

EBS/86/187
Correction 1

CONFIDENTIAL

September 5, 1986

To: Members of the Executive Board

From: The Secretary

Subject: Review of the Fund's Liquidity - Financing Needs and Financing Considerations for Access Policy in 1987

The following corrections have been made in EBS/86/187 (8/13/86):

Page 20, para. 3, line 2: for "SDR 4.8 billion,"
read "SDR 3.8 billion,"

line 3: for "SDR 1 billion"
read "SDR 2 billion"

Page 21, Table 3, 1986, columns 4 and 5: for "1.0 4.8"
read "2.0 3.8"

Total, columns 4 and 5: for "21.9 31.2"
read "22.9 30.2"

Page 22, Table 4: table revised as a result of a misclassification of countries by region

Corrected pages are attached.

Att: (3)

Table 2. Fund Liquidity - Selected Ratios

(In percent)

Item	December 31						Jan.31	Jul.31	Dec.31	Dec.31
	1980	1981	1982	1983	1984	1985	1986	1986	1986	1987
									(Proj.)	(Proj.)
1. Quota ratio <u>1/</u>	22.0	35.1	33.2	22.6	37.0	35.3	35.2	34.2	32.8	28.0
2. Liquidity ratio <u>2/</u>	107.7	73.5	43.2	71.0	71.5	68.6	70.8	75.1	69.1	66.0
3. Cash ratio <u>3/</u>	143.7	102.0	61.0	101.5	106.3	103.7	107.5	114.8	104.7	93.9
4. Asset ratio <u>4/</u>										
(i) excluding gold	176.2	115.3	68.7	101.0	95.8	93.8	95.9	99.7	94.4	92.3
(ii) including gold	197.6	132.1	82.6	109.9	104.2	102.4	104.6	108.8	103.6	101.8

1/ The quota ratio, as defined under the decision on guidelines for borrowing, is the ratio of the total of outstanding borrowing, unused credit lines and unused resources in the (conditional) GAB category to total quotas (see Appendix Table 1, lines 3, 4, and 7).

2/ The liquidity ratio is the ratio of adjusted and uncommitted ordinary resources and temporary investments in the BRS Accounts to the total of outstanding borrowing and reserve tranche positions (see Appendix Table 1, lines 1(b), 3(a)(ii) and 5).

3/ The cash ratio is the ratio of adjusted and uncommitted ordinary resources to reserve tranche positions (see Appendix Table 1, lines 1(b) and 5(a)).

4/ The asset ratio under (i) is the ratio of usable ordinary resources (unadjusted) and temporary investments in BRS Accounts to the total of outstanding borrowing and total reserve tranche positions (see Appendix Table 1, lines 1, 3(a)(ii) and 5). The asset ratio under (ii) also includes, in the numerator, gold held by the Fund and valued at SDR 35 per fine ounce (line 2).

Table 4: Purchases, Repurchases and Use of Fund Credit -
Distributed by Region and by Analytical Criteria

(In SDR billions)

	1985 (Actual)			1986 1/			1987		
	Pur- chases	Repur- chases	Net use of Fund credit	Pur- chases	Repur- chases	Net use of Fund credit	Pur- chases	Repur- chases	Net use of Fund credit
Industrial countries	--	--	--	--	--	--	--	--	--
Developing countries	4.0	3.6	0.4	5.2	5.8	-0.6	7.3	7.8	-0.5
a. By region:									
Africa	0.9	0.7	0.2	0.9	1.6	-0.7	1.6	1.9	-0.2
Asia	0.9	1.6	-0.7	1.2	1.6	-0.4	2.6	1.8	0.7
Europe	0.3	0.8	-0.5	0.1	0.9	-0.8	0.2	1.4	-1.2
Middle East	0.1	0.1	--	--	--	--	0.3	--	0.3
Western Hemisphere	1.8	0.4	1.4	2.9	1.7	1.2	2.6	2.7	-0.1
b. By financial criteria: 2/									
i. By predominant type of credit:									
Market borrowers	2.4	1.6	0.8	3.6	2.8	0.8	4.9	4.2	0.7
Official borrowers	0.8	0.8	--	0.8	1.4	-0.6	0.8	1.6	-0.8
Diversified borrowers	0.8	1.2	-0.4	0.8	1.6	-0.9	1.6	2.0	-0.4
ii. By debt-service experience:									
Recent difficulties	3.2	1.6	1.6	4.1	3.8	0.2	4.5	5.2	-0.7
Other	0.8	2.0	-1.2	1.1	2.0	-0.9	2.8	2.6	0.2
Memorandum Item:									
Prolonged users of Fund's resources 3/	1.3	1.2	0.1	1.9	1.9	--	1.8	2.2	-0.4

Note: Details may not add to totals due to rounding.

