

REPORT

of the

DEUTSCHE BUNDESBANK

for the Year 1958



**MEMBERS OF THE CENTRAL BANK COUNCIL OF THE DEUTSCHE BUNDESBANK**

The President of the Deutsche Bundesbank  
*Chairman*

The Vice-President of the Deutsche Bundesbank  
*Deputy Chairman*

The further Members of the Directorate of the Deutsche Bundesbank

The Presidents of the Land Central Banks



**MEMBERS OF THE DIRECTORATE OF THE DEUTSCHE BUNDESBANK  
AND OF THE BOARDS OF MANAGEMENT OF THE LAND CENTRAL BANKS**

Members as of 1 April 1959

**of the Directorate of the Deutsche Bundesbank**

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Dr. Heinrich T r o e g e r , Vice-President of the Deutsche Bundesbank

Dr. Bernhard B e n n i n g  
Dr. Otmar E m m i n g e r  
Heinrich H a r t l i e b  
Wilhelm K ö n n e k e r  
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**of the Boards of Management of the Land Central Banks**

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Bavaria	Carl W a g e n h ö f e r Dr. Maximilian B e r n h u b e r Karl M ü r d e l	President Vice-President
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Schleswig- Holstein	Otto B u r k h a r d t Wilhelm S p i l g e r	President Vice-President



# REPORT OF THE DEUTSCHE BUNDESBANK FOR THE YEAR 1958

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Part A

General Part

The Course of Economic Events and Central Bank Policy\*)

I. General Survey

The Bundesbank can look back on the year 1958 with a certain satisfaction. The West German economy's upswing which has now lasted more than ten years continued, despite many threats coming from within and without. At the same time the last few years' upward price movement ended, and in other respects also noteworthy progress was achieved in consolidating the internal and external economic situation. One might therefore say that the economy probably came nearer than in any previous year to the famous "magic triangle" of monetary and economic objectives — optimum employment, price stability, and equilibrium of the balance of payments.

When the Bundesbank published its Report for 1957 a year ago there had been fears in some quarters that in the Federal Republic, like some other countries at that time, symptoms of recession might gain the upper hand and interrupt the upswing which had persisted for a decade, although not always in constant degree. These fears have proved, as the Bank already felt able to forecast at that time, to be unfounded. Despite many slackening tendencies which cannot be taken lightly in some basic and consumer goods industries, and despite notable flagging of the foreign demand which for years had been imparting one of the most important impulses to German economic activity, the tendencies to upswing continued to prevail and caused employment, production and incomes to reach new peak levels. The fact that it was possible quite materially to lower the level of interest rates, and thus to make the growing savings available for capital projects at rates which accorded with the notably reduced marginal yield on capital, was of decisive importance in this connection. It was indeed mainly due to the lowering of interest rates that investment activity remained at a relatively high level, while in some cases it actually rose appreciably and so prevented any spread of the manifestations of partial recession.

It is true that the overall rate of economic growth was further reduced last year. In terms of real value the gross national product, in which the economy's total output finds its most comprehensive expression, grew by only just on 3 per cent in 1958 against 5 per cent in 1957, 6 per cent in 1956 and 12 per cent in 1955. To some extent indeed a decline in the rates of growth was inevitable if only because the economy's natural bases of production, in particular the potential labour force, are no longer expanding to anything like the previous extent — more especially since the accrual of new workers has for years had against it a considerable reduction of working hours; last year for instance the change-over from the 48 to the 45-hour week took place in the last major branches of activity (other than farming) where it had not yet done so. At all events in many spheres, especially in building, the relative inelasticity of the potential labour supply — clearly attested by the fact that at the previous year's seasonal peak in employment the "unemployment ratio" in the sense of the proportion between the number of registered unemployed and all those earning or seeking to earn wages or salaries was only 1.7 per cent as against 1.9 and 2.7 per cent in 1957 and 1955 — prevented production from expanding by as much as would have accorded with the growth of demand. There can however be no doubt that in addition cyclical factors also kept down the rate of growth. Attention has already been drawn to the slackening of foreign demand and to the sales difficulties in some basic and consumer goods industries. In

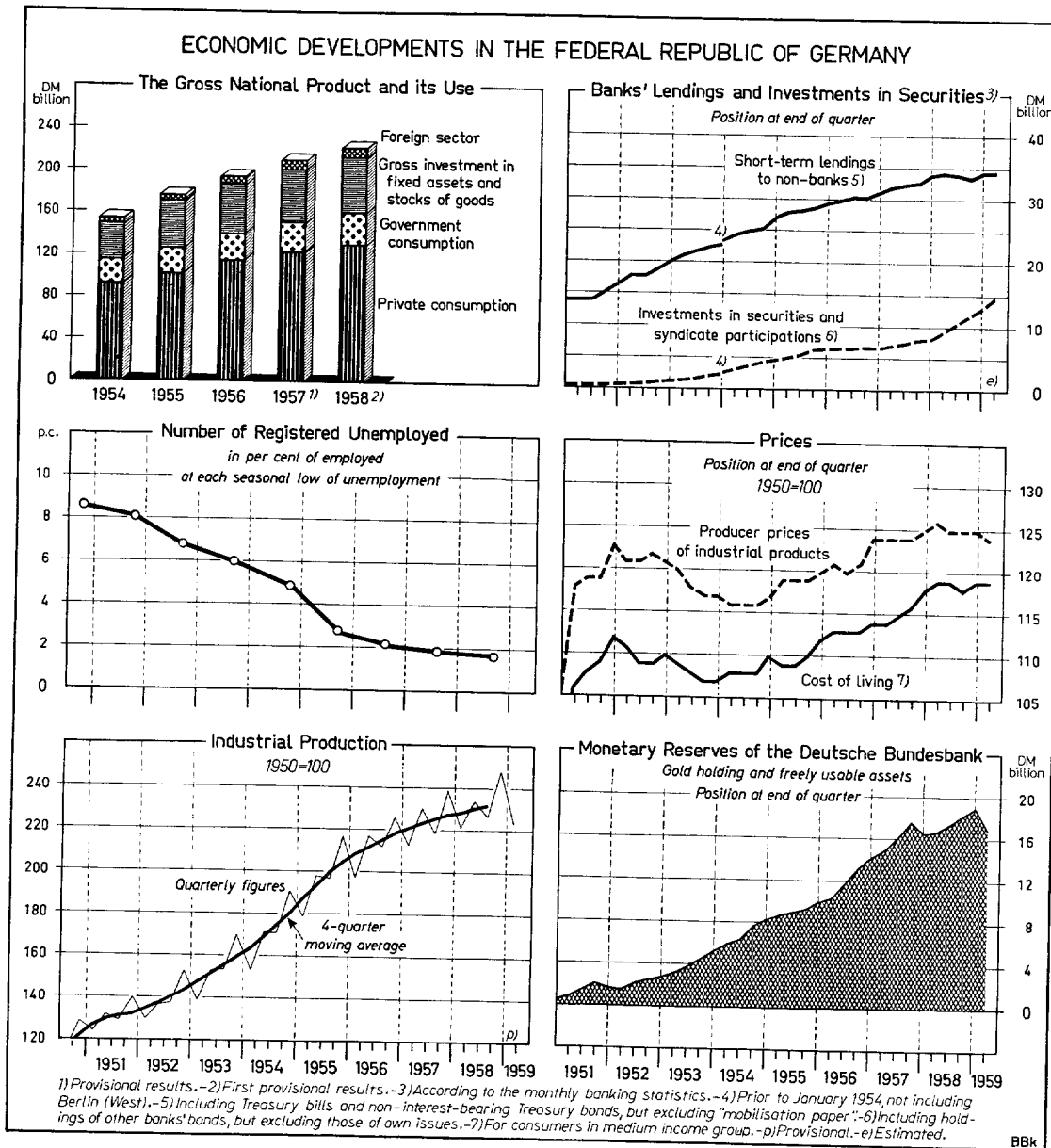
\*) The German text went to press on 20 April 1959.

particular the coal mines, the ironworking and textile industries were forced in the course of the year to cut output in greater or lesser degree; and even now the conditions in those industries still represent a dark spot in the overall picture of economic activity. One cause of their dullness lies in variations of the stock cycle; another lies in structural shifts of demand such as will no doubt always be unavoidable in a free-market economy, where consumers' desires are not controlled by official regulation and where moreover technical progress may at any time cause demand to change materially. In addition some sectors of the economy were faced with a problem of adjustment, which was no easy one, by the vigorous increase of savings activity since 1957 and by the resulting shifts of demand in some fields. Experience shows that it always takes some time before such a change, at first inevitably entailing a partial check to the upward movement, is converted through the interest rate mechanism into increased impulses to invest which finally lead in their turn to higher consumption.

On the other hand however the slowing of general expansion was clearly linked with tendencies towards consolidation, which gave economic activity a much sounder character than it had had in the 1955 and 1956 upswing, which it is true had been much more vigorous but at the same time feverish and therefore in many respects disquieting. Prime importance attaches in this connection to the price movement. When the Bank published its previous Annual Report the general price level was still to some extent moving upwards despite the marked cooling which had already occurred in the cyclical climate. As we pointed out at the time, while that was no longer due to exaggerations of demand, it did result from administrative raising of prices and from persistently large wage increases; but the fact that these causes produced a general price rise showed that in the then economic situation cost increases could still be largely passed on in prices, and that the price reductions in other spheres were still too small to neutralise these tendencies. Meanwhile however the reversal of the price movement has taken place just as we expected, two years ago, that it would in consequence of the calming down of economic activity. On looking at the most important price curves one finds that in the spring of last year the rise in the price level clearly reached an at least provisional high point. Since then not one of the more comprehensive price indices has risen further. Recently indeed more and more prices in the industrial sector have begun to fall away, so that one can almost say that the price trend in the last twelve months has been downward. In the period under report therefore, for the first time since 1954, economic upswing occurred with prices stable.

A further sign of consolidation the importance of which can hardly be over-estimated may be seen in the fact that in the course of last year and a half the capital market, which had since the 1948 currency reform always been one of the weakest points in West German economic developments, showed bounding growth such as few would have thought possible one or two years ago. At the middle of 1957 the long-term interest rate even for first-class borrowers had been 8 per cent or more. At the end of 1958 on the other hand securities of the 5<sup>1/2</sup>% type already predominated; and in the first months of the current year those bearing 5% interest gained uncontested pre-eminence in the market. The other long-term interest rates for loans fell in similar degree. Internally one of the most important preconditions for the maintenance of adequate expansion has thereby been fulfilled because, as the Bundesbank pointed out in its last Annual Report, the fact that wage costs are rising to an extent which with the present saving ratio can no longer be passed on in prices has for some time been placing German enterprises' profit rate under downward pressure, so that substantial impairment of the propensity to invest would have to be expected if the market interest rate did not conform to this reduction in the "natural" rate of interest. Besides this however the lowering of the German interest-rate level also opens up a prospect of solving the German balance-of-payments problem in a way which will be satisfactory both for the Federal Republic and for the world's economy.

In the course of last year already, as a result of the lowering of interest rates, this problem lost much of its seriousness. The German exchange surplus was much smaller in 1958 than in 1957



although, mainly because German imports were cheapened by the fall in freight rates and in international raw material prices, the surplus on goods and services rose further. This was due in the main, it is true, to the fact that the Federal Republic last year escaped the afflux of speculative monies which in 1957 had so greatly distorted the balance of payments; but in addition, with the gradual approach of the interest rate level in Germany to that in foreign countries, the deficit on capital transactions greatly increased, even though in 1958 the advance payments for armaments (which are counted among capital movements) were a good deal smaller than in the previous year. In the first three and a half months of 1959, when rates for money in the home market declined to their lowest level to date, the employment of substantial sums abroad at short term by the banks actually was an essential factor in reducing the Bundesbank's gold and exchange holdings by some DM 3.5 billion. Exports of money on that scale are of course unlikely to last; they would indeed hardly afford an ideal solution of the balance-of-payments problem, since the world economy is mainly interested in long-term capital, and the mere increase of bank balances abroad

Figures showing the Course of Economic Events in the German Federal Republic

Monthly averages

Item	Basis	1952	1953	1954	1955	1956	1957	1958	1958				1959	
									1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr. P)	
<b>Production</b>														
Index of industrial production <sup>1)</sup> (per working day)														
Total	1936 = 100	139.6	153.9	171.8	197.6	213.1	225.2	232.3	220.7	234.1	226.7	248.0	226.0	
Basic and producers' goods industries	1936 = 100	126.7	137.0	156.2	180.7	193.5	204.2	209.5	198.3	214(5)	211.1	214.5	207.0	
Capital goods industries	1936 = 100	164.3	173.4	204.6	251.9	274.2	285.4	305.9	293.4	312.6	293.1	325.4	304.0	
including:														
Machine building	1936 = 100	179.5	177.3	197.9	243.3	265.4	274.0	277.0	271.4	291.0	262.3	285.0	260.7	
Consumer goods industries	1936 = 100	130.2	151.9	165.6	184.1	199.3	211.3	209.1	208.2	205.8	200.8	221.5	202.3	
including:														
Textile industry	1936 = 100	131.8	156.9	168.0	181.7	193(5)	201.6	189.5	195.5	184.8	182.8	194.6	183.9	
Building industry proper	1936 = 100	129.4	153.3	159.1	190.7	200.0	196.1	202.5	119.0	231.6	234.3	226.0	156.2	
Production of important basic materials														
Hard coal, per working day	'000 tons	406.8	410.8	422.5	431.4	443.6	442.4	440.5	448.5	459.6	418.7	437.7	435.4	
Raw steel, per production day	'000 tons	50.6	49.4	54.3	65.6	72.9	76.1	73.0	77.3	73.8	70.5	70.3	73.1	
Rolled steel, per production day	'000 tons	34.3	33.3	36.7	45.0	51.4	54.9	51.2	55.5	52.3	48.9	48.1	47.1	
Farm products														
Net food production <sup>1)</sup>	1935/36-1938/39 = 100	112	119	121	120	122	126	132e)	.	.	.	.	.	
Stocks														
(at end of period under report)														
Pithead stocks of hard coal and coke	'000 tons	96	3,736	2,079	217	269	753	13,065	3,829	7,425	10,359	13,065	15,219	
Coal stored with main consumers <sup>2)</sup>	'000 tons	5,188	5,111	4,636	6,761	8,415	11,092	11,575	11,109	11,421	12,292	11,575	...	
Rolled-steel stocks														
with producers and traders	'000 tons	837	1,020	1,048	1,247	1,474	1,707	1,565	1,959	1,906	1,668	1,565	...	
with capital goods industries <sup>3)</sup>	1952-1955 = 100	86	99	95	166	199	236	207p)	259	262	237	207p)	...	
Retailers' stocks <sup>4)</sup>	1952 = 100	98	106	111	120	130	144	145	159	150	161	145	162	
<b>Labour Market and Employment</b>														
Registered unemployed	'000's	1,379	1,259	1,221	928	761	662	683	1,108 <sup>5)</sup>	401 <sup>5)</sup>	328 <sup>5)</sup>	931 <sup>5)</sup>	588 <sup>5)</sup>	
Employed <sup>6)</sup>	'000's	14,995	15,583	16,286e)	17,175e)	18,056	18,612	18,840	18,320 <sup>5)</sup>	19,201 <sup>5)</sup>	19,365 <sup>5)</sup>	18,760 <sup>5)</sup>	19,089 <sup>5)</sup>	
of whom, in industry	'000's	5,518	5,751	6,062	6,576	6,991	7,221	7,273	7,212 <sup>5)</sup>	7,306 <sup>5)</sup>	7,322 <sup>5)</sup>	7,188 <sup>5)</sup>	...	
Unemployment ratio <sup>6)</sup>	per cent	6.4 <sup>7)</sup>	5.5 <sup>7)</sup>	4.7 <sup>7)</sup>	2.7 <sup>7)</sup>	2.2 <sup>7)</sup>	1.9 <sup>7)</sup>	1.7 <sup>7)</sup>	5.7 <sup>7)</sup>	2.0 <sup>7)</sup>	1.7 <sup>7)</sup>	4.7 <sup>7)</sup>	3.0 <sup>7)</sup>	
Average weekly working time in industry (except mining) <sup>8)</sup>	hours	47.7	48.1	48.8	48.8	48.2	46.5	45.7	45.1 <sup>8)</sup>	45.7 <sup>8)</sup>	45.9 <sup>8)</sup>	46.1 <sup>8)</sup>	...	
<b>Orders booked, and Turnover</b>														
Orders booked in industry <sup>10)</sup>														
(Values, per calendar month)														
Total	1954 = 100 <sup>10)</sup>	.	.	107	126	137	143	142	136	141	141	149	...	
Basic industries	1954 = 100 <sup>10)</sup>	.	.	111	127	136	142	137	129	137	142	138	...	
Capital goods industries	1954 = 100 <sup>10)</sup>	.	.	111	136	147	154	163	161	158	163	172	...	
Consumer goods industries	1954 = 100 <sup>10)</sup>	.	.	99	112	126	129	119	111	124	109	133	...	
Retail turnover at current prices <sup>11)</sup>														
Total	1954 = 100	.	.	100	111	123	133	139	126	134	131	167	130	
including:														
Clothing, linen, underwear, footwear	1954 = 100	.	.	100	110	123	135	136	118	129	115	181	121	
Household goods, furniture	1954 = 100	.	.	100	115	133	146	155	137	136	150	198	137	
<b>Prices and Wages</b>														
Prices of basic materials (of domestic and foreign origin)														
Total	1950 = 100	124	122	123	125	129	132	132	133	132	131	132	132	
of which:														
Farm, forest and plantation products	1950 = 100	117	110	113	114	119	120	119	121	120	118	119	119	
Industrial products	1950 = 100	133	135	133	137	140	145	146	147	146	145	145	146	
Cost prices for foreign goods														
Total	1950 = 100	112	103	103	103	107	106	100	101	102	100	99	96	
Producer prices of domestic industrial goods														
Total	1950 = 100	121	118	116	119	121	124	125	126	125	125	125	124	
including:														
Capital goods	1950 = 100	127	125	122	124	128	132	134	134	134	134	134	134	
Consumer goods	1950 = 100	105	97	96	96	98	102	101	102	101	100	99	98	
Cost of living <sup>12)</sup>														
Total	1950 = 100	110	108	108	110	113	115	119	119	119	119	119	119	
including:														
Food	1950 = 100	114	112	114	116	119	122	126	126	127	125	124	125	
Rent	1950 = 100	104	107	107	110	117	119	120	120	120	120	121	122	
Heat and light	1950 = 100	116	120	127	130	132	136	143	141	142	143	145	145	
Household equipment	1950 = 100	110	104	102	103	105	110	112	111	112	112	112	112	
Clothing	1950 = 100	103	98	97	97	97	101	104	104	105	105	104	104	
Industrial workers' wages (except miners')														
Hourly earnings	DM	1.57	1.64	1.68	1.79	1.95	2.13	2.28	2.21 <sup>13)</sup>	2.28 <sup>13)</sup>	2.30 <sup>13)</sup>	2.31 <sup>13)</sup>	...	
Weekly earnings	DM	74.96	78.88	82.04	87.98	94.17	98.75	104.01	99.82 <sup>13)</sup>	104.36 <sup>13)</sup>	105.38 <sup>13)</sup>	106.49 <sup>13)</sup>	...	
<b>Foreign Trade</b>														
Imports	DM million	1,350	1,334	1,611	2,039	2,330	2,641	2,594	2,573	2,423	2,580	2,801	2,529	
Exports	DM million	1,409	1,544	1,836	2,143	2,572	2,997	3,083	2,878	2,984	3,118	3,353	2,967	
Balance	DM million	+ 59	+ 210	+ 225	+ 104	+ 242	+ 356	+ 489	+ 305	+ 561	+ 538	+ 552	+ 438	

1) Farm year from 1 July to 30 June of following year. — 2) Industry, transport and communications, public utilities. — 3) Calculated by Rheinisch-Westfälisches Institut für Wirtschaftsforschung (Rheinisch-Westphalian Institute for Economic Research). — 4) Calculated by Institut für Handelsforschung (Trade Research Institute) at Cologne University. — 5) Position at end of quarter. — 6) Proportion of unemployed to total of employed and unemployed wage and salary earners. — 7) Position at end of third quarter. — 8) Hours paid. — 9) Position at middle of quarter. — 10) Index of orders booked; basis: average monthly turnover for 1954 = 100, per calendar month. — 11) Index of Federal Statistical Office. — 12) Cost-of-living index, consumers in medium income group. — 13) Averages computed from end-of-quarter figures. — e) Estimated. — p) Provisional. — \*) Original basis 1950 = 100, converted to basis 1936 = 100.

would not decisively diminish the instability of internal monetary conditions. With the lowering of the interest rate for capital there is however a chance that the surpluses on goods and services, which may perhaps remain of considerable amount even if there is a change in economic conditions at home and abroad, will have against them a growing export of capital. Not only would such a method of financing further surpluses on the Federal Republic's transactions in goods and services best accord with the needs of the world economy; it would also be to the advantage of the Federal Republic because it would end the constant process of increasing liquidity which has hitherto resulted from surpluses on the balance of payments, and the claims to monetary wealth would grow to a greater extent than before in consolidated forms in which they could not at once be converted back into money.

A further fact of no small importance is however that the gradual approach of the German interest-rate level to that in foreign countries has enabled the Federal Republic to free transactions with these from all restrictions. Thus in practice the DM has become fully convertible not only in the sense of the "non-resident convertibility" for current transactions, which a number of European countries including the Federal Republic announced at the end of 1958 in exemplary agreement with each other, but also in that of "resident convertibility", and with the inclusion of capital transactions. In the monetary field all the preconditions have thereby been created for permitting full effect to be produced by the efforts to achieve the economic integration of Europe, which efforts entered a new phase with the creation of the European Economic Community.

These successes in consolidation are so significant as no doubt to compensate the above-mentioned slowing of economic growth; it is indeed doubtful whether they had been attainable at all without some slackening in the upswing. This applies in particular to the stabilisation of the price level, which could hardly have occurred unless the overstraining of productive capacity, which for years had perceptibly impaired competition, had for a time been replaced by if anything an opposite state of affairs. As a matter of fact, any adjustment of exaggerated activity has so far had to be paid for by a certain reduction in the pace of progress — if not indeed by a more or less substantial decline in economic expansion. In this respect the Federal Republic actually holds a comparatively favourable position because here expansion only slackened but was not interrupted as in some other countries. So small a price for reattaining price stability can be paid all the more readily because much more favourable conditions were thus created for the maintenance, and probably even renewed growth, of expansion. As is well known, creeping inflation is not only a very objectionable course, but in the longer run also a highly uncertain and dangerous basis for the maintenance of economic growth. Everybody knows that it can easily turn into "trotting" or even "galloping" inflation. But so far large price increases have always given rise to maladjustments which sooner or later led to painful forms of interference that interrupted the growth process, if indeed they did not start a crisis. To that extent therefore the expansion certainly now rests on a more solid basis than it did when the rise in production, while it was more vigorous, was linked with price rises. A point of special importance in this connection is that the upswing which the capital market enjoyed last year could probably never have been achieved without the scotching of the inflationary tendencies, and that but for the maintenance of financial stability that upswing would probably be endangered once more. The establishment of sound conditions in the capital market is in fact essential to the overall process of economic growth. Last year, thanks to its invigorating effect on investment activity and on investment in building in particular, it already formed the essential support of expansion. In the near future too it is likely to send out impulses which will be of growing importance for the entire economic trend, since it is clear that, much more than before, the export of capital is the precondition for the maintenance and expansion of exports now that in many other countries also the largely inflation-induced boom of recent years has ended, just as at home the continuance of an adequate level of investment activity depends crucially on the above-mentioned narrowing of profit

The National Product<sup>1)</sup>

	1950	1951	1952	1953	1954	1955	1956	1957 <sup>2)</sup>	1958 <sup>3)</sup>	Change against previous year	
										1957 <sup>2)</sup>	1958 <sup>3)</sup>
<b>I. National Income and National Product</b>											
at current prices											
billions of DM										per cent	
Income from wages and salaries	44.0	53.4	59.4	65.5	71.7	81.7	91.8	99.9	108.1	+ 8.9	+ 8.2
Income from entrepreneurs' activity and from property	26.3	33.4	32.9	33.5	36.5	41.3	44.2	46.9	61.0 <sup>4)</sup>	+ 6.0	+ 1.1 <sup>4)</sup>
Undistributed income of enterprises with legal personality of their own	4.9	6.0	6.4	6.8	7.2	8.9	9.7	10.2		+ 4.6	
Government income from enterprises and from property	1.0	1.3	1.9	2.0	2.2	3.1	3.3	3.8		+ 15.2	
National income (not adjusted for fictitious profits or losses)	76.3	94.1	100.5	107.9	117.7	135.1	149.0	160.8	169.1 <sup>1)</sup>	+ 7.9	+ 5.5 <sup>4)</sup>
Fictitious profits (—) or losses (+)	- 1.8	- 2.9	+ 0.9	+ 1.1	- 0.7	- 0.8	- 1.1	- 0.5	...	.	.
Net national product at factor costs plus indirect taxes	74.5	91.2	101.4	108.9	117.0	134.3	147.9	160.3	169.1	+ 8.4	+ 5.5
less subsidies	13.1	17.2	20.3	21.7	23.1	26.1	28.5	30.9	32.4	+ 8.2	+ 4.9
Net national product at market prices	87.1	107.6	120.9	130.3	140.0	160.2	175.8	189.5	200.1	+ 7.8	+ 5.6
Depreciation	10.1	12.0	13.3	13.5	14.0	15.4	17.6	20.1	22.2	+ 14.1	+ 10.5
Gross national product at market prices	97.2	119.6	134.2	143.8	154.0	175.6	193.4	209.6	222.3	+ 8.4	+ 6.1
<b>II. Change in Gross National Product,</b>											
in Number of Persons Gainfully Employed and in Productivity as compared with preceding year											
										per cent	
Gross national product at current prices	.	+ 23.0	+ 12.2	+ 7.1	+ 7.1	+ 14.1	+ 10.1	+ 8.4	+ 6.1	.	.
Price index of national product <sup>5)</sup>	.	+ 10.1	+ 5.1	- 0.6	+ 0.0	+ 2.0	+ 3.6	+ 3.1	+ 3.1	.	.
Gross national product at constant prices	.	+ 11.8	+ 6.8	+ 7.8	+ 7.1	+ 11.8	+ 6.4	+ 5.0	+ 2.8	.	.
Components of the change:											
Increase in number of persons gainfully employed	.	+ 3.0	+ 1.7	+ 2.7	+ 3.3	+ 3.6	+ 3.6	+ 2.5	+ 1.5	.	.
Increase in gross national product per person gainfully employed	.	+ 8.5	+ 5.0	+ 5.0	+ 3.6	+ 7.9	+ 2.6	+ 2.5	+ 1.4	.	.
<b>III. Use of Gross National Product</b>											
at current prices											
billions of DM										per cent	
Private consumption	61.8	72.1	79.1	86.1	92.3	102.3	114.5	123.0	130.0	+ 7.5	+ 5.7
Government consumption	14.4	17.7	21.1	21.4	22.4	23.9	25.5	28.0	30.0	+ 9.9	+ 7.1
Gross investment in fixed assets	18.5	22.3	25.5	28.7	32.2	39.8	44.3	46.1	49.2	+ 4.1	+ 6.7
Addition to stocks	3.7	5.2	5.1	2.1	1.7	5.3	2.6	4.2	4.2	+ 62.2	± 0.0
Surplus on transactions in goods and services <sup>6)</sup>	- 1.2	+ 2.3	+ 3.4	+ 5.5	+ 5.3	+ 4.3	+ 6.6	+ 8.3	+ 8.9	+ 26.1	+ 7.2
Gross national product at market prices	97.2	119.6	134.2	143.8	154.0	175.6	193.4	209.6	222.3	+ 8.4	+ 6.1
per cent of gross national product											
Private consumption	63.6	60.3	59.0	59.9	60.0	58.3	59.2	58.7	58.5	.	.
Government consumption	14.8	14.8	15.7	14.9	14.5	13.6	13.2	13.3	13.5	.	.
Gross investment in fixed assets	19.0	18.6	19.0	19.9	20.9	22.6	22.9	22.0	22.1	.	.
Addition to stocks	3.8	4.4	3.8	1.5	1.1	3.0	1.3	2.0	1.9	.	.
Surplus on transactions in goods and services <sup>6)</sup>	- 1.2	1.9	2.6	3.8	3.5	2.4	3.4	4.0	4.0	.	.
Gross national product at market prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	.	.

Source: Federal Statistical Office. — <sup>1)</sup> Details may not add to totals because of rounding. — <sup>2)</sup> Provisional results. — <sup>3)</sup> First provisional results. — <sup>4)</sup> Including fictitious profits or losses. — <sup>5)</sup> Calculated from ratio of gross national product at current prices to gross national product at 1954 prices. — <sup>6)</sup> With foreign countries, Berlin (West) and the Soviet-occupied zone.

margins having its effect on the will and ability to invest offset by an adequate supply of capital at suitable interest rates.

The Bundesbank therefore presents this Report in the confident expectation that the successes which were achieved last year — admittedly at the cost of many sacrifices — will form a good basis on which economic expansion may continue without fresh dangers to financial stability and may perhaps even quicken, provided that no world political disturbances occur and that reasonable moderation continues to be observed in all economic demands.

The following more detailed statement of monetary and economic events during the past twelve months, and of the policy pursued by the Bank in that period, may serve to provide further grounds for such expectation.

## II. The Trend of Economic Activity since the Spring of 1958

As already indicated, the feature of economic developments both last year and in the first months of this was a further appreciable easing of the market situation. Demand in general rose more slowly than production capacity, the increase in which was above all due to the fact that the plants and equipment resulting from the heavy capital expenditure of previous years reached the stage of readiness for production, so that from the point of view of the entire economy the extent to which capacities were employed was further reduced, and the trend towards “buyers’ markets” which had already started in the previous year continued.

### 1. World Economic Influences

A factor of no small importance in this connection was the cooling of the world economic climate. From 1953 to 1957 the world economy had been in a state of boom which had very strongly influenced German economic conditions. At first the Federal Republic itself, it is true, had had a substantial share in that boom; but in this country the autonomous upward tendencies had always been a good deal weaker than abroad — at least if one compares them with the margin available for expansion — and as early as 1956 it had proved possible here to stop the exaggerations of activity, whereas in other countries the boom continued for a further year or two. Even after the weakening of the internal upward tendencies the German economy was consequently subject to appreciable inflationary influences from outside, which greatly increased its balance-of-payments surplus and created many difficult problems of Central Bank policy.

Cooling of the world economic climate

In 1958 however the world boom came to an end almost all along the line. In the United States, where the trend had already been reversed about the middle of 1957 and had entered a fairly steep decline which caused serious anxiety in many quarters, there did take place in the early summer of 1958 a recovery the pace of which was hardly less than that of the previous downswing, and which was sufficient to cause the Federal Reserve System to adopt certain retarding measures by way of precaution; but the effects produced on the rest of the world by this recovery have so far been small. They did not cause any fresh rise of prices on the international raw material markets after the last two years’ heavy fall, nor did they relieve many countries which had for years drifted with the stream of inflation, and had consequently incurred increasing balance-of-payments difficulties, from the necessity of at last taking energetic measures to restore sound conditions, thereby ending the boom which had become dangerous. More particularly in Europe one country after another turned away from inflation in the course of this movement. Although signs of recession were not lacking in some countries, especially at the beginning, they did not occur everywhere; but in all cases the demand both for home-produced and for foreign goods notably cooled, so that the attraction of exporting again became more marked, imports as a rule declined, and the upsurge of prices visibly lost momentum.

The consequence of this change was that the “inflationary” tendencies which had previously been impinging from abroad on the German economy, but which towards the end of 1957 had

Reversal of the international price movement

already lost much of their force, discontinued in 1958 and actually were even replaced by opposite forces. A fact of importance in this connection was that international raw material prices, which had already fallen considerably in 1957 after the Suez crisis had been overcome, at first declined further in 1958 and then only just maintained their level with some fluctuations. As measured by the "Volkswirt" index of world market prices, which is especially representative as regards German raw material requirements, the average level of prices for the most important internationally marketed raw materials and semi-manufactured goods in the first quarter of 1959 was consequently below its end of 1956 level by 10 per cent. The international marine freight indices were also considerably lower than in 1957, although in some cases the decline did not go further. Above all however in most countries last year the rise of the internal price level ended. In the case of wholesale price indices, which are usually much affected by the trend of raw material prices, there had as early as the second half of 1957 in some cases been signs of the rise ending. In 1958 however the tendency to stability also spread to the prices for industrial products and to the cost of living, so that the price level in most European countries can be said since the middle of last year to have been stable if indeed it has not slightly declined; even in France, after the first unavoidable price rises resulting from the devaluation of the franc which was effected at the end of 1958 as part of the general rehabilitation measures, the level of prices has hardly risen further but is if anything declining in conformity with the international trend.

Falling import prices

For German economic activity and prices this was important inasmuch as it made imports in general still cheaper. Indeed the index of buying prices for foreign goods declined in 1958 by a further appreciable amount, namely from 103 in December 1957 to 96 in March 1959 on the basis 1950 = 100, after having already fallen by 7 points in the course of 1957. There was thus no longer any "import of inflation" due to the movement in import prices. In fact in some categories, especially those where the Federal Republic's drastic and mostly unilateral tariff reductions of recent years produced a great effect, foreign countries actually exerted appreciable downward pressure on prices. Although some special factors were at work here, these facts nevertheless merit attention because they show clearly that the argument maintained in some quarters to the effect that the Federal Republic, having remained an island of relative stability amidst an almost world-wide flood of price increases, has gained a general price and cost advantage is incorrect, at least in so general a form.

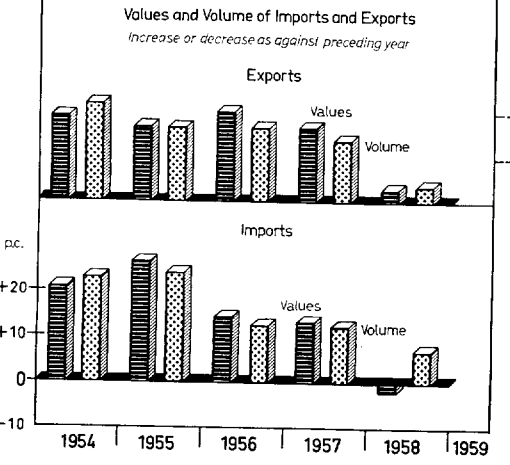
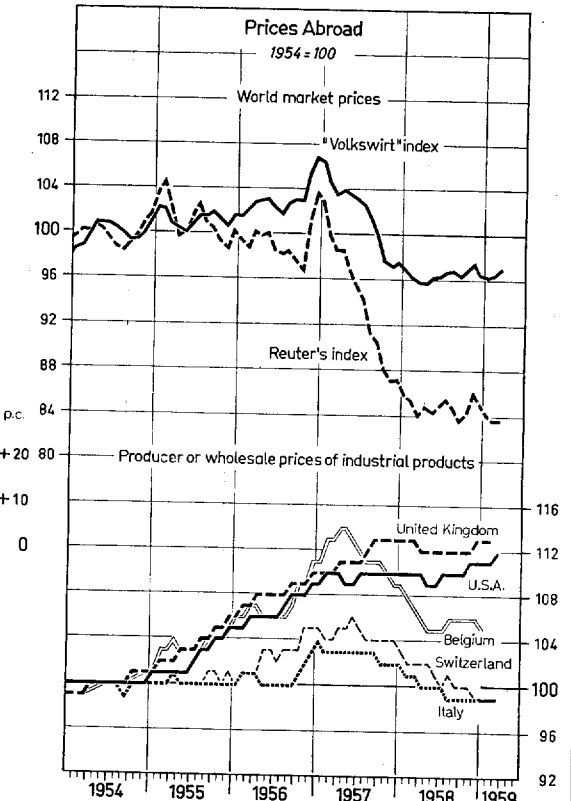
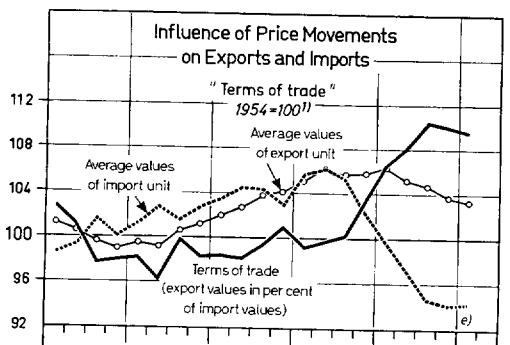
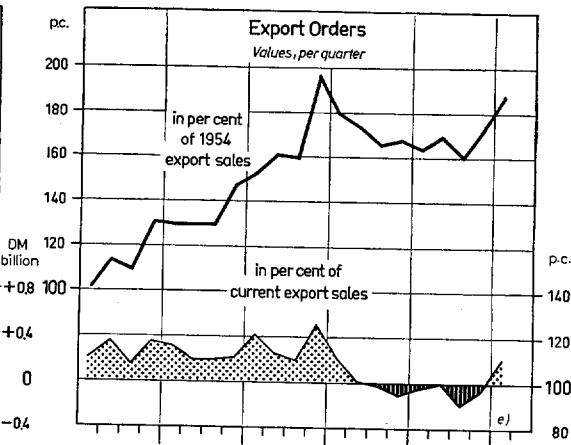
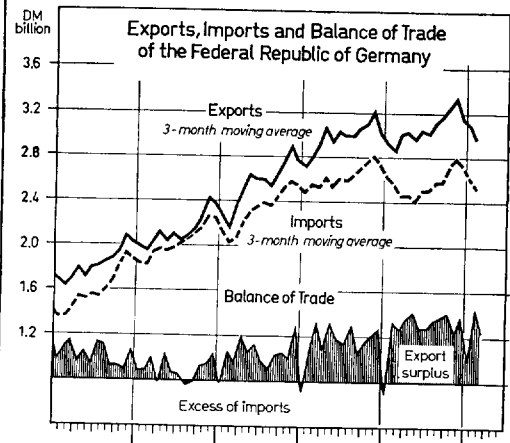
Decreasing pull  
of foreign demand

It was however in regard not only to imports but also to exports that the German economy was clearly affected in the course of last year by the change in the international price climate. It was certainly no longer the case that German exports could have let themselves be carried along by a general inflationary upcurrent, or could at least have relied on an assured advantage on price; on the contrary it was also necessary in many cases to fight hard with the weapon of pricing, quite apart from the extension of periods for payment which will be mentioned later, in order to maintain — let alone further improve — the country's position as an exporter in face of the reduced absorptive capacity of many markets and the stronger competition from other supplying countries. At all events the fact that the index for average values of German exports on the basis 1954 = 100 fell from its peak of 107 reached in February 1958 to 103 in February 1959 can hardly have been due to changes in the composition of exports, but must have been caused mainly if not entirely by price concessions.

In actual exports, it is true, the slackening of world economic activity has so far not been so clearly reflected. In the first half of last year it looked as though under the influence of the change in the economic trend abroad the amount of exports would thenceforth not merely remain stationary but would even decline. In the second half of the year however a slight rise set in, so that in the last two quarters of 1958 and the first quarter of 1959 exports were again above their level of a year earlier by between 3.1 and 3.8 per cent, whereas in the first half of 1958 their rate of growth had only been about 2 per cent. The price concessions just mentioned contributed appreciably to this result; by means of them some exporters conformed in a notably flexible



## INFLUENCES OF WORLD ECONOMY ON GERMAN ECONOMIC TRENDS



1) 1954 values estimated. -e) Estimated on the basis of the figures for January and February 1959.

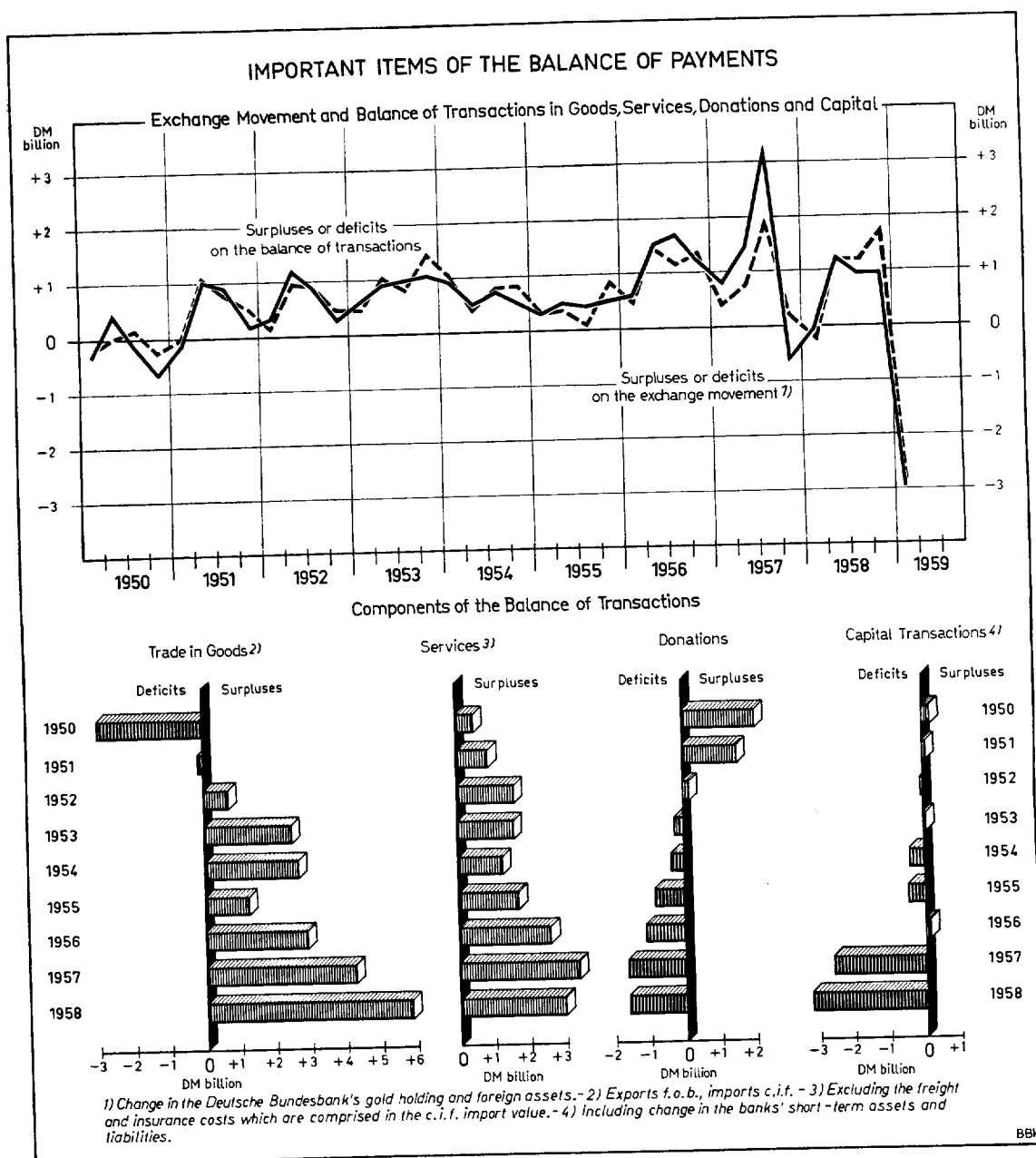
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manner to the altered facts of competition and purchasing power in world markets. Besides this however the above-mentioned lengthening of periods for payment, and the extensive official liquidity assistance which the Federal Republic granted last year, in some cases directly and in others through international institutions, to certain countries that had become involved in balance-of-payments difficulties, were no doubt a factor in this connection. Even so the year-to-year growth-ratio of German exports in the period under report was no longer anywhere near the corresponding ratios of 16.5 per cent in 1957, 20.0 per cent in 1956, and an average of 17.8 per cent in 1955 and 1954. At 2.9 per cent for the whole of 1958 it was also considerably lower

than the 6.1 per cent for the gross national product at current prices; thus the dynamic impact which exports had exerted in the preceding years on German economic activity had largely disappeared in 1958.

The export surplus, it is true, did rise further. It amounted in 1958 to DM 5.9 billion against DM 4.3 billion in 1957, and DM 2.9 and 1.2 billion in 1956 and 1955 respectively; and at DM 1,316 million in the first quarter of 1959 it was again greater, by DM 400 million, than in the corresponding period of the previous year. While indeed exports continued to grow slightly until recently, as already mentioned, imports in terms of value have for more than a year tended to decline slightly. Thus in 1958 they were smaller by 1.8 per cent than in the year before; and again in the first three months of 1959 they fell short of their level in the corresponding period of 1958 by 1.7 per cent. The reason lies in the above-described fall of import prices and freight rates. In terms of quantity, on the other hand, imports were still increasing quite vigorously in

The export surplus still rises owing to the fall in import prices...



the period under report too — by 6.9 per cent in 1958 and an estimated 4 per cent in the first quarter of 1959. Not only did these growth-ratios appreciably exceed those in exports (in terms of quantity exports actually rose by only 3.6 per cent in 1958, although the increase seems to have been greater again in the first quarter of 1959), but in addition the Federal Republic's imports increased to a much greater extent in terms of volume than did those of all other large industrial countries, in some of which imports actually declined in quantity.

In these circumstances however it is not possible to conclude from the increase in the export surplus, as is often done, that the course of foreign trade produced effects which were if anything still more "expansive" than before. Even as regards the effects produced on the balance of payments that would be incorrect. The increase in the export surplus did not for instance cause any corresponding rise in exchange accruals; it was on the contrary accompanied by a decrease in these, and in the first months of 1959 by actual exchange outflows, because at the same time the deficit on capital transactions rose and from the collapse of the 1957 exchange-rate speculation onwards, as already mentioned, the movement in the terms of payment resulted for Germany in a decline of exchange surpluses or even in exchange deficits. Above all however the decisive fact in this connection is that the further increase of the export surplus was entirely due to a fall in import prices, and not to any increase in the pull of foreign demand. It thus resulted from a trend which even directly counteracted the inflationary tendencies within the country, since the reason why in 1958 despite many opposite tendencies the price level was stabilised, and entrepreneurs' demand remained in many cases quite subdued or actually declined, lay to some extent in the fall of import prices; this cancelled out rises in other costs, kept inventory investments within relatively narrow limits and substantially increased competition by foreign suppliers in many markets. The situation was thus quite different from that in preceding years, when both export and import prices had greatly risen and the increasing trade surplus had been primarily due to the fact that under the influence of foreign excess demand exports had — as we saw — for years been growing by 16 to 20 per cent per annum, thereby far exceeding the growth of home demand. As against this the change in world economic conditions was by now clearly apparent both in imports and also in exports — the more so since the inflow of foreign orders has until the end of 1958 been below the level of current deliveries almost all the time, so that the expansion in exports in that period was due only to the order backlogs accumulated during the boom. It was not until recently that orders coming from abroad showed substantial growth again. To an appreciable extent however this was due to the wave of precautionary buying which spread to some world markets, in anticipation of a steel workers' strike in the U.S.A., whereas the signs of a fresh vigorous international upswing have been feeble so far.

... but no longer reflects "import of inflation"

## 2. Internal Influences

As regards internal cyclical tendencies these did on balance remain expansive during the period under report, thanks to the course of investment activity, so that they have now become the main support of the upswing; but the expansion of internal demand also fell short of that in production capacity, and consequently did not impair the easing of market conditions that was previously mentioned. The resulting economic picture was highly differentiated, it is true, definite tendencies to slackening in some spheres of activity being accompanied by notably strengthened manifestations of upswing in others.

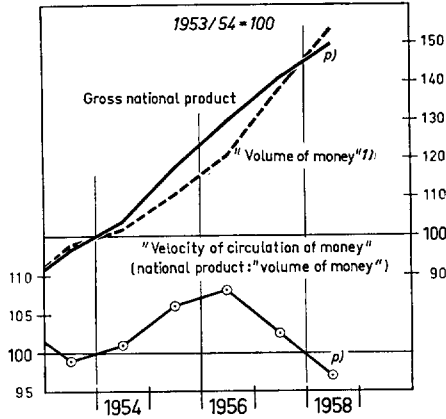
### a) High Overall Saving Ratio

The general economic climate was at first much affected by the fact that the economy's propensity to spend remained relatively small. This is most comprehensively reflected in the further slowing of the "velocity of circulation of money", which can be calculated most simply, although in a relatively rough manner, from the change in the ratio between the "volume of money" and the gross national product (as an indicator of total turnovers).

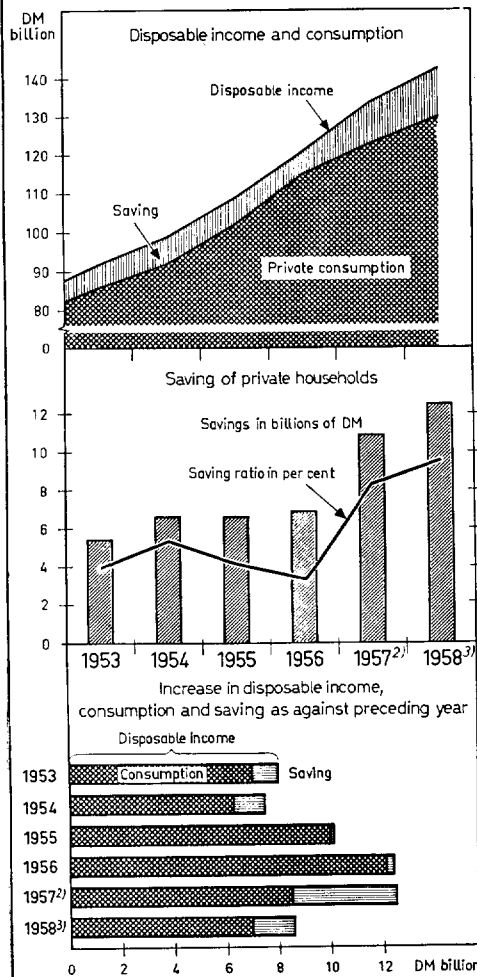
"Velocity of money circulation" further reduced

## DATA ON THE COURSE OF DEMAND

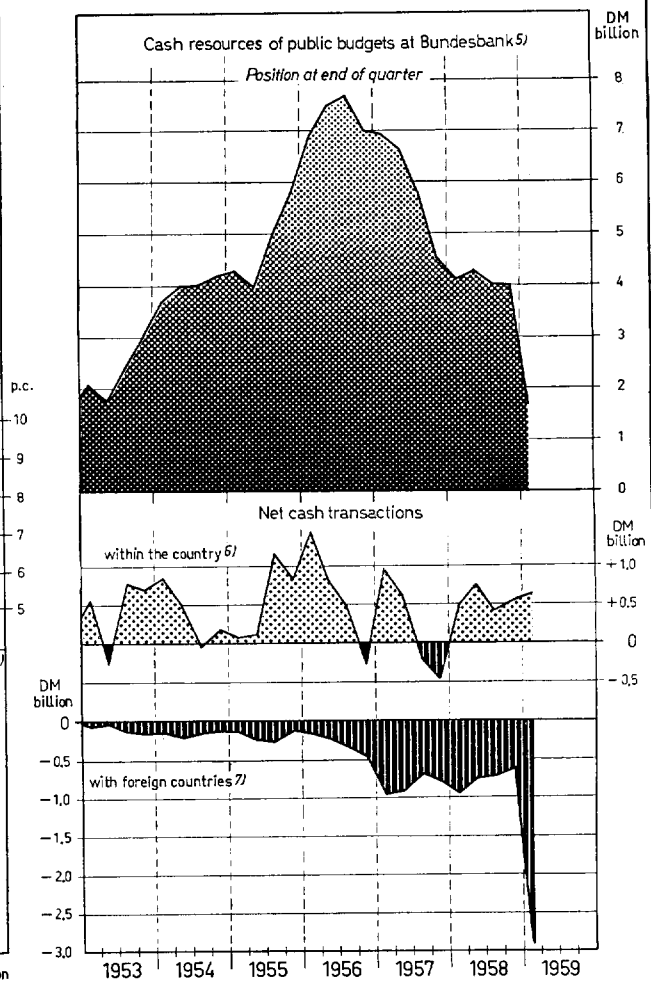
"Volume of Money", Gross National Product  
and "Velocity of Circulation of Money"



### Formation of Savings by Private Households



### Cash Transactions of Central Public Authorities<sup>4)</sup>



1) Note and coin circulation (not including credit institutions' cash holdings), sight deposits without Central Bank balances of public authorities, and time deposits at notice or fixed periods of up to six months. Averages of end-of-month figures. - 2) Provisional results. - 3) First provisional results. - 4) Federal Government, NATO powers (in so far as funds derive from Federal budget), Equalisation of Burdens Fund and Länder. - 5) Deposits (until 31 July 1957 including amounts employed in equalisation claims; as from November 1956, in the case of the Federal Government including guarantee collateral account). - 6) Computed from the change in the budgets' position in relation to the Bundesbank, less net foreign payments. - 7) Foreign payments of Federal Government and Länder; indemnification payments are recorded only in the amount transferred abroad (figures partly estimated). - p) Provisional.

6:8k

The "volume of money", which is usually reckoned as including the resources available for use by enterprises and individuals at relatively short term, showed further marked growth in the period under report. If one includes the short-term time deposits, that is time deposits with less than six months to run or at less than six months' notice, it grew in 1958 by DM 4.3 billion as against DM 5.5 billion in the previous year and DM 3.6 billion in 1956; if the time deposits are left out of account the increase actually amounted to DM 4.8 billion as compared with DM 3.9 billion in 1957 and DM 2.4 billion in 1956 (the Central Bank balances of public authorities being in this case disregarded, according to international practice, just as in the previous calculation). In percentage terms therefore the expansion of the volume of money was not quite 13 per cent in the first case and not quite 10 per cent in the second. Total demand on the other hand increased much less, since in 1958 the gross national product reckoned at current prices rose by only about 6 per cent. Thus a large part of the increase in the volume of money was not coupled with any corresponding expansion of the demand for goods but was reflected, just as in the previous year, in the dormant components of monetary wealth. As already stated, therefore, the "velocity of circulation" of money was further reduced — a fact which is doubtless to be regarded as a kind of "quasi-saving", even though the "saved" resources were not "demonetised", that is converted into a form in which they would clearly have manifested themselves as savings (although perhaps only as provisional savings) and would so have dropped out of the actual volume of money. Accordingly the "expansive" factors in the overall monetary accounts, in particular the much greater increase in 1958 of relatively long-term credit granted by the mortgage institutions and savings banks, the greatly increased buying of securities by the banks and the still large exchange surpluses, were in practice neutralised to an appreciable extent not only by regular savings formation but also by "quasi-saving processes".

But savings formation in the narrower sense of that term also made further substantial progress in the period under report. A factor of particularly decisive importance in that connection was the continuing increase in the accrual of savings by private households. As can be seen from the table which follows, private saving last year amounted to DM 12.5 billion against DM 10.9 billion in 1957, and only just under DM 7 billion in each of the preceding three years. A much smaller part of the total addition to incomes was thus saved than in the previous year because, whereas then additional savings formation amounted to about a third of the

Increased accrual of private households' savings

*Income, Consumption and Saving of Private Households<sup>1)</sup>*

Items	1956	1957 <sup>2)</sup>	1958 <sup>3)</sup>	Change as against previous year		
				1956	1957 <sup>2)</sup>	1958 <sup>3)</sup>
	billions of DM			per cent		
1) Gross wages and salaries <sup>4)</sup>	82.9	89.5	96.3	+ 12.4	+ 8.0	+ 7.6
2) Deductions (taxes and social insurance contributions) <sup>5)</sup>	12.1	12.8	14.4	+ 14.9	+ 5.5	+ 13.1
3) Net wages and salaries (1 less 2)	70.8	76.8	81.9	+ 12.0	+ 8.4	+ 6.7
4) Income transfers of which:	22.4	27.5	30.6	+ 12.1	+ 22.9	+ 11.4
a) Social Insurance Funds' transfers	(11.2)	(15.8)	(18.6)	(+ 13.7)	(+ 41.2)	(+ 17.4)
b) Other public authorities' transfers	( 6.8)	( 7.0)	( 7.0)	(+ 10.9)	(+ 2.9)	(+ 0.4)
c) Officials' retirement pensions (net)	( 4.4)	( 4.7)	( 5.0)	(+ 10.0)	(+ 6.9)	(+ 7.6)
5) Income of the masses (3 plus 4)	93.2	104.2	112.5	+ 12.0	+ 11.9	+ 7.9
6) Self-employed persons' drawings for private purposes from their businesses <sup>6)</sup>	28.2	29.7	30.0	+ 9.2	+ 5.2	+ 1.0
7) Disposable income of private households (5 plus 6)	121.4	133.9	142.5	+ 11.3	+ 10.3	+ 6.4
8) Private consumption	114.5	123.0	130.0	+ 11.8	+ 7.5	+ 5.7
9) Private saving (7 less 8) <sup>7)</sup>	6.9	10.9	12.5	+ 3.8	+ 57.7	+ 14.4
	per cent					
10) Saving ratio (9 in per cent of 7)	5.7	8.2	8.8	.	.	.

<sup>1)</sup> Details may not add to totals because of rounding. — <sup>2)</sup> Provisional results. — <sup>3)</sup> First provisional results. — <sup>4)</sup> Excluding employers' contributions to social insurance, and also excluding voluntary payments for welfare purposes. — <sup>5)</sup> Taxes and employees' contributions to social insurance, including voluntary contributions. — <sup>6)</sup> Ascertained as residue. — <sup>7)</sup> As far as statistically ascertainable.

increase in incomes, in 1958 the corresponding proportion was only just on a fifth. The increase in savings formation was however greater again than that in incomes (although, as already mentioned, the difference between their two rates of growth was no longer quite so great as in the previous year), so that there was a further rise in private households' "saving ratio" in the sense of the ratio of their saving to their disposable income. That ratio would seem in 1958 to have been nearly 9 per cent (against something over 8 per cent in 1957 and less than 6 per cent in 1956) and thus to have reached a new peak level which, as indicated in our last Annual Report, was probably not below but if anything above the level in most of the comparable countries. In this connection decisive importance no doubt attached to the urge to rebuild monetary wealth, of which by far the greater part had been destroyed through the war and the 1948 currency reform; this has been especially so since confidence in the value of money has been restored by the stabilising of the price level — a process which as we shall see operates, in real interplay, partly as a consequence but partly also as a cause of increased saving activity.

