

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

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0401

EBD/88/31

January 22, 1988

To: Members of the Executive Board
From: The Secretary
Subject: People's Republic of Mozambique - Exchange Arrangements

Attached for the information of the Executive Directors is a paper on a change in the exchange rate of the Mozambique metical.

Ms. Jul (ext. 8524) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

People's Republic of Mozambique - Exchange Arrangements

Prepared by the African Department and the Exchange and
Trade Relations Department

(In consultation with the Legal Department)

Approved by G E. Gondwe and Helen B. Junz

January 22, 1988

In the attached telex dated January 2, 1988, the authorities of Mozambique have notified the Fund of a devaluation of the exchange rate of the metical.

With effect from January 1, 1988, the exchange rate of the metical has been adjusted from Mt. 400 = US\$1 and Mt. 408 = US\$1 (buying and selling rates, respectively) to Mt. 450 = US\$1 and Mt. 459 = US\$1, representing a midpoint depreciation of 11.1 percent in terms of the U.S. dollar. The suspension of the peg to a currency basket mentioned in the telex has been in effect from January 31, 1987. On that date the exchange rate was also adjusted from Mt. 38.279 = US\$1 and Mt. 39.069 = US\$1 (buying and selling rates, respectively) to Mt. 200 = US\$1 and Mt. 204 = US\$1. 1/ The exchange rate was further devalued with effect from June 27, 1987 to Mt. 400 = US\$1 and Mt. 408 = US\$1 (buying and selling rates, respectively). 2/

The structural adjustment arrangement for Mozambique, approved by the Fund on June 8, 1987, envisages periodic adjustment of the exchange rate toward a realistic level. 3/ The staff welcomes the policy action described above, which is in accordance with this objective.

1/ People's Republic of Mozambique--Exchange Arrangements (EBS/87/60, 3/12/87).

2/ People's Republic of Mozambique--Exchange Arrangements (EBS/87/169, 7/29/87).

3/ People's Republic of Mozambique--Request for Arrangements Under the Structural Adjustment Facility (EBS/87/101, 5/12/87, and Supplement 1, 6/10/87).

ATTACHMENT

JANUARY 2, 1988

ATT: EXECUTIVE DIRECTOR, MR. AHMED ABDALAH

WE WOULD LIKE TO INFORM YOU THAT, IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 36 OF BANCO DE MOCAMBIQUE'S ORGANIC LAW, APPROVED BY THE DECREE NR. 2/75 DD MAY 17, WE HAVE ADJUSTED THE EXCHANGE RATE OF THE METICAL (MT) WITH EFFECT FROM 01ST JANUARY 1988 TO THE LEVEL OF 1USD = 450.00 MT.

THE PEG WITH THE BASKET IS STILL SUSPENDED THE RATES VIS-A-VIS OTHER CURRENCIES ARE TO BE DAILY PUBLISHED SHOWING BUYING AND SELLING RATES APPLICABLE TO ALL KINDS OF TRANSACTIONS.

FOR YOUR INFORMATION, PLEASE NOTE THAT THE PREVAILING EXCHANGE RATES OF METICAL AGAINST USD ON 01ST JANUARY 1988 ARE THE FOLLOWING:

BUYING 450.00 MT AND SELLING 459.00 MT

BEST REGARDS AND WISHES OF A HAPPY NEW YEAR
ENEAS DA CONCEICAO COMICHE
GOVERNOR

RECEIVED
IMF CABLE ROOM
JANUARY 2, 1988 - 6:53 AM