



News Release

06 December 2010

Bank of Jamaica Currency Issue

The Bank of Jamaica (BOJ) redeems and issues notes and coins to financial institutions on a daily basis in order to meet changes in the public's demand for cash. The value issued or redeemed in any month is determined by the various institutions' cash holding policies and the demand from their customers.

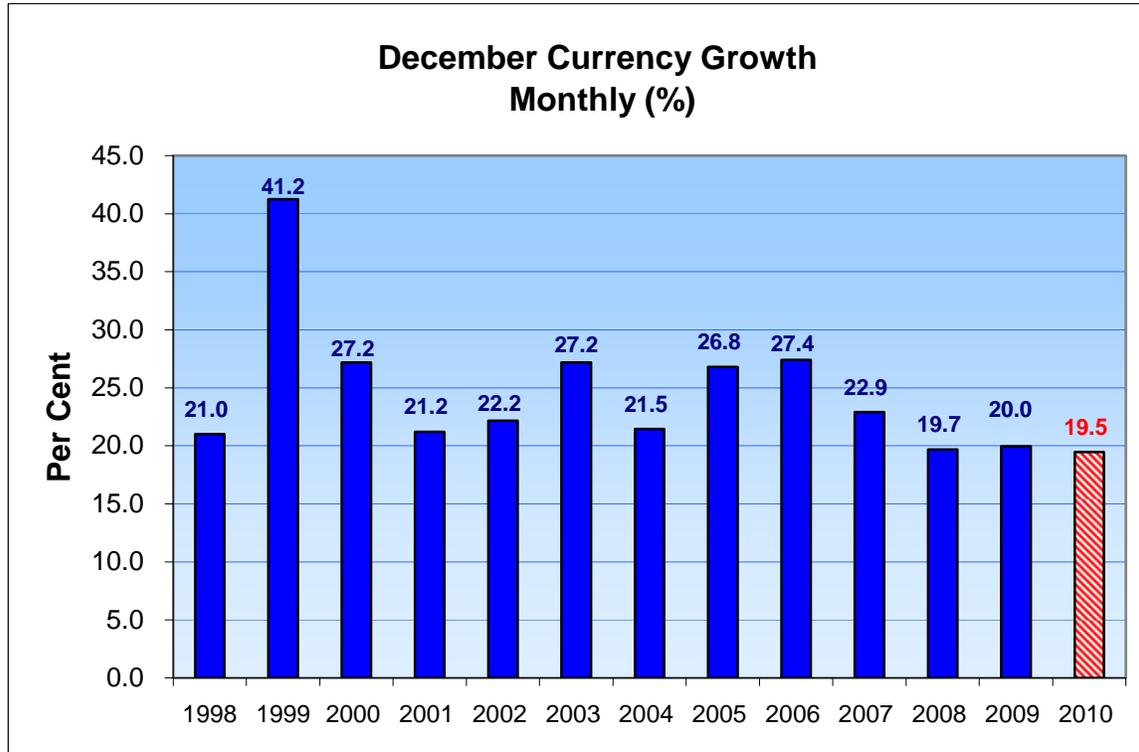
During December, there is normally a stronger demand for cash from consumers associated with increased spending during the holiday period. In this context, the financial institutions order more currency from the BOJ in an effort to increase cash balances in their vaults to satisfy the increased demand. An increase in the demand for cash, however, does not necessarily mean that consumers are buying more goods and services than they bought a year ago. For example, in December 2009, the currency stock rose by *\$8.6 billion* or *20.0 per cent* in nominal terms relative to end-November 2009. In real terms, however, consumers spent *4.0 per cent* less in December 2009 than they did in December 2008, via the use of currency.

For December 2010, the Bank is forecasting that the public will further reduce its demand for currency in real terms relative to 2009, albeit at a slower rate. The Bank is of the view that spending via currency will further decline by approximately *1.9 per cent* in real terms following the real decline of *4.0 per cent* in 2009. The continued decline is expected in a context of an observed weakness of households' balance sheets, the recent sharp increase in credit card receivables of the commercial banks and the relatively high levels of non-performing loans in the system.

Given these developments, the BOJ is projecting that the currency stock will increase by approximately *\$9.0 billion* or *19.5 per cent* in December, relative to end-November. This should translate to a currency stock of just under *\$57.0 billion* at end-December 2010,

representing annual growth of 9.1 per cent relative to 5.8 per cent for 2009 and 3.8 per cent in 2008. Currency issue is expected to rise sharply by mid-month and peak at approximately \$59.1 billion during the period 24 - 27 December 2010. The stock should subsequently fall as the public reduces its holdings of cash.

Figure 1



Bank of Jamaica

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