Currency Operations during the COVID-19 Pandemic

Currency in circulation (CIC) changes with the level of economic activity. Based on past data, our country's CIC, though seasonal, is largely predictable. It picks up considerably during the festive seasons such as Hari Raya Aidilfitri and Chinese New Year, as well as year-end holidays, and tapers off thereafter. This predictability allows the Bank to manage our currency stock at appropriate levels and build up additional stocks ahead of time when demand for currency is expected to pick up.

Since the sudden implementation of the Movement Control Order (MCO) to curb the COVID-19 pandemic, public demand for cash surged, as illustrated earlier in the chapter. As at end-2020, the CIC recorded the highest year-on-year growth rate of 14.3% to RM130.4 billion compared to the ten-year average of 8.9%.

Last year saw weaker consumer spending and rapid acceleration in e-commerce and online spending[1], but contrary to expectations, CIC recorded a strong growth. This may seem counterintuitive, but members of the public were holding extra cash for comfort and security during the pandemic. This experience was not unique to Malaysia, as many other countries reported a similar phenomenon.

The strong surge in demand for cash during the MCO posed operational challenges to the Bank in ensuring the public had convenient and easy access to cash throughout the year. At the same time, with the public keeping more cash in hand, we received 23% less deposits from financial institutions during the year. This meant fewer fit banknotes were available for reissuance into circulation.

Hence, to meet the surging demand for cash, the Bank executed three action plans. First, we used our buffer, which comprises additional currency stock that we keep over and above normal consumption. The buffer stock is to ensure that there is sufficient cash to meet surging demand by the public in any unforeseen circumstances. During the pandemic, having an adequate buffer proved indispensable to the Bank in ensuring no shortage of cash throughout 2020.

Second, we closely collaborated with the Bank's strategic partners in the cash industry, especially financial institutions and Cash-in-Transit companies (CITs)[2], in ensuring that cash was continuously available at more than 12,000 Automated Teller Machines (ATMs) throughout the country. In this regard, as financial institutions and CITs were classified as essential services, their operations remained uninterrupted during the MCO.

Diagram 1: Action Plans Adopted by the Bank in Managing Currency Operations during the COVID-19 Pandemic

Managing Cash Supply

Use of currency buffer

Withdraw from buffer to meet surging demand for cash

Collaborate with strategic partners

Ensure financial institutions and CITs are able to operate normally during the MCO

Managing Cash Operations

Split operations and back-up teams

Implement business continuity plan including split operations and back-up teams for essential currency operations at Automated Cash Centre (ACC) and BNM Offices (BNMOs)

Comply with health and safety Standard Operating Procedures (SOPs)

Ensure staff are in full compliance with health and safety SOPs at all times

[1] For example, debit card and online spending in Malaysia grew by 26.8% and 34.5% respectively for the period between 14 October to 10 November 2020. Online banking transactions also rose by 10% in Q4 2020 compared to Q3 2020.

[2] CITs perform the function of collection and distribution of cash nationwide.

Third, the Bank's ACC, which has the capacity and capability to process significant volumes of banknotes for issuance into circulation, played a pivotal role in meeting the surge in demand for cash during the pandemic. Specifically, to ensure business continuity and minimal disruptions to the operations of the ACC and BNMOs, the Bank implemented split operations and back-up teams. In the event of any virus exposure among staff, the affected area was properly sanitised with the back-up teams taking over operations. At all times, compliance to health and safety SOPs was a priority, especially in practising strict physical distancing and observing personal hygiene.

In summary, despite the unexpected surge in cash demand and the challenging operating environment due to movement restrictions, the Bank was able to continue providing convenient and ready access to cash for the public throughout the year. This was achieved primarily by ensuring our essential cash operations at the ACC and BNMOs remained uninterrupted as well as close collaboration with our strategic partners, namely financial institutions and CITs.