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INFORMATION RELEASE

Payment turnover increases significantly as the effects of the coronavirus subside, driven by factors such as explosive growth in instant payments

With the decline in Covid-19 cases, the gradual easing in restrictions, life returning to normal, and in parallel with favourable economic developments, positive effects were felt in payments in 2021 Q2. The card acceptance network of domestic service providers expanded significantly with respect to both physical and online acceptance points. Furthermore, growth in transaction volumes returned to levels seen prior to the pandemic. However, in addition to normal seasonal movements, the distorting effects of the coronavirus, including last year's much lower than usual bases, should not be ignored either in the assessment of current trends. Nevertheless, growth in the volumes of payment card purchases and credit transfers reached record levels in 2021 Q2 compared to the same period of a year earlier. In particular, instant payment turnover grew sharply, with the number and value of transactions increasing by 25 per cent and 49 per cent, respectively. Furthermore, as another important development, security related changes regarding online transactions seem to start bearing fruit in the area of frauds committed with payment cards. As a result of the use of strong customer authentication, the number of frauds and the amount of financial loss caused both declined sharply on the issuer and acquirer sides. In 2021 Q2, payment system turnover picked up strongly. In 2021 Q2, payment liquidity fell further, but its level remained abundant.

There were no significant changes in the number and share of payment accounts managed by resident payment service providers in 2021 Q2 compared to earlier periods. The number of forint accounts was around 9.4 million and that of foreign currency accounts stood at some 1.1 million. The number of customer accounts held primarily for payment purposes remained close to 6.8 million. At slightly below 9.8 million, the number of payment cards issued in Hungary was broadly unchanged at the end of the period. At the same time, signs of a slow decrease appeared as the effects of earlier advanced card replacement programmes, implemented by some payment service providers, ran out. The share of contactless cards within all payment cards was stable above 92 per cent, and that of cards used for purchase transactions in the period was above 66 per cent, reflecting a nearly 2 percentage points increase compared to the previous quarter.

As the coronavirus pandemic receded, the reopening as well as the amendment to the Act on Commerce effective from 1 January 2021, according to which all taxpayers obliged to use online cash registers must provide an electronic payment alternative for customers, influenced domestic payment service providers' card acceptance network favourably. In connection with the latter, presumably due to the substantial workload of service providers, several merchants were only able to start the card acceptance service from 2021 Q2. As a result of the increase of nearly 12 thousand, the number of physical merchant acceptance points stood close to 150 thousand at the end of the period, reflecting an increase of nearly 9 per cent relative to the end of the previous period. In parallel, the

number of POS terminals operating at acceptance points rose significantly, by 14 thousand, reflecting a nearly 7 per cent increase compared to 2021 Q1. As a result, their number approached 226 thousand. In addition, due to the rapidly growing popularity of webshops, the number of online acceptance points continued to rise to over 28 thousand following an increase of nearly 9 per cent.

As the pandemic receded and in parallel as the economy was reopened and economic trends improved, the volume of most payment methods rose sharply. Accordingly, strong growth in the number of purchase transactions conducted with payment cards issued in Hungary, seen before the pandemic, returned. However, it is also to be noted that in addition to normal seasonal effects, changes in the pandemic situation, including the current severity of restrictive measures, must be seriously considered in comparing data with the same period a year earlier, as this may bring about more substantial distortion.

31 per cent more purchase transactions were conducted domestically with payment cards issued in Hungary in 2021 Q2 year on year, amounting to 280 million. With the travelling restrictions lifted, there were similar changes in purchase transactions conducted abroad. The number of cross border transactions rose by 21 per cent to exceed 26 million. In addition to the above, there was a turnaround in the share of online purchases. While their proportion of all purchase transactions conducted with payment cards issued in Hungary grew strongly earlier, in 2021 Q2 there was a decline of 1.4 percentage points compared to the same period a year earlier. As a result, they accounted for less than 17 per cent of all purchase transactions. This was mainly attributable to the reopening, as well as to life returning to normal. As the large-scale lockdowns were eased, the vast majority of consumers at least partly returned to physical purchases. Nevertheless, over 97 per cent of payment transactions at physical merchant acceptance points were conducted using contactless technology, reflecting an increase of nearly 4 percentage points compared to 2020 Q2.

