

REPORT ON CASH ISSUANCE

2021



BANCO DE
PORTUGAL
EUROSYSTEM

Lisboa, 2022

Executive summary

The Report on Cash Issuance describes the activities carried out by the Banco de Portugal and presents the most relevant indicators for 2021 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 2021 in this field (Part III).

In 2021 the core cash issuance functions operated smoothly and with minimum disruption. Close cooperation between the Banco de Portugal and its main institutional partners made it possible to ensure the supply of cash to the Portuguese banking system and the timely satisfaction of demand for cash, the production of euro banknotes allocated to it and compliance with the delivery schedule established with the other euro area central banks, as well as the maintenance of the quality of cash in circulation.

In 2020 the Eurosystem committed to ensuring that all euro area citizens and firms continue to have access to cash and that the latter remains a generally accepted, sustainable and innovative means of payment (Box 1). In this context, preparatory work to redesign the euro banknotes started in 2021. The theme for the future banknotes will be chosen after gathering the opinion of the European citizens and is due to be announced in 2024. Experts from all euro area countries are involved in the Theme Advisory Group set up for this purpose.

Like the other euro area national central banks, every year the Banco de Portugal is responsible for a share of the Eurosystem's overall banknote production, awarded to Valora S. A., the printing works fully owned by the Bank. In order to maximise the capacity utilisation and minimise the price paid to purchase euro banknotes, the Bank extended until 2026 its agreement concluded in 2018 with the Belgian and Austrian central banks, aimed at merging the euro banknote production quotas of the three central banks and dividing them equally between Valora and the Austrian printing works. In 2021 Valora delivered 289 million €5 banknotes and 28 million €20 banknotes to the Banco de Portugal.

In 2020, the first year of the health crisis, a contraction in consumption and changes in the payment behaviour of euro area consumers – partly due to fears as to the virus' risk of transmission through cash (Box 2) – led to a reduced use of cash in transactions and consequently to a decline in the value of banknote outflows from euro area central banks. However, the value of banknote inflows into central banks declined even further and, as such, the overall value of banknotes in circulation grew by 11%. Amid a crisis, these developments across Member States showed how important cash is as a store of value. In 2021 the number and value of euro banknotes in circulation grew by 6.5% and 7.7% respectively. For most denominations, the annual change in net issuance was similar to that seen before the crisis, in 2019. This means that the strong demand for €20 and €50 banknotes in 2020 did not recur; however, the circulation of €100 and €200 banknotes continued to grow markedly. At the end of the year, there were 28.2 billion euro banknotes in circulation, with a total value of €1,544 billion. 30% to 50% of this amount is estimated to circulate outside the euro area. The €50 banknote was still predominant, accounting for 44.3% of the total value of banknotes in circulation, close to the share corresponding to the €100, €200 and €500 banknotes as a whole.

Also in Portugal, the pandemic continued to have considerable effects on the supply of and demand for cash, with monetary flows between the Banco de Portugal and the banking system declining to new historical lows. Unlike in 2020, the drop in central bank banknote outflows (-6.7%) was sharper in 2021 than the decrease in banknote inflows (-2.3%). As such, although the growth trend that started in 2020 proceeded, the net value of banknotes issued increased by only 0.9%, to -€19,174 million. Typically, more banknotes enter rather than exit the Banco de Portugal, as a result of an excess of higher-value banknotes flowing into the country through tourism. The suspension or restriction of activity in this sector and the increased number of banknotes held as a store of value may explain the reversal in this trend. Out of the three most commonly used denominations in Portugal – €5, €10 and €20 – the €20 banknote continued to account for the highest share in total net issuance for the three denominations (65%).

The pandemic situation did not have such a marked effect on euro coins as it had on banknotes. Although coins are widely used in payments, particularly lower-value payments, they are not regarded as a store of value. In 2021 the increase in net issuance of coins waned; at the end of the year, this indicator amounted to €31.2 billion and reached €702 million in Portugal, which corresponds to 3% growth compared to 2020, mainly driven by the €2 coin. Over the past decade, net issuance of this denomination has tended to decline, due to the entry into the country of a high number of coins issued by other Member States, together with a greater preference for other denominations. This led the Banco de Portugal to begin destocking €2 coin built-up inventories in 2017. If sustained further, the recovery that started in 2020 may warrant minting this denomination once again in the coming years.

In 2021 the Bank checked the authenticity and fitness of 448 million banknotes and 64 million coins using fully automated processing machines. Manually, the Banco de Portugal assessed 39,557 euro banknotes and 1,339 escudo banknotes that were badly damaged or mutilated, as well as 281 thousand euro banknotes neutralised by anti-theft devices. 59 tonnes of banknotes were destroyed and incinerated for energy recovery (Box 3). Among the most widely used denominations, the €5 banknote was the least salvaged.

