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June 7, 1983

To: Members of the Executive Board

From: The Secretary

Subject: International Capital Markets - Recent Developments

The attached paper provides background material for the paper on "International Capital Markets - Developments and Prospects, 1983" (SM/83/74, 5/10/83), which is scheduled for discussion by the Executive Board on Monday, June 20, 1983.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Richard C. Williams, ext. 57350.

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INTERNATIONAL MONETARY FUND

International Capital Markets: Recent Developments

Prepared by a staff team 1/

Approved by C. David Finch

June 3, 1983

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I. International Bank Lending in 1982

1. Environment for international lending in 1982

During 1982, financial market disturbances and depressed activity levels in industrial countries interacted with falling oil production to fundamentally alter the growth and distribution of international lending. This section briefly reviews some of the events in 1982 such as the decline in world trade, the slowing of international inflation, and other macroeconomic developments which resulted in the reduction in the current account imbalances of the major country groups and an altered environment for international lending during the year. 1/

The dominant feature of the international economy during 1982 was the continuing worldwide recession which was evident in most measures of trade, output, and expenditure. The U.S. dollar value of world imports, which had grown at an average annual rate of 16 per cent during 1975-80, declined by 0.1 per cent in 1981 and by 6.4 per cent in 1982 (Table I-1). In contrast to 1981, when the decline in the U.S. dollar value of world trade primarily reflected the appreciation of the U.S. dollar relative to other major currencies, the 1982 reduction in the nominal value of world trade also encompassed a 2.5 per cent reduction in volume. This lower level of international trade coincided with reduced trade financing from the international banking system.

For the first time since 1975, the real GNP of the industrial countries declined in 1982, albeit by only 0.3 per cent (Table I-1). The level of real gross fixed investment shrank for the third consecutive year in the industrial countries. The weighted average rate of output growth in the non-oil developing countries also fell from approximately 5 per cent per annum in 1979 and 1980 to only 1.4 per cent in 1982. Although some countries had escaped the effects of the world recession during 1981, the downturn in output and world trade had an impact on almost all economies during the course of 1982.

The sum of identified current account deficits for all deficit countries declined from $165 billion in 1981 to $147 billion in 1982, which represented the first decline in the global current account deficits since 1976. 2/ This decline in the total of current account deficits occurred despite the increase in the current account deficits of the seven largest industrial countries from $15 billion to $17 billion

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1/ A more extensive analysis and further background information can be found in World Economic Outlook, Occasional Paper No. 21 (May 1983).

2/ This reduction in global current account deficits may have been even larger in light of the sharp increase in 1982 in the so-called "statistical asymmetry" in the estimation of global current account balances. For a discussion of this point, see "World Economic Outlook--General Survey (ID/83/1) p. 8.

Table I-1. Growth in International Lending and Selected Economic Indicators, 1973-82

(In billions of U.S. dollars; and in per cent)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
International lending										
Net new international lending through banks and bond markets	40	59	58	96	95	114	149	179	195	143
Bank lending 1/	33	50	40	70	68	90	125	160	165	95
Growth in the stock of bank claims (in per cent)	(24)	(29)	(18)	(27)	(20)	(20)	(23)	(25)	(21)	(10)
Bond markets 2/	7	9	18	26	27	24	24	19	30	48
Share of net external claims in total bank claims in 14 industrial countries (in per cent) 3/	8.7	9.8	10.9	12.0	12.7	12.6	14.2	15.6	17.4	...
International payments										
Total of identified current account deficits 4/	-21	-73	-70	-67	-75	-86	-94	-156	-165	-147
Seven largest industrial countries	(-4)	(-23)	(-8)	(-9)	(-15)	(-16)	(-12)	(-31)	(-15)	(-17)
Other countries	(-17)	(-50)	(-62)	(-58)	(-60)	(-70)	(-82)	(-125)	(-150)	(-130)
Oil exporting countries' current account balance	7	68	35	40	30	2	69	114	65	-2
Non-oil developing countries' current account balance	-11	-37	-46	-33	-29	-41	-61	-89	-108	-87
Change in bank deposits of oil exporting developing countries 1/										
Gross	...	30	14	12	11	3	37	41	5	-19
Net of new borrowing	...	6	3	2	2	-12	30	35	3	-27
Reserve accumulation of non-oil developing countries 5/ (accumulation +)	10	3	-2	13	13	17	13	5	2	-7
Growth in value of world trade (in per cent)	38.3	46.3	5.7	12.7	13.9	16.1	26.2	22.4	-0.1	-6.4
Production and investment in industrial countries										
Percentage growth of real GNP	6.1	0.5	-0.6	5.0	4.0	4.1	3.4	1.3	1.2	-0.3
Percentage growth in real gross fixed investment	...	...	...	...	6.3	5.7	4.0	-1.2	-0.1	-3.3
Percentage change in GNP deflators	7.5	11.5	11.1	7.6	7.5	7.6	8.0	9.0	8.6	7.2
Monetary developments										
Monetary expansion in seven major industrial countries (in per cent) 6/	11.9	9.3	12.5	12.7	10.7	10.2	9.6	8.3	7.8	10.6
Interest rates (six-month Eurodollar deposit rate, in per cent)	9.3	11.2	7.6	6.1	6.4	9.4	12.0	14.4	16.5	13.1

Sources: Bank for International Settlements; Organization for Economic Cooperation and Development; World Economic Outlook, IMF Occasional Paper No. 9 (April 1982); and Fund staff estimates.

1/ Data on bank lending and deposit taking are net of redepositing among banks within the BIS reporting area and, for the years after 1976, adjusted for the valuation effects of exchange rate movements on end of period stocks.
2/ Excludes bank purchases of bonds.
3/ Group of Ten countries plus Austria, Denmark, Ireland, and Switzerland.
4/ Goods, services, and private transfers.
5/ These reserve accumulation figures are based on balance of payments definitions.
6/ Weighted average (1979 GNP weights) of rate of growth of money plus quasi-money.

between 1981 and 1982 (Table I-1), although the current account positions of some oil exporting countries moved from a surplus to a deficit. However, the deficits of other countries, including the non-oil developing countries, declined from $150 billion in 1981 to $130 billion in 1982.

Placements of bank deposits and movements of international reserves were strongly affected by the changes in the respective current account positions of the oil exporting countries and the non-oil developing countries. The aggregate current account of the oil exporting countries swung from surpluses of $114 billion in 1980 and $65 billion in 1981, to a deficit of $2 billion in 1982 (Table I-1). Over this period, their deposit placements with banks fell from $41 billion in 1980 to $5 billion in 1981, and changed to a withdrawal of $19 billion in deposits in 1982. Over the same period there was a significant increase in international borrowing from banks by some oil exporting countries. As a result of these developments the oil exporting countries which were a major source of funds to international banks in 1980 became the largest net taker of funds in 1982. Despite the stagnation of their export markets, non-oil developing countries as a group reduced their combined current account deficit partly because of sharply diminished access to international financial markets. Notwithstanding this adjustment on current accounts, the non-oil developing countries drew down their international reserve holdings by $7 billion in 1982. The reserve holdings of these countries previously had increased in every year since 1976.

These developments in output, trade, and current account coincided with changes in inflation, interest rates, and monetary growth. In the industrial countries, inflation, as measured by the change in the GNP deflator, fell from 8.6 per cent in 1981 to 7.2 per cent in 1982. This decline in inflation reflected a variety of factors, including the lower level of real activity and the presence of relatively more restrictive financial policies in many of the major industrial countries during 1980-82. Nominal interest rates, which had been at historically high levels in many countries since late 1979, declined substantially, especially in the second half of 1982. This reflected in part the lower rate of inflation, a decline in the level of real activity, and a modest acceleration of the overall rate of monetary growth in the industrial countries (for broad money, from 8 per cent in 1981 to 11 per cent in 1982). However, since the decline in nominal interest rates was more or less in line with the reduction in the rate of inflation, real interest rates (calculated on an <u>ex post</u> basis) remained at historically high levels throughout the year (Appendix Table III-16). For example, while the U.S. rate of inflation (as measured by the change in the GNP deflator) fell from 9 to 6 per cent between 1981 and 1982, the three-month Eurodollar deposit rate declined from 17 to 13 per cent. The <u>ex post</u> real return on these deposits thus declined only slightly. High levels of real interest rates have been evident in most financial markets since 1980. The continuance of high real rates in present circumstances appears to reflect in part uncertainties regarding the future courses of macroeconomic policies in the major countries. This has produced uncertainty regarding exchange rate developments, and fear of significant capital losses on longer term financial assets if inflation and interest rates were to turn up again. More specifically, there is great concern regarding the effects of possibly large fiscal imbalances in some major industrial countries over the next few years.

In 1982, changes in macroeconomic conditions generally worked to reduce both the supply and demand for international loans although these elements are not easily separated. The adjustment programs adopted by many developing countries led to a reduction in their current imbalances, and it is likely that the decline in world trade reduced the demand for trade financing. The latter coincided with lower levels of balance of payments financing. It appears that, for bank lending to certain country groups, supply factors were very important, if not dominant. The emergence of widespread debt servicing problems during 1982 significantly reduced the willingness of private financial institutions to engage in balance of payments financing for certain countries, if not generally.

2. International banking flows

a. Overall developments

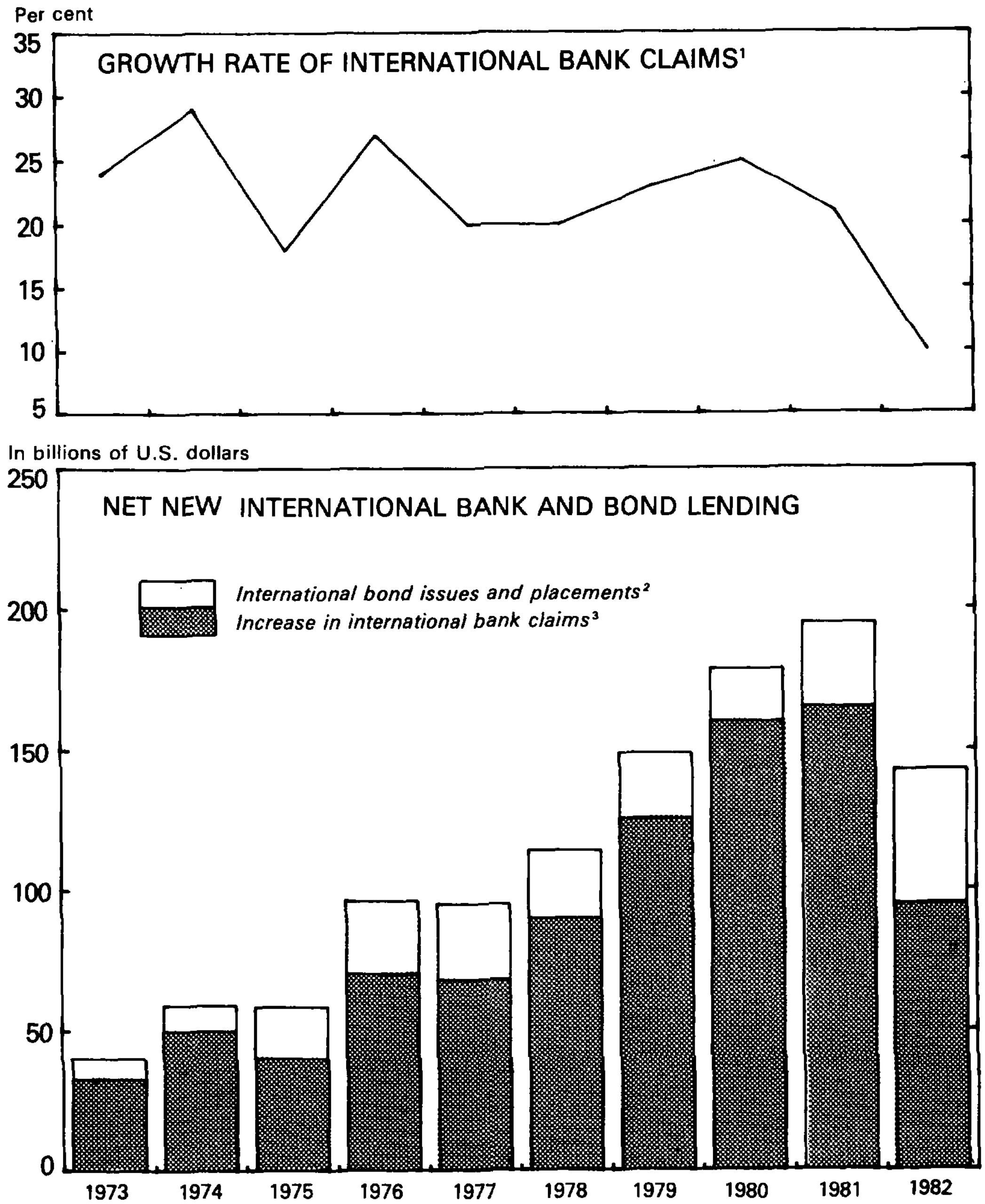
(1) Lending and deposit taking

International bank lending 1/ declined in 1982 for the first time since 1977, with the increase in the foreign claims of banks in the BIS reporting area amounting to $95 billion in 1982, compared with $165 billion in 1981 and $160 billion in 1980 (Table I-2 and Chart 1). Not only did aggregate international bank lending decline sharply in 1982, but there were shifts in the composition of bank lending among the analytical country groupings. Lending to non-oil developing countries declined slightly relative to the total, and the share of bank lending to oil exporters increased. Lending to the industrial countries declined to $57 billion in 1982, compared with $99 billion in 1981. Relative to aggregate bank lending however, the relative share of lending to these countries remained constant during the two years. The oil exporting countries were the only group for which the growth rate of bank claims increased in 1982 (Chart 2). At the same time, the absolute level of bank claims on centrally planned economies declined, following the debt servicing difficulties of various Eastern European countries, especially Poland. The combined current account deficit of the non-oil developing countries declined to $87 billion in

1/ Net of redepositing among banks in the BIS reporting area. For a discussion of alternative measures of international bank claims, including the IFS series on foreign claims on deposit banks, see Section I.3 below (p. 27).

CHART 1

NET LENDING THROUGH INTERNATIONAL CAPITAL MARKETS, 1973-82

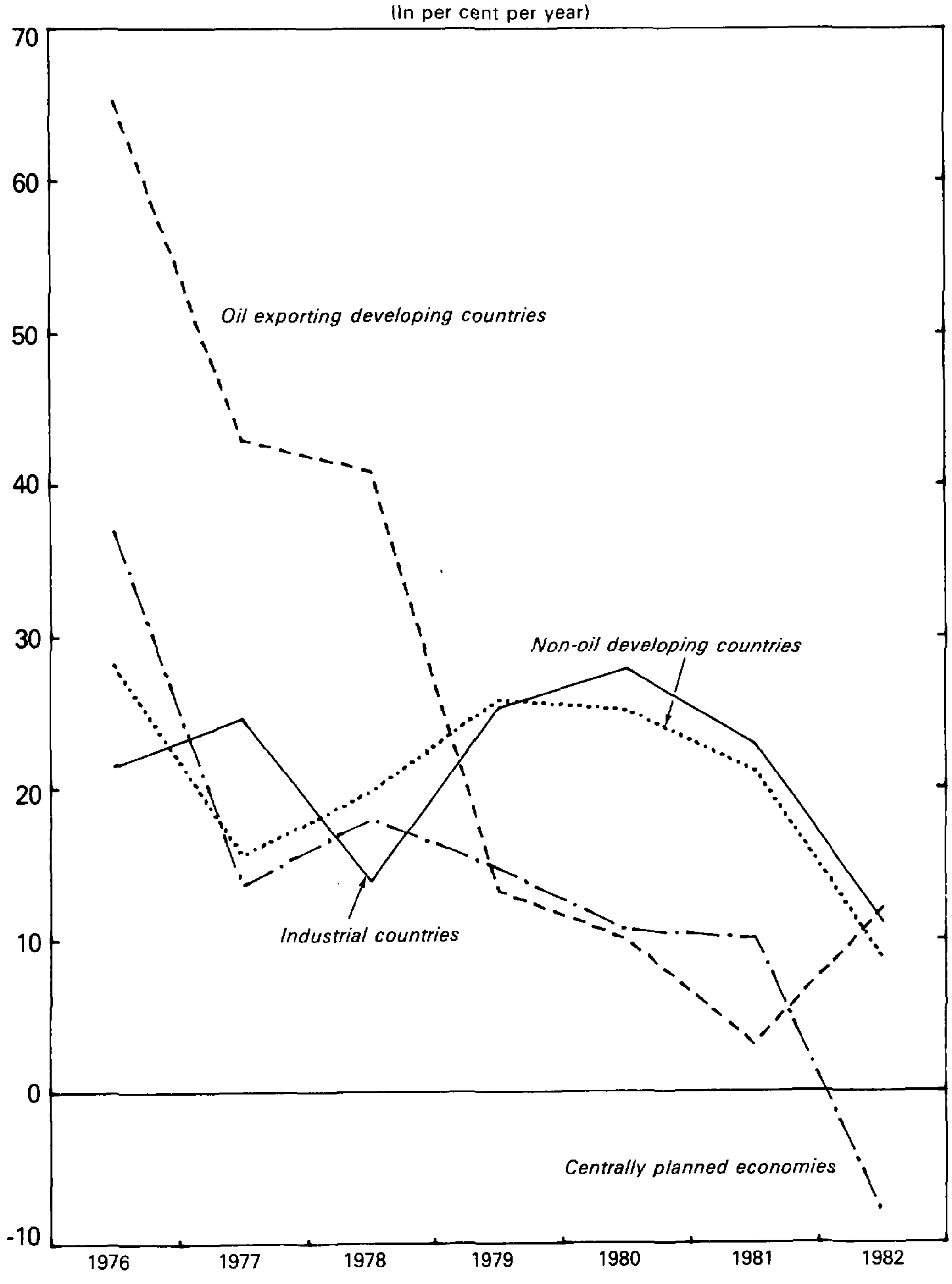


Source: BIS, OECD, and Fund staff estimates.
[1]Measured in U.S. dollars; for the years after 1976, adjusted for valuation effects of exchange rate changes.
[2]Net of repayments; excludes double counting due to banks' issuing and holding of bonds.
[3]Net of interbank transactions.

CHART 2

GROWTH RATE IN INTERNATIONAL BANK CLAIMS[1] BY COUNTRY GROUPS, 1976-82

(In per cent per year)



Source: BIS and Fund staff estimates.
[1]Net of interbank transactions within BIS reporting area. Data not adjusted for exchange rate changes.

Table I-2. External Lending and Deposit Taking 1/ of Banks in the BIS Reporting Area, 2/ 1978-82

(In billions of U.S. dollars)

	1978	1979	1980	1981	1982	1982 1st Qtr.	1982 2nd Qtr.	1982 3rd Qtr.	1982 4th Qtr.
Destination of lending 3/	90	125	160	165	95	20	30	25	20
Industrial countries	38	69	96	99	57	15	10	19	13
Oil exporting developing countries	15	7	6	2	8	1	3	3	1
Non-oil developing countries	24	40	49	51	25	5	14	--	6
Centrally planned economies 4/	7	6	5	5	-4	-2	-1	-1	--
International organizations and unallocated	6	3	4	8	9	1	4	4	--
Sources of funds 3/	90	125	160	165	95	20	30	25	20
Industrial countries	68	66	103	141	102	22	30	26	24
Oil exporting developing countries	3	37	41	5	-19	-1	-6	-3	-9
Non-oil developing countries	14	13	8	9	5	-2	4	-1	4
Centrally planned economies 4/	2	5	1	--	2	-3	1	1	3
International organizations and unallocated	3	4	7	10	5	4	1	2	-2
Change in net claims 5/	--	--	--	--	--	--	--	--	--
On industrial countries	-30	3	-7	-42	-45	-7	-20	-7	-11
On oil exporting developing countries	12	-30	-35	-3	27	2	9	6	10
On non-oil developing countries	10	26	41	42	20	7	10	1	2
On centrally planned economies 4/	5	1	4	5	-6	1	-2	-2	-3
International organizations and unallocated	3	--	-3	-2	4	-3	3	2	2

Sources: Bank for International Settlements; and Fund staff estimates.

1/ The data on lending and deposit taking are derived from stock data on banks' claims and liabilities (net of redepositing among banks in the BIS reporting area) including an adjustment for valuation changes due to exchange rate movements. Data on adjusted flows are provided by the BIS, but the distribution of those adjusted flows among the major groups of countries according to Fund classifications is a staff estimate.

2/ The BIS reporting area comprises all banks in the Group of Ten countries, Austria, Denmark, Ireland, and Switzerland and the branches of U.S. banks in the Bahamas, Cayman Islands, Hong Kong, Panama, and Singapore.

3/ The breakdown by major groups of borrowers (depositors) was derived from BIS data in the following manner. For industrial countries, gross claims (liabilities) were reduced by redepositing among banks in the reporting area but increased by claims on (liabilities to) offshore centers. The latter thus were assumed, in the absence of the availability of a country breakdown of the onlending from (deposit taking by) offshore centers, to represent lending to (deposit taking from) industrial countries. For the other groups of borrowers and depositors, net claims (liabilities) were taken to be equivalent to gross claims (liabilities).

4/ Excludes Fund member countries.

5/ Lending minus sources of funds (deposits).

1982 (Table I-1), compared with $108 billion in 1981, partly on account of adjustment to reduced capital inflows to these countries from both official and commercial sources. The sharp contraction in net bank lending to these countries meant that the relative share of the current account deficit of the non-oil developing countries financed by net bank lending also declined sharply in 1982 to 29 per cent, compared with 47 per cent in 1981 and a peak of 66 per cent in 1979 (Table I-3 and Chart 3).

With the exception of the centrally planned economies, the flow of deposit taking by banks from all country groups declined in 1982 (Table I-2). The most notable shift involved the oil exporting countries, whose deposits with BIS reporting banks declined by $19 billion in 1982, compared with an increase of $5 billion in 1981. During 1979 and 1980, these countries' deposits had increased by about $40 billion each year. In 1982, new deposits of the industrial countries, even though reduced substantially from 1981, were greater than the total of international bank lending. The difference was more than accounted for by the withdrawal of bank deposits by oil exporters. The banks' reliance on funding from the industrial countries increased sharply in 1981 and in 1982; as recently as 1980, the oil exporting developing countries were a major source of bank deposits.

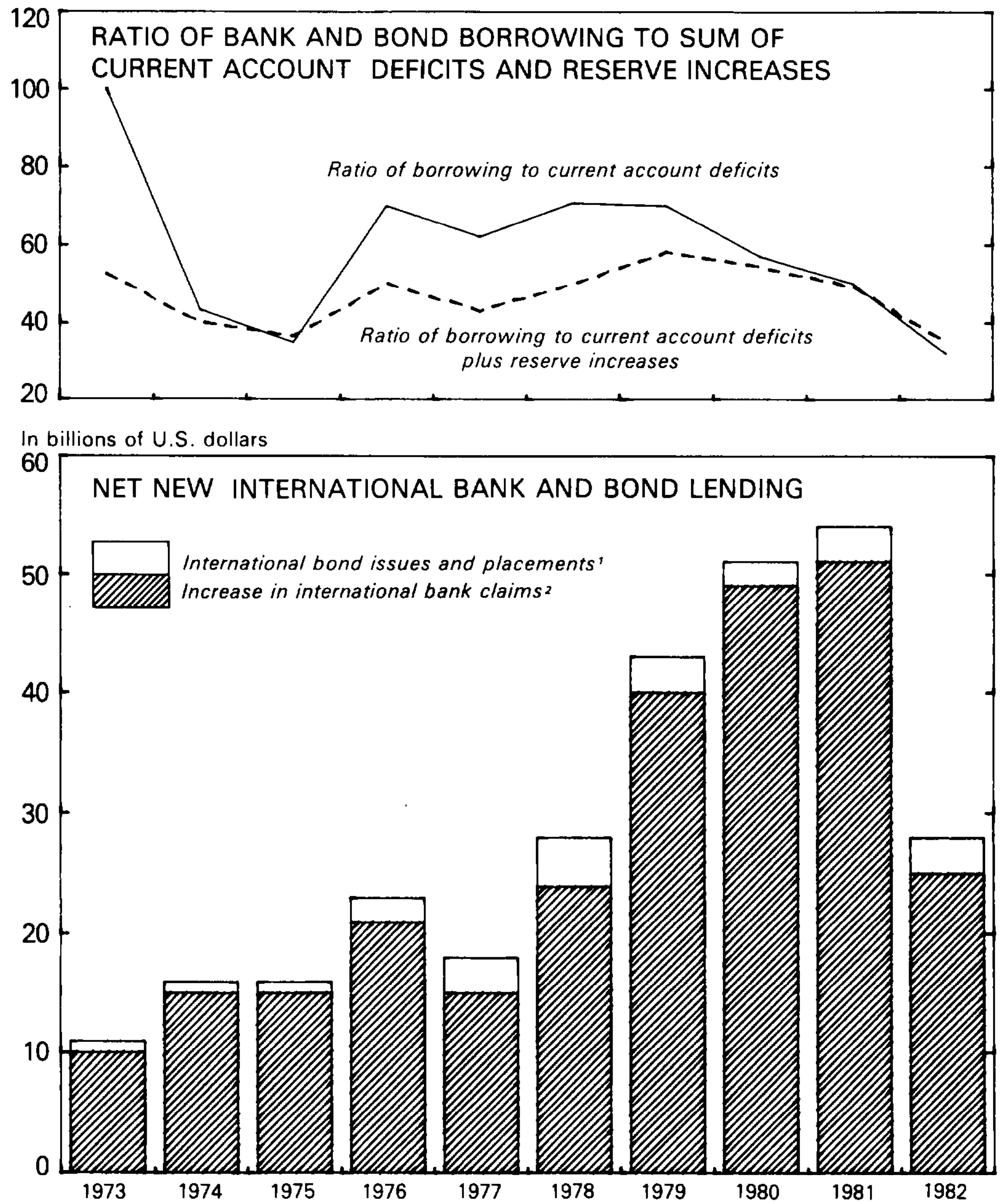
The change in net bank claims (lending less depositing) in 1982 showed a significant net outflow of $45 billion from the industrial countries, and a $6 billion outflow from the centrally planned economies, with the other country groups being net recipients of funds (Table I-2). By this measure, the oil exporting developing countries were the largest net recipients of funds in 1982, whereas in 1979-81 they were the largest net suppliers of funds to the banks.

(2) Medium-term credit commitments

New publicized medium-term international credit commitments were $99 billion in 1982, compared with a total of $146 billion in 1981 (Table I-4). However, the 1981 figure includes an estimated $50 billion in extraordinary commitments to multinational corporations in connection with takeover bids, an important part of which was not and probably never will be drawn down. When the data are adjusted for this factor, it appears that total commitments were virtually unchanged from 1981 to 1982, despite the sharp decline in actual lending. Data on new publicized commitments during the first quarter of 1983 show a slight reduction to $19 billion, compared with $22 billion during the same period of 1982 (Table I-4). However, nearly half of the commitments in the first quarter of 1983 were to Mexico ($5 billion) and Brazil ($4.4 billion), as part of debt restructuring arrangements with commercial banks in conjunction with Fund-supported programs. Aside from these commitments, there was a substantial decline in the pace of total new lending commitments, particularly to the rest of the group of non-oil developing countries.

