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INFORMATION RELEASE

Rapid increase in payment card turnover continues growingly driven by online purchases

In 2019 Q3, the number of payment cards and within this that of cards facilitating contactless payments continued to grow. The expansion in the volume of electronic payments primarily continues to be a result of the dynamic growth of the number and total value of purchases conducted with payment cards. The purchases conducted with domestically issued payment cards in Hungary rose by 19 per cent in terms of transaction number and by 22 per cent in terms of value relative to 2018 Q3. In addition to domestic card payment transactions conducted at merchants, online purchases with cards are becoming increasingly popular, with a 35 per cent increase in terms of their number and a 51 per cent increase in terms of their value compared with the same period of 2018. In the case of credit transfers and direct debits the stable growth of previous periods also continued, with the total value of individual HUF credit transfers rising by over 13 per cent which exceeded significantly the previous levels. In addition, frauds committed with payment cards declined substantially on both the issuer and acquirer sides considering the loss caused. Turnover of the payment and settlement systems grew slightly in 2019 Q3 and the payment and settlement system liquidity continued to be ample.

The number of payment accounts managed by domestic payment service providers was close to 10.6 million in 2019 Q3, which does not represent a significant change relative to the previous quarter. There were no significant changes in the structure of accounts either; however, the number of customer accounts primarily used for payment purposes rose slightly, exceeding 6.7 million in 2019 Q3. The number of payment cards issued in Hungary increased by 81 thousand relative to 2019 Q2, exceeding 9.4 million at the end of the period. Within this, the share of debit cards remained dominant with over 86 per cent in 2019 Q3. Furthermore, the number of contactless cards also grew further, as a result of an increase of nearly 226,000, their number was over 7.8 million, and their share was above 83 per cent of all payment cards. The number of physical merchant acceptance points belonging to the payment card acceptance network of domestic payment service providers, and the number of POS terminals operating at physical merchant acceptance points declined slightly by below 1 per cent relative to 2019 Q2; however, the number of acceptance points remained around 115,000, and the number of terminals over 145,000. The services of non-resident participants, not subject to reporting obligation to the Magyar Nemzeti Bank, may contribute to the changes in the domestic payment card acceptance network. However, the share of devices facilitating contactless payments grew by nearly 1 percentage point reaching over 88 per cent.

The dynamic growth of payment card purchases in Hungary continued in 2019 Q3. The 236 million purchases conducted with domestically issued payment cards in Hungary in a total value of nearly HUF 1,699 billion indicated

a nearly 19 per cent and 22 per cent increase in terms of the number and value relative to 2018 Q3. Within this, the ratio of online purchases is becoming increasingly prominent. At merchants there was a 17 per cent increase in the number and total value of transactions, while in terms of online purchases the rise was nearly 35 per cent and 51 per cent, respectively. As a result, the number of online purchase transactions within all purchase transactions was above 9 per cent with its total value accounting for over 16 per cent. Furthermore, the use of payment cards abroad also increased significantly in 2019 Q3 compared with the same period a year earlier. The number of purchases conducted with domestically issued payment cards abroad increased by more than 31 per cent and was close to 25 million with its total value reaching HUF 302 billion following an increase of nearly 36 per cent. The contactless technology also continued to gain ground. Relative to 2018 Q3, the number of contactless purchase transactions conducted with domestically issued payment cards in the Hungarian acceptance network was close to 93 per cent following an increase of 5 percentage points and their total value reached almost 86 per cent as a result of a 7 percentage point increase within all transactions conducted at POS terminals. The number of cash withdrawals conducted with payment cards declined slightly by 1 per cent in 2019 Q3 compared with the period a year earlier; however, their value rose further by 8 per cent. Consequently, the value per one transaction was close to HUF 82 thousand following an increase of over 8 per cent.

The number of individual HUF credit transfers continued to rise at a stable rate as seen earlier. In 2019 Q3 there was an increase of over 5 per cent relative to 2018 Q3. As a result, the number of individual HUF credit transfers was nearly 64 million. However, in terms of the total value, there was a more significant increase of over 13 per cent than seen earlier due to non-recurring transactions conducted by certain payment service providers' clients. As a result, the total value of individual HUF credit transfers was close to HUF 175,000 billion. The stable increase seen earlier also continued in terms of the turnover of direct debits, their number relative to a year earlier rose by nearly 5 per cent exceeding 19 million, their value was above HUF 232 billion following a rise of nearly 6 per cent.

