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ROOM C-400

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EBD/84/300

November 20, 1984

To: Members of the Executive Board
From: The Secretary
Subject: Yemen Arab Republic - Exchange Arrangements

There is attached for the information of the Executive Directors a paper on a change in the exchange arrangements of the Yemen Arab Republic.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Yemen Arab Republic--Exchange Arrangements

Prepared by the Middle Eastern Department and the
Exchange and Trade Relations Department

(In Consultation with the Legal Department)

Approved by A. Shakour Shaalan and S. Kanesa-Thanan

November 20, 1984

In the attached communication dated November 6, 1984, the Governor of the Central Bank of the Yemen Arab Republic has notified the Fund that, with effect from November 4, 1984, the midpoint exchange rate of the Yemen rial against the U.S. dollar was changed from YRls 5.74 = US\$1 to YRls 5.86 = US\$1. This adjustment represents a 2.05 percent depreciation of the rial against the U.S. dollar, to which it is pegged.

The balance of payments of the Yemen Arab Republic deteriorated sharply in 1980-83 due to several factors, including a nominal effective appreciation of the exchange rate of the rial of 41 percent. In 1984 the rial was depreciated against the U.S. dollar by 6.2 percent on February 15, 7.8 percent on May 20, and 5.75 percent on August 15. The combined effect of the four depreciations in 1984 is estimated to have resulted in a nominal effective depreciation of approximately 14 percent to date, and it has reduced the nominal effective appreciation since end-1980 to about 27 percent.

The staff report for the 1984 Article IV consultation (SM/84/228, 10/18/84) scheduled for discussion by the Executive Board on November 21, 1984, presents further information on exchange rate developments and policy.

Attachment

TO: INTERFUND
WASHINGTON, DC

FROM: CENTRAL BANK OF YEMEN SANAA
MARKAZI, YEMEN

NOVEMBER 6, 1984

THIS IS TO ADVISE THAT THE GOVERNMENT OF YEMEN ARAB REPUBLIC HAS CHANGED THE REPRESENTATIVE RATE OF THE YEMENI RIALS TO 5.86 YEMENI RIALS PER DOLLAR WITH A BUYING RATE OF YEMENI RIALS 5.85 PER U.S. DOLLAR AND A SELLING RATE OF YEMENI RIALS 5.87 PER U.S. DOLLAR FOR TT'S CHEQUES AND BANKNOTES EFFECTIVE FROM NOVEMBER 4, 1984. COMMERCIAL BANKS ARE AUTHORIZED TO APPLY BUYING AND SELLING RATES NOT EXCEEDING YRLS 5.85 AND YRLS 5.87 PER U.S. DOLLAR RESPECTIVELY FOR THEIR TRANSACTIONS.

BEST RAGARDS

ABDULLA AL SANABANI
GOVERNOR

Received in Cable Room: November 6, 1984