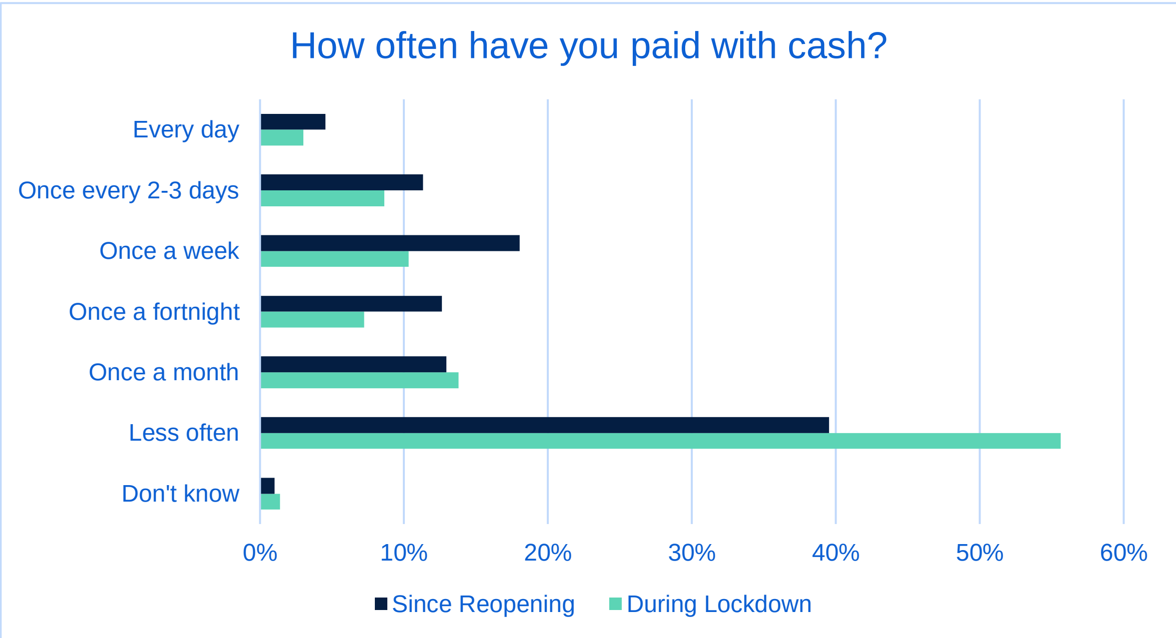
Cash Hoarding

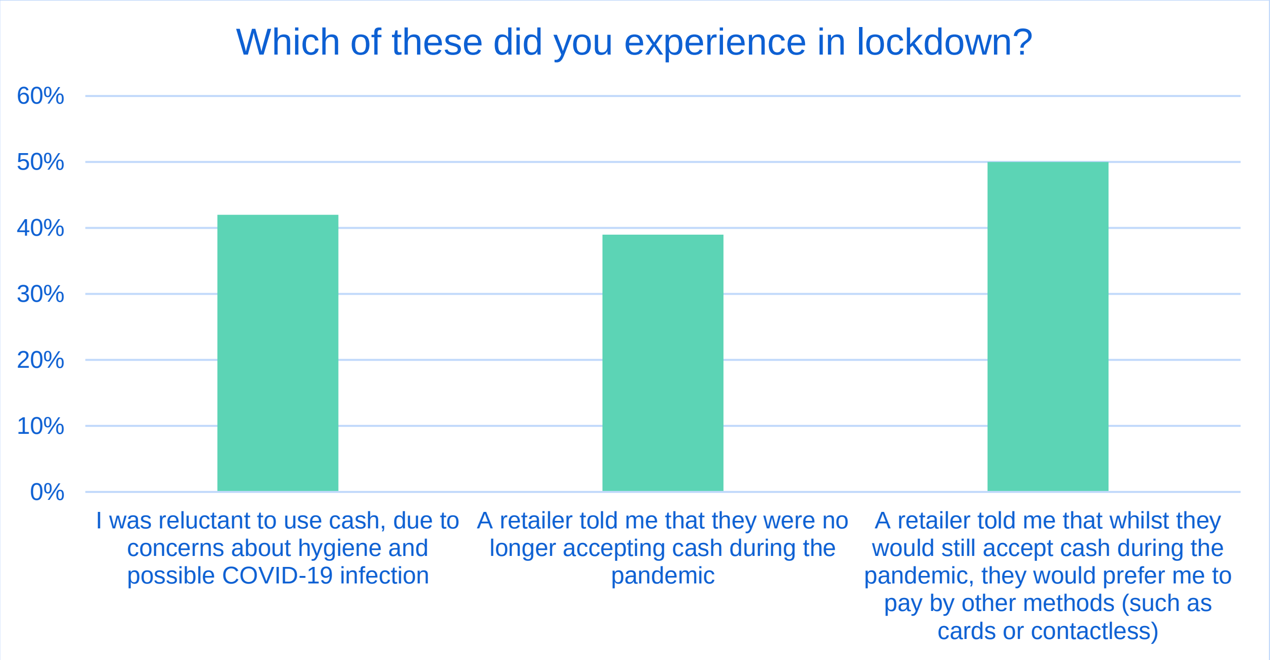
Research into pandemic behaviours

Key findings

Covid hit Cash hardest

1. In line with the wider economic turndown, the lockdowns of 2020/21 brought about by Covid-19 led to a decline in the volume and value of the UK payment markets. This was a general trend but as highlighted in the UK Payment Markets Report, cash as a method of payment was hit hardest, with sharper reductions than card, and in contrast to direct debit which remained steady.
2. A relative decline in cash as method of payment was again recorded in a second survey of 1000 adults commissioned by UK Finance and undertaken by Ipsos Mori. As part of the June KnowledgePanel omnibus survey, 1000 adults were surveyed online and via post on how Covid has impacted their use of cash. 71% of respondents of this survey reported that cash was used less as a *proportion* of all payments during the pandemic lockdowns.
3. It is clear that with the reopening of the economy there has been some degree of revival in cash transactions. This was borne out in the survey as since the easing of lockdown restrictions in April, 47% of respondents reported using cash on a fortnightly basis or more regularly. This was a rebound in cash activity from the 29% of respondents who stated they had used cash on a fortnightly basis or more regularly during the lockdowns of the past year.
4. The biggest rebounds have been in the middle-aged groups. For example, the number of respondents in the 35-44 age group who reported weekly cash use increased by a factor of 4 in the period from April 2021 compared with during the lockdowns. Similarly