In addition to purchase transactions, the number of cash withdrawals also rose, but the increase was far smaller. In Hungary, the increase in number was only 8 per cent and in value it was 14 per cent. Abroad, an increase of 8 per cent in number was coupled with a decrease of more than 19 per cent in value in 2021 Q2 compared to a year earlier. Consequently, the total value of payment card purchase transactions (at HUF 2,558 billion) was steadily above that of cash withdrawals (at HUF 2,089 billion).

The use of payment cards by non-residents in the acceptance network of domestic payment service providers returned slightly towards pre-pandemic levels, although it did not reach them. At a total of close to 8 million in number, 56 per cent more payment card purchase transactions were conducted with cards issued abroad compared to a year earlier.

Growth in the turnover of individual forint credit transfers initiated at resident payment service providers reached a record high. The number and value of transactions increased year on year by more than 14 per cent and nearly 28 per cent, respectively. As a result, the number and value of credit transfers stood at close to 76 million and HUF 194,000 billion, respectively. Within credit transfers, the number and value of instant payment transactions rose exceptionally in 2021 Q2 compared to the same period of 2020, by 25 per cent and nearly 49 per cent, respectively. The 39 million instant payment transactions, amounting to HUF 8,385 billion, indicate an absolute record in one quarter.

A favourable trend was seen in the volume of direct debits used primarily for paying utility bills and other regular invoices. The number and value of transactions increased by 1 per cent and nearly 11 per cent, respectively, compared to 2020 Q2.

In 2021 Q2, the number of frauds committed with domestically issued payment cards was less than 13 thousand, with a total loss caused slightly exceeding HUF 322 million. There was a major improvement in this area over the period, mainly due to strong customer authentication already applicable in the case of online card payments. The number of frauds and the value of losses caused fell by 34 per cent and 17 per cent, respectively, compared to 2020 Q2, the majority of which was related to online purchase transactions. In parallel, the number of fraudulent transactions and the value of losses caused continued to be insignificant compared to the total payment card turnover; moreover, there was a further improvement in this area. The acquirer side followed broadly similar trends. Here, the number and value of frauds committed declined by nearly 68 per cent and 71 per cent, respectively, with the improvement being related mainly also to online purchase transactions.

In 2021 Q2, the total revenue of payment service providers from the provision of payment services amounted to around HUF 148 billion, representing a nearly 16 per cent increase compared to the same period of the previous year. This growth was mainly driven by an expansion in transaction turnover. Within payment revenues, items related to credit transfers (27 per cent) as well as to account packages and account management (20 per cent) continued to have the largest share. In addition, revenues of payment service providers related to card acquiring also rose significantly, by nearly 27 per cent to over HUF 14 billion, compared to 2020 Q2. Here, the expansion in transaction turnover played a key role; however, as an effect of the amendment to the Act on Commerce, new contracts also had an impact.

VIBER turnover value rose dynamically, by 15 per cent, compared to the previous quarter and by nearly 50 per cent compared to low base of 2020 Q2. At the same time, the number of transactions executed in VIBER rose by only 3 per cent compared to the previous quarter and by 4 per cent compared to the same period of 2020. As a result of the dynamic expansion in turnover value and the slight increase in the number of transaction items, the average transaction size in VIBER rose by HUF 377 million year on year and by HUF 120 million compared to the previous quarter. The increase in turnover was mainly related to other central bank transactions and the financial settlement of securities transactions, and it primarily affected transactions of over HUF 10 billion. Over the period as a whole, a total of 452,000 items were settled, amounting to some HUF 556,000 billion.

Average liquidity of VIBER participants fell by 6 per cent compared to the previous quarter and by 26 per cent compared to the high base of the same period of the previous year, with its level continuing to be high. 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 5-6 per cent) in 2021 Q2.

In 2021 Q2, Interbank Clearing System (ICS) turnover rose by 22 per cent and the number of transactions by 10 per cent compared to a year earlier. A total of 92 million transactions were settled in 2021 Q2, amounting to a total of HUF 38,000 billion, of which 33 million items, amounting to some HUF 5.400 billion, were settled in the instant

payment system. System participants provided ample liquidity to ensure smooth execution of instant payment transactions.

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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