Committee on Balance-of-Payments Restrictions

1965 CONSULTATIONS WITH FINLAND

International Monetary Fund Executive Board Decision
Taken at the Conclusion of the Fund's Consultation
with Finland on 21 April 1965

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. Since mid-1963 the gross national product has been growing at an annual rate of
some 5 to 6 per cent. Despite the absence of excessive demand pressures, large
increases in wages and costs occurred in 1964 and the cost of living index rose by
10 per cent. There is an urgent need for better incomes policy arrangements so as
to avoid further substantial increases in costs.

3. Exports increased by 12 per cent in 1964 and imports by 21 per cent. The
balance of payments deficit on current account rose from $20 million in 1963 to
$131 million in 1964. There was a substantial net inflow of foreign capital in
1964, largely in the form of foreign bond issues by both the Government and the
private sector. Gross official reserves rose by $62 million and at the end of the
year they amounted to $409 million, including the gold tranche.

4. In 1964 the Government increased taxes and the deficit on current and invest­
ment account of the government budget was reduced; a further reduction in this
deficit is envisaged for 1965. Owing to its large-scale, long-term borrowing abroad
($178 million), the Government's call on the domestic credit market was markedly
lower in 1964 than in the previous year. While the Bank of Finland continued to pur­sue
a policy of monetary restraint in 1964, the reduction in government borrowing
and the net influx of foreign exchange enabled the banks to increase credit to the
economy by 13 per cent during the year.

5. Finland has taken further measures to reduce restrictions on trade and payments
and discrimination arising from bilateralism. The Fund welcomes these measures and
considers that further progress in this direction could contribute toward the main­
tenance of price stability. The Fund urges Finland to terminate the remaining two
bilateral payments agreements with Fund member countries.

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