



18 March 2019

INFORMATION RELEASE

Dynamic rise in card payments remains uninterrupted

The number of payment cards issued in Hungary rose significantly in 2018 Q4. Meanwhile, the percentage share of contactless payment cards continued to increase, as seen in the previous periods. In line with this, the volume of purchases by payment cards conducted in Hungary increased significantly in 2018 Q4. This contributed to increases of around 24 per cent and 23 per cent, respectively, in the number and value of purchases by payment cards in 2018 as a whole compared with a year earlier. In addition, contactless payment transactions continued to expand in the final quarter of 2018. As a result, contactless payments accounted for around 89 per cent of total purchases by payment cards. As seen in previous periods, the stable upward trend in credit transfers and direct debits continued. Turnover of the payment and settlement systems has been rising steadily since 2016, standing at its highest level in 2018 of the past five years. Payment and settlement system liquidity continued to be ample.

The number of payment accounts managed by domestic payment service providers was nearly 10.7 million in 2018 Q4, rising slightly, by some 22,000, over the period. This meant that the total number of accounts increased by some 120,000 compared with the beginning of the year. There was no significant change in the composition of accounts in terms of ownership structure, with the percentage share of accounts owned by natural persons exceeding 90 per cent of the total. The around 76,000 increase in the number of accounts available via the Internet or by means of a target software resulted in their share of total payment accounts exceeding 83 per cent. The number of customer accounts used primarily for payment purposes, at nearly 6.7 million, was largely unchanged in the final quarter of the year; however, the decline in the number of savings accounts since 2016 halted, with their number rising by 3,000 in 2018 Q4. The number of customer accounts used primarily for payment purposes increased by around 60,000 and that of savings accounts fell by nearly 11,000 over the year as a whole.

Dynamic growth in the number of payment cards issued in Hungary since the beginning of the year continued. As a result of an increase of around 190,000 compared with the previous quarter, their number rose to nearly 9.4 million. However, the change in terms of card types showed a different picture: while the number of debit cards increased by nearly 200,000, that of credit cards fell by close to 12,000. As a result, debit cards accounted for more than 86 per cent of total payment cards. The increase in the number of contactless payment cards remained uninterrupted in 2018 Q4. Reflecting a more than 251,000 increase compared with the previous quarter, their number rose by nearly 844,000 over the year as a whole, with their percentage share of total payment cards exceeding 79 per cent.

Although the number of physical merchant acceptance points fell slightly, by some 2,000 in 2018 Q4, their number was nearly 10,000 higher than at the beginning of the year, exceeding 116,000. The number of POS terminals operating at merchant acceptance points, at nearly 145,000, showed a slight drop compared with the previous

quarter; however, their number rose by more than 8,000 over the year as a whole. Nearly 86 per cent of terminals operating at merchant acceptance points facilitated contactless payment, changing little compared with the previous quarter.

In 2018 Q4, the number of purchases conducted with domestically issued payment cards in Hungary, at nearly 209 million, was the highest ever recorded in a single quarter. As a result, the number of purchases exceeded 765 million over the year as a whole. This represented an increase of nearly 24 per cent in the number of transactions compared with 2017. This increase was also reflected in the record value of purchases, which exceeded HUF 1,547 billion in 2018 Q4. As a result, total purchases amounted to HUF 5,450 billion in 2018 as a whole. This was more than 23 per cent higher than a year earlier. Transactions conducted with domestically issued contactless payment cards accounted for some 89 per cent of purchases conducted at physical merchant acceptance points in 2018 Q4, reflecting an increase of more than 10.5 percentage points compared with 2017 Q4. As regards the value of payment transactions, contactless technology accounted for more than 81 per cent of total turnover in 2018 Q4, representing an increase of over 13.5 percentage points compared with a year earlier. Nevertheless, the average value of traditional purchases was some 1.8 times higher than that of contactless payments (HUF 11,857 and HUF 6,438, respectively), i.e. the use of contactless technology accounted for a larger portion of smaller-value purchase transactions conducted with payment cards. Purchases via the Internet also continued to rise: their number and value increased by some 29 per cent and nearly 26 per cent, respectively, compared with the same period a year earlier. However, this segment accounted for only a small portion (8 per cent and 12 per cent, respectively, in terms of number and value) of total payment card purchase turnover.