Although in 2019 Q2, the number of frauds committed with payment cards on the issuer side rose by over 17 per cent relative to a year earlier, moving close to 18 thousand, the value of financial loss caused by fraud was below HUF 320 million following a decline of nearly 18 per cent. It is still typical that the frauds were primarily connected to online purchases, which do not require the physical presence of payment cards. Over 86 per cent of the number of frauds, and nearly 88 per cent of the value of financial loss caused by fraud can be related to these transactions. In addition, due to the legislative background favouring consumers, card holders only had to incur less than 9 percent (HUF 29 million) of the total value of the financial loss on the issuer side in 2019 Q2. On the acquirer side, both the number of frauds and the value of financial loss fell significantly relative to a year earlier. The number of frauds declined by 41 per cent to 1,272, and the total value of financial loss decreased by 27 per cent to HUF 58 million. As a result, the ratio of frauds to total turnover continues to be insignificant.

In 2019 Q3, financial institutions reached a total revenue of nearly HUF 152 billion from providing payment services which represented a significant increase of nearly 12 per cent compared to the same period of the preceding year. The largest revenues were still reached in relation to credit transfers, which represented nearly 24 per cent of all revenues. The revenues reached by payment service providers related to payment card acceptance services rose significantly by nearly 45 per cent compared to the same period a year earlier and moved close to HUF 14 billion driven by the increase in turnover and the rise in interchange fees related to business cards.

In 2019 Q3, VIBER turnover increased by 11 per cent in value and by 5 per cent in volume compared with 2019 Q2. Turnover also rose by 7 per cent and the number of items by 11 per cent compared with the same period a year earlier. The increase in turnover is mainly related to higher-value items (of over HUF 2.5 billion). The higher turnover value primarily reflects the rise in interbank and securities transactions, whereas the increased volume is mainly attributable to the rise of interbank, customer and other central bank related items. Due to the significant increase in value, the average transaction size in VIBER expanded by HUF 45 million relative to 2019 Q2; while it decreased by HUF 33 million year-on-year as a result of the higher volume. A total of 473,000 items were settled in the review period in a value of nearly HUF 395,000 billion.

Compared with previous quarter, liquidity of VIBER participants increased slightly by 2 per cent whereas on a YoY-basis it grew by 11 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 8–10 per cent) in 2019 Q3. The composition of the securities portfolio pledged for the MNB was also largely unchanged: the ratio of government securities continued to be high: it only declined slightly from 75 per cent to 70 per cent, marginally increasing the share of bonds and mortgage bonds at the same time.

The turnover in the retail payment system rose by 14 per cent, the number of transactions increased by 8 per cent year-on-year. In a quarterly comparison, the value of ICS turnover remained broadly unchanged, it only rose by 2 per cent, the number of transactions fell slightly by 1 per cent relative to 2019 Q2. The year-on-year growth in value was mainly caused by the individual credit transfers, whereas the rise in volume reflected the increase in the number of individual credit transfers and credit transfers initiated in batch. Overall, around 83 million transactions with a total value of HUF 32,000 billion were cleared in 2019 Q3. At system level, the number and value of transactions rolled over between cycles in intraday clearing of the ICS continued to be negligible with larger-value rollovers occurring in July and August; this affected three banks on a total of 11 value dates, out of which 6 belonged to one system participant. Also, transactions queued again in the overnight settlement in August. These occurred primarily due to individual liquidity management errors conducted by banks and not because of actual liquidity shortage. Furthermore, the six intraday rollovers affected only one small bank which can be considered a marginal participant at macro level.

In 2019 Q3, turnover in the spot capital market guaranteed by KELER KSZF (CCP in Hungary) rose by some 14 per cent compared to the previous quarter. Turnover in the derivative capital market rose by 24 per cent during the period. On a year-on-year basis, spot capital market turnover fell by 43 per cent and derivative turnover by 50 per cent. The value of open positions in September 2019 rose by 70 per cent in the derivative market compared with June 2019 and fell by 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.

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Detailed tables: [Payment table set](#)

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