

## 6. Currency Issuance

### Increasing Currency in Circulation

According to Article 16 of the Central Bank of China Act, the NT dollar should be issued against a 100-percent reserve, in the form of gold and silver bullion, foreign exchange, and eligible bills and securities. The reserve remains in the special custody of the Bank.

Although the traditional method of cash payment is being gradually replaced by plastic cards and other payment instruments, currency held by the public has exhibited a significant increase since 2003. The ratio of currency held by the public to nominal GDP rose from 5.7% at the end of 2002 to 6.6% at the end of 2004. The main reasons included the historically low interest rate which caused the public to hold more cash in their hands instead of depositing it in banks, and the rising demand for currency as economic activity gained momentum.

During the year 2004, the currency issued peaked at NT\$1,134 billion on January 20, the day before the Chinese Lunar New Year holidays, when there was a temporary seasonal surge in cash demand. The outstanding amount of currency issued at the end of 2004 was NT\$857 billion, which represented a 9.1 percent or NT\$72 billion increase from a year earlier.

With the release of several new notes in recent years, the Bank continued its efforts to raise public awareness of the new design and enhanced security features of the new notes.

At the end of 2004, the NT\$1,000 note constituted 85.1 percent of the total value of currency issued, while the NT\$100, NT\$500 and others (including the NT\$200 and NT\$2,000 notes) accounted for 6.1 percent, 4.9 percent, and 3.9 percent, respectively.

### Currency Held by the Public and its Size Relative to GDP

