

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

EBS/83/137

CONFIDENTIAL

July 6, 1983

To: Members of the Executive Board
From: The Secretary
Subject: The Fund's Liquidity Position and Financing Needs -
Updated Tables

There is attached for the information of the Executive Directors updated tables relating to the Fund's liquidity position and financing needs.

Att: (1)

INTERNATIONAL MONETARY FUND

The Fund's Liquidity Position and
Financing Needs - Updated Tables

Prepared by the Treasurer's Department

Approved by David Williams

July 5, 1983

As requested by Directors at the recent meeting on the Work Program (EBM/83/86), this note updates the information on the Fund's liquidity position through April 30, 1984 which was contained in the main tables in EBS/83/59 (March 18, 1983). The tables on projected disbursements of ordinary and borrowed resources are also included; they do not, however, include estimates for reserve tranche purchases or encashment of loan claims in view of the great uncertainty about members' intentions and timing regarding the use of these reserve assets.

As was the case in EBS/83/59, the estimates of the inflow of usable ordinary resources resulting from the quota increases and the potential increase in resources from the enlarged GAB are shown as memoranda items in the relevant tables. The timing of these additions is still uncertain, and the assumption continues to be that they would come into effect by end 1983 or shortly thereafter. As a consequence, the attached tables are divided into periods ending December 31, 1983 and April 30, 1984. It is also to be noted that the estimates are made on the same basis as those presented in EBS/83/59, viz., the present access to the Fund's resources is maintained unchanged in absolute amounts.

1. Overall changes in estimates since March 1983

The overall demand for Fund resources for the period May 1983 to April 1984 is expected to be of the same order of magnitude as estimated in March 1983. As shown in Table 1, the total of new commitments under stand-by and extended arrangements (net of cancellations and expirations) is expected to be of the order of SDR 8.3 billion (against an estimated SDR 9.1 billion in EBS/83/59). Purchases under the Compensatory Financing Facility--with some additional members with medium to large size quotas having some likelihood of participation--are now expected to be of the order of SDR 3.1 billion, significantly higher than the SDR 2 billion estimated in EBS/83/59.

a. Changes in demand for Fund resources to April 1984

The reduction in the estimate for total stand-by and extended arrangements for the year to April 1984 to SDR 8.3 billion (Table 1) largely reflects a sharply reduced probability of an arrangement for a member with a relatively large quota being concluded in the near future, the sharp improvement in the balance of payments and reserve position of another, and the increased likelihood that another country will finance a greater part of its balance of payments deficit through the private capital markets rather than the Fund. A significant change in the international financial environment could, however, result in some or all of these countries initiating or bringing forward possible requests for the use of Fund resources under arrangements.

The increase in the estimate of purchases under the compensatory financing decision arises because two large countries are now expected to use the facility as compared with the projection in March 1983. Furthermore, as can be seen from Table 2, a considerable bunching of demand is now expected in the July-December 1983 period, with purchases estimated at SDR 1.9 billion (compared with SDR 1.1 billion estimated earlier for the same period).

b. Uncommitted ordinary resources

The total of the Fund's uncommitted and usable ordinary resources as of June 30, 1983 was SDR 10.3 billion (Table 2). On the assumption that the Fund's borrowing needs are met in full by December 1983 (i.e., there is no commitment gap), the level of uncommitted ordinary resources is estimated at SDR 6.9 billion at the end of December 1983 as compared with an estimated level of SDR 5.5 billion in EBS/83/59; the position at end April 1984 is estimated at SDR 4.8 billion, compared with SDR 4.1 billion in EBS/83/59. The change in the estimates of uncommitted ordinary resources is due to the inclusion of the Italian lira in the list of usable currencies (after excluding the Venezuelan bolivar) and the reduction in total estimated new commitments, which involved largely a reduction in the commitment of ordinary resources.

