

**REPORT**

of the

**DEUTSCHE BUNDESBANK**

for the Year 1964



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# REPORT OF THE DEUTSCHE BUNDESBANK

## FOR THE YEAR 1964

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## Part A

# General Part

## Economic Trends and Central Bank Policy

### I. General Survey

The characteristic feature of the Deutsche Bundesbank's monetary and credit policy during the past year was the greater freedom of action which had been regained, and which permitted fuller use of monetary means to counteract the domestic price upsurge without running the danger that the measures in question would be offset by contrary influences from abroad. The effectiveness of credit policy was furthermore supported by several economic policy measures aiming in the same direction, such as the introduction of the "coupon tax" on fixed-interest securities held by non-residents, and the lowering of customs tariffs in the summer of 1964. The combined effect of the measures adopted within the country, and their conformity with those initiated in other countries to counteract the inflationary tendencies, made it possible to some extent to attain the most important objectives of economic policy — economic growth and full employment, equilibrium in the balance of payments, and stable prices — in the period under review better than in the previous year, even though excessive demands on the labour market and the continuing upward trend of prices still give some cause for anxiety.

During 1964, apart from the brief winter period, the available production factors were fully employed. Not only was there practically no unemployment, and the supply of workers had to be supplemented even more than previously by foreigners; in addition capacities were intensively employed all round. In these circumstances total production increased much more than in earlier years. Its growth was coupled with a balance of payments largely in equilibrium; the long period of surpluses on the balance of payments, which was really interrupted only in 1962, thus seems to have ended, at least for the present. The overall foreign exchange movement, including that at banks other than the Bundesbank, actually showed a small deficit in 1964. On the other hand price stability, which from the point of view of Central Bank policy in particular must be the primary aim, was not fully attained in 1964. In that year the overall price level, with varying movements in individual sectors, rose roughly as much as in 1963. To some extent the price rises were connected with the acceleration of economic growth, since the main reason for them lay in the great increase of total demand, which exerted a strong pull on the still more or less incompletely employed reserves of economic capacity, thus leading to greater expansion of output than in previous years, but on the other hand also allowing cost and price increases to take effect. To that extent the past year's price rises represent a penalty paid for the vigorous economic growth, which was the source for the consistently great rise of the population's real income and, with it, of the general standard of living. The increase in prices would undoubtedly have been greater but for the reversal of foreign trade and payment tendencies already indicated and to be more fully described elsewhere, which reversal stopped the inflow of money from abroad which had persisted for years.

The curbing of the "imported inflation" resulted not least from measures of economic and credit policy adopted at home and abroad. First, customs tariff reductions at home and an effective

anti-inflationary policy in some neighbouring countries operated to reduce the surplus on the German balance of current items. Secondly, the reversal of the net capital movement was clearly due to economic policy actions. Thus as regards long-term capital transactions the introduction of the Capital Yield Tax on German bonds held by non-residents set up a dam against the previously heavy capital inflow (the introduction of the interest equalisation tax in the United States operates in the same direction). Finally it proved possible, through more subtle use of various Central Bank policy instruments (to be described later), to limit the flow of short-term foreign funds to German banks, and to induce the banks to export money.

The change in the balance of payments and the rise in the level of interest rates abroad, connected for a large part with the above-mentioned economic policy measures applied there, provided a good basis for reactivation of the Bundesbank's credit policy. The measures of credit policy, especially the general raising of minimum reserve ratios with effect from August 1964 and the increase of the Bundesbank's discount and advance rates in January 1965, aimed chiefly at averting the danger of the rise of domestic demand continuing undiminished or even accelerating, a danger which has if anything grown further in the first months of 1965. In the following paragraphs an attempt is made to describe the most important trends which necessitated these measures, and to analyse the current problems of cyclical and credit policy.

### 1. Economic Activity

A "model" cyclical  
upswing

In 1964 the German economy experienced its fourth boom since the currency reform. In almost classical fashion the impulse which had come from foreign demand in 1963 was followed by gradual acceleration in the growth of domestic demand. Beginning with additional orders which the stock cycle caused manufacturers to give to raw material producers, the upswing spread fairly quickly to the investment activity of enterprises. In addition, public authorities increasingly expanded their capital investment, and finally the consumer expenditure of private households also increased at a faster rate, in the course of the general expansion of incomes. This time-sequence of the individual demand impulses repeated basically the pattern of previous business cycles. But in 1964 tension factors also emerged in the economy, much as they had done earlier, even if they have not attained the magnitude observed in 1959 and 1960. It was the labour market in particular which in 1964 was overstrained more than before. On the one hand the number of vacancies reported at labour exchanges was considerably greater throughout the year than a year previously, and also greater than in any preceding year. On the other hand the number of registered unemployed was smaller than ever before, equalling only a fraction of the unmet demand for labour. Owing to the excess demand for workers the upsurge of wages became stronger. But the increasing tensions were also reflected not least in the prices of goods sensitive to cyclical influences. In particular the producers' prices for industrial products, which normally react to changes in the market situation without any great time-lag, rose relatively fast from mid-1964 onwards, even though partly under the influence of extraneous factors such as the rise in prices of non-ferrous metals, so that in February 1965 they were above their level of a year earlier by 2.4 per cent. That removed one of the few factors which had previously had a retarding effect on the general price rise, since producers' prices for industrial goods had risen only slightly, if at all, thus in some measure counteracting the sharper rise in the prices of foodstuffs and services, and also the current rise in housing rents.

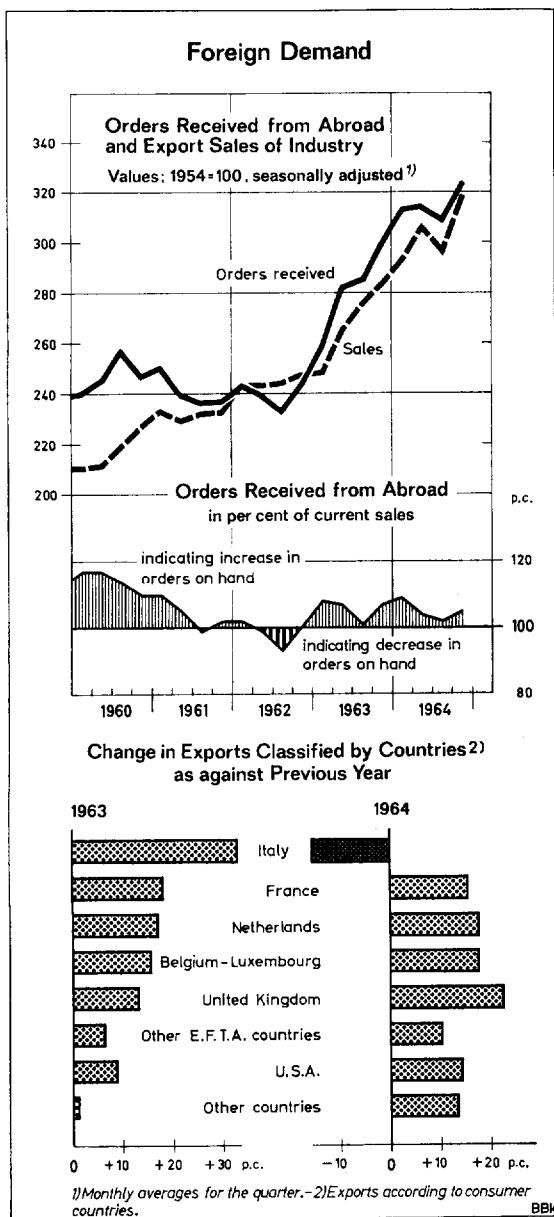
#### *Flagging of the Export Boom*

The increasing importance of home-market demand as an element in total demand which characterised the economic trends in 1964 resulted both from the fact that resident purchasers gave far more orders than in the previous year, and from foreign demand growing appreciably less in the course of 1964 than formerly. In the last three months of 1964 and at the beginning of 1965

the foreign orders reaching industry were greater by only about 5 per cent than a year earlier, whereas in 1963 the year-to-year growth-rate had been roughly 17 per cent. The export figures also indicate that the rise in exports has slowed down, even if the damping influences were clearly more marked during the summer than in the following autumn and winter months.

The principal reasons for the relatively slow growth of foreign demand doubtless lay in the fact that in some neighbouring countries the cyclical overheating, which had previously caused the drain on German goods, gave way to a more balanced trend, partly because of the measures adopted there to counteract inflation, partly because of the deflationary effects which had accompanied the preceding large deficits on balances of payments and were still operating. There was a particularly marked change in Italy, reflected *inter alia* both in reduced German exports to that country and also in greater imports from it, so that on trade with Italy in 1964 there was an export surplus of only a little over DM 100 million as against nearly DM 1,800 million in 1963. It is true that the Federal Republic's exports to the other E.E.C. countries continued to rise during 1964, but in general they rose not much more than the imports from that area.

A consequence of stabilisation in neighbouring countries



On the other hand the growing cyclical tension in some important E.F.T.A. countries, especially in the United Kingdom, gave rise to an increased demand for goods from the Federal Republic. The close connection which this proves to exist with economic trends in non-E.E.C. countries is an indication that international coordination of cyclical policy cannot be confined to the E.E.C. countries alone, urgent though mutual harmonisation is precisely for countries where a particularly high measure of integration has been achieved.

To a certain extent, however, the flagging of the German export boom was also due to the fact that, because of the increasing activity in domestic business, resident producers were no longer obliged to export "at any price". In point of fact, many exporters in the course of 1964 adapted their export prices to the level, as a rule no doubt somewhat higher, in the purchasing countries. Since moreover domestic prices were higher in many categories than export prices, it was natural — in view of the good business at home — to raise prices for export even at the risk of some otherwise possible export contracts not being concluded. At all events German industry quite considerably raised its export prices in 1964 — by over 4 per cent between December 1963 and December 1964 — whereas from 1958 to 1963 the level of export prices (expressed in DM) had remained practically stable. As is shown by the following graph based on average export values, the main effect was merely

Adjustment of export prices

to conform to export price increases which exporters from most other European countries had already effected in 1962 and 1963.

### *The Advance of Domestic Demand*

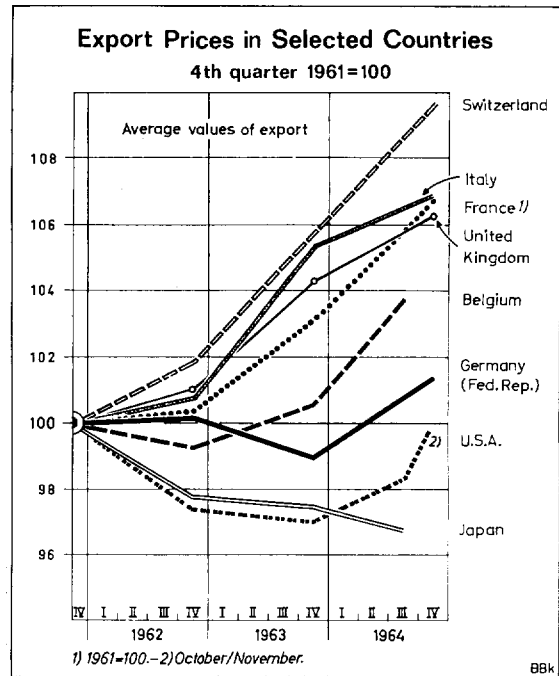
#### Investment by Enterprises

The first effect of the export boom which had lasted until the beginning of 1964 was that domestic investment activity of enterprises increased. Although the orders newly given within the country to capital goods industries did not rise so abruptly in 1964 as in 1960 (the year of the last price boom for capital goods), in the industries of chief interest in this connection they were above the level of a year earlier by some 18 per cent. Actual deliveries did not indeed quite keep pace with this, but they, too, increased by roughly 10 per cent. The amount of building planned by trade and industry expanded even more than the orders for equipment

goods, suggesting that extension of production capacities was at least as important a motive for increased investment activity as the continuation of rationalisation investments.

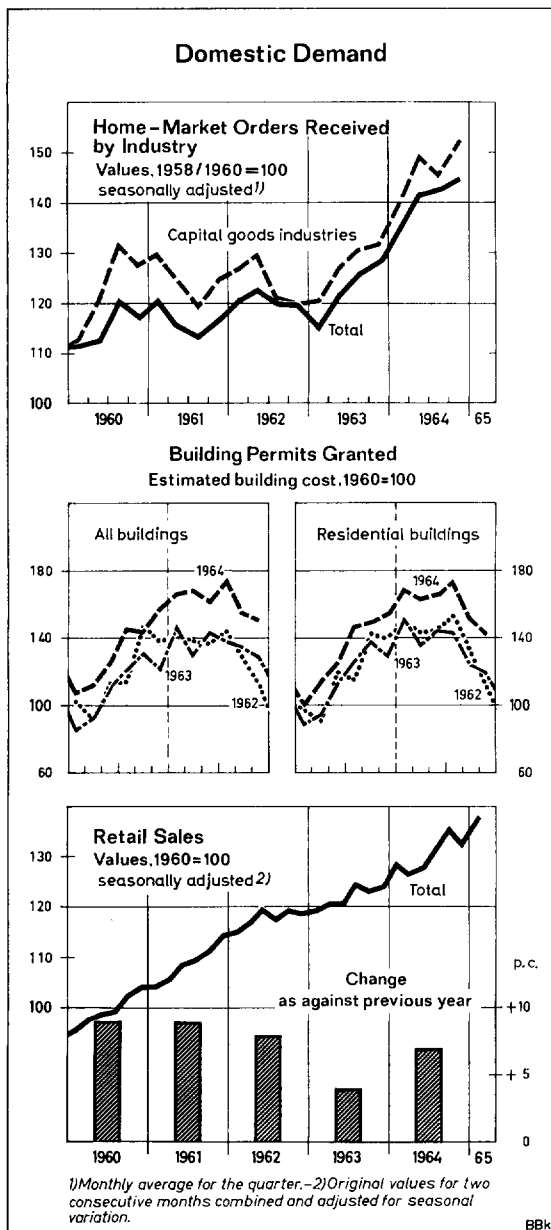
With the vigorous rise of sales and production many enterprises in the course of 1964 reached the limits of their capacity; in some cases current orders even exceeded the ability to deliver, thus further increasing the incentive to extend capacities. Moreover, in 1964 profits increased far more than in the preceding years, so that enterprises had much more funds of their own available to finance capital expenditure than before. The rise of profits resulted mainly from the increase in turnover, while profit margins would appear on the overall average hardly to have changed at all. Also important was the fact that rising profits normally produce their full effect in the shape of correspondingly higher tax payments only after assessment for Income or Corporation Tax, *i. e.* between twelve and eighteen months later, so that last year enterprises' own funds available for financing capital expenditure grew by an even greater proportion than their gross profits. Thus it again became clear that the cyclical upswing is augmented by the time-lag in tax assessment; hence — at all events from the cyclical policy angle — there is again reason to recommend that ways should be sought to enable the tax authorities to adjust as closely as possible to the actual course of earnings the advance payments to be made by enterprises on taxes dependent on profits.

The rapid growth of enterprises' own resources no doubt contributed to the cooling, induced by credit policy, of the financial temperature at first affecting but slightly their decisions to invest. Yet it would be wrong to conclude that to make borrowing more difficult would have no effects at all on the decisions by enterprises and by public authorities to engage in capital expenditure. Whilst a difficulty of this kind hardly impairs the realisation of capital projects which have already been initiated and are safeguarded by banks' assurances of finance, it does affect the planning of new projects. The altered terms for borrowing influence at least those capital projects which are to a great part financed by borrowing and in the case of which, because the turnover of capital is relatively slow, expenditure on interest forms an appreciable element in the overall cost structure. When, as has in fact happened, agriculture and also certain industries ask for additional interest rate subsidies in the case of a rise of interest rates (although they by no means always obtain them) so as to keep their actual interest burden at the old level, these are only



Great incentive to extend capacities

Influence of altered "financial climate"



some of the examples which make clear that at least the sectors of the economy with comparatively small earnings and large capital equipment are sensitive to interest rates, to say nothing of house-building, where such sensitivity is even more obvious.

### Government and Government-Assisted Capital Expenditure

Domestic demand was, however, also supported in 1964 even more strongly than in 1963 by the increasing investment activity of public authorities; in the latter year private investment activity had been relatively small, so that *pro tanto* somewhat more room had been left for investment by the Government. Altogether public authorities applied to their own capital expenditure in 1964 over DM 21 billion, or roughly 15 per cent more than in the previous year. Even allowing for the fact that some of this additional expenditure was due to favourable weather at the start of 1964, permitting building activities on public account to gather momentum faster than a year previously, hence also entailing heavier capital expenditure, there is on the other hand no mistaking the fact that public authorities' capital projects very greatly increased during 1964, planned expenditure on public buildings growing even more than the actual expenditure on such building. In 1964 the estimated expenditure on construction of public buildings approved by the building authorities was greater by almost 20 per cent than in 1963. "Anticyclical" behaviour of the kind required in view of the similarly increased demands for house-

Greatly increasing government capital expenditure

building and for trade and industry for the purpose, in particular, of not again overstraining the building market (on which this kind of demand for capital goods is concentrated), was thus not a feature last year of the public authorities' planning of capital expenditure. The difficulties which tend to prevent cyclical orientation of government investment policy are of course great, and in many respects are perhaps even insuperable. Thus the urgency of many official building projects, especially in transport and communications, is obvious. Capital projects are moreover planned by a multitude of independent agencies and separately responsible departments of *Länder* and local authorities. Central influencing of this process through the laying down of specified limits on expenditure or through general orders for reduction, as was done in the Federal budget for 1964 and was recommended to the *Länder* for imitation, has so far proved insufficient. As a rule, moreover, it is possible to fall back on earlier years' residual appropriations, which in certain circumstances permit expansion of expenditure for capital purposes even where smaller amounts have been appropriated in the current budgets than in the previous year. Unfortunately, despite many remarkable efforts,

attempts made at various levels of the public administration to coordinate the numerous individual investment plans better than before have not yet resulted in sufficiently effective action.

Besides their own investment activity the public authorities last year also stepped up the encouragement which they give to private investment. This applies, in the first place, to governmental promotion of house-building. Altogether government assistance was promised in 1964 for 253,000 dwellings or more than in 1963 by nearly a fifth. True, this did not equal the 282,000 authorisations given in 1962; but that is not very significant, inasmuch as the high level meanwhile reached in the supply of housing (it is now higher, as regards both the number of rooms and their outfitting, than that prevailing before the war) would in itself increasingly permit cutting down the governmental encouragement for house-building. In connection with publicly assisted dwellings during 1964 some DM 4 billion of government loans were promised, free of interest or at an extremely low rate of interest (not exceeding 2 per cent), against only DM 3.0 billion in the previous year. There was an even greater percentage rise in promised interest-rate and redemption subsidies, with the aid of which the debt service on DM 1.6 billion of loans obtained in the capital market by the parties ordering the building is reduced, for five years, to the low rate prevailing for government lending. Altogether during 1964 more than DM 5.5 billion of finance was promised at very low rates of interest for publicly assisted house-building; this was almost two-fifths of the total expenditure on constructing publicly assisted dwellings, and more than one-fifth of the expenditure on financing all house construction (including dwellings financed by private enterprise).

Besides house-building, several other branches of activity, especially agriculture and enterprises in zonal border areas, receive both capital aid in the form of reduced-interest loans and capital service subsidies. If all the loans which public authorities granted in 1964 to resident enterprises and for housing purposes are combined, they would probably be found to amount to some DM 9 billion. If the capital market resources tapped for house-building and the other branches of activity by dint of interest subsidies are added (they may have reached DM 4 to 6 billion), the total amount provided in 1964 at reduced interest rates for housing and for other activities (including agriculture) may be put at DM 13 to 15 billion.

Roughly one-third of all the borrowed capital required during the year by the German economy (including house-builders) is thus provided at an "unrealistically" low interest. This has considerably impaired the function of the market interest rate, and the effect of interest rate policy, with the result that equilibrium can be established only with great difficulty, if at all, on the markets primarily affected thereby. This applies in special degree to the housing market, which will not reach equilibrium so long as government measures of the most varied kinds such as rent control, government loans, interest and repayment subsidies (even though these latter may be granted only for a number of years) cause wide sections of the population (although by no means all) to spend less on housing than they could in view of the rise in real incomes, and indeed less than they are willing to spend, as shown by the pressure for better and bigger dwellings. Thus the demand for house accommodation steadily expands, even beyond the time when the statistically ascertained housing shortage will be covered, which incidentally it almost was — on a purely arithmetical basis — at the end of 1964. No less serious is the effect of falsifying interest rates on the capital market, since the availability of an appreciable portion of outside funds at extremely low interest rates inevitably induces comparatively high interest rates on the private capital market. As borrowers are in the habit of applying a "mixed calculation" to their interest burden, they are in a position to pay higher interest rates for funds obtained on the capital market than would be the case in the absence of interest subsidies.

#### Overall Effect of Budgetary Policy

Government expenditure on own capital projects, and on promoting those of others, in 1964 constituted the especially dynamic part of public expenditure. The rest of government expenditure

Governmental encouragement for private investment in housing...

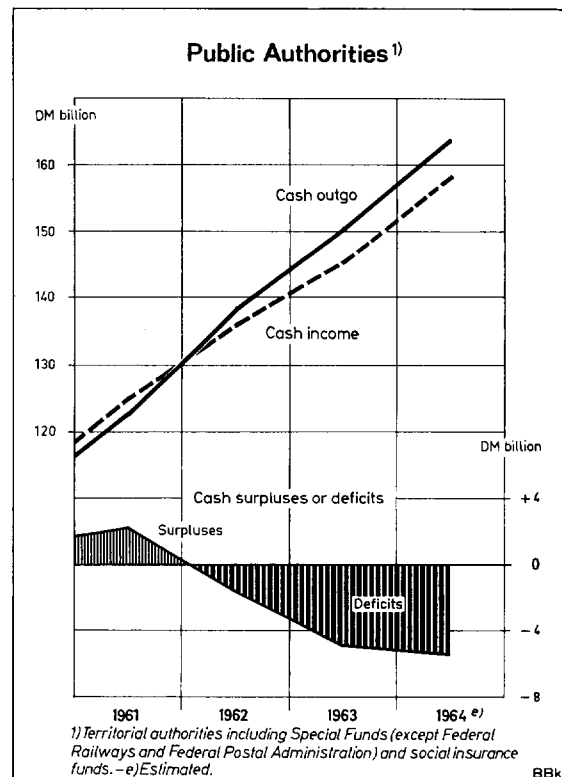
... and in other branches of activity

Partial paralysis of the interest rate mechanism, and its consequences

Expansion of total budgets



rose by less than that for capital purposes, namely by about 8 per cent. The expenditure of all public authorities, including social insurance institutions, probably totalled some DM 164 billion in 1964. Thus it rose by just on 9 per cent as compared with the previous year, that is by hardly less than the national product at current prices; on the other hand the growth of expenditure substantially exceeded the simultaneous real increase (by 6.5 per cent) of the gross national product. Accordingly public expenditure rose during 1964 far beyond the limits of the six per cent addition which the Federal Cabinet in its Economic Report for 1964 had set as a guide rule not only for the Federal Government (which in fact conformed to it), but also for the rest of the public authorities. If this limit on spending had been observed, then, since revenues — as will be shown later — likewise grew by 9 per cent, the result would have been that the deficit on the public budgets would have almost disappeared in 1964. From the angle of the business cycle and of monetary stability that would certainly have been the proper course. The prospects for such limitation of expenditure are in political reality naturally not very good, since many items of public expenditure necessarily run more or less parallel to the nominal rise of the national product and the national income. In practice this applies to all public income payments (income transfers in the form of social security pensions and the like, as well as wages and salaries for persons in the public service), which payments de facto increase, and are probably bound to increase, like income payments in the private sector, unless there are to be distortions in the income structure. Opportunities for certain economies exist (apart from the administrative expenditure on materials, which is not especially important in terms of quantity), for instance on defence expenditure, which during 1964 in fact fell considerably short of the appropriations. Capital expenditure, especially the grants comprised therein towards promoting capital investment by others, is also in itself elastic and could for a time well be cut down. Failure to do so was one material reason why the total expenditure of public authorities rose practically as much as spending — and hence demand — in the private sector of the economy.



As already indicated, the public revenues increased quite considerably in 1964, which was primarily the basis for the expansion of expenditure described above. At roughly DM 159 billion they exceeded by nearly 9 per cent the total for 1963. Thus revenue, like expenditure, rose almost in proportion to the growth (by 9.6 per cent) of the gross national product. In the case of taxes on turnover, and of social insurance contributions, such proportionate growth is natural. Because of the time-lag in the assessment, the taxes dependent on profits rose somewhat less, although in the overall result this was made good by the more-than-proportionate increase in proceeds of the Wages Tax. At about DM 13 billion in absolute terms the increase of revenue fell short by over half a billion DM of the simultaneous rise in expenditure. The deficit on the public budgets not covered by current receipts, which had amounted to fully DM 5 billion in 1963, therefore rose to approximately DM 5.6 billion. If the cyclical effect of the public finances is judged by the size of the total net credit requirement, which is identical with the deficit, it might be concluded

Rise of revenues only a little less than that of expenditure



that in 1964 the public finances exerted, if anything, a somewhat greater expansive influence on overall economic activity than in the previous year. The financing of this official net credit requirement differed from that in the previous year, however, inasmuch as it was mainly ensured by longer-term loans (taken at banks or procured by the issue of bonds), to which extent it largely represented re-channelling of savings. In itself longer-term borrowing, at DM 6.1 billion, was actually greater than the net need for financing. On balance, that is with the inclusion of readily available bank deposits, the public authorities' short-term debt therefore decreased somewhat in 1964, and did so — as will be shown in one of the following chapters — both through partial repayment of Federal indebtedness at the Bundesbank and through an increase of short-term monetary assets, especially on the part of social insurance institutions. In purely monetary terms the official financial policy did not therefore produce so expansive an effect in 1964 as in the preceding year, when short-term indebtedness — again on a net basis — had increased more. What was cyclically unsatisfactory about financial policy last year was rather that the public authorities did not counteract the expansive tendencies in the private sector, and that they indirectly magnified such expansion, above all by providing further funds at low interest rates.