Renewed large  
"internally effective"  
cash surplus in the  
Federal budget

A further factor which was of no small importance in the period under report as a cause of the relative slackening of internal demand was the influence that the Federal Government's cash transactions produced on the internal circulation of money. In the years from 1952 to 1956, as will be remembered, transactions connected with the Federal budget took large sums out of internal circulation because at that time the Federal Government's receipts exceeded its cash expenditure by greater or lesser margins, and the surplus was almost entirely sterilised on its accounts at the Bank deutscher Länder. That was the time when the so-called "Juli Sturm" was being built up, in which connection however it must be constantly emphasised that this "hoarding" certainly did not represent any objective set in advance, but was mainly due to a persistent and not easily foreseeable lag of cash expenditure — especially for defence purposes — behind the amounts budgeted, a circumstance which moreover was at the outset entirely due to the action taken by agencies of the foreign powers as regards using the Federal budget contributions towards occupation or support costs. In the course of the 1956/57 financial year that period in principle came to an end. At something over DM 7 billion the Federal Government's Central Bank balances reached their peak in the autumn of 1956, since when they have declined at a comparatively rapid rate, although sometimes with rather lengthy interruptions; at the end of the 1956/57 financial year on 31 March 1957 they amounted to around DM 6<sup>1</sup>/<sub>4</sub> billion, at the end of the next financial year to something less than DM 3.2 billion, and at the end of the 1958/59 financial year to only DM 0.4 billion. Thus in the course of the last two and a half years the Federal Government has spent about DM 6.6 billion of reserves, including some DM 2.8 billion in the last financial year (and that in the last month of that year, which was otherwise marked by notable stability in the cash balances). As regards the effect on cyclical conditions it was however important that on an overall view these reserves did not go into internal circulation, but were used solely to finance expenditure abroad; the Federal Government's current receipts continued in fact to be greater than its internal expenditure, although they were no longer sufficient to cover the last few years' foreign expenditure, this having been greatly enlarged by payments on account of armament imports in particular. The use of reserves did not therefore expand the volume of money in internal circulation; this tended on the contrary to be contracted by the excess of receipts on the Federal Government's domestic cash transactions. During the period under report this contractive influence even became stronger inasmuch as, while in the 1957/58 financial year the internal cash transactions had shown surplus receipts of not quite DM 300 million (if to the in itself smaller surplus on the Federal budget one adds the net receipts on the NATO powers' accounts fed from Federal resources), in the 1958/59 financial year there was a surplus of roughly DM 1.4 billion. The surplus was thus smaller than in 1956/57 by only some DM 600 million, although far from reaching that of nearly DM 3.5 billion for 1955/56.

*Cash Position of the Central Public Authorities*  
in millions of DM

Budgets	1955	1956	1957	1958					1959
				Total	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr
<b>I. Federal Budget</b>									
1) Cash receipts, total <sup>1)</sup>	25,704	28,454	29,505	31,388	7,663	7,625	7,850	8,250	7,888
a) Taxes and other receipts coming from circulation	25,676	28,279	29,382	30,985	7,546	7,410	7,834	8,195	7,874
b) Transfer of immobilised monies	—	—	—	200	—	200	—	—	—
c) Amounts credited in respect of coinage	28	85	83	78	7	9	13	49	8
d) External receipts	—	90	40	125	110	6	3	6	6
2) Cash expenditure, total <sup>2)</sup>	23,715	27,239 <sup>r)</sup>	31,861 <sup>r)</sup>	31,798	8,218	7,611	7,797	8,172	11,060
a) internal expenditure	23,074	26,100	28,712	28,879	7,218	6,930	7,140	7,591	8,177
b) external expenditure <sup>3)</sup>	641	1,139 <sup>r)</sup>	3,149 <sup>r)</sup>	2,919	1,000	681	657	581	2,883
3) Surplus (+) or deficit (—), total	+1,989	+1,215 <sup>r)</sup>	—2,356 <sup>r)</sup>	— 410	— 555	+ 14	+ 53	+ 78	—3,172
a) "internally effective" (1a less 2a)	+2,602	+2,179	+ 670	+2,106	+ 328	+ 480	+ 694	+ 604	— 303
b) "externally effective" (1d less 2b)	— 641	—1,049 <sup>r)</sup>	—3,109 <sup>r)</sup>	—2,794	— 890	— 675	— 654	— 575	—2,877
<b>II. NATO Powers</b>									
Increase (+) or decrease (—) in funds deriving from the Federal budget	—	—	+ 116	— 106	— 45	— 43	— 18	—	— 4
<b>III. "Internally effective" surplus (+) or deficit (—) of Federal budget and NATO powers (I 3 a + II)</b>	+2,602	+2,179	+ 786	+2,000	+ 283	+ 437	+ 676	+ 604	— 307
<b>IV. Equalisation of Burdens Fund</b>									
1) Cash receipts	*	3,790	3,499	3,493	881	877	833	902	923
2) Cash expenditure	*	3,547	3,458	3,887	950	951	862	1,124	850
3) Surplus (+) or deficit (—)	— 142	+ 243	+ 41	— 394	— 69	— 74	— 29	— 222	+ 73
<b>V. Länder</b>									
Increase (+) or decrease (—)									
1) in cash resources maintained with Bundesbank <sup>4)</sup>	— 289	+ 85	+ 87	— 22	+ 221	— 20	— 231	+ 8	+ 453
2) in cash advances borrowed from Bundesbank	+ 144	— 104	— 18	— 15	— 38	+ 6	— 22	+ 39	— 65
3) Balance (1 less 2) <sup>5)</sup>	— 433	+ 189	+ 105	— 7	+ 259	— 26	— 209	— 31	+ 518

<sup>1)</sup> In-payments on the Federal accounts at the Deutsche Bundesbank less receipts from the incurring of debt; including repayment of credits previously granted to public authorities. — <sup>2)</sup> Out-payments from the Federal accounts at the Deutsche Bundesbank less expenditure on redemption of debt; including lendings to other public authorities. — <sup>3)</sup> External debt service, foreign exchange payments under the Israel Agreement, payments and advance payments for armament imports, contributions to international organisations, expenditure on diplomatic missions, etc. — <sup>4)</sup> Including funds employed in money-market paper through Bundesbank. — <sup>5)</sup> The balance is not comparable with the final results recorded for the Federal budget and the Equalisation of Burdens Fund (cf. items I. 3 and IV. 3). In the years specified above the Länder had continuously shown an excess of expenditure which however was largely covered by borrowing on the capital market (in 1958, about DM 1 billion), and partly by recourse to deposits at banks other than the Bundesbank. — <sup>r)</sup> Revised.

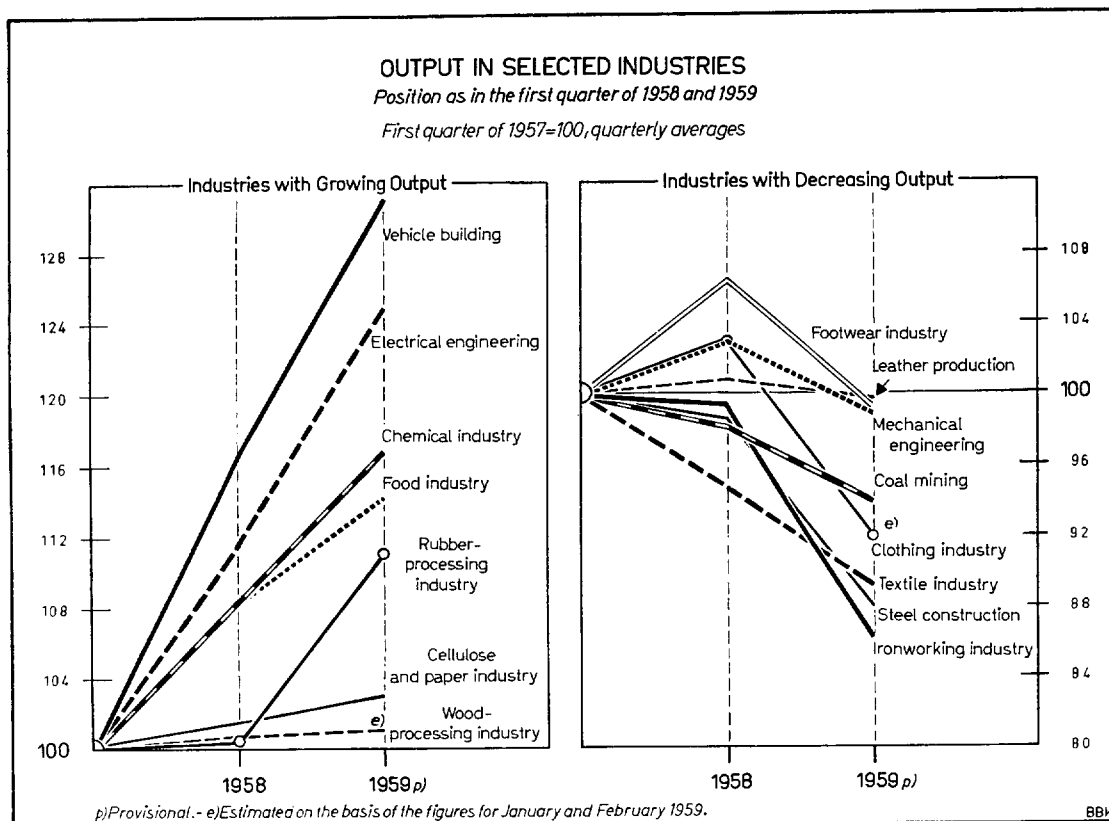
The effect which this renewed increase of the Federal Government's internal surpluses produced on the overall economic situation must not of course be over-estimated. In the first place, against the internal surpluses of the Federal Government there was an increased deficit on the Equalisation of Burdens Fund. In 1957/58 that Fund had shown a deficit of something over DM 80 million; in 1958/59 its ordinary receipts fell short of its expenditure by about DM 250 million, if the changes in its indebtedness are left out of account. It is true that on balance the Fund was able to cover the whole of this deficit by borrowing in the open market, hence no doubt largely through the use of savings; but the effect was nevertheless on the "expansive" side, quite apart from the fact that at first in the 1958 calendar year the Fund drew on the large cash balances which had been at its disposal at the start of that year, thereby putting some DM 300 million of Central Bank money into circulation. The Länder also had to resort to the credit markets in 1958 even more than in the previous year, and consequently counteracted rather than reinforced the tendencies to neutralise money. Finally it must be borne in mind that the Federal Government's foreign payments were certainly not completely neutral in their internal effect, because in part they enabled foreigners to maintain their purchases from the Federal Republic at a level higher than they would probably otherwise have done; indirectly therefore the large deficit on the Federal Government's foreign cash trans-

actions may be assumed to have contributed to the large surplus on goods and services in the period under report. That however does not alter the fact that the increased surplus on the Federal Government's internal cash transactions absorbed over DM 2 billion of the large gross additions to the "volume of money" (excluding public authorities' Central Bank balances), some DM 6.8 billion of those additions having been due to sales of foreign exchange to the banking system alone. Clearly this did much to supplement the effect produced on demand by the increase in saving activity.

*b) Setback in some Branches of Activity*

The critical sectors

A further fact of great importance to the overall economic trend in the period under report was that in some branches of activity, especially coal mining, ironworking and certain consumer goods industries, the sales difficulties which had already partly appeared in 1957 continued, and now also more seriously impaired the level of production and employment in the industries concerned. Consequently significant branches of activity no longer shared in the expansion which still continued, although in lesser degree, for the economy as a whole; they had on the contrary to cut their output, to introduce short-time working and in some cases even to dismiss workers, who however as a rule promptly found employment elsewhere. Thus in December 1958 the production index was lower than in December 1957 by about 6 per cent in coal mining, almost 19 per cent in ironworking and 7 to 9 per cent in textiles, clothing and the



footwear industry. At the same time the number of short-time workers in these industries rose by about 40,000, and that of the persons employed fell by about 120,000 or 5 per cent.

Effects of the "stock cycle"

Some of the causes of these difficulties were described in last year's Report. Then, in accordance with the situation at the time, the main emphasis was laid on the slackening tendencies which had resulted from the "stock cycle" of recent years. It was stated that between



1955 and 1956/57 buyers had tried to increase their stocks of goods under the impression of the then existing "sellers' markets", this tendency having been greatly strengthened by the Suez conflict at the end of 1956, and had accordingly placed large orders. In the course of 1957, our Report pointed out, that tendency not only ended as markets became progressively easier; it was actually replaced by its opposite, so that in various industries the amount of incoming orders greatly declined, and enterprises were finally obliged to allow for that fact so far as possible in their production arrangements in order to avoid involuntary accumulation of stocks as much as they could.

The factors described in that way last year continued in the period under report to account for no small part of the recession in coal mining as well as in some basic and consumer goods industries although, as will be shown in the following, it became increasingly clear in the course of 1958 that other factors were also important in that connection. Stock-cycle influences continued especially in the ironworking industry to be the determining cause of market deterioration and the resulting consequences. Home-market orders to the steel rolling mills, which form the most important final stage of the great and complex ironworking industry, showed a further large decline in the second and third quarters of 1958; and although these declines were partly made good by larger orders from abroad, the total orders reaching the mills in the second half-year were nevertheless smaller by about 16 per cent than in the corresponding period of the year before. At the same time a substantial part of the orders which had been previously given but not yet carried out were cancelled. As late as the beginning of the year the industry had been trying nevertheless to maintain its level of production by working off more order backlogs, or by itself putting part of the current output into stock. With the rapid contraction of the order backlog however this became more and more difficult, so that from the spring of 1958 onwards cuts in output could no longer be avoided. The production of rolled steel finished products in the fourth quarter of 1958 was smaller by well over a fifth than a year before. This decline however was due solely, apart from the quantitatively less important decrease in the export surplus, to the "stock cycle". This is shown by the fact that according to all available evidence the ultimate domestic consumption of steel did not decline at all in the same period, but if anything rose under the influence of the increase in investment activity; thus the fall in the amount of home-market orders was due simply to the running down of stocks by traders and manufacturers. In fact the stocks of rolled steel in the hands of traders dropped from about 1.2 million tons at the end of the first quarter in 1958 to around 900,000 tons at the close of that year; and in the first months of 1959 this process continued. Now indeed, in accordance with the laws of the stock cycle, a gradual stabilising and revival of production is beginning. That is to say, as the stocks held by steel users become more normal in amount, so the amount of orders placed comes closer once more to the level of consumption (which continues to rise), and the basis for the industry's production programmes becomes firmer. Prospects in the steel industry are in fact notably brightening at present, more especially since foreign orders have recently again been quite considerable as the result of a wave of precautionary buying emanating from the United States, and thus are outweighing the depressive influences which devaluation of the French franc induced in some sections of the steel markets. Until very recently however the sales difficulties induced by the stock cycle, and the consequent declines of output in the steel industry, were a factor which, beyond the narrower limits of the steel industry, was appreciably influencing overall economic conditions.

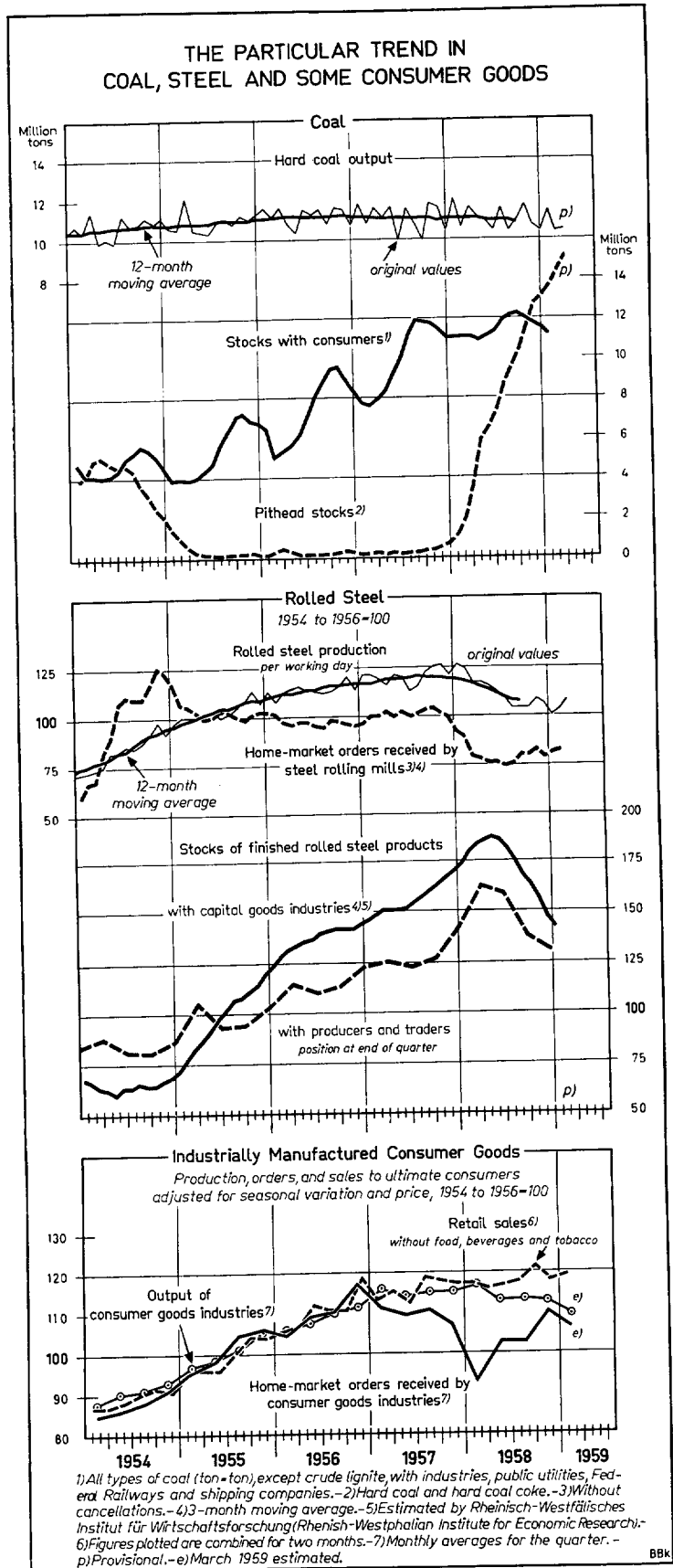
In some of the "traditional" consumer goods industries too, especially textiles and clothing, business in the period under report was still affected by slackening tendencies due to the stock cycle. It is true that, apart from seasonal fluctuations, the amount of orders reaching the consumer goods industries has not declined further since the spring of 1958; but at least until the autumn their amount was kept down, this again being largely due to traders' efforts to reduce

The trend in steel as prototype of a "stock-cycle-induced" downturn in economic activity

Cyclical and structural sales difficulties in some consumer goods industries

their stocks, which had reached a rather high level at the beginning of 1957. As a rule indeed the movement in retail turnovers has been more favourable than that in orders given to producers and in production — just as in the steel sector actual consumption has further increased, while the orders reaching industry, and finally the output too, have declined.

In addition however the difficulties in some consumer goods industries, unlike the steel industry or at least much more than there, are also due to more deep-rooted processes and changes. Some of the “traditional” consumer goods industries have undoubtedly been hit by relatively long-term shifts in consumption. In the course of 1957 the process of satisfying the backlog demand which had arisen in the difficult years during and after the war clearly came to an end. Through the social insurance pension reform which was carried through in that year, and through the still considerable increase between 1955 and 1957 in the total number of gainfully employed persons (together with an appreciable rise in the level of wages and salaries for the lower income groups in particular), categories of people who until then had been “step-children of the economic miracle” obtained an opportunity to make greater purchases. Yet the fact that precisely these categories during the last two years evidently saved a large part of their additional income shows that for many



goods the demand has returned to normal, and that consequently producers can now expect only comparatively small rates of growth. But it is to that class of producers that some of the traditional consumer goods industries, especially those producing textiles and clothing, belong; they must reconcile themselves to the fact that consumer demand is now turning more to other goods and to services, and that therefore they are at the beginning of a period of relative stagnation unless they are able to adjust themselves to the altered market conditions.

To this however there was added a further factor, namely the increased competition of foreign countries. For a relatively long time some of the consumer goods industries had been able to rely on the fact that they were virtually assured of the home market, not only because of the great backlog demand there but also in view of the import duties in force until two or three years ago, as well as of certain import quotas which had at first been established purely on foreign exchange grounds and — not least — of the fact that foreign competitors had for years been fully occupied through the excess demand on their home markets and in other countries. This state of affairs however changed when the progressive reduction which the Federal Republic effected during the last few years in tariffs and quantitative import restrictions coincided with a notable fall in the excess demand abroad. To an increasing extent foreign competitors now appeared on the scene. Imports of finished textile goods rose from DM 869 million in 1956 to DM 1,129 million in 1957 and DM 1,252 million in 1958; similarly those of finished leather goods rose from DM 172 to 235 and 261 million. The fact that this may not in all cases have been normal competition has already been indicated above. No doubt however only a small part of the pressure coming from abroad can be explained in this way; for the rest it is doubtless due to the fact that, since the boom ended in wide sections of the world's economy in the manner described above, foreign competition has no longer been kept in check in the same way as before by the home demand of the countries concerned and that German industry has no general advantage at all in respect of prices and costs. The difficulties that have now arisen in some sections and especially in the textile industry represent, in other words, frictional losses which are inevitable when full international competition is restored, and which nobody — however ready to alleviate hardships — can oppose unless he means to advocate a national protectionistic economy doing away with full entrepreneurial responsibility. This by no means implies any pessimistic forecast of the future course of business for many of the "traditional" consumer goods industries. During the last few months on the contrary more favourable prospects have been opened up under the influence of the reaction which here also is gradually beginning to take effect against the downward phase of the stock cycle, but also with the help of price reductions, which visibly assisted large-quantity sales. The amount of incoming orders has in fact notably risen, and production has no doubt passed its low point. Probably however the increase in activity will continue to be impaired by the structurally induced sales difficulties, which in the last year or two have been added to the effects of the downswing caused by the stock cycle.

In coal mining too, this being the third major area of setback in an economy which otherwise continues to be expansive, the sales difficulties apparent since the autumn of 1957 were more and more clearly proved in the course of last year to be largely structural. No doubt here also stock-cycle influences and repercussions have been and are an important factor. When for instance after the Suez crisis at the end of 1956 and beginning of 1957 it became increasingly clear that coal was unlikely to remain scarce, its users not only of course ceased the stockpiling which they had been doing until then but even tried to reduce their quite large stocks of coal. Last year's large cut in steel output — due almost entirely to the stock cycle — also caused an appreciable fall in the coal mines' sales; in 1958 the ironworking industry used 2.2 million tons less coal than in 1957, which amounts to almost a fifth of the increase in pithead stocks during that year. In addition however there were some cuts in consumption of evidently less temporary character, due in particular to progress in rationalising the use of power and to the rapid increase in the consumption of fuel oil. Consequently the country's total consumption of coal in 1958 was

The coal crisis

smaller than in 1957 by 12 million tons, or about 9 per cent, about 4 million tons of the decrease being probably due to replacement of coal by fuel oil; fuel oil consumption in fact rose from 5.4 million tons in 1957 to 7.9 million tons in 1958. On the other hand it did not prove possible so to improve the balance of trade in coal as to make good, in any major degree, the shortfalls in home-market sales. At 16.5 million tons in 1958 the imports of hard coal (including coke) were smaller than in 1957 by as much as 5.6 million tons; but at the same time exports fell from 23.6 to 21 million tons so that, with home-market sales down by 14 million tons, the export surplus rose by only 3 million tons. One factor in this connection was the relative inflexibility of imports, which to a large extent had been fixed in amount for years in advance through contracts made in the time when there were sellers' markets for coal; besides this however imported coal was in some cases cheaper (especially owing to the fall in freight rates) than home supplies, more particularly since the home-market price for coal had again been raised in the autumn of 1957.

In view of this marked narrowing of their possibilities of sale the coal mines were of course increasingly obliged to adjust their output accordingly. At first however they achieved little success in doing so. It is true that from February 1958 onwards shifts were stood off and underground workers leaving the mines were left unreplaced on a growing scale; but the effect of these measures was at first outweighed by a rise in shift-outputs of the underground workers, most of whom are on piece-work, so that in the first three quarters of 1958 more, not less, coal was produced than in the corresponding period of the previous year. Only from the fourth quarter onwards did it prove possible to bring output down appreciably below the level of a year before, although not nearly by so much as would have been necessary in view of the course of sales. Until very recently, therefore, pithead stocks have shown disquieting growth. At the end of 1957, with hard-coal coke included, they had amounted to 750,000 tons. At the end of 1958 they reached upwards of 13 million tons; and by the end of March 1959 they had grown to 15.2 million tons, which compares with a monthly average output of about 11 million tons of hard coal in 1958.

In order to stop this movement the Federal Government has adopted since the autumn of last year a number of measures designed to promote sales, especially in the home market; much the most important of these measures comprise preventing the conclusion of further coal import contracts, liquidating contracts which already exist, and introducing a duty of DM 20 per ton on coal imported from countries not belonging to the European Coal and Steel Community, with the allowance of a duty-free quota for certain users in the coastal region of the Federal Republic in particular. It is assumed that this will assure home-produced coal of much greater sales than in the previous year, especially if certain users' current purchases should again increase, as they well may in view more especially of the trend in the steel industry. Nevertheless it is unlikely that more drastic output cuts than those so far applied can be avoided; on the contrary the closing down of marginal pits and reduction of output at the rest are likely to become increasingly urgent; the reduction, which becomes effective on 1 May 1959, of the working time in coal-mining to five working days per week already is an important step in this direction. Coal mining will consequently continue to exert a certain downward influence on overall economic activity, although it may be assumed that this pressure will be substantially alleviated by the compensatory measures which have in fairness been contemplated for the benefit of those affected by the cuts in output, while moreover, in view of the expansive tendencies existing in other sectors, that pressure will probably be of small importance in the overall economic picture.

As regards this last point, the course of investment activity in particular justifies a certain optimism.

#### *c) Increasing Investment Activity*

The main facts

Since last year investment activity has again definitely become the mainstay of economic activity and the driving force impelling the continuance of expansion. To take first the main

facts one finds that at DM 49.2 billion the gross investment in fixed assets during 1958 was greater by DM 3.1 billion or 6.7 per cent than in 1957, when it had increased by only DM 1.8 billion or 4.1 per cent. On a half-yearly view the upward trend becomes even clearer inasmuch as, while in the first half-year total investment had exceeded that in the corresponding period a year earlier by only 4 per cent, the growth-ratio in the second half-year was 9 per cent. Even more instructive is the movement of net investment in fixed assets, that is of investment less depreciation. In 1957 the expenditure on such investment — representing the really expansive part of investment as a whole — had fallen short of the amount for 1956 by nearly DM 700 million; in 1958 on the other hand it was above the previous year's figure by about DM 1 billion, the upward trend thus being clearly resumed.

It is well known that in this movement the lead is taken by the capital expenditure on building, especially for housing and on public account. Activity in both these categories had fallen sharply in 1956/57; since last year however it has again been vigorously rising and, to judge by the amount of planned building and of the construction projects which have already been started but not yet finished, 1959 may become the "best building year" to date. The increase in equipment investment is by comparison much more moderate, at least on a quarterly or half-yearly view and with the inclusion of planned projects; but here again there has been apparent since last year a rise which stands out clearly against the slackness in 1957.

The impulses behind this rise came clearly from the easing of the capital market and from the accompanying reduction of the long-term interest rate. This especially stimulated those capital projects for the financing of which borrowed capital has usually to be obtained on a relatively large scale, just as investment in them had been impaired more than that in other projects by the narrowness of the capital market and the rise in interest rates between 1955 and 1957; that also explains why housing, and building for account of the public (mainly local) authorities, had decisively determined the ups and downs of investment activity during the past three years. But the change in the capital market has been of fundamental importance for the other forms of capital investment also. It is well known that when the marginal yield of capital is falling the maintenance of an adequate volume of investment increasingly depends on whether the interest rate conforms to that movement, thereby making further investment profitable. In point of fact the marginal yield on capital has recently more and more declined, especially because wage costs have grown and the general state of the market no longer simply permitted the passing on of the higher costs in the price; there is a clear indication of this in the fact that last year the proportion of entrepreneurs' income to the national income already showed a marked decline, which exceeded that in the ratio of the number of self-employed persons to the total gainfully employed. If indeed the market rate of interest had not moved in the same direction, an undesirable discrepancy would certainly have arisen between capital costs and the marginal yield obtainable, and the propensity to invest would have decreased instead of increasing. As it was however the movement in interest rates not only supported but clearly strengthened the propensity to invest, thereby ensuring that — at a time when the dangerous inflationary impulses which growth had for some years been receiving, especially from outside, were weakening — internal investment activity became once more the determining motive force and did so without this endangering the attainment of financial stability.

The reason why this was possible is very largely that the process of lowering interest rates was not induced by monetary manipulations, but rested on the great increase in saving activity that has already been mentioned. Saving in fact held a key position in the happy causative connection which last year brought about both a new investment boom and stabilisation of the price level. In these circumstances it is foolish to suggest that the formation of savings might almost have become "too great". At the most, savings present a danger to the trend of activity and to economic growth only if they fail to lead to corresponding investment, whether at home or abroad, which normally points to inadequate adjustment of interest rates and to a failure

The causes:  
Easing of the  
capital market  
and lowering of  
interest rates

Savings formation  
too great?

of the monetary mechanism or the credit apparatus. During the period under report however, as the increase in capital investment clearly shows, there was no lack of that transforming of savings into investments which is needed for maintaining expansion; on the contrary, investment activity reacted in remarkable fashion to the increase in saving activity and to the resultant effects on interest rates.

No boom tendencies

On the other hand, as already indicated, the renewed increase in investment has up till now been far from producing any fresh exaggeration of activity. It has supported activity and ensured slight further expansion; but there is hardly any field in which it has generated new strains objectionable on overall economic grounds. The previously mentioned fact that the lowering of interest rates was not "unnatural", because basically it did no more than offset other — adverse — influences on the propensity to invest, is of decisive importance in this connection. In part it also explains why the amount of additional bank credit taken has so far been relatively small. During 1958 short-term bank lendings to business and private customers grew by only a little over DM 100 million (against DM 1.5 billion both in 1957 and in 1956, and DM 2.9 billion in 1955); and the increase in the banks' longer-term lendings (mainly granted by mortgage institutions and savings banks), and their security holding, have remained roughly within the limits of the simultaneous accrual of relatively long-term resources, although this year unlike the two previous years they have begun to approach those limits. So far therefore the trend in the propensity to invest has not been such as to induce any major fresh expansion of short-term bank credit.

It is above all in industry that investment activity is relatively slight. It need hardly be said that in those industries which have recently suffered from appreciable sales difficulties the readiness (and in some cases also the financial ability) to engage in fresh investment is not great. But in the other industries too the desire to invest is in many cases checked by the fact that often the extent to which existing capacities are employed has fallen below the optimum. In general therefore industry's plans and orders for capital investment fall considerably short of the plans and orders for house construction, and of the public authorities' investment activity, in which building projects are also the element of decisive importance. Consequently in most of the capital goods industries in the narrower sense of that term there continues to be a substantial margin of productive capacity, which makes itself clearly felt in the market. But even in the building trade, which this year will again have to satisfy very large requirements, it should be possible to avoid dangerous strains as between demand and productive capacities because these latter have been greatly enlarged during recent years, while with the level of employment in other branches of activity stationary or even declining there are greater reserves of labour available than for instance in 1955 and 1956. The fact that building activity started relatively early this year will also certainly bring some relief<sup>1)</sup>.

### 3. Stabilisation of the Price Level

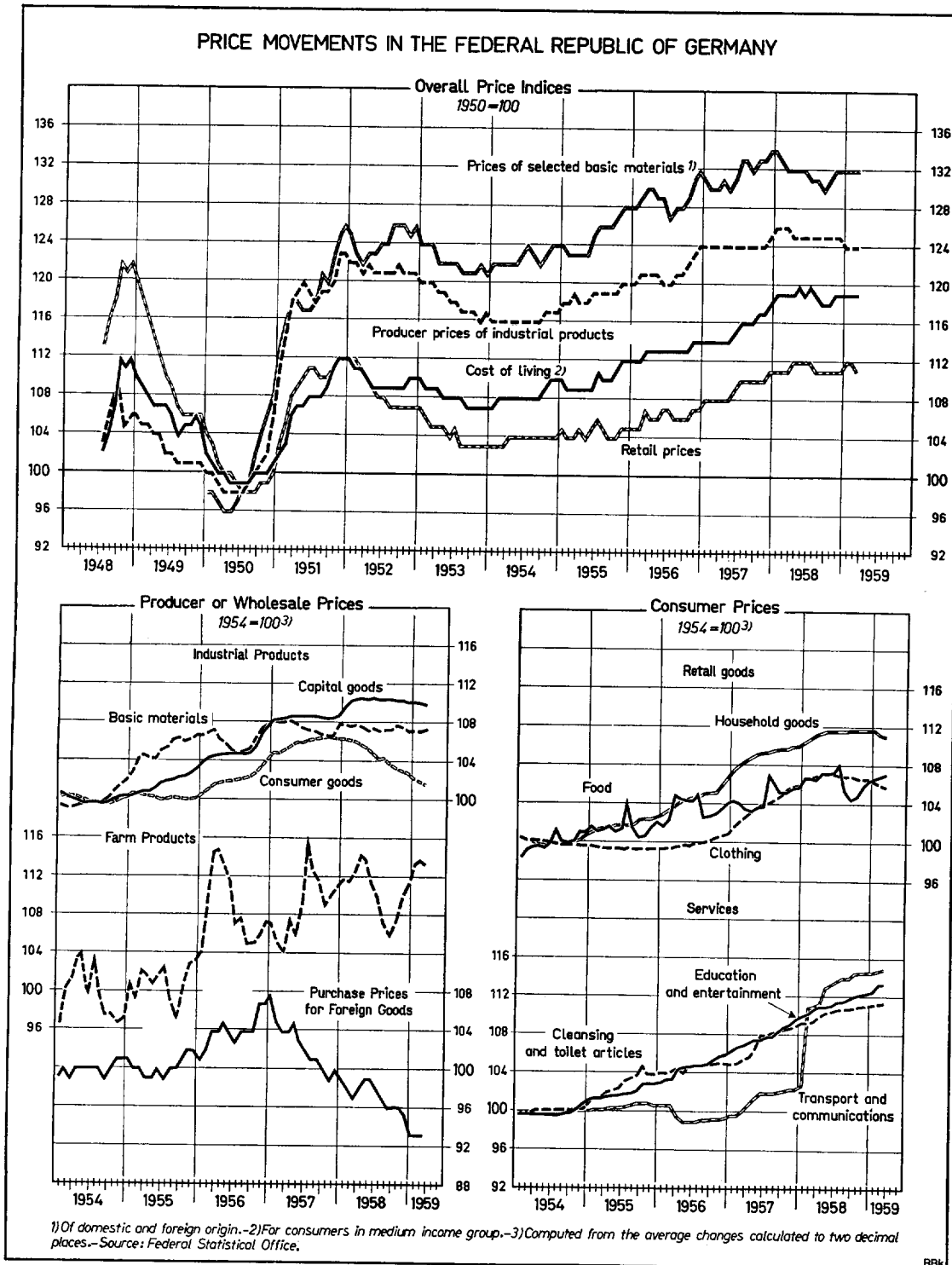
#### *a) The Facts*

The price indices . . .

Although therefore the economy's expansion has continued, mainly thanks to the increase of investment activity, in no category has the growth of demand been so great that it could not be covered without appreciable friction through enlargement of output and the volume of imports; from the angle of the economy as a whole indeed, as already mentioned, the growth of demand has fallen notably short of that in production capacities and productivity — more particularly because the "capacity effect" of the capital investments effected in past years has in general been greater than the "demand effect" entailed by the increase in employment and turnovers which results from the starting or execution of capital projects. Accordingly the market relaxation which had already been a feature of the economic activity in 1957 continued and in

<sup>1)</sup> See in this connection the Monthly Report of the Deutsche Bundesbank for January 1959, page 37 and following pages.

some cases even became greater during the period under report. But that is not what is really remarkable. What matters is rather that in 1958 this progressive improvement of market conditions was at last also reflected in the movement of prices, whereas up till the spring of 1958 the price level had steadily risen further despite the growing relaxation of cyclical tensions.



Nearly all the major price indices clearly reveal this change. Since May 1958 the cost of living and retail prices have no longer risen, but if anything slightly declined; producers' prices of farm products in general remain at their May 1958 level; since the beginning of 1958 the indices for producers' prices of industrial products, on the basis 1950 = 100, have fallen by about 2 points, from 126 to 124; and basic material prices, despite the relatively great weight assigned within the overall index to the prices for German farm products (which have hardly fallen or have even risen), have shown approximately the same movement.

... and their  
indicative value

In reality the change in the trend of prices was perhaps even more marked. The price indices here discussed are in all cases based on "official" prices as reflected in the official price quotations, in enterprises' price lists, in retail shops' marking of goods and in similar ways. Under the pressure of market conditions however many goods have been sold for less than the "official" prices, partly through discounts allowed to particular customers, or by direct purchases from producers or wholesalers (with retail traders eliminated) becoming more important. Recent enquiries among selected groups of consumers have at all events shown that in certain occupational categories up to nearly 45 per cent of the persons to whom enquiries were addressed (the overall average being 27 per cent) bought individual articles for less than the "official" retail prices. It is also possible that the weighting schemes used in individual indices do not fully reflect the importance of various price falls, because the weight assigned to the goods in question in the indices is smaller than would correspond to their present share in consumption. In the course of last year for instance much attention was attracted by a Federal Statistical Office calculation according to which the rise in the cost-of-living index between 1950 and 1957 was much smaller if the index was weighted according to the pattern of consumption in 1957 instead of 1950. Whether it is proper to conclude from this that for the last two years too the index does not reflect quite correctly the actual burden placed on consumers by price increases is of course a separate question, which in the absence of sufficient data cannot be immediately answered in the affirmative; but it cannot be denied that, if only by reason of unofficial price reductions, there have recently been further price reliefs which the official indices are by their nature unable to record.

#### *b) The Bases of the Stabilisation*

Market relaxation

Basically this turn in the price movement had already for some time been inherent in the economic trend, which as we saw had been characterised since the autumn of 1956 by progressive relaxing of the market situation, not least because of the energetic credit restrictions with which the Bundesbank had countered the boom in 1955 and 1956. The effect of this relaxation on prices was however at first outweighed by the fact that certain officially controlled or influenced prices were raised. A particularly great effect was produced by the raising of coal and steel prices in the autumn of 1957, and by that of many transport and public utility charges in the winter of 1957/58. Naturally it was impracticable immediately to offset these price rises through price reductions for other goods and services; and so nearly all the price indices showed, just during the 1957/58 winter months, a further marked rise. The movement of wages was also a factor in this connection. In 1957 that movement had still been dominated by the strong negotiating position which wage and salary earners had achieved through the attaining of full employment in the previous two years; it was moreover not until 1957 that many wages and salaries, which had not joined or had only in part joined in the 1955 and 1956 upward wage movement, were adjusted to the wage and salary level of the leading groups. Average hourly earnings therefore rose in 1957 by a further large amount; and this neutralised a part of the influences which the current trend of markets was otherwise exerting on prices.

Demand inflation and  
cost inflation

In its last Annual Report the Bundesbank described this phase by saying that the previous "demand inflation" had been replaced by a "cost inflation", which at first cloaked the cyclical price tendency. The use of this pair of terms originating from Anglo-Saxon economic theory encountered opposition in some quarters at the time because, it was said, it made little



difference whether prices rose under the influence of demand or of costs; costs were after all prices too, it was argued, and in any case higher costs could be passed on in prices only if demand permitted this. Against these arguments we pointed out a year ago that in practice it does make a great difference whether prices rise because there is a general excess demand pushing them up quite independently of the cost movement, or whether the primary impulse comes from costs, namely — as in that period — from wages and from the raising of certain administratively regulated prices and charges which are important cost elements for the rest of the economy. In the former case, we said, the rise in prices involves a tendency to a general increase in profits and hence to a hastening of the price rise, whereas in the latter case the profit margin for the greater part of trade and industry tends if anything to contract, because in such circumstances the rise in prices usually lags behind that in costs and may in some cases even prove impossible to effect; therefore, we maintained, a “cost inflation” normally contains within itself a tendency to “self-braking”.

The further course of events did in fact confirm the correctness of this diagnosis, on the basis of which the Bundesbank had incidentally ventured already to relax the reins of credit policy at a time when the price indices were still rising. As soon as the great price rises induced or largely influenced by administrative acts between the autumn of 1957 and the beginning of 1958 had been “digested”, the tendencies to stabilisation of the economic trend prevailed. Wage increases moreover became smaller under this influence. Measured by the changes in the current annual average the hourly wages of industrial workers grew in 1958 by 7 per cent, against 9 per cent in the previous year; and much the greater part of the increase occurred in the first half-year because in the second fewer collective agreements were denounceable and, so far as such agreements were denounced and renegotiated, the increases fell short of those in the first half-year. To a large extent this moderation was due to the trade unions’ realising that further great wage increases would have jeopardised the stabilising of the price level; probably however it was also due to the fact that the employment situation had deteriorated not only in the industries suffering from obvious sales difficulties but also in other branches of activity, at least in so far as short-time working had in some quarters replaced the previously usual overtime, while it was rightly feared that further substantial wage increases might reinforce that tendency by straining enterprises’ earning power beyond the critical limit. In the last analysis therefore there has been evidence of a certain “self-braking” of the cost inflation in that sphere also.

During the period under report, it is true, wage increases continued to exceed the rise in productivity. If this latter is measured by the output per working hour, then at least in industry the 1958 wage increases outstripped the advance of productivity by even more than in most of the preceding years, since in 1958 the average hourly earnings of industrial workers were greater by 7 per cent than in 1957, whereas the output per man-hour exceeded that in the previous year by only some 5 per cent. With the inclusion of employees’ salaries, therefore, the wage and salary costs per production unit rose by about 3 per cent. The fact that the price level nevertheless became stabilised was largely due to the above-described easing of the market. Because of the related strengthening of competition it became appreciably more difficult and in some cases impossible to pass on the cost increases in prices, so that these increases had to be absorbed in the profit margin, and consequently led at first merely to a shift between employers’ incomes and wage and salary incomes.

### *c) Wage Policy and the Safeguarding of Price Stability*

From these facts however it cannot be concluded, for instance, that in this respect no anxiety need be felt as regards the future either. There is no doubt that the absorption of the last twelve months’ wage increases was assisted by a number of circumstances which were of a more or less non-recurring nature. One significant fact was that a large proportion of enterprises one or two years ago had been in a much more favourable position as to profits than to-day, while

The influence of  
the wage movement

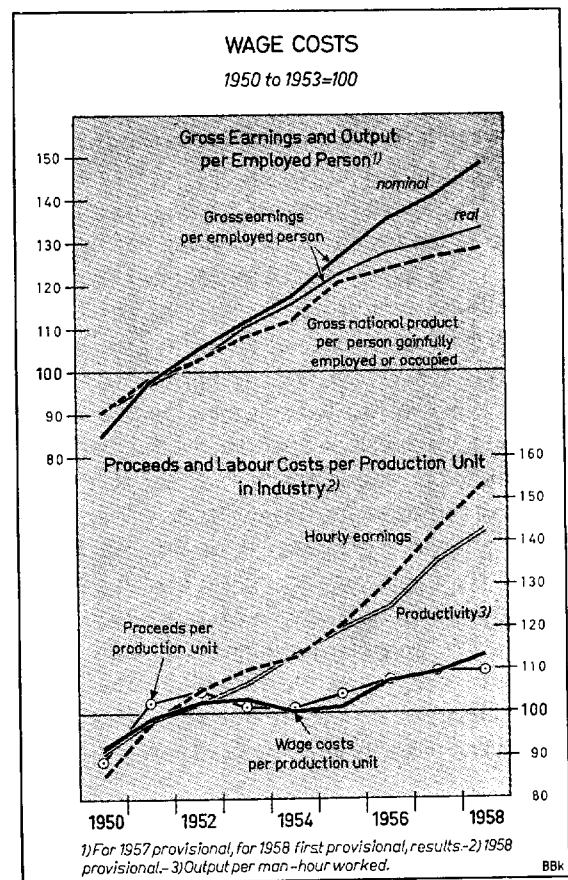
The absorption of the  
1958 wage increases  
without effect on prices  
creates no precedent

by now the profit margin has in many cases greatly contracted. It was a further great stroke of luck that many industries, in particular the textile industry with its great selling difficulties, found in the fall of raw material prices a certain compensation for the rise in wage costs; in some cases moreover last year's tax reductions have made the wage increases easier to bear. There was the further fact that conditions last year were still much affected by the great rise in the saving ratio which had started in 1957. The wage increases' effect on purchasing power was consequently smaller than their effect on costs, and this made it much more difficult to pass on the higher wage costs in prices; last year's rise in the saving ratio in fact formed one of the most important obstacles to continuance of the price rises. For the future however it is not safe to rely on the saving ratio rising to an extent similar to that in the last two years, since this would seem to have represented to some extent only a reaction to the smaller saving activity in the two preceding years; last year, as will be remembered, the rise in the saving ratio already became appreciably slower. More particularly however it should be pointed out in this respect that the interest rate reduction, which so far has largely offset the adverse effect that the lowering of the marginal return on capital would otherwise have produced on the propensity to invest, also has its limits — which may no longer be far off. In future therefore wage increases substantially in excess of the improvement in productivity would probably entail fresh upward price tendencies or, if in the existing state of the market it proved impossible to raise prices sufficiently, would impair the level of employment as they have already clearly done more especially in the United States during the last year or two. The possibility that such wage increases might also produce a consequence of that kind is all the greater inasmuch as in the event of a lasting upward price trend the Bundesbank could not remain neutral in its credit policy, but would have to try, by making borrowing more difficult, to counteract the adjustment of demand to the rising costs.

The problems of expansive wage policy

These considerations also bring out clearly how questionable a course it would be to meet the tendencies towards recession by an expansive wage policy or, even worse, to seek to hasten economic growth by that means. Rises in wages increase not only the masses' purchasing power but also production costs; and persistence of the increase in purchasing power depends entirely on how the increase of costs is digested. If this latter increase depresses profit margins (and that is always possible if prices — as is indeed expected — do not move in sympathy), then the purchasing power effect of the wage rises may also easily become illusory because then, as already stated, apart from the impairment of entrepreneurs' income (which is inevitable in this case), the level of employment may possibly be affected too. There is, moreover, no guarantee that the additional income will be spent precisely on those articles the sales

of which are at the moment insufficient, and not on articles in which there is in any case a boom. If the additional income flows into channels which are in that sense "wrong", however, there is on the other hand a great probability that the wage rises will start at least partial price



rises under the influence of which the overall price level will also move upward. A balanced wage policy which, while confined to exhausting the possibilities offered by the economic growth, does not aim at being a factor impelling expansion is therefore likely to present the greatest advantage, not only from the point of view of the entire economy but also from that of all employed persons, and in any event to entail the smallest risks.

It is of special importance that wage policy shall be guided by overall economic considerations and not by any considerations applying to particular branches of activity. International experience shows that excessive wage increases result above all from people employed in branches of activity where the advances in productivity are relatively greatest trying to exploit those advances for their own benefit alone. The consequence is that even in those lines price reductions are rare, or at all events are so insignificant that they are not enough to make up for the price rises which inevitably occur — with the general increase of incomes — in branches of activity that are less open to technical rationalisation, such as in particular the service-rendering occupations. A steady rise in the general price level is then unavoidable. No doubt that also largely explains why even in periods of pronounced recession the overall price level no longer falls, but in some cases even rises further. It is well known that in the United States of America this fact caused considerable worry last year, and materially contributed to the Federal Reserve System's action in reapplying the credit brakes at a relatively early stage of recovery. But in the Federal Republic also there has so far been in the main only stabilisation of the price level, but not any appreciable reversal of the price rise that had taken place in recent years, even though the degree to which productive capacities are engaged has in general perceptibly declined, while in some industries there are definite sales difficulties and import prices have on the average fallen by 10 per cent since 1957. In this connection the continuing considerable size of most wage increases is, as already stated, a factor of importance.

Wage increases must not prevent partial price reductions

#### *d) The Importance of Entrepreneurs' being Flexible as to Prices*

The fact however must not be overlooked that to-day downward price reactions are in many cases also ruled out by the attitude of entrepreneurs. It is true that in recent years the prices of quite a number of articles have been considerably reduced in conformity with the fall in production costs (this applies for instance to radio and television sets, refrigerators and other household goods), just as some industries have indeed reacted to their sales difficulties by lowering prices; prices in the textile industry for instance have been reduced by some 10 per cent in the last twelve months. But in large sections of the economy there is certainly little readiness to overcome existing sales difficulties by means of price cuts, if necessary. In large part this is due to the rapid progress in concentration of plants and enterprises, to the increasing influence of association, to the ensuing propensity to act in conformity with the other enterprises in the same trade, and possibly as a joint "pressure group" to obtain assistance from the Government instead of expanding sales through price competition. The inflexibility which has thus resulted resembles the price rigidity conditioned by the trend of wages in being largely of a sociological and not an economic character. This hinders the Central Bank from acting against it, because such opposing forces could be combated only by very drastic use of the Bank's instruments. We have already drawn attention to this point in our last Annual Report; we now feel it our duty to refer once again to these matters, which seem to form the age-old problem of Central Bank policy. We would however emphasise once more that at the moment the sky has somewhat brightened in this respect, inasmuch as prices last year were stabilised or even somewhat reduced and at the same time, subject to all limitations and reserves as to the future, there were also signs of a certain sensitivity to cyclical facts in wage policy and in the formation of prices by entrepreneurs.

Enterprises' inadequate price reactions

### III. General Monetary and Credit Policy

#### 1. The Measures taken to reduce Interest Rates, and the Reasons for them

Lowering of  
the Bundesbank's  
discount rate and  
its selling rates

In view of this economic background there is little need to give further reasons why the Bundesbank continued the relaxation of credit policy which it had begun in the autumn of 1956, this being especially reflected in the repeated further reduction of its interest rates during the period under report. The Bank's discount rate was lowered on 17 January 1958 from 4% to 3<sup>1</sup>/<sub>2</sub>%, on 27 June 1958 from 3<sup>1</sup>/<sub>2</sub>% to 3% and on 10 January 1959 from 3% to 2<sup>3</sup>/<sub>4</sub>%, at which level it was down not only to the lowest level to date in German Central Banking history but also down to or even below the level of official discount rates in the leading money markets abroad. At the same time, as will be described in detail later, the Bank's rates for the sale of money-market paper were further lowered in a number of stages; and the effect of this reduction was temporarily reinforced by the fact that from the summer of last year to the beginning of 1959 the Bank confined to short-term paper — in the first place exclusively Treasury bills — the money-market paper which it sells and places in circulation (that is the "mobilisation paper" which the Bank issues on the basis of its Equalisation Claim on the Federal Government), thereby offering for surplus money-market funds the possibility of employment only at a very low rate of interest.

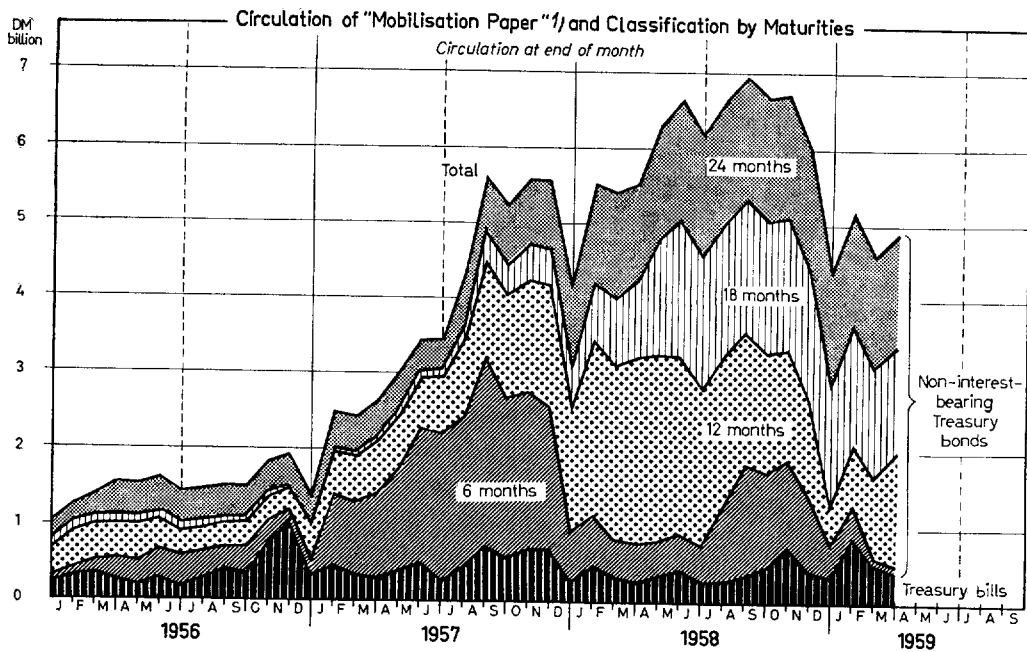
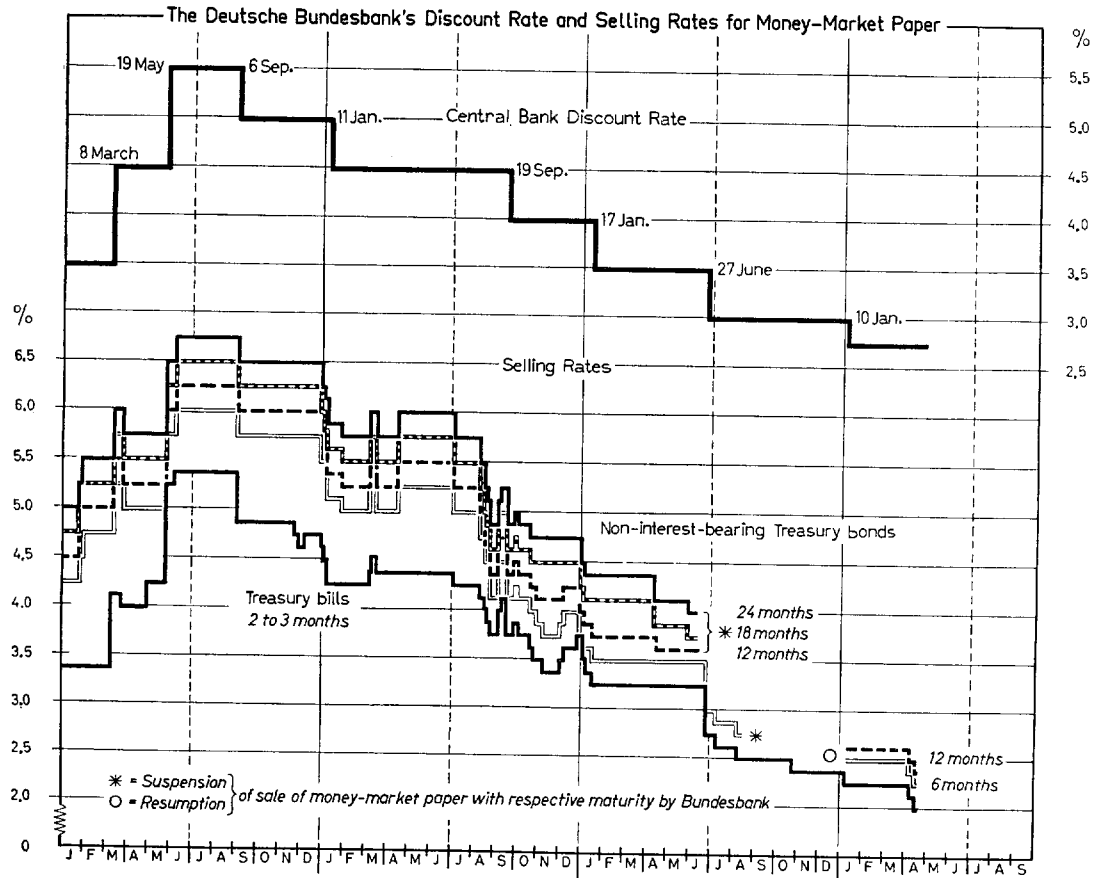
External and internal  
considerations

The reasons which led the Bank to adopt this policy have already been set forth in the last Annual Report. One was the desire gradually to bring the level of German interest rates closer to that in foreign countries with a view to thereby counteracting the persistent afflux of foreign exchange; the governing considerations in that connection will be mentioned later. But internal considerations also became more and more important. As to this it was highly material that on the stabilising of the price level the objections which had been raised a year previously in some quarters to the lowering of interest rates became baseless; this accordingly confirmed the Bank's expectation that the relaxing of credit policy on which it had ventured as early as the autumn of 1956, even though prices were then still rising, would not endanger consolidation because the steadying of the business cycle would probably remain stronger than the impulses emanating from the interest rate reduction. As we have tried to show on previous pages, however, the lowering of interest rates also increasingly became the reason why activity did not slacken further than was necessary for achieving a better balance in markets, but maintained a moderate upward trend that was compatible with the stabilising of the price level. It cannot therefore be said that internal economic conditions merely permitted, but did not in themselves require, the easing of the credit markets — the importance of which easing on external grounds was in general undenied. The external and internal advantages were on the contrary closely linked, more especially since without the maintenance of adequate internal expansion it would have become much more difficult if not indeed impossible to master the problems connected with the balance of payments.

