

EBD/82/321

December 28, 1982

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

The attached paper on Nepal's exchange arrangements is circulated for the information of the Executive Directors.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

NEPAL

Exchange Arrangements

Prepared by the Asian and Exchange and Trade
Relations Departments

(In consultation with the Legal Department)

Approved by P.R. Narvekar and Donald K. Palmer

December 28, 1982

In the attached communication dated December 24, 1982, the Nepal Rastra Bank informs the Fund of a devaluation of the Nepalese rupee against the U.S. dollar by 7.7 per cent from NRs 13.2 = US\$1 to NRs 14.3 = US\$1 effective December 17, 1982. The Rastra Bank's buying rate was changed from NRs 13.1 = US\$1 to NRs 14.2 = US\$1 and its selling rate from NRs 13.3 = US\$1 to NRs 14.4 = US\$1. The exchange rate for the Indian rupee was kept unchanged at NRs 145.1 = Rs 100 (middle rate).

The devaluation has temporarily eliminated the broken cross rate situation that had prevailed in the preceding months because of the practice of maintaining fixed rates vis-à-vis both the U.S. dollar and the Indian rupee and of the recent strength of the U.S. dollar vis-à-vis the Indian rupee.

The Executive Board has recently reviewed Nepal's exchange rate system in the context of the 1982 Article IV consultation with Nepal. The exchange rate measure of December 17, 1982 is in line with the summing up of the consultation and Executive Board Decision No. 7269-(82/159), adopted December 13, 1982. Therefore, no further action by the Executive Board is recommended.

Attachment

MR. J. DE LAROSIERE
MANAGING DIRECTOR
INTERFUND
WASHINGTON, D.C.

WE REPEAT OUR MESSAGE DATED 19TH DECEMBER QUOTE:

HIS MAJESTY'S GOVERNMENT HAS ANNOUNCED ON DECEMBER 17, 1982, A CHANGE IN THE PAR RATE FOR THE U.S. DOLLAR FROM THE EXISTING RUPEES 13.20 PER U.S. DOLLAR TO RUPEES 14.30 PER U.S. DOLLAR EFFECTIVE FRIDAY, DECEMBER 17, 1982. ACCORDINGLY NEPAL RASTRA BANK'S NEW BUYING AND SELLING RATES FOR THE U.S. DOLLAR HAVE BEEN FIXED AT RUPEES 14.20 AND RUPEES 14.40 PER U.S. DOLLAR, RESPECTIVELY. HOWEVER, THE RATES FOR INDIAN RUPEES HAVE NOT BEEN CHANGED. THIS CHANGE IN THE EXCHANGE RATE IS AIMED AT ELIMINATING THE CROSS RATE EMERGED BETWEEN U.S. DOLLAR, INDIAN RUPEES AND NEPALESE RUPEES, PROVIDING INCENTIVES TO EXPORTS AND IMPROVING BALANCE OF TRADE. KIND REGARDS

KALYANA BIKRAM ADHIKARY
GOVERNOR
NEPAL RASTRA BANK
CENTRAL OFFICE
KATHMANDU

Received in Cable Room: December 24, 1982