

Argentina Devalues Currency, Declares 24-hour Bank Holiday

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Late on the evening of Feb. 5, the Economy Ministry ordered the closing of banks and foreign exchange houses on the following day. Last week, the Central Bank lost nearly \$500 million in foreign exchange transactions, the austral fell to 17.59 to the dollar on the open market, and monthly interest rates rose to 17% or more. Effective Feb. 7, the government implemented a devaluation to 14.41 australs to the dollar (the official exchange rate), and terminated making dollars available on the open market. In recent months, the Central Bank has spent at least \$1 billion in an effort to hold the dollar exchange rate down. The former commercial rate, or the rate at which the government sells dollars, is to be replaced by a "special" rate equal to the official rate plus 25%. The Central Bank will no longer attempt to keep the "black market" value of the dollar within 20% of the official exchange rate. Inflation in January totaled 8.9%, compared to 6.8% in December, and 5.7% in November. According to official calculations, the austral lost 42% of its value since September, while the dollar rose by only about 27%. (Basic data from AP, Diarios y Noticias, 02/06/89)

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