Interest rate reduction  
— a product of  
Central Bank policy?

It would however be quite wrong to regard last year's considerable reduction of interest rates as an arbitrary product of Central Bank policy, achieved solely in virtue of that policy. On the contrary, in that process the Bank played a relatively passive part; and by its so-called policy of lowering interest rates it merely revealed tendencies which — as we shall see — resulted autonomously from the trend of the market (or, to be more precise, from the increase in savings formation), and which were most obviously reflected in the balance-of-payments surpluses together with the resulting upsurge of liquidity. To be accurate, indeed the Bank actually in some measure checked these tendencies by absorbing part of the accruing liquidity through its open-market operations, and thereby prevented even stronger downward pressure on interest rates, its object being to keep the reduction of these on orderly lines and not to expose it to the sometimes greatly fluctuating influences of the market alone. In doing so the Bank followed the policy which it had pursued in 1957, and which was said in our last Annual Report to have been characterised

## THE DEUTSCHE BUNDESBANK'S DISCOUNT RATE AND SELLING RATES, AND CIRCULATION OF "MOBILISATION PAPER"



<sup>1)</sup> Treasury bills and non-interest-bearing Treasury bonds of the Federal Government deriving from exchange of a corresponding partial amount of the Deutsche Bundesbank's equalisation claim.

by a strange but only seeming antinomy in the form of repeated interest rate reductions coupled with contractive open-market operations.

## 2. Interest Rate Policy, Open Market Operations and the Tendency to Greater Liquidity

Open-market operations During the period under report, and especially in the second and third quarters of 1958, there was ground for regulative intervention in the market through open-market operations absorbing liquidity. At that time the net accruals of exchange at the banks were again greatly increasing because the surplus on goods and services then reached a new peak, while the banks' net exchange position was no longer affected as it had been in the winter by the reflux of the speculative foreign monies which had flooded in during the summer of 1957. At the same time the banks' liquidity was not so much strained through the increase in the note and coin circulation as it often is for seasonal reasons in the last quarter of one year and the first of the next — just as at that time the drawing off of funds through the central authorities' above-mentioned "internally effective" cash surpluses remained within narrower limits than afterwards during the period under report. Between April and August 1958 the liquidity of banks therefore sharply increased, after having on balance altered only slightly in the previous six to seven months apart from the usual seasonal fluctuations. To reduce the resulting pressure on the market the Bank between mid-March and the end of August sold nearly DM 2 billion of mobilisation paper, much the greater part being non-interest-bearing Treasury bonds yielding at first up to  $4\frac{3}{8}\%$ . Consequently the total circulation of mobilisation paper rose to nearly DM 7.2 billion against DM 4.2 billion on 31 December 1957 and DM 1.4 billion on 31 December 1956. Within a little over eighteen months therefore the Bank had sold DM 5.8 billion of such paper, thereby taking from the market a corresponding amount of liquid funds. Clearly this quite materially slowed down the lowering of interest rates, thereby preserving that lowering process from a headlong pace which in the long run would only have been harmful to it.

From neutralising to stopping the afflux of liquidity

Of course however the Bank in doing so could not completely ignore the market tendency and sell its money-market paper at constant rates of interest despite the steadily rising demand. It is a law of the money market, like that of the market for goods, that with a growing excess of supply over demand there is a fall in the price, which in the case of the money market means the interest rate; the Bank was therefore only acting in conformity with the market tendency when it reacted to the growing increase in liquidity by lowering its interest rates.

If the Bank had acted otherwise it would merely have strengthened the tendencies to greater liquidity, and made them permanent, thereby bringing about a more and more difficult monetary situation.<sup>1)</sup> It is well known that surpluses on the current balance of payments, which in recent years have been practically the sole source of addition to liquidity, enlarge supplies in the money market only if the resulting net claims are not retained by trade and industry or the banks but are sold to the Central Bank. If the business community does retain such claims, or if the banking system takes them over, then at least no Central Bank money goes into circulation; in that event the Central Bank's gold and exchange holding does not grow, but the balance-of-payments surpluses on goods and services have against them a corresponding deficit on capital transactions, or in other words the goods and services surpluses are financed by trade and industry or by the banks while the foreign assets do not pass to the Central Bank. If on the other hand the net foreign claims are sold to the Central Bank, then Central Bank money flows to the other banks; and, alongside expansion of the money supply through the business community's sales of exchange, there will also be growth in the banks' liquidity and therefore in their ability and inclination to expand their assets-side business.

The extent to which the Central Bank is brought into the financing of the net claim on foreign countries depends in large measure on whether it is more advantageous to hold balances abroad or, by selling them to the Central Bank, to procure funds for corresponding employment

<sup>1)</sup> The Bundesbank has already dealt fully with this point in its Monthly Report for January 1959, page 4 and following pages.

*Money Supply in the Area of the Federal Republic\*)*

Increase (+) or decrease (—) in millions of DM

Items	Yearly figures				Quarterly figures				
	1955	1956	1957	1958	Year	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
I. Bank lendings to German non-banks, total	+13,547	+10,061	+ 9,987	+12,542	1957 1958 1959	+1,854 +2,528 +2,684 P)	+1,949 +2,678	+2,464 +2,812	+3,720 +4,524
of which: Short-term lendings to German non-banks (including holdings of domestic Treasury bills and non-interest-bearing Treasury bonds but excluding "mobilisation paper <sup>1)</sup> )	+ 2,593	+ 1,525	+ 2,592	+ 301	1957 1958 1959	+ 659 + 100 — 170 P)	+ 383 — 51	+ 244 — 451	+1,306 + 703
Medium and long-term lendings to German non-banks	+10,148	+ 8,574	+ 7,234	+10,544	1957 1958 1959	+1,120 +2,139 +2,373 P)	+1,398 +2,283	+2,155 +2,819	+2,561 +3,303
Holdings of German securities and syndicate participations (except bank bond holdings <sup>2)</sup> )	+ 806	— 38	+ 161	+ 1,697	1957 1958 1959	+ 75 + 289 + 481 P)	+ 168 + 446	+ 65 + 444	— 147 + 518
II. Formation of monetary capital at credit institutions out of domestic sources, total	+10,622	+11,124	+13,557	+11,598	1957 1958 1959	+4,061 +3,943 +3,346 P)	+2,174 +2,423	+3,604 +2,667	+3,718 +2,565
of which: Residents' savings deposits <sup>3)</sup>	+ 4,116	+ 2,909	+ 5,085	+ 6,737	1957 1958 1959	+1,473 +1,909 +2,225 P)	+ 802 +1,299	+ 835 +1,429	+1,975 +2,100
Residents' time deposits, total	+ 40	+ 1,850	+ 3,565	+ 1,013	1957 1958 1959	+1,512 + 872 + 119 P)	+ 404 + 55	+1,350 + 564	+ 299 — 478
including: at notice or fixed period of 6 months or more	(— 245) Pe)	(+ 621) Pe)	(+1,960) Pe)	(+ 1,494)	1957 1958 1959	(+ 540) Pe) (+ 849) (+ 335) P)	(+ 516) (+ 638)	(+ 583) (+ 179)	(+ 321) (— 172)
German bank bonds in circulation (except those held by credit institutions <sup>4)</sup> )	+ 1,551	+ 1,206	+ 969	+ 1,057	1957 1958 1959	+ 145 + 368 + 826 P)	+ 125 + 91	+ 342 + 282	+ 357 + 316
Monies and loans <sup>5)</sup> taken from German non-banks	+ 4,103	+ 4,345	+ 3,093	+ 1,667	1957 1958 1959	+ 697 + 464 — 174 P)	+ 516 + 596	+ 947 + 222	+ 933 + 385
Capital and reserves of the credit institutions	+ 812	+ 814	+ 845	+ 1,124	1957 1958 1959	+ 234 + 330 + 350 Pe)	+ 327 + 382	+ 130 + 170	+ 154 + 242
I less II: Surplus of domestic lending (+) or of domestic monetary capital formation (—)	+ 2,925	— 1,063	— 3,570	+ 944	1957 1958 1959	—2,207 —1,415 — 662 P)	— 225 + 255	—1,140 + 145	+ 2 +1,959
III. Net claims of banks on foreign countries <sup>6)</sup>	+ 1,667	+ 4,295	+ 5,066	+ 4,218	1957 1958 1959	+ 796 + 681 —1,627 P)	+1,570 +1,490	+2,445 +1,317	+ 255 + 730
IV. Central Bank balances of German public authorities <sup>6)</sup>	+ 881	+ 1,055	— 2,606	— 616	1957 1958 1959	— 67 — 579 —2,237	— 414 + 237	— 987 — 304	—1,138 + 30
note: Change in Central Bank balances of German public authorities <sup>6)</sup> due to domestic cash transactions	(+ 1,219)	(+ 1,846)	(+ 373)	(+ 1,962)	1957 1958 1959	(+ 793) (+ 280) (+ 632)	(+ 396) (+ 785)	(— 363) (+ 391)	(— 453) (+ 506)
V. Other factors <sup>7)</sup>	— 838	+ 230	— 182	— 1,007	1957 1958 1959	— 292 — 523 — 399 P)	— 169 — 249	— 492 — 542	+ 771 + 307
VI. Note and coin circulation <sup>8)</sup> and sight deposits of German non-banks without Central Bank balances of public authorities according to IV.	+ 2,873	+ 2,407	+ 3,920	+ 4,771	1957 1958 1959	—1,636 — 678 — 451 P)	+1,590 +1,259	+1,800 +1,224	+2,166 +2,966
VII. Residents' time deposits at notice or fixed period of less than 6 months	+ 285 Pe)	+ 1,229 Pe)	+ 1,605 Pe)	— 481	1957 1958 1959	+ 972 Pe) + 23 — 216 P)	— 112 — 583	+ 767 + 385	— 22 — 306
VIII. Domestic "volume of money" according to VI, plus time deposits at notice or fixed period of less than 6 months (VI plus VII)	+ 3,158 Pe)	+ 3,636 Pe)	+ 5,525 Pe)	+ 4,290	1957 1958 1959	— 664 Pe) — 655 — 667 P)	+1,478 + 676	+2,567 +1,609	+2,144 +2,660

\*) This survey differs from similar previous publications in that a new delimitation of the "net external balance" (item III) has been introduced: Whereas so far the "net external balance" in the main comprised only claims and liabilities of the German banking system (including Deutsche Bundesbank) in respect of foreign banks, it now includes, as far as possible, also claims and liabilities of the German banking system in respect of foreign non-banks. According to the revised delimitation of the "net external balance" the claims on and liabilities towards foreign non-banks have been eliminated from the other items of the table; only DM notes and coin held by foreigners continue to be counted as part of the domestic volume of money since their amount cannot be established. The figures of the above table are based on the "Consolidated Condition Statement for the Credit Institutions including the Deutsche Bundesbank"; owing to the above-mentioned revised delimitation of the "foreign sector" they are not immediately comparable with the other data published in the Statistical Section of the Monthly Reports of the Deutsche Bundesbank (e. g., "Interim Statements"). — Differences between the changes as given in this table and those shown in the "Consolidated Condition Statement . . ." are due to Bundesbank's equalisation claim, the taking of which paper by the banks does not represent any additional granting of credit to non-banks. Elimination from bank holdings partly estimated. — <sup>2)</sup> Banks' holdings of other banks' bonds do not represent any immediate granting of credit to non-banks but form part of inter-bank indebtedness. — <sup>3)</sup> Amounts credited as currency conversion compensation for expelled persons or as compensation for holders of old savings are taken into account only in so far as covering claims on the Equalisation of Burdens Fund (Art. 5, Equalisation of Burdens Law) were redeemed. — <sup>4)</sup> Set off against the credit institutions' holdings of their own and other banks' bonds; moreover, bonds issued under the compensation scheme for holders of old savings are taken into account only in so far as covering claims on the Equalisation of Burdens Fund were redeemed. — <sup>5)</sup> At notice or fixed period of six months and over. — <sup>6)</sup> Including balances of German public authorities temporarily employed in equalisation claims and, until end-1958, deposits of agencies of the former occupying powers. — <sup>7)</sup> Containing changes in all items of the "Consolidated Condition Statement . . ." not shown separately in the above table, i. e., assets: amounts credited to Federal Government in respect of coinage, equalisation claims, real estate and buildings, "other" assets; liabilities: counterpart accounts with the Bundesbank, net inter-bank indebtedness, "other" liabilities. — <sup>8)</sup> Excluding the credit institutions' cash holdings, but including DM notes and coin held abroad. — Pe) Partly estimated. — P) Provisional.

at home. In other words, the question whether the balance-of-payments surpluses increase liquidity on the domestic money market is largely a matter of the difference between interest rates at home and abroad. Thus in view of the great difference which existed until well into last year between the German and foreign interest rate levels it was only natural that the exchange surpluses went almost entirely to the Central Bank, and in this way continuously added to the liquidity of the business community and the banking system. From that however it follows that this state of affairs would have gone on longer and longer if the Bank had left its interest rates unchanged; it may even be assumed that the tendencies to greater liquidity would if anything have become stronger, since on important foreign money markets (although not those of the United States and Canada) the level of interest rates was notably reduced last year, so that the tendency for money and capital to flow in from these countries would certainly have increased if German interest rates had remained unaltered; or at least in these circumstances it would have been impossible to remove the remaining barriers to international capital movements so much as the Federal Republic has done with a view to restoring the convertibility of currencies.

Exchange rate  
alteration  
as alternative?

To this deduction it is indeed objected in some quarters that it shows clearly the large measure in which the Bundesbank in its interest rate policy was a "prisoner" of the balance-of-payments surpluses — which however, it is argued, for their part were not necessary, but could easily have been eliminated by alteration of the exchange rate, with the result that the Bank's position with regard to interest rate policy would have been quite different. We do not propose now to deal once again in detail with the advocacy of upward revaluation which underlies this line of argument; the Bank has repeatedly done so in its Monthly and Annual Reports, and believes that the course of events so far has proved it right. As indeed we have already shown in a previous connection, it has recently become clear, for instance, that in the course of the past years German industry hardly achieved any general advantage on prices and costs, as those advocating revaluation had usually assumed. Thus any upward revaluation of the DM, making imports cheaper and exports more costly, would have made still worse the position of those industries which to-day complain of foreign competition. The progress made towards reduction of tariffs and abolition of those import restrictions which still existed would possibly have been checked or, indeed, the quarters urging the curbing of liberalisation might have asserted themselves in one field or another. The world economic considerations which at the time caused the Bank, in full agreement with the Federal Government, to reject upward revaluation have also proved completely correct. If the DM had been so revalued, other countries would certainly not have been obliged to adopt measures of internal readjustment to the same extent as they have in the last two years; and the balance-of-payments difficulties of the developing countries which depend on German supplies would have grown. In reality, indeed, the world economy nowadays can no longer simply dispense with German export surpluses.

But what mainly matters in this connection is the fact that an alteration of the exchange rate would certainly not have made the lowering of interest rates superfluous. On the contrary, if it had proved possible by an alteration of exchange rates to reduce the balance-of-payments surpluses, this could in practice have been done only by correspondingly depressing exports. A throttling down of exports would however no doubt have made compensating internal expansion indispensable; and it is hard to imagine how such expansion could have been rendered possible without the interest rate level having fallen at least as much as it did in the last two years. Incidentally it may be again repeated here that for a year or two now it has hardly any longer been possible to attribute the balance-of-payments surpluses on goods and services to any pull of foreign inflationary demand, so that on this ground also there was no cause to counteract them by so exceptional a means as an exchange-rate alteration instead of waiting to see whether, in so far as they persisted even with greater internal expansion, they would not be gradually offset by larger transfers of capital abroad.



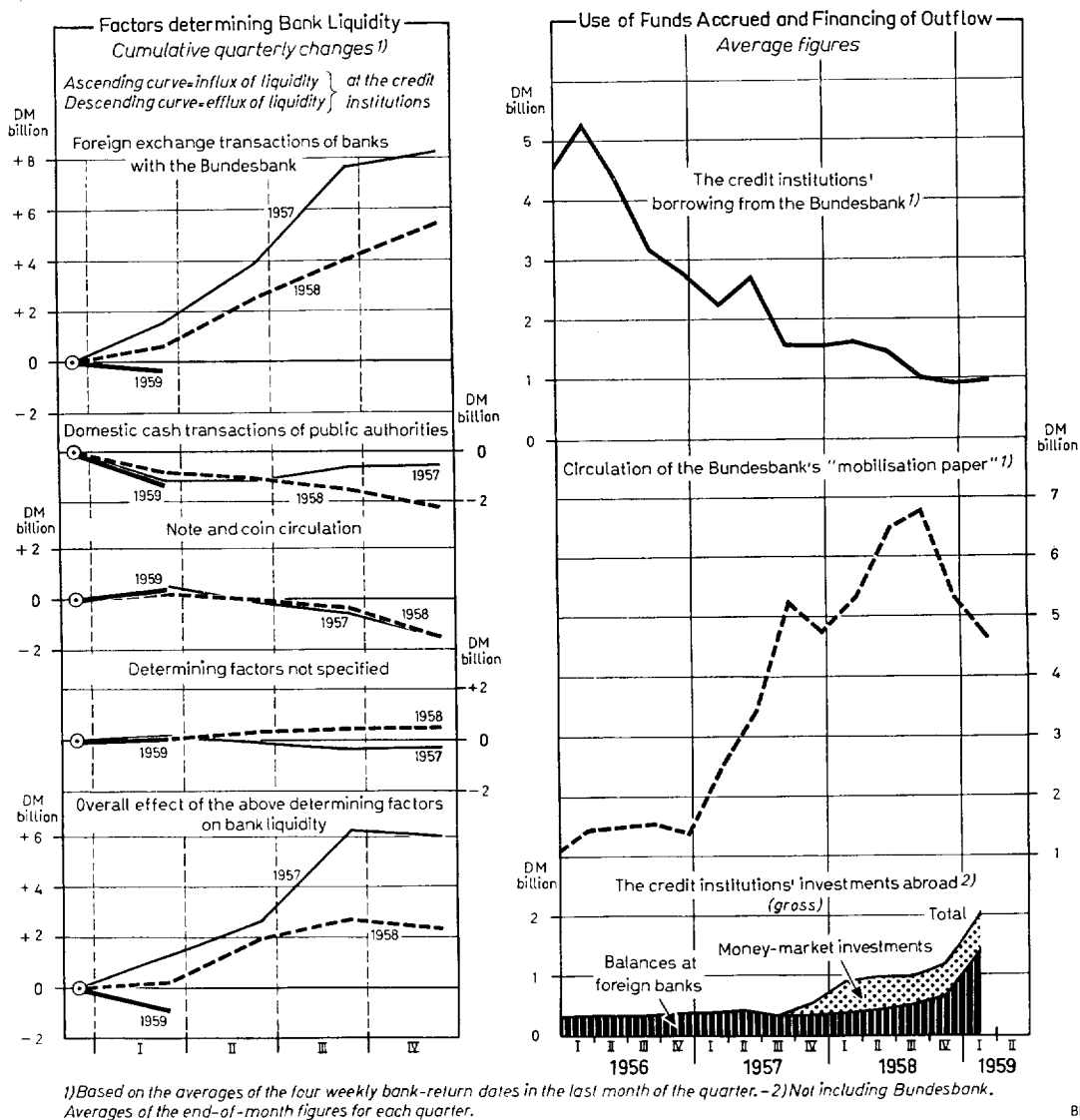
On all these grounds therefore the Bank allowed for the growing tendency to greater liquidity through a cautious but consistent reduction of its interest rates. The lowering of the rates for sale of money-market paper had at the same time to be accompanied by a corresponding fall in the Bank's discount rate, because isolated lowering of those selling rates would have led to increased by-passing of rediscount at the Bank, and because the other banks' deposit rates — lowering of which was especially important for reasons that will be discussed later — are linked with Bank Rate. But in the summer of 1958 it also seemed advisable to take a still further step, namely to cease the sale of non-interest-bearing Treasury bonds running for between six months and two years, the interest rate on which, before their sale was stopped on 12 June 1958 (in the case of the one to two-year non-interest-bearing Treasury bonds) and on 15 August 1958 (in the case of those at six months), had according to their remaining life been above the rate for two to three-month Treasury bills by between  $\frac{1}{4}\%$  and  $\frac{3}{4}\%$ . As already indicated, from the beginning of 1958 until this modification the market had taken almost exclusively non-interest-bearing Treasury bonds. In view of the liquidity reserves which the banks at that time already held the consideration that such paper has longer to run than Treasury bills, and is consequently not quite so liquid, was less important than the higher interest obtainable on it. The prospect of a further fall in rates for money even strengthened this tendency. Hence in practice the rates for sale of the longer-term mobilisation paper, or to be accurate indeed for the paper running for the longest periods, became more and more the governing money-market rates: that is to say, the banks increasingly evaded the all-round lowering of the selling rates by concentrating their purchases of money-market paper on the longer-term non-interest-bearing Treasury bonds. To prevent this therefore the Bundesbank in June 1958 stopped the sale of the non-interest-bearing Treasury bonds at one to two years, and in August of those at six months; it was not until 10 January 1959 that the sale of those running for six months and one year was resumed — although at much lower rates than had prevailed at the middle of 1958.

Limiting of the interest obtainable on purchase of mobilisation paper

Thus in the second half of the year the credit institutions seeking to employ funds in the money market were mainly limited, so far as they wanted mobilisation paper, to employment in Treasury bills; and so they had only slight possibilities of earning interest on the home market, especially since the rates for sale of Treasury bills had been several times lowered between the two Bank Rate reductions of 27 June 1958 and 10 January 1959. This practically removed the difference from interest rates on the leading money markets abroad; indeed in the periods in which offerings of money showed major expansion for seasonal reasons and exerted corresponding downward pressure on rates in the German market it even became more attractive to employ money abroad instead of at home, especially because at the beginning of 1959 the Bundesbank concluded rate-fixing exchange transactions without any forward discount in order to make it easier for the banks to build up their foreign balances. In point of fact January saw the start of a considerable "export of money", which continued in February. During that period indeed the banks were no longer channelling their net exchange accruals to the Central Bank, but themselves employed them abroad; and this — together with the withdrawals of foreigners' monies after the devaluation of the French franc and the restoration of convertibility in the countries of Western Europe — caused the Bundesbank to lose about DM 1.2 billion of exchange while the other banks' exchange position improved by DM 1.5 billion. The balance-of-payments surpluses on current account in that period were thus financed no longer by the Central Bank but by the other banks; the latter even acquired additional exchange from the Central Bank so that they might increase their balances abroad and be able to transfer foreigners' withdrawn balances. This notably impaired their actual liquidity position in relation to the Bundesbank, especially since in both months — just as had already happened in the last four months of 1958 — they lost funds on a major scale through the central public authorities' "internally effective" cash surpluses. In these circumstances not only did the demand for mobilisation paper on the whole cease; in addition the banks let maturing paper run off without renewal, so far as they did not actually resell such

The consequence: Incipient "Money Exports"

## BANK LIQUIDITY



paper to the Bundesbank before maturity. Consequently the circulation of mobilisation paper, on a daily average, dropped from DM 6.9 billion in August 1958 to DM 4.9 billion in February 1959.

While it is true that in March 1959 the banks' "money exports" were replaced for a time by greater sales of exchange to the Bundesbank, the picture again changed in April, "money exports" once more gaining in importance. The reason was that in March, under the influence of the major tax date and the seasonal increase in the note and coin circulation, the banks' liquidity position was relatively strained, so that no additional funds were available for "money exports" while the interest-rate relationships also failed to stimulate any further transfer of money abroad. On the contrary, the banks not only ran down their mobilisation-paper holdings further (to a daily average of DM 4.6 billion for March), but also used their net exchange accruals to procure money instead of further building up their foreign assets; to some extent indeed foreign assets were even withdrawn. Towards the end of the month and in April a new situation arose, however, inasmuch as large Federal expenditure together with the reflux of notes and coin after the Easter holidays and

the lowering of minimum reserve ratios for liabilities to non-residents again caused the money market's liquidity greatly to increase and money rates to fall accordingly. Some of the banks now resumed their "money exports", especially since the Bundesbank made allowance for the fresh surge of liquidity by further reducing the selling rates for the money-market paper sold under its open-market policy and consequently investment abroad in many cases became more profitable again than employment on the German money market. At the same time, it is true, the demand for mobilisation paper also increased (particularly for the six-month and one-year non-interest-bearing Treasury bonds which have been sold again since the beginning of 1959), because for the time being not all banks are in the habit of "going abroad" and because, for the banks willing to employ their liquid funds in money-market paper running for between six and twelve months, non-interest-bearing Treasury bonds were still able in some measure to compete in respect of the income — if the costs for forward covering of the exchange rate are taken into account — with the possibilities of employing money at shorter term abroad. Still, in spite of the renewed rise in sales of mobilisation paper it remained clear that the banks' international money transactions, which had been started in consequence of the lowering of the excessive German interest-rate level, represent an essentially new element in the German liquidity position inasmuch as balance-of-payments surpluses are no longer directly reflected in a corresponding pressure of supplies on the money market.

### 3. Restoration of the Capital Market

#### a) *The Results Achieved*

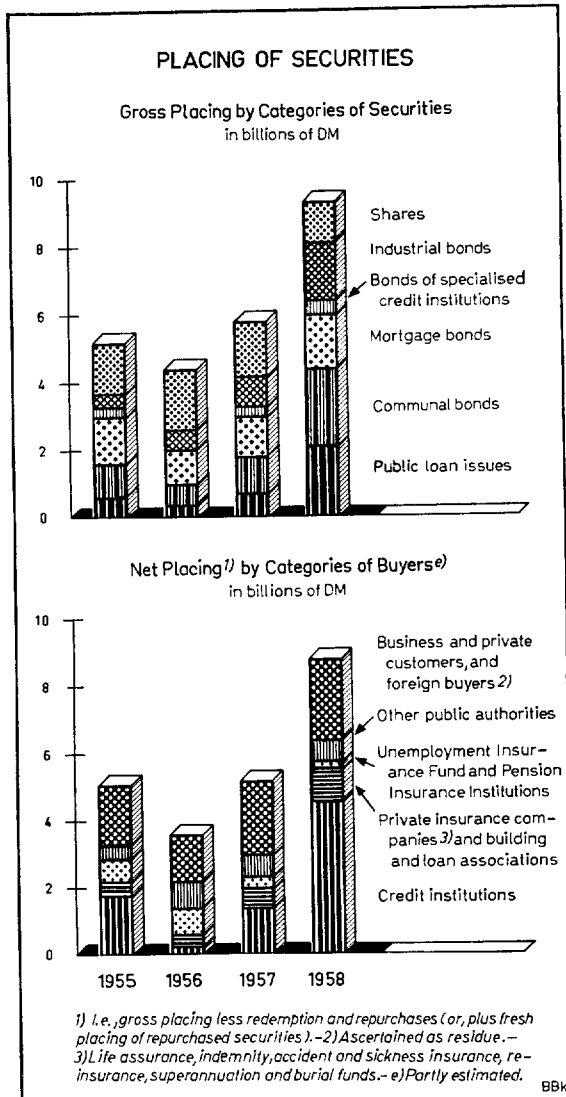
Of course however money exports were not the final object of the Bundesbank's interest rate policy, however important they are as an intermediate step, and however welcome it is that the hitherto relatively small foreign balances of the German banks are being built up. Exports of money by the banks leave the business community's high degree of liquidity unaffected, since they do not reduce the holding of bank deposits, which so far as they are at short term combine with the note and coin holding to form the "volume of money". Money exports reduce even bank liquidity only to some extent, because after expiry of the fixing periods (which as a rule are relatively short) the banks' foreign balances can be repatriated without difficulty and sold to the Central Bank. It would moreover not be to the advantage of the capital-needing foreign countries, nor would it pay from the German point of view, if the Federal Republic squared its surpluses on goods and services only by short-term employment on the leading international money markets, thereby contributing at most indirectly towards producing a better supply of capital in the world economy. The Federal Republic ought rather to try to replace money exports so far as possible by longer-term investments abroad, and thereby adequately to finance that part of its surpluses on goods and services with foreign countries representing the "hard core" which will possibly remain even in the event of greater internal expansion and of any deterioration in the terms of trade.

On these external grounds therefore, but also in view of the internal advantage — already more than once mentioned — of lowering the long-term interest rate, the real object of the Bank's interest rate policy was to work for better functioning of the *capital market*, and thus to open the way for a lowering of the interest rate on capital in harmony with the market situation.

In fact great results were achieved in this sense during the period under report. Especially great importance attached to the upswing of the security market, which forms the capital market's centre, and as a rule governs the level of the national interest rate and the movements in it. The total placings of newly issued securities in 1957 had amounted to DM 5.8 billion at par value. In 1958 DM 9.3 billion were placed, and in the first three months of 1959 a further DM 3.2 billion were added. At the same time issuers were able to place afresh a large part of the securities which they had had to repurchase in 1956 and early in 1957 in order to support prices; in this way during 1958 and the first three months of 1959 they received on balance, in addition to the above-mentioned amounts, about a further DM 155 million or

Easing of the capital market the real object of interest rate policy

The results



about as much as in 1957, whereas in 1956 they had had to find some DM 400 million to finance their repurchases. As is shown by the rising quotations for new and old issues, the demand for securities was actually greater than the foregoing figures indicate. There was therefore a considerable fall in the yields and, in close connection with these, also in other long-term interest rates. In August 1957 8% industrial bonds had been issued at 98½. At the beginning of 1958 the 7½% type of bond, with an average yield of some 7.8%, still prevailed. Then however a rapid downward movement began, so that by the autumn of 1958 the first 5% mortgage bonds were issued at 97. It is true that this step soon turned out to be too bold for that time, because in the last months of the year the market suffered a setback which made it necessary to throttle the issuing programme back by a few points. In the first months of 1959 however the downward tendencies in interest rates again prevailed, so that securities of the 5% type now dominated, although for a time at issue prices a few points below par. This brought the long-term interest rate down to a low level never before recorded since the war. It is true that in the first years after the currency reform there had already been 5% securities. But the rate of interest on these was either kept artificially low through administrative regulations (which made their sale in the free market impossible), or it was with difficulty

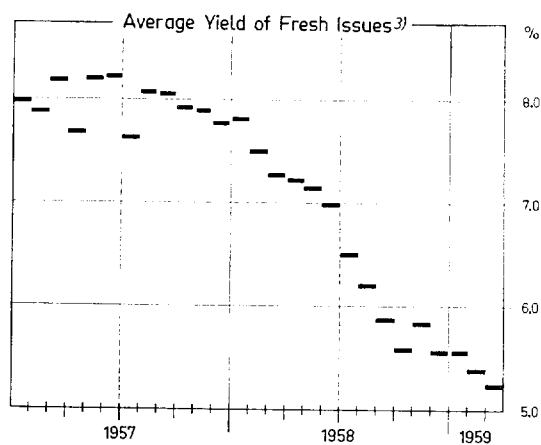
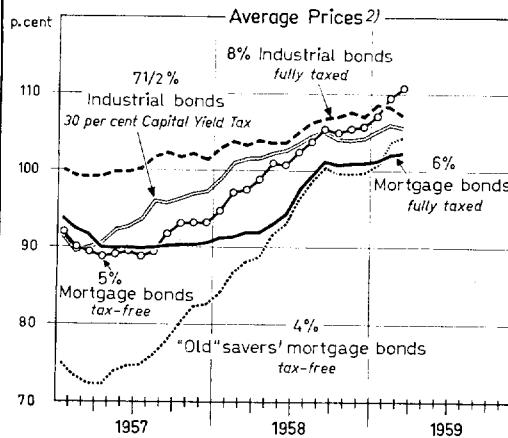
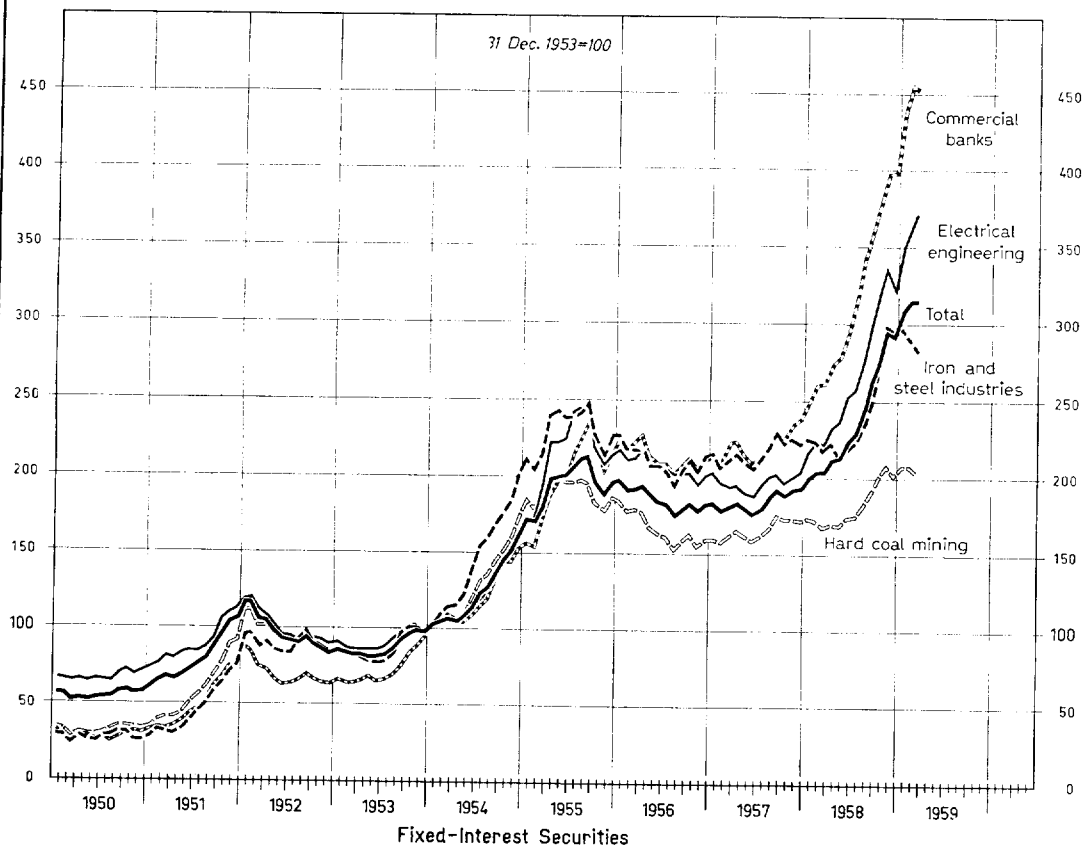
supported through tax privileges, which caused serious distortions as between the various sectors of the security market and in the end so disturbed the entire course of the capital market that the further granting of such privileges was stopped. Now on the other hand the 5% nominal rate of interest is a true market rate. It is true that with it the Federal Republic has not yet reached the level of long-term interest rates prevailing in other leading countries such as the United States, Switzerland or the Netherlands; and in the United Kingdom also some of the corresponding interest rates would seem to be somewhat lower still. But the German rates have already come very close to the level in some of these countries; this is for instance shown by the fact that recently the International Bank for Reconstruction and Development, to which the world's most fruitful capital markets are open, issued in the Federal Republic with great success a loan the terms for which — at 5% interest and par — were not much more unfavourable than would now have had to be conceded on the American market. Altogether it can in any event be said that within eighteen months the rate of interest on capital in the Federal Republic has come down by nearly 3%.

One basis of this recovery lay in the above-mentioned absolute and relative increase of saving formation by private households. These latter's savings almost all flow in some way into the credit system, while the savings of enterprises and the public authorities serve in great part —

The bases: Saving formation by private households, and decrease of liquidity preference

## PRICES AND INTEREST RATES ON THE SECURITY MARKETS

Share Price Indices<sup>1)</sup>



1) Averages calculated from the index figures of the four weekly bank-return dates in each month; 1950: prices at the end of each month. Source: Federal Statistical Office. - 2) Monthly averages of four bank-return dates, calculated by Bundesbank. - 3) Amounts of fixed-interest securities sold out of fresh issues in each month (excluding communal bonds and foreign issues), calculated by Bundesbank.

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although by no means entirely — for self-financing. As can be seen from the following table, the savings formed by private households amounted in 1957 and 1958 to DM 10.9 and 12.5 billion respectively, against only DM 6.7 to 6.9 billion in each of the years from 1954 to 1956. Thus in 1958 their share in the country's total wealth formation was up to nearly 34 per cent, against only around 21 per cent in 1955 and 1956.

To this was added a second factor, namely a far-reaching change in investment habits. As can be seen from the fact that in 1957 total wealth formation of DM 35.7 billion had against it only about DM 5.2 billion of net security placings, up till that time only a part of the country's total savings which was very small in comparison with pre-war years had passed through the security markets. The main restrictive effect came from the fact that the formers of capital, not

*The Structure of Total Wealth Formation<sup>1)</sup>*

	1954	1955	1956	1957 <sup>2)</sup>	1958 <sup>3)</sup>	1954	1955	1956	1957 <sup>2)</sup>	1958 <sup>3)</sup>
	billions of DM					per cent				
I. Total Wealth Formation	23.7	31.8	33.6	35.7	37.3	100.0	100.0	100.0	100.0	100.0
(1) Categories of investment										
Formation of tangible assets	19.9	29.6	29.3	30.2	31.2	84.3	93.1	87.2	84.5	83.6
Increase in claims on foreign countries	3.7	2.2	4.3	5.5	6.1	15.7	6.9	12.8	15.5	16.4
(2) Financing sectors										
Private households	6.7	6.7	6.9	10.9	12.5	28.2	21.0	20.7	30.6	33.6
Public authorities (surplus on current account)	11.6	14.3	16.2	14.7	14.9	49.0	44.9	48.2	41.2	39.9
Enterprises (undrawn profits)	5.3	11.1	10.6	10.4	10.2	22.4	34.9	31.5	29.0	27.3
Wealth transfers to foreign countries (net)	0.1	-0.2	-0.1	-0.3	-0.3	0.4	-0.8	-0.4	-0.8	-0.8
II. Monetary Wealth Formation <sup>*)</sup>	21.0	24.0	25.8	30.4	29.7	100.0	100.0	100.0	100.0	100.0
(1) at banks	12.7	13.5	13.3	13.2	14.4	60.5	56.3	51.6	43.4	48.5
including:										
(a) notes and coin and sight deposits	(4.7)	(4.3)	(3.9)	(0.9)	(4.4)	(22.4)	(17.9)	(15.1)	(3.0)	(14.8)
(b) time deposits	(-0.4)	(-0.1)	(1.6)	(3.2)	(0.6)	(-1.9)	(-0.4)	(6.2)	(10.5)	(2.2)
(c) savings deposits	(5.5)	(4.0)	(2.7)	(4.8)	(6.5)	(26.2)	(16.7)	(10.5)	(15.8)	(21.8)
(d) other monies placed with banks at medium and long term	(3.1)	(4.1)	(4.5)	(3.1)	(1.8)	(14.8)	(17.1)	(17.4)	(10.2)	(6.2)
(2) at building and loan associations	1.4	1.6	2.1	2.7	3.1	6.7	6.7	8.1	8.9	10.4
(3) at insurance companies	1.2	1.2	1.4	1.7	2.0	5.7	5.0	5.4	5.6	6.7
(4) Securities purchased by savers (except securities acquired by banks and other institutional investors)	2.7	3.2	3.2	3.2	3.1	12.9	13.3	12.4	10.5	10.6
Sub-total (1 to 4)	18.0	19.5	20.0	20.8	22.6	85.7	81.3	77.5	68.4	76.1
(5) Increase in direct claims	3.0	4.4	5.8	9.5	7.1	14.3	18.3	22.5	31.3	23.9
(a) on domestic sectors	(2.1)	(3.2)	(3.6)	(5.2)	(5.8)	(10.0)	(13.3)	(14.0)	(17.1)	(19.5)
(b) on foreign countries and Berlin (West)	(0.6)	(0.6)	(1.2)	(2.6)	(2.1)	(2.9)	(2.5)	(4.7)	(8.6)	(7.0)
(c) others	(0.3)	(0.6)	(1.1)	(1.8)	(-0.8)	(1.4)	(2.5)	(4.2)	(5.9)	(-2.7)

<sup>\*)</sup> Differences from other data of the banking and securities statistics are due to the fact that claims of financial institutions (banks, building and loan associations, insurance companies and the security market) on each other have been eliminated from the figures here published to avoid duplication; moreover, the figures relate to the area of the Federal Republic only (not including West Berlin). - <sup>1)</sup> Details may not add to totals because of rounding. - <sup>2)</sup> Provisional results. - <sup>3)</sup> First provisional results.

only private households but also the public authorities and enterprises, so far as these made their savings available to other parties at all and did not themselves invest them, in many cases avoided long-term commitments when investing the monies in question, employing them only at relatively short term and in a way which exposed the nominal value to no price risk. The consequence was a very striking incongruence, by comparison with earlier years, between total wealth formation and its monetary reflection. Even before 1958 total wealth formation had already attained relatively large size — especially if one bears in mind that it comprises not only domestic material asset formation but also the increase in claims on foreign countries. From the point of view of the individual enterprises by far the greater part of it was even then already financed in each case through borrowing and not out of their own resources, great as the share of undrawn profits was

in overall wealth formation, in which enterprises are only considered as a whole; but in the monetary wealth formation which stands against such borrowing relatively great importance attached to forms which, according to traditional ideas, do not as a rule serve for the investment of capital. Above all a very great share in that process was taken by the increase in bank deposits — not only the addition to savings deposits, which in great part represent a thoroughly normal form of saving, but also the addition to sight and time deposits — and in the holding of notes and coin. This was the expansion of the “volume of money” which has already been mentioned in another connection, but which was accompanied by a notable slowing of the “velocity of circulation” of money, thus largely consisting only in expansion of the “dormant money reserves” and to that extent reflecting “quasi-saving”. Special mention should here be made of the fact that the increase in claims on foreign countries, which increase is definitely a component of total wealth formation, had its monetary counterpart to a large extent in claims on the banks, that is in an increase of total deposits. It was thus to a considerable extent incumbent on the banking system to finance investments (including net claims on foreign countries).

The reason why monetary wealth formation assumed this pattern lay, as already indicated, in the great “liquidity preference” which prevailed among wide circles of savers, and which between 1955 and 1957 had understandably also had a parallel among institutional investors, so that the supply of funds on the capital market in the narrower sense constantly remained well below the level which might have been expected in view of the total of monetary wealth formation. During the last year and a half there has been at least a partial change in this respect, and readiness also to accept even relatively long-term commitments or price risks against a correspondingly higher rate of interest has been growing among the banks and other institutional investors in particular. A factor of great importance in this connection was the revival of confidence in the value of money which began with the end of the upward price tendencies; to that extent the stabilisation of prices was a moment of the first importance from the point of view of the capital market also. The real impetus for the process however emanated from the interest-rate mechanism. As the Bundesbank allowed the tendencies towards greater liquidity gradually to produce their effect on short-term interest rates, so the returns obtainable from short-term employment of money fell; and this counteracted the “liquidity preference”, so that money went on a larger scale into investment at longer term, and the longer-term interest rate began to fall. Once this process had started, psychological factors also at times tended very greatly to hasten it. Expectation of falling interest rates now caused investors to invest relatively large amounts, while per contra the parties engaging in capital projects tended rather to “wait and see”, and so far as possible postponed their borrowing in order to benefit from the falling trend of interest rates. This inevitably gave rise in some cases to speculative market distortions which resulted, for instance in the fourth quarter of 1958, in appreciable setbacks. On the whole however it was of great importance for the easing of the capital market that public opinion increasingly abandoned the thesis that to the Federal Republic as a country still short of capital only a relatively high interest rate was appropriate, and adopted the view that the level of German interest rates was bound to “revert to normal”; past experience has indeed sufficiently demonstrated that the level of interest rates always contains a psychological element, while adjustment of interest rates to changed economic situations can be easily slowed down if not indeed stopped by psychological prejudices.

#### *b) Persisting Weaknesses*

Despite the great progress which the restoring of sound conditions in the German capital market has made during the last year and a half, that market nevertheless continues to suffer from certain weaknesses which we would not fail to mention in this survey. Quite generally it must first be said that, gratifying as is the amount of leeway made up by private households' saving formation

The share of the public authorities and the enterprises in total wealth formation remains large

in the last two years, the public authorities and the enterprises still have a relatively large share in total capital formation. In 1958 the public authorities still accounted for nearly 40 per cent of the total wealth increment in the economy (against, it is true, 48 per cent in 1956), while enterprises accounted for 27 per cent against 32 per cent in that year. Apart from the problems of social policy raised by these relationships, with such a structure of wealth formation a relatively high percentage of savings is usually not invested through the intermediary of — and above all not as the result of selection through — the market; and this may in certain circumstances tend to prevent the most efficient use of capital. This trouble might in particular be remedied by further restoration to private enterprise of the functions which the public authorities assumed during the reconstruction period (as a rule willy-nilly) in the financing of certain projects, and by the consequent possibility of reducing the public revenues as well as by encouraging — as the Federal Government has already begun to do — the distribution of corporations' profits instead of their internal hoarding. All the efforts made in those senses accordingly continue to be of immediate importance.

High proportion  
of securities  
placed at banks

A further weakness of the present capital market structure is that the security market, welcome though its broadening in the past eighteen months has been, depends in very large measure on the readiness of credit institutions to take securities. Of the domestic securities amounting to a total of DM 8.7 billion net at par value which were placed in the Federal Republic during 1958 (this figure includes the fresh placing of securities previously repurchased by issuers) DM 4.6 billion or more than 50 per cent were taken by banks. At around DM 3 billion on the other hand the sales to the "public" were only at about the previous year's level, while the balance went into the holdings of other institutional investors, that is in the main the insurance companies and Social Insurance Institutions. From the standpoint of the banking system, it is true, the addition to its holdings was not open to any objection. At DM 13.1 billion at the end of 1958 the total security and syndicate holdings of the banks, including the Postal Cheque and Postal Savings Bank offices, amounted to only 9.2 per cent of all their earning assets — a proportion which falls far short of the ratios existing in some other countries and also hardly approaches the ratio which was customary in Germany before World War I. Those holdings were moreover largely only the counterpart of the greatly increased accruals of longer-term funds which came to the banks in the last two years (especially in the form of longer-term time deposits and of savings deposits), this being in particular reflected in the fact that more than half of the total additions to credit institutions' securities took place at savings banks and central giro institutions. The banks in other words acquired securities only as administrators of the large amounts of savings which came into their hands, and in respect of which during 1958 they had to depend on investment in securities all the more because the possibilities of other similarly profitable assets-side business became smaller. So long indeed as savers and the other accumulators of capital do not directly acquire securities on a greater scale but continue to keep their savings largely as deposits, investment by the banks in securities is the only possible way to give the security market a share in the growing formation of savings capital, and to assure it of that key position in the investment of capital which no other form of mediation between providers and users of capital can fill in the same way.

No doubt however there are also limits to the credit institutions' function as intermediaries between savers and the security market. Credit institutions cannot assume liabilities of unlimited amount which have a fixed nominal value and a relatively short period to maturity, and put the countervalue into securities; on that basis the risk of immobility in the event of price falls would become too great for them, even if alongside their security holding they had — as is now the case — relatively large reserves of liquid assets. In point of fact it is already apparent that the credit institutions feel a certain reluctance to enlarge their security holding further, even though contraction of the spread between debtor and creditor interest rates has constantly enticed and perhaps even forced them along this path. On a longer view therefore hold-ups could occur in



the flow of capital from the saver to the party incurring capital expenditure if savers tended to leave to credit institutions, on a greater scale than these are prepared to assume, the "sacrifice of liquidity" inevitably entailed by the long-term investment of money. It is accordingly much to be desired that the direct acquiring of securities by savers should increase and the credit institutions thus be relieved of some investment policy problems.

The question of what could be done for this purpose is so wide that it cannot be more fully discussed here. Attention need be drawn only to one point, since it presents an important special problem of general interest rate policy. It is that one way to counteract the "liquidity preference" of the formers of capital is certainly to fix rates of interest for short-term investments free of price risk no higher than would correspond to market conditions or, more precisely, to the fact that the supply of liquid funds is relatively large and that of long-term funds is small in comparison. That indeed is one of the reasons why the Bank during recent years has always advocated that when its discount rate was lowered not only should there be a reduction effected in the other banks' debtor interest rates (which as is known are linked with Bank Rate and therefore automatically rise and fall with it), but that the lowering of Bank Rate should also be reflected to the greatest possible extent in their creditor interest rates. It is general knowledge that especially as regards rates of interest on savings deposits there have at times been difficulties because the savings banks take the view that such deposits "belong to the capital market", and that changes in the rate of interest on them must therefore not run parallel with those applying to other bank deposits. The Bundesbank has always shown understanding for this argument. It knows that by far the greater part of savings deposits represent genuine long-term savings, which however can nevertheless not be put directly into the security market because they are savings of small or infinitesimal amount, which the savers as a rule cannot be expected to employ in securities — especially so long as dealings in securities of relatively small denomination are in general still unusual. The Bank therefore does not wish to play off "saving through securities" against "saving through accounts"; the latter is just as essential to the economic system as other forms of saving, and will always continue to be so. On the other hand however it cannot be denied that at least in the past there has in some cases been competition between savings accounts and other accounts, especially those on a time basis and that sometimes savings accounts have also received considerable inflows of funds which by their nature do not belong to that form of saving. The fact that in the Federal Republic the taking of savings deposits is not subject to particular limitations in the same way as in many other countries has made such fluctuation easier. The savings banks too have evidently felt this; that is why last year they not only agreed to the Bank Supervisory Authorities' tightening of the rules as to the taking of savings deposits, but by themselves introducing a rule prohibiting for six months the calling of savings deposits subject to agreed periods of notice they prolonged the life of such deposits in practice by six months in every case. That certainly reduced the danger that monies available only for a time, especially reserves of operating funds, might be deposited on savings instead of time accounts; thus the rate of interest for the longer-term savings deposits can now be slightly above the rate for the longer-term time deposits more easily than before. But the possibility of a certain competition still exists, so that a relatively high rate for savings deposits could still tend to cause high rates for the other deposits, and make the countering of the "liquidity preference" difficult. Not least however it must be borne in mind in this connection that for the depositor a savings deposit never entails any price risk; between the rate of interest on savings deposits and the yield on securities there must therefore always be maintained a gap which seems to the investor adequate as a premium for his taking the price risk (which is now in general rated higher than formerly), because otherwise the savings account would be preferred as a means of employing capital and investment by credit institutions in securities would continue to present a problem of capital market development which could not be treated lightly.

A further feature of the present capital market situation which causes some anxiety is the fact that in the financing of industry the share market is so far not playing the part which it should be able to play in view of the increasing interest shown in shares. New shares were issued in 1958 to the extent of only DM 1.1 billion, against DM 1.7 billion in 1957 and DM 1.9 billion in 1956; and in the first quarter of 1959 also, with total issues of about DM 300 million, issuing activity was little higher. These facts are somewhat disquieting inasmuch as share quotations at the same time rose briskly. In June 1957, at the low point of the slight depression which had affected the share market from the autumn of 1955 onwards, the index of share quotations calculated by the Federal Statistical Office on the basis 31 December 1953 = 100 had stood at 178; by the beginning of 1958 it had reached 200; and between then and mid-April 1959 it rose to 336, that is by more than two-thirds within a year and a quarter. To a certain extent, it is true, a rise in share prices was to be expected if only because the domestic interest rate had fallen. Whether a rise as that recorded since 1957 was fully justified by the economic trend, or whether it does not also reflect unrealistic expectations which — when disappointed — might easily cause a setback that would affect other spheres as well, is a question which is hard to answer but which obviously poses itself. At all events one could regard the position with more composure if one were not forced to feel that the relative “vacuum” encountered by the keen demand for shares is an important generator of the upward price movement, and is due less to economic causes than to the state of company law and tax regulations. While indeed it can hardly be denied that the reduction in the amount of share issues during recent years may be partly due to the fact that the need for capital expenditure has declined precisely in those industries which normally finance themselves to a relatively large extent through share issues, yet it is obvious that reasons of the kind described above are also an important factor.

Apart from the fear that an increase in companies' share capital might so alter relative holdings as undesirably to affect existing majorities, a circumstance to be specially mentioned in this connection is that the procuring of capital through bond issues and through the taking of long-term loans remains in general cheaper than its procurement through share issues. One reason is that new shares are as a rule issued at prices well below the market rate, even though the same dividend is afterwards paid on them as on the old shares; an important fact here is that the expenses in respect of issues offered over par cannot so far be deducted from profit for tax purposes. The considerable rise during the last few years in share quotations is therefore normally not used in connection with the issue of new shares, or is only inadequately used, in order to reduce the “interest rate” on the additional capital. There is the further fact that, while the so-called double taxation of shares was diminished last year, it has not been ended; and so from the company's point of view it still costs more to give any benefit to the dividend-receiving security holder than to give the same benefit to the recipient of bond interest. The distinctions which are made between shares and bonds in the treatment of issue expenses for tax purposes, and in connection with the capital transaction taxes, are also not without importance. It is true that many of these distinctions are now to be terminated by the contemplated further measures for the encouragement of financing through shares, just as the planned issue of bonus shares through conversion of published (taxed) reserves may certainly be expected to cause a great increase in share issues. But these measures, as already stated, are still pending; and the prospect of them has for the present if anything tended to cause companies to postpone new share issues in order to be able to enjoy the planned benefits later. This makes it all the more urgent from the point of view of capital market policy that the proposed measures shall not remain pending for longer than is unavoidable for legislative reasons, and makes it still more important that they shall not finally come to grief on revenue considerations. It is after all to the advantage of the capital market as a whole that the present shortage of shares on offer in the market shall be ended, because that shortage is likely to favour an unsound price movement which — as already mentioned — could easily give rise to undesirable setbacks.

Apart from this however the maintenance and further extension of the successes achieved on the capital market during the period under report will of course depend on that market not being overstrained. From the side of trade and industry there is at present little threat of danger in this respect. The responsibility therefore lies primarily with the public authorities or, to be more precise, with the authorities responsible for shaping the budget. These authorities must clearly understand that it would be dangerous to permit the arising of a public authorities' demand for credit to an extent which went beyond the market's capacity, or even which would merely affect the atmosphere for the worse, because a setback on the capital market would once again jeopardise a great part of the successes achieved during the past year and a half in internal consolidation, and would at the same time make it much more difficult to continue the external monetary policy which shall be described in the following section.

The danger of budget deficits

#### IV. External Monetary Policy

##### 1. The Consolidating of the International Currency Situation, and the Establishing of External Convertibility for O.E.E.C. Currencies

Like the German economy, the world economy and also international currency conditions were marked during 1958 by great steadiness and consolidation. This is true especially of Europe. Whereas in the previous two years the European economy had repeatedly been shaken by balance-of-payments crises and speculative currency movements on a very large scale, in 1958 it remained free from such disturbances apart from a brief flight from the French currency immediately before the devaluation of the French franc at the end of 1958. The measures which had been adopted in a number of countries under the pressure of balance-of-payments troubles in the autumn of 1957 to counteract inflation, and to restore internal equilibrium, bore fruit in 1958. In most European countries they produced in that year an exceptionally favourable balance of payments — greatly assisted, indeed, by improvement in the terms of trade. Even in France, whose first rehabilitation programme of January 1958 had to be supplemented towards the end of the year by a second and more drastic one, the balance-of-payments deficits declined in the course of that year to a fraction of their previous extremely large amount. In the course of 1958 the majority of European countries succeeded in greatly increasing their monetary reserves. Between the end of 1957 and the end of 1958 the central monetary reserves of the O.E.E.C. countries excluding the Federal Republic rose by no less than U.S. \$ 2.9 billion, namely from U.S. \$ 11.3 to about 14.2 billion. In most European countries, excepting however the Federal Republic, this increase of monetary reserves has continued in the first months of the current year.

Consolidation of currency conditions in Europe . . .

