

Changes in demand for Bank notes

An article in the September 1962 issue of this *Bulletin* gave some figures for the withdrawal of the 1928 series of £1 notes; and it described the procedure for 'writing off' notes that have been in circulation for a long time.

Since publication of that article, the 1928 series of 10s. notes has also been withdrawn, a £5 note bearing Her Majesty the Queen's portrait has been issued to replace the Britannia note of 1957, and the current series has been extended by the introduction of a £10 note also bearing the Queen's portrait. This is the first of that denomination to be issued since the 'white' £10 note was discontinued in 1943; some 36,000 of the old series are still in circulation but this figure is slowly being reduced as they come to light and are presented for payment, or are written off as 'dead'.

The table and the charts show the progress made in replacing notes in the public's hands when new designs have been issued. The table gives the number of notes of each denomination and of each series in circulation on the last Wednesdays of February, May, August and November; these dates are chosen to avoid as far as possible the major seasonal variations in the circulation at Easter, in early August and at Christmas. In broad terms, the £5 and £1 notes in the series portraying the Queen's head each took about two years to replace the notes of the earlier series. The time taken to replace the 1928 series of 10s. notes was, however, only about one year because of the relatively short life of notes of this denomination, which normally return to the Bank after being used for only a few months.

The charts show the value, not the number, of notes; apart from illustrating the fact that

the bulk of an issue is very quickly replaced when a new design is introduced, these charts allow the £5, £1 and 10s. notes to be seen in perspective as constituents of the total circulation.

The two issues of coloured £5 notes have both been taken into circulation on a substantial and increasing scale; the proportion by value of £5 notes in the total circulation rose from 14% in February 1957, when the last of the 'white' notes was issued, to 50% in July 1965. The new £10 note, which was issued eighteen months ago, now accounts for just under 5% of the circulation.

As use of £5 notes has increased, the percentage of £1 notes has fallen, by value, from 75% of the total circulation in February 1957 to 37% at present. The total circulation has, however, risen on balance by some £750 million in that time, while the average life in circulation of £1 notes has fallen by approximately half; thus, though the volume of £1 notes in circulation has fallen by some £400 million, annual production and destruction are now some 30% higher than in 1957.

Despite the popularity of the £5 note, the average value of the notes in circulation—that is, the total face value divided by the number of notes—is still under £2, which is not more than about half the average in comparable countries, and is very much less, allowing for the fall in the value of the pound, than it was in this country before the high denomination notes were withdrawn during the war. As public demand for currency continues to grow, the use of a higher proportion of £5 and £10 notes becomes increasingly desirable.

Notes in circulation

Millions of notes

Last Wednesday in:	£10	£5			£1		10s.	
	Queen's head design	White design ^(a)	Britannia design	Queen's head design	1928 design ^(b)	Queen's head design	1928 design ^(c)	Queen's head design
1956 Nov. ...		53			1,439		198	
1957 Feb. ...		51	3		1,404		193	
May ...		39	23		1,436		196	
Aug. ...		31	45		1,412		194	
Nov. ...		25	55		1,393		200	
1958 Feb. ...		21	64		1,337		196	
May ...		18	74		1,365		202	
Aug. ...		15	86		1,332		198	
Nov. ...		14	91		1,314		202	
1959 Feb. ...		12	95		1,265		198	
May ...		11	106		1,285		202	
Aug. ...		10	120		1,270		199	
Nov. ...		9	124		1,266		205	
1960 Feb. ...		8	129		1,218		202	
May ...		7	140		1,025	205	201	
Aug. ...		7	157		754	455	198	
Nov. ...		6	163		595	605	206	
1961 Feb. ...		5	163		481	672	199	
May ...		2 ^(a)	182		388	775	206	
Aug. ...		2	196		327	799	201	
Nov. ...		2	199		286	839	151	59
1962 Feb. ...		1	198		253	838	79	129
May ...		1	218		59 ^(b)	926	49	156
Aug. ...		1	229		33	926	34	162
Nov. ...		1	227		30	956	22 ^(c)	174
1963 Feb. ...		1	218	6	29	954	19	173
May ...		1	183	44	27	1,000	18	177
Aug. ...		1	140	97	26	1,005	18	175
Nov. ...		1	107	130	25	1,027	17	183
1964 Feb. ...	1	1	84	152	24	1,002	17	180
May ...	6	1	69	176	24	1,023	16	184
Aug. ...	8	1	58	197	23	1,006	16	183
Nov. ...	9	1	51	203	23	1,014	16	190
1965 Feb. ...	10	1	45	209	22	991	15	185
May ...	12	1	41	221	22	1,018	15	190
Aug. ...	13	1	37	240	22	1,012	15	190

(a) Ceased to be legal tender after 13th March 1961.

(b) " " " " " 28th May 1962.

(c) " " " " " 29th October 1962.

All Bank of England notes are exchangeable indefinitely at the Bank.