the number of respondents in the 45-54 age group who reported weekly cash use more than doubled for the period since April as compared to the lockdowns.

5. The extent to which cash will ultimately recover remains unclear for now, and will depend to a large extent on behavioural factors, for example 42% of respondents stated they had been reluctant to use cash over the last year due to concerns over hygiene. As public health advice has shifted, such concerns may reduce but it seems likely that the perception will linger.

6. Notably the research found more people (50%) had come across a retailer who would accept cash but preferred other methods of payment (such as cards or contactless). This softer 'nudge' approach was found to be more common than an outright ban against cash, and is likely to be a significant driver against cash use.

A cashless society is not around the corner

7. The death of cash has been much heralded in recent years, but the survey again shows that its 'sticky' presence in payment markets is likely to continue post-Covid. 59% of respondents noted they are currently holding cash at home – albeit with 62% having less than £100. While older age groups are more likely to have done this, all age groups reported high levels of respondents who are currently holding cash: 57% of 35-44 year olds and 45% of 25-34 year olds.

8. The 59% of respondents who are currently holding cash is however a decline from the 68% of respondents who were holding cash during the lockdowns. This suggests that as the economy has reopened people have started taking the opportunity to spend or deposit cash, thereby reducing the number of people with cash held at home. It is in line with the rebound in cash activity mentioned above.