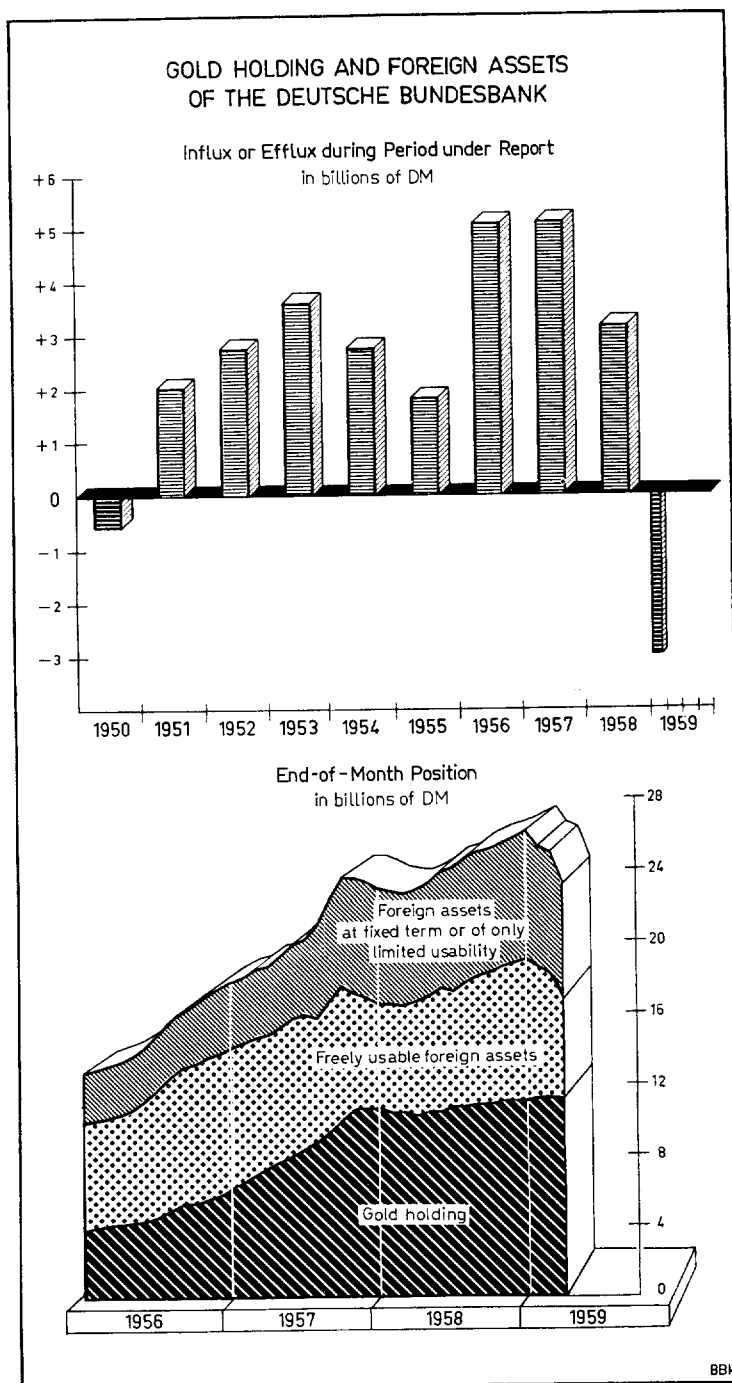
The overcoming of inflationary disturbances of equilibrium, the favourable movement in Europe's balance of payments in relation to the outside world, and the great addition to the monetary reserves of nearly all European countries formed a favourable basis for the step which was jointly taken by the O.E.E.C. countries at the end of 1958 to restore their currencies' external convertibility in relation to the U.S. dollar. Although primarily in most of the countries that step extended only to the establishing of what is called non-resident convertibility in current payments, both its direct effects and — still more — the resulting impulses towards the greatest possible freedom of international payments have been so important that it is rightly regarded as a milestone in post-war monetary history. This step ended the previous distinction between the soft currency area comprising currencies which were convertible in only limited degree, on the one hand, and the hard currency area on the other, so that in payment transactions the O.E.E.C. currencies participating in non-resident convertibility have now the same degree of hardness as the U.S. dollar. This has rendered superfluous many exchange regulations designed to keep separate the methods of payment for transactions with the two currency areas, and to prevent any "descent" from hard to soft currencies. It has been possible to remove the previous

. . . permits the change-over of O.E.E.C. currencies to dollar convertibility

distinction between foreigners' balances which were "of limited convertibility" (or "transferable"), and those which were "freely convertible", and to extend exchange arbitrage uniformly to all convertible currencies. With the ceasing of the separation between E.P.U. and dollar currencies moreover the obligatory special settlement within the E.P.U., and hence the E.P.U. itself, became devoid of object. Thus in wide areas of international payments the place of institutions and authorities has now been taken by the operation of market forces.

Although this greater latitude of exchange transactions in most of the European countries concerned has so far by no means restored full exchange freedom, and although for reasons of foreign-exchange policy in imports and capital transactions in particular many restrictions still remain, the common action taken at the end of 1958 to establish convertibility has in any event greatly strengthened the forces which tend to remove these remaining barriers and to maintain the exchange freedom that has now been achieved. The realisation that this objective can be attained only through a sound financial and credit

policy directed at avoiding inflationary disturbances has prevailed in more and more countries outside as well as inside Europe. The Federal Republic has always recognised the fact that the obligation of the deficit countries to adopt a policy for countering inflation has as its counterpart a corresponding obligation, on the part of the potential surplus countries, to maintain their own economic equilibrium and to pursue a liberal import and capital export policy. It is only possible for a convertible currency system to function properly if these rules are observed. For this there is in the long run no substitute; in particular no international arrangements made through institutions or systems, however well meant, can replace it. The monetary requirements for successful European integration too can be summed up as being that all the member countries



must pursue a policy in conformity with their balances of payments — a requirement which is indeed expressly embodied in Article 104 of the Rome Treaty concerning the Common Market. The common action which was taken at the end of December 1958 to establish convertibility, and which avows for all to hear it the need for such a policy conforming to balances of payments, has consequently combined with the simultaneous rehabilitation of the French currency to produce decisive improvement from the monetary angle in the prospects for proper working of the Common Market, as well as for the economic integration of all Western Europe.

In view of the strength of its international currency position the Federal Republic had already for some time been equipped and prepared for the introduction of convertibility. Of course it actively cooperated when the fact became clear that some other important European member countries, in particular the United Kingdom, felt themselves strong enough to change over to non-resident convertibility in relation to the dollar. Together with the United Kingdom and the member countries of the European Economic Community the Federal Republic therefore belonged to the narrower group of O.E.E.C. countries which, on 27 December 1958, took the initiative in introducing non-resident convertibility in relation to the dollar and, in consequence, ending the European Payments Union through appropriate declarations made to the O.E.E.C., and putting into force the European Monetary Agreement which had been arranged for that event.

In point of fact the Federal Republic went further in ending exchange restrictions than did most of the European partners. It took advantage of this opportunity to remove in the first months of 1959 all such remnants as still existed of restrictions, for residents and for non-residents, on payments in connection with goods, services and capital. Thereby the Federal Republic ended a chapter of external monetary policy which had begun in the 1931 crisis with exchange restrictions as an emergency measure directed against foreigners' abrupt withdrawals of capital from Germany, and had thereafter come to be an instrument of dirigisme which increasingly restricted economic freedom. As a matter of fact the change-over to complete freedom of exchange even for residents had already been to a very large extent prepared in the Federal Republic by many individual measures of relaxation during the preceding years, not least by the almost complete freeing of capital exports in the autumn of 1957. The terminating in the first months of 1959 of the rest of the exchange regulations affecting residents therefore produced no further striking effects in the foreign exchange sphere; it merely represented formal confirmation of a state of affairs which had in fact been already reached.

In connection with the freeing of payment transactions with foreign countries not only the remains of the actual exchange control, that is of the restrictions on payments and transfers to foreign countries, but also the opposite restrictions designed to prevent too great an inflow of foreign monies into the Federal Republic have been completely removed. They comprised the rule prohibiting the payment by German banks of interest on foreigners' monies, the rule forbidding sale of money-market paper to foreigners, and some remaining restrictions on the taking of short and medium-term credits abroad. All these restrictions have been removed with effect from 1 May 1959. This measure has been made much easier through the drop in the German exchange surpluses, and above all through the large measure of adjustment of the German interest rate level to that in other countries. With the present interest rate relationships there is no great likelihood of any appreciable one-way influx of short-term funds into the Federal Republic as a result of the terminating of these last restrictions. Since as long ago as the end of 1957 the communication between the German and foreign money markets has become increasingly close; and now the last step towards the restoring of normal German credit relations with foreign countries has thus been taken. Of late it was also possible in view of the return in recent months of the German net exchange movement to normal to terminate another special regulation, which it is true did not directly affect foreign payments, but which had been introduced in May 1957 by way of indirect defence against the afflux of "hot" money from abroad; it was the rule regarding special minimum reserve ratios for the banks' liabilities to non-

Complete abolition  
of exchange control  
in the Federal Republic

Restoring of normal  
German credit  
relations with  
foreign countries

residents. With effect from 1 April 1959 the reserve ratios for such liabilities were lowered to the level of those for liabilities to residents; the previous distinction has thus been dropped.

## 2. The Liquidation of the European Payments Union and its Replacement by the European Monetary Agreement

Dissolution of E.P.U. as a logical consequence of external convertibility

Of the direct and in a certain sense inevitable consequences of the change-over of O.E.E.C. currencies to convertibility in relation to the U.S. dollar the dissolution of E.P.U. merits special mention, not only because of the importance of this act as such, but also because of the problems which the liquidation of E.P.U. entailed for the Bundesbank. It had always been recognised that the establishment of convertibility as between E.P.U. currencies and the U.S. dollar, and the establishment of a uniform payment area comprising the whole E.P.U. and Dollar Areas, would make superfluous the obligatory settlement between E.P.U. member countries as well as the automatic credits connected with such settlement; and this had been taken into account as early as 1955 in the contractual arrangements concerning the European Monetary Agreement. Unavoidable though this step may have been, the disappearance of E.P.U. from the European monetary stage, on which in its eight and a half years of existence it had rendered such exceptionally meritorious service in the liberalising of European trade and payments, and above all in coordinating European monetary and economic policy, does form a significant chapter in post-war currency history. It is also worth remarking that in this case an international institution through its own successful work has made itself superfluous, by helping to realise the conditions for attaining convertibility. Its contribution to that lay above all, apart from the general strengthening of the European economic and monetary system, in its efforts to "open up the European currency area to the outside": that is, to bring about gradual liberalisation in regard to the Dollar Area, to extend transferability beyond the intra-European sphere, systematically to "harden" the settlement in the European clearing, and thereby to establish the equivalence of European currencies with the dollar in settling international payments.

For the attentive observer it had of course become clear some time earlier that in view of the growing freedom of exchange movements extending beyond the original E.P.U. Area, and in view of the increasing internal strength of most European currencies, both the obligatory monthly settlement of regional balances as laid down by E.P.U. and the automatic credits linked with such settlement were being more and more overtaken by events. E.P.U.'s main effort had therefore been increasingly shifted to currently coordinating its member countries' monetary policy, to assisting member countries in cases of crisis by special rehabilitation operations coupled with ad hoc credits, and to promoting the removal of exchange obstacles to capital movements. As regards rehabilitation schemes, in the two critical cases of France at the beginning of 1958 and Turkey in July of that year E.P.U., together with the International Monetary Fund and with the aid of bilateral credits, effected major credit operations linked with comprehensive economic policy programmes. In both cases the Federal Republic, which had itself at the end of 1950 been the first beneficiary of the arrangement for special E.P.U. credits, cooperated actively by providing finance — in the first case through liquidity assistance from the Bundesbank to E.P.U., and in the second through participation, according to its creditor position, in an E.P.U. ralonge credit as well as through the granting of a substantial longer-term credit by the Federal Republic to Turkey "under the aegis" of the O.E.E.C.

European Monetary Agreement takes the place of E.P.U.

The European Monetary Agreement (E.M.A.), which has taken the place of the E.P.U. Agreement, and which had already been prepared and signed by the O.E.E.C. countries at the middle of 1955 as a precaution in case of the adoption of external convertibility, ensures that the particularly close monetary cooperation of the O.E.E.C. countries shall be continued in the conditions of convertibility for most of the member currencies. It does so by creating three bases for this, as follows:

(i) By a system of multilateral settlements it ensures continued full transferability as between the O.E.E.C. member countries' currencies (together with the currencies linked to these) even in relation to those member countries which are not yet capable of or prepared for full convertibility as against the dollar on the exchange markets, and thereby ensures maintenance of the liberalisation code of the O.E.E.C. and of the rules connected therewith;

(ii) it holds ready a European Fund of U.S. \$ 600 million for the purpose of providing the member countries in individual cases with short-term balance-of-payments assistance, linked according to circumstances with economic rehabilitation programmes;

(iii) it continues, through a Board of Management which has acquired experience and authority in the past years, the coordination started within E.P.U. of monetary policy.

The dissolution of E.P.U. raised for the Federal Republic, as by far E.P.U.'s largest creditor, particularly extensive problems of liquidation. When E.P.U. ended, the Bundesbank had, as a result of the normal proportionate settlement credits, a claim on it amounting to 1,027.1 million units of account (1 unit of account = 1 U.S. dollar). Besides this there was a claim in respect of the special credit of 150 million units of account which the E.P.U. had granted to France at the beginning of 1958, and towards which the Federal Republic had provided 100 million units of account of liquidity assistance to E.P.U., while other E.P.U. countries had provided 18 million units of account of such assistance and E.P.U. itself had contributed 32 million units of account out of its liquid assets. Repayment of the 100 million units of account of liquidity assistance granted to E.P.U. in connection with the credit to France is due, according to the terms of that credit, in instalments from the beginning of 1960 until December 1961, while until repayment the former E.P.U. member countries' multilateral guarantee in that connection will continue. To the partial amount of U.S. \$ 130.4 million the claim of 1,027 million units of account on E.P.U. in respect of "normal" settlement credits was met in cash at the middle of January 1959 out of E.P.U.'s surplus liquid assets. A further U.S. \$ 25 million will accrue to the Federal Republic between December 1961 and June 1962 out of France's repayments on that part of the special credit which was granted to France out of E.P.U.'s liquid assets. According to the rules for liquidation in the E.P.U. Agreement the remaining claim of 871.6 million units of account is being converted into bilateral claims on the other E.P.U. members. In accordance with the formula laid down in the E.P.U. Agreement the following distribution results:<sup>1)</sup>

*Bilateral Liquidation Claims of the  
Federal Republic of Germany*

in millions of units of account (U.S. \$)

on:	
United Kingdom . . . . .	267.9
France . . . . .	167.4
Netherlands . . . . .	62.1
Belgium-Luxemburg . . . . .	59.8
Sweden . . . . .	54.4
Switzerland . . . . .	53.9
Norway . . . . .	52.4
Denmark . . . . .	48.8
Italy . . . . .	42.3
Portugal . . . . .	19.1
Turkey . . . . .	14.5
Austria . . . . .	14.1
Greece . . . . .	10.9
Iceland . . . . .	4.0
<hr/>	
Total . . . . .	871.6

In accordance with the rules for liquidation these bilateral claims are converted into the creditor's currency, that is into DM, with the parity between the E.P.U. unit of account and the DM (that is 1 unit of account = DM 4.20), which applied to the last E.P.U. settlement, operating as the conversion rate. Like the previous claims on E.P.U., the bilateral liquidation claims arising from them also belong to the Bundesbank, which has to arrange for their settlement. As this Report went to press the negotiations about the terms for repayment of these bilateral claims had not yet been concluded with all the countries concerned. The general principle underlying the repayment agreements is that the bilateral claims on all the "strong-currency" countries, that is on all countries

E.P.U. liquidation  
problems for the  
Federal Republic

<sup>1)</sup> For further details regarding matters which arise from the E.P.U. liquidation see the Monthly Report of the Deutsche Bundesbank for January 1959, page 53 and following pages.

which finished as net creditors of E.P.U., as well as on some E.P.U. debtor countries with particularly strong reserve positions, shall be paid within three years at the latest, while as regards the other countries the repayment is spread over longer periods. The bilateral liquidation claims on the United Kingdom and Italy were fully covered and regulated through consolidation agreements, which had already been concluded during the life-time of E.P.U., on the repayment by instalments of accrued E.P.U. debts. Altogether it can indeed be said that through the repayment spread over a number of years of the accrued E.P.U. debts there will certainly be no undue strain on the other O.E.E.C. members' monetary reserves, which as already mentioned increased by nearly U.S. \$ 3 billion in 1958 alone, especially since it looks as though most of the former deficit countries have good prospects in the present, and in the near future too, of achieving balance-of-payments surpluses.

First experiences  
with the European  
Monetary Agreement

Just as the liquidation of the accrued E.P.U. claims and debts seems likely on present impressions to take place without impairing the European payment structure, so the transition to the *European Monetary Agreement* has also taken place since the beginning of 1959 without friction or difficulties. Even in E.P.U. times the greater part of the payment transactions between member countries (and many others) had been settled through exchange dealings and multilateral arbitrage on the exchange markets, while only those balances which could not be offset went into the monthly E.P.U. settlement; and since the coming into force of the *European Monetary Agreement* the entire payment transactions between the member countries have been settled, with quite trifling exceptions, by the exchange markets. Even the settlement of fractional balances is now done on the exchange markets through appropriate action by the Central Banks, which in the *European Monetary Agreement* have assumed the obligation to keep the rates for their currencies against the U.S. dollar within the margins currently notified to the Agent and the other Central Banks: that is the obligation to intervene, at the latest, when those exchange rate margins for the dollar are reached. The limit rates laid down for that currency against the DM were DM 4.17 and 4.23 per U.S. dollar, representing a spread of nearly  $\frac{3}{4}\%$  on either side of the dollar parity of 4.20. The E.M.A. settlement mechanism which is provided for exceptional cases, and under which — unlike the E.P.U. settlement mechanism — settlements are effected no longer at par but at the limit rates, has not been used at all in the first months of its existence apart from trifling amounts which arose between some member countries on bilateral payment agreements that still remained from earlier times, this being quite in line with the meaning and intention of the Agreement. Even the “interim financing” between member countries within a settlement month, for which provision is made in much the same way as in E.P.U. but on a limited scale and against payment of interest, has so far been used only in relatively small degree — and, as is also normal, such borrowings have in every case been cleared off before the end of the month at the more favourable rates quoted in the exchange market.

The European Fund  
of the E.M.A.  
grants its first  
Assistance Credits

According to the arrangements made the capital of E.P.U. amounting to U.S. \$ 271.6 million, including U.S. \$ 113 million in liquid assets, has been transferred to the “European Fund” provided under the *European Monetary Agreement*, while the addition to bring the total up to the contemplated U.S. \$ 600 million is to be provided as required through subscriptions contributed by the member countries. The share which falls to the Federal Republic is U.S. \$ 42 million. In pursuance of an authorisation conveyed in the Bundesbank Law, this German subscription will be found through a special credit to be granted to the Federal Government by the Bundesbank. In the first months of its activity the Fund has granted two ad hoc credits running for two years, one of U.S. \$ 21.5 million to Turkey and a second, of U.S. \$ 15.0 million, to Greece; these in a sense replace the credit facilities which had been available to those two countries within E.P.U. at the end of 1958 to cover subsequent deficits on settlements, but which lapsed through the dissolution of E.P.U. Apart from this no major demands on the Fund seem very likely in the near future in view of the present balanced state of most O.E.E.C. countries' payments.



Since 1954, when the European Fund was conceived under pressure from the European deficit countries, being afterwards built into the European Monetary Agreement, many European currencies have in fact become much stronger, so that for the majority of the member countries the possibility of recourse to such an assisting institution no longer seems to be so urgently required as before. In addition the International Monetary Fund has in the meantime given proof of its willingness and ability to help precisely in connection with European payment crises; and since nowadays most European currencies are ranged more strongly than before in a world-wide union through their convertibility as against the dollar, there is of course more than ever to be said for treating any future European balance-of-payments troubles so far as possible within a world-wide framework, more especially since the power of the International Monetary Fund will shortly be strengthened through an increase of its resources. The European Fund will probably in the main be left, according to circumstances jointly with other international institutions, more limited functions of specifically European import. The Fund can in particular provide help for weaker member countries, so as to make it easier for them to join in the advance along the road to convertibility. Like the E.M.A. settlement arrangements, it helps to preserve the European monetary community from falling apart into different groups. It is therefore to be regarded as representing a thoroughly expedient use of E.P.U.'s capital in the overall European interest. Finally as regards its method of working, its non-automatic, short-term ad hoc credits, where necessary linked with directions and conditions, constitute in any case a great step forward by comparison with the automatic E.P.U. credits.

### 3. The Problem of International Liquidity

The strengthening of the European balance-of-payments and reserve position during the past year and a half has also to some extent cleared up the question, much discussed during the period under report, of whether there is at present in the world a shortage of "international liquidity". Especially during the first half of 1958 it was argued in some European countries, on the basis of frequently one-sided calculations about the relative course of world trade and monetary reserves, that the world was suffering from a dangerous shortage of liquidity — whether because the increase in reserves as a whole had not kept pace with the multiplication of world turnovers by comparison with pre-war years, or because the existing monetary reserves were too unevenly spread between the various countries. It was maintained that this shortage of liquidity reserves threatened the world economy with an acute danger of deflation. The course of events to date has not justified these fears. There cannot be said to have been any general international danger of deflation. The sharp though brief American recession of 1957/58 scarcely impaired the economic balance of Europe; indeed, as has been repeatedly mentioned, contrary to many people's fears it was even accompanied by a great increase of European monetary reserves. In Europe at all events, as was expressly stated a short time ago in the O.E.E.C.'s Tenth Annual Report, a policy of sound economic growth is at present certainly not hindered by any shortage of monetary reserves — especially if such a policy is kept within the limits set by existing economic strength and by price stability. So far as the building up of European monetary reserves was not based on the accrual of gold newly produced, or sold by the Soviet Union, it took place mainly at the expense of the reserves of the United States. But that represented a redistribution of international liquidity which is entirely welcome in the interest of international monetary equilibrium, especially since the United States still hold more than half the Western world's stock of monetary gold.

As a matter of fact the movement in the reserve position of many countries outside Europe has of course been much less favourable than in the case of the O.E.E.C. countries; this applies especially to those overseas countries which have been hit since 1957 by the fall in prices and the dullness in sales of raw materials. In many of these cases it would seem justifiable temporarily to cover the balance-of-payments deficits through international monetary credits,

No general shortage  
of international  
monetary reserves

so as to give them time to adopt measures of adjustment. In most cases, it is true, the adjustment problems in this group of countries are of a long-term structural character, and cannot be remedied by mere liquidity assistance.

The problems of international liquidity assistance

Besides this the events of the last few years have afforded a clear object lesson in how much more important it is for world economic equilibrium and for healthy economic growth that in the individual countries a sound economic and monetary policy shall be conducted, than that arrangements shall be made through new institutions to provide international assistance funds or other forms of artificial aid to liquidity. Chronic balance-of-payments deficits resulting from unsound financial or credit policy soon cause even the strongest monetary reserves, or large credits provided by way of assistance, to melt away. Indeed credits provided by way of assistance in the wrong place may even work definitely against world economic interests, inasmuch as they help to undermine the affected countries' will to restore sound conditions, and also tend to spread inflation. Per contra it has been found that countries which make energetic efforts to establish order in their economic situation and to establish internal equilibrium can as a rule expect credit assistance, and can even expect increasingly to receive it outside international institutions. The most impressive example of this in recent times is France, which for the purpose of overcoming initial difficulties in its comprehensive rehabilitation programme of the end of 1958 received credit facilities not only at the Bank for International Settlements (B.I.S.) and a number of European Central Banks, but also on a substantial scale from a group of American commercial banks. In the credit facilities so provided — which France has not so far needed to use, and which it has in the meantime refrained from renewing at the European Central Banks — the Bundesbank also took part to an appropriate extent.

“International liquidity” — a question of confidence and of the international credit system

Thus the “international liquidity” available for settling international payment deficits consists by no means only of the central gold and exchange reserves but also of other resources which can be mobilised through an appropriate policy, and furthermore comprises the possibilities of equalisation afforded by the international credit system. Before the first world war the world monetary system of course managed with relatively much smaller central reserves than now, and did so mainly because there was available a well-functioning international credit system which was not disturbed by crises of confidence and by exchange control. With the return of confidence in European currencies, and with the establishment of their convertibility as against the dollar, the efficiency of the present international credit system has been visibly increased; and this has raised potential international liquidity reserves in a way which cannot be recorded in statistics. Apart from this neither the availability of international payment reserves nor the need for them can be ascertained, in purely quantitative terms, from any statistical relations, for instance on the basis of the ratio between total trade and central monetary reserves. If structural conditions within the world economy are fairly balanced, while countries are prepared in case of balance-of-payments deficits to provide a remedy through an appropriate internal economic policy, and if, finally, the economy of the leading countries is exposed to no excessive fluctuations of the business cycle, the world economy will be able to manage with much smaller central reserves than if these conditions are not fulfilled.

Extension of the International Monetary Fund's resources

In view of the progress made in this respect and of the above-mentioned better spreading of the world's central monetary reserves it is not possible to say, even with due allowance for the strained reserve situation in some raw-material-producing countries overseas, that there is any general acute shortage of international payment reserves. The fact that nevertheless preparations are being made, with the assent of all the member countries, to widen the margin of international liquidity by enlarging the International Monetary Fund's resources, is due mainly to two reasons. In the first place it does not represent the remedying of an acute shortage, which hardly exists; it represents, as the matter was put by the United States Government spokesman at the annual meeting of Governors of the Fund in October 1958, a long-term precaution “for the next decade”. Secondly an increase of international liquidity in this form affords a certain guarantee that the

additional resources provided thereby will be used selectively, so far as necessary in conjunction with anti-inflationary rehabilitation programmes, and not to support and finance inflationary tendencies. The experiences since 1956 have shown that the Fund's resources may be required and usefully employed in the most varied situations, viz., boom, recession, sudden emergencies in individual countries, and not least — one need only think of the effects produced by the 1956/57 Suez crisis on some important European currencies — political disturbances. The world economy is however by no means immune, in the future either, to unexpected disturbances of a political nature; and timely action by way of safeguard against them is therefore entirely justified. In its business practice during the last five years the Fund has successfully upheld the principle that, in those cases where the payment deficits to be covered result from the applicant country's unsound economic policy, the Fund's credit assistance will be made subject to the carrying out of rehabilitation programmes agreed with it. This principle was expressly confirmed in the proposal for an increase of quotas, as made by the Fund's Board of Executive Directors and approved by the Governors. Through the close connection between financial aid and the maintenance or introduction of necessary measures of rehabilitation the Fund, as the Board's memorandum puts it, promotes the observance of that measure of financial self-discipline without which the international currency system cannot properly function.

The subjecting of the increase in the quotas to these principles, which fully conform to the monetary policy that has always been pursued by the Federal Republic and more particularly by the Bundesbank, made it easier for the German representatives to agree to the increase of the Fund's resources. It has moreover been rightly pointed out that the existence of an adequate "secondary currency reserve" strengthens confidence in the existing monetary order, and can thereby promote a sound monetary policy in the member countries; from various statements it is evident that the prospect of a forthcoming increase in the resources of the International Monetary Fund made it easier for many European countries, at the end of 1958, to take part in the change-over to dollar convertibility.

In detail the proposals which were put forward by the I.M.F.'s Board of Executive Directors, and submitted to the vote of its Governors in December 1958, provide that members' quotas in the Fund are as a rule to be raised by 50 per cent. In connection with this proposal for a general increase Canada, Japan and the Federal Republic were offered an increase exceeding the normal 50 per cent with a view to adjusting their quotas, long out of date, to their actual position in the world economy. For the Federal Republic the quota is to be raised from its previous level of U.S. \$ 330 million to U.S. \$ 787.5 million, this being the future level of the French quota, so that the Federal Republic will enter the group of five countries that have the largest quotas and enjoy certain special rights. The President of the Bundesbank, in his capacity as German Governor of the Fund and in agreement with the Federal Government, has consented to the entire proposal made by the Board of Executive Directors. The Federal Minister for Economic Affairs, as the authorised German Governor of the International Bank for Reconstruction and Development, has also agreed in principle to a parallel proposal which has been put forward by that institution for an increase of its capital stock, and according to which the Federal Republic's subscription is to be similarly adjusted upwards. The Federal Republic's legislative chambers will decide in the near future on the financial measures required for effecting the increase in the quota and the subscription.

As soon as more than three-quarters of the International Monetary Fund's member countries (as measured by their quotas) have agreed to the quota increase, so that the relative resolutions take effect, the members who agree to the increase of their quota have to pay in a quarter of that increase in gold, which in the German case will require about U.S. \$ 114 million. The remaining amount has to be paid in national currency, and can at first be provided through deposit of interest-free non-transferable Treasury Certificates of the Federal Government; only at the request of the Fund, that is when the latter requires DM, need the Treasury Certificates

Contemplated German participation in the increase of the Fund's resources

be actually redeemed to the amount required. The Bundesbank has indicated its readiness, in the same way as in the case of the contributions towards the Federal Republic's original membership quota in the International Monetary Fund, to undertake through a special credit to the Federal Government, so far as the legal requirements for this are created, the financing of the obligations arising from the prospective quota increase. To the extent of the sums actually paid either in gold or in national currency the Federal Republic will receive an if necessary quasi-automatically available right to draw from the Fund other currencies, which right represents a secondary currency reserve.

Due to the raising of the quotas the International Monetary Fund's liquid resources available for assisting balances of payments will be greatly enlarged, the more so since through the establishment of dollar convertibility for all the leading European currencies the subscriptions to be paid in those currencies will also be of far greater use than before. Since as early as the beginning of 1958, at a time when the DM was not yet fully convertible, the part of the Federal Republic's previous membership contribution provided in DM has to a large extent been used through drawings by other countries. Altogether during 1958 DM drawings by Yugoslavia, France and Turkey within the limits of the drawing lines accorded to them by the Fund took about DM 271 million. Through the contemplated more than proportionate increase in the German membership quota from U.S. \$ dollar 330 to 787.5 million the Federal Republic will make a substantial further contribution to the world economy's liquidity reserve concentrated in the Fund. The Bundesbank, which will undertake the financing of the subscription, hopes that it will operate as a contribution towards further strengthening of the international currency system and so reinforce the first results which so gratifyingly materialised during the period under report.

# The Deutsche Bundesbank's Credit and Foreign Exchange Policy Regulations at present in force\*)

## I. Credit Policy Regulations

### Principles for Eligibility of Credit Instruments at the Bundesbank

#### a) *Discount Business*

Bills of exchange presented for discount are to be backed by three parties known to be solvent. The bills must be payable within three months from the date of purchase. They should be good commercial bills (Article 19 paragraph 1 item 1 of the Law concerning the Deutsche Bundesbank).

Commercial bills

For assessment of the soundness of a signature the Central Bank Council has laid down the following ruling: any person who is liable on a bill which has been presented to the Deutsche Bundesbank for purchase or as security for an advance, and who despite being invited to provide information as to his financial affairs gives no information or no sufficient information, and with regard to whom there are otherwise available or procurable no data permitting adequate judgement of his financial affairs, is not to be regarded as a "party known to be solvent" within the meaning of Article 19 paragraph 1 item 1 of the Law concerning the Deutsche Bundesbank. A bill may not be purchased, nor may an advance be made against it, if it is clear that the acceptor cannot be regarded as a "party known to be solvent" (decision of 20 February 1957).

Commercial bills are bought only if the period to their maturity does not extend beyond the time which is necessary for carrying out the underlying transaction in goods (decision of 10 May 1949). Grain and fodder bills can however in principle be taken with a period to maturity of three months in order to facilitate the storage of grain and feedingstuffs at the marketing and processing stages, and thereby at the same time to reduce the demands for financial accommodation made on the central agencies (decision of 31 July 1952).

Bills which are given for the purpose of financing instalment sales transactions are in principle excluded from discount (decision of 21 March 1956).

Instalment sales  
financing bills

Instalment sales bills may however be purchased which serve to finance the purchase of agricultural machines that have a long life and assist production. In this exceptional case all bills which are due within 90 days are discountable if it is a case of an instalment sales transaction where the buyer has paid cash down for at least 40 per cent of the purchase price, and the whole period for which the credit runs does not exceed 24 months. If such an instalment sales transaction does not fulfil these conditions, then the last bill only is eligible at the Bundesbank if it is due within 90 days, or, in the case of instalment sales transactions which are based on monthly instalments, the last three bills relating to the whole transaction are discountable. In addition instalment sales bills with a remaining life of not over 14 days may be presented for discount.

Bills which serve for the interim financing of building projects will not be purchased (decision of 12 October 1955). This exclusion does not apply to building-material bills, that is bills drawn on the basis of building materials delivered by the producer to the trade, by the trade to the builder or building craftsman, and by the builder to the owner of the house (for repair or maintenance work). Prolongations of such bills however continue to be excluded from purchase.

Building bills and  
building-material bills

DM acceptances of accepting banks admitted to the prime acceptance market, which serve for the financing of import or merchanting transactions and have a remaining period of not more than 90 days to run (prime bankers' acceptances) can be rediscounted (decision of 18 December

Prime bankers'  
acceptances

\*) See in this connection the following Annual Reports of the Bank deutscher Länder: for 1948/49, pages 53 to 57; for 1950, pages 100 to 106; for 1951, pages 82 to 86; for 1952, pages 91 to 97; for 1953, pages 101 to 113; for 1954, pages 118 to 130; for 1955, pages 116 to 128; for 1956, pages 114 to 127; and Report of the Deutsche Bundesbank for the Year 1957, pages 57 to 75.

1958). Prime bankers' acceptances must be for at least DM 50,000 and should not exceed DM 250,000. They should be made out in amounts which are divisible by 5,000. Prime bankers' acceptances are outwardly distinguished from other bank acceptances by the statistical number, marked on the upper margin of their face, of the import or merchanting transaction financed. (The number will be taken from the import declaration or import permit or, as the case may be, from the merchanting trade declaration or individual merchanting trade permit.) The goods financed may also be mentioned.

Other bank acceptances

Other bank acceptances are purchased only if they serve to finance at short term specific individual transactions. They should be for at least DM 5,000 (decision of 31 January 1951). The Land Central Banks may in cases where they deem it appropriate waive the declaration as to the underlying transaction, which indicates the business financed by the bank acceptance (decision of 14 April 1954). Bank acceptances which serve to finance capital investments or to render frozen debtors liquid are not purchased (decision of 10 May 1949).

Since bank acceptances as a rule bear only two signatures when taken by the Land Central Bank, regard must be paid to the legal provision according to which the third signature may be dispensed with only if the security of the bill is guaranteed in some other way (Article 19 paragraph 1 item 1 of the Law concerning the Deutsche Bundesbank).

Bills drawn on debtors

The guiding principles for the purchase of "other bank acceptances" apply *mutatis mutandis* to the purchase of bills drawn by credit institutions on their debtors, subject to the proviso that the total amount of the bills drawn by a bank and relating to any one debtor should not exceed DM 20,000, and that no minimum amount is laid down (decision of 31 January 1951).

Promissory notes  
of the Import and  
Storage Agencies

Up to certain maximum amounts, specified as to date in each case, promissory notes of the Import and Storage Agencies, known as Storage Agency bills, may in virtue of special decisions of the Central Bank Council be declared purchasable within the meaning of Article 19 paragraph 1 item 1 of the Law concerning the Deutsche Bundesbank and the guiding principles in force for credits and may be used in the regulating of the money market (decision of 5 March 1959). (Cf. p. 58, "Money-Market Regulation and Money-Market Policy".)

Bills for financing  
export orders

Also rediscountable are the bills drawn on themselves by German exporters, bearing the endorsements of the exporter's bank and of the Ausfuhrkredit-A.G. (Export Credit Company), and necessary prolongations of the said bills, which have been issued for the purpose of financing export orders at medium or long term within the limit of a rediscount line accorded to the Ausfuhrkredit-A.G. (decision of 5/6 March 1952). The rediscount line, known as Limit B of the Ausfuhrkredit-A.G., amounts at present to DM 500 million (decision of 20 February 1957). It may be used only for credits running for not less than one year and not more than four years (decision of 6 February 1957). The exporter must as a rule himself participate to the extent of 40 per cent of the value of the order, either through use of his own resources or through recourse to his own bank (decision of 6 October 1954). Only individual transactions may be financed. The financing assistance is intended in general to bridge over the interval between the time when production begins and that when the export proceeds are received. In case of the export of mass or series-produced goods which are produced within any manufacturer's normal production programme, or are sold ex warehouse, the duration of production and of warehousing must not be included in the period for which the financing assistance runs. For transactions of this kind, therefore, the Bundesbank's assistance is given only for the purpose of bridging over the period between despatch of the goods and receipt of the export proceeds (decisions of 18 May 1956 and 25 July 1956). The rediscount line must not be used for the purpose of providing funds for capital investment or working resources for general export purposes of the exporting firms.

Export drafts

Export drafts have been no longer purchased since 1 December 1957, and their permissible prolongations since the end of February 1958 (decision of 21/22 August 1957). For West Berlin an exceptional arrangement laid down in detail applies.

Under Article 19 paragraph 1 item 8 in conjunction with Article 22 of the Law concerning the Deutsche Bundesbank the Bundesbank is empowered to purchase directly, from physical and legal persons that are not credit institutions, bills of exchange and cheques expressed in foreign currency. At present the Bank is not making use of this power (decision of 16 October 1957); it is however possible to purchase bills of exchange and cheques expressed in foreign currency from public administrations (decision of 4 September 1958).

Foreign currency bills and cheques are purchased from credit institutions and public administrations at the Deutsche Bundesbank's rate of discount (decisions of 18 May 1956 and 22 January 1958). The governing rates for purchase are laid down in conformity with the prevailing forward rates, and are regularly published in the Bundesanzeiger (Federal Advertiser) (decision of 21/22 August 1957).

#### *b) Advances on Securities*

Advances on securities (interest-bearing loans against collateral for not more than three months) may be granted to credit institutions against pledging of the securities and claims on the Federal or Land Debt Registers listed in Article 19 paragraph 1 item 3 of the Law concerning the Deutsche Bundesbank. Detailed information regarding the assets eligible as security for advances, and the lending limits applicable thereto, is given in the "List of Securities Eligible at the Deutsche Bundesbank as Security for Advances" which is published in the Bundesanzeiger and the Bank's Notices.

The inclusion of a security in the above-mentioned list does not oblige the Bundesbank to grant advances, and does not limit the Bank's right to determine the cover to be provided by the borrower.

The question whether an advance against securities can be granted in an actual individual case will be decided according to the general credit situation and the individual circumstances of the would-be borrower. In principle an advance against securities is to be granted only where the object is to cover for a short period a temporary need for liquidity, and where in other respects there are no objections to the purpose of the borrowing (decision of 17/18 December 1952).

Bills which cannot be purchased under the regulations in force are also in principle ineligible as security for advances (decision of 10 May 1949). There is an exception in the bills drawn by German exporters on themselves and financed through the Ausfuhrkredit-A.G.'s Limit A, which bills may be taken as security for advances but may not be purchased (decision of 5/6 December 1951).

In other respects the "Deutsche Bundesbank's General Business Conditions" (VI. Advances) apply to the granting of advances on securities.

Notwithstanding the limitations under Article 19 paragraph 1 item 3 the Bundesbank may grant loans to credit institutions, insurance companies and building and loan associations against the pledging of Equalisation Claims within the meaning of Article 1 of the Law on the Redemption of Equalisation Claims<sup>1)</sup>, in so far and so long as is necessary for maintaining the solvency of the pledger (Article 24 paragraph 1 of the Law concerning the Deutsche Bundesbank).

#### **Rediscount Quotas for Credit Institutions**

The extent of the recourse by credit institutions to the Deutsche Bundesbank by way of rediscounting bills of exchange is limited — apart from other effects of Central Bank policy — through individually proportioned rediscount quotas. The Central Bank Council has laid down standard quotas which, differentiated according to categories of institutions, are calculated on

<sup>1)</sup> Law on the Redemption of Equalisation Claims, of 14 June 1956 (Federal Law Gazette I, page 507).

the basis of the liable funds (decisions of 17 April 1952, 15 December 1954 and 3 May 1957). The method of fixing the quotas contains sufficiently elastic elements.

The standard quotas were reduced by 15 per cent with effect from 1 May 1957. The reduction is also applied in the calculating of new standard quotas. From the reduced standard quota there is deducted the amount taken abroad of such credits as do not serve for the initial financing of an import or for carrying out a merchanting transaction (decisions of 10 April 1957 and 3 May 1957).

The rediscount quota of any large bank with a branch system, or of any other supra-regionally operating credit institution, will be fixed by the Land Central Bank in the area of which the head office of the institution in question is located (decision of 17/18 Sep. 1952).

The rediscount quotas of the following credit institutions, which have central functions for the whole area of the Federal Republic (Article 7 paragraph 1 item 2 of the Law concerning the Deutsche Bundesbank), will be laid down on the basis of the standard quotas by the Directorate of the Deutsche Bundesbank (decision of 27/28 March 1958):

Ausfuhrkredit-Aktiengesellschaft, Frankfurt am Main  
Deutsche Bau- und Bodenbank A.G., Frankfurt am Main  
Deutsche Genossenschaftskasse, Frankfurt am Main  
Deutsche Girozentrale — Deutsche Kommunalbank, Düsseldorf  
Deutsche Verkehrs-Kredit-Bank A.G., Frankfurt am Main  
Industriekreditbank A.G., Düsseldorf  
Kreditanstalt für Wiederaufbau, Frankfurt am Main  
Landwirtschaftliche Rentenbank, Frankfurt am Main  
Lastenausgleichsbank (Bank für Vertriebene und Geschädigte), Bad Godesberg  
Privatdiskont-Aktiengesellschaft, Frankfurt am Main.

For the purpose of determining the extent to which any credit institution has used its rediscount quota the total amount of the bills that the credit institution has rediscounted and which are not yet due is decisive, this amount being known as the "Einreicherobligo".

Outside the fixed rediscount quota those bills drawn by German exporters on themselves may be purchased which are issued within the rediscount line of DM 500 million opened by the Bundesbank for the Ausfuhrkredit-A.G. for the purpose of financing medium and long-term export transactions (decisions of 17 April 1952 and 15 December 1954), and also prime bankers' acceptances which have passed through the money market and, at the time of their purchase, have not more than 45 days still to run (decision of 18 December 1958).

The fixed rediscount quota must never be exceeded, not even temporarily. Credit institutions whose rediscount quota is exhausted may resort to advances against securities.

### **Guiding Ratios for Credits Granted by Credit Institutions**

In order to bring the total amount and the structure of any credit institution's lendings into line with its financial capacities the Central Bank Council has established certain Guiding Ratios, on the observance of which the Bundesbank's assistance through rediscounting or similar operations may be made dependent.

There are four Guiding Ratios, namely

Guiding Ratio I for the ratio of the lendings at short and medium term to the liable funds;  
Guiding Ratio II for the ratio of the debtors to the total of liable funds and deposits;  
Guiding Ratio III for the liquidity;  
Guiding Ratio IV for the ratio of the acceptance credits to the liable funds.

Details of the Guiding Ratios in force since December 1954 are contained in the following table.



*Present Guiding Ratios in regard to Credits*

Guiding Ratio	Commercial Banks <sup>1)</sup>	Savings Banks	Industrial Credit Cooperatives	Agricultural Credit Cooperatives	Central Giro Institutions	Central Institutions of Industrial Credit Cooperatives	Central Institutions of Agricultural Credit Cooperatives
I	The total of the short-term and medium-term lendings to business and private customers shall not exceed 18 times the liable funds of the commercial bank. <sup>2)</sup>	The total of the short-term lendings to business and private customers shall not exceed 15 times the liable funds of the savings bank.	The total of the short-term lendings to business and private customers shall not exceed 15 times the liable funds of the industrial credit cooperative (plus the addition to these which is permitted by law).	The total of the short-term lendings shall not exceed 15 times the liable funds of the agricultural credit cooperative (plus the addition to these which is permitted by law).	The total of the short-term lendings to business and private customers shall not exceed 15 times the liable funds of the central giro institution.	The total of the short-term lendings to business and private customers shall not exceed 5 times the liable funds of the central institution of industrial credit cooperatives.	The total of the short-term lendings shall not exceed 20 times the liable funds of the central institution of agricultural credit cooperatives.
II	The debtors shall not exceed 60 per cent of the liable funds and deposits. <sup>2)</sup>	The total of the debtors plus the bills drawn on debtors shall not exceed 60 per cent of the liable funds and deposits, the savings deposits being taken at the rate of only 50 per cent.	The total of the debtors plus the bills drawn on debtors shall not exceed 70 per cent of the liable funds (plus the addition to these which is permitted by law) and of the deposits.	The total of the debtors plus the bills drawn on debtors shall not exceed 70 per cent of the liable funds (plus the addition to these which is permitted by law) and of the deposits.	The total of the debtors plus the bills drawn on debtors shall not exceed 70 per cent of the liable funds and deposits, the savings deposits being taken at the rate of only 50 per cent.	The total of the debtors plus the bills drawn on debtors shall not exceed 80 per cent of the liable funds and deposits.	No Guiding Ratio established.
III	The liquid resources shall not be less than 20 per cent of the borrowed funds.	The liquid resources shall not be less than 15 per cent of the borrowed funds, the savings deposits being taken at the rate of only 50 per cent.	The liquid resources shall not be less than 15 per cent of the borrowed funds, the savings deposits being taken at the rate of only 50 per cent.	The liquid resources shall not be less than 15 per cent of the borrowed funds, the savings deposits being taken at the rate of only 50 per cent.	The liquid resources shall not be less than 20 per cent of the borrowed funds, the savings deposits being taken at the rate of only 50 per cent.	The liquid resources shall not be less than 20 per cent of the borrowed funds, the savings deposits being taken at the rate of only 50 per cent.	No Guiding Ratio established.
IVa	The total of acceptance credits and bills drawn on debtors shall not exceed three times the liable funds.						
IVb	The acceptance credits and bills drawn on debtors, included in such credits and bills, and not serving directly to finance exports, imports or crops, shall not exceed the liable funds.						
<p><sup>1)</sup> Large banks with branch networks, state, regional and local banks, and private bankers. — <sup>2)</sup> If the position of a commercial bank in regard to Guiding Ratio I is substantially better than the standard laid down, then the Deutsche Bundesbank may take this into account in the application of Guiding Ratio II (decision of 20/21 June 1951).</p> <p><i>Remarks</i></p> <p>Any credit which a credit institution has granted to expelled persons is in principle left out of account in determining whether, and if so, to what extent, the credits granted by the institution are in accordance with the Guiding Ratios, provided that the Lastenausgleichsbank (Bank für Vertriebene und Geschädigte) — (Equalisation of Burdens Bank) — has guaranteed the credit and has placed the funds at the disposal of the credit institution. This applies also to that part of the credit on which the credit institution itself carries the commitment (decision of 11/12 April 1951).</p> <p><i>Definitions</i></p> <p><b>Liable Funds:</b> These are the liable capital and reserves ("Eigenkapital") within the meaning of Article 11 paragraphs 2 and 3 of the Banking Law (Kreditwesengesetz), plus the global adjustment of values permitted under the tax laws.</p> <p><b>Debtors:</b> Credits in current account, and acceptance credits.</p> <p><b>Liquid Resources:</b> Cash holdings, balances at Deutsche Bundesbank, postal cheque balances, cheques and bills, Treasury bills and non-interest-bearing Treasury bonds of the Federal Government and the Länder, certain foreign Treasury bills and non-interest-bearing Treasury bonds.</p> <p><b>Borrowed Funds:</b> Deposits, monies and loans taken, own acceptances and promissory notes in circulation.</p> <p>The definitions of the Guiding Ratios conform closely with those which are in current use in the banking statistics. There are full explanations indicating which items in the form for the statistical return must be used in the calculation for the purpose of each of the Ratios.</p>							

## Other Measures and Decisions in the Field of Credit Policy

### *a) Purchase of Equalisation Claims*

Under the Law on the Redemption of Equalisation Claims<sup>1)</sup> DM 40 million — and from the 1980 accounting year onwards DM 30 million — out of the Bundesbank's net profit are to be paid each year into the Fund for the Purchase of Equalisation Claims (the Purchase Fund), established as a juridically dependent institution of the Bundesbank. Equalisation Claims are bought to the debit of this Purchase Fund where their definitive acquisition seems desirable for the purpose of enabling the creditor institutions to fulfil matured obligations (loc. cit., Article 9 paragraph 1). So far as the resources of the Purchase Fund are not required for these purposes, the Bundesbank is to purchase Equalisation Claims of creditors who show in their balance sheet — by comparison with the balance sheets of creditors having an identical or similar business structure — a proportion of Equalisation Claims higher than the average (these operations being known as "levelling purchases"; loc. cit., Article 9 paragraph 2). Only then may the resources of the Fund be used to purchase Equalisation Claims of all creditors in a proportion to be determined as a uniform percentage (loc. cit., Article 9 paragraph 3).

In addition the Bundesbank may purchase for its own account from credit institutions, insurance companies and building and loan associations Equalisation Claims within the meaning of Article 1 of the Law on the Redemption of Equalisation Claims, subject to the provisions of Article 9 paragraph 1 of that Law, in so far and so long as the resources of the Purchase Fund are not sufficient for this purpose (Article 24 paragraph 2 of the Law concerning the Deutsche Bundesbank).

### *b) Money-Market Regulation and Money-Market Policy*

In order to enable the Bundesbank to conduct open-market policy on a broader basis and to ensure efficiency in credit and liquidity policy, the Federal Government, as the debtor in respect of the Equalisation Claim which the Deutsche Bundesbank holds under the Monetary Reform provisions, is required by law (Article 42 of the Law concerning the Deutsche Bundesbank) to hand to the Bank Treasury bills or non-interest-bearing Treasury bonds in denominations and on terms of the Bank's choice ("mobilisation paper") up to a maximum of DM 4 billion. On the Bank's request the Cabinet may increase the maximum to the nominal amount of the Equalisation Claim. In July 1958 the maximum was increased, on request, to the full amount of the Equalisation Claim (about DM 8.1 billion) entered in the Federal Debt Register in the name of the Bank. The mobilisation paper is payable at the Bundesbank. The Bank is under obligation to the Federal Government to meet all liabilities arising from such mobilisation paper.

In the course of its regulation of the money market the Bundesbank furthermore arranges the placing of Treasury bills and non-interest-bearing Treasury bonds which are issued by the Federal Government, its Special Funds and the Länder, as well as of promissory notes of the Import and Storage Agencies (Storage Agency bills). It lays down the selling rates for such money-market paper and also the purchasing rates so far as such paper is purchased (decision of 11 January 1956).

With a view to maintaining the efficiency of the prime acceptance market which was started on 5 February 1959, the Bundesbank has also declared itself ready to regulate that market. In purchasing and selling prime bankers' acceptances in the market, the Bank contracts only with the Privatdiskont-Aktiengesellschaft.

### *c) Provisions as to Minimum Reserves*

After entry into force of the Bundesbank Law, except for one single provision, the instructions as to minimum reserves issued by the various Land Central Banks to credit institutions under Article 14 paragraph 2, second sentence, of the Land Central Bank Law in accordance with the

<sup>1)</sup> Law on the Redemption of Equalisation Claims, of 14 June 1956 (Federal Law Gazette I, page 507).

specimen instruction<sup>1)</sup> approved by the Board of Directors of the Bank deutscher Länder for the time being remained in force and to that extent mutatis mutandis continued to be valid (Announcement of the Deutsche Bundesbank dated 1 August 1957). The exception was the deletion of Article 2 paragraph 1 (b) of the Instructions as to Minimum Reserves (Notice No. 2004/57). The said paragraph provided for liabilities arising from the taking of earmarked monies, so far as the latter had not yet been passed on, to carry the reserve obligation even though they had periods to maturity of four years or more and/or were liabilities towards credit institutions subject to the reserve obligation. Cancellation of this special arrangement followed from Article 16 paragraph 1, first sentence, of the Bundesbank Law, under which liabilities in respect of long-term borrowings and liabilities towards credit institutions required to maintain minimum reserves cannot be subjected to the minimum-reserve obligation.

On 1 May 1958 the Instructions as to Minimum Reserves previously issued by the Land Central Banks to the credit institutions were abolished. They were replaced by the Deutsche Bundesbank's Order on Minimum Reserves of 28 March 1958, adopted by the Central Bank Council under Articles 6 and 16 of the Bundesbank Law. The principal innovation contained in this Order is the cancellation of the provision then prevailing — issued in accordance with Article 14 paragraph 2, first sentence, of the former Land Central Bank Law — stipulating that the credit institutions with branch establishments in several Land Central Bank areas had to decentralise their maintenance of reserves. The institutions operating on a supra-regional basis have since been able, therefore, to distribute the minimum reserves at will among the Land Central Banks in whose area the Bundesbank's account-keeping branch establishments appropriate for their branches are located (Article 5 paragraph 1).

The rate of the special interest charged for failure to meet the reserve requirement had previously been established in the Instructions as to Minimum Reserves. Under the new Order, on the other hand, it is fixed from time to time by the Bundesbank. With effect from 1 May 1958 the special interest under Article 10 paragraph 1 of the Bundesbank's Order on Minimum Reserves was fixed at three per cent above the Deutsche Bundesbank's advance rate applying on the 15th of the month in question (decision of 24 April 1958). This has not entailed any material change.

By decision of 16 April 1959 the Central Bank Council has once more modified in some respects the Order on Minimum Reserves.

Thus the number of institutions not subject to the minimum reserve requirement has been enlarged by inclusion of the investment trusts and the security-clearing institutions (Article 1 paragraphs 2b and c). On the other hand, as is now elucidated in Article 1 paragraph 2a, those of the enterprises quoted in Article 2 paragraph 1d of the Banking Law (recognised as co-operative housing enterprises or as bodies carrying out the housing policy of the Government) are considered as being subject to the reserve requirement to whom the Banking Law applies in unlimited degree, which means at the same time that these enterprises "predominantly" conduct bank or savings bank business.

Moreover, in Article 2 paragraph 3b (exceptional ruling for "earmarked monies passed on") the provision — so far applying without limitation — according to which earmarked monies taken as loans as well as the corresponding lendings shall run for not less than one year has been waived to the extent to which public or publicly assisted lending schemes are concerned.

Finally, under the liabilities deemed as sight liabilities no longer any special mention is made of "liabilities in respect of customers' balances for covering letters of credit and of their other covering balances" (Article 3 paragraph 2). This in practice takes account of those fairly rare cases where liabilities arising from credit balances of this kind represent time liabilities in the meaning of the minimum-reserve regulations. They are considered as such, in accordance with Article 3 paragraph 3, if it is assured that the credit institution will at the earliest be

<sup>1)</sup> See the Report of the Bank deutscher Länder for the Year 1956, page 121 and following pages.

drawn upon 30 days after the covering balance was made available, and if the covering balance is fixed for a corresponding period.

As from 1 April 1959 liabilities towards non-residents are subject to the same reserve ratios as liabilities towards residents (decision of 19 March 1959).

The following is the text of "The Deutsche Bundesbank's Order on Minimum Reserves of 16 April 1959" coming into force on 1 May 1959. On the same day the Order of 28 March 1958 ceases to have effect.

## The Deutsche Bundesbank's Order on Minimum Reserves of 16 April 1959

In pursuance of Articles 6 and 16 of the Law concerning the Deutsche Bundesbank the Central Bank Council of the Deutsche Bundesbank has resolved on the following Order as to Minimum Reserves:

### I. General Provisions

#### Article 1

- (1) Credit institutions within the meaning of this Order comprise all enterprises conducting bank or savings bank business within the country (Article 1 of the Banking Law).
- (2) Not subject to the reserve obligation are:
  - a) the enterprises mentioned in Article 2 paragraph 1 d–f of the Banking Law, except those quoted in Article 2 paragraph 1 d of the Banking Law, to whom the provisions of the Banking Law apply in unlimited degree;
  - b) the investment trusts (Law dated 16 April 1957);
  - c) the security-clearing institutions (Kassenvereine);
  - d) credit institutions which are in liquidation, and other credit institutions whose activity is confined to winding up.

#### Article 2

- (1) Liabilities subject to the reserve requirement comprise all liabilities towards
  - a) non-banks,
  - b) credit institutions not subject to the reserve requirement, and
  - c) banks in foreign countries,arising from deposits and from loans taken, the latter for agreed periods to maturity, or at agreed periods of notice, of less than four years.
- (2) For the purpose of ascertaining the liabilities subject to the reserve requirement an account-holder's deposits payable on demand may be reduced by the offsetting of short-term claims on that account-holder on
  - a) accounts which in the calculation of interest and commission are treated together with the deposit accounts in question as a unit,
  - b) special loan accounts in accordance with Article 2 paragraph 4 of the Agreement regarding Debtor Interest (the so-called "English accounting method").This does not apply to deposits in foreign currency.
- (3) Exempt from the reserve requirement are liabilities
  - a) towards the Bundesbank;
  - b) in respect of earmarked monies taken as loans, so far as the said monies have already been passed on to the recipients or to an intermediary credit institution. Earmarked monies within the meaning of this provision are monies which according to directions laid down from the outset by the lender in regard to the terms of lending in particular are to be lent to borrowers designated by name by the lender or — where it is a case of a public or publicly assisted lending scheme — to borrowers who fulfil the requirements for taking part in the said lending scheme; the agreed maturity or period of notice of the earmarked monies as well as of the credits granted or to be granted out of this source must be not less than one year, unless a public or publicly assisted lending scheme is concerned;

- c) of private or public mortgage banks or ship mortgage banks in respect of monies which have been taken as global loans but have not yet been passed on to the borrowers indicated, and for the purpose of securing which there has been transferred to the lender a registered mortgage bond that is covered not by mortgages but by substitute cover through use of the loan monies received;
- d) in respect of balances for covering letters of credit, and of other covering balances, in so far as the credit institution for its part maintains a covering balance in respect of them at a bank within the country or abroad;
- e) in respect of foreign-currency deposits, to the extent of the credit balances held at banks abroad; of the said credit balances, for this purpose, that part will be left out of account which has already been reckoned in accordance with d);
- f) in respect of customers' drawings on credits opened at other credit institutions;
- g) in respect of the receipt of amounts collected purely on a commission basis, so far as the said amounts are currently paid over to the beneficiaries. Amounts are to be regarded as "currently paid over" if they remain at the collecting institution for not longer than 14 days;
- h) in respect of compensation balances within the meaning of Article 4 of the Law on Currency Conversion Compensation for Expelled Persons' Savings Balances, in so far as such balances have not yet been released (Article 11 paragraph 3 of the Law);
- i) in respect of savings deposits to the extent of the Covering Claims held under the "Old Savers' Law" for amounts credited as compensation on deposit accounts.

#### Article 3

- (1) Among the liabilities subject to the reserve requirement a distinction is made between:
  - a) sight liabilities,
  - b) time liabilities, and
  - c) savings deposits.
- (2) Sight liabilities are deemed to comprise liabilities due on demand, as well as liabilities in respect of which a period of notice of less than one month or a period to maturity of less than 30 days has been agreed.
- (3) Time liabilities are deemed to comprise
  - a) liabilities in respect of which a fixed period to maturity of at least 30 days has been agreed;
  - b) liabilities in respect of which a period of notice of at least one month has been agreed.
- (4) Savings deposits are deemed to comprise deposits within the meaning of Chapter VII (Article 22 and following Articles) of the Banking Law.

#### Article 4

A "bank place" (Bankplatz) within the meaning of the provisions as to minimum reserves is any place at which the Deutsche Bundesbank maintains a branch establishment. In exceptional cases where due reason exists the appropriate Land Central Bank may declare localities within a "bank place" which are difficult of access, for example distant suburbs included within the municipal boundaries, to be "non-bank places".

