



## INFORMATION RELEASE

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### **New spike and rapid spread of the coronavirus pandemic at the end of 2020 once again have a significant effect on payments \***

*The year 2020 brought about unprecedented and unusual changes in payments due to the outbreak of the coronavirus pandemic. Although less marked at infrastructural level, large fluctuations were seen in turnover data in both positive and negative directions, mainly in the second quarter of the year. Nevertheless, the emergence of a new wave at the end of the year also played a major role shaping trends through changes in payment habits. In addition to the typically negative effects, there were clear winners as well, mainly as regards remote electronic transactions. In particular, the sharp increase in online card payments should be highlighted. At the same time, there was an unprecedented increase in the volume of credit transfers towards the end of the year following the successful launch of the instant payment system on 2 March 2020. The share of cash, a payment instrument less efficient in terms of the payment sector and the economy in general, as well as entailing higher social costs, continued to fall, which was also reflected in the number and value of cash withdrawals. In addition to these, regarding the payment infrastructure, there was a significant increase in the coverage of the card acceptance network towards the end of the year, presumably because of the provision in the Trade Act affecting those obliged to use online cash registers. Turnover in the payment and settlement systems continued to increase even in pandemic-stricken 2020 compared to the previous year. As a result of the central bank measures taken in response to the coronavirus pandemic, liquidity of VIBER participants increased in 2020, with its level continuing to be ample.*

At the end of 2020 Q4, the number of payment accounts managed by domestic payment service providers was over 10.4 million, increasing slightly compared to the previous period. Within this, the number of customer accounts, used primarily for payment purposes, rose by around 35,000 to exceed 6.7 million. However, there was no significant change in terms of the type and ownership of accounts. The growth rate of domestically issued payment cards accelerated slightly in 2020 Q4, with their number exceeding 9.9 million at the end of the year. Nevertheless, part of the increase is expected to be only temporary as a result of the replacement of cards brought forward at the side of certain payment service providers, mainly affecting retail customers. In addition to these, the uninterrupted rise in the number of contactless payment cards continued, with their number increasing by around 1.1 million during the year. As a result, their share of total payment cards reached 92 per cent.

At the end of 2020, there were 203,000 POS terminals at 123,000 physical merchant acceptance points in the payment card acceptance network of Hungarian payment service providers. Over 98 per cent of these devices facilitated contactless payments. There was a spectacular increase in 2020 Q4, with the number of acceptance points rising by 5 per cent compared to the end of September 2020. The number of POS terminals at merchant acceptance points rose by more than 7 per cent. This partly reflected the effects related to the intensification of the

pandemic and consequently the response by merchants to a change in consumer payment habits, and partly a legislative change affecting the Trade Act, according to which from 1 January 2021 all taxpayers obliged to use online cash registers must ensure the possibility of electronic payment, for which more and more merchants began preparations at the end of 2020.

The rapid spread of the coronavirus pandemic was once again strongly felt in transaction turnover conducted with domestically issued payment cards in 2020 Q4. Although both the number and value of domestic purchase transactions increased compared to the same period a year earlier, the rate of increase was slower than in previous years. Increases in the number and value of transactions, at 6 and 15 per cent, respectively, were 10 and 5 percentage points lower than during the same period a year earlier. On an annual basis, the number of domestic payment card purchase transactions rose by only 7 per cent relative to 2019, with their number remaining below 1 billion. Nevertheless, there was a significant difference in terms of payment situations. While the number and value of transactions at physical merchant acceptance points rose by 4 and 11 per cent, respectively, relative to 2019 Q4, the number and value of online card payments increased by 28 and 38 per cent, respectively. This also highlights the fact that part of the change in consumer payment habits due to the coronavirus pandemic is likely to persist over the longer term.

In terms of card use abroad, the differences are even more significant, mainly due to restrictions on travelling and general caution. The number and value of purchase transactions conducted at physical merchant acceptance points fell by 65 and 66 per cent, respectively, compared to 2019 Q4. At the same time, the number and value of online card payments increased by 32 and 19 per cent, respectively.

In addition to these, there were sharp declines in terms of the number and value of cash withdrawals. The number and value of cash withdrawals in Hungary declined by 14 and 7 per cent, respectively, and those of cash withdrawals abroad by 40 and 34 per cent, respectively, compared to the same period a year earlier. There was also a sharp decline on an annual basis: the number of domestic cash withdrawals was less than 92 million and their value was slightly over HUF 8,000 billion, being 13 and 5 per cent lower, respectively, than in 2019. However, the value per transaction rose by nearly 9 per cent, reaching HUF 88,000.

The number of individual forint credit transfers initiated at Hungarian payment service providers reached 74 million in a total value of HUF 189,000 billion in 2020 Q4, rising by 9 and 13 per cent, respectively, relative to the same period of 2019. The increase in credit transfers is particularly remarkable because it was nearly double of the long-term trend during the intensifying second wave of the coronavirus pandemic. This was mainly due to the successful launch of the instant payment system on 2 March 2020 and, in parallel, the change in consumer habits..

