

DOCUMENT OF INTERNATIONAL MONETARY FUND
AND NOT FOR PUBLIC USE

**IMMEDIATE
ATTENTION**

EBS/81/38

CONFIDENTIAL

February 18, 1981

To: Members of the Executive Board
From: The Acting Secretary
Subject: Spain - Schedule of Repurchases

It is not proposed to bring the attached memorandum to the agenda of the Executive Board for discussion unless an Executive Director so requests by noon on Friday, February 20, 1981. In the absence of such a request, the draft decision will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Att: (1)

CONFIDENTIAL

INTERNATIONAL MONETARY FUND

Spain - Schedule of Repurchases

Prepared by the Treasurer's and the European Department

(In consultation with the Legal Department)

Approved by R.J. Famlton and L.A. Whittome

February 18, 1981

Spain made a purchase equivalent to SDR 98,750,000 on February 9, 1978 (Executive Board Decision No.5649-(78/17), adopted February 6, 1978) under the Decision on Compensatory Financing of Export Fluctuations. In the request for the purchase, the Spanish authorities stated that they would comply with the principles set forth in paragraph 2 of Executive Board Decision No. 102-(52/11), adopted February 13, 1952. Schedule B, paragraph 4(i) applies to the Fund's holdings of Spanish pesetas resulting from this purchase.

As indicated in Attachment I, the Spanish authorities propose that repurchase of the above-mentioned purchase be made in eight quarterly installments equivalent to SDR 12,343,750 each starting not later than February 9, 1981. A repurchase in the proposed quarterly amount was made in SDRs on February 9, 1981.

The proposed schedule provides for repurchase within five years from the date of purchase.

A summary of Spain's outstanding repurchases totaling the equivalent of SDR 193,016,250, including that under consideration, is shown in Attachment II.

The Fund's holdings of Spanish pesetas are now at 98.5 per cent of the quota of SDR 835.5 million; excluding holdings resulting from the above mentioned purchase under the Compensatory Financing Facility equal to 10.3 per cent of quota, they would stand at 88.2 per cent of quota.

The external accounts of Spain continued to deteriorate in the final months of 1980. The trade deficit on a customs basis reached SDR 9.8 billion in the first 11 months of 1980 and the current account deficit seems likely to be well in excess of SDR 3.8 billion. The current account deficit estimated by the Spanish authorities for 1981 is close to SDR 5.4 billion. The loss of reserves in the first 10 months of last year amounted to over SDR 0.5 billion.

It is recommended that the proposal of Spain be accepted. Accordingly, the following draft decision is proposed for adoption by the Executive Board:

Spain has proposed that repurchase in respect of the purchase equivalent to SDR 98,750,000 on February 9, 1978, under the Decision on Compensatory Financing of Export Fluctuations, be made in eight quarterly installments equivalent to SDR 12,343,750 each starting not later than February 9, 1981. The Fund agrees to the proposal of Spain.

Attachments

INTERFUND, WASHINGTON DC
MADRID, FEBRUARY 6, 1981.

URGENT

ATTN: TREASURER'S

YOUR CABLE NO. 3 REFERENCE REPURCHASE OF SPAIN'S COMPENSATORY
FINANCING FACILITY PURCHASE.

AS YOU ARE PROBABLY AWARE THE SPANISH BALANCE OF PAYMENTS HAS SHOWN
A SHARP DETERIORATION IN 1980 DUE TO THE INCREASE IN OIL PRICES,
REACHING A DEFICIT ON CURRENT ACCOUNT OF 6 BILLION DOLLARS.

THE PROSPECTS FOR 1981 ARE NOT ANY BRIGHTER BECAUSE OF THE OIL PRICE
INCREASES OF THE LAST SIX MONTHS AS WELL AS THE ADVERSE FORECAST ON
WORLD TRADE. THEREFORE SPANISH CURRENT ACCOUNT DEFICIT COULD REACH
IN 1981 THE 7 BILLION DOLLARS MARK. HOWEVER IN THE BEST SPIRIT OF
COLLABORATION WITH THE IMF, SPAIN INTENDS TO REPURCHASE THE
COMPENSATORY FINANCING FACILITY PURCHASE IN 8 EQUAL QUARTERLY
INSTALMENTS THE FIRST DUE ON FEBRUARY THE 9TH 1981.

IF THIS PROPOSAL IS AGREEABLE TO THE FUND PLEASE CHARGE OUR SDR ACCOUNT
WITH SDR 12,343,750 VALUE FEBRUARY 9TH, 1981 UNDER ADVICE TO US.

BANCO DE ESPANA

DEPARTAMENTO EXTRANJERO

MADRID

Received in Cable Room - February 6, 1981

Spain - Summary of Repurchases to be Made
after February 28, 1981
(including proposed schedule)

Year	Oil Facility (Amount in SDR Equiva- lents)	Per- Cent of Total	Other (Amount in SDR Equiva- lents)	Per- Cent of Total	Total (Amount in SDR Equiva- lents)	Per- Cent of Total
1981	14,369,375	13.5	37,031,250	42.9	51,400,625	26.6
1982	87,495,000	82.1	49,375,000	57.1	136,870,000	70.9
1983	4,745,625 ^{1/}	4.4	--		4,745,625	2.5
	<u>106,610,000</u> =====	<u>100.0</u>	<u>86,406,250</u> =====	<u>100.0</u>	<u>193,016,250</u> =====	<u>100.0</u>

^{1/} Including an amount equivalent to SDR 5,076 which represents excluded holdings under Article XXX(c) which were below 75 per cent of quota at the date of the second amendment. These holdings are not required to be repurchased under the provision of schedule B, but are subject to charges and, therefore, may be repurchased in accordance with Article V, Sec. 7(a).