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May 18, 1990

To: Members of the Executive Board
From: The Acting Secretary
Subject: Jordan - Real Effective Exchange Rate - Information Notice

Attached for the information of the Executive Directors is an information notice on the real effective exchange rate of the Jordan dinar.

Mr. Leeahtam (ext. 8527) is available to answer technical or factual questions relating to this paper.

Att: (1)

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INTERNATIONAL MONETARY FUND

JORDAN

Real Effective Exchange Rate--Information Notice

Prepared by the Middle Eastern Department and the
Exchange and Trade Relations Department

(In consultation with the Legal Department
and the Research Department)

Approved by A. Shakour Shaalan and S. Kanesa-Thanan

May 18, 1990

The recent developments in the real effective exchange rate of the Jordan dinar, as measured by the standard index in connection with the Information Notice System, are shown in the attached table and chart. As of February 1990, the real effective exchange rate of the Jordan dinar had depreciated by 12.0 percent since Jordan's exchange rate developments were last discussed by the Executive Board in July 1989 on the occasion of the 1989 Article IV consultation and request for a stand-by arrangement. The depreciation reflects a steady downtrend in the nominal effective index which stood at 17.9 percent below its July 1989 level.

In managing the exchange rate under Jordan's dual exchange rate system, the authorities pursued a policy of gradually devaluing the official exchange rate of the Jordan dinar vis-à-vis the U.S. dollar since the adoption of the program in July 1989. Thus, the official rate of the dinar moved from JD 0.573 per U.S. dollar in July 1989 to JD 0.662 per U.S. dollar in January 1990. Consequently, the exchange rate differential between the official rate and the commercial bank rate narrowed gradually from about 36 percent on July 31, 1989 to 0.5 percent by end-January 1990. On February 17, 1990, the two rates were unified at the commercial bank rate of JD 0.673 per U.S. dollar. The rate has remained unchanged since then.

A staff report is under preparation on the performance of the Jordanian economy in 1989 in the context of the first review of the stand-by arrangement and it will soon be circulated to the Executive Board. It may be mentioned here, that along with other adjustment measures, the exchange rate policy followed by the authorities has been successful in Jordan regaining external competitiveness, reducing external imbalances, and building up its foreign reserves. The policy package which the authorities have adopted for 1990, and which will be discussed in the forthcoming staff report, will sustain economic growth and further reduce the internal and external financial imbalances.

Table 1. Jordan: Real Effective Exchange Rate and Related Series, 1985-90

(Indices: 1980 = 100)

