

2 mai 1960

Committee on Balance-of-Payments Restrictions1960 CONSULTATIONS UNDER ARTICLE XII:4(b)Results of the 1959 Consultation between the IMF and  
India concluded on 13 April 1960

1. The Government of India has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.
2. Agricultural output, which suffered a serious setback in 1957-58, recovered in 1958-59, and was higher than in 1956-57. The 1959-60 crops are expected to be at about the same level as in the previous year. Industrial production, which rose only slightly in 1958, resumed a satisfactory rate of growth in 1959. Several industries recorded important gains. There appears to be a suitable climate in India for private foreign investment.
3. Over a period of years, the increase in money supply has been moderate relative to the rise in real production. But, during 1956-57 to 1958-59, the rise in money supply has been somewhat larger than the rate of growth in real national income. Budgetary deficits, met by recourse to bank credit, have been the chief expansionary factor. While deficit financing has been reduced from the high level of 1957-58, it remains substantial. In contrast to 1958, bank credit to the private sector increased in 1959 but there has been no undue expansion. The rise in prices noted after March 1958 continued during the greater part of 1959.
4. In November 1958, total Plan outlay in the public sector for the five years of the Second Plan (April 1956 - March 1961) was reduced from the original estimate of Rs 48 billion to Rs 45 billion; in real terms, the reduction was larger. There has been a steady step-up in development outlays, and it seems likely the revised Plan will be more or less fully implemented. There will be need both for augmenting domestic resources and for substantial external assistance.
5. India's balance-of-payments position continues to be difficult although in 1958-59 there was some improvement. The current account deficit was smaller than in the previous year, primarily due to lower imports. With larger external assistance, the draft on foreign exchange reserves was much less than in 1957-58. Export earnings continued to decline in 1958-59. On the basis of the trends in the fiscal year 1959-60, it seems likely that exports will show some rise during the year, and it is expected that there will be little further reduction in reserves. Continued efforts to expand export earnings are appropriate.

6. Restrictions on imports and import payments continue to be severe. Discrimination against dollar transactions has been completely eliminated in the licensing of imports and with respect to payments for invisibles. The Fund welcomes this action. The tendency to use bilateral payments arrangements has been on the increase. The Fund believes that the use of such arrangements should be reduced to the fullest extent possible.

7. In concluding the 1959 consultations, the Fund has no other comments to make on the transitional arrangements maintained by India.