



16 September 2019

## INFORMATION RELEASE

### Rapid increase in payment card turnover continues

*In 2019 Q2, payment card infrastructure continued to expand with regards to the number of physical merchant acceptance points and POS terminals operating at merchant outlets. The development in the technology allowing contactless payment also continued. As a result of the above, the rapid increase in payment card turnover continued, with the number of transactions exceeding 17 per cent and moving close to 21 per cent in terms of their value. In addition to domestic transactions conducted with payment cards issued in Hungary, foreign turnover rose significantly by over 30 per cent and the share of internet purchases is becoming increasingly prominent as well. Turnover of the payment and settlement systems grew slightly in 2019 Q2 and the payment and settlement system liquidity continued to be ample.*

The number of payment accounts managed by domestic payment service providers was around 10.6 million at the end of 2019 Q2, which does not represent a significant change relative to the previous quarter. Within this, the total number of customer accounts, used primarily for payment purposes, was unchanged at nearly 6.7 million. At the same time, primarily due to the increase of 50,000 in cards held by households, the number of payment cards issued in Hungary continued to rise, nearing 9.5 million at the end of 2019 Q2. In addition, 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 over 144,000 compared with 2019 Q1. As a result, their percentage share of total payment cards exceeded 81 per cent at the end of 2019 Q2.

In the payment card acceptance network of domestic payment service providers, following the slight decline in previous quarters, the number of physical merchant acceptance points and POS terminals operating at merchant outlets rose again. Relative to the end of 2019 Q1, there were nearly 1,000 more acceptance points and 3,000 more devices, mainly with contactless payment function, available for customers, their numbers were over 115,000 and 147,000, respectively. The number of POS terminals facilitating contactless payment exceeded 128,000 at the end of 2019 Q2 as a result of an over 2 per cent increase. Following the decline in the previous quarter, the number of online acceptance points continued to rise by over 1,000 relative to the end of the previous quarter and as a result, amounted to nearly 13,000 representing a nearly 9 per cent increase.

The dynamic increase in the number of domestic purchase transactions conducted with payment cards issued in Hungary continued. The number and total value of domestic transactions grew by 17 per cent and 21 per cent, respectively in 2019 Q2 compared with the same period of 2018. The number and total value of purchases conducted with domestically issued payment cards abroad rose even more significantly by over 30 per cent. As a result, the number of payment card purchases was over 244 million, their total value was above HUF 1,850 billion; here, the number of domestic transactions was over 223 million and their value close to HUF 1,610 billion in 2019 Q2. The purchases conducted via the Internet where presentation of a physical card is not required continued to expand substantially compared with the same period a year earlier. The number and total value of domestic

transactions increased by nearly 30 per cent and 42 per cent, respectively. The number and total value of transactions conducted abroad also rose by 38 per cent and 43 per cent, respectively. The share of the number and total value of all purchase transactions conducted via the Internet within all payment card purchase transactions are close to 14 per cent and 21 per cent, respectively. Purchase transactions conducted with domestically issued contactless payment cards in the Hungarian acceptance network accounted for nearly 92 per cent of total payment card purchases conducted at physical merchant acceptance points. This represented an over 6 percentage point increase compared with the same period of 2018.

The number of cash withdrawals conducted with domestically issued payment cards in Hungary fell by nearly 2 per cent in 2019 Q2 compared with the same period of the previous year. The value of cash withdrawals rose by 6 per cent and exceeded HUF 2,124 billion. As a result, the value per one withdrawal was over HUF 78,000.

The total number of individual HUF credit transfers initiated at domestic payment service providers was nearly 3 per cent higher in 2019 Q2 than in the same period a year earlier; however, the total value of credit transfers fell by over 2 per cent. As a result, the number of HUF credit transfers was close to 64 million and their value slightly exceeded HUF 157,000 billion in 2019 Q2.

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 over 3 per cent and nearly 8 per cent, respectively, compared with 2018 Q2.

In 2019 Q1, the number of frauds committed with payment cards issued in Hungary was less than 17,000 and the value of financial loss caused was below HUF 385 million. Although the number of frauds rose by 14 per cent compared to 2018 Q1, the value of financial loss was more than 5 per cent less. In addition, the number of frauds and the value of financial loss caused 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, the share of their number and the total value of financial loss caused, is nearly 87 and 85 per cent, respectively. There was no significant change in the direction of fraudulent transactions either, with the vast majority of frauds continuing to be related to cross-border transactions. The share of their number and the total value of financial loss caused was 84 per cent and 88 per cent, respectively. However, due to the legislative background favouring consumers, card holders only had to incur slightly more than 7 per cent (about HUF 33 million) of the total value of financial loss written off on the issuer side.

In 2019 Q2, Hungarian payment service providers made a total revenue of nearly HUF 146 billion from the provision of payment services. This represented an increase of over 10 per cent compared with the same period a year earlier. Within total revenues from payment services, those related to credit transfers (24 per cent) as well as payment accounts and account management (19 per cent) continued to be the most significant items. The volume of the revenue obtained through credit transfer transactions rose by 13 per cent (nearly HUF 4 billion) compared with the same period of 2018. Revenues of payment service providers related to payment card acceptance rose by over 21 per cent compared with 2018 Q2 and was close to HUF 13 billion. Within this, the amount of revenues collected from interchange fees rose significantly by some 60 per cent, which is primarily associated with an increase in corporate cards fees.

On a year-on-year basis, turnover fell by 3 per cent and the number of items rose by over 6 per cent. VIBER turnover grew slightly, both its total value and number increased by 2 per cent in 2019 Q2, relative to 2019 Q1. The increase in turnover is mainly related to higher-value items (of over HUF 2.5 billion). The increase in volume primarily reflected the rise in the number of interbank, security and ICS transactions, while the frequency of turnover is mainly attributable to an increase in the number of interbank and security transactions. Since the increase in both the total value and the number of turnover was of similar magnitude relative to the previous quarter, the average transaction size settled in VIBER remained broadly unchanged. A total of 450,000 items were completed in the review period in a value of HUF 355,000 billion.

Compared with previous quarter, liquidity of VIBER participants increased slightly by 2 per cent whereas on a YoY-basis it grew by 4 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 9-12 per cent) in 2019 Q2. The composition of the securities portfolio pledged for the MNB was also largely unchanged: the ratio of government securities, at 74 per cent, continued to be high.

The upward trend in Interbank Clearing System (ICS) clearing turnover, as seen in previous years, continued. Compared with the same period of 2018, turnover of the retail payment system increased by 13 per cent and the number of transactions by 7 per cent. In a quarterly comparison, the value and number of ICS turnover rose by 10 per cent and by 7 per cent respectively. The increase in value was mainly caused by individual credit transfers, and the rise in volume reflected an increase in the number of individual credit transfers and credit transfers initiated in batch. Overall, around 84 million transactions with a total value of HUF 31,000 billion were cleared in 2019 Q2. 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 May; however, this affected only two banks on a total of two value dates. Transactions queued again in the overnight settlement for the first time in four years. This happened primarily due to individual liquidity management errors by banks, and not due to actual liquidity shortage.

In 2019 Q2, turnover in the spot capital market guaranteed by KELER KSZF (CCP in Hungary) fell by some 21 per cent compared to the previous quarter. Turnover in the derivative capital market rose by 21 per cent during the period. On a year-on-year basis, spot capital market turnover fell by 24 per cent and derivative turnover by 42 per cent. The value of open positions in June 2019 fell by 25 per cent in the derivative market compared with March 2019 and by nearly 50 per cent on a YoY-basis.

#### **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: [info@mnbb.hu](mailto:info@mnbb.hu)