

# REPORT ON CASH ISSUANCE

2023



BANCO DE  
PORTUGAL  
EUROSYSTEM





# Executive summary

The *Report on Cash Issuance* describes the activities carried out by the Banco de Portugal and presents the most relevant indicators for 2023 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 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 this field (Part III).

In 2023 the European Central Bank (ECB) and the other Eurosystem central banks remained committed to ensuring effective access to and acceptance of cash in the euro area. The Banco de Portugal continued to play an active role in workstreams focusing on discussing the legal tender and acceptance of the physical euro (Box 1), releasing the results of the most recent monitorisation of the national network of cash access points (Box 2), confirming that Portugal compares favourably with the other Member States and that the maximum distance in a straight line from the furthest location in any civil parish to a cash access point remains 17 kilometres.

The Banco de Portugal complied with the banknote delivery schedule established with the other euro area national central banks and ensured the supply of cash to the Portuguese banking system, timely satisfaction of demand for cash and the performance of core cash issuance functions without interruption and in close cooperation with credit institutions and cash-in-transit companies (CITs).

In order for credit institutions and other professional cash handlers in the euro banknote supply chain to play their role more effectively and efficiently, the Bank has changed the procedures to be followed in banknote recirculation (Box 3). These changes were introduced by taking advantage of the need to include in the Instruction of the Banco de Portugal establishing the rules for banknote withdrawals and deposits in the Bank's cash offices (Instruction No 4/2023) the end of the protocol between the Bank and Caixa Geral de Depósitos for cash operations at the branches of this credit institution located in Angra do Heroísmo and Horta (Box 4).

At the end of the year and to test the resilience of the business continuity plan established for cash issuance and distribution, the Bank conducted a dry-run with the participation of the most significant players operating in the country. The exercise made it possible to collect a very interesting set of data and proposals capable of strengthening the strategies to be adopted in case of adversity, in order to keep the banknote and coin distribution system in Portugal fully operational (Box 5).

As part of decentralised euro banknote production, the Banco de Portugal complied with the quotas allocated to it under the terms of the agreement with the Austrian and Belgian central banks, awarding the printing of 265.8 million €20 banknotes to Valora.

In the Eurosystem, work continued on a new series of euro banknotes. Based on public opinion, two possible themes were selected for the banknotes — “European culture” and “Rivers and birds” — and work began on selecting the motifs that could best illustrate them.

At the end of 2023, the number of euro banknotes in circulation reached an all-time high (29.8 billion banknotes), confirming that cash remains the most frequently used means of payment by euro area citizens. However, the value of euro banknotes in circulation declined by 0.3% from the end of 2022. This is explained by the progressive rise in the key ECB interest rates: the increased remuneration of deposits discouraged cash from being held as a store of value and stimulated inflows of banknotes, particularly high-denomination banknotes, into central banks. As such, the total value received by euro area central banks exceeded the total value of outgoing banknotes and, for the first time since

2002, there was a negative year-on-year change in the value of banknotes in circulation. 20% to 25% of the amount of banknotes in circulation was estimated to circulate outside the euro area.

The value of banknotes put into circulation by the Banco de Portugal remained negative (- €24.7 billion) and decreased by 17.8% from the end of 2022. Increased tourism in Portugal and the interest rate rise may have contributed to this. In addition, the incentive to banknote recirculation from the entry into force of Instruction No 4/2023 produced the effect that the Bank desired by reducing banknote outflows and inflows from/into the central bank. However, banknote withdrawals from automated teller machines in Portugal have been the highest both in volume and value since the euro was introduced, confirming the importance that cash retains as a means of payment.

The value of euro coins in circulation rose by 3.2% to €33.5 billion compared to 2022, which is equivalent to 148.2 billion coins. In Portugal, net issuance reached 4 billion coins. At the end of the year, the average value of coins put into circulation by the Banco de Portugal amounted to €0.20, which shows that low-denomination coins (1 and 2 cents) have a high share in the circulation structure: these are highly used for change and few return to the central bank, given their low value. To meet demand for these denominations, the Banco de Portugal conducted two new coin exchange operations, with Belgium and Slovakia, receiving 116 million 1 and 2 cent coins in exchange for 50 cent and €1 coins. Given that the cost of producing these low-denomination coins exceeds their face value, these operations generated profits for the Portuguese State.

To ensure the authenticity and fitness of cash in circulation, the Bank checked 445.7 million banknotes and 99.4 million coins using high-speed machines (Box 6). As a result, 92.7 million banknotes and 0.9 million coins were replaced. The aforementioned entry into force of Instruction No 4/2023 resulted, on the one hand, in a decrease in the number of banknotes processed by the central bank and, on the other, in a decline in the number of times the banknotes return to the central bank. Given that banknotes remain in circulation longer, they show a greater rate of deterioration. As such, despite processing fewer banknotes in 2023, the Banco de Portugal also identified more unfit banknotes, resulting in an increase in the banknote destruction rate from 15.2% in 2022 to 20.8% in 2023. The overall coin rejection rate remained low (0.89%).

The Banco de Portugal manually assessed 652,602 banknotes and 398,102 coins that were badly damaged. The cases that met all of the established criteria resulted in the return of a total of €11.2 million to their respective holders.

Banknotes unfit for recirculation were destroyed, generating 78.3 tonnes of fragments that were incinerated for energy recovery. The destruction of unfit coins is carried out by Imprensa-Nacional Casa da Moeda (Portuguese Mint and Official Printing Office) at the request of the State.

