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## INFORMATION RELEASE

### Growth in electronic payments continues

*The increase in the number of contactless payment cards within payment cards issued in Hungary and that of devices facilitating contactless payments within POS terminals continued in 2019 Q1. As a result, more than 80 per cent and 87 per cent, respectively, of payment cards and POS terminals facilitated the use of contactless technology at the end of 2019 Q1. The increase in the volume of purchases conducted with payment cards continued uninterrupted, exceeding 21 per cent in terms of both the number of transactions and the total value of purchases. Within purchases conducted with payment cards, contactless payment transactions accounted for nearly 91 per cent. In addition, there was also a significant increase of nearly 8 per cent in the number of HUF credit transfers. The number of direct debits continued to rise at a stable rate of nearly 4 per cent. Following a temporary decline at the end of 2018, turnover of the payment and settlement systems rose again in 2019 Q1. Payment and settlement system liquidity continued to be ample.*

The number of payment accounts managed by domestic payment service providers was slightly above 10.6 million at the end of 2019 Q1. The total number of customer accounts, used primarily for payment purposes, was largely unchanged at nearly 6.7 million. The number of payment cards issued in Hungary continued to rise, with their number exceeding 9.4 million at the end of 2019 Q1. Almost all of the increase of more than 40,000 in the number of cards was related to growth in the number of business cards. The rise in the number of business cards represented an increase of 6 per cent during the last two quarters. In terms of developments in the number of payment cards, the spread of contactless cards continued to be a dominant factor, with an increase of 132,000 compared with the end of 2018. As a result, their percentage share of total payment cards exceeded 80 per cent at the end of 2019 Q1.

In the payment card acceptance network of domestic payment service providers, the number of POS terminals operating at physical merchant acceptance points and acceptance points fell in 2019 Q1, although by a slight margin. Compared with the end of 2018, there were 2,000 and 435 less acceptance points and terminals, respectively, available for customers at the end of 2019 Q1. For the first time since 2016 Q3, there was also a decline in the number of online acceptance points, with a drop of 298 compared with the end of the previous quarter. Nevertheless, the number of POS terminals facilitating contactless payment continued to rise. As a result of the 1.2 per cent increase, their number and percentage share of the total number of terminals exceeded 125,000 and 87 per cent, respectively, at the end of 2019 Q1.

The number and total value of purchases conducted with domestically issued payment cards in Hungary both rose by more than 21 per cent in 2019 Q1 compared with the same period of the previous year. As a result, the number of payment card purchases conducted in the period exceeded 202 million and their value was close to HUF 1,425 billion. Within this, purchases conducted via the Internet where presentation of a physical card is not required grew

sharply, with an increase of 28 per cent in the number of online purchases and 35 per cent in their value. However, their share of the total volume of purchases remained low. Purchase transactions conducted with domestically issued contactless payment cards in the Hungarian acceptance network accounted for 90.6 per cent of total payment card purchases conducted at physical merchant acceptance points. This represented a 7.4 percentage point increase compared with the same period of 2018. The number of cash withdrawal transactions conducted with domestically issued payment cards was broadly unchanged compared with the same period a year earlier; however, the total value of cash withdrawal increased by 9 per cent, with their total value reaching HUF 1,900 billion in 2019 Q1.

The total number of individual HUF credit transfers initiated at domestic payment service providers was 7.7 per cent higher in 2019 Q1 than in the same period a year earlier; however, the total value of credit transfers fell by nearly 1 per cent. As a result, the number of HUF credit transfers was close to 64 million and their value slightly exceeded HUF 153,000 billion in 2019 Q1. It is noteworthy that, with the spread of digitalisation, electronic channels are becoming increasingly popular. Accordingly, the number of transactions initiated by means of paper or telephone declined by more than 10 per cent, while the number of items submitted via the Internet and mobile phones rose by nearly 12 per cent compared with the same period of 2018. The stable increase in the volume of direct debits primarily used for paying utility bills and other invoices continued. Here, the number and value of transactions grew by nearly 4 per cent and some 8 per cent, respectively, compared with 2018 Q1.