c. Fund's liquidity position on a disbursement basis

Table 3 shows the estimates of Fund holdings of adjusted ordinary resources at end December 1983 and end April 1984, after taking account of estimated disbursements of ordinary resources. At December 1983, the total of adjusted ordinary resources is estimated at SDR 10.7 billion compared with an estimated SDR 9.5 billion for the same date in EBS/83/59. The position at April 1984 is estimated at SDR 7.9 billion compared with SDR 7.0 billion in EBS/83/59. As noted earlier, the total of adjusted ordinary resources has increased because of the addition of the Italian lira to the list of usable currencies and after excluding the Venezuelan bolivar. Furthermore, disbursements

under arrangements are estimated at SDR 1.3 billion less than in March 1983 partly reflecting the fall in commitments (which would have involved mainly ordinary resources), partly because some members may not purchase as much as estimated earlier because of the improvements in their external reserves positions and also because account has been taken of amounts of undrawn balances that are highly likely to remain undrawn at the expiration of some arrangements.

As regards the disbursement of borrowed resources (Table 4), all remaining available lines of credit under the SFF will be utilized by February 1984 and SDR 8.6 billion of EAR lines of credit will have been disbursed by April 30, 1984, leaving a balance available of only SDR 0.7 billion at that date. On present indications all EAR lines of credit will have been fully utilized by June 1984, and commitments of borrowed resources will have to be met out of the Fund's ordinary resources, unless new borrowing arrangements would in the meantime have been put in place.

d. Borrowed resources - commitment gap

It will be recalled that the commitment of borrowed resources under stand-by and extended arrangements in excess of available lines of credit, the "commitment gap", amounted to SDR 2.1 billion as of May 1, 1983. As of June 30, 1983, the commitment gap had increased to SDR 2.4 billion (Table 5). On present indications of the size of new stand-by and extended arrangements, as shown in Table 1, the commitment of borrowed resources is estimated to amount to SDR 5.0 billion for the year to April 1984, of which SDR 3.9 billion of borrowed resources will be needed by December 31, 1983. On the basis of these estimates and taking account of the commitment gap as of June 30, 1983, the commitment gap is expected to amount to SDR 6 billion by December 31, 1983, and to SDR 7.1 billion by April 1984 ^{1/} (see Table 5), slightly larger than the estimates presented in EBS/83/59. As noted earlier, the estimated net reduction in commitments is reflected mainly in a reduced use of ordinary resources; the new estimates also provide for larger arrangements for a few countries which involve somewhat greater use of borrowed resources.

2. Overall position

Table 6 shows the summary data on the Fund's liquidity position. In the absence of further borrowing prior to the coming into effect of the quota increases, the Fund's total uncommitted resources (i.e., uncommitted ordinary resources less the amount of the commitment

^{1/} No account is taken in this estimate of the SDR 0.4 billion of outstanding lines of credit that at present are not usable because of the weak balance of payments and reserve positions of the lenders.

gap) are estimated to amount to SDR 0.9 billion by the end of 1983, as compared with a small negative position that was estimated in EBS/83/59. By April 1984, the total of uncommitted usable resources is estimated to be minus SDR 2.3 billion, and the total of the Fund's undisbursed usable resources is estimated to be of the order of SDR 8 billion. The total of reserve tranche positions and loan claims is estimated to amount to SDR 38 billion and SDR 43 billion at December 1983 and April 1984, respectively.

The slight improvement in the Fund's liquidity position over that estimated in March 1983 stems largely from the reduced likelihood of three countries concluding arrangements with the Fund in the period immediately ahead, and because of a small net adjustment in the total of the Fund's currently usable assets. This development should not be taken as an indication of any slackening in the demand for Fund credit. Furthermore, the pressing need to conclude further borrowing arrangements in the near future is in no way lessened by the relatively small revisions in the figures.

