



ISSUING ACTIVITY AND CURRENCY CIRCULATION



4 ISSUING ACTIVITY AND CURRENCY CIRCULATION

4.1 CUMULATIVE NET ISSUANCE OF CASH IN CIRCULATION

4.1.1 EURO BANKNOTES AND EURO COINS

The cumulative net issuance (hereinafter “the CNI”)⁸ had a total value of €6.05 billion as at 31 December 2010 (Table 12), which represented a year-on-year increase of 30.8%. The increase in the CNI was far higher than the highest year-on-year rise recorded when the Slovak koruna was the currency of Slovakia. In fact, the CNI was almost €0.7 billion higher than the peak value of the koruna currency (SKK 162 billion, as at 21 December 2007).

The *currency in circulation* item, corresponding to the allocated share of NBS in the Eurosystem’s production of euro banknotes, represented €7.7 billion as at 31 December 2010.⁹

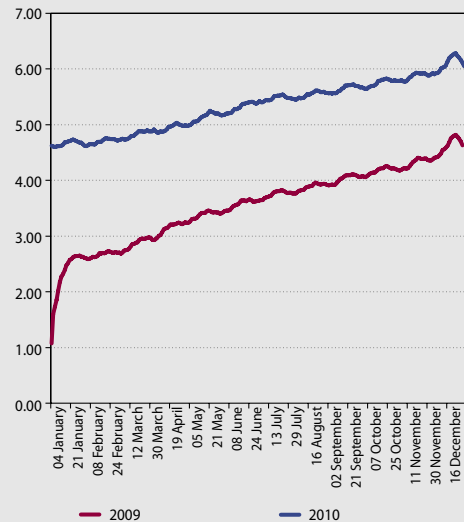
Chart 28 shows the daily cumulative net issuance of euro cash in 2009 and 2010. The CNI peaked on 23 December, in the pre-Christmas period, at €6.3 billion. The daily CNI in 2010 followed the same pattern as in 2009, except that it was higher by between €1.5 billion and €2 billion.

Euro banknotes accounted for almost the entire value of the CNI (98.29%). On the other hand, looking at the number of units, banknotes accounted for only 19.64% of the total number of banknotes and coins, with euro coins making up 80.34% and euro collector coins the rest.

Up to 31 December 2010, NBS issued €89 million banknotes and 364 million coins, including commemorative and collector coins (Table 12). The banknote issued in the largest number was the 50 euro note, which made up 31% of the total number of banknotes issued. The coins minted in the largest number were the lowest-value coins (the 1 cent, and 2 cent coins), which together represented 49% of the total number of coins issued.

According to how the CNI of euro banknotes and euro coins has developed so far, Slovakia (through NBS) does not yet show the longer-term trend of being a “recipient country”¹⁰ for any denomination of euro banknotes or euro coins.

Chart 28 Cumulative net issuance of euro cash on a daily basis (EUR billions)



Source: NBS.

The average value of the currency mark¹¹ calculated on the basis of the issued euro cash (including collector coins), represented €13.4. For euro banknotes, the average value of the currency mark was €67, and for euro coins it was €0.28.

As at 31 December 2010, the number and value of euro banknotes per head of population¹² in Slovakia stood at, respectively, 16 and around €1,102, and the corresponding figures for euro coins were 67 and €18. The overall value of the cumulative net issuance per capita represented €1,120.

The most numerous denomination of euro banknotes was the 50 euro note, of which there were 5 per capita. As for euro coins, the most numerous denominations were the two lowest-value coins: the 1 cent coin (16 per capita) and the 2 cent coin (17 per capita).

4.1.2 SLOVAK KORUNA CASH

By 1 January 2010, the volume of Slovak koruna cash that had not been returned from circulation represented less than 3% of the total issuance. Thus the amount of Slovak koruna cash returned to NBS fell sharply in 2010, to only around SKK 527 million (of which almost SKK 251 million was

8 Since Slovakia is a member of the euro area, the cash in circulation in the country includes also euro banknotes and euro coins issued in other euro area Member States; consequently, Národná banka Slovenska does not record the actual value and volume of currency in circulation, but only the euro banknotes and euro coins which NBS itself puts into and takes out of circulation. The cumulative net issuance as at a given date represents the difference between the value (volume) of euro banknotes and coins put into circulation and taken out of circulation since (and including) 1 January 2009.

