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### The latest trends in cash activity in the context of the health crisis

#### The trend decline in the use of banknotes and coins, underway for a number of years, accelerated due to the pandemic

The health crisis has accentuated the decline in the use of cash, acting as a catalyst for changes in behaviour. A Banque de France [bulletin](#) reviews the latest trends in the cash industry.

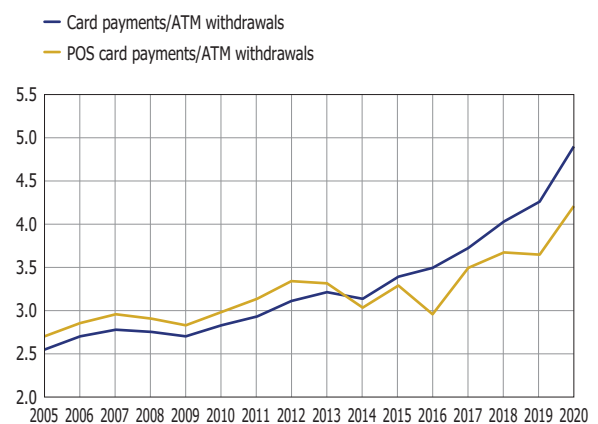
In particular, the digitalisation of payments has increased.

The dematerialisation of payment instruments has accelerated over the last five years. Before 2010, card payments were 2.7 times higher than ATM withdrawals, which are a good indicator of cash payments. This ratio rose to 4.3 in 2019. In 2020, it increased to around 5. The increase is less marked for card payments in point-of-sale (POS) outlets alone. The stronger growth in the first ratio can be attributed to e-commerce, which grew particularly rapidly due to the closure of stores during the health crisis.

Over the next few years, it is expected that contactless card payments will continue to grow and mobile payments will develop. Still not widely used, these mobile payments are being strongly promoted by smartphone manufacturers, with payment applications becoming more sophisticated and with a wider range of features. This development of smartphone payments is likely to be at the expense of bank card payments, and possibly cash payments too.

#### Ratio of card payments to ATM withdrawals

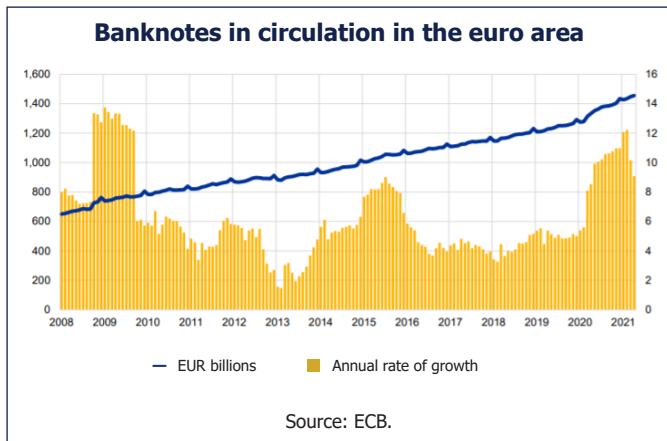
(in value)



Sources: Groupement des Cartes Bancaires CB, Banque de France

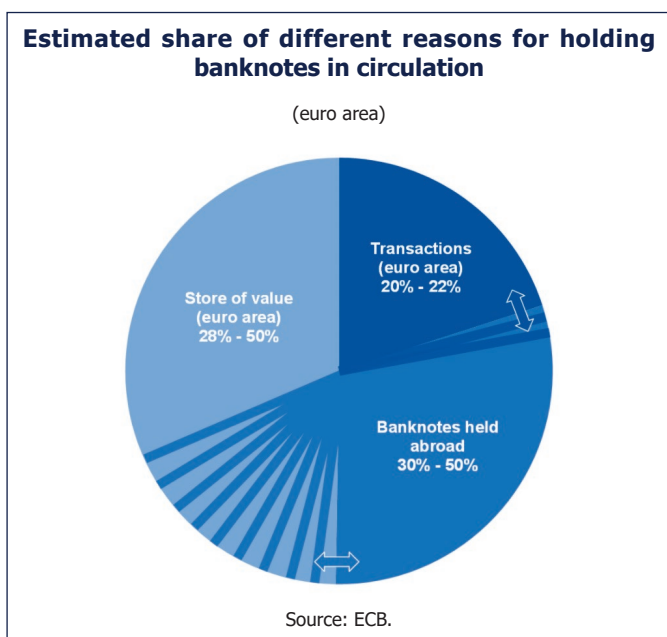
Note: Point of sale (POS) refers to retailers.

