

EBS/83/226

CONFIDENTIAL

October 18, 1983

To: Members of the Executive Board  
From: The Secretary  
Subject: Israel - Exchange Arrangements

We have received from Mr. Polak on October 12, 1983 the following communication:

The Governor of the Bank of Israel informed me today that on October 11th the Bank of Israel increased the selling price of the U.S. dollar to 81 shekel--an increase of 23 1/2 percent over the selling price of October 7th. This devaluation, he explained, was concomitant to a number of other economic measures taken by the newly formed government, including a 50 percent increase in the controlled price of basic foodstuffs, thereby cutting government expenditure on subsidies nearly by half.

Further steps, which are aimed at restoring the public's confidence in shekel investments, are under consideration. We shall be informed of these measures as soon as all the details are finalized.

This devaluation is along the lines of the staff appraisal and of the summing up for the 1983 Article IV consultation which stressed the need for the recent decline in competitiveness to be reversed (SM/83/68, 5/4/83, and Attachment 22 to SUR/83/1, 7/19/83). The next Article IV consultations are planned for February-March 1984.