1959 CONSULTATIONS UNDER ARTICLE XIV: 4(b)

Results of the last Consultation between the IMF and FINLAND
concluded on 25 June 1959

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

2. The Finnish markka was devalued in September 1957 and measures were taken in the fiscal and credit spheres to obtain the maximum benefits from this action. Despite reduced demand on world markets, Finland was able to maintain its 1958 exports to the western countries at approximately the same level as in 1957. Imports in 1958 fell, as a result of internal stabilization (to which repayments of debts to the central bank from the export levy greatly contributed) and lower import prices. The balance of payments on goods and services account showed a substantial surplus in 1958 which, coupled with a significant capital inflow, resulted in a large increase in monetary reserves.

3. In 1958 production fell off in some sectors and unemployment increased. In the course of 1958 various fiscal and monetary measures were taken aimed at creating conditions conducive to a sound expansion of the national product, and toward the end of the year production started to recover. Prices have remained stable since the spring of 1958. As a result of the increase in foreign exchange reserves, together with larger domestic savings, there was a substantial easing of the money market in 1958. Although this did not affect internal stability in that year, it might do so under conditions of expanding demand. Since the budget may also be an expansionary factor in 1959 there is a need to strengthen the monetary policy instruments of the Bank of Finland.

4. The Fund welcomes the introduction of non-resident convertibility by Finland, the strengthening of the balance of payments and of the reserve position, and the measures taken to reduce restrictions and the level of discrimination. The Fund urges Finland to take further steps which would progressively remove restrictions and eliminate discrimination, including those arising from bilateralism.

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