

News Release

04 January 2017

Update: Bank of Jamaica Currency Issue

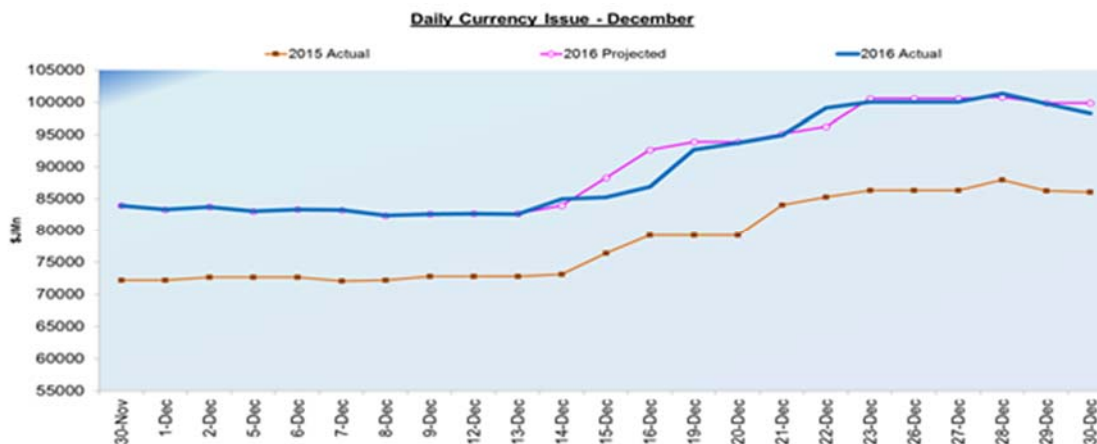
For the last three business days in December 2016 (28 to 30 December), Bank of Jamaica recorded net currency redemption of *\$1.8 billion* or *1.8 per cent* from financial institutions (commercial banks, building societies and cambios). This level of reflows exceeded the Bank’s projection for redemption of *\$689 million*.

The redemptions contributed to an overall growth of *\$14.3 billion* or *17.1 per cent* in the currency stock for December 2016, which was lower than the Bank’s projection for growth of *\$15.9 billion* or *19.0 per cent*.

At 31 December 2016, the currency stock was *\$98.3 billion*, representing an increase of *16.6 per cent*, relative to end-December 2015. When the forecasted change in the consumer price index is taken into account, the real growth in currency for 2016 was *12.1 per cent*.

The Bank is anticipating that the majority of the currency issued during December 2016 will be redeemed during January 2017. For the last five years, net currency redemption in January averaged approximately *80.0 per cent* of the net currency issued in the preceding month.

Figure 1



Background

Bank of Jamaica (BOJ) issues and redeems notes and coins daily in order to meet the demand for cash from individuals and businesses. There is normally a stronger demand for currency during the month of December, associated with increased spending over the holiday period. Financial institutions therefore request more currency from BOJ to satisfy this demand.

On 20 December 2016, the BOJ issued a press release indicating that currency stock is projected to increase in December 2016 by *\$15.9 billion (19.0 percent)* to *\$99.9 billion*.

Glossary:

- ***Currency Issue:*** *refers to Jamaican notes and coins in the hands of the public (currency in circulation) as well as notes and coins held by financial institutions in their vaults (vault cash). BOJ redeems (buys) or issues (sells) notes and coins to financial institutions when institutions demand for cash change. The difference between currency issued and that which is redeemed during a period of time is referred to as net currency issue.*
- ***Currency Stock or Currency in Circulation:*** *(see Currency Issue)*
- ***Real Currency Growth:*** *This is the nominal change in the stock of currency, adjusted for the change in consumer prices over the same period.*
- ***Real Growth:*** *This is the annual percentage change in constant price Gross Domestic Product (GDP).*
- ***Gross Domestic Product (GDP):*** *This is the total value of all goods and services produced within an economy over a particular time period –either a year or three months.*