

REPORT ON CASH ISSUANCE



2019



BANCO DE
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Lisboa, 2020 • www.bportugal.pt

Report on Cash Issuance | 2019 • Banco de Portugal Av. Almirante Reis, 71 | 1100-150 Lisboa • www.bportugal.pt
• Edition Issue and Treasury Department • Design Communication and Museum Department | Design Unit • ISSN
2184-0024 (online)

Executive summary

The *Report on Cash Issuance* describes the activities carried out by Banco de Portugal and presents the most relevant indicators for 2019 on:

- Banknote production (Part I.1);
- Introduction of banknotes and coins into circulation (Part I.2);
- Monitoring of the authenticity and fitness of banknotes and coins (Part I.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 domestic regulations in this field (Part III).

Cash issuance in 2019

Banco de Portugal is responsible for a quota in the Eurosystem's annual banknote production, as are the other central banks in the euro area. As such, in 2019 it received 101.5 million €5 banknotes from Valora S. A., the Portuguese printing works. This is one of the banknotes whose lifespan has been enhanced by applying an additional protective varnish layer (Box 2).

Throughout the year, the Portuguese printing works started printing euro banknotes in accordance with the agreement in place between the central banks of Austria, Belgium and Portugal. Under the agreement signed between Banco de Portugal and the Central Bank of Ireland, Valora also started printing banknotes for this central bank's 2019 production quota. The increase in production led Valora to record its highest annual production ever.

In the euro area, despite the substitution of the €500 banknote for lower value banknotes, the total value of banknotes in circulation continued to grow by around 5% (Box 4). The higher demand for €200 banknotes largely offset the drop from the €500 banknote's end of issuance. The €100 and €50 banknotes also contributed to that end result, with changes of 8.8% and 7.4% respectively. The value of coins in circulation continued to increase, 3.4% year on year.

In Portugal, net banknote issuance totalled -€20 billion at the end of the year. The downward trend observed in this indicator occurs because more banknotes have entered Banco de Portugal than left, due to excess higher-value banknotes brought by tourism. The rising use of alternative means of payment also appears to explain the imbalance pointed out. Nevertheless, the Portuguese, like other Europeans (Box 3), continue to prefer cash in most transactions, particularly those involving lower amounts. Of the three banknotes most used in Portugal – €20, €10 and €5 – the €20 banknote accounts for most of the joint net issuance (84%).

Conversely, the net issuance of coins in Portugal has grown steadily since the introduction of the euro. It recorded €671 million in 2019, 6% more than in the previous year. Although Banco de Portugal encourages the exchange of surpluses between cash-in-transit companies (CITs), €14 million (+45%) more in coins of all denominations from €2 to 10 cents were withdrawn compared to 2018. Deposits, which had reached a historical low in 2018 (less than €1 million), totalled €13.5 million in 2019, 80% of which related to €1 coins. Continuing the strategy of settling the accumulated surplus of €2 coins, Banco de Portugal made a new coin swap agreement at face value with Central Bank of Ireland, which allowed it to send 18 million €2 coins and receive 36 million €1 coins.

To safeguard the public's confidence in cash, Banco de Portugal checked the authenticity and fitness of 635 million banknotes and 73 million coins using automated processes (Box 6). Through manual analysis, the bank exchanged 37.5 thousand euro and escudo banknotes (Box 7) and assessed over 175 thousand euro banknotes neutralised by anti-theft devices.

The verification carried out by qualified entities (credit institutions and CITs) is of particular importance in order to ensure public confidence in cash. In 2019 these entities processed 5.6 times more banknotes and 28 times more coins than Banco de Portugal. Compliance with the rules and criteria to be observed in this activity was evaluated in more than 500 inspections carried out by Banco de Portugal across the country.

In 2019, 16,350 counterfeit banknotes and 3,575 counterfeit coins were withdrawn from circulation in Portugal. This corresponded to 2.9% and 1.9% respectively of total counterfeit banknotes and coins withdrawn from circulation in the euro area. The fight against counterfeiting requires the involvement of police forces, professional cash handlers and society in general, and knowledge of banknotes and coins is essential. To increase such knowledge, Banco de Portugal provided training to 11,786 professional cash handlers via an e-learning platform, and organised face-to-face training courses involving 10,991 participants. Both in this and other areas related to cash, the Bank often cooperates with central banks of Portuguese-speaking countries (Box 8).

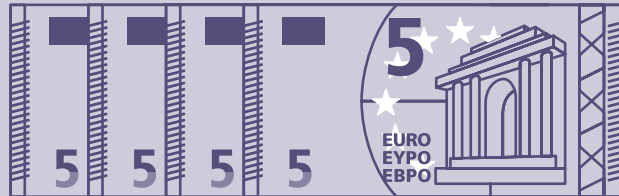
Over the course of the year Banco de Portugal exchanged 35,477 escudo banknotes amounting to €560 thousand. At the end of 2019 the public held 11.5 million banknotes still within the exchange period, worth €95.7 million.

As in the two preceding years, Banco de Portugal conducted an assessment exercise on the quality of the services it provides to households and enterprises. The degree of overall satisfaction with the services provided was 3.78 on a scale of 1 to 4 (3.75 in 2018).

Following the launch of the €100 and €200 banknotes of the Europa series (Box 1), Banco de Portugal carried out several information actions at national and regional level, some of which in partnership with the Portuguese police forces (GNR and PSP). The new banknotes entered into circulation on 28 May 2019.

Cash issuance in figures **2019**

Banknotes produced in Portugal



101.5
million



Withdrawals and deposits in Banco de Portugal

In value



BANKNOTES



COINS

10,640
million
withdrawn

13,335
million
deposited

45
million
withdrawn

13.5
million
deposited



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



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



€1 coins were the most deposited in number and in value.



Banknotes analysed manually

€2.4 million

175,230 banknotes neutralised

37,455 banknotes exchanged

€1.3 million



Banknote exchange requests surged due to the wild fires of 2017. The number of banknotes exchanged in 2019 surpassed 2017.



Banknotes and coins processed

BANCO DE PORTUGAL

635 million processed

115 million destroyed



BANKNOTES

OTHER ENTITIES
3,543 million processed



COINS

OTHER ENTITIES
2,045 million processed

BANCO DE PORTUGAL

73 million processed

0.6 million rejected



Banco de Portugal conducted **554** inspections on these entities.



Banco de Portugal trained **11,786** professional cash handlers through e-learning.



Fight against counterfeiting in Portugal



BANKNOTES



COINS



€50 banknotes were the most counterfeited.

16,350 counterfeits withdrawn from circulation

3,575 counterfeits withdrawn from circulation



€2 coins were the most counterfeited.



Withdrawal of escudos

35,477 banknotes exchanged

€560 thousand

11.5 million banknotes left to exchange

95.7 million



Over one third of the amount of escudo banknotes not yet exchanged corresponded to the **5000\$ plate 3**.

