The End of the Penny: Five Years and Counting

The Royal Canadian Mint stopped producing 1-cent coins in May 2012, and stopped distributing them on February 4, 2013. The coins had become a burden. The cost to produce them exceeded their market value, and they also entailed significant handling, shipping and storage costs. Overall interest in them had declined considerably, and fewer and fewer Canadians were carrying pennies in their pockets or their wallets. This increased pressure on the Royal Canadian Mint, which had to continually issue new coins.

Approximately 35 billion 1-cent coins were struck between 1908 and 2012, with nearly half produced between 1990 and 2012. This would suggest a large number of coins to be recovered. According to the Royal Canadian Mint’s own figures, 6.3 billion 1-cent coins were returned between February 2013 and December 2016, meaning a large number of coins may still be in the hands of Canadians (or in jars at home). It is important to note that pennies will retain their legal value indefinitely, which means that they can still be used as a means of payment or returned to your financial institution.

With the withdrawal of pennies from circulation, retailers were no longer required to make change to the nearest cent for customers paying by cash. The federal government invited retailers to round their bills to the nearest multiple of five cents. On average, over a large number of transactions, this implies zero cost for consumers, who will sometimes benefit from rounding, and other times not. Transactions paid by card or cheque are still settled to the exact cent.

IMPLICATIONS

After the 1-cent coin, the 5-cent coin will eventually be withdrawn. For now, the Royal Canadian Mint is not under significant pressure to produce the nickel as had been the case with the penny. A recycling system has helped contain the pressure. That being said, the recycling system does cost the consumers who use it. In addition to this are the costs to handle, ship and store the coins, which are assumed by businesses and financial institutions. With time, the 5-cent coin will seem less and less useful because of its low purchasing power, and because of what it costs consumers and businesses.

Without the nickel, cash payments would be rounded to the nearest ten cents. As well, the 25-cent coin would become less relevant. The 50-cent coin would become more useful, and the addition of a 20-cent coin, as in other countries, would be considered. New Zealand introduced similar changes over ten years ago. Although significant, these changes would make paying in cash more efficient. Over the last few years, payment by card or by electronic means has continued to grow in popularity, helped, in particular, by how simple and quick these methods are to use.

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