, affecting only 4 system participants.

In 2018 Q3, turnover in the spot capital market guaranteed by KELER KSZF (CCP in Hungary) rose by 52 per cent whereas the turnover in the derivative capital market increased by nearly 41 per cent, compared to the second quarter. Spot capital market turnover nearly doubled relative to same period of 2017 and derivative turnover increased by 64 per cent on a year-on-year basis. The value of open positions in September 2018 rose by nearly 75 per cent in the derivative market compared with June 2018 and nearly doubled relative to September 2017.

#### **Technical guidance**

Time series data contained in the 'Payments' sub-menu of the [Payment table set](#) *should be used to analyse developments in customer credit transfers*. To access more detailed information exclusively about the operation of financial infrastructures, statistical data contained in the 'Payment and Securities Settlement Systems' sub-menu are to be used.

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Detailed tables: [Payment table set](#)

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