

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

EBS/84/13

CONFIDENTIAL

January 16, 1984

To: Members of the Executive Board
From: The Secretary
Subject: Guyana - Exchange Arrangements

The attached paper on a change in the exchange rate of the Guyana dollar is circulated for the information of the Executive Directors.

Att: (1)

INTERNATIONAL MONETARY FUND

Guyana--Exchange Arrangements

Prepared by the Western Hemisphere Department and the
Exchange and Trade Relations Department

(In consultation with the Legal Department)

Approved by E. Wiesner and W.A. Beveridge

January 13, 1984

In the attached communication the Governor of the Bank of Guyana has notified the Fund that, with effect from January 11, 1984, the exchange rate for the Guyana dollar will be G\$3.75 = US\$1, representing a 20 percent depreciation of the Guyana dollar vis-à-vis the previous exchange rate of G\$3.00 = US\$1 in effect since June 2, 1981. Under the prevailing arrangements, the exchange rate of the Guyana dollar was to be determined on the basis of a basket of currencies, consisting initially of the U.S. dollar, the pound sterling, the deutsche mark, the Trinidad and Tobago dollar, and the Japanese yen. The composite basket has been modified and is now comprised of the pound sterling, the deutsche mark, the Japanese yen, the French franc, and the Netherlands guilder. Although no longer in this basket, the U.S. dollar will continue to be Guyana's intervention currency. The authorities have stated that further changes in the exchange rate will be made whenever the present rate diverges significantly from the rate determined by the currency basket.

The staff report on the 1983 Article IV consultation discussions with Guyana (SM/83/205, 10/13/83) included an assessment of the magnitude of the external disequilibrium and the nature of the policy adjustments required. An information paper was issued to the Executive Board on September 15, 1983 regarding the recent evolution of the real effective exchange rate of the Guyana dollar (EBS/83/202). The paper noted that between June 1981 and July 1983, the nominal effective exchange rate of the Guyana dollar had appreciated by 18 percent, while the real effective exchange rate was estimated to have appreciated by 56 percent. ^{1/} It was noted in that paper that a comprehensive adjustment program is needed, including a substantial devaluation of the Guyana dollar and a corresponding pass through of its effects into domestic prices. The staff is of the view that the present action has lessened only somewhat the need for implementing as soon as possible a broad program of adjustment measures.

Attachment

^{1/} Since that time, there has been a further 10 percent real appreciation.

TO: INTERFUND
WASHINGTON, DC

FROM: CENBANK GY
GUYANA

11TH JANUARY 1984

THE GOVERNMENT OF GUYANA WISHES TO NOTIFY THE FUND THAT WITH EFFECT FROM 11TH JANUARY, 1984 THE CENTRAL RATE FOR THE GUYANA DOLLAR WILL BE GUYANA DOLLARS THREE POINT SEVENTY-FIVE CENEQUALS ONE US DOLLAR (GUYANA DOLLARS 3.75 = US DOLLAR 1.00).

THE US DOLLAR WILL CONTINUE TO BE GUYANA'S INTERVENTION CURRENCY.

THE GOVERNMENT OF GUYANA WISHES TO INFORM YOU THAT IT IS NOW IMPLEMENTING A DECISION TAKEN ON 2ND JUNE, 1981 WHEN THE LAST EXCHANGE RATE CHANGE TOOK PLACE.

GUYANA INDICATED THAT THE GUYANA DOLLAR EXCHANGE RATE WILL BE DETERMINED BY THE MOVEMENTS IN THE RATES OF A SELECTED GROUP OF CURRENCIES WHICH WOULD COMPRISE A COMPOSITE BASKET.

FOR THE IMPLEMENTATION OF THIS DECISION OF THE 2ND JUNE, 1981 THE GOVERNMENT HAS CHOSEN THE FOLLOWING CURRENCIES TO COMPRISE THE BASKET, I.E., THE POUND STERLING, THE DEUTSCHE MARK, THE JAPANESE YEN, THE FRENCH FRANC, AND THE NETHERLANDS GUILDER. THE EXCHANGE RATE APPRECIATION OF THE GUYANA DOLLAR SINCE THE 2ND JUNE 1981 IS REFLECTED IN THE ABOVE EXCHANGE RATE CHANGE.

FURTHER RATE CHANGES FOR THE GUYANA DOLLAR WILL BE EFFECTED WHEN THE BASKET MECHANISM INDICATES THAT A DECISION IS NEEDED TO CORRECT ANY SIGNIFICANT CHANGE IN THE GUYANA DOLLAR VALUE OF THE BASKET.

PATRICK E. MATTHEWS
GOVERNOR, BANK OF GUYANA
CENTRALBANK, GEORGETOWN GUYANA

Received in Cable Room: January 11, 1984