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March 9, 1995

To: Members of the Executive Board

From: The Secretary

Subject: The Fund's Liquidity and Financing Needs - Review

Attached for consideration by the Executive Directors is a paper reviewing the Fund's liquidity position and its financing needs, which is now proposed to be brought to the agenda for discussion on Friday, March 24, 1995. A summary and concluding remarks appear on pages 9-11.

Mr. Decarli (ext. 37627) or Mrs. Ecevit (ext. 37582) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

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Department Heads

INTERNATIONAL MONETARY FUND

The Fund's Liquidity and Financing Needs - Review

Prepared by the Treasurer's Department

(In consultation with other Departments)

Approved by David Williams

March 9, 1995

I. Introduction

This paper reviews the Fund's liquidity position and its financing needs through end-1996 on the basis of the revised access limits to Fund resources under the credit tranches and the extended Fund facility that were agreed in October 1994 and on the basis of the December 1994 decision that extended the Systemic Transformation Facility through April 30, 1995. ^{1/} Since the precise amount and the phasing of purchases under the augmentation of the stand-by arrangement for Mexico are to be determined at the second review under the arrangement, ^{2/} the Fund's liquidity position is projected under a scenario which assumes full augmentation, accompanied by sensitivity analysis as regards the impact on the Fund's liquidity ratio of different levels of augmentation. No consideration is given in the paper of the possible effects on the Fund's liquidity position of the introduction of new facilities, or any possible extension and increased access to the STF.

^{1/} On the revision of access limits under the credit tranches and the extended Fund facility, see Decision No. 10819-(94/95), adopted October 24, 1994. The rules for access under the Systemic Transformation Facility were determined at the time of the facility's establishment in April 1993 (Decision No. 10348-(93/61) STF, April 23, 1993 as amended). An amendment on December 14, 1994 (Decision No. 10855-(94/109) STF) provided for an extension of the period within which members may make a first purchase under the facility, from December 31, 1994 to April 30, 1995.

^{2/} See "Mexico - Stand-By Arrangement", EBS/95/14, Supplement 3, 2/2/95, and the Statement by the Managing Director on the Financing of the Mexican Economic Program (Buff/95/11, 2/2/95). Under the arrangement, the initial amount of SDR 5.3 billion (purchased on February 6, 1995) will be augmented by up to the equivalent of SDR 6.8 billion upon completion of the second review under the arrangement, which could take place by end-June 1995. The augmentation will be equal to any shortfall in the additional financing that is being sought by the Managing Director from governments and central banks of a group of countries wishing to support the Bank of Mexico's exchange stabilization fund.

The paper is organized as follows: Section II reports on the evolution of the Fund's usable resources; Section III deals with the prospective demand for Fund credit over the period to end-1996; Section IV presents projected developments in the Fund's liquidity ratio; and Section V provides a summary and some concluding remarks. The Appendix contains tables relating to the Fund's usable resources and presenting relevant balance sheet data and selected ratios, as well as a table on the regional distribution of Fund credit (all under the assumption of full augmentation of the stand-by arrangement for Mexico).

II. The Supply of the Fund's Usable Resources

At the end of February 1995, the Fund's stock of usable resources amounted to SDR 63.8 billion, of which SDR 62.0 billion represented the Fund's holdings of currencies of members considered sufficiently strong to be included for transfers in the operational budget for March-May 1995 (EBS/95/16, February 15, 1995), and the balance of SDR 1.8 billion represented SDRs held in the General Resources Account (Table 2 and Appendix, Table 2). The end-February level of usable resources is lower by SDR 5.1 billion than the end-August level discussed in the last liquidity review ^{1/} essentially reflecting the recent purchase by Mexico (SDR 5.3 billion). It should be noted that the fall in the liquidity position was mitigated by two advance repurchases (SDR 0.5 billion) ^{2/} and the addition of Finland (SDR 0.5 billion) to the list of members that are included for transfers of their currencies in the March-May 1995 operational budget.

The stock of the Fund's usable resources has been adjusted downward by subtracting undrawn balances already committed under existing arrangements and which are considered likely to be drawn (SDR 2.5 billion), ^{3/} so that uncommitted resources totaled SDR 61.3 billion at end-February 1995.

The stock of the Fund's currency holdings has been adjusted downward, as in the past, by a factor of 20 percent (amounting to SDR 12.4 billion), to take into account (i) the need to maintain minimum balances in particular currencies for operational purposes, and (ii) the possibility that the

^{1/} "The Fund's Liquidity and Financing Needs - Review", EBS/94/198, 9/29/94.

