



INFORMATION RELEASE

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Spring wave of the coronavirus pandemic also affects payments

The adverse effects of the outbreak of the coronavirus pandemic did not have a significant effect on the domestic payments infrastructure; however, there was a substantial decline in turnover data for almost all payment methods in 2020 Q2. Primarily, this reflected consumers' cautious approach to the restrictive measures implemented and a slowdown in the economy. As a result, growth in the volume of purchase transactions conducted with payment cards, considered as the flagship of electronic transformation in recent years, slowed significantly, within which only transactions related to online purchases appeared as exceptions reflecting the rapid increase in popularity of home delivery services and webshops. The earlier stable growth in credit transfers and direct debits also turned into a decline relative to the same period a year earlier. Presumably, there was an even stronger decline in cash transactions; therefore, the share of electronic payments may have risen to a relatively larger extent. This is also supported by the fact that the number and value of cash withdrawals fell significantly year on year. Probably as a result of the coronavirus pandemic, turnover of payment systems fell in 2020 Q2; however, payment and settlement system liquidity continued to be ample.

The number of payment accounts managed by domestic payment service providers was 10.5 million in 2020 Q2, which does not show a significant change relative to the previous quarter. There were no substantial changes within payment accounts either. As a result, the number of customer accounts, used primarily for payment purposes, remained unchanged at nearly 6.7 million. There were no significant changes in domestically issued payment cards. Their number was slightly below 9.6 million at the end of the period; however, due to the increase of over 237,000 in the number of contactless cards, their share within all payment cards came close to 89 per cent indicating an increase of 2.6 percentage points relative to 2020 Q1.

Following an increase in the payment card acceptance network of domestic payment service providers in the previous quarter, the number of physical acceptance points fell again. As a result of the slight decline of nearly 2,000, their number was just over 112,000 at the end of the period. Nevertheless, the number of online acceptance points continued to rise, approaching 15,000 at the end of 2020 Q2 after an increase of nearly 6 per cent. The positive change may have been supported by the rapidly growing popularity of different home delivery services and webshops as a result of the prolonged effects of the coronavirus pandemic. Although the number of POS terminals operating at physical merchant acceptance points rose modestly, it remained slightly above 152,000 at the end of the period. However, due to the increase of more than 1,000 in the number of devices facilitating contactless payments, their share of all POS terminals was over 89 per cent.

As a result of the prolonged coronavirus pandemic, there was a significant decline in the turnover of most payment methods due to consumers' precautionary considerations and the economic slowdown. Consequently, the previous dynamic expansion in purchase turnover conducted with domestically issued payment cards also stalled. Although

the value of transactions rose by 9 per cent in 2020 Q2 relative to the same period a year earlier, the number of transactions declined by over 3 per cent. As a result, there were 236 million transactions conducted using domestically issued cards in a total value of HUF 2,018 billion.

Due to the general cautious approach to travelling and the restrictions introduced, there was a decline especially in cross-border transactions conducted at physical merchant acceptance points. The number and value of these transactions were nearly 47 per cent and 60 percent lower, respectively, year on year. As for domestic transactions at physical merchant acceptance points, there was an 8 per cent decline in the number of transactions; however, the value of these purchases rose by more than 5 per cent. This may be attributable to consumers' cautious approach, which was reflected in significantly fewer visits to physical stores, while at the same time, it was paralleled by a slight increase in the size of the average consumer basket. However, it is likely that cash transactions may have fallen even more sharply, leading to a relatively larger growth in the share of electronic payments. This is also indicated by the fact that the number of cash withdrawals using domestically issued payment cards fell strongly. In Hungary, the number of transactions and the value of cash withdrawn declined by 23 and 13 per cent, respectively, relative to 2019 Q2. The number and value of foreign transactions fell by 47 and 37 per cent, respectively.

From a payments perspective, online stores came out as the clear winners of the prolonged coronavirus pandemic, with the value of domestic and cross-border online payment card purchases increasing significantly. In Hungary, the number and value of transactions rose by 43 and nearly 50 per cent, respectively, relative to 2019 Q2. With regard to cross-border transactions, the data show an increase of 18 and 12 per cent, respectively. Thus, the share of online purchases within all purchase transactions conducted with payment cards in terms of the number and value has already exceeded 19 and 27 per cent, respectively.

