



## INFORMATION RELEASE

### Electronic payments expand with stable, high coverage

15 September 2023

*In 2023 Q2, infrastructure coverage remained unchanged, with the number of accounts and cards increasing by 1 per cent and the number of physical merchant acceptance points rising by 1.8 per cent. At the same time, there was a significant pick-up in electronic payments. The value of payment card purchase transactions and credit transfer turnover rose at a rate above inflation by 24.4 per cent and 39.1 per cent, respectively, as the number of cash withdrawals was down by 0.9 per cent. In the quarter, 71 per cent of payment cards in circulation were used for purchase transactions. Domestic payment turnover remains safe; however, the number and value of successful frauds rose. Phishing and psychological manipulation continue to be the most dominant methods; however, these forms of fraud could be reduced by increasing customer awareness. The total payments revenues of domestic payment service providers rose, and on the positive side, the total amount of fees collected from smaller merchants for payment card acceptance, fell. In 2023 Q2, payment system turnover fell slightly. In 2023 Q2, payment system liquidity rose and remained ample.*

The number of payment accounts managed by domestic payment service providers in Hungary grew slightly by 37,000 in 2023 Q2. There was also a modest increase in the number of payment cards issued in Hungary.

The number of card acceptance points picked up modestly as well. The number of physical merchant acceptance points and online acceptance points rose by 1.8 per cent and 5.2 per cent, respectively. In addition, the number of ATMs increased further by 1.2 per cent, and within this, the number of ATMs located in county towns fell by 2.7 per cent.

Meanwhile, the usage of the electronic payments infrastructure continued to expand significantly. Seventy-one per cent of all payment cards in circulation was used to make transactions in the quarter. A total of 448 million purchase transactions were made using these cards, representing a growth of 13.1 per cent in annual terms with their value rising at a rate above inflation by 24.4 per cent. The same growth was seen in the payment card acceptance network operated by domestic payment service providers, where the number and value of purchase transactions increased by 12.6 per cent and 24.8 per cent, respectively. The use of credit transfers also rose, although to a lesser extent, the rise was 2.8 per cent in number and 39.1 per cent in value.

Changes in cash withdrawals and cash deposits also indicate the growing popularity of electronic payments. The number of all cash withdrawals, with payment cards and at bank branches, was down by 0.9 per cent compared to the same period of 2022 with their value only rising at a rate below inflation, by 10.5 per cent. At the same time, the number and value of cash deposits were up by 10.2 per cent and 8.8 per cent, respectively. This large difference was probably caused by a simplified cash deposit facility available in a growing number of ATMs, which also facilitates deposits in smaller amounts.

The increasing popularity of digital banking is also clearly seen. The number of credit transfers submitted via mobile phones rose by 27 per cent year on year. Over 25 million such transfers were made in the quarter. In the meantime, the number of cards registered in mobile wallet applications increased by 116,000, as a result, 20 per cent of cards were registered in a mobile wallet application. Purchase transactions conducted with cards registered in mobile wallet applications, in turn, are rising sharply, their number increased by 53.3 per cent relative to a year earlier, reaching 96 million and their value changed to HUF 666 billion resulting from a growth of 70.4 per cent.

Although the number and value of frauds committed rose, the ratio of successful fraud attempts to total transactions remains insignificant. The Magyar Nemzeti Bank amended its methodology on fraud attempts effective from 2023 in order to ensure proper monitoring of the frequent changes in the methods of fraudulent activity; therefore, data cannot always be compared to 2022. Within frauds committed with domestic payment cards, fraud attempts linked to phishing and data theft continue to account for the largest share. Additionally, psychological manipulation, involving larger amounts, also appeared. The loss on the issuer side linked to frauds committed with payment cards, rose by HUF 285 billion in the quarter compared to the same period a year earlier, with losses borne by cardholders accounting for an increasing share of these losses. The increase in successful fraud attempts linked to cash withdrawals is significant more than doubling in number and value compared to 2022 Q2, but still only amounting to HUF 112 million.

In addition, the ratio of payment card transactions using Strong Customer Authentication (SCA) is steadily growing. 33.2 per cent and 59.5 per cent of the number and value of transactions using payment cards issued by domestic payment service providers were conducted using SCA in the quarter. It should also be highlighted that the use of Strong Customer Authentication does not provide perfect protection against fraud attempts, the education of customers remains important particularly to prevent cases of psychological manipulation.

The total revenue of domestic payment service providers from the provision of payment services rose by 15.8 per cent compared to 2022 Q2. The strongest increase was in revenues proportionate to the value of transactions where a rise of 20 per cent was seen. Analysing by titles of revenues, more than one quarter was generated from credit transfers. Revenues realised by payment service providers related to payment card acceptance services increased by 22.9 per cent year on year, indicating an increase similar to the growth in turnover. This increase in revenue and turnover was almost exclusively seen in the two largest merchant turnover categories (quarterly turnover between HUF 25-250 million and above HUF 250 million, respectively).

The value of VIBER turnover decreased by 5 per cent compared to the relatively high base in 2023 Q1 while it rose by 69 per cent year on year. The total numbers of transaction items expanded by 9 per cent relative to 2022 Q2 and a fall of 1 per cent is seen from the previous quarter. As a result of the above changes in turnover value and the number of transaction items, the average transaction size in VIBER fell by HUF 86 million from the previous quarter; however, there was a year-on-year rise of HUF 616 million. In annual terms, the increase in turnover was mainly fuelled by interbank items and primary market transactions relating to the two-week MNB bills issued by the Bank, while on a quarterly basis, interbank items decreased, whereas primary market transactions relating to the two-week MNB bills issued by the Bank continued to show an increase. Over the period as a whole, a total of 544,000 items were settled in VIBER, amounting to some HUF 943 trillion.

Compared to the same period last year, the average liquidity of VIBER participants rose by 168 per cent, while it increased by 7 per cent compared to 2023 Q1, mainly due to the rise in the account balance as the reserve ratio requirement increased. 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 continued to be low at system level, fluctuating between 0.2 per cent and 0.6 per cent in 2023 Q2, meaning that, on average, VIBER participants had to use only that portion of their overall credit lines available.

Interbank Clearing System (ICS) turnover rose by 13 per cent and the number of transactions by 1 per cent relative to a year earlier. A total of 96 million transactions were settled in 2023 Q2, amounting to a total of HUF 57 trillion, of which 40 million items, amounting to some HUF 7 trillion, were settled in the instant payment system. System participants provided adequate liquidity to ensure the smooth execution of instant payment transactions in the period.

#### **Technical guidance**

To analyse customer credit transfers, the time series available in the sub-menu '*Payments*' of the [Payments table set](#) should be used. 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.

## **MAGYAR NEMZETI BANK**

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Detailed tables: [Payment table set](#)

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