Table 1. Actual and Estimates of Commitments and Financing under New Stand-by
and Extended Arrangements (net of cancellations and expirations)
May 1, 1983 - April 30, 1984

(In billions of SDRs)

	Actual		Estimates		Total
	May 1 - June 30, 1983	July 1 - Dec. 31, 1983	January 1 - April 30, 1984	May 1, 1983 - April 30, 1984	
<u>Total net commitments</u>	0.6	<u>5.2</u>	<u>2.5</u>		<u>8.3</u>
Financing:					
a. Ordinary Resources	0.3	1.6	1.4		3.3
b. Borrowed Resources	0.3	3.6	1.1		5.0
<u>Pro Memoria</u>					
EAR Commitments of borrowed resources (gross)	0.3	3.6	1.1		5.0
SFF released from cancelled arrangements	<u>--</u> 0.3	<u>--</u> 3.6	<u>--</u> 1.1		<u>--</u> 5.0 <u>1/</u>

1/ The need to borrow for EAR would at this time be larger by the amounts of credit lines that are not at present being called upon. These are SDR 0.3 billion of SFF and SDR 0.1 billion of EAR lines of credit.

- 5 -

Table 2. Estimates of Fund's Adjusted Ordinary Resources on a Commitment Basis
July 1, 1983 - April 30, 1984

(In billions of SDRs)

	Estimates		Memoranda
	July 1 - December 31, 1983 ^{1/}	January 1 - April 30, 1984	Increases from Quota Payments ^{3/}
<u>Position at Start of Period</u>			
Uncommitted Ordinary Resources (adjusted)	10.3 ^{2/}	6.9	+15.0
<u>Changes During Period</u>			
<u>Add:</u>			
a. Additions to usable currencies	--	--	
b. Repurchases net of repayments to lenders	0.9	0.3	
<u>Subtract:</u>			
a. Net new commitments	1.6	1.4	
b. Compensatory Financing purchases	1.9 ^{4/}	1.0	
c. Buffer stock purchases	... ^{4/}	...	
d. GAB Repayment	<u>0.8</u>	<u>--</u>	
<u>Position at End of Period</u>			
Uncommitted Ordinary Resources (adjusted)	6.9	4.8	+15.0

^{1/} Changes during period include expected early repurchase by China.

^{2/} The amount of adjusted uncommitted ordinary resources is calculated as follows: The gross amounts of ordinary usable resources of SDR 18.4 billion at July 1, 1983 was adjusted downward in the following manner:

	Unadjusted	Reduction	Adjusted	Undrawn Commitments	Uncommitted
Usable ordinary resources	18.4	-3.0	15.4	-5.1	10.3
of which					
(a) SDRs	3.4	--	3.4	--	3.4
(b) Usable currencies	15.0	-3.0	12.0	-5.1	6.9

The reduction of usable currency holdings by about one-fifth (SDR 3.0 billion) represents the following: (i) the exclusion of about one half of the total of the Fund's holdings of the currencies of creditor members with weakening balance of payments positions, and (ii) the exclusion for working balances of currencies of about 10 per cent of the members' quotas, with the customary larger exclusion for U.S. dollars. The further reduction of SDR 5.1 billion represents undrawn commitments of ordinary resources under existing arrangements at July 1, 1983.

^{3/} See footnote 5 in Table 6.

^{4/} Actual purchases during May - June 1983 were SDR 0.2 billion under the compensatory financing decision and the buffer stock facility.

