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EBD/83/281

November 3, 1983

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

Attached for the information of the Executive Directors is a paper on a recent devaluation of the Somali shilling.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Somalia--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 W.A. Beveridge

November 2, 1983

In the attached notification, dated October 24, 1983, the Central Bank of Somalia has notified the Fund that with effect from October 23, 1983 the middle rate of the Somali shilling has been devalued to So. Sh. 17.5556 = US\$1 from So. Sh. 15.7567 = US\$1, representing a 10.2 percent devaluation vis-à-vis the U.S. dollar. Previously, the exchange rate for the shilling had been changed from So. Sh. 15.6305 = US\$1 on August 31, 1983 and from So. Sh. 15.2606 = US\$1 on July 31, 1983, representing respective devaluations of 0.8 percent and 2.4 percent. These adjustments reflected increases of the Mogadiscio consumer price index relative to price developments abroad. Since the adoption of the new exchange rate arrangement on July 1, 1983, whereby the real effective exchange rate of Somalia will be maintained vis-à-vis the five countries included in the SDR basket (EBD/83/184), the Somali shilling has therefore been devalued by a cumulative 13.1 percent (15 percent in local currency terms) against the U.S. dollar. The adjustments have maintained the exchange rate within the 7.5 percent margins provided for in the newly adopted arrangements.

A staff team is scheduled to visit Mogadiscio shortly to conduct the 1983 Article IV consultation discussions. The reports to the Executive Board of these discussions will contain an assessment of economic policy and prospects, including exchange rate policies.

Attachment

INTERFUND
WASHINGTON, DC

OCTOBER 24, 1983

REFERENCE YOUR CABLE OCTOBER 13, 1983, PLEASE BE INFORMED THAT THE CONSUMER PRICE INDEX FOR SOMALIA (WITH APRIL - 83 = 100) WAS AS FOLLOWS: MAY 1983, 108.1; JUNE 1983, 110.3; and JULY 1983, 122.7. ON THE OTHER HAND SOMALI SH./U.S DOLLAR POSTED BUYING/SELLING RATES WERE AS FOLLOWS: EFFECTIVE AUGUST 31, 1983 SO. SH. 15.5991 BUYING RATE AND SO. SH. 15.9142 SELLING RATE. EFFECTIVE OCTOBER 23, 1983 SO. SH. 17.3800 BUYING RATE AND SO. SH. 17.7312 SELLING RATE.

BEST REGARDS

SOMALBANCA MOG

Received in Cable Room: October 24, 1983