

6. Issuance of Currency

The Bank is responsible for planning and producing banknotes and coins. The volume of currency issued is mainly determined by the demand of the public, which is associated with the rate of economic growth, seasonal factors, and the development of noncash payments. The Bank closely monitors demand fluctuation. During the year 2006, the currency issued peaked at NT\$1,319 billion on January 27, the day before the Chinese Lunar New Year holidays, reflecting a temporary seasonal surge in cash demand. At the end of 2006, the outstanding amount of the currency issued increased by NT\$36.9 billion or 4.0 percent to NT\$959.8 billion, lower than the previous year's NT\$66 billion or 7.7 percent. The slower growth of currency issued mirrored the weakness of private consumption caused by credit card defaults. The NT \$1,000 note still accounted for the lion's share, or 84.47 percent, of the total value of banknotes issued, followed by the NT\$100 note with a share of 6.09 percent at year-end 2006.

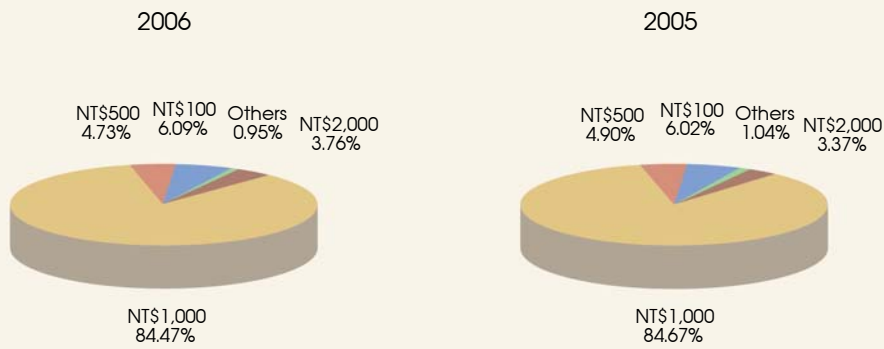
Because of innovations in payment instruments, the use of payment cards such as charge cards, debit cards, and credit cards became increasingly popular and the use of cash consequentially declined since the mid-1990s. The ratio of currency in circulation to nominal GDP dropped from 7.50 percent in 1994 to as low as 5.43 percent in 2002. Thereafter, because of the increased willingness to hold cash as interest rates continually trended lower and the improved convenience of cash withdraw due to increased ATM access, the ratio of currency in circulation to nominal GDP increased to 6.24 percent in 2004. However, from the fourth quarter of 2005 onwards, currency demand for transaction purposes decreased as credit card

Currency Issued



Source: Department of Issuing, CBC.

Composition of NT Dollar Banknotes Issued (Year-end figure)

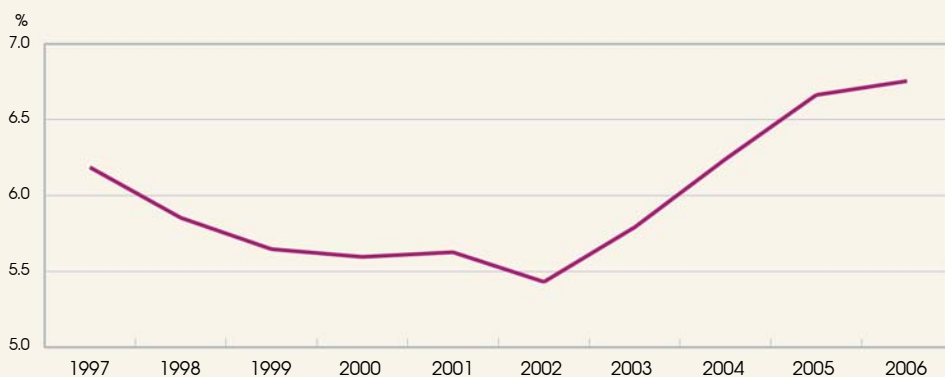


Source: Department of Issuing, CBC.

defaults weakened private consumption. In 2006, the ratio of currency in circulation to nominal GDP slightly rose to 6.75 percent, 0.09 of a percentage point higher than the year before.

During the year of 2006, the Bank issued a Commemorative Coin Set for the Chinese Zodiac Year of the Dog, the 9th coin set of the Taiwan Indigenous Peoples Cultural Series, and the Commemorative Silver Coin for Taiwan High Speed Rail, which started operating on January 5, 2007.

The Ratio of Currency Held by the Public to GDP



Source: Department of Issuing, CBC.