1. The Government of Norway has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.

2. The real gross national product of Norway declined slightly in 1958 for the first time since the end of the war: the failure of the herring catch and the weaker demand for certain important export products coincided with some reduction in the pressure of domestic demand. With a revival of exports, a moderate expansion is now under way. As a result of reduced subsidies and higher farm prices, the cost of living index rose by 6 per cent in 1958; it has remained stable in 1959 because of an increase in subsidies, which increase is due to be withdrawn in 1960. Fiscal policy has been relaxed somewhat, but the budget on current and capital account is again expected to show a surplus in 1959/60. The ceiling on bank credit has been removed; the banks' cash reserves are, however, not much above the legal requirements, and credit to the private sector has risen only moderately in 1959. The Fund notes the intention of the Norwegian authorities to revise, if necessary, the fiscal and monetary policies, in order to maintain price stability and to limit the pressure on foreign exchange reserves.

3. Largely as a result of a sharp increase in imports of ships and a sharp fall in net freight earnings, the current account of the balance of payments showed a large deficit in 1958; this deficit was financed by foreign loans, and foreign exchange reserves rose. In the first four months of 1959 the reserve position showed little change. The Norwegian authorities expect a current account deficit of about the same size in 1959 as in 1958, and plan to finance a substantial part of it through foreign borrowing.

4. The Fund welcomes the establishment of external convertibility for the Norwegian krone and the further advance in relaxing restrictions, which includes the elimination of nearly all discrimination against the dollar area in respect of both imports and invisibles. It notes the intention of the Norwegian authorities to speed up the process of liberalization when the balance of payments improves. The Fund hopes that further consideration will be given to the possibility of extending free-list facilities and to making further progress in reducing reliance on bilateral payments agreements.

5. In concluding the 1959 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Norway.