CHART 3

NON-OIL DEVELOPING COUNTRIES: FINANCING THROUGH INTERNATIONAL CAPITAL MARKETS, 1973-82



Source: BIS, OECD, and Fund staff estimate.
[1]Net of repayments; excludes double counting due to banks' issuing and holding of bonds.
[2]Net of interbank transactions within BIS reporting area.

Table I-3. Non-Oil Developing Countries: Current Account Positions and Private Market Financing, 1973-82

(In billions of U.S. dollars)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
All non-oil developing countries										
Current account position	-15	-38	-47	-33	-29	-41	-61	-89	-108	-87
Borrowing through private markets	11	16	16	23	18	29	43	51	54	28
Banking	10	15	15	21	15	25	40	49	51	25
Bonds	1	1	1	2	3	4	3	2	3	3
Medium-term credit commitments	5	9	9	13	13	27	43	33	45	37
Net oil exporters										
Current account position	-3	-5	-10	-8	-6	-8	-9	-13	-24	-16
Borrowing through private markets	...	...	...	8	3	6	11	15	21	9
Banking	...	...	...	6	2	5	10	14	19	7
Bonds	--	--	--	1	1	1	1	--	2	2
Medium-term credit commitments	...	2	3	3	4	9	12	9	14	11
Major exporters of manufactures										
Current account position	-4	-19	-19	-12	-8	-10	-22	-33	-38	-34
Borrowing through private markets	...	...	...	12	7	15	20	24	25	18
Banking	...	...	...	11	6	13	18	23	24	17
Bonds	1	1	1	1	1	2	2	1	1	1
Medium-term credit commitments	...	4	3	6	5	11	16	15	19	18
Low-income countries										
Current account position	-4	-8	-8	-4	-4	-8	-10	-14	-16	-16
Borrowing through private markets 1/	...	...	...	--	--	2	3	1	1	--
Medium-term credit commitments	...	--	--	--	--	--	4	1	2	1
Other net oil importers										
Current account position	-4	-7	-11	-9	-12	-15	-19	-28	-33	-26
Borrowing through private markets 1/	...	...	...	2	4	9	9	9	7	1
Medium-term credit commitments	...	3	3	4	4	7	11	8	10	7
Memorandum item:										
Accumulation of reserves	10	3	-2	13	13	17	13	5	2	-7

Sources: Bank for International Settlements; Organization for Economic Cooperation and Development; World Economic Outlook, IMF; and Fund staff estimates.

1/ Almost all borrowing was from banks.

Table I-4. Medium-Term International Bank Credit Commitments, 1978-1983

(In billions of U.S. dollars; and in per cent)

	1978	1979	1980	1981	1982	1982 Qtr. 1	1982 Qtr. 2	1982 Qtr. 3	1982 Qtr. 4	1983 Qtr. 1
Industrial countries	34.3	24.1	39.3	94.7	52.5	11.2	14.3	15.4	11.6	5.4
Oil exporting developing countries	9.8	7.7	5.4	5.4	8.7	2.6	2.1	1.3	2.7	2.0
Non-oil developing countries	26.6	43.2	32.9	45.0	37.0	7.7	14.3	7.4	7.6	11.9 1/
Net oil exporters	(8.5)	(12.5)	(9.0)	(13.5)	(11.5)	(1.9)	(6.5)	(2.3)	(0.8)	(5.3)
Major exporters of manufactures	(10.8)	(16.0)	(15.4)	(19.4)	(17.7)	(3.1)	(5.9)	(3.5)	(5.2)	(5.8)
Low-income countries	(0.3)	(3.8)	(0.8)	(2.0)	(0.8)	(0.1)	(0.3)	(0.3)	(0.1)	(0.1)
Other net oil importers	(6.9)	(10.9)	(7.7)	(10.1)	(7.0)	(2.6)	(1.7)	(1.3)	(1.4)	(0.7)
Centrally planned economies 2/	3.1	3.6	1.7	0.7	0.2	0.2	--	--	--	--
International organizations and unallocated	0.4	0.4	0.7	0.1	0.5	0.4	0.1	--	--	--
Total	74.2	79.0	80.0	145.9	98.9	22.1	30.8	24.1	21.9	19.3
Terms on medium-term loan commitments										
Average six-month Eurodollar interbank rate (in per cent)	9.4	12.0	14.2	16.5	13.2	15.2	15.1	12.6	9.9	9.5 3/
Average maturity (in years)	8.5	8.6	7.9	7.8	7.5	7.9	6.8	7.8	7.3	7.4 3/
Average spread (in per cent)	0.98	0.74	0.70	0.70	0.79	0.68	0.81	0.81	0.84	...
OECD countries	0.75	0.60	0.56	0.47	0.55	0.56	0.54	0.57	0.55	...
Developing countries	1.16	0.81	0.87	0.94	1.09	0.85	1.10	1.19	1.26	...
Memorandum items:										
Share of non-oil developing countries in new commitments	35.8	54.7	41.1	30.8	37.4	34.8	46.4	30.7	34.7	61.7
Ratio of new commitments to net bank lending	82.4	63.2	50.0	88.4	104.1	110.5	102.7	96.4	109.5	...

Sources: Organization for Economic Cooperation and Development; and Morgan Guaranty Trust Company, World Financial Markets (for Eurodollar rate).

1/ Includes US$4.4 billion to Brazil and US$5.0 billion to Mexico as a result of rescheduling agreements.
2/ Excluding Fund member countries.
3/ January and February only.

Developments regarding new medium-term commitments would be consistent with the preference which has been expressed by many banks to substantially reduce their participation in medium-term syndicated sovereign lending operations in favor of trade- and project-related finance and loans organized through private placements. However, as recent experience shows, movements in medium-term commitments have not proven to be a reliable indicator of actual bank lending, even after taking into account probable lags. The ratio of new commitments to net bank lending, which varied widely in recent years, increased sharply in 1981 and 1982 (Table I-4). Unfortunately, the data available are not adequate to analyze this development, as the BIS data on international bank lending neither identifies specific types of bank claims (e.g., claims arising from syndicated loans) nor provides data on gross flows of disbursements from and repayments to banks.

(3) Terms

As regards interest rates, the average six-month Eurodollar rate had by end-1982, declined to about 9.5 per cent, and, for the 1982 average, was 13.5 per cent compared with 16.6 per cent in 1981, and 14.0 per cent in 1980. At the same time, the average spread on new publicized medium-term international bank credit commitments increased to 0.79 per cent in 1982, compared with 0.70 per cent in 1980 and 1981 (Table I-4). Even so, average spreads remained well below the levels experienced during 1974-78 (Chart 4). Developments during 1982 were however sharply differentiated by type of borrower, as the average spread on new commitments to OECD country borrowers increased by only 8 basis points, to 0.55 per cent, while the average spread on commitments to developing country borrowers increased by 15 basis points, to 1.09 per cent. The difference between the average spreads to these two groups of borrowers therefore increased to 54 basis points, which is the highest this difference has been since 1977. This difference in spreads also became more pronounced during the course of 1982; it was only 29 basis points during the first quarter, but widened to 71 basis points by the fourth quarter. This undoubtedly reflected the market's increased concern over the quality of developing country loans. The pricing of portions of syndicated lending operations at a spread over the U.S. prime lending rate continued to be common. The spread over the U.S. prime rate tended to be lower by 12-25 basis points than for the portion of the loan priced at a spread over LIBOR. In the end, prime-based portions of syndicated credits were usually more expensive, as the U.S. prime rate averaged more than 130 basis points above LIBOR in 1982. The existence of such differential pricing of loans makes the analysis of data on spreads more difficult as far as the assessment of movements in spreads over time intercountry comparison of spreads and the correlation of spreads to loan maturities are concerned. Moreover, the aggregated data will tend to understate the effective underlying increase in spreads to the extent that they reflect a reduction in syndications for countries experiencing debt servicing problems. In addition, the data do not include fees and charges, since reliable and complete information on these are not available.

The average maturity of new medium-term credit commitments declined in 1982 to 7.5 years, compared with 7.8 years in 1981, continuing the trend since a peak was reached in 1979 (Table I-4). Nonetheless, considering the perceptions of increased riskiness of international lending in 1982, especially to developing countries, it appears that banks have been more inclined to reduce their relative participation in syndicated lending rather than to alter sharply the terms under which this type of lending is offered.

b. Non-oil developing countries

(1) Overall developments

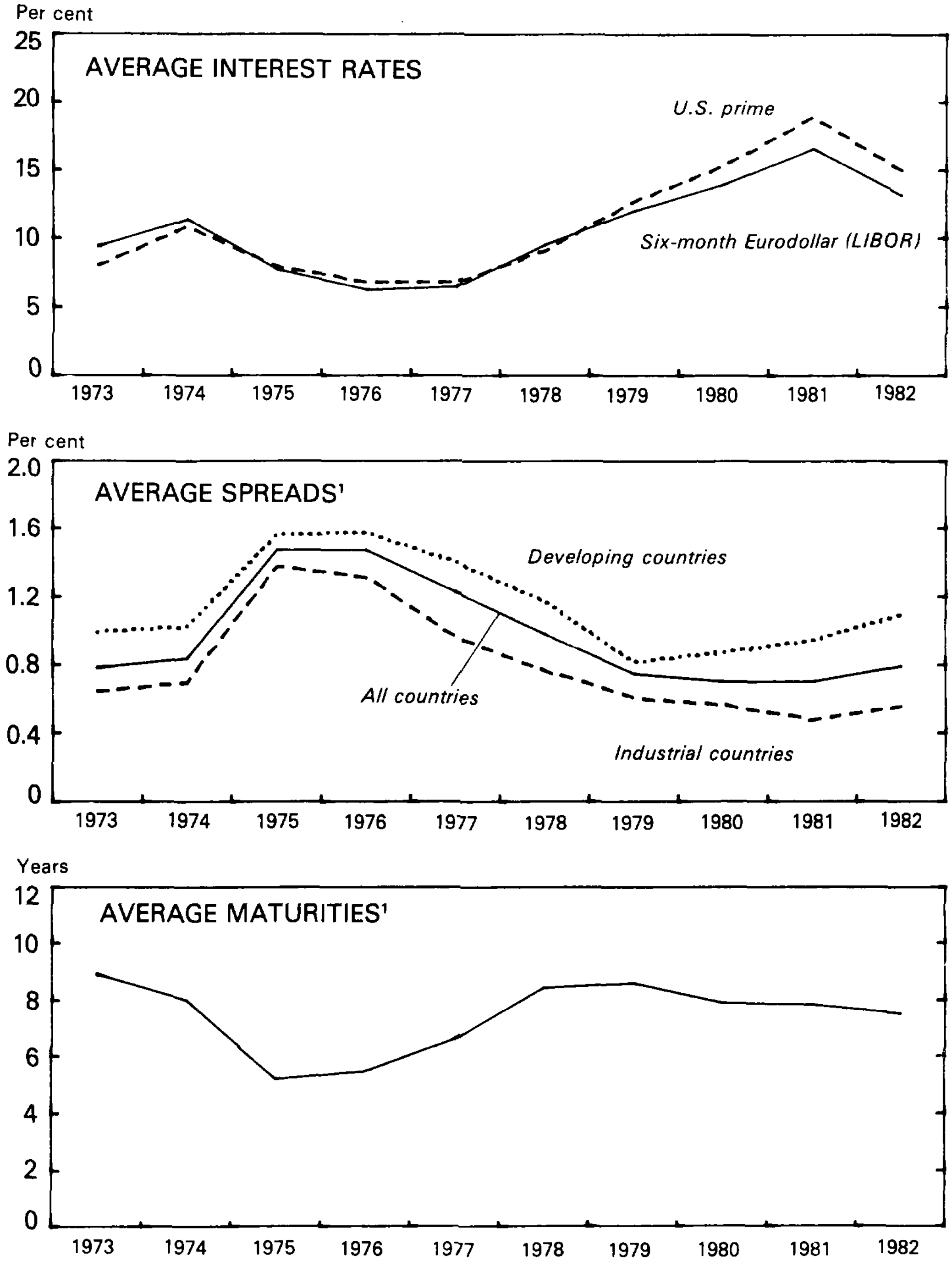
The current account deficit of the non-oil developing countries declined by $21 billion during 1982, to $87 billion (Table I-3). At the same time, net bank financing flows to these countries declined by $26 billion, to $25 billion. Previously, both the current account deficit of these countries and bank lending to them had increased every year since 1977. The rate of growth in bank claims on non-oil developing countries, which had averaged 25 per cent per year during 1979-81, fell to under 9 per cent in 1982 (Chart 2). As a result, the relative share of bank lending in financing the current account deficit of the non-oil developing countries declined to 29 per cent in 1982, compared with 47 per cent in 1981. The relative importance of net bank lending in financing the current account deficit of these countries has declined every year since reaching a peak of 66 per cent in 1979 (Chart 3). 1/ Even though the growth in bank claims on these countries declined to less than 10 per cent in 1982, after having remained above 20 per cent in each of the three preceding years, the current dollar value of exports, imports, and GDP of these countries all suffered absolute declines. As a result, the stock of outstanding bank claims (i.e., debt owed to banks) still increased in 1982 relative to these countries' exports, imports, and GDP (Table I-5).

When bank financing of the non-oil developing countries is categorized according to the analytical country subgroups of the

1/ Banking flows to these countries might also be examined taking into account reserve movements in addition to their current account deficits. The non-oil developing countries accumulated reserves in every year from 1976 to 1981 but their reserves declined in 1982. Chart 3 therefore also graphs the ratio of bank lending and bond issues to the non-oil developing countries to their current account deficits plus reserve accumulations (less reserve losses).

CHART 4

TERMS ON INTERNATIONAL BANK LENDING, 1973-82



Source: OECD, and IMF, *International Financial Statistics.*
[1]Medium term publicized international bank credit commitments.

Table I-5. Non-oil Developing Countries: Selected External Debt Indicators, 1978-82

(In per cent)

	1978	1979	1980	1981	1982
Bank debt/exports	77	76	74	83	93
Growth rate in bank debt	...	26	25	21	9
Growth rate in exports	15	29	26	5	-4
Bank debt/imports	38	34	28	28	32
Growth rate in imports	19	30	29	6	-10
Bank debt/GDP	13	14	14	16	17
Growth rate in GDP	16	22	19	4	-1

Sources: Bank for International Settlements; IMF, World Economic Outlook.

World Economic Outlook, it can be seen that these countries have had differing relationships to international capital markets in recent years. The net oil exporters--a group dominated in a statistical sense by Mexico--have been the most reliant on bank lending to finance their current account deficits since 1979, while the low income countries have made relatively little use of bank lending (Table I-6). Bank lending declined relative to the current account deficit of every analytical subgroup of the non-oil developing countries in 1982. Bank lending as a per cent of the current account deficit ranged from a low of zero in the case of the low-income countries, to a high of 50 per cent in the case of the major exporters of manufactures. The changes in bank claims on these subgroups ranged from a decline of nearly 3 per cent for the low-income countries to an increase of nearly 13 per cent for the countries classified as major exporters of manufactures. This latter group received more than 65 per cent of new bank lending to non-oil developing countries in 1982, a sharp increase in relation to the previous year, while the portion obtained by the other net oil importers and by the net oil exporters declined significantly.

While bank lending to the non-oil developing countries fell sharply in 1982, new medium-term international bank credit commitments declined much more moderately to $37 billion in 1982 compared with $45 billion in 1981 (Table I-4). This decline in new commitments was spread across all the analytical subgroups of the non-oil developing countries. As mentioned earlier, new commitments of medium-term bank credits have not exhibited a stable relationship to net bank lending during recent years, and therefore are difficult to interpret. The ratio of new commitments to net bank lending for all non-oil developing countries declined from nearly 110 per cent during 1978-79, to only 67 per cent in 1980. Such a decline would have been consistent with increased reliance by these countries on short-term financing. The ratio of new commitments to new lending increased sharply during the past two years, and reached nearly 150 per cent during 1982. As discussed previously, data adequate to analyze this development are not available, especially regarding actual disbursements of syndicated loans.

Data on the maturity distribution of bank lending are only available through June 1982 (Appendix Table III-13). These data indicate that, for the group of non-oil developing countries, there has been little change in the share of outstanding bank claims which are falling due within one year. Nonetheless, there are significant differences among the major non-oil developing country borrowers regarding the maturity profile of their debt to banks. In view of the sharp slowdown in new net bank lending to the non-oil developing countries during the second half of 1982, it is possible there were also some changes in the maturity structure of new bank borrowing by these countries which would be evident in the end-1982 data.

Table I-6. Bank Lending to Non-Oil Developing Countries, 1976-82 1/

(In billions of U.S. dollars; and in per cent)

	1976	1977	1978	1979	1980	1981	1982
Bank lending to non-oil developing countries	21	15	25	40	49	50	25
Net oil exporters 2/	6	2	5	10	14	19	7
Major exporters of manufactures 3/	11	6	13	--	--	24	17
Low-income countries	--	--	2	3	1	1	--
Other net oil importers	2	4	9	9	9	7	1
Unallocated	2	3	-4	--	1	--	--
Bank lending as a per cent of aggregate current account deficit	64	52	61	66	55	46	29
Net oil exporters	75	33	56	111	108	79	44
Major exporters of manufactures	92	75	130	82	70	63	50
Low-income countries	--	--	20	30	7	6	--
Other net oil importers	22	33	47	47	32	21	4
Share in bank lending to non-oil developing countries (in per cent) of:							
Net oil exporters 2/	29.2	11.7	19.2	24.8	27.8	37.5	29.8
Major exporters of manufactures 3/	50.0	40.0	53.1	45.8	47.9	48.2	65.9
Low-income countries	-1.7	1.7	6.5	6.8	2.9	1.3	-1.1
Other net oil importers	18.9	24.1	35.9	22.5	19.3	13.3	4.9
Unallocated	3.3	22.8	-14.7	-0.5	2.1	-0.3	0.5
Percentage increase in bank claims on non-oil developing countries	28.7	14.9	19.3	26.6	26.2	22.2	8.8
Net oil exporters 2/	34.3	6.9	15.3	28.0	30.5	33.7	10.0
Major exporters of manufactures 3/	31.6	12.9	22.5	25.9	26.9	22.8	12.6
Low-income countries	-12.8	9.8	38.1	44.3	16.3	6.9	-2.9
Other net oil importers	33.9	21.7	40.6	29.8	24.5	14.5	2.3
Memorandum items:							
Increase in total net international claims of banks in the BIS reporting area (in per cent)	26.9	20.2	20.0	23.4	24.1	21.4	10.1
Share of non-oil developing countries in total net bank lending (in per cent)	30.0	21.3	27.7	32.0	30.6	30.3	26.3

Sources: Bank for International Settlements; and Fund staff estimates.

1/ Data on bank lending and deposit taking are net of redepositing among banks within the BIS reporting area and, for the years after 1976, adjusted for the valuation effects of exchange rate movements on end of period stocks.

2/ Bolivia, Congo, Ecuador, Egypt, Gabon, Malaysia, Mexico, Peru, Syria, Trinidad and Tobago, and Tunisia. Excludes the offshore banking center Bahrain included in this category in the *World Economic Outlook*.

3/ Argentina, Brazil, Greece, Israel, Korea, Portugal, South Africa, and Yugoslavia. Excludes the offshore banking centers Hong Kong and Singapore, included in this category in the *World Economic Outlook*.

(2) Western Hemisphere countries

The non-oil developing countries of the Western Hemisphere have been particularly important borrowers from international capital markets relative to other countries included in this analytical group of countries. When non-oil developing countries are ranked according to debt to banks, three of the top six borrowers are located in the Western Hemisphere, and as of end-1982, 56 per cent of bank claims on non-oil developing countries were on those located in that region. 1/ The current account deficit of these countries had grown both in nominal terms and relative to GDP for a number of years prior to 1982 (Table I-7). At the same time, new net bank lending had also increased, even though it had declined relative to these countries' expanding current account deficits.

In 1982, the current account deficit of the non-oil developing countries in the Western Hemisphere declined to $34.9 billion, or 6.2 per cent of GDP, compared with a deficit of $45.4 billion, or 7.5 per cent of GDP in 1981. Bank lending to these countries declined sharply to $11.2 billion in 1982, compared with $30.1 billion in 1981. As a result, bank lending was equivalent to less than 34 per cent of the current account deficit in 1982, compared with over 66 per cent in 1981. When reserve accumulation is taken into account, however, the picture is altered somewhat. The Western Hemisphere non-oil developing countries had been accumulating international reserves in 1977-79, but began to lose reserves at a moderate pace in 1980-81. The reserve loss increased substantially in 1982, totaling $11.2 billion, compared with a reserve loss of $2.0 billion in 1981. Therefore, when measured as a per cent of these countries' current account deficit plus reserve accumulation (or in this case, less reserve losses), bank lending fell to 47 per cent, compared with 69 per cent in 1981 (Table I-7).

Despite the sharp reduction in bank lending to these countries in 1982, bank claims outstanding on them were equivalent to nearly 31 per cent of GDP in 1982, compared with about 27 per cent in 1981. Outstanding claims grew to nearly 197 per cent of exports of goods and services in 1982, from 174 per cent in 1981 (Table I-7). These results are explained in part by the nearly 7 per cent decline in GDP measured in current U.S. dollars and the 6 per cent decline in the dollar value of exports of goods and services experienced by these countries in 1982. While these countries had a combined surplus on trade account for the first time since 1977, their services and transfer account continued to deteriorate, due in large part to high and growing interest payments on their external debt.

1/ This discussion excludes Venezuela, which is classified as an oil-exporting developing country, but includes Mexico, which is classified among the net oil exporter category of non-oil developing countries.

Table I-7. Non-Oil Developing Countries of the Western Hemisphere: Selected Balance of Payments and External Debt Indicators, 1977-82

(In billions of U.S. dollars)

	1977	1978	1979	1980	1981	1982
Summary balance of payments						
Trade balance	0.7	-1.2	-4.1	-8.9	-10.0	5.5
Net services and private transfers	-9.2	-12.1	-17.3	-24.5	-35.4	-40.3
Current account deficit	-8.5	-13.3	-21.4	-33.4	-45.4	-34.9
Use of reserves (-)	5.1	8.9	7.5	-0.6	02.0	-11.2
Memorandum items:						
Bank claims outstanding 1/	66.4	80.8	103.9	131.5	161.6	172.8
New bank lending 1/	7.1	14.4	23.1	27.6	30.1	11.2
			(In per cent)			
Current account deficit as a per cent of GDP	2.3	3.5	4.6	5.8	7.5	6.2
New net bank lending as a per cent of current account deficit	83.5	108.3	107.9	82.6	66.3	32.1
New net bank lending as a per cent of current account deficit plus reserve accumulation	52.2	64.9	79.9	84.1	69.4	49.4
Ratio of bank claims outstanding to GDP	20.1	21.4	22.2	22.9	26.8	30.6
Ratio of bank claims outstanding to exports of goods and services	137.1	166.9	148.4	151.7	174.0	197.0

Sources: Bank for International Settlements; and IMF, World Economic Outlook.

1/ Not adjusted for exchange rate changes.

The pattern of bank lending to non-oil developing countries in the Western Hemisphere was highly influenced in 1982 by the events which led to the emergence of debt servicing problems during the second half of the year. The combination of weak demand for their exports and high real interest rates in capital market countries had dimmed the economic prospects for many non-oil developing countries; the need for external adjustment was recognized by all the major borrowing countries in the region. Growth in bank claims on the non-oil developing countries in the Western Hemisphere declined to 8 per cent during the first half of 1982, compared with a growth rate of about 15 per cent during the same period of 1981. The onset of external payments difficulties in two of the major borrowing countries in this group resulted in the generalization of debt servicing problems, as new bank lending to other non-oil developing countries in the region virtually halted during the second half of 1982; bank claims on them increased by less than 1 per cent in this period, compared with a growth of nearly 16 per cent in the second half of 1981. Despite the current account adjustment already under way in these countries, the sharp decline in bank lending inevitably resulted in international reserve losses. Capital flight also contributed to such losses in a number of cases. Since the beginning of 1982, 12 of the 30 non-oil developing countries in the Western Hemisphere have either negotiated, or initiated negotiations for a restructuring of their debt to banks. 1/

c. Centrally planned economies

Even though bank claims on the centrally planned economies 2/ represent less than 5 per cent of total bank international claims, this group of countries was severely affected by the decline in international bank lending in 1982. Bank claims on the centrally planned economies declined by $3.5 billion in 1982, following increases of $4.3 billion in 1981 and $5.5 billion in 1980 (Table I-8). At the same time, the current account position of these countries moved into a surplus of $2 billion, following deficits of about $4 billion in both 1980 and 1981 (Appendix Table III-1). It is likely that the sharp reversal in the current account position of these countries was due in large part to their inability to obtain new net bank financing; constraints on the availability of new finance from official sources also played a role.

Bank claims declined on every individual country in the group of centrally planned economies in 1982. Bank lending to the group has been concentrated in the U.S.S.R., Poland, and the German Democratic Republic.

1/ For a more extensive coverage of these events and the progress made toward the resolution of the debt servicing difficulties of this group of countries see SM/83/47 (3/9/83), "Payments Difficulties Involving Debt to Commercial Banks."

2/ The centrally planned economies group is defined as in the World Economic Outlook, and excludes all Fund members.

Table I-8. Net Financing Flows to Centrally Planned Economies From Banks in the BIS Reporting Area, 1976-82 1/

(In billions of U.S. dollars)

	Flows 1976	1977	1978	1979	1980	1981	1982	Stock end-1982
Eastern Europe	6.5	3.0	6.5	4.9	5.5	4.3	-3.5	44.3
Albania	--	--	--	--	--	--	--	--
Bulgaria	0.4	0.3	0.6	-0.2	-0.2	-0.4	-0.1	2.0
Czechoslovakia	0.6	0.4	0.5	0.7	0.9	-0.1	-0.3	2.7
German Dem. Rep.	1.0	0.5	1.3	1.3	2.3	1.3	-1.0	8.5
Poland	1.5	1.2	2.6	3.0	0.9	0.5	-0.8	13.4
U.S.S.R.	2.7	0.3	1.2	-0.2	1.2	3.5	-1.1	14.2
Residual	0.3	0.3	0.3	0.3	0.4	-0.5	-0.2	3.5
Memorandum item:								
Eastern Europe, excluding U.S.S.R	3.8	2.7	5.3	5.1	4.3	0.8	-2.4	30.1

Sources: Bank for International Settlements, Quarterly Press Releases; and Fund staff estimates.

