

Financial Strains in the World Economy *

During 1982 increasing strains have emerged in the financing of external deficits, and important sovereign borrowers, no longer able to meet their debt service commitments, have sought a rescheduling of their foreign debt. The international banking system sees its stability threatened and tends to reduce its lending for balance of payments financing. These developments have occurred against a background of slow growth, a squeeze on the profits of both large multinationals and small companies, and a deterioration in the quality of banks' assets. Savers' confidence is shaken, as wide fluctuations in interest and exchange rates and general uncertainty make it difficult to assess the profitability of investments and firms' net worth.

To understand these developments and the policy strategy required to maintain conditions of financial stability internationally, it is necessary (1) to examine the effects on the world economy of the two successive oil shocks; (2) to assess the impact of these factors on banks' balance sheets and operations and on market structures; (3) to discuss the functions of banking supervision in promoting the stability of the system; and, (4) to examine the contribution that policy action can make, at national and world level, to strengthen the structure of international financial relationships.

1. The Oil Shocks and the World Economy

The 1960s were marked by a rapid expansion of the world economy and of international trade and by low inflation. But already by

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the end of the decade there were signs of a slowdown of growth and of an acceleration in the rate of price increases, mainly as a result of expansionary economic policies, increasing market rigidities, and changes in income distribution in favour of wage earners.

In 1972 a sharp upturn began in world demand and inflation; the prices of non-oil raw materials more than doubled. The quadrupling of the oil price at the end of 1973 imposed a real cost on oil-importing countries equivalent to about two per cent of their national product; as a result, large imbalances emerged in international payments and inflation accelerated sharply.

Although with the establishment of the "oil facilities" in 1974 and 1975 the international community and the IMF itself followed a philosophy of gradual adjustment of external imbalances, in line with the increase of the oil-exporting countries' absorption capacity, the major industrial countries reacted by adopting restrictive domestic policies, thus forcing more rapid adjustment on the rest of the industrial world. At the cost of a pronounced recession, during 1974-75 inflation slowed down (but remained well above the pre-1973 level) and external imbalances were largely reabsorbed (cf. Table 1). These improvements, however, were mostly of a cyclical nature; at the same time, policies to support ailing industries and employment and to shield consumers from the full increase in the oil price delayed structural adjustment and placed heavy burdens on public finances.

In the developing countries the effects of higher oil prices were aggravated by the recession in industrial countries: in 1974-75 their combined deficit exceeded \$ 80 billion. Easy credit conditions on international markets encouraged these countries to finance their deficits and to postpone adjustment. For their part, oil-exporting countries, unable to expand domestic demand in line with their oil revenues, accumulated financial assets on Western markets, largely in the form of deposits with the international banking system, which combined the advantages of high yields and liquidity with those of low political risk.

Thus, the fears expressed at the time of the oil price increase that there would be a shortage of international liquidity proved to be unfounded: the system responded promptly and flexibly to the accentuation of payments imbalances.

In the years that followed, the problems of external adjustment seemed to become less urgent. The imports of the oil-exporting

countries rose faster than expected, while the real price of oil (in terms of importing countries' export prices) fell by nearly 20 per cent. Pulled by expansionary policies in the United States, and subsequently in other major industrial countries, GDP growth rose back to around 4 per cent and that of international trade to 6-7 per cent. On the other hand, inflation started to rise again.

The external deficit of the developing countries, after declining somewhat in 1976 and 1977, rose to \$ 40 billion in 1978 and to \$ 60 billion in 1979, at which time the total deficit they had accumulated since 1974 amounted to some \$ 240 billion. About half of this was financed by private markets, primarily the international banking system. Another 25 per cent was covered by official financing and international institutions; the rest by aid, transfers and non-debt-creating funds (cf. Table 2).

By the end of 1979 the outstanding medium and long-term debt of the developing countries amounted to \$ 225 billion, equivalent to more than 20 per cent of their national income and to the total value of their exports. An increasing proportion of this debt was at variable rates. As a ratio to exports, payments of principal and interest, which had remained at around 14 per cent up to 1977, rose to 17-18 per cent in the next two years (cf. Table 3).

The Eastern European countries also developed large balance of payments deficits in this period. These were attributable less to the price of oil than to the acceleration of imports of Western technologies and capital goods and to the domestic economic difficulties, especially in the food and agricultural sectors. At the end of 1979 these countries' foreign indebtedness stood at some \$ 65 billion; debt service payments rose to 20 per cent of exports.