^{2/} An advance repurchase was made by the Czech Republic on September 1, 1994 for SDR 0.3 billion and another by Poland on February 28, 1995 for SDR 0.2 billion.

^{3/} Four new stand-by arrangements and one extended arrangement were approved from end-August 1994 to end-February 1995, and five arrangements were canceled or expired. Undrawn balances (before adjustments) amounted to SDR 3.4 billion as of end-February 1995, compared to SDR 4.5 billion last August. Currently, undrawn balances considered likely to be drawn exclude balances under four inoperative arrangements and an allowance for resources that will not be drawn for other reasons, amounting in total to SDR 0.9 billion (compared to SDR 1.2 billion at the time of the last review).

currencies of some members may become unusable as their balance of payments positions weaken. The staff considers that, on balance, there have been no major changes in the last six months that would warrant a revision of the adjustment factor, and that the amount of 20 percent continues to be appropriate in present uncertain circumstances and prospects regarding the balance of payments positions of a number of members whose currencies are included in the operational budget, including some relatively large developing and industrial countries. 1/ The adjustment factor also helps smooth the impact of changes in the total of usable currencies on the Fund's liquidity position over time, compared to large shifts that would result without such an adjustment when members with relatively large quotas may be excluded from the operational budget. 2/ The appropriateness of the size of the adjustment factor will continue to be monitored on a regular basis, in particular so as to avoid overestimating or underestimating the Fund's liquidity position.

After these adjustments, the Fund's uncommitted and adjusted resources totaled SDR 48.9 billion at the end of February 1995 compared with SDR 53.0 billion at the end of August 1994. 3/

III. The Demand for Fund Credit

This section presents projections of demand for Fund credit through end-1996 based on the latest country-by-country estimates by area departments and after probability adjustments. Under current access policy and limits, and assuming full augmentation of Mexico's current stand-by arrangement, demand in 1995 and 1996 taken together, consisting of commitments under stand-by and extended arrangements, and of purchases that are projected outside those commitments, 4/ is projected to amount to

1/ It is also worth noting that if one or two large countries were excluded from the transfers side of the operational budget, such an exclusion alone would eliminate most of the amount of usable currencies represented by the adjustment factor.

2/ Considerations bearing on the adjustment factor were discussed in "Methodology Used in Projections of the Fund's Liquidity Position and Financing Needs," (EBS/90/60, 3/27/90) which was considered by the Executive Board in April 1990.

3/ Overdue repurchases amounted to SDR 1.7 billion at end-February 1995, about the same level as at end-August 1994. The total of overdue repurchases is equivalent to 2.8 percent of the stock of uncommitted usable ordinary resources and 5.6 percent of total credit outstanding in the GRA (Appendix Table 3).

4/ Currently such purchases are those under the systemic transformation facility (STF), the compensatory and contingency financing facility (CCFF), and purchases of additional amounts that can be made available for debt and debt service reduction operations. Purchases under the buffer stock financing facility (BSF) also would be included, but no such purchases are considered likely.

SDR 28.3 billion--including actual commitments and purchases during January-February 1995 of SDR 5.4 billion (see Table 1, memorandum item). Projected demand for 1995-96 together is SDR 14.4 billion more than projected in the last review six months ago (EBS/94/198), essentially on account of the exceptional amount of Mexico's arrangement (SDR 12.1 billion with full augmentation), and increased commitments (by 23 percent) projected under arrangements for other countries under the higher access limits agreed in October 1994. The latter also reflects the firming up of projections of commitments for 1996 that were much more tentative six months ago as mentioned in the last liquidity review.

1. Commitments under Stand-by and Extended Arrangements

Commitments under stand-by and extended arrangements--on a country-by-country basis--are projected to amount to SDR 19.1 billion in 1995, SDR 13.4 billion above the projection in the last liquidity review. Only the stand-by arrangement for Mexico was approved during the first two months of 1995. During the remainder of 1995, in addition to the augmentation of Mexico's arrangement of up to SDR 6.8 billion, it is projected that up to 30 arrangements could be approved by the Fund, including 27 stand-by arrangements and 3 extended arrangements, for a probability-adjusted total amounting to SDR 7.0 billion (see Table 1 and Appendix Table 1). Commitments under new stand-by arrangements amount to SDR 6.3 billion with extended arrangements accounting for the remaining SDR 0.7 billion; commitments to economies in transition account for about two-thirds of the total.

At a total maximum amount of SDR 12.1 billion, the possible commitment to Mexico is the major component of commitments under stand-by and extended arrangements in 1995. As the sensitivity analysis presented in section IV below indicates, if less than the maximum amount is committed to Mexico, the amount of Fund resources available will be higher and that would lead to a correspondingly higher liquidity ratio.