1/ For the years 1976-78 net financing flows are measured by the change in the stock of bank claims in current U.S. dollars. For the years 1979-82, the BIS has published additional data, including those for the Eastern European countries as a group, which show the net financing flows (i.e., change in the stock of claims) once the non-U.S. dollar claims are valued using the same exchange rate vis-a-vis those currencies and the U.S. dollar at the beginning and end of each year.

Following the 1979-80 round of oil price increases, bank lending to the smaller economies of the group had already become negative. The emergence of the severe debt servicing problems in Poland in 1981 heightened banks' perception of regional risk, and banks have become generally unwilling to lend to these countries without explicit third-party guarantees. 1/ In addition, the difficulties encountered by banks in the debt rescheduling negotiations with Poland, and the prospective need for repeated rescheduling, have made banks very reluctant to increase their exposure to this group of countries. It is also likely that some of these countries, especially the U.S.S.R. reduced their demand for bank lending during the past year. As a result, bank claims on Poland, the German Democratic Republic, and the U.S.S.R. declined by 5, 10, and 7 per cent, respectively, in 1982. There have been no new publicized medium-term credit commitments to these countries since the first quarter of 1982 (Table I-4) and it appears unlikely that syndicated lending to these countries would resume in the near future on a significant scale.

Despite the decline in bank claims on the centrally planned economies in 1982, bank deposits of these countries increased for the first time since 1979, reaching a total of $15.7 billion by end-1982 (Appendix Table III-3). However, this increase was more than accounted for by the increase in the deposits of the U.S.S.R., as bank deposits of Poland increased only slightly, and those of the German Democratic Republic declined. The decline in bank claims on centrally planned economies in 1982, together with the increase in their deposits, implies that the liquidity position of these countries has improved somewhat. The ratio of their bank deposits to bank debt increased to 35 per cent in 1982, compared with 28 per cent in 1981 and 29 per cent in 1980. However, there is considerable variation in this ratio between countries, ranging from 70 per cent in the case of the U.S.S.R. to 7 per cent in the case of Poland.

d. Oil exporting developing countries

The decline in the price and volume of petroleum exports in world markets in 1982 resulted in a dramatic shift in the current account position of the oil exporting countries as well as in their position vis-a-vis the banks. As a group, these countries had a small current account deficit of $2 billion in 1982, following surpluses of $65 billion in 1981 and $114 billion in 1980 (Table I-9). Reflecting this sharp deterioration in their current account position, the bank deposits of these countries declined by $19 billion in 1982, after increasing by $5 billion in 1981 and by an average of nearly $40 billion a year in both 1979 and 1980. At the same time, bank lending to these countries

1/ Bank lending to Eastern European countries was extensively reviewed in the Supplement to last year's International Capital Markets paper (SM/82/105, June 1. 1982).

Table I-9. Current Account Surpluses and Bank Deposits of
Oil Exporting Countries, 1974-82

(In billions of U.S. dollars; and in per cent)

	1974	1975	1976	1977	1978	1979	1980	1981	1982
Current account surplus	68	35	40	30	2	69	114	65	-2
Plus: Oil sector capital transactions 1/	-12	1	-6	-1	2	-9	-1	2	3
Net borrowing 2/	2	3	8	10	16	10	8	5	9
Equals: Cash surplus available for disposition	58	39	42	39	20	70	121	72	10
Increase in deposits with banks in the BIS reporting area 3/	30	14	12	11	3	37	41	5	-19
Increase in bank deposits as a per cent of current account surplus	44	40	30	36	150	54	36	8	...
Increase in bank deposits as a per cent of cash surplus	52	36	29	28	15	53	34	7	...

Sources: Bank for International Settlements; International Monetary Fund; and staff estimates.

1/ Changes in accounts receivable from oil exports and in net direct investment of foreign-owned oil companies.
2/ Total net increase in external liabilities of the public and private sectors (including banks). Includes small amounts of official transfer receipts, inward non-oil direct investment capital, and other miscellaneous capital items. Excludes borrowing from other oil exporting countries.
3/ For years after 1976, adjusted for valuation effects of exchange rate movements on end-of-year stocks.

rose from $2 billion in 1981 to $8 billion in 1982 (Table I-2). The oil exporting developing countries therefore evolved from being the major net supplier of funds to the banks in 1979-80 to being the major net user of funds from the banks in 1982. The increase in bank claims on the oil exporting developing countries in 1982 was distributed across most individual countries and country subgroups (Appendix Table III-2), as was the decline in bank deposits (Appendix Table III-3). However, the decline in deposits was concentrated in Venezuela, and the so-called high-absorbing Middle East countries (i.e., Bahrain, Iran, Iraq, Libya, and Oman).

After the 1973 round of oil price increases, and again after the second round in 1979-80, both the size of the available cash surplus of these countries (i.e., the current account surplus plus net borrowing), and the proportion of this surplus placed with banks, first rose sharply and then fell (Table I-9). However, the subsequent decline in these countries' available cash surplus was much more abrupt during 1981-82 than after the 1973 round of oil price increases. This resulted in a more rapid decline in the relative importance of BIS reporting area banks in intermediating the financial surplus of this group of countries than after the first round of oil price increases. This was particularly notable in the course of 1981, when the available surplus of the oil exporting developing countries amounted to $72 billion, but bank deposits of these countries increased by only $5 billion. The main reasons for this development were the increased role of official institutions (including the Fund) in recycling through direct borrowing from the major surplus countries in this group; an increasing intermediating role for banks which are headquartered in the oil exporting countries and are, by virtue of this location, excluded from the BIS reporting system; and an increase in the speed with which surplus funds were channeled to direct long-term foreign investment.

An important influence on the share of available cash surplus intermediated by banks was also the distribution of the surplus between various countries within the group. The so-called "low absorbers" (i.e., Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates) have consistently had the largest share of the current account surplus of this group of countries, and, at the same time, have tended to place a relatively low proportion of their surplus funds as bank deposits. In 1981 these "low absorbers" still experienced a relatively large current account surplus, while the remainder of the group was in deficit. This provides a further explanation why the share of the total current account surplus of the group deposited with banks shrank in 1981 to 8 per cent from 36 per cent in 1980. In 1982, the current account surplus of the low absorbers declined sharply, while the current account deficit of the other countries in the group continued to increase. Even thougn the total bank deposits of the oil exporters declined in 1982, the decline in deposits was smaller relative to the change in the current account position than in 1981. In part, this was because the change in the current account position of these countries in 1982 resulted more from a shift in the position of the low absorbing countries (who were less likely to intermediate through the banks). In 1981, the reduction in the group's current account surplus was due more to the changes experienced by high absorbers.

e. Industrial countries

Analysis of the net flow of funds through banks between the industrial countries and the rest of the world is also based on the basic BIS data series on the external claims and liabilities of reporting area banks. To the extent that these banks' foreign claims increase more than their foreign liabilities, the difference represents the amount of international lending funded by domestic bank deposits and other liabilities. A proportion of the banks' foreign claims, however, are claims on nonbanks in other reporting area countries, and similarly, a portion of the banks' foreign liabilities represent deposits by nonbanks in other reporting area countries. Such claims and liabilities are netted out of the domestic funding figure to determine the net flow of funds from banks in the reporting area to countries outside the reporting area. In 1982, the net outflow of funds from BIS reporting area banks to the rest of the world, when calculated as described above, totaled $53 billion, compared with a net outflow of $42 billion in 1981 (Table I-10).

As most industrial countries are within the BIS reporting area, this $53 billion net outflow of funds recorded in 1982 was mainly to nonindustrial countries (Table I-10). It derived primarily from the $49 billion in net domestic funding of reporting area banks. The balance of the outflow was funded from other countries within the reporting area. Three quarters of the $49 billion of net domestic funding of international operations of reporting banks was from banks in the United States (Table I-11). This represented a continuation of developments evident during 1981, when $38 billion of the $41 billion net outflow of funds from reporting area banks derived from net domestic funding of U.S. banks. Nonetheless, this represents a sharp shift from the situation which prevailed as recently as 1979, when banks in the BIS reporting area were net takers of funds from outside the reporting area in the amount of $15 billion (Table I-10). The large shift in the net position of the reporting area banks between 1979 and 1982 has been due largely to the shift in the position of U.S. banks. In 1979, U.S. banks had negative net domestic funding of $21 billion, meaning that their international liabilities had increased $21 billion more than their international assets. By 1980, however, these banks had positive net domestic funding of over $31 billion; a change of more than $52 billion in two years. In 1982, this net domestic funding was $38 billion.

The large net inflow of funds from outside the BIS reporting area through banks in the United States in 1979 can be largely explained by reference to the monetary policy measures introduced in the United States in late 1979 which increased U.S. interest rates, and encouraged

Table I-10. Summary of Transactions of Banks in the BIS Reporting Area with Industrial and Nonindustrial Countries, 1979-82 1/

(Exchange rate adjusted flows in billions of U.S. dollars)

	1979	1980	1981	1982
Transactions within BIS reporting area				
Net domestic funding of international operations	-46	-1	28	49
Plus increase in foreign liabilities 2/ to other reporting countries	144	156	155	98
Minus increase in foreign claims 2/ on other reporting countries	113	136	142	94
Equals net financing of countries outside reporting area	-15	19	41	53
Transactions with offshore centers	-10	6	-5	1
Increase in claims on offshore centers	32	33	50	32
Minus increase in liabilities to offshore centers	42	27	55	31
Transactions with other industrial countries	-2	6	5	7
Increase in claims on other industrial countries	5	8	9	8
Minus increase in liabilities to other industrial countries	7	2	4	1
Transactions with nonindustrial countries 3/	-3	7	41	45
Increase in claims on nonindustrial countries	56	64	66	38
Minus increase in liabilities to non-industrial countries	59	57	25	-7

Sources: Bank for International Settlements; and Fund staff estimates.

1/ Adjusted for valuation effects of exchange rate movements on end of period stocks.
2/ Includes interbank transactions.
3/ Includes international organizations and unallocated.

Table 1-11. Gross Foreign Claims, Liabilities, and Net Position of Banks in the BIS Reporting Area, 1979-82 1/

(In billions of U.S. dollars)

	Exchange Rate Adjusted Changes								Amounts
	1979	1980	1981	1982	First Quarter 1982	Second Quarter 1982	Third Quarter 1982	Fourth Quarter 1982	Outstanding end-1982
Claims	205.5	241.6	264.7	173.7	42.5	29.9	67.7	33.6	1,686.7
Banks in the European reporting area	150.9	158.7	134.0	58.8	8.7	-4.3	36.8	17.6	1,023.6
Banks in Canada	3.1	10.1	2.7	0.9	1.4	0.9	-2.1	0.7	38.8
Banks in Japan	13.4	18.4	20.7	8.0	8.6	-8.3	10.5	-2.8	90.9
Banks in the United States	17.1	40.7	75.4	105.4	27.2	39.0	24.1	15.1	361.4
Of which: IBFs	(--)	(--)	(63.4)	(80.3)	(28.4)	(26.3)	(15.3)	(10.3)	(143.6)
Offshore branches of United States banks	21.0	13.7	31.9	0.6	-3.4	2.6	-1.6	3.0	172.0
Liabilities	251.9	242.6	237.0	125.0	44.2	14.6	48.6	17.6	1,620.5
Banks in the European reporting area	172.3	179.0	126.0	57.6	7.5	-3.3	36.0	17.4	1,039.1
Banks in Canada	7.7	11.0	18.0	-3.5	1.9	-1.0	-3.2	-1.2	58.7
Banks in Japan	12.6	28.9	21.8	0.8	9.9	-10.2	8.4	-7.3	100.0
Banks in the United States	38.0	9.4	37.7	67.1	26.1	28.2	7.4	5.4	244.5
Of which: IBFs	(--)	(--)	(46.9)	(76.0)	(31.8)	(22.2)	(12.4)	(9.6)	(123.9)
Offshore branches of United States banks	21.3	14.3	33.5	3.0	-1.2	0.9	--	3.3	178.2
Net domestic funding	-46.4	-1.0	27.7	48.7	-1.7	15.3	19.1	16.0	66.2
Banks in the European reporting area	-21.4	-20.3	8.0	1.2	1.2	-1.0	0.8	0.2	-15.5
Banks in Canada	-4.6	-0.9	-15.3	4.4	-0.5	1.9	1.1	1.9	-19.9
Banks in Japan	0.8	-10.5	-1.1	7.2	-1.3	1.9	2.1	4.5	-9.1
Banks in the United States	-20.9	31.3	37.7	38.3	1.1	10.8	16.7	9.7	116.9
Of which: IBFs	(--)	(--)	(16.5)	(4.3)	(-3.4)	(4.1)	(2.9)	(0.7)	(19.7)
Offshore branches of United States banks	-0.3	-0.6	-1.6	-2.4	-2.2	1.7	-1.6	-0.3	-6.2

Source: Bank for International Settlements.

1/ Data on gross claims and liabilities include redepositing among banks in the BIS reporting area.

U.S. residents to borrow abroad. 1/ The unwinding of these large inflows explains a portion of the net capital outflow through U.S. banks experienced in the subsequent year. However, the size and persistence of these net outflows since 1980 cannot be ascribed either to the reversal of the measures introduced in late 1979 or to current account developments in the United States. There was only a small current account surplus during 1980 and 1981, and an $8 billion current deficit in 1982. It appears likely that the large capital outflows from U.S. banks during 1980-82 which were funded domestically, are counterparts of capital inflows through nonbank channels. 2/ In general, due to the complexity and diversity of financial markets in industrial countries, the net international funding activity of banks in these countries is only loosely linked to the current account position of the individual countries.

In addition to the net financing by BIS reporting area banks of countries outside the reporting area, the financing flows between the industrial countries and the rest of the world also include transactions between nonbank residents of the reporting area, and banks outside the reporting area (Table I-12). In the case of the United States, the net outflow of funds to countries outside the BIS reporting area is increased when account is taken of the transactions of U.S. residents with foreign banks, often foreign branches of U.S banks. In 1982, U.S. residents placed about $8 billion on deposits in foreign banks, while reducing their borrowing from foreign banks by less than $1 billion. As a result, the net foreign position of nonbank U.S. residents vis-a-vis foreign banks showed an outflow of more than $8 billion in 1982, compared with a net outflow of nearly $26 billion in 1981. Therefore, the total net flow of funds from the United States to countries outside the reporting area through resident and foreign banks totaled nearly $47 billion in 1982. This was close to 90 per cent of the $53 billion of total net flow of funds from the reporting area to the rest of the world through banks in 1982.

Changes in U.S. banking legislation permitted the operation since December 1981 of International Banking Facilities (IBFs). Although these agencies are located in the United States, they are allowed to conduct business with nonresidents, other IBFs, and the parent entity, largely as if the IBF was an offshore banking affiliate of the parent entity. 3/ The IBFs currently enjoy certain tax advantages which make them attractive relative to a true offshore branch for various banking activities. However, there are limitations on the permitted activities

1/ These developments are discussed at length in the Supplement to last year's International Capital Markets paper, SM/82/105, 6/1/82, pp. 21-22.

2/ The U.S. had net capital inflows in 1981 and 1982 if errors and omissions and reserve movements are included.

3/ For a detailed summary of developments regarding IBFs, see Board of Governors of Federal Reserve System, Federal Reserve Bulletin, October 1982, pp. 565-577.

Table I-12. Summary of Net Foreign Transactions by Banks and Nonbanks in the BIS Reporting Area, 1982 1/

(In billions of U.S. dollars)

	Change in Foreign Position of Banks Located in Reporting Country	Transactions of Nonbank Residents with Foreign Banks		
		Deposits	Borrowing	Net
European reporting area	1.4	8.0	18.9	-10.9
Belgium--Luxembourg	0.4	1.3	2.6	-1.3
France	2.9	0.6	4.0	-3.4
Germany	0.3	-0.3	3.5	-3.8
Italy	3.3	0.3	1.6	-1.3
Netherlands	-0.9	1.1	1.7	-0.6
Switzerland	4.7	3.4	1.2	2.2
United Kingdom	-9.8	1.5	0.6	0.9
Other	0.5	0.1	3.7	-3.6
Canada	4.4	1.9	1.8	0.1
Japan	7.2	0.1	-2.2	2.3
United States	38.3	7.9	-0.4	8.3
Offshore branches of United States banks	-2.4	...	...	...
Total	48.7	17.9	18.1	-0.2

Sources: Tables III-5, III-8, and III-9.

1/ Adjusted for valuation effects of exchange rate movements on end-of-period stocks.

of IBFs which are more restrictive than for true offshore branches, although the two types of institutions are treated similarly with regard to reserve requirements and interest rate ceilings.

To date, about 400 IBFs have been established, in many cases, by U.S. agencies of foreign banks. The assets of IBFs grew rapidly already in 1981, as assets were shifted to the IBFs from offshore branches and from parent entities. Asset growth in 1982 has been moderate, and the majority of IBF activity is interbank. Data on the claims and liabilities of IBFs is separately identified in the BIS data. However, the shifting of assets from the foreign branches of U.S. banks would have the effect of inflating the growth of gross international claims and liabilities of U.S. banks. During the first month of the IBFs' operation in December 1981, the net domestic funding of international lending operations by IBFs reached nearly $15 billion. By end-1982, the net domestic funding of the IBFs declined to $4 billion, even as the growth of their international assets reached $80 billion (compared to $63 billion in 1981). This would indicate that U.S. banks are no longer shifting assets to the IBFs directly from their own balance sheet, but rather the IBFs are dealing mainly with foreign banks and nonbanks, as well as foreign branches of U.S. banks.

Increases in both foreign assets and liabilities of banks in the European reporting area slowed sharply during 1982 compared with 1981. Increases in foreign claims of European reporting area banks amounted to $59 billion in 1982, compared with a growth of $134 billion in 1981 (Table I-11). The growth rate of foreign claims slowed to 6 per cent in 1982 after 16 per cent growth recorded in 1981. Foreign liabilities grew by nearly $58 billion in 1982, or by 6 per cent, after growing by $128 billion (13 per cent) in 1981. It is likely that the slowdown in the growth of international liabilities of European banks is related to the decline in the foreign bank deposits of the oil exporting countries. When the transactions of European banks are viewed together with the transactions of residents with banks abroad, the European reporting area was a net borrower of about $10 billion in 1982 (Table I-12). Among the countries in the European reporting area, only banks in Switzerland and Italy were net lenders during 1982, while the banks in the United Kingdom were the largest net borrower. In 1981, the European reporting area had been a net borrower of more than $9 billion.

Japan's banking system was a net supplier of funds to the rest of the world of nearly $10 billion in 1982, after having been a small net supplier of funds in 1981. The net international outflow of funds from Japanese banks was more than $7 billion in 1982, while they had been small net borrowers in 1981 (Table I-11). This occurred despite a slowdown in the growth of international assets of Japanese banks to $3 billion in 1982, compared with nearly $21 billion in 1981. However, there was very little increase in the international liabilities of Japanese banks in 1982, after these had grown by nearly $22 billion in 1981. Japanese nonbank residents also reduced their debt to foreign banks by more than $2 billion in 1982 (Table I-12). Japanese residents hold limited deposits abroad.

When account is taken of both resident and nonresident banks, Canada was also a net international supplier of funds during 1982 of about $4 billion, after having been a net borrower to the extent of about $15 billion in 1981. This shift in the foreign position of Canadian banks was probably due to the weakening of domestic economic activity and a decline in takeover activity by large Canadian corporations, which together led to a weakening in loan demand.

3. Alternative measures of international bank claims

The main data series used in this study to analyze international banking flows is the BIS measure of "net international bank credit," which represents total foreign lending by banks in the BIS reporting area after (partly estimated) adjustment to exclude double-counting due to redepositing among reporting banks. The BIS also supplies data on the gross foreign claims of banks in the reporting area (including redeposits). Table I-13 shows both the gross and (as a memorandum item) the net series.

Until 1981, interbank claims of banks within the BIS reporting area tended to grow at a rate less than or equal to the rate of growth of the sum of claims on nonbank borrowers in the reporting area and on bank and nonbank borrowers outside the area; only in 1978 did such interbank claims grow at a rate substantially faster than claims net of redeposits among reporting banks, and this has been attributed to turbulence in exchange markets. In 1981, and again in 1982, interbank credits within the reporting area grew faster than "net" lending. It is probable that the creation of International Banking Facilities in the United States in 1981 contributed to the more rapid growth of interbank claims, due to shifting of assets between U.S. banks, their foreign branches, and the IBFs.

The BIS series of gross claims includes data on the narrowly defined Eurocurrency market 1/ (also shown in Table I-13), which indicate that this market has usually grown more slowly than the foreign claims of banks in the entire reporting area (although the Eurocurrency market still accounts for more than half of foreign claims of banks in the reporting area).

Table I-13 also contains two extensions of the series of gross claims of banks within the BIS reporting area. First, the BIS reporting area includes branches of U.S. banks in five offshore banking centers. 2/

1/ That is, the external positions, denominated in foreign currency, of banks in the European sector of the BIS reporting area.

2/ The Bahamas, the Cayman Islands, Hong Kong, Panama, and Singapore.

Table I-13. Gross Foreign Claims of Banks Inside and Outside the BIS Reporting Area, 1977-82 1/

(In billions of U.S. dollars; and in per cent)

	1977	1978	1979	1980	1981	1982
Gross foreign claims of banks in the BIS reporting area	690	893	1,111	1,322	1,549	1,687
Growth in per cent 2/	(19.9)	(31.1)	(24.4)	(19.0)	(17.2)	(8.9)
Eurocurrency market 3/	385	502	640	751	847	867
Growth in per cent	(22.6)	(30.4)	(27.5)	(17.3)	(12.8)	(2.4)
Other	305	391	471	571	702	820
Growth in per cent 2/	(16.5)	(32.1)	(20.5)	(21.2)	(23.0)	(16.8)
Gross claims of banks in certain offshore centers outside the BIS reporting area 4/	77	107	135	175	236	...
Growth in per cent	(...)	(39.0)	(26.2)	(28.1)	(34.9)	(...)
Gross foreign claims of deposit money banks, IFS series	866	1,136	1,438	1,749	2,112	2,238
Growth in per cent	(25.5)	(31.2)	(26.6)	(21.6)	(20.8)	(6.0)
Memorandum items:						
Net foreign claims of banks in the BIS reporting area	430	535	665	810	945	1,020
Growth in per cent 2/	(22.7)	(25.6)	(24.3)	(21.8)	(16.7)	(7.9)
Redepositing among banks in the BIS reporting area	260	358	446	512	604	667
Growth in per cent 2/	(15.6)	(40.0)	(24.6)	(14.8)	(18.0)	(10.4)

Sources: Bank for International Settlements; and IMF, International Financial Statistics.

1/ Gross claims include, and net claims exclude, redepositing among banks within the BIS reporting area.
2/ Growth rates do not always correspond to stock figures because of breaks in the data series.
3/ Foreign currency claims of banks in Europe.
4/ Claims of non-U.S. banks in the Bahamas, the Cayman Islands, Hong Kong, Panama, and Singapore, and claims of all banks in Bahrain and the Netherlands Antilles.

The BIS also estimates the gross foreign claims of non-U.S. banks in those centers plus the gross foreign claims of all banks in Bahrain and the Netherlands Antilles. Although data for these non-U.S. banks are not yet available for 1982, in previous years the gross foreign claims of this group grew at a rate faster than those of banks in the reporting area. Second, the Fund's International Financial Statistics (IFS) provides a data series on the foreign claims of deposit banks prepared on a broader basis than the BIS reporting area. The IFS series offers wider coverage, as it includes both the foreign claims of some deposit banks that are located in the BIS reporting area but not included in the BIS data. This IFS series has tended to grow faster than the BIS gross claims series.

The BIS has for some years provided a geographic analysis of the foreign claims (and liabilities) of banks in the BIS reporting area. This has been a useful source of information on the external indebtedness of reported countries (which comprise most countries of the world). Working closely with the BIS, the Fund extended the range of the BIS statistics to include a bank/nonbank breakdown of this geographic analysis, and the BIS has recently begun to publish that breakdown aggregated over the 13 reporting countries for which such a breakdown is available.

The Fund is now seeking, from 38 international banking centers, regular returns that give a geographic analysis of the bank/nonbank breakdown of their deposit banks' foreign claims and liabilities. The centers include the 15 countries that already report to the BIS (these are already providing data to the Fund), together with other centers that have not been represented, or that have been only partially represented, in the BIS data. Collectively the 38 centers account for 99 per cent of the world total of deposit banks' foreign assets as identified in IFS. All but four have agreed to provide data to the Fund. Owing to their wide coverage, the data provided to the Fund under these arrangements will provide better estimates of the recourse of all countries of the world to the international banking system.

4. Econometric analysis of the growth of international bank assets

In the last two International Capital Markets reports, 1/ the growth of the gross international assets of banks (including redepositing) was analyzed with the help of an econometric model. The model related the quarterly growth rate of gross external assets of banks (GRQ) to the quarterly growth of world imports in U.S. dollars

1/ IMF, International Capital Markets: Developments and Prospects, 1982, Occasional Paper No. 14; and IMF, International Capital Markets: Recent Developments and Short-Term Prospects, 1982, Occasional Paper No. 7.

(GRWIMP), the quarterly growth rate of the sum of the U.S. dollar value of the GNP of the United States, Canada, Japan, the Federal Republic of Germany, and the United Kingdom (GRSUM), and the quarterly growth rate in the ratio of the sum of the absolute values of the trade deficits and surpluses of 56 countries to world imports (GRIMB). The latest re-estimation of the single, reduced form equation of the model is based on a sample of data from the second quarter of 1970 to the second quarter of 1982. 1/ Thus, these estimates are not affected by the financial market disturbances of late 1982. The model was used to forecast the growth in international lending in 1983. Moreover, actual lending and that "predicted" by the model for the second half of 1982 were compared to see how well the model can forecast into a period of some turbulence in financial markets. In light of the model's generally good predictive qualities in the past, any divergence between the actual and forecast growth rates perhaps could be interpreted as a rough measure of the impact of the financial crises on "normal" market growth.