Thus, when the second increase in the price of oil came at the end of 1979, the world economy had made only small progress towards correcting the disequilibria caused by the first, while its financial structure had been weakened domestically by government deficits and externally by heavy foreign indebtedness. The new drain of real resources on oil-importing countries was comparable to the previous one (about two per cent of GDP).

The problems of adjustment took on new urgency. For one thing, it was widely believed that the oil-exporting countries would be able to continue to impose further increases in the real price of oil for several

years to come; but more important, the industrial countries became newly aware of the damage inflation was doing to their economic structures. A lasting reduction in inflation and in the dependence on imported energy became the key objectives of economic policy.

A central role in the anti-inflationary strategy was entrusted to monetary policy, because of both the difficulties encountered in controlling public deficits and the influence of neo-monetarist theories.

The marked slowdown of monetary aggregates at a time of increasing credit demand from the public sector caused a sharp rise in both nominal and real interest rates. This development was particularly pronounced in the United States, where the federal deficit was boosted by the Reagan Administration's tax cuts and higher defence expenditure. Since inflation proved to be more resistant than expected, these conditions prevailed for nearly three years, while economic activity declined and unemployment rose to levels unprecedented since the great depression.

In view of the more gradual adjustment policies pursued by the other industrial countries, substantial interest rate differentials emerged in favour of US markets; this fact, together with the United States' relatively lower dependence on imported energy and strong balance of payments position, led to a pronounced appreciation of the dollar. The cost of servicing the foreign debt — mostly denominated in dollars — soared as a result of the exceptionally high levels of interest rates and of the dollar.

As in 1974-75, the reabsorption of oil deficits proceeded rapidly in industrial countries, while inadequate domestic policies coupled with the international recession increased the combined external deficit of developing countries to a striking \$ 185 billion in the two years 1980-81. Their medium and long-term debt rose to \$ 437 billion in 1981 and may have exceeded \$ 500 billion at the end of 1982. In some cases the debt-servicing burden has become unsustainable.

The foreign position of Eastern European countries has also deteriorated, while at the same time foreign credit has been drying up. At the end of 1981 their foreign debt reached \$ 80 billion; their debt service payments rose to more than 30 per cent of current exports. Since early 1982, as a result of the payments difficulties experienced by Poland, international banks have started to reduce their net lending to this group of countries.

2. Situation and Prospects of the International Banking System

During the 1970s banks' international operations expanded at an average annual rate of over 25 per cent;¹ their share of total assets more than doubled and exceeded 17 per cent at the end of 1981 (cf. Table 4), with considerably greater shares being not unusual for larger banks. This expansion was faster than that of nominal GDP, foreign trade, or any other scale variable with which it could possibly be compared.

The explanation for this growth is largely related to the oil shocks and the resulting surge in international payments imbalances. At the world level, these have increased the dissociation between saving (surplus countries) and spending (deficit countries) and hence increased the "degree of intermediation", i.e. the formation of financial assets and liabilities at any level of income. Further, the competitive advantages enjoyed by international banking operations — largely free from the administrative and prudential constraints in force within national boundaries — have caused the increase in intermediation to be concentrated in this sector. Rather than as a consequence of endogenous multiplication of deposits, the rapid growth of international banking should therefore be seen as stemming from changes in the structure of world wealth and of the interaction of portfolio choices of final lenders and borrowers with the structure of the yields offered and demanded by the various intermediaries and markets. The generalized practice of liability financing, as opposed to asset settlement of external imbalances, has clearly led to a relaxation of discipline in the system.

The growth in international banking has been accompanied by a steady erosion of capital to assets ratios, by increased maturity transformation and by a concentration of risks. This last is the most pronounced development, which reflects the high degree of concentration of lending to developing and Eastern European countries. At the end of 1981, out of total net lending to developing countries by BIS-reporting banks amounting to \$ 132 billion four countries alone accounted some \$ 118 billion, with Mexico owing around \$ 43 billion and Brazil \$ 45 billion

¹ In current usage — as adopted in the statistics compiled for reporting banks by the Bank for International Settlements (BIS) — banks' international assets and liabilities are defined as those denominated in foreign currencies plus those vis-à-vis non-residents irrespective of the currency of denomination. The banks operating in these sectors of the market are part of the international banking system.