**Despite a decrease in the use of cash for transaction purposes, the hoarding of cash accelerated during the health crisis**



The growth in the value of euro banknotes in circulation has been strong since their introduction in 2002.

This growth was particularly pronounced during the financial crisis of 2008 and during the coronavirus pandemic. On average, the annual growth of euro banknotes in circulation has been 5% per year since 2010, but it reached 12% in February 2021.

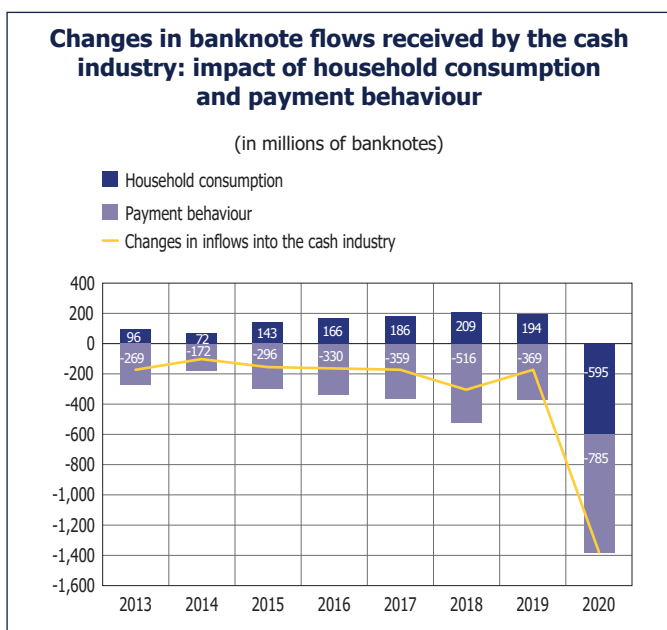


Banknotes in circulation can be held for three reasons: transactions, hoarding and non-euro area holdings.

Given the specific features of banknotes, including the anonymity of transactions, the relative share of each component can only be estimated.

According to an ECB article published in March 2021 ([link](#)), the share of banknotes held for transaction purposes is between 20% and 22%, which is particularly small and slightly lower than a 2018 study indicated.

**Analysing the possible impact of the health crisis on banknote flows**

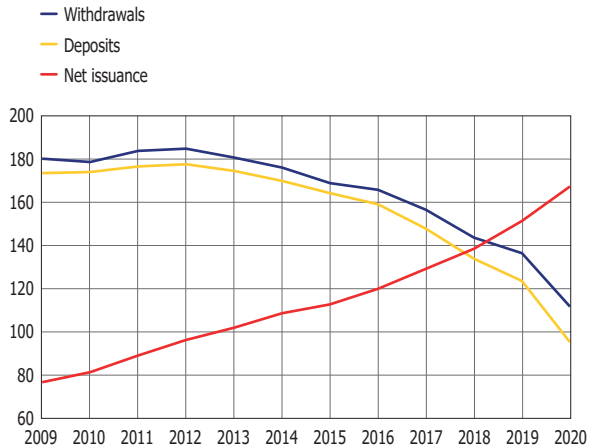


The 2020 pandemic led to a sharp trend decline in collecting funds from retailers.

In addition to the overall marked decline in consumption, changes in payment habits accelerated, resulting in an unprecedented drop in banknote inflows of nearly 1,400 million at the cash industry level.

