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EBS/84/41

CONFIDENTIAL

March 6, 1984

To: Members of the Executive Board

From: The Secretary

Subject: Balance of Payments Projections in Current Upper
Credit Tranche and Extended Arrangements

The attached paper on balance of payments projections in current upper credit tranche and extended arrangements will provide background information for Executive Directors for the meeting on SDR allocations to be scheduled on Monday, March 26, 1984.

If Executive Directors have technical or factual questions relating to this paper, they should contact Ms. Margaret Kelly, ext. (5)8374.

Att: (1)

INTERNATIONAL MONETARY FUND

Balance of Payments Projections in Current Upper
Credit Tranche and Extended Arrangements

Prepared by the Exchange and Trade Relations Department

(In consultation with the Research Department and Area Departments)

Approved by C. David Finch

March 6, 1984

This paper provides certain information that was requested by Executive Directors during the recent discussion on SDR allocations (EBM/84/15, 1/25/84). The information covers 42 arrangements in operation as of the end of January 1984. Tables 1-3 provide projections for calendar 1983 and 1984 for (1) the overall balance of payments, (2) changes in gross reserves, (3) net use of Fund resources under all facilities, and (4) net use of Fund resources excluding special facilities. The paper also provides some additional information on the current account of the balance of payments for the same set of arrangements. Table 4 provides estimated or actual 1982 data and projections for 1983 and 1984 for the current account balance relative to GDP with a disaggregation between interest payments and other current transactions. The data have been obtained or derived from the staff papers supporting annual program approval or from the review papers.

In interpreting the data, a number of qualifications need to be kept in mind. In several cases, particularly for arrangements that will expire during the first half of 1984, projections on the balance of payments were available only for 1983. For a few arrangements that expire in the second half of 1984 or later, projections for the balance of payments are not available because negotiations for the program year have not yet been completed. For 15 countries, no data were presented on the level of gross reserves in staff papers for 1983. In most of these cases, the numbers shown in the table are either the implicit targets included in the programs or have been derived on the basis of the main assumptions of the program. Even so, it was not possible to make estimates for five countries. In most cases interest payments as a percent of GDP were not presented explicitly in the papers and were derived from other information contained in staff papers. The coverage of interest payments varied between countries; the data included in the tables represents the widest coverage possible from the information available in staff papers.

In general, the tables include program projections or targets for 1983 and 1984 at the time of inception of the annual program. However, Fund transactions for the period of the calendar or fiscal year prior

to approval of an arrangement have been calculated on the basis of actual data. In multiyear arrangements, the projections used are the ones serving as a base for the most recently approved set of annual targets and performance criteria. Balance of payments data for eight countries relate to fiscal years rather than calendar years; aggregate numbers do not therefore reflect the outcome for calendar 1983 or 1984. The data exclude repurchases beyond the expiration of the arrangement, thereby overestimating in some cases the projected amount of net use of Fund credit indicated in the table for 1984.

It should be stressed that in many cases part of the annual period for which data are available predates the adoption of a program. Consequently, the balance of payments results reflect, in part, developments that occurred during that time.

For 1983, data for 41 countries projected an aggregate overall balance of payments deficit of SDR 6.0 billion. Net aggregate use of Fund resources was projected to amount to SDR 8.9 billion under all facilities, and to SDR 7.4 billion if use under special facilities was excluded. The net use of Fund resources in excess of the balance of payments deficit suggests the combined effect of a projected repayment of arrears and other obligations, and increases in the level of gross official reserves. For a total of 36 countries, for which data on changes in gross reserves were available for 1983, the aggregate projected deficit in 1983 was SDR 5.6 billion, and the expected net use of Fund resources was SDR 8.4 billion; gross official reserves were programmed to increase by around SDR 2.8 billion. Increases in gross reserves were projected for 23 of the 36 countries included in the group; for 5 countries no changes in gross reserves were envisaged. Of the 23 countries with projected gains in reserves, 17 were expecting an overall balance of payments deficit, and 5 an overall surplus.