For 1982, the World Economic Outlook (WEO) indicates that world imports (measured in terms of U.S. dollars) declined by 6.4 per cent, the U.S. dollar value of the GNPs of the five industrial countries declined by 0.2 per cent, and the absolute value of world trade deficits of surpluses and deficits relative to world imports fell by 9.9 per cent. Using these values of the explanatory variables, the

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1/ For the period from the second quarter of 1970 through the second quarter of 1982, the ordinary least squares estimates of this relationship are

$$GRQ = a_0 + a_1 GRWIMP + a_2 GRSUM + a_3 GRIMB + a_4 HERS + a_5 Q4 + a_6 Q1$$

	a_0	a_1	a_2	a_3	a_4	a_5	a_6
Coefficient	2.59	0.13	0.68	0.12	-5.10	5.84	-2.35
t-value	3.72	2.00	3.53	4.06	2.17	5.81	12.89

$R^2 = 0.76$, $\bar{R}^2 = 0.72$, D.W. = 2.31

where HERS = dummy variable with one in third quarter of 1974 to represent aftermath of collapse of the Herstatt Bank
Q4 = fourth-quarter dummy
Q1 = first-quarter dummy

As a comparison, the results for a sample through the fourth quarter of 1980 are

	a_0	a_1	a_2	a_3	a_4	a_5	a_6
Coefficient	2.88	0.14	0.62	0.11	-5.40	5.52	-2.41
t-value	3.03	1.94	2.54	3.35	2.16	4.98	2.64

$R^2 = 0.73$, $\bar{R}^2 = 0.68$, D.W. = 2.33.

model "predicts" a growth of gross international bank assets of deposit banks for 1982 of 12 per cent, i.e., a decline of 2.4 percentage points below the trend rate of growth inherent in the equation. The actual growth rate was approximately 10 per cent. While the forecast for the growth of bank assets was quite close for the first half of the year (a forecast of 2 per cent expansion versus a 1.9 per cent actual increase), the projected growth for the second half of the year exceeded the actual growth by a wider margin (a forecast of 10 per cent growth versus an actual increase of roughly 8 per cent). The current model is primarily demand oriented, hence it is not surprising that it will tend to overestimate the growth of banks' international assets at times when banks' willingness to continue lending to a number of countries was seriously impaired.

The WEO forecasts that the U.S. dollar value of world imports will grow by 1 per cent in 1983. The total nominal GNP measured in U.S. dollars of the five major industrial countries included in the model is anticipated to rise by 6.2 per cent in 1983. During the same period, the payments imbalance ratio is expected to decline by 10.3 per cent. The projected recovery of world trade and GNP growth will tend to increase the demand for trade related financing and thereby stimulate the growth of gross external assets. However, the decline in overall payments imbalances is likely to slow the expansion of international lending by reducing the need for balance of payments financing. Under the assumption of normal financial market conditions, the model predicts an increase of nearly 18 per cent in the gross external assets of banks. This projection includes the forecast of a relatively slow expansion (4.4 per cent) of gross external assets during the first half of 1983 but more rapid growth (12.8 per cent) during the second half of the year. However, in the staff's judgment, it appears unlikely that such a sharp acceleration in the growth of banks' gross external assets will be forthcoming in 1983. In part, a divergence between the projected expansion for 1983 and the actual growth may be taken as a broad indication of the size of the impact of the recent financial disturbances on international bank lending. While there is potential demand to support a significant increase in international bank lending, and while banks could technically provide such an increase, banks in present circumstances appear to have adopted a restrictive stance on international lending to developing countries for 1983. Such supply factors are however not explicitly included in the model, nor does the model either attempt to project flows to various analytical country groupings or reflect explicitly developments in the international bond markets.

5. Supervisory issues

a. Overview

With the widespread emergence of debt servicing difficulties in the past year, involving some of the largest borrower countries, issues of sovereign and transfer risk 1/ became increasingly the focal point of official attention. Supervisory authorities have become concerned about the extent to which the apparent deterioration in the quality of banks' international assets has affected the strength of their major banks and, to some extent, also the stability of the international financial system. Efforts are underway to improve the assessment of the riskiness of international loans and the evaluation of banks' true capital position in light of changes in the quality of international claims. Supervisors in several financial market countries are pressing banks to reflect in their balance sheets the deterioration in their international assets through the formation of specific loan loss provisions or even write-offs. These supervisors are, however, aware also of the need for significant net bank lending flows to developing countries which continue to put in place adjustment programs, often with the Fund's support and frequently involving bank debt rescheduling arrangements.

The banks' willingness to continue international lending on a significant scale will depend however not only on the steps taken by the supervisory authorities per se. For example, the tax treatment that special provisioning or write-offs for sovereign risks receive will be of crucial importance for banks' future attitudes toward increases in their international exposure in certain countries. Moreover, as discussed in the paper on "International Capital Markets--Developments and Prospects, 1983 (SM/83/74, 5/10/83), banks' management have become increasingly subject to pressures from shareholders since the bank debt situation has found the attention of the press and increased public disclosure of banks' international lending was mandated in some countries.

The supervisory response to the international debt situation has differed considerably among countries, but important similarities can also be found in the emphasis placed on improved risk assessment and questions of loan loss provisioning. Some supervisory agencies are currently waiting to see how the banks and their external auditors are responding on the latter issue in their own balance sheet preparations and have so far only stated some general principles to assist banks in forming their judgments. In some instances the attention of the national legislature is also currently focusing on the question of international lending and other supervisory issues. Moreover, the supervisory response in various countries reflects also sharply increased potential or actual losses on domestic loans, which also have affected the financial position of the banks headquartered therein.

The trend in supervisory actions affecting the formation of prudential reserves against sovereign and transfer risks and their

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1/ Transfer risk refers to the possibility that an otherwise solvent nonsovereign debtor will be prevented from meeting international obligations due to a lack of access to foreign exchange.

link to the adequacy of banks' capital positions are discussed below. Other, related issues relate to the need for better collection and dissemination of information to supervisors and the public, the further strengthening of international supervisory cooperation, and banks' country risk assessment.

b. Provisioning and capital adequacy

The deterioration in the quality of banks' (international and domestic) assets has heightened the concern of supervisors, and also of bank management, about capital adequacy. Quite aside from any movements in formal capital asset ratios, discussed in the main paper 1/, banks' capital strength deteriorates pari passu with the quality of banks' assets. In many financial market countries, the supervisory response to the widespread emergence of international debt servicing problems has therefore focused to a large extent on the matter of banks provisioning against specific country risk, to correct the banks' capital position for changes in the quality of such claims.

Banks headquartered in most of these countries were not permitted, until recently, to specifically make tax-deductible provisions for sovereign lending and transfer risks. In response to recent events, however, there was an important change in supervisory attitudes. Banks are now generally permitted, encouraged, or even required to set aside provisions for cross-border risk. To the extent that retained earnings or capital are redesignated as specific provisions, the measured capital asset ratio generally will be reduced, reflecting that the deterioration in the quality of banks' assets has weakened the banks. However, the creation of write-offs or specific provisions once such deterioration had occurred does not imply that banks are in a weaker position than if they had continued to carry their quality-impaired loans at full value. The ability and willingness of banks to set aside loan loss reserves will depend on both their earnings position and the tax treatment such provisions receive.

There are important accounting differences in the treatment of specific provisions against sovereign risk. These differences appear both across countries and also among published accounts, tax accounts, and supervisory accounts. In some cases assets are written down, i.e., shown at less than face value. In other instances an offset is provided on the liability side while the assets continue to be shown at full value. In some countries, the authorities have encouraged the banks to consider an "earmarking" of part of the general or "hidden" reserves as provisions against country risk.

Insofar as bank supervisors are suggesting or mandating specific provisionings, their judgment does not appear to reflect primarily

1/ International Capital Markets--Developments and Prospects, 1983 (SM/83/74, May 10, 1983).

whether or not a country has engaged in a debt rescheduling exercise, but is based on the performance of the assets, i.e., the extent to which delays are being experienced with regard to interest and principal payments.

In most cases, specific guidelines for provisioning against country risk have not yet been issued, although these are under consideration by regulatory agencies, legislators, and tax authorities in a number of countries. The tax treatment such provisioning receives will be of great importance for banks' attitude toward further international lending, particularly to developing countries. Aside from some of the less recent reschedulings, regulators generally feel that the uncertain balance of payments prospects in many borrowing countries preclude at this stage the issuance of clear cut recommendations or requirements. On the other hand, particularly in countries where the earnings of banks have strengthened significantly in 1982, regulators have generally encouraged banks, often strongly, to make adequate provisions against country risk rather than to increase their dividends. Nonetheless, only in exceptional cases were quantitative guidelines regarding provisioning for specific sovereign risk issued so far.

In general, supervisory agencies do not expect uniformity in the approach taken by their banks to specific country risk provisioning, in part because of the different composition of debt of the individual banks, and also because of differences in banks' earning positions. In the absence of specific legislative or administrative requirements, most supervisory authorities appear prepared to judge the adequacy of specific provisioning in light of a bank's overall situation, including its capital position, general reserves, and hidden reserves. The latter are not shown in the published accounts, but generally are known to the auditors and supervisory authorities.

The overall response of banks to these recommendations by the supervisory agencies remains still uncertain, as some banks' 1982 balance sheets are just being finalized or are not yet available, and as the question of tax treatment of specific provisions against country risk remains unresolved in several countries. There are, however, indications of a large increase in provisioning against domestic risks in some of the 1982 balance sheets already published. Moreover, in many countries, banks have set aside significant provisioning against country risk, often for the first time. Although these provisions are generally large relative to bank earnings, so far they appear to involve bank loans extended to only a quite limited number of countries. There are important differences in the extent of provisioning, depending on the nationality of the bank. Even within a country, banks' provisions against risk for identical sovereign borrowers are far from uniform. As a result, provisions taken by major international banks against the poorest sovereign risks are currently ranging from zero to 100 per cent, although provisions in excess of 50 per cent appear to be relatively scarce. Sharply improved gross earnings and strong supervisory encouragement, combined with generally favorable tax treatment of specific provisions, appear to have led major continental European banks to make relatively larger country risk provision and against a somewhat wider range of countries than banks in other countries. Aside from the important aspect of tax treatment, these banks generally also face less pressures from shareholders to pay large dividends. Indeed, despite improved earnings, some continental European banks are foregoing increases in dividends altogether to strengthen country risk provisions and shelter profits from taxation. In Japan, however, banks are being asked to set aside provisions against sovereign risks out of after-tax profits.

Over the last decade, banks' international assets have grown much faster than domestic assets or capital, and these assets are largely concentrated on a few major borrower countries experiencing debt servicing difficulties. Furthermore, the majority of these claims are held by a relatively small number of major international banks. For some of these banks, it is known that claims on the largest borrower countries experiencing debt servicing difficulties amount to a very high proportion of the banks' capital. Consolidated reporting suggests that for some banking systems a significant part of international lending has taken place through subsidiaries which, in some instances, were not constrained by the prudential ratios applying to the parent banks. In addition, for banks whose international assets are largely denominated in dollars, but whose capital is denominated in the national currency of the bank's domicile, the strengthening of the dollar in 1982 against many national currencies resulted in an increase in the balance sheet value of dollar-denominated assets relative to banks' capital funds. At the same time, the generally weak bank equity market of the past two years has made it difficult and expensive for banks to increase their capital base through share issues, although this may have changed in recent months as the price of bank stocks rose sharply in some countries.

The redesignation of bank capital or retained earnings as special reserves or provisions against increased commercial and sovereign risk tends to slow the growth of bank capital or limits the banks' ability to increase dividends--and thus to access the equity markets--or both. Although at present few banks are actually seriously constrained in their lending activities by formal capital-asset ratios (or other supervisory limits), concern about capital adequacy contributes to the banks' current cautious attitude toward the rate of further asset growth--particularly of less profitable loans. Bank supervisors in many countries have increasingly encouraged banks to strengthen their capital position by increasing retained earnings as bank profitability improves. Concerns about capital adequacy were also voiced on an international level by the Basle Committee on Banking Regulations and

Supervisory Practices (Basle Committee) which in 1982 recommended that the erosion of capital ratios should be resisted on prudential grounds and that the capital of major banks should not be permitted to deteriorate from their present levels. In several countries, however, banks were able to improve their capital-asset ratios through the issuance of subordinated debt. In other countries, subordinated debt is not considered to be part of bank capital for the fulfillment of solvency ratios.

c. Funding risk

Banks in some countries have been encouraged by their supervisors to reduce their funding risk, particularly in foreign currencies, by issuing medium-term floating rate debt. As interest rates began to decline in 1982, some banks were able to obtain medium-term floating rate funding by issuing fixed rate obligations and swapping the proceeds with a nonbank borrower which had issued floating rate debt. Many of these so-called interest rate swap operations were also combined with currency swap operations. Until recently, banks whose fixed rate debt instruments were well accepted in the market have been able to use this technique to obtain floating rate funding at favorable rates. While these operations are innovative, and have assumed some importance as a source of medium-term finance for a number of international banks, it is expected that their role will be limited in amount and duration. This expectation partly reflects that these swap operations require the matching of maturity and currency needs of various borrowers and creditors, as well as the persistence of a better relative reception of banks' fixed rate issues in the bond markets than for corporate borrowers. The development of these techniques not only reflects changes in capital market conditions, but also increased concerns of funding risks in the interbank market by some nondollar based banks and smaller banks in general. Such concerns were heightened by the recent disturbance in the interbank market which resulted in significant tiering and the market's re-evaluation of prudent limits on interbank lines. The supervisory authorities in several countries have given more attention to maturity mismatch in international lending and in a few cases where there are administrative guidelines, these have been tightened.

d. Dissemination of information

The emergence of payments difficulties in major market-borrowing developing countries and their resolution through debt restructuring operations has served to underscore the need for more complete disclosure to bank supervisors of the sovereign risk, and other risks associated with international operations, borne by individual banks. In addition, the considerable public attention focused on international debt difficulties has heightened awareness of sovereign risks on the part of shareholders and depositors. The issue of consolidated reporting of banks' exposure, i.e., including operations of branches and subsidiaries, remains of primary importance to bank supervisors.

As a result of changes introduced in recent years, banks in many countries already are required to provide consolidated balance sheets to their supervisors and in some others these provisions were strengthened in the course of 1982. In Germany, banks are currently reporting consolidated data on the basis of a "gentleman's agreement" with the bank supervisors, based on the expectation that such reporting will soon be mandated under an amendment to the Banking Law. In a number of countries banks were required, in 1982, to report their individual country exposure to bank supervisors, or to increase the frequency and comprehensiveness of such reporting. In some countries, banks must report also their country limits and the unutilized portion thereof.

There is even less uniformity with regard to approaches pursued in various countries as far as increasing the transparency of international lending to bank shareholders and depositors is concerned. For example, during the past year, banks in the United States have been required to increase public disclosure of some of their international exposure, and additional steps may be taken in the near future. In Canada, banks were advised to disclose publicly some geographical distributions of international claims. However, supervisors in some other countries feel that increased market transparency would not prove helpful. They believe that it would not be possible for banks to disclose sufficiently detailed information so as to allow an adequate evaluation of the riskiness of a specific bank's portfolio. In their view responsibility for such an evaluation must ultimately rest with the bank supervisors and the banks' own auditors.

e. International cooperation

Although international cooperation in the area of bank supervision has progressed greatly over the past decade, developments in international capital markets over the past year have posed new challenges for the international coordination of bank supervision. These issues were examined by the Basle Committee on Banking Regulations and Supervisory Practices, with the goal of issuing in mid-1983 a somewhat revised version of the Basle Concordat of 1975. 1/ The collapse of an international financial conglomerate in 1982 (Banco Ambrosiano Holding (Luxembourg)), highlighted the need to define the responsibility of bank supervisors regarding new forms of organization of international banking activities, such as bank holding companies, and it is expected that the revised Concordat will clarify this issue. Regarding the supervisory role vis-a-vis foreign branches and subsidiaries of banks, it is likely that the Basle Committee will recommend that the host authority be responsible for the liquidity position of the bank's

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1/ For a description of the original Concordat, see International Capital Markets, Developments and Prospects, 1982, Occasional Paper No. 7 (July 1982). A summary and discussion is contained in Aspects of the International Banking Safety Net, Occasional Paper No. 17 (March 1983).

local agency, but that the responsibility for supervision of solvency rests with the parent authority. Finally, it is also expected that the revised Concordat will make explicit that the Concordat is an agreement on supervisory responsibilities and cooperation, and does not include any appointment of "lender of last resort" responsibility.

There has been further progress in enlarging the number of countries whose banking supervisors are in mutual contact and who are working toward harmonization of supervisory practices. Institutionally, there were further meetings in 1982 of the group of offshore banking supervisors which was founded in 1980. The most tangible result of international cooperation in recent years was the general acceptance and far-spread implementation of the Basle Committee's recommendations that bank solvency be evaluated on a consolidated basis. Steps are being taken in a number of countries to permit a greater exchange of information among supervisors and improved reporting by branches and subsidiaries to their parent banks. Another important issue currently under study by the Basle Committee relates to the question of capital adequacy. The objective is to arrive at a common view of what constitutes bank capital (with particular attention to the treatment of subordinated debt), the status of hidden reserves and the usefulness of various ratios of balance sheet items to capital for prudential purposes. The European Community is also developing observation ratios for banks with a view to monitoring banks' solvency, liquidity and profitability, and trial calculations have been carried out.

f. Country risk assessment

Various aspects of prudential bank supervision were discussed at length in a recent paper. 1/ Another issue touched upon was country risk and sovereign lending. The issue is how and to what extent can or should the evaluation of the quality (and changes therein) of banks' international assets be brought directly under the purview of the supervisory authorities. By and large the national authorities have wished to avoid norms or guidelines, formal or informal, which would affect banks' decisions on lending to specific countries and the scale and direction of amounts thus committed. The generally accepted precept is that banks should make their own lending judgments--taking into account risk-adjusted rates of return--and must be responsible for them. Nevertheless, the supervisors are responsible, inter alia, for assessing the quality of banks' total assets, including loans with cross-border risk. Up to now, the majority of supervisory authorities have viewed the problem as one of ensuring that their banks have adequate internal procedures to manage such risk and sufficient information on which to base their lending decisions. This general approach has been endorsed by the Basle Committee.

1/ Aspects of the International Banking Safety Net, Occasional Paper No. 17 (March 1983).

Some further initiatives in this general area have been taken in recent years. In the United States, countries borrowing (over minimum amounts) from U.S. banks were placed in categories with differing notional guidelines on what could be considered "excessive" exposure in relation to capital/reserves for each category. Exposures which exceeded these norms were listed on examination reports and thus brought to the attention of bank management. In various circumstances, these reports also included a note on the economic circumstances of particular countries where exposure concentrations were indicated. This in turn required that senior supervisors be given country briefings by an interagency review committee. It would not appear that this system, which is unique, greatly affected the international lending decisions of the major U.S. banks or the degree of any exposure concentration.

In another country, informal guidance was that outstanding medium- and long-term loans to any country should not exceed a (flat) proportion of banks' capital. In others, there are legal lending limits to any one borrower, but these are mainly an extension of limits on domestic lending operations rather than focusing specifically on cross-border risk. In some countries, including a few with formal capital asset ratios, there are weighting procedures for risk assets under which some cross-border claims are given higher weights. And in several countries (among all of the above), the contact between the banks and the responsible authorities provides at least some basis for an informal exchange of views on specific cross-border lending risks.

Undoubtedly, ideas will evolve in this area over time, particularly in light of events of the past year as regards the emergence of serious payments difficulties by a number of borrowing countries. But it is likely that any change will be gradual. One area which could be strengthened is the provision of information to examiners (auditors, etc.) on individual borrowing country situations by the national authorities; over time this could provide the basis for such an exchange of views by supervisory agencies at the international level.

Banks themselves have reacted to recent developments by strengthening their own internal anlytical capabilities and management procedures for sovereign risks. Moreover, as discussed in the main paper, toward the end of 1982 major international banks began to organize an international institute to provide its members with improved economic and financial information concerning major borrower countries in international markets. In early 1983, this "Institute of International Finance" was established in Washington, D.C. and a large number of banks have been invited to join. The declared purpose of the Institute will be to gather country economic information; to discuss with borrower countries their economic plans and financing needs; and to serve as a forum for dialogue between the international banking community and multilateral institutions, central banks, and supervisory agencies. The founding of this institute is symbolic of banks' increased awareness and concern with questions of cross-border risks and of the initiatives they are taking to improve risk management in the light of recent experience.

II. Developments in International Bond Markets

1. Introduction

Since the fourth quarter of 1981, international markets have witnessed historically high rates of bond issuance. During 1982, total international bond issues rose by 50 per cent with Eurocurrency bond issues increasing by over 75 per cent, and foreign bond issues by 18 per cent. 1/ Investor demand for new issues was stimulated by the prospect of declining long-term interest rates, the reappearance of a positively sloped yield curve, and the continuance of high *ex post* real yields, especially on longer term bonds. The supply of new issues was generated by the financing needs of the fiscal authorities in many of the industrial countries, the desire of private corporations to secure longer term sources of finance, and the borrowing programs of the various multinational institutions. Most of the borrowers and lenders in the international bond markets were from the industrial countries, and the non-oil developing countries were generally absent from the bond market, especially during the second half of 1982 and the first quarter of 1983.

The U.S. dollar continued to serve as the primary currency of denomination. Bond maturities did not change significantly in most markets; but, where some change was observed, it mainly took the form of a movement away from both short-term and long-term bonds into medium-term instruments. A number of new bond market instruments and new funding techniques appeared. Examples were interest rate swaps that involved the exchange between borrowers of fixed rate debt for floating rate debt, extendable bonds which offered the option of changing the maturity of the bond, and partially paid and deferred payment bonds. The latter appealed to investors expecting declines in nominal interest rates. These new instruments, along with the continued utilization of the traditional straight debt instruments, were all designed to further increase the attractiveness of longer term bonds for investors and to enable borrowers to access various national bond markets.

The higher level of bond market activity resulted in a significant increase in the real 2/ value of bonds issued and in the importance of bond financing relative to international bank lending. For the first

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1/ Foreign bonds are issued by a borrower who is of a nationality different from the country in which the bonds are issued. Such issues are usually underwritten and sold by a group of banks of the market country and are denominated in that country's currency. In contrast, Eurocurrency bonds are those underwritten and sold in various national markets simultaneously, usually through international syndicates of banks.

2/ The real value of bonds issued equals the nominal value of bond issues adjusted for the increase in the general price level.

time in almost a decade, the real level of bond issuance rose above the previous peak of $29 billion in 1976 to reach $35 billion in 1982. At the same time, the ratio of international bond issues to international bank lending rose from a low of 18 per cent in 1980, and 22 per cent in 1981, to 61 per cent in 1982. To a large extent, this reflected an absolute decline in bank lending in 1982. During the first quarter of 1983, the total issuance of international bonds actually exceeded publicized international bank lending commitments.

The remainder of this section is composed of two major subsections. The first examines the state of the foreign and Eurobond markets during late 1981 and 1982. There is a discussion of the behavior of interest rates, the levels of foreign and Eurobond issuance, the currency composition of international bonds, bond maturities, and the types of bonds employed in the various markets. The second subsection takes a somewhat longer term perspective and compares the 1981-82 performance with that experienced during the 1970s. This includes an examination of the macroeconomic factors which led to the deterioration of the bond markets during the last decade and is followed by a discussion of whether conditions now exist for a continuation of the 1981-82 recovery of bond market activity.

2. The 1982 experience

Following the issuance of $9.6 billion of international bonds in the last quarter of 1981, an additional $46.4 billion were marketed in 1982. Nominal interest rates declined in 1982, especially during the second half of the year. However, since inflation rates also fell by roughly the same extent, real interest rates in many countries remained at levels high enough to attract considerable investor interest in bonds. In part reflecting the market's response to the debt servicing problems of certain developing countries, the position of developing country issuers deteriorated noticeably. The majority of purchasers in the bond markets were from the industrial countries and consisted largely of institutional investors seeking relatively safe assets. Bond maturities did not change greatly, but several new types of bonds were issued.

3. Interest rates

Charts 5 and 6 and Appendix Table III-17 illustrate the interest rate movements that occurred in the major financial markets during 1982. While nominal interest rates did not show a definite trend in a number of short- and long-term markets during the first half of the year, they generally remained below the peak levels witnessed in 1981. From July 1982 onward, however, there was a downward trend in nominal interest rates that was most pronounced in the short-term markets. In the United States, for example, interest rates on three-month certificates of deposit fell from 15.5 per cent in June 1982 to 9.5 per cent in December 1982. In most longer term markets, there were much more limited declines of from 2 to 3 per cent leading to the re-emergence of a positive yield curve. This decline in interest rates reflected a variety of factors, including the impact of lower rates of inflation, moves toward relatively less restrictive monetary policies in some industrial countries, and the low level of real activity in the world economy. As shown in Appendix Table III-16, however, the declines in inflation generally matched or exceeded the reductions in interest rates which kept ex post real interest rates at near record levels. Some possible explanations for the persistence of these high real rates is discussed in the second part of this section.

4. Foreign bonds versus Eurobonds

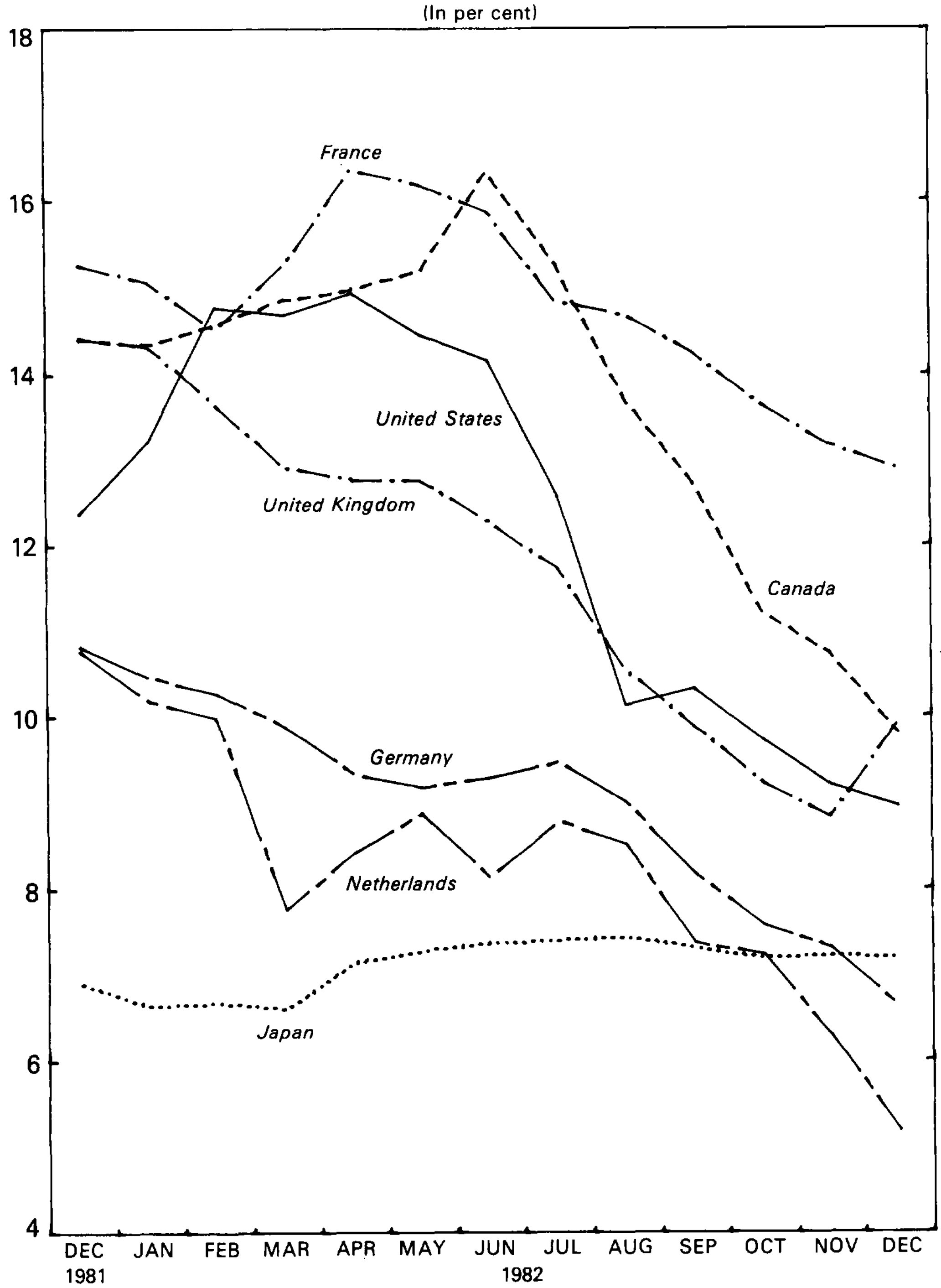
International bond issues (i.e., the sum of foreign and Eurobond issues) increased by nearly 50 per cent in 1982 following a 26 per cent increase in 1981. Borrowers in industrial countries accounted for 80 per cent of total issues, international organizations for 15 per cent, and developing countries for 5 per cent. The access of individual developing countries to the market is shown in Table III-18. Most of these developing country issues took place during the first half of the year, and there was a significantly lower level of issuance in the August to December period. The major issuers during the year were Indonesia, Malaysia, Mexico, and South Africa. The continuing absence of developing country issues from the bond markets was amply demonstrated by the fact that, during the first two months of 1983, South Africa was the only developing country issuer (for $42 million) in the Eurobond market. During the same period, industrial country issuers marketed over $8 billion of bonds. The sharp increase in bond issues during 1981 and 1982 resulted in higher global net flows through the bond markets, after account is taken of redemptions. International bond issues, net of redemptions, rose from $28 billion in 1980 to $37 billion in 1981 and further to $58 billion in 1982. These increased net flows went primarily to industrial countries and international organizations, while net flows to developing countries remained basically unchanged at very low levels as redemption rose sharply in 1981 and 1982. Although data on redemptions are incomplete, on present trends, redemptions by developing countries are likely to exceed bond issues in 1983.