(cf. Table 5). As for the debt of the centrally planned economies, this is mainly held by a relatively small number of European Banks.

The structure of banking markets has also changed considerably, with an accentuation of their wholesale nature. On the liability side this has been matched by a growing relative weight of money market instruments (e.g. certificates of deposit) which, while they increase flexibility in fund raising, also make banks' liquidity more sensitive to market conditions and confidence. On the asset side, the development of roll-over syndicated loans, which are placed at predetermined conditions among a large number of banks, has reduced the individual bank's ability to assess risks.

A very large role in banks' international operations is played by the interbank market. Out of a total amount of international assets now close to \$ 2,000 billion only about a quarter consists of claims on non-bank borrowers, while three quarters are claims on other banks. On the major domestic markets the share lies on average between 15 and 30 per cent. During the last ten years the share in international markets has remained fairly stable, confirming that in a sense it is of a structural nature.

As in domestic markets, interbank positions act as a buffer against temporary surpluses and shortages of liquidity, thus making the system more able to "grasp opportunities"; access to the market in case of need presupposes a regular participation in it, both as a borrower and as a lender of funds; and this regular participation helps to acquire a clearer perception of market conditions.

An additional specific feature of international markets is that a large proportion of non-bank deposits with the system are placed with a small number of major bank "names". These also play a prominent role as "lead" managers on the lending side. The smaller banks participate in lending operations by buying shares of loans from other banks, mostly using interbank funds. Dealings with non-bank clients thus tend to be concentrated with larger banks; the interbank market ensures the spreading of risks among a large number of smaller banks.

Far from strengthening the system, these characteristics have reduced its ability to assess creditworthiness, especially as regards sovereign lending. For one thing, major banks often do not retain large shares of the loans they have organized, thus limiting their exposure. Moreover, the desire to preserve preferential relations with the authorities of borrowing countries have often resulted in the economic assessment of projects taking a back seat. This tendency was encou-

aged by an erroneous, but widespread, propensity to underestimate sovereign risks. As for the portion of loans placed on the interbank market, banks taking up a share tend to base their assessments on the solidity of the lead managers more than on that of the final borrower. In general, loans to other banks have been regarded as completely safe. The system as a whole, therefore, has created an illusion of freedom from risk since the external exposure towards countries breaks down into a closely woven network of interbank operations.

The size, extension, and efficiency of the interbank network therefore do not necessarily make the international markets more functional, as claimed by those who see it as providing the indispensable connective fabric of the system. It encourages behaviour that accentuates the vulnerability of the system by undermining the assessment of creditworthiness. Furthermore, in moments of difficulty the extension of interbank relations can contribute to the system's instability by transmitting and amplifying local crises. The close links between banks and between markets increase the number of banks and the amount of money that may be involved in cases of insolvency. Markets with high prudential and supervisory standards become tied up with others which are much less strict.

Not only the methods of assessing risks, but even the information about borrowers' total exposure have often proved inadequate: a regular feature of the debt rescheduling negotiations of the last few years has been the apparent surprise of the banks in learning just how many of them were involved and for how much.

In some cases, the behaviour of banks has tended to aggravate the external financing problems of debtor countries. In the months preceding debt rescheduling requests there has often been a large increase in lending for balance of payments purposes, even though the countries were pursuing domestic policies that were inconsistent with adjustment. In order to limit the risk, however, the average maturity of these loans is drastically shortened. In the period immediately following the rescheduling, banks tend to withdraw equally rapidly, even when a serious programme of external adjustment has been adopted. The potentially destabilizing nature of such behaviour is quite obvious.

Recent experience has revealed, moreover, a "regional" variant of this behaviour, whereby the financial difficulties of one country result in a fall in lending to whole areas or groups of countries (Eastern Europe, Latin America). This can become an independent cause of foreign debt-servicing difficulties for individual countries and of instability for

the system as a whole. Such behaviour can be aggravated by the emergence of strains on the liability side if news of important borrowers' difficulties causes a withdrawal of deposits from the system. Some signs of such a reaction appeared after the "Mexican shock".

3. The Role of Banking Supervision in Safeguarding Stability

The recent bank crises have revealed a number of misconceptions within the international banking community itself as regards the nature and extent of central banks' responsibilities. These misconceptions have led to expectations of support that were bound to be disappointed.

