Committee on Balance-of-Payments Restrictions

1964 CONSULTATIONS WITH

SPANISH

International Monetary Fund Executive Board Decision
Taken at the Conclusion of the Fund's Consultation
with Spain on 16 October 1964

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

2. The Spanish economy continued to grow rapidly in 1963 and the beginning of 1964. Important advances were made in each of the main sectors of the economy. Under a four-year Development Plan launched in January 1964, the economy is expected to expand at an average annual rate of 6 per cent. To facilitate the attainment of the objectives of the Plan, a tax and a banking reform are being implemented. The Fund welcomes these steps which are designed to insure the growth of the economy in conditions of monetary stability. It urges the adoption of measures designed to achieve a rapid increase in productivity.

3. An excessive monetary expansion early in 1963 was successfully curbed. Some pressures on prices, however, remained and there was a further sharp increase in wages. In view of the expected growth in the liquidity of the banking system during the second half of 1964, the Fund welcomes the statement of the authorities that they will keep the monetary situation under careful review and are prepared to take prompt action when needed. Efforts should be made to keep to the minimum the deficit in the public sector.

4. Despite a worsening of the current account balance of payments in 1963, there was a further increase in Spain's gold and foreign exchange holdings, mainly due to continued capital inflow. A considerable improvement in the current account during the first half of 1964, due in part to a sharp rise in exports, was accompanied by further capital inflow, and gold and foreign exchange holdings attained a level corresponding to about seven months' imports. The Fund stresses the importance of policies which, by increasing the competitiveness of Spanish exports, would improve the trade position during the period of the Plan.
5. Some progress has been made in reducing import restrictions and discrimination, and reliance on bilateralism. The Fund considers that the over-all balance of payments position permits a substantial reduction of import restrictions, and believes that Spain should take energetic steps to terminate discriminatory practices and bilateral payments agreements.

6. In concluding the 1964 consultations, the Fund has no other comments on the transitional arrangements maintained by Spain.