Commitments in 1996 are projected to total SDR 7.1 billion, compared with SDR 5.8 billion projected six months ago. Commitments in support of 16 stand-by arrangements constitute one-third of the total, with the remainder accounted for by commitments under 6 extended arrangements. The share of the transition economies is projected to constitute about two-thirds of total commitments in 1996.

Table 1. Summary Statistics on Commitments and
Changes in Fund Credit
(in billions of SDRs)

	1994	Jan-Feb 1995	Mar-Dec 1995	Projected Total 1995	1996
1. Gross New Commitments 1/	5.7	5.4	16.1	21.5	10.0
a. Stand-by and Extended Arrangements	3.5	5.3	13.8	19.1	7.1
b. SAF and ESAF Arrangements	2.2	0.1	2.3	2.4	2.9
2. Purchases and Disbursements					
a. Purchases 2/	5.0	5.4	10.6	16.0	9.0
(i) Under arrangements	2.3	5.3	9.3	14.6	8.3
(ii) Additional for DDSR	0.4	--	-- 3/	-- 3/	--
(iii) Under the CCFE	0.3	--	0.7	0.7	0.7
(iv) Under the STF	1.9	0.1	0.6	0.7	--
b. SAF and ESAF loan disbursements	0.9	0.1	2.0	2.1	2.1
Total Purchases and Disbursements	5.9	5.5	12.6	18.1	11.1
3. Repurchases and Repayments					
a. Repurchases	4.6	0.7	4.1	4.8	4.4
b. Trust Fund/SAF/ESAF Repayments	0.2	0.0	0.4	0.4	0.5
4. Change in Fund Credit Outstanding (GRA) (2.a. - 3.a.)	0.4	4.7	6.5	11.2	4.6
5. Change in Total Credit Provided by the Fund (4 + 2.b. - 3.b.)	1.1	4.8	8.1	12.9	6.2
<u>Memorandum item:</u>					
Demand for Fund Credit (GRA) (1.a. + 2.a - 2.a.i)	6.2	5.4	15.1	20.5	7.8

Note: Projections assume full augmentation of the stand-by arrangement for Mexico.

1/ Excludes additional resources that may be committed for debt and debt-service reduction (DDSR).

2/ Excludes reserve tranche purchases.

3/ Less than SDR 0.1 billion.

2. Projected Use of Fund Resources

Taking into account commitments under current as well as projected stand-by and extended arrangements, purchases under arrangements during the period 1995-1996 are projected to amount to up to approximately SDR 22.9 billion. 1/

Projections of purchases under additional resources made available for debt and debt-service reduction (DDSR) amount to less than SDR 0.1 billion in 1995, and no additional amount is projected for 1996. In 1995, there has so far been no purchases under this provision; however, it is anticipated that at least one country will request additional resources for DDSR before end-1995. 2/

Nineteen members have made purchases under the systemic transformation facility (STF) in the period from its establishment in April 1993 through end-February 1995 for a total amount of SDR 3.5 billion; ten of these members have each made two purchases. Further purchases (probability-adjusted) amounting to SDR 0.6 billion are projected through end-1995 under the current decision allowing first purchases through April 1995. On the basis of these projections, a total of some 21 countries will have made use of the STF for a total amount of about SDR 4.1 billion. 3/

Purchases under the CCFF are projected at SDR 0.7 billion each for 1995 and 1996. The estimates are based on an average level of compensatory financing purchases in recent years, and as such, are an allowance rather than a projection. These amounts are lower than those envisaged last August, largely on account of no purchases since that time and an assumption of no major changes in commodity prices over the next few years.

Provision is also made for possible reserve tranche purchases of SDR 0.5 billion each in 1995 and 1996 by members that are not currently included on the transfer side of the operational budget. 4/ Repayments to

1/ In order to show projections broken down by year, it was assumed that the amount of Mexico's augmentation would be purchased uniformly throughout the remaining period of the arrangement.

2/ Purchases of amounts set-aside for debt and debt service reduction operations under current and projected arrangements are included as part of the total for projected purchases under arrangements. One member's arrangement includes a set aside provision which amounts to less than SDR 0.1 billion.

3/ These projections compare with a range of estimates of SDR 3-6 billion made at the time of the establishment of the STF. See "A Fund Facility to Help Members Respond to Systemic Disruptions in Their Trade and Payments Arrangements," EBS/93/58, 4/9/93, p.12. The amounts estimated at that time were for a range of potentially eligible countries and an access limit of 40-50 percent of quota.