As indicated above, data for 1984 are incomplete. For the 34 programs with available data for both the balance of payments deficit and use of Fund credit, the aggregate deficit has been calculated at SDR 2.5 billion--a substantial reduction from the SDR 4.8 billion deficit projected for 1983. Net use of Fund resources has been projected at SDR 5.2 billion. With regard to the behavior of gross reserves, increases were projected for 13 out of 19 countries for which this information was available, while in 2 no change was projected.

In all cases, arrangements included targets for the overall balance of payments. However, only in 10 arrangements were balance of payments tests defined as performance criteria, mostly for cases with prevailing flexible exchange rate regimes.

In most of the cases with projected gains in gross reserves, the programs also anticipated reductions in the current account deficit as a percent of GDP (in 27 out of 36 cases that projected an increase in

gross reserves in 1983 or 1984). For many of these countries interest payments as a percent of GDP were projected to increase and thus the adjustment effort envisaged on other current transactions was correspondingly larger.

Table 1. Arrangements Outstanding as of End-January, 1984 - Projected Balance of Payments Outcome

(In millions of SDRs) 1/

Type of Arrangement	Date of Approval	Date of Expiration	BOP Tests	Projected Balance of Payments Outcome 2/				Projected Net Use of Fund Resources 2/					
				1983		1984		All facilities		Credit tranches			
				Over-	Change	Over-	Change	1983	1984 3/	1983	1984 3/		
				all	in gross	all	in gross						
Total				...	...	...	...	8,862.5	5,669.6	7,447.7	5,940.0	
Barbados	SB	10/1/82	5/31/84	No	-7.0	-13.1	--	...	14.5	7.8	14.5	7.8	
Brazil	EA	2/28/83	2/28/86	Yes	--	748.0	935.0	2,430.0	2,027.1	1,496.0	1,496.3	1,496.0	
Central African Republic	SB	4/22/83	4/21/84	No	-10.5	-0.8	...	...	10.5	3.0	13.5	4.5
Chile	SB	1/10/83	1/9/85	Yes	-453.3	4/ 120.1	5/	...	573.4	216.0	284.0	216.0	
Dominica	EA	2/6/81	2/5/84	No	-2.0	...	1.3	...	1.9	0.2	1.9	0.2	
Dominican Republic	EA	1/21/83	1/20/86	Yes	-18.3	...	...	...	171.1	114.3	118.8	115.1
Ecuador	SB	7/25/83	7/24/84	Yes	-93.5	295.3	5/	...	118.6	39.4	118.6	39.4	
Ghana	SB	8/3/83	8/2/84	No	-131.8	59.5	...	...	248.2	91.4	127.7	91.4
Guatemala	SB	8/31/83	12/31/84	No	--	--	5/	14.0	...	38.3	76.5	38.3	76.5
Haiti 6/	SB	11/7/83	9/30/85	No	-5.3	-9.4	7.5	32.9	24.4	28.0	24.4	28.0	
Hungary 7/	SB	1/13/84	1/12/85	No	-486.9	8/-144.9	8/	-181.3	239.3	332.5	8/ 425.0	332.5	8/ 425.0
India 9/	EA	11/9/81	11/8/84	No	-1,497.0	-264.0	-695.0	...	1,233.0	67.0	1,233.0	67.0	
Ivory Coast	EA	2/27/81	2/22/84	No	-372.0	...	...	...	192.4	--	192.4	--
Jamaica 9/	EA	4/13/81	4/12/84	Yes	117.0	205.6	37.4	...	108.4	--	126.2	--	
Kenya	SB	3/21/83	9/20/84	No	-42.0	13.0	-24.0	21.0	86.8	-11.7	121.6	14.1	
Korea	SB	7/8/83	3/31/85	No	-1,588.8	467.3	-934.6	467.3	151.1	26.4	174.6	106.4	
