1. This decision is taken by the Executive Directors in concluding the 1966 consultation with Finland, pursuant to Article XIV, Section 4 of the Articles of Agreement.

2. In 1966 the expansion of the Finnish economy slowed down further as fixed investment failed to expand and the growth of exports was reduced by less favorable conditions in foreign markets. In real terms the gross domestic product grew by only 2.5 per cent as compared with increases of 7 per cent and 6 per cent in 1964 and 1965, respectively. In the course of the year, the consumer price index rose by less than 5 per cent and hourly wage rates by 8 per cent. This latter increase exceeded the gain in productivity.

3. The balance of payments deficit on current account rose from $190 million in 1965 to about $202 million in 1966. The rise in the value of exports was 5.5 per cent as compared to 10.5 per cent in 1965. Imports increased little during the first seven months of the year, but showed a substantial increase in the closing months of the year due in large part to exceptionally high imports of food and fuel occasioned by the severe winter weather in 1965/66. The net inflow of long-term capital continued to be on a modest scale owing to the continued stringency of the international capital markets. Gross foreign assets of the Bank of Finland which had fallen by $95 million during 1965, showed a further reduction of $101 million in 1966 and by the end of the year amounted to $189 million, including the gold tranche position in the Fund amounting to $31.3 million.

4. The Finnish authorities have taken further measures to reduce the balance of payments deficit on current account. Since the spring of 1966 taxes and other charges have been raised by Fmk 880 million, on an annual basis, and determined efforts have been made to restrain the growth in government spending. Moreover, in order to curtail the growth of lending, limits have been placed on rediscounts and other central bank credits. The Fund believes that these steps are essential for the restoration of balance of payments equilibrium. It further considers that efforts should continue to be made to improve the state's finances in order to make room for a resumption of growth of productive investment.

5. The Fund notes with satisfaction that despite the balance of payments difficulties, Finland has continued to reduce restrictions and discrimination, although the existing limitations on foreign exchange for tourist travel have been made more restrictive. The only remaining bilateral payments agreement with a member of the Fund is scheduled to be terminated at the end of 1967.