



16 March 2022

INFORMATION RELEASE

Growth in electronic payments exceeds pre-pandemic levels at the end of 2021

Regarding the development of the payment infrastructure, no significant changes occurred in 2021 Q4. The effect of the Act on Trade mostly faded; however, consumers were increasingly open to innovative payment card solutions, which is well reflected in the persistent rise in the number of cards registered in mobile wallets. Nevertheless, growth in electronic payments turnover picked up to an extent unseen before the pandemic both in payment card purchase and credit transfer transactions. Moreover, turnover developed more strongly in terms of instant payments than in the case of payment cards. In addition to these developments, the trend in cash withdrawals seen earlier, continued and consequently, the gap between the value of payment card purchases and that of cash withdrawals continued to widen favouring the former. In 2021 Q4, turnover in the payment system continued to rise dramatically, the number of transactions cleared in the Interbank Clearing System (ICS) was above 100 million in the quarter. Payment system liquidity continued to fall slightly in 2021 Q4; but its level still ensures smooth execution of payment transactions.

The number of payment accounts managed by resident payment service providers approached 10.6 million after slightly increasing further at the end of 2021. Compared to the end of 2020, their number is up by over 140 thousand. However, no significant changes took place in the ownership and the type of accounts. The number of payment cards issued in Hungary was broadly unchanged, remaining slightly below 9.9 million at the end of the year. However, innovative payment card solutions are becoming increasingly popular. The number of cards registered in mobile wallets rose by 16 per cent relative to the previous quarter and moved close to 1.3 million in 2021 Q4. Additionally, consumers increasingly use their cards to conduct payments. The number of cards used for purchase transactions during the period, already exceeded 6.7 million. This number is some 100 thousand above the highest level seen so far.

There were no such substantial changes in the payment card acceptance network of domestic payment service providers at the end of 2021, which occurred previously due to the statutory requirements in the Act on Trade affecting taxpayers subject to using online cash registers. After a marginal decline, the number of physical merchant acceptance points was slightly below 155 thousand. By contrast, the number of POS terminals operating at acceptance points approached 240 thousand after a small increase. But the number of virtual merchant outlets continued to rise approaching 35 thousand at the end of 2021 as a result of a 5 per cent increase relative to the previous quarter.

After temporary slowdowns on the account of the coronavirus pandemic, the dynamic expansion in purchase turnover conducted with domestically issued payment cards, continued. The number and value of domestic purchase transactions in 2021 Q4 significantly increased by 27 per cent and 26 per cent, respectively year-on-year. In the whole of 2021, substantial growth took place. As a result of the increase of over 21 per cent in the number

and value, purchase transactions conducted in Hungary broke the limit of 1 billion for the first time and almost reached 1.2 billion with the value of transactions approaching HUF 10 trillion.

Nevertheless, there were major differences in payment situations. As for domestic payments conducted at the POI, both the number and value of transactions rose by around 27 per cent relative to 2020 Q4; however, the number and value of transactions regarding physical card use abroad increased by 109 and 152 per cent as a result of the low basis caused by the coronavirus in 2020, and the lifting of travel restrictions in 2021. Although online payment card use continued to increase, its extent was not as strong as at the peak of the pandemic. Compared to 2020 Q4, the number and value of card-not-present purchase transactions rose by 16 per cent and 20 per cent, respectively. A total of 62 million payment transactions were completed online using domestically issued payment cards in 2021 Q4, amounting to HUF 802 billion.

In addition, the trend affecting cash withdrawals, seen in previous periods, continued. Although there was a small year-on-year increase in 2021 Q4, in annual terms, the number of cash withdrawal transactions in Hungary declined by over 2 per cent and remained under 90 million in number. However, an annual increase of 6 per cent occurred in the value, but the gap between purchase transactions (HUF 9.4 trillion) and cash withdrawals (HUF 8.5 trillion) continued to widen. It should also be highlighted that the amount per one cash withdrawal transaction rose, almost reaching HUF 100 thousand in 2021 Q4, which is 8 per cent above the level seen a year earlier.

The total number of individual forint credit transfers initiated at Hungarian payment service providers was over 83 million in 2021 Q4, with their total value standing above HUF 203 trillion, which represents an increase of 13 per cent and 8 per cent, respectively compared with the same period in 2020. This increment in credit transfer turnover is notable as it substantially exceeded pre-pandemic levels. Within credit transfers, the growth rate in instant payment transactions was the most noticeable; their number and value rose by 20 per cent and 30 per cent year-on-year, respectively, in 2021 Q4.

The turnover of direct debits, used mainly to pay for utility services, to meet other regular bills and to settle debts was broadly unchanged. Although the value of transactions rose by 5 per cent in 2021 Q4 year-on-year, their number fell by around 1 per cent. These values are nearly the same as the annual change.

Despite the implementation of stricter provisions regarding strong customer authentication in early 2021, the value of frauds committed with payment cards on the issuer side, continued to rise, primarily reflecting a structural shift in frauds and the spread of cases based on psychological manipulation and deception, which is less related to payments. In 2021 Q4, there were 1 per cent less successful fraud attempts compared to the same period of the previous year; however, the total loss amount rose by nearly 25 per cent. But the turnover continues to overwhelm the 19 thousand successful fraud attempts in the amount of HUF 457 million; as a result, the payment card infrastructure can still be considered really secure in Hungary.

In 2021 Q4, total revenue of domestic financial institutions from the provision of payment services amounted to HUF 169 billion, representing a more than 13 per cent increase year-on-year. Consequently, their total revenue was HUF 613 billion in 2021, which reflects an increase of over 10 per cent in annual terms. This was mainly driven by the strong growth in turnover. Nevertheless, regarding the further development of electronic payment turnover, it

remains quite problematic that the largest part within the revenues, 27 per cent, is still directly related to the processing of credit transfer transactions.

VIBER turnover rose dynamically, by 8 per cent compared to the previous quarter, and by 50 per cent compared to the low base of 2020 Q4, the number of items increased by 4 per cent compared to the previous quarter and to the same period a year earlier. 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 428 million year-on-year and by HUF 56 million compared to the previous quarter. The increase in turnover was mainly related to other central bank transactions, settlements of securities transactions' cash leg and interbank transactions, and primarily affected transactions of over HUF 10 billion. Over the period as a whole, a total of 486 thousand items were settled, amounting to some HUF 673 trillion.

Average liquidity of VIBER participants fell by 4 per cent compared to the previous quarter and by 18 per cent compared to the high base of 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 4-6 per cent) in 2021 Q4.

In 2021 Q4, ICS turnover rose by 21 per cent and the number of transactions by 8 per cent compared to a year earlier. A total of 101 million transactions were settled in 2021 Q4, amounting to a total of HUF 49 trillion, of which 37 million items, amounting to some HUF 6.5 trillion, 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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