## II. Reserve Obligation

#### Article 5

- (1) Credit institutions subject to the reserve requirement (Article 1) are required to maintain minimum reserves at the Bundesbank as credit balances on giro account.
- (2) Agricultural credit cooperatives which are members of a regional central institution and maintain no giro account at the Bundesbank are to keep the minimum reserves as balances payable on demand on a special account at their central institution; to the extent of the balances on such accounts the central institution is to maintain credit balances at the Bundesbank.

#### Article 6

The duty to maintain minimum reserves is fulfilled if a credit institution's actual reserve (Article 9) comes up to the required reserve (Article 7).

### III. Calculation of the Required and Actual Reserve

#### Article 7

- (1) The required reserve is found by applying the percentages fixed by the Bundesbank (reserve ratios) to the monthly average, ascertained in accordance with Article 8, of the liabilities subject to the reserve requirement (Article 2). In the case of credit institutions with more than one branch or office the monthly averages of the individual branches' or offices' liabilities subject to the reserve requirement will be reckoned together.
- (2) The required reserve of a central institution of agricultural credit cooperatives means the required reserve found according to paragraph 1 plus the total actual reserves of the cooperatives holding reserves with it.
- (3) If the reserve ratios are set at different levels according to the size of the institutions (reserve categories), then the ranking of a credit institution in one of the reserve categories is determined by the total of the monthly averages shown in the previous month's Reserve Statement (Article 11) for its sight and time liabilities subject to the reserve requirement.

#### Article 8

- (1) The monthly average of the liabilities subject to the reserve requirement will be calculated from the totals at the close of the business and non-business days in the period from the 24th of the previous month to the 23rd of the current month.
- (2) The monthly average can instead be calculated from the total of the liabilities subject to the reserve requirement as they stand at the close of the following four days:
  - Last day of the previous month;
  - 7th day of the current month;
  - 15th day of the current month;
  - 23rd day of the current month.
- (3) Agricultural credit cooperatives may use, in place of the monthly average, the total of the liabilities subject to the reserve requirement as they stood at the close of the last day of the previous month. In exceptional cases where due reason exists the appropriate Land Central Bank may permit other credit institutions to do the same.
- (4) If one of the days mentioned in paragraphs 1 to 3 falls on a non-business day, then for the total of the liabilities subject to the reserve requirement on that day the total at the close of the previous business day shall be taken.
- (5) In the case of agricultural credit cooperatives which maintain minimum reserves in accordance with Article 5 paragraph 2, the appropriate Land Central Bank may permit an ascertained monthly average to stand good for a further period of up to five months.
- (6) The monthly average is to be ascertained according to the same procedure for all the categories of liabilities subject to the reserve requirement (Article 3).

#### Article 9

- (1) The actual reserve means the monthly average of the credit balance maintained in accordance with Article 5. It will be calculated from the totals at the close of all the days in the month, the total balance on any non-business day being deemed to be the balance ascertained as at the close of the preceding business day, and will be notified to the credit institution at the close of the month by the Bundesbank (Central Cash Office).
- (2) If a credit institution keeps a giro account at more than one office of the Bundesbank, the actual reserve is deemed to be the total of the monthly averages of the individual credit balances.

### IV. Special Interest

#### Article 10

- (1) If in any month a credit institution's actual reserve falls short of its required reserve the said credit institution shall for 30 days pay on the deficiency, unless the Bundesbank grants a request for waiver of the interest payment, special interest at the rate from time to time ordered by the Bundesbank.
- (2) Deficiencies of agricultural credit cooperatives which maintain minimum reserves in accordance with Article 5 paragraph 2 may not be offset by the central institution against its own surplus reserve or the surplus reserve of another cooperative. In respect of deficiencies of cooperatives the central institution shall pay the special interest to the Bundesbank.

## V. Reserve Statement

### Article 11

- (1) Not later than the 5th business day in each month every credit institution subject to the reserve requirement is in respect of the past month, except as otherwise provided in paragraphs 2 and 3, to submit a Reserve Statement (Form 1500, Section A) to the account-keeping office of the Bundesbank. For each day (Article 8) this Statement shall show — on a schedule in the case of institutions which calculate in accordance with Article 8 paragraph 1 the monthly average of the liabilities subject to the reserve requirement — the liabilities subject to such requirement divided according to the different categories (Article 3) and, divided between liabilities in accordance with paragraphs 2 and 3 of Article 2, the liabilities left out of account in accordance with the said paragraphs of that Article.
- (2) In the case of credit institutions having more than one office or branch each such office or branch is to render a Reserve Statement (Form 1500, Section A). The head office is in addition to render a Combined Statement (Form 1500, Section B), in which the monthly averages of each branch's or office's liabilities subject to the reserve requirement and of its Bundesbank giro balances are to be separately shown, so far as the branch or office maintains a Bundesbank giro account of its own; the monthly averages of the liabilities, subject to the reserve requirement, of branches or offices not having a Bundesbank giro account of their own may be shown in summary with an indication of the number of such branches or offices. The monthly averages of the liabilities subject to the reserve requirement are in every case to be split between bank places and non-bank places according to Form 1500 (Section B). The head office is to submit the Combined Statement together with the Statements of the individual branches or offices, also not later than the 5th business day in the month, to the Bundesbank's account-keeping office appropriate to its location; the appropriate Land Central Bank may permit their submission to another office of the Bundesbank.
- (3) Agricultural credit cooperatives which maintain minimum reserves in accordance with Article 5 paragraph 2 are to give to their central institution the data required in Form 1500 (Section A) for the calculation of the required reserve. For each cooperative maintaining a reserve with it the central institution shall state, in a schedule to its Reserve Statement, the monthly averages (Article 8) of the liabilities subject to the reserve requirement, the required reserve and the actual reserve.
- (4) The Bundesbank may cause the ascertainment of the liabilities subject to the reserve requirement to be explained to it in the Reserve Statement or in a schedule thereto. It retains the right to assure itself that the said ascertainment is in order.

## VI. Coming into Force

### Article 12

The Order in the foregoing version comes into force on 1 May 1959. At the same time "The Deutsche Bundesbank's Order on Minimum Reserves of 28 March 1958" ceases to have effect.

Deutsche Bundesbank  
(sgd.) Blessing (sgd.) Dr. Wolf

### *d) Credit Limits of the Public Authorities*

In accordance with Article 20 paragraph 1 item 1 of the Law concerning the Deutsche Bundesbank the Bank may grant short-term credits in the form of book and Treasury bill credits (known as cash advances) to the following public administrations:

to the Federal Government	up to	DM 3,000 million;
to the Federal Railways	up to	DM 400 million;
to the Federal Postal Administration	up to	DM 200 million;
to the Equalisation of Burdens Fund	up to	DM 200 million;
to the E.R.P. Special Fund	up to	DM 50 million;

to the Länder up to DM 20 per inhabitant according to the latest official census; in the case of the Land of Berlin and the Free and Hanseatic Cities of Bremen and Hamburg an amount of DM 40 per inhabitant serves as the basis of computation.

Treasury bills which are issued by these public administrations and which the Bundesbank has purchased for its own account, or in respect of which it has given an assurance of purchase, are counted against the credit limits. This however does not apply to Federal Treasury bills which have been handed to the Bank in pursuance of Article 42 paragraph 1 of the Law concerning the Deutsche Bundesbank (mobilisation Treasury bills).

In addition, under Article 20 paragraph 1 item 2 of the Law concerning the Deutsche Bundesbank, the Bank may grant credits to the Federal Government with a view to fulfilment of the latter's obligations as member of the following institutions:

- |   |                         |
|---|-------------------------|
| a) the International Monetary Fund                              | up to DM 1,500 million; |
| b) the European Fund  | up to DM 180 million;   |
| c) the International Bank for<br>Reconstruction and Development | up to DM 35 million.    |

Credits have so far been granted to the Federal Government against these limits to the extent of DM 661.7 million, of which payments to the International Monetary Fund account for DM 631.4 million, while financing of the subscription paid in U.S. dollars to the International Bank for Reconstruction and Development accounts for DM 30.3 million.

### Interest Rates and Minimum Reserve Ratios of the Deutsche Bundesbank\*)

#### a) Rates for Discounts and Advances, and Special Rate of Interest charged for failure to meet the Minimum Reserve Requirement

Applicable as from:	Discount rate <sup>1)</sup>	Rate for advances on securities	Special rate of interest charged to credit institutions for failure to meet minimum reserve requirement
	% per annum	% per annum	% p. a. over advance rate
1948 July 1	5	6	1
Dec. 1			3
1949 May 27	4 1/2	5 1/2	
July 14	4	5	
1950 Oct. 27	6 <sup>2)</sup> 3)	7	
Nov. 1			1
1951 Jan. 1			3
1952 May 29	5 <sup>4)</sup>	6	
Aug. 21	4 1/2	5 1/2	
1953 Jan. 8	4	5	
June 11	3 1/2	4 1/2	
1954 May 20	3	4	
1955 Aug. 4	3 1/2	4 1/2	
1956 March 8	4 1/2	5 1/2	
May 19	5 1/2 <sup>5)</sup>	6 1/2	
Sep. 6	5	6	
1957 Jan. 11	4 1/2	5 1/2	
Sep. 19	4	5	
1958 Jan. 17	3 1/2	4 1/2	
June 27	3	4	
1959 Jan. 10	2 3/4	3 3/4	

\*) Up to 31 July 1957 rates of Bank deutscher Länder and of Land Central Banks.

<sup>1)</sup> This is also the rate for cash advances to public authorities and to the Reconstruction Loan Corporation; cf. footnotes <sup>2)</sup> and <sup>4)</sup>. The discount rate for bills expressed in foreign currency was uniformly fixed at 3%, for the time being, by a decision adopted by the Board of Directors of the Bank deutscher Länder on 3 August 1948. By decision of 9/10 November 1949 the Board of Directors authorised the Board of Managers to fix varying rates for bills in this class, in accordance with the discount rates of the foreign Central Banks. The same applied to bills in DM which have been accepted abroad (decision of 22/23 March 1950), and also to export drafts (decisions of 15/16 November 1950 and 23/24 May 1951); cf. footnote <sup>5)</sup>. — <sup>2)</sup> Promissory notes arising under the export promotion scheme of the Reconstruction Loan Corporation were discounted at the preferential rate of 4% even after the raising of the discount rate on 27 October 1950 (decision of 29/30 November 1950). This privilege in regard to the interest rate was cancelled by decision of 7/8 November 1951; and it could then be claimed only for promissory notes arising from credits which were granted or promised not later than 7 November 1951. — <sup>3)</sup> Under a decision taken by the Board of Directors of the Bank deutscher Länder on 20 December 1950 the interest rate for cash advances to the Reconstruction Loan Corporation was fixed, with effect from 27 October 1950, at 4% in the case of lendings to agriculture, maritime shipping and housebuilding, while for credits serving other purposes it was fixed at 5 1/2%. — <sup>4)</sup> As from 29 May 1952 there had been in effect only the special arrangement mentioned under <sup>2)</sup> for lendings to be used for financing agriculture, maritime shipping and housebuilding, to which lendings the rate of 4% continued to apply. — <sup>5)</sup> As from 19 May 1956 also discount rate for foreign bills, foreign cheques, foreigners' DM acceptances and export drafts.





Convertibility By its measures adopted at the end of 1958 and beginning of 1959 to establish convertibility of the DM the Federal Republic of Germany has gone further than was required by the multilateral agreements for dissolving the European Payments Union and for putting the European Monetary Agreement into force. The agreed procedure related only to the establishment of convertibility for current payments which foreigners have to receive from the countries taking part (non-resident convertibility). The German regulations now in force go further by releasing from every restriction all payments, even those which cannot be reckoned as current. In addition so-called resident convertibility has been realised in Germany for capital transactions, since German residents are now again entitled to invest their assets abroad in any way that they choose.

Most of the other European countries which took part at the end of December 1958 in the joint measures to establish convertibility had also previously further relaxed their regulations governing capital and payment transactions, or have done so in connection with the new arrangements which came into force at the end of 1958.

The degrees of liberalisation which have been thereby achieved differ quite considerably. Within Europe full freedom of capital movements prevails only in the Federal Republic of Germany and in Switzerland. It can however be placed on record as a gratifying advance that of late many European countries have so amended their exchange regulations that now a relatively large group of such countries are able to exchange capital in the form of long-term direct investments, through grants of credit and by way of security dealings.

Capital exports The exemptions which have been ordered by the Federal Minister for Economic Affairs and the Deutsche Bundesbank in connection with capital exports go so far that cases are hardly conceivable which lie outside the relevant General Licences, and which therefore in view of the formally continuing validity of the Allied Exchange Control Laws still require an ad hoc permit. General Licences now expressly permit the foundation and acquisition of enterprises abroad, the setting up of juridically dependent branch establishments in foreign countries, and the providing of such enterprises and branch establishments with operating resources; they also permit the acquiring of participations in such enterprises, the acquiring of German and foreign securities abroad, the purchase of real estate in foreign countries and the granting of all kinds of credit to foreigners.

Capital imports The General Licences permitting foreigners' capital investments in the Federal Republic of Germany are equally comprehensive now that, with effect from 1 May 1959, the last restrictions on the taking in foreign countries of credits running for less than five years as well as the rules forbidding payment of interest on foreigners' balances at German financial institutions and the sale of money-market paper to foreigners have been dropped.

London Debts Agreement Since by their nature the measures for establishing convertibility of the DM relate only to the making of payments, those provisions remain unaffected according to which the settlement of obligations falling under the Agreement on German External Debts of 27 February 1953 (the London Debts Agreement) continues to require an exchange permit. Payments made in execution of the Agreement on German External Debts on the basis of approved arrangements no longer require any exchange permit. To that extent the establishment of convertibility for the Deutsche Mark also affects the carrying out of the London Debts Agreement.

Services With effect from 1 July 1958 the exchange regulations concerning services rendered to and by foreigners have been codified in a Foreign Trade and Payments Circular Order of the Federal Minister for Economic Affairs. According to this Order ad hoc permits are now required only for a few groups of services rendered to and by non-residents. These groups comprise certain transactions connected with marine transport, inland shipping, commission processing and film business, as well as some relating to German patents, trade marks, inventions and production processes. The reasons why the requirement of a permit for such service transactions has been maintained were primarily not of a foreign exchange nature. With the ending of the distinction between the different currency areas, and the cancelling of the rule forbidding "descent" from hard

to soft currencies, the regulations as to payments for services have also been simplified. Insurance transactions continue to be specially regulated. An amended version of the relevant Foreign Trade and Payments Circular Order came into force at the end of January 1959. The new regulations especially alter the previous state of the law inasmuch as life assurances are now fully liberalised.

The rules regarding import and export of goods remained on the whole unamended during the period under report. Here also, however, some relaxations resulted from the establishing of convertibility. In this connection, in particular, imports and exports of gold were freed from the last restrictions. Previously the relative regulations were needed to prevent an undesired "descent" from hard to soft currencies in connection with gold dealings.

Goods

### Arrangements Made during the Period under Report

Two phases may be distinguished in the measures which resulted, during the period under report, in terminating exchange control in connection with capital transactions.

Methods of payment

In the first place the Liberalised Capital Mark, which had originated from the so-called Blocked Mark, was abolished with effect from 1 July 1958. Thereby the special method of payment provided up to that time in the German exchange regulations for inward and outward payments in the sphere of capital transactions was terminated. The dropping of a special method of payment for such transactions made it possible to simplify the German exchange regulations in a number of further ways which will be described below. The distinction between balances on Freely Convertible DM Accounts and those on DM Accounts of Limited Convertibility continued for a time. Up till the end of 1958 it corresponded to the ordinary division between countries in the free currency area and those having currency of limited convertibility.

On the Federal Republic's adoption of convertibility for the Deutsche Mark it ceased to be obligatory for German residents to accept payments from debtors in countries of the free currency area only in a freely convertible foreign currency or by the debit of a Freely Convertible DM Account; and the further connected obligation to make payments to persons in countries outside the free currency area only in a foreign currency of limited convertibility, or to the credit of a DM Account of Limited Convertibility, also ceased.

After the abolition of the Liberalised Capital Mark on 1 July 1958 the existing balances on Liberalised Capital Accounts could be transferred to Freely Convertible DM Accounts or transferred abroad in any foreign currency. This also applied to balances on Liberalised Capital Accounts held by persons in countries with currencies of limited convertibility, the object being to avoid any prejudice to such creditors through the cessation of the Liberalised Capital Mark.

Lapsing of Liberalised Capital Accounts

Since 1 July 1958 foreigners have been able to effect fresh investments in the Federal Republic by the use of foreign currencies or out of balances on Freely Convertible DM Accounts or DM Accounts of Limited Convertibility. There was, however, a material difference from the general rules as to payment transactions with foreign countries, inasmuch as for the granting of DM loans running for not less than five years and for the acquiring of German securities only the use of freely convertible foreign currencies or of balances on Freely Convertible DM Accounts was permitted. Amounts representing interest on and redemption of such loans, as well as income, sale and redemption proceeds arising from German securities belonging to foreign owners, could accordingly also be paid in freely convertible foreign currency or into a Freely Convertible DM Account where the beneficiaries had their residence or registered office in a country with currency of limited convertibility.

Since in any event a number of General Licences had to be amended on the abolition of the Liberalised Capital Mark, various other exchange regulations were also revised and further relaxed as from 1 July 1958. Thus the previous limiting rule providing that German securities

not expressed in a foreign currency could be bought and sold by foreigners only through the intermediary of a German financial institution was dropped. In addition the alienation, dissolution and liquidation of foreign enterprises, branch establishments and participations in the Federal Republic was permitted by General Licence. The General Licence permitting transfer of income was extended to cover income of dependent branch establishments of foreign enterprises. Since August 1958 it has been possible for non-residents also to acquire German external bonds, which previously only residents had been allowed to acquire; at the same time the export of German external bonds was freed from all restrictions. The long existing General Licences in regard to the treatment of German estate of deceased persons accruing to non-residents, as well as in regard to savings agreements for building purposes between non-residents and German building and loan associations, were so widely drawn that in these connections ad hoc exchange permits are required only in very specific exceptional cases.

Letting agreements  
and leases

At the beginning of December 1958 under a new General Licence letting and leasehold agreements made with non-residents in respect of German real properties, rights to German real properties and hunting and fishing rights, which agreements had until then still required an ad hoc permit, were generally permitted. This General Licence also covers customary additional agreements. Furthermore non-residents may entrust both residents and non-residents with the administration of their real properties located in the Federal Republic.

At the end of 1958 and beginning of 1959, in connection with the establishment of convertibility for the DM, further important amendments, relaxations and simplifications were put into effect.

Non-residents'  
accounts at German  
financial institutions

At the end of December 1958 the Freely Convertible DM Accounts and DM Accounts of Limited Convertibility were converted into uniform Non-residents' DM Accounts. Balances on such accounts are convertible into every currency. Through such accounts payments may be accepted from Germany and foreign countries, and made both in Germany and to foreign countries, with the exception of payments made in Germany in favour of persons in the currency area of the East German DM.

Since 1 May 1959 a General Licence has permitted German financial institutions to conduct accounts for foreigners in Deutsche Marks and in foreign currency. From the same date onwards it has been permissible to pay interest on balances on such accounts.

Foreign exchange  
dealings

Since the beginning of January 1959 foreign exchange dealings have no longer been subject to any restrictions. All residents — not only financial institutions — may now deal in notes and coin in any currency and in amounts of foreign exchange of other kinds both spot and forward with persons at home and abroad, or may transmit and without valuable consideration transfer such items to other residents. Retained foreign exchange assets need not be reported.

For the U.S. dollar the Deutsche Bundesbank with effect from 29 December 1958 has fixed buying and selling rate margins; they are 1 U.S. dollar = DM 4.17 and DM 4.23. The previous intervention points for the officially quoted E.P.U. currencies were at the same time dropped. All currencies can now be officially quoted.

Residents' accounts  
at financial insti-  
tutions in foreign  
countries and the  
Federal Republic

By way of amalgamating the hitherto separately regulated procedures for the keeping of foreign currency accounts at home and abroad a General Licence in February 1959 permitted residents to maintain accounts in any foreign currency and in Deutsche Marks at financial institutions abroad, and in any foreign currency at financial institutions in the Federal Republic. Payments can be made and accepted through these accounts without restriction.

Securities

At the middle of January the previous General Licences concerning security transactions were combined in a new General Licence, the restrictions still maintained until then being terminated. All transactions in German and foreign securities may now be concluded and executed between residents and non-residents, and also between non-residents.

Transactions between residents in German external bonds and foreign securities have also been freed from all restrictions. The General Licence also applies to certificates which have been

issued with regard to securities, to investment trust certificates, and to subscription rights. At the same time the import and export of securities and other documents was permitted without restriction; exports to the currency area of the East German DM remain excepted.

In connection with the terminating of the rule forbidding payment of interest on foreigners' accounts at German financial institutions permission was also granted, with effect from 1 May 1959, for foreigners to acquire German money-market paper.

Since the middle of January 1959 residents have been able to take loans in foreign countries in any currency. The previous limitation to loans in Deutsche Marks has been dropped. With effect from 1 May 1959 moreover the limitation providing that only loans running for not less than five years were generally licensed no longer applies. As from that date residents may take in foreign countries loans and credits of all kinds. This has rendered devoid of object the special regulations issued in February 1959 with regard to the taking of short-term credits in connection with goods and services transactions.

Borrowing by residents from non-residents

In February 1959 the previous restrictions according to which only financial institutions were allowed to grant credit in Germany to non-residents were dropped. Grants of credit to non-residents in Deutsche Marks and in foreign currencies are now permitted by General Licence; special periods to maturity are not required. The resident lender may finance the transaction by borrowing abroad.

Lendings to non-residents

In February 1959 a General Licence permitted German financial institutions to grant to residents loans in foreign currency running for up to twelve months.

Foreign currency loans granted by German financial institutions to residents

At the end of January 1959 the regulations which had been in force since 1956 regarding provision of security in transactions with foreign countries were published in a greatly simplified and extended new version. Security in forms comprising in particular guarantees, sureties, pledges, assignments and transfers by way of security can now without restriction be given to non-residents and received from non-residents as well as being realised. The import and export of security accepted or provided in the form of goods are governed by the provisions relating to import or export of goods.

Provision and acceptance of security

Since the end of January 1959 transactions in gold and silver coin as well as in precious metals in customary commercial form have no longer been subject to any exchange restrictions in the Federal Republic. The import and export of such items have also been completely liberalised.

Precious metals

With effect from 28 January 1959 life assurance contracts have been freed from all exchange restrictions. Life assurance contracts between resident takers of insurance and foreign insurance enterprises, as well as between non-residents and resident insurance enterprises, can now be concluded in every currency. Residents may moreover conclude life assurance contracts in foreign currency with resident insurance enterprises also.

Life assurance contracts

Although the liberalising of goods imports in some categories has been further extended, the terminating of the General Licence permitting imports of solid fuels from countries outside the European Coal and Steel Community caused the overall liberalisation ratio for imports from O.E.E.C. member countries to come down from 94.0 to 91.8 per cent (basis year 1949) and that for imports from dollar countries from 95.0 to 85.3 per cent (basis year 1953) of the imports of goods (excluding government imports). Considerable geographical extension of multilateral purchasing possibilities took place at the beginning of 1959 as a result of the establishment of convertibility for the Deutsche Mark. In this connection there were also certain relaxations regarding informal small imports by mail, small imports of book trade goods, and imports of goods without valuable consideration.

Import of goods

By way of adjustment to the revision of the international control lists the category of goods the export of which is subject to special permit has been further narrowed.

Export of goods

In connection with merchanting trade the simplification of payment transactions with foreign countries also afforded greater freedom of movement.

Merchanting trade

Dealings in commodities for future settlement have been freed from all exchange restrictions.

Commodity futures

Comparative Survey of the Progressive Liberalisation of Trade in Goods and the

	Position at end of 1949	Position at end of 1956	Position in July 1953	Position in May 1959
<b>A. Trade in Goods</b>				
Liberalisation of the Import of Goods				
I. from O.E.E.C. Countries (in p.c. of 1949 imports)	47 per cent <sup>1)</sup>	92.4 per cent <sup>1)</sup>	94.0 per cent <sup>1)</sup>	91.8 per cent <sup>1)</sup>
II. from Dollar Countries (in p.c. of 1953 imports)	—	92.9 per cent <sup>1)</sup>	95.0 per cent <sup>1)</sup>	85.3 per cent <sup>1)</sup>
<b>B. Services</b>				
I. Transfer in respect of incidental expenses and services directly resulting from trade (e.g. freight and insurance)	transport costs free, otherwise Special Licence	free	free	free
II. Transfer in respect of incidental expenses and services indirectly resulting from trade				
1) Commissions	Special Licence	free	free	free
2) Expenses on commercial agency reports and publicity	free	free	free	free
3) Licence fees (current and non-recurring)	Special Licence	free up to DM 50,000 per quarter or DM 300,000 once	free	free
III. Insurance (for transport insurance see B. I.)				
1) Property insurance contracts	not permitted	free (with certain exceptions)	free (with certain exceptions)	free (with certain exceptions)
2) Life assurance contracts				
a) between residents and foreign life assurance companies	not permitted	not permitted	Special Licence	free
b) between non-residents and German life assurance companies	not permitted	free on DM basis	free on DM basis	free
c) between residents and German life assurance companies, in foreign currency	not permitted	not permitted	not permitted	free
3) Active and passive reinsurance and further reinsurance — in any currency — conclusion and performance	Special Licence	free	free	free
IV. Transfer of employees' compensation (wages and salaries, old-age, disability and retirement pensions, fees)	Special Licence	free	free	free
V. Travel				
1) Purchase and export of national and foreign payment media to be used abroad by residents of the Federal Republic	Special Licence, private journeys only in exceptional cases	free	free	free
2) Export of national and foreign payment media by foreigners when leaving the country				
a) national payment media	free up to DM 40	free	free	free
b) foreign payment media	free up to amount of imported foreign payment media	free	free	free
3) Import of foreign and national payment media				
a) by residents				
aa) national payment media	free up to DM 40	free	free	free
ab) foreign payment media	free	free	free	free
b) by foreigners				
ba) national payment media	free up to DM 40	free	free	free
bb) foreign payment media	free	free	free	free
VI. Miscellaneous payments to foreign countries				
1) Inheritances	to Blocked DM Account	free in currency of limited convertibility; otherwise Special Licence	free	free
2) Dowries	to Blocked DM Account under Special Licence	free in currency of limited convertibility up to DM 50,000; otherwise Special Licence	free	free
3) Gifts and support payments to physical persons	to Blocked DM Account under Special Licence	free up to DM 300 per month	free	free
4) Legal and contractual maintenance payments	to Blocked DM Account under Special Licence	free up to DM 3,000 per month	free	free
5) Loans to relatives abroad	not permitted	Special Licence	free	free
6) Winnings from governmentally approved gaming (lotteries, totalisator, etc.)	to Blocked DM Account under Special Licence	free in currency of limited convertibility; otherwise Special Licence	free	free
7) Prizes, e.g. art, literature or sport prizes and prizes in connection with public and other competitions	to Blocked DM Account under Special Licence	free up to DM 50,000	free	free
8) Fines and penalties: compensation on the ground of tortious act, of average and on other non-contractual grounds of liability; unjustified enrichment	to Blocked DM Account under Special Licence	free	free	free
9) Taxes and public imposts	to Blocked DM Account under Special Licence	Special Licence	free	free
10) Individual indemnification	to Blocked DM Account	free in currency of limited convertibility; otherwise Special Licence	free	free

<sup>1)</sup> Excluding governmental imports.

*Main Items of Services and Capital Transactions with Foreign Countries*

	Position at end of 1949	Position at end of 1956	Position in July 1958	Position in May 1959
<b>C. Capital Transactions</b>				
I. Income from foreign-owned investments in the Federal Republic and countervalue of drawn bonds	to Blocked DM Account	free	free	free
II. Repatriation of foreign-owned capital or investments (including transfer of capital assets to emigrants)				
1) Proceeds of sale, redemptions, repayments	to Blocked DM Account	free in currency of limited convertibility; otherwise Special Licence	free	free
2) Balances on accounts at financial institutions (Blocked DM or Liberalised Capital Accounts)	not permitted	free in currency of limited convertibility; otherwise Special Licence	free	free
3) Acquisition of German securities and external bonds abroad by residents of the Federal Republic	not permitted	not permitted (free for German external bonds)	free	free
III. Interest and redemption payments under the London Debts Agreement	Agreement not yet concluded	full service according to Agreement	full service according to Agreement	full service according to Agreement
IV. Fresh investments				
1) Foreign investments in the Federal Republic				
a) German securities	not permitted, except in certain cases out of original Blocked DM Accounts	marketable securities free out of Liberalised Capital Accounts; otherwise Special Licence	free against freely convertible currency	free
b) German money-market paper	not permitted	not permitted	not permitted	free
c) DM loans running for not less than 5 years	not permitted	free out of Liberalised Capital Accounts, maximum interest rate 4 1/2%; otherwise Special Licence	free against freely convertible currency; otherwise Special Licence	free
Loans in foreign currency running for not less than 5 years	not permitted	Special Licence	Special Licence	free
Loans running for less than 5 years	not permitted	Special Licence	Special Licence	free
d) Participations	not permitted	free out of Liberalised Capital Accounts up to DM 500,000, otherwise Special Licence	free	free
e) Real estate	not permitted	free out of Liberalised Capital Accounts	free	free
2) German investments abroad				
a) Enterprises, branch establishments and participations	not permitted	free up to DM 3 million for German enterprises	free	free
b) Acquisition of foreign securities	not permitted	free (marketable securities only)	free (marketable securities only)	free
c) Acquisition of real estate	not permitted	Special Licence	free	free
V. Import and export of foreign-owned securities	not permitted	free	free	free
VI. Import of gold coin and dealings therein in the Federal Republic	not permitted	free	free	free
<b>D. Special Public Deliveries and Payments</b>				
1) Israel Agreement	Agreement not yet concluded	deliveries and payments according to Agreement	deliveries and payments according to Agreement	deliveries and payments according to Agreement
2) Federal Indemnification Law	Law not yet promulgated	free	free	free
3) Federal Restitution Law	Law not yet promulgated	Law not yet promulgated	free	free
4) War Consequences Law	Law not yet promulgated	Law not yet promulgated	free	free
<b>E. Keeping of Foreign Currency Accounts</b>				
I. for residents of the Federal Republic, at foreign banks				
1) Financial institutions	Special Licence	free	free	free
2) Business enterprises	not permitted	Special Licence for building and assembly firms, ship-builders, collection accounts	free	free
3) Private persons	not permitted	Special Licence	free	free
II. for foreigners, at banks in the Federal Republic				
	not permitted	free for crediting of travellers' payment media; otherwise Special Licence	free for crediting of travellers' payment media; otherwise Special Licence	free
III. for residents, at banks in the Federal Republic				
	not permitted	free	free	free

## Part B

# Explanation of the Deutsche Bundesbank's Annual Statement for 1958

## Legal Bases, Classification and Valuation

Legal bases	<p>The provisions regarding the Deutsche Bundesbank's Annual Statement and profit distribution (Bundesbank Law, Articles 26 and 27) are the same as in the previous year.</p>
Form of the Annual Statement	<p>In the same way as last year the classification and designations of the assets and liabilities in the Annual Balance Sheet have been largely adapted to the arrangement in the Deutsche Bundesbank's return. In accordance with the rearrangements made in the weekly return as from 7 July 1958 the showing in the 1958 Annual Balance Sheet of the items connected with foreign business has been altered in various respects by comparison with 1957. On the assets side, with a view to making the differences in the degree of liquidity of claims on foreign countries more clearly discernible, the former Item 4 "Other claims on foreign countries" has been dropped in its previous summary form. The earmarked balances at foreign banks which were last year included in this item have been added in the 1958 Annual Balance Sheet to Asset Item 2 "Balances at foreign banks and money-market investments abroad", and there shown separately. Unlike the other credit balances at foreign banks these balances, which as a rule arose from liquidity assistance measures, are not freely available. All other claims shown last year in Asset Item 4 now appear in Asset Item 14 "Loans to international institutions and consolidation loans to foreign Central Banks". Since these claims also represent international liquidity assistance they have to be left out of account, in the calculation of the holding of freely usable foreign exchange, in the same way as the "earmarked balances" in the preliminary column for Asset Item 2 "Balances at foreign banks and money-market investments abroad".</p> <p>On the liabilities side the foreign depositors' deposits which were shown last year in Liability Item 5d have been amalgamated with the Liabilities in respect of foreign business (Liability Item 6).</p> <p>The classification of the Profit and Loss Account has remained unchanged in comparison with last year.</p>
Valuation	<p>In accordance with Article 26 of the Bundesbank Law the provisions of Company Law (Aktien-gesetz) apply mutatis mutandis to the valuations in the Annual Balance Sheet.</p>

## Conversion Account

In pursuance of the Central Bank Council's decision of 13/14 November 1957 the Conversion Accounts of the Bank deutscher Länder and the Land Central Banks are being continued as Partial Conversion Accounts in accordance with the existing principles. A combined Conversion Account of the institutions amalgamated to form the Deutsche Bundesbank, in which account the items representing mutual debts and claims have been offset, is attached to this Report as Appendix 1.



Through the corrections of the Conversion Accounts to the position shown by the books on 31 December 1958 the Deutsche Bundesbank's claim to allocation of Equalisation Claims has been increased by DM 715,763.22 to a total of DM 8,104,443,433.93.

The claim on the Federal Government in respect of the provision of new currency to the Municipality of Berlin, for which claim a non-interest-bearing Debt Certificate has been issued, amounted at the end of 1958 to DM 547,168,458.08; it rose during 1958 by DM 125.64.

## Annual Statement for 1958

The Annual Statement for 1958, which is attached as Appendix 2, will be explained in the order of the items in the Balance Sheet and Profit and Loss Account. At the same time a report is hereby rendered on the activity of the Deutsche Bundesbank in 1958.

### Balance Sheet

The changes in the most important Balance Sheet items as against the Opening Balance Sheet for 1 January 1957 and the 1957 Annual Balance Sheet are shown in the following comparative statement:

#### Comparison of Balance Sheet Results

Assets	1. Jan. 1957 <sup>1)</sup>	31 Dec. 1957	31 Dec. 1958	Liabilities	1. Jan. 1957 <sup>1)</sup>	31 Dec. 1957	31 Dec. 1958
	Millions of DM				Millions of DM		
Gold	6,230.9	10,602.5	10,963.3	Capital	290.0	290.0	290.0
Balances at foreign banks and money-market investments abroad	8,400.0	7,634.0	9,310.7	Reserves	436.0	436.0	491.6
Foreign notes and coin, foreign bills and cheques	148.7	174.4	152.6	Reserves for specific purposes	626.9	675.3	671.6
German divisional coin	42.2	63.0	85.1	Bank notes in circulation	14,473.5	16,132.9	17,661.5
Postal cheque account balances	149.2	173.6	191.6	Deposits of credit institutions	5,260.0	7,108.9	8,243.1
Domestic bills of exchange	2,721.8	1,366.1	722.5	Federal Government and Federal Special Funds	3,878.2	4,093.1	4,024.8
Treasury bills and non-interest-bearing Treasury bonds of Federal Government and Federal Special Funds	119.9	153.7	100.0	Länder other public depositors	192.5	491.4	526.2
Advances against securities	262.6	53.3	63.9	other German depositors	23.2	31.8	34.4
Cash advances	148.4	150.6	90.4	Liabilities in respect of foreign business	291.0	229.6	208.7
Other claims	125.4	79.2	115.0	Other liabilities	828.4	1,525.6	1,136.3
Securities	122.0	238.2	269.7	Net profit	357.1	184.1	55.9
Equalisation claims on public authorities and debt certificate in respect of the provision of new currency to the Municipality of Berlin	4,277.1	4,587.2	4,381.6		—	198.5	109.4
Credit to Federal Government in respect of I.M.F. and I.B.R.D.	390.8	390.8	661.7				
Loans to international institutions and consolidation loans to foreign Central Banks	3,361.9	5,430.5	6,089.4				
Other assets	155.9	300.1	256.0				
<b>Total</b>	<b>26,656.8</b>	<b>31,397.2</b>	<b>33,453.5</b>	<b>Total</b>	<b>26,656.8</b>	<b>31,397.2</b>	<b>33,453.5</b>

<sup>1)</sup> Opening balance sheet.

The Balance Sheet total as at 31 December 1958 has increased by DM 2,056.3 million, as compared with the end of 1957, to DM 33,453.5 million. The increase was again determined by the foreign business; at DM 26,516 million the asset items in respect of such business account for 79.3 per cent of the total Balance Sheet.

Balance Sheet total

## Assets

**Gold**      The Gold holding rose during 1958 from DM 10,602.5 million to DM 10,963.3 million.

Balances at foreign banks and money-market investments abroad	The balances with foreign banks amounted to the following:	31 Dec. 1957	31 Dec. 1958
		Millions of DM	
	in foreign currency	940.5	2,307.3
	in DM	1.9	3.7
		942.4	2,311.0
	The money-market investments amounted to	6,691.6	6,999.7.
	Of the total shown in the Annual Balance Sheet there were earmarked as	7,634.0	9,310.7
	international liquidity assistance	1,030.1	966.9.
	so that the freely available balances and money-market investments amounted to	6,603.9	8,343.8.

The money-market investments include DM 6,276.3 million of foreign Treasury bills (at the end of 1957 DM 5,936.8 million) and DM 723.4 million of foreign bank acceptances (at the end of 1957 DM 693.1 million); the DM 61.7 million of foreign Treasury bonds which were in the holding on 31 December 1957 fell due towards the end of the year under report.

**Foreign exchange dealings**      The Bank's turnover in foreign exchange spot dealings amounted in the year under report to DM 5,714.8 million, against DM 6,295.7 million in 1957; the number of deals declined from 5,540 to 5,429. They comprised

	1957		1958	
	Number	Million DM	Number	Million DM
Purchases	2,713	3,257.7	2,413	2,897.8
Sales	2,827	3,038.0	3,016	2,817.0
	5,540	6,295.7	5,429	5,714.8.

**Foreign payments**      In 1958, unlike the preceding years, there was an increase in the payment orders to and from foreign countries processed by the Bank; they increased in number from 271,680 to 343,959.

In detail the movements were:

	1956	1957	1958
	Number		
Orders for payments to foreign countries			
in DM	33,432	34,517	53,061
in foreign currencies	45,363	41,363	75,994
	78,795	75,880	129,055
Orders for payments from foreign countries			
in DM	114,914	130,067	161,362
in foreign currencies	95,374	65,733	53,542
	210,288	195,800	214,904
Total processed orders for payments to and from foreign countries	289,083	271,680	343,959.

Of the orders for payment in foreign currency the amount given by the debit of German banks' U.S. \$ accounts kept at the Bank was and to the credit of such accounts	1956	1957 Number	1958
	24,749	9,673	7,410
	43,970	21,755	9,929
	<u>68,719</u>	<u>31,428</u>	<u>17,339</u>
The number of transfers between such accounts was	28,764	27,009	29,880.

Altogether during the year under report twenty-three trade agreements (against fourteen in 1957) and eight agreements for regulating international payments (against six in 1957) were concluded with the Bank's participation.

Trade and payment agreements

At DM 2.6 million the holding of foreign notes and coin at the end of 1958 was greater by DM 0.7 million than on 31 December 1957. During the year under report the Bank effected 45,515 purchases of foreign notes and coin against 43,884 in 1957; the number of sales was 13,309 as against 11,917.

Foreign notes and coin, foreign bills and cheques  
Purchase and sale of foreign notes and coin

At the close of 1958 the holding of foreign bills arising from purchase within the country was DM 149.3 million as compared with DM 172.4 million on 31 December 1957. The following were purchased:

Purchase of foreign bills

	Number	Million DM
In 1957	77,659	975.2
In 1958	61,393	797.0.

The proportion of DM acceptances to the total purchased rose from 37 to 41 per cent.

During the year under report 161,298 foreign cheques amounting to DM 135.5 million were purchased, against 170,456 in 1957 of a value of DM 151.4 million. 9,215 travellers' cheques were sold, against 13,911 in 1957, their total value being DM 2.3 million as against DM 2.8 million in that year.

Purchase and sale of foreign cheques

The Bank took the following for realisation on a commission basis:

Foreign commission business

	1957	1958
	Number	
Foreign notes and coin	11,621	10,045
Foreign cheques	13,634	10,584
	<u>25,255</u>	<u>20,629.</u>

The Bank's holding of German divisional coin amounted at the close of 1958 to DM 85.1 million, against DM 63.1 million at the close of 1957. During the year under report there was delivered to the Bank from the Mints coin amounting to DM 217.8 million, including DM 154.4 million in new two-mark pieces; of the total DM 136.5 million were used for exchanging the two-mark pieces withdrawn from circulation. In 1958 the Federal Government was credited with DM 81.3 million for coin taken over, and debited with DM 2.8 million for coin called in or no longer fit for circulation. Altogether in the years 1948 to 1958 the Bank took over coin amounting to DM 1,421.9 million; during the same period DM 140 million of coins which were no longer fit to circulate, or had been called in, were sent to the Federal Coinage Metal Depository.

German divisional coin

With the inclusion of the deliveries of coin still outstanding at the end of December 1958 on minting orders given up till that time, namely DM 37 million of all denominations, the amount of coin per head of population works out at DM 24.65 on the basis of a population of 53.5 million in the Federal Republic and West Berlin as on 30 September 1958. The amount of coin minted is thus within the limits laid down in the Law on the Striking of Divisional Coin, dated 8 July 1950.

The postal cheque account balances, including transfers in progress from the Main Branches and Branches of the Land Central Banks to the Bank's postal cheque account at Frankfurt am Main,

Postal cheque account balances

amounted on 31 December 1958 to DM 191.6 million.

*Postal Cheque Transactions with Third Parties*

	1957				1958			
	Third-party transfers received		Used for current transfers		Third-party transfers received		Used for current transfers	
	Number	DM mn	Number	DM mn	Number	DM mn	Number	DM mn
Land Central Bank in								
Baden-Württemberg	90,394	4,505.3	22,742	473.7	92,697	5,051.2	26,363	508.2
Bavaria	70,203	5,172.4	28,482	437.3	74,242	5,869.2	29,561	593.0
Berlin	12,840	1,118.3	25,596	320.7	13,670	1,153.1	24,293	369.6
Bremen	29,011	698.6	1,670	11.6	28,029	701.6	1,983	13.7
Hamburg	46,808	3,269.1	11,453	97.5	48,103	3,620.5	10,769	92.5
Hesse	55,496	2,801.1	27,492	681.3	58,899	3,173.2	27,074	794.3
Lower Saxony	102,847	3,168.0	28,150	408.5	102,634	3,514.1	26,092	409.3
North Rhine-Westphalia	198,686	6,970.1	44,163	1,003.6	198,927	7,464.6	43,090	1,106.1
Rhineland-Palatinate	54,691	1,172.0	23,906	261.7	59,299	1,304.4	23,211	255.1
Schleswig-Holstein	17,603	196.8	9,101	176.9	14,905	205.6	8,483	199.2
<b>Total</b>	<b>678,579</b>	<b>29,071.7</b>	<b>222,755</b>	<b>3,872.8</b>	<b>691,405</b>	<b>32,057.5</b>	<b>220,919</b>	<b>4,341.0</b>
Bundesbank—Directorate—	9,864	1,347.8	42,286	186.6	7,328	1,181.4	46,981	88.0
<b>Grand total</b>	<b>688,443</b>	<b>30,419.5</b>	<b>265,041</b>	<b>4,059.4</b>	<b>698,733</b>	<b>33,238.9</b>	<b>267,900</b>	<b>4,429.0</b>

Domestic bills of exchange	The holding comprises:	31 Dec. 1957	31 Dec. 1958
		Millions of DM	
	Domestic bills	1,189.3	608.8
	Export drafts	103.5	11.5
	purchased by way of discount		
	Import and Storage Agency bills taken in the course of open-market operations	73.3	102.2
		<u>1,366.1</u>	<u>722.5</u>

The average bill holding during 1958, as calculated from the figures in the weekly returns, was DM 931.4 million as against DM 1,675.2 million in 1957.

*Purchase of Domestic Bills of Exchange in the Land Central Bank Areas*

	Position on 31 Dec. 1956*) DM million	Purchase 1957		Position on 31 Dec. 1957 DM million	Purchase 1958		Position on 31 Dec. 1958 DM million
		'000	DM mn		'000	DM mn	
Land Central Bank in							
Baden-Württemberg	213.1	507	2,037.8	92.7	269	2,215.8	43.9
Bavaria	247.6	237	1,220.8	76.5	103	572.3	37.8
Berlin	27.0	25	289.2	12.4	17	203.3	7.7
Bremen	62.8	53	393.1	31.2	44	325.3	22.6
Hamburg	245.3	110	1,456.3	147.1	96	1,308.2	103.5
Hesse	254.6	323	2,418.3	232.1	199	2,095.2	54.9
Lower Saxony	204.8	335	1,263.2	113.7	219	952.1	62.0
North Rhine-Westphalia	543.4	717	5,788.7	334.0	422	4,286.5	196.7
Rhineland-Palatinate	183.9	242	855.9	91.4	122	371.7	37.3
Schleswig-Holstein	99.5	94	401.6	42.0	65	274.9	31.7
Bills in course of remittance	—	—	—	16.2	—	—	10.7
<b>Total</b>	<b>2,082.0</b>	<b>2,643</b>	<b>16,124.9</b>	<b>1,189.3</b>	<b>1,556</b>	<b>11,605.3</b>	<b>608.8</b>

\*) Including bills rediscounted at the Bank deutscher Länder.

Of the purchased bills the following were returned and charged, in the absence of payment, to the parties presenting them for discount:

	1957		1958	
	Number	Million DM	Number	Million DM
	30,297	26.2	13,937	12.6
in per cent of the total purchased	1.15	0.16	0.9	0.11.

In accordance with the Central Bank Council's transitional regulation the commitments which on the coming into force of the Bundesbank Law existed in respect of so-called "direct credits" (credits by way of discount and advances against securities to public administrations, and in the areas of Land Central Banks in the former French occupation zone also to other non-bank customers) were liquidated by 30 June 1958.

"Direct business"

Domestic bills and the like were taken on a commission basis as follows:

Commission business

	Number	Million DM
1957	293,618	1,422.1
1958	308,294	1,804.1.

Export drafts falling due after 28 February 1958 have been purchased only by the Land Central Bank in Berlin. In 1958, 3,974 export drafts to a total of DM 79.0 million were taken as against 102,227 with a face value of DM 1,307.3 million in the previous year.

Export drafts

The Bundesbank's discount rate for domestic and foreign bills, foreign cheques and export drafts was 4% until 16 January 1958, 3<sup>1</sup>/<sub>2</sub>% from 17 January 1958 and 3% from 27 June 1958; since 10 January 1959 it has been 2<sup>3</sup>/<sub>4</sub>%.

Discount rate

The turnover in Storage Agency bills showed a further large increase by comparison with the previous year. To regulate the market the Bank bought 6,050 Storage Agency Bills (in 1957 4,356) having a face value of DM 2,024.3 million (in 1957 DM 1,438.8 million). The rates for purchases and sales were repeatedly reduced in the course of the year according to the market situation.

Storage Agency bills

During the year under report, as indeed in previous years, the Bank's open-market operations comprised not only Storage Agency bills and the mobilisation paper discussed below (namely Treasury bills and non-interest-bearing Treasury bonds of the Federal Government) but also Treasury bills of the German Federal Railways and non-interest-bearing Treasury bonds of the German Federal Railways and the German Federal Postal Administration. Sales and purchases of such paper by the Bank were effected at the rates, several times reduced in the course of the year, at which dealings in mobilisation paper running for similar periods took place.

Treasury bills and non-interest-bearing Treasury bonds of Federal Govt. and Federal Special Funds

The movement in the circulation of Treasury bills and non-interest-bearing Treasury bonds of the Federal Railways, the Federal Postal Administration and the Land of Schleswig-Holstein during the year under report is shown by the following table.

*Money-Market Paper of Federal Special Funds and Länder*

Category of paper	In circulation on 31 Dec. 1957	Issued		In circulation on 31 Dec. 1958
		in 1958		
Millions of DM				
Treasury bills of the German Federal Railways	320.8	1,683.0	1,605.2	398.6
Non-interest-bearing Treasury bonds of the German Federal Railways	250.0	363.6	313.6	300.0
Non-interest-bearing Treasury bonds "F" of the German Federal Railways	289.0	182.5	181.5	290.0
Non-interest-bearing Treasury bonds of the German Federal Postal Administration	439.8	174.7	314.5	300.0
Non-interest-bearing Treasury bonds of the Land Schleswig-Holstein	15.0	—	15.0	—

On 31 December 1958 the Bank held Treasury bills of the German Federal Railways amounting to DM 100 million (having at the end of 1957 held altogether DM 153.7 million of Treasury bills and non-interest-bearing Treasury bonds of the German Federal Railways and German Federal Postal Administration); these were sold to the money market in the first half of January.

Advances against securities

The advances against securities amounted at the close of 1958 to DM 63.9 million against DM 53.3 million on 31 December 1957. The drawings on such advances further declined; the credits granted amounted in 1957 to DM 3,204.1 million and in 1958 to DM 2,111.5 million. The average amount of such advances taken and outstanding, as calculated from the weekly returns, was DM 33 million in 1958 against DM 57.7 million in 1957.

*Lending on Securities in the Land Central Bank Areas*

Land Central Bank	Position on 31 Dec. 1957 DM mn	Loans against securities				Position on 31 Dec. 1958 DM mn
		granted in 1958		repaid		
		Number	DM mn	Number	DM mn	
Baden-Württemberg	7.2	1,827	218.1	1,778	220.9	4.4
Bavaria	3.5	1,785	163.7	1,663	165.4	1.8
Berlin	2.6	121	17.1	120	15.0	4.7
Bremen	0.1	82	13.5	89	13.6	0.0
Hamburg	3.8	682	183.7	575	183.0	4.5
Hesse	8.2	1,985	562.1	2,008	564.8	5.5
Lower Saxony	11.0	2,456	293.1	2,292	297.8	6.3
North Rhine-Westphalia	1.6	1,245	401.9	1,246	376.4	27.1
Rhineland-Palatinate	14.2	1,114	173.3	1,029	178.9	8.6
Schleswig-Holstein	1.1	486	85.0	479	85.1	1.0
Total	53.3	11,783	2,111.5	11,279	2,100.9	63.9

Advance rate

The rate of interest for advances against securities was 5<sup>0</sup>/<sub>0</sub> up till 16 January 1958, 4<sup>1</sup>/<sub>2</sub><sup>0</sup>/<sub>0</sub> from 17 January 1958 to 26 June 1958, and 4<sup>0</sup>/<sub>0</sub> from 27 June 1958 onwards; with effect from 10 January 1959 it has been further reduced to 3<sup>3</sup>/<sub>4</sub><sup>0</sup>/<sub>0</sub>.

Cash advances

Article 20 paragraph (1) item 1 of the Law concerning the Deutsche Bundesbank lays down the following maximum credit limits:

	Millions of DM
for the Federal Government	3,000
for the Federal Railways	400
for the Federal Postal Administration	200
for the Equalisation of Burdens Fund	200
for the E.R.P. Special Fund	50
for the Länder DM 20 per inhabitant, except that for Berlin, Bremen and Hamburg the limit is DM 40 per inhabitant.	

a) Federal Government and Federal Special Funds

The Federal Government took no cash advances during the year under report. Of the Federal Special Funds, on 31 December 1958 only the Federal Equalisation of Burdens Office (Equalisation of Burdens Fund) had outstanding a cash advance to it of DM 17.5 million, which was repaid on 2 January 1959. The Federal Railways had used their credit limit to the extent of DM 320.8 million at the end of 1957, and DM 398.6 million at the end of 1958, by issuing Treasury bills in respect of which the Bank had given an assurance of purchase.

b) Länder

The liabilities of the Länder in respect of cash advances in the form of actual advances amounted at the close of 1958 to 69.1 million. There were due from

	31 Dec. 1957	31 Dec. 1958
	Millions of DM	
Bavaria	—	49.1
Berlin	54.0	20.0
Bremen	9.6	—
Lower Saxony	16.4	—
Rhineland-Palatinate	3.8	—
Total	83.8	69.1.

The cash advances to other public authorities comprise claims on the Kreditanstalt für Wiederaufbau (Reconstruction Loan Corporation). The table which follows gives details of the credit lines which already existed for it when the Bundesbank Law came into force, and of the amounts outstanding under them.

c) Other public authorities

*Credits to Reconstruction Loan Corporation*

Purpose of credit	31 Dec. 1957		31 Dec. 1958	
	Credit line	Used	Credit line	Used
	Millions of DM			
Publicly assisted housing	5.9	5.9	—	—
Industries with high export quota	37.2	28.3	26.3	1.3
Repurchase of dollar loans of Deutsche Rentenbank	46.8	32.6	37.8	2.5
Total	89.9	66.8	64.1	3.8

Since the expiry of the "publicly assisted housing" credit, for which an interest rate of 4% was fixed, interest has been payable on all the cash advances at the Bundesbank's current discount rate. Under the provisions of Article 25 of the Bundesbank Law the two remaining credit lines will expire in accordance with the contractual agreements in force.

Interest rate

The "Other claims" of DM 115.0 million (in 1957 DM 79.2 million) shown in Asset Item 10 include as their largest element the claim on the Deutsche Notenbank, Berlin, which rose from DM 67.0 million at the end of 1957 to DM 92.8 million at the end of 1958.

Other claims

The turnover in clearing transactions with the Deutsche Notenbank amounted to the following:

For payments on

	1957	1958
	Millions of DM	
West/East deliveries and services	838.9	892.7
East/West deliveries and services	833.8	866.6
	<u>1,672.7</u>	<u>1,759.3.</u>

The holding of securities is shown at DM 269.7 million against DM 238.2 million on 31 December 1957; it includes bonds of the Federal Government as well as mortgage and communal bonds.

Securities

During the year under report the Bank operated, exclusively for account of the issuers, to regulate the price of loans of the Federal Government and the Federal Special Funds as well as of some Länder. In January 1958 the German Federal Postal Administration offered DM 80 million as Second Issue of the 7<sup>1</sup>/<sub>2</sub>% Loan of 1957 at 96<sup>1</sup>/<sub>2</sub>, and in May 1958 a DM 310 million 7% Loan of 1958 at 98<sup>1</sup>/<sub>2</sub>. Both loans served to consolidate short-term borrowings and to finance capital expenditure.

Security issues

The syndicate led by the Deutsche Bundesbank offered the two loans for public subscription on 14 January and 19 May 1958 respectively. On 28 March 1958 the Second Issue of the 7<sup>1</sup>/<sub>2</sub>% Loan of 1957 was admitted to official dealings on the stock exchanges in the Federal Republic, including Berlin, the quotation being amalgamated with that for the First Issue of the same loan. The introduction to stock exchange dealings of the 7% Loan of 1958, including the special tranche taken by a banking group, took place on 2 July 1958. In October 1958 the German Federal Postal Administration placed with a banking group a 5<sup>1</sup>/<sub>2</sub>% Loan of 1958 amounting to DM 100 million, which has been quoted on the stock exchange since 11 February 1959.

To consolidate floating borrowings the German Federal Railways issued in April 1958 DM 250 million of a 7% Loan of 1958 at 98, and in October 1958 DM 400 million of a 5<sup>1</sup>/<sub>2</sub>% Loan of 1958 at 99<sup>1</sup>/<sub>2</sub>; these were offered for subscription on 17 April and 7 October 1958 respectively by the syndicate led by the Deutsche Bundesbank. On 27 May 1958 and 13 January 1959 respectively these loans were introduced for official dealings on all stock exchanges in the Federal Republic, including Berlin.

In January 1958, to finance capital expenditure estimated in its 1957 extraordinary budget, the Land of Schleswig-Holstein issued a 7<sup>1</sup>/<sub>2</sub>% Loan of 1958 amounting to a total of DM 40 million. The issue was offered for sale on 6 January 1958 at 96<sup>1</sup>/<sub>2</sub> by a syndicate led by the Land Central Bank in Schleswig-Holstein; it has been introduced on the stock exchanges at Hamburg, Düsseldorf and Frankfurt am Main for official dealings.

The Land of Rhineland-Palatinate issued in February 1958 a DM 50 million 7<sup>1</sup>/<sub>2</sub>% Loan of 1958 to finance capital expenditure and for refunding purposes, and in July 1958 a DM 50 million 6<sup>1</sup>/<sub>2</sub>% Loan of 1958 to cover further items for which the extraordinary budget provided. These loans were offered for public subscription by a syndicate led by the Land Central Bank in the Rhineland-Palatinate, the first on 3 February 1958 at 97<sup>1</sup>/<sub>2</sub> and the second on 2 July 1958 at 97. Both are the subject of official dealings on the stock exchanges at Berlin, Düsseldorf, Frankfurt am Main, Hamburg and Munich.

The conversion of the Young Loan (German Issue), and the conversion or cash redemption of the Reichsmark and foreign currency 3% bonds, debt certificates and fractional certificates of the Conversion Office for German External Debts, were continued.

In pursuance of Article 104 of the General War Consequences Law of 5 November 1957 the offers for settlement of the Conversion Office's liabilities have now also been extended to German creditors.

In its capacity as paying agent or agency for the Federal Republic of Germany's bonds issued in connection with the conversion of external bonds the Bank in 1958 paid 356,818 interest coupons, against 228,960 in 1957; in 1958 the countervalue of 1,826,290 interest coupons, against 1,185,513 in 1957, was collected from foreign agents.