9 As at 31 December 2010, the value of currency in circulation throughout the euro area stood at €839.7 billion, and Slovakia’s share of that value represented 0.9140%, or around €7.7 billion.

10 This means that NBS has so far put into circulation more euro banknotes and euro coins of each denomination than it has taken out of circulation.

11 Average value of the currency mark = cumulative net issuance by nominal value / cumulative net issuance by number of banknotes and coins.

12 The population of Slovakia as at 31.12.09 was 5.4 million, according to the Statistical Office of the Slovak Republic.



Table 12 Cumulative net issuance of euro banknotes and euro coins broken down by value (EUR)

	Cumulative net issuance as at 31 December 2010		Difference versus 31 December 2009		Share in % as at 31 December 2010	
	EUR	pieces	EUR	pieces	EUR	pieces
€500	2,115,092,000.00	4,230,184	689,950,000.00	1,379,900	34.96	0.93
€200	192,087,200.00	960,436	-10,315,400.00	-51,577	3.17	0.21
€100	1,741,640,000.00	17,416,400	438,853,400.00	4,388,534	28.78	3.85
€50	1,361,891,700.00	27,237,834	186,394,000.00	3,727,880	22.51	6.02
€20	369,301,360.00	18,465,068	82,520,340.00	4,126,017	6.10	4.08
€10	128,642,290.00	12,864,229	23,194,250.00	2,319,425	2.13	2.84
€5	38,483,145.00	7,696,629	1,826,835.00	365,367	0.64	1.70
Total banknotes	5,947,137,695.00	88,870,780	1,412,423,425.00	16,255,546	98.29	19.64
€2	53,474,870.00	26,737,435	7,671,804.00	3,835,902	0.88	5.91
€1	21,275,547.00	21,275,547	531,472.00	531,472	0.35	4.70
50 cents	11,783,397.00	23,566,794	585,200.50	1,170,401	0.19	5.21
20 cents	6,411,722.00	32,058,610	480,813.20	2,404,066	0.11	7.08
10 cents	3,762,801.40	37,628,014	405,265.30	4,052,653	0.06	8.31
5 cents	2,211,786.35	44,235,727	313,403.20	6,268,064	0.04	9.77
2 cents	1,804,388.84	90,219,442	422,962.48	21,148,124	0.03	19.93
1 cent	878,777.22	87,877,722	236,745.42	23,674,542	0.01	19.42
Total coins	101,603,289.81	363,599,291	10,647,666.10	63,085,224	1.68	80.34
Collector coins	2,105,680.00	113,280	1,423,750.00	67,517	0.03	0.03
Total cash	6,050,846,664.81	452,583,351	1,424,494,841.10	79,408,287	100.00	100.00

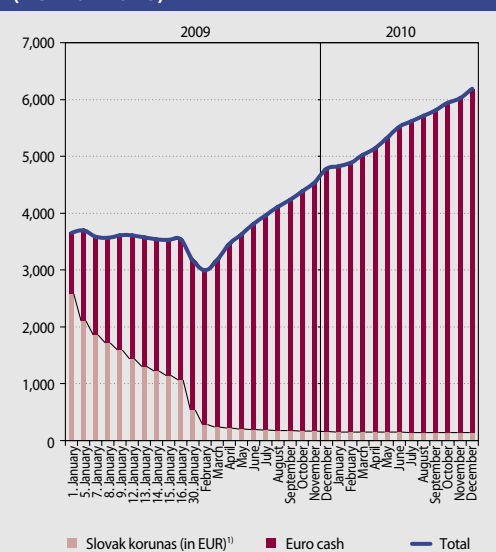
Source: NBS.

returned in January). As at 31 December 2010, the koruna cash still in circulation comprised 19.9 million banknotes (including 10.3 million 20 koruna notes) and 394.5 million coins (including 170 million 50 halier coins and more than 102.9 million 1 koruna coins). The value of unreturned koruna cash was approximately SKK 4.25 billion (€140.9 million).