#### Private Incomes and Private Consumption Feel the Impact of the Cyclical Upswing

The last link in the chain of cyclical reactions was private consumption. The strong impellents of economic activity in the other sectors of the economy quickly spread to private households' income, which — partly because of tension on the labour market and the consequent rise in wages, but partly also because of the better profit and income situation enjoyed by entrepreneurs and other self-employed persons — rose by much more in 1964 than in 1963. The disposable income of private households was greater by about 9.5 per cent in 1964 than in the previous year, when it had increased by only 6.7 per cent. One reason was that apart from the above-mentioned "market-induced" incomes the public income transfers also considerably increased — whether because certain benefits like social insurance pensions were more or less automatically adjusted to the general rise of incomes (in which connection the effect of basing the calculation on the wage movement in past years was that pensions increased more in 1964 than wages rose in that year), or because increases were voted by the legislative bodies.

Greater increase of private incomes

While private households used their additional income in 1964 mainly for purposes of consumption, as was to be expected, a quite considerable part was also saved. Private households' saving ratio — that is their saving measured by their disposable income — rose to 10.8 per cent in 1964 against 9.6 per cent in the previous year and 8.5 per cent in 1962. This means that of their additional income in 1964 — amounting to DM 22.6 billion — private households saved DM 5.4 billion, or roughly a quarter. This saving materially counteracted the increase of total demand, since it may be assumed that — at least in the short run — decisions to invest are largely independent of the size reached by monetary capital formation. The fact that nevertheless interest rates on the domestic capital market rose last year indicates that the additional monetary capital formation within the country did not suffice both to make up for the shortfall of foreign capital and adequately to meet the increased domestic demand for long-term funds.

Effective demand checked by saving

#### *Great Elasticity of Supply*

Overall supply, favoured by some factors of a rather more temporary nature, considerably increased in 1964. Domestic production was assisted by two fortunate circumstances. For one thing, the weather favoured the course of production in the first months of 1964 — quite unlike 1963, when a long winter had for a time completely paralysed work dependent on the weather. For another, productivity increased by an unusually wide margin, because particularly at the start of the year production capacities were in many cases not fully employed, so that for a time it was possible to increase production considerably even without any great rise in the number of people at work; in other words, output divided by the number of man-hours worked (the

Marked increase in domestic production...

“overall productivity”) increased during that period by much more than usual. In the main, however, both circumstances applied only to the first half of 1964. This is clearly reflected in the fact that the real national product was greater by 8 per cent in the first half of that year than a year before, whereas in the second half an addition by only about 5 per cent was achieved, resulting in an average of 6.5 per cent for the whole of 1964. Special elasticity was shown in 1964 by the increase of industrial production, which on the average for the year (reckoned per calendar month) was above the previous year’s level by over 9 per cent. In the remaining sectors of the economy the growth of output kept within much narrower limits. This applies especially to agricultural output, which despite favourable crop results rose on the whole by only a relatively small margin (a little over 3 per cent for the calendar year).

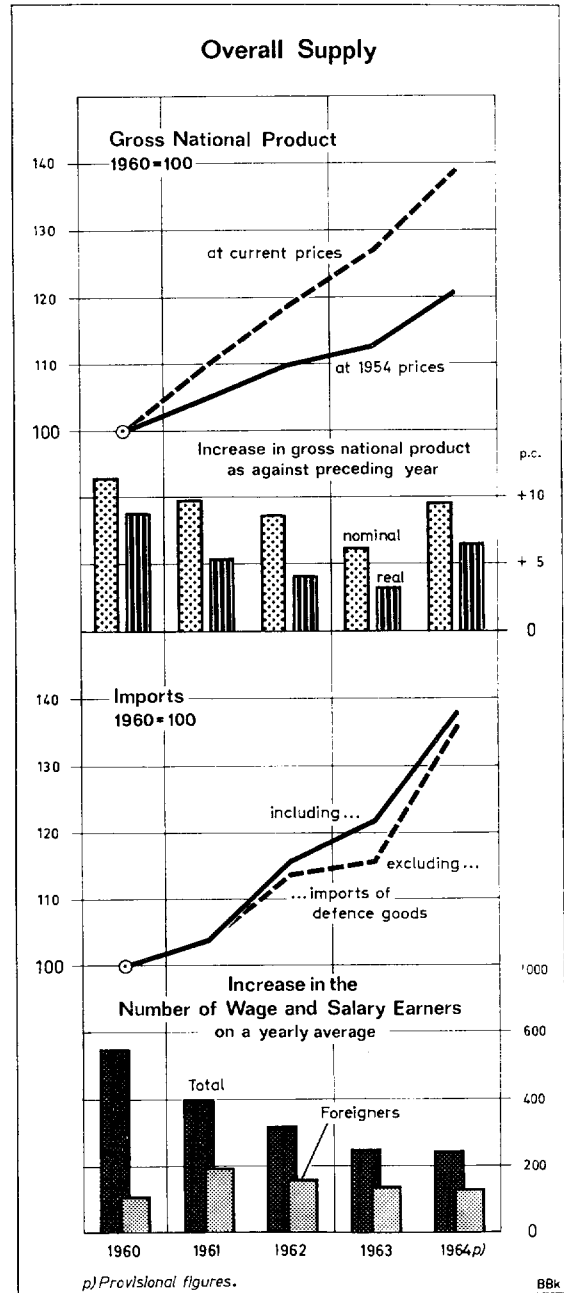
... despite an unsubstantial increase of the potential labour force

The generally vigorous increase of production was the more noteworthy because the total number of gainfully active persons grew only slightly — by 100,000 — in 1964. As will be shown in one of the following chapters, this growth was exclusively due to the fact that the number of foreign workers (reckoned on the yearly average) rose by about 130,000, so that the slight decrease in the number of gainfully active nationals was outweighed. However, unlike previous years, the average number of man-hours worked did not decrease in 1964, although this was in part only because the year as a whole numbered more working days, whereas in the preceding years the total number of hours worked had been reduced on that account. One reason may have been that some large

Need for greater mobility of labour

trade unions were prepared in 1964 to postpone (in some cases by more than a year) previously agreed cuts in working hours, even though this entailed a temporary shelving of the 40-hour week, the attainment of which the trade unions had originally envisaged for 1965.

A further reason why the labour shortage in 1964 exerted a less retarding effect on production was that, if anything more than before, workers moved from less productive sectors into the areas of maximum demand for labour. Thus for example the number of persons employed in industry alone during 1964 increased by 150,000, that is by more than the growth in the potential total number of gainfully active persons. Which branches of activity on balance suffered a decrease in the number of persons employed is not known with sufficient accuracy. The most important branch losing workers undoubtedly continues to be agriculture, where it is mainly so-called assisting family members that leave each year for jobs in trade and industry. The share of agri-

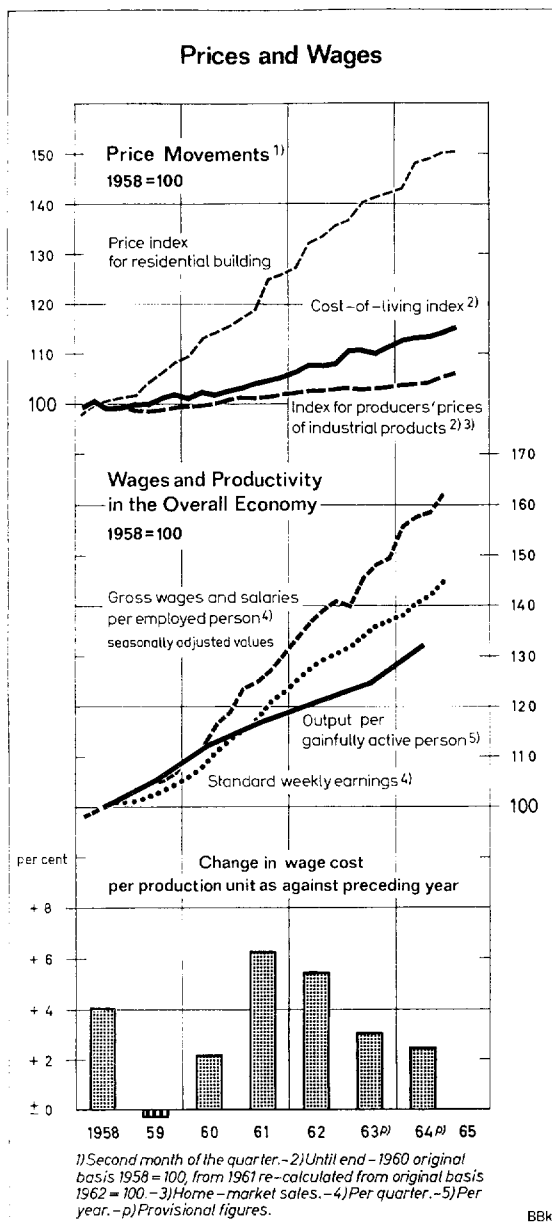


culture and forestry in the total number of gainfully active persons is however still considerable at 11.4 per cent and remains twice as great as the contribution made to the gross national product (this was not quite 5 per cent in 1964 as measured by the contribution of agriculture and forestry to the gross domestic product). From the whole economy's point of view, therefore, agriculture still contains potential labour reserves, the liberation of which for employment off the farms must remain an aim of agricultural policy, particularly since the consequent rise in the productivity of agriculture is also the basic prerequisite for long-term improvement of the real income of those who continue to work on farms. There are similar problems of economic policy in other branches of activity as well, for instance in coal mining or with the Federal Railways, which as a result of technical changes have lagged behind the progress of economy and, with their total output stationary or even contracting, have been currently able to part with workers, or at all events ought to be able to part with them if they exploited opportunities for rationalisation. If these trends are counteracted by a more "conservatory" economic policy, this will prevent the labour market tensions

resulting from needs in the particularly dynamic sectors of the economy from being reduced to the extent which should in fact be possible. Besides, checking this "natural" development means that *pro tanto* growth reserves of the economy are not being utilised.

The total domestic supply was also considerably increased through imports in 1964. According to the official foreign trade statistics imports in that year rose by 12.6 per cent in value and by over 11 per cent in volume. If armament imports are disregarded (because they do not directly affect market supply), the 1964 rise in imports was actually 17 per cent against only 2 per cent in 1963. Even if the basis taken is the somewhat smaller "real" increase in commercial imports, it can be said that in percentage terms this was almost two and a half times as much as that of total domestic production. So strong a "propensity to import" has hitherto been attained or exceeded only in years of extreme internal market tensions. How greatly the increase of imports reflected closer interlocking with other countries is shown by the fact (among others) that on the average the prices for imports rose no less than domestic prices. In other words, the rise of demand within the country directly caused greater recourse to foreign markets, without foreign suppliers having become more competitive in price. Imports from the E.E.C. area proved especially elastic; in the commercial sector they were greater by some 20 per cent in 1964 than in the previous year. In the course of 1964 the growth of imports definitely gained momentum. In its second half, that is after the tariff reduction had come

Supplementing supply through imports



into force on 1 July 1964 before due date, commercial imports from E.E.C. countries rose by 26 per cent. The high degree of interlocking achieved in the Common Market thus reduced strains on domestic markets in the Federal Republic of Germany, just as, at least in principle, the inflationary tendencies prevalent in some neighbouring countries during 1963 had rapidly spread to our economy, to the detriment of German internal stability.

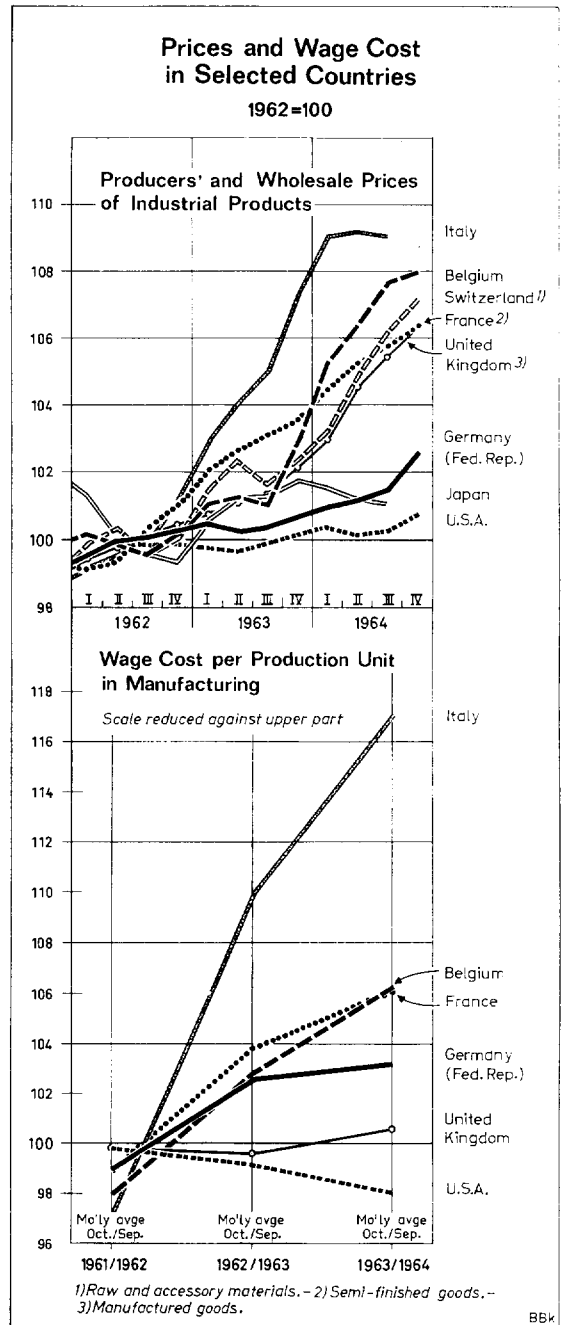
*Continuing Slight Price Rises*

Extent of the price rise

In general during 1964 the price increases on domestic markets remained within relatively narrow limits (see graph p. 11). Most price indices rose in the course of the year somewhat less than in 1963. Thus, the cost-of-living index was higher by 2.3 per cent at the end of 1964 than twelve months earlier, whereas in the course of 1963 it had risen by 3.3 per cent. This was largely because prices for agricultural products rose less than in 1963 not only at the producer but also at the consumer stage. In the case of prices depending more on the course of the business cycle, on the other hand, the rise became faster. Producers' prices for industrial products rose for example by 1.9 per cent in home-market sales, against only 0.5 per cent in the previous year, and prices for building work also rose somewhat more in the course of 1964.

Principal causes

The connection between the price rises last mentioned and the course of the business cycle suggests that the main cause for such rises lies in demand. It is true that in the course of the year material importance also attached to cost increases which did not directly result from upward tendencies within the country, but were due to exogenous factors, especially to the rise in the prices of imported raw materials. But the principal reason was that the greater volume of demand made it possible to pass on the whole increase of production costs to prices. Profit margins were at all events in general not affected, which is a fairly reliable indication of demand-induced price rises. Especially in the case of living costs economic policy or administrative influences were of course also factors of some consequence. Thus the release of rents from control in the "white" districts operated, not least, to raise the cost of living; the reason for this "price rise" lay, however, not in current cyclical trends but in the fact that the adjustment of these rents to a true market level had been artificially prevented for years, indeed in some cases for decades. Moreover, consumer prices reflected the rise which affected the "production factor labour" in the course of



the year more than industrial prices did because more particularly in the case of services it proved far less feasible to offset wage increases through simultaneous advances in productivity than it did in the case of industrially produced goods. That this was the case in 1964, much as in earlier years, is shown *inter alia* by the fact that with a roughly equal increase of average earnings the wage costs per unit of production rose in industry by a yearly average of less than 1 per cent, while in the non-industrial sectors the rate was over 4 per cent (and in the whole economy about 3 per cent).

One reason for the fact that the rise of prices continued was undoubtedly that in the principal countries trading with Germany prices had during previous years tended upwards more strongly than in the Federal Republic, and in general also rose further during 1964, in some cases again more strongly than in this country. That is at all events indicated by the indices of producers' or wholesale prices for industrial products in some important countries (see the opposite graph); according to these, in 1964 only the United States showed price rises smaller than did the Federal Republic of Germany, while Japan, with a slight price fall, diverged from the tendency in the other countries. This trend is evidently due in some measure to the movements of wage costs per unit of production in manufacturing industries. As can be likewise seen from the graph, wage costs per unit of production in the manufacturing industries of the Federal Republic rose by less, or at least by no more, than in those of most other West European countries, while in the United States they declined, because there productivity grew faster than wages increased. There is accordingly no evidence to show that the German economy's international competitive position deteriorated in 1964 from the angle of costs and prices. For 1965, however, the prospects in that connection are not so favourable. At all events according to forecasts by the Governments of the E.E.C. countries for the current year it is expected that only the Federal Republic will show a rise of wage costs per unit of production greater than in 1964.

No loss of competitive power

## 2. The Credit Situation

### *Stemming the Liquidity Inflow from Abroad*

Monetary trends in the Federal Republic of Germany during 1964 were especially characterised by the change in financial relationship with foreign countries. This change was most clearly reflected in the reversal of the balance of payments, since in 1964, by way of contrast to the large 1963 surplus, it was in overall equilibrium; after the middle of the year indeed a substantial deficit appeared. Neither the central monetary reserves nor the foreign exchange position of the credit institutions changed materially in the year 1964 as a whole, whereas in 1963 there had been a total net foreign exchange inflow of DM 1,870 million. The influx of money from abroad thus ended; if the movements in the course of 1964 are considered, the flow was even for a time reversed. In the first months of 1965, it is true, there were again larger inflows of foreign exchange; in great part, however, these would appear to have been of a seasonal and rather fortuitous character, and to that extent do not so far indicate any change of tendency.

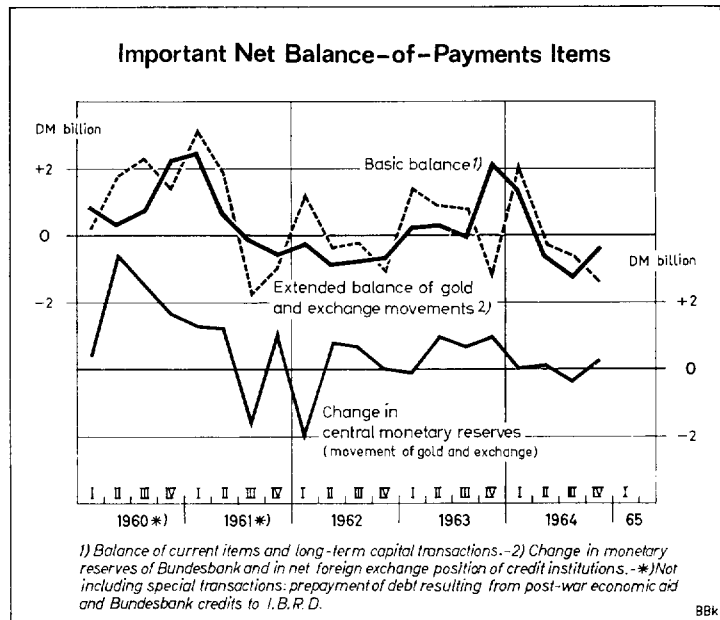
Reversal in the balance of payments

The change in the balance of payments during 1964 had two entirely different causes. In part it was due to economic measures, directed at producing such a reversal, but in part it was also due to market influences, such as are basically always inherent in any strong cyclical upswing on the domestic scene. The market reactions are more particularly reflected in the fact that in economic relations with foreign countries — both in trade and in services — German purchases abroad increased more than foreigners' purchases in Germany, so that the surplus on current transactions diminished and finally became a deficit. In the second half of 1964 the balance of current items showed a deficit amounting to DM 1.2 billion, and the months of January and February 1965 also produced a deficit of DM 225 million, whereas in the first half of 1964 there had still been a large surplus. In other words, since mid-1964 the payments to be made for imports of goods and services and for current transfers to foreign countries are no longer fully covered by the foreign exchange received from exports of goods and services.

Influence of market factors

Checking long-term capital imports

One cause of the reversal in the balance of payments, even more important than the change in net current items, lay in the economic measures which were adopted in connection with capital transactions in order to check the afflux of foreign exchange. A particularly marked effect was produced by the Federal Cabinet's announcement — made in agreement with the Bundesbank — that it would put to the vote in Parliament a bill to introduce a 25% Capital Yield Tax on German issuers' fixed-interest securities held by non-residents, which



bill has in the meantime been adopted by the legislature and was promulgated on 27 March 1965. As soon as this intention became known, there was virtually an end to foreign buying of German fixed-interest securities, which had amounted to about DM 2 billion net in 1963; in fact during the first weeks and months after the announcement of the "coupon tax" foreigners sold considerably more German securities than they bought in the same period. By mid-1964, however, the spate of selling had practically ceased. Since then international trading in German fixed-interest securities has been largely in balance; foreigners' purchases have even predominated to a small extent. Non-residents' direct investments within the country (through acquiring of interests in resident enterprises, long-term lending and the like) were, however, again greater in 1964 than in the previous year. But these capital imports, which reflect the Federal Republic's increasingly close financial links with the rest of the world, produce less effect on the balance of payments because against them there are considerable capital exports of the same or at least a similar kind. With the inclusion of the very substantial public capital transfers, above all in connection with development assistance, German capital exports in 1964 even considerably exceeded the imports of long-term capital. Thus in 1964, as has long been the aim, the Federal Republic on balance exported capital, which is in principle more appropriate to the state of the German economy's development — and probably also to the long-term trend in the balance of current transactions with foreign countries — than the earlier net imports of capital. The fact that to achieve this reversal it was necessary to introduce the withholding tax clearly shows that foreigners' former preference for German fixed-interest securities, to which preference the net capital import was due especially in 1963, was based largely on purely fiscal considerations and not so much on other factors often quoted to explain the attractiveness of investment in the Federal Republic. The withholding tax, which at least in countries with which there are double taxation relief conventions will affect only those foreign holders who are unwilling to divulge to their tax authorities their income from German securities, therefore represents a structural clarification from the angle of tax policy.

Promotion of money exports

The introduction of the coupon tax was accompanied by similar protective measures in the sphere of short-term capital transactions; these measures could of course be directed only against the credit institutions' imports of money, while the rest of the economy's short-term capital transactions cannot be influenced unless recourse is had to bureaucratic controls. So as to encourage credit institutions to refrain from repatriating their short-term foreign assets, and if possible to "improve" their external position, the Bundesbank began as early as March 1964 to make the

“export of money” more remunerative for the banks by offering on investments in U.S. Treasury bills a forward exchange rate guarantee, the cost of which at 0.5% per annum ( $\frac{1}{4}\%$  per annum since July 1964) was lower than that in the free market. Since the Treasury bill rate in New York exceeded the yield on comparable paper in the Federal Republic by much more than had to be spent in these circumstances on forward rate covering, switching of the banks’ liquid assets appeared worth while if only for that reason. The inducement to switch became stronger when with effect from 1 April — pursuant to the Central Bank Council’s decision of 19 March 1964 — the highest permissible minimum reserve ratios were introduced for the banks’ foreign liabilities, while at the same time the possibility was maintained of excluding these liabilities from the minimum reserve obligation in so far as short-term funds are maintained abroad. In the case of banks which take advantage of this offsetting facility, this indirectly raises the yield on their short-term foreign assets so greatly that investment on money markets abroad is much more remunerative for them than investment at home, even if for this purpose — as in the case of funds employed in the Eurodollar market — the forward rate has to be fixed in the free market. Even after the raising of money-market rates at home (following the Bank Rate increase) this yield differential remained, since in many foreign countries money-market rates had already risen before that, not least owing to the effect of Bank Rate increases in leading Western countries.