Credit institutions and cash-in-transit companies (CITs) processed six times more banknotes and 26 times more coins than the Banco de Portugal. Compliance with the rules laid out for this activity was assessed in 148 inspections carried out by the Banco de Portugal throughout the country.

The number of seized counterfeit euro banknotes decreased to its lowest level since 2003. In Portugal, 10,836 counterfeit euro banknotes were withdrawn from circulation, mostly €10 and €20, and 1,513 counterfeit euro coins, mainly €2, corresponding to a negligible share of the number of genuine banknotes and coins in circulation. However, given that a counterfeit banknote cannot be exchanged for a genuine one, even if it has been received inadvertently, it is important that the public knows how to distinguish between genuine banknotes and illegal reproductions (Box 4).

As regards cash, the Banco de Portugal organised training courses for 1,305 participants and trained 13,043 professional cash handlers through e-learning.

In November, a campaign was launched on the withdrawal of the last series of escudo banknotes still within the exchange period. In the course of the year, the Banco de Portugal exchanged 34,480 escudo banknotes. However, as at 31 December, the public still held 11.4 million escudo banknotes, worth €94.8 million.

Despite continued restrictions on access to in-person services, there were 102 thousand visits to the Bank's cash offices. The Bank conducted a survey on the quality of the services provided at its customer service desks (Box 5). Results showed a high degree of satisfaction among the public.

Cash issuance in figures 2021

Euro banknotes produced in Portugal



317
million

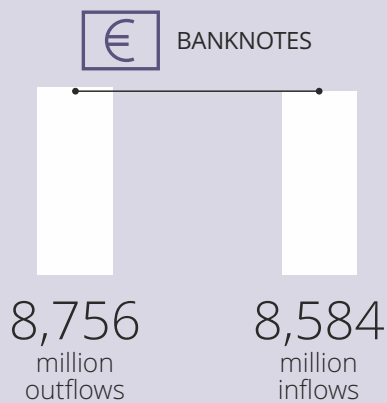


Valora operated smoothly during the pandemic crisis.



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

In value



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



€20 banknotes met the highest demand and, in turn, were returned the most to the Banco de Portugal in terms of both number and value.



Demand was highest for **1 and 2 cent** coins, in number, and **€1** coins, in value.



The most deposited coins with the Bank were the **50 cent** (in number) and **€1** (in value).



Banknotes analysed manually



Banknote and coin sorting continued to experience no delays.

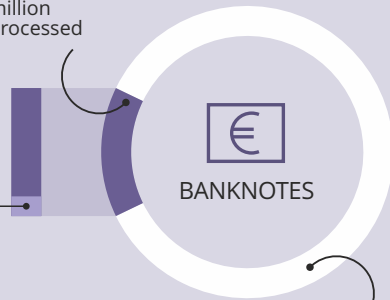


Euro banknotes and coins processed

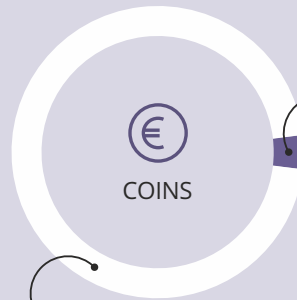
BANCO DE PORTUGAL

448 million processed

69 million destroyed



OTHER ENTITIES
2,653 million banknotes processed



OTHER ENTITIES
1,649 million coins processed

BANCO DE PORTUGAL

64 million processed

0.4 million rejected



The Banco de Portugal conducted **148** inspections of these entities.



The Banco de Portugal trained **13,043** professional cash handlers through e-learning.



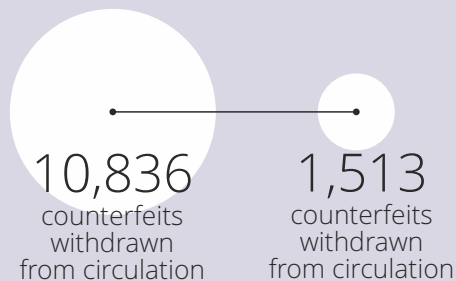
Fight against counterfeiting in Portugal



BANKNOTES



COINS



€20 banknotes were the most counterfeited.

€2 coins were the most counterfeited.

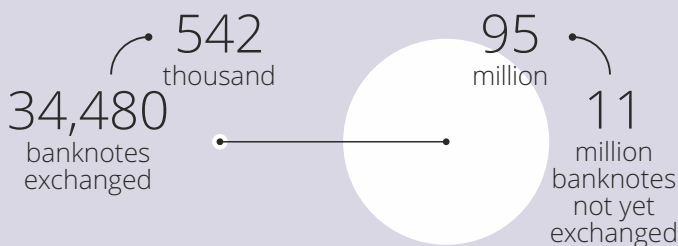


Treasury services provided to the public

102,000 thousand times services were provided at customer service desks



Withdrawal of escudos



5000	
	escudos
	5000
	5000
	5000
	5000

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

