

REPORT ON CASH ISSUANCE

2022



BANCO DE
PORTUGAL
EUROSYSTEM

Lisboa, 2023

Executive summary

The *Report on Cash Issuance* describes the activities carried out by the Banco de Portugal and presents the most relevant indicators for 2022 on:

- Banknote production (Part I, Chapter 1).
- Introduction of cash into circulation (Part I, Chapter 2);
- Monitoring of the authenticity and fitness of cash (Part I, Chapter 3);
- Other cash issuance-related activities, such as the withdrawal from circulation of escudo banknotes, the Bank's cash services, the analysis of cash-related complaints, and training and communication initiatives (Part II).

In addition, this Report specifies the most important European and national regulations published in 2022 in this field (Part III).

Cash is a universal, inclusive and widely accepted means of payment. Euro banknotes and coins are legal tender and must therefore be accepted for payment by everyone (Box 1). The European Central Bank (ECB) and the Eurosystem national central banks share the concern to ensure that cash also remains widely available and that its distribution network is sufficiently comprehensive (Box 2).

In 2022 the Banco de Portugal maintained the supply of cash to the Portuguese banking system and the timely, uninterrupted satisfaction of demand for cash, in close cooperation with its main business partners. Despite the challenging situation in the energy market, core cash issuance functions were not affected.

The Bank complied with the banknote production quotas allocated to it under the terms of the agreement with the Austrian and Belgian central banks and awarded the production to Valora, which delivered 108 million €20 banknotes and 78.4 million €10 banknotes. The delivery schedule established with the euro area central banks was fully met.

The circulation of euro banknotes grew further in 2022, albeit at a slower pace than in previous years. In value, it rose by 1.8% compared to 2021. By contrast, in Portugal net issuance in terms of value decreased (-9.5 %), resuming a trend that was interrupted only during the pandemic period. In Portugal, as in the euro area, the introduction of banknotes into circulation was mainly affected by the Russian invasion of Ukraine and the rise in ECB interest rates from July onwards.

During the COVID-19 pandemic, there was a natural accumulation of €100, €200 and €500 banknotes (Box 3), mainly with the purpose of setting up a store of value. This behaviour continued in the first half of 2022, but this time presumably due to worries about a disruption in payment systems because of the conflict in Ukraine and the subsequent energy crisis. However, the rise in interest rates by the ECB and the resulting increase in deposit remuneration stimulated the return of these denominations to central banks from July onwards, reducing the pace of growth in net banknote issuance.

Given its greater use in current and lower-value payments, the effect of financial crises is not reflected to the same extent in the net issuance of euro coins. In 2022 the value of coins in circulation rose by 4.0% from the previous year, to €32.5 billion. In Portugal, central bank coin outflows and inflows were more pronounced than in 2021. However, many more coins left the central bank (mainly via withdrawals requested by credit institutions) than returned, with a 7.4% increase in the value of coins put into circulation compared to 2021. 1 and 2-cent coins continued to be the most requested, but all coins posted sharp changes.

In 2022 the ECB published two studies showing that cash is still the most frequently used point-of-sale means of payment by euro area consumers (Box 4). The analyses also showed that 96% of firms whose target audience is mostly composed of private individuals accept cash and that more than 90% will continue to do so (Box 5).

The Bank checked the authenticity and fitness of 557 million banknotes and 79 million coins using high-speed processing machines. Manually, it assessed 40,954 euro banknotes and 3,875 escudo banknotes that were badly damaged or mutilated, as well as 216 thousand euro banknotes neutralised by anti-theft devices. Banknotes unfit for recirculation were destroyed, which generated 72 tonnes of fragments that were incinerated for energy recovery. Among the most widely used denominations, the €5 banknote was the least salvaged.

In 2022 the ECB concluded a study on the environmental impact of the use of euro banknotes in payments, involving the 19 national central banks, printing works, suppliers of raw materials and equipment, credit institutions and cash-in-transit companies (CITs). Since euro banknotes are intended for daily use, their environmental impact was compared to that of other day-to-day activities. It was concluded that annual banknote payments by euro area citizens have an environmental impact equivalent to that of driving a car for eight kilometres (Box 6).