While foreign bond issues rose from $21.3 billion in 1981 to $25.1 billion in 1982, Eurobond sales expanded even more rapidly from $26.5 billion in 1981 to over $46.4 billion in 1982 (Table II-1). The increased issuance activity took place throughout the year, but the highest levels of Eurobond issues took place in the second quarter ($13.4 billion) and for foreign bond issues in the third quarter of 1982 ($7.8 billion). Most foreign bonds were issued by industrial country borrowers ($17.0 billion) and international organizations ($7.4 billion). The proportion of foreign bonds accounted for by these two groups rose from 94 to 97 per cent between 1981 and 1982. This change encompassed a fall in the share of bond issues for the industrial countries between 1981 and 1982 from 71 to 68 per cent, and a rise in the share of issues by international organizations from

CHART 5

DOMESTIC MONEY MARKET RATES, 1982

(In per cent)

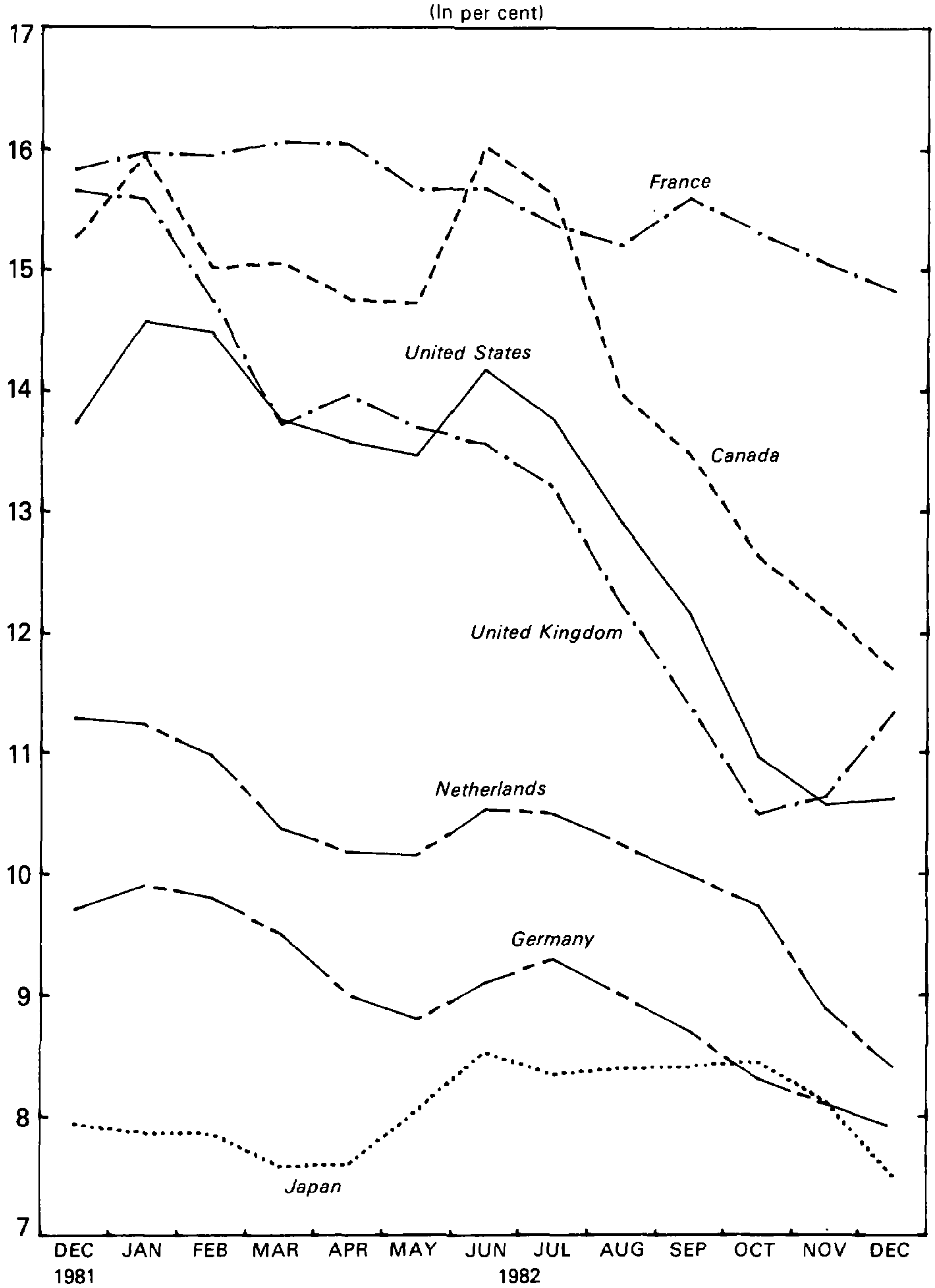


Source: IMF, *International Financial Statistics.*

CHART 6

DOMESTIC LONG-TERM INTEREST RATES, 1982

(In per cent)



Source: IMF, *International Financial Statistics.*

Table II-1. International Bond Issues and Placements, 1977-82 1/

(In millions of U.S. dollars)

	1977	1978	1979	1980	1981	1982
Foreign bonds						
Industrial countries	10,157	13,057	12,301	11,465	15,023	16,992
Developing countries	1,609	2,584	1,668	773	1,213	725
Oil exporting	333	571	105	46	243	38
Non-oil developing	1,276	2,013	1,563	727	970	687
Centrally planned economies 2/	6	--	43	--	--	--
International organizations	4,748	5,706	6,959	5,716	5,025	7,415
Other	90	196	134	2	18	17
Total foreign bonds	16,610	21,543	21,105	17,956	21,279	25,149
Eurobonds						
Industrial countries	13,167	9,832	14,214	16,934	21,673	40,182
Developing countries	2,617	3,183	1,885	1,353	2,246	2,973
Oil exporting	453	1,082	329	132	70	275
Non-oil developing	2,164	2,102	1,556	1,221	2,176	2,698
Centrally planned economies 2/	249	30	30	50	--	--
International organizations	2,412	2,719	3,064	1,711	2,487	3,280
Other	1,040	176	344	1	80	--
Total Eurobonds	19,484	15,939	19,537	20,049	26,486	46,435
International bonds						
Industrial countries	22,374	23,324	22,889	28,399	36,696	57,174
Developing countries	2,092	4,225	5,767	2,126	3,459	3,698
Oil exporting	177	786	1,653	178	313	313
Non-oil developing	1,915	3,439	4,114	1,948	3,146	3,385
Centrally planned economies 2/	72	256	30	50	--	--
International organizations	8,256	7,160	8,425	7,427	7,512	10,695
Other	517	1,130	371	3	98	17
Total international bonds	34,311	36,094	37,482	38,005	47,765	71,581

Sources: World Bank, Borrowing in International Capital Markets; and Organization for Economic Cooperation and Development, Financial Statistics Monthly.

1/ The country classifications are those used by the Fund.
2/ Excluding Fund member countries except Hungary, which became a member in mid-1982.

24 to 29 per cent. In view of the market's concern regarding the debt servicing difficulties of a number of developing countries, their share of foreign bond issues fell from 6 to 3 per cent. The decline in foreign bond issuance by developing countries was especially sharp for the oil exporting countries (from $243 million in 1981 to $38 million in 1982).

Industrial country borrowers were the largest issuers of Eurobonds, and total issuance by this group nearly doubled during the year, rising from $21.7 billion in 1981 to $40.2 billion in 1982. This volume of issuance raised the proportion of Eurobonds accounted for by industrial country issuers to 87 per cent in 1982 from 82 per cent in 1981. While the amount of Eurobonds issued by developing country borrowers rose from $2.2 billion in 1981 to $3 billion in 1982, almost two thirds of this activity took place in the first half of 1982. The share of developing countries in total bond issuance fell from 8 to 6 per cent between 1981 and 1982. The share of international organization issues declined from 9 to 7 per cent of the total market even though their total issues grew from $2.5 billion in 1981 to $3.3 billion in 1982.

5. Currency composition

The currency composition of international bonds reflected, in part, the expectations of borrowers and lenders regarding the future movements in interest rates, inflation, and exchange rates. Throughout 1981 and 1982, prevailing expectations generally worked to create a strong preference by investors for Eurobonds denominated in U.S. dollars. While the movement toward denominating bonds in U.S. dollars can be observed in the recent data on the issuance of total international bonds, this trend primarily reflects developments in the Eurobond market rather than in the foreign bond markets.

In the foreign bond markets, the currency composition was strongly affected by the 20 per cent decline in the issuance of foreign (Yankee) bonds in the United States (Table II-2). In part, this was due to the fact that during the first and fourth quarters of 1982, a number of firms found it somewhat less expensive to issue in the Eurodollar bond market due to strong investor demand for Eurodollar instruments. As a result, the proportion of foreign bonds denominated in U.S. dollars fell from 36 per cent in 1981 to 24 per cent in 1982. However, the importance of Swiss franc-denominated bonds in total foreign bond issues rose from 38 per cent in 1981 to 49 per cent in 1982, and the share of deutsche mark-denominated foreign bonds increased from 6 to 8 per cent during the same period.

In the Eurobond markets, in contrast, new issuance of U.S. dollar-denominated bonds rose from $21.3 billion in 1981 to $38.7 billion in 1982 (Table II-3). The share of dollar-denominated bonds in total Eurobonds thus increased from 80 to 83 per cent between 1981 and 1982. 1982 was also the first year in which issues of dollar-denominated Eurobonds surpassed the issue of U.S. domestic corporate bonds. Many

Table II-2. Foreign Bond Issues and Placements by Market Country, 1977-82

(In millions of U.S. dollars)

	1977	1978	1979	1980	1981	1982
Austria	--	29	100	81	--	--
Belgium	43	148	161	63	54	45
France	62	231	365	263	89	221
Germany, Federal Republic of	1,511	1,677	2,296	4,952	1,190	2,109
Japan	1,394	4,687	2,985	1,543	2,723	3,301
Luxembourg	80	206	218	200	131	140
Netherlands	182	352	466	325	485	854
Saudi Arabia	645	246	86	123	--	--
United Kingdom	--	56	--	178	913	1,129
Switzerland	4,959	7,553	9,637	7,470	8,118	11,325
United States	7,688	6,359	4,602	2,736	7,576	6,025
Other countries	66	--	189	22	--	--
Total	16,610	21,542	21,105	17,956	21,279	25,149

Sources: World Bank, Borrowing in International Capital Markets; and Organization for Economic Cooperation and Development, Financial Statistics Monthly.

Table II-3. Total Eurobond Issues and Placements by Currency of Denomination by all Countries, 1977-82

(In millions of U.S. dollars; and in per cent)

	1977		1978		1979		1980		1981		1982	
	Total amount	Per cent	Total amount	Per cent	Total amount	Per cent	Total amount	Per cent	Total amount	Per cent	Total amount	Per cent
Deutsche mark	5,215	26.8	6,531	41.1	5,881	30.1	3,457	17.2	1,374	5.2	3,253	7.0
French franc	--	--	103	0.6	374	1.9	883	4.4	533	2.0	--	
Japanese yen	111	0.6	79	0.5	184	0.9	301	1.5	410	1.5	598	1.3
Netherlands guilder	363	1.9	384	2.4	308	1.6	549	2.7	417	1.6	618	1.3
U.S. dollar	12,336	63.3	7,643	48.1	11,095	56.8	13,299	66.3	21,252	80.2	38,678	83.3
Composite currency units	34	0.2	235	1.5	413	2.1	100	0.5	748	2.8	835	1.8
European currency units	--	--	--	--	--	--	--		236	0.9	823	1.8
European unit of account	34	0.2	203	1.3	306	1.6	80	0.4	126	0.5	12	--
Special drawing right	--	--	32	0.2	107	0.5	20	0.1	386	1.5	--	
Canadian dollar	654	3.3	--	--	468	2.4	270	1.3	688	2.6	1,200	2.6
Kuwaiti dinar	130	0.7	481	3.0	384	2.0	26	0.1	387	1.5	161	0.3
Pound sterling	221	1.1	287	1.8	291	1.5	976	4.9	538	2.0	798	1.7
Saudi Arabian riyal	103	0.5	95	0.6	--	--	--		--		--	
Austrian schilling	--	--	--	--	--	--	80	0.4	--		--	
Norwegian krone	--	--	--	--	--	--	101	0.5	53	0.2	31	0.1
Other currencies	317	1.6	52	0.3	139	0.7	7	--	86	0.3	263	0.6
Total	19,484	100.0	15,890	100.0	19,537	100.0	20,049	99.8	26,486	99.9	46,435	100.0

Sources: World Bank, Borrowing in International Capital Markets; and Organization for Economic Cooperation and Development, Financial Statistics Monthly.

investors found Eurodollar bonds quite attractive. Aside from high coupon rates, this was also due to the prospect of capital gains reflecting expectations of future appreciation of the U.S. dollar relative to other currencies, and of declines in U.S. interest rates. The prospect of these capital gains allowed borrowers to issue bonds at a somewhat lower relative interest cost in the Eurodollar market than in other bond markets. The general attractiveness of dollar-denominated bonds is illustrated by the fact that, for the sum of foreign and Eurobond issues, the share of dollar-denominated bonds rose from 60 to 62 per cent between 1981 and 1982, despite a sharp decline in issuance of Yankee bonds. The share of dollar-denominated bonds in total international bonds thus increased from 37 to 62 per cent between 1978 and 1982 (Appendix Table III-19).

International bonds denominated in deutsche marks increased in relative importance during 1982, but did not return to the relative position they had held in the late 1970s. Foreign bonds denominated in deutsche marks almost doubled, rising from $1.2 billion in 1981 to $2.1 billion in 1982. Deutsche mark Eurobonds increased from $1.4 billion in 1981 to $3.3 billion in 1982, thereby raising the share of deutsche mark-denominated Eurobonds from 5 to 7 per cent of total Eurobond issues. The share of deutsche mark-denominated bonds in total international bonds thus rose from 5 to 8 per cent between 1981 and 1982. To some degree, developments in 1982 reflected the absence of informal actions taken at various times during 1981 to limit issuance of nonresident bonds denominated in deutsche marks when the German authorities regarded the current account position as weak. However, the share of deutsche mark-denominated bonds in total international bonds is still well below the 20-22 per cent share achieved in 1978-80.

The relative share of foreign and Eurobonds denominated in Japanese yen, which had increased in 1981 to 6.6 per cent of total issues, fell to 5.4 per cent in 1982. This decline occurred despite the fact that issues of foreign bonds denominated in Japanese yen rose from $2.7 billion to $3.3 billion between 1981 and 1982, and Euro-yen bonds increased from $4.2 billion to $6.2 billion. Much of this increased issuance activity was a result of the relatively low level of nominal interest rates on Japanese capital markets during much of 1982.

The use of other major currencies or various international units of account as the currency of denomination was much less significant. Only the relative share of bonds denominated in the Netherlands guilder rose from 1.9 per cent in 1981 to 2.1 per cent in 1982. The relative shares of bonds denominated in other currencies declined. Bond issues denominated in European Currency Units (ECUs) rose from $236 million in 1981 to $823 million, reflecting the strengthening of the general market acceptance for ECUs, including the emergence of a variety of instruments with different maturities and the establishment of an interbank clearing market for ECU instruments. While $408 million of Eurobonds denominated in SDRs were issued in 1981, there were no such issues during 1982. This reflected a general lack of investor interest.

6. Type of bond

Table II-4 provides some information on the recent evolution of the type of bond utilized in international bond markets. In the Eurodollar market, there has been a notable increase in the use of the traditional straight debt instrument during recent years. 1/ After accounting for only 53 per cent of all Eurodollar bonds in 1980, the share of this type of issue increased to 68 per cent in 1982. Although floating rate notes are still one of the primary Eurobond instruments, their share in total Eurodollar bond issues declined from 36 per cent in 1979 to 29 per cent in 1982. Convertible issues, 2/ which had represented 14 per cent of all issues in 1980, constituted only 3 per cent of total bond issues in the most recent period. The increasing importance of straight debt issues reflects in part the fact that these instruments produce the most significant capital gains during periods of declining nominal interest rates. In addition, the role of straight debt issues has been enhanced by the high level of bond issuance by sovereign borrowers and international organizations which typically have preferred these instruments. If expectations of further declines in interest rates persist, straight debt issues will continue to be quite attractive to investors during 1983. Given the strengthening of activity and prices in the equity markets in many major countries, there also may be more convertible bond issuance in 1983 than in 1982.

7. Bond maturities

The recovery of bond issuance during 1981 and 1982 has not been accompanied by a significant increase in bond maturities (Table II-5). In most markets, the percentage of bonds which have a maturity of more than ten years declined or at best remained unchanged between 1981 and 1982. There was also some movement out of shorter term (less than five-year) maturities into medium-term (six-year to ten-year) instruments. As will be discussed later, the absence of greater maturity transformation reflects investors' preferences in view of large uncertainties regarding future movements in exchange rates, interest rates, and inflation.

1/ A straight debt bond can be defined as a negotiable certificate of indebtedness sold by an issuer, promising to pay the holder its face value plus fixed amounts of interest at future dates.

2/ This is a bond convertible at the holder's option into shares in, or owned by, the issuing company or shares in a related company.

Table II-4. International Bonds, by Types,
Selected Eurobonds, 1979-82

(In per cent of total)

	1979	1980	1981	1982
Eurodollar bonds				
Straight	57	53	57	68
Floating rate notes	36	33	33	29
Convertibles	7	14	10	3
Swiss franc bonds				
Foreign straight and floating rate notes	--	85	85	87
Foreign convertibles	--	15	15	13
Eurodollar bonds issued by U.S. borrowers				
Straight	65	71	83	90
Floating rate notes	29	8	9	8
Convertible	6	21	8	2
Eurodollar bonds issued by Canadian borrowers				
Straight	100	88	92	86
Floating rate notes	--	7	--	12
Convertible	--	5	8	1

Source: Salomon Brothers, Inc., International Bond and Money Market Performance.

Table II-5. Maturity Profile of International Bonds in 1981-82

(In per cent)

Currency of Denomination	0 - 5 years		6 - 10 years		11+ years	
	1981	1982	1981	1982	1981	1982
U.S. dollar	25	20	54	59	21	21
Canadian dollar	35	21	58	79	7	0
Deutsche mark	12	11	82	81	6	8
Japanese yen	0	2	24	69	76	29
Pound sterling	41	32	2	27	57	41
Swiss franc	32	36	64	60	4	4
Netherlands guilder	37	39	35	48	28	13

Source: Salomon Brothers, Inc., International Bond and Money Market Performance.

8. Bond market developments in the 1970s and the 1981-82 bond market recovery

The record levels of bond market issuance during late 1981 and 1982 were part of a recovery from almost a decade-long decline in the real level of activity in international bond markets during the 1970s. This section first briefly summarizes the reasons for this development in bond market activity, especially in the late 1970s, and then examines the reasons for the upturn during 1981 and 1982. There is also a discussion of factors likely to influence future bond issuance activities.

As noted in Appendix II of last year's report, 1/ the typical borrower's decision to issue international bonds as opposed to using an alternative source of domestic or foreign credit reflects the risk-return characteristics of different types of instruments as well as official regulations affecting certain types of capital flows. During the late 1970s, in particular, high levels of inflation, greater variability of interest rates, exchange rates and inflation, and large capital losses on fixed interest rate securities made holding of many types of financial assets less attractive. In the international bond markets, this was reflected in a decline in the real volume of bond issuances, higher real interest rates, declining bond maturities, and a redistribution of a portion of the risk of interest rate variability from the investor to the issuer through instruments such as floating rate notes.

Table II-6 presents three measures of the level of real activity in international bond markets during the period since 1975. Since the net issuance of international bonds is measured in current U.S. dollars, the nominal value of bonds must be adjusted for the general rise in the price level in order to capture the real level of activity. Item 1 in Table II-6 represents the results of deflating the U.S. dollar value of net bond issues by the U.S. GNP deflator. Measured in terms of 1975 prices, Eurobond issuance declined almost continuously from $29 billion in 1976 to $20 billion in 1980. There was a recovery of real activity during the next two years, with net real bond issuance rising to $24 billion in 1981 and $35 billion in 1982. An alternative approach is to compare net international bond issues with other broadly defined measures of international trade or financial transactions. Item 2 in Table II-6 indicates that, by 1982, the importance of net bond issuance relative to the value of international trade had returned to the same value evident in 1976, even though this ratio has more than doubled since 1980. Taken together, the first two items in Table II-6 indicate that, although the current recovery in the bond markets has raised the real value of net international bonds issued, it has not yet caused the international bond markets to grow significantly relative to the real size of international trade over the 1976-82 period.

1/ International Capital Markets, Developments and Prospects, 1982, Occasional Paper No. 14 (July 1982).

Table II-6. Measures of Real Size of Bond Market, 1975-82

	1975	1976	1977	1978	1979	1980	1981	1982
				(In billions of U.S. dollars at 1975 prices)				
Bond issues (net) 1/	20	30	31	30	33	28	37	58
Deflated by U.S. GNP deflator	20	29	28	25	25	20	24	35
				(In per cent)				
As ratio to world imports in U.S. dollars	2.5	3.2	2.9	2.4	2.1	1.5	1.9	3.2
As ratio to international bank lending (net)	50.0	42.3	45.6	33.3	26.4	17.5	22.4	61.0

Source: International Monetary Fund; Orion Royal Bank, Ltd.; and Bank for International Settlements.

1/ New international bond issues less redemptions and repurchases.

As the last item of Table II-6 shows, however, the recovery of bond market activity, combined with the reduction in new international bank lending, led to a sharp increase in the importance of bond issues relative to international bank lending. In 1982, net bond issuances equaled 61 per cent of international bank lending. This was the first time since 1975 that this ratio had risen above 50 per cent. This trend could continue in 1983; during the first quarter of 1983 there were more international bond issues (gross) than publicized international bank lending commitments.

The decline in the level of real activity in international bond markets during the late 1970s reflected in part investors' experiences with inflation, interest rate movements, and exchange rate volatility (Appendix Table III-20). 1/ In general, during the late 1970s, investors saw greater variability of exchange rates and long-term interest rates, rising levels of real short- and long-term interest rates, and, in many countries, higher rates of inflation than experienced during the first half of the 1970s. One major aspect of this development was the emergence of capital losses experienced by bond investors, especially during the late 1970s (Table II-7). Reflecting the exchange rate and interest rate movements that occurred during certain periods, real bond values, as measured in the domestic currency of the investor, declined by up to 20 per cent in a single year. These developments reduced the attractiveness of financial assets in general, and fixed interest rate bonds in particular.

Under these circumstances, borrowers found that they could only attract purchasers to the bond market by offering high real yields and by altering the maturity and risk-sharing characteristics of the financial instruments used in international bond markets. In a number of major financial markets, real yields, which were relatively low during 1977-78, rose sharply during 1979-80 and remained at high levels through 1982 (Appendix Table III-16). The changes in risk bearing involved a number of innovations in the financial markets. For example, there was a move toward denominating bonds in currencies expected to undergo extended appreciations. Deutsche mark-denominated bonds thus increased in popularity in the late 1970s, and the use of U.S. dollar-denominated bonds expanded in the early 1980s. There was also a clear preference for shorter maturity bonds. In the Eurodollar bond market, average maturities declined from the 12-15-year range in the early 1970s to the 7-10-year range in the late 1970s. Shorter term instruments proved to be especially popular in the periods immediately following those in which holders of longer term instruments had suffered large capital losses due to rising interest rates. During these periods, the use of floating rate instruments increased significantly, with many

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1/ For a detailed discussion of these factors see Appendix II of International Capital Markets, Developments and Prospects, 1982, Occasional Paper No. 14 (July 1982).

