



# ISSUING ACTIVITY AND CURRENCY CIRCULATION



## 4 ISSUING ACTIVITY AND CURRENCY CIRCULATION

### 4.1 CUMULATIVE NET ISSUANCE

The cumulative net issuance („CNI“)<sup>9</sup> of euro cash in Slovakia had a total value of almost €8.3 billion as at 31 December 2012 (Table 9). The CNI's annual growth was 12.7% in 2012, far lower than in previous years.<sup>10</sup>

The value of the item *currency in circulation*, corresponding to Národná banka Slovenska's allocated share in the Eurosystem's production of euro banknotes (Banknote Allocation Key) was €8.3 billion as at 31 December 2012.<sup>11</sup>

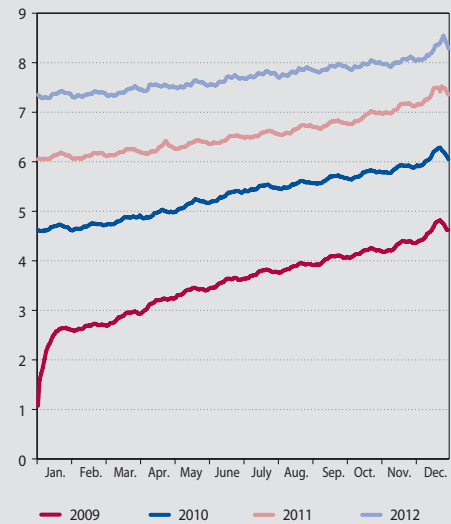
In 2012, the daily CNI followed a similar pattern as in previous years, with an increase in value over each year between €1 billion and €1.5 billion (Chart 19). The CNI usually peaks during the pre-Christmas period, and in 2012 it reached a high of €8.5 billion on 21 December. Comparing that figure with the highest value of the cumulative net issuance of the former koruna currency (SKK 162 billion, recorded on 21 December 2007), it was almost 60% higher after exchange rate conversion.

Euro banknotes accounted for almost the entire value of the CNI (98.4%) but only for 21% of the CNI in terms of volume, with euro coins (including euro collector coins) making up the remaining 79%.

The cumulative net issuance as at 31 December 2012 comprised almost 125 million euro banknotes, more than 470 million euro circulation coins, and approximately 248,000 euro collector coins (Table 9). The €50 banknote accounted for the largest share of the total number of banknotes included in the CNI, almost 30%. The most-issued euro coins were the lowest-value 1 and 2 cent coins, which made up more than half (54%) of all the coins included in the CNI. In value terms, however, their share was a mere 3%.

Looking at the breakdown of the cumulative net issuance, NBS is not so far a „negative issuer“<sup>12</sup> of any euro banknotes or coins; however, the net monthly issuance<sup>13</sup> of €200 banknotes has been negative since mid-2010.

Chart 19 Cumulative net issuance of euro cash on a daily basis (EUR billions)



Source: NBS.

The average value of the currency mark,<sup>14</sup> calculated on the basis of the net-issued euro cash (including collector coins), stood at €14. For euro banknotes, the average value of the currency mark was €67, and for euro coins it was €0.27.

As at 31 December 2012 the number and value of euro banknotes per head of population in Slovakia<sup>15</sup> were, respectively, 21 and around €1,405, and the corresponding figures for euro coins were 81 and €21. The overall value of the cumulative net issuance per capita was €1,427.

The €50 banknote was the most numerous denomination, with almost six in circulation per capita. As for euro coins, the most numerous denominations were the lowest-value 1 and 2 cent coins, with 21 and 22 per capita respectively.

#### SLOVAK KORUNA BANKNOTES AND COINS

As regards Slovakia's former koruna currency, the number of koruna banknotes unreturned as at 31 December 2012 was 19.4 million (including 10.2 million 20 koruna banknotes) and the number of unreturned coins was approximately 392.3 million (including almost 170 million 50 halier coins and more than 102.5 million 1 koruna coins).

