

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

EBS/87/60

CONFIDENTIAL

March 12, 1987

To: Members of the Executive Board
From: The Secretary
Subject: Mozambique - Exchange Arrangements

Attached for the information of the Executive Directors is a paper on recent changes in the exchange arrangements of the Mozambique metical.

Mr. Quirk (ext. 8520) is available to answer technical or factual questions relating to this paper.

Att: (1)



INTERNATIONAL MONETARY FUND

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 Eduard Brau

March 12, 1987

In the attached telexes dated February 7, 1987 and February 28, 1987, the authorities of Mozambique have notified the Fund of a devaluation of the exchange rate of the metical, and a change in the pegging arrangements.

With effect from January 31, the exchange rate of the metical has been adjusted from MT 38.279 = US\$1 and MT 39.069 = US\$1 (buying and selling rates, respectively) to MT 200.0 = US\$1 and MT 204.0 = US\$1, representing a mid-point depreciation of 80.9 percent in terms of the U.S. dollar. Also, with effect from January 31, 1987, the peg to a currency basket has been temporarily suspended, and a fixed exchange rate of the metical against the U.S. dollar has been substituted. The exchange rate of the metical against other convertible currencies is being calculated daily on the basis of the U.S. dollar rate and international quotations for the other currencies.

The Chairman's summing up at the conclusion of the 1986 Article IV consultation with the People's Republic of Mozambique (SUR/86/120, 11/20/86) noted the urgency of correcting the major distortions in relative prices, and that a substantial exchange rate adjustment was required at the outset of the policy reform process to help absorb the extensive parallel markets in goods and foreign exchange, and to shift incentives in favor of productive activity and exports. The staff is of the view that the policy actions described above constitute an important step towards realizing those objectives.

FEBRUARY 7, 1987

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 31ST JANUARY 1987 TO THE LEVEL OF 1USD = 200MT. 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 KINDS OF TRANSACTIONS.

FOR YOUR INFORMATION, PLEASE NOTE THE PREVAILING EXCHANGE RATES OF METICAL AGAINST USD ON 31ST JANUARY 1987 ARE THE FOLLOWING:

BUYING = 200MT AND SELLING = 204MT

BEST REGARDS
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GOVERNOR

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FEBRUARY 28, 1987

GRATEFUL FOR YOUR TEL DD FEB 12 REGARDING THE CHANGE IN THE EXCHANGE RATE OF THE METICAL. AS REQUESTED KINDLY NOTE THE FOLLOWING:

1. THE PEG TO THE BASKET HAS BEEN TEMPORARILY SUSPENDED. THE EXCHANGE RATE OF THE METICAL AGAINST CONVERTIBLE CURRENCIES IS BEING DAILY CALCULATED TAKING INTO ACCOUNT THE FIXED EXCHANGE RATE OF THE METICAL AGAINST THE US DOLLAR AND THE INTERNATIONAL QUOTATIONS OF EACH CURRENCY. THE BUYING AND SELLING RATES FOR US DOLLAR ARE RESPECTIVELY MT 200.00 AND MT 204.00.

2. THE PREVAILING EXCHANGE RATES FOR US DOLLAR IMMEDIATELY PRIOR TO THE ADJUSTMENT WERE MT 38.279 BUYING AND MT 39.069 SELLING.

3. WE ARE AT YOUR DISPOSAL FOR ANY ADDITIONAL CLARIFICATION YOU MAY REQUIRE.

BEST PERSONAL REGARDS
ENEAS DA CONCEICÃO COMICHE
GOVERNOR
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