1960 CONSULTATION UNDER ARTICLE XIII:4(b)
WITH FINLAND

IMF Executive Board Decision at Conclusion of IMF-Finland Consultation
on 19 July 1960

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 recovery of production which started toward the end of 1958 con­
tinued at an accelerated rate in 1959, and by the middle of that year the
expansion had spread to all sectors of the economy. In 1959 the gross
national product increased by 5 per cent in real terms. The employment
situation improved. Rises in prices and the cost of living remained
moderate. In the first part of 1960 the economy continued to expand.
Private investment expenditures were about 20 per cent higher than in the
corresponding period of 1959.

3. Increased economic activity led to higher yields from taxes both in
1959 and 1960. The 1959 budgetary results are expected to show a slight
deficit on current and capital account. In 1960 the operations of the
public sector should not lead to monetary expansion. It is considered
unlikely that there will be need for issuing public bonds beyond what is
necessary to redeem maturing debt.

4. In the first half of 1959 the improvement in the balance-of-payments
position led to an increase in the liquidity of the banking system and a
lowering of interest rates. Since then bank credit to the private sector
has expanded rapidly and in 1960 the banks have again become dependent on
central bank credit. Measures have been taken to limit credit expansion.
The Fund notes that the Finnish authorities stand ready to take further
action, if necessary, to prevent the pressure of demand from becoming
excessive.

5. External demand for Finnish export products increased greatly in 1959.
Imports also rose substantially but the balance of payments on goods and
services account continued to be in surplus. A larger inflow of short-term
capital, mainly representing prepayments on exports, contributed to a
significant increase of monetary reserves. The composition of these
reserves also improved. In the first months of 1960 both exports and
imports were higher than in the corresponding period of 1959, the latter
increasing more. At the end of March 1960 the net gold and foreign
exchange assets of the banking system were equivalent to the value of about
three months' imports.
6. Since the last Article IV consultations Finland has taken measures to relax restrictions on imports, reduce discrimination, decentralize the exchange control, and liberalize invisible transactions. Reliance on bilateral payments agreements with non-state trading countries has also been reduced. The Fund welcomes these measures and the intention of the Finnish authorities to eliminate bilateral arrangements with Fund members. The Fund believes that Finland is in a position to make further progress toward the liberalization of imports and invisible transactions and the elimination of discrimination. The Fund also feels that the import licensing system could be substantially simplified.

7. In concluding the 1960 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Finland.