9 Since euro banknotes and euro coins in circulation in Slovakia include banknotes and coins issued in other euro area countries, Národná banka Slovenska does not record the actual value and volume of currency in circulation, but only the euro banknotes and euro coins that NBS itself issues into and withdraws from circulation. The cumulative net issuance as at 31 December 2012 refers to the difference between the value (volume) of euro banknotes and coins put into and withdrawn from circulation between 1 January 2009 and 31 December 2012.

10 The CNI increased by 21.6% in 2011 and by 30.8% in 2010.

11 The value of currency in circulation in the euro area as a whole as at 31 December 2012 was €912.6 billion, and the share of that currency issued in Slovakia was 0.9115%, or €8.3 billion.

12 Thus for each denomination of euro banknote and coin, the number that NBS has put into circulation is higher than the number it has withdrawn from circulation.

13 The net monthly issuance for a given month is the number of banknotes put into circulation minus the number of banknotes withdrawn from circulation in that month.

14 All the average values are calculated on the basis of the average issuance in 2012.

15 The population of Slovakia as at 31 December 2012 was 5,410,836, according to the Statistical Office of the Slovak Republic.

**Table 9 Composition of the cumulative net issuance of euro banknotes and coins**

	Cumulative net issuance				Share in %	
	CNI as at 31 December 2012		Difference versus 31 December 2011		Share as at 31 December 2012	
	number	value (€)	number	value (€)	number	value (€)
€500	6,155,937	3,077,968,500.00	672,325	336,162,500.00	1.03	37.14
€200	664,154	132,830,800.00	-165,156	-33,031,200.00	0.11	1.60
€100	22,770,540	2,277,054,000.00	2,413,699	241,369,900.00	3.83	27.47
€50	37,139,035	1,856,951,750.00	5,124,456	256,222,800.00	6.24	22.40
€20	28,159,185	563,183,700.00	3,748,203	74,964,060.00	4.73	6.80
€10	20,984,607	209,846,070.00	4,262,076	42,620,760.00	3.53	2.53
€5	8,999,373	44,996,865.00	759,556	3,797,780.00	1.51	0.54
<b>Total banknotes</b>	<b>124,872,831</b>	<b>8,162,831,685.00</b>	<b>16,815,159</b>	<b>922,106,600.00</b>	<b>20.98</b>	<b>98.48</b>
€2	34,517,147	69,034,294.00	3,690,440	7,380,880.00	5.80	0.83
€1	21,633,769	21,633,769.00	160,716	160,716.00	3.63	0.26
50 cent	25,606,507	12,803,253.50	828,027	414,013.50	4.30	0.15
20 cent	33,836,849	6,767,369.80	712,883	142,576.60	5.68	0.08
10 cent	44,673,068	4,467,306.80	3,629,619	362,961.90	7.51	0.06
5 cent	55,923,628	2,796,181.40	5,658,896	282,944.80	9.40	0.03
2 cent	119,410,845	2,388,216.90	12,159,856	243,197.12	20.06	0.03
1 cent	134,473,288	1,344,732.88	23,369,179	233,691.79	22.60	0.02
<b>Total coins</b>	<b>470,075,101</b>	<b>121,235,124.28</b>	<b>50,209,616</b>	<b>9,220,981.71</b>	<b>78.98</b>	<b>1.46</b>
<b>Collector coins</b>	<b>248,452</b>	<b>4,752,290.00</b>	<b>61,416</b>	<b>1,161,830.00</b>	<b>0.04</b>	<b>0.06</b>
<b>Total coins</b>	<b>595,196,384</b>	<b>8,288,819,099.28</b>	<b>67,086,191</b>	<b>932,489,411.71</b>	<b>100.00</b>	<b>100.00</b>

Source: NBS.

The total nominal value of unreturned koruna banknotes and coins was around SKK 4 billion (including SKK 700,000 worth of commemorative coins), or as low as less than 3% of the nominal value of the overall value of the koruna cash issued.

In per capita terms, the number and value of unreturned koruna banknotes were around 3 and SKK 461 respectively, and the corresponding figures for koruna circulation coins were 72 and SKK 133. The overall nominal value per capita of unreturned koruna cash (including commemorative coins) was SKK 723.

