

You Influence the Amount of EC Currency In Circulation

You and the EC Currency

Do you know that as a resident of the Eastern Caribbean Currency Union (ECCU) you influence the amount of the region's foreign reserves and by extension, the amount of EC currency in circulation?

You are probably wondering how you fit into the picture when it comes to the region's pool of foreign reserves, and what link exists between the foreign reserves and the EC currency. Let us therefore examine the inflows of foreign currency to the ECCU and their link to the region's foreign reserves and the generation of additional EC currency.

Your Influence on the Foreign Exchange Inflows and The Generation of EC Currency

A significant portion of the region's foreign reserves is derived from foreign currency inflows. These can take the form of earnings from **exports** like tourism, sugar, bananas, nutmeg, and manufactured items, **remittances** from families and friends abroad, **foreign investments, grants and loans**.

Exports of goods and services account for approximately 75% of foreign currency inflows to the region. When your productive activities result in a good or service which is exported you would have exerted a positive influence on the region's foreign exchange earning capacity. If you receive remittances from friends and families living abroad you would also influence the amount of foreign currency inflows to the region. The level of skills and work attitudes of ECCU citizens also influence the investment climate that attracts foreign investors.

A significant portion of the foreign currency inflows is channeled through the commercial banks. Because payments for goods and services within the Eastern Caribbean Currency Union are carried out in EC dollars, the public would demand EC notes and coins from the commercial banks. In the event that the commercial banks do not have an adequate supply, they would have to approach the ECCB to convert a portion

of their US funds to EC currency. Through these channels, ECCB obtains foreign currency and in turn issues to the commercial banks the equivalent in EC currency. In so doing, additional EC notes and coins are created.

The amount of EC currency in circulation is therefore a direct result of the collective efforts of the residents to earn and/or attract foreign exchange to the region. Given that a large portion of the foreign currency inflows is directly linked to the region's economic activity, it follows that the higher the level of economic activity within the ECCU, the greater the potential for increasing the amount of foreign currency coming into the region, and the greater the amount of additional EC currency which can be issued by the ECCB.