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INFORMATION RELEASE

Rapid increase in payment card turnover continues

Based on data published in the Payment table set, the expansion in electronic payments observed in earlier periods of the year continued in the fourth quarter of 2015. As regards the payment infrastructure required for conducting electronic payments, more than half of payment cards and 62 per cent of POS terminals are equipped with a feature enabling contactless payment, reflecting a continuous increase throughout the year. The use of electronic payment methods also increased, with the total value of forint transfers and direct debits rising significantly in the final quarter compared with the same period of the previous year, in addition to the rise in payment card turnover. Due to the change to central bank monetary policy instruments implemented in September, the ratio of government bonds continued to increase within the portfolio of securities collateral.

Changes in the Payment table set

From 2016, the Payment table set, published quarterly by the MNB, will be available two weeks earlier than previously, in order to provide users with more up-to-date information. Another change is that, responding to user requirements, the data sets presenting turnover conducted with payment cards have been expanded. In the future, the value of payment card turnover will also be published in a breakdown by types of card. In addition, data on debit and credit card turnover will be available going back to the first half of 2010.

In the fourth quarter of 2015, the number of payment accounts managed by financial service providers, at 10.3 million, was slightly lower (by 100,000) compared with the last quarter of 2014. The number of payment cards, at nearly 9 million, rose modestly, by 57,000 in the year as a whole. As seen in previous periods, the number of contactless payment cards continued to rise significantly, by more than 6 per cent relative to the third quarter and by nearly 30 per cent relative to the end of the previous year. As a result, today some 4.8 million cards are equipped with this function. As regards the payment card acceptance infrastructure, the number of POS terminals operating in more than 82,000 acceptance points rose to over 101,000 in the fourth quarter. More than 62 per cent of these terminals are equipped with a feature enabling contactless payment. The number of Internet acceptance points grew significantly, by more than 12 per cent compared with the third quarter to more than 8,300, after declining in the previous quarter.

The number of domestic purchase transactions completed with payment cards issued in Hungary rose by more than 21 per cent in the fourth quarter of 2015 relative to a year earlier and exceeded 112 million. The total

value of transactions rose even more strongly, by nearly 27 per cent to HUF 841 billion compared with the same period of the previous year.

Analysing turnover by types of card, debit cards accounted for the strongest increase. The difference between debit and credit cards is particularly large in terms of the total value of transactions (28.6 per cent and 18 per cent, respectively). Purchases with debit cards accounted for some 85 per cent of total card turnover, both in terms of the number of transactions and their value. The strong increase in the volume of card-not-present purchases, completed mainly on the Internet, continued. Domestic turnover increased considerably both in terms of number (nearly 41 per cent) and value (some 52 per cent) relative to the fourth quarter of 2014; however, its ratio to total payment card turnover continued to be low. As regards domestic transactions completed at merchants, the increase in payments conducted with debit cards was slightly higher than that in payments with credit card payments (the former increased by more than 20 per cent and the latter by 16 per cent in number of value compared with the same period of the previous year). In the case of purchases on the Internet, both the number and value of transactions conducted with debit and credit cards rose by around 41 per cent.

The number of purchases with contactless cards rose by 2.4 times (41.4 million) and their value by 2.8 times (nearly HUF 180 billion) relative to the fourth quarter of 2014. As a result, contactless payments accounted for more than 38 per cent of total payment card purchases, and their value was equal to nearly 24 per cent of the total value of transactions. In the case of cash withdrawals using domestic payment cards, the number of transactions was practically unchanged relative to the same period of the previous year, while their value increased slightly (by 4 per cent). As a result, the average value of such transactions rose by nearly HUF 3,000 (HUF 66,000).

The number (78.6 million) of credit transfers conducted in the fourth quarter of 2015 was 2.8 per cent higher than in the same period of the previous year. Their value (HUF 151.1 billion), however, reflected a significant increase of 15.3 per cent. At 17 million, the number of direct debits was broadly unchanged in the fourth quarter of 2015 relative to a year earlier. However, their total value, at nearly HUF 180 billion, rose by more than 9 per cent compared with the same period of 2014.

In the third quarter, the number of frauds committed with domestically issued payment cards was nearly 6,000, causing a total damage of HUF 244 million. The number and damage caused by frauds both rose by more than half of frauds; however, their ratio continued to be very low compared with total card payment turnover. It is important to note that the largest part of damage is born by issuers and acceptors, due to customer-friendly regulations. At 81 in terms of number and 90 per cent in terms of the value of damage caused, the overwhelming majority of frauds were related to cross-border payment transactions, while in terms of the types of fraud, card-not-present transactions conducted over the Internet were affected most. In the domestic card acceptance network, the number (928) and value (HUF 53.5 million) of damage caused by frauds rose by around 40 per cent relative to the third quarter of 2014. The ratio of frauds to total turnover continued to be low.

VIBER (the real-time gross settlement system) turnover value fell by 5 per cent in the fourth quarter of 2015 relative to the previous quarter and by 7 per cent on a year-on-year basis. This mainly reflected declines in interbank transactions and two-week deposits. The volume of transactions rose slightly (by 5.5 per cent) compared with the third quarter, mainly as a result of an increase in ICS transactions due to the higher frequency of intraday clearing cycles initiated in September.

At system level, the liquidity of VIBER participants continued to be adequate. In September, the set of central bank monetary policy instruments was modified. As a result, the new three-month deposit became the MNB's main policy instrument, replacing the earlier two-week deposits. Participants channelled a large part of liquidity released from these two-week deposits into government securities. As a result, the ratio of government bonds to the total value of collateral increased to 72 per cent in December 2015. The composition of pledged collateral continued to change in the fourth quarter, with the ratio of corporate bonds rising significantly whereas discount Treasury bills' and mortgage bonds' share fell towards the end of the year. Due to pledges, the amount of intraday credit line available for the execution of payments, rose from HUF 1,000 billion at the beginning of 2015 to nearly HUF 1,500 billion by the end of the year. The abundance of payment liquidity is well illustrated by the fact that the lower and upper liquidity bounds were not breached, i.e. no gridlocks appeared in VIBER. At aggregate level, maximum utilisation of intraday credit line (MICL) was unchanged (7-12 per cent), continuing to be low. This means that VIBER participants do not have to use significant amounts of their credit lines to conduct a large part of their turnover, on aggregate level.

The volume and value of transactions in the ICS (Interbank Clearing System, the small-value payment system in Hungary) rose by 4 per cent and 14 per cent, respectively, in the fourth quarter of 2015 on a year-on-year basis. This means that almost 76 million transactions in a value of more than HUF 27 trillion were cleared. At system level, the volume and value of transactions rolled over between cycles in intraday clearing of the ICS continued to be negligible; however, the ratio of roll-overs compared to the total turnover (both in volume and value terms) increased in the final quarter of 2015. This was probably due to the participants' adjustment to higher frequency of ICS-cycles rather than actual liquidity shortage.

In the fourth quarter of 2015, turnover of both the spot and derivative capital market guaranteed by KELER KSZF (CCP in Hungary) increased compared with the previous quarter. In the derivative market, the value of open positions decreased by some 7 per cent by the end of the year compared with September 2015.

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Detailed tables: [Payment table set](#)

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