

Demand for Cash at a time of war in Ukraine

Statement - 8 March 2022

Two weeks ago, war began at the Eastern border of the EU. The main impact on cash demand, observed by the CMC industry, is seen in the Baltic states (Lithuania and Latvia notably, less so in Estonia), the Nordic States, the Czech Republic, Slovakia and Switzerland where cash demand has significantly increased. In other countries, no meaningful consequences can yet be seen.

A declaration of a state of emergency has been made in Lithuania and Latvia with a threat of possible attacks on the financial system, leading to a substantial increase in cash demand. In the Nordic states, cash demand has increased by 20% in Finland and Norway and 30% in Sweden.

The purpose of increased cash demand is storage of value/precautionary purposes as no significant differences can be seen on transactional cash.

The situation in Switzerland is that there is a very strong increase in the demand for Euros but the demand for Swiss Francs remains stable.

In Slovakia, there is a surge of approximately 25-30% in ATMs replenishments in the country, especially on the East side at the border with Ukraine, where the increase is in excess of 30%.

In the Czech Republic, there has been a 15-20% increase in ATMs replenishments in the country (despite the absence of a border with Ukraine) and also a massive increase in currency transports (EUR, USD), and a doubling of shipments from Austria and Switzerland.

No report could be made by ESTA on the situation in Romania and Poland, which are more directly impacted by the flow of refugees from Ukraine.

Cash, once more, shows its critical importance in times of crisis and uncertainty. Users in countries which seem to have forgotten about it, such as Sweden, rediscover the need for a sound and sustainable cash infrastructure.

Too much electronic money in an economy is a vulnerability, not a strength. The example of Russia is telling. The three dominant card operators in the world have decided to suspend their operations in Russia, making card payments almost impossible in the country. ESTA has no view on the reasons for the suspension of their activities, but simply notes that foreign companies have the power to decide on whether the domestic electronic payment infrastructure operates or not. The same situation could happen in the EU, which has an electronic payment system also dominated by the same non-European, multinational firms. Whilst the EU banking sector develops its own card system through the European Payment Initiative, cash remains the only instrument of payments that allows the EU to maintain at short term its payment sovereignty.

Cash is a volume driven business and a critical mass is needed to ensure that it is sustainable, efficient and available to all. The Ukraine crisis is just a strong reminder that cash needs to be preserved, because no one can predict when all else may fail.