The most numerous of the unreturned koruna banknotes and coins as at 31 December 2012 were the 20 koruna banknote, at 2 per capita, and the 50 halier coin, at 31 per capita.

## 4.2 PRODUCTION OF EURO BANKNOTES AND COINS

In 2012 Národná banka Slovenska procured for the Eurosystem the production of 83.78 million €20 banknotes. The banknotes were produced by the German company Bundesdruckerei GmbH. Apart from the production of the first-series banknotes, NBS also took part in the procurement of the pilot production of the second series of euro banknotes, the aim of which was to check the feasibility of second-series euro banknote issuance against quality and production standards.

Besides euro banknotes, NBS procured the production of 10.5 million 1 cent euro coins. At the beginning of January 2012 NBS issued one million €2 commemorative coins to mark ten years of euro banknotes and coins. These commemorative coins



**Table 10 Collector coins issued by Národná banka Slovenska in 2012**

Denomination	Theme	Issuing volume		NBS notification of coin issuance
		Total	of which proof	
€20 <sup>1)</sup>	Historical Preservation Area of Trenčín	13,400	7,500	465/2011 Coll.
€10 <sup>1)</sup>	Master Pavol of Levoča	19,270	11,870	121/2012 Coll.
€10 <sup>1)</sup>	250th anniversary of the birth of Chatam Sofer	13,700	7,900	122/2012 Coll.
€10 <sup>1)</sup>	250th anniversary of the birth of Anton Bernolák	12,150	6,950	194/2012 Coll.
€100 <sup>2)</sup>	Bratislava coronations – 300th anniversary of the coronation of Charles III	5,200	5,200	310/2012 Coll.

Source: NBS.

1) Silver collector coin.

2) Gold collector coin.

were produced by the state-owned mint, Kremnica Mincovňa, in 2011. Kremnica Mincovňa mints all Slovak euro coins, and its output in 2012 included 45,000 coins of each denomination that were used in annual collector sets of Slovak euro coins.

In addition to ordinary and commemorative euro coins, Národná banka Slovenska issued four silver collector coins and one gold collector coin in 2012 (Table 10) in accordance with its issue plan for commemorative and collector euro coins. Further information about the themes of these collector coins can be found on the NBS website.<sup>16</sup> NBS arranges the sale of commemorative and collector euro coins through contractual partners in Slovakia and abroad.

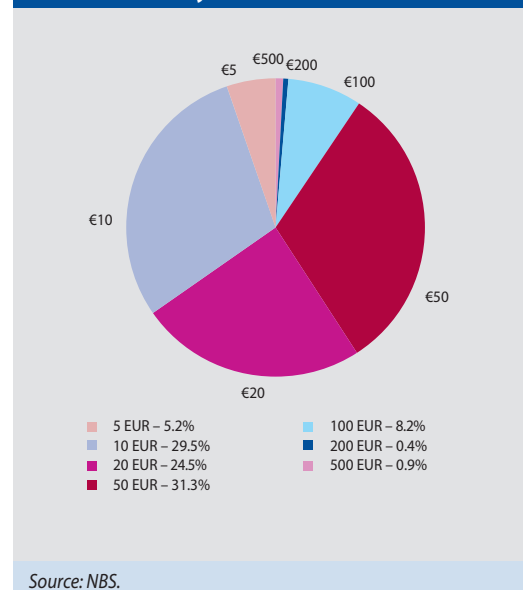
### 4.3 PROCESSING OF EURO BANKNOTES AND COINS

As of 31 December 2011 four of NBS's nine sub-branches (where currency is held and put into circulation) were closed down as part of a restructuring of the central bank's currency circulation management; the four in question reported the lowest recourse by commercial banks to cash. In order to maintain cash processing capacity, banknote and coin processing machines were transferred from these sub-branches to the remaining six cash storage centres.

In 2012 Národná banka Slovenska put into circulation more than 348 million euro banknotes, while more than 331 million euro banknotes were received from and returned to circulation, mainly from commercial banks and partly from the public.

