1960 CONSULTATION WITH AUSTRIA UNDER 
ARTICLE XIV:4(b) 

Executive Board decision taken on 26 May 1960 at 
the conclusion of the consultation between Austria 
and the International Monetary Fund under 
Article XIV, Section 4, of the Fund Agreement 

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. The growth of internal demand stimulated by an expansionary fiscal policy, 
and in 1959 also by an easier credit policy, led to a steady rise in the gross 
national product in 1958 and in 1959. Prices rose moderately as the Government 
used the occasion of a fall in import prices to adjust public utility rates and 
other controlled prices. In 1959 the work week was shortened from 48 to 45 
hours with an offsetting increase in wage rates. Wage rate increases were 
generally within the limits of the average rise in productivity. Income of 
wage earners was also increased through a reduction in taxes on wages. Imports 
and exports fell in 1958 but recovered in 1959 to about the 1957 level. As a 
result of growing net earnings from services, the balance of payments on goods 
and services account yielded appreciable surpluses in 1958 and 1959. A net 
inflow of capital, which was especially large in 1958, contributed to a further 
substantial improvement in the holdings of gold and foreign exchange. In the 
first quarter of 1960 there was a seasonal deficit in the balance of payments 
on goods and services account. 

3. During the last quarter of 1959 total demand rose sharply as exports increased 
while domestic market conditions remained buoyant. This rise in demand resulted 
in considerable pressure on prices and wages. The Austrian authorities accord­ 
ingly reduced the deficit in the over-all budget for 1960, and took steps to 
restrain the expansion of credit. On 17 March, 1960, the National Bank raised 
its discount rate from 4.5 per cent to 5 per cent and the minimum reserve 
requirements for deposits of credit institutions. The Fund welcomes the declara­ 
tion of the Austrian authorities that they will take such further fiscal and 
credit measures as might be necessary to maintain internal and external balance, 

4. Since the establishment in January 1959 of non-resident convertibility of 
the schilling, the Government has taken further steps to simplify its restrictive 
system and to reduce restrictions and discrimination. The Fund considers that 
Austria could take further steps to reduce reliance on restrictions and discrimina­ 
tion including that arising from bilateralism, and urges Austria to take such 
steps.
5. The use of multiple currency practices has been substantially reduced. The Fund does not object to the temporary maintenance of the remaining such practice arising from free market dealings, but urges Austria to progress toward its elimination.

6. In concluding the 1959 consultations the Fund has no other comments to make on the transitional arrangements maintained by Austria.