4/ This provision represents 22 percent of the reserve tranche positions of SDR 4.5 billion held by such members as of end-February 1995.

lenders during 1995 will total SDR 1.8 billion, followed by SDR 1.1 billion in 1996. 1/ Repurchases with respect to purchases financed with borrowed resources are scheduled to amount to SDR 1.1 billion in 1995 and SDR 0.8 billion in 1996, resulting in an increase in the cumulative mismatch from SDR 0.3 billion at end-1994 to SDR 1.0 billion at end-1995 and to SDR 1.3 billion at end-1996. The maturity mismatch is projected to peak at end-March 1996 when the Fund's current indebtedness is fully repaid. The mismatch will decrease thereafter, to SDR 1.3 billion at end-1996 as mentioned above, corresponding to the level of purchases initially financed by borrowed resources that would remain outstanding at that time.

3. SAF and ESAF Commitments and Disbursements

In the first two months of 1995, two ESAF arrangements were approved for a total of SDR 0.1 billion (Table 1), bringing the total amount of resources committed under ESAF loan agreements to about SDR 4.9 billion as of end-February 1995. 2/ Under the extended and enlarged ESAF Trust, the total amount available for disbursements is projected at approximately SDR 10.1 billion, consisting of SDR 5.1 billion available under agreements with lenders approved prior to the enlargement of the ESAF and SDR 5.0 billion targeted for the enlargement. For projection purposes, it is assumed that the target of SDR 5.0 billion in new resources will be met and that these resources will be fully committed to borrowers by end-1996. On that basis, commitments amounting to SDR 5.2 billion are projected for the period March 1995 - December 1996, reflecting the pattern of likely commitments provided by area departments for the remainder of 1995 (amounting to SDR 2.3 billion), as well as global estimates for 1996 (amounting to SDR 2.9 billion). 3/ The projections include an expectation that Zambia will complete its rights accumulation program and enter into an ESAF arrangement for SDR 651 million (together with a SAF arrangement for SDR 182 million) in 1995, after paying its overdue obligations to the Fund.

4. Projected Changes in Fund Credit

Total purchases under existing and projected arrangements and under the special facilities are projected to amount to up to SDR 16.0 billion in 1995, and up to SDR 9.0 billion in 1996. Repurchases are projected to total

1/ Amounts outstanding under the 1986 borrowing agreement with Japan constitute the only remaining Fund indebtedness. Repayments under this agreement are to be made in one installment five years after the drawdown date while the corresponding repurchases are made in ten equal installments beginning 3 1/2 years and ending 7 years after the date of purchase.

2/ Net of SDR 0.2 billion that was committed but undisbursed under expired arrangements.

3/ Given the size of estimates for 1996, and the possibility of slippages, the amount targeted for the ESAF enlargement may not be fully committed by end-1996.

SDR 4.8 billion in 1995 and SDR 4.4 billion in 1996. ^{1/} Outstanding Fund credit in the General Resources Account is therefore projected to increase on a net basis by up to SDR 11.2 billion in 1995, and by up to SDR 4.6 billion in 1996 and could reach SDR 41.4 billion by end-1996.

Taking into account projected SAF and ESAF disbursements and repayments under these facilities, total credit provided by the Fund is projected to increase by SDR 19.1 billion in 1995-96, to reach SDR 49.3 billion by end-1996 (Appendix, Table 2, line 7).

The regional distribution of total outstanding credit (including ESAF) provided by the Fund (Appendix Table 4) is projected to change substantially over 1995-96, with a sharp rise in the share of the Western Hemisphere in total credit outstanding (to about 40 percent in both 1995 and 1996) and a steady increase in the share of Europe II (from 13 percent at end-1994 to 21 percent at end-1996). During this period, the share of Asia is projected to decline most markedly, accompanied by a lesser decline in the shares of Europe I and Africa. The share of the Middle East is projected to remain relatively constant.

IV. The Fund's Liquidity Ratio

Prior to the stand-by arrangement for Mexico, the Fund's liquidity ratio stood at about 170 percent, an historical peak. At the end of February 1995, the liquidity ratio had declined to 150 percent, mainly reflecting the purchase of SDR 5.3 billion made by Mexico upon approval of its stand-by arrangement on February 1, 1995.

On the basis of the projections of the demand for Fund credit under current access limits presented above and the list of members whose currencies are usable by the Fund under the operational budget for March-May 1995, ^{2/} and assuming full augmentation of Mexico's stand-by arrangement, the liquidity ratio is estimated to decline to 95 percent at end-1995, and to 73 percent at end-1996 (see Table 2).