During the year NBS processed over 335 million euro banknotes in accordance with the common procedures laid down by the ECB for all national central banks in the euro area. The total number of euro banknotes returned to NBS was approximately three times higher than the average number of banknotes issued by NBS. This means that each euro banknote issued by NBS was returned to the central bank once every four months on average. By checking returned banknotes for authenticity and circulation fitness, NBS maintains public confidence in the currency. Public satisfaction with the quality of euro banknotes circulating in Slovakia is confirmed by opinion polls carried out each year in euro area

**Chart 20 Euro banknotes processed in 2012 broken down by denomination**



Source: NBS.

<sup>16</sup> [www.nbs.sk/en/banknotes-and-coins/euro-coins/collector-coins](http://www.nbs.sk/en/banknotes-and-coins/euro-coins/collector-coins)



countries. The €50 banknote was the most frequently processed in 2012 (Chart 20), being the most numerous banknote in circulation and the most frequently issued via cash dispensers.

During the processing of euro banknotes in 2012, almost 48 million banknotes were sorted as unfit. The unfit rate was 14%, which is an average level in comparison with other euro area countries.

In 2012 NBS put more than 316 million euro coins into circulation, while more than 266 million euro coins were returned to it. The coins were processed in automated coin processing machines, which checked the coins for both authenticity and fitness for circulation. Since coins have a longer lifespan than banknotes, only around 175,000 coins were sorted as unfit. The unfit rate for euro coins did not vary significantly between denominations. As part of the processing of euro coins, NBS twice a year sorts the returned coins by their national side. On that basis, it found that Slovak euro coins accounted for the largest share (60%) of euro coins in circulation in Slovakia in 2012, while German and Italian national sides had the next highest shares, 11% and 10% respectively.

Not only does NBS process and recirculate euro banknotes and coins, so too do banks and other cash handlers which have received approval from NBS to process euro cash. The activities of these cash handlers are subject to regular supervision by NBS.

#### 4.4 COUNTERFEIT BANKNOTES AND COINS RECOVERED IN SLOVAKIA

A total of 4,538 counterfeit banknotes and coins were recovered from circulation in Slovakia in

2012, 43% fewer than in 2011. The recovered counterfeits included 1,531 banknotes and 3,007 coins, the vast majority (99%) of which were euro counterfeits. More than 95% of the total counterfeits were recovered from circulation by banks, branches of foreign banks, non-bank entities and security services; the rest were recovered by the police before they entered circulation. Looking at the recovery of counterfeits by region, Bratislava Region accounted for almost half of the total, while Trenčín Region had the lowest share (1.4%).

Almost half of the counterfeits was recovered by commercial banks (48.4%), followed by NBS (25%), security services (15%), the police (10%), and the rest was recovered by non-bank entities.

A moderate improvement in the quality of counterfeits was observed in 2012, especially in counterfeits of euro banknotes and coins. Neither the number of counterfeits recovered, nor the technical level of their production posed a serious risk to the integrity and smooth operation of cash circulation in Slovakia.

##### EURO COUNTERFEITS

A total of 4,451 counterfeit euro banknotes and coin, with a total face value of €160,065, were recovered in Slovakia in 2012.

The number of counterfeit euro banknotes recovered was 1,444, with counterfeit €20 banknotes accounting for 27% of that total, €50 banknotes 25%, and €100 banknotes 20%. Banks and foreign bank branches recovered more than half of the counterfeit euro banknotes. In addition to the counterfeit banknotes, 18 altered banknotes comprising different parts of banknotes of the same denomination were recovered.

Table 11 Number of counterfeit banknotes and coins recovered in Slovakia

	EUR	SKK	Other	Total
2008	275	502	187	964
2009	2,903	297	267	3,467
2010	2,837	14	83	2,934
2011	7,888	15	64	7,967
2012	4,451	22	65	4,538

Source: NBS.



