

6. Currency Issuance

Currency Issued Slightly Increased

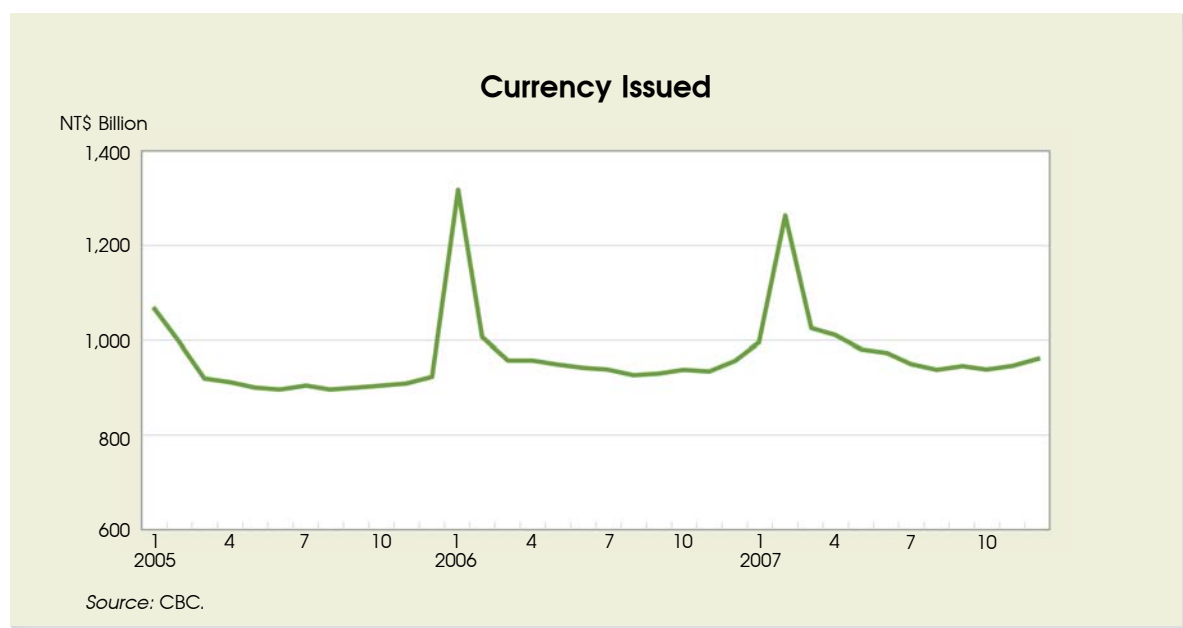
An important function of the Bank is to ensure a smooth and efficient supply of banknotes and coins to meet public demand, which is dependent on the level of economic activity, seasonal factors, and the development of noncash payments.

In 2007, the currency issued reached a peak at NT\$1,377 billion on February 16, the day before the Chinese Lunar New Year holidays, reflecting a temporary seasonal surge in cash demand. The outstanding amount of the currency issued stood at NT\$961.7 billion at the end of 2007 with an increase of NT\$1.9 billion or 0.2 percent compared with the end of 2006.

With regard to the denominations of the NT dollar banknotes, the NT\$1,000 note still registered the lion's share, or 83.64 percent, of the total value of banknotes issued, followed by the NT\$100 note with a share of 6.31 percent at the end of 2007. Meanwhile, the share of the largest denomination note, the NT\$2,000, rose to 4.34 percent at the end of the year.

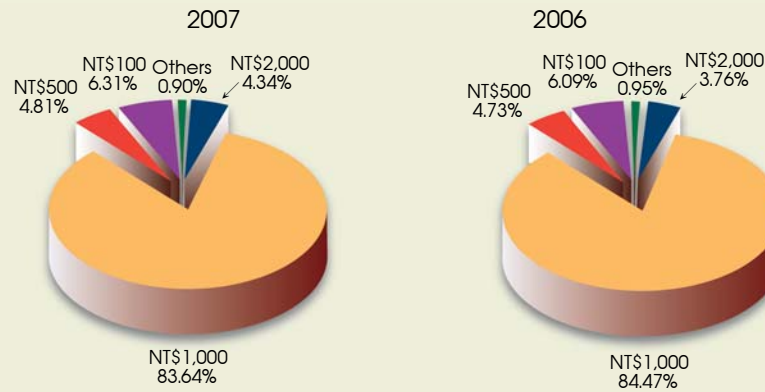
Currency in Circulation Mildly Trended Downward

Driven by continuous innovation in payment instruments, consumers and businesses were increasingly using debit and credit cards instead of paper checks and cash at the point of sale from the mid-1990s. The ratio of currency in circulation to nominal GDP dropped from 7.50



Composition of NT Dollar Banknotes Issued

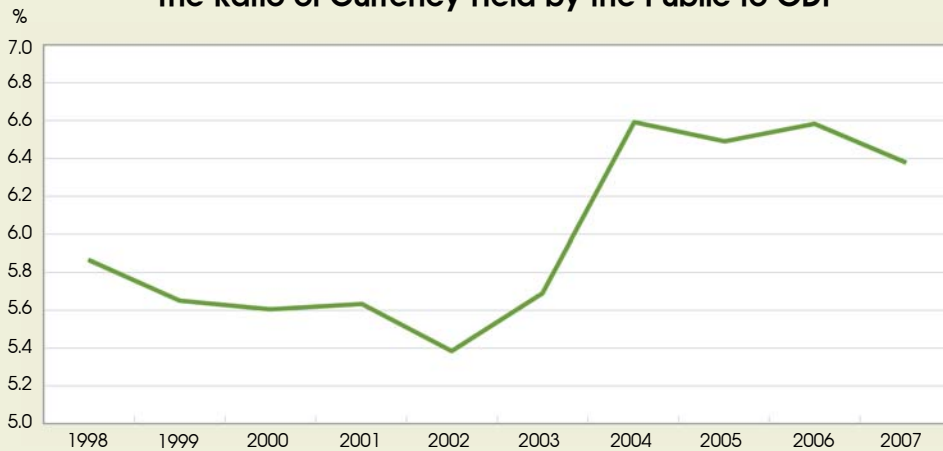
(year-end figure)



Source: CBC.

percent in 1994 to as low as 5.38 percent in 2002. Thereafter, because of the increased willingness to hold cash as interest rates trended lower and the improved convenience of cash withdrawal due to the widespread ATM access, the ratio of currency in circulation to nominal GDP increased to 6.58 percent in 2004. However, from the fourth quarter of 2005 onwards, currency demand for transaction purposes decreased as credit card defaults weakened private consumption. In 2007, the ratio of currency in circulation to nominal GDP trended down to 6.37 percent, a mild decrease of 0.20 of a percentage point from a year before.

The Ratio of Currency Held by the Public to GDP



Source: CBC.

Commemorative Coin Sets Successively Issued

With the authority of currency issuance, the Bank may also issue gold and silver coins, and commemorative notes and coins on a non-periodic basis, such as for important ceremonies, national holidays, major international events or other significant national events. During the year 2007, the Bank issued a coin set for the Chinese zodiac year of the pig, and the 10th coin set of the Taiwan Indigenous Peoples Cultural Series—the Thao tribe.

