



FEDERAL RESERVE BANK
OF DALLAS

HELEN E. HOLCOMB
FIRST VICE PRESIDENT AND
CHIEF OPERATING OFFICER

DALLAS, TEXAS
75265-5906

August 20, 1999

Notice 99-70

TO: The Chief Operating Officer of each
financial institution and others concerned
in the Eleventh Federal Reserve District

SUBJECT

Recent Increase in Coin Demand

DETAILS

You may already be aware that the demand for U.S. coins—primarily the penny and other low denominations—has been growing at a significant pace over the past several months. This sudden surge in demand for coins has resulted in low penny inventories at some commercial banks, financial institutions, and Federal Reserve offices. The Federal Reserve System and the U.S. Mint are taking corrective steps to meet this demand and have made plans to distribute coin where it is most needed until inventories can be returned to acceptable levels. We also ask that you, as the public's depository institutions, assist in reducing the strain of low coin inventories by making it easy for your customers to deposit coin.

Demand for coin is not consistent across the country; certain regions are experiencing a larger need than other areas. To address these needs, the Federal Reserve will continue to monitor demand for coin, work with the Mint to adjust production levels where reasonable, and coordinate the distribution of inventory to the geographic locations exhibiting the greatest need. In the long term, the combined efforts of the Federal Reserve System and the Mint to enhance inventory management and to augment coin inventories with additional safety stock reserves should help mitigate future problems.

Penny shortages have been reported in some areas despite the fact that the Mint has produced more than 312 billion pennies over the past 30 years for the Federal Reserve System to distribute to depository institutions on behalf of the U.S. Treasury Department. More than 114 billion pennies are estimated to be in active circulation throughout the United States today, which equates to almost 426 pennies for every man, woman, and child in the country. In 1999, the Mint will produce 13 billion pennies to meet the additional needs of the public.

The Philadelphia and Denver Mints are currently manufacturing pennies at least six days per week on a 24-hour schedule. The new 50 States Commemorative Quarter Program did not diminish the penny production. In fact, the Mint shipped 3.6 billion pennies to the Federal Reserve between January and April 1999—a 33 percent increase over the same period in 1998, which was a 29 percent increase over 1997 levels.

Discussions with representatives in the banking industry have revealed no unique or unusual events driving demand for pennies to these extreme levels, so it appears that Americans are stockpiling pennies instead of circulating them through commercial transactions. Though some banks already have long-standing customer service policies in place to accept coins from the public, we are encouraging all depository institutions to reduce or eliminate any barriers the public may encounter when attempting to deposit coin. By making it easy for your customers to deposit coin (e.g., not requiring that it be wrapped), you will promote circulation and discourage the hoarding tendency that results in strains on businesses in need of the low-denomination coins.

The Federal Reserve System hopes that this notice has been helpful in addressing your questions about the nation's coin inventory levels.

MORE INFORMATION

For further information on the coin situation, please contact Bill Morse, (214) 922-6802, at the Dallas Office; Dieter Stanchos, (915) 521-8265, at the El Paso Office; Marilyn Snider, (713) 652-1521, at the Houston Office; or Mario Garcia, (210) 978-1300, at the San Antonio Office.

For additional copies of this Bank's notice, contact the Public Affairs Department at (214) 922-5254.

Sincerely,

A handwritten signature in cursive script that reads "Helen E. Holcomb". The signature is written in black ink and is positioned below the word "Sincerely,".