Finally, the authorities also sought to prevent the banks from importing money by a ban on payment of interest on foreigners’ deposits (with the exception of savings deposits). Moreover, in accordance with the Central Bank Council’s decision of 9 July 1964, the rediscount quota of each credit institution has since August 1964 been reduced by the amount of its additional foreign borrowing. The basis taken for calculating the amount of the addition to be deducted from the rediscount quotas is the average total borrowings abroad at the ends of the months from January to June 1964. When banks procure liquid funds from abroad the effect has since then been that their free liquidity reserves are reduced by the same amount, so far as they comprise any rediscountable bills, since banks can rediscount at the Bundesbank only to the extent of their quotas individually fixed for that purpose. This measure, it is true, did not at first prevent the credit institutions from taking more short-term credit abroad (at the end of 1964 such borrowings outstanding totalled DM 2.6 billion against DM 2.2 billion at the end of 1963), but the increase was much less than it had been for instance in 1960, when the constriction of liquidity within the country, which had been the aim of credit policy, was nullified largely in that way. The short-term credit additionally obtained abroad after 1 August 1964 chiefly served for financing imports and merchanting trade — the additional taking of credit for these purposes is not counted against the rediscount quotas. Another factor may have been borrowing by foreign banks’ German branches from their head offices abroad — *i.e.*, by institutions largely independent of the rediscount facility at the Bundesbank. Incidentally the banks’ short-term foreign liabilities — including the amounts deposited by non-residents at German banks, which normally grow in accordance with the turnovers financed out of them — rose no more in 1964 than the short-term foreign assets. At the end of 1964, in any event, the credit institutions’ net external liabilities were greater than a year earlier by only DM 50 million. In the first months of the current year the short-term foreign assets were, as is usual for the season, so greatly increased again that at the end of February 1965 they exceeded the external liabilities, which had in the meantime been reduced.

As already indicated, short-term foreign borrowing by non-banks was not subjected to any sort of restrictions, although according to earlier experience it was to be expected that tightness on domestic credit markets — which was intended by the credit policy measures adopted — would strengthen the tendency for trade and industry to borrow in foreign countries. It would have been impracticable to influence this process by means conforming to free-market principles, as in the case of security transactions and of the banks’ foreign indebtedness. Rather would it have been necessary to resort to “dirigistic” measures, such as for instance prohibition of borrowing abroad under Article 23 of the Foreign Trade and Payments Order. The course of events so far has con-

Safeguards against borrowing abroad...

... and their limits

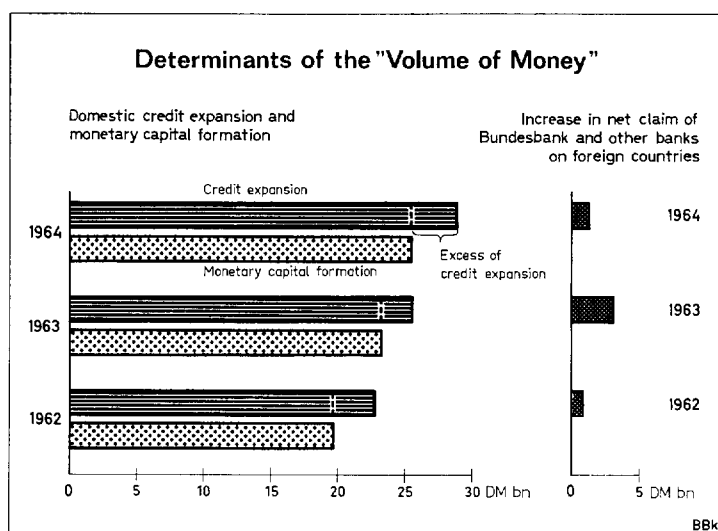
firmed that such drastic measures were not necessary, since the indebtedness of the enterprises required to report rose during 1964 through short-term financial borrowings by a net amount — that is, after offsetting of similar claims on foreign countries — of only DM 200 million; while this was appreciably more than in the previous year, it nevertheless produced no effect worth mentioning on the overall balance of payments. More important, on the other hand, was the borrowing by enterprises in connection with import and export transactions. To judge by the so-called balance-of-payments residual item, in which (among other factors) these statistically unrecorded borrowings are reflected, the amounts involved here would seem to have been substantial. In that connection it indeed remains an open question to what extent these borrowings abroad resulted from the great increase of imports, which leads more or less automatically to greater use of suppliers' credits, or how far it was due to a shift in the terms of payment, or whether the credit situation within the country was an additional factor. In any case these movements show that insulation against the inflow of foreign capital has its limits, which are at the same time also limits to the scope for credit policy measures aimed at the internal economy.

*Limitation of Borrowing to Domestic Sources of Money and Capital*

The money inflow from abroad having dried up, the economy's need for money and capital could be satisfied only from domestic sources, which in certain fields entailed appreciable difficulties of readjustment, since the market — including that for fixed-interest securities — had long depended on the stimulus afforded by imported liquidity.

Withdrawal of liquidity  
from the banks

The drying up of the liquidity inflow from abroad first obliged credit institutions in the Federal Republic to meet their need for Central Bank money — whether in order to satisfy the public's demand for notes and coin or to provide greater minimum reserve balances — chiefly by recourse to the Bundesbank, whereas previously they had hardly depended on such recourse because the afflux of liquidity due to foreign transactions and to other market factors was quite adequate. From the second quarter of 1964 onwards the inflow of liquidity from abroad, as measured by the increase of the central foreign exchange reserves and of the banks' short-term monetary investments in foreign countries, was no longer significant. On the definition used in our analysis of liquidity (see page 38 et seq.) the liquid funds accruing from this source amounted to only DM 0.4 billion in the whole of 1964 against DM 2.8 billion in the previous year. In addition, during 1964 the public authorities, according to the change in their net position in relation to the Bundesbank, caused much less liquidity to accrue at the banks, on balance, than in the previous year. The mere increase in the note and coin circulation, by about DM 1.8 billion in 1964, took more Central Bank money than the banks received from market transactions. A still heavier strain in terms of quantity resulted from the great increase of minimum reserve obligations. Quite apart from the normal increase, due to growth of the reserve-carrying deposits, the credit institutions' minimum reserve requirement rose generally by 10 per cent from August 1964 onwards owing to the raising of reserve ratios for domestic liabilities. At DM 13.4 billion at the end of 1964 the total reserve requirement was greater by some DM 2.6 billion than at the end of 1963. In view





of this great need for liquidity the money market in the Federal Republic was tight. From March 1964 onwards the rate for day-to-day money was practically always above the Central Bank discount rate, which was kept at 3% throughout the year. Thus — together with resale of open-market paper to the Bundesbank — rediscounting was the cheapest source of Central Bank funds, and the banks made use of it on a large scale.

All this greatly narrowed the credit institutions' liquidity margin. Their liquid reserves in the form of domestic money-market paper declined, and the total amount of unused rediscount quotas at the Bundesbank also somewhat decreased in the course of last year, since the banks' rediscounting rose by more than their rediscount quotas, which in general grow together with the banks' capital resources. Only the liquid funds employed abroad showed an increase in 1964, due to the inducements provided for so employing them. The banks' liquidity reserves as a whole, however, declined both in absolute amount and, more particularly, in proportion to their deposits.

Despite decreased liquidity, a cyclical increase of credit expansion...

At first this produced no perceptible effects on the banks' credit business. Their lending to resident non-banks was on the contrary much greater in 1964 than in the previous year. If the acquisition of domestic securities (other than bank bonds) is included, it amounted to about DM 29 billion in 1964 against something over DM 24 billion in 1963. A part of this addition is of course explained by the fact that the formation of monetary capital at the banks out of domestic saving was much greater in 1964, if only owing to the marked increase in saving by private households, than in the year before. Nevertheless the total lending to domestic borrowers again exceeded domestic monetary capital formation by a considerable margin, in fact by more than in 1963.

The increase of domestic money creation, reflected in the excess of credit expansion over monetary capital formation, resulted indeed in some measure from the fact that in 1964 — unlike 1963 — the balance of payments no longer showed a surplus. That this meant not merely substituting one source of money for another is shown by the fact that the volume of money increased during 1964 by appreciably more than in 1963, namely by DM 5.4 as against 4.4 billion. The growth in the expansion of credit within the country was thus in great part of a fully autonomous character. One important impellent undoubtedly lay in the acceleration of the cyclical upswing, especially in the sphere of private investment. Financing of the initiated projects took much more funds than enterprises obtained from their own sources. Doubtless it was not least due to this fact that short-term credit in particular was obtained on a much greater scale than in the previous year, since many capital projects — including inventory investments, likewise quite large in 1964 — are financed in the initial stage by short-term credit, which is finally replaced either by the investing parties' own resources (derived from profits and depreciation) or by borrowed capital available at long term. Long-term loans were taken on a greater scale than in 1963 by public authorities and house-builders rather than by enterprises in the narrower sense. The public authorities' greater recourse to bank credit may have been also partly due to the fact that the issuing of securities became more difficult in the course of the year.

... not mere substitution of sources of money

The ending of the money and capital afflux from abroad produced particularly visible effects on the domestic security markets. With the flood of German fixed-interest securities coming back from abroad — a flood which had begun immediately after the withholding tax was announced — conditions changed perceptibly in the markets for such securities. The quotations for them, especially for those of public authorities, which had previously been foreign purchasers' favourites, declined considerably. The average yield on public issuers' fixed-interest securities in circulation accordingly rose from 5.9% before announcement of the coupon tax to 6.4% by the end of the year. Since then it has continued to rise; in March 1965 public authorities' bonds yielded about 6.6%. The yields on other bonds rose in a similar manner, although not in such marked degree. It is true that the issuers at times supported prices, so as to prevent unduly violent market reactions, but they were of course obliged gradually to conform to the longer-term market tendency. At the beginning of 1965 moreover the "occasional issuers" — mostly public authorities, industry and certain specialised credit institutions — nursed the market for a time, postponing planned new

The security market after announcement of the "coupon tax"

issues. The “regular issuers” filled the gap thus created, in particular since, precisely because of the “close season” observed by the “occasional issuers”, they found themselves in some cases facing a rise in demand for credit on the part of public or private would-be borrowers who for the time being could no longer issue.

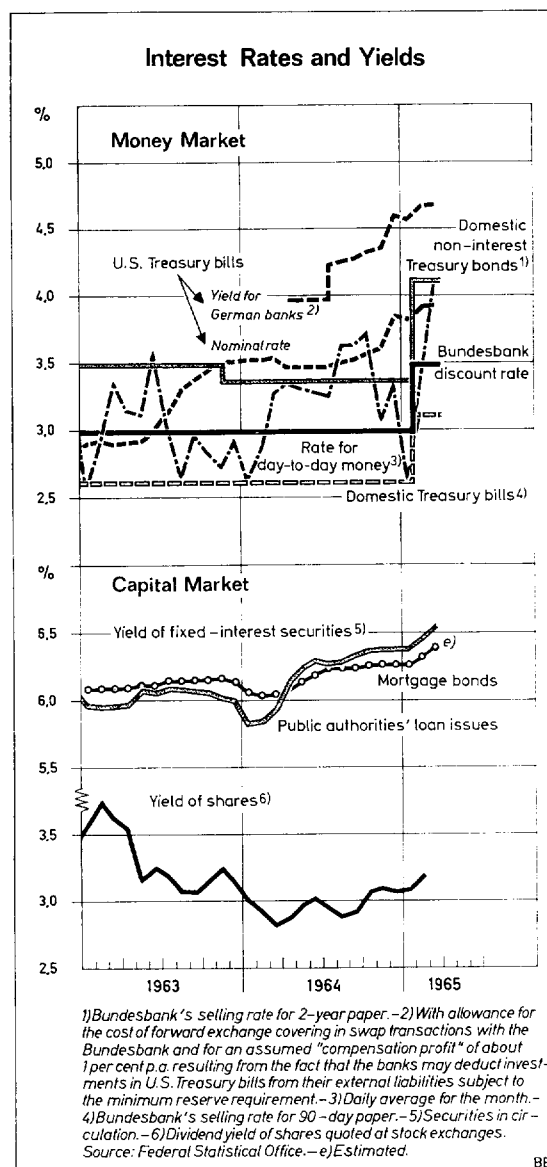
Cessation of foreign buying; confinement to domestic capital formation

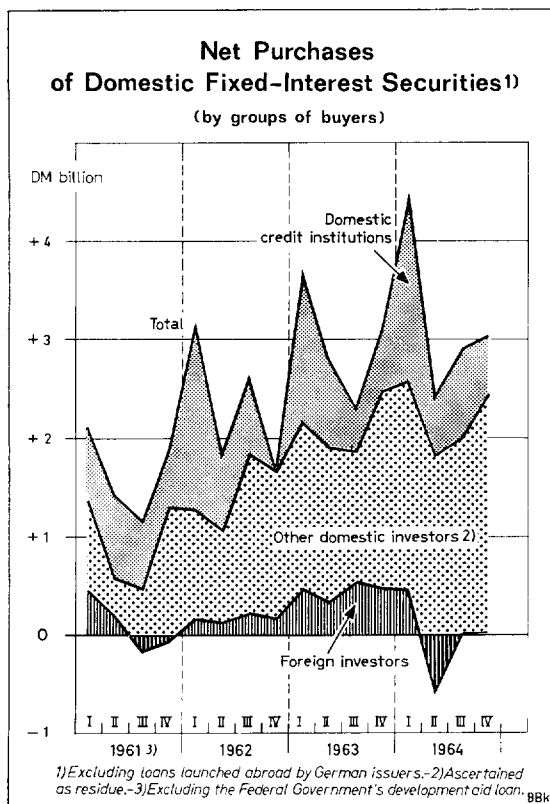
Apart from the period after announcement of the coupon tax on 23 March until June 1964, when fixed-interest securities came back on a large scale from abroad, the effect of this tax was confined to the fact that foreign countries on balance practically ceased to be of importance as security buyers, whereas in 1963 their acquisition of securities had amounted to almost DM 2 billion. Nevertheless total net sales of bonds after announcement of the tax were not smaller, but even greater than before. In the second half of 1964 they amounted to DM 6.4 billion against DM 5.5 billion in the second half of 1963, and even in the first two months of 1965 as many securities were placed as in the corresponding months of 1964, when foreigners' purchases had been especially great. Thus the cessation of foreign buying was offset, and indeed up till the end of 1964 actually outweighed, by the increase of domestic sales.

One reason may of course have been that banks and institutional investors took securities not in all cases quite voluntarily, but in some under compulsion of circumstances. On the other hand it may also be supposed that the uncertain tendency on bond markets confirmed potential investors in their attitude of caution towards further security purchases, so that a part of the savings capital in fact disposable for investment in securities will appear as demand on the bond markets only after this wait-and-see attitude has disappeared. Possibly the uncertainty about the future trend of nominal interest rates is a factor in that connection. So far the view seems to prevail that 6% fixed-interest securities, issued at low prices, are preferable to securities bearing higher interest but issued at correspondingly higher prices almost reaching the par value.

Banks' reaction to the constricting of liquidity

Independently of the caution among lenders, however, the strain on the banks' liquidity has also affected the capital market during recent months. Because of the liquidity shortage the banks have bought noticeably fewer bonds than before. In the period from October 1964 to February 1965 the banks' holdings of domestic fixed-interest securities increased by DM 1.8 billion as compared with about DM 2.1 billion in the corresponding period a year previously. Thus the banks reacted to the constriction of their liquidity chiefly by cutting down their acquisition of securities, as they had already done in earlier periods of tightness. Awkward though this reaction may be in its effects on the bond market, from the point of view of credit policy it cannot be described as undesirable,





although it affects the "ultimate" borrowers direct only in so far as these are themselves issuers. Indirectly, however, it also affects all those borrowers who depend on loans from security-issuing institutions.

#### *Credit Policy Measures to Restrict Domestic Demand*

So far as it proved possible to stop the money inflow from abroad, there was also a growing prospect of influencing credit expansion at home by credit policy measures. All the more use had to be made of this, as in the preceding period of large inflows of money from abroad overabundant liquidity reserves had been formed. In the course of 1964 and at the beginning of 1965 the Bundesbank therefore strengthened its at first only slightly restrictive policy, the effectiveness of which was moreover supplemented by certain measures mainly conceived with a regulative aim.

The first measure of credit policy taken in this direction was the raising of minimum reserve ratios by 10 per cent for all domestic liabilities with effect from 1 August 1964.

Raising of the minimum reserve ratios and of the Central Bank discount rate

Roughly DM 1.2 billion of the credit institutions' liquid funds were thus withdrawn from their free disposal. While these measures — together with the contractive market influences on bank liquidity — chiefly aimed at limitation of the banks' supply of credit, the Bundesbank's discount rate increase ordered on 21 January 1965 was mainly designed to reduce the demand for it. With effect from 22 January 1965 the Bundesbank's discount rate, and with it the rate of interest for cash advances to public authorities, was raised by  $\frac{1}{2}\%$  to  $3\frac{1}{2}\%$  per annum, while the advance rate was likewise raised by  $\frac{1}{2}\%$ , to  $4\frac{1}{2}\%$ . At the same time the permissible maximum debtor interest rates, which the banks may charge in short and medium-term lending business, were raised by a half per cent. In view of the generally rising trend in rates of interest, and of the orders made somewhat later concerning the banks' deposit rates, which orders likewise amount to raising rates of interest, it may be assumed, also taking into consideration the banks' tight position as regards liquidity, that the interest actually charged for short and medium-term bank credit will rise in a manner similar to the Bundesbank's discount rate.

The effectiveness of these credit policy measures was assisted by the fact that during recent months some mainly regulative measures became operative in various spheres of banking business. This applies in the first place to the Central Bank Council's decision to modify the determination of the credit institutions' standard quotas, which serve as the basis for fixing their individual rediscount quotas. In the same way as previously the basis for calculating the standard quotas is the banks' liable funds. The directives for the determination of the standard quotas, which differs among the groups of banks, were amended, the object being to make better allowance for the credit institutions' basic capital resources (which have considerably expanded in recent years) on the one hand, and for their differing business structure on the other. The ultimate effect of this revision, for the coming into force of which a transition period extending to the end of September this year has been laid down, is to reduce the total amount of all the rediscount quotas, with considerable differences in individual cases.

Mainly regulative supplementary measures: amendment of the standard quotas

Amendment of the rules  
for deposit interest

Credit policy should in the longer run also receive some support from the revision of the interest rate regulations, which were brought into force in their new form with effect from 1 March 1965 through the Interest Rates Order issued by the Federal Banking Supervisory Office in agreement with the Deutsche Bundesbank. Although these provisions (described in one of the following chapters on page 53 et seq.) are likewise of a primarily regulative nature, some amendments as compared with their earlier state would seem to be also relevant to credit policy. This applies, first, to the change in the bank deposit rate structure, characterised by the fact that according to the revised provisions the margin between the (generally lower) rates for shorter-term and those for longer-term deposits is wider than under the former provisions, which is in practice achieved mainly through the rates on deposits running for 30 months or more being released from control. The higher remuneration which will as a result be paid for longer-term renunciation of liquidity should strengthen the tendencies to consolidation in the widest sense. But it is also significant from the credit policy point of view that the new regulations are stricter than the old, and lay down penalties for contraventions. This means that so-called grey deposit rates, exceeding the prescribed level, may not be paid in future. Thus a considerably tighter rein has been applied to the banks' competition for deposits at shorter term.

Improved possibilities  
for open-market policy

Significant for credit policy is finally the fact that after the coming into force of the Interest Rates Order the money-market paper which the Bundesbank sells, either as fiscal agent or in the course of open-market operations, has again become attractive in comparison with the interest rates which the banks pay for deposits of corresponding maturity, particularly as the Bundesbank's selling rates for money-market paper were also raised in connection with the raising of the discount rate on 22 January 1965. For a long time this had not been the case, since on the one hand the Bundesbank — although not obliged to do so — complied with Article 5 of the old Creditor Interest Rates Agreement; in practice, apart from the exception mentioned below, it did not sell money-market paper to non-banks. But on the other hand the banks, in their offers of interest rates for deposits, had frequently exceeded the maxima laid down. Now, since the revision of the overall interest rate structure through the Interest Rates Order, and through the effect of the discount rate increase on 22 January 1965, the yields on Treasury bills and non-interest Treasury bonds have been above the rates permissible for shorter-term time deposits. The Bundesbank is thus able in future to make its open-market policy more effective, inasmuch as this policy can be conducted not only — as before — almost exclusively with banks, but also with non-banks. Only in a special operation in 1960 has the Bundesbank also sold open-market paper on a major scale to non-banks, confined, however, to social insurance institutions. It is not intended now to widen this circle of takers, and open-market operations will moreover be undertaken in each case only to a limited extent conforming to the needs of credit policy. There is no foundation for any fears by the banks that the new interest rate relationships might lead to great shortage of liquidity through the institutional investors or other interested parties now buying money-market paper from the Bundesbank instead of employing their funds at banks.

### 3. Problems of Credit and Economic Policy

The economic situation in the Federal Republic of Germany has not materially changed during the first months of 1965 as compared with that described in this Report for the year 1964. Markets have not eased off, and the price and cost upsurge has so far continued undiminished, indeed — as regards costs — it has even increased. The upward price tendencies are of course especially encouraged by the labour market tensions, which on the one hand favour a disproportionately great rise of incomes and thereby promote consumption, but on the other hand entail increased investment, which on the contrary presupposes greater savings formation if financial equilibrium is to be preserved.

Continuation of  
restrictive credit policy

As regards credit policy this means that the present restrictive course cannot be abandoned, although at the moment no great further tightening appears desirable, particularly since some of

the restrictive measures described above operate only by degrees, and the effects which the United States' efforts to eliminate the deficit on its balance of payments (discussed in the next chapter of this Report) will produce on Europe, and hence also on Germany, cannot as yet be accurately forecast.

Apart from this, the limits which are set to credit policy in an economy closely linked with the rest of the world must always be borne in mind. Up till now it has proved possible through a combination of varied measures, as described, to safeguard the restrictive credit policy against external influences, this being the more readily practicable because in some important countries a credit policy directed to raising interest rates and constricting liquidity has also been pursued. Yet foreign money might again flow into the banks if only credit policy instruments and nothing else were applied to checking the price upsurge, just as, in particular, foreign buying of securities or lending to German industry might also increase and assume undesired dimensions. Until now, of course, it does not look as though the yields on fixed-interest securities in the Federal Republic had already approached the point where security purchases would again become attractive to foreigners despite the "coupon tax" levied within the country, since yields have risen during the past year not only in the Federal Republic but also in most other industrial countries. Nevertheless credit policy will have to allow for the fact that the margins in this respect are no longer so wide as they were in the first months after the withholding tax was announced.

It is therefore all the more important that the Central Bank's policy directed to restraining overall demand shall be supplemented by parallel measures of economic and fiscal policy. Last year there were two quite remarkable examples indicating the advantages of such cooperation. For one thing, there were the joint efforts made by the Federal Cabinet and the Bundesbank to check the foreign exchange inflow; for another, there was the limitation quite successfully applied during 1964 (at least in the case of the Federal budget) to the growth of public expenditure. From the monetary point of view it is therefore regrettable that, as regards 1965, the conditions for active support of credit policy through fiscal policy are less favourable. On the one hand, owing to the tax reduction which took effect at the beginning of this year, smaller growth of revenues than in the previous year is to be expected in the case of the central authorities; on the other hand, however, public expenditure continues to grow at an undiminished rate. The authorities' need for credit thus seems if anything to be increasing, although on grounds of cyclical policy it ought to do the opposite. From the credit policy angle it would be especially regrettable if the interest and redemption subsidies out of public funds were increased, since that would amount to partially cancelling the effects produced on credit by the Bundesbank's measures. As previously indicated, the tendency for this to happen was fairly pronounced last year. The fact that by initially small spending of budget funds a relatively great effect can be produced on the subsidised activities increases the danger that, on budgetary grounds, still more use may be made of this device.

No less important for restraining the upward price tendencies will be the future decisions of the employers, the employed and the legislative bodies in the matter of income policy. Special significance attaches to the wage and salary agreements to be concluded in the further course of this year. The latest collective wage agreements show that with allowance for all subsidiary covenants — on longer holidays, payment of a holiday allowance or Christmas bonus, and aid for capital formation by employers — wages and salaries will rise considerably; the growth-rates are now in some cases equal to twice the prospective increase in output per gainfully active person, or even more. The tendency for wage costs per unit of production to rise will accordingly persist; indeed it might even intensify if wage increases continue on the same scale as hitherto. Costs are not of course the sole factor determining the further movement of prices, but it is obvious that cost increases of this size during a boom will hardly be absorbed in profit margins, but can with relative ease be passed on in prices. While attention is drawn to these facts, this is not intended to advocate a wage policy exclusively geared to productivity, especially since there may well be situations where even wage increases equalling the advance in productivity may threaten the

Parallel measures of economic and fiscal policy

Stability-conscious income policy

international competitive power of a country heavily dependent on foreign trade — and the Federal Republic of Germany is such a country.

Now that “imported inflation” at all events has ended, at least for the present, so that the German price and cost level is no longer threatened from that angle, it depends on German credit and economic policy (the latter in the widest sense of the term) whether internal financial equilibrium can be preserved and whether by that means the purchasing power of money can be kept stable.

## II. International Monetary Trends and Monetary Policy

The international monetary situation during the last twelve months has improved in some fields, while in others it has again deteriorated. There was improvement inasmuch as the inflation differential within E.E.C., which had led to some serious balance-of-payments disequilibria, was largely eliminated. On the other hand the crisis already latent in the British balance of payments since the spring of 1964 culminated in extreme weakness of sterling in the late autumn of that year, and this had by no means been finally overcome at the time when this Report went to press. In addition the United States’ balance of payments, which in the first nine months of 1964 had made considerable progress towards better equilibrium, deteriorated afresh about the turn of the year 1964/65 through a sudden expansion of private capital outflows.