Liberia 10/	SB	9/14/83	9/13/84	No	-45.8	8/ 20.6	8/	-15.0	9.3	60.1	8/ 37.2	35.0	8/ 55.0
Madagascar	SB	Approv. in principle	3/31/85	No	-110.7	--	5/	-117.3	--	5/ 6.5	3.5	10.2	18.1
Malawi	EA	9/19/83	9/18/86	No	-14.7	11.7	-9.6	-2.1	26.4	7.5	21.7	14.0	
Mali	SB	12/9/83	5/31/85	No	-5.3	5.7	-2.7	4.8	12.7	21.4	15.1	24.0	
Mauritius 10/	SB	5/18/83	8/17/84	No	-28.0	-9.0	-4.0	10.0	21.8	13.4	18.1	13.4	
Mexico	EA	12/23/82	12/31/85	Yes	1,869.0	841.1	5/ 1,869.0	...	1,003.2	1,203.8	1,003.2	1,203.8	
Morocco	SB	9/16/83	3/15/85	No	-612.0	--	-1,225.0	...	151.0	122.5	174.0	122.5	
Niger	SB	10/5/83	12/4/84	No	-28.1	12.6	5/ -38.6	5.1	5/ 30.8	11.2	6.8	11.2	
Panama	SB	6/24/83	12/31/84	No	--	...	--	...	108.9	92.6	29.1	112.6	
Peru	EA	6/7/82	6/6/85	Yes	-93.5	46.6	5/ --	...	140.1	176.1	166.4	176.1	
Philippines	SB	2/25/83	2/28/84	No	-558.9	--	-251.4	...	259.3	85.0	134.8	85.0	
Portugal	SB	10/7/83	2/28/85	Yes	-1,065.4	-480.0	5/ --	...	344.7	278.6	96.7	278.6	
Romania 11/	SB	6/15/81	6/14/84	Yes 11/	-3.7	233.6	-48.6	...	306.7	244.4	357.6	285.0	
Senegal 10/ 7/	SB	9/19/83	9/18/84	No	-101.0	8/ 0.7	8/5/ -95.9	0.2	5/ 26.3	8/ 54.8	37.4	8/ 62.8	
Sierra Leone 10/	SB	13/	13/	No	...	...	-31.3	-15.0	...	12.8	...	12.8
Solomon Islands	SB	6/22/83	6/21/84	No	-2.5	3.4	-1.3	-0.3	1.0	1.4	1.0	1.4	
Sri Lanka	SB	9/14/83	7/31/84	No	-19.0	-31.0	21.0	69.0	-9.7	56.9	12.3	60.0	
Sudan	SB	2/23/83	2/22/84	No	6.5	146.7	-737.4	...	130.5	25.5	144.4	25.5	
Togo	SB	3/4/83	4/3/84	No	-44.1	...	...	...	19.4	2.0	19.4	2.0
Turkey	SB	6/24/83	6/23/84	No	364.5	490.7	...	...	255.4	5.1	345.9	32.0
Uganda 10/	SB	9/16/83	9/15/84	No	-76.6	6.5	-31.8	14.0	108.1	64.8	112.5	89.1	
Uruguay	SB	4/22/83	4/21/85	Yes	-93.5	47.0	5/ --	...	140.0	179.8	151.2	179.8	
Western Samoa	SB	6/27/83	6/26/84	No	1.2	0.2	3.4	--	1.9	1.6	1.4	1.6	
Zaire	SB	12/27/83	3/26/85	No	-452.0	10.0	-400.0	49.0	104.0	135.1	-6.3	135.1	
Zambia	SB	4/18/83	4/17/84	No	-100.0	--	-296.0	...	127.6	48.7	44.0	48.7	
Zimbabwe	SB	3/23/83	9/22/84	No	-227.0	6.0	-200.0	-75.0	153.6	204.6	97.5	202.5	

Source: EBS documents.

1/ When applicable, U.S. dollar figures were converted at a rate of SDR 1 = US\$1.07.

2/ Projections included in the staff papers issued in support of the request for Fund resources, at the time of approval of the arrangement, or in paper issued at the time of the annual review. A (...) for the overall balance indicates that information is not applicable because an arrangement was not in operation in 1983 or will expire during the first half of 1984, or that the arrangement will expire in the second half of 1984 or later, but negotiations for the program year have not yet been completed. For the change in official reserves, (...) indicates that information is not applicable for the same reason or that a gross reserve target was not explicitly included in the program or could not be derived from other information contained in the staff papers.