Table 3. Estimates of the Fund's Supply of Ordinary Resources on a Disbursement Basis July 1, 1983 - April 30, 1984

(In billions of SDRs)

	Estimates		Memoranda
	July 1 - December 31, 1983	January 1 - April 30, 1984	Increases from Quota Payments 1/
1. <u>Adjusted Ordinary Resources</u> (at beginning of period)	<u>15.4</u>	<u>10.7</u>	+15.0
2. <u>Additions to Usable Currencies</u>	<u>---</u>	<u>---</u>	
3. <u>Changes During the Period from Transactions</u>			
<u>Add:</u> Repurchases (net of repayments to lenders)			
(i) Under arrangements (Ordinary resources)	0.5 <u>2/</u>	0.1	
(ii) Compensatory financing facility	0.4	0.2	
<u>Subtract:</u>			
a. Purchases			
(i) Under arrangements (Ordinary resources)	2.9 <u>3/</u>	2.1	
(ii) Compensatory financing	1.9 <u>4/</u>	1.0	
(iii) Buffer Stock	... <u>4/</u>	...	
b. GAB repayment	<u>0.8</u>	<u>---</u>	
<u>Total net decrease in ordinary resources from transactions</u>	<u>4.7</u>	<u>2.8</u>	
4. <u>Adjusted Ordinary Resources</u> (at end of period)	<u>10.7</u>	<u>7.9</u>	+15.0

1/ See footnote 5 in Table 6.

2/ Includes expected early repurchase by China.

3/ Actual purchases under arrangements during May - June 1983 were SDR 0.8 billion.

4/ Includes food facility. Actual purchases during May - June 1983 were SDR 0.2 billion under the compensatory financing decision and the buffer stock facility.

Table 4. Actual and Estimates of the Fund's Supply of Borrowed Resources on a Disbursement Basis
May 1, 1983 - April 30, 1984

(In billions of SDRs)

	Actual		Estimates			
	May 1 - June 30 1983		July 1 - Dec- ember 31, 1983		January 1 - April 30, 1984	
	SFF	EAR	SFF	EAR	SFF	EAR
1. <u>Borrowed Resources Available</u> (at beginning of period)	<u>1.5</u> ^{1/}	<u>7.0</u> ^{2/}	<u>1.1</u>	<u>6.3</u>	<u>0.6</u>	<u>3.0</u>
2. <u>Disbursements During the Period</u>						
SFF	-0.4		-0.5		-- ^{3/}	
EAR		-0.7		-3.3		-2.3
3. <u>Borrowed Resources Available</u> (at end of period)	<u>1.1</u>	<u>6.3</u>	<u>0.6</u>	<u>3.0</u>	<u>--</u>	<u>0.7</u>
4. <u>Cumulative Disbursements</u> <u>of EAR Resources</u>		<u>3.0</u>		<u>6.3</u>		<u>8.6</u>

^{1/} SFF lines of credit agreed with lenders for a total of SDR 7.8 billion less SFF amounts already disbursed by June 30, 1983 (SDR 6.2 billion) and early encashment of claims refinanced by calls on other lenders (SDR 0.1 billion).

^{2/} The amounts shown for EAR is the total amount of borrowing agreements in place (SDR 9.3 billion) less the amounts actually disbursed by April 30, 1983 (SDR 2.3 billion). This does not include amounts called and invested temporarily in the Borrowed Resources Suspense Account (SDR 1.8 billion) pending disbursements. No addition has been made for further borrowing through April 30, 1984.

^{3/} Under present decisions, SFF resources cannot be disbursed after February 22, 1984.

Table 5. Actual and Projected EAR Commitments in Relation to Supply of Borrowed Resources
 May 1, 1983 - April 30, 1984

(In billions of SDRs)

	EAR Commitments of Borrowed Resources (net of cancellations) Actual and Estimates (1)	Supply of Borrowed Resources		Uncommitted EAR Lines of Credit or Commitment Gap(-) Actual and Estimates (Cols. (2) plus (3) minus Col. (1)) (4)
		EAR Lines of Credit <u>1/</u> (2)	Substitution of SFF for EAR <u>2/</u> (3)	
<u>Actual</u>				
<u>1983</u>				
May 1	13.0 <u>3/</u>	9.3	1.6	-2.1
June 30	13.3	9.3	1.6	-2.4 <u>5/</u>
December 31	16.9 <u>4/</u>	9.3	1.6	-6.0 <u>5/</u>
<u>1984</u>				
April 30	18.0 <u>4/</u>	9.3	1.6	-7.1 <u>5/</u>

1/ No further borrowing arrangements are included in the projections.