The meaning and scope of the understandings between central monetary authorities, to which reference is frequently, and often improperly, made, need to be clearly understood. The basis of the so-called Basel Concordat of 1975 is the concept of parental responsibility. This is rooted in every commercial bank's interest in defending its creditworthiness in the market and must be understood as referring to the parent bank. When it goes beyond the risk deriving from participation in the capital of a subsidiary, it is a "moral" and not a legal responsibility. No bank can shirk this responsibility if it wishes to continue its international operations.

The concept of supervisory responsibility is clearly different from that of the responsibility of a parent bank: it has the meaning of an attribution of jurisdiction to an administrative organ. As regards supervision of foreign subsidiaries in particular, the Concordat states that "primary responsibility rests with the host authorities; but, in addition, parent authorities must take account of the exposure of their domestic banks' foreign subsidiaries and joint ventures because of those parent banks' moral commitments to those foreign establishments."

The supervisory responsibility is at a different, and logically earlier, level of intervention than that of liquidity support when the system's stability appears threatened. The aim of lending of last resort is not to rescue badly managed banks, but to prevent a bank's liquidity problem from degenerating into insolvency and spreading to other banks.

Unlike supervision, liquidity support by its very nature cannot be the subject of precise rules or arrangements that determine in advance the size and conditions of intervention or, *a fortiori*, the respective

responsibilities of the monetary authorities involved. The regulation of lending of last resort only concerns the rate and the guarantees required, on the assumption that the bank being refinanced is suffering from a state of temporary illiquidity.

For this reason the Basel Communiqué of September 1974 deliberately only assured the international financial community that for the provision of temporary liquidity in the Euromarkets "means are available for that purpose and will be used if and when necessary". This declaration, while it reaffirmed the collective undertaking of the central banks to safeguard the stability of the banking system, also called on banks to face up to their own responsibilities by excluding unconditional support.

Even less can central banks be expected to agree on automatic mechanisms or arrangements to rescue individual banks which go bankrupt or to diminish the cost of imprudent lending. Banking enterprises, if they are to remain such, must themselves be responsible for the assessment of credit risks. Adequate analysis of the risks attaching to ordinary customers, other banks or countries is a task that bankers cannot shirk and which they must be continuously called on to perform. The assessment of creditworthiness must serve as the basis not only for the lending decision, but also for decisions that may have to be taken later regarding provisions for loan losses.

The role of central banks must, instead, be to improve the quality of the information available to banks for risk assessment; and not only by providing more complete and up-to-date figures on total exposure to individual countries, but also by spreading knowledge of the ways in which bankers and markets formulate their assessments.

Recent experience shows that the stability of the international banking system may be weakened by the coexistence of a global banking network with a fragmented and not always fully consistent structure of prudential and supervisory regulation. To a large extent the basic objective of the Basel Concordat, that is the principle that no banking establishment should escape effective supervision, has not been fully achieved.

The existence of supervisory and regulatory loopholes has encouraged the concentration of risky banking in a number of offshore centres, while the presumption of parental responsibility has resulted in rate differentials in the market which do not take into proper account the risk deriving from less strict regulation.

One way of tackling this situation is through supervision on a consolidated basis by the authorities of the parent bank. However, full

implementation of this principle will take time since it will require changes in various countries' legislation and sometimes new laws. Besides, consolidation, on which a start has also been made in Italy, is not without its limits and does not solve the problem of assessing the quality of subsidiaries' assets.

The first condition to be satisfied in this connection is adequate local supervision, to which supervision on a consolidated basis can be a valuable supplement. For the different systems and levels of control to combine effectively, two further conditions have to be satisfied: the possibility of setting up, through the parent bank, a flow of information from subsidiaries that will complete the consolidated data; and the possibility, when necessary, of checking the information received via the local supervisory authorities.

The soundness of the international banking system therefore requires more uniform and effective supervisory action in the various financial centres and wider cooperation among the responsible authorities. For the time being one useful instrument consists of denying banks the authorization to expand their operations in centres that do not provide adequate supervision and are not willing to cooperate internationally.

