

Report on Cash Issuance

2018



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Executive summary

The *Report on Cash Issuance* describes the activities carried out by Banco de Portugal and presents the most relevant indicators for 2018 on:

- Banknote production (point 1.1. of Chapter I);
- Introduction of banknotes and coins into circulation (point 2. of Chapter I);
- Monitoring of the authenticity and fitness of banknotes and coins (point 3. of Chapter I);
- 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 (Chapter II).

In addition, this Report specifies the most important European and domestic regulations in this field (point 1. of Chapter III).

Cash issuance in 2018

Banco de Portugal is responsible for a quota in the Eurosystem's annual banknote production. In 2018 it received from Valora S. A., its printing works, 139 million €20 banknotes and 72 million €5 banknotes (Europa series).

Regardless of where they are printed, euro banknotes are consistent in quality and are safe for the environment and the health of the general public (Box 1).

Banknotes in circulation in the euro area continued to grow, with an annual change of 5.2% in value. The main contribution to this increase was made by the €50 denomination (the most used in payments) and the €100 denomination (one of the substitutes for the €500 banknote): 6.3% and 6.9% respectively. The circulation of coins also recorded a further annual increase, of 3.6%.

In Portugal, net banknote issuance continued to be negative, totalling -€17 billion at the end of the year. This indicator's behaviour is a direct consequence of the large number of higher-value banknotes brought into the country by tourists, which are returned to Banco de Portugal as they exceed demand. The growing use of payment cards also seems to be contributing to this behaviour, albeit indirectly. Nevertheless, most payments, especially those of lower value, are made in cash. The €20 banknote is the most used by the Portuguese, and last year it accounted for 83% of the joint net issuance of the three lowest denominations, followed by the €10 banknote, with a share of 14% in the total.

Since the introduction of the euro, in Portugal the net issuance of coins has always been positive and followed an upward trend. At the end of 2018 it reached €634 million, a 6% increase on the previous year. In 2018 coin swaps among cash in transit companies (CITs) reduced deposits in Banco de Portugal, which reached a historical minimum (€673 thousand). However, demand for the two lowest-value coins – 1 and 2 cents – remained high (Box 5). To settle the accumulated surplus of €2 coins, Banco de Portugal made a new swap agreement at face value with a Eurosystem central bank (Slovakia), which allowed it to swap 10 million €2 coins for 20 million €1 coins.

Banco de Portugal ensures the authenticity and fitness of the banknotes it puts (back) into circulation, thus safeguarding public trust in cash. In compliance with this objective, the Bank checked 698 million banknotes and 63 million coins using its own equipment. Through a manual analysis, it exchanged around 38 thousand euro and escudo banknotes and assessed over 98 thousand euro banknotes neutralised by anti-theft devices. Destroyed banknotes were as usual sent for incineration and

production of electricity (Box 6). Given the different use of the various denominations, euro banknotes can last from two to 12 years (Box 4).

Cash sorting by credit institutions and CITs is considerable. Last year these entities processed 4.7 times more banknotes and 33 times more coins than Banco de Portugal. To check that these entities comply with the rules and criteria established for the euro area in this field, the Bank held over 500 inspections across the country.

In 2018, 18,047 counterfeit banknotes and 2,801 counterfeit coins were withdrawn from circulation in Portugal. This corresponded to 3.2% and 1.7% respectively of total counterfeit banknotes and coins withdrawn from circulation in the euro area. The fight against counterfeiting nationwide is based on strict cooperation between Banco de Portugal and the Criminal Police (Box 8) and promoting public knowledge on euro banknotes and coins. In 2018 Banco de Portugal provided training to 17,816 professional cash handlers via an e-learning platform, and organised face-to-face training courses involving 9,451 participants.

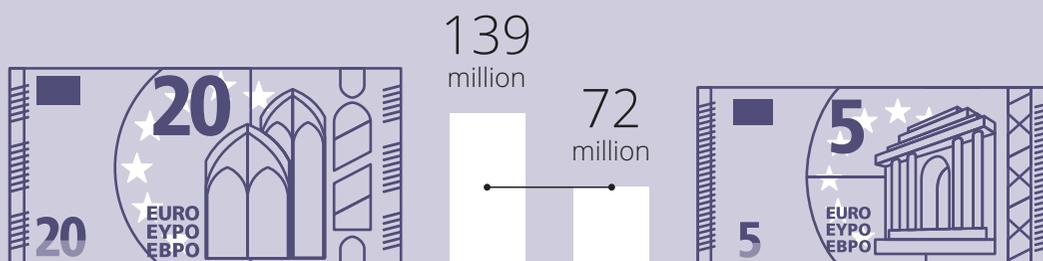
Over the course of the year Banco de Portugal exchanged 48,903 escudo banknotes amounting to €768 thousand. At the end of 2018 the public still held 11.5 million banknotes of the last series (Box 9), worth €96.3 million.

For the second consecutive year, the Bank conducted an assessment exercise on the quality of the cash services it provides to households and enterprises. The degree of overall satisfaction with the services provided was 3.75 (on a scale of 1 to 4).

In the last quarter of 2018 the Bank initiated the preparations for the launch of the €100 and €200 banknotes of the Europa series, which included a press conference at the Carregado Complex. The new banknotes will enter into circulation on 28 May 2019.

