



News Release
12 December 2007

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.

In December, there is normally a greater demand for cash because persons spend more during the holiday season. Consequently, the banks order more currency as they hold more cash in their vaults to ensure they have adequate amounts to stock their automated banking machines (ABM) and to meet the public's demand for cash in general. For example, in December 2006, the currency stock increased to \$42.3 billion as there was a *net currency issue of \$9.1 billion or 27.4 per cent* above the stock at the end of November 2006. This was higher than the average increase in currency issue over the previous five years and was mainly driven by the increase in public sector wages and salaries resulting from the settlement of the Memorandum of Understanding between the Government and the trade unions following two successive years of wage freeze.

Currency issue is expected to increase to approximately \$49.0 billion in December 2007, reflecting a *net currency issue of approximately \$10.6 billion or 27.5 per cent*. Not all of this increase is expected to enter the hands of the public since commercial banks increase their vault cash by approximately \$2.0 billion on average in December.

The expected net currency issue for December 2007 translates to annual growth of 15.8 per cent relative to 18.7 per cent for 2006. In a context of higher inflation in 2007, a higher demand for currency would normally be expected. However, the non-repetition of

significant upward adjustments to wages and salaries in 2007 as well as increased use of alternative means of payments such as Point Of Sale transfers, credit cards and cheques have partially offset the increased demand for currency arising from higher inflation. Consequently, annual growth in currency is expected to be lower than the growth which obtained in 2006.

The stock of currency issue stood at \$40.6 billion as at 11 December 2007, in line with the Bank's projections (see Figure 2). This represents a net currency issue of \$2.1 billion or an increase of 5.6 per cent for the period 01 – 11 December 2007. It also represents an annual increase of 19.4 per cent relative to 11 December 2006 in comparison to an annual increase of 16.9 per cent in the stock of currency issue as at 11 December 2006. Currency issue is expected to rise sharply by mid month and peak at approximately \$51.7 billion around 27 December 2007.

Figure 1

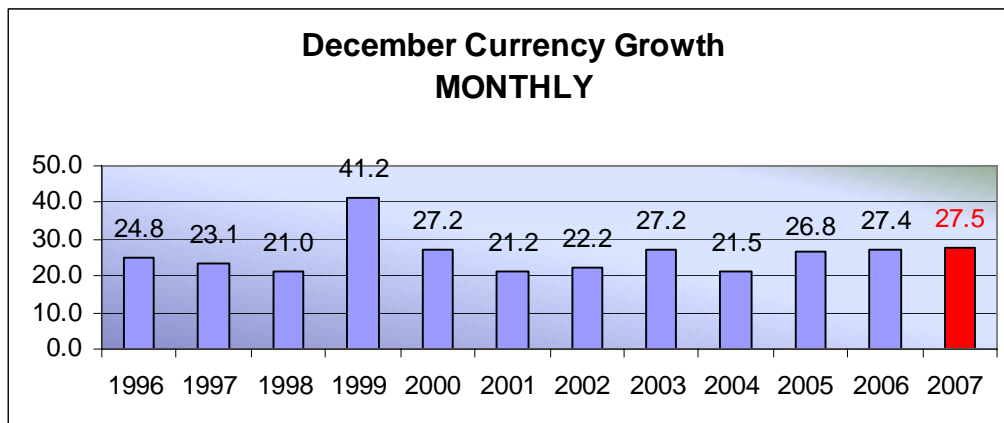
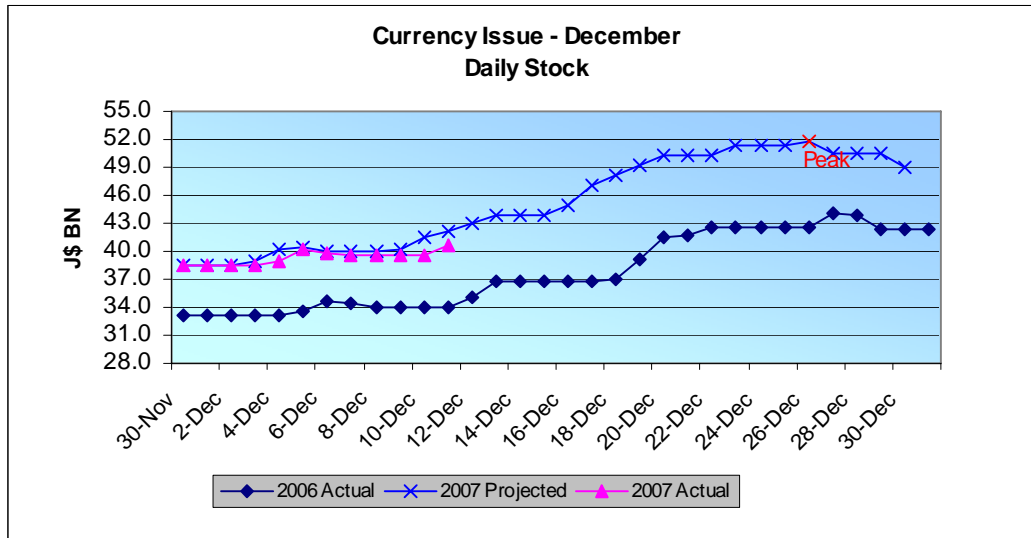


Figure 2



Bank of Jamaica