



## INFORMATION RELEASE

15 December 2020

### **Life is back on track in payments by the summer months in many respects as the negative effects of the coronavirus pandemic unwind temporarily \***

*With the unwinding of the first wave of the coronavirus pandemic, domestic payments processes in 2020 Q3 returned to the levels prevailing prior to the outbreak of the pandemic in many respects. However, there remain certain areas where the pandemic is likely to exert longer-term effects due to the impacts of economic processes as well as the changes in the behaviour and payment habits of consumers. While in terms of the payment infrastructure, only the increase in the number of payment cards was outstanding, several changes in terms of payment turnover deserve special mention. The spread of electronic transactions accelerated, which was reflected in a significant growth of credit transfers, a renewed dynamic increase in domestic purchase transactions conducted with payment cards and a significant decline in cash withdrawals. Although turnover of the payment systems also fell due to the coronavirus pandemic in 2020 Q2, there was an expansion again in Q3. Liquidity in the payment systems fell in Q3, but continued to be ample.*

The number of payment accounts managed by domestic payment service providers was around 10.5 million at the end of 2020 Q3, barely changing compared 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 broadly unchanged at nearly 6.7 million. Beyond these, customers are increasingly using supplementary, amenity services linked to payment accounts, in connection with the introduction of the instant payment system. At the end of 2020 Q3, there were nearly 45,000 payment accounts to which at least one secondary identifier was registered.

The number of domestically issued payment cards was more than 9.7 million at the end of 2020 Q3, following an increase of more than 140,000 compared to the previous period. In addition, the number of contactless cards also increased significantly. As a result of an increase of more than 220,000, their share within all payment cards came close to 90 per cent in the period.

While there were significant declines in almost every payment method both in terms of number and value during the spring due to the outbreak of the coronavirus pandemic at the beginning of the year, life was back close to normal by the summer months. In particular, the number of individual forint credit transfers initiated at domestic payment service providers rose by more than 7 per cent in 2020 Q3 compared to the same period of 2019. However, there was a nearly 5 per cent decline in terms of value, due to the protracted economic effects of the coronavirus situation. In addition, nearly 48 per cent of transactions (close to 33 million payments) was processed in the instant payment platform, which was successfully debuted on 2 March 2020.

The earlier dynamic expansion in purchase turnover conducted with domestically issued payment cards appears to have been back to previous levels. The number and value of transactions conducted in Hungary exceeded the turnover of 2019 Q3 by nearly 13 and 20 per cent, respectively. A record number of a total of 266 million transactions were executed with domestically issued payment cards in Hungary during the period, in a value of over HUF 2,000 billion. However, in terms of domestic cash withdrawals, there was a significant decline due to the general precaution and, in parallel, changes in payment habits as well as preference for electronic payment methods. Cash withdrawals fell back by more than 8 per cent in terms of number and by nearly 5 per cent in terms of value compared to the same period of 2019.

As regards the changes in purchase transactions in terms of payment situations, transactions conducted at physical merchant acceptance points increased by 10 and 16 per cent and online purchase transactions by 35 and 38 per cent, respectively, in terms of the number and value compared to the same period of 2019. As a result, 11 and nearly 19 per cent, respectively, of total domestic purchase transactions was linked to online purchase orders in terms of number and value.

Regarding cross-border use of domestically issued payment cards, there was a slight decline compared to the same period of the previous year, due mainly to the persistence of precautionary considerations related to travel during the summer months. The total number of purchases fell by nearly 1 per cent; however, it is important to note that physical purchase transactions fell by more, which was offset by an increase in online payments.

In terms of direct debits, used mainly to pay utility and other regular bills, the number of transactions fell by nearly 7 per cent and their value by more than 4 per cent compared to 2019 Q3, which is also attributable to the increasingly fast growth of innovative, mainly online, end-user payment solutions.

In 2020 Q3, the number of fraudulent transactions related to payment cards on the issuer side was slightly less than 20,000. This represented an increase of more than 20 per cent compared to the same period of 2019. At the same time, the value of financial loss caused by frauds was less than HUF 338 million, indicating a nearly 11 per cent decline. The number of fraudulent transactions and the value of financial loss caused continued to be insignificant compared to total payment card turnover. Nevertheless, due to the legislative background favouring consumers, card holders had to incur only slightly more than 8 per cent, or HUF 44 million, of the total value of financial losses on the issuer side during the quarter.

In 2020 Q3, domestic payment service providers realised a total revenue of nearly HUF 140 billion from providing payment services. This represented a more than 5 per cent decline compared to the same period of the previous year.

Due to the coronavirus pandemic, the total value of VIBER turnover fell significantly in 2020 Q2; however, there was an increase again in Q3: VIBER turnover and the number of transactions executed both rose by 5 per cent. No substantial change occurred compared to the same period of 2019. In terms of value, the increase in turnover compared to the previous quarter mainly affected large-value transactions (over HUF 10 billion) and, in terms of number, it mainly affected small-value transactions (less than HUF 10 billion). As a result of the netting effect of this two phenomena and the increase in turnover in terms of value and the number of items, the average transaction value in VIBER barely changed, falling by only HUF 5.9 million compared to the previous quarter. The increase in

turnover value and the number of items compared to the previous quarter was attributable to other central bank transactions and an increase in customer items, respectively. Over the period as a whole, a total of 459,000 items were settled in the amount of HUF 388,000 billion.

In 2020 Q3, liquidity of VIBER participants fell by 11 per cent compared to the previous quarter and increased slightly, by 9 per cent year on year. The reduction in liquidity compared to the previous quarter was mainly attributable to the decrease of 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 6-9 per cent) in 2020 Q3. Government securities continued to account for a very high share of around 65-66 per cent within the composition of the securities portfolio pledged for the MNB.

In 2020 Q3, Interbank Clearing System (ICS) turnover rose slightly year on year (turnover rose by 4 per cent and the number of items by 3 per cent). Turnover and the number of items rose by nearly 7 per cent and 1 per cent, respectively, compared to the previous quarter. In 2020 Q3, a total of 84 million transactions were settled in the review period, in total value of HUF 33,000 billion, of which 27 million items were settled in the instant payment system in a total value of HUF 4,300 billion. System participants provided ample liquidity to ensure the smooth execution of instant transfers.

*\* Note: In view of the changes in certain international reporting requirements and the general development trends in payments, the reporting framework of institutions with an obligation to provide payment related data to the Magyar Nemzeti Bank was substantially overhauled and modernised in 2020. In connection with the introduction of the new reporting framework, there are differences between current datasets and those published earlier, reflecting revisions by data providers. Furthermore, it should be taken into account in terms of analysing the data that, with the transition by data providers to the substantially renewed and broader reporting framework, the likelihood of data providers implementing further retrospective data revisions in the coming quarters is greater than usual. Such revisions may affect data being published currently as well.*

#### **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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