4. Policies to Preserve Stability in the World Economy

To a certain extent the serious strains that have developed in the international financial structure reflect errors of judgement by both countries and banks that will have to be corrected. Policies for domestic and external adjustment will have to be intensified in a number of countries. The adaptation of economic structures to changed relative prices requires greater mobility of productive factors, something that needs to be promoted and not hindered by economic policies, and an acceleration of capital accumulation. The latter will not be possible without a reduction in the proportion of saving absorbed by public sector deficits as well as an effective incomes policy to lower the share of consumption in available resources. A permanent slowdown of inflation is the indispensable condition for restoring stability and economic growth.

The experience of the oil shocks has taught two basic lessons. In the first place, adjustment requires consistent and stable policies over a

long period; erratic and inconsistent policies can only make problems worse. Secondly, there are no simple painless solutions to the problems of adjustment. The causes of current difficulties are complex and stem from the emergence of fundamental disequilibria in the world economy. Their correction requires a far-reaching reallocation of resources on both the demand and the supply side, together with measures to improve market efficiency. The costs of less diversified approaches and of unilateral formulas are there for all to see.

As for the international banking system, it does not appear always to have been fully aware of its responsibilities regarding the assessment of risk and the system's stability. In some cases the growth in sovereign lending has been excessive. Banks appear to have acted on the assumption that central banks would eventually intervene to get them out of trouble. It therefore needs to be emphasized that banks must remain fully responsible for their lending decisions and that the task of central banks is to protect the confidence and the stability of the system, not to make good the losses of badly run banks.

Commercial banks' internal procedures for risk assessment will have to be strengthened, and prudential standards progressively applied to all their operations, domestic and foreign, on a consolidated basis. The availability of information on countries' indebtedness and banks' exposure may help to improve investors' and banks' choices as well as the system's internal discipline. Some progress in this direction has already been made, the latest step being the announcement of the creation by large international banks of the Institute of International Finance to set up a system of data collection and analysis on foreign loan exposures.² At the official level a similar function is performed, for the countries whose central banks meet monthly in Basel, by the BIS reporting system on banks' foreign assets. A large role in this field could also be played by the IMF, which has accumulated a great deal of expertise and information regarding the assessment of countries' external positions. Finally, the gaps in the structure of prudential controls will have to be reduced and the principles for allocation of supervisory responsibilities clarified along the lines indicated.

Recognition of the weaknesses in the behaviour of individual banks must not, however, lead to the interdependencies between the various

² The creation of the Institute by 35 founding banks was announced in Washington in January 1983. This is the outcome of meetings held in London in late 1982 by a group of banks that subsequently became known as "The Ditchley Group".

problems at the aggregate level being overlooked. History has shown on more than one occasion that a solution appropriate for an individual bank or a localized situation may become destabilizing if applied to the whole system.

To an important extent the world's financial difficulties reflect the effects of an exceptionally long period of monetary restriction, high interest rates and economic stagnation. The choice of an appropriate combination of adjustment and financing has direct implications for the stability of the system. A further decline in interest rates and a recovery of the world economy and trade in the near future are the most important conditions for a relaxation of current financial strains.

In this perspective the problem of the developing countries' debt also takes on a new significance: the possibility that it might set off a deflationary spiral, in which the difficulty of servicing and refinancing existing debt leads to new reductions in economic activity and greater financial disequilibria, cannot be ignored, though such a development is, not necessarily in sight.³

In these circumstances it can legitimately be asked whether direct financial intervention should not be considered in order to relieve the debt burden of countries whose insolvency could threaten the whole system. Such intervention would accompany and supplement the traditional forms of official financing of external adjustment programmes; the conditionality of the support would need to be increased to ensure that the costs borne by the international community corresponded to the benefits in terms of reduced disequilibria.

In the context of intervention to safeguard financial stability, particular importance attaches to the setting up of a contingency fund, within the framework of the General Arrangement to Borrow, under which substantial financial resources would be made available to finance drawings on the IMF should the system's stability come under threat.

When assessing the costs of such intervention one cannot ignore that they will weigh on the prospects of the world economy, including those of industrial countries, on which part of the real cost of the excessive accumulation of foreign debt over the last ten years will inevitably fall. In the extreme case of a large scale liquidity crisis, the authorities of major countries could be faced with a difficult choice

³ According to OECD calculations, a reduction of \$ 10 billion in net lending to developing countries results in a decrease of 0.25 per cent in the GNP of OECD countries.

between maintaining control of monetary aggregates in the medium term and giving the banking system the required liquidity support, with the risk of compromising the results obtained in the fight against inflation.