## Flows at Banque de France counters

(EUR billions)



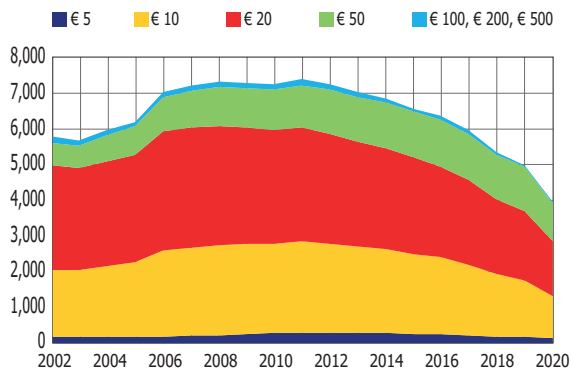
Deposits at Banque de France counters take into account inflows of banknotes into the cash industry and changes in the external recycling rate.

In 2020, the decrease in inflows at Banque de France counters was mainly due to lower inflows into the cash industry.

As in previous years, the volume of withdrawals remained higher than that of deposits, resulting in strong growth in net issues.

## Distribution of banknote outflows by denomination

(in EUR millions, by volume, by distribution)



The decline in the transactional use of banknotes and the trend towards hoarding are reflected in a change in the distribution of banknote outflows by denomination, with a growing share of €50 banknotes (20% of the volumes withdrawn in 2016, 27% in 2020 and 29% in the first half of 2021).

As a result, the "average value" of a banknote withdrawn from Banque de France counters increased from EUR 0.63, to stand at EUR 25.55.

## Assessment of the risk of transmission of Covid-19 by cash

During the health crisis, cash payments fell partly due to fears of contagion via cash, which were no doubt exacerbated by some of the statements by the media.


Although previous research on different viruses (avian and swine flu) had already concluded that the use of cash did not pose a significant risk, the ECB commissioned further research, not only on the survivability of Covid-19 but also on the risks of spreading the virus through contact with banknotes and coins. This research resulted in an [article](#) published on the ECB's website on 29 July 2021.

Based on the test results, the recent scientific literature on the transmissibility of Covid-19 as well as the previous findings on avian and swine flu viruses, it can be concluded that the risk of transmission via banknotes and coins is very low and that cash can be used without fear.

## The consequences of the decline in the use of cash on the activity of the cash industry, the restructuring of the network of Banque de France cash centres

In order to take account of the decline in banknote flows, an adaptation of the cash centre network was planned. It will result in some closures of cash centres. These closures aim to achieve a balanced nationwide coverage. The level of activity, the proximity of other cash centres and the geographical origin of the main flows were determining factors in the choice of the centres maintained.





## The responses provided by the National Cash Management Policy

In France, the National Cash Management Policy (NCMP) aims to address the numerous challenges posed by the changes in the cash industry in recent years. It has five components.

### **The acceptability of cash**

Euro banknotes are legal tender in France: shops must therefore accept them within the limits laid down by law, particularly in view of the maximum cash payment threshold. Nevertheless, with the health crisis, cases of refusal of cash payments have been observed on the pretext of a risk of transmission of the virus, in particular, during the first wave of the epidemic. Although this phenomenon was very limited, the Banque de France sent letters to the relevant retailers' organisations in response to these refusals. The Ministry of Finance was also involved, in conjunction with the Banque de France: the Directorate General for Competition, Consumer Affairs and Fraud Control (DGCCRF) launched a national investigation in June 2020, which ran until 30 March 2021, with inspections carried out at retailers to ensure that cash was accepted and that no misleading information was given to customers about possible payment methods.

### **The accessibility of cash**

As a central bank, the Banque de France is neutral as regards the choice of means of payment for French citizens. All citizens must be free to choose their means of payment and thus be able to use cash in particular. With bank branches closing and the number of ATMs shrinking, it is important to ensure that people have adequate access to cash throughout the country. The analysis focuses not only on access to ATMs but also on cash withdrawal services at merchants, which have developed in recent years and are a possible substitute for the reduction in the number of ATMs. Public analyses have been carried out on this subject. While it appears at present that the situation is very satisfactory in this respect, it is nevertheless being closely monitored on an ongoing basis with industry professionals.

