

Should We Say Goodbye to the Penny?

A recent survey shows that only 37% of Canadians still pay with pennies and a study by Desjardins Group economists suggests that it may be time to retire the coin.

Lévis (Québec), February 15, 2007 – Some keep them a long time in their piggy banks, while others let them accumulate at the bottom of change purses. Those who have the patience make rolls of them, many toss them into fountains and hope their wishes will come true, and others go so far as to refuse to accept them in stores, leaving them in conveniently-placed containers by the cash register. What are they? Why, pennies, of course!

Compared to other coins, Canadians seem to find the penny to be the less useful of items. That is according to a recent survey by Desjardins Group, the largest integrated cooperative financial group in Canada.

Overall, it seems that the lower a coin's value, the less often it is used for purchases. For example, while 66% of Canadians use one- and two-dollar coins ("loonies" and "twoonies"), that figure drops to 58% for quarters, 50% for dimes and nickels and only 37% for pennies.

When the data is segmented by province, it seems that 40% of Ontarians still use pennies, followed by Quebecers at 39%, residents of Western provinces at 37%, and residents of Atlantic Canada at 35%. Most respondents (56%) say that they collect pennies to deposit or spend at a later date, or to give them to others (children, church, charities).

The survey also showed that women tend to use their change more often than men do. In fact, the gap between men and women is approximately 7% for one- and two-dollar coins, rising to 11% for quarters, and 17% and 18% respectively for dimes and nickels. The gap then drops to 13% for pennies (44% vs. 31%).

Finally, it appears that the older we are, the more likely we are to use change to pay for our purchases. For example, one in four young people (24%) between the ages of 18 and 25 use nickels; this proportion grows to 75% for people aged 66 to 75. However, only 13.6% of young people use pennies to make purchases, while 55% of older respondents do.

The poll, carried out in 2006, surveyed 658 people from Québec and Ontario, as well as the Atlantic and Western provinces with a margin of error estimated at $\pm 4.0\%$, 9.5 times out of ten.

This data confirms the analysis of Desjardins Group economists who, in a study released today, (www.desjardins.com/economics), propose to withdraw the penny, pointing to other countries, such as Australia and New Zealand, that have already successfully removed their one-cent coins from circulation. In fact, New Zealand has even removed its two- and five-cent coins.

According to Desjardins economists, there are about 20 billion pennies in circulation – close to 600 per Canadian. Regardless of this fact, between 2001 and 2005, the Canadian government has issued an average of approximately 816 million pennies per year. This would prove that, although the coin has lost the vast majority of its purchasing power, consumers tend to hoard pennies or even throw them away, rather than depositing them and putting them back into circulation – thereby demonstrating further proof of the coin’s uselessness. Furthermore, the penny is now worth only 5% of its initial value (or 20 times less), whereas workers earn 100 times more than they did a hundred years ago when the penny was first introduced.

Based on various analyses, the economists estimate that keeping pennies in circulation when it appears people are no longer interested in receiving or using them, costs Canadians approximately \$130 million per year in production, storage, transportation and various costs. “In a globalized economy such as ours, there are no small economies to help us reduce our costs and be more competitive”, said one of the authors of the study. François Dupuis, Vice-President and Chief Economist at Desjardins’ Economic Studies Department.

He also believes that removing the penny from circulation would not result in increased prices. “Cash transaction amounts would be rounded symmetrically to the nearest five cents. For example, transactions where the final price would be \$9.98, \$9.99, \$10.01 or \$10.02 would go for \$10.00. Those of \$10.03, \$10.04 or even \$10.06, would go for \$10.05.”

About Desjardins Group

Desjardins Group is the largest integrated cooperative financial group in Canada, with overall assets of \$133 billion as at September 30, 2006. It comprises a network of caisses, credit unions and business centres in Québec and Ontario, and some twenty subsidiary companies in life and general insurance, securities brokerage, venture capital and asset management, many of which are active across the country. Drawing on the expertise of its 40,000 employees and the commitment of 7,600 elected officers, Desjardins offers its 5.5 million individual and corporate members and clients a full range of financial products and services. Its physical distribution network is complemented by leading-edge virtual access methods. To find out more, consult www.desjardins.com .

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