In the immediate future there is likely to be a reduction in the banking system's net financing of developing countries; the first signs of this have already begun to appear. Consequently, it will be necessary to increase the role of multilateral international institutions (the IMF, the World Bank and regional development banks) in financing external payments imbalances. This does not imply entrusting these institutions with a task of pure intermediation — their conditionality rules and special aims must be rigorously respected — but it will require the provision of adequate resources. The negotiations under way to increase IMF quotas ought to reflect these needs: an increase to SDR 100 billion (from about SDR 60 billion at present) appears fully justified.

Central banks and supervisory authorities will need a great deal of judgement and flexibility in the exercise of their responsibilities. On the one hand, the shortcomings in the system of prudential controls revealed by the events of the last few years will have to be corrected; on the other, it needs to be recognized that over-rapid correction or excessive rigidity could make the situation worse. I am referring in particular to the need for gradualism in strengthening capital structures, increasing loss provisions, and reducing the concentration of risks.

Everything considered, a financial crisis does not appear to be round the corner. Should one seem to emerge, the market, central banks, and official institutions have the resources and the skills to keep it in check. Nonetheless, the seriousness of the situation should not be underestimated. It requires that all those involved — each one in his individual field of operation — should show a strong awareness of their responsibilities towards the system as a whole and that there should be a high degree of international cooperation.

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TABLE 1

EXTERNAL FINANCING REQUIREMENT AND FORMS OF COVER FOR THE MAIN GROUPS OF COUNTRIES
(flows in billions of dollars)

		Industrial countries	Oil exporting countries	Non-oil developing countries	Centrally planned economies
Current account balance ¹	1974-75	4.0	103.7	- 83.5	-20.5
	1976-79	11.3	143.8	-158.4	-38.5
	1980-81	- 48.5	185.8	-185.2	-10.0
	1974-81	- 33.2	433.3	-427.1	-69.0
Capital and other movements ²	1974-75	- 8.7	- 61.8	73.0	..
	1976-79	76.3	-126.9	188.5	..
	1980-81	48.8	-166.4	150.5	..
	1974-81	116.4	-355.1	412.0	..
Financing by official organizations	1974-75	9.0	0.1	9.3	..
	1976-79	16.2	0.5	23.2	..
	1980-81	13.4	1.2	32.2	..
	1974-81	38.6	1.8	64.7	..
Changes in official reserves (excluding gold) (increase -)	1974-75	- 4.3	- 42.0	1.2	..
	1976-79	-103.8	- 17.4	- 53.3	..
	1980-81	- 13.7	- 20.6	2.5	..
	1974-81	-121.8	- 80.0	- 49.6	..
<i>Memorandum item:</i>					
Financing by international markets	1974-75	67.0	7.0	32.0	13.0
	1976-79	260.0	40.5	112.0	25.0
	1980-81	243.0	10.0	104.0	10.0
	1974-81	570.0	57.5	248.0	48.0
of which:					
a) banks	1974-75	40.0	7.0	30.0	13.0
	1976-79	178.0	39.0	99.0	25.0
	1980-81	196.0	9.0	99.0	10.0
	1974-81	414.0	55.0	228.0	48.0
b) issues of international securities	1974-75	27.0	—	2.0	—
	1976-79	82.0	1.5	13.0	—
	1980-81	47.0	1.0	5.0	—
	1974-81	156.0	2.5	20.0	—

Sources: IMF and OECD.

¹ Excluding official transfers.² Obtained as a residual (current account balance minus changes in official reserves and financing by official organizations). They therefore include exchange rate adjustments and errors and omissions.

TABLE 2

NON-OIL DEVELOPING COUNTRIES:
FINANCING OF CURRENT ACCOUNT DEFICITS 1974-81
(in billions of dollars)

	1974-75		1976-79		1980-81		1974-81	
		%		%		%		%
Current account deficit ¹	83.5		158.4		185.2		427.1	
Increase in official reserves	-1.2		53.3		- 2.5		49.6	
Total	82.3	100.0	211.7	100.0	182.7	100.0	476.7	100.0
Financed by:								
Net aid	24.7	30.0	67.1	31.7	50.4	27.6	142.2	29.8
Net official long-term capital	20.8	25.3	53.0	25.1	40.7	22.3	114.5	24.0
Net private long-term capital	25.4	30.9	74.4	35.1	60.7	33.2	160.5	33.7
Other ²	11.4	13.8	17.2	8.1	30.9	16.9	59.5	12.5
of which:								
Net IMF financing	3.5	4.3	4.9	2.3	16.0	8.8	24.4	5.1

Source: IMF

¹ Excluding official transfers.² In addition to short-term capital includes errors and omissions.