For the Federal Republic of Germany, still much affected at the start of 1964 by inflation imported from other E.E.C. countries, the easing of the position in the E.E.C. was of greater immediate importance than the renewed tensions in the two Anglo-Saxon powers’ balances of payments. As shown in the preceding chapter (and in the later chapter dealing with the balance of payments), owing to European stabilisation measures the German current-account surplus greatly declined from the early summer of 1964 onwards, which, together with the sudden reversal of long-term capital movements through the anticipated effect of the announced coupon tax, led from the spring of 1964 onwards to a deficit on the German overall balance of payments, and hence also to an altered basis for internal German credit policy.

The monetary tensions, both inside the E.E.C. and on a world-wide scale, put international monetary cooperation to several tests. In the ensuing support operations the Bundesbank took an active part on various occasions. The fact that world trade last year showed the greatest annual increase for a long while in terms both of value (+ 12 per cent) and of real volume (+ 10 per cent), and that — despite the above-mentioned occasionally dangerous strains on balances of payments — the international inflationary dangers to price stability appear smaller than twelve months earlier, indicates that so far international cooperation has stood its test. While nevertheless international discussion about reforming the world currency system has been more animated in the period under report than for a long time past, this is due to some extent to international awareness of certain longer-term weaknesses and risks in the present monetary system having increased.

### 1. Successful Efforts towards Stabilisation in the E. E. C.

The strong inflationary tendencies in some E.E.C. countries, especially Italy and France, had led in 1963 for the first time since the foundation of the E.E.C. to marked differences in inflationary pressures within the Community, and to serious difficulties in the balance of payments of one member country, namely Italy. The other member countries were increasingly affected in the course of 1963 by the pull of the excess demand emanating from the countries threatened with inflation; it was among other things this pressure of European demand which, as already shown in our last Annual Report, was responsible for the greater part of the sudden large surplus in the German

Threat to stability and to balance-of-payments equilibrium in the E.E.C.

balance of payments on current account during the last quarter of 1963 and the first quarter of 1964. The close economic and monetary links within the European Economic Community were thereby clearly demonstrated. In the course of 1963, with the assistance of examinations and suggestions by the appropriate E.E.C. bodies, it therefore was more and more clearly realised that removal of excess demand in the countries threatened with inflation was a matter of common concern to the E.E.C. countries. Both in Italy and in France the competent authorities had adopted measures, from the autumn of 1963 onwards, with a view to energetically counteracting the tendencies to inflation. The situation between the two countries differed basically in two respects. Whereas in Italy the excess demand, and more particularly the extremely large wage increases during 1962 and 1963, had given rise to a great deficit in the balance of payments, France had remained Europe's most important surplus country despite considerable rises in prices and costs; moreover, the Italian efforts to stabilise were made against the background of a politically unstable situation, while the French stabilisation programme was based on the authority of a stable Government. In both countries the stabilisation measures achieved notable success. In Italy the balance-of-payments deficit was overcome, and both countries attained internal equilibrium between total supply and total demand, although as yet their cost and price levels have not been fully stabilised.

In March 1964, when the deficit on Italy's basic balance of payments already showed the first signs of improvement, the lira was exposed to a strong though shortlived speculative attack. With a view to warding off this attack international credit facilities amounting to \$ 1,050 million were made available to the Italian monetary authorities at the middle of March, within an extremely brief space of time, through cooperation between the International Monetary Fund, the American monetary authorities and certain European Central Banks. In this operation the Deutsche Bundesbank took part with a short-term swap credit line of \$ 150 million. In point of fact, apart from a drawing on its quasi-automatic gold tranche in the I.M.F. Italy needed to make only slight use of these credit facilities and, so far as it did use them, managed to effect repayment with ease and in a short time out of the large foreign exchange surpluses which it soon began to achieve. Thus the mere provision of international credit lines had sufficed to overcome speculative disturbance of the foreign exchange markets. In fact the Italian balance of payments improved from the second quarter of 1964 onwards, to an unexpectedly great extent, under the influence of the credit restrictions which the Bank of Italy had applied from the autumn of 1963 onwards; there was in fact great improvement both in trade and on capital account, so that the deficit of \$ 1.2 billion on the balance of payments for 1963 was replaced by a surplus of \$ 0.8 billion on that for 1964. The stopping of credit inflation was however accompanied by a persistent stagnation of production, while it has so far not proved possible entirely to suppress the cost and price upsurge which had begun in 1962 and 1963; consumer prices, which had risen by 6.9 per cent between the end of 1962 and that of 1963, still rose by a further 5.8 per cent in the course of 1964. In France, while the strong anti-inflationary policy of the Government and the Bank of France also led to some slowing in the rise of production during the second half of 1964, it did so at a very high level of employment. Price stabilisation has succeeded better in France than in Italy, since a rise of French consumer prices by 5.1 per cent in 1963 was followed by one of only 2.1 per cent in 1964. The deterioration in the French balance of trade following the 1963 demand inflation was checked by successful stabilisation, so that for the whole of 1964 the French balance-of-payments surplus, as measured by the overall foreign exchange position, was not much smaller than that for 1963 (see Table 1).

The steep fall of Italian imports from their excessively high 1963 level, and the effects produced by France's stabilisation programme on French foreign trade, together with the first effects of stabilisation measures in the Netherlands, were the most important reason why German exports to the E.E.C. countries (which exports, up till the first quarter of 1964, had been the main force behind the renewed surplus formation in the current-account balance of payments) began to flatten off from mid-1964, while there was a continued sharp rise in imports both from the E.E.C. and from the other neighbouring European countries.

Cooperation of monetary authorities in warding off a threat to the Italian currency

Overcoming of the inflationary dangers in Italy and France ...

... helps to restore the German balance of payments on current account to normal

Table 1: Changes in the Reserve Position of the European O.E.C.D. Countries  
between 1961 and 1964

Millions of U.S. dollars

	I. Official reserves <sup>1)</sup>				II. Overall foreign exchange position (official reserves, I.M.F. reserve position <sup>2)</sup> , net foreign exchange position of commercial banks <sup>3)</sup> [adjusted for special factors <sup>4)</sup> ]			
	1961	1962	1963	1964	1961	1962	1963	1964
Federal Republic of Germany	— 198	— 87	+ 659	— 130	+1,104	— 171	+ 522	+ 218
France	+ 869	+ 671	+ 847	+ 648	+ 984	+1,189	+ 939	+ 811
Italy	+ 374	+ 58	— 435	+ 498	+ 361	— 251	—1,263	+1,109
Netherlands	— 27	+ 28	+ 156	+ 185	+ 105	— 38	+ 237	+ 59
Belgium	+ 235	— 35	+ 180	+ 189	+ 115	+ 14	— 79	+ 138
<i>All E.E.C. countries</i>	—1,253	+ 635	+1,407	+1,390	+2,669	+ 819	+ 356	+2,335
<i>Other O.E.C.D. countries in Continental Europe<sup>5)</sup></i>	+1,012	+ 680	+ 716	+ 888	+ 933	+ 647	+ 886	+ 957
<i>Continental Europe, total</i>	+ 2,265	+1,315	+2,123	+2,278	+3,602	+1,466	+1,242	+3,292
United Kingdom	+ 87	— 512	— 149	— 341	—1,084 <sup>6)</sup>	+ 548	— 161	—1,912 <sup>6)</sup>

<sup>1)</sup> Gold and convertible foreign assets, gross (source: International Financial Statistics). — <sup>2)</sup> I. M. F. gold tranche and credit granted to I.M.F. under "General Arrangements to Borrow", up to the amount of which there exists a "quasi-automatic" drawing right in the I.M.F. — <sup>3)</sup> With the exception of Switzerland, Spain, Portugal, Turkey, Ireland, Iceland as well as, between 1961 and 1963, the United Kingdom. — <sup>4)</sup> Advance debt redemption (except E.P.U. credits) and special credit granted to I.B.R.D. by Bundesbank (1961) have been added to the paying countries' foreign exchange position and deducted from that of the receiving countries. — <sup>5)</sup> Including Ireland and Iceland. — <sup>6)</sup> Including the United Kingdom's total indebtedness to the I.M.F., also inasmuch as it exceeded the gold tranche, and including short-term foreign currency indebtedness to other central banks.

Renewed surplus on the E.E.C. balance of payments in 1964

For the E.E.C. as a whole the stabilisation measures adopted by these member countries removed the danger of an internal crisis. Although the member countries' domestic business cycles are still by no means fully in harmony (against the vigorous boom in Germany and the Netherlands there is the levelling off of economic activity in France, and the stagnation coupled with cost inflation in Italy), at least in the balance-of-payments situation the tension has disappeared. Through the impressive reversal in the Italian balance of payments the E.E.C. countries' overall balance of payments in relation to the rest of the world has again achieved a large surplus. It is true that at roughly \$ 1.4 billion the increase in the E.E.C. countries' official monetary reserves was only about as great in 1964 as in the previous year; but on a combined view of the movement in the overall external position (including the I.M.F. position and the net foreign exchange position of the banks) the E.E.C. countries showed for 1964 a payments surplus in relation to the rest of the world which, at \$ 2.3 billion, was incomparably greater than that for the previous year (see Table 1). Of that surplus only a part is due to improvement on current account in relation to non-E.E.C. countries; the greater part evidently results from a steep rise of net capital imports from third countries, among them capital movements in connection with the sterling crisis, and also presumably (towards the end of the year) particularly large capital inflows from the United States.

## 2. Fuller Coordination of Cyclical and Monetary Policy in the E.E.C.

Joint recommendations in the E.E.C. on cyclical and monetary policy

The joint efforts to check the danger of inflation in E.E.C. countries since the autumn of 1963, and increasing recognition that in their efforts to attain cyclical equilibrium and stable money these countries are closely dependent on each other, caused the E.E.C. Council of Ministers on 15<sup>th</sup> April 1964 to accept (as proposed by the Commission) joint recommendations designed to restore internal and external equilibrium in the E.E.C. countries. The main point in these recommendations was that a maximum limit is laid down for the annual growth of public expenditure; until further notice the internally effective cash expenditure is not to exceed that for the previous year by more than 5 per cent. Regarding Central Bank policy it was recommended that the restrictive credit policy, already initiated in certain member countries, should be continued and, if necessary, tightened. As regards the Federal Republic of Germany, with allowance for the



fact that this country's balance of payments was then still in surplus it had been recommended that, while credit policy was not to be made more restrictive, any substantial acceleration in the expansion of total credit should nevertheless be prevented. These recommendations, above all so far as they were directed to limiting the expansion of public expenditure, proved to be an effective support to individual countries' efforts to keep the dangers of inflation in check; they have not been completely observed in all countries, however, and one reason why the danger of continuing excess demand now seems to be greater in this country than in any other E.E.C. country is that public expenditure here, including that of the *Länder* and local authorities, seems likely in 1965 to rise appreciably above the limit of 5 per cent recommended for its annual growth.

Even more important than the individual recommendations as such, however, is the fact that through this recommendation of April 1964 the E.E.C. countries for the first time embarked on any joint action in the cyclical policy field at all, and particularly that they also agreed for the first time on priority for price stability. On this subject the following is stated in the first two paragraphs of the E.E.C.'s recommendation: "It is recommended that the member states shall direct their overall economic policy to ensuring that the stability of their price and cost levels is restored or consolidated by not later than the end of 1964. The economic and financial policy decisions, which are prepared or adopted in 1964 but relate to 1965, should be directed in like manner to the objects just mentioned. For this purpose the Governments of the member states should in the coming months assign to the said objects priority over all other aims of economic policy and of policy in other fields".

Priority of price stability recognised in the E.E.C.

At the same time, namely on 13 April 1964, the E.E.C. Council of Ministers adopted a series of decisions which, through institutional arrangements, further reinforced monetary cooperation within the E.E.C. Through one of these decisions a "Committee of Member States' Central Bank Presidents" was formed; this Committee, which has in the meantime met at regular intervals, is

- (a) "to conduct consultations regarding the general principles and main lines of Central Bank policy, especially in the field of credit and in that of the money and foreign exchange market;
- (b) "regularly to exchange information about the most important measures which fall within the Central Banks' competence, and to review these measures; this review shall take place in advance so far as is permitted by circumstances, and in particular by the periods set for ordering the measures in question."

Institutional reinforcement of monetary cooperation

Through further decisions the Monetary Committee of the E.E.C. has now been formally assigned, on an established institutional basis, additional functions in two fields in respect of which it had already become the forum for regular exchanges of view. Firstly, provision has now been made for previous consultations on all matters in the field of international monetary relationships, such as the working of the international monetary system, recourse by any member state to credit assistance under international agreements, and participation by member states in monetary support arrangements of major importance for the benefit of non-E.E.C. countries. Secondly, provision has been made for previous consultations in case a member state or several member states wish to alter their currency parity; at the request of the Council of Ministers the Monetary Committee has in the meantime worked out a procedure for such consultations.

These consultations, covered by new institutional arrangements, are thus directed to two objects: firstly, to harmonising monetary policy within the Community; secondly, to harmonising the attitude on all important questions of international monetary policy. This is voluntary coordination, not compulsion to adopt a uniform view, since the Treaty of Rome makes no provision for a majority vote on matters of monetary policy. Up till now it has not in fact proved possible in every case to arrive at complete harmonisation of the various member countries' views in the course of such consultations; thus for example, despite thorough discussion in the E.E.C.'s Monetary Committee, it has not always been possible to reduce to a common denominator the member countries' attitude to some important problems concerning reform of the international monetary system. Nevertheless it would be a mistake to underestimate the impor-

Still no supranational monetary policy

tance attaching to this coordination of internal and external monetary policy among the "Six", now embodied in institutional arrangements more firmly than before. This cooperation springs from the realisation, which has grown precisely in the period under review, that the autonomy of national monetary policy is in fact materially limited by increasingly close interdependence in respect of cyclical and monetary trends, that is to say that the increasingly close economic links between the E.E.C. countries also have an inevitable impact on monetary policy. To that extent, not least through the experience that the E.E.C. countries' developments in the matter of internal and external stability are inevitably interrelated, an important step has recently been taken towards a joint monetary policy in the European Economic Community.

### 3. The Sterling Crisis and the Cooperation of Monetary Authorities

The British balance-of-payments crisis

From the point of view of the international currency system as a whole the sterling crisis was the most important, and the most critical, event during the period under report. The principal cause of this crisis was the deterioration of the British trade balance, mainly due to the vigorous economic upswing in the United Kingdom which had begun in 1963. Deterioration began towards the close of that year, and reached its peak in the third quarter of 1964.

Table 2: Balance of Payments Position of the United States, United Kingdom and E.E.C. Countries 1953 to 1964 \*)

Billions of U.S. dollars

	Annual averages 1953 to 1956	Annual averages 1958 to 1960	1961	1962	1963	1964 (provisional)
<b>I. United States</b>						
(1) Current items (excluding military transactions <sup>1)</sup> )	+ 4.02	+ 4.19	+ 7.43	+ 6.71	+ 7.10	+ 9.43
(2) Government transactions						
(a) Military expenditure	- 2.59	- 2.88	- 2.55	- 2.39	- 2.24	- 2.05
(b) Foreign aid (less repayments)	- 2.05	- 2.45	- 2.78	- 3.01	- 3.55	- 3.58
Total (1 plus 2)	- 0.62	- 1.14	+ 2.10	+ 1.31	+ 1.31	+ 3.80
(3) Private capital <sup>2)</sup>	- 0.83	- 2.59	- 4.56	- 4.38	- 4.34	- 6.98
(4) Overall balance of payments <sup>3)</sup>	- 1.45	- 3.72	- 2.37	- 2.20	- 2.64	- 2.76
(4a) Balance of regular transactions <sup>4)</sup>	- 1.45	- 3.87	- 3.07	- 3.61	- 3.26	- 3.05
(4b) Change in net external position of the monetary authorities and the banking system	.	.	- 1.25	- 2.59	- 1.86	- 1.19
<b>II. United Kingdom</b>						
(1) Current items	+ 0.23	+ 0.22	- 0.00	+ 0.32	+ 0.27	- 1.05
(2) Net long-term capital transactions	- 0.49	- 0.60	+ 0.14	- 0.30	- 0.49	- 1.04
(3) Basic balance of payments (1 plus 2)	- 0.26	- 0.37	+ 0.14	+ 0.02	- 0.22	- 2.09
(4) Net overall balance of payments (= Balance of monetary movements)	- 0.09	- 0.15	+ 0.06	+ 0.26	- 0.42	- 2.08
<b>III. E.E.C. Countries</b>						
(1) Current items	+ 1.05	+ 2.68	+ 2.42	+ 1.00	+ 0.08	(+ 0.6)
(2) Change in official gross monetary reserves	+ 1.10	+ 2.35	+ 1.25	+ 0.64	+ 1.41	+ 1.39
<p>*) The 1957 results have been omitted since they are distorted owing to the Suez crisis. — <sup>1)</sup> Including export of goods financed by foreign aid. — <sup>2)</sup> Including errors and omissions. — <sup>3)</sup> Contains, apart from items (1), (2) and (3), the placing of non-mobilisable government bonds with foreign countries and international aid organisations, as well as advances received in respect of armament exports. — <sup>4)</sup> Overall balance of payments excluding special factors (advance debt repayments, advances received on armament exports, and sales of non-mobilisable government bonds with maturities over twelve months).</p>						

The fact that the United Kingdom increased its exports by only 4 per cent in 1964, when world trade expanded by no less than 12 per cent in value, while at the same time imports into the United Kingdom rose by about 15 per cent as a result of internal economic expansion and consequent stockbuilding, caused the British balance of trade to deteriorate by over \$ 1.3 billion. In addition there were in 1964 special burdens on capital account, due above all to heavy foreign investment by British oil companies. Both factors together produced a deficit of no less than

§ 2.1 billion in the basic balance of payments, *i.e.* the balance of current items plus long-term capital movements, whereas in the preceding years from 1961 to 1963 the British basic balance had been on the whole in equilibrium (see Table 2). Up to about the end of August 1964, however, the deficit on the balance of payments was hardly visible in the movement of the British monetary reserves; it was in fact cloaked, up till that time, through overseas sterling countries' balance-of-payments surpluses (which in great part benefited the British monetary reserves) and through accruals of short-term funds from abroad — not least as a result of considerable borrowing in the Eurodollar market for internal investment in the United Kingdom. Only when these temporary sources of foreign exchange began to dry up did the British balance-of-payments deficit become fully recognisable from outside. From September 1964 onwards the consequent distrust of sterling was increased by the impending general election, to be held at the middle of October 1964, and thereafter by the new Government's obvious initial uncertainty in face of the balance-of-payments problem. Thus in the last four months of the year the losses of foreign exchange due to the basic gap in the balance of payments were increased through speculative capital outflows plus substantial deterioration in the terms of payment for British foreign trade. The resulting foreign exchange losses reached a critical peak in the second half of November, but continued until beyond the end of the year.

The acute crisis in the British foreign exchange position necessitated a number of international support operations. As early as September 1964 several Central Banks provided short-term foreign currency assistance amounting to half a billion dollars, so that with the addition of the \$ 500 million mutual standby facility agreed some time previously with the U.S. Federal Reserve System the British monetary authorities had at their disposal short-term credit facilities totalling \$ 1 billion. In this joint support the Deutsche Bundesbank participated with a \$ 150 million credit line. At the beginning of December the British monetary authorities repaid the amounts which had been drawn in September, October and November on these credit lines, doing so by dint of a British \$ 1 billion drawing on the International Monetary Fund. At the middle of 1963 the United Kingdom had already obtained a standby arrangement with the I.M.F. of \$ 1 billion, which had been prolonged by a further year at the middle of 1964. The United Kingdom's drawing at the beginning of December 1964, on its gold tranche and first credit tranche in the I.M.F., is of special importance in that on this occasion the General Arrangements to Borrow concluded by the so-called Group of Ten with the I.M.F. were activated for the first time. Details of those Arrangements have already been given in the Bundesbank's Report for 1961 (page 73 et seq.) and in that for 1962 (page 29). Through those Arrangements the ten participating countries, the principal industrial countries in the Western world, undertook to provide the I.M.F. with supplementary resources when these "are needed to forestall or cope with an impairment of the international monetary system", as is stated in the preamble to the said Arrangements. The I.M.F. would of course have been able to finance the British \$ 1 billion drawing out of its own monetary holdings, if necessary by mobilising its stock of gold. But for good reasons it took the view that this might unduly limit its freedom of action as regards other countries needing support, and accordingly it proposed that part of the funds to finance the British drawing should be obtained through credits granted to the I.M.F. by members of the Group of Ten. It was agreed that the total British \$ 1 billion drawing should be financed as follows: \$ 345 million through use of the I.M.F.'s currency holdings, \$ 250 million through use of the I.M.F.'s gold holdings (with the aid of which the required currencies were purchased from the respective countries) and \$ 405 million through special credits which eight members of the Group of Ten granted to the I.M.F. The United States, of whose currency the I.M.F. holds more than adequate amounts, consequently placed no additional dollars at the disposal of the I.M.F. under the Arrangements; but it did contribute \$ 200 million to the assistance operation through the fact that to this extent the Fund took U.S. dollars out of its own currency holdings. Switzerland, which is not a member of the I.M.F. and is therefore not directly concerned in the General Arrangements to Borrow, but

International aid for sterling

Table 3: Financing of the British \$ 1 Billion Drawing on I.M.F. of 2 December 1964

Millions of U.S. dollars

Currency used	Procurement of funds			Total 4 = 1 + 2 + 3
	out of I.M.F. holdings	I.M.F. indebtedness under General Arrangements to Borrow	Gold sold by I.M.F.	
	1	2	3	
Deutsche marks	—	180	93	273
Austrian schillings	20	—	8	28
Belgian francs	10	30	17	57
Canadian dollars	45	15	9	69
Dutch guilders	—	40	26	66
French francs	—	100	63	163
Italian lire	15	5	3	23
Japanese yen	20	20	14	54
Spanish pesetas	30	—	10	40
Swedish kronor	5	15	7	27
U.S. dollars	200	—	—	200
Totals	345	405	250	1,000

which has concluded with the I.M.F. a separate agreement conforming to those Arrangements, took part under this parallel agreement by contributing \$ 80 million, which was added to the \$ 1 billion drawing previously mentioned. The Deutsche Bundesbank, which under the Arrangements had assumed a commitment equivalent to \$ 1 billion (this being the largest after those assumed by the United States and the United Kingdom), contributed DM sums equivalent to \$ 180 million towards the special credits granted to the I.M.F.; in addition the I.M.F. bought further DM equivalent to \$ 93 million against gold from its own stocks (for further details see Table 3). To the extent of the special credit granted to the I.M.F. the Deutsche Bundesbank acquired an asset, which can be used in case of need as a quasi-automatic right to draw on the Fund, thus being of monetary reserve character, and which moreover carries the I.M.F.'s gold value guarantee.

In the last ten days of November, even before the first Central Bank assistance of September 1964 had been fully consolidated through the British drawing on the I.M.F., there was a crisis of confidence in sterling which exceeded in extent all previous disturbances of foreign exchange markets. To ward off this crisis the Central Banks in the Group of Ten, plus the Swiss and Austrian Central Banks, the Bank for International Settlements and the American Export-Import Bank, on 25 November 1964 provided the British monetary authorities with foreign exchange assistance totalling about \$ 3 billion. The Deutsche Bundesbank took part in this with a swap credit line, on a DM basis, equivalent to \$ 500 million. This assistance was prolonged in February 1965 by three months (so far as it was not from the outset at medium term, as the Export-Import Bank's contribution, or, as the Federal Reserve System's standing swap credit line, had been of a permanent character from the start). Up to the time when this Report went to press the actual use made of the credit line provided by the Bundesbank had never been more than a fraction of the total amount available. In connection with the prolongation of the credit lines at mid-February 1965 the British authorities announced that in due course they would apply to the International Monetary Fund for a further drawing within the British quota; the intention is thus that the amount then still outstanding on the Central Bank credits shall again be repaid through an I.M.F. drawing, *i. e.* shall be consolidated for three to five years.