As measured by the number and value of banknotes and coins per capita in Slovakia, the koruna cash still in circulation represented approximately 3 banknotes worth SKK 522 and 73 circulation coins worth SKK 135. The overall value of the koruna cash (including Slovak commemorative coins) remaining in circulation represented SKK 786 per capita. The most numerous koruna banknotes and coins still in circulation as at 31 December 2010 were the 20 koruna note, at 2 per capita, and the 50 halier coin, at 31 per capita.

The withdrawal of Slovak korunas and their replacement with euro cash is plotted in Chart 29.

Chart 29 Monthly issuance of euro cash and Slovak koruna cash in circulation (EUR billions)



Source: NBS.

1) The conversion rate is EUR 1 = SKK 30.1260.



4.2 DELIVERIES OF EURO BANKNOTES AND THE PRODUCTION OF EURO COINS

On the basis of an ECB Guideline of 9 April 2009 on the production of euro banknotes, NBS in 2010 procured 218.5 million 20 euro banknotes and delivered them to the Eurosystem. In doing so, NBS also discharged the liabilities it had incurred in borrowing euro banknotes during the preparations of Slovakia's entry into the euro area. The banknotes were procured in cooperation with six other euro area central banks; the production was ensured by the Dutch printer Joh. Enschedé Banknotes B.V.

NBS procured the production of 30 million 1 cent euro coins and 50 million 2 cent euro coins by Mincovňa Kremnica, š. p. Mincovňa Kremnica minted a further 70,000 euro coins of each denomination that were used in five different annual collector sets of 2010. Towards the end of 2010, NBS also procured the delivery of one million 2 € commemorative coins marking the 20th anniversary of the formation of the Visegrad Group, which was due to be issued in January 2011.

NBS also issued four collector coins made of precious metals (Table 13). NBS arranges the sale of numismatic materials (other than sets of euro circulation coins, which are sold by Mincovňa Kremnica) through contractual partners.

4.3 PROCESSING OF EURO CASH AND SLOVAK KORUNA CASH

In 2010, NBS put more than 287 million euro banknotes into circulation and received 271 million euro banknotes from circulation, mainly from

banks and partly from the public. A total of 12 million euro banknotes remained unprocessed from the previous year.

During 2010, NBS processed more than 270 million euro banknotes. Euro banknotes are processed in fully automated machines;¹³ the authenticity and fitness checking is carried out in accordance with common procedures¹⁴ laid down by the ECB for all euro area national central banks.

The volume of euro banknotes received was almost thirty times higher than the average volume of banknotes issued. In practice, this means that all euro banknotes issued by NBS are checked every 3 to 4 months; this ensures the integrity and security of euro banknotes in circulation and thus public confidence in them. To this end, it is necessary to maintain the high quality of euro banknotes in circulation and to ensure the efficient seizure of counterfeit banknotes. Public satisfaction with the quality of euro banknotes circulating in Slovakia is confirmed by opinion polls carried out each year in euro area countries. The most frequently processed euro note in 2010 was the 50 euro note (see Chart 30), which is also the most used banknote in circulation.

During the processing of euro banknotes in 2010, a total of 31.8 million banknotes were found to be unfit for circulation. The average unfit rate of euro banknotes was 11.8%, meaning that Slovakia is among the euro area countries with the lowest such rate. This statistics is clearly influenced by the fact that more than half of the euro banknotes procured had still not been put into circulation. In Slovakia, as in other euro area countries, the unfit rate for higher-value euro banknotes was rela-

Table 13 Collector coins issued by Národná banka Slovenska in 2010

Denomination	Subject of commemoration	Number of coins issued		NBS Notification of coin issuance	Date of Issue
		Total	of which proof		
€10 ¹⁾	UNESCO World Heritage List – Wooden Churches of the Slovak part of the Carpathian Mountain Area	27,225	17,325	481/2009 Coll.	15. 3. 2010
€10 ¹⁾	150th Anniversary of the Birth of Martin Kukučín	16,800	9,300	95/2010 Coll.	3. 5. 2010
€20 ¹⁾	Protection of Nature and Landscape – Poloniny National Park	18,500	10,350	243/2010 Coll.	29. 9. 2010
€100 ²⁾	UNESCO World Heritage List – Wooden Churches of the Slovak part of the Carpathian Mountain Area	6,640	6,640	401/2010 Coll.	1. 12. 2010

