



News Release

8 December 2008

## **Bank of Jamaica Currency Issue**

Currency issued by the Bank of Jamaica comprises notes and coins in the hands of the public (currency in circulation) in addition to notes and coins held by financial institutions (vault cash). The Bank of Jamaica (BOJ) redeems (buys) or issues (sells) notes and coins to financial institutions in order to meet this demand for cash. *The difference between currency issued and redeemed during any period is referred to as net currency issue.* The net currency issue during 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 as a result of the increase in spending during the holiday period. Therefore the banks order more currency from the Bank of Jamaica to adequately meet the increased demand for cash. With respect to December 2007, there was an expansion of *\$6.6 billion* or *19.5 per cent* in currency in the hands of the public. This increase coupled with the banks' increased holding of vault cash, *\$2.2 billion* or *49.3 per cent*, meant that the currency stock increased to *\$47.2 billion*, which represented net currency issue of *\$8.8 billion* or *22.9 per cent* above the stock at end November 2007.

**Currency issue is expected to increase by approximately \$9.7 billion or 23.7 per cent to approximately \$50.6 billion in December 2008.** This projected increase is predicated on the assumption that the banks will increase their holding of vault cash above the stock held in 2007 in anticipation of the payment of retroactive salaries to some categories of public sector workers.

The expected net currency issue for December 2008 translates to annual growth of 7.3 per cent relative to *11.6 per cent* for 2007. In a context of higher inflation in 2008, a higher demand for currency would usually be expected. However, due to the slower

growth in economic activity as well as the increased use of debit/credit cards in commercial transactions, the demand for cash has been significantly reduced.

The stock of currency issue stood at *\$40.5 billion* as at 05 December 2008, in line with the Bank's projections (see Figure 2). This represents a decline of *\$512.9 million* relative to end November 2008. Currency issue is expected to rise sharply by mid month and peak at approximately *\$51.1 billion* around 29 December 2007.

**Figure 1**

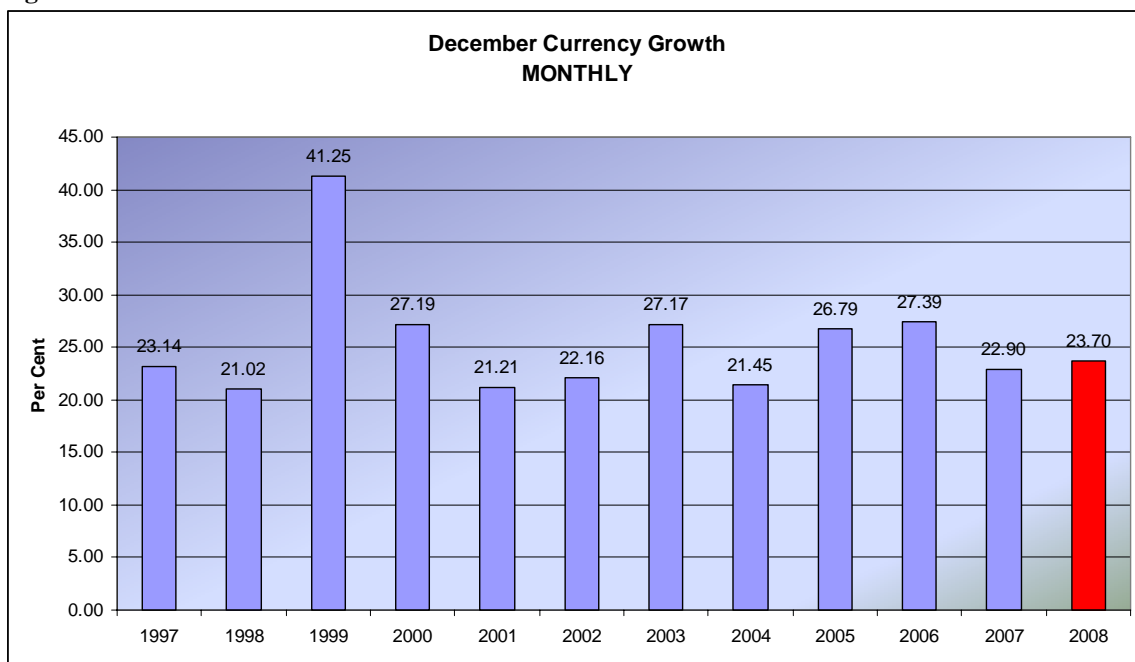
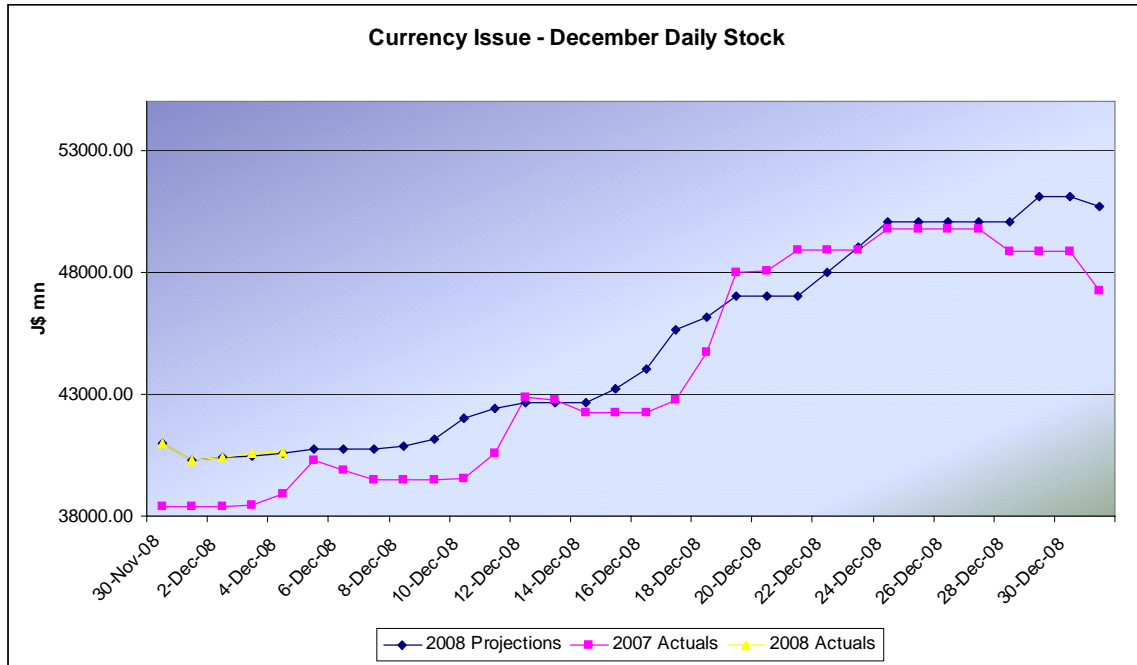


Figure 2



Bank of Jamaica