^{1/} All members are assumed to settle their forthcoming obligations on time, except when known that advance or early repurchases will be made. For the members presently in arrears to the Fund, no allowance is made for the accumulation of further arrears or settlements of any existing overdue repurchases, except in the case of Zambia, which is expected to successfully complete its rights accumulation program and pay its overdue obligations, including overdue repurchases of SDR 0.5 billion, before consideration by the Executive Board of arrangements with the Fund that would permit the encashment of the accumulated rights.

^{2/} Finland has been added to the list of members considered to have sufficiently strong external positions for inclusion in the operational budget, and Fund's holdings of its currency are included under usable resources as of February 28, 1995.

Table 2. Summary of Projections of Fund Liquidity through end-1996

(In billions of SDRs unless otherwise indicated)

	1994	Feb. 1995 (end of period)	Projected	
			1995	1996
Holdings of usable resources	68.4	63.8	...	...
Uncommitted and adjusted usable resources	53.4	48.9	36.3	31.3
Liquid liabilities	31.7	32.6	38.3	42.9
Liquidity ratio (in percent) <u>1/</u>	168.5	150.0	94.8	73.0

Note: Projections assume full augmentation of the stand-by arrangement for Mexico.

1/ The ratio of uncommitted and adjusted usable resources to liquid liabilities.

As noted earlier, augmentation of Mexico's arrangement by less than the maximum SDR 6.8 billion (US\$10 billion) assumed in the projections, all other things being equal, would result in a higher liquidity ratio than discussed above. It is estimated that for each SDR 0.68 billion that the augmentation of Mexico's arrangement were less than the maximum, the liquidity ratio at end-1996 would be higher by about 3 percentage points (e.g., for an augmentation of SDR 3.4 billion the liquidity ratio at end-1996 would be around 90 percent). 1/

V. Summary and Concluding Remarks

1. Resources. The Fund's stock of usable resources declined significantly in early 1995 from the level of around SDR 68-69 billion that prevailed since late 1992 when the increases in quotas under the Ninth Review became

1/ In these estimates it is assumed that any reduction in augmentation would be reflected in a decrease in purchases of the same amount. It should be noted that these sensitivity estimates are valid for liquidity ratios in the neighborhood of 60-90 percent. Uniform reductions in commitments (and purchases) result in higher increases in the liquidity ratio, the higher the level of the ratio.

effective and were paid. Usable resources currently total SDR 63.8 billion, or SDR 5.1 billion lower than reported for the September review (EBS/94/198), mainly owing to the purchase by Mexico in early February. Of the total stock, SDR 62.0 billion represents usable currencies, and SDR 1.8 billion represents SDRs held in the General Resources Account. After subtracting amounts committed but not yet drawn under operative stand-by and extended arrangements, usable resources are SDR 61.3 billion; and after taking into account the adjustment factor, the stock of uncommitted and adjusted usable resources amounts to SDR 48.9 billion, or some SDR 4.1 billion below the level reported for end-August 1994.

2. Demand. On the basis of present access policy and limits, and assuming full augmentation of Mexico's current stand-by arrangement, the demand for Fund credit--defined to include commitments under stand-by and extended arrangements as well as expected purchases under the special facilities--is projected to continue at a relatively high rate through 1996. It is projected that the demand for Fund credit during 1995-96 will reach up to SDR 28.3 billion, on a probability adjusted basis. Over the period from March 1995 through December 1996, total demand is projected to amount to SDR 22.9 billion. Possible commitments to economies in transition are expected to represent approximately half of total projected commitments during this period.

It is currently expected that SDR 5.2 billion would be available for commitments under the ESAF in the period March 1995 - December 1996, and it is assumed that the whole amount would be committed by end-1996.

3. Fund Credit. Purchases (including the maximum amount of augmentation under the stand-by arrangement for Mexico) under present access policy and limits are projected to amount to SDR 16.0 billion in 1995, and SDR 9.0 billion in 1996. Total repurchases are expected to amount to SDR 4.8 billion in 1995 and SDR 4.4 billion in 1996. Outstanding credit from the General Resources Account is expected to increase on a net basis by SDR 15.8 billion in 1995-96, reaching SDR 41.4 billion by the end of 1996.

Including projected SAF and ESAF loan disbursements, net credit provided by the Fund is projected to increase by SDR 19.1 billion in 1995-96 and to reach SDR 49.3 billion by end-1996.

The regional distribution of outstanding Fund credit largely reflects Mexico's arrangement and the increasing use of credit by transition economies.