3/ Excludes repurchases to be made beyond the expiration of the program.

4/ Programmed reserve loss was changed by waiver (EBS/83/134) to SDR 543.9 million.

5/ Projection not explicitly included in staff papers. For Portugal, the change in gross reserves in 1983 is the actual.

6/ Data refers to FY ending September of the year indicated.

7/ Data refers to international transactions in convertible currencies.

8/ Data refers to preceding stand-by or extended arrangement.

9/ Data refers to FY beginning in April of the year indicated. In the case of India, for 1984 data refers to program revised October 1983.

10/ Data refers to FY ending in June of the year indicated.

11/ Canceled as of January 31, 1984.

12/ Ceilings on gross international reserves and outstanding short-term debt in convertible currencies.

13/ Approved by the Executive Board on February 3, 1984.

Table 2. Projected Balance of Payments Outcome and Use of Fund Resources, 1983 ^{1/}

(In millions of SDRs)

	Balance of Payments Overall Surplus or Deficit (-) (1)	Net Use of Fund Resources (2)	Increase in Gross Reserves and Reduc- tion in Liabilities Other Than With IMF (3) = (1) + (2)
Countries with projected balance of payments deficit (33) ^{2/}	<u>-8,390.2</u>	<u>5,188.8</u>	<u>-3,201.4</u>
Chile	-453.3	573.4	120.1
Hungary	-486.9	332.5	-154.4
India	-1,497.0	1,233.0	-264.0
Korea	-1,588.8	151.1	-1,437.7
Morocco	-612.0	151.0	-461.0
Philippines	-558.9	259.3	-299.6
Portugal	-1,065.4	344.7	-720.7
Zaire	-452.0	104.0	-348.0
Ivory Coast	-372.0	192.4	-179.6
Other	-1,303.9	1,847.4	543.5
Countries with projected balance of pay- ments equilibrium (3) ^{2/}	<u>--</u>	<u>2,174.3</u>	<u>2,174.3</u>
Countries with projected balance of payments surplus (5) ^{2/}	<u>2,358.2</u>	<u>1,499.4</u>	<u>3,857.6</u>
Mexico	1,869.0	1,003.2	2,872.2
Turkey	364.5	255.4	619.9
Other	124.7	240.8	365.5
Total	<u>-6,032.0</u>	<u>8,862.5</u>	<u>2,830.5</u>

Source: Table 1.

^{1/} Information for arrangements in operation as of end-January, 1984. Excludes Sierra Leone.

^{2/} Number of arrangements in parentheses.

Table 3. Summary Projected Balance of Payments Outcome and Use of Fund Resources, 1984 ^{1/}

(In millions of SDRs)

	Balance of Payments Overall Surplus or Deficit (-) (1)	Net Use of Fund Resources (2)	Increase in Gross Reserves and Reduc- tion in Liabilities Other Than With IMF (3) = (1) + (2)
Countries with projected balance of payments deficit (20) ^{2/}	<u>-5,408.7</u>	<u>1,561.1</u>	<u>-3,847.6</u>
India ^{3/}	-695.0	67.0	-628.0
Korea	-934.6	26.4	-908.2
Morocco	-1,225.0	122.5	-1,102.5
Sudan	-737.4	25.5	-711.9
Zaire	-400.0	135.1	-264.9
Other	-1,416.4	1,184.6	-232.1
Countries with projected balance of payments equilibrium (5) ^{2/}	<u>--</u>	<u>734.9</u>	<u>734.9</u>
Countries with projected balance of payments surplus (9) ^{2/}	<u>2,888.6</u>	<u>2,863.0</u>	<u>5,751.6</u>
Brazil	935.0	1,496.0	2,431.0
Mexico	1,869.0	1,203.8	3,072.8
Other	84.6	163.2	247.8
Subtotal	<u>-2,520.1</u>	<u>5,159.0</u>	<u>2,638.7</u>
Countries without explicit balance of payments projections (8) ^{2/}	<u>...</u>	<u>510.6</u>	<u>...</u>
Total	<u>...</u>	<u>5,669.6</u>	<u>...</u>

Source: Table 1.