Although the volume of cash withdrawal transactions (26.9 million) fell slightly, by 302,000 compared with the same period a year earlier, the total value of cash withdrawn (HUF 2,108 billion) increased by some 7 per cent compared with the same period of 2017.

The total number of individual HUF credit transfers was nearly 64 million and their value was some HUF 173,000 billion in 2018 Q4, increasing by 6 per cent and 5 per cent, respectively, compared with the same period a year earlier. This was equal to the increase over the entire year. The volume of direct debits primarily used for paying utility bills and other invoices also grew. This represented increases of 7 per cent in terms of their number (19.6 million) and nearly 9 per cent in terms of their value (some HUF 232 billion) compared with the same period of 2017. The number and value of direct debits increased by nearly 4 per cent and by some 8 per cent, respectively, over 2018 as a whole.

In 2018 Q3, the number of frauds committed with payment cards on the issuer side (nearly 16,000) and the value of financial loss caused (approximately HUF 408 million) increased by some 60 per cent and some 38 per cent, respectively, compared with the same period a year earlier. It is still typical that frauds are primarily connected to card not present online purchases. Some 80 per cent regarding the volume and nearly 83 per cent regarding the value of frauds can be related to these transactions. In terms of the direction of transactions, the vast majority of frauds (82 per cent of their number and 91 per cent of their value) continued to be related to cross-border transactions. However, due to the legislative background favouring consumers, card holders only had to incur 8 per cent (about HUF 387 million) of the total value of financial loss written off by financial service providers on the

issuer side in 2018 Q3. The number of frauds (2,646) committed in the Hungarian card acceptance network and the total value of financial loss caused (approximately HUF 130 million) rose by some 30 per cent and 26 per cent, respectively, compared with the same period a year earlier. Nevertheless, the ratio of frauds to total turnover continued to be insignificant.

In 2018 Q4, Hungarian financial institutions made a total revenue of nearly HUF 142 billion from the provision of payment services. This represented an increase of slightly more than 8 per cent compared with the same period a year earlier. As a result, financial institutions realised a total revenue of nearly HUF 532 billion in 2018 as a whole. In 2018 Q4, revenues from credit transfers (more than 24 per cent) and services related to bank accounts and account management (more than 19 per cent) were the most significant items within total revenues. Revenues of financial service providers related to payment card acceptance (more than HUF 11 billion) rose by 11 per cent compared with 2017 Q4.

In 2018 Q4, VIBER turnover increased by 5 per cent in terms of both the volume and number of items compared with the same period a year earlier. Turnover fell by nearly 10 per cent compared with 2018 Q3, with the number of transactions remaining largely unchanged. The decline in turnover mainly affected higher-value items (of more than HUF 10 billion) and primarily reflected declines in interbank and other central bank transactions (e.g. the phasing-out of the three-month deposits and the drop in central bank O/N and preferential deposits). As a result, a total of 420,000 items in the amount of HUF 335,000 billion were generated in VIBER in the period under review. Over the year as a whole, total VIBER turnover increased by 14 per cent and the number of items by 5 per cent compared with 2017. VIBER turnover has been rising steadily since 2016. In 2018, total turnover exceeded HUF 1,400,000 billion, being the highest turnover in the past five years. The average transaction size rose by some HUF 60 million in one year. The increase in value was accounted for by central bank O/N and preferential deposits, interbank transactions, transactions related to intraday clearing in ICS and other central bank transactions (e.g. HUF IRS margin settlements). The increase in total turnover reflected a rise in the average transaction size, primarily in the size of transactions with a value of above HUF 10 billion. The increase in the number of items was mainly due to rises in customer items (10 per cent) and interbank transactions (6 per cent).