TABLE 3

DEBT AND DEBT SERVICING 1973-82
(end-of-period data in billions of dollars)

	1973	1978	1981	1982*
Total debt				
- LDCs ¹	96.8	276.4	436.9	505.2
- Centrally planned economies	22.0 ²	58.3	80.7	92.0
Total debt as a percentage of exports of goods and services				
- LDCs ¹	88.7	111.2	102.0	110.8
- Centrally planned economies	..	170.0	140.0	144.0
Debt servicing as a percentage of exports of goods and services				
- LDCs ¹	14.0	17.3	21.1	23.4
- Centrally planned economies	..	13.3	33.0	..
<i>Memorandum item:</i>				
Six-month Eurodollar rate (London)	9.24	8.73	16.51	13.5

Sources: IMF and UEFA.

* Estimates.

¹ Excluding debts with maturities of less than 12 months.² 1974.

TABLE 4

EUROMARKET 1972-81
(end-of-period data in billions of dollars)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	Average 1972-81
Euromarket gross ¹ (rate of growth)	210 41.0	315 50.0	395 25.4	485 22.8	595 22.7	740 24.4	950 28.4	1220 28.4	1515 24.2	1800 18.8	28.3
Euromarket net ² (rate of growth)	110 29.4	160 45.4	220 37.5	255 15.9	320 25.5	390 21.9	495 26.9	615 24.2	760 23.6	890 17.1	26.5
Claims on non-banks ³ (rate of growth)	45 28.6	70 55.6	105 50.0	130 23.8	165 26.9	210 27.3	265 26.2	325 22.6	400 23.1	485 21.3	30.1
<i>Memorandum items:</i>											
△ % of world M1 ⁴	13.5	13.9	11.7	13.0	15.2	13.3	14.3	13.3	11.6	10.4	13.0
△ % of world trade in value ⁴	17.3	37.8	44.7	5.1	12.7	13.9	16.1	26.2	21.9	-1.5	18.7
△ % of world reserves (excluding gold) ⁴	28.2	16.8	26.5	5.3	16.6	27.8	15.2	12.2	15.0	-4.0	15.5
Banks' net international assets	..	8.7	9.8	10.9	12.0	12.7	12.6	14.2	15.6	17.4	..
Banks' total assets ⁵											

Source: IMF and Morgan Guaranty Trust Company

- ¹ International liabilities of banks in the main European countries, the Bahamas, Bahrain, Cayman Islands, Netherlands, Aruilles, Panama, Canada, Japan, Hong Kong and Singapore.
² International liabilities of the banks in footnote 1 net of interbank positions within the system.
³ International claims of the banks in footnote 1 on non-banks.
⁴ Calculated on current values in dollars.
⁵ BIS-reporting banks.

TABLE 5
BIS-REPORTING BANKS' ASSETS AND LIABILITIES VIS-A-VIS THE MAIN GROUPS OF COUNTRIES OUTSIDE THE REPORTING AREA
(end-of-period data in billions of dollars)

	1978		1981		Net Position
	Assets	Liabilities	Assets	Liabilities	
Minor industrial countries					
Yugoslavia	63.9	38.2	98.9	51.1	47.8
OPEC					
Venezuela	5.6	2.8	9.7	2.6	7.1
	56.4	82.5	72.0	156.8	- 84.8
	12.9	9.5	22.2	18.5	3.7
LDCs					
Argentina	119.4	75.0	230.1	98.3	131.8
Brazil	6.7	4.7	22.9	6.6	16.3
Korea	31.7	10.7	49.7	4.8	44.9
Mexico	6.9	2.5	16.9	3.1	13.8
	23.2	6.4	55.3	12.2	43.1
Centrally planned economies					
Poland	47.5	10.6	60.8	14.8	46.0
Rumania	11.7	0.8	14.7	0.7	14.0
Soviet Union	2.5	0.2	4.8	0.3	4.5
	12.8	5.9	15.9	8.4	7.5

Source: BIS.

L.D.