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CONFIDENTIAL

July 7, 1987

To: Members of the Executive Board
From: The Secretary
Subject: Grenada - 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 Eastern Caribbean dollar for Grenada.

Mr. Bélanger (ext. 8671) is available to answer technical or factual questions relating to this paper.

Att: (1)

INTERNATIONAL MONETARY FUND

GRENADA

Real Effective Exchange Rate - Information Notice

Prepared by the Western Hemisphere and the
Exchange and Trade Relations Departments

(In consultation with the Legal and Research Departments)

Approved by S.T. Beza and S. Kanesa-Thasan

July 7, 1987

The recent evolution of Grenada's real effective exchange rate, as measured by the standard index developed in connection with the information notice system, is set out in the attached table and chart. Based on this index, as of April 1987, the real effective value of the Eastern Caribbean dollar for Grenada had fallen by more than 10 percent since the last occasion on which Grenada's exchange rate developments were brought to the attention of the Executive Board--the Article IV consultation in December 1985. ^{1/} The depreciation is estimated to have amounted to 10.1 percent.

The Eastern Caribbean dollar, which is shared by Grenada with seven other members of the Eastern Caribbean Central Bank, has been pegged to the U.S. dollar since July 1976. The real effective exchange rate index of the Eastern Caribbean dollar for Grenada rose by almost 50 percent from 1980 through February 1985. The index fell back by 21 percent between February 1985 and April 1987, reflecting the depreciation of the U.S. dollar against the major currencies as well as an improvement in Grenada's relative price performance.

Exchange rate policy and developments in Grenada during the past few years are described in the recently issued staff report for the 1987 Article IV consultation (SM/87/109) and the report on recent economic developments (SM/87/120). Discussion by the Executive Board to conclude the 1987 Article IV consultation is scheduled for July 8, 1987.

^{1/} Chairman's Summing Up was circulated as SUR/85/133, 12/23/85.

Table 1. Grenada: Real Effective Exchange Rate and Related Series

(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 | | | | | | |
| 1982 | | | | | | |
| I | 119.4 | 111.9 | 106.7 | 100.0 | 124.7 | 124.6 |
| II | 121.6 | 114.1 | 106.5 | 100.0 | 127.0 | 126.6 |
| III | 124.1 | 116.3 | 106.7 | 100.0 | 129.3 | 129.6 |
| IV | 125.9 | 117.8 | 106.9 | 100.0 | 131.1 | 131.4 |
| 1983 | | | | | | |
| I | 127.1 | 119.4 | 106.4 | 100.0 | 132.8 | 132.6 |
| II | 127.5 | 119.8 | 106.4 | 100.0 | 134.6 | 134.2 |
| III | 130.0 | 122.1 | 106.5 | 100.0 | 137.0 | 137.5 |
| IV | 131.9 | 123.8 | 106.5 | 100.0 | 139.0 | 139.2 |
| 1984 | | | | | | |
| I | 132.8 | 125.6 | 105.7 | 100.0 | 140.4 | 140.0 |
| II | 134.4 | 127.2 | 105.6 | 100.0 | 142.3 | 142.0 |
| III | 140.6 | 131.9 | 106.6 | 100.0 | 145.5 | 146.0 |
| IV | 143.0 | 135.7 | 105.4 | 100.0 | 145.9 | 146.1 |
| 1985 | | | | | | |
| I | 147.4 | 141.3 | 104.3 | 100.0 | 146.1 | 145.7 |
| II | 139.8 | 135.6 | 103.0 | 100.0 | 146.6 | 146.3 |
| III | 134.3 | 130.4 | 102.9 | 100.0 | 147.8 | 148.3 |
| IV | 130.0 | 127.3 | 102.1 | 100.0 | 148.1 | 148.4 |
| 1986 | | | | | | |
| I | 133.5 | 130.8 | 102.0 | 100.0 | 148.9 | 148.5 |
| II | 130.5 | 127.7 | 102.2 | 100.0 | 149.9 | 149.6 |
| III | 125.1 | 126.3 | 99.0 | 100.0 | 146.5 | 147.0 |
| IV | 124.4 | 127.1 | 97.9 | 100.0 | 146.6 | 146.8 |
| 1987 | | | | | | |
| I | 120.1 | 123.7 | 97.1 | 100.0 | 147.0 | 146.5 |
| Monthly | | | | | | |
| 1985 | | | | | | |
| Dec. <u>3/</u> | 130.5 | 128.2 | 101.8 | 100.0 | 148.1 | 148.0 |
| 1986 | | | | | | |
| Jan. | 135.0 | 132.4 | 102.0 | 100.0 | 148.8 | 148.7 |
| Feb. | 133.7 | 130.9 | 102.1 | 100.0 | 149.0 | 148.7 |
| March | 131.8 | 129.2 | 102.0 | 100.0 | 148.9 | 148.1 |
| April | 129.7 | 128.4 | 101.0 | 100.0 | 147.7 | 146.6 |
| May | 131.7 | 127.1 | 103.6 | 100.0 | 152.1 | 152.2 |
| June | 130.1 | 127.6 | 101.9 | 100.0 | 149.9 | 150.1 |
| July | 125.6 | 126.5 | 99.3 | 100.0 | 146.5 | 146.2 |
| Aug. | 125.2 | 126.2 | 99.3 | 100.0 | 146.7 | 147.6 |
| Sept. | 124.5 | 126.3 | 98.6 | 100.0 | 146.4 | 147.2 |
| Oct. | 124.9 | 127.0 | 98.3 | 100.0 | 146.5 | 147.6 |
| Nov. | 124.5 | 127.5 | 97.6 | 100.0 | 146.4 | 146.1 |
| Dec. | 123.9 | 126.8 | 97.7 | 100.0 | 146.9 | 146.8 |
| 1987 | | | | | | |
| Jan. | 120.9 | 124.0 | 97.5 | 100.0 | 146.8 | 146.7 |
| Feb. | 120.1 | 124.3 | 96.6 | 100.0 | 146.3 | 145.9 |
| March | 119.3 | 122.8 | 97.1 | 100.0 | 147.8 | 146.9 |
| April | 117.2 | 121.5 | 96.5 | 100.0 | 147.6 | 146.5 |
| Percentage change | | | | | | |
| Dec. 1985 | -10.1 | -5.2 | -5.2 | 0 | -0.4 | |