4. Conclusion. The Fund's liquidity position is strong at present, though it is projected to decline sharply during the period through the end of 1996. On present projections, and assuming full augmentation by the Fund of its stand-by arrangement for Mexico, the liquidity ratio is projected to be at 73 percent by end-1996. (For each SDR 0.68 billion of the stand-by arrangement that the Fund does not need to augment, the liquidity ratio rises by 3 percentage points.) This is slightly above the Fund's long-term liquidity ratio of 70 percent. A liquidity ratio at this level leaves the

Fund with only a relatively small margin for manoeuvre. While the liquidity ratio has fallen considerably below 70 percent for a relatively prolonged period on past occasions, it was usually at times when there was an expectation that an increase in quotas was unlikely to be long-delayed or when the Fund was engaged in large scale borrowing. The progressive fall in the Fund's liquidity over the next two years from its present relatively high levels can be expected to give rise to an early consideration of the need to increase quotas.

The present projections of both the demand for and supply of the Fund's usable resources contain a number of inherent uncertainties. For example, as regards the projected demand for Fund resources, it should be noted that they include a number of relatively large arrangements with relatively low probabilities, and a significant overall increase in these probabilities would cause a sharp upward revision in the level of demand projections and a corresponding downward revision in the outlook for the Fund's liquidity. Furthermore, it is assumed that no industrial country will use the Fund's resources, including use of their tranche positions in the Fund; any such use would adversely affect the Fund's liquidity position both from the demand and supply side. In addition, the projections of demand in this review have continued to be made on the basis of present access limits (i.e., no exceptional use of Fund credit has been assumed) and with only the existing facilities in place (e.g., without any possible extension and increased access to the STF, and without the establishment of new facilities). Any substantial changes in these assumptions would call for a re-examination of their implications for the Fund's liquidity position over the medium term.

Uncertainties also exist with respect to the supply of Fund resources, and especially for 1996 and beyond. The supply of the Fund's usable resources continues to be vulnerable to a certain extent, given the relatively heavy concentration on a few large industrial and developing countries whose currencies are currently usable by the Fund. Furthermore, several emerging market countries which are included in the budget have recently experienced to some degree a backwash effect of the Mexican crisis, and continued weakness in their external positions could result in their exclusion from future operational budgets, or indeed in their potential use of Fund credit. On the other hand, some relatively large industrial countries are not presently included in the operational budget for sales of their currencies and, as their future position improves, consideration will be given to their inclusion in the operational budget, with a consequent strengthening of the Fund's liquidity position.

The considerations outlined above call for close monitoring of developments in the Fund's liquidity position. The staff would intend to inform the Executive Directors of ongoing developments affecting the liquidity position not only in the context of the quarterly operational budgets, but, if called for, more frequently. Furthermore, consideration of the Managing Director's statement on the Fund's Financial Resources on March 24, 1995, will provide an early opportunity to consider these developments in a medium-term context.

Table 1. Commitments and Changes in Use and Receipts of the Fund's Resources 1994–1996

(in billions of SDRs)

	1994	Jan–Feb 1995	Projected		1996
			Mar–Dec 1995	Total 1995	
A. Gross New Commitments 1/	5.7	5.4	16.1	21.5	10.0
1. Total GRA, of which:	3.5	5.3	13.8	19.1	7.1
Stand-by Arrangements	2.4	5.3	13.1	18.4	2.8
Extended Arrangements	1.1	--	0.7	0.7	4.3
2. Total SAF/ESAF Arrangements	2.2	0.1	2.3	2.4	2.9
B. Use and Receipt					
1. Use and Receipt of Ordinary Resources					
a. Purchases	5.0	5.4	10.6	16.0	9.0
i) Under arrangements 2/	2.3	5.3	9.3	14.6	8.3
ii) Additional for DDSR	0.4	--	-- 3/	-- 3/	--
iii) Under the CCFF	0.3	--	0.7	0.7	0.7
iv) Under the STF	1.9	0.1	0.6	0.7	--
b. Repurchases	3.4	0.5	3.2	3.7	3.7
i) Under arrangements	2.0	0.3	2.0	2.3	2.9
ii) Under the CCFF	1.4	0.2	1.2	1.4	0.8
c. Net use of ordinary resources to finance Fund credit (a–b)	1.6	4.9	7.4	12.3	5.3
d. Net use of ordinary resources to finance	–0.9	0.6	0.6	1.2	0.8
i) repayment to EAR lenders 4/	–0.9	0.6	0.1	0.7	0.3
ii) encashment of reserve tranche	--	--	0.5	0.5	0.5
e. Net use of ordinary resources (c+d)	0.7	5.5	8.0	13.5	6.1
2. Receipt of Borrowed Resources in Repurchases	1.2	0.2	0.9	1.1	0.8
C. Change in Fund Credit Outstanding (GRA)					
1. Total purchases (B.1.a)	5.0	5.4	10.6	16.0	9.0
2. Total repurchases (B.1.b + B.2)	4.6	0.7	4.1	4.8	4.4
3. Net change in Fund credit outstanding (C.1–C.2)	0.4	4.7	6.5	11.2	4.6
D. Change in Credit Provided by the Fund					
1. SAF and ESAF loan disbursements	0.9	0.1	2.0	2.1	2.1
2. Trust Fund/SAF/ESAF repayments	0.2	0.0	0.4	0.4	0.5
3. Net credit provided by the Fund (C.3 + D.1–D.2)	1.1	4.8	8.1	12.9	6.2

