

## Estimation of foreign currency circulating in Bolivia

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### ABSTRACT

Because Bolivia is a dual currency economy, it is very important to have an estimation of the amount of dollars circulating in the economy. The paper describes the evolution of money in a context of financial dollarization and provides estimates of cash in foreign currency, based on statistical models and an accounting model. The economic consistency of the findings is analyzed by incorporating the amount of dollars circulating in the economy into a measure of total circulating money.

The results indicate that the amount of foreign currency in circulation significantly decreased in recent years, a trend that would have reversed slightly from the last quarter of 2008. The demand for foreign currency cash is not only done for means of change, but also as a store of value. The main factor that explains the behavior of foreign currency cash is related to the expectations on the evolution of the exchange rate, and sudden changes in the demand for foreign currency were associated with periods of uncertainty.

**JEL Classification:** E51, E58

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