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To: Members of the Executive Board  
From: The Secretary  
Subject: European Monetary System

The Secretary has received the following memorandum dated March 6, 1995, from Mr. Autheman:

On behalf of my colleagues representing the European Union countries, I would like to official bring to your attention the communiqué of the Ministers and Central Bank Governors of the member states of the European Union concerning the establishment of the new central rates for the Spanish Peseta and Portuguese Escudo in the exchange rate mechanism of the European Monetary System.

Attachment

Other Distribution:  
Department Heads



## COMMUNIQUE

Following a request of the Spanish authorities to adjust the central rate of the peseta, the Ministers and Central Bank Governors of the Member States of the European Community have decided, by mutual agreement, following a common procedure involving the Commission and the European Monetary Institute, and after consultation with the Monetary Committee, to fix new central rates in the exchange rate mechanism of the European Monetary System.

The bilateral central rates of the Spanish peseta against other currencies of the exchange rate mechanism have been reduced by 7%.

Following the decision to change the central rate of the peseta, the Ministers and Governors agreed also on a downward adjustment of the central rate of the Portuguese escudo by 3.5%.

The new ECU central rates are the following  
(in units of national currencies per ECU)

Belgian franc	39.3960
Danish krone	7.28580
German mark	1.91007
Spanish peseta	162.493
French franc	6.40608
Irish pound	0.792214
Luxembourg franc	39.3960
Dutch guilder	2.15214
Portuguese escudo	195.792
Austrian schilling	13.4383

The Spanish authorities confirm their commitment to a stable exchange rate. The Banco de España will undertake the necessary measures to defend the currency and will make use of the instruments available to it to attain that goal.

The Spanish government attaches the utmost importance to the reduction of the budget deficit, and particularly, to staying within the ceilings established in the revised convergence programme. Any additional revenues from higher-than-expected growth will be used to lower the deficit even further. In the event of slippages, corrective actions will promptly be taken to keep the budget deficit for 1995 within the ceiling of 5.9% of GDP. The Spanish government will shortly carry out a review to determine the specific expenditure cuts needed to stay within the 1996 ceiling for the budget deficit of 4.4% as set out in the convergence programme.

Structural reform to improve the efficiency of the economy will be a high priority, including privatization of public enterprises and labour market reform. The Spanish government will evaluate labour market reforms adopted in 1994 and will determine whether further measures are needed.

Ministers and Governors noted the intention of the Portuguese authorities to maintain their policies conducive to exchange rate stability.

The new bilateral central rates and the compulsory intervention points in the exchange rate mechanism will be communicated by the central banks in time for the opening of foreign exchange markets on 6 March 1995.

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