This unprecedentedly large international aid for sterling has given rise to many discussions about the function of such Central Bank credits within our present currency system. There has been some criticism to the effect that disturbances of external equilibrium so deep-seated as those in the British case were tided over by short-term Central Bank assistance, and that through such apparently convenient financing the compulsion to remove the causes of disequilibrium was

The function of Central Bank credits in the international monetary system

weakened, thus detracting from the automatic adjustment forces inherent in the currency system. Such criticism, however, disregards the facts. The Central Bank operation at the end of November 1964 was made with the object of maintaining order on the world's foreign exchange markets when these were in a state of acute crisis exaggerated by speculation, and of giving the British authorities a breathing space sufficient for them to work out and bring into effect a programme designed to solve their fundamental problems, which *inter alia* is a precondition of approaching the I.M.F. for medium-term interim assistance. The I.M.F. has in recent years repeatedly stressed that in such cases cooperative action by the Central Banks is an extremely valuable first line of defence. Between the foreign Central Banks concerned and the British monetary authorities there was from the outset complete understanding that the Central Bank credits were to be used only in order to deal with the acute crisis on the foreign exchange markets, and not for covering at longer term the persistent deficit in the British balance of payments. The Central Bank help in no way weakened the pressure on the United Kingdom to take the necessary steps to eliminate the real balance-of-payments deficit, if only because it was established from the outset that the said help would be of a very short-term nature. The Bank of England has moreover expressly acknowledged, through the mouth of its Governor, that "in this system of mutual support and assistance the counterpart of taking assistance is a responsibility to the other members, assumed by him who takes it, to put his house in order at the earliest reasonable moment" (Lord Cromer's speech on 15 February 1965). The real causes of the British balance-of-payments deficit cannot be eliminated with the help of foreign credits; this can be done only through measures designed to improve the balance of payments itself, such as those which the British authorities in part adopted or prepared in the last months of 1964, and in part will presumably announce in the budget for 1965/66. They include temporary measures such as the 15% surcharge on British industrial imports (this will be reduced to 10% at the end of April) and the raising of the Bank of England's discount rate from 5% to 7%; they further include action to remove excess demand in the British domestic economy, as well as a longer-term programme designed to improve the competitiveness of British goods, which programme includes a number of measures for direct promotion of exports and, above all, a wage policy geared to productivity and agreed with the employers and the employed. When the United Kingdom applies for its further drawing (as announced), it will *i. a.* be the task of the I.M.F. to consider whether the measures adopted and contemplated by the British authorities for eliminating the balance-of-payments disequilibrium are sufficient, and whether they will ensure repayment of the I.M.F. assistance within the periods laid down.

#### **4. The United States' Balance of Payments as a Factor Disturbing International Monetary Equilibrium**

Further deep-rooted disturbance of international monetary equilibrium is caused by the United States' balance-of-payments deficit, which has now persisted for many years and decreased only slightly in 1964. This is very different, however, both in its causes and in its effects, from the large deficit which occurred so suddenly on the British balance of payments in 1964. This latter deficit was largely due, as already mentioned, to deterioration in the United Kingdom's balance of trade following the British investment boom which had been developing since 1963, plus the general excess of domestic demand over the supply of goods. In the United States there likewise occurred during the same period, not least because of the tax reduction which was brought into force in 1964 on cyclical grounds, a great expansion of general demand and of economic activity (the United States' gross national product in 1964 was greater by 6½ per cent in value, and by 4¾ per cent in real terms, than in the previous year), but contrary to expectations entertained in many quarters — in particular by European economists — this great expansion of domestic demand did not cause any deterioration in the American balance on current account. The trade balance actually improved, since exports increased in 1964 by no less than 14 per cent, that is considerably more

Causes of renewed deterioration in the United States' balance of payments

American measures  
to limit the export  
of capital

than the 9 per cent rise in imports. At \$ 9 billion in 1964 the surplus on current account reached a level well above that for all previous years. This astonishing improvement on current account was due not only to some favourable non-recurrent factors, but also to the fact that prices and costs in the United States have for years shown remarkable stability, which has increased American competitive power as compared with that of other industrial countries. If in spite of that the United States' overall balance in 1964 did not improve in comparison with the previous year to the extent which had been hoped, the reason was that private capital exports suddenly shot up especially in the last months of the year. At almost \$ 7 billion in 1964 total private capital exports, short and long-term combined (including the balance of unidentifiable items, which no doubt mainly represent private capital movements), reached an all-time high (see Table 2). The net increase in short and longer-term bank lending to foreign countries alone amounted to almost \$ 2.5 billion, this being an unusual expansion compared with previous years. In part the special inflation of capital exports during the last months of the past year doubtless resulted from the public discussion which began about that time in the United States concerning further Government measures to restrain private exports of capital, and which caused the banks in particular, but probably also many enterprises, to make precautionary arrangements. But even apart from these perhaps merely temporary exaggerations of private money and capital exports the propensity of many American banks and enterprises to export capital still appears to be greater than seems compatible with the real possibilities of further increasing the United States' current-account surplus. The United States Government therefore found itself obliged, at the middle of February 1965, under a new ten-point balance-of-payments programme to extend the interest equalisation tax to include medium and long-term bank and non-bank loans to industrial countries, to limit the further increase of the banks' and other financial institutions' foreign lending by imposing a ceiling, and finally to confine (and if possible reduce) through a policy of moral suasion the strain placed on the United States' balance of payments by American corporations' direct investments abroad.

These steps are still far removed from an exchange control system, in which individual transactions with foreign countries are made subject to bureaucratic approval. But still they do constitute direct interference with some sections of foreign capital movements, and they are the more significant since they are taken by a country whose economy is by a long way the most important in the world, and whose currency is the reserve currency for a great part of the world. Such measures might seem to run counter to the target of freeing international capital movements from all restrictions. It must however be borne in mind that these measures are largely designed only to curb exaggerations, which benefit neither the lending nor the borrowing country. This applies for instance to a large part of the American bank loans to highly developed industrial countries, which loans last year showed disproportionate expansion. In most European countries the expansion of domestic bank lending is at present being deliberately checked through a restrictive credit policy, for the sake of internal stability, and in many it is being made more expensive; it may thus be that the cheaper American loans are crowding into a gap deliberately created by European monetary authorities, and thereby reduce the effectiveness of the anti-inflationary policy in Europe (or else have to be neutralised by that policy), while at the same time they unduly burden the American balance of payments. The case is somewhat different as regards American direct investments in Europe, which, to judge from the figures for the first nine months, were up by almost half last year as compared with the previous year. It can indeed be assumed that the majority of these direct investments, that is so far as they are linked with the introducing of new products or new processes, also have a beneficial effect on the recipient country and are useful in the interest of increased international division of labour. Yet here again there are cases in which it is not the imparting of technical know-how or other benefits derived from division of labour which stand in the foreground, but purely financial investment interests, the difference in financial power on both sides of the Atlantic, influenced as it is by the differing credit and interest policies, also playing its part.

Some of the capital movements which the new American balance-of-payments policy is designed to confine are therefore not the result of a true difference in the power of capital formation and do not necessarily improve the international division of labour, but owe their origin to an international distortion, namely to the divergence between the credit and interest rate policies pursued in the United States on the one hand and in Europe on the other. In addition, *i. e.* even apart from the effects produced by this divergence on the credit policy of the moment, there are evidently between the United States and a great part of Europe such radical differences in the structure of capital markets, as well as in the financial structure and the profitability standards of enterprises, that a substantial differential exists between the levels both of interest rates and of earnings. This differential can certainly not be evened out in a short time, if at all, since it is attributable by no means solely to differences in the power to accumulate capital, but largely to historical differences in the organisation of the capital markets and to different relationships between the various types of interest within the individual economic systems. Given complete freedom of capital movements, this historically generated structural difference of levels between the United States and Europe will no doubt constantly give rise to capital flows, which raise the problem of how to adjust the balances of payments of the two sides. Limits are set to any great further increase of the surplus on the American balance of current items; any further deterioration in the European current-account balances by way of adjustment to the capital inflows from North America is regarded by many observers as conflicting with the “natural structure” of the European countries’ balances of payments on current account. Still less, from the point of view of the world economy, would it make sense — and it would moreover in practice be possible only with difficulty — so to increase the already large surplus on the U.S. balance of current items that the recent “irregular” capital exports just mentioned could be fully offset. In this case it is rather adjustment by way of correcting the balance on capital account that is required. It can, however, be asked with good reason whether the measures now being adopted in the United States, unavoidable though they appear at the moment, will solve the problem in the longer run, and whether it would not be desirable simultaneously to tackle the elimination of the actual causes of the said distortion. One way to remove them would be to adjust the United States’ credit policy, in particular their interest rate policy, more than hitherto to the state of the balance of payments, and moreover on both sides of the Atlantic to work at longer term towards reducing the differences of interest rate levels and in particular those of profitability.

For any judgement of the United States’ large balance-of-payments deficits it must in fairness be recalled that these were not from the outset unwelcome to the rest of the world. At least in the first years of the period of heavy deficits which started in 1958, a number of European countries found the enlargement of their monetary reserves made possible by these American deficits to be thoroughly desirable; in fact, without such enlargement non-resident convertibility in a great part of Europe at the end of 1958 would probably not have been thought tolerable. In particular France, whose reserve position in that year actually was negative if allowance is made for its short-term foreign currency indebtedness, would hardly have been able without the gold and dollar outflows from the United States to bring its monetary reserves so quickly up again to the respectable level which they have now attained. It is only the excessive amount and long duration of the deficits of the United States’ balance of payments that have increasingly brought home to the surplus countries the consequent danger of imported inflation. It is true that the risk of inflationary contagion which large balance-of-payments deficits in one country can create for the other countries, even if price stability prevails in the deficit country itself, depends not only on the overall size but also on the structure of the deficit. Thus the fact that recently the United States was able even considerably to raise the surpluses in its balance on current account tended, if anything, to act as a restraint on other countries, and thereby somewhat damp the inflationary tinder which the excessive capital exports brought with them. At all events it is noteworthy that last year, despite the continuing considerable deficits on the American balance of payments, some European countries (including

Effect of the American deficits on the other industrial countries

the main surplus country, France) managed successfully to counteract their internal inflation. Balance-of-payments surpluses, it is true, import an inflationary potential into the surplus country; but its effect on internal stability can be countered according to circumstances, and more particularly according to the causes of the surpluses. Incidentally there is reason to emphasise the E.E.C. Monetary Committee's recent statement that for most European countries the inflationary tendencies in the period under report were due not so much to outside as to domestic factors.

## 5. Changes in International Reserve Policy

Being a reserve currency country confers advantages but also entails disadvantages

Special interest has finally attached of late to the question of how the United States finances its balance-of-payments deficit. There has been increasing criticism of the fact that the United States, as the world's principal reserve currency country, was able during past years to finance a part of its deficits not, like the other countries, through recourse to its monetary reserves (or if necessary to its I.M.F. drawing rights), but through merely crediting other countries with U.S. currency. As a result of the fact that the other countries accumulated a part of their balance-of-payments surpluses in the form of foreign exchange, that is mainly of liquid dollar assets, those countries in reality granted short-term credit to the United States' economy. Against this advantage of being a reserve centre there are, however, substantial risks, in particular the risk of being suddenly confronted by a desire to convert large amounts of dollars into gold, and the resulting compulsion constantly to pursue a monetary policy which will not cause foreign countries to lose confidence in the U.S. dollar. The question whether the ease of deficit financing tempts the reserve currency country to conduct too easy a monetary policy (as many European critics suppose), or whether regard for the very large amount of short-term foreign indebtedness convertible at all times into gold rather compels the reserve centre to follow an unduly restrictive monetary policy (as not a few American currency experts maintain), cannot be answered in general and abstract terms; it is rather a question of fact.

The holding of foreign exchange reserves has evolved from practice

The gold exchange standard system, as developed from practice since the war, led to a position in which at the end of 1964 the official monetary reserves in the Western world outside the United States were held to the extent of roughly \$ 25 billion each in gold and in foreign exchange. At the same date within the so-called Group of Ten (including Switzerland, which is associated with that Group, but again excluding the United States) roughly two-thirds of the monetary reserves were held in gold and one-third in the form of foreign exchange. In the present currency system there is no institutional rule obliging any country to hold a part of its reserves in a form other than gold; neither the Bretton Woods Agreement (I.M.F.) nor the European Monetary Agreement (E.M.A.) contains any provision to that effect. Up till now individual countries have determined the composition of their reserves mainly according to their own interests. One factor in that connection was considerations of convenience — for instance the need to maintain working balances in the currency in which monetary authorities normally intervene on the exchange market, or in which a great part of foreign debts is contracted — not to mention the interest earned, the risk factor, or simply tradition. Some industrial countries have always kept the greater part of their monetary reserves in gold, holding in U.S. dollars only such working balances as are immediately required for foreign exchange operations, as has been done in particular by Switzerland, the Netherlands, Belgium and the United Kingdom; in that connection importance attached in some cases to historical traditions and experience, to legal cover provisions, or — in the case of the United Kingdom — to the position of sterling as a reserve currency which ought to be covered not by a second reserve currency but directly by gold. The fact that outside the sterling area the currency mainly held as a foreign exchange reserve was the U.S. dollar is connected not only with the outstanding role of that currency in the world economy, with the great dollar indebtedness of many countries, and finally with the fact that nearly all Central banks effect the clearing of their



local foreign exchange market chiefly through the U.S. dollar; a further reason is that the United States has undertaken (*inter alia* in Article IV, Section 4 b of the I.M.F. Articles of Agreement) to convert into gold the dollars offered by foreign monetary authorities so far as this gold is required "for legitimate monetary needs". Thus the U.S. dollar is *de facto* the link between the present currency system and gold; this function, as became apparent on the recently agreed general increase of I.M.F. quotas with resulting pro rata gold in-payments, may occasionally lead to a special charge on U.S. gold reserves, in this case because of the United States having to provide some of the gold to be paid by other countries into the I.M.F.

Only in the last few years, with the increasing importance of foreign currency balances as an element in total monetary reserves, and in particular with the great accumulation of reserves in the hands of the European industrial countries, has the composition of those reserves become more and more an international monetary problem. It has been realised that the proportion held in the form of foreign exchange balances is one factor determining how much international liquidity exists in the world, that shifts in this proportion may lead to greater or lesser pressure on the monetary stocks of the United States as a reserve centre, and that reserve movements between countries having different proportions of gold and of foreign exchange may lead to the reserve centre's losing gold, even when that centre itself has no balance-of-payments deficit; finally, observers have watched with some concern the proportion between the United States' gold reserve and that country's growing short-term foreign indebtedness. Thus the major countries' reserve policy, *i. e.* the policy which they pursue regarding composition of their monetary reserves, has become *de facto* a matter of common concern. Hence it would be only consistent if between the most important industrial countries, which means in practice between the members of the Group of Ten, there were a certain harmonisation in regard to the respective principles governing their reserve policy. For a number of years past German representatives have proposed on occasion that either the members of the Group of Ten, or if this is not practicable the members of the E.E.C., should harmonise their reserve policy in the sense that they agree on a proportion (mutually adjusted from time to time) between gold and foreign exchange reserves; this being not necessarily any rigid proportion, since it would also be conceivable to have an agreed spread for the gold portion with a fixed upper and lower limit. Up till now, however, such proposals have not gained the assent of the other countries.

In January of this year the French Government announced that they would somewhat reduce their dollar holdings, accumulated in preceding years, and would in future collect all surpluses on their balance of payments only in the form of gold. In the present-day practice of free exchange markets balance-of-payments surpluses are no longer normally settled between Central Bank and Central Bank, but accrue in the form of excess offering on the exchange market, where they are taken by the Central Banks, normally almost always in the form of U.S. dollars (even when the surpluses are earned in relation not to the United States but to any other countries); this accordingly means that the French monetary authorities will present to the United States Treasury, for conversion into gold, all the further dollars which accrue to them in foreign exchange markets. This new reserve policy, sometimes rather misleadingly described as a "unilateral return to the gold standard", differs only in degree from the reserve policy previously pursued by France, since for some years now that country has regularly converted a part of its surpluses into gold, and even before the start of the new reserve policy had already held more than 70 per cent of its monetary reserves in that metal. By this action France appears in fact to go no further than Switzerland, Belgium and the Netherlands, which — as already mentioned — have always converted into gold all their accruing foreign exchange surpluses apart from relatively small working balances. But there are two reasons why special importance nevertheless attaches to the French step. First, during recent years France has been one of the world's principal surplus countries, and there is some evidence suggesting that in 1965 it will again rank alongside Italy as one of the chief surplus countries in Europe; hence the French authorities' announcement that they will convert all further foreign

The major countries' reserve policy is a matter of common concern

France now moving away from the gold exchange standard

exchange surpluses into gold is especially important if only owing to the size of the conversion operations entailed. Besides this, however, the French action has a fundamental significance because it is not based (like the reserve policy of the countries mentioned, namely Switzerland, Belgium and the Netherlands) on purely national considerations, but is founded *inter alia* on the intention that this reserve policy shall deliberately exert some influence on the balance-of-payments policy of the United States as a reserve centre, and shall in addition constitute a step towards dismantling the present gold exchange system as such.

The gold exchange standard cannot be abruptly dismantled

The statements on the new French reserve policy therefore form part of the international discussion, which has been proceeding for some time, about a reform of the present currency system. But so important an element in that system as the holding of reserves in foreign currency cannot be completely abolished overnight, if at all, without causing serious shocks. The size of the reserves now held throughout the world in foreign exchange form has already been mentioned. Even if only elimination of foreign exchange reserves in the advanced industrial countries of the Group of Ten and in Switzerland were intended (as is apparently contemplated by the French experts), the effect would be that reserves now totalling about \$ 10 billion would disappear. It is known that many academic advocates of thus eliminating the foreign exchange element from monetary reserves propose, by way of substitute, a big increase in the price of gold (doubling that price is mostly mentioned). The French Government itself, together with all the other Governments in the Group of Ten, expressed clear opposition — in the report which the Ministers and Central Bank Governors of that Group published in August 1964 concerning the present monetary system — to any raising of the price for gold; it conceives as a (partial) substitute for the foreign exchange reserves to be eliminated inside the Group of Ten a “synthetic reserve unit”, based on all the Group’s currencies, which would be closely linked with gold and would have to be held in the participating countries’ monetary reserves in a proportion to gold which would be uniform for all those countries. Other plans are to the effect that the I.M.F. should be given certain possibilities of itself creating reserves, or of accepting transferable deposits, which could then in part take the place of the foreign exchange reserves that were to be dismantled. All such plans and ideas raise extraordinarily difficult technical questions; above all, however, they raise institutional and political problems. They ought therefore to be very thoroughly considered before there can be any thought of generally recasting the present system as regards the holding of reserves. Such recasting can moreover be done only with the cooperation of all important countries. In point of fact the French Finance Minister has expressly mentioned, in a speech explaining French intentions, “gradually eliminating the surplus of reserve currencies now held”, referring among other things to elimination through repayment of debts to the reserve centres. The question of further developing or recasting the international monetary system, as regards the holding of reserves, has been expressly assigned by a decision of the Ministers and Central Bank Governors of the Group of Ten to a working party, which has yet to report on the result of its inquiries.

The Bundesbank adheres to its present reserve policy

For the Bundesbank, therefore, there is at present no occasion to alter its reserve policy. This is in agreement with the declared attitude of the Federal Government. In the composition of its reserves the Bundesbank has not aimed at any rigid proportion between gold and foreign exchange assets (including claims on international institutions), but has provided for reasonable spreading of risks, at the same time respecting the principle of international solidarity. In the course of 1964, with monetary reserves almost unaltered at a total of about DM 30 billion, it increased its gold holdings by roughly DM 1.6 billion to the level of DM 17.0 billion<sup>1)</sup>, the accruals chiefly reflecting gold sold by Italy, amounts acquired from the Central Banks’ London gold pool, and the I.M.F.’s above-mentioned sale of gold for DM. The result was to raise the proportion borne by gold to the Bundesbank’s total gross reserves from 50.3 per cent at the end of 1963 to 55.6 per cent at the end of 1964<sup>2)</sup>. On the other hand the Bundesbank’s freely available dollar

<sup>1)</sup> The figures here given for reserves, unlike those in the Bundesbank’s Annual Balance Sheet, represent values converted into DM at par rates.

<sup>2)</sup> If the Bundesbank’s external DM assets contained in the gross reserves are excluded, the gold portion at the end of 1964 was about 65 per cent.

balances decreased by a good deal more than the gold holding increased, falling in fact by nearly DM 4 billion to the level of DM 7.7 billion at the end of 1964. By far the greatest part of this decline was due to transactions the initiative for which came from foreign monetary authorities. Apart from the gold purchases already mentioned, which directly or indirectly were made to the debit of the Bundesbank's dollar holdings, the following major transactions may be mentioned in this connection. In 1964 the United States Treasury offered a further DM 1.6 billion of medium-term bonds, denominated in DM, which can in case of need be converted at short notice into dollars, so that the Bundesbank's holding of such bonds rose to DM 2.7 billion; the Treasury used most of the DM proceeds to repay dollar liabilities to the Bundesbank. In the course of the above-mentioned assistance for the United Kingdom the Bundesbank furthermore placed at the I.M.F.'s disposal, under the "General Arrangements to Borrow", an additional DM 720 million which the Fund transferred to the British monetary authorities, who used the money to buy U.S. dollars from the Bundesbank.

In the light of the tendencies now discernible the German net foreign exchange balance in 1965 is more likely to show a deficit than a surplus. Since any deficit would be met not out of the gold holding but from the foreign exchange portion of the monetary reserves, there might be a further rise during 1965 in the percentage proportion of gold to total reserves.

## 6. Investigations Concerning Reform of the Present Monetary System

The public discussion now proceeding in the world about the most expedient method of holding reserves forms only part of the discussions which have taken place since the autumn of 1963, both in the Group of Ten and inside the International Monetary Fund, concerning further development of the international monetary system. In October 1963, during the Annual Meeting of the I.M.F., the Ministers and Central Bank Governors of the ten countries which joined with the I.M.F. in the "General Arrangements to Borrow" had instructed a committee of their deputies to carry out an "examination of the outlook for the functioning of the international monetary system and of its probable future needs for liquidity". In the summer of 1964 this Committee of Deputies submitted the result of its examination in a report, which was published in August 1964 together with a summary Statement by the Ministers and Central Bank Governors.

This report produced a number of useful clarifications. Agreement was for instance reached, between all ten countries taking part, on (among others) the following points:

- (1) The Ministers and Governors reaffirmed their conviction that the international currency system should continue in future to be based on the present price for gold and on a system of fixed exchange rates.
- (2) As concerns international liquidity they agreed "that, for the international monetary system as a whole, supplies of gold and reserve currencies are fully adequate for the present and are likely to be for the immediate future", in which connection it was pointed out that the reserves are already supplemented by a broad range of credit facilities.
- (3) It was further agreed that a continuing growth of world trade and payments is likely to entail a need for larger international liquidity which, with the present system of reserve provision, it might not be possible to meet adequately or correctly, so that there might be a need for further extension of credit facilities and — on a longer view — possibly for "some new form of reserve asset".
- (4) In this connection there was agreement on three important individual points:
  - (a) By itself, that is without being supplemented by other reserve assets, the newly produced gold will in the long run hardly suffice to meet the liquidity needs of the world economy,

The instructions of the Group of Ten to investigate the currency system...

... resulted in a number of useful clarifications

and the available supply for monetary purposes is too erratic to permit reliance on such gold alone.

(b) After having attained a very great volume in past years the creation of additional dollar reserves through American balance-of-payments deficits has reached a kind of "natural limit". Quite apart from its possible inflationary effect, any further considerable increase in the rest of the world's dollar reserves through continuance of the American balance-of-payments deficits would also be undesirable because this would so worsen the proportion between the United States' gold reserve and its short-term foreign debt that sooner or later a crisis of confidence would have to be apprehended.

(c) There is no immediate prospect of any other currency assuming the function of an additional international reserve currency; such a change would indeed be undesirable because at the present time it would hardly contribute towards stability of the international currency system, but would rather raise additional problems (to this statement of view by the Group of Ten the E.E.C. Monetary Committee expressly assented, as regards the E.E.C. countries' currencies, in its Seventh Annual Report published in February 1965).

Practical conclusions

(5) Finally, the Ten agreed on four practical conclusions:

(a) With a view to reinforcing the international monetary system the way in which balance-of-payments deficits and surpluses are financed through bilateral and multilateral credit facilities is to be kept constantly under joint observation and control through "Multilateral Surveillance", because those concerned have become increasingly aware "that the manner in which balance-of-payments deficits and surpluses are financed has implications for countries other than those directly concerned".

(b) As regards the review of I.M.F. quotas, required every five years and due in 1965, it was agreed that members' quotas should be generally raised by 25 per cent, with additional selective adjustment of those member quotas "which are clearly out of line".

(c) The O.E.C.D.'s Working Party 3 (the Monetary and Balance of Payments Committee) was instructed to consider what measures and instruments are best suited to avoid disequilibria or, when they occur, to correct them as quickly and smoothly as possible (rules of game for balance-of-payments policy or for the so-called adjustment process).

(d) Finally, a technical subgroup of the Group of Ten, the "Study Group on the Creation of Reserve Assets" under the chairmanship of the Italian member Ossola, was instructed to examine the various proposals for supplementing (or replacing) the reserve assets so far in existence, and to report on this subject by the end of May 1965, besides carrying out all the detailed investigations necessary for evaluation of the various suggestions.

These four concrete proposals are now in course of execution. Thus the "multilateral surveillance" of the way in which balance-of-payments deficits are financed has already begun, being conducted both by the Central Bank Governors of the Group of Ten at the B.I.S. in Basle and by Working Party 3 of O.E.C.D. in Paris. That supervision is assisted by full and prompt statistical recording of the net monthly foreign exchange movements in all countries of the Group of Ten (as well as Switzerland) on a comparable basis; this permits for the first time a clear view of all the financing processes in connection with the member countries' deficits and surpluses. The bilateral assistance for countries with weak balances of payments, and the creation of reserve assets by reserve currency countries, are part of this exercise.