### **The quality of banknotes in circulation**

The Banque de France is entrusted with the statutory task of ensuring the quality of banknotes in circulation. This involves keeping the levels of counterfeit and worn notes in circulation at extremely low levels, thus helping to maintain public confidence in this means of payment. This also makes it possible to reduce processing and collection-distribution costs, as these processes are largely mechanised (ATMs, automatic payment terminals, etc.). In this respect, the Banque de France carries out checks on players in the cash industry, particularly in the context of recycling.

### **The robustness of the industry**

Cash can be used as a substitute in the event of a serious crisis (e.g. the health crisis, or the failure of other payment infrastructures, natural disasters, cyber attacks, strikes, etc.). The cash industry must therefore have business continuity plans (BCP) in place to enable it to carry out its tasks under all circumstances and to be ready to face, for example, a sudden increase in the volume of transactions (massive withdrawals from ATMs by the public). A working group was set up at the end of 2020 with partners in the cash industry and a report is due by the end of 2021.

### **The efficiency of the cash industry**

The decline in the number of cash transactions tends to increase their unit cost, given the importance of fixed costs. Cost efficiency is therefore a necessity. The 2022 cash plan for the reorganisation of the Banque de France's cash centre network, which aims to reduce banknote processing costs, is part of this efficiency drive, which concerns all players in the industry. The environmental impact must also be analysed and taken into account.

## Focus on the public's access to cash

In July 2021 [link](#), the working group on cash accessibility, mandated by the Cash Industry Steering Committee chaired by the Banque de France, updated its July 2020 assessment of cash dispensers in metropolitan France.

This update confirms that cash continues to be easily accessible nationwide through the network of ATMs and private cash dispensers (stores and alike), accessible to customers of a particular network). If we take, for example, the accessibility indicator based on the proportion of the population located within 10 minutes (in terms of travel time by car) of the nearest cash machine (ATM or private cash dispenser), we obtain a share of 99.3% at the end of 2020, compared with 99.4% at the end of 2019.



As regards the numbers of ATMs and private cash dispensers, at the end of 2020, metropolitan France had 48,710 ATMs in operation, compared with 52,316 a year earlier (and 52,451 at end-2018), representing a decline of 3.2%.

### Number of ATMs according to the size of the municipality where they are located

(% change)

Population	December 2018	December 2019	December 2020	2018-2019 change	2019-2020 change
From 0 to 499 inhabitants	182	187	186	2.7	-0.5
From 500 to 999 inhabitants	734	714	715	-2.7	0.1
From 1,000 to 1,999 inhabitants	2,503	2,470	2,401	-1.3	-2.8
From 2,000 to 4,999 inhabitants	8,059	7,804	7,623	-3.2	-2.3
From 5,000 to 9,999 inhabitants	8,672	8,403	8,150	-3.1	-3.0
10,000 inhabitants or more	32,301	30,738	29,635	-4.8	-3.6
<b>Total</b>	<b>52,451</b>	<b>50,316</b>	<b>48,710</b>	<b>-4.1</b>	<b>-3.2</b>

The reduction in the number of ATMs is concentrated in the most populated and best-equipped municipalities. This is why this decline has only a very marginal impact on accessibility indicators. For example, the share of the population within 10 minutes (in terms of travel time by car) of an ATM has decreased from 94.9% to 94.8%. The slight reduction in the number of ATMs operated by banks is therefore part of a streamlining of the ATM fleet and is not likely to affect the population's access to cash, in the light of these data.

The number of private cash dispensers (cash withdrawal at points of sale), which had risen sharply by 10.1% at the end of 2019 compared with the end of 2018, was virtually stable at the end of 2020 (25,145 dispensers, compared with 25,536 at the end of 2019, i.e. a decline of 1.5%).

These data relate to 2020, a year that was profoundly affected by the Covid-19 health crisis. This resulted in lockdowns, administrative closures of businesses and a sharp decline in ATM withdrawals. In these exceptional circumstances, the players in the cash industry were responsive and worked together, enabling the ATM network to be maintained in good operational order overall. The robustness of the country's banknote distribution channels was also demonstrated throughout the health crisis, allowing all citizens to retain the freedom to pay for their purchases in cash if they wish, particularly for vulnerable populations or those living in rural areas.