Table II-7. Real Return on Bond Holdings, 1975-82 1/

(In per cent per annum)

Purchased in December of:	1975	1976	1977	1978	1979	1980	1981
		U.S. Investor Holding a U.S. Dollar Eurobond					
Sold in Dec. of:							
1976	11.10	--	--	--	--	--	--
1977	5.90	0.62	--	--	--	--	--
1978	2.59	-1.90	-5.12	--	--	--	--
1979	-0.54	-4.44	-7.99	-12.98	--	--	--
1980	-1.25	-4.86	-7.11	-9.77	-8.69	--	--
1981	-0.44	-3.41	-5.41	-6.77	-5.31	-3.64	--
1982	0.12	-1.14	-2.27	-2.47	0.76	5.61	16.6
		U.S. Investor Holding a Deutsche Mark Eurobond					
Sold in Dec. of:							
1976	28.00	--	--	--	--	--	--
1977	29.29	27.12	--	--	--	--	--
1978	25.14	20.38	10.80	--	--	--	--
1979	17.42	11.94	2.68	-5.95	--	--	--
1980	7.37	1.59	-5.80	-13.65	-23.61	--	--
1981	3.37	-1.42	-7.54	-11.82	-16.10	-11.30	--
1982	2.95	-0.99	-5.69	-9.28	-10.23	-4.41	3.71
		German Investor Holding a Deutsche Mark Eurobond					
Sold in Dec. of:							
1976	17.62	--	--	--	--	--	--
1977	17.84	18.39	--	--	--	--	--
1978	13.25	11.03	3.16	--	--	--	--
1979	8.47	5.54	-1.43	-6.88	--	--	--
1980	6.23	2.74	-2.50	-6.28	-7.19	--	--
1981	5.81	2.69	-2.10	-3.05	-1.79	3.82	--
1982	6.26	3.68	-0.72	-1.48	1.57	6.70	10.19
		German Investor Holding a U.S. Dollar Eurobond					
Sold in Dec. of:							
1976	2.29	--	--	--	--	--	--
1977	-2.13	-6.41	--	--	--	--	--
1978	-4.73	-8.41	-11.79	--	--	--	--
1979	-5.83	-8.74	-11.55	-14.33	--	--	--
1980	-2.15	-4.17	-4.17	-1.88	10.94	--	--
1981	1.57	0.24	0.71	4.15	14.04	13.68	--
1982	4.36	3.61	5.03	9.04	18.99	20.24	24.78

Sources: Orion Royal Bank, Ltd., The Orion Royal Guide to the International Capital Markets (Euromoney Publications Limited, London, 1982); the Organization for Economic Cooperation and Development; and the International Monetary Fund, International Financial Statistics.

1/ In calculating the real rates of return in Table 27, the following assumptions were made: (1) The bond is assumed to be purchased in December of the year at the top of the table. (2) All interest on the bond is paid on December 31 of each year and the initial coupon rate of interest is taken as equal to the prevailing market interest rate. (3) Principal is repaid only at maturity. (4) Bonds are sold in December of the year given at the side of the table at a price which ensures that the bond yields a return to maturity equal to the prevailing (December) interest rate. (5) All coupon interest received is assumed to be continuously reinvested in three-month Eurocurrency deposits (at the prevailing Eurocurrency deposit rate) in the same currency as the interest rate payments and bonds are denominated. (6) In calculating the real return on bonds not denominated in the domestic currency, the accumulated interest income and bond sale proceeds are converted at the prevailing exchange rate, and any exchange gain or loss is included in the calculation of the real return. (7) The real return is calculated using the consumer price index in the investors' home countries. (8) The bonds are those issued by private corporations.

floating rate notes issued by large banks to improve their funding. To a certain degree, banks tried to match the extension of floating rate medium-term loans with the issuance of floating rate notes.

In addition to the floating rate note, a variety of other instruments also came on the market which were designed to shift a portion of the risk associated with interest rate and exchange rate variability from the bond purchaser to the issuer of the bond. One example was the multiple-tranche (tap stock) bonds where only a portion of an issue was sold initially (the first tranche). Subsequent tranches would then be issued at the option of the issuer on a best-effort basis at prices reflecting market conditions. The issuer gained the advantage of greater flexibility in determining the amount and timing of subsequent tranches, but at the cost of some uncertainty regarding the exact yield that would have to be paid on the future tranches. Another instrument which offered the investor better protection against interest rate variability was the fixed rate bond with variable terms. This involved issuing a bond with a fixed coupon rate that was convertible into another bond at the same nominal value with a longer maturity. The investor was therefore allowed to choose, within limits, the maturity of the instrument he held. Another means of attracting investor interest was the attempt to create a situation where the yield on a bond would be represented by capital gains income instead of ordinary interest income payments. The objective was to take advantage of the differences in the income tax rates applicable to capital gains and interest income that existed in a number of major industrial countries. This innovation involved the use of deep discount or zero coupon bonds, which carried either a low or zero coupon rate of interest. These were issued at prices below their face value and the implicit interest yield was the appreciation of the price of the bond between the date of issuance and maturity. In many cases, however, the fiscal authorities in the major industrial countries ruled that such gains would not necessarily be taxed at the capital gains tax rate, but treated as current interest income. In other cases, the authorities did not permit the issuance of such instruments.

9. The 1981-82 recovery

As already noted, late 1981 and 1982 witnessed a strong, sustained recovery in the issuance of international bonds. While this recovery involved record levels of new issues, even when adjusted for price level changes, it was also a period of high real interest rates and little, if any, lengthening of bond market maturities. One of the fundamental factors of the recovery in the international bond market has been the high real yields that bond purchasers have been able to obtain in recent years. During 1981 and 1982, *ex post* real interest rates on both short- and long-term financial instruments were considerably above comparable rates that prevailed during either the first or the second half of the 1970s (Appendix Table III-20). In the United

States, for example, the ex post real return on U.S. Treasury bills was in excess of 4 per cent per annum, and, on U.S. Treasury bonds, at over 5 per cent per annum during 1981 and 1982.

The real rate of return that individual investors obtained was strongly influenced also by the currency of denomination of the bond and relative exchange rate movements. As shown in Table II-7, the real return seen by German and U.S. nationals on bonds denominated in U.S. dollars or deutsche marks differed considerably. The real return earned on these two different types of bonds depended on the initial year of purchase. In general, investors earned a high real rate of return by buying the deutsche mark-denominated bond between 1975-77 and the U.S. dollar-denominated bond in the early 1980s. In 1980-82, U.S. dollar-denominated instruments became especially attractive due to an appreciation of the U.S. dollar relative to the deutsche mark and the presence of high nominal interest rates. Table II-7 shows that German investors who bought U.S. dollar-denominated instruments at the end of 1981 and sold these at the end of 1982 earned an annual real rate of return of almost 25 per cent.

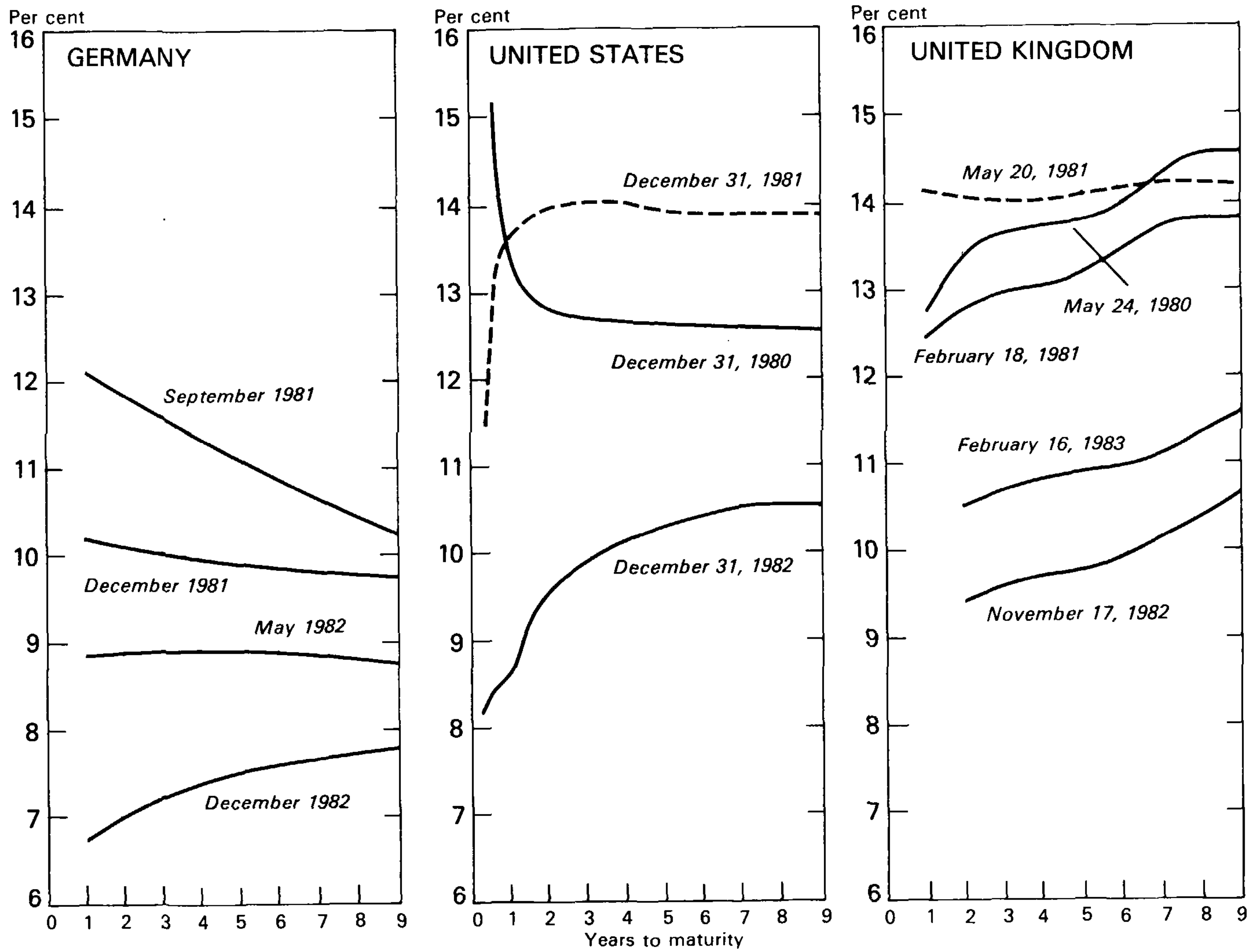
Investors were also attracted to longer term instruments by the emergence of a positively sloped yield curve in many major financial markets. As portrayed in Chart 7, the 1980-82 period has witnessed a movement from a flat or negatively sloped yield curve to a positively sloped curve in the United States, the United Kingdom, and Germany. This was also the case for Japan and Switzerland and other countries as well. This change helped to restore the relative attractiveness of longer term instruments.

Although high real yields allowed borrowers to find a ready market for their bond issues, the recovery in issue activity was not accompanied by a significant lengthening of bond market maturities. The absence of an increase in maturities and the continuance of high real interest rates reflected the impact of considerable uncertainty regarding the future movements of inflation, interest rates, and exchange rates. This uncertainty created a situation where investors were willing to place their funds long term only if they could earn a significant premium over the returns that could be earned on short- and medium-term instruments. Since real yields on even medium-term issues were at historically high levels, bond issuers have generally not found it profitable to pay the extra premium required on longer term debt. Most bond maturities are thus concentrated in the medium-term range.

Another element in the recent recovery was the introduction of a variety of new instruments, at the same time that the traditional straight debt instruments was once again becoming important. In a number of respects, these developments reflected attempts to improve the attractiveness of bonds for borrowers during a period of declining nominal interest rates. Among the important innovations in 1982 were

CHART 7

YIELD CURVES IN GERMANY, UNITED STATES, AND UNITED KINGDOM



Source: Bank of England, *Quarterly Bulletin*, Deutsche Bundesbank, *Monthly Report*, and U.S. Treasury, *Treasury Bulletin*.

interest rate swaps involving the exchange of fixed rate debt for floating rate debt, extendable bonds, partially paid or deferred payment bonds and warrant bonds. Many interest rate swaps involved the issuance of a fixed rate bond by a major international bank, which then swapped this obligation with a nonbank entity for floating rate debt. By engaging in this transaction, banks were able to raise funds at much more favorable terms than in the Eurodollar interbank or floating rate note markets. Typically, a well-known bank would be able to issue fixed rate debt, while a lower rated or less well-known corporation would borrow the equivalent amount at a floating rate from a bank at the London interbank offered rate (LIBOR) plus a margin. The two borrowers would exchange (swap) the interest obligations on their debt, with the firm paying the charges on fixed rate debt plus a spread over LIBOR, while the bank borrower would pay only LIBOR or less. This was more favorable than funding with a margin in interbank lending. This type of swap transaction was possible only because market participants in the fixed rate market and the floating rate market had different relative perceptions of the creditworthiness of major international banks and certain corporate entities. As long as the volume of these interest rate swaps remained limited, banks were able to profitably arbitrage the differences between the cost of funds in these two markets.

Other new instruments included extendable bonds which allowed investors to extend the maturity of their bonds, usually at a prespecified, fixed coupon rate. This permitted investors the freedom to redeem their bonds at various intervals prior to final maturity. Partially paid bonds and deferred payment bonds enabled investors to purchase at a given price, but then to make actual payment over an extended period. Such Eurodollar bonds were especially attractive to bond purchasers who anticipated declining U.S. interest rates and possibly (for non-U.S. based investors) a declining U.S. dollar exchange rate relative to the other major currencies. During periods when there has been the prospect of stable or rising interest rates, these bonds have been much less attractive.

Just as with the extendable and partially paid bonds, the increased utilization of the more traditional straight debt issues reflected the borrowers' desire to increase the attractiveness of their bonds during a period of somewhat erratic declines in interest rates. By offering investors the prospects of capital gains as well as interest income, they were able to minimize the current cost of borrowing funds. However, lenders often protected themselves by making provision for an early redemption of bonds in case of an unexpectedly sharp decline in interest rates.

Warrant bonds became increasingly popular during 1982 and appeared in a variety of forms. Some of these bonds were designed to attract investors expecting declining interest rates by offering floating rate bonds with attached warrants that enabled the holder, within a specified period, to buy medium-term fixed rate instruments. Other warrant bonds, aimed at those investors who thought interest rates would rise, carried fixed interest rates but offered warrants that allowed the purchaser to switch to a floating rate note in the future. Warrant bonds typically carried lower interest rates than either straight debt or floating rate instruments of similar maturity and quality.

10. The prospects for a continued recovery

The longer term prospects for a continuation of the high level of bond issuance with a significant lengthening of bond maturities depend on borrowers' and lenders' near-term experiences with the levels of inflation and interest rates, the variability of exchange rates, interest rates and inflation, and expectations regarding the macroeconomic policies adopted in the major industrial countries. A significant lengthening of bond market maturities and reductions in real interest rates will only occur as investors in particular become more confident that financial market conditions will stabilize and that the financial policies of the major industrial countries will lead to noninflationary growth. The lengthening of bond maturities can be expected to be only a gradual process and it may, therefore, be some time before the maturities that prevailed in the late 1960s or early 1970s are again encountered in international bond markets, even under the best of conditions. In the longer term segment of the bond market, real interest rates are also likely to decline only slowly. As discussed earlier, most Eurobonds at present have relatively short (6-10-year) maturities. The potential costs of trying to issue bonds with 15-20-year maturities has been sufficiently high to deter most borrowers. This reflects the memory of the large capital losses suffered by bondholders during the last five years, as well as continued uncertainty about future financial market conditions.

The near-term outlook for the bond market depends to a considerable degree on the likelihood of further declines in nominal interest rates during 1983. While the rate of bond issuance on international markets should remain above the levels witnessed in the late 1970s, the rate of issuance for 1983 could fall below that of 1982 unless there are expectations for further significant declines in the levels of nominal interest rates.

Table III-1. Current Account Positions and Private Market Financing by Principal Groups of Countries, 1973-82

(In billions of U.S. dollars)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
All industrial countries										
Current account position	20	-11	20	1	-2	33	-6	-41	1	-1
Borrowing through private markets	19	27	24	50	59	57	91	116	126	103
Banking	16	22	10	31	39	38	69	96	99	57
Bonds	3	5	14	19	20	19	22	20	27	46
Medium-term credit commitments	12	18	6	9	13	34	24	39	95	52
Seven largest industrial countries										
Current account position	15	-3	25	10	10	36	7	-14	16	13
Borrowing in bond markets	3	4	8	13	13	12	14	13	18	35
Medium-term credit commitments	9	13	2	5	7	23	13	23	71	31
Other industrial countries										
Current account position	6	-8	-5	-10	-13	-4	-12	-26	-16	-14
Borrowing in bond markets	--	1	6	6	7	7	8	7	9	11
Medium-term loan commitments	3	5	4	4	6	11	11	16	16	21
Oil exporting developing countries										
Current account position	7	68	35	40	30	2	69	114	65	-2
Borrowing through private markets 1/	3	3	8	9	10	15	7	6	3	8
Medium-term credit commitments	3	1	3	3	6	10	8	5	5	9
Non-oil developing countries										
Current account position	-15	-38	-47	-33	-29	-41	-61	-89	-108	-87
Borrowing through private markets	11	16	16	23	18	29	43	51	54	28
Banking	10	15	15	21	15	25	40	49	51	25
Bonds	1	1	1	2	3	4	3	2	3	3
Medium-term credit commitments	5	9	9	13	13	27	42	32	43	37
Centrally planned economies 2/										
Current account position	-2	-2	-9	-7	-3	-5	-3	-4	-4	2
Borrowing through private markets 1/	3	4	9	8	3	7	7	4	5	-4
Medium-term credit commitments	1	1	3	2	3	3	5	2	1	--

Sources: Bank for International Settlements; Organization for Economic Cooperation and Development; International Monetary Fund, World Economic Outlook, Occasional Paper No. 21; and Fund staff estimates.

1/ Almost all borrowing was from banks.
2/ Excludes Fund members.

Table III-2. External Claims of Banks in the BIS Reporting Area by Country of Borrower, 1978-82 1/

(In billions of U.S. dollars)

	Dec. 1978	Dec. 1979	Dec. 1980	Dec. 1981	Dec. 1982
Reporting area 2/	232.3	299.8	381.3	454.7	495.5
Reporting area (gross)	466.9	588.3	704.5	821.1	893.8
Offshore centers	123.5	157.5	188.7	238.1	268.4
Less: Interbank deposits	-358.1	-446.0	-511.9	-604.5	-666.7
Other industrial countries	40.0	45.9	53.0	59.0	67.1
Australia	4.4	4.8	6.0	8.0	11.8
Finland	5.1	5.7	6.7	7.1	8.8
Norway	8.5	9.3	10.5	10.4	10.9
Spain	12.7	15.5	18.2	21.9	23.1
Other	9.3	10.6	11.6	11.6	12.5
Centrally planned economies 3/	40.9	47.0	49.3	50.3	44.3
Czechoslovakia	2.0	2.8	3.5	3.2	2.7
German Democratic Republic	6.2	7.7	9.5	10.1	8.5
Poland	11.7	15.0	15.1	14.7	13.4
U.S.S.R.	12.8	12.9	13.4	15.9	14.2
Other	8.2	8.6	7.8	6.4	5.5
Oil exporting countries	53.0	60.0	65.3	66.7	73.2
Algeria	5.7	7.1	7.4	6.9	6.5
Indonesia	4.5	4.2	4.3	4.6	6.2
Nigeria	1.8	2.5	3.4	4.7	7.0
Venezuela	12.8	18.6	21.3	22.3	22.7
Middle East	22.1	22.5	23.6	23.4	24.6
High absorbers	(15.3)	(14.2)	(14.8)	(14.1)	(15.2)
Low absorbers	(6.8)	(8.3)	(8.8)	(9.3)	(9.4)
Other	6.1	5.1	5.3	4.8	6.2
Non-oil developing countries	155.0	195.4	241.3	285.6	306.6
Western Hemisphere	80.8	103.9	131.5	161.6	173.3
Argentina	(6.7)	(13.1)	(18.9)	(22.9)	(22.7)
Brazil	(31.7)	(36.9)	(43.3)	(49.6)	(56.0)
Chile	(2.7)	(4.5)	(6.7)	(9.6)	(10.5)
Colombia	(2.1)	(3.5)	(4.3)	(4.9)	(5.5)
Ecuador	(2.4)	(3.0)	(3.6)	(4.2)	(4.1)
Mexico	(23.2)	(30.7)	(41.0)	(55.5)	(58.9)
Peru	(3.4)	(3.6)	(3.9)	(4.3)	(5.2)
Other	(8.6)	(8.6)	(9.8)	(10.6)	(10.4)
Middle East	6.5	8.1	9.8	11.5	12.9
Egypt	(1.6)	(2.0)	(3.1)	(3.9)	(4.3)
Israel	(3.8)	(4.6)	(4.7)	(5.7)	(6.4)
Other	(1.1)	(1.5)	(2.0)	(1.9)	(2.2)

Table III-2 (concluded). External Claims of Banks in the BIS Reporting Area by Country of Borrower, 1978-82 1/

(In billions of U.S. dollars)

	Dec. 1978	Dec. 1979	Dec. 1980	Dec. 1981	Dec. 1982
Asia	22.5	30.4	37.9	42.5	46.6
China	(0.9)	(2.1)	(2.2)	(1.8)	(1.2)
India	(0.7)	(0.9)	(0.9)	(1.1)	(2.0)
Korea	(6.9)	(10.3)	(14.0)	(16.9)	(18.8)
Malaysia	(1.5)	(1.9)	(2.3)	(3.3)	(4.6)
Philippines	(4.0)	(5.4)	(7.0)	(7.2)	(8.3)
Thailand	(2.7)	(3.0)	(3.2)	(3.3)	(3.0)
Other	(5.8)	(6.8)	(8.3)	(8.9)	(8.7)
Africa	19.6	21.5	23.5	27.5	31.6
Ivory Coast	(1.4)	(2.1)	(2.7)	(2.8)	(2.9)
Morocco	(2.2)	(2.8)	(3.0)	(3.3)	(3.6)
South Africa	(7.2)	(6.4)	(6.8)	(9.9)	(13.1)
Other	(8.8)	(10.2)	(11.0)	(11.5)	(12.0)
Europe	25.6	31.5	38.6	42.5	42.2
Greece	(4.9)	(5.4)	(7.3)	(9.0)	(9.4)
Hungary	(6.4)	(7.4)	(7.4)	(7.5)	(6.4)
Portugal	(3.0)	(3.9)	(5.2)	(7.4)	(9.6)
Romania	(2.5)	(4.0)	(5.3)	(4.8)	(4.0)
Turkey	(3.0)	(2.9)	(3.3)	(3.1)	(2.9)
Yugoslavia	(5.6)	(7.5)	(9.6)	(9.9)	(9.3)
Other	(0.2)	(0.4)	(0.5)	(0.8)	(0.6)
Unallocated and international organizations	13.8	16.9	19.8	28.7	33.8
Total	535.0	665.0	810.0	945.0	1,020.0
Memorandum items:					
Total gross claims, BIS	893.1	1,110.7	1,323.1	1,549.5	1,686.7
Gross claims of nonreporting banks in certain offshore centers 4/	107.0	135.0	175.0	236.0	248.0 5/
Total gross claims, IFS	1,136.4	1,437.6	1,749.6	2,111.5	2,236.7

Source: Bank for International Settlements.

1/ The BIS reporting area comprises the Group of Ten countries; Austria, Denmark, Ireland, and Switzerland; and the offshore branches of U.S. banks in the Bahamas, Cayman Islands, Hong Kong, Panama, and Singapore.

2/ Net of double counting due to redepositing among reporting banks.

3/ Excluding Fund member countries.

4/ Claims of non-U.S. banks in the Bahamas, Cayman Islands, Hong Kong, Lebanon, Panama, and Singapore and claims of all banks in Bahrain and Netherlands Antilles.

5/ As of June 1982.

Table III-3. External Liabilities of Banks in the BIS Reporting Area by Country of Depositor, 1978-82 1/

(In billions of U.S. dollars)

	Dec. 1978	Dec. 1979	Dec. 1980	Dec. 1981	Dec. 1982
Reporting area 2/	309.1	372.2	465.4	585.3	675.9
Reporting area (gross)	533.5	686.4	824.0	951.1	1026.7
Offshore centers	96.9	140.2	165.9	220.0	249.6
Less: Interbank deposits	-321.3	-454.4	-524.5	-585.8	-600.4
Other industrial countries	25.8	33.0	34.1	36.3	34.4
Australia	1.1	1.3	1.3	1.1	1.3
Finland	1.6	2.1	2.7	2.9	3.4
Norway	3.0	4.0	5.0	6.1	6.2
Spain	13.1	17.5	17.6	17.5	15.1
Other	7.0	8.1	7.5	8.7	8.4
Centrally planned economies 3/	10.1	14.4	14.3	14.3	15.7
Czechoslovakia	0.6	1.0	1.3	1.0	0.7
German Democratic Republic	1.2	1.9	2.0	2.2	1.9
Poland	0.8	1.1	0.6	0.8	1.0
U.S.S.R.	5.9	8.6	8.6	8.5	10.0
Other	1.6	1.8	1.8	1.8	2.1
Oil exporting countries	80.3	117.6	156.3	153.7	131.6
Algeria	2.7	3.4	4.6	4.2	2.4
Indonesia	2.7	4.3	6.7	6.1	5.2
Nigeria	0.7	2.2	5.6	1.7	1.5
Venezuela	9.5	13.4	15.8	18.5	12.9
Middle East	57.1	81.3	108.9	111.5	99.1
High absorbers	(23.1)	(36.7)	(52.0)	(38.6)	(29.3)
Low absorbers	(34.0)	(44.6)	(56.9)	(72.9)	(69.8)
Other	7.6	13.0	14.7	11.7	10.5
Non-oil developing countries	91.6	105.4	112.5	117.9	120.2
Western Hemisphere	34.6	39.6	38.1	41.8	38.9
Argentina	(4.7)	(7.8)	(6.6)	(6.6)	(5.7)
Brazil	(10.7)	(8.1)	(4.7)	(4.8)	(4.2)
Chile	(1.4)	(2.2)	(3.4)	(3.6)	(2.5)
Colombia	(2.0)	(3.1)	(3.0)	(3.6)	(3.7)
Ecuador	(0.7)	(0.7)	(0.9)	(0.8)	(0.7)
Mexico	(6.4)	(8.2)	(9.4)	(12.1)	(10.4)
Peru	(0.8)	(1.4)	(2.1)	(1.5)	(1.9)
Other	(7.9)	(8.1)	(8.0)	(8.8)	(9.8)

Table III-3 (concluded). External Liabilities of Banks in the BIS Reporting Area by Country of Depositor, 1978-82 1/

(In billions of U.S. dollars)

	Dec. 1978	Dec. 1979	Dec. 1980	Dec. 1981	Dec. 1982
Middle East	13.8	15.4	18.4	19.3	20.8
Egypt	(3.4)	(3.8)	(5.1)	(5.0)	(6.1)
Israel	(6.0)	(6.9)	(8.2)	(9.0)	(9.2)
Other	(4.4)	(4.7)	(5.1)	(5.3)	(5.5)
Asia	22.3	26.2	28.1	30.8	35.6
China	(2.4)	(2.7)	(2.5)	(5.0)	(7.9)
India	(3.1)	(3.7)	(3.5)	(2.7)	(2.6)
Korea	(2.5)	(3.1)	(3.3)	(3.2)	(3.7)
Malaysia	(2.1)	(3.2)	(3.6)	(3.1)	(3.7)
Philippines	(2.2)	(2.7)	(3.5)	(3.0)	(2.9)
Thailand	(1.1)	(1.4)	(1.1)	(1.5)	(1.7)
Other	(8.9)	(9.4)	(10.6)	(12.3)	(13.1)
Africa	8.5	11.0	12.0	11.6	10.6
Ivory Coast	(0.6)	(0.8)	(0.7)	(0.7)	(0.6)
Morocco	(0.9)	(1.0)	(0.7)	(0.6)	(0.6)
South Africa	(1.0)	(1.4)	(2.0)	(1.5)	(1.6)
Other	(6.0)	(7.8)	(8.6)	(8.8)	(7.8)
Europe	12.4	13.3	15.9	14.4	14.3
Greece	(4.6)	(4.7)	(5.9)	(5.3)	(5.4)
Hungary	(0.9)	(1.2)	(1.4)	(0.9)	(0.7)
Portugal	(1.7)	(2.4)	(2.5)	(1.8)	(2.1)
Romania	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)
Turkey	(0.8)	(0.9)	(1.2)	(1.5)	(1.6)
Yugoslavia	(2.8)	(2.0)	(2.7)	(2.6)	(2.0)
Other	(1.4)	(1.8)	(2.1)	(2.0)	(2.2)
Unallocated and international organizations	18.1	22.4	27.4	37.5	42.2
Total	535.0	665.0	810.0	945.0	1020.0

Source: Bank for International Settlements.

