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INFORMATION RELEASE

The strengthening of the new wave of coronavirus pandemic had a significant impact on payment trends in 2021 Q1

After the entry into force of the statutory requirements affecting taxpayers, obliged to use online cash registers – for which preparations already started at the end of last year – the number of physical merchants using the card acquiring services of domestic actors – and in parallel with this also the number of POS terminals in operation and internet acceptance points – have increased significantly. In addition, the strengthening of the new wave of the coronavirus pandemic had major impact on the development of payment trends. Nevertheless, significant differences can be still observed by payment methods and payment situations. Online card purchases were the clear winners of the pandemic also at the beginning of 2021, while cash withdrawals continued to decline significantly during this period. Partly also due to the instant payments, steady growth in credit transfers persisted, while the number of direct debits remained lower than before, partly due to the moratorium on loan instalments. In 2021 Q1, there was a perceivable growth in the turnover of payment systems, while liquidity in payments has declined slightly but still remains ample.

No significant change was observed in the number and composition of payment accounts managed by domestic payment service providers in 2021 Q1, with their number still slightly exceeding 10.4 million. On the other hand, after a moderate increase, the number of consumer accounts used primarily for payment purposes has already reached nearly 6.8 million. In addition, the fact that the temporary increase resulting from the card replacement programme of some of the reporting agents brought forward to the end of last year wore off due to the expiry of the old cards generated a larger change in the number of payment cards issued in Hungary. As a result, the number of payment cards in circulation was slightly above 9.8 million, after a fall of almost 97,000. This change has also affected the number of contactless cards, which fell by 60,000 compared to the end of 2020, and thus their total number was below 9.1 million. Nevertheless, their ratio within all cards rose to over 92 per cent. In addition, it is also promising that the proportion of cards used for purchase transactions during the reference period is steadily increasing. In 2021 Q1, more than 64 per cent of payment cards belonged to this category.

Compared to the end of 2020 there was a major increase both in the number of physical merchant acceptance points belonging to the payment card acquiring network of domestic payment service providers and of the POS terminals operating at the acceptance points. This is primarily attributable to the requirement of the Trade Act¹ according to which from 1 January 2021, all taxpayers that are obliged to use online cash registers must provide consumers with the opportunity of electronic payment. While the number of acceptance points rose by almost 17,000 and came near

¹ Act CLXIV of 2005 on Trade

to 140,000, the number of POS terminals in circulation increased by 10,000 as result of which their number exceeded 212,000. The smaller increase in the number of terminals in operation than in the number of acceptance points may be attributable to the fact that due to the pandemic outlets with several terminals – sometimes as many as over 10 – were closed temporarily, and thus they were temporarily excluded from the presented range of data, while the requirement of the Trade Act typically impacts smaller merchants, who usually use only one terminal. In addition, as a result of the over 8 per cent growth in the number of card-not-present internet acceptance points their number came near to 26,000, which was presumably also greatly attributable to the further penetration of various web shops and home delivery services due to the coronavirus pandemic. Nevertheless, it remains a relevant consideration that the expansion of non-resident service providers in Hungary has a downward distorting effect on these figures, as they render cross-border card acceptance services and operate POS terminals in Hungary in an increasingly broader range.

The growth in payment card purchases continued in 2021 Q1 as well. Nevertheless, the coronavirus pandemic – in parallel with the effect of the various restrictions on payment habits – continued to play a significant role in shaping the trends. Customers carried out 239 million domestic purchase transactions with cards issued in Hungary in total, in the amount of almost HUF 2,000 billion. While the number of purchases carried out at physical merchants rose by less than 3 per cent, the number of card transactions connected to internet shopping, postal or phone orders not requiring physical presence, increased by almost 26 per cent year-on-year. As a result, more than 12 per cent of the domestic transactions were related to card-not-present transactions, representing an increase of 2 percentage points compared to 2020 Q1. As a result of the repeatedly tightened travel restrictions in parallel with the escalation of the new wave of the pandemic, the differences in foreign transactions were even more striking. While the number of transactions carried out at non-resident physical merchants fell by almost 53 per cent year-on-year, the number of remote transactions, mainly carried out online, increased by 19 per cent. As a result of the foregoing, the ratio of online purchase transactions as a percentage all foreign purchase transactions has reached almost 92 per cent.

