1959 CONSULTATIONS UNDER ARTICLE XII:4(b)

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

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

2. As a result of the various measures taken in mid-1957, together with a favourable change in terms of trade, Denmark's balance of payments position has been greatly strengthened. In 1958 the foreign exchange reserves rose by over $100 million at the same time as $25.5 million of the $34 million drawing on the Fund was repaid. The increase in reserves has continued in the first quarter of 1959, although at a reduced rate.

3. Production, consumption, and investment have been expanding since the summer of 1958. The accumulation of foreign exchange reserves has led to a considerable easing of the money market. The introduction of short-term deposit certificates by the National Bank absorbed funds from the market and together with open market operations helped to maintain an orderly interest rate structure. In view of the increase in domestic demand there is likely to be growing pressure on the cost level which in 1958 remained relatively stable. Moreover, the Government has eased its fiscal policy. In these circumstances it is of importance that the authorities through fiscal and monetary policies endeavour to keep the expansionary development within reasonable limits.

4. Since the last consultations Denmark has made substantial progress in removing restrictions and reducing discrimination, and the restrictive system has been substantially simplified. The Fund welcomes the introduction of non-resident convertibility and the substantial reduction of discrimination and urges Denmark to take further steps which would progressively remove restrictions and eliminate discrimination, including those arising from bilateralism. The Fund expressed satisfaction over the decision to eliminate the import title system, but hopes that it will be possible to shorten the termination period.

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