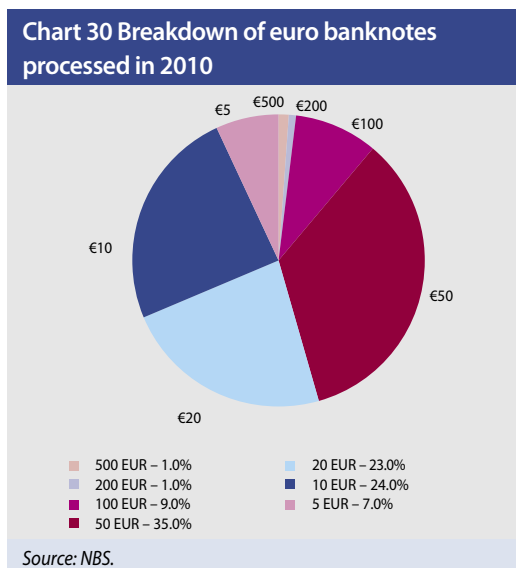
Source: NBS.

1) Silver collector coin.

2) Gold collector coin.

13 The BPS 500 and the BPS 1000 from the firm Giesecke and Devrient.

14 The so-called Common Checking Procedures, which stipulate minimum standards for the sorting of euro banknotes and procedures for the checks of their processing.



tively low, while the lowest-value euro banknote (5 euro) had the highest unfit rate (36.7%).

Euro banknotes are processed and recirculated not only by NBS, but also by banks and other handlers of euro cash which have received approval from NBS to process euro banknotes. Their activities in this regard are overseen by NBS. All handlers of euro banknotes are required, when processing these notes, to comply with the so-called *Framework for the detection of counterfeits and fitness sorting of euro banknotes*, which sets minimum standards for the fitness sorting of euro banknotes.

In 2010, a total of 303 million euro coins were put into circulation and more than 240 million euro coins were received from circulation. The received coins were processed on automatic coin lines, where they were subjected to authenticity and fitness checking. Euro coins have a relatively long lifespan, and fewer than 66,000 of the coins processed were found to be unfit for circulation. In this regard, there were no substantial differences between the different euro coins.

NBS not only processed euro cash in 2010, it also processed and destroyed 49.4 million Slovak koruna banknotes and processed 1.8 million Slovak koruna coins. The processed euro coins have been put into storage; they will be destroyed after the end of the redemption period for Slovak koruna coins (31 December 2013), provided a larger volume of such coins is gathered. Later on, the value of the stored coins will be equal to the value of the material they are made of.

4.4 COUNTERFEIT BANKNOTES AND COINS SEIZED IN SLOVAK TERRITORY

A total of 2,934 counterfeit banknotes and coins were seized in the territory of Slovakia in 2010 (see Table 14) which in comparison with 2009 represents a drop of 533 (or 15.4%). The seized counterfeits included 1,525 banknotes and 1,409 coins. Euro counterfeits constituted the vast majority (96.7%) of the total number of counterfeits seized in 2010. Almost 88% of them were seized by banks, branches of foreign banks, non-bank entities and security services. Nearly one-third of the counterfeits were seized in Bratislava region.

Neither the number of counterfeit seizures in 2010, nor the technical level of their fabrication posed a serious risk to the security and smooth operation of cash circulation in Slovakia.

EURO COUNTERFEITS

A total of 1,428 counterfeit euro banknotes were seized in the SR in 2010. Although the number of counterfeits fell by one-third in comparison with 2009 (Table 15), their quality showed an improvement on the previous year. In 2010, the number of counterfeit euro coins increased significantly (1,409 pieces were seized, representing an increase of 170%). Most of these coins were barely distinguishable from genuine coins in terms of

Table 14 Developments in counterfeits seized in the SR

	EUR	USD	SKK	Others	Total
2006	348	101	726	58	1,233
2007	278	97	639	52	1,066
2008	275	87	502	100	964
2009	2,903	141	297	126	3,467
2010	2,837	50	14	33	2,934

Source: NBS.