At the end of March 1965 the I.M.F. Governors also approved in principle, by a vote, the general increase of quotas in the I.M.F. The Fund asked the Federal Republic, as a country whose existing membership quota was "clearly out of line", to raise its quota not only by the generally contemplated 25 per cent but by something over 50 per cent, from the present \$ 787.5 million to \$ 1.2 billion. Among the Group of Ten countries Japan, Canada and Sweden have also been asked to raise their quotas to a greater than proportionate extent. This action to increase membership quotas does not result from any acute need in the world as a whole for more inter-

Multilateral surveillance  
of way in which  
balance-of-payments  
disequilibria are financed

Increase of I.M.F. quotas

national liquidity. On the occasion of the review required every five years by the I.M.F. Articles of Agreement for membership quotas it was however found expedient for the next five-year period, that is from 1966 to 1970, somewhat to enlarge the I.M.F.'s freedom of action as regards both the credit to be granted by it and its financial resources. The President of the Bundesbank did however emphasise, at the I.M.F. Annual Meeting in September 1964, that German assent to any such expansion of "potential international liquidity" was based on the expectation that the Fund's lending policy would not depart from the well-tried principles, namely that as a condition for assistance by the I.M.F. the beneficiary countries should make adequate efforts rapidly to restore their internal and external equilibrium.

The discussion, conducted with special vigour during the period under report, about improvement of the international monetary system has taken an interesting turn. Two years ago it had received its chief impellent from the problem of international liquidity. It had been feared, especially in Anglo-Saxon quarters, that owing to an imminent shortage of currency reserves and of supplementary credit facilities, the world economy might undergo a process of shrinkage. Because of the persistence of the American balance-of-payments deficits, this fear has receded into the background. At present the world, always taken as a whole, is adequately supplied with monetary reserves and credit facilities; as regards some kinds of reserves, indeed, it is more than adequately supplied, although it is open to doubt whether this might not change very rapidly in the event of the American deficit being removed. Besides the question of international liquidity, however, the Ministerial Group of the Ten had also instructed its Deputies to examine "the outlook for the functioning of the international monetary system". This aspect of the problem has in fact become increasingly prominent, likewise as a result of the persistent American deficits.

The defects of the present system mostly fall into two categories. First, the method by which monetary reserves can be created in the present system is the subject of increasingly strong criticism; this applies above all to the fact that in this system such reserves are created not according to the world economy's true objective need but — apart from fortuitous variations of the monetary gold supply — according to the balance-of-payments deficits of the reserve currency countries, especially of the United States. So long as the rest of the world still had a certain backlog demand for monetary reserves of its own, this was not felt to be a special weakness of the system. Now that the already unduly persistent deficit on the United States' balance of payments has threatened to create more dollar reserves than the rest of the world is prepared to accept, this defect is coming into the limelight of criticism. Consequently efforts are more and more directed to leaving the creation of international monetary reserves no longer — as hitherto — to the chances of the monetary gold supply, or of deficits in the reserve currency countries' balances of payments, but deliberately to base it on objective criteria for international reserve requirements. The main task of the above-mentioned committee of the Group of Ten for studying the various possible methods of reserve creation is to indicate opportunities for deliberate control of reserve creation, such as will permit further evolutionary development of the international monetary system without disruption and without sudden disturbances. In practice there can of course be no deliberately controlled reserve creation until the American balance-of-payments deficit, which up to now has supplied the rest of the world with abundant international liquidity, has been eliminated; this is true irrespective of whether the United States finances the deficit by providing U.S. dollars, by selling gold or by I.M.F. drawings, since in any case the supply of reserves to the rest of the world will be increased correspondingly.

Secondly, however, it is more and more felt to be a defect that in the present system the pressure to eliminate or avoid balance-of-payments disequilibria is not always sufficiently effective. Such pressure can hardly be adequately provided solely by keeping international liquidity scarce, since a system in which rates of exchange are in principle fixed needs on the other hand sufficient reserves and credit facilities as a buffer, so that, if difficulties suddenly arise, they shall not lead to excessive disturbances of world trade or even collapse. The proposal put forward in

Expansion of international liquidity recedes from prominence...

... as compared with defects in the working of the monetary system

various quarters for a return to the gold standard in the form of maintaining purely gold reserves (“gold reserve standard”) would only be practicable, according to the view held by most supporters of this proposal, if the price of gold was at the same time drastically raised, total international liquidity thus being increased even above its present level. Incidentally even a change-over to the pure gold reserve standard would neither prevent the occurrence of disequilibria in balances of payments, and hence of imported inflation, nor could such a pure gold reserve standard rule out the possibility that countries might in certain circumstances march in step into inflation.

By technical amendments and improvements of the monetary system the dangers of inflation may perhaps be somewhat reduced here and there, but they certainly cannot be ruled out. The value of institutional improvements in the world monetary system must therefore not be over-estimated. What chiefly matters is always the way in which economic policy instruments are handled in the leading countries. An international system of fixed exchange rates can function only if the major countries assign adequate priority to external equilibrium in the sequence of their economic objectives. This can to some extent be supported by establishing agreed rules for balance-of-payments policy, such as are now to be worked out according to the mandate of the Ministerial Group of the Ten. At the same time, however, the principal countries adhering to the system must maintain sufficient internal discipline, and in particular must preserve enough price stability, to prevent the entire system from marching in step along the road of creeping inflation. Hence the monetary policy conducted in the leading countries is, and remains, more important than any institutional arrangements of the international monetary system.

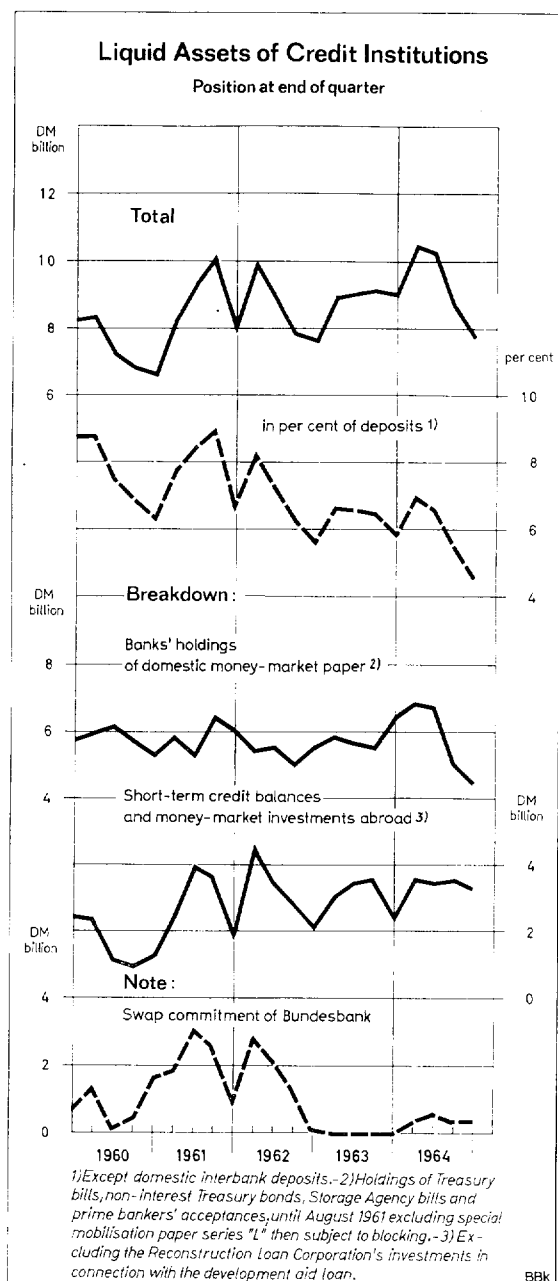
The leading countries' monetary policy remains the determining factor

### III. Trends in Money and Credit

#### 1. Bank Liquidity

Bank liquidity declined considerably in the course of 1964, whereas it had risen in 1963. The reasons for this change comprised both the alteration in the mainly “market” determinants of bank liquidity and the effects of the Bundesbank’s credit policy designed to constrict it. If the movement of the credit institutions’ liquid assets (domestic Treasury bills, non-interest Treasury bonds, Storage Agency bills, prime bankers’ acceptances, and claims resulting from money exports) is taken as measuring the restrictive effect of all the factors at work, it appears that such assets declined in the year under report by DM 1.2 billion, whereas in 1963 they had risen by roughly the same amount. At the end of 1964 they amounted to DM 7.8 billion, thus equalling 4.6 per cent of the total deposits at banks (domestic interbank deposits being excluded), as compared with 5.9 per cent at the end of 1963 and 5.7 per cent at the end of 1962. As can be seen from the following graph, there has for some time been a tendency for the banks’ free liquid assets to decrease as compared with deposits; this tendency was further strengthened in the year under review through the combined effect produced by the liquidity shortage due to market factors and by the Central Bank’s restrictive policy. It must of course be borne in mind that besides these free — or at all events easily mobilisable — liquidity reserves the banks also have large Central Bank balances which, while their size on the daily average for any month is laid down by the minimum reserve regulations, are used on a considerable scale in the course of a month to meet short-term strains on liquidity. Finally, the picture drawn above is incomplete inasmuch as the banks as a whole are able to fall back, not only on their free liquid assets, but also on the unused parts of their rediscount quotas at the Bundesbank. If these too are included, the credit institutions’ total “free liquidity reserves” become considerably greater; but even on this wide definition the banking system’s free liquidity margin shows a decrease in 1964 after having considerably increased in 1963. A point to remember, when the above-mentioned “liquidity ratio” is compared with conditions abroad, is that total deposits (which form the basis of this calculation) also include the total

Overall trend, as apparent in the movement of the banks’ liquid assets



savings deposits at the credit institutions rendering monthly returns, and hence all the savings deposits at savings banks and cooperatives, which in many foreign countries are not counted as bank deposits. In themselves, therefore, the liquidity ratios mean little, or are at all events not comparable with the circumstances in other countries.

The reversal in the movement of bank liquidity last year was for the most part due to mainly market factors. Together with some less important influences (for example the Bundesbank's open-market transactions with public authorities, and the changes in net items in course of settlement at the Bundesbank) these factors in the year under report took almost DM 1.1 billion of liquidity away from the banking system, whereas in 1963 they had given it about DM 2.5 billion of liquid funds<sup>1)</sup>. As the following table shows in detail (see Item I, 1 to 7), the constrictive effect of market factors became steadily stronger from the first to the third quarter of the year under report; not until the last quarter did tendencies to relaxation — in some cases seasonal — again predominate.

The main factor causing the reversal in liquidity was the change in the balance of payments. As has been shown in another connection<sup>2)</sup>, the Federal Republic of Germany's "extended balance of gold and exchange movements" (combining the Bundesbank's net gold and exchange reserves with the credit institutions' net exchange position) yielded a large surplus in the first quarter of the year but then showed growing deficits from the second quarter of 1964 onwards, so that on the whole year there was a small net deficit. The follow-

Total effect of the mainly "market" determinants

Influence of the balance of payments

ing table still shows for the year 1964 as a whole an expansive effect produced on bank liquidity by transactions with foreign countries, but this amounted to only about DM 400 million as against almost DM 2.8 billion in 1963<sup>3)</sup>. The slightly expansive effect produced by transactions with foreign countries was incidentally strongest in the first quarter of 1964, conforming in tendency with the movement in the net gold and exchange position of the Bundesbank and the credit institutions,

<sup>1)</sup> With a view to limiting the effect of chance fluctuations both these and the following data concerning bank liquidity are calculated, unless stated otherwise, on the average for the four weekly bank-return dates in the last month of years or quarters.

<sup>2)</sup> Cf. page 13 of this Report.

<sup>3)</sup> In contrast to earlier analyses of bank liquidity in the Bundesbank's Reports, the data concerning the influence of external transactions on bank liquidity, like those concerning the influence produced by transactions of public authorities and other non-banks, no longer exclude the net foreign payments — not affecting liquidity — which were made by domestic non-banks, and especially the Federal Government, out of Bundesbank accounts. The reason why this revised calculation for 1964 still shows a small net expansive effect, despite deterioration in the net gold and exchange position of the Bundesbank and the credit institutions, is in particular that it allows — unlike the "extended balance of gold and foreign exchange movements" — only for changes in money-market investments as well as in the balances held by credit institutions at banks abroad, but does not allow for short-term external liabilities nor for short-term lending to foreigners. Only the credit institutions' above-mentioned short-term foreign assets represent amounts of foreign exchange which the banks refrained from converting into domestic liquidity and took into their own free liquidity reserves.

## Bank Liquidity

Millions of DM

Item	1963	1964	1964			
			1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
Change during period, calculated from the averages of the four weekly bank-return dates in the last month of the year or quarter						
<b>I. Determining factors</b>						
(1) Increase (—) or decrease (+) in note and coin circulation <sup>1)</sup>	—1,607	—1,784	+1,065	— 675	— 589	—1,585
(2) Increase (—) or decrease (+) in net balances of Federal Government, Länder and Equalisation of Burdens Fund with Bundesbank <sup>2)</sup>	+1,588	+ 390	—1,515	— 456	— 14	+ 2,375
(3) Increase (—) or decrease (+) in net balances of other non-banks with Bundesbank <sup>3)</sup>	— 174	— 81	— 381	+ 453	— 252	+ 99
(4) Increase (+) or decrease (—) in Bundesbank's net foreign exchange reserves <sup>4)</sup> and credit institutions' short-term foreign assets <sup>5)</sup> among which: Credit institutions' short-term foreign assets <sup>6)</sup>	+ 2,796 (+ 376)	+ 406 (+ 888)	+ 569 (+ 461)	— 178 (+ 134)	— 210 (+ 58)	+ 225 (+ 235)
(5) Sale (—) or repurchase (+) of mobilisation paper by Bundesbank in open-market transactions with non-banks	+ 56	+ 68	+ 15	— 49	+ 71	+ 31
(6) Favourable (+) or unfavourable (—) movement of items in course of settlement in the Bundesbank's payment transactions	— 71	+ 100	+ 66	+ 69	— 28	— 7
(7) Other items	— 90	— 193	— 65	+ 19	+ 62	— 209
<b>Increase (+) or decrease (—) in bank liquidity due to the above factors</b>	<b>+ 2,498</b>	<b>—1,094</b>	<b>— 246</b>	<b>— 817</b>	<b>— 960</b>	<b>+ 929</b>
<b>II. Change in credit institutions' reserve balances (determined over longer periods by the minimum reserve requirement<sup>6)</sup>; increase: +, decrease: —)</b>						
	+1,222	+2,222	— 635	+ 403	+1,385	+1,069
<i>Note:</i> Change of minimum reserve required (increase: +, decrease: —)	(+1,059)	(+2,552)	(+ 355)	(+ 400)	(+1,435)	(+ 362)
<b>III. Total rise (+) or decline (—) of credit institutions' freely available liquid funds (balance of I less II)</b>						
	+1,276	—3,316	+ 389	—1,220	—2,345	— 140
<b>IV. Credit institutions' liquidity arrangements</b>						
(1) Acquisition (—) or resale (+) of money-market paper in open-market transactions with Bundesbank <sup>7)</sup>	— 704	+2,231	— 439	+ 863	+1,285	+ 522
(2) Formation (—) or repatriation (+) of short-term foreign assets <sup>8)</sup> by credit institutions	— 376	— 888	— 461	— 134	— 58	— 235
(3) Credit institutions' credit repayment to (—) or borrowing from (+) Bundesbank	— 196	+1,973	+ 511	+ 491	+1,118	— 147
<b>Total (balance of IV 1 to 3)</b>	<b>—1,276</b>	<b>+3,316</b>	<b>— 389</b>	<b>+1,220</b>	<b>+2,345</b>	<b>+ 140</b>
<i>Note:</i>						
Credit institutions' employment of liquid funds			Position at end of period			
Holdings of domestic Treasury bills and non-interest Treasury bonds	5,942	3,708	6,433	5,865	4,257	3,708
Holdings of Storage Agency bills and prime bankers' acceptances	516 <sup>Pc)</sup>	805 <sup>Pc)</sup>	499 <sup>Pc)</sup>	941 <sup>Pc)</sup>	860 <sup>Pc)</sup>	805 <sup>Pc)</sup>
Short-term balances with foreign banks and money-market investments abroad	2,548	3,287	3,614	3,467	3,632	3,287
<b>Total millions of DM</b>	<b>9,006</b>	<b>7,800</b>	<b>10,546</b>	<b>10,273</b>	<b>8,749</b>	<b>7,800</b>
<b>per cent of total deposits<sup>8)</sup></b>	<b>5.9</b>	<b>4.6</b>	<b>7.0</b>	<b>6.6</b>	<b>5.5</b>	<b>4.6</b>
<p><sup>1)</sup> Including changes in credit institutions' cash holdings, which cannot be eliminated here. — <sup>2)</sup> In order to obtain the net position, only the cash advances taken in the form of book credits (but not the special credit according to Art. 20 par. 2 Bundesbank Law) have been deducted from the credit balances maintained with the Bundesbank by the authorities concerned. — <sup>3)</sup> Net balances of Federal Postal Administration, E. R. P. Special Fund, other public authorities and private depositors. — <sup>4)</sup> After elimination of changes due to certain transactions of the Bundesbank on own account (e. g., foreign currency payments owing to DM drawings under agreements with the International Monetary Fund). — <sup>5)</sup> Balances with foreign banks and money-market investments abroad (claims deriving from money exports). — <sup>6)</sup> The differences between changes in the required minimum reserve and changes in Central Bank balances are mainly explained by the fact that banks are obliged to maintain the required minimum reserve only on the daily average for the month, whereas the Central Bank balances here recorded are calculated on the basis of the four weekly bank-return dates in accordance with the design of the table. The differences also reflect the tendency — almost exclusively due to technical reasons — of the banks' reserves to exceed the minimum required. — <sup>7)</sup> Only transactions concerning "mobilisation paper" and "other money-market paper" in so far as they affect the Bundesbank's holdings of such paper. — <sup>8)</sup> Excluding domestic interbank deposits. — <sup>Pc)</sup> Partly estimated.</p>						



whereas in the second and third quarters it was replaced by an opposite movement. Only in the last quarter of the year did it reappear, although in greatly reduced degree.

The cash transactions of the central public authorities<sup>1)</sup> — the second important “market” factor determining bank liquidity — operated in 1964 slightly to increase liquidity, at all events if the year is considered as a whole, but likewise did so much less than in the previous year<sup>2)</sup>. Such authorities’ net credit balances at the Bundesbank declined by not quite DM 400 million, thus putting much less Central Bank money into circulation than in 1963, when they had decreased by almost DM 1.6 billion. This effect was moreover concentrated entirely in the last quarter of 1964, when the net balances of the authorities in question declined by nearly DM 2.4 billion, whereas they had risen in each of the three preceding quarters, mainly at the beginning of the year.

Movements on the central authorities’ accounts at the Bundesbank ...

As against this the movements on the Bundesbank accounts of other non-banks on the whole produced less effect, although in the individual quarters of the year they were quite perceptible as an element among the total influencing factors, as the table shows. On the overall result for the year under review they exerted a relatively small strain on bank liquidity, just as in 1963, when the withdrawal of funds due to the rise of such balances had amounted to only just on DM 200 million. Chief importance attached, as usual, to fluctuations in the balances of the Federal Postal Administration and of the E.R.P. Special Fund, while private depositors’ balances — in general only small, and usually kept in connection with foreign payments — did not on a longer view show any significant movements.

... and on accounts of other non-banks at the Bundesbank

A strongly contractive effect on the liquidity of the banks was on the other hand again produced in the year under report by the largely cyclical rise, primarily due to growth of incomes, in the note and coin circulation. At almost DM 1.8 billion this rise was greater by nearly DM 200 million than in 1963. In conformity with the recurring seasonal trend the growth of the note and coin circulation was again largely concentrated in the period before the close of the year, whereas in the first months the return flows of notes and coin had predominated. On the result for the year the contractive effect which resulted from the increase of the note and coin circulation was much greater than the above-mentioned expansive influences, and was thus the reason why “market factors”, as already mentioned, took DM 1.1 billion of liquidity from the banking system.

Increase of note and coin circulation

In addition during the year under report greater minimum reserve requirements sterilised much more liquid funds than in 1963. The chief reason was the raising of minimum reserve ratios for domestic liabilities, as discussed in the opening chapter, with effect from 1 August 1964; this increased the minimum reserve requirement by an amount roughly twice that by which it would have risen of itself in 1964 owing to current growth of the reserve-carrying liabilities (see the table). Consequently the banks’ Central Bank balances — largely dependent on the level of the minimum reserve requirement for the time being — increased, as calculated on the average of the four weekly bank-return dates in the compared months December 1963 and 1964, by DM 2.22 billion, or DM 1 billion more than in 1963, when the minimum reserve ratios had not been raised.

Minimum reserve requirements

Thus to provide larger reserve balances at the Bundesbank and to finance the loss of liquidity due to market trends the banks were obliged in the year under report to find liquid funds in excess of DM 3.3 billion, whereas in 1963 they had been able to build up their free liquid reserves by almost DM 1.3 billion. The banks found the greater part of this amount — in fact over DM 2.2 billion — by running down their holdings of domestic money-market paper, especially mobilisation paper, which they had acquired in the course of the Bundesbank’s open-market transactions; they did so either by not renewing paper which fell due or, in case of need, by reselling paper to the Bundesbank before maturity. This was done especially in the third quarter of 1964, when the strain on liquidity became more perceptible. One reason was that the rate of interest paid on domestic money-market investments remained consistently low in the year under review, while the yields

The banks’ liquidity arrangements through open-market transactions...

<sup>1)</sup> Federal Government, *Länder* and Equalisation of Burdens Fund.

<sup>2)</sup> Cf. footnote <sup>3)</sup> on page 39, first sentence.

obtainable on foreign money markets gradually rose, so that employment in some foreign countries became more advantageous than on the home money market.

... through recourse to the Bundesbank...

Hardly less important than utilisation of domestic liquid assets was the increased recourse to Bundesbank credit; this amounted in the year under report to almost DM 2 billion net, and raised the total amount of such recourse to nearly DM 3.9 billion at the end of the year. An important factor here, towards the end of the year, was the cheapening of advances against securities, a step on which the Bundesbank decided for the period from 10 to 31 December 1964, when it allowed the banks a  $\frac{3}{4}\%$  rebate on its advance rate, which remained unchanged at 4%. By this measure the Bundesbank intended to assist the banks' financing of the strain to be expected on their liquidity in December, and to deter them so far as possible from repatriating their liquidity reserves employed abroad, or from borrowing in foreign countries. As expected, the Bundesbank's loans on securities greatly increased in the period mentioned; they reached almost DM 2 billion on 22 December, only to fall back again to about DM 650 million on the last day of the year. On the average for the four weekly bank-return dates in December borrowing on securities at the Bundesbank amounted to DM 760 million, or roughly 20 per cent of the banks' total recourse to it, against only about DM 100 million (5 per cent) in December 1963. Apart from this temporary cheapening of advances the reason for the banks' greater recourse — already evident since August 1964 — to the facilities open to them at the Bundesbank was that, on an international comparison, this source of money was particularly cheap. Not until the Central Bank discount rate was raised on 21 January 1965 was the differential somewhat reduced.

... and through variation of short-term foreign assets

The fact that in the course of the year under report the interest differential gradually widened as against the leading foreign money markets, where interest rates were in general higher than on the money market at home, largely explains why the banks not only nursed their short-term foreign assets and met their additional liquidity requirement entirely from domestic sources, but in addition actually increased their "exports of money". On the average<sup>1)</sup> the assets which the 90 credit institutions rendering weekly returns on their external position had as a result of "money exports" (balances at foreign banks and short-term money-market investments abroad) were greater by almost DM 900 million at the end of 1964 than a year before. Besides the above-mentioned difference between interest rates at home and abroad, however, the contributing causes also included the various direct and indirect incentives — already discussed in the opening chapter of this Report — which the Bundesbank provided for the "export of money", namely in the first place the raising of minimum reserve ratios for liabilities to non-residents with simultaneous maintenance of the facility for offsetting them against short-term foreign assets, and secondly the resumption of swap transactions at the beginning of March 1964; these transactions amount to guaranteeing the forward exchange rate on certain foreign assets at a cost lower than that prevailing in the market.

## 2. The Credit Institutions' Assets-Side Business

overall trends

The banks' credit business — whether in the form of lending to enterprises, individuals and public authorities or through the taking of securities and participations in syndicates — further greatly increased in 1964. Total lending to non-banks, plus total investments in securities and syndicate holdings, of the banks rendering monthly returns<sup>2)</sup> increased during 1964 by DM 33.8 billion, or over 14 per cent of what they had been at the end of 1963. Thus the growth of these assets — to a total of DM 274 billion at the end of 1964 — became a great deal faster in terms of absolute amount as measured by the movement in preceding years. In 1963 it had amounted to DM 28.7 billion, or 13.6 per cent of the initial total, and in 1962 it had reached about DM 27.0 billion (14.6 per cent). In comparison with 1963 the growth also increased in percentage terms,

<sup>1)</sup> Monthly averages of the four weekly bank-return dates in each compared month.

<sup>2)</sup> An analysis of credit movements at the monthly reporting credit institutions and at the Deutsche Bundesbank is contained in the article on "The Volume of Money and its Determinants in 1964" in the Monthly Report of the Deutsche Bundesbank, Vol. 17, No. 2, February 1965, page 25 and following pages, to which readers may refer for information about trends in the overall volume of credit.

quite contrary to the long-term trend, which had been characterised in the previous years by decreasing rates of growth.