Credit institutions and CITs processed six times more banknotes and 74 times more coins than the Banco de Portugal. Compliance with the rules laid out for this activity was assessed in 555 inspections carried out by the Banco de Portugal throughout the country.

The number of seized counterfeit euro banknotes was the second lowest since 2003. In Portugal, 10,732 counterfeit banknotes were withdrawn from circulation, mostly €10 and €20, and 2,133 counterfeit euro coins, mainly €2, corresponding to a negligible share of the number of genuine banknotes and coins in circulation. In 2022 the Banco de Portugal established protocols with the central banks of Mozambique and Cabo Verde, under which it will receive suspect euro banknotes for analysis and classification from these two central banks (Box 7).

In the Bank's various cash offices across the country, there were 162.5 thousand visits related to cash operations. Over the year, 779 cash-related complaints were examined, most of which without evidence of infringement. In order to promote knowledge of euro banknotes and coins, the Banco de Portugal organised training sessions for 9,210 participants, and trained 9,080 professional cash handlers through e-learning.

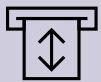
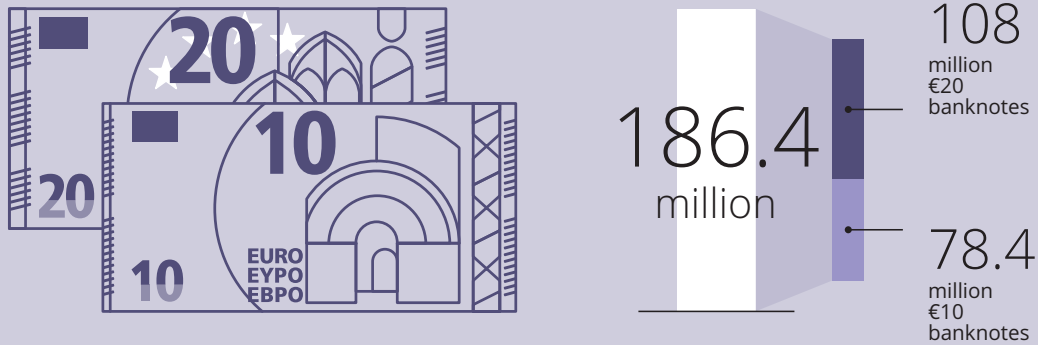
Until the end of February 2022, a campaign was run to withdraw any escudo banknotes that had not yet expired. Escudo banknotes in this series worth around €94 million remained in the possession of the public, amounting to an extraordinary revenue for the Banco de Portugal in 2022, as it ceased to be responsible for their payment.

The Bank also launched a communication campaign to mark the 20th anniversary of the euro as a physical currency.