2/ Under the SFF decision, the Fund can disburse SFF funds only until February 22, 1984. Release of SFF resources so far is SDR 1.7 billion; against this, existing SFF credit lines have been used for SDR 0.1 billion to refinance early encashment of SFF claims by two lenders.

3/ Existing commitments of EAR borrowed resources (SDR 12.4 billion) plus purchases made under EAR arrangements that were subsequently cancelled (SDR 0.6 billion).

4/ Estimate is for commitments of EAR borrowed resources of SDR 3.6 billion from July 1 to December 31, 1983 and SDR 1.1 billion from January 1 to April 30, 1984 (see Table 1).

5/ Provision should continue to be made for possible use of the Fund's resources by the smaller non-GAB industrial countries and perhaps by some of the major oil-exporting countries. The need to borrow for EAR would at this time be larger by SDR 0.4 billion which is equivalent to the amount not at present being called upon under existing credit lines.

Table 6. Summary Data on the Fund's Liquidity Position

(In billions of SDRs)

	Actual June 30 1983	Estimates 1/ Dec. 31, 1983 Apr. 30, 1984		Memoranda Increases from Quota Payments and the Enlarged GAB
1. a. Holdings of Usable Currencies and SDRs (adjusted) 2/	15.4	10.7	7.9	+15.0 5/
b. SFF and EAR Credit lines in place not yet disbursed 3/	<u>7.4</u> 22.8	<u>3.6</u> 14.3	<u>1.3</u> 9.2	
2. <u>Less</u>				
Undrawn balances under arrangements				
- Ordinary resources	5.1	3.8	3.1	
- Borrowed resources	<u>9.8</u>	<u>9.6</u>	<u>8.4</u>	
	<u>14.9</u>	<u>13.4</u>	<u>11.5</u>	
3. Loanable funds (uncommitted)				
- Ordinary resources	10.3	6.9	4.8	+15.0 5/
- Borrowed resources 3/4/	<u>-2.4</u>	<u>-6.0</u>	<u>-7.1</u>	
	<u>7.9</u>	<u>0.9</u>	<u>-2.3</u>	
<u>Memorandum Items</u>				
- GAB				
(one half of lines of credit)	3.2	3.2	3.2	+9.0 6/
Reserve tranche positions	20.9	25.6	28.4	+6.0
Loan claims	<u>11.8</u>	<u>12.9</u>	<u>15.1</u>	--

1/ The projections do not take account of increases in the Fund's resources through quota increases and the enlargement of the GAB, which are shown as memoranda items in the final column.

2/ Adjusted by one fifth of currency holdings for the Fund's need to hold working balances and for the possibility that the currencies of some members in weakening external positions becoming unusable in the future.

3/ The amounts exclude GAB resources as these are available only for use of Fund resources by GAB participants.

4/ The minus figures represent the estimated need to arrange further borrowing agreements to cover in full commitments of borrowed resources under stand-by and extended arrangements.

5/ Based on a total increase of the Fund quotas of SDR 29 billion and assuming that 100 per cent of the increases are effective. The increases for members considered sufficiently strong for the March-May, 1983 quarterly period, after adjusting by about one-fifth, total about SDR 13 billion. The asset payments for quota increases by other members that would not be expected to be drawn back promptly as reserve tranche purchases could total about SDR 2 billion.

6/ The amounts for the present GAB participants in the enlarged GAB considered sufficiently strong together with Switzerland total about SDR 13.2 billion. This is reduced by SDR 3.2 billion (i.e. one-half of the present total GAB) as well as a small adjustment for members with relatively weak balance of payments positions. If Italy and Saudi Arabia were included, the total amount of additional resources available to the Fund under the enlarged GAB would be SDR 15.8 billion.