Note: Details may not add due to rounding. Projections assume full augmentation of the stand-by arrangement for Mexico.

1/ Excludes amounts that may be committed for debt and debt service reduction (DDSR) operations.

2/ Includes purchases under the first credit tranche and emergency purchases.

3/ Less than SDR 0.1 billion.

4/ Repayments under EAR borrowing agreements made using ordinary resources net of repurchases corresponding to calls made under these arrangements. Negative figures represent net receipt of ordinary resources, and positive figures net transfers.

Table 2. Selected Balance Sheet Data, 1991-1996

(in billions of SDRs)

						Projected		
						Feb		
						1995	1995	
						1996		
						(end of period)		
1.	Usable Ordinary Resources unadjusted	37.2	68.2	69.3	68.4	63.8	...	...
	of which:							
	(a) Uncommitted 1/	30.4	63.0	66.4	65.9	61.3	...	...
	(b) Uncommitted and adjusted 2/	23.2	51.0	53.9	53.4	48.9	36.3	31.3
	of which: SDR holdings	(0.8)	(8.6)	(6.7)	(5.5)	(1.8)	(1.0)	(1.0)
2.	Gold at SDR 35 per fine ounce	3.6	3.6	3.6	3.6	3.6	3.6	3.6
3.	Borrowing							
	(a) Outstanding borrowing	4.0	3.5	3.2	2.9	2.2	1.1	--
	i) EAR	1.0	0.5	0.2	--	--	--	--
	ii) Japan 1986	3.0	3.0	3.0	2.9	2.2	1.1	--
	(b) Cumulative mismatch of maturities 3/	2.6	1.9	1.2	0.3	0.9	1.0	1.3
4.	Unused GAB and Associated 4/	12.3	12.3	12.3	12.3	12.3	12.3	12.3
5.	Total Liquid Liabilities	25.9	33.9	32.8	31.7	32.6	38.3	42.9
	(a) Reserve tranche positions	21.9	30.4	29.6	28.8	30.4	37.2	42.9
	(b) Outstanding borrowing	4.0	3.5	3.2	2.9	2.2	1.1	--
6.	Overdue Repurchases	2.3	2.2	1.7	1.7	1.7	...	....
7.	Total Fund credit outstanding	26.8	27.8	29.1	30.3	35.0	43.1	49.3
	of which:							
	(a) General Resources Account	23.4	24.0	25.2	25.6	30.3	36.8	41.4
	(b) SAF and ESAF	3.2	3.6	3.8	4.5	4.6	6.2	7.8
	(c) Trust Fund	0.2	0.2	0.1	0.1	0.1	0.1	0.1
9.	Number of Stand-by and Extended arrangements	27	28	21	29	30	41	32
9.	Total Quotas	91.1	141.4	144.8	144.9	144.9	...	...

Note: Projections assume full augmentation of the stand-by arrangement for Mexico.

- 1/ Excludes undrawn balances of commitments at end-February 1995 which are considered likely to be drawn. These are estimated to be equal to the total amount of undrawn balances under arrangements of SDR 3.4 billion at end-February 1995, less SDR 0.9 billion to adjust for: (i) undrawn balances under arrangements that are inoperative and are not likely to be drawn upon; and (ii) the possibility that existing operative arrangements may not be fully utilized.
- 2/ Usable currency holdings that are included in this total are reduced to provide for the possible exclusion of the Fund's holdings of the currencies of creditor members with weakening balance of payments positions and for working balances. The adjustment factor was 0.20 for 1991 through end-February 1995. At end-February 1995, the adjustment yielded a reduction in resources of SDR 12.4 billion.
- 3/ Outstanding purchases initially financed by borrowed resources, minus outstanding borrowing.
- 4/ The amounts shown are as defined in the Guidelines for Borrowing which were in effect through November 15, 1991, and which provided that the amount included would equal outstanding borrowing by the Fund under the GAB and associated borrowing agreements or two thirds of the total under these agreements, whichever is greater. The present total of these agreements is SDR 18.5 billion.

