

Australia awash with \$50, \$100 notes



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October 28, 2022 – 2.12pm

More people are stashing banknotes away instead of keeping them in the bank, with nearly 2 billion notes in circulation but few being returned to the central bank.

The Reserve Bank's annual report said a 7.2 per cent increase in circulating notes last financial year was driven by demand for \$50s and \$100s.



Mouldy banknotes, which were damaged by the floods earlier this year. RESERVE BANK OF AUSTRALIA

The bank said it underscored a desire by people to use cash for precautionary savings.

“It also highlights the changing role of cash, with cash increasingly being used for such purposes rather than for transactions,” the annual report said.

While the number of notes in circulation rose, the proportion being returned to the RBA – either because they are surplus to demand or unfit for circulation – is at historic lows.

About \$2.1 billion of unfit notes were returned to the bank last financial year, the lowest amount since 2016-17. The bank said the number of surplus notes returned was also at historic lows.

There are nearly 992 million \$50 notes in circulation – more than double the number of \$100 notes and almost twice as many as all the \$5, \$10 and \$20 notes combined.

But fewer people are using cash for purchases, thanks to the COVID-19 pandemic. A survey by the bank late last year found about a quarter of respondents had permanently reduced their use of cash.

“It is expected that the pandemic will have had a lasting effect on cash usage,” the report said.

The number of businesses accepting cash has also fallen slightly, to 94 per cent of retailers.



Reserve Bank staff washing notes damaged during the flooding, so they can be counted before they are destroyed.

RESERVE BANK OF AUSTRALIA

The RBA said it was monitoring cash access and while most people had good access to either ATMs or bank branches, there were some emerging issues.

“These risks are particularly pertinent in regional and remote parts of Australia, where an increasing number of localities have no or only a few cash access points nearby,” the bank said.

The bank also highlighted one of the risks of holding cash as savings. In the past financial year, it had to destroy about \$9.2 million in notes that were damaged during the floods in northern NSW and south-east Queensland earlier this year.

The 100 flood claims – mostly from businesses or financial institutions – were among about 8400 claims it processed for damaged banknotes worth \$14.5 million in 2021-22.

Bank staff had to wash the contaminated banknotes, which were ruined by mould or mud, before they could be counted and destroyed.

“Due to longevity and widespread devastation of the floods, the Reserve Bank continued to receive flood claims several months after the events,” the annual report said.

“As at the end of June 2022, around half of the volume of claims received from the floods had been assessed.”

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