

DOCUMENT OF INTERNATIONAL MONETARY FUND
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EBS/82/107

CONFIDENTIAL

June 18, 1982

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

Attached for the information of the Executive Directors is a paper on modifications to Chile's exchange arrangements.

Att: (1)

CONFIDENTIAL

INTERNATIONAL MONETARY FUND

Chile--Exchange Arrangements

Prepared by the Western Hemisphere Department and
Exchange and Trade Relations Department

(In consultation with the Legal Department)

Approved by E. Walter Robichek and Manuel Guitian

June 17, 1982

In the attached communication to the Managing Director dated June 16, 1982 the Executive Director for Chile, Mr. Juan Carlos Iarezza, has informed the Fund that effective June 15, 1982, the Government of Chile has modified the exchange rate for the Chilean peso by setting it at Ch\$46=US\$1. This represents a depreciation of 15.2 per cent with respect to the exchange rate of Ch\$39=US\$1 which had been maintained since June 30, 1979.

The Fund has also been informed that, starting June 16, 1982, the Chilean peso will no longer be pegged to the U.S. dollar, but that the exchange rate for the Chilean peso in terms of the U.S. dollar will be determined daily on the basis of a basket of currencies composed of: (i) the U.S. dollar, with a weight of 60 per cent; (ii) the Deutsche mark, 15 per cent; (iii) the Japanese yen, 15 per cent; (iv) the pound sterling, 5 per cent; and (v) the French franc, 5 per cent. The Chilean authorities have announced their intention to depreciate the Chilean peso vis-a-vis this basket on a daily basis at a rate of 0.8 per cent per month during the 12-month period ending June 15, 1983.

Chile's exchange rate policy will be analyzed in the documentation for the 1982 Article IV consultation discussions with Chile, now being prepared. No action by the Executive Board is required.

Attachment

TO: Mr. J. de Larosière

DATE: June 16, 1982

FROM: Juan Carlos Iarezza

SUBJECT: Chile--Exchange Arrangements

This is to inform you that the Chilean authorities have taken the following exchange measures, effective June 15, 1982:

1. A new peso-dollar parity has been set at 46 pesos per U.S. dollar, implying a 15 per cent devaluation of the Chilean currency.

2. To protect the national currency from sharp fluctuations of exchange rates in international markets, the Central Bank of Chile will determine its parity in relation to a basket of currencies with the following weights:

U.S. dollar	60 per cent
Japanese yen	15 per cent
Deutsche mark	15 per cent
French franc	5 per cent
Pound sterling	5 per cent

The Central Bank of Chile will quote the daily peso-dollar parity in accordance with the market value of the five currencies above.

3. In addition, a daily devaluation scheme has been announced for the next twelve months, effective June 15, 1982. The peso will be depreciated with respect to the mentioned basket of currencies at an equivalent monthly rate of 0.8 per cent.