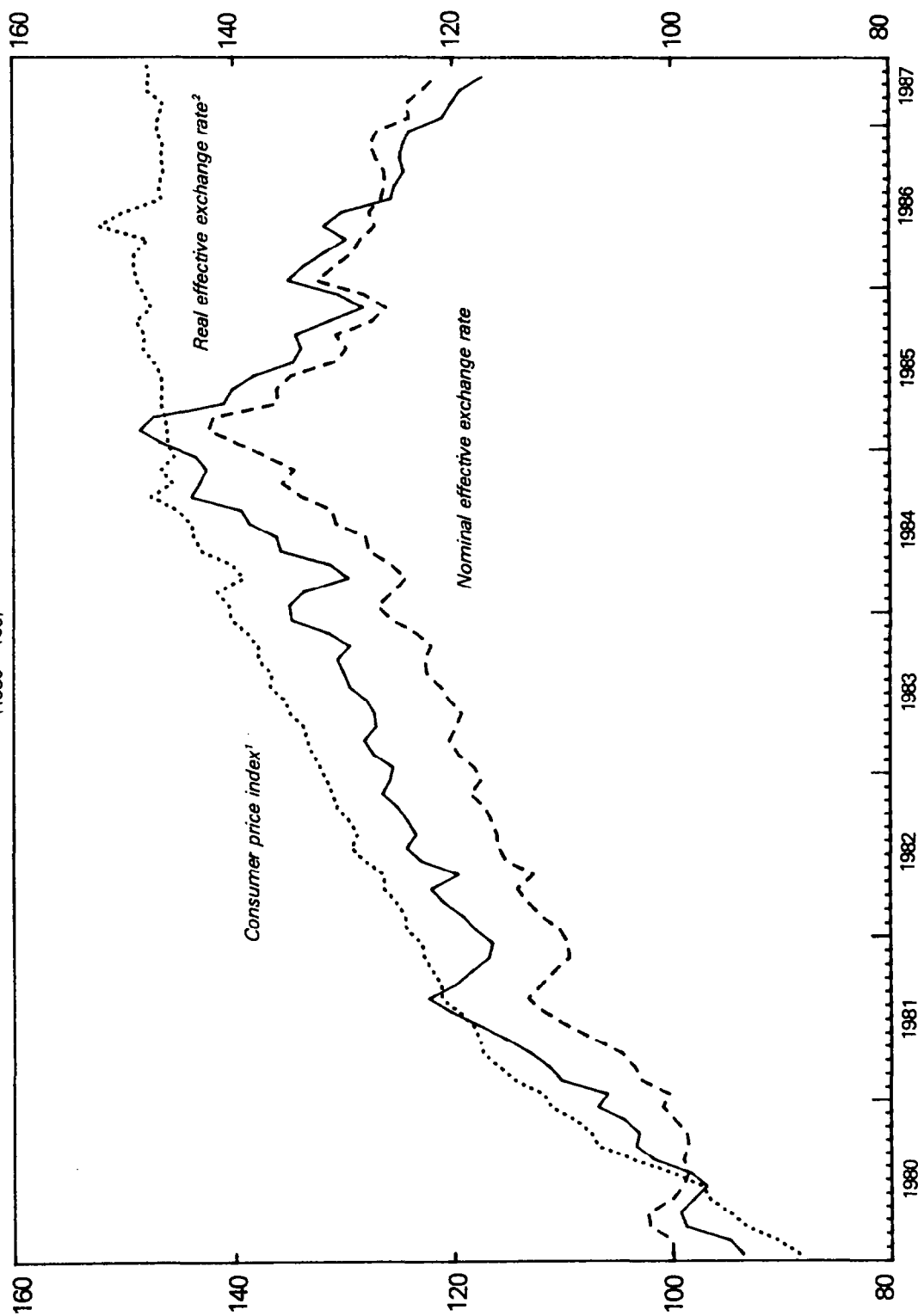
Source: Information Notice System.

1/ Increases mean appreciation.

2/ Using seasonally adjusted price indices.

3/ Date of latest consideration by Executive Board.

CHART
GRENADA
INFORMATION NOTICE SYSTEM INDEX OF REAL EFFECTIVE EXCHANGE RATE
(1980 = 100)



Source: Information Notice System.

1. Seasonally adjusted.

2. Trade-weighted index of nominal exchange rates deflated by seasonally adjusted relative consumer prices.
increases mean depreciation.