There was a significant decline in the volume of direct debits used primarily to pay utility and other regular bills, as well as loans. The number of transactions fell by 14 per cent and their value by nearly 10 per cent relative to the same period a year earlier. On an annual basis, the number and value of direct debits fell by 7 and 5 per cent, respectively, which may have been largely due to the moratorium on debt repayments and the change in consumer habits with regard to the payment of bills. The latter may be explained by a shift towards payment methods where consumers can schedule their payments, thereby making it possible to manage their cash flows more flexibly.

Although in 2020 Q4, the number and value of frauds committed with payment cards on the issuer side rose, the 19,000 fraudulent transactions amounting to HUF 369 million, still account for a negligible amount compared to the

total number and value of transactions. It is still typical that the frauds were primarily connected to online purchases, which do not require the physical presence of payment cards, regarding volume and value 92 and 91 per cent of the frauds can be related to these transactions, respectively. In terms of a breakdown by the direction of transactions the vast majority of frauds, regarding their number, at 90 per cent, and value, at 95 per cent continued to be related to cross-border turnover. However, due to the legislative background favouring consumers, card holders had to incur less than 11 per cent of the total value of financial losses on the issuer side.

In 2020 Q4, domestic financial institutions made a revenue of HUF 148 billion from providing payment services. This represented a decline of nearly 3 per cent year-on-year. As a result, they made a total revenue of HUF 554 billion in 2020, representing a decrease of nearly 4 per cent in annual terms. Within revenues, items related to credit transfers, at nearly 27 per cent, as well as to account packages and account management, at nearly 20 per cent, continued to represent the largest parts.

VIBER transaction rose significantly in 2020 Q4, the value of VIBER turnover increased by 16 per cent relative to the previous quarter and the number of completed transactions grew by 2 per cent. Compared to the same period a year earlier, turnover also rose by nearly 8 per cent in value, but there was no significant change in number. As a result of a growth of such magnitude in turnover value, the average transaction size in VIBER rose by HUF 113 million in 12 months and by HUF 68 million relative to 2020 Q3. The rise in turnover mainly reflected a growth in other central bank transactions, and it primarily affected transactions of over HUF 10 billion. Over the period as a whole, a total of 468,000 items were settled amounting to some HUF 449,000 billion. Regarding the entire year, VIBER turnover has been rising since 2016, there was an increase even in 2020, when the coronavirus pandemic hit, compared to 2019. VIBER turnover increased by a total of 11 per cent in value, while it remained broadly unchanged in number. This time, turnover value was above HUF 1,600 thousand billion proving to be the strongest year in the past decade. Compared with 2019 on a seasonal basis, the rise in turnover was particularly significant in 2020 Q1.

Compared with the previous quarter, liquidity of VIBER participants decreased slightly (by 4 per cent), whereas it grew by 7 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 7-8 per cent) in 2020 Q4. In terms of 2020 in its entirety, VIBER participants continue to have significantly strong liquidity, which rose slightly in 2020 compared to 2019, the average level of ca. HUF 2,500 billion in 2019 increased to ca. HUF 2,800 billion. Such an increase in liquidity reflected an asset purchase programme linked to a long-term collateralised lending facility, launched recently by the MNB. As a result, the credit line increased from HUF 2,000-2,100 billion, a typical level at the beginning of the year, to HUF 2,800-3,100 billion by 2020 Q2 before stabilising at HUF 2,400-2,500 billion at the end of the year. The payment account balance declined by HUF 75 billion relative to 2019, which may be attributable to the start of the instant payment service. As a result of their efficient liquidity management, participants could complete their increased transactions, overall.

In 2020 Q4, Interbank Clearing System (ICS) turnover rose by 16 per cent and the number of transactions by 3 per cent compared to a year earlier. The value and number of turnover grew by 24 and 11 per cent, respectively,

relative to the previous quarter. In 2020 Q4, a total of 94 million transactions were settled, amounting to a total of HUF 41,000 billion, of which 31 million items were settled in the instant payment system in 2020 Q4 in the amount of HUF 4,900 billion. Regarding the entire year, the value and number of turnover in the ICS grew by 7 and 3 per cent, respectively. System participants provided ample liquidity to ensure smooth execution of payments.

*\* In 2020, the reporting structure for the institutions, subject to submitting payment reports to the Magyar Nemzeti Bank, has been entirely modified and modernised in 2020 in view of the different modifications to international reporting obligations and developments in general payment trends. In relation to introducing the new reporting structure, due to revisions made by reporting entities, there are differences in published information compared to earlier publications. In addition, in analysing the data, it must be taken into account that as reporting entities switched over to more comprehensive data supplies with substantially modified structures, reporting entities are significantly more likely to make retrospective data revisions in the coming quarters, which may affect data in the current publication.*

#### **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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