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

2. In 1960 there was a pronounced expansion in economic activity. The real gross national product was 6.4 per cent higher than in 1959. Unemployment averaged 1.0 per cent of the labor force in the first ten months of the year, compared with 1.4 per cent in the corresponding months of 1959. In the first three quarters of 1960, hourly wage earnings in manufacturing industries were 4.4 per cent higher than in the corresponding period of 1959. However, productivity in this sector rose by at least 4.5 per cent. Prices showed considerable stability during 1960, partly as a result of increased consumer subsidies.

3. Bank advances to the private sector rose by 9 per cent in the period end-November 1959 to end-November 1960. The Government's accounts continued to show a surplus of revenue over current and real capital expenditure in 1960, but the Government continued to borrow long term to meet the needs of the state banks and to control liquidity. The 1961 budget again provides for a surplus before loan transactions. Fiscal as well as credit policy in 1961 is intended to insure the fullest utilization of national resources compatible with the maintenance of internal stability and external balance. Recently, fiscal and monetary measures have been taken to moderate demand.

4. In 1960 the value of merchandise exports was 7 per cent higher than in 1959. The value of merchandise imports, other than ships, rose by 22 per cent, but,largest as a result of lower imports of ships, the deficit on current account amounted to Nkr 790 million compared with Nkr 562 million in 1959. There was an increase in receipts from official loans raised abroad and from private short-term credits, and the reserves rose by Nkr 134 million, amounting, at the end of December 1960, to Nkr 2,932 million ($410 million).

5. The Fund notes the steps taken by the Norwegian Government in further reducing its reliance on restrictions and discrimination, including that arising from bilateral payments arrangements. The Fund believes that the balance of payments position permits the elimination of the few remaining restrictions, other than those relating to ships. It considers that the elimination of the few remaining bilateral payments arrangements with Fund members is feasible and desirable.

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