1/ Based on actual data through July 31, 1986 and projections for the remainder of 1986.

2/ Based on classification used in World Economic Outlook. See Statistical Appendix, World Economic Outlook - April 1986 (pp. 171-175).

3/ Members making prolonged use of the Fund's resources include countries with five or more arrangements since 1976 and outstanding use of Fund credit in excess of 200 percent of quota as at May 31, 1986.

Table 3: Projected Repurchases, Repayments to Lenders and the
 Consequent Effect on Ordinary Resources
 1981-1991

(In billions of SDRs)

Calendar Year	Total Repurchases			Repayments to Lenders <u>1/</u> (4)	Net Effect on Ordinary Resources (3)-(4) (5)	Memorandum Item Total Purchases <u>2/</u> (6)
	Of purchases through 7/31/86 (1)	Of sub- sequent purchases through 12/31/87 (2)	Total (3)			
1981	2.1	--	2.1	1.0	1.1	6.8
1982	1.6	--	1.6	0.7	0.9	7.4
1983	2.0	--	2.0	1.1	0.9	12.6
1984	2.3	--	2.3	1.5	0.8	7.3
1985	3.6	--	3.6	1.5	2.1	4.0
1986	5.8	--	5.8	2.0	3.8	5.2
1987	7.8	--	7.8	4.3	3.5	7.3
1988	7.0	--	7.0	4.4	2.6	...
1989	6.4	0.1	6.5	3.2	3.3	...
1990	4.7	2.7	7.4	2.3	5.1	...
1991	<u>2.3</u>	<u>4.7</u>	<u>7.0</u>	<u>0.9</u>	<u>6.1</u>	<u>...</u>
Total	45.6	7.5	53.1	22.9	30.2	50.6

1/ Assumes use of borrowed resources totalling SDR 2.9 billion to finance EAR purchases through end-1987.

2/ Excludes reserve tranche purchases.

Repurchases and Repayments of Borrowings and the Impact on
The Fund's Ordinary Resources
During the Period 1981-1991

This Appendix briefly describes the flows of repurchases and repayments of loans made in connection with the financing of purchases through end-1987 and the likely impact of these flows on the stock of the Fund's ordinary resources through 1991. Relevant data are provided in Table 3, Appendix II.

Total repurchases fluctuated in a relatively narrow range of around SDR 2 billion during the four year period 1981 through 1984; during this same period total purchases increased rapidly, peaking at about SDR 13 billion in 1983, as the Fund responded to the financing needs of members arising from the world recession and the debt crisis. This acceleration of purchases was reflected in an increase in scheduled repurchases in 1985 and 1986; the peak in repurchases is scheduled to be reached in 1987, or about four years after the peak in purchases, when repurchases are projected to total SDR 7.8 billion. ^{1/} During the period 1988 through 1991, repurchases are projected to fluctuate in the range of about SDR 6-1/2 to 7-1/2 billion.

Increased repurchases in 1986 are expected to result in net reflows of ordinary resources amounting to SDR 3.8 billion, after taking account of repayments of loans by the Fund totaling SDR 2.0 billion in that year. In 1987 and 1988, however, and notwithstanding a continued high level of repurchases, such net reflows will fall to SDR 3.5 billion and SDR 2.6 billion, respectively, as a result of substantially larger repayments of borrowings by the Fund during those years, including, in particular, repayment of borrowings under the 1984 short-term borrowing agreements. As discussed in Section III(4)(iii) above, a temporary mismatch of maturities exists in connection with these agreements, which results in the temporary substitution of ordinary for borrowed resources.

Beginning in 1989, however, repurchases of purchases financed with calls made under the 1984 short-term borrowing agreements will begin to augment the Fund's usable resources, when the net effect on ordinary resources of repurchases less repayments of borrowings will rise to over SDR 3 billion. Such net reflows of ordinary resources (including repurchases of purchases projected through end-1987) are projected to rise to the range of about SDR 5-6 billion annually during 1990 and 1991.

^{1/} Most repurchases are scheduled to commence 3 to 3 1/2 years after the purchase date; the exception is repurchases of purchases under the extended fund facility which begin 4 1/2 years after the purchase date.