ISSUING ACTIVITY AND CURRENCY CIRCULATION

**Table 12 Number of euro counterfeits recovered in Slovakia**

	Denominations										Total
	50 cent	€1	€2	€5	€10	€20	€50	€100	€200	€500	
<b>2008</b>	0	2	15	0	4	9	65	70	106	4	275
<b>2009</b>	37	109	664	29	37	274	827	775	144	7	2,903
<b>2010</b>	208	224	977	35	38	313	503	392	91	56	2,837
<b>2011</b>	348	239	1,041	29	31	425	495	4,103	91	1,086	7,888
<b>2012</b>	476	245	2,286	16	28	400	359	289	254	98	4,451

Source: NBS.

The number of counterfeit euro coins recovered in 2012 was 3,007, 84.7% higher than in 2011, with counterfeit €2 coins accounting for the largest share (76%). Since most counterfeit coins are barely distinguishable from genuine coins in terms of their magnetic properties, conductivity and design, it is relatively difficult for members of the public to detect them (especially if they do not look closely at their coins). Národná banka Slovenska recovered more than one-third of the counterfeit euro coins.

The counterfeit euro banknotes and coins recovered in Slovakia represented only 0.6% of the total number of such counterfeits recovered in the euro area as a whole in 2012. This very low share means that the probability of a natural or legal person receiving a counterfeit euro banknote or coin in Slovakia is very small.

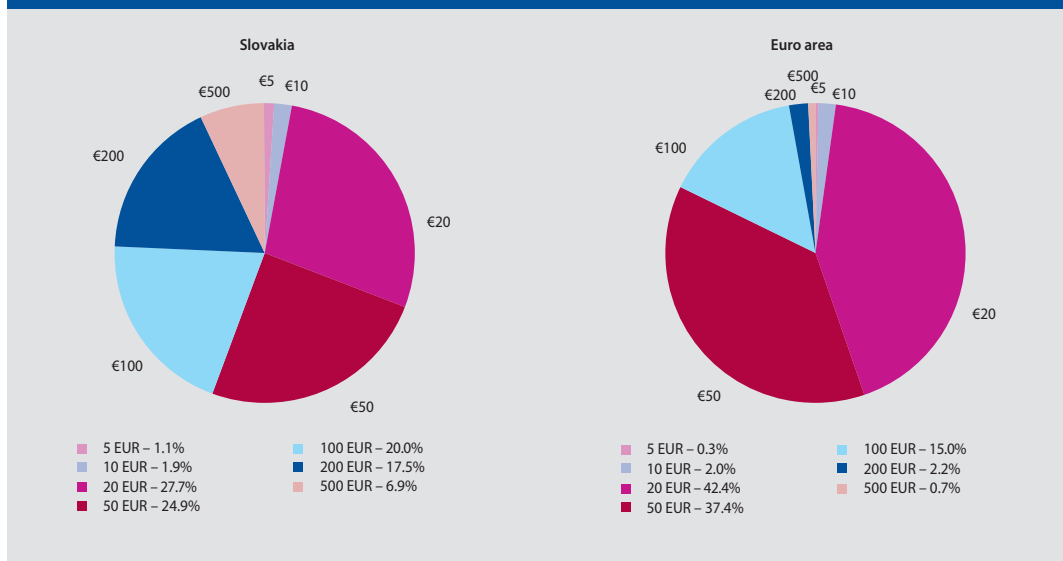
**SLOVAK KORUNA COUNTERFEITS**

Following the introduction of the euro into cash circulation, the number of Slovak koruna counterfeits fell sharply. Only 22 Slovak koruna counterfeits were recovered in 2012. Although the period in which Slovak koruna banknotes may be exchanged for euro is indefinite, further incidence of koruna counterfeits is expected to be only sporadic.

**COUNTERFEITS OF OTHER FOREIGN CURRENCY**

The number of US dollar counterfeits recovered in 2012 was lower than in the previous year, at 33. As in 2011 the \$100 dollar banknote was the most counterfeited denomination, accounting for 85% of the recovered counterfeits. The number of counterfeits of other foreign currencies increased slightly, to 32, including 27 British pound counterfeits.

**Chart 21 Counterfeit euro banknotes recovered in 2012 in Slovakia and in the euro area as a whole**



Source: NBS.