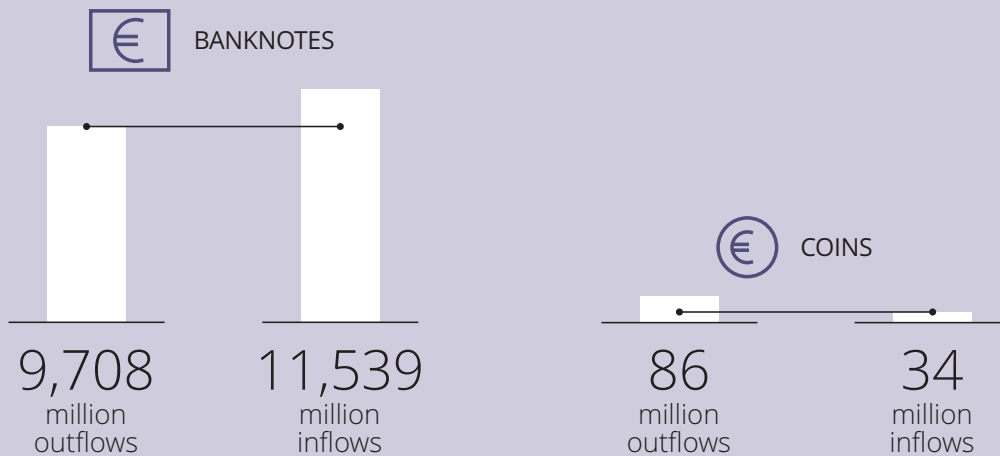
Cash issuance in figures **2022**



Euro banknotes produced in Portugal



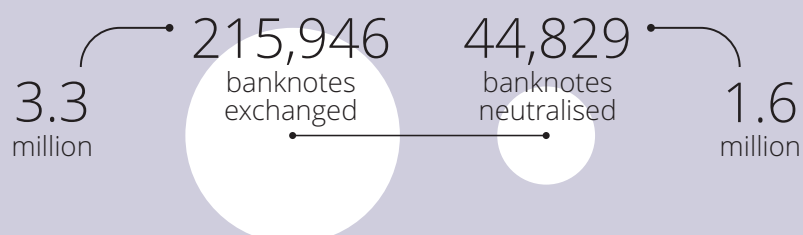
Euro banknote outflows/inflows from/into the Banco de Portugal



The supply to the banking system proceeded smoothly through the Bank's cash centres at Carregado, Porto, Faro, Funchal and Ponta Delgada.



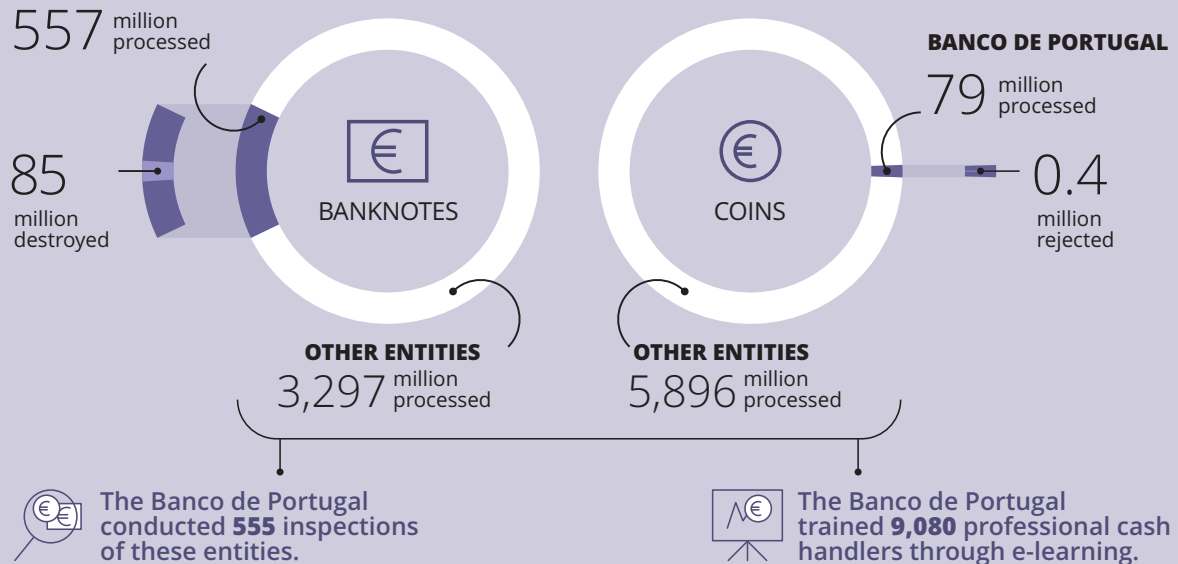
Banknotes analysed manually



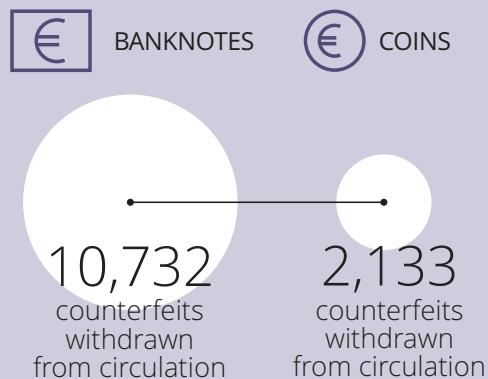


Euro banknotes and coins processed

BANCO DE PORTUGAL



Fight against counterfeiting in Portugal



€10 banknotes were the most counterfeited.
€2 coins were the most counterfeited.



Treasury services provided to the public

163,000
customer
service
interactions



