Committee on Balance of Payments Restrictions

1959 Consultations under Articles XII:(b) and XIV:1(g) with

AUSTRALIA

Results of the Consultation between the IMF and the Government of Australia, concluded on 10 September 1958.

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

2. During 1957/58 farm output was lower as a result of drought conditions, but industrial production expanded. Despite the considerable drop in export income of primary producers, expenditure on consumption and fixed capital investment increased and it is estimated that gross national product was slightly higher than in 1956/57. The employment situation was easier and the larger supplies coming to the market from the increased domestic output and imports contributed to the improvement in the state of balance of the economy; costs and prices were more stable than in most post-war years.

3. The budget for the year ended 30 June 1958, although including certain tax concessions, yielded a surplus of current revenues over current expenditures. The capital works and housing programmes of the States and local authorities were increased; capital expenditures, including those of the Commonwealth Government, were financed out of revenue and long-term borrowing and there was some net redemption of Treasury bills over the year. Toward the end of 1957 the restrictive credit policy was relaxed and bank credit to the private sector increased by about 8 per cent over the year 1957/58. The budget for the year ending 30 June 1959 provides for a smaller surplus of current revenue over current expenditures than in the previous fiscal year, and it is expected that some recourse to central bank financing will be necessary to cover an overall cash deficit. The Australian authorities state they are doing this advisedly in order to support domestic spending and so help to offset the effects of continued low export earnings.

4. In the course of 1957/58 there was a considerable decline in export prices of wool and of certain other primary products. The resulting fall in export receipts, combined with a 10 per cent increase in imports to £A 791 million following the relaxation measures taken early in 1957 and

This was circulated to contracting parties in connexion with the Article XIV:1(g) consultation with Australia in 1958 (see I/915, page 11).
again in August, brought the current account into deficit; despite a continuing inflow of capital, international reserves declined over the year by more than £A 40 million to £A 525 million on 30 June 1958. The government intends, if possible, to maintain imports in 1958/59 at roughly the same level as in the previous year and is prepared to draw further on its foreign exchange reserves to support this policy.

5. The Fund welcomes the measures that have been taken to relax restrictions and to decrease discrimination and notes the intention of the Australian authorities to avoid intensifying restrictions despite a prospective further decline in export receipts and reserves. It believes that in order that restrictions and discrimination may be further reduced and ultimately eliminated, economic policies should aim at keeping a proper balance between overall demand and available resources.

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