Credit institutions and CITs processed 8 times more banknotes and 21 times more coins than the Banco de Portugal. To assess compliance with the rules laid out for this activity, the Banco de Portugal carried out 556 inspections (Box 7).

The number of seized counterfeit euro banknotes was one of the lowest recorded since the physical euro was launched. In Portugal, 16,723 counterfeit banknotes and 3,197 counterfeit coins were withdrawn from circulation, corresponding in both cases to a negligible share of the number of genuine banknotes and coins in circulation. The Banco de Portugal also analysed and classified 50 counterfeit euro banknotes it received from Banco de Cabo Verde, under the protocol signed by the two central banks in 2022; this was the first time that the Portuguese central bank assessed suspect banknotes from another central bank (Box 8).

In the Bank's various cash offices across the country, there were 182.4 thousand visits related to cash operations. 979 cash-related complaints were examined, most of which without evidence of infringement (Box 9). In order to promote knowledge of euro banknotes and coins, the Banco de Portugal organised 436 face-to-face training courses for 10,327 participants and trained 11,061 professional cash handlers through e-learning. It also launched three podcasts on its free-of-charge banknote assessment service, euro circulation and euro banknote counterfeiting.

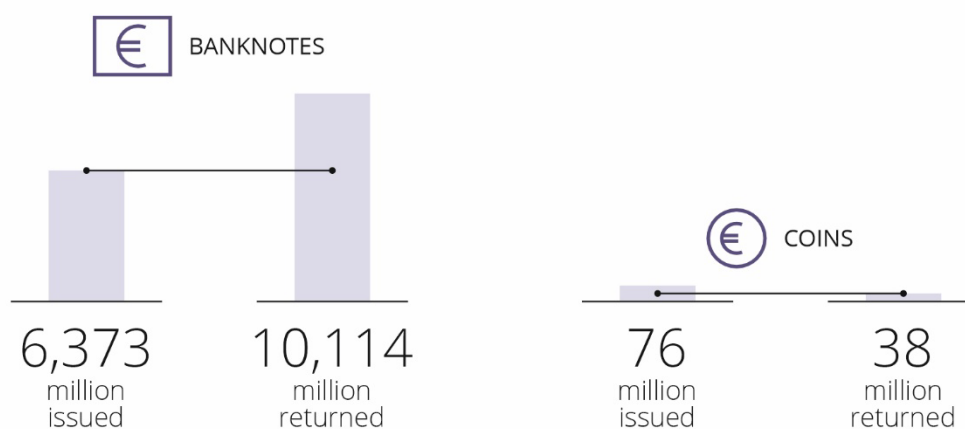
# Cash issuance in figures

## 2023

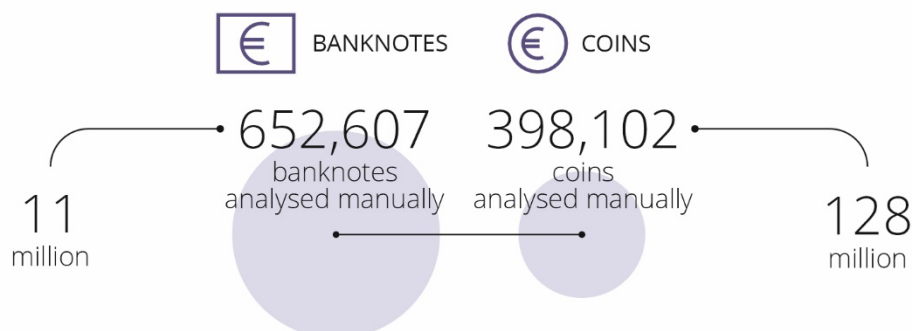
### Euro banknotes produced in Portugal



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



### Euro banknotes and coins analysed manually



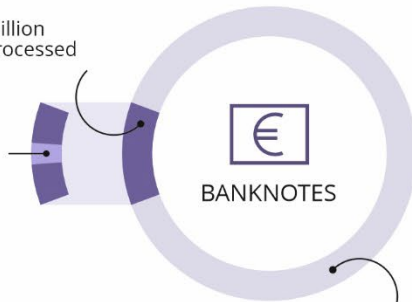


## Euro banknotes and coins processed

### BANCO DE PORTUGAL

446 million processed

93 million destroyed



OTHER ENTITIES  
3,489 million processed

### BANCO DE PORTUGAL

99 million processed

0.9 million rejected



OTHER ENTITIES  
2,100 million destroyed



The Banco de Portugal conducted **556** inspections of these entities.

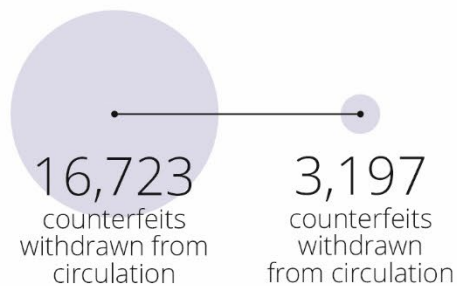


The Banco de Portugal trained **11,061** professional cash handlers through e-learning.



## Fight against counterfeiting in Portugal

€ BANKNOTES    € COINS



€100 banknotes were the most counterfeited.

€2 coins were the most counterfeited.



## Cash services provided to the public

182,423  
customer  
service interactions