^{1/} Information for arrangements in operation as of end-January, 1984.

^{2/} Number of arrangements in parentheses.

^{3/} Program revised October 1983.

Table 4. Arrangements Outstanding as of End-January, 1984-Current Account and Interest Payments ^{1/}

	Current Account Deficit or Surplus (-)						Current Account Deficit or Surplus (-)					
	1982			1983			1982			1983		
	(Est./ act.)	(Proj.)	(Proj.)	(Est./ act.)	(Proj.)	(Proj.)	(Est./ act.)	(Proj.)	(Proj.)	(Est./ act.)	(Proj.)	(Proj.)
	Percent of GDP						In millions of SDRs ^{3/}					
Barbados ^{4/}	9.5	7.2	5.2	1.8	2.0	2.2	85.8	72.9	59.1	15.9	20.7	24.6
Brazil	4.5	2.2	1.5	3.8	3.3	3.2	13,043.5	6,542.1	4,672.9	11,050.7	10,000.0	9,906.5
Central African Republic ^{4/}	15.4	11.9	...	0.9	0.9	...	91.5	81.1	...	5.2	5.9	...
Chile	10.3	7.2	...	10.3	11.3	...	2,251.8	1,497.2	...	2,246.4	2,343.0	...
Dominica ^{4/} Dominican Republic	18.5	17.7	16.0	1.1	2.1	2.1	12.0	13.1	13.3	0.7	1.5	1.7
Ecuador	5.5	3.0	...	2.4	2.3	2.2	400.3	252.1	...	171.7	187.7	204.1
Ghana	10.5	3.9	...	6.7	9.7	...	1,084.4	316.8	...	694.7	789.7	...
Guatemala	--	10.0	10.1	...	1.1	1.9	15.1	486.3	413.2	...	54.2	79.7
Haiti ^{4/ 5/}	4.2	3.2	3.0	0.6	1.2	1.3	336.1	277.5	282.2	51.6	107.5	^{2/} 123.4
Hungary	8.4	8.9	8.6	0.6	0.8	0.9	127.1	146.9	153.0	9.6	13.4	15.8
India ^{4/ 6/}	0.3	-2.3	-1.9	4.3	3.5	3.6	57.1	-467.3	-373.8	809.8	719.6	700.9
Ivory Coast	2.0	2.1	1.6	0.5	0.5	0.5	2,902.0	3,400.0	3,011.0	694.0	875.0	1,000.0
Jamaica ^{6/}	14.3	11.1	...	6.5	7.4	...	983.5	822.0	...	446.2	547.1	...
Kenya ^{4/}	13.4	3.0	8.0	6.7	6.9	6.9	390.4	98.1	301.9	196.6	227.1	261.7
Korea	7.4	7.1	5.1	2.7	2.6	2.3	441.0	435.0	357.0	161.0	156.0	158.0
Liberia ^{7/}	3.9	3.2	2.5	5.9	5.0	5.1	2,264.5	2,149.5	1,869.2	3,442.0	3,364.5	3,831.8
Madagascar ^{4/ 8/}	8.9	6.1	4.3	3.3	3.5	4.0	83.3	75.7	46.7	30.8	43.0	43.9
Malawi ^{4/}	13.0	...	9.2	3.4	...	4.3	334.5	333.1	282.2	88.1	98.8	131.6
Mali ^{4/}	9.1	8.0	7.0	4.5	3.6	3.1	106.3	105.1	98.8	52.5	47.2	44.0
Mauritius ^{4/ 7/}	19.3	18.5	15.5	2.4	1.7	1.7	180.0	170.1	154.1	23.3	15.9	17.1
Mexico ^{4/}	7.9	8.5	6.6	4.5	4.3	3.6	74.0	88.0	78.0	43.0	44.0	42.0
Morocco ^{4/}	3.6	2.2	1.8	4.8	4.8	4.8	5,797.0	39,252.0	33,645.0	7,790.0	8,598.0	8,879.0
Niger ^{4/}	12.9	8.6	6.6	4.6	5.1	5.9	1,720.0	1,200.0	890.0	612.0	693.0	798.0