Table 3. Fund Liquidity – Selected Ratios

(in percent)

					Feb	Projected	
					1995	1995	1996
					(end of period)		
		1991	1992	1993	1994		
1.	Quota ratio 1/	17.9	11.2	10.7	10.5	10.0	...
2.	Liquidity ratio 2/	89.6	150.4	164.3	168.5	150.0	94.8
3.	Cash ratio 3/	105.9	167.8	182.1	185.4	160.9	97.6
4.	Asset ratio 4/						
	(i) excluding gold	143.6	201.2	211.3	216.0	195.7	...
	(ii) including gold	157.5	211.8	222.3	227.3	106.7	...
5.	Ratio of overdue repurchases						
	(i) to uncommitted usable ordinary resources	7.6	3.5	2.6	2.6	2.8	...
	(ii) to Fund credit outstanding (GRA)	9.8	9.2	6.7	6.7	5.6	...

Note: Projections assume full augmentation of the stand-by arrangement for Mexico.

1/ The quota ratio, as defined under the decision on guidelines for borrowing which was in effect through November 15, 1991, is the ratio of the total of outstanding borrowing, unused credit lines, and relevant GAB resources, to total quotas.

2/ The liquidity ratio is the ratio of uncommitted and adjusted ordinary resources to the total of outstanding borrowing and reserve tranche positions.

3/ The cash ratio is the ratio of uncommitted and adjusted ordinary resources to reserve tranche positions.

4/ The asset ratio is the ratio of usable ordinary resources (unadjusted) to the total of outstanding borrowing and total reserve tranche positions. The asset ratio (ii) also includes, in the numerator, gold held by the Fund and valued at SDR 35 per fine ounce.

Table 4. Outstanding Fund Credit by Region (end of period)

							Projected	
	1985	1990	1991	1992	1993	1994	1995	1996
	in billions of SDRs (as percent of total)							
<u>Developing Countries: 1/</u>	<u>General Resources Account (GRA)</u>							
Africa	7.3 (21)	4.1 (20)	3.9 (17)	3.5 (14)	3.5 (14)	3.9 (15)	3.7 (10)	4.4 (11)
Asia	9.2 (27)	2.8 (14)	3.9 (17)	4.6 (19)	5.0 (20)	4.2 (16)	3.5 (10)	2.7 (7)
Europe I	4.8 (14)	0.9 (4)	3.5 (15)	3.9 (16)	3.9 (16)	4.1 (16)	4.4 (12)	4.3 (10)
Europe II	-- (0)	-- (0)	-- (0)	0.8 (3)	2.2 (9)	3.9 (15)	7.9 (21)	10.3 (25)
Middle East	0.1 (0)	0.2 (1)	0.2 (1)	0.4 (2)	0.4 (2)	0.4 (2)	0.5 (1)	0.5 (1)
Western Hemisphere	13.2 (38)	12.7 (61)	11.9 (51)	10.8 (45)	10.1 (40)	9.2 (36)	16.9 (46)	19.3 (47)
Total	34.6 (100)	20.7 (100)	23.4 (100)	24.0 (100)	25.2 (100)	25.6 (100)	36.8 (100)	41.4 (100)
	<u>GRA, Trust Fund, SAF, and ESAF</u>							
Africa	8.0 (22)	5.8 (25)	5.9 (22)	5.7 (21)	5.9 (20)	6.5 (22)	7.5 (17)	9.0 (18)
Asia	10.7 (29)	3.6 (15)	5.0 (19)	6.0 (21)	6.4 (22)	5.8 (19)	5.5 (13)	5.1 (10)
Europe I	4.8 (13)	0.9 (4)	3.5 (13)	3.8 (14)	3.9 (13)	4.1 (14)	4.4 (10)	4.4 (9)
Europe II	-- (0)	-- (0)	-- (0)	0.9 (3)	2.2 (8)	3.9 (13)	8.0 (18)	10.5 (21)
Middle East	0.3 (1)	0.2 (1)	0.2 (1)	0.4 (1)	0.4 (1)	0.4 (1)	0.5 (1)	0.6 (1)
Western Hemisphere	13.3 (36)	12.9 (55)	12.1 (45)	11.0 (40)	10.4 (36)	9.5 (31)	17.3 (40)	19.7 (40)
Total	37.1 (100)	23.3 (100)	26.7 (100)	27.8 (100)	29.2 (100)	30.3 (100)	43.1 (100)	49.3 (100)

Note: Projections assume full augmentation of the stand-by arrangement for Mexico.

1/ Based on IFS regional classification, except for Europe where a further breakdown is shown which reflects the country distribution between the two area departments.