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February 13, 1984

To: Members of the Executive Board
From: The Acting Secretary
Subject: Hungarian People's Republic - Exchange Arrangements

The attached paper on a change in the exchange arrangements of the Hungarian People's Republic is circulated for the information of the Executive Directors.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

HUNGARIAN PEOPLE'S REPUBLIC

Exchange Arrangements

Prepared by the European Department
and the Exchange and Trade Relations Department

(In consultation with the Legal Department)

Approved by L.A. Whittome and Subimal Mookerjee

February 13, 1984

In the attached cable dated February 9, 1984, the Hungarian authorities notified the Fund that the forint was devalued against its basket of currencies by 3 percent with effect from February 7, 1984. At the same time, the foreign currency allowances for Hungarian travelers to the convertible currency area have been raised, in forint terms, at the rate of the devaluation. The effect of the devaluation on export prices was offset by a contemporaneous reduction of the tax rebate on exports by 3 percentage points from 6 percent to 3 percent, and that on import prices in part by a reduction both of the fee on import applications by 1 percentage point and of the statistical fee on imports by 0.5 percentage points.

Attachment

ATTACHMENT

FROM NATIONAL BANK OF HUNGARY, BUDAPEST
TO INTERNATIONAL MONETARY FUND, WASHINGTON, D.C.

ATTENTION MRS. HELEN B. JUNZ
SENIOR ADVISOR
EUROPEAN DEPARTMENT

THE DECISIONS INDICATED DURING OUR PHONE CONVERSATION YESTERDAY ARE THE FOLLOWING:

1. ON 7 FEBRUARY, 1984, THE FORINT WAS DEVALUED BY 3 PERCENT AGAINST THE CONVERTIBLE CURRENCY BASKET.
2. IN ORDER TO SIMPLIFY BUDGET ACCOUNTS, THE TAX REBATE ON NONROUBLE EXPORTS HAS BEEN REDUCED BY 3 PERCENTAGE POINTS AND THE NONROUBLE IMPORT APPLICATIONS AND STATISTICAL FEES BY 1 AND 0.5 PERCENTAGE POINTS, RESPECTIVELY, FROM 7 FEBRUARY, 1984.
3. THE FOREIGN CURRENCY ALLOWANCES FOR HUNGARIAN TRAVELERS TO THE CONVERTIBLE CURRENCY AREA HAVE BEEN INCREASED, IN FORINT TERMS, AT THE RATE OF THE DEVALUATION.

BEST REGARDS,

EDE BAKO
GENERAL MANAGER
INTERNATIONAL MONETARY DEPARTMENT
NATIONAL BANK OF HUNGARY

Received in Cable Room February 9, 1984.