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INFORMATION RELEASE

Instant payment starts successfully and electronic payments continue to grow in 2020 Q1

In 2020 Q1, the number of payment cards and, in line with the outbreak of the coronavirus pandemic, as a result of the rapid growth in home delivery services and preference to contactless payments, the number of virtual merchant outlets accessed via internet increased significantly. The expansion in electronic payments continued to result mainly from dynamic growth in the number and value of payment card purchases. The number and value of domestic purchases conducted with payment cards issued in Hungary grew by 13 per cent and 23 per cent, respectively, compared with 2019 Q1. Online card purchases, which number and value rose by 38 and 50 per cent, respectively, contributed strongly to the expansion in turnover, compared with the same period of 2019. In the case of credit transfers, the stable upward trend characterising earlier periods also continued, with the value of individual forint credit transfers increasing significantly, by almost 12 per cent, compared to the same period of the previous year. The start of instant payment service on 2 March 2020, representing a milestone in domestic payments, also contributed to this outstanding growth. Turnover of the payment and settlement systems continued to grow in 2020 Q1. Payment and settlement system liquidity continued to be ample.

The number and composition of payment accounts managed by domestic payment service providers were barely changed in 2020 Q1, with their number being slightly more than 10.4 million. In addition, the number of customer accounts primarily used for payment purposes was still approximately 6.7 million. The number of domestically issued payment cards was nearly 9.6 million, reflecting an increase of 185,000. This represented an increase of 2 per cent relative to the end of 2019. Within payment cards, debit cards continued to be dominant, with their percentage share being nearly 87 per cent at the end of 2020 Q1 following a slight increase. The number of contactless cards continued to rise, with their number being close to 8.3 million. This reflected an increase of nearly 247,000 or 3.1 per cent relative to the end of 2019. Their percentage share of total payment cards was more than 86 per cent. In 2020 Q1, there was a slight increase of less than 1 per cent in both the physical merchant acceptance points belonging to the payment card acceptance network of domestic payment service providers and the POS terminals operating at the acceptance points.. The number of acceptance points and terminals, respectively, was close to 115,000 and 148,000. Nevertheless, the expansion of foreign service providers in Hungary, not obliged to report data to the MNB, biases these numbers downwards, as they increasingly provide cross-border card acceptance services and operate POS terminals in Hungary. The number of virtual merchant outlets accessed via internet increased by 8 per cent to exceed 14,000. The swift expansion in home delivery services as an effect of the coronavirus pandemic may have strongly contributed to this growth.

The volume of purchase transactions conducted with payment cards continued to grow also in 2020 Q1. The approximately 228 million purchase transactions conducted with payment cards issued in Hungary in a total value of HUF 1,754 billion reflected an increase of 13 and 23 per cent, respectively, in the number and value compared with 2019 Q1. There was also a strong growth in the use of domestically issued cards abroad relative to the same period a year earlier. The number and value of cross-border purchase transactions was nearly 23 million and HUF 280 billion, respectively, rising by 16 per cent in number and by 26 per cent in value. In terms of developments in turnover; however, there was a strong expansion in online payment card purchases due to the rapidly spreading home delivery services as a result of the coronavirus epidemic, as well as the related conscious consumer behaviour. The number and value of domestic payment card transactions conducted at physical merchant acceptance points rose by 10 and 18 per cent, respectively, compared with a year earlier, indicating a slight slowdown relative to earlier periods and may be related to the negative economic effects of the outbreak of the coronavirus pandemic in March; however, the number and value of domestic online payment card purchases increased sharply, by 38 and 50 per cent, respectively. In terms of transactions conducted abroad, the difference is even more significant, partly reflecting a decline in, and restrictions on, cross-border travels. Although the number of cross-border payment card transactions conducted at physical merchant acceptance points increased by 8 per cent in 2020 Q1 relative to the same period of 2019, their value declined by more than 2 per cent. The number and value of cross-border online payment card transactions rose by 19 and 38 per cent, respectively. As a result, the number and value of online purchase transactions within total purchase transactions accounted for more than 17 and 27 per cent, respectively. There was a major shift from traditional towards contactless purchase transactions, which may be further supported in the future by the increase in the value limit of mandatory PIN usage from HUF 5,000 to 15,000 in terms of contactless payment card transactions. Compared with 2019 Q1, the number of contactless payment card transactions conducted in the Hungarian acceptance network within total purchase transactions conducted on POS terminals accounted for nearly 93 per cent after increasing by 4.3 percentage points, with their value exceeding 85 per cent following an increase of 6.8 percentage points.

