



# The Future of Money

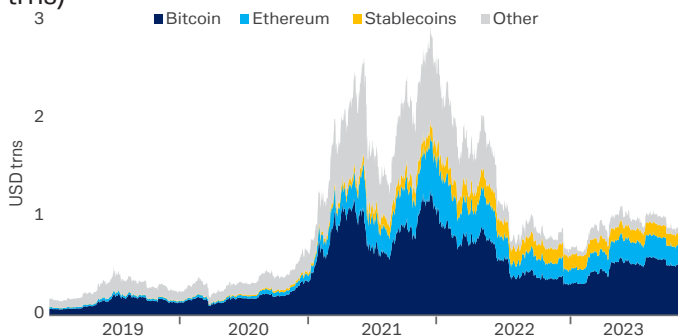
#PositiveImpact

The past decade has challenged our understanding of money as payment alternatives and new forms of currency entered our everyday lives. Digital assets such as Bitcoin have captured the spotlight, but we believe it will be central bank digital currencies (CBDCs) that will prevail. And yet, even as the transition to digital payments continues, cash does not face extinction.

CBDCs look set to become a conventional payment method. Our proprietary survey revealed that a fifth of consumers think CBDCs will be mainstream. It would seem that it is no longer a question of if but when the CBDC economic rocket takes off. Emerging economies are leading the way, with four live CBDCs already in operation. Advanced economies are also making progress. Indeed, the European Central Bank will decide whether to proceed with a digital euro pilot scheme next month, which could set the tone for other developed nations.

**Cryptocurrencies.** Bitcoin and Ethereum have outperformed traditional assets this year, despite setbacks over the past 18 months. Bitcoin's value has risen and fallen, and will probably continue to do so, depending on what people believe it is worth. This has been described as 'the Tinkerbell effect', as belief shapes reality or, in this case, value. Last year's collapse of stablecoin TerraUSD and crypto exchange FTX highlighted the structural issues within the crypto ecosystem, namely, insufficient reserves, conflict of interests, and a lack of regulation. Faith was lost, and the crypto market contracted from \$2.9trn in November 2021 to \$830bn by December 2022. The Tinkerbell effect has now returned, and the market has recovered to \$1.1trn. New institutional players have also entered the market, including BlackRock and Deutsche Bank.

## Market capitalisation of selected crypto assets (USD trns)



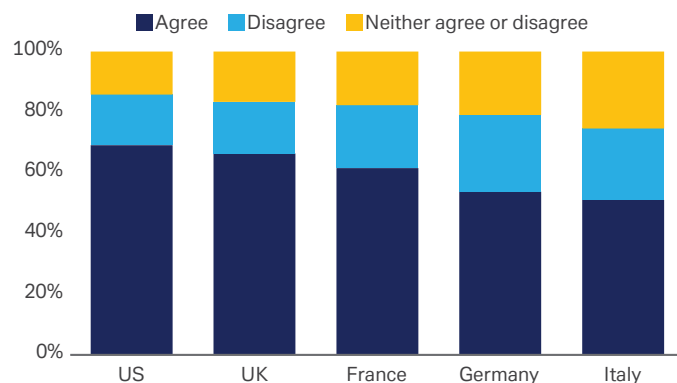
Source: Deutsche Bank, Haver Analytics. Updated 28 September.

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Cash remains king but the rising trend of digital payments was accelerated by four to five years due to the covid pandemic. Even cash-loving countries are joining in. Japan's currency in circulation declined 2.9% over the first two quarters of 2023. Despite this, cash continues to play an essential role as an anonymous, secure, and convenient payment method. Over 58% of individuals in our proprietary survey believe cash will always be around. It may be a dinosaur, but cash does not face extinction.

## Cash will always be around



Source: Deutsche Bank, dbDIG. Note: percentage of respondents who think that cash will always be around. Survey ran September 2023 for all countries except for the US. US survey ran December 2022. \*Excludes the US.

Clients of Deutsche Bank can access the full chartbooks below:

[Part 1: Crypto: The return of faith, trust, and fairy dust](#)

[Part 2: CBDCs–The Economic Rocket Takes Off](#)

[Part 3: Forget Extinction, Cash the Dinosaur will Survive](#)