1/ The BIS reporting area comprises the Group of Ten countries; Austria, Denmark, Ireland, and Switzerland; and the offshore branches of U.S. banks in the Bahamas, Cayman Islands, Hong Kong, Panama, and Singapore.
2/ Net of double counting owing to redepositing among reporting banks.
3/ Excluding Fund member countries except Hungary, which became a member in mid-1982.

Table III-4. Net External Position of Banks in the BIS Reporting Area by Country of Borrower or Depositor, 1978-82 1/

(In billions of U.S. dollars)

	Dec. 1978	Dec. 1979	Dec. 1980	Dec. 1981	Dec. 1982
Reporting area 2/	-76.8	-72.4	-84.1	-130.6	-180.4
Reporting area (gross)	-66.6	-98.1	-119.5	-130.0	-132.9
Offshore centers	26.6	17.3	22.8	18.1	18.8
Less: Interbank deposits	36.8	-8.4	-12.6	18.7	-66.3
Other industrial countries	14.2	12.9	18.9	22.7	32.7
Australia	3.3	3.5	4.7	6.9	10.5
Finland	3.5	3.6	4.0	4.2	5.4
Norway	5.5	5.3	5.5	4.3	4.8
Spain	-0.4	-2.0	0.6	4.4	8.0
Other	2.3	2.5	4.1	2.9	4.0
Centrally planned economies 3/	30.8	32.6	35.0	36.0	28.6
Czechoslovakia	1.4	1.8	2.2	2.2	2.0
German Democratic Republic	5.0	5.8	7.5	7.9	6.6
Poland	10.9	13.9	14.5	13.9	12.4
U.S.S.R.	6.9	4.3	4.8	7.4	4.2
Other	6.6	6.8	6.0	4.6	3.4
Oil exporting countries	-27.3	-57.6	-91.0	-87.0	-58.4
Algeria	3.0	3.7	2.8	2.7	4.0
Indonesia	1.8	-0.1	-2.4	-1.5	1.0
Nigeria	1.1	0.3	-2.2	3.0	5.5
Venezuela	3.3	5.2	5.5	3.8	9.8
Middle East	-35.0	-58.8	-85.3	-88.1	-74.4
High absorbers	(-7.8)	(-22.5)	(-37.2)	(-24.5)	(-14.0)
Low absorbers	(-27.2)	(-36.3)	(-48.1)	(-63.6)	(-60.4)
Other	-1.5	-7.9	-9.4	-6.9	-4.3
Non-oil developing countries	63.4	90.0	128.8	167.7	185.9
Western Hemisphere	46.2	64.3	93.4	119.8	133.9
Argentina	(2.0)	(5.3)	(12.3)	(16.3)	(16.4)
Brazil	(21.0)	(28.8)	(38.6)	(44.8)	(51.8)
Chile	(1.3)	(2.3)	(3.3)	(6.0)	(8.0)
Colombia	(0.1)	(0.4)	(1.3)	(1.3)	(1.8)
Ecuador	(1.7)	(2.3)	(2.7)	(3.4)	(3.3)
Mexico	(16.8)	(22.5)	(31.6)	(43.4)	(48.5)
Peru	(2.6)	(2.2)	(1.8)	(2.8)	(3.3)
Other	(0.7)	(0.5)	(1.8)	(1.8)	(0.8)

Table III-4 (concluded). Net External Position of Banks in the BIS Reporting Area by Country of Borrower or Depositor, 1978-82 1/

(In billions of U.S. dollars)

	Dec. 1978	Dec. 1979	Dec. 1980	Dec. 1981	Dec. 1982
Middle East	-7.3	-7.3	-8.6	-7.8	-7.9
Egypt	(-1.8)	(-1.8)	(-2.0)	(-1.1)	(-1.8)
Israel	(-2.2)	(-2.3)	(-3.5)	(-3.3)	(-2.8)
Other	(-3.3)	(-3.2)	(-3.1)	(-3.4)	(-3.3)
Asia	0.2	4.2	9.8	11.7	11.0
China	(-1.5)	(-0.6)	(-0.3)	(-3.2)	(-6.6)
India	(-2.4)	(-2.8)	(-2.6)	(-1.6)	(-0.6)
Korea	(4.4)	(7.2)	(10.7)	(13.7)	(15.1)
Malaysia	(-0.6)	(-1.3)	(-1.3)	(0.2)	(0.8)
Philippines	(1.8)	(2.7)	(3.5)	(4.2)	(5.4)
Thailand	(1.6)	(1.6)	(2.1)	(1.8)	(1.3)
Other	(-3.1)	(-2.6)	(-2.3)	(-3.4)	(-4.4)
Africa	11.1	10.5	11.5	15.9	21.0
Ivory Coast	(0.8)	(1.3)	(2.0)	(2.1)	(2.3)
Morocco	(1.3)	(1.8)	(2.3)	(2.7)	(2.9)
South Africa	(6.2)	(5.0)	(4.8)	(8.4)	(11.5)
Other	(2.8)	(2.4)	(2.4)	(2.7)	(4.3)
Europe	13.7	18.1	22.7	28.1	27.9
Greece	(0.3)	(0.7)	(1.4)	(3.7)	(4.0)
Hungary	(5.5)	(6.2)	(6.0)	(6.6)	(5.7)
Portugal	(1.3)	(1.5)	(2.7)	(5.6)	(7.5)
Romania	(2.3)	(3.7)	(5.0)	(4.5)	(3.7)
Turkey	(2.2)	(2.0)	(2.1)	(1.6)	(1.4)
Yugoslavia	(2.8)	(5.5)	(7.1)	(7.3)	(7.3)
Other	(-1.2)	(-1.4)	(-1.6)	(-1.2)	(-1.7)
Unallocated and international organizations	-4.3	-5.5	-7.6	-8.8	-8.4

Source: Bank for International Settlements.

1/ The BIS reporting area comprises the Group of Ten countries; Austria, Denmark, Ireland, and Switzerland; and the offshore branches of U.S. banks in the Bahamas, Cayman Islands, Hong Kong, Panama, and Singapore.
2/ Net of double counting due to redepositing among reporting banks.
3/ Excluding Fund member countries.

Table III-5. Gross Foreign Claims, Liabilities, and Net Position of Banks in the European Reporting Countries, 1982 1/

(In billions of U.S. dollars)

	Exchange Rate Adjusted Changes During 1982			Amounts Outstanding December 1982		
	Foreign currency	Domestic currency	Total	Foreign currency	Domestic currency	Total
Claims	39.5	19.3	58.8	867.3	156.3	1,023.6
Belgium	1.0	0.1	1.1	57.8	2.5	60.3
Luxembourg	5.3	0.5	5.8	89.0	1.5	90.5
France	6.3	4.2	10.5	124.3	23.8	148.1
Germany	-1.4	1.3	-0.1	21.1	48.6	69.7
Italy	-1.7	0.7	-1.0	33.2	1.3	34.5
Netherlands	-1.5	1.7	0.2	49.5	13.3	62.8
Switzerland	-1.0	3.1	2.1	29.8	31.7	61.5
United Kingdom	29.5	5.8	35.3	432.1	25.7	457.8
Other 2/	3.0	1.9	4.9	30.5	7.9	38.4
Liabilities	48.4	9.2	57.6	925.0	114.3	1,039.3
Belgium	1.8	0.8	2.6	64.6	5.4	70.0
Luxembourg	3.8	0.1	3.9	82.9	0.8	83.7
France	8.0	-0.4	7.6	137.2	5.3	142.5
Germany	-0.8	0.4	-0.4	23.0	42.1	65.1
Italy	-4.8	0.5	-4.3	41.0	2.5	43.5
Netherlands	0.1	1.0	1.1	51.3	11.5	62.8
Switzerland	-1.0	-1.6	-2.6	29.6	11.2	40.8
United Kingdom	37.2	7.9	45.1	451.5	30.9	482.4
Other 2/	4.1	0.5	4.6	43.9	4.6	48.5
Net position	-8.9	10.1	1.2	-57.7	42.0	-15.7
Belgium	-0.8	-0.7	-1.5	-6.8	-2.9	-9.7
Luxembourg	1.5	0.4	1.9	6.1	0.7	6.8
France	-1.7	4.6	2.9	-12.9	18.5	5.6
Germany	-0.6	0.9	0.3	-1.9	6.5	4.6
Italy	3.1	0.2	3.3	-7.8	-1.2	-9.0
Netherlands	-1.6	0.7	-0.9	-1.8	1.8	--
Switzerland	--	4.7	4.7	0.2	20.5	20.7
United Kingdom	-7.7	-2.1	-9.8	-19.4	-5.2	-24.6
Other 2/	-1.1	1.4	0.3	-13.4	3.3	-10.1

Source: Bank for International Settlements.

1/ Includes redepositing among reporting banks.
2/ Austria, Denmark, Ireland, and Sweden.

Table III-6. Gross Foreign Claims of Banks in the BIS Reporting Area by Country or Region of Lending Bank, 1978-82 1/

(In billions of U.S. dollars)

	Dec. 1978	Dec. 1979	Dec. 1980	Dec. 1981	Dec. 1982
Banks in European reporting area	611.4	776.0	902.9	998.2	1,023.6
Foreign currency					
(Eurocurrency market)	502.0	639.7	751.2	846.7	867.4
Belgium	(31.8)	(39.7)	(52.4)	(58.8)	(57.8)
Italy	(22.2)	(28.3)	(29.7)	(35.6)	(33.2)
Luxembourg	(58.3)	(79.4)	(87.3)	(87.1)	(89.0)
France	(80.8)	(100.4)	(118.8)	(120.4)	(124.3)
Germany	(20.8)	(21.7)	(21.5)	(23.3)	(21.1)
Netherlands	(36.6)	(44.5)	(50.8)	(53.3)	(49.5)
Switzerland	(31.4)	(31.9)	(30.1)	(31.4)	(29.8)
United Kingdom	(202.8)	(270.0)	(333.6)	(408.3)	(432.1)
Other	(17.8)	(23.8)	(27.0)	(28.4)	(30.6)
Domestic currency	109.4	136.3	151.7	151.5	156.2
France	(18.1)	(23.2)	(24.4)	(23.0)	(23.8)
Germany	(40.3)	(47.6)	(51.8)	(49.9)	(48.6)
Switzerland	(19.3)	(27.2)	(29.5)	(31.7)	(31.7)
United Kingdom	(14.7)	(15.5)	(22.7)	(23.8)	(25.7)
Other	(17.0)	(22.8)	(23.3)	(23.1)	(26.4)
Banks in Canada	22.3	25.6	35.5	38.2	38.8
Banks in Japan	33.7	45.5	65.7	84.6	90.9
Banks in the United States	118.8	136.3	176.8	256.3	361.4
Branches of U.S. banks in certain offshore centers 2/	106.5	127.6	141.0	172.0	172.0
Total gross external claims	892.7	1,111.0	1,321.9	1,549.3	1,686.7
Less double counting due to redepositing among reporting banks	-357.7	-446.0	-511.9	-604.3	-666.7
Total claims net of redepositing	535.0	665.0	810.0	945.0	1,020.0
Memorandum item:					
Gross external claims of branches of non-U.S. banks in certain offshore centers 2/ and external claims of all foreign bank branches in Bahrain and the Netherlands Antilles	107	135	175	239	...

Source: Bank for International Settlements.

1/ Includes redepositing among reporting banks.
2/ The Bahamas, the Cayman Islands, Hong Kong, Panama, and Singapore.

Table III-7. Net Foreign Position of Banks in the BIS Reporting Area, 1978-82, 1/

(In billions of U.S. dollars)

	Dec. 1978	Dec. 1979	Dec. 1980	Dec. 1981	Dec. 1982
Total	36.7	-8.4	-12.6	18.1	66.2
Banks in the European reporting area 2/	18.6	-1.2	-25.5	-16.7	-15.5
Foreign currency position	-8.8	-26.1	-49.3	-51.2	-57.6
Belgium	-1.7	-3.9	-5.5	-6.7	-6.8
France	2.0	0.8	-2.9	-11.8	-12.9
Germany	1.9	-1.7	-2.0	-1.0	-1.9
Italy	-5.6	-6.9	-13.9	-11.2	-7.8
Luxembourg	3.8	3.8	3.8	4.7	6.1
Netherlands	1.0	-0.1	-1.6	-0.3	-1.8
Sweden	-1.1	-3.0	-4.4	-5.7	-6.2
Switzerland	4.5	1.1	-1.8	0.4	0.2
United Kingdom	-10.6	-12.0	-13.1	-11.8	-19.4
Other	-3.0	-4.2	-7.9	-7.8	-7.1
Domestic currency position	27.4	24.9	23.8	34.5	42.1
France	12.5	16.6	15.8	16.4	18.5
Germany	0.1	-6.7	1.1	5.9	6.5
Switzerland	12.5	19.8	17.5	17.5	20.5
United Kingdom	2.8	-3.7	-5.0	-4.0	-5.2
Other	-0.5	-1.1	-5.6	-1.3	1.8
Banks in Canada	-2.7	-7.2	-8.1	-24.4	-19.9
Banks in Japan	-5.3	-5.0	-14.5	-15.8	-9.1
Banks in the United States	27.1	6.2	37.5	78.8	116.9
Branches of U.S. banks in certain offshore centers 3/	-1.0	-1.2	-2.0	-3.8	-6.2

Source: Bank for International Settlements.

1/ A negative sign indicates a net foreign liability position.
2/ Austria, Belgium-Luxembourg, Denmark, France, Germany, Ireland, Italy, the Netherlands, Sweden, Switzerland, and United Kingdom.
3/ The Bahamas, the Cayman Islands, Hong Kong, Panama, and Singapore.

Table III-8. Foreign Claims of Reporting Banks on Nonbanks in the BIS Reporting Area, 1979-82

(In billions of U.S. dollars)

	Amounts Outstanding December				Exchange Rate Adjusted Changes - 1982				
	1979	1980	1981	1982	Year	First quarter	Second quarter	Third quarter	Fourth quarter
BIS European reporting area	72.4	96.1	114.6	128.3	18.9	3.7	4.4	7.5	3.3
Belgium-Luxembourg	3.5	5.6	8.0	10.2	2.6	0.4	0.9	0.8	0.5
France	5.5	7.8	8.9	12.4	4.0	0.7	0.3	1.1	1.9
Germany	22.1	30.4	37.4	38.7	3.5	1.6	1.2	1.4	-0.7
Italy	6.1	10.5	17.5	18.9	1.6	0.8	0.5	1.0	-0.7
Sweden	4.5	7.4	7.6	9.0	1.7	0.4	0.3	0.9	0.1
Switzerland	5.4	6.2	6.0	6.9	1.2	0.2	0.1	0.4	0.7
United Kingdom	7.3	8.5	8.3	8.7	0.6	-0.9	0.8	--	0.7
Other 1/	18.0	19.7	20.9	23.5	3.7	0.5	0.5	1.9	0.8
Canada	2.5	5.7	7.3	9.0	1.8	1.0	0.7	--	0.1
Japan	1.7	10.6	9.0	6.8	-2.2	0.6	-1.1	-0.9	-0.8
United States	13.5	15.8	20.3	19.4	-0.4	-1.8	0.4	0.9	0.1
Total	90.2	128.2	151.2	163.5	18.1	3.5	4.4	7.5	2.7

Source: Bank for International Settlements.

1/ Austria, Denmark, Ireland, and the Netherlands.

Table III-9. Foreign Liabilities of Reporting Banks to Nonbanks in the BIS Reporting Area, 1979-82

(In billions of U.S. dollars)

	Amounts Outstanding December				Exchange Rate Adjusted Changes - 1981				
	1979	1980	1981	1982	Year	First quarter	Second quarter	Third quarter	Fourth quarter
European reporting area	37.8	51.1	56.3	61.6	8.0	-0.9	1.6	3.0	4.3
Belgium-Luxembourg	4.4	6.2	7.4	8.1	1.3	0.5	-0.3	1.1	--
France	3.4	4.2	4.1	4.4	0.6	--	0.2	-0.1	0.5
Germany	4.3	7.0	7.4	6.6	-0.3	0.8	-0.1	-0.6	-0.4
Italy	2.5	2.6	2.7	3.0	0.3	-0.2	0.2	0.1	0.2
Netherlands	3.3	4.4	5.0	6.0	1.1	--	0.1	0.2	0.8
Switzerland	13.7	15.9	18.8	21.7	3.4	-1.0	0.9	1.6	1.9
United Kingdom	3.9	8.2	8.2	9.0	1.5	-1.1	0.7	0.7	1.2
Other 1/	2.3	2.6	2.7	2.8	0.1	0.1	-0.1	--	0.1
Canada	1.1	1.9	6.7	8.6	1.4	0.9	0.5	--	0.5
Japan	0.4	0.8	0.9	0.9	0.1	--	0.2	0.1	-0.2
United States	46.8	56.2	87.4	95.0	7.9	4.4	5.7	-2.8	0.6
Total	86.0	110.0	151.3	166.1	17.9	4.4	8.0	0.3	5.2

Source: Bank for International Settlements.

1/ Austria, Denmark, Ireland, and Sweden.

Table III-10. Share of Claims on Developing Countries and Centrally Planned Economies in Banks' Net International Claims, 1973-82 1/

(In per cent)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Claims on non-oil developing countries	26.4	27.9	29.4	29.8	29.3	28.9	29.3	29.6	30.3	30.0
Net oil exporters 2/	(...)	(...)	(7.0)	(7.4)	(6.8)	(6.5)	(6.7)	(7.1)	(8.0)	(7.9)
Major exporters of manufactures 3/	(...)	(...)	(12.9)	(13.3)	(12.8)	(13.0)	(13.2)	(13.6)	(13.9)	(14.2)
Low-income countries	(...)	(...)	(1.1)	(0.8)	(1.0)	(1.1)	(1.3)	(1.2)	(1.1)	(1.0)
Other net oil importers	(...)	(...)	(5.4)	(5.7)	(6.3)	(6.8)	(6.9)	(6.7)	(6.4)	(6.1)
Unallocated	(...)	(...)	(3.0)	(2.6)	(2.4)	(1.5)	(1.2)	(1.0)	(0.9)	(0.8)
Claims on oil exporting developing countries	1.7	2.8	5.4	7.0	8.5	9.9	9.0	8.1	7.1	7.2
Claims on centrally planned economies 4/	5.3	5.2	7.5	8.0	7.9	7.6	7.1	6.1	5.4	4.3
Memorandum items:										
Share of claims on largest borrowers in total claims on non-oil developing countries										
Largest two (Brazil and Mexico)	...	...	37.8	40.6	36.1	36.9	35.7	35.8	37.8	37.5
Largest ten 5/	...	...	68.4	69.5	70.0	67.3	67.0	68.8	71.7	70.0
Largest twenty 5/	...	...	84.2	83.0	85.2	84.1	86.6	86.8	88.2	86.5
Share of net international claims in total net claims of banks	8.7	9.8	10.9	12.0	12.7	12.6	14.2	15.6	17.4	

Sources: Bank for International Settlements; and Fund staff estimates.

1/ Net of redepositing among banks in the BIS reporting area.
2/ Bolivia, Congo, Ecuador, Egypt, Gabon, Malaysia, Mexico, Peru, Syria, Trinidad and Tobago, and Tunisia. Excludes the offshore banking center Bahrain included in this category in IMF, World Economic Outlook (Occasional Paper No. 9, April 1982).
3/ Argentina, Brazil, Greece, Israel, Korea, Portugal, South Africa, and Yugoslavia. Excludes the offshore banking centers Hong Kong and Singapore included in this category in IMF, World Economic Outlook (Occasional Paper No. 9, April 1982).
4/ Excluding Fund member countries.
5/ The composition of these two groups changed over time but the largest market borrowers were generally countries classified as major exporters of manufactures or net oil exporters in IMF, World Economic Outlook (Occasional Paper No. 4, June 1981).

Table III-11. External Assets of Banks by Maturity and Undisbursed Credit Commitments, December 1979-June 1982 1/

(In billions of U.S. dollars)

	December 1979			December 1980			December 1981			June 1982		
	External Assets		Undis-bursed credit commit-ments	External Assets		Undis-bursed credit commit-ments	External Assets		Undis-bursed credit commit-ments	External Assets		Undis-bursed credit commit-ments
	Total	Of which: up to and including 1 year		Total	Of which: up to and including 1 year		Total	Of which: up to and including 1 year		Total	Of which: up to and including 1 year	
Industrial countries outside the reporting area	44.2	18.3	9.7	50.5	21.7	15.7	57.5	25.3	18.3	61.6	27.2	20.9
Australia	6.6	2.5	1.9	7.3	2.6	5.2	9.8	4.0	6.9	12.9	5.4	8.6
Finland	6.0	2.6	1.8	7.0	3.9	2.1	7.4	4.1	2.6	7.5	3.9	2.6
Norway	9.7	2.8	2.2	10.8	3.7	2.6	10.6	3.9	2.9	10.9	4.6	3.5
Spain	16.9	7.1	2.7	19.7	8.0	3.8	23.1	9.3	4.1	23.7	9.5	3.8
Other	5.0	3.3	1.1	5.7	3.5	2.0	6.6	4.0	1.8	6.6	3.8	2.4
Oil exporting countries	60.4	30.7	17.7	64.6	34.3	16.1	67.8	38.6	16.9	69.9	39.1	18.0
Algeria	9.0	1.3	3.8	9.0	1.5	2.9	8.3	1.5	1.9	7.7	1.5	2.5
Indonesia	5.8	2.3	2.1	6.3	2.6	2.2	7.2	3.0	2.6	8.2	3.2	2.7
Iran	5.9	1.8	1.3	5.2	1.9	0.7	2.7	1.5	0.4	2.1	1.2	0.3
Nigeria	3.5	1.0	2.2	4.5	1.4	2.4	6.0	2.0	3.6	6.7	2.2	3.7
Venezuela	20.8	12.7	4.1	24.3	14.3	3.7	26.2	16.1	3.2	27.2	16.3	3.3
Other	15.4	11.6	4.2	15.3	12.6	4.2	17.4	14.5	5.2	18.0	14.7	5.5
Non-oil developing countries	214.9	92.8	54.1	262.9	119.6	59.9	313.7	144.7	61.2	330.1	154.6	61.8
Africa	23.5	8.1	5.8	24.6	8.1	6.4	29.6	12.2	6.6	32.3	14.5	6.6
Ivory Coast	(2.4)	(0.7)	(0.4)	(3.0)	(1.0)	(0.4)	(3.2)	(0.9)	(0.5)	(3.2)	(0.8)	(0.4)
Morocco	(3.4)	(0.6)	(0.3)	(3.5)	(0.7)	(0.3)	(3.7)	(1.2)	(0.5)	(3.7)	(1.0)	(0.5)
South Africa	(7.3)	(2.8)	(2.7)	(7.2)	(2.5)	(3.1)	(11.2)	(6.0)	(3.4)	(14.1)	(8.4)	(3.4)
Zaire	(1.3)	(0.4)	(0.2)	(1.2)	(0.3)	(0.1)	(1.1)	(0.3)	(0.1)	(1.0)	(0.3)	(--)
Other	(9.1)	(3.6)	(2.2)	(9.7)	(3.6)	(2.5)	(10.4)	(3.8)	(2.1)	(10.3)	(4.0)	(2.3)

Table III-11 (continued). External Assets of Banks by Maturity and Undisbursed Credit Commitments, December 1979-June 1982 1/

(In billions of U.S. dollars)

	December 1979			December 1980			December 1981			June 1982		
	External Assets		Undis-	External Assets		Undis-	External Assets		Undis-	External Assets		Undis-
	Total	Of which: up to and including 1 year	bursed credit commit-ments	Total	Of which: up to and including 1 year	bursed credit commit-ments	Total	Of which: up to and including 1 year	bursed credit commit-ments	Total	Of which: up to and including 1 year	bursed credit commit-ments
Asia	35.4	19.3	16.3	44.8	25.6	17.6	53.3	29.6	20.1	53.6	28.7	22.1
China	(2.5)	(1.3)	(3.8)	(2.6)	(0.9)	(4.0)	(2.3)	(1.1)	(5.0)	(1.3)	(0.6)	(4.6)
India	(0.9)	(0.3)	(0.7)	(1.0)	(0.5)	(0.9)	(1.3)	(0.7)	(2.0)	(1.6)	(0.7)	(2.1)
Korea	(12.0)	(6.7)	(4.0)	(16.7)	(10.4)	(4.3)	(19.9)	(11.5)	(4.1)	(20.0)	11.4)	(4.8)
Malaysia	(2.2)	(0.8)	(0.7)	(2.7)	(1.0)	(1.4)	(4.4)	(1.4)	(1.3)	(5.3)	(1.8)	(1.7)
Philippines	(7.4)	(3.9)	(2.9)	(9.3)	(5.4)	(2.4)	(10.2)	(5.8)	(2.8)	(11.4)	(6.9)	(2.9)
Thailand	(3.7)	(2.4)	(0.8)	(4.0)	(2.4)	(1.3)	(5.1)	(3.1)	(1.3)	(4.8)	(2.7)	(1.7)
Other	(6.7)	(3.9)	(3.4)	(8.5)	(5.0)	(3.3)	(10.1)	(6.0)	(3.6)	(9.2)	(4.6)	(4.3)
Europe	35.1	13.2	6.9	43.1	15.6	8.6	45.7	15.7	6.8	43.9	14.4	5.9
Greece	(6.2)	(2.5)	(1.8)	(8.4)	(3.2)	(3.0)	(9.7)	(3.6)	(2.6)	(9.7)	(3.3)	(2.3)
Hungary	(7.9)	(3.8)	(0.4)	(8.0)	(3.4)	(0.7)	(7.7)	(3.1)	(0.4)	(6.4)	(2.1)	(0.3)
Portugal	(4.1)	(1.3)	(1.0)	(5.6)	(2.1)	(1.2)	(7.7)	(3.0)	(1.5)	(8.9)	(3.2)	(1.2)
Romania	(4.4)	(2.2)	(0.8)	(5.8)	(2.5)	(1.1)	(5.1)	(1.8)	(0.5)	(4.5)	(1.8)	(0.5)
Turkey	(3.9)	(1.4)	(0.7)	(4.4)	(1.3)	(0.6)	(4.2)	(1.0)	(0.5)	(4.0)	(1.1)	(0.4)
Yugoslavia	(8.2)	(1.9)	(2.0)	(10.4)	(2.9)	(2.0)	(10.7)	(3.0)	(1.3)	(10.0)	(2.6)	(1.0)
Other	(0.4)	(0.1)	(0.2)	(0.5)	(0.2)	(0.2)	(0.6)	(0.2)	(--)	(0.4)	(0.3)	(0.2)
Middle East	12.5	9.4	3.1	13.6	10.4	2.8	16.3	12.7	2.8	19.3	15.5	3.1
Egypt	(2.2)	(1.3)	(1.3)	(3.3)	(2.0)	(1.5)	(4.4)	(3.0)	(1.5)	(5.4)	(3.9)	(1.8)
Israel	(4.6)	(3.1)	(1.0)	(4.8)	(3.4)	(0.5)	(6.0)	(4.3)	(0.6)	(6.1)	(4.1)	(0.5)
Other	(5.7)	(5.0)	(0.8)	(5.5)	(5.0)	(0.8)	(5.4)	(5.4)	(0.7)	(7.8)	(7.5)	(0.8)

