

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

EBS/87/169

CONFIDENTIAL

July 29, 1987

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.

Mr. Huh (ext. 8525) is available to answer technical or factual questions relating to this paper.

Att: (1)



Handwritten text, mostly illegible due to fading and bleed-through. Some faint words like "and" and "the" are visible.



CONFIDENTIAL

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 A.D. Ouattara and Helen B. Junz

July 29, 1987

In the attached telex dated June 29, 1987, the authorities of Mozambique have notified the Fund of a devaluation of the exchange rate of the metical.

With effect from June 27, 1987 the exchange rate of the metical has been adjusted from MT 200 = US\$1 and MT 204 = US\$1 (buying and selling rates, respectively) to MT 400 = US\$1 and MT 408 = US\$1, representing a mid-point depreciation of 50 percent in terms of the U.S. dollar. The suspension of the peg to a currency basket mentioned in the telex had taken 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 structural adjustment arrangement for Mozambique, approved by the Fund on June 8, 1987, envisages periodic adjustments of the exchange rate toward a realistic level. 2/ The staff welcomes the policy action described above, which is in accord with this objective.

1/ Mozambique--Exchange Arrangements (EBS/87/60, 3/12/87).

2/ 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

JUNE 29, 1987

ATT: DIRECTOR AFRICAN DEPARTMENT, IMF - MR. ALASSANE D. OUATTARA

WE WOULD LIKE TO INFORM YOU THAT, IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 36 OF ORGANIC LAW OF BANK OF MOZAMBIQUE, APPROVED BY THE DECREE NR. 2/75 DD MAY 17, WE HAVE ADJUSTED THE EXCHANGE RATE OF THE METICAL (MT) WITH EFFECT FROM 27TH JUNE 1987 TO THE LEVEL OF 1USD = 400MT. THE PEG WITH THE BASKET HAS BEEN SUSPENDED. THE RATES VIS-A-VIS OTHER CURRENCIES ARE TO BE DAILY PUBLISHED SHOWING BUYING AND SELLING RATES APPLICABLE TO ALL KIND OF TRANSACTIONS.

FOR YOUR INFORMATION, PLEASE NOTE THE PREVAILING EXCHANGE RATES OF METICAL AGAINST USD ON 27TH JUNE 1987 ARE THE FOLLOWING: BUYING 400 MT AND SELLING 408 MT.

BEST REGARDS
ENEAS DA CONCEICÃO COMICHE
GOVERNOR

RECEIVED
IMF CABLE ROOM
JUNE 29, 1987 - 7:33 AM