Compared with previous quarter, liquidity of VIBER participants was broadly unchanged (increased by 2.6 per cent only). Compared with the same period a year earlier, liquidity rose slightly, by 2.2 per cent. As seen in the previous quarter, VIBER participants did not have to use significant amounts of their credit lines to conduct their payment transactions: maximum utilisation of the intraday credit line at system level fluctuated at low levels (around 8-9 per cent) in the final quarter of 2018. The number of credit institutions resorting to their credit facilities to a larger extent than 90 per cent whilst conducting their financial transactions was broadly unchanged (currently 4-8 participants on a monthly basis). 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 of 2017. The composition of the securities portfolio pledged for the MNB was also largely unchanged: the ratio of government securities, at 75 per cent, continued to be high. Over the year as a whole, the level of liquidity continued to be adequate, changing little in 2018 compared with the previous year: it fluctuated in a band of HUF 2,100-2,500 billion in the past two years. The components of system-level payment liquidity, i.e. the level of credit line, fell slightly in 2018 H1, before stabilising at around HUF 2,000-2,100 in the final quarter of the year; the level

of aggregated account balance was broadly unchanged from 2017 to 2018. As a result of the above, payment liquidity fell slightly from HUF 2,400-2,500 billion at the beginning of 2018 and settled at around HUF 2,200-2,400 billion in the final quarter of the year. The above changes did not lead to an increase in the maximum utilisation of intraday credit line. In 2018, there was no significant change in regard to the timing of transactions compared with the previous year, and the composition of the securities portfolio pledged for the MNB did not change materially either.

As seen in previous years, the upward trend in ICS clearing turnover continued. Compared with the same period of 2017, turnover of the small-value payment system increased by 12 per cent and the number of transaction items by 2 per cent. In 2018 Q4, the volume of ICS turnover increased by 13 per cent and the number of transactions by 10 per cent compared with the previous quarter. This mainly reflected an increase in the turnover of credit transfers initiated in batch and credit transfers. As a result, about 84 million transactions with a total value of HUF 32,000 billion were cleared in 2018 Q4. The number and value of transaction rollovers between the intraday cycles in ICS intraday clearing continued to be insignificant at system level, with larger-value rollovers occurring only in December; however, this affected only two banks on two value days. Over the year as a whole, the value of ICS turnover increased by 12 per cent and the number of transaction items by 4 per cent compared with 2017. The increase in value mainly reflected growth in the turnover of credit transfers initiated in batch and direct debits. The increase in the number of transactions items was mainly due to rises in the number of credit transfers and direct debits. In intraday ICS clearing, the value of transaction rollovers between intraday cycles increased by HUF 23 billion (plus 6,000 items) compared with the previous year; however, it accounted for only a negligible portion of total clearing turnover. Sixty per cent of rollovers affected only two system participants. The increase in rollovers might be attributable to shortage of liquidity and inadequate liquidity management practices.

In 2018 Q4, turnover in the spot capital market guaranteed by KELER KSZF (CCP in Hungary) rose by 16 per cent and turnover in the derivative capital market by 4 per cent compared with the previous quarter. Both spot capital market turnover and derivative turnover nearly doubled compared with the same period a year earlier. The value of open positions in December 2018 fell by 64 per cent in the derivative market compared with September 2018. Over the year as a whole, guaranteed capital market turnover grew by 55 per cent and derivative turnover by some 30 per cent. The value of open positions at the end of 2018 fell by only 7 per cent compared with its level at the end of 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.

MAGYAR NEMZETI BANK
DIRECTORATE FINANCIAL INFRASTRUCTURES
DIRECTORATE STATISTICS

Detailed tables: [Payment table set](#)

Contact information:

Phone: + 36 (1) 428-2750

Fax: + 36 (1) 429-8000

Email: sajto@mbn.hu