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. During 1960, in response to increased domestic and foreign demand, the growth of the Austrian economy was greatly accelerated. Some pressure on resources developed which was reflected in labor shortages and a sharp increase in imports, especially of investment goods. Restrictive monetary measures, introduced in the spring of 1960, helped to restrain the boom. The price level remained fairly stable, and wage increases were, for the most part, offset by a considerable rise in productivity. The Government also reduced the budget deficit for 1960. The balance of payments on goods and services account showed a moderate deficit in 1960, in contrast to the surpluses achieved in the years 1956-59; there was a surplus on capital account. Reserves declined somewhat but Austria's reserve position remains strong.

3. During the early months of 1961 economic expansion continued, consumer prices rose somewhat, but shortages of labor became widespread and pressure for substantial wage increases was intensified. Imports continued to rise but earnings from exports and services also increased. The Austrian authorities do not expect a deterioration in the balance of payments in 1961. To restrain the boom conditions, the Austrian authorities intend to maintain the restrictive credit policy initiated in the spring of 1960 and to reduce further the deficit in the government budget. The Fund believes that in order to maintain internal financial stability and external balance, the present monetary policy should be reinforced by fiscal measures capable of reducing the expected budget deficit to an amount which could be financed from non-inflationary sources. The Fund notes with satisfaction that with this in mind the Austrian Government has reviewed the government expenditures budgeted for 1961 and that it plans to construct the budget for 1962 in a manner which would allow expenditures to be covered from current revenue.

4. Austria has further liberalized restrictions on imports from certain contracting parties to the GATT and thereby reduced discrimination as between members of the OEEC and the dollar area on the one hand and most other contracting parties to the GATT on the other. Despite these steps, the Austrian import regime continues to contain substantial elements of discrimination as between various Fund members. The Fund notes that Austria has evolved a program of action to reduce discrimination in its import regime. In view of Austria's strong reserve and balance-of-payments position, the Fund considers that there is no balance-of-payments justification for the maintenance Spec(61)266
of the remaining restrictions and discrimination on imports. The Fund notes that the payments agreements with Greece and Turkey have been terminated and settlements placed on a convertible currency basis, and urges Austria to continue to reduce reliance on bilateralism, especially in relation to Fund members.

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