59%

of respondents
are currently hoarding cash at home

The cash cycle is subdued and looks set to stay that way

9. Surprisingly, from those people who do currently have cash at home, a sizeable majority reported that the *amount* of cash held had not changed. 70% said they had roughly the same amount of cash as pre-Covid (before March 2020) and 60% of respondents said this was the same as during the lockdowns. This suggests a considerable number of respondents have not sought to use accumulated cash following the easing of lockdown restrictions, as might have been anticipated.

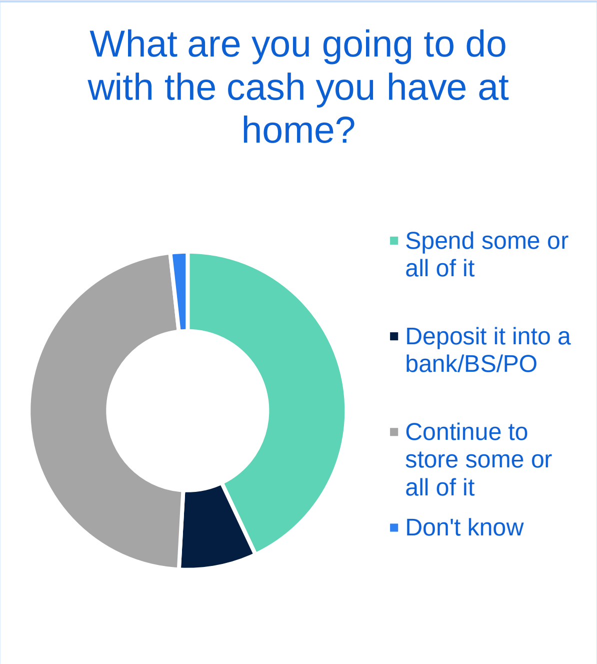
10. Our research indicates this trend may continue for at least the short term, given that (as shown below) when looking ahead, the accumulated cash is most likely to remain stored. Only 9% are planning to deposit some or all of it with their banks.

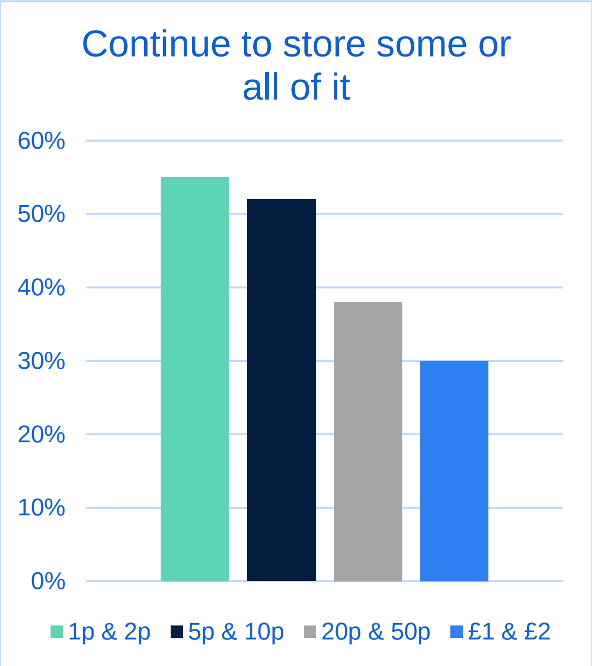
11. This has potential implications for wholesale cashflows, where the above supports evidence that inflows are lagging behind outflows in 2021, as happened in 2020. Such a lag could be exacerbated by the declining regularity with which cash, which has been stored and is intended to be spent or deposited, will actually be used and re-enter the cash cycle. A surprisingly high 63% of respondents stated that they will spend accumulated cash once every 3 months or less, and 38% of respondents stated less than every 6 months. An even higher 74% of respondents stated that they would deposit any accumulated cash only once every 3 months or less. (see graph on next page for further detail) There was however some regional variation on this, with people in England roughly half as likely as people in Scotland to spend the accumulated cash weekly, and more likely to report spending the cash less than once every 6 months (Eng - 40%: Scot – 27%).

