Results of 1956 Consultations under Article XIV, Section 4, of the Fund Agreement

13 June 1957

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

2. Production in Germany continued to expand in 1956, although at a slower rate than in 1955. A decline in the growth of domestic investment was partly offset by a sustained rise in foreign demand and an increase in domestic consumption reflecting both higher wages and social security payments. Price rises have been moderate; restraint of investment demand has contributed to this relative stability. In 1956 the Central Bank took a series of measures designed to curb excess demand. These measures were relaxed in part in September 1956 and January 1957 when the discount rate was lowered. Recently some new measures of monetary policy were taken to counteract in part the increase in the liquidity of the banking system.

3. The budget for the fiscal year 1956/57 was almost in balance. Revenues continued to exceed domestic expenditures but net foreign expenditures were almost equal to the surplus. The 1957/58 budget provides for higher expenditures, in part to be covered by drawing down of funds accumulated in previous years.

4. The goods and services surplus in the balance of payments increased further in 1956 as commodity exports rose by 20 per cent and commodity imports by 14 per cent. Exports to the EPU area rose substantially. The surplus with that area, as well as the deficit with the dollar area, both increased. Leads and lags in payments also contributed to the large increase in net gold and foreign exchange holdings in 1956.
5. The Fund believes that Germany's efforts to maintain internal price stability would be strengthened and balanced growth of international trade would be facilitated by the dismantling of its restrictions. The Fund welcomes the measures taken by Germany to relax restrictions and reduce discrimination, including the reliance on bilateral arrangements. The Fund considers that restrictions on imports are no longer necessary in order to safeguard Germany's monetary reserves and balance of payments. The Fund urges Germany to eliminate its remaining restrictions and discrimination, other than prescription of currency, as soon as possible.

6. In concluding the 1956 consultations, the Fund has no further comments to make on the transitional arrangements maintained by the Federal Republic of Germany.