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ROOM C-12D

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November 25, 1983

To: Members of the Executive Board
From: The Acting Secretary
Subject: Belgium - Interest Rate Policy

The Secretary has received the following memorandum dated November 23, 1983 from Mr. de Groot:

The National Bank of Belgium will increase, effective November 24, its official discount rate from 9 to 10 percent and its rate for advances in current account from 10 to 11 percent.

This increase will bring the Central Bank's interest rates more in line with short-term market interest rates, which have risen recently as a result of a pick-up in demand and particularly export demand. This pick-up of external demand translates itself, in a transformation economy like Belgium, first through a pick-up of imports. This is the underlying reason for the recent deterioration of the current account of the balance of payments. Moreover, interest rate differentials had recently affected capital inflows and within the EMS the BF had weakened, forcing the Central Bank to intervene on a regular basis.

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Department Heads