

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

SM/75/299
Supplement 1

CONTAINS CONFIDENTIAL
INFORMATION

February 13, 1976

To: Members of the Executive Board
From: The Secretary
Subject: Yemen Arab Republic - 1975 Article XIV Consultation

Attached for the records of the Executive Directors is the decision taken at Executive Board Meeting 76/17, February 13, 1976, on the 1975 Article XIV consultation with the Yemen Arab Republic.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Yemen Arab Republic - 1975 Article XIV Consultation

Executive Board Decision - February 13, 1976

1. This decision is taken by the Executive Board in concluding the 1975 consultation with the Yemen Arab Republic pursuant to Article XIV, Section 4, of the Articles of Agreement.

2. There was rapid economic growth in 1974/75 and prospects for continued growth in 1975/76 are favorable. Following the large increase in liquidity in the preceding two years, monetary expansion accelerated in 1974/75, leading to a buildup of demand pressures and a sharp increase in domestic prices. The Fund believes that a fiscal policy, aiming at eliminating the deficit on current budgetary operations as well as an active monetary policy to restrain credit expansion in the private sector, are needed to control inflationary pressures and to promote sustained economic development.

3. Rising receipts from remittances and foreign aid contributed to the large external payments surplus realized in 1974/75 and are expected to be the main factors in a continued strong payments position in 1975/76. The exchange and trade systems continue to be liberal and the Fund welcomes the recent elimination of restrictions which had not been applied in practice for some time.