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ROOM C-120

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EBD/83/86

March 23, 1983

To: Members of the Executive Board
From: The Acting Secretary
Subject: Denmark - Discount Rate

The Secretary has received the following memorandum dated March 21, 1983 from Mr. Tvedt:

The following cable was received on March 21, 1983 from Danmarks Nationalbank:

As from Tuesday, 22nd March, 1983, Danmarks Nationalbank reduces its official discount rate by 1 1/2 per cent to 8 1/2 per cent. The rediscount rate is likewise reduced by 1 1/2 per cent to 8 1/2 per cent. Similarly, the Bank's ordinary lending rate of 11 per cent is reduced by 1 1/2 per cent. The rate charged for first-tranche loans within the borrowing limits will then be 9 1/2 per cent. The rate charged for second-tranche loans is likewise reduced by 1 1/2 per cent to 12 1/2 per cent.

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The realignment today of the central rates within the European Monetary System, EMS, has removed a significant element of uncertainty about future exchange-rate movements. Against this background the recent favourable trend of the balance of trade and the dampening of domestic price increases have provided scope for the fall in international interest rates to work through to short-term Danish interest rates.

Other Distribution:
Department Heads