The Bank as conversion  
and paying agent for  
external loans

Equalisation Claims on public authorities	Equalisation Claims arising from own Conversion Account Bank deutscher Länder Land Central Banks	31 Dec. 1957	31 Dec. 1958
		Millions of DM	
		5,503.8	5,504.0
		2,599.9	2,600.4
		<u>8,103.7</u>	<u>8,104.4</u>
	<i>less</i>		
	Equalisation Claims handed back in exchange for money-market paper	4,241.6	4,414.5
		<u>3,862.1</u>	<u>3,689.9</u>
	Conversion of Berlin pre-capitulation balances	13.9	16.7
	Conversion of RM balances at credit institutions in the Soviet Sector of Berlin	0.1	0.6
		<u>3,876.1</u>	<u>3,707.2</u>
	Equalisation Claims purchased	164.0	127.2
		<u>4,040.1</u>	<u>3,834.4</u>

The increase in the Equalisation Claim arising from the Bank's own Conversion Account is explained in the Combined Conversion Account of the Institutions Amalgamated to Form the Deutsche Bundesbank, as shown by the books on 31 December 1958, which is attached to this Report as Appendix 1. The amount entered in the Federal Debt Register is DM 8,103.7 million.

The amount of assistance granted by the nine Land Central Banks in the Federal Republic (except Berlin) to financial institutions through purchase of Equalisation Claims to improve their liquidity was further reduced in the year under report from DM 6.7 million to DM 2.1 million; the holding of Equalisation Claims purchased by the Land Central Bank in Berlin was brought down from DM 157.3 million to DM 125.1 million. No fresh purchases for own account were effected during the year under report.

Purchase of  
Equalisation Claims  
for own account



The amount up to which the Bank in pursuance of Article 42 paragraph (1) sentence 2 of the Law concerning the Deutsche Bundesbank can request conversion into Treasury bills or non-interest-bearing Treasury bonds (mobilisation paper), for open-market purposes, of the Equalisation Claim which it has under the monetary reform provisions on the Federal Government as debtor was fixed by the Federal Government in September 1957 at DM 7 billion. This limit up to which mobilisation paper could be called proved to be insufficient. In April 1958, as a result of the great increase of liquidity in the money market, the circulation of such paper had risen abruptly and the reserve still available had accordingly shrunk to less than DM 600 million. The request which the Bank thereupon made for an increase of the conversion limit to DM 8,103.7 million, the full amount of its registered Equalisation Claim on the Federal Government in respect of its own Conversion Account, was granted by the Federal Government in July 1958. The highest total to date of circulating mobilisation paper, comprising Treasury bills and non-interest-bearing Treasury bonds, was reached on 21 August 1958 at DM 7,153 million.

The rates for the sale of mobilisation paper, as well as of other money-market paper, were repeatedly reduced during the year under report with due allowance for the course of the money market.

The banks' need for liquidity at the end of the year caused a large decrease in the circulation of mobilisation paper; on 31 December 1958 DM 4,414.5 million of such paper was still in the market, against DM 4,241.6 million on 31 December 1957.

The amount of the mobilisation paper sold and redeemed for account of the Bank in 1958 is shown in the table which follows.

*Mobilisation Paper Sold and Redeemed*

	1956 in circu- lation on 31 Dec.	1957			1958		
		Sold	Redeemed	In circu- lation on 31 Dec.	Sold	Redeemed	In circu- lation on 31 Dec.
Millions of DM							
Treasury bills of the Federal Government (running for a maximum of ninety days)	366.2	3,005.0	3,078.7	292.5	2,717.5	2,645.6	364.4
Non-interest-bearing Treasury bonds of the Federal Government (running for 6 to 24 months)	1,062.9	7,110.9	4,224.7	3,949.1	4,564.2	4,463.2	4,050.1
Total	1,429.1	10,115.9	7,303.4	4,241.6	7,281.7	7,108.8	4,414.5

The claim on the Federal Government in respect of the supply of new currency to the Municipality of Berlin rose by the small amount of DM 125.64 during the year under report. At the end of 1958 it is shown at DM 547.2 million.

Under Article 20 paragraph (1) item 2 of the Law concerning the Deutsche Bundesbank the Bank, apart from the cash advance, may grant credits to the Federal Government with a view to meeting the latter's commitments as a member of the following institutions to the extents indicated:

	Millions of DM
International Monetary Fund	1,500
International Bank for Reconstruction and Development	35
European Fund	180.

At DM 30.3 million the credit granted to the Federal Government for the purpose of meeting payment liabilities towards the I.B.R.D. shows no change by comparison with a year ago. During

Debt Certificate in respect of the provision of new currency for the Municipality of Berlin

Credit to Federal Government in respect of I.M.F. and I.B.R.D.

1958 the claims arising from the credit in respect of the I.M.F. were increased by altogether DM 270.9 million, to a total of DM 631.4 million, through an in-payment to the International Monetary Fund and the granting of drawing rights to Yugoslavia, France and Turkey.

At DM 6,089.4 million at the end of 1958 the loans to international institutions and the consolidation loans granted to foreign Central Banks were greater by DM 658.9 million than a year earlier. The claims comprised

Loans to international institutions and consolidation loans to Foreign Central Banks

	31 Dec. 1957	31 Dec. 1958
	Millions of DM	
Credit balance in connection with the E.P.U. settlement	4,238.8	4,590.3
Bonds and notes of I.B.R.D.	807.8	1,233.7
Consolidation loans to foreign Central Banks	383.9	265.4
	5,430.5	6,089.4.

European Payments Union

In the year under report the Federal Republic's net surplus in the European Payments Union, which came to an end on 27 December 1958 (see Part A of this Report), amounted without interest to about 526 million units of account as compared with some 1.4 billion units of account in the previous year; on the monthly average for the individual quarters there was in the first quarter a deficit of 3.6 million units of account, whereas in the three following quarters there were surpluses of 62.3, 29.4 and 87.3 million units of account.

After the effecting of the settlement for December 1958, the credit balance as of 31 December 1958 in connection with E.P.U. accounting, including the special credit of 100 million units of account to France, increased from 1,094.5 million units of account to 1,127.1 million units of account. Included in the last settlement were DM 627.1 million of balances at foreign banks, shown in Asset Item 2 of the Balance Sheet as at 31 December 1958, and DM 70.7 million of liabilities to foreign banks, shown in Liability Item 6. Of the credit balances arising according to the E.P.U. final settlement, after a payment of 130.5 million units of account in January, 871.6 million units of account were converted into bilateral claims; in addition 125 million units of account represent the German share in the E.P.U.'s special credit to France.

International Bank for Reconstruction and Development

In the year under report interest-bearing notes having a face value of U.S. \$ 75 million and DM 200 million were newly taken from the International Bank for Reconstruction and Development and U.S. \$ 57.5 million of such notes due at later dates were taken from it in respect of notes and bonds maturing in that year. A part of the I.B.R.D.'s notes, namely U.S. \$ 20 million, was placed elsewhere.

Consolidation loans granted to foreign Central Banks

Of the consolidation and interim credits equivalent to DM 627.6 million which the Bank had granted in connection with the change-over of payments from a bilateral to a multilateral basis, credits amounting to DM 265.4 million were outstanding at the end of December 1958.

Land and buildings

Against the increase of DM 5.8 million in land and buildings there is a disposal of DM 0.3 million. After the writing off of DM 5.5 million the land and buildings are shown in the 1958 Annual Balance Sheet, as last year, at DM 55 million.

Office furniture and equipment  
Other assets

The addition of DM 2.3 million to office furniture and equipment was fully written off.

Of the DM 82.9 million of assets (against DM 72.3 million at the end of 1957) shown in Asset Item 17 entitled "Other assets" DM 81.3 million represent interest which falls due next year, but is assignable to the Profit and Loss Account for the year under report, on credit balances in connection with the E.P.U. settlement and at foreign banks as well as on securities.

Transitory items

In the same way as last year the DM 118.1 million of transitory items on the assets side (DM 172.8 million at the end of 1957) mainly comprise the proportion of interest relating to subsequent years on money-market paper issued in exchange for Equalisation Claims.

## Liabilities

The capital of the Deutsche Bundesbank remains unchanged at DM 290 million (Article 2 of the Bundesbank Law); it belongs to the Federal Government.

In pursuance of the Central Bank Council's decision of 8 May 1958 DM 39.7 million have been added to the legal reserve and DM 15.9 million to the other reserves out of the net profit for 1957; the reserves have accordingly risen from DM 436.0 million at the end of 1957 to DM 491.6 million at the end of 1958.

### Position and Movement of Reserves for Specific Purposes

Reserves for specific purposes	Position on 31 Dec. 1957	Used for the purpose contemplated	Addition from 1958 profit and loss account	Position on 31 Dec. 1958
Millions of DM				
For pension liabilities	412.0	16.0	20.0	416.0
For note printing	45.0	—	—	45.0
For conversion costs	20.3	19.7	— <sup>1)</sup>	0.6
Other	198.0	2.8	14.8	210.0
<b>Total</b>	<b>675.3</b>	<b>38.5</b>	<b>34.8</b>	<b>671.6</b>

<sup>1)</sup> For the purpose of rounding DM 6,275.87 were added.

The reserve for pension liabilities to the members of the Bank's organs and to the Bank's officials, as well as in respect of the claims of former Reichsbank staff, still falls short of the actuarially calculated requirement.

To comply with the obligation resting on the Bank according to Article 3 paragraph 1 of Regulation 45 under the Conversion Law DM 19.7 million were taken, for the purpose of providing interest on and redemption of Special Equalisation Claims, from the reserve for conversion costs.

Of the DM 212.9 million of Special Equalisation Claims which had been confirmed, and the DM 1.0 million still subject to adjustment, the Bank had by the end of 1958 redeemed DM 213.7 million. The reserve of DM 0.6 million existing at the end of 1958 should probably suffice to redeem the remaining Special Equalisation Claims and to meet the obligations arising from the Second Social Insurance Pension Increase Law.

To the other reserves for specific purposes, after the drawing out of DM 2.8 million in respect of exchange losses on French franc holdings comprising bills and balances at French banks, DM 14.8 million have been added from the Profit and Loss Account.

The bank notes in circulation rose from DM 16,132.9 million on 31 December 1957 to DM 17,661.5 million on 31 December 1958.

### Circulation of Notes and Coin in comparison with Preceding Years

End of year	Bank-note circulation	Federal coins	Circulation of notes and coin total
Millions of DM			
1954	12,349.8	946.2	13,296.0
1955	13,641.0	1,001.4	14,642.4
1956	14,473.5	1,078.0	15,551.5
1957	16,132.9	1,140.3	17,273.2
1958	17,661.5	1,196.8	18,858.3

The denominations of the bank notes and Federal coin in circulation are shown in Appendix 4 to this Report.

During 1958 the Bank received from the printers new notes of all denominations totalling DM 5,039.5 million.

Details of bank notes, including small money tokens, which were destroyed, having been called in or being no longer fit for circulation, are:

	1954	1955	1956	1957	1958
Number (millions)	57.9	49.5	78.4	160.3	92.8
Millions of DM	1,322.0	1,111.1	3,125.7	4,047.8	3,426.9.

The number of counterfeit bank notes detained was about the same as in the previous year; on the other hand the number of counterfeit coins detained in the year under report showed a decrease of about 15 per cent.

*Counterfeits Discovered*

Year	Notes		Coins	
	Number	Thousands of DM	Number	Thousands of DM
1954	2,980	77.5	18,510	54.6
1955	1,490	39.0	13,690	43.9
1956	530	20.4	14,840	41.3
1957	830	28.0	10,030	22.2
1958	819	36.5	8,540	24.3

Deposits	The deposits of German depositors comprise those of	31 Dec. 1957		31 Dec. 1958	
		Millions of DM			
	a) Credit institutions (including Postal Cheque and Postal Savings Bank offices)	7,108.9		8,243.1	
	b) Public depositors				
	ba) Federal Government and Federal Special Funds	4,093.1		4,024.8	
	bb) Länder	491.4		526.2	
	bc) Other public depositors	31.8	4,616.3	34.4	4,585.4
	c) Other German depositors		229.6		208.7
			11,954.8		13,037.2.

Minimum reserves In the same way as in previous years the credit institutions' deposits mainly represent the minimum reserves which have to be maintained at the Bundesbank. In December 1958 the minimum reserve required of the credit institutions (not including the minimum reserve to be kept by the Federal Postal Administration on behalf of Postal Cheque and Postal Savings Bank offices), which is calculated on a monthly average, amounted to DM 6.8 billion and the actual reserve to DM 7.0 billion.

Giro transactions	Giro accounts were conducted for the following:	Number at end of 1958	
	German credit institutions (including Postal Cheque and Postal Savings Bank offices)		4,781
	Public depositors		
	Federal Government and Federal Special Funds	1,664	
	Länder	804	
	Others	937	3,405
	Other German depositors		16,809
			24,995.

Of the total turnover on giro accounts the following proportions were settled without use of cash:

	Percentage of	
	Number of transactions	Amounts
In 1957	98.82	94.86
In 1958	98.90	94.79.

Annual Turnovers on Giro Accounts at the Deutsche Bundesbank or the Central Banking System

	1957			1958		
	Number	Amount	Average amount	Number	Amount	Average amount
	'000	Million DM	'000 DM	'000	Million DM	'000 DM
a) Credits						
of which:						
Cash in-payments	1,248	56,862	45.6	1,222	60,853	49.8
Settlements with account-holders	4,786	340,556	71.2	4,662	341,865	73.3
Local transfers	8,793	281,262	32.0	9,312	313,291	33.6
Transfers from other places	20,498	352,960	17.2	22,147	365,408	16.5
Cheque collections (cheques lodged)	71,016	94,976	1.3	74,367	101,155	1.4
Total	106,341	1,126,616	.	111,710	1,182,572	.
b) Debits						
of which:						
Cash out-payments	1,264	58,636	46.4	1,238	62,472	50.5
Settlements with account-holders	4,841	334,280	69.1	4,420	341,473	77.3
Local transfers	8,793	281,262	32.0	9,312	313,291	33.6
Transfers to other places	20,631	352,905	17.1	22,241	365,540	16.4
Cheque collections (cheques paid)	70,821	94,880	1.3	74,202	101,037	1.4
Total	106,350	1,121,963	.	111,413	1,183,813	.
c) Total turnover (credits and debits)	212,691	2,248,579	.	223,123	2,366,385	.
			<i>in per cent of total turnover</i>			
Cash payments	1.18	5.14	.	1.10	5.21	.
Settlements with account-holders	4.53	30.01	.	4.07	28.88	.
Local transfers	8.27	25.02	.	8.35	26.48	.
Transfers to and from other places	19.33	31.39	.	19.89	30.89	.
Cheque collections (cheques lodged and paid)	66.69	8.44	.	66.59	8.54	.
Total turnover (credits and debits)	100.00	100.00	.	100.00	100.00	.

The liabilities in respect of foreign business comprised the following:

	31 Dec. 1957	31 Dec. 1958
	Millions of DM	
Balances		
of foreign banks on loro and nostro accounts	764.4	384.5
of other foreign depositors	251.4	165.8
of German banks on loro accounts	14.9	9.0
of accounts to cover letters of credit and guarantees	493.8	576.6
Sundry liabilities	1.1	0.4
	<u>1,525.6</u>	<u>1,136.3</u>
Comprising liabilities in foreign currency	151.2	195.3
DM	<u>1,374.4</u>	<u>941.0</u>
	1,525.6	1,136.3

Liabilities in respect of foreign business

Export credit business	The number of orders and authorisations to open documentary credits, coming from Central banks in countries with which payment transactions have not yet been decentralised, rose to 16,196 as compared with 11,550 in the previous year.
Import credit business	The Bank opened 729 import credits in the year under report as against 854 in the previous year. The Bank was used in 160 cases, against 760 in the previous year, as reimbursement agent for credits that were opened directly by German banks. The Bank was engaged, in the same way as before, in the settlement of I.C.A. (International Cooperation Administration) imports. Altogether during the year under report 173 I.C.A. credits were opened (against 90 in 1957); 95 of them, against 54 in 1957, were put out directly by German banks.
Guarantees	The number of guarantees given by the Bundesbank itself further declined. Financial institutions and other physical and legal persons gave in the year under report a total of 8,716 guarantees amounting to DM 1,978.3 million, against 7,831 amounting to DM 1,927.5 million in the previous year. They included 8,189 guarantees amounting to DM 1,139.8 million given on the basis of General Licences against 7,335 amounting to DM 1,284.1 million in the previous year, and 527 amounting to DM 838.4 million against 496 amounting to DM 643.4 million given under ad hoc permits.
Items in course of settlement	This Balance Sheet item mainly comprises the transfers to and from other places that were proceeding inside the Bank at the close of the year, as well as the net amounts of cheques in course of clearing. The net "Items in course of settlement" amounted to DM 107.5 million on 31 December 1957, and to DM 2.1 million on 31 December 1958.
Other liabilities	The "Other liabilities" are shown on 31 December 1958 at DM 28.0 million as compared with DM 39.7 million at the end of 1957.
Transitory items	In the same way as last year the transitory items on the liabilities side mainly comprise interest which was received in the year under report on foreign Treasury bills, foreign bank acceptances and other bills, but which relates to the year 1959.
Contingent liabilities and claims	The contingent liabilities, and the contingent claims, are again down on the year — from DM 41.3 million at the end of 1957 to DM 20.6 million at the end of 1958; the guarantees on behalf of customers are included among them at DM 14.8 million, against DM 31.5 million at the end of 1957.

### Profit and Loss Account

The changes in the main items of the Profit and Loss Account are shown by the following comparative statement:

#### *Comparison of Expenditure and Receipts*

Expenditure	1956 <sup>1)</sup>	1957	1958	Receipts	1956 <sup>1)</sup>	1957	1958
	Millions of DM				Millions of DM		
Administrative costs				Interest	434.8	484.0	300.6
Personnel	114.4	120.2	126.0	Fees and charges	4.7	2.9	2.4
Materials	22.6	22.7	23.4	Other receipts	24.5	9.1	31.1
<b>Total</b>	<b>137.0</b>	<b>142.9</b>	<b>149.4</b>				
Note printing	7.9	8.3	8.2				
Depreciation	10.6	17.9	7.9				
Allocation to reserves for specific purposes	101.5	104.6	34.7				
Pension payments in respect of Reichsbank	20.0	20.2	21.4				
Other expenditure	4.4	3.6	3.1				
Net profit	182.6	198.5	109.4				
<b>Grand total</b>	<b>464.0</b>	<b>496.0</b>	<b>334.1</b>	<b>Grand total</b>	<b>464.0</b>	<b>496.0</b>	<b>334.1</b>

<sup>1)</sup> Land Central Banks, Berlin Central Bank and Bank deutscher Länder

### Receipts

The earnings from interest shown in the Profit and Loss Account are down from DM 484 million in 1957 to DM 300.6 million in 1958. They comprise the following: Interest

	1956	1957 Millions of DM		1958	
Interest					
from monies employed abroad		181.9	367.0		255.3
on Equalisation Claims	249.4		249.2	248.7	
<i>less</i>					
interest paid in respect of					
employment of giro balances in					
Equalisation Claims	99.6		35.6	—	
money-market paper issued in exchange					
for Equalisation Claims	68.2	81.6	198.9	14.7	261.6
on foreign bills, cheques and export drafts		22.8		18.7	
on domestic bills, advances against securities,					
cash advances, etc.		136.8		71.6	34.8
on securities, Treasury bills and Treasury bonds		12.5		12.9	19.0
<i>less</i>		435.6		484.9	301.4
other interest paid		0.8		0.9	0.8
		434.8		484.0	300.6.

The interest on monies employed abroad amounted in 1958 to DM 356.3 million, against DM 367 million in 1957. From the gross 1958 amount DM 101 million have already been deducted as at the close of the year in connection with the valuing of the Bank's foreign position, so that DM 255.3 million are shown in the Profit and Loss Account as interest on monies employed abroad. The amount required in connection with valuation was due to the movement of exchange rates during the year under report, the middle rate for the U.S. dollar having been DM 4.2017 on 31 December 1957 as compared with DM 4.1775 on 31 December 1958.

In the year under report the interest accruing on the Equalisation Claims, namely DM 248.7 million, was for the first time insufficient to cover the interest payable on mobilisation paper; a further DM 12.9 million were spent on this. Because of the further contraction of domestic credit business and the fall in interest rates the amount of interest on domestic bills, advances against securities and cash advances is down from DM 71.6 million at the end of 1957 to DM 34.8 million for the year 1958. From the discounting of foreign bills and export drafts interest receipts amounting to DM 4.4 million and DM 0.8 million were obtained; in 1957, because of higher discount rates and the larger purchases of export drafts, the total so received was DM 18.7 million. In accordance with the rise in security holdings the interest earnings on securities, Treasury bills and Treasury bonds have risen by DM 6.1 million on the year to DM 19 million.

DM 2.4 million of fees were received in 1958, against DM 2.9 million in 1957.

The item "Other receipts", shown at DM 31.1 million against DM 9.1 million in 1957, comprises various receipts mainly of an exceptional character. Fees  
Other receipts

### Expenditure

The increase of the administrative costs in respect of personnel from DM 120.2 million in 1957 to DM 126 million in 1958 was mostly caused through increases of pay in the public service by collective agreements or otherwise. The number of staff showed a further small decrease of 157, against 121 in 1957, to 10,823. Administrative costs  
a) Personnel

*Number of Persons Employed in the Bundesbank*

	End of 1957					End of 1958				
	Directorate	Land Central Banks	Total			Directorate	Land Central Banks	Total		
			male	female	total			male	female	total
Officials	508	4,066	4,552	22	4,574	521	3,983	4,481	23	4,504
Salaried employees	1,302	4,065	2,710	2,657	5,367	1,273	4,019	2,651	2,641	5,292
Wage-earners	203	836	231	808	1,039	208	819	224	803	1,027
<b>Total</b>	<b>2,013</b>	<b>8,967</b>	<b>7,493</b>	<b>3,487</b>	<b>10,980</b>	<b>2,002</b>	<b>8,821</b>	<b>7,356</b>	<b>3,467</b>	<b>10,823</b>

The total payments to serving and former members of the Directorate of the Deutsche Bundesbank, the Board of Directors and Board of Managers of the Bank deutscher Länder, and the Boards of Management of the Land Central Banks, as well as to their surviving dependents, have to be notified in pursuance of Article 22 of the Bank's By-laws of 27 November 1958, published in the "Bundesanzeiger" on 13 January 1959. For the year under report they amounted to DM 3,370,960.90.

**b) Materials**

At DM 23.4 million in 1958 the administrative costs in respect of materials were greater by DM 0.7 million than in 1957.

**Depreciation and allocations to reserve for specific purposes**

The depreciation on land and buildings as well as on office furniture and equipment has been discussed, like the allocations to the reserves for specific purposes, in connection with the corresponding Balance Sheet items.

**Pension payments in respect of the Reichsbank**

The payments for persons belonging to the former German Reichsbank and other persons to whom the Law regulating the Status of Persons coming within the provisions of Article 131 of the Basic Law applies, and for whom the Bank is required to provide in accordance with Article 41 of the Bundesbank Law, amounted in the year under report to DM 25.2 million (against DM 24.0 million in 1957); of this amount DM 3.8 million was taken from the reserves for pension liabilities in the same way as in the previous year, so that in 1958 DM 21.4 million is shown as pension payments in respect of the Reichsbank by comparison with DM 20.2 million in 1957.

*Net Profit*

**Proposed distribution of the profit**

According to the Profit and Loss Account the net profit amounts to DM 109,380,460.75 (against DM 198,528,341.64 in 1957).

The Directorate proposes to the Central Bank Council that in accordance with the provisions of Article 27 of the Bundesbank Law as to the distribution of profits the net profit be appropriated as follows:

There will be allocated	DM	
to the legal reserve	21,900,000.—	
to the other reserves	8,700,000.—	
to the Fund for the Purchase of Equalisation Claims	40,000,000.—	70,600,000.—

The balance of profit, amounting to 38,780,460.75 will be transferred to the Federal Government.

Frankfurt am Main, April 1959

*Deutsche Bundesbank*

*The Directorate*

*Karl Blessing Dr. Troeger*

*Dr. Benning Dr. Emminger Hartlieb Könniker Tüngeler*

*Dr. Wolf Dr. Zachau*



## Report on the Position of the Fund for the Purchase of Equalisation Claims during 1958

To the Fund for the Purchase of Equalisation Claims (cf. Article 8 of the Law on the Redemption of Equalisation Claims and the Report of the Deutsche Bundesbank for the Year 1957, page 97) there were transferred during 1958 a further DM 40 million out of the Deutsche Bundesbank's net profit obtained in the 1957 accounting year.

The greater part of the resources available to the Purchase Fund in 1958 was again applied to purchasing such Equalisation Claims as it seemed appropriate to take over definitively in order to enable credit institutions and insurance companies to meet matured obligations (cf. Article 9 paragraph 1 of the Redemption Law). In addition DM 25 million were provided for the purchase of Equalisation Claims of credit institutions and insurance companies which in the performance of their functions are at a particular disadvantage, in relation to other institutions of comparable character, by the fact that their Equalisation Claims form a proportion, higher than the average, of their balance-sheet total (cf. Article 9 paragraph 2 sub-section 1 of the Redemption Law). Of these DM 25 million, provided for "levelling purchases", DM 15 million were assigned for credit institutions and DM 10 million for insurance companies. The monies provided for levelling purchases from credit institutions were sufficient to bring down, to not more than 30 per cent of the balance-sheet totals after deduction of the loans transmitted on a trust basis, the Equalisation Claims including the Covering Claims of the credit institutions not in liquidation. Of the DM 10 million provided for levelling purchases from insurance companies not in liquidation DM 6 million were assigned for reducing the Equalisation Claims of life assurance companies, and DM 4 million for diminishing those of indemnity, accident and reinsurance companies; the DM 4 million provided for that purpose in 1957 had gone to the sickness insurance companies. The monies were sufficient to reduce to not more than 32 per cent of the balance-sheet totals the life assurance companies' Equalisation Claims including their Covering Claims, so far as these exceed in amount the total of the as yet unreleased credits in account. By means of the DM 4 million provided for indemnity, accident and reinsurance companies the Equalisation Claims of those institutions were brought down to not more than 38 per cent of their balance-sheet total. A small part of the contemplated levelling purchases from credit institutions and insurance companies could not yet be carried out because the balance sheets of some institutions were not yet available, or other technical requirements were unfulfilled. These purchases will be subsequently made as soon as the necessary requirements have been met.

Furthermore, out of the Equalisation Claim which belongs to the Equalisation of Burdens Bank (Bank for Expelled Persons and Sufferers from Damage), having been allocated to it under Article 3 of the Law concerning the Settlement within Germany of Pre-war Documentary Credit Liabilities, a portion of DM 1 million nominal was transferred to the Purchase Fund in accordance with Article 9 paragraph 2 sub-section 2 of the Redemption Law. A portion of DM 500,000 nominal of this Equalisation Claim had already been purchased in the 1957 accounting year.

It is contemplated that the levelling purchases from credit institutions shall be continued in 1959 with the object of reducing to not more than 20 per cent the ratio of Equalisation Claims to the balance-sheet totals, and that monies shall also be provided for further levelling the insurance companies' Equalisation Claims.

Cash resources available to the Fund on 31 December 1957 amounted to		DM	24,150,597.47.
During the 1958 accounting year the Purchase Fund received the following amounts:			
Share in the Bank's 1957 net profit			40,000,000.—
Interest			
on Equalisation Claims			6,349,546.25
from temporary employment of the Fund's cash resources			1,001,392.37
Redemption of Equalisation Claims			2,402,996.93
Retrocession of Equalisation Claims			730,738.57
			<hr/> 74,635,271.59.
There were used for purchase of Equalisation Claims			60,454,635.42.
On 31 December 1958 there were held			
in Federal Treasury bills		DM	
to a par value of DM 11 million		10,983,375.—	
at the Deutsche Bundesbank		3,197,261.17	14,180,636.17.
The holding of Equalisation Claims			
on 31 December 1957, namely			173,641,166.27
rose through purchase of Equalisation Claims having			
an initial capital amount of DM 62,468,116.64			60,454,635.42
			<hr/> 234,095,801.69
and was reduced through			
redemption of Equalisation Claims		2,402,996.93	
retrocession of Equalisation Claims		730,738.57	3,133,735.50.
Holding on 31 December 1958			<hr/> 230,962,066.19.

*Movement in the Holding of Equalisation Claims*

Interest rate	DM initial capital				DM Remaining capital Holding on 31 Dec. 1958
	Holding on 31 Dec. 1957	Addition through purchase	Decrease through retrocession	Holding on 31 Dec. 1958	
%	DM				
0	4,673,080.79	4,657,000.—	—	9,330,080.79	8,210,471.10
3	113,997,489.—	25,866,876.07	750,060.81	139,114,304.26	134,781,206.04
3½	25,346,606.24	21,909,171.54	—	47,255,777.78	45,774,614.91
4½	33,543,856.05	10,035,069.03	—	43,578,925.08	42,195,774.14
Total	177,561,032.08	62,468,116.64	750,060.81	239,279,087.91	230,962,066.19

The Certified Auditor appointed by the Central Bank Council for the purpose of auditing the Bank's Annual Statement for 1958 has also included the Purchase Fund in his audit; he has confirmed that the allocation to the Purchase Fund and that Fund's administration and use are in accordance with the provisions of the law, and that the statement of the Fund's position as on 31 December 1958, which is attached as Appendix 3, has been correctly evolved from the books and other records of the Bank.

Frankfurt am Main, April 1959

*Deutsche Bundesbank*  
*The Directorate*  
Karl Blessing Dr. Troeger  
Dr. Benning Dr. Emminger Hartlieb Könneker Tüngeler  
Dr. Wolf Dr. Zachau

## Report of the Central Bank Council

The Annual Statement of the Deutsche Bundesbank for 1958, the Combined Conversion Account of the institutions amalgamated to form the Deutsche Bundesbank, as shown by the books on 31 December 1958, and the Report on the Fund for the Purchase of Equalisation Claims as at 31 December 1958, have been prepared by the Directorate of the Deutsche Bundesbank and audited by the Certified Auditor Dr. Merkle of Stuttgart, whom the Central Bank Council in agreement with the Federal Audit Office had appointed to be Auditor in accordance with Article 26 of the Bundesbank Law. In the same way as last year Dr. Merkle based his audit and report on the results of the audits which were carried out for the Land Central Banks by their former auditors (auditing companies).

In his unreserved notes of certification Dr. Merkle has confirmed that the Annual Statement for 1958, the bookkeeping and the Conversion Account as shown by the books on 31 December 1958, as well as the allocation to and use of the Fund for the Purchase of Equalisation Claims, are in accordance with the legal provisions.

The Central Bank Council approved the Annual Statement for 1958 on 16 April 1959. At the same time it confirmed the Conversion Accounts for the Bank deutscher Länder and the Land Central Banks as well as the Combined Conversion Account of the institutions amalgamated to form the Deutsche Bundesbank, as shown by the books on 31 December 1958, and approved the Report on the Fund for the Purchase of Equalisation Claims as at 31 December 1958.

The Central Bank Council has assented to the Directorate's Report and proposal for appropriation of the Profit. After allocations to the Reserves and to the Fund for the Purchase of Equalisation Claims there remains a balance of profit amounting to DM 38,780,460.75, which is to be transferred to the Federal Government.

Since the publication of the Report for the Year 1957 the following changes have taken place in the organs of the Deutsche Bundesbank.

The following gentlemen were reappointed

with effect from 1 July 1958

Herr Johannes T ü n g e l e r ,

Dr. Erich Z a c h a u

as members of the Directorate of the Deutsche Bundesbank,

with effect from 15 November 1958

Dr. Rudolf S c h m i t t

as Vice-President of the Land Central Bank in Bremen,

with effect from 1 January 1959

Herr Heinrich H a r t l i e b

as a member of the Directorate of the Deutsche Bundesbank.

The following gentlemen were newly appointed

with effect from 1 February 1959

Herr Hans G ü n t h e r L u t z e

to be a further member of the Board of Management of the Land Central Bank in Lower Saxony,

Herr Hans K a r n s t ä d t

to be a further member of the Board of Management of the Land Central Bank in North Rhine-Westphalia,

*with effect from 15 February 1959*

*Herr August S a n d l e r*

*to be a further member of the Board of Management of the Land Central Bank in  
Baden-Württemberg.*

*The following gentlemen gave up their office as further members of Boards of Management*

*at the Land Central Bank in North Rhine-Westphalia*

*with effect from 20 August 1958*

*Herr Kurt B r a u n e ,*

*with effect from 31 December 1958*

*Dr. Reinhold B ö t t c h e r ,*

*at the Land Central Bank in the Rhineland-Palatinate*

*with effect from 3 February 1959*

*Herr Alphons D i e h l ,*

*who was at the same time appointed an official.*

*The Central Bank Council, acting also on behalf of the Directorate and of the Boards of  
Management of the Land Central Banks, expresses to the officials, employees and workers  
of the Deutsche Bundesbank its thanks for their loyal and understanding cooperation during  
the year 1958.*

*Frankfurt am Main, April 1959*

*KARL BLESSING*

*President of the Deutsche Bundesbank*

Appendices  
to  
Parts B and C

## Combined Conversion Account of the Institutions

Assets as shown by the books

	as shown by the books on 31 Dec. 1957 DM	Changes in 1958 DM	as shown by the books on 31 Dec. 1958 DM
1. Cash*) . . . . .	1,133,326.07	—	1,133,326.07
2. Bills of exchange . . . . .	211,524.63	—	211,524.63
3. Advances against securities . . . . .	103,241.—	—	103,241.—
4. Cash advances . . . . .	100.—	—	100.—
5. Other short-term credit extended to public authorities . . . . .	1,345,153.61	—	1,345,153.61
6. Land and Buildings . . . . .	26,440,270.—	—	26,440,270.—
7. Office furniture and equipment . . . . .	2,166,811.21	—	2,166,811.21
8. Other assets . . . . .	9,502,199.21	—	9,502,199.21
9. Transitory items . . . . .	938,761.74	—	938,761.74
10. Equalisation claim . . . . .	8,103,727,670.71	+ 715,763.22	8,104,443,433.93
11. Proceeds from realisation of DM (East) holdings . . . . .	41,334,713.71	—	41,334,713.71
12. Non-interest-bearing debt certificate in respect of the provision of new currency to the Municipality of Berlin . . .	547,168,332.44	+ 125.64	547,168,458.08
	<u>8,734,072,104.33</u>	<u>+ 715,888.86</u>	<u>8,734,787,993.19</u>
13. Contingent claims . . . . .	126,558.92	—	126,558.92

\*) Relating to converted Small Money Tokens.

# Amalgamated to Form the Deutsche Bundesbank

on 31 December 1958

Liabilities

	as shown by the books on 31 Dec. 1957 DM	Changes in 1958 DM	as shown by the books on 31 Dec. 1958 DM
1. Capital . . . . .	270,000,000.—	—	270,000,000.—
2. Reserves for specific purposes			
for pension liabilities . . . . .	126,968,586.60	—	126,968,586.60
others . . . . .	233,810.35	—	233,810.35
3. Notes and coin put into circulation			
a) first instalment of per-capita quotas . . . . .	1,853,121,612.32	—	1,853,121,612.32
b) second instalment of per-capita quotas, delayed cases, etc. . . . .	264,981,116.43	+ 3,325.35	264,984,441.78
4. Deposits . . . . .	5,628,437,592.13	+ 712,437.87	5,629,150,030.—
5. Other liabilities . . . . .	1,648,526.03	—	1,648,526.03
6. Transitory items . . . . .	177,814.32	—	177,814.32
7. Amounts paid or credited under para. 52 a, b, d and e, Berlin Central Bank Ordinance, and para. 9, Implementing Reg. 2, Berlin Conversion Ordinance . . . . .	588,503,046.15	+ 125.64	588,503,171.79
	<u>8,734,072,104.33</u>	<u>+ 715,888.86</u>	<u>8,734,787,993.19</u>
8. Contingent liabilities . . . . .	126,558.92	—	126,558.92

Frankfurt am Main, 20 January 1959

*Deutsche Bundesbank  
The Directorate*

*Karl Blessing Dr. Troeger  
Dr. Benning Dr. Emminger Hartlieb Könniker Tüngeler  
Dr. Wolf Dr. Zachau*

*The final result of my audit, which was duly carried out on the basis of the books and records of the Deutsche Bundesbank as well as of the explanations given and vouchers produced, shows the accounting records and the Combined Conversion Account of the Institutions Amalgamated to Form the Deutsche Bundesbank, as shown by the books on 31 December 1958, to be in accordance with the provisions of the law.*

Stuttgart, 20 March 1959

*Dr. Merkle  
Certified Auditor*

## Assets

## Balance Sheet of the Deutsche Bundesbank

	DM	DM	DM
1. Gold . . . . .			10,963,251,061.16
2. Balances at foreign banks and money-market investments abroad . . . . .			9,310,723,593.45
of which, earmarked for specific purposes DM 966,948,188.13			
3. Foreign notes and coin, foreign bills and cheques . . . . .			152,572,968.36
4. German divisional coin . . . . .			85,055,718.79
5. Postal cheque account balances . . . . .			191,600,691.49
6. Domestic bills of exchange . . . . .			722,513,753.64
7. Treasury bills and non-interest-bearing Treasury bonds of Federal Government and Federal Special Funds . . . . .			100,000,000.—
8. Advances against securities . . . . .			63,903,000.—
9. Cash advances to			
a) Federal Government and Federal Special Funds . . . . .		17,500,000.—	
b) Länder . . . . .		69,100,000.—	
c) other public authorities . . . . .		3,850,358.20	90,450,358.20
10. Other claims . . . . .			115,010,246.84
11. Securities . . . . .			269,733,668.60
12. Equalisation claims on public authorities and debt certificate in respect of the provision of new currency to the Municipality of Berlin			
a) Equalisation claims . . . . .	8,248,930,755.12		
less Equalisation claims returned in exchange for money-market paper . . . . .	4,414,510,000.—	3,834,420,755.12	
b) Debt certificate . . . . .		547,168,458.08	4,381,589,213.20
13. Credit to Federal Government in respect of International Monetary Fund and International Bank for Reconstruction and Development . . . . .			661,700,000.—
14. Loans to international institutions and consolidation loans to foreign Central Banks . . . . .			6,089,421,620.34
of which, a) to E.P.U. DM 4,590,257,040.— b) to I.B.R.D. DM 1,233,748,484.38			
15. Land and buildings			
Position as at 1 January 1958 . . . . .		55,000,000.—	
Increase . . . . .		5,825,224.79	
		60,825,224.79	
Disposals . . . . .	280,908.49		
Depreciation . . . . .	5,544,316.30	5,825,224.79	55,000,000.—
16. Office furniture and equipment			
Position as at 1 January 1958 . . . . .		1.—	
Increase . . . . .		2,313,186.25	
		2,313,186.25	
Depreciation . . . . .		2,313,186.25	1.—
17. Other assets . . . . .			82,855,014.59
18. Transitory items . . . . .			118,146,180.24
<i>Right of recourse in respect of contingent liabilities</i> . . . . .		20,598,701.87	
			<u>33,453,527,089.90</u>



as at 31 December 1958

Liabilities

	DM	DM	DM
1. Capital . . . . .			290,000,000.—
2. Reserves			
a) legal reserve . . . . .		342,900,000.—	
b) other reserves . . . . .		<u>148,700,000.—</u>	491,600,000.—
3. Reserves for specific purposes			
a) for pension liabilities . . . . .		416,000,000.—	
b) for note printing . . . . .		45,000,000.—	
c) for conversion costs . . . . .		600,000.—	
d) for other purposes . . . . .		<u>210,000,000.—</u>	671,600,000.—
4. Bank notes in circulation . . . . .			17,661,474,705.—
5. Deposits of			
a) credit institutions (including Postal Cheque and Postal Savings Bank offices) . . . . .		8,243,090,638.43	
b) public depositors			
ba) Federal Govt. and Federal Special Funds . . . . .	4,024,868,772.27		
bb) Länder . . . . .	526,212,396.16		
bc) other public depositors . . . . .	<u>34,381,819.91</u>	4,585,462,988.34	
c) other German depositors . . . . .		<u>208,672,078.44</u>	13,037,225,705.21
6. Liabilities in respect of foreign business			
a) Liabilities in foreign currency			
foreign banks . . . . .	119,657,388.44		
German banks . . . . .	18,067,953.08		
others . . . . .	<u>57,631,508.34</u>	195,356,849.86	
b) Liabilities in DM			
foreign banks . . . . .	371,463,368.95		
German banks . . . . .	1,021,711.61		
others . . . . .	<u>568,500,730.52</u>	940,985,811.08	1,136,342,660.94
7. Items in course of settlement . . . . .			2,059,888.42
8. Other liabilities . . . . .			28,042,633.20
9. Transitory items . . . . .			25,801,036.38
10. Net profit . . . . .			109,380,460.75
Contingent liabilities . . . . .		20,598,701.87	
			<u><u>33,453,527,089.90</u></u>

**Profit and Loss Account of the Deutsche Bundesbank  
for the Year 1958**

Expenditure	DM	DM
1. Administrative costs		
a) Personnel . . . . .	125,999,671.27	
b) Materials . . . . .	23,369,514.10	149,369,185.37
2. Note printing . . . . .		8,216,465.43
3. Depreciation		
a) on land and buildings . . . . .	5,544,316.30	
b) on office furniture and equipment . . . . .	2,313,186.25	7,857,502.55
4. Allocation to reserves for specific purposes		
a) for pension liabilities . . . . .	19,988,504.84	
b) for conversion costs, according to Reg. No. 45 / Conv. Law . . . . .	6,275.87	
c) others . . . . .	14,750,000.—	34,744,780.71
5. Pension payments in respect of Reichsbank . . . . .		21,440,843.39
6. Other expenditure . . . . .		3,138,225.18
7. Net profit . . . . .		109,380,460.75
		<u>334,147,463.38</u>
<hr/>		
<b>Receipts</b>		
1. Interest . . . . .		300,613,967.95
2. Fees and charges . . . . .		2,431,486.29
3. Other receipts . . . . .		31,102,009.14
		<u>334,147,463.38</u>

Frankfurt am Main, 20 January 1959

*Deutsche Bundesbank  
The Directorate*

*Karl Blessing Dr. Troeger*

*Dr. Benning Dr. Emminger Hartlieb Könniker Tüngeler*

*Dr. Wolf Dr. Zachau*

*The final result of my audit, which was duly carried out on the basis of the records, books and other data of the Deutsche Bundesbank as well as of the explanations given and vouchers produced by the Directorate, shows the accounting records and the Annual Statement to be in accordance with the provisions of the law.*

Stuttgart, 20 March 1959

*Dr. Merkle  
Certified Auditor*

## Fund for the Purchase of Equalisation Claims

Position as of 31 December 1958

	Equalisation claims (remaining capital)	Cash resources	Total assets of the Fund
	DM	DM	DM
Position as of 31 December 1957 . . . . .	173,641,166.27	24,150,597.47	197,791,763.74
Allocation from the Deutsche Bundesbank's 1957 net profit . . . . .		40,000,000.—	40,000,000.—
Equalisation claims purchased . . . . .	60,454,635.42	less 60,454,635.42	
Redeemed . . . . .	less 2,402,996.93	2,402,996.93	
Retroceded . . . . .	less 730,738.57	730,738.57	
Interest			
on equalisation claims . . . . .		6,349,546.25	6,349,546.25
from temporary employment of the Fund's cash resources . . . . .		1,001,392.37	1,001,392.37
<b>Position as of 31 December 1958 . . . . .</b>	<u>230,962,066.19</u>	<u>14,180,636.17</u>	<u>245,142,702.36</u>

Frankfurt am Main, 20 January 1959

Deutsche Bundesbank  
The Directorate

Karl Blessing Dr. Troeger

Dr. Benning Dr. Emminger Hartlieb Könneker Tüngeler

Dr. Wolf Dr. Zachau

Date of return	Assets																
	Gold	Balances at foreign banks and money-market investments abroad <sup>1)</sup>		Foreign notes and coin, foreign bills and cheques	Other claims on foreign countries <sup>2)</sup>			Balances on postal cheque account	Domestic bills of exchange	Treasury bills and non-interest-bearing Treasury bonds			Advances against securities	Cash			
		Total	of which, for specific purposes		Total	including: balances with European Payments Union	German divisional coin			of which:		Total		Federal Government and Federal Special Funds	Länder	Total	of which, Federal Government and Federal Special Funds
										Federal Government and Federal Special Funds	Länder						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15			
1958																	
Jan. 7	10,602.5	6,611.2	—	172.9	6,461.3	4,238.8	83.9	140.7	1,144.8	24.5	24.5	—	29.1	74.9	—		
15	10,461.7	6,637.9	—	164.3	6,406.3	4,182.9	105.5	129.8	865.4	—	—	—	53.5	60.7	—		
23	10,461.7	6,567.9	—	163.3	6,391.7	4,182.9	122.2	87.0	884.9	—	—	—	56.1	25.2	—		
31	10,429.9	6,465.8	—	160.9	6,362.9	4,182.9	86.2	77.5	983.0	20.0	20.0	—	29.8	70.2	—		
Feb. 7	10,429.9	6,534.9	—	154.0	6,291.9	4,182.9	98.0	82.0	1,084.3	—	—	—	24.8	70.6	—		
15	10,406.3	6,630.0	—	151.8	6,288.3	4,176.4	112.2	79.5	870.7	—	—	—	26.8	58.7	—		
23	10,382.7	6,689.4	—	153.0	6,292.7	4,176.4	122.9	56.7	876.1	13.5	13.5	—	31.2	39.3	—		
28	10,382.7	6,459.8	—	151.3	6,292.6	4,176.4	89.6	79.4	868.5	32.5	32.5	—	82.3	101.6	—		
Mar. 7	10,382.7	6,540.9	—	151.4	6,291.6	4,176.4	96.8	85.7	1,546.6	75.5	75.5	—	36.8	90.2	—		
15	10,359.2	6,582.6	—	145.2	6,307.7	4,198.5	108.4	86.7	1,361.0	95.4	94.4	—	37.8	33.0	—		
23	10,359.2	6,579.5	—	146.0	6,275.5	4,198.5	120.1	58.5	1,138.5	65.0	65.0	—	35.8	25.3	—		
31	10,260.6	6,763.3	—	151.5	6,250.3	4,198.5	81.8	81.0	1,248.6	93.4	93.4	—	30.1	71.1	—		
Apr. 7	10,260.7	6,714.2	—	151.7	6,248.0	4,198.5	78.2	97.0	1,504.6	42.7	42.7	—	29.0	55.9	—		
15	10,344.8	6,681.0	—	152.3	6,294.9	4,250.8	103.5	116.1	1,122.5	10.7	10.7	—	25.6	47.0	—		
23	10,377.6	6,742.5	—	152.8	6,292.3	4,250.8	117.4	94.7	802.3	8.8	8.8	—	23.7	35.5	—		
30	10,394.2	6,851.3	—	154.0	6,276.4	4,250.8	80.2	88.7	1,208.0	59.3	59.3	—	56.6	77.8	—		
May 7	10,394.2	6,907.8	—	146.5	6,275.2	4,250.8	87.3	128.1	1,249.1	14.8	14.8	—	21.5	73.2	—		
15	10,398.9	7,040.6	—	146.0	6,266.7	4,250.8	91.1	120.2	1,115.9	8.0	8.0	—	23.6	56.9	—		
23	10,422.5	7,153.7	—	144.9	6,323.7	4,312.4	100.9	74.2	918.2	68.0	68.0	—	38.7	8.5	—		
31	10,422.5	7,402.3	—	147.2	6,323.0	4,312.4	80.9	107.1	865.0	57.5	57.5	—	23.5	52.0	—		
June 7	10,430.8	7,660.9	—	146.4	6,316.4	4,312.4	91.7	88.0	1,295.1	61.5	61.5	—	23.0	50.5	—		
15	10,454.4	7,385.9	—	147.2	6,441.5	4,443.2	106.4	98.1	1,247.3	34.4	34.4	—	30.7	20.2	—		
23	10,549.0	7,120.9	—	144.6	6,738.3	4,443.2	124.1	95.7	1,206.8	46.4	46.4	—	61.8	26.7	—		
30	10,695.3	7,040.7	—	143.8	6,658.7	4,443.2	88.8	108.3	1,445.9	93.4	93.4	—	46.6	64.4	—		
July 7	10,742.4	7,814.9	788.4	144.3	—	—	—	104.3	1,479.5	36.9	36.9	—	30.2	104.5	—		
15	10,742.4	8,095.6	789.7	146.1	—	—	—	112.8	1,031.1	36.6	36.6	—	44.9	96.7	—		
23	10,719.3	8,220.9	790.4	147.0	—	—	—	121.3	877.3	34.9	34.9	—	27.9	76.9	—		
31	10,766.4	8,312.4	965.7	149.0	—	—	—	80.0	866.8	31.9	31.9	—	23.1	76.6	—		
Aug. 7	10,813.5	8,453.8	876.7	146.5	—	—	—	90.4	806.7	24.4	24.4	—	19.5	80.5	—		
15	10,765.6	8,553.1	877.6	147.4	—	—	—	101.7	88.3	649.1	94.9	—	19.5	26.8	—		
23	10,789.1	8,643.4	878.9	144.5	—	—	—	115.3	62.9	565.5	87.9	—	23.4	20.2	—		
31	10,791.7	8,685.3	996.5	146.1	—	—	—	79.2	83.1	904.8	166.5	—	20.9	60.0	—		
Sep. 7	10,791.7	8,721.7	996.2	133.9	—	—	—	86.0	80.9	1,123.9	134.0	—	17.2	37.6	—		
15	10,791.7	8,653.7	994.6	128.6	—	—	—	95.4	126.7	939.5	18.1	—	23.3	15.5	—		
23	10,791.7	8,785.9	995.0	125.8	—	—	—	113.9	88.7	745.4	38.0	—	26.6	18.0	—		
30	10,834.9	8,799.4	996.1	130.0	—	—	—	78.8	93.5	765.0	83.0	—	22.5	60.9	—		
Oct. 7	10,858.5	8,844.6	994.3	126.3	—	—	—	96.5	105.6	806.6	112.2	—	20.1	28.5	—		
15	10,885.6	8,876.4	995.0	134.2	—	—	—	111.0	124.5	564.5	144.7	—	21.5	16.5	—		
23	10,885.6	8,980.4	995.8	138.2	—	—	—	123.8	96.7	459.4	48.2	—	31.8	22.9	—		
31	10,984.4	8,865.0	993.9	141.9	—	—	—	90.9	90.6	406.4	63.0	—	24.4	44.2	—		
Nov. 7	10,961.2	9,000.9	994.8	136.8	—	—	—	101.0	102.5	398.5	38.0	—	19.8	19.8	—		
15	10,964.8	9,073.7	995.5	135.1	—	—	—	110.8	52.4	397.0	18.0	—	23.1	31.0	—		
23	11,011.6	9,226.3	995.7	139.1	—	—	—	121.9	77.7	510.9	5.8	—	35.2	8.5	—		
30	11,011.6	9,067.7	995.9	144.4	—	—	—	83.1	89.3	813.7	6.8	—	25.8	24.8	—		
Dec. 7	11,011.6	9,297.6	995.6	146.1	—	—	—	79.4	93.7	869.3	—	—	28.3	17.1	—		
15	11,011.4	9,050.9	994.0	147.8	—	—	—	81.8	127.6	605.1	—	—	41.9	40.6	—		
23	11,011.4	9,233.1	995.3	152.5	—	—	—	80.2	84.4	547.1	—	—	69.3	55.5	—		
31	10,963.3	9,310.7	966.9	152.6	—	—	—	85.1	191.6	722.5	100.0	—	63.9	90.4	17.5		

<sup>1)</sup> As from 7 July 1958 including earmarked balances at foreign banks; cf. footnote 3). — <sup>2)</sup> Apart from the credit balances with the European Payments Union investments. — <sup>3)</sup> Balances at foreign banks, until 30 June 1958 contained in this item, have — as far as they were earmarked for specific purposes — been and consolidation loans to foreign Central Banks". — <sup>4)</sup> Including equalisation claims resulting from conversion of Berlin pre-capitulation accounts (Supple-Conversion Law). — <sup>5)</sup> Until 30 June 1958 shown under item "Other claims on foreign countries"; cf. footnote 3).

