1959 CONSULTATIONS UNDER ARTICLE XII:4(b)

Results of the 1958 consultation between the IMF and Austria, concluded on 21 November 1958

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

2. In 1957 economic conditions in Austria remained favourable. There was a further substantial increase in production stimulated by high foreign demand, a significant increase in investment and a rise in consumption. Prices and wages rose moderately. Both imports and exports increased but the rate of increase in exports declined in the second half of the year and the trade deficit, compared to 1956, increased somewhat. However, as a result of a further rise in receipts from tourism and other services, the surplus on goods and services account rose. In addition, an increase in the inflow of private capital contributed to a substantial improvement in the holdings of gold and foreign exchange.

3. During the first half of 1958 foreign demand declined further. This was, however, offset by considerable expansion in domestic demand and the rise in total output continued. Prices and wages were stable. In view of the decline in foreign demand, the Austrian authorities have provided in the 1958 budget for an increase in expenditure, particularly for public investment. Moreover, as tax revenues have fallen below estimated levels, the 1958 budget is expected to show a substantial overall deficit which is covered by internal and external borrowing. The continued rise in international reserves and the reduction in stocks in industry have increased the general liquidity of the banking system. Exports have decreased in 1958, but the value of imports has also fallen and, as a result of increased tourist receipts and larger capital inflow, gold and dollar holdings have continued to rise at a substantial rate. The Fund notes that it is the intention of the Austrian authorities to reduce sharply government expenditures and to strengthen credit restrictions should renewed external demand threaten internal balance.

4. The Fund notes the steps taken by Austria to multilateralize payments with certain bilateral agreement countries. However, the Fund urges Austria, in view of the continued improvement in its balance-of-payments position, to make further substantial reductions in restrictions and discrimination, including as far as possible those arising from bilateralism.

5. The Fund does not object to the temporary maintenance of the multiple currency practices arising from free market dealings, but urges Austria to take steps towards their elimination.

6. In concluding the 1958 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Austria.