



EUROPEAN CENTRAL BANK

EUROSYSTEM

Mario DRAGHI

President

Mr Ramon Tremosa i Balcells
Member of the European Parliament
European Parliament
60, rue Wiertz
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Re: Your letter

Dear Mr Tremosa i Balcells,

Thank you for your letter, which was passed on to me by Ms Sharon Bowles, Chairwoman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 29 November 2013.

The statistics that the ECB gathers on the euro banknotes relate to the total number of euro banknotes in circulation and their overall value. As part of its daily operations, the ECB does not collect statistics concerning the use of individual denominations and is therefore unable to provide any information on this. An overview of the euro banknotes in circulation for each denomination is available on the ECB's website.¹

Whilst it is impossible to know precisely to what extent and for what reasons people hoard banknotes, there is clear evidence that the high-denomination euro banknotes fulfil an important role in the provision of cash to the public in times of high uncertainty. For example, following the collapse of Lehman Brothers, in the period between end-September and end-October 2008 there was an additional demand for euro banknotes amounting to €35 billion. Issuance data for this period show that two-thirds of this demand – a large part of which came from abroad – was for €500 banknotes. Following subsequent periods of high financial and economic uncertainty, the €500 banknotes were again considered and used as a last resort store of value.

The availability of high-denomination (i.e. €500 and €200) banknotes in all euro area countries since 2002, together with the low level of interest rates, low and stable inflation expectations and turbulent economic times, have contributed to an increase in the use of banknotes for store-of-value purposes. Around one-third of the total circulation value of euro banknotes is used for transaction purposes and the remainder is used as a

¹ <http://www.ecb.europa.eu/stats/euro/circulation/html/index.en.html>

store of value in the euro area or is held abroad; a considerable proportion of these banknotes are high-denomination banknotes.² This can also be evidenced by the very low frequency with which these banknotes are returned to central banks.

Yours sincerely,

[signed]

Mario Draghi

² See the ECB's Monthly Bulletin of April 2011 (<http://www.ecb.int/pub/pdf/mobu/mb201104en.pdf>, p.79).