As regards the use of cards issued in Hungary, the ratio of contactless transactions continued to rise, also supported by increasing the threshold for the mandatory use of PIN code from HUF 5,000 to HUF 15,000. Compared to 2020 Q1, the ratio of domestic contactless purchase transactions made with domestic cards in all physical purchase transactions has reached almost 97 per cent after an increase of 3 percentage points.

On an annual basis, the decline in cash withdrawals initiated by domestic cards experienced in previous quarters, also continued. In 2021 Q1, the number and value of domestic transactions carried out by the customers fell by 14 and 9 per cent, respectively, year-on-year. This resulted in a value of HUF 1,836 billion per 20 million transactions, which means that the amount per cash withdrawal was over HUF 91,000. This exceeds last year's value by almost 6 per cent.

Stable growth in ad hoc forint credit transfers continued despite the impacts of coronavirus. Compared to 2020 Q1, the growth registered at the beginning of 2021 was almost 4 per cent. As a result, the number of ad hoc forint credit transfers was close to 73 million. The value of credit transfers increased by more than 4 per cent, thereby exceeding HUF 174,000 billion. This may have been partly attributable to the introduction of instant payments in March, as a result of which credit transfers can be used more widely both in terms of time and payment situations than before.

However, there was a larger decrease in the number of direct debits, which may have been also attributable to the introduction of the moratorium on loan instalments. Their number decreased by nearly 4 per cent year-on-year, slightly exceeding 18 million, while their value declined by almost 5 per cent, and thus it hardly exceeded HUF 241 billion.

Although year-on-year the number of issuer side payment card frauds rose by more than 8 per cent in 2021 Q1, the value of transactions involved in the frauds fell by almost 2 per cent. Thus the total loss generated by the 15,000 fraudulent transactions amounts to HUF 354 million, which is still a negligible amount compared to the total turnover. However, it is still typical that frauds were connected primarily to card-not-present purchase transactions, mainly over the internet. This turnover accounted for 87 per cent of the frauds in terms of number and 66 per cent in terms of value. On the other hand, the value of losses related to phishing and obtaining sensitive payment data soared. The loss of HUF 73 million means that following a rise of 16 percentage points year-on-year, the ratio accounted for 21 per cent of the total loss amount. The loss effectively written off by the issuers in connection with payment card frauds decreased by 10 per cent compared to 2020 Q1, and slightly exceeded HUF 484 million. In addition to card frauds, the number and value of successful frauds in electronic payments also rose significantly year-on-year, but it is still at a very low level. The 331 succeeded frauds and the loss of HUF 579 million is still negligible compared to the turnover.

In 2021 Q1, the total revenue of financial institutions from providing payment services amounted to HUF 138 billion, representing a moderate growth year-on-year. On the other hand, the largest part of the revenues was still realised on credit transfers, accounting from more than 26 per cent of total revenues, in the amount of almost HUF 37 billion. Payment service providers' revenues from card acquiring decreased. As a result of the fall of over 5 per cent, it was below HUF 12 billion.

The value of VIBER turnover increased by 8 per cent quarter-on-quarter and by 3 per cent year-on-year, while the number of transactions executed in VIBER fell by 6 per cent quarter-on-quarter and by 9 per cent year-on-year. Due to the growth of such magnitude in the turnover value and the fall in the number of transactions, the average transaction size in VIBER rose by HUF 130 million in one year and by HUF 150 million compared to the previous quarter. 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.

Liquidity of VIBER participants fell by 7 and 4 per cent quarter-on-quarter and year-on-year, respectively. 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 5-8 per cent) in 2021 Q1.

In 2021 Q1, Interbank Clearing System (ICS) turnover rose by 10 per cent and the number of transactions by 8 per cent compared to a year earlier. A total of 88 million transactions were settled, amounting to a total of HUF 35,000 billion, of which 32 million items were settled in the instant payment system in the amount of HUF 4,700 billion. System participants provided ample liquidity to ensure 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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