INTERNATIONAL MONETARY FUND EXECUTIVE BOARD DECISION
TAKEN AT THE CONCLUSION OF THE FUND'S CONSULTATION
WITH SOUTH AFRICA ON 16 OCTOBER 1968

1. This decision is taken by the Executive Directors in concluding the 1968 consultation with South Africa pursuant to Article XIV, Section 4 of the Articles of Agreement.

2. Gross domestic product rose in 1967 by nearly 7 per cent, in real terms, in part because of an exceptionally large harvest. Gross domestic expenditure increased rapidly in the early part of 1967 but thereafter advanced at a more moderate pace. Consumer prices rose by about 1 per cent in the year ended June 1968, compared with an annual rate of increase of 3.4 per cent in the first half of 1967. The reduced pressure of domestic demand was also reflected in a decline in imports in the course of 1967; in the first half of 1968, imports were nearly 9 per cent lower than a year earlier. Merchandise exports, assisted by the considerable rise in agricultural output, rose sharply during 1967; in the first half of 1968 they were 28 per cent higher than a year earlier. The current account after registering large deficits in the first half of 1967 moved into surplus in the second half of 1967. The net inflow of private capital accelerated in the early months of 1968 and by the end of June 1968 total reserves amounted to R 941 million ($1,317 million), R 426 million higher than a year earlier.

3. Since the last consultation, domestic policies have been aimed at eliminating excess demand and restraining increases in costs and prices. Budgetary policies have been tightened and there was a reduction in the year to March 1968 in banking sector claims on the public sector. The authorities have also continued their efforts to slow down the increase in bank credit to the private sector. The Government's stabilization efforts were greatly aided by stronger domestic financial policies, the large harvest, and reduced reliance on external restrictions.

4. The Fund welcomes the further progress made in relaxing external restrictions and notes the intention of the South African authorities to continue to rely primarily on domestic financial policies in order to maintain internal and external balance. In view of the balance of payments and reserve position, the Fund urges the elimination of the remaining restrictions maintained for balance of payments reasons as rapidly as circumstances will permit.