

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

MASTER FILES

ROOM C-12D

01

EBD/84/159

May 31, 1984

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

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

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 Shakour Shalaan and Subimal Mookerjee

May 30, 1984

In the attached communication dated May 28, 1984, the Governor of the Central Bank of Yemen has notified the Fund that, with effect from May 20, 1984, the Central Bank's buying and selling rates for U.S. dollars have been changed from YRls 4.975 = US\$1 and YRls 5.00 = US\$1, respectively to YRls 5.40 = US\$1 and YRls 5.42 = US\$1, respectively. This adjustment represents a 7.8 percent midpoint devaluation with respect to the U.S. dollar, to which the rial is pegged. The rate had previously been devalued by 6.2 percent on February 15, 1984.

As was noted in the staff report on the previous exchange rate action 1/ the sharp deterioration in the Yemen Arab Republic's balance of payments had been caused in part by the appreciation of the exchange rate. From end-1980 to end-1983 the nominal effective (import-weighted) exchange rate appreciated some 25 percent, as the rial had remained pegged for a number of years at an unchanged level in terms of the U.S. dollar. The staff is of the opinion that the present exchange rate adjustment, as described above, is once again in the right direction, and that it should be supported by appropriate demand management policies. These matters will be reviewed with the Yemeni authorities in the course of the forthcoming staff's discussions for the Article IV consultation expected to take place in July 1984.

Attachment

1/ Yemen Arab Republic--Exchange Arrangements (EBD/84/65, 3/2/84).

ATTACHMENT

INTERFUND
WASHINGTON, DC

MAY 28, 1984

THIS IS TO ADVISE THAT THE GOVERNMENT OF YEMEN ARAB REPUBLIC HAS CHANGED THE REPRESENTATIVE RATE OF THE YEMENI RIAL TO 5.41 YEMENI RIALS PER U.S. DOLLAR WITH A BUYING RATE OF 5.40 YEMENI RIALS PER U.S. DOLLAR AND A SELLING RATE OF 5.42 YEMENI RIALS PER U.S. DOLLAR FOR TT'S, CHEQUES AND BANK NOTES WITH EFFECT FROM MAY 20, 1984.

COMMERCIAL BANKS ARE AUTHORISED TO APPLY BUYING AND SELLING RATES NOT EXCEEDING Y.R. 5.40 AND Y.R. 5.42 PER U.S. DOLLAR RESPECTIVELY FOR THEIR TRANSACTIONS.

BEST REGARDS

ABDULLAH AL-SANABANI
GOVERNOR
CENTRAL BANK OF YEMEN

Received in Cable Room: May 28, 1984