In the payment card acceptance network of Hungarian payment service providers, card use by non-residents fell by the largest margin: payment turnover declined by nearly 68 per cent both in terms of the number of transactions and their value relative to the same period of 2019.

Regarding contactless payment card purchases, the share of contactless transactions conducted with domestic payment cards accounted for nearly 94 per cent within all payment card purchases at physical acceptance points. This represented an increase of more than 2 percentage points relative to the same period of the previous year. This may also have reflected the fact that, following the MNB's initiative promoting a reduction in physical contacts between people to a minimum, the Hungarian government increased the value limit of mandatory PIN entry from HUF 5,000 to 15,000 in terms of contactless payment card purchase transactions, effective from 15 April 2020.

The total number of individual forint credit transfers initiated at domestic payment service providers fell by more than 4 per cent in 2020 Q2 compared to the same period of the previous year, with the value of credit transfers falling by nearly 3 per cent. As a result, the number of individual forint credit transfers slightly exceeded 62 million and their value stood at less than HUF 153,000 billion. A similar trend was observed in the turnover of direct debits, used mainly to pay for utility services and meet other regular bills, with the number of transactions falling by more than 3 per cent and their value by nearly 9 per cent relative to 2019 Q2.

In 2020 Q1, the number of fraudulent transactions related to payment cards on the issuer side slightly exceeded 16,000. The value of financial loss caused by frauds was marginally above HUF 363 million. As a result, the number of frauds fell by 4.5 per cent and their value by 5.5 per cent compared to 2019 Q1. Therefore, the number of fraudulent transactions and the value of financial loss caused by frauds continued to be insignificant compared to total payment card turnover. However, it is still typical that frauds are connected primarily to online purchases, which do not require the physical presence of payment cards. About 91 per cent of the number of frauds and 85 per cent of financial loss caused by frauds were related to these transactions. There was no decisive change in terms of the direction of fraudulent transactions either: cross-border transactions continued to account for the majority of frauds, which represented 89 and 94 per cent, respectively, of the number and the value of frauds caused. Nevertheless, due to the legislative background favouring consumers, card holders had to incur only slightly more than 13 per cent, i.e. a total of HUF 75 million, of the total value of financial losses on the issuer side during the quarter. In non-card related electronic payments, the number of successful fraud attempts, at 92, and the value of loss caused, at HUF 305 million, were extremely low compared to total turnover.

In 2020 Q2, payment service providers realised a total revenue of nearly HUF 131 billion from providing payment services. This represented a more than 10 per cent decline compared with the same period of the previous year. This mainly reflected the fall in total turnover. Within revenues related to payment services, items related to credit transfers, 25 per cent, as well as to account packages and account management, at 20 per cent, continued to represent the largest part. Revenues realised by payment service providers related to payment card acceptance services fell by more than 9 per cent compared to 2019 Q2, amounting to less than HUF 12 billion. Within this, revenues collected in connection with interchange fees declined sharply, by around 19 per cent; however, fees related to POS terminals increased by nearly the same amount.

In 2020 Q2, the total value of VIBER turnover fell by 21 per cent and the number of transactions by 9 per cent relative to the previous quarter. On a year-on-year basis, turnover did not change significantly. The decline in turnover compared to the previous quarter was mainly related to higher-value transactions (over HUF 2.5 billion), and was due to the decrease in interbank transactions. As the decline in turnover value was greater than that in the number of transactions, average transaction size in VIBER fell by HUF 128 million relative to the previous quarter. Over the period as a whole, a total of 436,000 items were settled in the amount of HUF 371,000 billion.

Liquidity of VIBER participants increased by 21 per cent compared with the previous quarter and by 25 per cent on a YoY-basis. The growth of liquidity can be attributed to the increase in intraday credit lines. 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 2020 Q2. Government securities continued to account for a very high share within the composition of the securities portfolio pledged for the MNB (~65-66 per cent). Also, new types of securities appeared in the portfolio, including the investment certificates and corporate loans (representing 6 per cent and 0.1 per cent, respectively).

In 2020 Q2, Interbank Clearing System (ICS) turnover was largely unchanged relative to the same period a year earlier. A total of 84 million transactions were settled in the review period, amounting to a total of HUF 31,000

billion, of which 26 million items were settled in the instant payment system in 2020 Q2 in the amount of HUF 3,800 billion. System participants provided ample liquidity to ensure the smooth execution of payments.

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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