



NEWS RELEASE

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Currency Issue - Bank of Jamaica

During December of each year, the volume of currency issued by the Bank of Jamaica attracts special interest as an indicator of seasonal retail spending by the public. Banks also hold more cash in their vaults to ensure they have adequate amounts to stock their automated banking machines (ABMs) and to meet the public's demand in general. As a result, the increase in BOJ currency issue in December tends to be very large.

While this increase in currency continues to reflect heightened commercial activity, its reliability as an indicator of total spending may be declining. Three other factors – the proliferation of ABMs, the use of point of sale (POS) facilities as well as changes in the intensity of the use of cheques - exert strong and sometimes, offsetting influences, on the demand for currency notes and coins. The use of ABMs tends to increase the demand for cash. On the other hand, the increased use of POS facilities and cheques offset some of the need for cash. The annual increase in currency is therefore not a pure indicator of additional spending since the other dynamic changes in the means of payment are so important. Analysts will find complementary data, for example, exchange rate and price movements useful in assessing the significance of changes in the demand for currency.

As at end November 2005, the stock of currency issue stood at \$28 113.3 million. This is expected to increase by some \$7 000 million or approximately 24.0 per cent in December in comparison to an increase of \$5 722.5 million or 21.5 per cent in December 2004. Over the three year period 2002 to 2004, currency issue increased by 23.6 per cent on average in the month of December.

The stock of currency issue stood at \$31 348.0 million as at 18 December 2005 representing a net currency issue of \$3 234.7 million or an increase of 11.5 per cent for the month to date and an increase of 2.0 per cent relative to 18 December 2004. These growth rates are lower than the increase of 15.3 per cent and 12.6 per cent for the comparable periods of 2004.

The 12-month growth at end December is expected to be approximately 8.0 per cent. This is lower than the growth rate of 10.1 per cent and 20.8 per cent in 2004 and 2003, respectively. Similar to 2004, the lower growth in currency issue in 2005 continues to be influenced by the impact of increased use of alternative means of payments, that is, POS facilities (especially the use of credit cards) and cheques.