The individual banking groups or sectors contributed, as usual, in widely varying degree to the expansion of total loans and investments in securities. As the following table shows, the average growth-rate of just over 14 per cent was exceeded, in particular, by those groups of institutions which can base their lending mainly on accruals of longer-term resources in their liabilities-side business, that is, in the wider sense, on total monetary capital formation. This applies in the first place to the savings banks, the credit cooperatives and their respective central institutions, which in the year under report had growth-rates for their assets-side business of between 15 and 17 per cent (in each case relating to the entire sector). Highly remarkable in that connection is the relatively great expansion, by almost 19 per cent, at the agricultural credit cooperatives, which are evidently profiting in special degree from the rapid spread of industry, trades and the crafts also to rural districts. In addition however the institutions which specialise in long-term lending, and which largely procure funds by selling their own bonds, on the whole during the year under report showed greater than average rates of expansion, which however in the case of the real-estate credit institutions was due exclusively to the expansion by the very wide margin of 20 per cent at the private mortgage banks, while at the public mortgage banks the corresponding rate of just over 13 per cent was slightly below the overall average. In part the rapid growth of lending by these groups of institutions as a whole was due to the greatly increased demand for housing mortgage loans; but a further reason in the case of the private mortgage banks may have been that the margin for their issues, especially of communal bonds, had been widened by the Fifth Law to Amend and Supplement the Mortgage Bank Law, dated 14 January 1963. On the other hand at 12 per cent the growth-rate for the commercial banks, and among these for the private bankers in particular, was lower than the average for all groups of banks.

Share of the various groups of banks

*Lending and Security Holdings <sup>1)</sup> at Banking Groups*  
Millions of DM

Banking group	Increase (+) during year						Amount outstanding at end of 1964
	1962		1963		1964		
	DM mn	p.c.*)	DM mn	p.c.*)	DM mn	p.c.*)	
Commercial banks	+ 4,960	+ 9.9	+ 4,993	+ 9.1	+ 6,972	+ 11.6	67,122
Big banks	(+ 1,934)	(+ 8.7)	(+ 1,241)	(+ 5.2)	(+ 2,590)	(+ 10.3)	(27,852)
State, regional and local banks	(+ 2,544)	(+ 12.0)	(+ 2,952)	(+ 12.5)	(+ 3,511)	(+ 13.2)	(30,092)
Private bankers	(+ 164)	(+ 3.0)	(+ 512)	(+ 9.1)	(+ 502)	(+ 8.2)	( 6,632)
Specialised commercial banks	(+ 318)	(+ 20.2)	(+ 288)	(+ 15.2)	(+ 369)	(+ 16.9)	( 2,546)
Savings bank sector	+11,964	+ 17.5	+11,617	+ 14.4	+13,500	+ 14.7	105,519
Central giro institutions	(+ 4,289)	(+ 18.5)	(+ 3,666)	(+ 13.4)	(+ 4,296)	(+ 13.8)	(35,388)
Savings banks	(+ 7,675)	(+ 16.9)	(+ 7,951)	(+ 15.0)	(+ 9,204)	(+ 15.1)	(70,131)
Industrial credit cooperative sector	+ 1,229	+ 16.8	+ 1,448	+ 16.9	+ 1,642	+ 16.4	11,636
Central institutions of industrial credit cooperatives	(+ 51)	(+ 15.9)	(+ 107)	(+ 28.8)	(+ 142)	(+ 29.6)	( 621)
Industrial credit cooperatives	(+ 1,178)	(+ 16.8)	(+ 1,341)	(+ 16.4)	(+ 1,500)	(+ 15.8)	(11,015)
Agricultural credit cooperative sector	+ 975	+ 17.0	+ 1,087	+ 15.7	+ 1,391	+ 17.4	9,388
Central institutions of agricultural credit cooperatives	(+ 130)	(+ 7.9)	(+ 122)	(+ 6.9)	(+ 256)	(+ 13.5)	( 2,152)
Agricultural credit cooperatives	(+ 845)	(+ 20.6)	(+ 965)	(+ 18.8)	(+ 1,135)	(+ 18.6)	( 7,236)
Private and public mortgage banks	+ 4,877	+ 15.9	+ 5,655	+ 15.9	+ 6,824	+ 16.6	47,849
Private mortgage banks	(+ 2,488)	(+ 16.9)	(+ 2,980)	(+ 17.3)	(+ 4,024)	(+ 20.0)	(24,187)
Public mortgage banks	(+ 2,389)	(+ 15.0)	(+ 2,675)	(+ 14.6)	(+ 2,800)	(+ 13.3)	(23,662)
Credit institutions with special functions	+ 1,813	+ 13.0	+ 2,531	+ 16.3	+ 2,693	+ 14.9	20,705
Instalment credit institutions	+ 344	+ 8.7	+ 446	+ 10.2	+ 243	+ 5.0	5,069
Postal Cheque and Postal Savings Bank offices	+ 853	+ 19.1	+ 923	+ 18.2	+ 526	+ 8.4	6,757
All banking groups	+27,015	+ 14.6	+28,700	+ 13.6	+33,791	+ 14.1	274,045

\*) Increase in per cent of total amount at end of preceding year. — <sup>1)</sup> Short, medium and long-term credits to business enterprises, individuals and public authorities, including holdings of domestic Treasury bills and non-interest Treasury bonds but excluding mobilisation paper, at the monthly reporting banks; security holdings including bank bonds and syndicate participations.

Shifts between  
the main components  
of credit expansion

Especially characteristic of 1964 trends in credit is that short-term bank lending accounted for the expansion of total credit to a relatively greater extent than in the two preceding years, whereas in 1962 and 1963 the main expansion had lain even more than during earlier years in lending at medium and long term<sup>1)</sup>. Of the total 1964 growth of credits granted by banks to their customers (that is their short, medium and long-term lending to non-banks, excluding the increase in their security holdings) roughly 20 per cent were at short term as compared with about 16 per cent in each of the previous two years. The chief reason doubtless lay in the great increase of economic activity, which induced both a rising demand for advances to anticipate capital expenditure and a greater need to finance inventories and sales.

Lending to non-banks

The foregoing figures for the total increase of banks' lending to non-banks and of their combined security holdings are however not identical with those for the increase of their total claims on non-banks, because they also include other domestic banks' security issues taken by credit institutions — *i. e.* interbank assets, which in order to avoid duplications must be deducted when the total granting of credit to non-banks is ascertained. On this narrower definition the lending and security holdings of the banks rendering monthly returns — that is such banks' total extension of credit to domestic and foreign non-banks — increased in 1964 by DM 30.5 billion, against DM 25.6 billion in 1963 and DM 24.1 billion in 1962. The lending to foreign non-banks included in these figures continued to be of only minor importance, excepting of course the development assistance loans to foreign Governments, which are shown among the longer-term loans to public authorities. The following paragraphs deal more fully with the individual components of the credit granted.

Short-term bank lending  
to non-banks

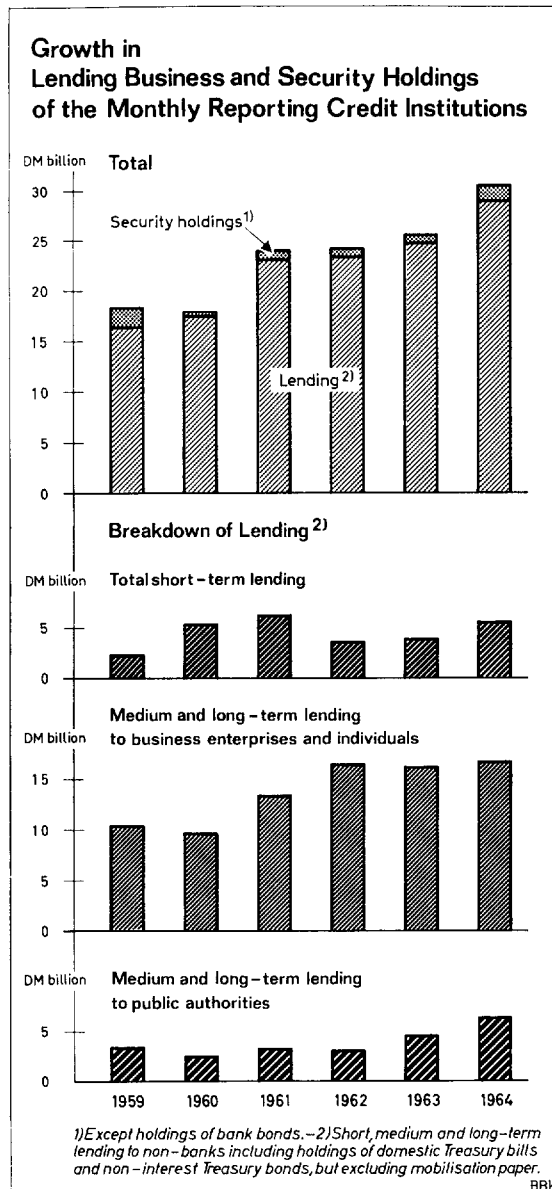
Short-term bank lending to enterprises, individuals and public authorities<sup>2)</sup> rose in the year under report by DM 5.7 billion, that is by almost DM 1.75 billion more than in 1963 and by about DM 2 billion more than in 1962. Their growth-rate, as measured by the initial level, was something over 10 per cent as compared with roughly 7.5 per cent in each of the two previous years. Approximately nine-tenths (DM 5.1 billion) of the total increase in short-term credits represented lending to business enterprises and individuals, which lending had accordingly grown by the end of 1964 to nearly DM 60 billion with an annual growth-rate of 9.3 per cent. In 1963 it had increased by DM 3.5 billion, or 6.9 per cent, and in 1962 by DM 3.4 billion or 7.1 per cent. From the credit policy angle it is particularly interesting that the growth of such lending accelerated in the course of 1964, although with some fluctuations. Thus, in the first quarter of the year the total amount had increased by only just on half as much as in the corresponding period of 1963; in the second quarter of 1964 the rise of a year previously was already exceeded, but in the third a substantial increase contrasted with an almost equally great decrease in the same period a year before. Finally, in the last quarter of 1964 the expansion of short-term lending to enterprises and individuals, usually quite large for seasonal reasons, was almost twice as great as in the corresponding period of 1963. The causes of the speed-up in the expansion of short-term lending to the private sector have already been stated<sup>3)</sup>; figures showing the movements in the individual quarters will be found in the table on page 46.

The amount of short-term credit extended to public authorities was shown, by the credit institutions rendering monthly returns, at a level higher by some DM 660 million at the end of 1964 than at that of 1963; this compared with increases by DM 460 million in 1963 and by DM 350 million in 1962. In 1964 however, unlike the preceding years, the element in such credit representing the banks' holdings of Treasury bills and non-interest-bearing Treasury bonds of domestic

<sup>1)</sup> Constant great predominance of loans granted to non-banks at longer term (for 6 months or more) is indicated by the monthly banking statistics if only because they, unlike those of many other countries, also include the institutions which specialise in long-term credit business. Among the groups of institutions in whose credit business that at longer term greatly predominates, or at least accounts for quite a large proportion of the total (in each case on the basis of longer-term liabilities-side transactions), special mention may be made of the private and public mortgage banks, the central giro institutions, the savings banks and certain large specialised institutions which operate at supra-regional level.

<sup>2)</sup> Including the banks' holdings of Treasury bills and non-interest-bearing Treasury bonds, but excluding their holdings of mobilisation paper and foreign Treasury bills, which are to be regarded as purely money-market assets.

<sup>3)</sup> See also what is stated in the General Survey on page 17 of this Report.



public authorities (excluding mobilisation paper) declined by DM 126 million; the chief reason probably was that at the end of 1964 the banks needed more Central Bank assistance than a year previously, and had therefore sold an appreciably greater amount of such paper to the Bundesbank for the purpose of procuring funds than at the end of 1963. What increased at a faster rate was thus exclusively the book credits granted to public authorities, these having risen by about DM 780 million in 1964 as compared with growth by only some DM 360 million in 1963 and a decrease by approximately DM 150 million in 1962. The main component as usual was lending to the Federal Railways, whose need for credit greatly increased in 1964, while on the other hand no adequate possibilities of financing were open to them on the bond market.

By way of divergence from the overall credit trend, the increase of bank lending to non-banks at medium term (from six months to under four years) was once again smaller in 1964 than in the previous year. It amounted to DM 2.1 billion, against DM 2.6 billion in 1963 and DM 3.6 billion in 1962; last year it was thus only about as great as in 1961. There was, however, a change in the proportions of the total increase for which the main groups of borrowers accounted. Although business enterprises and individual customers continued to take the largest amount of the additional credit granted at medium term (a large part of consumer credit, for instance, falls within this category), their proportion has

Medium-term lending

notably decreased of late. In the year under report medium-term lending to enterprises and individuals rose by only DM 1.8 billion, that is about DM 700 million less than in 1963 and only about half as much as in 1962, the year of their greatest rise to date. Public authorities in 1964 took altogether DM 288 million of additional medium-term credit, as compared with only DM 50 million in 1963 and a slight decline of the total in 1962. If consideration is confined to medium-term lending to resident public authorities, then (owing to net repayment of such credit by non-residents) the year under review actually showed an addition of over DM 400 million as against one of not quite DM 100 million in 1963, and contraction by about DM 70 million in 1962.

Total long-term bank loans to non-banks rose in 1964 by almost DM 21.2 billion, against DM 18.3 billion in 1963 and DM 16.1 billion in 1962. Business enterprises and individuals still were the most important group borrowing at long term from banks, although their share of new business continued to decline in 1964. In that year the long-term loans to business enterprises and individuals increased by nearly DM 15.0 billion; this represented 71 per cent of the total rise in long-term lending, against 75 per cent in 1963 and as much as nearly 80 per cent in 1962.

Long-term loans

*Lending and Security Holdings of the Monthly Reporting Credit Institutions*  
Millions of DM

Item	Yearly figures				Quarterly figures				
	1961	1962	1963	1964	Year	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
	Increase (+) or decrease (—)								
I. Short-term lending <sup>1)</sup> , total	+ 6,292	+ 3,726	+ 3,982	+ 5,716	1962	+ 831	+ 2,061	+ 155	+ 679
					1963	+ 1,271	+ 2,309	— 421	+ 823
					1964	+ 1,258	+ 2,093	+ 537	+ 1,828
(a) to business enterprises and individuals	+ 6,323	+ 3,380	+ 3,521	+ 5,060	1962	+ 1,000	+ 1,879	+ 131	+ 370
					1963	+ 1,049	+ 2,079	— 449	+ 842
					1964	+ 480	+ 2,377	+ 530	+ 1,673
(b) to public authorities <sup>1)</sup>	— 31	+ 346	+ 461	+ 656	1962	— 169	+ 182	+ 24	+ 309
					1963	+ 222	+ 230	+ 28	— 19
					1964	+ 778	— 284	+ 7	+ 155
II. Medium and long-term lending, total	+ 16,787	+ 19,707	+ 20,907	+ 23,262	1962	+ 3,409	+ 4,616	+ 5,446	+ 6,236
					1963	+ 3,421	+ 4,653	+ 5,767	+ 7,066
					1964	+ 3,914	+ 5,513	+ 6,454	+ 7,381
(a) to business enterprises and individuals	+ 13,445	+ 16,459	+ 16,195	+ 16,774	1962	+ 2,681	+ 4,017	+ 4,555	+ 5,206
					1963	+ 2,737	+ 4,171	+ 4,456	+ 4,831
					1964	+ 2,481	+ 4,392	+ 4,977	+ 4,924
(b) to public authorities	+ 3,342	+ 3,248	+ 4,712	+ 6,488	1962	+ 728	+ 599	+ 891	+ 1,030
					1963	+ 684	+ 482	+ 1,311	+ 2,235
					1964	+ 1,433	+ 1,121	+ 1,477	+ 2,457
(1) Medium-term lending, total	+ 2,195	+ 3,573	+ 2,563	+ 2,103	1962	+ 16	+ 1,034	+ 1,110	+ 1,413
					1963	+ 446	+ 847	+ 390	+ 880
					1964	— 47	+ 808	+ 740	+ 602
(a) to business enterprises and individuals	+ 2,170	+ 3,644	+ 2,511	+ 1,815	1962	+ 167	+ 1,037	+ 1,059	+ 1,381
					1963	+ 572	+ 866	+ 360	+ 713
					1964	— 84	+ 670	+ 770	+ 459
(b) to public authorities	+ 25	— 71	+ 52	+ 288	1962	— 151	— 3	+ 51	+ 32
					1963	— 126	— 19	+ 30	+ 167
					1964	+ 37	+ 138	— 30	+ 143
(2) Long-term lending, total	+ 14,592	+ 16,134	+ 18,344	+ 21,159	1962	+ 3,393	+ 3,582	+ 4,336	+ 4,823
					1963	+ 2,975	+ 3,806	+ 5,377	+ 6,186
					1964	+ 3,961	+ 4,705	+ 5,714	+ 6,779
(a) to business enterprises and individuals	+ 11,275	+ 12,815	+ 13,684	+ 14,959	1962	+ 2,514	+ 2,980	+ 3,496	+ 3,825
					1963	+ 2,165	+ 3,305	+ 4,096	+ 4,118
					1964	+ 2,565	+ 3,722	+ 4,207	+ 4,465
(b) to public authorities	+ 3,317	+ 3,319	+ 4,660	+ 6,200	1962	+ 879	+ 602	+ 840	+ 998
					1963	+ 810	+ 501	+ 1,281	+ 2,068
					1964	+ 1,396	+ 983	+ 1,507	+ 2,314
III. Holdings of securities and syndicate participations, excluding bank bonds	+ 898	+ 701	+ 711	+ 1,562	1962	+ 341	+ 127	+ 256	— 23
					1963	+ 311	+ 116	+ 81	+ 203
					1964	+ 592	+ 695	+ 301	— 26
Lending to non-banks, total (I to III)	+ 23,977	+ 24,134	+ 25,600	+ 30,540	1962	+ 4,581	+ 6,804	+ 5,857	+ 6,892
					1963	+ 5,003	+ 7,078	+ 5,427	+ 8,092
					1964	+ 5,764	+ 8,301	+ 7,292	+ 9,183
Note: Holdings of Treasury bills and non-interest Treasury bonds, total	+ 612	— 842	+ 1,003	— 2,216	1962	— 555	+ 51	— 658	+ 320
					1963	+ 383	— 613	+ 55	+ 1,178
					1964	+ 546	— 468	— 1,836	— 458
of which: Mobilisation paper <sup>2)</sup>	+ 106	— 862	+ 788	— 2,108	1962	— 351	+ 17	— 350	— 178
					1963	+ 552	— 611	— 33	+ 880
					1964	+ 92	— 248	— 1,510	— 442
Other domestic Treasury bills and non-interest Treasury bonds	— 310	+ 499	+ 98	— 126	1962	— 145	+ 113	— 16	+ 547
					1963	— 60	+ 159	— 51	+ 50
					1964	+ 399	— 320	— 98	— 107
Foreign Treasury bills and non-interest Treasury bonds	+ 816	— 479	+ 117	+ 18	1962	— 59	— 79	— 292	— 49
					1963	— 109	— 161	— 139	+ 248
					1964	+ 55	+ 100	— 228	+ 91
Holdings of securities and syndicate participations, total	+ 3,573	+ 3,582	+ 3,811	+ 4,813	1962	+ 1,913	+ 840	+ 748	+ 81
					1963	+ 1,402	+ 893	+ 553	+ 963
					1964	+ 1,979	+ 1,441	+ 954	+ 439
among which: Bank bonds <sup>3)</sup>	+ 2,675	+ 2,881	+ 3,100	+ 3,251	1962	+ 1,572	+ 713	+ 492	+ 104
					1963	+ 1,091	+ 777	+ 472	+ 760
					1964	+ 1,387	+ 746	+ 653	+ 465

<sup>1)</sup> Including holdings of domestic Treasury bills and non-interest Treasury bonds, but excluding "mobilisation paper". — <sup>2)</sup> That is, Federal Treasury bills and non-interest Treasury bonds resulting from exchange for a corresponding partial amount of the Deutsche Bundesbank's equalisation claim, the taking over of which paper by the banks does not represent any additional granting of credit to non-banks. — <sup>3)</sup> Including loans issued by the Equalisation of Burdens Fund with the commitment of the Equalisation of Burdens Bank, which in the securities statistics — in contrast to this table — are counted as part of the public authorities' loan issues.

Their proportion accordingly declined in favour of lending to public authorities. Long-term bank loans to such authorities grew by DM 6.2 billion in the year under report as against about DM 4.7 billion in 1963, and roughly DM 3.3 billion in each of the years 1962 and 1961. Thus in 1964 public authorities borrowed at long term to an extent greater than in 1963 by DM 1.5 billion, or one-third; hence the amount rose, not only in percentage but also in absolute terms, by somewhat more than the loans to enterprises and individuals. As will be seen from the following chapter on the Public Authorities' Cash Transactions, the local authorities have been the principal borrowers. For the first time, however, the *Länder* also incurred somewhat greater indebtedness to banks.

Lending to foreign countries (mainly development assistance loans granted by the Reconstruction Loan Corporation) accounted in the year under report for DM 1.06 billion, that is 17 per cent

*Breakdown of Medium and Long-term Lending by Borrowers or Purposes \*)*

Millions of DM

Year	Total lending to non-banks	Industries and handicrafts, total	among which;										Residential building	Public utilities	Trade	Agriculture, forestry, and water regulation and supply <sup>2)</sup>	Other public borrowers <sup>3)</sup>	Other branches of economic activity and other borrowers <sup>4)</sup>	Lending of instalment credit institutions <sup>5)</sup>
			Mining	Iron and metal producing industries and foundries	Steel construction, machine and vehicle building	Electrical engineering, precision instruments and optical goods	Chemical and pharmaceutical industries	Foodstuffs, beverages and tobacco	Textiles, leather, footwear, and clothing	Industries working for building <sup>1)</sup>									
<b>Medium and Long-term Lending</b>																			
End-of-year figures																			
1963	151,102	26,108	1,975	2,696	4,344	1,894	1,901	2,397	1,858	2,128	58,560	4,182	6,107	12,927	22,381	18,080	2,757		
1964	174,070	28,755	2,083	2,894	4,451	1,855	2,251	2,649	2,154	2,550	68,018	4,938	6,543	14,774	27,173	20,909	2,960		
Increase (+), decrease (-), during year <sup>6)</sup>																			
1961	+16,441	+3,091	+78	+370	+655	+317	+216	+286	+210	+212	+6,143	+218	+617	+1,361	+2,363	+2,319	+329		
1962 <sup>7)</sup>	+19,378	+4,026	+324	+374	+754	+143	+602	+245	+123	+318	+7,335	+710	+1,017	+1,733	-2,040	+2,324	+193		
1963	+20,631	+3,129	+196	+534	+341	+132	+23	+342	+143	+465	+7,923	+689	+804	+1,837	+3,413	+2,478	+358		
1964	+22,968	+2,647	+108	+198	+107	-39	+350	+252	+296	+422	+9,458	+756	+436	+1,847	+4,792	+2,829	+203		
<b>Medium-term Lending</b>																			
End-of-year figures																			
1963	20,693	6,794	436	952	1,050	633	625	457	376	618	2,245	223	1,736	485	1,096	5,369	2,745		
1964	23,095	7,044	575	915	1,016	555	760	491	437	685	2,689	370	1,808	873	1,255	6,111	2,945		
Increase (+), decrease (-), during year <sup>6)</sup>																			
1961	+2,181	+864	+34	+160	+219	+88	+7	+51	+67	+75	+238	-73	+58	+45	+165	+555	+329		
1962 <sup>7)</sup>	+3,561	+1,589	+107	+283	+414	+86	+302	+42	+25	+97	+365	+130	+312	+49	+119	+1,043	+192		
1963	+2,534	+732	-26	+257	-17	+49	-84	+117	+46	+185	+396	-30	+255	+37	-16	+810	+350		
1964	+2,402	+250	+139	-37	-34	-78	+135	+34	+61	+67	+444	+147	+72	+388	+159	+742	+200		
<b>Long-term Lending</b>																			
End-of-year figures																			
1963	130,409	19,314	1,539	1,744	3,294	1,261	1,276	1,940	1,482	1,510	56,315	3,959	4,371	12,442	21,285	12,711	12		
1964	150,975	21,711	1,508	1,979	3,435	1,300	1,491	2,158	1,717	1,865	65,329	4,568	4,735	13,901	25,918	14,798	15		
Increase (+), decrease (-), during year <sup>6)</sup>																			
1961	+14,260	+2,227	+43	+210	+436	+228	+209	+235	+144	+138	+5,904	+291	+558	+1,317	+2,199	+1,764	-		
1962 <sup>7)</sup>	+15,817	+2,437	+218	+91	+339	+57	+300	+203	+99	+220	+6,970	+580	+706	+1,685	+2,158	+1,280	+1		
1963	+18,097	+2,397	+222	+277	+358	+83	+107	+225	+97	+280	+7,527	+719	+549	+1,800	+3,429	+1,668	+8		
1964	+20,566	+2,397	-31	+235	+141	+39	+215	+218	+235	+355	+9,014	+609	+364	+1,459	+4,633	+2,087	+3		
<p>*) Not including Saarland. — <sup>1)</sup> After elimination of statistical changes due to the new definition of the range of agricultural credit cooperatives reporting for the monthly balance-sheet statistics. — <sup>2)</sup> Stones and earthenware, flat glassware, sawmills and woodworking, building and allied trades. — <sup>3)</sup> The credits granted by the agricultural credit cooperatives not included in the banking statistics also probably represent to a relatively large extent credits to agriculture. — <sup>4)</sup> This includes all credits granted to public authorities in so far as they are not shown among the individual branches of economic activity or industries, as well as the credits granted for the building and maintenance of roads, road bridges, harbours and waterways. — <sup>5)</sup> Credits to enterprises engaged in transport and communications, to the hotel and tourist industry and to "other private borrowers". Until March 1962 including unclassified loans granted by credit institutions before currency reform which, since June 1962, have been attributed to individual branches of economic activity or to individual borrowers. — <sup>6)</sup> Including purchase credits granted to traders, and small amounts of "other credits". — <sup>7)</sup> Changes due to statistical reasons have been eliminated.</p>																			

of the total rise in long-term lending to public authorities, whereas in each of the two previous years it had increased by only DM 700 million.

