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This paper examines trends in banknote printing during the period 2000-2005 for a crosssection of 56 central banks. It was identified that central banks have implemented new strategies to increase efficiency in the production of banknotes, primarily due to the increase in the demand for currency in recent years. One of these strategies has been to involve the private sector through different modalities (e.g. joint ventures, subsidiaries or purchase of banknotes from specialized companies). With the aim to examine the effect of these strategies and other banknote printing features on production costs, a cost function using a panel data model with random effects was estimated. It was identified that the denomination structure, the size of banknotes, and the production method used by central banks have a significant impact over printing costs. Government printing was found to be the most costly method, while involving companies in the process substantially reduces production costs. Based on these results, a non-parametric efficient frontier model was used to measure technical cost efficiency and changes in productivity of central banks. It was found that most central banks have increased its technical efficiency during the period, especially when the private sector has been involved. The Malmquist index showed a moderate increase in productivity, mainly due to increases in scale efficiency instead of technical change.

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