# Deutsche Bundesbank

of DM

## Assets

advances		Equalisation claims and non-interest-bearing debt certificate							Loans to international institutions and consolidation loans to foreign Central Banks				Total	Date of return
to		Securities	Holding	note			Debt certificate	Credit to Federal Govt. in respect of I.M.F. and I.B.R.D.	Total	of which:		Other assets		
Länder	Other public authorities			from conversion of own balance sheet <sup>4)</sup>	Equalisation claims purchased	Equalisation claims returned in exchange for money-market paper					to E. P. U.	to I. B. R. D.		
16	17	18	19	20	21	22	23	24	25	26	27	28	29	
63.0	11.9	238.0	3,986.2	8,117.8	163.7	4,917.5	622.2	390.8	—	—	—	455.5	30,416.3	1958 Jan. 7
46.0	14.7	237.8	3,689.9	8,117.8	163.7	5,213.8	622.2	390.8	—	—	—	490.8	29,694.4	15
14.0	11.2	236.7	3,719.9	8,117.8	163.7	5,183.8	622.2	420.2	—	—	—	394.4	29,531.2	23
60.0	10.2	238.6	3,362.4	8,117.8	162.9	5,540.5	622.2	420.2	—	—	—	591.6	29,299.0	31
60.0	10.6	237.8	3,408.5	8,117.8	162.6	5,494.1	622.2	420.2	—	—	—	369.5	29,206.4	Feb. 7
50.0	8.7	237.2	3,305.7	8,117.9	162.6	5,597.0	622.2	420.2	—	—	—	387.2	28,974.6	15
10.0	29.3	236.5	3,497.6	8,117.9	162.6	5,405.1	622.2	420.2	—	—	—	723.8	29,535.6	23
63.7	37.9	238.4	3,474.0	8,117.9	162.6	5,428.7	622.2	420.2	—	—	—	712.6	29,385.5	28
71.3	18.9	240.4	3,559.2	8,117.9	162.6	5,343.5	622.2	420.2	—	—	—	442.8	29,960.8	Mar. 7
8.0	25.0	242.6	3,604.2	8,117.9	162.6	5,223.5	547.2	420.2	—	—	—	413.0	29,797.0	15
—	25.3	243.7	3,542.3	8,117.9	162.2	5,285.0	547.2	420.2	—	—	—	418.8	29,428.4	23
46.0	25.1	245.2	3,290.4	8,117.9	157.3	5,532.0	547.2	483.2	—	—	—	638.1	29,688.6	31
37.0	18.9	244.3	3,312.9	8,118.0	156.7	5,509.0	547.2	483.2	—	—	—	467.9	29,690.3	Apr. 7
37.0	10.0	245.8	2,882.0	8,118.0	154.8	5,938.0	547.2	483.2	—	—	—	467.4	28,976.8	15
27.0	8.5	245.9	2,443.3	8,118.1	154.8	6,376.8	547.2	483.2	—	—	—	502.0	28,322.0	23
65.0	12.8	247.5	2,511.8	8,118.1	154.8	6,308.3	547.2	483.2	—	—	—	609.0	29,098.0	30
57.0	16.2	246.4	2,466.7	8,118.1	154.7	6,353.3	547.2	483.2	—	—	—	512.7	29,006.7	May 7
40.0	16.9	245.8	2,398.2	8,118.1	154.7	6,421.8	547.2	483.2	—	—	—	494.1	28,889.2	15
—	8.5	246.2	2,455.2	8,118.2	153.7	6,363.9	547.2	483.2	—	—	—	622.3	29,060.2	23
38.8	13.2	241.8	2,176.7	8,118.2	153.7	6,642.4	547.2	483.2	—	—	—	562.1	28,944.8	31
29.0	21.5	238.1	2,059.6	8,118.2	153.7	6,759.5	547.2	483.2	—	—	—	545.1	29,490.3	June 7
—	20.2	229.7	2,188.6	8,118.2	153.7	6,630.5	547.2	609.2	—	—	—	527.2	29,520.8	15
—	26.7	230.3	2,417.6	8,118.2	153.7	6,401.5	547.2	609.2	—	—	—	548.7	29,920.1	23
52.0	12.4	229.1	2,611.3	8,118.2	151.6	6,205.7	547.2	609.2	—	—	—	587.8	30,423.3	30
52.0	52.5	232.1	2,517.0	8,118.3	151.4	6,299.9	547.2	609.2	6,065.4	4,443.2	1,320.4	411.8	30,407.8	July 7
52.0	44.7	234.4	2,173.4	8,118.3	151.4	6,643.5	547.2	609.2	5,944.6	4,322.3	1,320.4	346.4	29,726.8	15
52.0	24.9	240.3	2,193.2	8,118.3	150.6	6,622.9	547.2	609.2	5,944.6	4,322.3	1,320.4	332.7	29,646.9	23
52.0	24.6	245.3	2,171.7	8,118.3	150.6	6,644.4	547.2	609.2	5,944.6	4,322.3	1,320.4	538.1	29,920.5	31
32.0	48.5	243.6	2,152.8	8,118.4	150.5	6,663.3	547.2	661.7	5,855.3	4,234.1	1,320.4	345.9	29,810.6	Aug. 7
—	26.8	248.1	1,811.7	8,118.4	150.5	7,004.4	547.2	661.7	5,885.8	4,265.6	1,320.4	350.8	29,404.5	15
—	20.2	247.8	1,673.0	8,118.4	149.5	7,142.1	547.2	661.7	5,883.8	4,265.6	1,320.4	357.9	29,276.4	23
27.0	33.0	245.6	1,865.1	8,118.4	149.5	6,950.0	547.2	661.7	5,883.8	4,265.6	1,320.4	610.8	30,204.6	31
6.0	31.6	246.3	1,910.3	8,118.4	149.5	6,904.8	547.2	661.7	5,868.7	4,250.6	1,320.4	344.9	30,158.8	Sep. 7
—	15.5	246.0	2,021.6	8,118.5	149.5	6,793.6	547.2	661.7	5,896.9	4,283.8	1,320.4	337.0	29,955.7	15
—	18.0	247.9	1,992.8	8,118.5	147.7	6,820.6	547.2	661.7	5,896.0	4,283.8	1,320.4	342.6	29,875.0	23
30.0	30.9	249.0	2,133.3	8,118.5	143.2	6,675.6	547.2	661.7	5,887.0	4,283.8	1,320.4	655.8	30,454.8	30
12.0	16.5	251.7	2,295.1	8,120.8	141.5	6,514.4	547.2	661.7	5,845.0	4,283.8	1,278.5	345.3	30,397.7	Oct. 7
7.0	9.5	259.4	2,376.5	8,120.8	141.6	6,433.1	547.2	661.7	5,868.8	4,348.8	1,236.6	330.6	30,375.9	15
—	22.9	261.9	2,357.2	8,120.8	141.6	6,452.4	547.2	661.7	5,868.2	4,348.8	1,236.6	333.9	30,269.9	23
28.0	16.2	263.5	2,098.8	8,120.8	141.2	6,710.4	547.2	661.7	5,868.4	4,348.8	1,236.6	506.2	30,109.4	31
8.0	11.8	264.1	2,158.0	8,120.8	140.2	6,650.2	547.2	661.7	5,870.4	4,348.8	1,236.6	338.1	30,070.8	Nov. 7
8.0	23.0	264.0	2,315.1	8,120.9	140.1	6,493.1	547.2	661.7	5,966.4	4,444.8	1,236.6	601.1	30,614.2	15
—	8.5	262.5	2,555.0	8,120.9	140.1	6,253.2	547.2	661.7	5,966.9	4,444.8	1,236.6	335.5	30,918.6	23
14.0	10.8	263.4	2,796.6	8,120.9	140.1	6,011.6	547.2	661.7	5,964.4	4,444.8	1,236.6	672.8	31,626.1	30
11.2	5.9	261.0	2,959.0	8,120.9	129.7	5,838.8	547.2	661.7	5,963.9	4,444.8	1,236.6	334.3	31,723.0	Dec. 7
—	40.6	258.7	3,125.0	8,120.9	129.7	5,672.8	547.2	661.7	6,112.1	4,593.6	1,236.6	335.5	31,600.1	15
—	55.5	256.5	3,458.7	8,120.9	129.7	5,339.1	547.2	661.7	6,102.9	4,593.6	1,236.6	412.3	32,125.6	23
69.1	3.8	269.7	4,381.6	8,121.7	127.2	4,414.5	547.2	661.7	6,089.4	4,590.3	1,233.7	372.0	33,454.5	31

the item contains the Bank's claims arising from consolidation loans, earmarked credit balances abroad, and foreign securities not representing money-market included as from 7 July 1958 in the item "Balances at foreign banks", while the other claims are shown in the new item "Loans to international institutions (Mandatory Conversion Law) and from conversion of pre-currency-reform accounts with credit institutions in the Soviet Sector of Berlin (Second Supplementary

Return of the Deutsche Bundesbank (cont'd)  
 in millions of DM

Date of return	Liabilities																	
	Bank notes in circulation	Deposits									Liabilities in respect of foreign business			Amounts placed to reserve for specific liabilities	Reserves	Capital	Other liabilities	Total
		Total <sup>1)</sup>	of public depositors				of other German depositors	of foreign depositors	Total <sup>2)</sup>	Deposits of foreign depositors	Other							
			Total	Federal Government and Federal Special Funds	Länder	other public depositors												
30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46		
1958																		
Jan. 7	15,208.2	12,063.3	7,016.5	4,462.2	3,946.6	492.1	23.5	342.3	242.3	1,266.9	—	—	595.5	436.0	290.0	556.4	30,416.3	
15	14,645.9	12,105.2	5,711.0	5,790.1	4,949.1	821.8	19.2	347.7	256.4	988.2	—	—	595.5	436.0	290.0	633.6	29,694.4	
23	14,044.3	12,735.1	6,349.5	5,811.3	4,984.4	807.8	19.1	350.1	224.2	1,007.6	—	—	595.5	436.0	290.0	422.7	29,531.2	
31	16,077.3	10,599.7	5,453.4	4,631.5	4,231.1	383.7	16.7	332.6	182.2	914.2	—	—	570.7	436.0	290.0	411.1	29,299.0	
Feb. 7	15,176.1	11,412.9	6,751.6	4,079.6	3,634.4	429.7	15.5	324.5	257.2	870.9	—	—	570.7	436.0	290.0	449.8	29,206.4	
15	14,655.0	11,634.9	5,745.9	5,271.2	4,462.8	778.6	29.8	325.4	292.4	868.1	—	—	570.7	436.0	290.0	519.9	28,974.6	
23	14,006.9	12,936.2	6,697.9	5,640.8	4,835.3	786.1	19.4	322.2	275.3	884.1	—	—	570.7	436.0	290.0	411.7	29,535.6	
28	16,554.0	10,109.7	5,438.4	4,126.1	3,747.5	355.4	23.2	292.8	252.4	1,010.7	—	—	570.7	436.0	290.0	414.4	29,385.5	
Mar. 7	15,723.7	11,550.5	7,136.6	3,859.4	3,399.7	441.3	18.4	249.0	305.5	976.0	—	—	570.7	436.0	290.0	413.9	29,960.8	
15	15,124.3	12,050.4	5,751.0	5,794.0	4,190.9	1,581.8	21.3	284.8	220.6	950.0	—	—	570.7	436.0	290.0	375.6	29,797.0	
23	14,367.3	12,491.2	6,177.6	5,833.8	4,283.2	1,529.2	21.4	196.5	283.3	916.2	—	—	570.7	436.0	290.0	357.0	29,428.4	
31	16,653.4	10,484.2	5,814.7	4,195.9	3,421.8	730.6	43.5	231.5	242.1	910.2	—	—	570.7	436.0	290.0	344.1	29,688.6	
Apr. 7	16,409.7	10,754.1	6,513.8	3,806.3	3,144.3	645.5	16.5	197.9	236.1	883.6	—	—	570.7	436.0	290.0	346.2	29,690.3	
15	14,961.6	11,510.8	6,467.1	4,642.6	3,605.1	1,021.7	15.8	175.8	225.3	787.0	—	—	570.7	436.0	290.0	420.7	28,976.8	
23	14,174.1	11,645.4	6,405.6	4,864.4	3,856.6	989.7	18.1	171.9	203.5	793.4	—	—	570.7	436.0	290.0	412.4	28,976.8	
30	16,765.6	9,888.1	5,921.2	3,588.7	3,098.3	466.8	23.6	164.6	213.6	799.7	—	—	570.7	436.0	290.0	347.9	29,098.0	
May 7	15,689.5	10,838.8	6,805.9	3,648.9	3,102.6	531.1	15.2	169.3	214.7	763.2	—	—	570.7	436.0	290.0	418.5	29,006.7	
15	15,439.3	11,121.3	6,268.7	4,498.4	3,542.4	935.4	20.6	157.0	197.2	740.3	—	—	675.3	491.6	290.0	131.4	28,889.2	
23	14,831.7	12,004.7	6,584.3	5,040.1	4,261.0	759.7	19.4	167.1	213.2	734.8	—	—	675.3	491.6	290.0	32.1	29,060.2	
31	16,737.7	9,852.4	5,455.3	3,959.6	3,509.9	427.5	22.2	223.9	213.6	863.8	—	—	675.3	491.6	290.0	34.0	28,944.8	
June 7	15,910.4	11,199.5	7,084.3	3,708.2	3,271.2	422.0	15.0	177.6	229.4	856.4	—	—	675.3	491.6	290.0	67.1	29,490.3	
15	15,490.6	11,627.6	5,817.4	5,359.3	3,751.6	1,589.7	18.0	179.5	271.4	748.7	—	—	675.3	491.6	290.0	197.0	29,520.8	
23	14,596.0	13,014.1	6,578.4	5,981.1	4,412.3	1,544.0	24.8	188.7	265.9	743.5	—	—	675.3	491.6	290.0	109.6	29,920.1	
30	16,973.8	11,209.5	5,989.5	4,800.9	4,023.9	743.8	33.2	214.7	204.4	757.2	—	—	655.8	491.6	290.0	45.4	30,423.3	
July 7	16,153.0	11,467.1	6,903.8	4,370.9	3,574.2	781.4	15.3	192.4	—	1,148.9	641.5	507.4	655.8	491.6	290.0	201.4	30,407.8	
15	15,586.1	11,365.4	6,102.2	5,085.9	4,032.7	1,036.5	16.7	177.3	—	1,139.4	629.6	509.8	655.8	491.6	290.0	198.5	29,726.8	
23	14,786.6	12,183.7	6,798.7	5,201.1	4,288.4	894.6	18.1	183.9	—	1,108.6	599.3	509.3	655.8	491.6	290.0	130.6	29,646.9	
31	17,110.6	10,271.9	5,785.6	4,310.8	3,928.6	366.3	15.9	175.5	—	1,057.9	547.3	510.6	655.8	491.6	290.0	42.7	29,920.5	
Aug. 7	16,150.3	10,980.1	7,137.6	3,671.4	3,201.6	454.7	15.1	171.1	—	1,159.9	648.6	511.3	655.8	491.6	290.0	82.9	29,810.6	
15	15,738.7	11,028.0	6,267.2	4,584.5	3,730.6	819.9	34.0	176.3	—	1,096.7	585.2	511.5	655.8	491.6	290.0	103.7	29,404.5	
23	14,865.5	11,778.1	6,681.4	4,890.5	4,198.0	671.4	21.1	206.2	—	1,128.6	612.9	515.7	655.8	491.6	290.0	66.8	29,276.4	
31	17,208.4	10,359.8	6,107.3	4,074.2	3,940.9	114.4	18.9	178.3	—	1,156.1	629.9	526.2	655.8	491.6	290.0	42.9	30,204.6	
Sep. 7	16,415.4	11,033.8	7,325.2	3,525.9	3,280.7	229.6	15.6	182.7	—	1,161.0	637.0	524.0	655.8	491.6	290.0	111.2	30,158.8	
15	15,797.9	11,432.6	5,995.1	5,251.3	3,682.0	1,551.0	18.3	186.2	—	1,069.2	544.0	525.2	655.8	491.6	290.0	218.6	29,955.7	
23	14,847.5	12,333.4	6,647.6	5,500.9	4,276.1	1,200.1	24.7	184.9	—	1,053.6	540.6	513.0	655.8	491.6	290.0	203.1	29,875.0	
30	17,273.3	10,619.8	5,773.6	4,648.8	4,091.3	517.4	40.1	197.4	—	1,073.4	560.5	512.9	655.8	491.6	290.0	50.9	30,454.8	
Oct. 7	16,310.3	11,434.2	7,030.1	4,221.4	3,602.5	604.7	14.2	182.7	—	1,014.3	502.1	512.2	655.8	491.6	290.0	201.5	30,397.7	
15	15,817.1	11,962.6	6,978.6	4,806.7	3,895.0	894.1	17.6	177.3	—	998.3	487.6	510.7	655.8	491.6	290.0	160.5	30,375.9	
23	15,086.5	12,616.1	7,132.6	5,302.8	4,391.3	893.5	18.0	180.7	—	1,021.3	510.9	510.4	655.8	491.6	290.0	108.6	30,269.9	
31	17,450.5	10,128.1	5,609.7	5,339.1	3,969.4	350.7	19.0	179.3	—	1,024.1	514.8	509.3	655.8	491.6	290.0	69.3	30,109.4	
Nov. 7	16,532.1	10,878.5	6,745.5	3,955.3	3,638.6	305.1	11.6	177.7	—	1,108.3	596.0	512.3	655.8	491.6	290.0	114.5	30,070.8	
15	16,018.3	11,947.0	6,849.6	4,912.7	4,139.5	741.8	31.4	184.7	—	1,125.4	618.0	507.4	655.8	491.6	290.0	86.1	30,614.2	
23	15,246.1	12,939.9	7,496.7	5,246.9	4,601.2	621.9	23.8	196.3	—	1,164.3	648.0	516.3	655.8	491.6	290.0	130.9	30,918.6	
30	17,963.3	11,087.9	6,590.2	4,303.2	4,095.1	184.9	23.2	194.5	—	1,043.7	519.5	524.2	655.8	491.6	290.0	93.8	31,626.1	
Dec. 7	17,556.2	11,297.6	7,377.8	3,736.0	3,469.2	250.4	16.4	183.8	—	1,317.5	772.6	544.9	655.8	491.6	290.0	114.3	31,723.0	
15	16,869.5	11,924.5	6,238.3	5,472.6	3,774.2	1,678.6	19.8	213.6	—	1,144.8	595.1	549.7	655.8	491.6	290.0	223.9	31,600.1	
23	16,609.4	12,848.1	6,853.9	5,804.3	4,771.2	1,001.1	32.0	189.9	—	1,127.9	551.4	576.5	655.8	491.6	290.0	102.8	32,125.6	
31	17,661.5	13,037.2	8,243.1	4,585.5	4,024.9	526.2	34.4	208.6	—	1,136.4	550.3	586.1	655.8	491.6	290.0	182.0	33,454.5	

<sup>1)</sup> As from 7 July 1958 balances of foreign depositors are no longer shown under "Deposits" but under "Liabilities in respect of foreign business"; cf. footnote 2). —  
<sup>2)</sup> As from 7 July 1958 including deposits of foreign depositors which were previously shown under the item "Deposits".

## Giro Transactions at the Deutsche Bundesbank and the Members of the former Central Banking System

## a) Yearly Turnovers

	1957						1958					
	Debits		Credits		Total		Debits		Credits		Total	
	'000	DM mn	'000	DM mn	'000	DM mn	'000	DM mn	'000	DM mn	'000	DM mn
Land Central Bank in												
Baden-Württemberg	14,487	115,250	17,104	115,442	31,591	230,692	15,449	120,841	18,217	120,977	33,666	241,818
Bavaria	15,320	112,719	15,473	112,960	30,793	225,679	15,935	118,307	16,111	118,485	32,046	236,792
Berlin	1,965	27,682	2,744	27,749	4,709	55,431	1,908	28,899	2,733	28,902	4,641	57,801
Bremen	2,848	16,994	2,803	17,033	5,651	34,027	2,959	16,673	3,328	16,694	6,287	33,367
Hamburg	5,859	97,817	7,144	98,016	13,003	195,833	6,197	101,944	7,558	101,969	13,755	203,913
Hesse	10,351	124,107	10,509	124,522	20,860	248,629	10,961	138,500	11,122	138,646	22,083	277,146
Lower Saxony	13,116	69,713	11,401	69,857	24,517	139,570	13,961	74,393	12,019	74,482	25,980	148,875
North Rhine-Westphalia	31,469	356,025	29,717	356,694	61,186	712,719	32,560	376,328	30,619	376,646	63,179	752,974
Rhineland-Palatinate	6,120	37,296	5,590	37,394	11,710	74,690	6,529	38,562	6,022	38,652	12,551	77,214
Schleswig-Holstein	4,135	20,583	3,198	20,671	7,333	41,254	4,226	21,706	3,290	21,680	7,516	43,386
Total	105,670	978,186	105,683	980,338	211,353	1,958,524	110,685	1,036,153	111,019	1,037,133	221,704	2,073,286
Bundesbank - Directorate -	680	143,777	658	146,278	1,338	290,055	728	147,660	691	145,439	1,419	293,099
Grand total	106,350	1,121,963	106,341	1,126,616	212,691	2,248,579	111,413	1,183,813	111,710	1,182,572	223,123	2,366,385

## b) Simplified Cheque Collection

	Cheques lodged				Cheques paid			
	1957		1958		1957		1958	
	'000	DM mn	'000	DM mn	'000	DM mn	'000	DM mn
Land Central Bank in								
Baden-Württemberg	12,085	13,862	12,720	15,158	10,368	13,680	11,007	14,734
Bavaria	10,926	13,020	11,331	13,965	10,465	12,682	10,808	13,688
Berlin	2,113	2,174	2,074	2,341	1,248	2,071	1,187	2,078
Bremen	1,929	2,299	2,443	2,255	1,909	2,138	1,970	2,157
Hamburg	4,221	6,430	4,399	6,799	2,349	6,464	2,478	6,679
Hesse	7,311	9,456	7,758	9,772	7,263	10,667	7,757	11,920
Lower Saxony	7,809	8,874	8,251	9,508	8,994	8,803	9,710	9,578
North Rhine-Westphalia	19,299	30,077	19,687	31,813	21,752	31,951	22,462	33,183
Rhineland-Palatinate	3,399	4,168	3,694	4,552	3,961	4,235	4,219	4,700
Schleswig-Holstein	1,837	2,037	1,909	2,356	2,502	2,137	2,599	2,253
Total	70,929	92,397	74,266	98,519	70,811	94,828	74,197	100,970
Bundesbank - Directorate -	87	2,579	101	2,636	10	52	5	67
Grand total	71,016	94,976	74,367	101,155	70,821	94,880	74,202	101,037

## c) Clearing Transactions

	1957						1958					
	Bills, cheques, etc., lodged		Local transfers lodged		Total		Bills, cheques, etc., lodged		Local transfers lodged		Total	
	'000	DM mn	'000	DM mn	'000	DM mn	'000	DM mn	'000	DM mn	'000	DM mn
Land Central Bank in												
Baden-Württemberg	14,853	25,110	2,209	3,434	17,062	28,544	15,253	26,549	2,337	3,779	17,590	30,328
Bavaria	16,418	24,909	3,694	3,422	20,112	28,331	16,942	26,438	4,365	4,178	21,307	30,616
Berlin	5,485	8,962	2,031	7,301	7,516	16,263	5,456	8,996	2,318	8,567	7,774	17,563
Bremen	3,466	4,992	2,520	5,714	5,986	10,706	3,468	5,065	2,669	5,458	6,137	10,523
Hamburg <sup>1)</sup>	4,699	11,814	13,863 <sup>2)</sup>	53,680 <sup>2)</sup>	18,562	65,494	4,711	11,970	14,685 <sup>2)</sup>	57,773 <sup>2)</sup>	19,396	69,743
Hesse	11,018	72,152	2,070	71,068	13,088	143,220	11,342	76,461	2,297	78,503	13,639	154,964
Lower Saxony	9,979	13,315	2,890	3,897	12,869	17,212	10,160	13,817	3,113	4,616	13,273	18,433
North Rhine-Westphalia	34,245	55,239	5,047	16,875	39,292	72,114	34,079	55,788	5,399	18,325	39,478	74,113
Rhineland-Palatinate	5,035	6,824	1,049	1,352	6,084	8,176	5,158	7,266	1,160	1,440	6,318	8,706
Schleswig-Holstein	3,427	3,955	2,854	1,877	6,281	5,832	3,405	4,040	3,128	2,220	6,533	6,260
Total	108,625	227,272	38,227	168,620	146,852	395,892	109,974	236,390	41,471	184,859	151,445	421,249

<sup>1)</sup> Including Hamburg clearing transactions, which are subject to special arrangements. — <sup>2)</sup> Contrary to the figures previously here published, not including transfers to and from other places (1957, 840,000 amounting to DM 2,180 million; 1958, 895,000 amounting to DM 2,184 million).

**d) Telegraphic Giro Transactions**

telegraphic giro transfers despatched

	1957		1958	
	'000	DM mn	'000	DM mn
Land Central Bank in				
Baden-Württemberg	30	17,880	29	18,942
Bavaria	27	19,792	26	21,142
Berlin	8	5,771	8	6,081
Bremen	3	2,151	3	1,753
Hamburg	13	14,530	13	14,677
Hesse	24	18,651	24	20,152
Lower Saxony	18	10,589	18	11,535
North Rhine-Westphalia	53	56,024	54	61,530
Rhineland-Palatinate	10	4,947	10	5,138
Schleswig-Holstein	4	2,616	5	2,951
Total	190	152,951	190	163,901
Bundesbank—Directorate—	9	7,262	9	7,076
Grand total	199	160,213	199	170,977

**e) Certified Cheques**

cheques bearing note of certification

	1957		1958	
	number	DM mn	number	DM mn
Land Central Bank in				
Baden-Württemberg	1,740	1,095	2,002	1,209
Bavaria	1,336	968	1,221	667
Berlin	301	5	222	5
Bremen	365	128	350	95
Hamburg	609	86	470	69
Hesse	2,251	1,331	2,152	1,158
Lower Saxony	441	283	508	358
North Rhine-Westphalia	12,522	14,885	11,759	13,484
Rhineland-Palatinate	1,027	499	932	433
Schleswig-Holstein	841	68	827	54
Total	21,433	19,348	20,443	17,532

**Bank Note Circulation of the Deutsche Bundesbank**

Denominations	1955		1956		1957		1958	
	DM million	per cent	DM million	per cent	DM million	per cent	DM million	per cent
100 II	3,276.60	24.02	3,724.26	25.73	4,699.79	29.13	5,640.83	31.94
50 I	3,597.32	26.37	3,445.17	23.80	3,153.59	19.55	2,552.23	14.45
50 III	3,106.60	22.77	3,608.43	24.93	4,506.21	27.92	5,631.81	31.89
20 I/III	2,512.49	18.42	2,528.65	17.47	2,575.89	15.97	2,612.62	14.79
10 I/II	950.27	6.97	1,003.37	6.93	1,041.91	6.46	1,091.89	6.18
5 II	111.55	0.82	125.45	0.87	128.78	0.80	126.97	0.72
Other bank notes and small money tokens	86.17	0.63	38.14	0.27	26.75	0.17	5.12	0.03
Total	13,641.—	100.00	14,473.47	100.00	16,132.92	100.00	17,661.47	100.00

**Coin in Circulation**

Coins at DM	1955		1956		1957		1958	
	DM million	per cent	DM million	per cent	DM million	per cent	DM million	per cent
5.—	384.78	38.42	396.98	36.82	409.33	35.89	417.21	34.86
2.—	141.15	14.10	141.15	13.09	137.84	12.09	151.82	12.69
1.—	256.89	25.65	296.31	27.49	323.25	28.35	337.79	28.22
— .50	90.25	9.01	102.12	9.47	113.33	9.94	121.88	10.18
— .10	84.38	8.43	93.23	8.65	102.71	9.01	109.93	9.19
— .05	27.23	2.72	29.64	2.75	32.92	2.89	34.37	2.87
— .02	2.01	0.20	2.02	0.19	2.02	0.18	2.81	0.23
— .01	14.70	1.47	16.58	1.54	18.90	1.65	21.05	1.76
Total	1,001.39	100.00	1,078.03	100.00	1,140.30	100.00	1,196.86	100.00



## Branch Establishments of the Deutsche Bundesbank

German Abbreviations: BW = Baden-Württemberg HB = Bremen H = Hesse NW = North Rhine-Westphalia  
 BY = Bavaria HH = Hamburg N = Lower Saxony R = Rhineland-Palatinate  
 B = Berlin S = Schleswig-Holstein

Serial number	Bank place	Appropriate Main Branch	Land Central Bank	Serial number	Bank place	Appropriate Main Branch	Land Central Bank
39	Aachen	Aachen	NW	336	Essen-Werden	Essen	NW
563	Aalen (Württ)	Ulm	BW	554	Eßlingen (Neckar)	Stuttgart	BW
319	Ahlen (Westf)	Hamm	NW	397	Euskirchen	Bonn	NW
282	Alfeld (Leine)	Hildesheim	N				
431	Alsfeld (Oberhess)	Fulda	H	232	Flensburg	Flensburg	S
415	Altena (Westf)	Hagen	NW	512	Frankenthal (Pfalz)	Ludwigshafen	R
655	Amberg (Oberpf)	Regensburg	BY	4	Frankfurt (Main)	Frankfurt	H
447	Andernach	Koblenz	R	57	Freiburg (Breisgau)	Freiburg	BW
646	Ansbach (Mittelfr)	Nürnberg	BY	435	Friedberg (Hess)	Gießen	H
416	Arnsberg (Westf)	Lippstadt	NW	599	Friedrichshafen	Konstanz	BW
614	Aßchaffenburg	Würzburg	BY	644	Fürth (Bay)	Nürnberg	BY
68	Augsburg	Augsburg	BY	433	Fulda	Fulda	H
536	Baden-Baden	Karlsruhe	BW	689	Garm.-Partenkirchen	München	BY
429	Bad Hersfeld	Fulda	H	438	Gelnhausen	Fulda	H
469	Bad Kreuznach	Bad Kreuznach	R	341	Gelsenkirchen	Gelsenkirchen	NW
699	Bad Reichenhall	München	BY	317	Gelsenkirchen-Buer	Gelsenkirchen	NW
62	Bamberg	Nürnberg	BY	385	Gevelsberg	Hagen	NW
63	Bayreuth	Hof	BY	43	Gießen	Gießen	H
352	Beckum (Bz Münster, Westf)	Hamm	NW	316	Gladbeck (Westf)	Gelsenkirchen	NW
496	Bensheim	Darmstadt	H	323	Goch	Krefeld	NW
1	Berlin (West)	Berlin	B	565	Göppingen	Stuttgart	BW
444	Betzdorf (Sieg)	Koblenz	R	288	Göttingen	Göttingen	N
597	Biberach (Riß)	Ulm	BW	296	Goslar	Braunschweig	N
424	Biedenkopf	Gießen	H	353	Gütersloh	Bielefeld	NW
26	Bielefeld	Bielefeld	NW	441	Gummersbach	Bonn	NW
481	Bingen (Rhein)	Mainz	R	41	Hagen	Hagen	NW
462	Bitburg (Eifel)	Trier	R	2	Hamburg	Hamburg	HH
313	Bocholt	Münster	NW	22	Hamburg-Altona	Hamburg	HH
346	Bochum	Bochum	NW	226	Hamburg-Harburg	Hamburg	HH
442	Bonn	Bonn	NW	279	Hameln	Hannover	N
29	Braunschweig	Braunschweig	N	35	Hamm (Westf)	Hamm	NW
21	Bremen	Bremen	HB	439	Hanau	Frankfurt	H
215	Bremerhaven	Bremen	HB	27	Hannover	Hannover	N
531	Bruchsal	Karlsruhe	BW	381	Hattingen (Ruhr)	Bochum	NW
537	Bühl (Baden)	Karlsruhe	BW	236	Heide (Holst)	Husum	S
267	Bünde (Westf)	Minden	NW	523	Heidelberg	Mannheim	BW
				567	Heidenheim (Brenz)	Ulm	BW
272	Celle	Hannover	N	54	Heilbronn (Neckar)	Heilbronn	BW
622	Coburg	Hof	BY	293	Helmstedt	Braunschweig	N
221	Cuxhaven	Lüneburg	N	269	Herford	Bielefeld	NW
				343	Herne	Bochum	NW
49	Darmstadt	Darmstadt	H	367	Hilden	Düsseldorf	NW
673	Deggendorf	Regensburg	BY	28	Hildesheim	Hildesheim	N
278	Detmold	Bielefeld	NW	452	Höhr-Grenzhausen	Koblenz	R
451	Dillenburg	Gießen	H	633	Hof (Saale)	Hof	BY
34	Dortmund	Dortmund	NW	414	Hohenlimburg	Hagen	NW
348	Dortmund-Hörde	Dortmund	NW	284	Holzminden	Göttingen	N
395	Düren	Aachen	NW	231	Husum	Husum	S
36	Düsseldorf	Düsseldorf	NW				
32	Duisburg	Duisburg	NW	474	Idar-Oberstein	Bad Kreuznach	R
331	Duisburg-Hamborn	Duisburg	NW	66	Ingolstadt (Donau)	München	BY
329	Duisburg-Ruhrort	Duisburg	NW	411	Iserlohn	Dortmund	NW
				222	Itzehoe	Husum	S
592	Ebingen (Württ)	Reutlingen	BW	393	Jülich	Aachen	NW
235	Eckernförde	Kiel	S				
224	Elmshorn	Kiel	S	513	Kaiserslautern	Kaiserslautern	R
212	Emden	Emden	N	233	Kappeln (Schlei)	Flensburg	S
573	Emmendingen	Freiburg	BW	53	Karlsruhe	Karlsruhe	BW
322	Emmerich	Duisburg	NW	42	Kassel	Kassel	H
643	Erlangen	Nürnberg	BY	686	Kaufbeuren	Augsburg	BY
428	Eschwege	Kassel	H	685	Kempten (Allgäu)	Augsburg	BY
394	Eschweiler	Aachen	NW	23	Kiel	Kiel	S
33	Essen	Essen	NW	619	Kitzingen	Würzburg	BY

## Appendix 5 (cont'd) to the Report of the Deutsche Bundesbank for the Year 1958

Serial number	Bank place	Appropriate Main Branch	Land Central Bank	Serial number	Bank place	Appropriate Main Branch	Land Central Bank
321	Kleve	Krefeld	NW	534	Pforzheim	Pforzheim	BW
44	Koblenz	Koblenz	R	518	Pirmasens	Kaiserslautern	R
3	Köln	Köln	NW	418	Plettenberg	Hagen	NW
378	Köln-Mülheim	Köln	NW	535	Rastatt	Karlsruhe	BW
58	Konstanz	Konstanz	BW	59	Ravensburg	Ulm	BW
421	Korbach	Kassel	H	318	Recklinghausen	Gelsenkirchen	NW
363	Krefeld	Krefeld	NW	65	Regensburg	Regensburg	BY
364	Krefeld-Uerdingen	Krefeld	NW	446	Remagen	Koblenz	R
634	Kulmbach	Hof	BY	374	Remscheid	Remscheid	NW
				389	Remscheid-Lennep	Remscheid	NW
571	Lahr (Schwarzwald)	Freiburg	BW	237	Rendsburg	Kiel	S
519	Landau (Pfalz)	Ludwigshafen	R	55	Reutlingen	Reutlingen	BW
67	Landshut (Bay)	Regensburg	BY	312	Rheine (Westf)	Münster	NW
432	Lauterbach (Hessen)	Fulda	H	328	Rheinhausen	Duisburg	NW
216	Leer (Ostfriesl)	Emden	N	368	Rheydt	M. Gladbach	NW
277	Lemgo	Bielefeld	NW	697	Rosenheim	München	BY
453	Limburg (Lahn)	Wiesbaden	H	591	Rottweil	Reutlingen	BW
688	Lindau (Bodensee)	Augsburg	BY	457	Rüdesheim (Rhein)	Wiesbaden	H
262	Lingen (Ems)	Osnabrück	N				
356	Lippstadt	Lippstadt	NW	578	Säckingen	Freiburg	BW
577	Lörrach	Freiburg	BW	234	Schleswig	Flensburg	S
548	Ludwigsburg	Stuttgart	BW	647	Schwabach	Nürnberg	BY
51	Ludwigshafen (Rhein)	Ludwigshafen	R	562	Schwäbisch Gmünd	Stuttgart	BW
24	Lübeck	Lübeck	S	545	Schwäbisch Hall	Heilbronn	BW
417	Lüdenscheid	Hagen	NW	616	Schweinfurt	Würzburg	BY
227	Lüneburg	Lüneburg	N	384	Schwelm	Wuppertal-Elberfeld	NW
				593	Schwenningen(Neckar)	Freiburg	BW
48	Mainz	Mainz	R	295	Seesen	Braunschweig	N
52	Mannheim	Mannheim	BW	443	Siegburg	Bonn	NW
425	Marburg (Lahn)	Gießen	H	445	Siegen	Siegen	NW
638	Marktredwitz	Hof	BY	584	Singen (Hohentwiel)	Konstanz	BW
449	Mayen	Koblenz	R	355	Soest	Hamm	NW
683	Memmingen	Augsburg	BY	373	Solingen	Remscheid	NW
412	Menden (Sauerland)	Dortmund	NW	372	Solingen-Ohligs	Remscheid	NW
371	Mettmann	Wuppertal-Elberfeld	NW	515	Speyer	Ludwigshafen	R
365	M. Gladbach	M. Gladbach	NW	273	Stadthagen	Hannover	N
617	Miltenberg	Würzburg	BY	396	Stolberg (Rheinl)	Aachen	NW
268	Minden (Westf)	Minden	NW	672	Straubing	Regensburg	BY
325	Moers	Duisburg	NW	5	Stuttgart	Stuttgart	BW
526	Mosbach (Baden)	Heilbronn	BW				
335	Mülheim (Ruhr)	Mülheim (Ruhr)	NW	465	Traben-Trarbach	Trier	R
6	München	München	BY	46	Trier	Trier	R
31	Münster (Westf)	Münster	NW	557	Tübingen	Reutlingen	BW
				594	Tuttlingen	Konstanz	BW
413	Neheim-Hüsten	Lippstadt	NW				
238	Neumünster	Kiel	S	229	Uelzen	Lüneburg	N
366	Neuß	Köln	NW	56	Ulm (Donau)	Ulm	BW
239	Neustadt (Holst)	Lübeck	S	354	Unna	Hamm	NW
514	Neustadt (Weinstraße)	Ludwigshafen	R				
448	Neuwied	Koblenz	R	338	Velbert (Rheinl)	Wuppertal-Elberfeld	NW
271	Nienburg (Weser)	Hannover	N	362	Viersen	M. Gladbach	NW
661	Nördlingen	Augsburg	BY	582	Villingen (Schwarzw)	Freiburg	BW
211	Norden	Emden	N				
263	Nordhorn	Osnabrück	N	342	Wanne-Eickel	Bochum	NW
286	Northeim (Han)	Göttingen	N	359	Warburg (Westf)	Lippstadt	NW
64	Nürnberg	Nürnberg	BY	653	Weiden (Oberpf)	Regensburg	BY
				521	Weinheim (Bergstr)	Mannheim	BW
333	Oberhausen (Rheinl)	Oberhausen	NW	528	Wertheim	Heilbronn	BW
332	Oberhausen (Rheinl)-Sterkrade	Oberhausen	NW	324	Wesel	Duisburg	NW
455	Oberlahnstein	Koblenz	R	383	Wetter (Ruhr)	Hagen	NW
491	Offenbach (Main)	Frankfurt	H	454	Wetzlar	Gießen	H
539	Offenburg (Baden)	Karlsruhe	BW	45	Wiesbaden	Wiesbaden	H
217	Oldenburg (Oldb)	Oldenburg	N	458	Wiesbaden-Biebrich	Wiesbaden	H
419	Olpe	Siegen	NW	213	Wilhelmshaven	Oldenburg	N
376	Opladen	Remscheid	NW	382	Witten	Dortmund	NW
265	Osnabrück	Osnabrück	N	489	Worms	Mainz	R
298	Osterode (Harz)	Göttingen	N	61	Würzburg	Würzburg	BY
				38	Wuppertal-Barmen	Wuppertal-Elberfeld	NW
357	Paderborn	Lippstadt	NW	37	Wuppertal-Elberfeld	Wuppertal-Elberfeld	NW
677	Passau	Regensburg	BY				
275	Peine	Hildesheim	N	517	Zweibrücken	Kaiserslautern	R

# Annex

## Statistics on Money and Credit and the Balance of Payments

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*The figures given in the following tables relate to the area of the Federal Republic not including the Saar, but including Berlin (West).*

**I. Extracts from the Consolidated Condition Statement for the Credit Institutions  
including the Deutsche Bundesbank**

*1) Bank Lendings to German Non-Banks, Net Foreign Exchange Surpluses,  
and Principal Bank Liabilities towards German Non-Banks\*) (in millions of DM)*

Items	Position at end of year						Increase (+) or decrease (—) in the year <sup>1)</sup>				
	1953	1954	1955	1956	1957	1958	1954	1955	1956	1957	1958
<b>I. Bank Lendings to German Non-Banks, total</b>	49,632	62,385	76,232	85,908	95,509	107,985	+12,555	+13,547	+10,061	+ 9,987	+12,542
1) Credit institutions, except Deutsche Bundesbank, total	49,009	61,651	75,221	85,133	94,870	107,136	+12,444	+13,270	+10,297	+10,123	+12,332
Short-term lendings, total	23,647	27,137	29,463	31,224	33,952	34,152	+ 3,490	+ 2,316	+ 1,761	+ 2,728	+ 91
to business and private customers	22,165	25,716	28,654	30,132	31,644	31,755	+ 3,551	+ 2,928	+ 1,478	+ 1,512	+ 111
to public authorities	312	317	326	433	625	530	+ 5	+ 9	+ 107	+ 192	— 95
Banks' holdings of German Treasury bills and non-interest-bearing Treasury bonds (excluding "mobilisation paper" <sup>2)</sup> )	1,170	1,104	483	659	1,683	1,867	— 66	— 621	+ 176	+ 1,024	+ 75
note: banks' holdings of "mobilisation paper" <sup>2)</sup>	( — )	( — )	( 714 )	( 1,126 )	( 4,027 )	( 4,300 )	( — )	(+ 714)	(+ 412)	(+ 2,901)	(+ 273)
Medium and long-term lendings, total	23,650	31,919	42,357	50,546	57,481	67,850	+ 8,071	+10,148	+ 8,574	+ 7,234	+10,544
to business and private customers	19,792	26,382	34,614	41,100	46,666	54,165	+ 6,592	+ 8,192	+ 6,944	+ 5,611	+ 7,499
to public authorities	3,858	5,537	7,743	9,446	10,815	13,685	+ 1,479	+ 1,956	+ 1,630	+ 1,623	+ 3,045
Banks' holdings of German securities and syndicate participations (excluding holdings of bank bonds <sup>3)</sup> )	1,712	2,595	3,401	3,363	3,437	5,134	+ 883	+ 806	— 38	+ 161	+ 1,697
note: banks' holdings of bank bonds <sup>3)</sup>	( 918 )	( 2,170 )	( 3,154 )	( 3,464 )	( 4,785 )	( 7,883 )	(+ 1,252)	(+ 984)	(+ 310)	(+ 1,286)	(+ 3,098)
2) Deutsche Bundesbank, total	623	734	1,011	775	639	849	+ 111	+ 277	— 236	— 136	+ 210
Lendings to public authorities	225	473	650	541	475	748	+ 248	+ 157	— 89	— 66	+ 273
Holdings of Treasury bills and non-interest-bearing Treasury bonds <sup>4)</sup>	254	132	261	136	158	100	— 122	+ 129	— 125	+ 22	— 58
Lendings to business and private customers	144	129	120	98	6	1	— 15	— 9	— 22	— 92	— 5
<b>II. Net Claims of Banks on Foreign Countries<sup>5)</sup></b>	7,255	9,744	11,411	15,652	20,718	24,936	+ 2,489	+ 1,667	+ 4,295	+ 5,066	+ 4,218
<b>III. Note and Coin Circulation, total</b>	12,435	13,296	14,642	15,590	17,273	18,858	+ 861	+ 1,346	+ 948	+ 1,683	+ 1,585
including:											
Banks' cash holdings	80	545	601	715	812	918	+ 65	+ 56	+ 114	— 97	+ 106
<b>IV. Deposits of German Non-Banks and other Bank Liabilities towards German Non-Banks</b>											
1) Credit institutions, except Deutsche Bundesbank											
Sight deposits of business and private customers	11,198	13,414	14,867	16,110	18,316	21,402	+ 2,216	+ 1,453	+ 1,243	+ 2,206	+ 3,086
public authorities	1,849	2,077	2,330	2,608	2,690	2,900	+ 228	+ 193	+ 278	+ 82	+ 210
Time deposits <sup>6)</sup> of business and private customers	5,702	5,126	5,612	7,147	9,348	9,791	— 576	+ 486	+ 1,535	+ 2,201	+ 443
public authorities	4,481	4,946	4,513	4,828	6,150	6,720	+ 465	— 446	+ 315	+ 1,364	+ 570
Savings deposits	11,522	17,205	21,354	24,252	29,349	36,065	+ 5,683	+ 4,149	+ 2,898	— 5,097	+ 6,716
note:											
Accrual of funds in savings business <sup>6)</sup>	.	.	.	.	.	.	+ 4,924	+ 4,116	+ 2,909	+ 5,085	+ 6,737
Bank bonds in circulation	4,932	8,573	11,575	13,218	15,414	19,804	+ 3,441	+ 2,752	+ 1,606	+ 2,264	+ 4,390
note:											
Accrual of funds from sale of bank bonds to non-banks <sup>7)</sup>	( . )	( . )	( . )	( . )	( . )	( . )	(+ 2,063)	(+ 1,551)	(+ 1,206)	(+ 969)	(+ 1,057)
Monies and loans taken from non-banks including: at notice of, or fixed for, six months and over	12,158	15,966	20,219	24,424	26,645	27,654	+ 3,810	+ 4,233	+ 4,446	+ 2,979	+ 1,784
Capital and reserves under Art. 11, German Banking Law	(11,853)	(15,825)	(19,948)	(24,052)	(26,367)	(27,259)	(+ 3,974)	(+ 4,103)	(+ 4,345)	(+ 3,093)	(+ 1,667)
2) Deutsche Bundesbank	3,068	3,555	4,367	5,181	6,422	7,546	+ 487	+ 812	+ 814	+ 845	+ 1,124
Sight deposits of business and private customers	245	305	242	294	340	336	+ 60	— 63	+ 52	+ 46	— 4
public authorities <sup>8)</sup>	4,194	5,608	6,489	7,196	4,590	4,271	+ 1,307	+ 881	+ 1,055	— 2,606	— 616

<sup>1)</sup> This survey differs from similar previous publications in that a new delimitation of the "net external balance" (item II) has been introduced: Whereas so far the "net external balance" in the main comprised only claims and liabilities of the German banking system (including Deutsche Bundesbank) in respect of foreign banks, it now includes, as far as possible, also claims and liabilities of the German banking system in respect of foreign non-banks. According to the revised delimitation of the "net external balance" the claims on and liabilities towards foreign non-banks have been eliminated from the other items of the table; only DM notes and coin held by foreigners continue to be counted as part of the domestic volume of money since their amount cannot be established. — The figures of the above table are based on the "Consolidated Condition Statement for the Credit Institutions including the Deutsche Bundesbank"; owing to the above-mentioned new delimitation of the "foreign sector" they are not immediately comparable with the other statistical data presented in this Annex under II to IV. — <sup>2)</sup> The changes in the items recorded in the text column are here taken into account only in so far as they are relevant to the money supply. They can therefore not immediately be computed from the end-of-year figures. — <sup>3)</sup> I. e., Federal Treasury bills and non-interest-bearing Treasury bonds deriving from exchange for a corresponding partial amount of the Bundesbank's equalisation claim, the taking of which paper by the banks does not represent any additional granting of credit to non-banks. Elimination from bank holdings partly estimated. — <sup>4)</sup> Banks' holdings of other banks' bonds do not represent any immediate granting of credit to non-banks. — <sup>5)</sup> Except "mobilisation paper" which is not held by the Bundesbank. — <sup>6)</sup> Deposits at notice or fixed period of at least one month. — <sup>7)</sup> Amounts credited as currency conversion compensation for expelled persons or as compensation for holders of old savings are taken into account only in so far as covering claims on the Equalisation of Burdens Fund (Art. 5, Equalisation of Burdens Law) were redeemed. — <sup>8)</sup> Set off against the credit institutions' holdings of their own and other banks' bonds; moreover, bonds issued under the compensation scheme for holders of old savings are taken into account only in so far as covering claims on the Equalisation of Burdens Fund were redeemed. — <sup>9)</sup> Including balances of German public authorities temporarily employed in equalisation claims and, until end-1958, deposits of agencies of the former occupying powers.

2) Note and Coin Circulation and Residents' Sight Deposits\*)

in millions of DM

End of month	Note and coin circulation, and residents' sight deposits <sup>1)</sup> , total including / excluding amounts temporarily employed in equalisation claims <sup>2)</sup>		Note and coin circulation excluding credit institutions' cash holdings <sup>2)</sup>	Sight deposits of German business and private customers			Sight deposits of German public authorities					Deposits of agencies of former occupying powers with Deutsche Bundesbank
				Total	with credit institutions (except Deutsche Bundesbank)	with Deutsche Bundesbank <sup>3)</sup>	Total including / excluding amounts temporarily employed in equalisation claims <sup>4)</sup>		with credit institutions (except Deutsche Bundesbank)	with Deutsche Bundesbank		
							on giro account	temporarily employed in equalisation claims <sup>4)</sup>				
1953 December	29,441	26,311	11,955	11,443	11,198	245	5,404	2,274	1,849	425	3,130	639
1954 "	34,155	29,419	12,751	13,719	13,414	305	7,162	2,426	2,077	349	4,736	523
1955 "	37,969	34,388	14,041	15,109	14,867	242	8,554	4,973	2,330	2,643	3,581	265
1956 "	41,083	37,862	14,875	16,404	16,110	294	9,660	6,439	2,608	3,831	3,221	144
1957 "	42,397 <sup>1)</sup>	37,862	16,461	18,656	18,316	340	7,139 <sup>1)</sup>		2,690	4,449 <sup>1)</sup>		141
1958 "	46,849	37,862	17,940	21,738	21,402	336	7,124		2,900	4,224		47
1957 March	39,380	37,225	15,067	14,836	14,608	228	9,260	7,105	2,348	4,757	2,155	217
June	40,556	39,108	15,825	15,688	15,476	212	8,684	7,236	2,328	4,908	1,448	359
September	41,369 <sup>1)</sup>		16,300	17,062	16,752	310	7,506 <sup>1)</sup>		2,279	5,227 <sup>1)</sup>		501
December	42,397		16,461	18,656	18,316	340	7,139		2,690	4,449		141
1958 March	41,140		16,950	17,561	17,202	359	6,515		2,618	3,897		114
June	42,933		17,239	18,704	18,355	349	6,919		2,445	4,474		71
September	43,853		17,584	19,518	19,209	309	6,708		2,510	4,198		43
December	46,849		17,940	21,738	21,402	336	7,124		2,900	4,224		47
1959 March p)	44,287		18,027	21,110	20,893	217	5,150		2,863	2,287		—

\*) Deposits of German non-banks only and, until end-1958, deposits of former occupying powers and other foreign depositors at Deutsche Bundesbank; cf. footnote \*) to the preceding table. — 1) Since the entry into force, on 1 August 1957, of the Law concerning the Deutsche Bundesbank it has no longer been possible for public monies to be employed in equalisation claims. — 2) Including DM notes and coin held abroad. — p) Provisional.

3) Savings Deposits

in millions of DM

Period	Savings deposits total	including: Savings deposits carrying tax privileges	Total savings deposits comprise those at:				
			Savings banks	Credit co-operatives	Commercial banks	Postal Savings Bank	Other credit institutions
End-of-month figures							
1957 June	26,570	3,535	16,835	3,716	4,234	1,650	135
September	27,404	3,189	17,454	3,865	4,226	1,722	137
December	29,388	3,785	18,665	4,140	4,615	1,822	146
1958 March	31,309	3,927	19,836	4,405	4,920	1,993	155
June	32,610	4,112	20,633	4,578	5,160	2,079	160
September	34,043	4,209	21,540	4,789	5,393	2,169	152
December	36,102	4,157	22,882	5,081	5,698	2,286	155
Change during quarter							
1957 3rd Qtr	+ 834	- 346	+ 619	+ 149	- 8	+ 72	+ 2
4th Qtr	+ 1,984	+ 596	+ 1,211	+ 275	+ 389	+ 100	+ 9
1958 1st Qtr	+ 1,921	+ 142	+ 1,171	+ 265	+ 305	+ 171	+ 9
2nd Qtr	+ 1,301	+ 185	+ 797	+ 173	+ 240	+ 86	+ 5
3rd Qtr	+ 1,433	+ 97	+ 907	+ 211	+ 233	+ 90	- 8
4th Qtr	+ 2,059	- 52	+ 1,342	+ 292	+ 305	+ 117	+ 3

## II. Interim Statements of the Credit Institutions<sup>1)</sup>

in millions of DM

### Assets

End of year or month	Total of balance sheet	Cash reserve <sup>2)</sup>		Balances with credit institutions <sup>3)</sup> and on Postal Cheque account	Bills of exchange	Treasury bills and non-interest-bearing Treasury bonds <sup>4)</sup>	Securities and syndicate participations	Bonds of own issues	Equalisation claims <sup>5)</sup> and covering claims according to Currency Conversion Compensation and "Old Savings" Laws <sup>6)</sup>	Debtors		Long-term lendings		Transitory credits		Other assets <sup>7)</sup>
		Total	including: balances with Deutsche Bundesbank							Non-banks	Banks	Non-banks	Banks	Non-banks	Banks	
1949		1,645.9	1,371.1	2,089.9	1,695.3	275.9			5,531.1	7,357.8	744.9	1,776.7			360.7	
1950	35,515.4	2,171.6	1,862.5	2,410.1	2,676.3	528.7		52.7	5,991.6	9,722.1	871.6	5,886.2	2,146.2	595.2	133.5	1,803.0
1951	45,377.2	3,210.3	2,806.5	3,537.8	3,777.0	945.1		714.3	6,074.0	10,565.5	965.1	9,048.2	2,909.0	1,132.7	158.9	2,285.4
1952	59,010.7	3,581.0	3,114.9	4,877.4	6,231.0	1,039.4		1,332.0	6,299.4	12,876.0	1,186.6	12,744.3	3,601.6	1,681.4	646.5	2,869.8
1953	74,701.0	3,916.4	3,436.6	6,197.8	7,485.6	1,169.8		2,629.7	6,807.3	15,928.4	1,584.8	17,826.5	4,439.8	2,328.8	1,001.0	3,315.4
1954	95,760.3	4,682.1	4,137.2	8,599.9	8,948.4	1,103.7		4,769.3	8,070.3	18,547.1	1,786.1	23,370.6	5,133.4	4,391.4	2,265.5	3,929.8
1955	113,791.0	5,191.6	4,590.1	8,886.0	9,793.6	1,197.9		6,559.2	8,150.3	20,495.6	2,010.6	30,909.7	6,103.2	6,392.6	3,357.2	4,568.8
1956	130,289.7 <sup>9)</sup>	6,404.9	5,689.9	9,932.6	11,535.3	1,789.0		8,836.8	8,314.7	22,505.0	2,020.2	36,668.4	6,614.5	7,854.3 <sup>9)</sup>	4,440.4 <sup>9)</sup>	5,106.1
1957	154,714.8	8,551.1	7,739.3	14,592.4	12,985.0	6,156.4		8,227.5	8,266.9	24,240.4	2,085.7	42,207.6	7,643.5	8,691.3	5,073.6	5,779.1
1958	177,289.1 <sup>10)</sup>	9,806.0	8,888.1	17,462.3	13,327.4	6,767.0		13,146.2	8,163.0	25,912.1	2,286.2	50,739.1	8,507.4	9,629.0	5,105.1 <sup>10)</sup>	6,258.3
1958 Jan.	155,265.4	6,289.2	5,559.6	15,450.1	12,670.8	7,529.4		8,622.9	8,269.6	24,599.3	2,045.2	42,715.7	7,619.0	8,777.1	5,155.0	5,256.6
Feb.	158,344.3	6,169.6	5,455.6	16,596.9	12,642.4	7,622.1		9,043.6	8,269.4	24,936.9	2,078.8	43,384.0	7,730.5	8,899.6	5,188.9	5,515.6
March	159,592.9	6,648.3	5,815.3	16,506.3	12,293.4	7,831.6		9,334.9	8,260.6	25,003.1	2,107.5	43,836.4 <sup>11)</sup>	7,914.7	8,932.4 <sup>12)</sup>	5,255.2	5,453.3
April	161,902.2	6,834.3	6,002.8	17,068.3	12,176.5	8,409.6		9,979.1	8,257.0	24,734.0	2,078.9	44,471.0	8,004.1	8,976.1	5,211.1	5,488.2
May	164,241.9	6,616.9	5,836.3	17,516.6	12,454.8	8,785.4		10,327.4	8,253.9	24,878.6	2,153.2	45,076.1	8,033.4	9,095.7	5,262.1	5,561.8
June	165,584.7	7,071.5	6,201.3	17,340.7	11,912.6	8,270.5		10,569.9	8,225.1	25,724.5	2,344.8	45,625.8	8,034.6	9,160.6	5,372.4	5,658.7
July	167,592.2	7,061.6	6,112.3	17,741.5	12,413.0	8,612.0		11,128.4	8,202.0	25,218.3	2,131.6	46,502.8	8,192.0	9,261.1	5,453.6	5,434.1
Aug.	170,210.5 <sup>13)</sup>	7,383.5	6,588.4	18,435.8	12,264.3	8,901.3		11,545.0	8,201.0	25,280.4	2,231.5	47,354.5	8,325.6	9,373.1	5,162.3 <sup>13)</sup>	5,538.9
Sep.	171,945.6 <sup>14)</sup>	6,918.8	6,071.4	18,749.1	12,354.9	8,846.0		12,019.5	8,207.8	25,661.0	2,235.3	48,070.2	8,457.8	9,446.4	4,934.7 <sup>15)</sup>	5,814.3
Oct.	173,224.3	6,755.1	5,967.8	18,222.1	12,398.2	8,804.8		12,689.8	8,218.4	25,478.3	2,232.1	49,239.8	8,519.8	9,550.5	4,996.3	5,854.7
Nov.	174,734.9	7,719.7	6,886.4	17,705.7	12,063.7	8,272.7		13,135.6	8,224.7	26,098.4	2,196.5	49,937.1	8,532.5	9,641.4	5,028.5	5,967.4
Dec.	177,289.1	9,806.0	8,888.1	17,462.3	13,327.4	6,767.0		13,146.2	8,163.0	25,912.1	2,286.2	50,739.1	8,507.4	9,629.0	5,105.1	6,258.3
1959 Jan.	177,935.7	7,191.8	6,383.4	18,560.8	12,698.5	7,687.9		14,023.2	8,183.3	26,278.4	2,419.5	51,762.9	8,450.7	9,701.1	5,113.6	5,629.1
Feb.	180,426.5	7,350.5	6,547.8	19,395.9	12,926.3	7,058.3		14,580.4	8,184.0	26,707.2	2,331.3	52,326.2	8,593.2	9,714.8	5,110.0	5,919.7

### Liabilities

End of year or month	Deposits				Borrowed funds			Long-term borrowings (4 years and over)		Transitory credits		Capital funds including reserves (Art. 11 German Banking Law)	Other liabilities <sup>7)</sup>	Endorsement liabilities on rediscounted bills <sup>8)</sup>		
	Deposits by non-banks				Deposits of credit institutions	Non-banks	Banks	Own acceptances in circulation	Bonds in circulation	Non-banks	Banks				Non-banks	Banks
	Total	Sight deposits	Time deposits	Savings deposits												
1949	13,759.1 <sup>14)</sup>	8,573.9	2,108.8	3,076.4	1,493.1	1,492.3	1,864.6	1,230.1	711.5			830.7		2,327.5		
1950	17,981.6 <sup>14)</sup>	9,657.6	4,213.3	4,110.7	1,915.9	302.0	1,858.2	1,851.7	1,809.9	2,651.0	2,501.7	554.9	173.8	3,635.8		
1951	22,533.0	11,601.4	5,843.9	5,087.7	2,917.2	583.2	1,679.1	1,174.6	2,537.6	4,324.1	3,419.2	1,017.1	274.5	5,345.6		
1952	28,084.7	12,446.0	8,057.5	7,581.2	4,871.9	832.0	1,896.6	715.8	3,361.8	6,821.8	4,047.9	1,662.2	665.7	6,379.5		
1953	35,336.3	13,521.4	10,268.4	11,546.5	6,532.3	1,094.8	2,170.4	542.9	5,024.8	8,663.9	4,906.6	2,399.4	930.4	7,531.2		
1954	43,333.5	15,991.7	10,117.2	17,224.6	9,067.9	934.7	2,401.4	478.8	8,698.3	10,042.0	5,725.0	4,988.8	1,668.1	8,655.8		
1955	49,297.8	17,769.0	10,155.3	21,373.5	9,695.5	1,074.7	2,741.1	582.3	11,755.4	11,998.1	6,585.9	7,247.0	2,502.8	10,200.5		
1956	55,679.3	19,378.3	12,025.4	24,275.6	11,166.9	1,586.6	3,090.7	453.4	13,498.0	13,803.9	6,872.7	9,133.1 <sup>19)</sup>	3,161.6	13,635.6		
1957	66,768.8	21,795.3	15,585.2	29,388.3	16,031.2	1,635.9	3,447.0	340.9	15,629.3	15,245.6	7,891.6	9,954.0	3,810.9	17,719.9		
1958	78,054.9	25,305.1	16,647.6	36,102.2	19,245.5	1,433.8	2,999.6	267.0	19,983.6	16,168.1	8,802.0	10,363.0 <sup>10)</sup>	4,371.1	22,757.8		
1958 Jan.	66,599.7	19,880.5	16,546.7	30,172.5	16,597.5	1,516.1	3,135.2	283.7	15,993.0	15,439.2	7,977.6	10,067.7	3,864.4	23,299.5		
Feb.	67,563.1	19,886.5	16,787.5	30,789.1	17,722.0	1,527.1	3,129.8	288.4	16,428.1	15,562.7	8,093.0	10,183.8	3,904.7	23,503.3		
March	68,399.4	20,617.7	16,473.2	31,308.5	17,679.3	1,548.0	3,025.4	196.3	16,817.3	15,457.5 <sup>11)</sup>	8,162.9	10,219.9 <sup>12)</sup>	3,967.7	23,749.4		
April	69,245.1	20,963.8	16,513.0	31,768.3	18,107.5	1,483.7	3,160.2	203.7	17,204.6	15,698.2	8,345.5	10,182.7	4,004.5	23,514.0		
May	70,392.7	21,269.4	16,961.5	32,161.8	18,718.4	1,442.8	3,099.5	160.3	17,372.9	15,784.3	8,361.1	10,301.0	4,056.8	23,331.1		
June	70,809.8	21,658.7	16,541.0	32,610.1	18,463.0	1,387.7	3,138.5	169.5	17,685.2	15,897.7	8,332.4	10,432.9	4,100.1	23,146.4		
July	71,891.9	21,716.5	17,097.7	33,077.7	18,755.8	1,468.7	2,798.7	139.6	18,415.9 <sup>15)</sup>	15,904.1	8,536.2	10,555.9	4,158.8	23,000.5		
Aug.	72,936.3	22,172.9	17,224.5	33,538.9	19,684.6	1,379.5	2,820.8	148.3	18,876.9	16,042.6	8,663.2	10,310.9 <sup>13)</sup>	4,224.5	22,825.2		
Sep.	73,855.5	22,688.0	17,125.0	34,042.5	19,851.5	1,367.2	2,842.6	147.9	19,189.3	16,007.6	8,715.7	10,113.4 <sup>13)</sup>	4,267.7	22,655.2		
Oct.	74,731.3	22,690.8	17,385.7	34,654.8	19,230.9	1,408.6	2,804.5	154.6	19,568.3	16,181.6	8,850.9	10,242.5	4,304.3	22,481.1		
Nov.	75,766.8	23,519.6	17,313.2	34,934.0	18,984.6	1,400.8	2,779.5	184.6	19,851.7	16,320.8	8,841.7	10,299.1	4,370.8	22,272.6		
Dec.	78,054.9	25,305.1	16,647.6	36,102.2	19,245.5	1,433.8	2,999.6	267.0	19,983.6	16,168.1	8,802.0	10,363.0	4,371.1	22,757.8		
1959 Jan.	77,968.3	23,441.0	17,462.5	37,064.8	19,317.7	1,367.7	2,771.8 <sup>16)</sup>	205.4	21,121.6 <sup>17)</sup>	16,048.5	8,807.0	10,399.6	4,415.1	23,031.1 <sup>18)</sup>		
Feb.	78,943.1	23,735.0	17,366.3	37,841.8	20,207.9	1,251.7	2,756.3	190.4	21,655.3	16,107.3	8,926.7	10,377.0	4,447.8	22,826.9		

<sup>1)</sup> Figures printed in italics are only of limited comparability. — Alterations as compared with previously published figures are due to subsequent corrections. — <sup>2)</sup> Overall statistics collected from the credit institutions in the area of the Federal Republic and in Berlin (West), except the Saar. The statistics cover about 98 per cent of the aggregate balance-sheet total. Cf. "Statistisches Handbuch der Bank deutscher Länder 1948-1954", observations on methods employed in Part III. — <sup>3)</sup> Cash (West German and foreign notes and coin), and balances at Deutsche Bundesbank. — <sup>4)</sup> Balances at less than four years; also including balances at Deutsche Bundesbank from foreign payment transactions. — <sup>5)</sup> Including foreign Treasury bills and non-interest-bearing Treasury bonds. — <sup>6)</sup> After deduction of equalisation claims sold or redeemed, or including equalisation claims purchased. — <sup>7)</sup> Art. 19 of the Law concerning Currency Conversion Compensation for Savings Balances of Expelled Persons, dated 14 August 1952, and Art. 19 of the Law concerning Old Savings, dated 14 July 1953. As from May 1954, including small amounts of "Claims on the Federal Republic under Art. 32 of the Law on the Implementation of the Agreement on German External Debts, dated 24 Aug. 1953". — <sup>8)</sup> Not identical with the similarly named balance-sheet item. Including all those items of the Return which are not separately shown in the table. — <sup>9)</sup> Including own drawings in circulation. — <sup>10)</sup> Statistical decrease of about DM 567 million due to elimination of transitory credits; assets: non-banks about DM 560 million, banks about DM 7 million; liabilities: non-banks about DM 567 million. — <sup>11)</sup> Statistical decrease of about DM 600 million due to elimination of transitory credits. — <sup>12)</sup> Statistical decrease of about DM 81 million. — <sup>13)</sup> Containing statistical increase of about DM 81 million (cf. footnote <sup>11)</sup>). — <sup>14)</sup> Statistical decrease of about DM 300 million due to elimination of transitory credits. — <sup>15)</sup> Excluding deposits on blocked account (end-1949: DM 16.9 million) and on pre-capitulation account (end-1950: DM 249.7 million). — For movement on blocked account or pre-capitulation account. Cf. "Statistisches Handbuch der Bank deutscher Länder 1948-1954". — <sup>16)</sup> Not fully comparable with previous month; as from July 1958 the commitments under bonds sold in advance are uniformly combined, in the balance sheet statistics, with "bonds in circulation". — <sup>17)</sup> Statistical decrease of about DM 44 million. — <sup>18)</sup> Containing statistical increase of about DM 44 million (cf. footnote <sup>16)</sup>). — <sup>19)</sup> After elimination of "other endorsement liabilities" not resulting from rediscounted bills.