In 2018 Q4, the number of frauds committed with payment cards was less than 21,000 and the value of financial loss caused was HUF 512 million, which continued to be negligible compared with the total volume of payment card transactions. In terms of frauds, card not present online purchase transactions continue to be dominant. These accounted for 88 per cent of the number and value of loss caused. There continued to be little change in terms of the direction of transactions, with the vast majority of frauds continuing to be related to cross-border transactions. However, due to the legislative background favouring consumers, card holders only had to incur 6 per cent (about HUF 25.2 million) of the total value of financial loss written off on the issuer side. The number of frauds committed in the Hungarian payment card acceptance network and the total value of financial loss caused both declined compared with a year earlier. The number of frauds was 1,217, falling by 26.1 per cent, and the value of loss caused amounted to slightly more than HUF 83 million, down 5.5 per cent compared with the final quarter of 2017.

In 2019 Q1, Hungarian payment service providers made a total revenue of nearly HUF 134 billion from the provision of payment services. This represented an increase of nearly 10 per cent compared with the same period a year earlier. Within total revenues, those related to credit transfers (23.5 per cent) as well as payment accounts and account management (19.4 per cent) were the most significant items. Revenues of financial service providers related to payment card acceptance rose by 15.3 per cent compared with 2018 Q1 and exceeded HUF 10 billion.

In 2019 Q1, VIBER turnover increased by 4 per cent in value and by 5 per cent in volume compared with 2018 Q4. On a year-on-year basis, turnover rose by 5 per cent and the number of items by 15 per cent. The increase in turnover is mainly related to higher-value items (of over HUF 2.5 billion) and primarily attributable to the interbank transactions, whereas the increase in volume is associated with interbank, customer and other central bank transactions. Due to the increase in volume, the average transaction size in VIBER fell by nearly HUF 10 million

compared with the previous quarter and by some HUF 80 million during the course of the year. A total of 440,000 items were completed in the review period in a value of HUF 350,000 billion.

Compared with previous quarter, liquidity of VIBER participants increased slightly by 4 per cent and was broadly unchanged compared with the same period of a year earlier. 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 7–10 per cent) in 2019 Q1. The number of credit institutions resorting to their credit facilities to a larger extent than 90 per cent to conduct their financial transactions was broadly unchanged (currently 4–6 participants on a monthly basis). Intraday timing of VIBER transactions is one of the key tools of banks' liquidity management. Compared with the same period a year earlier, transactions were executed with a slight delay (of 30-45 minutes of average) which was particularly significant in the afternoon hours (between 2 pm and 5 pm). There was little change however compared with previous quarter, in terms of timing. 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.

The upward trend in ICS clearing turnover, as seen in previous years, continued. Compared with the same period of 2018, turnover of the small-value payment system increased by 8 per cent and the number of transactions by 5 per cent in 2019 Q1. However, considering the beginning of past years, usually a slight, temporary decrease of turnover can be observed. Consequently, the volume of ICS turnover fell by 11 per cent and the number of transactions by 6 per cent in 2019 Q1 compared with the previous quarter. The annual increase mainly reflects growth in the turnover of individual credit transfers. The quarterly decline in value is mostly related to the fall of individual credit transfers whereas the decrease in volume is attributable to the drop of credit transfers initiated in batch. Overall, around 79 million transactions with a total value of HUF 29,000 billion were cleared in 2019 Q1. 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 March; however, this affected only two banks on a total of two value dates.

In 2019 Q1, turnover in the spot capital market guaranteed by KELER KSZF (CCP in Hungary) halved compared to the previous quarter. Turnover in the derivative capital market declined by 80 per cent during the period. On a year-on-year basis, spot capital market turnover fell by 20 per cent and derivative turnover by 60 per cent. The value of open positions in March 2019 fell by 7 per cent in the derivative market compared with the final quarter of 2018 and by 6 per cent on a YoY-basis.

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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