

Looking Back, Looking Forward – 5 Different Views on 5 Key Trends

As is customary at the start of most years, we invite stakeholders and other participants around the cash community to give their views on key trends and likely developments for the coming year.

This year, we hear from a broad cross-section of representatives from the cash world – Amy Burr from the Federal Reserve, Ben Thorpe from Glory, Ross MacDiarmid from the MDC, Ruth Euling from De La Rue and Jutta Buyse from the International Currency Association.

All, in their different positions and organisations, are at the coal-face regarding the management, supply and distribution of cash – both notes and coins. And all, of course, have one eye on the broader payments landscape as well.



2020 Has Shown the Resilience of Our Industry and Our Ability to Adapt Ruth Euling, Managing Director, De La Rue Currency

1. Climate change grows even more in importance: suppliers now recognise they need to reduce their environmental impact to ensure our industry survives. COP 26 is hosted in the UK in November 2021 and the topic is high on the agenda of many businesses.

Transparency will increase (for instance sharing data with the Carbon Disclosure Project). The shift to renewable energy and efforts to reduce the energy costs of operations will continue. Carbon offsetting will become common as suppliers aspire towards being 'carbon neutral' in the coming years.

We'll see a trend towards more durable banknotes that require less transport and sorting - polymer banknotes will be part of the solution. End-of-life destruction will become a hot topic (most banknotes are still sent to landfill or incinerated at the end of their useful life). We anticipate more central banks will be able to recycle their waste, with De La Rue supporting polymer recycling.

2. CBDCs move up the hype curve and become better understood: 2020 saw an increase in interest in CBDCs, with the first nationwide CBDC launch in the Bahamas. 80% of central banks are thought to be engaged in some type of CBDC related pilot or research but there remain many unanswered questions on the risks, benefits, security, business case, interoperability and general practicalities of CBDCs.

In De La Rue we are watching developments closely and engaging with this area pro-actively as we recognise CBDCs could provide an interesting solution for several payment scenarios.

2021 is set to be the year where the future role and importance of CBDCs is realised (or not).

3. Banknotes continue to be upgraded to polymer: 67% of 102 people representing issuing authorities and state printing works surveyed during a De La Rue webinar in November said they were likely or very likely to convert to polymer.

The trend in this direction is clear and is likely to accelerate as the carbon impact of banknotes in the cash cycle becomes more important and central banks look to improve their clean note policies.

As a result of the growing demand we see in this area, De La Rue will more than double its polymer capacity in 2021.

4. The defence of cash gains more traction: banknotes are ubiquitous and cash is often an easy way to pay for goods and to store money. For billions of people around the world they represent the main or only way to pay and save.

Many entities that profit from an increase in digital/mobile payments (or the data provided by it) have taken advantage of COVID-19 to push digital payments and to propagate the perception that cash is dirty.

In 2020 this led to solidarity in the industry and the International Currency Association, amongst others, worked to set the record straight and to share the data that demonstrates cash is no worse (in fact some sources suggest better) than other physical objects.

In the UK Natalie Geeney, author of the 'Access to Cash Report', called for action as it was revealed that some shops are refusing to accept cash – 'the government needs to urgently legislate to protect the viability of cash - as it promised to do so last year. Time is running out'.

The defence of cash is set to grow stronger and be more compelling in 2021.

5. Banknote demand will remain strong but stabilise: 2020 saw a surge in banknote demand and the growth of cash in circulation around the world. Multiple factors contributed to this demand, including a drive to ensure that the cash infrastructure was appropriately stocked, a concern about the viability of the banking system and improvements in clean note policies (requiring more new banknotes to be put into circulation).

2021 is likely to see some stabilisation, but demand to remain strong.