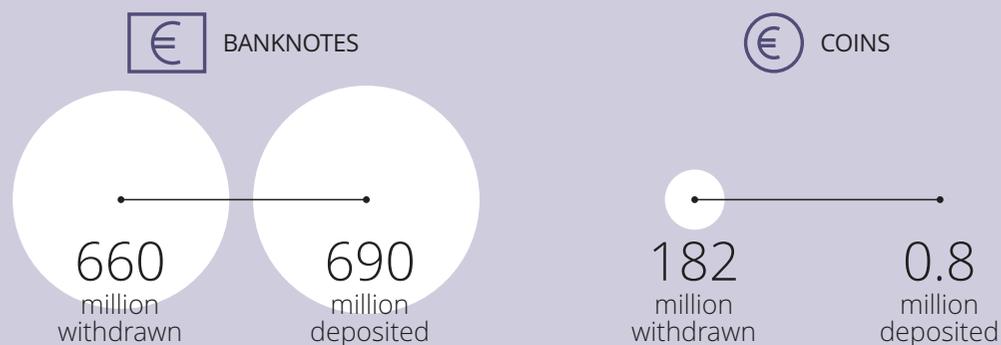
Cash issuance in figures 2018

Banknotes produced in Portugal

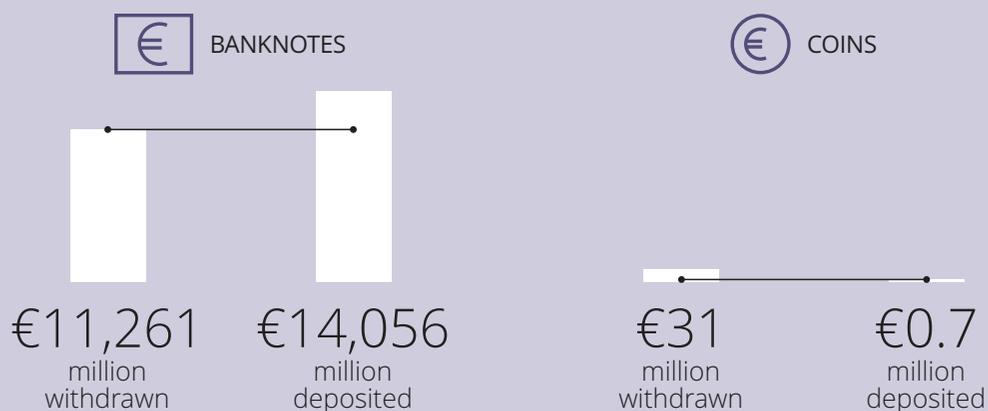


Deposits and withdrawals in Banco de Portugal

In quantity



In value



€20 banknotes were the most withdrawn and deposited, in quantity and in value.



1 and 2 cent coins were the most withdrawn in quantity and **€1** coins were the most withdrawn in value.

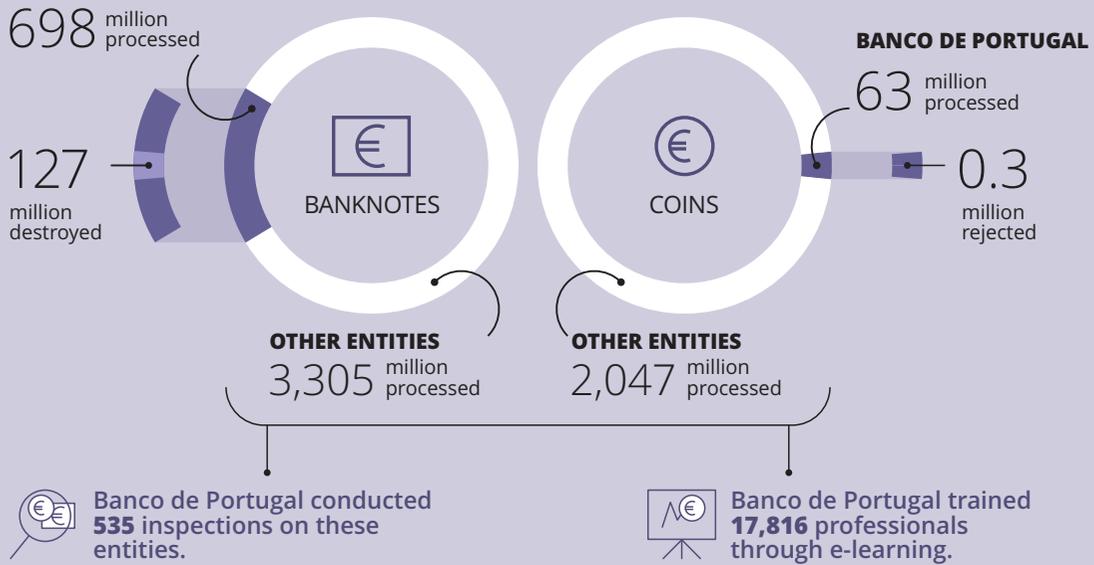


€2 coins were the most deposited in quantity and in value.



Monitored banknotes and coins

BANCO DE PORTUGAL



Fight against counterfeiting



Withdrawal of escudos



