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SM/94/171
Correction 1

CONTAINS CONFIDENTIAL
INFORMATION

July 26, 1994

To: Members of the Executive Board

From: The Acting Secretary

Subject: Socialist People's Libyan Arab Jamahiriya - Staff Report
for the 1994 Article IV Consultation

The following corrections have been made in SM/94/171 (7/5/94):

Page 4, Table 2, column 1, stub "Central Bank": for "1,696" read "-1,696"

Page 22, under II, line 3, column 3: for "20.52" read "19.52"

column 5: for "15.82" read "16.83"

Page 23, column 1, under
"(In millions of U.S. dollars), line 6: for "2,547.6 read "-320.8"

line 7: for "1,698.1" read "-1,170.2"

Corrected pages are attached.

Att: (3)

Other Distribution:
Department Heads

The first part of the paper discusses the importance of the
 research and the objectives of the study. It also outlines the
 methodology used in the study and the results of the research.
 The second part of the paper discusses the findings of the study
 and the implications of the research. It also discusses the
 limitations of the study and the need for further research.
 The third part of the paper discusses the conclusions of the study
 and the recommendations for future research. It also discusses the
 significance of the research and the contribution of the study to
 the field of research.

Table 1. Socialist People's Libyan Arab Jamahiriya: Selected Economic and Financial Indicators, 1990-94

	1990	1991	1992	1993	Proj. 1994
(Annual percentage change; unless otherwise indicated)					
Production and prices					
GDP at current prices	12.1	13.1	1.3	5.6	6.0
Non-oil GDP at constant prices ^{1/}	-1.0	-3.6	-1.0	-3.2	-5.0
Oil production ^{2/}	23.4	19.5	-6.6	-10.6	0.8
Consumer prices: annual average	8.6	11.7
External sector (in U.S. dollars)					
Exports, f.o.b.	60.4	-2.8	-5.3	-15.6	-16.1
Of which: oil	63.2	-4.8	-8.7	-17.2	-10.3
Imports, f.o.b.	22.5	9.4	-6.2	9.6	-19.0
Exports, volume	27.3	12.7	-3.6	-4.6	-2.7
Of which: oil	28.6	12.6	-7.2	-5.8	4.1
Imports, volume	17.8	7.7	-10.7	-0.3	-25.0
Terms of trade (deterioration -) ^{3/}	21.1	-16.0	-6.5	-19.6	-18.1
Nominal effective exchange rate	-3.8	4.7	-1.8	6.7	...
General government budget ^{4/}					
Total revenue	17.6	19.6	-23.7	-4.1	-7.6
Oil	43.8	11.9	-43.2	-15.6	0.9
Non-oil	-14.9	35.9	9.8	6.2	-4.1
Total expenditure	-10.6	14.8	-8.6	9.0	2.7
Current	-7.7	11.4	-8.1	8.5	0.9
Capital ^{5/}	-18.6	23.9	-9.8	10.2	6.9
Money and credit					
Net domestic assets ^{6/}	12.5	-2.9	6.9	13.1	...
Net credit to government ^{6/}	6.3	2.6	8.9	2.1	...
Credit to other sectors ^{6/}	4.4	1.7	2.7	4.1	...
Money and quasi-money (M2)	20.3	-1.9	14.5	5.2	...
Velocity (M2/GDP)	1.6	1.8	1.6	1.6	...
Interest rate on Central Bank advances ^{7/}	5.0	5.0	5.0	5.0	...
Deposit rate (1 year deposits) ^{7/}	6.0	6.0	6.0	6.0	...
(In percent of GDP)					
General government budget ^{4/}					
Revenue	30.2	32.0	24.1	21.9	19.1
Expenditure	26.6	27.1	24.4	25.2	24.4
Overall position	3.6	4.9	-0.3	-3.3	-5.3
Bank financing	3.6	3.1	2.7	1.2	2.2
External current account	5.5	--	2.9	-3.7	-2.9
(In million of U.S. dollars)					
Overall balance of payments	1,694	250	1,038	-2,066	...
Gross official reserves (end-period)	5,974	5,932	6,234	3,915	...
(in months of imports)	9.0	8.2	10.2	5.7	...
(In millions of Libyan dinars)					
GDP at current prices	9,734	11,007	11,144	11,771	12,482

Sources: Libyan authorities; and Fund staff estimates and projections.

^{1/} Preliminary staff estimates and projections.

^{2/} Million barrels per day.

^{3/} Preliminary staff estimates and projections.

^{4/} Data for years 1990, 1991, and 1992 are those for the fiscal years 1990/91, 1991/92, and 1992/93 respectively, which cover the period April 1-March 31.

^{5/} Including GMR.

^{6/} In percent of beginning period broad money.

^{7/} Percent per annum; end of year.

