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July 7, 1983

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

Attached for the information of the Executive Directors is a paper on a change in Romania's exchange arrangements.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

ROMANIA

Exchange Arrangements

Prepared by the European Department and
the Exchange and Trade Relations Department

(In consultation with the Legal Department)

Approved by L.A. Whittome and Subimal Mookerjee

July 7, 1983

In the attached cable dated July 5, 1983 the Deputy Minister of Finance of Romania has notified the Fund that the following changes in Romania's exchange arrangements came into effect on July 7, 1983. (1) A single commercial exchange rate for the leu was established for all merchandise transactions in convertible currencies. Previously there had been two special rates for certain categories of merchandise exports which had been more depreciated than the commercial rate for other transactions. The unified commercial rate also applies, as previously, to a large proportion of service transactions and to capital account transactions in convertible currencies. (2) The leu has been pegged to a basket of the currencies of Romania's principal trading partners in convertible currencies with the U.S. dollar having a weight of 40 per cent; previously, it had been pegged to the U.S. dollar. The rate of the leu vis-à-vis the U.S. dollar (which continues to be the intervention currency) will be adjusted weekly in order to maintain the value of the leu at its established level in terms of the basket. In addition, rates against individual currencies other than the U.S. dollar will be adjusted once a week at the same time as the leu/U.S. dollar rate is changed. (3) The initial value for the commercial rate for the U.S. dollar was changed from July 1, 1983 to lei 17.5 = US\$1 which represented a devaluation of 5.7 per cent for the leu in terms of the U.S. dollar. (4) The noncommercial rate for the U.S. dollar applying to a limited number of service transactions was changed starting from July 7, 1983 to lei 13.5 = US\$1 which represented a devaluation of 7.4 per cent for the leu in terms of the U.S. dollar.

A staff mission is currently in Bucharest to conduct a review under the present stand-by arrangement with Romania. The staff also concluded Article IV consultation discussions with Romania in May 1983 and the forthcoming staff report will describe more fully the implications of the above changes in the exchange system.

FROM: ROMANIAN BANK FOR FOREIGN TRADE BUCHAREST

ATT. MR. WHITTOME
DIRECTOR
EUROPEAN DEPARTMENT

I WOULD LIKE TO INFORM YOU THAT ON JULY 7, 1983 WE MADE A NUMBER OF CHANGES IN OUR EXCHANGE ARRANGEMENTS. THESE WERE AS FOLLOWS:

1. A SINGLE COMMERCIAL EXCHANGE RATE FOR THE LEU WAS ESTABLISHED FOR ALL MERCHANDISE TRANSACTIONS IN CONVERTIBLE CURRENCIES. PREVIOUSLY THERE HAD BEEN TWO SPECIAL RATES FOR CERTAIN CATEGORIES OF MERCHANDISE EXPORTS WHICH HAD BEEN MORE DEPRECIATED THAN THE COMMERCIAL RATE FOR OTHER TRANSACTIONS. THE UNIFIED COMMERCIAL RATE ALSO APPLIES, AS PREVIOUSLY, TO A LARGE PROPORTION OF SERVICE TRANSACTIONS AND TO CAPITAL ACCOUNT TRANSACTIONS IN CONVERTIBLE CURRENCIES.
2. THE LEU HAS BEEN PEGGED TO A BASKET OF THE CURRENCIES OF ROMANIA'S PRINCIPAL TRADING PARTNERS IN CONVERTIBLE CURRENCIES WITH THE U.S. DOLLAR HAVING A WEIGHT OF 40 PER CENT, PREVIOUSLY, IT HAD BEEN PEGGED TO THE U.S. DOLLAR. THE RATE OF THE LEU VIS-A-VIS THE U.S. DOLLAR (WHICH CONTINUES TO BE THE INTERVENTION CURRENCY) WILL BE ADJUSTED WEEKLY IN ORDER TO MAINTAIN THE VALUE OF THE LEU AT ITS ESTABLISHED LEVEL IN TERMS OF THE BASKET. IN ADDITION, RATES AGAINST INDIVIDUAL CURRENCIES OTHER THAN THE U.S. DOLLAR WILL BE ADJUSTED ONCE A WEEK AT THE SAME TIME AS THE LEU/U.S. DOLLAR RATE IS CHANGED.
3. THE INITIAL VALUE FOR THE COMMERCIAL RATE FOR THE U.S. DOLLAR WAS CHANGED FROM JULY 1, 1983 TO LEI 17.5 EQUALS U.S. DOLLAR 1 WHICH REPRESENTED A DEVALUATION OF 5.7 PER CENT FOR THE LEU IN TERMS OF THE U.S. DOLLAR.
4. THE NONCOMMERCIAL RATE FOR THE U.S. DOLLAR APPLYING TO A LIMITED NUMBER OF SERVICE TRANSACTIONS WAS CHANGED STARTING FROM JULY 7, 1983 TO LEI 13.5 EQUALS U.S. DOLLAR 1 WHICH REPRESENTED A DEVALUATION OF 7.4 PER CENT FOR THE LEU IN TERMS OF THE U.S. DOLLAR.

BEST REGARDS
IULIAN BITULEANU
DEPUTY MINISTER

BUCHAREST JULY 5, 1983

Received in Cable Room July 5, 1983