Panama	13.9	11.0	7.1	3.4	3.2	2.6	248.3	183.4	132.3	60.1	52.7	49.0
Peru ^{4/}	11.3	6.0	...	8.3	7.7	...	429.7	252.3	...	317.3	322.4	...
Philippines	7.0	4.5	3.5	3.0	4.1	4.9	1,269.0	820.0	634.0	543.0	719.0	893.0
Portugal	8.5	6.2	5.0	3.0	3.2	3.2	3,047.0	2,299.0	1,925.0	1,073.0	1,191.0	1,249.0
Romania ^{9/}	13.2	9.3	6.0	5.5	6.0	6.5	2,933.9	1,869.2	1,168.2	1,217.4	1,213.1	1,268.2
Senegal ^{4/ 7/}	-2.1	-1.5	-2.0	3.1	1.7	1.8	-593.0	-748.0	-841.0	871.0	832.0	748.0
Sierra Leone ^{4/ 7/}	13.1	14.4	11.0	...	4.4	4.8	...	329.8	261.4	...	100.1	114.1
Solomon Islands ^{4/}	15.9	10.3	8.0	1.1	1.2	1.5	129.0	76.0	91.0	12.8	14.6	13.9
Sri Lanka ^{4/}	13.7	16.8	15.0	1.6	1.7	1.6	19.7	25.2	25.3	2.4	2.6	2.7
Sudan ^{4/}	15.3	11.8	10.5	2.5	2.8	3.2	668.0	550.0	523.0	111.0	133.0	161.0
Togo ^{4/}	15.0	13.0	...	3.4	2.6	...	800.0	704.0	1,026.0	180.0	147.0	534.0
Turkey	26.0	27.3	...	6.1	6.6	...	187.0	185.0	...	44.0	44.0	...
Uganda ^{7/}	2.3	1.3	...	2.8	2.5	...	1,049.0	603.0	...	1,328.0	1,215.0	...
Uruguay	1.6	2.5	2.6	0.1	0.4	^{10/} 0.1	119.0	188.0	146.0	5.0	3.0	5.0
Western Samoa ^{4/}	8.7	4.7	3.6	2.8	3.3	3.8	538.0	320.0	264.0	170.0	213.0	236.0
Zaire	17.1	13.2	10.9	1.9	2.0	1.8	16.7	12.1	11.6	2.0	2.0	2.0
Zambia	10.1	9.6	16.1	6.1	6.3	10.5	510.0	425.0	430.0	309.0	277.0	280.0
Zimbabwe ^{4/}	17.3	7.4	...	6.2	^{11/} 6.7	^{11/} ...	635.0	238.0	177.0	226.0	^{11/} 217.0	^{11/} 313.0
	12.2	13.6	11.1	1.6	2.2	2.2	703.0	743.0	713.0	92.0	120.0	138.9

Source: EBS documents.

^{1/} Projections obtained or derived from the staff papers supporting annual program approval or from the review papers.

^{2/} Widest coverage possible available from information in staff papers.

^{3/} When applicable, U.S. dollar figures were converted at a rate of SDR 1 = US\$1.104 for 1982 and SDR 1 = US\$1.07 for 1983 and 1984.

^{4/} Current account data excluding grants/official transfers.

^{5/} Data refers to FY ending September of the year indicated.

^{6/} Data refers to FY beginning in April of year indicated.

^{7/} Data refers to FY ending in June of the year indicated. Sierra Leone program approved 2/3/84.

^{8/} Approved in principle; current account and interest payments before rescheduling.

^{9/} Canceled as of January 31, 1984.

^{10/} Actual; does not correspond to current account which is projected.

^{11/} Investment income.