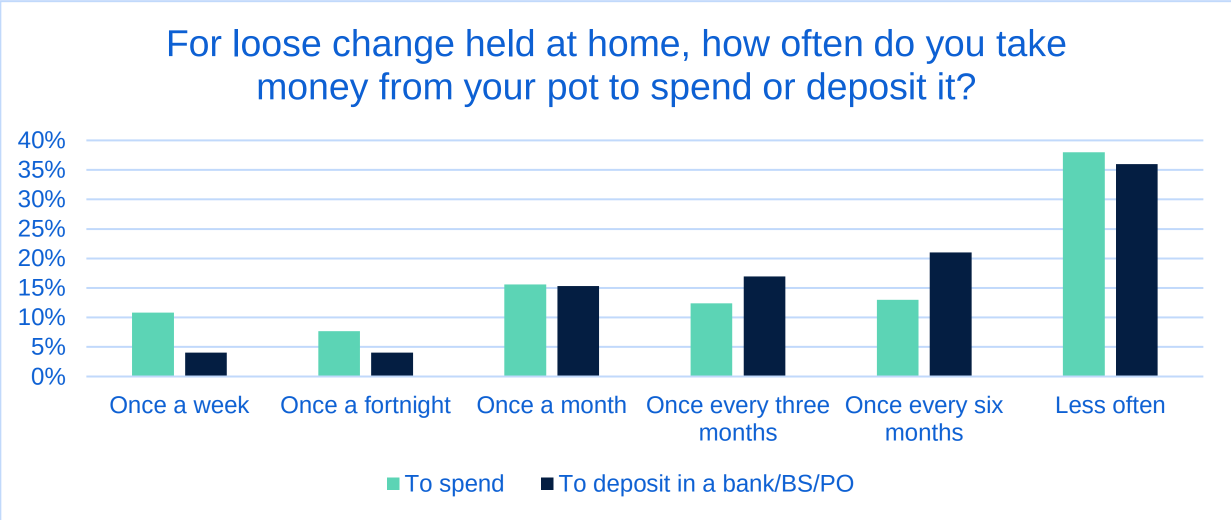
Cash is not intended to be transactional

12. As to why respondents appear slow to make use of accumulated cash, it is notable that when asked why they had hoarded coin and notes, 56% stated it was for security. A further 34% stored it as gifts or pocket money for friends and relatives, while only 11% stated it was because they were unable to deposit cash at the banks. It reinforces the trend that the importance of cash for transactional purposes is declining. (As a side note, encouragingly only 1% reported it was due to lack of trust with banks.)

13. The reduced reliance on cash for transactional purposes is most pronounced







with lower denomination coins. 55% of respondents stated they are planning to store or keep 1p and 2p coins, and 52% will hoard 5p and 10p coins. This drops to 30% for £1 and £2 coins. The lower denomination coins are however more important for charitable causes, with 37% of respondents indicating they intend to donate their 1p and 2p coins. Only 6% respondents intended to do the same with £1 and £2 coins.

14. The fact that two of the top reasons for accumulating cash was security and as gifts does also suggest that respondents were naturally focused on notes as opposed to coin when answering this question. The accumulation of notes was it appears more deliberate, and the accumulation of coin either a by-product or unintentional habit. Responses which might have indicated a deliberate intention to collect coin, including *get paid in cash, for parking, for takeaways and deliveries, for tips* etc all received a negligible response rate.

Conclusion

While the research demonstrates the durability of both cash transactions and holdings, it is a further piece of data which points to the declining transactional value of cash, particularly coin. This raises the question of whether the denominational mix in circulation is in need of modernisation. Additionally, the indicated lag in inflows suggests that industry and policymakers may need to actively encourage greater recycling of hoarded cash to avoid significant wastage to the UK economy.