Table III-11.(concluded). External Assets of Banks by Maturity and Undisbursed Credit Commitments, December 1979-June 1982 1/

(In billions of U.S. dollars)

	December 1979			December 1980			December 1981			June 1982		
	External Assets		Undis-bursed credit commit-ments	External Assets		Undis-bursed credit commit-ments	External Assets		Undis-bursed credit commit-ments	External Assets		Undis-bursed credit commit-ments
	Total	Of which: up to and including 1 year		Total	Of which: up to and including 1 year		Total	Of which: up to and including 1 year		Total	Of which: up to and including 1 year	
Western Hemisphere	108.4	42.8	22.0	136.8	59.9	24.5	168.8	74.5	24.9	181.0	81.5	24.1
Argentina	(13.4)	(6.9)	(2.9)	(19.9)	(10.4)	(4.0)	(24.8)	(11.6)	(3.9)	(25.3)	(13.1)	(2.7)
Brazil	(38.6)	(11.3)	(6.7)	(45.7)	(16.2)	(6.4)	(52.5)	(18.2)	(6.1)	(55.3)	(18.7)	(6.4)
Chile	(4.9)	(2.0)	(1.5)	(7.3)	(2.9)	(1.6)	(10.5)	(4.2)	(1.8)	(11.8)	(4.9)	(1.8)
Colombia	(3.6)	(2.2)	(1.4)	(4.6)	(2.5)	(1.7)	(5.4)	(2.6)	(1.6)	(5.5)	(2.5)	(1.7)
Ecuador	(3.1)	(1.4)	(0.9)	(3.9)	(1.8)	(1.0)	(4.5)	(2.3)	(0.9)	(4.7)	(2.5)	(0.8)
Mexico	(30.9)	(10.7)	(6.1)	(42.5)	(18.8)	(6.7)	(57.1)	(27.8)	(7.3)	(64.4)	(32.2)	(7.6)
Peru	(3.8)	(1.9)	(0.7)	(4.1)	(2.4)	(1.3)	(4.4)	(2.7)	(1.4)	(5.2)	(3.4)	(1.4)
Other	(10.1)	(6.4)	(1.8)	(8.8)	(4.9)	(1.9)	(9.6)	(5.1)	(1.9)	(8.8)	(4.2)	(1.7)
Centrally planned economies	46.6	19.1	8.8	48.4	18.6	8.0	50.1	21.6	6.3	44.7	18.3	5.7
Czechoslovakia	3.0	1.4	0.3	3.5	1.5	0.3	3.3	1.3	0.2	2.9	0.9	0.3
German Democratic Republic	8.6	3.7	1.4	9.9	3.8	1.5	10.7	4.6	1.7	9.4	3.6	1.3
Poland	15.8	6.2	3.9	16.2	5.4	3.9	15.2	5.5	1.8	13.8	4.7	1.1
U.S.S.R.	13.0	5.0	2.8	13.4	5.6	1.7	16.3	8.2	2.0	14.9	7.2	2.4
Other	6.2	2.8	0.4	5.4	2.3	0.6	4.6	2.0	0.6	3.7	1.9	0.6
Total	366.1	160.9	90.3	426.4	194.2	99.7	489.0	230.1	102.7	506.3	239.2	106.4

Source: Bank for International Settlements, The Maturity Distribution of International Bank Lending.

1/ The reporting area for these data is generally broader than that for the data in Tables 33 to 41 in that it includes all foreign branches of U.S. banks and the affiliates in offshore reporting centers of banks in other countries; but the number of banks of banks reporting is somewhat smaller. This series is only available semiannually and has longer lags than the data presented in the quarterly publication of the Bank for International Settlements on international capital markets developments.

Table III-12. Undisbursed Credit Commitments as Per Cent of Outstanding Bank Claims, 1978-82

(In per cent)

	Dec. 1978	Dec. 1979	Dec. 1980	June 1981	Dec. 1981	June 1982
Industrial countries (other than Group of Ten, Austria, Ireland, and Switzerland	22.6	21.9	31.1	34.0	31.8	33.9
Oil exporting countries	32.9	29.3	24.9	27.3	24.9	25.8
Nigeria	47.8	62.9	53.3	64.6	60.0	55.2
Venezuela	25.7	19.7	15.2	16.7	12.2	12.1
Other	34.9	31.6	27.9	29.8	28.4	30.6
Non-oil developing countries	29.5	25.2	22.8	22.4	19.5	18.7
Six largest borrowers 1/	28.4	22.2	17.8	16.2	14.6	13.6
Argentina	(35.7)	(21.6)	(20.1)	(13.9)	(15.7)	(10.7)
Brazil	(22.5)	(17.4)	(14.0)	(13.4)	(11.6)	(11.6)
Korea	(48.0)	(33.3)	(25.7)	(23.5)	(20.6)	(24.0)
Mexico	(20.2)	(19.7)	(15.8)	(15.5)	(12.8)	(11.8)
Philippines	(62.0)	(39.2)	(25.8)	(28.3)	(27.5)	(25.4)
Yugoslavia	(32.3)	(24.4)	(19.2)	(13.3)	(12.1)	(10.0)
Other	30.5	28.3	28.8	30.6	25.8	25.3
Centrally planned economies 2/	26.6	18.9	16.5	12.9	12.6	12.8
All countries	28.8	24.7	23.4	23.3	21.0	21.0

Source: Bank for International Settlements, The Maturity Distribution of International Bank Lending.

1/ As of end-December 1980.
2/ Excluding Fund member countries.

Table III-13. Short-Term Claims 1/ in Per Cent of Outstanding Bank Claims, 1978-82

(In per cent)

	Dec. 1978	Dec. 1979	Dec. 1980	Dec. 1981	June 1982
Industrial countries (other than Group of Ten, Austria, Denmark, Ireland, and Switzerland)	41.5	41.4	43.0	44.0	44.2
Oil exporting countries	47.6	50.8	53.1	56.9	55.9
Nigeria	34.8	28.6	31.1	33.3	32.8
Venezuela	54.3	61.1	58.8	61.5	59.9
Other	45.8	47.1	52.0	57.6	57.2
Non-oil developing countries	44.7	43.2	45.5	46.1	46.8
Six largest borrowers 2/	34.6	37.5	44.4	44.5	45.5
Argentina	(51.4)	(51.5)	(52.3)	(46.8)	(51.8)
Brazil	(28.3)	(29.3)	(35.4)	(34.7)	(33.8)
Korea	(57.3)	(55.8)	(62.3)	(57.8)	(57.0)
Mexico	(31.8)	(34.6)	(44.2)	(48.7)	(50.0)
Philippines	(50.0)	(52.7)	(58.1)	(56.9)	(60.5)
Yugoslavia	(19.4)	(23.2)	(27.9)	(28.0)	(26.0)
Other	54.2	49.2	46.9	48.2	48.5
Centrally planned economies 3/	41.9	41.0	38.4	43.1	40.9
All countries	44.4	43.8	45.6	47.1	47.2

Source: Bank for International Settlements, The Maturity Distribution of International Bank Lending.

1/ Remaining maturity of one year or less.
2/ As of end-December 1980.
3/ Excluding Fund member countries.

Table III-14. Medium-Term International Bank Credit Commitments, 1978-82

(In millions of U.S. dollars)

	1978	1979	1980	1981	1982
Industrial countries	34,289	24,099	39,266	94,648	52,424
Australia	665	731	1,693	3,734	6,346
Belgium	40	1,000	3,060	260	2,057
Canada	9,631	926	6,439	5,790	3,962
Denmark	2,393	1,217	1,566	1,625	1,571
France	2,485	2,787	1,922	3,847	6,703
Italy	2,909	3,361	6,483	6,960	5,909
Spain	2,246	3,730	4,524	4,708	2,145
Sweden	1,846	1,471	1,324	2,471	2,027
United Kingdom	5,259	1,990	1,871	3,019	2,565
United States	2,815	3,723	6,387	58,192	11,958
Other	4,000	3,163	3,997	4,042	7,181
Oil-exporting developing countries	9,809	7,675	5,508	5,367	8,856
Algeria	2,062	1,800	343	--	75
Indonesia	1,617	695	967	1,101	1,158
Iran	1,142	--	--	--	--
Nigeria	1,750	1,212	668	1,858	538
Venezuela	1,792	3,035	2,937	1,333	4,774
Other	1,446	933	593	1,075	2,311
Non-oil developing countries	26,571	42,204	32,780	45,099	36,841
Major exporters of manufactures	10,790	16,049	15,435	19,394	17,741
Argentina	(1,273)	(2,107)	(2,390)	(2,864)	(2,581)
Brazil	(5,210)	(6,498)	(5,279)	(7,270)	(6,846)
Greece	(570)	(945)	(1,191)	(941)	(931)
Korea	(1,643)	(2,694)	(2,037)	(3,174)	(2,864)
Portugal	(621)	(811)	(706)	(1,756)	(1,481)
Yugoslavia	(744)	(1,651)	(1,832)	(564)	(559)
Other	(729)	(1,343)	(2,000)	(2,825)	(2,479)
Net oil exporters	8,549	12,499	9,049	13,451	11,456
Malaysia	(1,072)	(197)	(1,083)	(1,475)	(2,310)
Mexico	(6,604)	(10,438)	(5,980)	(10,574)	(7,317)
Other	(873)	(1,864)	(1,986)	(1,402)	(1,829)
Low income countries	301	3,714	772	2,015	871
China	(--)	(3,070)	(374)	(453)	(50)
India	(55)	(50)	(79)	(1,043)	(341)
Other	(246)	(594)	(319)	(519)	(480)
Other net oil importers	7,446	10,892	7,524	10,239	6,773
Chile	(1,201)	(683)	(919)	(2,305)	(1,220)
Colombia	(85)	(903)	(662)	(1,023)	(547)
Hungary	515	950	550	550	483
Philippines	(1,843)	(1,774)	(1,277)	(1,141)	(1,011)
Turkey	(250)	(3,171)	(--)	(--)	(288)
Other	(3,552)	(3,411)	(4,116)	(5,220)	(3,224)
Centrally planned economies	2,757	3,640	1,658	681	222
German Democratic Republic	782	656	397	497	69
Poland	406	861	736	--	--
U.S.S.R.	400	320	50	25	153
International Investment Bank	500	1,025	--	--	--
Other	487	778	475	209	--
International organizations and unallocated	441	538	707	101	514
Total	74,200	79,106	79,919	145,896	98,857

Source: Organization for Economic Cooperation and Development; Financial Statistics Monthly.

Table III-15. Terms on Publicized Medium-Term Bank Credit Commitments, 1977-First Quarter 1982

(Rates in per cent)

	Six-Month Eurodollar Deposit Rate 1/	Spreads over LIBOR 2/					Maturities	
		Lowest	Weighted averages (per cent)					
			All borrowers	OECD countries 3/	CMEA 4/ countries	Other non-OECD countries 5/	Longest (in years)	Average (In years/ months)
1977 I	5.67	15/16	...	...	...	...	8	6/8
II	5.94	15/16	...	...	...	...	10	6/6
III	6.71	7/8	...	...	...	...	10	6/5
IV	7.37	5/8	1.17	0.84	1.05	1.46	10	7/0
1978 I	7.68	5/8	1.05	0.82	0.97	1.22	12	7/9
II	8.50	5/8	1.10	0.80	0.70	1.26	12	8/4
III	9.25	1/4-3/8	0.90	0.72	0.74	1.15	12	8/5
IV	12.02	1/2	0.87	0.69	0.73	1.03	15	8/11
1979 I	10.69	1/2	0.87	0.65	0.90	0.95	15	8/9
II	10.73	3/8	0.76	0.62	0.63	0.87	18	9/3
III	12.00	3/8	0.73	0.67	0.61	0.76	15	7/9
IV	14.56	1/4-3/8	0.64	0.49	0.57	0.74	15	9/3
1980 I	16.98	3/8-1/2	0.67	0.56	0.58	0.78	15 1/2	8/9
II	11.29	3/8-1/2	0.69	0.57	0.73	0.84	15	7/8
III	12.17	1/4-1/2	0.68	0.54	1.17	0.82	12	7/6
IV	16.16	1/4-3/8	0.75	0.56	0.96	1.03	12	7/8
1981 I	16.10	1/4-3/8	0.70	0.54	0.66	0.82	14	8/4
II	17.06	1/4	0.77	0.47	0.62	1.12	13	7/9
III	18.43	1/4-1/2	0.69	0.46	0.62	0.94	15	7/10
IV	14.48	1/4-3/8	0.69	0.46	...	0.90	15	7/7
1982 I	15.17	1/4-3/8	0.68	0.56	...	0.85	15	7/11
II	15.10	1/4	0.81	0.54	...	1.10	15	6/10
III	13.04	0.3	0.81	0.57	...	1.19	15	7/9
IV	9.94	0.3	0.84	0.55	...	1.26	15	7/4
1983 I 6/	9.22	1/4	...	...	...	...	12	7/5

Sources: Morgan Guaranty Trust Company, World Financial Markets (for series on Eurodollar rate); and Organization for Economic Cooperation and Development, Financial Market Trends.

1/ Average of month-end prime banks' bid rates; the London interbank offered rate (LIBOR) commonly used as a basis for Eurodollar lending is generally 0.125 per cent above bid rates.
2/ On loans of $50 million and over with a maturity of at least three years completed or signed during the period; excludes tax-sparing loans.
3/ Excluding Turkey.
4/ Council for Mutual Economic Assistance.
5/ Excluding the People's Republic of China.
6/ January and February only.

Table III-16. Nominal and Real Interest Rates, 1977-82

(In per cent)

	1977	1978	1979	1980	1981	1982
United States						
Three-month Eurodollar deposit rate	6.0	8.9	12.1	14.2	16.8	13.2
GNP deflator	5.8	7.3	8.5	9.0	9.2	5.9
Real interest rate 1/	0.2	1.3	3.2	5.0	6.7	6.9
Germany, Federal Republic of						
Three-month money market rate	4.4	3.7	6.7	9.5	12.1	8.9
GNP deflator	3.8	3.9	3.9	5.0	4.2	4.8
Real interest rate 1/	0.6	-0.2	2.7	4.3	7.6	3.9
Japan						
Three-month gensaki rate 2/	5.6	5.1	5.9	10.7	7.4	6.8
GNP deflator	5.5	4.0	2.0	1.9	2.8	2.1
Real interest rate 1/	0.1	1.1	3.8	8.6	4.5	4.6

Sources: International Monetary Fund, International Financial Statistics; Deutsche Bundesbank, Monthly Report; and Bank of Japan, Economic Statistics Monthly.

1/ If i represents the nominal interest rate, $\dot{p}$ the growth of the GNP deflator, and r the ex post real interest rate, $i = r + \dot{p} + r\dot{p}$.

2/ Bond repurchase agreements.

Table III-17. Interest Rates on International Markets, 1981 and 1982

(In per cent)

	1981	1982											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
Eurocurrency markets 1/													
U.S. dollars in London	13.33	14.36	15.81	14.98	15.21	14.58	15.48	14.36	11.63	11.78	10.41	9.79	9.52
Sterling in London	15.43	15.12	14.15	13.60	13.75	13.35	13.21	12.37	11.10	10.91	9.77	9.40	10.63
Swiss francs in London	9.73	8.73	8.30	6.29	4.89	3.80	5.34	4.35	4.43	4.03	3.89	3.87	3.72
Deutsche mark in London	10.71	10.27	10.19	9.41	8.97	8.64	8.93	8.99	8.55	7.97	7.17	7.07	6.33
Netherlands guilders in London	11.10	10.52	10.30	8.95	8.29	8.70	8.90	8.90	8.76	7.89	7.17	6.49	5.76
French francs in London	17.17	16.16	15.47	20.34	22.93	24.60	21.81	15.92	17.65	19.51	19.06	18.58	22.69
Japanese yen in London	6.83	6.58	6.47	6.66	6.91	7.07	7.85	7.26	7.39	7.37	7.03	7.12	7.02
International bond markets 2/													
Dollar-denominated bonds:													
3- to 7-year maturity	15.07	15.61	15.96	16.05	15.92	15.67	15.94	16.42	16.30	15.72	14.82	14.12	13.68
7- to 15-year maturity 3/	14.64	15.48	15.57	15.22	14.90	14.43	14.76	15.15	14.92	14.57	13.71	13.00	12.83
Deutsche mark denominated bonds:													
3- to 7-year maturity	10.37	10.43	10.43	10.17	9.60	9.47	9.80	9.73	9.73	9.90	9.60	9.23	8.90
7- to 15-year maturity 3/	9.53	10.10	10.13	9.87	9.33	9.17	9.50	9.50	9.50	9.50	9.20	8.97	8.73
Netherlands guilder denominated notes:													
3 or more years maturity	11.47	11.26	11.28	10.67	10.19	10.06	10.31	10.42	10.24	10.13	9.84	9.05	8.22
French franc denominated bonds													
3- to 7-year maturity	17.17	16.87	16.42	17.03	17.48	16.91	16.78	16.72	16.31	16.61	16.49	15.51	15.39

Source: Organization for Economic Cooperation and Development, Financial Statistics Monthly.

1/ Three-month deposits.
2/ Secondary market yields.
3/ Unweighted average for international organizations, the public sector, and private corporations.

Table III-18. Developing Country Issues and Placements in International Markets, 1975-82 1/

(In millions of U.S. dollars)

	1975	1976	1977	1978	1979	1980	1981	1982
Algeria	35	147	215	720	183	--	--	--
Argentina	16	--	43	266	417	165	165	--
Bermuda	--	--	--	--	--	--	--	60
Bolivia	--	--	15	--	--	--	--	--
Brazil	35	193	856	936	736	317	61	61
Chile	53	--	--	50	84	82	30	--
China, People's Republic of	--	--	--	--	--	--	--	45
Colombia	--	--	--	--	--	55	--	--
Costa Rica	--	--	--	20	--	109	--	--
Ecuador	--	--	8	62	--	--	--	--
Egypt	--	--	--	25	--	--	--	40
El Salvador	--	--	--	25	--	--	--	--
Gabon	15	--	--	--	--	--	--	33
Greece	--	--	--	--	--	--	30	50
Haiti	--	--	--	--	8	--	--	--
Hong Kong	25	--	128	--	--	--	30	40
India	--	--	--	--	--	30	137	30
Indonesia	17	--	--	104	63	46	72	313
Iran	--	30	81	69	--	--	--	--
Israel	245	351	340	426	437	130	117	110
Ivory Coast	--	10	--	--	--	14	--	--
Korea	--	74	72	56	44	48	133	42
Kuwait	--	--	--	62	--	--	--	--
Lebanon	5	--	--	--	--	--	--	--
Malaysia	--	10	43	139	152	--	--	657
Mexico	270	428	1,348	687	363	382	2,179	1,602
Morocco	28	45	28	91	22	23	--	--
Panama	--	14	27	215	111	25	--	--
Papua New Guinea	25	--	25	--	--	--	--	--
Peru	--	--	--	--	--	--	25	--
Philippines	--	367	130	216	176	67	69	30
Portugal	--	--	50	--	--	30	--	43
Romania	100	--	--	--	--	--	--	--
Saudi Arabia	--	--	10	--	15	--	--	--
Singapore	12	175	155	25	25	--	36	125
South Africa	372	85	33	482	244	365	92	314
Sri Lanka	--	--	--	--	--	--	--	11
Sudan	9	--	--	--	--	--	--	--
Thailand	--	--	--	69	176	46	44	43
Trinidad and Tobago	--	--	--	150	--	--	--	--
Tunisia	--	49	10	26	--	--	--	--
Turkey	--	24	--	--	--	--	--	--
United Arab Emirates	--	--	42	--	--	--	--	--
Venezuela	--	--	438	690	174	132	241	--
Yugoslavia	--	90	129	127	96	37	--	--
Total	1,262	2,092	4,225	5,767	3,554	2,103	3,461	3,649

Sources: World Bank, Borrowing in International Capital Markets; and Organization for Economic Cooperation and Development, Financial Statistics Monthly.

1/ Foreign bonds and Eurobonds.
2/ Preliminary figures.

Table III-19. International Bond Issues and Placements by Currency of Denomination, 1977-82

(In millions of U.S. dollars; and in per cent)

	1977		1978		1979		1980		1981		1982	
	Amount	Share of total	Amount	Share of total	Amount	Share of total	Amount	Share of total	Amount	Share of total	Amount	Share of total
U.S. dollar	20,024	55.5	14,002	37.4	15,697	38.6	16,035	42.2	28,828	60.4	44,703	62.4
Eurobonds	12,336		7,643		11,095		13,299		21,252		38,678	
Foreign bonds	7,688		6,359		4,602		2,736		7,576		6,025	
Deutsche mark	6,726	18.6	8,208	21.9	8,177	20.1	8,409	22.1	2,564	5.3	5,362	7.5
Eurobonds	5,215		6,531		5,881		3,457		1,374		3,253	
Foreign bonds	1,511		1,677		2,296		4,952		1,190		2,109	
Swiss francs	4,959	13.7	7,553	20.2	9,637	23.7	7,470	19.7	8,118	17.0	11,425	16.0
Eurobonds	--		--		--		--		--		100	
Foreign bonds	4,959		7,553		9,637		7,470		8,118		11,325	
Japanese yen	1,394	3.9	4,766	12.7	3,169	7.8	2,145	5.6	3,133	6.6	3,899	5.4
Eurobonds	111		79		184		301		410		598	
Foreign bonds	1,283		4,687		2,985		1,844		2,723		3,301	
Netherlands guilder	545	1.5	746	2.0	774	1.9	874	2.3	902	1.9	1,472	2.1
Eurobonds	363		384		308		549		417		618	
Foreign bonds	182		352		466		325		485		854	
Pound sterling	221	0.6	343	0.9	291	0.7	1,154	3.0	1,451	3.0	1,927	2.7
Eurobonds	221		287		291		976		538		798	
Foreign bonds	--		56		--		178		913		1,129	
French franc	62	0.2	334	0.9	739	1.8	1,146	3.0	622	1.3	221	0.3
Eurobonds	--		103		374		883		533		--	
Foreign bonds	62		231		365		263		89		221	
Other currencies	2,163	6.0	1,490	4.0	2,158	5.3	772	2.0	2,147	4.5	2,575	3.6
Eurobonds	1,349		863		1,404		584		1,962		2,390	
Foreign bonds	814		627		754		188		185		185	
Total	34,094	100.0	37,432	100.0	40,642	100.0	38,005	100.0	47,765	100.0	71,584	100.0

Sources: World Bank, Borrowing in International Capital Markets; and Organization for Economic Cooperation and Development, Statistics Monthly.

Table III-20. Inflation, Interest Rate, and Exchange Rate Experience of Selected Financial Market Countries, 1970-82

(In per cent)

	1970-75		1976-80		1981-82
	Mean	Standard Deviation	Mean	Standard Deviation	Mean
United States					
Rate of inflation as measured by the rate of change in					
Consumer price index	6.6	2.9	8.9	3.2	8.3
GNP deflator	6.4	2.1	7.2	1.6	7.7
Nominal treasury bill interest rate	5.9	1.5	7.8	2.9	12.4
Nominal long-term treasury bond interest rate	7.1	0.9	8.9	1.4	13.3
Real treasury bill rate 1/	-0.5		0.6		4.4
Real treasury bond rate 1/	0.7		1.5		5.2
United Kingdom					
Rate of inflation as measured by the rate of change in					
Consumer price index	12.0	6.5	14.5	4.4	10.2
GDP deflator	12.2	7.6	14.7	3.5	10.1
Nominal treasury bill interest rate	8.2	2.5	11.1	3.3	12.3
Nominal treasury bond interest rate	11.2	2.6	13.3	3.4	13.8
Exchange rate ($/£)	-1.5	6.3	2.2	12.0	-13.3
Real treasury bill rate 1/	-3.6		-3.1		2.0
Real treasury bond rate 1/	-0.9		-1.2		3.4
Germany, Federal Republic of					
Rate of inflation as measured by the rate of change in					
Consumer price index	5.7	1.3	4.1	1.1	5.7
GNP deflator	6.7	1.3	3.9	0.7	4.5
Nominal call money rate	7.1	2.6	5.3	2.3	10.0
Nominal public authorities' bond yield	8.7	0.9	7.1	2.7	9.7
Exchange rate (DM/$)	-6.8	8.4	-5.3	8.5	15.9
Real call money rate 1/	0.4		1.3		5.3
Real public bond yield 1/	1.9		3.1		5.0
Japan					
Rate of inflation as measured by the rate of change in					
Consumer price index	11.1	7.0	6.6	2.5	3.8
GNP deflator	9.3	5.8	4.5	1.8	2.4
Nominal call money rate	8.3	2.9	6.8	2.5	7.2
Nominal government bond yield	7.8	1.1	7.8	1.2	8.4
Exchange rate (¥/$)	-2.6	7.9	-5.0	14.1	5.1
Real call money rate 1/	-0.9		2.2		4.7
Real government bond yield 1/	-1.4		3.2		5.9
Switzerland					
Rate of inflation as measured by the rate of change in					
Consumer price index	7.0	2.2	2.3	1.4	4.3
Nominal government bond yield	5.9	0.8	4.1	0.7	5.2
Exchange rate (Sw F/$)	-7.8	7.7	-7.2	12.1	10.3
Real government bond yield 1/	-1.1		1.7		0.9

Source: International Monetary Fund, International Financial Statistics.

1/ The average real interest rate (r) is derived from the corresponding average nominal interest rate (i) and average rate of inflation (p) via $1 + r = (1+i)(1+p)$. In all countries except Switzerland, p is the average rate of change in the GNP of GDP deflator. For Switzerland, p equals the average rate of change in the consumer price index.