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0401

EBD/91/171

May 23, 1991

To: Members of the Executive Board
From: The Secretary
Subject: Republic of Poland - Change in Exchange Rate
and Exchange Arrangement

The attached paper on a recent change in Poland's exchange system is circulated for the information of the Executive Directors.

Mr. Banerjee (ext. 8818) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

REPUBLIC OF POLAND

Change in Exchange Rate and Exchange Arrangement

Prepared by the European and Exchange and Trade Relations Departments

(In consultation with the Legal Department)

Approved by P. de Fontenay and J.T. Boorman

May 23, 1991

In the attached communication, the Polish authorities have notified the Fund of (i) a change in the exchange rate of the zloty from Zl 9,500 per U.S. dollar to Zl 11,100 per U.S. dollar, with effect from May 17, 1991; and (ii) a shift in Poland's exchange rate arrangement from a peg to the U.S. dollar to a peg to a currency composite made up of the U.S. dollar (45 percent), deutsche mark (35 percent), pound sterling (10 percent), French franc (5 percent) and Swiss franc (5 percent). The authorities indicate that the foregoing adjustments have been prompted by the appreciation of the U.S. dollar against major European currencies in recent months, which has adversely affected the competitiveness of Poland's exports to western Europe. The change in the exchange rate represents a devaluation of 14.4 percent.

The exchange rate system and economic policies will be examined on the occasion of the first semi-annual review of the extended arrangement for Poland. Staff discussions for this purpose are expected to take place in Warsaw in June/July, with Board consideration of the review tentatively planned for late August 1991.