Table 15 Number of euro counterfeit seized in the SR

	€0.50	€1	€2	€5	€10	€20	€50	€100	€200	€500	P ¹⁾	Total
2006	0	0	3	1	4	6	69	217	38	10	0	348
2007	0	4	8	0	2	10	59	99	90	6	0	278
2008	0	2	15	0	4	9	65	70	106	4	0	275
2009	37	109	664	29	37	274	827	775	144	7	0	2,903
2010	208	224	977	35	38	312	503	392	91	56	1	2,837

Source: NBS.

1) Imitations, altered and modified banknotes and coins.

their magnetic properties, conductivity and design, and they therefore represented a high risk. A half of them were seized directly by NBS.

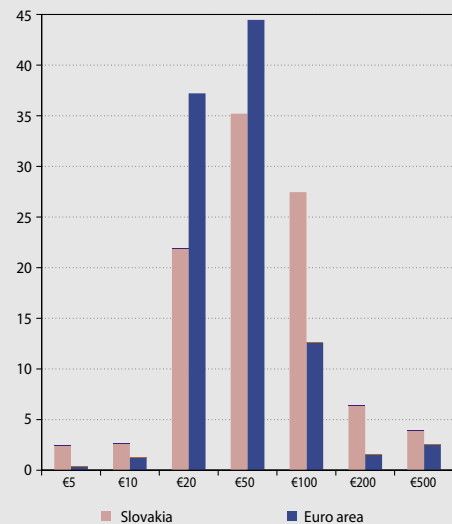
The number of euro counterfeit seized across the euro area in 2010 fell by 12% compared with the previous year, to 1,047,387, with banknotes accounting for 84% of that figure. More than 3.5% of the total number of euro counterfeit were seized outside the euro area. The counterfeit seized in Slovakia represented 0.27% of all the seized euro counterfeit, which means that Slovakia was among the countries in which the fewest number of counterfeit were recovered.

Of every million euro banknotes in circulation in Slovakia, 16 were counterfeit, while in the euro area as a whole, 60 were counterfeit. As for the number of counterfeit euro coins per million circulation coins, the ratio in Slovakia was slightly higher than in the euro area, i.e. 4 compared with 2. The likelihood of natural or legal persons coming into contact with a counterfeit banknote or coin in circulation currency is therefore very low.

In the euro area as a whole, counterfeit of 20 euro, 50 euro and 100 euro banknotes constituted 94.3% of all the counterfeit euro banknotes seized and counterfeit 50 euro banknotes accounted for almost one in every two of the total. In Slovakia, the breakdown of counterfeit was similar, with counterfeit 50 euro and 100 euro banknotes making up, respectively, 35.2 % and 27.4 % of the total number of counterfeit euro banknotes seized in the country (Chart 31).

The number of euro counterfeit seized in the euro area represented 2.6 per 1,000 inhabitants, while in Slovakia, the ratio was 0.3, the second lowest of any euro area country.

Chart 31 Counterfeit euro banknotes seized in the euro area and in Slovakia in 2010 (%)



Source: NBS.

SLOVAK KORUNA COUNTERFEITS

Following the introduction of the, the number of Slovak koruna counterfeit fell sharply. The number of Slovak koruna counterfeit seized in 2010 was 283 fewer than in 2009, at only 14. Although there is an unlimited redemption period for Slovak koruna banknotes, the further incidence of koruna counterfeit is expected to be sporadic.

COUNTERFEITS OF US DOLLAR AND OTHER FOREIGN CURRENCY

Compared to the previous year, a significant decline in the number of counterfeit of US dollar and other foreign currencies was registered. As for the US dollar, the number of banknotes seized in the SR dropped by 65%. As in 2009, counterfeit of the 100 dollar banknote were the most common, constituting 66% of all the seized dollar counterfeit. The number of counterfeit of other foreign currencies dropped by 74%. Most of them were British pounds (21) and Czech koruns (6).