Table 2. Socialist People's Libyan Arab Jamahiriya: Balance of Payments, 1990-94

(In millions of U.S. dollars)

	1990	1991	Prel. 1992	Prel. 1993	Proj. 1994 1/
Trade account	3,570	2,438	2,381	46	282
Exports (f.o.b.)	11,155	10,733	10,160	8,572	7,188
Oil sector 2/	10,731	10,217	9,332	7,723	6,926
Other exports	424	515	827	849	263
Imports (f.o.b.)	-7,585	-8,295	-7,778 3/	-8,527 3/	-6,906
Services and transfers (net)	-1,665	-2,456	-1,236	-1,450	-1,426
Receipts	784	753	880	633	333
Investment income	667	653	774	545	260
Other	117	99	107	88	74
Payments	-2,449	-3,208	-2,166	-2,083	-1,759
Oil sector services and transfers	-435	-614	-616	-625	-612
Freight and insurance	-378	-442	-387	-420	-340
Travel and transportation	-508	-904	-176	-160	-128
Other government services	-456	-463	-457	-446	-288
Remittances of foreign workers	-492	-570	-337	-288	-279
Other	-180	-214	-144	-144	-112
Current account balance	1,905	-18	1,145	-1,405	-1,144
Capital account balance (net)					
(including official transfers)	-618	55	332	40	...
Oil sector	159	93	102	113	...
Other private	-22	-35	143	98	...
Official transfers and capital	-755	-4	87	-171	...
Official transfers/grants	-35	-89	-106 4/	-96	...
Foreign investment banks 5/	-715	85	-102	297	...
Other loans extended	-5	1	2	2	...
Other	--	--	291	-373 6/	...
Errors and omissions	118	176	154	-391	...
Counterpart to valuation adjustment 7/	289	37	-593	-311	...
Overall balance	1,694	250	1,038	-2,066	...
Reserve movements (assets increase -)	-1,694	-250	-1,038	2,066	...
Central Bank	-1,696	-345	-450	2,551	...
Commercial banks	2	95	-588	-484	...
Memorandum items:					
US\$/LD (end of period)	3.7055	3.7258	3.319	3.0768	...
US\$/LD (period average)	3.5363	3.5649	3.515	3.2048	...
Import to GDP ratio (in percent)	22.0	21.1	19.9	22.6	17.3
Current account balance to GDP (in percent)	5.5	--	2.9	-3.7	-2.9
Gross official reserves (in months of imports)	9.0	8.2	10.2	5.7	...

Sources: Central Bank of Libya; and staff estimates.

1/ Projections for 1994 are those of the authorities, adjusted for oil export prices in line with the June 1993 WEO oil price projections.

2/ Includes estimates for gas exports from 1991 onwards.

3/ Includes estimates of unrecorded trade with neighboring countries. The counter-entry is in "Other exports" and "Other private capital".

4/ Includes grants for earthquake relief to an Arab country and other grants.

5/ Libyan Arab Foreign Bank (LAFB) and Libyan Arab Foreign Investment Company (LAFIC). For LAFB, data are on fiscal year basis in 1991-93.

6/ Including an outflow of US\$417 million prepayment of imports.

7/ Differences between changes in reserves valued at end-period exchange rate and balance of payments data converted from Libyan dinars using period average exchange rate.

V. Proposed Decision

The following draft decision is proposed for adoption by the Executive Board:

1. The Fund takes this Decision relating to exchange measures of the Socialist People's Libyan Arab Jamahiriya subject to Article VIII, Sections 2(a) and 3, and in concluding the 1994 Article XIV consultation with the Socialist People's Libyan Arab Jamahiriya, in light of the 1994 Article IV consultation with the Socialist People's Libyan Arab Jamahiriya conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance Over Exchange Rate Policies).

2. The Socialist People's Libyan Arab Jamahiriya continues to maintain restrictions on the making of payments and transfers for current international transactions in accordance with Article XIV, except for the multiple currency practices and exchange restrictions as described in SM/94/171, that are subject to Fund approval under Article VIII, Sections 2(a) and 3. Libya also retains a bilateral payment arrangement with a Fund member that involves features subject to Fund approval under Article VIII. The Fund urges the authorities to liberalize the exchange system and to eliminate the exchange restrictions and the multiple currency practices as soon as possible.