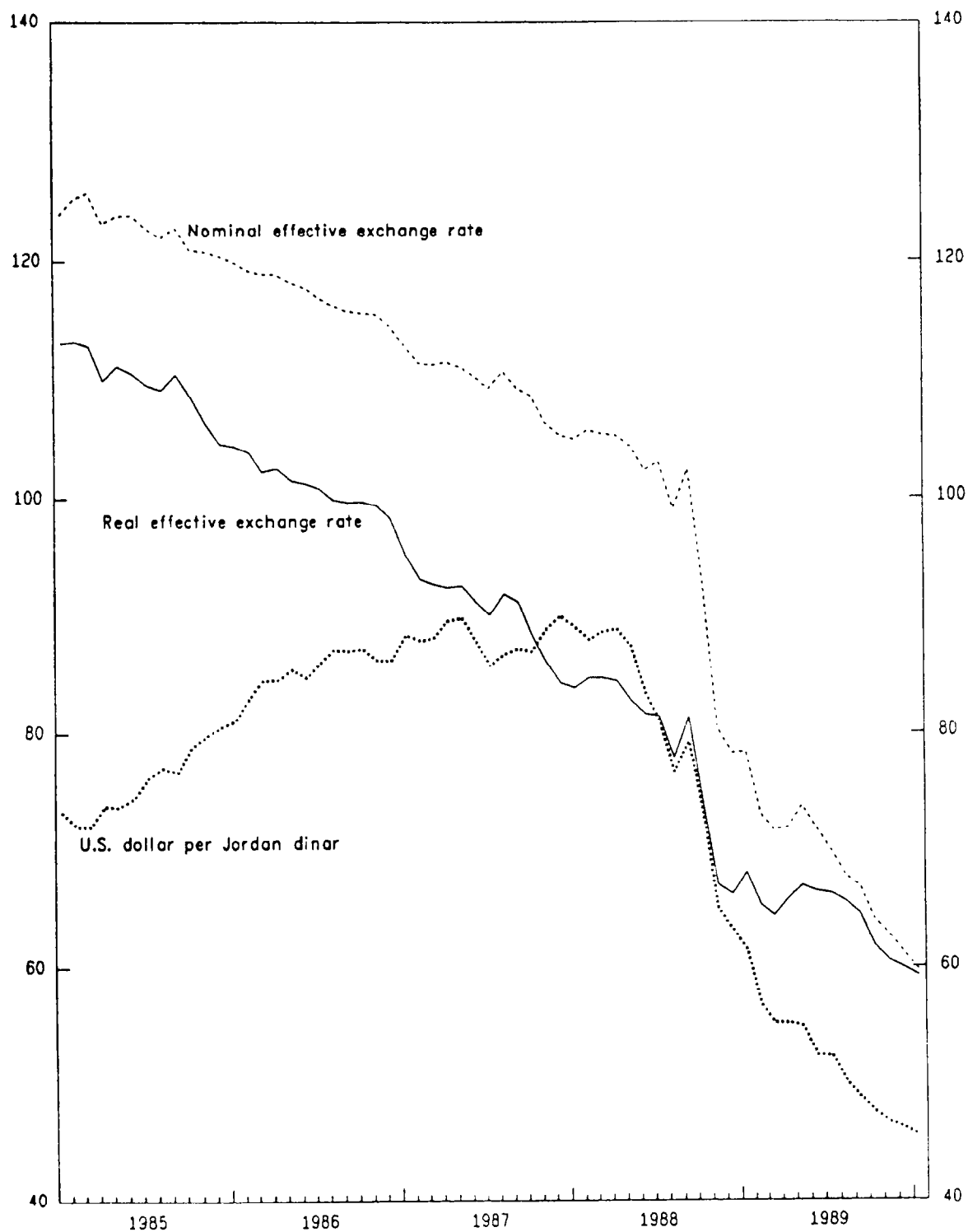
	Real Effective Exchange Rate <u>1/</u> <u>2/</u>	Nominal Effective Exchange Rate <u>1/</u>	Relative Consumer Prices (Local Currencies)	Exchange Rate in Terms of U.S. Dollars <u>1/</u>	Consumer Price Index (Seasonally Adjusted)	Consumer Price Index (Not Seasonally Adjusted)
Quarterly						
1985						
I	113.1	125.0	90.5	72.4	128.8	129.4
II	110.6	123.6	89.4	73.9	129.4	128.7
III	109.8	122.5	89.6	76.6	130.9	129.7
IV	106.5	120.7	88.2	79.7	130.7	131.9
1986						
I	103.5	119.3	86.7	82.9	129.9	130.4
II	101.8	118.3	86.0	84.9	129.3	128.7
III	100.1	116.3	86.1	86.6	130.0	128.8
IV	99.1	115.2	86.0	86.5	130.8	131.9
1987						
I	93.6	111.8	83.7	88.1	128.6	129.2
II	92.0	110.9	82.9	89.0	129.5	129.1
III	91.0	109.7	82.9	86.5	131.1	129.8
IV	86.1	106.7	80.7	88.5	129.0	130.1
1988						
I	84.4	105.4	80.1	88.5	129.5	130.1
II	82.9	104.0	79.8	86.5	131.3	131.0
III	80.2	101.5	79.0	78.9	132.7	131.3
IV	69.0	83.8	82.5	67.0	141.4	142.5
1989						
I	65.9	74.3	88.8	57.8	155.0	155.7
II	66.4	72.4	91.7	54.2	163.1	162.8
III	65.5	68.2	96.0	50.4	174.3	172.4
IV	60.7	62.6	97.0	46.7	180.2	181.6
1989						
July	66.3	69.9	94.8	52.4	170.9	167.9
August	65.6	67.8	96.8	50.2	175.6	173.9
September	64.5	66.8	96.5	48.7	176.5	175.3
October	61.8	64.0	96.5	47.5	178.0	177.7
November	60.5	62.7	96.4	46.6	179.1	180.9
December	59.9	61.2	97.9	46.1	183.5	186.1
1990						
January	59.2	59.7	99.2	45.5	188.0	189.3
February	58.3	57.4	98.7	44.7	189.0	189.9
Percentage change						
July 1989 - February 1990	-12.1	-17.9	4.1	-14.6	10.6	13.1

Source: IMF, Information Notice System.

1/ Increase in the index means appreciation.

2/ Using seasonally adjusted price series.

CHART 1
JORDAN
EXCHANGE RATE INDICES, 1985-90 1/
(1980=100)



Source: IMF, Information Notice System.
1/ A decline in the index indicates depreciation.

