

EBS/86/152

CONFIDENTIAL

July 15, 1986

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

There is attached for the information of the Executive Directors a paper on the initial notification of the exchange arrangements of Poland.

Mr. Somogyi (ext. 7188) is available to answer technical or factual questions relating to this paper.

Att: (1)

INTERNATIONAL MONETARY FUND

POLAND

Exchange Arrangements

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

(In consultation with the Legal Department)

Approved by L. A. Whittome and J. T. Boorman

July 14, 1986

In the attached telex dated July 8, 1986, the Polish authorities have submitted the initial notification of the exchange arrangements that Poland intends to apply under Article IV of the Articles of Agreement. Poland became a member of the Fund on June 12, 1986.

The currency of Poland is the zloty. Management of the exchange rate of the zloty vis-à-vis convertible currencies is guided by a weighted basket of the currencies of those countries having a share of at least 1 percent in the external current account settlements with the convertible currency area. The composition of the basket is revised monthly, based on the convertible currency accounts for the previous months. Adjustment of the zloty relative to the basket takes place at irregular intervals, on the basis notably of the difference between foreign and domestic trade prices and with a view to securing the profitability of the major portion of exports. Exchange rates are quoted by the National Bank of Poland for 29 convertible currencies. Buying and selling rates for these currencies are set at least once a week with margins of 0.5 percent about the middle rate. The buying and selling rates for the U.S. dollar on June 30, 1986 were ZL 164.34 and ZL 166.00, respectively. There are no taxes or subsidies on purchases or sales of convertible currencies for business transactions, but a 100 percent surcharge is applied on the sale of such currencies for private trips abroad. Most transactions with socialist countries are settled in transferable rubles or in clearing rubles; for both units of account, official exchange rates are quoted weekly by the National Bank of Poland, although these rates usually remain fixed for longer periods than the rates for convertible currencies. A 30 percent surcharge is applied on the sale of nonconvertible currencies for private trips abroad.

In light of the notification, Poland's exchange arrangements have been classified by the staff as a peg to a composite other than the SDR.

A staff mission will visit Poland for Article IV consultation discussions during the second half of July 1986. Poland's exchange arrangements will be considered more fully in the forthcoming staff report.

Attachment

WARSAW
JULY 8, 1986

INTERNATIONAL MONETARY FUND
WASHINGTON
EUROPEAN DEPARTMENT

IN ACCORDANCE WITH OUR OBLIGATIONS UNDER THE ARTICLE IV I WOULD LIKE TO SEND THE FOLLOWING NOTIFICATION ON THE EXCHANGE ARRANGEMENTS IN POLAND.

THE CURRENCY OF POLAND IS THE ZLOTY. THE EXCHANGE RATE OF THE ZLOTY VIS-A-VIS CURRENCIES OTHER THAN THOSE OF THE CMEA COUNTRIES, ALBANIA AND THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA IS GUIDED BY A WEIGHTED BASKET OF THE CURRENCIES OF THOSE COUNTRIES HAVING A SHARE OF AT LEAST 1 PERCENT IN THE EXTERNAL CURRENT ACCOUNT SETTLEMENTS WITH THE CONVERTIBLE CURRENCY AREA. THE COMPOSITION OF THE BASKET IS REVISED MONTHLY, BASED ON THE CONVERTIBLE CURRENCY ACCOUNT FOR THE PREVIOUS MONTHS. ADJUSTMENT OF THE VALUE OF THE ZLOTY RELATIVE TO THE BASKET TAKES PLACE AT IRREGULAR INTERVALS, ON THE BASIS NOTABLY OF THE DIFFERENCE BETWEEN FOREIGN AND DOMESTIC TRADE PRICES AND WITH A VIEW TO SECURING THE PROFITABILITY OF THE MAJOR PORTION OF EXPORTS. EXCHANGE RATES ARE QUOTED BY THE NATIONAL BANK OF POLAND FOR 29 CONVERTIBLE CURRENCIES FOR THE ECU AND THE SDR. BUYING AND SELLING RATES FOR THESE CURRENCIES ARE SET AT LEAST ONCE A WEEK WITH MARGINS OF 0.5 PERCENT ABOUT THE MIDDLE RATE. THE BUYING AND SELLING RATES FOR THE U.S. DOLLAR ON JUNE 30, 1986 WERE ZL 164.34 AND ZL 166.00, RESPECTIVELY. THERE ARE NO TAXES OR SUBSIDIES ON PURCHASES OR SALES OF CURRENCIES OF NONSOCIALIST COUNTRIES FOR NORMAL BUSINESS TRANSACTIONS, BUT A 100 PERCENT SURCHARGE IS APPLIED ON THE SALE OF SUCH CURRENCIES FOR

PRIVATE TRIPS ABROAD. TRANSACTIONS WITH MEMBER COUNTRIES OF THE CMEA ARE FOR THE MOST PART DENOMINATED IN TRANSFERABLE RUBLES, AND WITH ALBANIA AND THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA IN CLEARING RUBLES. FOR BOTH UNITS OF ACCOUNT, OFFICIAL EXCHANGE RATES ARE QUOTED WEEKLY BY THE NATIONAL BANK OF POLAND, ALTHOUGH THESE USUALLY REMAIN FIXED FOR LONGER PERIODS THAN THE RATES FOR CONVERTIBLE CURRENCIES. THE NATIONAL BANK OF POLAND ALSO QUOTES WEEKLY EXCHANGE RATES FOR THE CURRENCIES OF CERTAIN SOCIALIST COUNTRIES; THESE RATES APPLY TO NONCOMMERCIAL SETTLEMENTS. BUYING AND SELLING RATES FOR THE CURRENCIES ARE SET WITH MARGINS OF 0.5 PERCENT ABOUT THE MIDDLE RATE. A 30 PERCENT SURCHARGE IS APPLIED ON THE SALE OF THESE CURRENCIES FOR PRIVATE TRIPS ABROAD.

Z. KARCZ
DIRECTOR, FOREIGN DEPARTMENT
MINISTRY OF FINANCE