Libya -- Basic Data

I. Social and Demographic Indicators 1/

<u>Area</u>	<u>Population</u>	<u>Density</u>
1.76 million square kilometers	4.9 million (1992) Rate of growth (percent): 3.5	2.8 per sq km
<u>GDP per capita (1992)</u>	US\$8,048	
<u>Population characteristics (1992)</u>		<u>Energy consumption (1992)</u>
Life expectancy at birth	63 years	Energy consumption per capita (kg of oil equivalent)
Infant mortality (per thousand)	68	2,164
Child death rate (per thousand)	83	
<u>Health (1992)</u>		<u>Education (1984)</u>
Population per physician	743	Primary and intermediate school enrollment (in percent of age group)
Population per hospital bed	244	66

II. Economic and Financial Indicators

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>Proj. 1994</u>
Oil sector						
Crude production (mbd) 2/	1.13	1.39	1.65	1.55	1.39	1.40
Oil exports (US\$ billions)	6.58	10.73	10.22	9.33	7.72	6.93
Average sale price of crude oil (US\$ per barrel)	18.32	23.25	19.52	19.27	16.83	14.50
	(In percent)					
Ratios to GDP (at current market prices)						
Total government revenue	28.8	30.2	32.0	24.1	21.9	19.1
Total government expenditure	33.5	26.6	27.1	24.4	25.2	24.4
Fiscal position	-4.7	3.6	4.9	-0.3	-3.3	-5.3
Money and quasi-money	58.9	63.2	54.8	62.0	61.8	...
Exports, f.o.b.	24.0	32.4	27.4	25.9	22.7	18.0
Imports, f.o.b.	21.4	22.0	21.1	19.9	22.6	17.3
Current account balance	3.5	5.5	--	2.9	-3.7	-2.9
	(In thousands)					
Employment	995.2	1,018.6	1,012.5	1,044.9
Nationals	842.5	879.4	927.2	967.9
Expatriate labor	152.7	139.2	85.3	77.0

APPENDIX I

Libya -- Basic Data (concluded)

	1989	1990	1991	1992	1993	Proj. 1994
(In millions of Libyan dinars)						
Public finance 3/						
Total revenue	2,503	2,944	3,522	2,686	2,577	2,382
Total expenditures	2,912	2,594	2,978	2,722	2,967	3,046
Current	2,050	1,892	2,108	1,937	2,102	2,120
Capital 4/	862	702	870	785	865	925
Overall position	-408	350	544	-36	-390	-663
(In millions of Libyan dinars)						
Money and credit (changes during period)						
Money and quasi-money	266.0	1040.4	-119.9	877.8	361.1	...
Foreign assets (net)	-315.5	397.8	60.8	464.1	-537.7	...
Domestic assets (net)	581.5	642.5	-180.7	413.8	898.8	...
Claims on Treasury (net)	451.4	324.0	160.1	534.7	144.2	...
Claims on other sectors	151.9	227.5	103.4	163.2	280.6	...
Other items (net)	-21.8	91.0	-444.2	-284.2	474.0	...
(Annual change in percent)						
Money and quasi-money	5.5	20.3	-1.9	14.5	5.2	...
(In millions of U.S. dollars)						
Balance of payments						
Current account						
balance	-1,011.4	1,905.0	-18.2	1,144.8	-1,404.7	-1,144.0
Exports, f.o.b.	6,955.6	11,155.4	10,732.5	10,159.5	8,572.2	7,188.0
Imports, f.o.b.	-6,190.2	-7,585.4	-8,294.8	-7,778.4	-8,526.7	-6,906.0
Services and private transfers (net)	-1,776.8	-1,664.9	-2,455.9	-1,236.2	-1,450.2	-1,426.0
Capital and official transfers (net)	162.0	-617.8	55.3	331.8	39.7	...
Errors and omissions (net) 5/	-320.8	346.7	212.9	-444.9	-701.2	...
Overall balance	-1,170.2	1,693.9	249.9	1,037.8	-2,066.2	...
Net external assets (end of period)	2,661.3	4,355.1	4,605.1	5,642.9	3,576.7	...
Central Bank of Libya	3,390.0	5,085.9	5,430.6	5,880.5	3,330.0	...
Commercial banks	-728.7	-730.7	-825.5	-237.6	246.7	...

Source: Data provided by the Libyan authorities; and Fund staff estimates and projections.

1/ Based on World Bank, Social Indicators of Development, 1993.

2/ Million barrels per day.

3/ The fiscal years 1989/90-1992/93 cover the period April 1 - March 31. The 1994 fiscal year is on a calendar year basis, while figures for 1993 are annualized on the basis of developments during the last nine months of 1993.

4/ Includes GMR.

5/ Includes counterpart to valuation adjustment.

Libya--Fund Relations

(As of May 31, 1994)

I. Membership Status

Date of membership September 17, 1958

Status Article XIV

A. Financial Relations

II. General Department (General Resources Account)

Quota SDR 817.6 million

Total Fund holdings
of Libyan dinars SDR 498.8 million, equivalent
to 61.0 percent of quota

Reserve position
in the Fund SDR 319.0 million, equivalent
to 39.0 percent of quota

III. SDR Department

Net cumulative
allocation SDR 58.8 million

Holdings SDR 308.5 million, equivalent
to 524.9 percent of net
cumulative allocation

IV. Outstanding Purchases and Loans None

V. Financial Arrangements None

VI. Projected Obligations to Fund None