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October 7, 1983

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

The attached paper on the devaluation of the Malagasy franc is circulated for the information of the Executive Directors.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Madagascar--Exchange Arrangements

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

(In consultation with the Legal Department)

Approved by J.B. Zulu and S. Kanesa-Thasan

October 6, 1983

In the attached notification dated October 4, 1983 the Central Bank of Madagascar has notified the Fund that with effect from October 3, 1983 the Malagasy franc was devalued by 9.5 percent (10.5 percent in local currency terms) vis-à-vis the currency composite to which it is pegged. The middle rate against the U.S. dollar on October 3, 1983 was FMG 480.62 = US\$1, compared with a middle rate of FMG 436.825 = US\$1 on September 30, 1983, representing a devaluation of 9.1 percent in terms of the U.S. dollar.

This action follows depreciations of the Malagasy franc by 13 percent on May 17, 1982 (EBS/82/85), by 5.7 percent on January 31, 1983 (EBD/83/31), and by 2 percent on July 8, 1983 (EBD/83/235). A staff team recently visited Madagascar to conduct the 1983 Article IV consultation discussion, and its report to the Executive Board on these discussions will contain an assessment of economic policy and prospects.

Attachment

ATTACHMENT

INTERFUND
WASHINGTON, DC

OCTOBER 4, 1983

THIS IS TO INFORM THE FUND THAT ON OCTOBER 1ST 1983 THE GOVERNMENT HAS DECIDED TO DEVALUE THE MALAGASY FRANC (MF) BY 10.5 PERCENT IN LOCAL CURRENCY TERMS COMPARED TO THE EXCHANGE RATE CALCULATED ON THE BASIS OF THE CURRENCY BASKET ADOPTED ON APRIL 2, 1982. THE FOLLOWING WERE THE RESULTANT BUYING AND SELLING RATES FOR THE EIGHT CURRENCIES QUOTED BY THE CENTRAL BANK ON THE DAY BEFORE THE DEVALUATION (SEPTEMBER 30TH), ON OCTOBER 3RD, DATE ON WHICH THE DEVALUATION BECAME EFFECTIVE, AND ON OCTOBER 4TH, RESPECTIVELY:

	SEPTEMBER 30th		OCTOBER 3RD		OCTOBER 4TH	
	B	S	B	S	B	S
USD	434.64	439.01	478.22	483.02	476.23	481.01
DEM	164.23	165.88	181.20	183.02	181.73	183.56
GBP	651.17	657.72	714.18	721.36	709.65	716.78
FRF	54.12	54.66	59.71	60.31	59.76	60.36
NLG	146.84	148.32	162.09	163.71	162.46	164.09
CHF	203.57	205.62	224.85	227.11	225.70	227.97
100 ITL	27.10	27.37	29.91	30.21	29.98	30.28
BEF	8.10	8.18	8.94	9.02	8.95	9.04

KIND REGARDS

CENTRAL BANK OF MADAGASCAR

Received in Cable Room: October 4, 1983