### III. Central Bank Lendings to Non-Banks and Central Bank Deposits of Non-Banks

#### 1) Central Bank Lendings to Non-Banks

in millions of DM

End of month	Total lendings to non-banks including Treasury bills and securities		Public authorities											Business and private customers		
			Total		Federal Government and Federal Special Funds <sup>1)</sup>				Länder					Other public authorities	"Direct lendings" <sup>2)</sup>	Credits granted to insurance companies and building and loan associations <sup>3)</sup>
			including Treasury bills and securities	excluding Treasury bills and securities	Total	Treasury bills and non-interest-bearing Treasury bonds	Cash advances	Credit in respect of I.M.F. and I.B.R.D.	Securities	Total	Treasury bills and non-interest-bearing Treasury bonds	Cash advances	Advances on securities			
1949 Dec.	802.1	568.4	756.1	522.4	504.2	101.1	403.1	—	—	250.6	132.6	97.2	20.8	1.3	27.7	18.3
1950 "	1,622.8	926.4	1,503.7	807.3	1,213.8	241.3	637.5	—	335.0	288.7	120.1	161.1	7.5	1.2	53.8	65.3
1951 "	1,166.5	299.1	1,036.6	169.2	839.4	553.3	—	—	286.1	196.0	28.0	168.0	—	1.2	69.3	60.6
1952 "	750.0	380.4	603.4	233.8	538.2	355.2	—	183.0	—	64.8	14.4	50.4	—	0.4	85.6	61.0
1953 "	622.5	369.1	478.4	225.0	430.4	203.1	—	183.0	44.3	47.6	6.0	41.6	—	0.4	108.4	35.7
1954 "	734.3	601.9	605.4	473.0	522.7	100.4	—	390.7	31.6	61.2	0.4	60.8	—	21.5	109.9	19.0
1955 "	1,011.2	749.8	891.0	629.6	652.1	247.3	—	390.7	14.1	205.8	—	180.4	25.4	33.1	103.5	16.7
1956 "	813.0	639.3	715.0	541.3	564.5	119.9	—	390.8	53.8	101.8	—	101.8	—	48.7	88.7	9.3
1957 "	808.6	480.4	802.8	474.6	719.0	153.7	—	390.8	174.5	83.8	—	83.8	—	—	2.2	3.6
1958 March	807.7	532.2	804.7	529.2	758.7	93.4	—	483.2	182.1	46.0	—	46.0	—	—	0.1	2.9
June	941.6	662.6	940.2	661.2	888.2	93.4	—	609.2	185.6	52.0	—	52.0	—	—	—	1.4
Sep.	997.0	692.9	995.8	691.7	965.8	83.0	—	661.7	221.1	30.0	—	30.0	—	—	—	1.2
Dec.	1,094.4	748.7	1,094.0	748.3	1,024.9	100.0	17.5	661.7	245.7	69.1	—	69.1	—	—	—	0.4
1959 Jan.	933.5	684.1	933.1	683.7	911.1	28.3	—	661.7	221.1	22.0	—	22.0	—	—	—	0.4
Feb.	876.3	668.2	875.9	667.8	869.8	—	—	661.7	208.1	6.1	—	6.1	—	—	—	0.4
March	877.0	666.1	876.6	665.7	872.6	—	—	661.7	210.9	4.0	—	4.0	—	—	—	0.4

<sup>1)</sup> Including Federal Railways, Federal Postal Administration and Federal Equalisation of Burdens Office. — <sup>2)</sup> Discount credits and advances on securities granted by Land Central Bank branches in the former French zone of occupation. — <sup>3)</sup> Through temporary purchase of, or lending on, equalisation claims.

#### 2) Central Bank Deposits of Non-Banks

in millions of DM

End of month	Total		Public authorities <sup>1)</sup>		Counterpart Funds <sup>1)2)</sup>	Agencies of former occupying powers	Other depositors
	including amounts temporarily employed in equalisation claims <sup>3)</sup>	excluding amounts temporarily employed in equalisation claims <sup>3)</sup>	Federal Government (without Special Funds), Länder and Equalisation of Burdens Authorities	Other public authorities			
1949 Dec.	1,641.3	1,236.5	634.6	323.5	—	470.0	213.2
1950 "	3,693.3	3,446.0	594.3	396.7	965.0	907.6	829.7
1951 "	3,997.3	2,990.0	1,191.8	223.0	1,312.8	997.3	772.4
1952 "	3,957.8	2,194.1	1,906.1	207.2	825.9	753.4	265.2
1953 "	4,935.3	1,704.2	3,181.4	373.2	496.7	639.3	244.7
1954 "	6,266.5	1,529.9	4,684.7	400.6	352.8	523.4	305.0
1955 "	7,003.5	3,420.7	5,949.7	274.3	272.2	265.5	241.8
1956 March	7,921.8	4,703.6	7,055.6	116.6	247.3	244.4	257.9
June	8,330.2	4,963.3	7,599.7	53.1	260.6	176.7	240.1
Sep.	8,529.0	5,255.2	7,811.0	116.7	208.3	166.2	226.8
Dec.	7,682.3	4,459.3	6,711.8	339.8	192.5	143.8	294.4
1957 March	7,531.1	5,373.8	6,643.2	269.1	174.1	216.5	228.2
June	7,079.2	5,628.9	6,099.7	256.0	152.1	358.9	212.5
Sep.	6,285.6 <sup>3)</sup>	—	4,912.8	314.6	246.5	501.4	310.3
Dec.	5,097.3	—	4,017.1	431.4	167.8	140.6	340.4
1958 Jan.	5,146.3	—	4,170.3	271.0	190.2	70.8	444.0
Feb.	4,671.3	—	3,702.2	205.8	218.1	146.3	398.9
March	4,669.5	—	3,660.8	235.9	299.2	114.4	359.2
April	3,966.9	—	3,307.4	32.8	248.5	92.5	285.7
May	4,397.1	—	3,265.5	488.0	206.1	54.9	382.6
June	5,220.0	—	3,870.3	603.9	326.7	70.5	348.6
July	4,644.4	—	3,371.2	516.9	422.7	49.1	284.5
Aug.	4,449.6	—	3,035.7	627.8	410.7	57.8	317.6
Sep.	5,000.4	—	3,631.6	567.0	450.2	42.8	308.8
Oct.	4,681.9	—	3,489.2	432.2	417.7	58.1	284.7
Nov.	4,704.8	—	3,401.4	505.2	396.6	61.0	340.6
Dec.	4,968.2	—	3,614.0	610.3	361.2	46.8	335.9
1959 Jan.	5,441.0	—	4,224.4	251.6	612.4	49.7	302.9
Feb.	5,279.6	—	3,971.4	339.9	580.4	55.0	332.9
March	3,247.6	—	1,550.8	735.9	585.4	50.1	325.4

<sup>1)</sup> Including amounts temporarily employed in equalisation claims. — <sup>2)</sup> As from August 1957 deposits of the E. R. P. Special Fund. — <sup>3)</sup> Since the entry into force, on 1 August 1957, of the Law concerning the Deutsche Bundesbank it has no longer been possible for public monies to be employed in equalisation claims.

## IV. Bank Liquidity

### 1) Bank Liquidity and the Credit Institutions' Recourse to Central Bank Credit

in millions of DM

Items	1956	1957	1958	1958			
				1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
The plus and minus signs indicate whether the changes in the items recorded in the text column had the effect of an influx (+) or an efflux (-) of funds at the banking system <sup>2)</sup>							
A. Influx or Efflux of Funds at the Credit Institutions as a result of Changes in the following Items							
I. Note and coin circulation	- 948	- 1,682	- 1,585	- 509	- 326	- 324	- 426
II. Central Bank deposits of non-banks <sup>1)</sup> of which: (1) Federal Government (except Special Funds), Länder and Equalisation of Burdens Authorities 2) others <sup>1)</sup>	- 1,796	- 471	- 1,913	- 430	- 619	- 461	- 403
III. Central Bank lendings to non-banks <sup>2)</sup>	(- 1,855)	(- 216)	(- 2,059)	(- 594)	(- 544)	(- 436)	(- 485)
IV. Net foreign exchange purchases or sales by the Deutsche Bundesbank	(+ 59)	(- 255)	(+ 146)	(+ 164)	(- 75)	(- 25)	(+ 82)
V. Other factors <sup>3)</sup>	- 203	- 175	- 65	- 82	- 8	- 4	+ 29
IV. Net foreign exchange purchases or sales by the Deutsche Bundesbank	+ 5,689	+ 7,913	+ 5,786	+ 788	+ 1,932	+ 1,590	+ 1,476
V. Other factors <sup>3)</sup>	- 3	+ 327	+ 358	+ 445	+ 151	+ 173	- 411
Overall effect of the above-named factors on bank liquidity	+ 2,739	+ 5,912	+ 2,581	+ 212	+ 1,130	+ 974	+ 265
B. Influx or Efflux of Funds at the Credit Institutions as a result of Open Market Operations of the Deutsche Bundesbank, total of which, by purchase or sale of	- 526	- 2,605	- 433	- 1,339	- 743	- 461	+ 2,110
(1) money-market paper of the Federal Government acquired in exchange for equalisation claims	(- 381)	(- 2,814)	(- 215)	(- 1,291)	(- 674)	(- 470)	(+ 2,219)
(2) other titles	(- 145)	(+ 209)	(- 218)	(- 48)	(- 69)	+ 9	(- 109)
C. Change in the Credit Institutions' Balances with the Deutsche Bundesbank, total <sup>4)</sup> compare: Change in the monthly minimum reserve required <sup>5)</sup>	+ 706	+ 1,883	+ 1,432	- 1,294	+ 472	- 216	+ 2,470
	(+ 432)	(+ 1,757)	(+ 964)	(+ 199)	(+ 275)	(+ 224)	(+ 266)
D. Change in Central Bank Lendings to Credit Institutions (recourse to Central Bank credit)	- 1,507	- 1,424	- 716	- 167	+ 85	- 729	+ 95

<sup>1)</sup> The changes in the items recorded in the text column under A and B are taken into account only in so far as they entailed an influx or efflux of funds at the credit institutions. They are therefore not necessarily identical with the changes in the corresponding items of the Return of the Deutsche Bundesbank. Further explanations regarding these differences will be found, i. a., in the Monthly Report of the Bank deutscher Länder for January 1957, pages 7 and 8. — <sup>2)</sup> As from May 1958, including the minimum reserve balances kept by the Federal Postal Administration on behalf of the Postal Cheque and Postal Savings Bank offices because, since the introduction on 1 May 1958 of the optional central maintaining of minimum reserves, they can no longer be separated from the other Central Bank deposits of the Federal Postal Administration. — <sup>3)</sup> Including anticipatory credits granted to the Reconstruction Loan Corporation under a fixed credit line, which cannot be considered "recourse to Central Bank credit" in the accepted sense of the term, viz., rediscounts and advances on securities. Excluding the purchases and sales of money-market paper (listed under B) effected on the open market for the regulation of the money market. — <sup>4)</sup> Mainly pending settlements in respect of credit institutions' Central Bank items, which cannot be allocated explicitly to any of the other items. — <sup>5)</sup> As from May 1958, without minimum reserve balances of the Federal Postal Administration on behalf of Postal Cheque and Postal Savings Bank offices; cf. footnote 1). — <sup>6)</sup> As from May 1958, without the required minimum reserves of the Federal Postal Administration on behalf of Postal Cheque and Postal Savings Bank offices; cf. footnotes 1) and 4).

### 2) Central Bank Lendings to Credit Institutions and Central Bank Deposits of Credit Institutions in millions of DM

End of month	Lendings <sup>1)</sup>				De- posits <sup>2)</sup>
	Total	Discount credits	Advances on securities	Equalisation claims purchased	
1949 Dec.	3,807.2	3,226.2	338.2	242.8	1,277.1
1950 "	5,201.9	4,235.4	360.6	605.9	1,887.7
1951 "	5,717.5	4,757.2	290.8	669.5	2,675.0
1952 "	4,128.4	3,389.0	253.5	485.9	2,992.6
1953 "	3,351.1	2,739.1	245.2	366.8	3,286.9
1954 "	3,339.0	2,837.7	265.1	236.2	4,005.9
1955 "	4,683.0	4,130.9	340.5	211.6	4,502.2
1956 "	3,127.1	2,723.7	220.7	182.7	5,258.5
1957 March	2,278.7	2,037.4	62.0	179.3	4,167.2
June	3,115.9	2,844.4	96.8	174.7	5,278.6
Sep.	1,645.6	1,438.2	43.4	164.0	5,622.6
Dec.	1,676.6	1,463.0	52.8	160.8	7,108.9
1958 March	1,509.2	1,324.7	30.0	154.5	5,814.7
June	1,594.7	1,397.9	46.5	150.3	5,989.5
Sep.	865.7	701.2	22.4	142.1	5,773.6
Dec.	960.3	769.6	63.9	126.8	8,243.1
1959 Jan.	990.6	860.7	23.7	106.2	6,289.1
Feb.	820.2	635.4	78.7	106.1	6,160.9
March	701.0	563.9	31.0	106.1	6,310.6

<sup>1)</sup> Excluding cash advances to Reconstruction Loan Corporation; including foreign bills and export drafts purchased, but excluding money-market paper purchased in the open market. — <sup>2)</sup> Including Central Bank deposits of Postal Cheque and Postal Savings Bank offices.

### 3) Borrowing by Banking Groups from Deutsche Bundesbank in millions of DM

Banking groups	1957		1958	
	30 June	31 Dec.	30 June	31 Dec.
Commercial banks	2,286	1,329	1,447	898
of which:				
Big banks <sup>1)</sup>	(1,219)	( 558)	( 693)	( 339)
State, regional and local banks	( 612)	( 379)	( 376)	( 274)
Private bankers	( 396)	( 325)	( 298)	( 232)
Specialised commercial banks	( 59)	( 67)	( 80)	( 53)
Savings institutions	140	87	188	63
of which:				
Savings banks	( 93)	( 69)	( 76)	( 58)
Central giro institutions	( 47)	( 18)	( 112)	( 5)
Cooperative credit institutions	354	168	154	95
of which:				
Industrial credit cooperatives	( 204)	( 95)	( 88)	( 41)
Agricultural credit cooperatives	( 150)	( 73)	( 66)	( 54)
All other credit institutions	617	225	113	72
including:				
Credit institutions with special functions	( 598)	( 209)	( 99)	( 63)
All banking groups <sup>2)</sup>	3,397	1,809	1,902	1,128

<sup>1)</sup> Deutsche Bank A.G., Dresdner Bank A.G., Commerzbank A.G., and their Berlin subsidiaries. — <sup>2)</sup> Deviations of these figures, which are reported for the monthly banking statistics, from the corresponding data resulting from the Central Bank statistics as shown in Table IV (2) are partly due to the time-lag between the booking of Central Bank credits at the credit institutions and at the Central Bank, and partly to the fact that the Storage Agency bills purchased by the Central Bank under its open-market policy are not comprised in the latter figures.





#### 4) Debtor and Creditor Interest Rates since the Currency Reform

##### a) Maximum Debtor Interest Rates \*)

in % per annum

Applicable as from:	Central Bank Discount Rate	Central Bank Rate for advances on securities	Charges for credits in current account <sup>1)</sup>		Charges for acceptance credits	Charges for discount credits <sup>2)</sup> , items amounting to			
			Approved credits	Overdrafts		DM 20,000 or above	DM 5,000 to under DM 20,000	DM 1,000 to under DM 5,000	under DM 1,000
1948 July 1	5	6	.	.	.	.	.	.	.
Sep. 1			9	10 1/2	8	6 1/2	7	7 1/2	8
Dec. 15			9 1/2	11	11	7	7 1/2	8	8 1/2
1949 May 27	4 1/2	5 1/2	9	10 1/2	8	6 1/2	7	7 1/2	8
July 14	4	5	8 1/2	10	8 — 9	6	6 1/2	7	7 1/2 <sup>4)</sup>
1950 Oct. 27	6	7	10 1/2	12	7 1/2 — 8 1/2 <sup>3)</sup>	6	6 1/2	7	7 1/2
1952 May 29	5	6	9 1/2	11	9 1/2	8	8 1/2	9	9
Aug. 21	4 1/2	5 1/2	9	10 1/2	8 1/2	7	7 1/2	8	8
1953 Jan. 8	4	5	8 1/2	10	7 1/2	6	6 1/2	7	7 1/2
June 11	3 1/2	4 1/2	8	9 1/2	7	5 1/2	6	6 1/2	6 1/2
1954 May 20	3	4	8	9 1/2	6 1/2	5	5 1/2	6	6
July 1			7 3/4	9 1/4					
1955 Aug. 4	3 1/2	4 1/2	8	9 1/2	7	5 1/2	6	6 1/2	6 1/2
1956 Mar. 8	4 1/2	5 1/2	9	10 1/2	8	6 1/2	7	7 1/2	7 1/2
May 19	5 1/2	6 1/2	10	11 1/2	9	7 1/2	8	8 1/2	8 1/2
Sep. 6	5	6	9 1/2	11	8 1/2	7	7 1/2	8	8
1957 Jan. 11	4 1/2	5 1/2	9	10 1/2	8	6 1/2	7	7 1/2	7 1/2
Sep. 19	4	5	8 1/2	10	7 1/2	6	6 1/2	7	7
1958 Jan. 17	3 1/2	4 1/2	8	9 1/2	7	5 1/2	6	6 1/2	6 1/2
June 27	3	4	7 3/4	9 1/4	6 1/2	5	5 1/2	6	6
July 21			7 1/2	9					
1959 Jan. 10	2 3/4	3 3/4	7 1/4	8 3/4	6 1/4	4 3/4	5 1/4	5 3/4	5 3/4

\*) Official rates for credits to non-banks, which may only be exceeded in exceptional cases. The interest rates here quoted were compiled on the basis of announcements by the Hessian Bank Supervisory Authority; in most of the other Federal Länder equal rates apply. They are to be understood as including credit, acceptance, or discount commissions, but excluding turnover commission. — 1) According to Art. 2 of the Debtor Interest Agreement, interest may only be charged for credits actually taken. Credit commission may however be computed in advance from credits firmly approved or, in the case of tacitly granted credit, from the highest balance. Hence, in individual cases total charges for credits may deviate from total charges as quoted above. — 2) Not including domicile commission. — 3) From 1 Sep. 1949 to 26 Oct. 1950 = 7 1/2%. — 4) From 1 Sep. 1949 to 26 Oct. 1950 = 7%.

##### b) Maximum Creditor Interest Rates \*)

in % per annum

Applicable as from:	Monies payable on demand		Savings deposits		Monies at notice <sup>1)</sup> of				Monies placed for fixed periods <sup>1)</sup> of				Postal savings deposits	
	on accounts free of commission	on accounts subject to commission	with legal period of notice	with agreed period of notice of	1 to less than 3 months	3 to less than 6 months	6 to less than 12 months <sup>2)</sup>	12 months and over <sup>2)</sup>	30 to 89 days	90 to 179 days	180 to 359 days	360 days and over		
1948 Sep. 1	1	2	2 1/2	3	4	2 1/4	2 3/4	3	3 3/4	2 1/4	2 3/4	3	3 3/4	2 <sup>3)</sup>
1949 Sep. 1	1	1 1/2	2 1/2	3	4	2 1/4	2 1/2	2 7/8	3 3/4	2 1/4	2 1/2	2 3/4	3 1/2	2 1/4
1950 July 1	1	1 1/2	2 1/2	3	4	2 1/4	2 1/2	2 7/8	3 3/4	2 1/4	2 1/2	2 3/4	3 1/2	2 1/4
Dec. 1	1	1 1/2	3	3 1/2	4 1/2	3 1/2	3 3/8	4 3/8	4 3/4	3 1/2	3 3/8	4 1/4	4 3/8	2 1/4 <sup>4)</sup>
1952 Sep. 1	1	1 1/2	3	3 1/2	4 1/2	3	3 3/8	3 7/8	4 1/4	3	3 3/8	3 3/4	4 1/8	2 3/4
1953 Feb. 1	1	1 1/2	3	3 1/2	4 1/4	2 1/2	2 7/8	3 3/8	3 3/4	2 1/4	2 7/8	3 1/4	3 3/8	2 3/4
July 1	3/4	1 1/4	3	3 1/2	4 1/4	2 1/4	2 3/8	3 1/8	3 1/2	2 1/4	2 3/8	3	3 3/8	2 3/4
1954 July 1	1/2	1	3	3 1/4	4	2	2 3/8	2 7/8	3 1/4	2	2 3/8	2 3/4	3 1/8	2 3/4
1955 Aug. 4	3/4	1 1/4	3	3 1/2	4	2 3/8	2 3/4	3 1/4	3 3/4	2 3/8	2 3/4	3 1/8	3 3/8	2 3/4
1956 Mar. 16	1	1 1/2	3	4	5	3 3/8	3 3/4	4 1/4	4 3/8	3 3/8	3 3/4	4 1/4	4 3/8	2 3/4
May 19	1 1/2	2	3 1/2	4 1/2	5 1/2	4 1/4	4 3/4	5 1/4	5 1/2	4 1/4	4 3/4	5 1/4	5 1/2	2 3/4 <sup>5)</sup>
Oct. 1	1 1/4	1 3/4	3 1/2	4 1/2	5 1/2	4 1/4	4 3/4	5 1/4	5 1/2	4 1/4	4 3/4	5 1/4	5 1/2	3 1/4
1957 Feb. 1	1	1 1/2	3 1/2	4 1/2	5 1/2	3 3/4	4 1/4	4 3/4	5 1/4	3 3/4	4 1/4	4 3/4	5 1/4	3 1/4 <sup>6)</sup>
Oct. 17	3/4	1 1/4	3 1/2	4 1/4	5 1/4	3 3/8	3 3/4	4 1/4	5 1/4	3 3/8	3 3/4	4 1/4	5 1/4	3 1/2
1958 Feb. 10	1/2	1	3 1/4	4	5	2 7/8	3	3 3/4	4 1/2	2 7/8	3	3 3/4	4 1/2	3 1/4
July 21	1/2	1	3	3 1/4	4 1/4	2 3/8	2 3/4	3	3 7/8	2 3/8	2 3/4	3	3 7/8	3
Nov. 20	1/2	1	3	3 1/4 <sup>7)</sup>	4 <sup>7)</sup>	2	2 1/2	2 3/4	3 1/2	2	2 1/2	2 3/4	3 1/2	3
1959 Feb. 1	3/8	3/4	3	3 1/4	4	1 1/2	2	2 1/2	3 1/4	1 1/2	2	2 1/2	3 1/4	3

\*) Official rates for deposits of non-banks, which may only be exceeded in exceptional cases. The rates here quoted were compiled on the basis of announcements by the Hessian Bank Supervisory Authority; in most of the other Federal Länder equal rates apply. — 1) For larger amounts deposited (DM 50,000.— or more and DM 1 million or more, respectively) higher rates of interest were paid between 1 July 1950 and 19 November 1958. — 2) In so far as monies at notice of 6 months and over carry higher rates of interest than monies placed for corresponding fixed periods, the rates quoted may be granted only where the customer does not take advantage of the right to demand repayment, in the case of monies at notice of 6 to less than 12 months for at least three months, and in the case of monies at notice of 12 months and over for at least six months, in each case from the date of the agreement. Otherwise only the rates for monies placed for fixed periods may be granted. — 3) As from 1 July 1949 = 2 1/4%. — 4) As from 1 Jan. 1951 = 2 3/4%. — 5) As from 1 July 1956 = 3 1/4%. — 6) As from 1 May 1957 = 3 1/2%. — 7) As from 20 November 1958, when accepting savings deposits with agreed period of notice, notice will only be permissible after expiry of a period of six months, such period to commence on the day of deposits.

## VI. Placing of Securities

### 1) Gross Placing of Fixed-interest-bearing Securities and Shares<sup>1)</sup>

Nominal value in millions of DM

Period	Fixed-interest-bearing securities								Shares	Fixed-interest-bearing securities and shares total
	Mortgage bonds (including ship mortgage bonds)	Communal bonds	Bonds of specialised credit institutions	Industrial bonds (including convertible bonds)	Other bonds	Loans of public authorities	Total	including: foreign issues		
<b>during year</b>										
1948 2nd half	6.3	2.3	—	10.0	—	—	18.6	—	0.5	19.1
1949	201.1	33.0	19.9	95.7	—	420.4	770.1	—	41.3	811.4
1950	210.7	99.2	96.2	53.2	0.1	217.1	676.5	—	51.2	727.7
1951	467.8	158.9	1.9	61.7	—	56.9	747.4	—	164.7	912.1
1952	627.6	161.2	219.8	130.3	—	413.8	1,557.7	—	259.3	1,817.0
1953	1,043.4	429.4	224.6	396.2	33.8	774.5	2,901.9 <sup>2)</sup>	—	268.7	3,170.6
1954	2,238.8	1,001.4	64.9	791.5	4.2	590.2	4,691.0 <sup>2)</sup>	—	453.0	5,144.0
1955	1,381.7	1,026.1	257.7	432.0	0.0	583.2	3,680.7 <sup>2)</sup>	—	1,554.8	5,235.5
1956	1,038.2	616.1	14.2	563.7	0.0	332.0	2,564.2 <sup>2)</sup>	—	1,837.5	4,401.7
1957	1,161.1	1,125.2	265.2	952.1	10.0	690.9	4,204.5	21.0	1,631.7	5,836.2
1958	1,618.8	2,337.6	422.1	1,701.9	2.0	2,044.7	8,127.1	92.0	1,139.5	9,266.6
<b>during month</b>										
1958 Jan.	186.5	167.1	3.3	105.9	—	171.8	634.6	—	116.0	750.6
Feb.	158.1	294.8	6.3	202.0	—	86.8	748.0	—	149.5	897.5
March	135.8	247.6	22.5	193.9	—	72.5	672.3	—	12.2	684.5
April	110.0	254.3	148.1	60.9	—	251.4	824.7	—	177.7	1,002.4
May	81.1	81.0	7.0	306.0	—	356.4	831.5	—	52.9	884.4
June	71.7	113.4	2.6	158.6	—	100.4	446.7	—	69.1	515.8
July	139.2	306.9	44.8	144.6	0.0	246.4	881.9	—	129.2	1,011.1
Aug.	117.7	248.6	97.1	120.0	—	26.4	609.8	—	38.1	647.9
Sep.	130.7	205.2	12.9	35.0	—	26.4	410.2	—	98.3	508.5
Oct.	159.7	160.0	69.9	160.0	0.0	626.4	1,176.0	50.0	57.8	1,233.8
Nov.	158.8	110.8	4.7	75.0	2.0	36.4	387.7	—	94.1	481.8
Dec.	169.5	147.9	2.9	140.0	0.0	43.4	503.7	42.0	144.6	648.3
1959 Jan.	435.8	396.4	61.6	192.0	—	436.4	1,522.2	12.0	74.8	1,597.0
Feb.	228.9	233.2	1.2	200.0	0.0	164.0	827.3	112.6	124.3	951.6
March	173.3	177.2	131.7	3.8	—	52.4	538.4	—	80.2	618.6

<sup>1)</sup> Except conversion and "old" savers' securities. — Up to 1953 excluding Berlin; the 1954 annual figures comprise the bonds issued between 1948 and 1954 by Berlin issuers. — Only initial placing of newly issued securities, no account being taken of amounts redeemed or repurchased. — <sup>2)</sup> Including placing with Investment Assistance creditors: 1953, DM 199.8 million; 1954, DM 388.8 million; 1955, DM 587.9 million; 1956, DM 1.2 million.

### 2) Redemption and Net Placing of Fixed-interest-bearing Securities, and Change in the Amount of Issues Repurchased

Nominal value in millions of DM

Period	Post-Currency-Reform issues								Pre-Currency-Reform issues <sup>2)</sup>	Fixed-interest-bearing securities total
	Mortgage bonds (including ship mortgage bonds)	Communal bonds	Bonds of specialised credit institutions	Industrial bonds (including convertible bonds)	Other bonds	Loans of public authorities	Total	including: foreign issues	Conversion and "old" savers' securities	
<b>Redemption</b>										
1948 2nd half	—	—	—	—	—	—	—	—	.	.
1949	—	—	—	—	—	—	—	—	.	.
1950	—	—	—	—	—	—	—	—	.	.
1951	0.2	0.0	—	—	—	—	0.2	—	.	.
1952	0.5	0.1	—	0.8	—	7.4	8.8	—	.	.
1953	0.3	0.8	—	—	—	36.2	37.3	—	.	.
1954	0.7	1.2	30.0	3.0	0.5	46.5	81.9	—	.	.
1955	2.0	5.6	0.1	34.5	0.4	32.0	74.6	—	.	.
1956	11.5	20.4	53.3	31.1	0.4	299.2	415.9	—	.	.
1957	21.8	32.1	53.3	53.2	0.3	586.4	747.1	—	136.2	883.3
1958	60.3	100.4	93.6	102.0	0.4	259.8	616.5	—	80.1	696.6
<b>Net placing<sup>1)</sup></b>										
1948 2nd half	6.3	2.3	—	10.0	—	—	18.6	—	.	.
1949	201.1	33.0	19.9	95.7	—	420.4	770.1	—	.	.
1950	210.7	99.2	96.2	53.2	0.1	217.1	676.5	—	.	.
1951	467.8	158.9	1.9	61.7	—	56.9	747.2	—	.	.
1952	627.6	161.2	219.8	129.5	—	413.8	1,548.9	—	.	.
1953	1,043.1	428.6	224.6	396.2	33.8	738.3	2,864.6	—	.	.
1954	2,238.1	1,000.2	64.9	788.5	3.7	543.7	4,609.1	—	.	.
1955	1,379.7	1,020.5	257.6	397.5	— 0.4	551.2	3,606.1	—	.	.
1956	1,026.7	595.7	— 39.1	532.6	— 0.4	32.8	2,148.3	—	.	.
1957	1,139.3	1,093.1	211.9	898.9	9.7	104.5	3,457.4	21.0	— 46.6	3,410.8
1958	1,558.5	2,237.2	328.5	1,599.9	1.6	1,784.9	7,510.6	92.0	408.3	7,918.9
<b>Change in the amount of issues repurchased increase (+) / decrease (—)</b>										
1951	—	—	—	—	—	—	—	—	.	.
1952	+ 8.9	+ 1.5	+ 7.6	+ 1.5	—	—	+ 19.5	—	.	.
1953	+ 12.8	— 0.2	— 8.8	— 1.6	—	—	+ 2.2	—	.	.
1954	— 4.5	+ 8.5	— 4.4	+ 3.4	—	—	+ 3.0	—	.	.
1955	+ 29.2	+ 11.7	+ 12.1	+ 1.3	—	+ 28.4	+ 82.7	—	.	.
1956	+ 44.0	+ 27.5	+ 4.6	+ 13.1	—	— 314.9	+ 404.1	—	.	.
1957	— 18.6	— 10.3	— 3.7	— 3.1	—	— 97.1	— 132.8	—	— 8.7	— 141.5
1958	— 1.9	+ 8.3	— 12.0	— 11.1	—	— 95.2	— 111.9	—	— 37.7	— 149.6

<sup>1)</sup> Gross placing less redemption; the minus sign indicates an excess of redemption over the amount newly placed during the period under report (or, in the case of pre-Currency-Reform issues, the amount recognised under the Securities Validation Law or other indemnification laws). — <sup>2)</sup> Statistically ascertained as from January 1957 only.

### 3) Initial Placing of Fixed-interest-bearing Securities by Categories of Buyers<sup>1)</sup>

in per cent

Period	Fixed-interest-bearing securities, total					including:														
						Mortgage and communal bonds					Loans of public authorities					Industrial bonds				
	German buyers					German buyers					German buyers					German buyers				
	Public authorities	Credit institutions	Other business enterprises	Private buyers	Foreign buyers	Public authorities	Credit institutions	Other business enterprises	Private buyers	Foreign buyers	Public authorities	Credit institutions	Other business enterprises	Private buyers	Foreign buyers	Public authorities	Credit institutions	Other business enterprises	Private buyers	Foreign buyers
1954	21	47	25	7	<sup>2)</sup>	28	52	13	7	<sup>2)</sup>	5	48	39	8	<sup>2)</sup>	6	20	67	7	<sup>2)</sup>
1955	23	54	20	3		24	63	9	4		36	49	9	6		9	21	70	0	
1956	44	32	9	15		60	28	7	5		35	41	10	14		2	38	13	47	
1957	17	55	10	18		23	67	5	5		20	46	14	20		3	33	16	48	
1958 1st half	13	58	10	19		20	73	4	3		11	50	15	24		3	34	19	44	
1958 Jan.	13	61	10	16		19	73	5	5		6	51	15	28		5	33	25	37	
Feb.	16	58	10	16		21	73	4	2		24	37	12	27		2	32	21	45	
March	16	56	9	19		23	71	3	3		13	39	18	30		3	32	16	49	
April	12	66	9	13		16	77	3	4		10	53	15	22		2	48	11	39	
May	11	49	14	26		22	70	4	4		12	53	14	21		2	34	19	45	
June	10	54	12	24		19	72	5	4		6	49	15	30		2	36	17	45	
1958 2nd half	11	65	8	13	3	15	78	4	3	0	8	66	10	13	3	2	32	16	40	10
1958 July	10	61	9	16	4	16	80	2	2	0	8	48	14	25	5	2	24	20	40	14
Aug.	11	65	7	14	3	15	80	2	3	0	5	95	—	—	—	1	21	17	48	13
Sep.	12	78	3	6	1	10	85	2	3	0	5	95	—	—	—	1	22	17	49	11
Oct.	8	67	9	12	4	10	82	6	2	0	8	70	9	10	3	2	26	13	43	16
Nov.	6	84	4	4	2	7	85	4	3	1	5	84	3	7	1	4	80	7	7	2
Dec.	22	47	11	18	2	33	53	8	5	1	4	52	17	23	4	3	30	20	45	2
1959 Jan.	7	72	9	11	1	7	83	7	3	0	3	76	8	12	1	16	26	19	35	4
Feb.	4	—	11	11	2	7	81	8	4	0	1	96	0	0	3	1	30	27	36	6
March p)	13	78	5	4	0	13	77	6	4	0	58	42	—	—	—	100	—	—	—	—

<sup>1)</sup> As far as distribution is known. — <sup>2)</sup> The initial placing with foreign buyers has only been ascertained separately from July 1958 onwards. Until then it is contained in the figures for the four other categories of buyers. — p) Provisional.

### 4) Circulation of Investment Units

Investment Trust and Fund	Inventory value <sup>1)</sup>				Number of units issued <sup>1)</sup>				Issue price per unit			
	1956	1957	1958	March 1959	1956	1957	1958	March 1959	1956 <sup>1)</sup>	1957 <sup>1)</sup>	1958 <sup>1)</sup>	March 1959 <sup>2)</sup>
	Thousands of DM				Number				DM			
Allgemeine Deutsche Investment-GmbH	—	—	87,793	99,604	—	—	848,942	884,957	—	—	107.90	113.13
Adifonds	—	—	—	—	—	—	—	—	—	—	—	—
Fondak	11,476	31,239	119,376	129,752	40,763	317,863 <sup>3)</sup>	786,353	782,564	294.50	102.90 <sup>3)</sup>	158.30	167.81
Fondis	22,436	30,269	54,452	59,580	201,533	262,722	306,986	308,915	116.50	120.60	185.—	193.34
Fondra	3,315	5,449	26,793	30,170	18,001	28,577	202,129 <sup>4)</sup>	212,323	191.75	198.50	138.— <sup>4)</sup>	144.34
Deutsche Gesellschaft für Wertpapiersparen mbH	—	—	—	—	—	—	—	—	—	—	—	—
Investa	—	84,163	255,084	280,933	—	817,820	1,607,789	1,619,000	—	106.90	164.40	172.31
Deutscher Investment-Trust, Ges. für Wertpapieranlagen mbH	—	—	—	—	—	—	—	—	—	—	—	—
Concentra	51,767	128,970	292,842	303,120	537,000	1,304,000	1,970,000	1,956,403	100.25	103.—	154.20	154.06
Industria	—	—	—	69,234	—	—	—	681,432	—	—	—	101.93
Thesaurus	—	—	84,100	87,619	—	—	890,000	854,984	—	—	98.20	102.05
Deutsche Kapitalanlage-GmbH	—	—	—	—	—	—	—	—	—	—	—	—
Dekafonds I	8,563	17,830	58,414	66,178	85,792	161,929	354,956	388,312	103.20	114.20	170.60	168.99
Europa und Übersee	—	—	—	—	—	—	—	—	—	—	—	—
Kapitalanlage-GmbH	—	—	—	—	—	—	—	—	—	—	—	—
Europafonds I	—	—	—	31,246	—	—	—	304,000	—	—	—	101.93
Union-Investment-GmbH	—	—	—	—	—	—	—	—	—	—	—	—
Unifonds	9,112	17,096	65,497	75,513	201,549	384,558	1,000,123	1,057,974	47.50	46.70	68.80	72.06
Uscafonds	1,415	2,130	4,998	5,344	13,609	23,831	45,629	47,944	109.20	93.90	116.20	119.54
Total	108,084	317,146	1,049,349	1,238,293	..	..	..	..	..	..	..	..

<sup>1)</sup> At the end of the year or month indicated. — <sup>2)</sup> Average during month. — <sup>3)</sup> Exceptional change as against preceding year due to distribution of two bonus units to each existing holder of Fondak Certificates (at end of January 1957). — <sup>4)</sup> Exceptional change as against preceding year due to distribution of one bonus unit to each existing holder of Fondra Certificates (in June 1958).

## VII. Foreign Trade and the Balance of Payments

1) Figures relating to the Exchange Position and the Balance of Payments<sup>p)</sup>

in millions of DM

Period	I. Movement of gold and exchange (increase or decrease in gold and foreign assets of the Deutsche Bundesbank)	II. Balance of transactions in goods, services, donations and capital												Net balance of transactions in goods, services, donations and capital	III. Net errors and omissions <sup>7)</sup> (I. less II.)
		Net transactions in goods and services				Net donations and capital transactions									
		Total	Balance of trade <sup>1)</sup>	Net services <sup>2) 3)</sup>	Total	Donations <sup>4)</sup>	Capital transactions								
							Total	at long term <sup>5)</sup>			at short term				
					Total	Private		Official	Total	including:					
										Advance payments for defence imports (incr.—, decr. +)	Assets and liabilities of other banks <sup>6)</sup>				
1955	+1,852	+2,948	+1,245	+1,703	-1,265	- 814	- 451	- 530	- 230	- 300	+ 79	-	+ 180	+1,683	+ 169
1956	+5,087	+5,499	+2,897	+2,602	- 988	-1,107	+ 119	- 557	+ 128	- 685	+ 676	- 236	+ 914	+4,511	+ 576
1957	+5,121	+7,701	+4,271	+3,430	-4,283	-1,650	-2,633	- 730	+ 129	- 859	-1,903	-1,929	- 25	+3,418	+1,703
1958	+3,188	+8,871	+5,865	+3,006	-4,863	-1,636	-3,227	-1,807	- 572	-1,235	-1,420	- 626	+ 676	+4,008	- 820
1957 1st Qtr	+ 845	+1,564	+ 718	+ 846	-1,122	- 344	- 778	- 110	+ 12	- 122	- 668	- 718	+ 26	+ 442	+ 403
2nd Qtr	+1,458	+2,040	+1,203	+ 837	-1,294	- 423	- 871	- 136	+ 23	- 159	- 735	- 579	- 170	+ 746	+ 712
3rd Qtr	+3,382	+1,959	+1,093	+ 866	+ 38	- 464	+ 502	- 293	+ 135	- 428	+ 795	- 134	+ 922	+1,997	+1,385
4th Qtr	- 564	+2,138	+1,257	+ 881	-1,905	- 419	-1,486	- 191	- 41	- 150	-1,295	- 498	+ 803	+ 233	- 797
1958 1st Qtr	- 52	+1,770	+ 917	+ 853	-1,941	- 477	-1,464	- 229	+ 5	- 234	-1,235	- 563	- 724	- 171	+ 119
2nd Qtr	+1,293	+2,387	+1,681	+ 706	-1,174	- 454	- 720	- 495	- 177	- 318	- 225	- 118	- 100	+1,213	+ 80
3rd Qtr	+ 975	+2,203	+1,612	+ 591	- 992	- 386	- 606	- 410	- 8	- 402	- 196	+ 36	- 199	+1,211	- 236
4th Qtr	+ 972	+2,511	+1,655	+ 856	- 756	- 319	- 437	- 673	- 392	- 281	+ 236	+ 19	+ 347	+1,755	- 783
1959 1st Qtr	-2,984	+2,073	+1,316	+ 757	-4,843	- 561	-4,282	-1,292	- 509	- 783	-2,990	-1,608	-1,348	-2,770	- 214
1958 July	+ 491	+ 650	+ 484	+ 166	+ 96	- 106	+ 202	- 6	+ 96	- 102	+ 208	+ 7	+ 243	+ 746	- 255
Aug.	+ 308	+ 744	+ 546	+ 198	- 504	- 164	- 340	- 207	- 39	- 168	- 133	- 43	- 95	+ 240	+ 68
Sep.	+ 176	+ 809	+ 582	+ 227	- 584	- 116	- 468	- 197	- 65	- 132	- 271	+ 72	- 347	+ 225	- 49
Oct.	+ 250	+ 939	+ 631	+ 308	- 513	- 133	- 380	- 89	- 70	- 19	- 291	- 33	- 177	+ 426	- 176
Nov.	+ 376	+ 787	+ 444	+ 343	- 238	- 93	- 145	- 253	- 251	- 2	+ 108	+ 63	+ 34	+ 549	- 173
Dec.	+ 346	+ 785	+ 580	+ 205	- 5	- 93	+ 88	- 331	- 71	- 260	+ 419	- 11	+ 490	+ 780	+ 434
1959 Jan.	- 862	+ 441	+ 230	+ 211	-1,673	- 114	-1,559	- 286	- 238	- 48	-1,273	+ 14	-1,253	-1,232	+ 370
Feb.	- 342	+ 988	+ 649	+ 339	- 976	- 123	- 853	- 276	- 183	- 93	- 577	+ 354	- 253	+ 12	- 354
March	-1,780	+ 644	+ 437	+ 207	-2,194	- 324	-1,870	- 730	- 88	- 642	-1,140	-1,268	+ 158	-1,550	- 230

<sup>1)</sup> Special trade according to official foreign trade statistics: imports c. i. f., exports f. o. b. — <sup>2)</sup> Excluding expenditure on freight and insurance costs contained in the c. i. f. import value. Moreover, by contrast with our other balance of payments publications, exports of ships' and aircraft's fuel and other supplies are not shown here under services, whereas the net balance of merchanting trade and other additions concerning trade in goods are included under services. — <sup>3)</sup> Including receipts from goods delivered and services rendered to foreign troops. — <sup>4)</sup> Mainly indemnification. — <sup>5)</sup> Capital transactions are classified as "Private" or "Official" according to the sector to which the German parties concerned belong. — <sup>6)</sup> Net balance of changes in assets and liabilities (increase in assets and decrease in liabilities: —). — <sup>7)</sup> Mainly changes in the terms of payment. — <sup>p)</sup> For 1958 and 1959 provisional figures.

2) Gold Holdings and Foreign Assets of the Deutsche Bundesbank<sup>1)</sup>

in millions of DM

Position at end of year or month	Total gold holdings and foreign assets (net)	Gold holdings and freely usable foreign assets (net)				Foreign assets at fixed term or of only limited usability (net)				
		Total	Gold holdings	Freely usable foreign assets		Total	including:			
				Total	including: U.S. \$ (including Canadian \$)		Bilateral claims from former credits to E.P.U. (until end-1958: credit granted to E.P.U.) <sup>2)</sup>	Notes of I.B.R.D.	Earmarked balances with foreign banks and earmarked money-market investments	Consolidation loans to foreign Central Banks
1952	4,635	2,750	587	2,163	2,090	1,885	1,061	—	—	—
1953	8,158	5,330	1,367	3,963	3,545	2,828	1,782	—	—	—
1954	10,930	8,274	2,628	5,646	5,453	2,656	2,054	—	—	146
1955	12,782	9,958	3,862	6,096	5,789	2,824	2,187	—	—	254
1956	17,869	14,169	6,275	7,894	7,332	3,700	2,890	73	240	403
1957	22,990	16,587	10,674	5,913	6,148	6,403	4,242	808	1,032	384
1958	26,178	18,990	11,085	7,905	7,442	7,188	4,597	1,239	971	265
1957 March	18,714	14,904	7,379	7,525	6,823	3,810	3,218	73	70	383
June	20,172	16,012	8,523	7,489	6,646	4,160	3,571	73	171	352
Sep.	23,554	17,576	10,077	7,459	6,690	5,978	4,028	493	953	327
Dec.	22,990	16,587	10,674	5,913	6,148	6,403	4,242	808	1,032	384
1958 March	22,938	16,674	10,333	6,341	6,245	6,264	4,202	808	897	349
June	24,231	17,348	10,815	6,533	6,101	6,883	4,447	1,123	915	303
Sep.	25,206	18,233	10,907	7,376	7,265	6,923	4,287	1,323	1,002	283
Dec.	26,178	18,990	11,085	7,905	7,442	7,188	4,597	1,239	971	265
1959 Jan.	25,316	18,559	11,248	7,311	7,263	6,757	4,186	1,378	971	245
Feb.	24,974	18,228	11,248	6,980	6,995	6,746	4,182	1,378	963	241
March	23,194	16,764	11,248	5,516	5,766	6,430	4,121	1,378	707	240

<sup>1)</sup> The figures are not fully identical with those shown in the Return of the Bundesbank, because gold holdings and foreign assets are here recorded at parity rate in accordance with the data shown in the balance-of-payments statements, whereas in the Bundesbank Return they are computed for the end of the year according to the minimum value principle and for the current year at the rate of the day. Moreover, in the case of liabilities there are certain differences as to the delimitation of the items to be taken into account; thus, in the absence of statistical data on turnover it is not yet possible at present to make allowance in the balance of payments for all liabilities contained in the item "Deposits of foreign depositors" of the Bundesbank Return. — <sup>2)</sup> Credit granted to E.P.U., not taking into account the latest E.P.U. settlement in each case.

3) The Banks' Short-term Assets and Liabilities in relation to Foreign Countries

in millions of DM

Position at end of year or month	Net assets or liabilities	Assets						Liabilities				
		Total	Balances at foreign banks		Money-market investments	Short-term credits		Total	Non-residents' deposits		Short-term credits	
			Deposits payable on demand	Time deposits		Foreign currency	DM		Foreign currency	DM <sup>1)</sup>	Foreign currency	DM
1955	-1,275	525	312	7	1	35	170	1,800	62	1,290	448	—
1956	-2,127	715	362	13	—	36	300	2,842	52	1,880	830	80
1957	-2,129	1,320	307	20	448	18	527	3,449	50	2,445	900	54
1958	-1,438	1,919	431	128	481	44	835	3,357	91	2,688	512	66
1957 March	-2,177	767	361	14	4	16	372	2,944	108	1,807	963	65
June	-2,033	987	396	12	1	19	559	3,020	107	1,978	879	56
Sep.	-2,943	723	269	20	0	16	418	3,666	38	2,649	904	75
Dec.	-2,129	1,320	307	20	448	18	527	3,449	50	2,445	900	54
1958 March	-1,419	2,055	342	26	493	21	1,056	3,474	82	2,634	697	61
June	-1,303	2,103	407	35	610	23	1,164	3,406	90	2,583	677	56
Sep.	-1,096	2,264	491	113	474	42	1,125	3,360	112	2,637	553	58
Dec.	-1,438	1,919	431	128	481	44	835	3,357	91	2,688	512	66
1959 Jan.	-296	2,720	521	814	611	151	623	3,016	109	2,410	447	50
Feb.	-43	2,957	522	960	713	151	611	3,000	111	2,398	432	59
March p)	-201	2,747	486	916	620	143	582	2,948	96	2,397	397	58

<sup>1)</sup> Up to the end of 1958 excluding deposits of international institutions. — p) Provisional.

4) Balance of Payments of the Federal Republic of Germany\* 1950 to 1958 (in millions of DM)

Items	1950	1951	1952	1953	1954	1955	1956	1957	1958 p)
<b>A. Balance of Transactions in Goods, Services, Donations and Capital</b>									
<b>I. Goods and Services</b>									
1. Goods									
Exports (f. o. b.) <sup>1)2)</sup>	8,356	14,577	16,894	18,477	21,938	25,580	30,712	35,831	36,850
Imports (f. o. b.) <sup>1)2)</sup>	10,670	13,084	14,732	14,848	18,046	22,339	25,079	28,322	28,432
Merchandise trade (net balance of sales and purchases)	-2,314	+1,493	+2,162	+3,652	+3,924	-3,302	+5,695	+7,606	+8,473
Net Transactions in Goods	-2,314	+1,493	+2,162	+3,652	+3,924	-3,302	+5,695	+7,606	+8,473
2. Services <sup>3)4)</sup>									
Receipts	937	1,739	2,957	3,760	4,722	5,947	7,428	9,375	10,525
Expenditure	1,119	2,467	2,784	3,282	4,664	6,301	7,624	9,280	10,127
Net Services	-182	-728	+173	+478	+58	-354	-196	+95	+398
Net Transactions in Goods and Services	-2,496	+765	+2,335	+4,130	+3,982	+2,948	+5,499	+7,701	+8,871
<b>II. Donations (by foreigners: +, by Germans: -)<sup>5)</sup></b>									
1. Foreign aid (including net drawing rights)	+2,062	+1,798	+410	+265	+291	-130	+127	+70	+75
2. Indemnification	-	-219	-197	-388	-508	-718	-1,011	-1,498	-1,461
3. Other donations (net)	+24	-7	-15	-128	-172	-226	-223	-222	-250
Net Donations	+2,086	+1,572	+198	-251	-389	-814	-1,107	-1,650	-1,636
<b>III. Capital Transactions (Foreigners' payments: +, German payments: -)<sup>6)7)</sup></b>									
1. Long-term Capital									
a) Net German capital investments abroad (increase: -)									
Private	-	-	-	-3	-174	-258	-326	-782	-1,114
Official	-51	+50	-156	-11	-190	-29	-260	-318	-734
Total	-51	+50	-156	-14	-364	-287	-586	-1,100	-1,848
b) Net foreign capital investments in the Federal Republic (increase: +)									
Private			+0	-58	-92	+28	+454	+911	+542
Official	+509	-199	-183	-357	-264	-271	-425	-541	-501
Total	+509	-199	-183	-415	-356	-243	+29	+370	+41
Net Long-Term Capital	+458	-149	-339	-429	-720	-530	-557	-730	-1,807
2. Short-Term Capital									
a) Net German capital investments abroad (increase: -)									
Private	-330	-15	+197	-53	-136	-169	-208	-639	-693
Official	-	-	-161	+76	-5	-75	-213	-1,893	-710
Total	-330	-15	+36	+23	-141	-244	-421	-2,532	-1,403
b) Net foreign capital investments in the Federal Republic (increase: +)									
Private	+78	+251	+281	+461	+450	+337	+1,104	+636	+35
Official	-	-	-	-	-20	-14	-7	-7	-18
Total	+78	+251	+281	+461	+430	+323	+1,097	+629	-17
Net Short-Term Capital	-252	+236	+317	+484	+289	+79	+676	-1,903	-1,420
Net Total of Capital Transactions	+206	+87	-22	+55	-431	-451	+119	-2,633	-3,227
<b>Net Transactions in Goods, Services, Donations and Capital</b>	<b>-204</b>	<b>+2,424</b>	<b>+2,511</b>	<b>+3,934</b>	<b>+3,162</b>	<b>+1,683</b>	<b>+4,511</b>	<b>+3,418</b>	<b>+4,008</b>
<b>B. Movement of Gold and Exchange (Increase: -, decrease: +)</b>									
I. Change in gold holdings of the Deutsche Bundesbank	-	-116	-471	-780	-1,261	-1,234	-2,413	-4,399	-411
II. Change in assets and liabilities of the Deutsche Bundesbank									
1. Change in assets (increase: -)	-1,026	-154	-2,302	-2,534	-1,607	-613	-2,691	-1,281	-2,436
2. Change in liabilities (increase: +)	+1,590	-1,768	+12	-300	+86	-5	+17	+559	-341
Net Balance of Changes in Assets and Liabilities	-564	-1,922	-2,290	-2,834	-1,521	-618	-2,674	-722	-2,777
Net Movement of Gold and Exchange	+564	-2,038	-2,761	-3,614	-2,782	-1,852	-5,087	-5,121	-3,188
<b>C. Net Errors and Omissions (calculated as residue)<sup>8)</sup></b>	<b>-360</b>	<b>-386</b>	<b>+250</b>	<b>-320</b>	<b>-380</b>	<b>+169</b>	<b>+576</b>	<b>+1,703</b>	<b>-820</b>

<sup>1)</sup> Federal area including Berlin, but excluding the Saar which for a transitional period still belongs to the currency area of the French franc. Therefore transactions between the currency area of the West German DM and the Saar have been treated as transactions with foreign countries. — <sup>2)</sup> Special trade. — <sup>3)</sup> Including additions such as exports and imports of electric power; not including exports of ships' and aircraft's fuel and other supplies, which are included in receipts from services. — <sup>4)</sup> As from 1954 including payments made into and received out of blocked DM accounts and liberalised capital accounts, or including change in foreigners' balances on these accounts. On the other hand, from 1951 to 1953 only payments made for indemnification and under the London Debts Agreement into blocked DM accounts as well as the resulting increase in foreigners' balances on blocked DM accounts were taken into account; moreover, up to 1953 transfers from blocked DM accounts, as far as such transfers were ascertained, are contained in various other items. — <sup>5)</sup> Including receipts from deliveries and services to foreign troops. — <sup>6)</sup> Investments are classified as "Private" or "Official" according to the sector to which the participating German parties belong. — <sup>7)</sup> This residual item reflects, inter alia, changes in the terms of payment, which are not statistically ascertainable. — <sup>8)</sup> Provisional.