The number of cash withdrawals conducted with domestically issued payment cards fell significantly, by more than 4 per cent, in 2020 Q1 compared with the same period a year earlier; however, the total value of cash withdrawals grew by more than 8 per cent. As a result, the value of withdrawals per transaction was close to HUF 87,000 following an increase of more than 13 per cent.

The total number of individual forint credit transfers continued to rise steadily in 2020 Q1, growing by nearly 3 per cent relative to 2019 Q1. As a result, the number of individual forint credit transfers was close to 66 million. The total value of credit transfers increased more strongly, by nearly 12 per cent, which may have been due to the launch of the instant payment system on 2 March 2020. As an effect, the total value of individual forint credit transfers was above HUF 172,000 billion in 2020 Q1. Growth in the volume of direct debits also continued. Their number rose by nearly 1 per cent to exceed 19 million and their value by more than 2 per cent to slightly less than HUF 249 billion relative to the same period of 2019.

In 2019 Q4, the number of frauds committed with payment cards on the issuer side was less than 15,000 after falling by nearly 29 per cent relative to a year earlier. The value of financial loss caused by frauds was slightly more than HUF 280 million following a decline of more than 45 per cent. However, it is still typical that frauds were

connected primarily to online purchases, which do not require the physical presence of payment cards. Nearly 88 per cent of the number of frauds and more than 89 per cent of the value of financial loss caused by frauds were related to these transactions. Due to the legislative background favouring consumers, card holders had to incur only slightly more than 10 per cent, i.e. HUF 34 million, of the total value of financial losses on the issuer side during the quarter. At the same time, both the number of frauds and the value of losses caused on the acquirer side increased significantly relative to the same period of 2019. The number of frauds rose by 147 per cent to 3,000 and the value of losses by 57 per cent to HUF 131 million. Nevertheless, the ratio of payment card frauds to total turnover continued to be insignificant. Similarly, other successful frauds committed in electronic payments accounted for a small share; however, their number and value increased relative to earlier periods. There were 57 successful fraud attempts in 2020 Q1, amounting to a total loss of HUF 261 million.

In 2020 Q1, payment service providers had a total revenue of nearly HUF 141 billion from providing payment services. This represented an increase of nearly 6 per cent compared with the same period of 2019. Credit transfers continued to represent the largest part of revenues, accounting for more than 24 per cent of them. Revenues realised by payment service providers related to payment card acceptance services grew by nearly 23 per cent compared with the same period a year earlier, amounting to nearly HUF 13 billion, most of which resulted from the increase in turnover.

In 2020 Q1, VIBER turnover increased by 13 per cent, with the number of transactions growing by 3 per cent relative to the final quarter of 2019. Turnover also rose on a year earlier, by 35 per cent in terms of value and by 9 per cent in terms of the number of items. The increase in turnover was mainly related to higher-value items (of over HUF 10 billion). The significant increase in turnover value relative to a year earlier primarily reflected rises in interbank and securities transactions, and the increase in the number of transactions was due mainly to growth in interbank transactions. As a result of the significant increase in value, the average transaction size in VIBER grew by HUF 190 million relative to the same period a year earlier. Over the period as a whole, a total of 481,000 items were settled amounting to some HUF 471,000 billion.

Compared with the previous quarter, liquidity of VIBER participants increased slightly (by 4 per cent), whereas it grew by 5 per cent relative to the same period 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 5-11 per cent) in 2020 Q1. The composition of the securities portfolio pledged for the MNB barely changed: at 66-68 per cent, the ratio of government securities continued to be high.

In 2020 Q1, Interbank Clearing System (ICS) turnover rose by 11 per cent and the number of transactions by 4 per cent relative to a year earlier. The year-on-year increase in value partly reflected an expansion in individual credit transfers and the start of instant payments. In 2020 Q1, a total of 82 million transactions were settled, amounting to a total of HUF 32,000 billion, of which a total of 9.7 million amounting to HUF 1,400 billion were settled in the first month of the instant payments system since its go-live date on 2 March 2020. System participants provided ample liquidity to ensure smooth execution of payments. In March, credit loans were granted 11 times outside VIBER operating hours, amounting to a total of HUF 2.9 billion. Due to the automatic liquidity transfer mechanism

built into the system, liquidity injections took place well before the occurrence of liquidity risk. Consequently, payment turnover of none of the system participants was stopped due to shortage of liquidity.

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@mnb.hu