Medium and long-term loans to business enterprises and individuals classified by borrowers or objects

The statistics on borrowers (see the preceding table) show that of the banks' medium and long-term loans granted in the year under report to enterprises and individuals DM 9.5 billion, or over two-fifths of the total, went into housing. Thus the banks' financing of house construction expanded very greatly in the year under review, since in 1963 such loans had risen by only DM 7.9 billion, that is by DM 1.5 billion less than in 1964. In 1963, it is true, the *J* had likewise increased by more than in the year before; but then the rise had been limited to just under DM 600 million. Accordingly the above-mentioned longer-term loans to public authorities and for house-building were the principal expansive elements in the banks' medium and long-term credit business. Although the longer-term loans to the other groups of borrowers, which mainly comprise credit granted to enterprises in the narrower sense, likewise grew further in 1964, they did not do so by nearly so much as in the previous years. Altogether they increased by almost DM 8.0 billion in the year under report, against DM 8.6 billion in 1963 and DM 9.3 billion in 1962. For most individual branches of economic activity the statistics also show a decrease in the incurring of new medium and long-term debt to banks. That applies in the first place to industry and the crafts, which in 1964 obtained additional medium and long-term credit to the extent of only DM 2.6 billion as against DM 3.1 billion in 1963; it is only the industries concerned with chemicals and pharmaceuticals, as well as with textiles, leather and clothing, which formed exceptions to the general tendency. Traders also borrowed less at longer term during 1964 than in the previous year (see the table). On the other hand long-term bank lending to the other branches of economic activity and the other borrowers (mostly, apart from private individual borrowers, enterprises — also public ones — engaged in transport, communications and the tourist trade) rose by more than in the past years; so did medium-term lending to borrowers concerned with agriculture, forestry and water supply.

The banks' investments in securities

The banks' security and syndicate holdings rose in 1964 by over DM 4.8 billion, *i. e.* by some DM 1 billion more than in the previous year. The addition thus almost equalled the greatest growth so far achieved in any calendar year, namely that of almost DM 5 billion in 1959. True, in the course of the year the banks' security purchases were based to a decreasing extent on their voluntary decisions, since some underwriting banks had to take residues of issues into their own holdings, while in various cases price-support buying was also a factor. Under the influence of the strain on bank liquidity, which made itself felt in the autumn, the steep upward trend of such investment by the banks clearly flattened off. At about DM 440 million the addition in the fourth quarter of 1964 was only just on half as great as that in the corresponding period of 1963, whereas in each of the three preceding quarters it had been well above the level of a year before. This confirms the experience of earlier years, namely that the banks first react to any constriction of their free liquidity margin, and do so relatively quickly, by cutting down their buying of securities. In addition the banks evidently effected only for a limited period an unknown part of their new investments not dependent on syndicate obligations, so that for this reason too their acquisition of securities cannot be fully equated with definitive placing of the securities taken. It is reported that in connection, more particularly, with the acquisition of bank bonds (which are placed outside syndicates) "*en pension*" transactions were of some importance, *i. e.* the interim placing of securities at banks pending their subsequent final taking by institutional investors, which had made sure of obtaining the said securities through forward purchases with the benefit of special bonuses.

On the overall result for the year — as usual, and as must be expected with matters as they stand in the Federal Republic — the banks chiefly purchased securities issued by other banks, above all by real-estate credit institutions. Thus the savings accumulating on savings accounts at commercial banks, savings banks and credit cooperatives are made available through specialised institutions to the parties engaging in capital expenditure, so far as the collecting institutions do



### Security Holdings of the Banks

Year or quarter	Total		Domestic securities and syndicate participations								Foreign securities and syndicate participations
			Fixed-interest-bearing securities					Market-able equities <sup>1)</sup>	Other securities	Syndicate participations	
	Bank bonds		Public issues		Industrial bonds and other interest-bearing debentures						
	in-cluding bank bonds	ex-cluding	Total	among which: Medium-term notes (Kassenobligationen)		Total	among which: Medium-term notes (Kassenobligationen)				
End-of-year figures, millions of DM											
1959	18,346	7,200	11,146	561	3,967	659	876	1,489	94	377	397
1960	18,705	7,226	11,479	611	3,534	472	763	1,987	102	469	371
1961	22,278	8,124	14,154	778	4,062	702	842	2,211	104	540	365
1962	25,610	8,825	16,785	986	4,616	658	954	2,232	127	543	353
1963	29,678	9,541	20,137	1,301	5,112	768	914	2,382	219	477	437
1964	34,491	11,103	23,388	1,798	6,319	1,061	955	2,743	153	445	488
Increase (+) or decrease (—) <sup>2)</sup> , millions of DM											
1960	+ 359	+ 26	+ 333	+ 50	— 433	— 187	— 113	+ 498	+ 8	+ 92	— 26
1961	+ 3,573	+ 898	+ 2,675	+ 167	+ 528	+ 230	+ 79	+ 224	+ 2	+ 71	— 6
1962	+ 3,582	+ 701	+ 2,881	+ 208	+ 554	— 44	+ 112	+ 21	+ 23	+ 3	— 12
1963	+ 3,811	+ 711	+ 3,100	+ 315	+ 495	+ 110	— 43	+ 149	+ 92	— 66	+ 84
1964	+ 4,813	+ 1,562	+ 3,251	+ 497	+ 1,207	+ 293	+ 9	+ 361	— 34	— 32	+ 51
1963 1st qtr.	+ 1,402	+ 311	+ 1,091	+ 59	+ 495	+ 242	— 22	— 123	— 7	— 36	+ 4
2nd qtr.	+ 893	+ 116	+ 777	+ 88	+ 99	— 129	+ 1	+ 0	+ 6	+ 19	— 9
3rd qtr.	+ 553	+ 81	+ 472	+ 24	— 15	— 4	— 17	+ 70	+ 49	— 30	+ 24
4th qtr.	+ 963	+ 203	+ 760	+ 144	— 84	+ 1	— 5	+ 202	+ 44	— 19	+ 65
1964 1st qtr.	+ 1,979	+ 592	+ 1,387	+ 292	+ 533	+ 280	— 89	+ 81	— 8	+ 24	+ 51
2nd qtr.	+ 1,441	+ 695	+ 746	+ 70	+ 293	+ 124	— 145	+ 165	— 49	+ 76	+ 65
3rd qtr.	+ 954	+ 301	+ 653	+ 127	+ 316	— 55	— 51	+ 47	+ 15	— 14	— 12
4th qtr.	+ 439	— 26	+ 465	+ 8	+ 65	— 56	+ 4	+ 68	+ 8	— 118	— 53

<sup>1)</sup> Including investment fund certificates. — <sup>2)</sup> Statistical changes have been eliminated.

not directly lend out the funds at long term or in some other form. For this reason the results of German banking statistics, which contrary to the practice in most other countries include almost all credit institutions (also, in particular, those specialising in long-term business), are to a substantial extent influenced by interbank relationships; these, if not eliminated, would lead to duplication and would thus present an exaggerated picture of total credit expansion (see page 44 above). With the inclusion of medium-term notes (*Kassenobligationen*) issued by banks the total amount of bank bonds held by all credit institutions grew by DM 3.25 billion in 1964, that is little more than the 1963 growth by DM 3.10 billion. On the other hand at DM 1.21 billion the addition to public authorities' issues (likewise including their medium-term notes) was considerably greater than that of about DM 500 million in 1963, even though the total amount of such issues was smaller in 1964 than in that year. The rise which thus occurred in the proportion of public authorities' issues taken by the banking system reflects the fact, among others, that foreign countries as a whole not only ceased entirely to buy such authorities' issues in 1964, but on balance offered them for sale on the German market. This point is further discussed in the analysis of security market trends on page 55 and following pages of this Report.

### 3. The Credit Institutions' Liabilities-Side Business

On the liabilities-side of banks' balance sheets during 1964 the savings deposits in particular continued to grow vigorously in absolute amount; the same, however, also increasingly applied to the circulation of bank bonds. In the year under report such bonds (excluding those acquired by banks) produced 34 per cent of the total accruing to the banks from these two sources of monetary capital formation, against only 31 per cent in 1963 and an average of no more than 29 per cent for the years 1960 to 1962. The growth of savings deposits and of the bank bond

Overall trends

circulation reflects the rise in the national income and also, more particularly, the gratifying increase of the propensity to save.

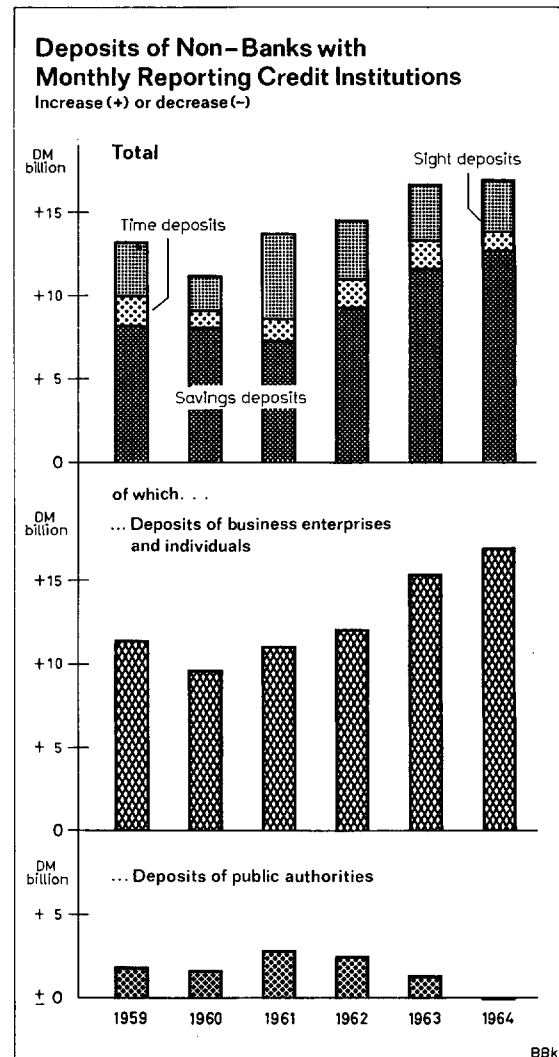
Savings deposits

Savings deposits at the credit institutions rendering monthly returns rose by almost DM 12.7 billion in 1964, reaching DM 94.2 billion at the end of the year. The addition included about DM 3 billion of credited interest, which of course becomes increasingly important as total savings deposits rise. If an estimated amount is added for the savings deposits which presumably accrued at the small agricultural credit cooperatives not required to render returns, the total growth of savings deposits in 1964 can be put at roughly DM 13.6 billion, and the total on hand at the end of that year at approximately DM 100 billion. In terms of absolute amount the savings deposits at the monthly reporting credit institutions once again increased by much more than in previous years, in fact by over DM 1 billion more than in 1963, and by as much as DM 3.4 billion more than in 1962. Private households accounted for a disproportionately great part of this rise, at least in comparison with 1963, since their savings deposits grew by DM 12.0 billion, *i. e.* by DM 1.4 billion more than in that year. Public authorities on the other hand, in consonance with the trend of total public deposits, put considerably less reserves on to savings accounts during the year under report than in 1963, in fact only about DM 530 million as against DM 880 million; nor was this decrease appreciably offset by a greater increase in savings deposits of enterprises (see the table on page 51).

Saving with the benefit of premiums was again of material significance as an element in saving through accounts. Premium-carrying savings deposits alone grew in the year under report by DM 2.24 billion, or just on 19 per cent of the total addition to private households' savings deposits. Their growth was accordingly once again greater than in past years, although the additional accrual in comparison with the previous year amounted to only about DM 200 million (against over DM 600 million in 1963). The reason for this slowing down of growth is that in 1964 for the first time substantial amounts of premium-carrying savings deposits were released, the period during which such deposits could not be withdrawn or transferred thus being ended. A further point to mention is that the amounts specially credited on savings accounts to recipients of basic compensation in connection with the Equalisation of Burdens (pursuant to the 13th Law to Amend the Equalisation of Burdens Law) were once again greater than in previous years, even though the rise in 1964 remained within narrower limits than in 1963. According to the data available to us, such amounts were credited in 1964 to the extent of about DM 490 million, as compared with roughly DM 420 million in 1963 and DM 270 million in 1962.

Sales of bank bonds

The total proceeds of selling bank bonds (including the medium-term notes issued by banks) once again rose substantially in the year under report, when they amounted to

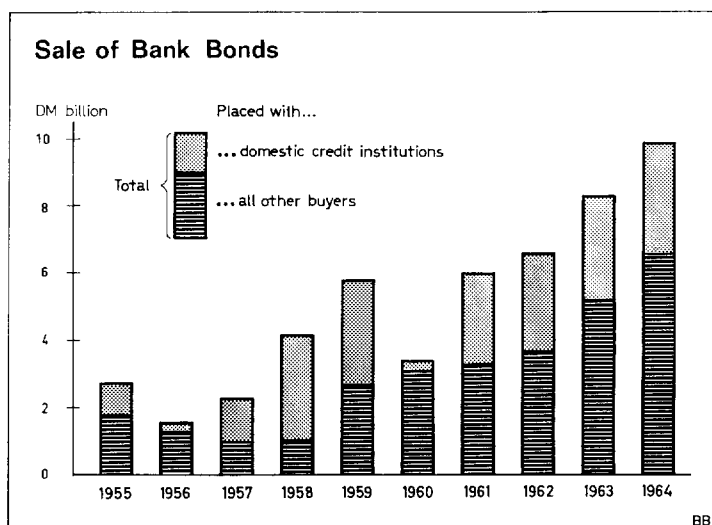


*Banking Liabilities at the Monthly Reporting Credit Institutions*  
Millions of DM

Item	Yearly figures				Quarterly figures				
	1961	1962	1963	1964	Year	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
	Increase (+) or decrease (—)								
I. Sight deposits	+ 5,092	+ 3,548	+ 3,262	+ 3,069	1962	—3,891	+2,178	+ 874	+ 4,387
					1963	—5,070	+2,363	+1,164	+ 4,805
					1964	—3,923	+2,516	+ 208	+ 4,268
(a) of business enterprises and individuals	+ 4,468	+ 2,650	+ 2,999	+ 3,080	1962	—3,167	+1,878	+ 809	+ 3,130
					1963	—3,857	+1,875	+1,226	+ 3,755
					1964	—3,077	+2,188	+ 442	+ 3,527
(b) of public authorities	+ 624	+ 898	+ 263	— 11	1962	— 724	+ 300	+ 65	+ 1,257
					1963	—1,213	— 488	— 62	+ 1,050
					1964	— 846	+ 328	— 234	+ 741
II. Time deposits	+ 1,313	+ 1,711	+ 1,668	+ 1,124	1962	+ 734	+ 501	— 71	+ 547
					1963	+ 208	+ 4	+ 181	+ 1,275
					1964	— 257	+ 352	— 138	+ 1,167
(a) of business enterprises and individuals	— 20	+ 1,111	+ 1,500	+ 1,670	1962	+ 156	+ 121	— 45	+ 879
					1963	+ 314	— 5	— 36	+ 1,227
					1964	+ 28	— 24	+ 333	+ 1,333
(b) of public authorities	+ 1,333	+ 600	+ 168	— 546	1962	+ 578	+ 380	— 26	— 332
					1963	— 106	+ 9	+ 217	+ 48
					1964	— 285	+ 376	— 471	— 166
III. Savings deposits	+ 7,310	+ 9,278	+11,648	+12,690	1962	+3,175	+1,399	+1,435	+ 3,269
					1963	+3,643	+1,494	+2,254	+ 4,257
					1964	+3,648	+1,919	+2,159	+ 4,964
(a) of individuals	+ 6,330	+ 8,086	+10,655	+12,006	1962	+2,797	+1,206	+1,264	+ 2,819
					1963	+3,129	+1,394	+2,247	+ 3,885
					1964	+3,428	+1,830	+2,123	+ 4,625
among which: carrying tax privileges and premiums <sup>1)</sup>	— 1,912	+ 1,317	+ 2,029	+ 2,243	1962	+ 241	+ 265	+ 180	+ 631
					1963	+ 409	+ 391	+ 292	+ 937
					1964	+ 543	+ 519	+ 7	+ 1,174
(b) of business enterprises	+ 174	+ 173	+ 110	+ 153	1962	+ 58	+ 21	+ 36	+ 58
					1963	+ 93	— 36	+ 4	+ 49
					1964	+ 29	+ 26	+ 13	+ 85
(c) of public authorities	+ 806	+ 1,019	+ 883	+ 531	1962	+ 320	+ 172	+ 135	+ 392
					1963	+ 421	+ 136	+ 3	+ 323
					1964	+ 191	+ 63	+ 23	+ 254
Deposits of non-banks, total (I to III)	+13,715	+14,537	+16,578	+16,883	1962	+ 18	+4,078	+2,238	+ 8,203
					1963	—1,219	+3,861	+3,599	+10,337
					1964	— 532	+4,787	+2,229	+10,399
(a) of business enterprises and individuals	+10,952	+12,020	+15,264	+16,909	1962	— 156	+3,226	+2,064	+ 6,886
					1963	— 321	+3,228	+3,441	+ 8,916
					1964	+ 408	+4,020	+2,911	+ 9,570
(b) of public authorities	+ 2,763	+ 2,517	— 1,314	— 26	1962	+ 174	+ 852	+ 174	+ 1,317
					1963	— 898	+ 633	+ 158	+ 1,421
					1964	— 940	+ 767	— 682	— 829
IV. Circulation of bank bonds, total <sup>2)</sup>	+ 5,976	+ 6,592	+ 8,339	+ 9,855	1962	+2,250	+1,550	+1,656	+ 1,136
					1963	+2,545	+1,765	+1,643	+ 2,386
					1964	+3,275	+1,830	+2,292	+ 2,458
among which: Circulation without banks' holdings	+ 3,301	+ 3,711	+ 5,239	+ 6,604	1962	+ 678	+ 837	+1,164	+ 1,032
					1963	+1,454	+ 988	+1,171	+ 1,626
					1964	+1,888	+1,084	+1,639	+ 1,993
V. Monies and loans obtained from non-banks	+ 4,763	+ 4,013	+ 3,466	+ 3,149	1962	+1,261	+ 832	+ 230	+ 1,690
					1963	+ 237	+ 874	+1,181	+ 1,174
					1964	+ 214	+ 640	+ 608	+ 1,687
(a) from business enterprises and individuals	+ 462	+ 769	+ 373	+ 384	1962	+ 227	+ 204	+ 85	+ 253
					1963	+ 192	+ 29	+ 53	+ 99
					1964	+ 64	+ 16	— 5	+ 309
(b) from public authorities	+ 4,301	— 3,244	+ 3,093	— 2,765	1962	+1,034	+ 628	+ 145	+ 1,437
					1963	+ 45	+ 845	+1,128	+ 1,075
					1964	+ 150	+ 624	+ 613	+ 1,378

<sup>1)</sup> For 1964 savings deposits entitling to premiums only. — <sup>2)</sup> Excluding bonds of own issues in the portfolios of the issuing institutions.

almost DM 9.9 billion against DM 8.3 billion in 1963 and DM 6.6 billion in 1962. Acquirers other than resident banks (that is mainly resident non-banks, since non-residents would appear to have been rather sellers in 1964) took DM 6.6 billion of bank bonds, as compared with DM 5.2 billion in 1963 and DM 3.7 billion in 1962. Thus in 1964 the amount of bank bonds acquired by non-banks rose by more than the addition to savings deposits not only in absolute value but also, and more particularly, in percentage terms.



#### Time deposits

The total amount of time deposits at banks grew by appreciably less in the year under review than in the previous years. At the end of 1964 it was DM 25.9 billion, or DM 1.1 billion more than at the start of the year, as compared with an increase by roughly DM 1.7 billion in each of the preceding two years. The main reason was that public authorities' time deposits decreased by about DM 550 million in accordance with the general deterioration in such authorities' cash position, whereas in the preceding years they had still been rising, although in 1963 they had done so only in greatly reduced degree. The decrease of public authorities' time deposits — which was largely concentrated in the second half of the year — was also due, in probably substantial measure, to the fact that during that period the social pension insurance institutions took in instalments Federal Debt Register Claims totalling DM 500 million (whereas in earlier years the Federal Government's grants to those institutions had been fully paid in money, thus being available for employment, *inter alia*, in time deposits). In addition, from the middle of last year onwards the social insurance institutions, including the Unemployment Insurance Fund — quite apart from their above-mentioned taking of Debt Register Claims — employed their liquid assets more than previously in forms other than balances at banks. On the other hand the time deposits of the enterprises and individuals sector (no doubt exclusively those of enterprises) continued to rise in the year under report; indeed they again rose by more than in the previous years. Their increase amounted in 1964 to DM 1.7 billion, against DM 1.5 billion in 1963 and DM 1.1 billion in 1962. It chiefly related to deposits at six months or longer, most of which doubtless constitute reserves of the most varied kinds, including provision against tax payments.

#### Sight deposits

Like total time deposits, the sight deposits of enterprises, individuals and public authorities at the credit institutions rendering monthly returns rose by less in the year under report than in the previous years (rising by altogether DM 3.1 billion, as compared with DM 3.3 billion in 1963 and DM 3.5 billion in 1962), this being likewise due to the movement in deposits of public authorities. In 1964, for the first time in any calendar year, the sight deposits of such authorities in fact slightly decreased, whereas they had risen in 1963 by about DM 260 million and in 1962 by some DM 900 million. Thus there was not only a particularly large increase (as reported above) in the loans taken by public authorities from the monthly reporting banks; in addition the public authorities also drew on their reserves held at credit institutions. Their sight and time deposits declined, while their savings deposits rose in only relatively small degree. On the other hand enterprises' and individuals' sight deposits, which form the bulk of the demand deposits at the banks rendering monthly returns, continued their vigorous growth, just as did the time deposits of such customers;

in fact they grew during the year under report by just under DM 3.1 billion, as against DM 3.0 billion in 1963 and nearly DM 2.7 billion in 1962<sup>1)</sup>).

As regards the monies and loans which credit institutions normally obtain from non-banks, their increase was once again smaller in the year under report than in the previous years, having totalled DM 3.1 billion as against DM 3.5 billion in 1963 and DM 4.0 billion in 1962. As usual, they mainly comprised budgetary funds for transmission to borrowers designated in advance; they were in fact exclusively longer-term funds, at not less than six months' date or notice, which were mainly earmarked for purposes of house-building and other publicly assisted capital projects, but also, not least, for development assistance.

Monies and loans  
obtained from non-banks

#### 4. The New Terms of Banking Business

Great importance for the future of banking business in the Federal Republic attaches to the changes which took place in the structure of bank interest rates, first through the issue of the Order concerning the Terms on which Credit Institutions may Grant Credits and Receive Deposits (the Interest Rates Order), and secondly, in the same connection, through the raising of the official discount rate on 21 January 1965. The Interest Rates Order was promulgated on 5 February 1965 (Federal Law Gazette, Part I, page 33) and came into force on 1 March 1965. The new terms laid down in the Order already allow for the raising of the discount rate on 21 January 1965 and can be seen from the table on page 54.

Order concerning the  
Terms on which Credit  
Institutions may Grant  
Credits and Receive  
Deposits, of 5 February  
1965

First, as regards the terms for the banks' lending, the principle of setting an upper limit for debt- or interest rates has been maintained. This arrangement contrasts with what is done in some neighbouring countries, where minimum interest rates have been ordered. Upper limits on interest rates for the granting of short and medium-term credit enable the banks to compete for the borrower by offering, in individual cases, "lower terms"; on the other hand they are designed to protect the customer against excessive demands.

Among the most important innovations which the Interest Rates Order makes in the banks' deposit business two are of special importance, first that the regulation now applies to deposits running for less than 30 months (against 4 years, as formerly), and secondly that the definition of deposits has been more widely drawn than hitherto. Limitation of the scope of creditor interest rate regulation to deposits at up to 30 months date or notice leaves a further range of longer-term liabilities-side business than previously to free competition, which is above all significant because up till now no higher rate of interest could be paid on deposits fixed for up to 4 years than on 12-months' money, so that many customers found it desirable to fix in each case for only one year monies with which they could dispense for longer than that period, and if appropriate to prolong the transaction twice or more. Now such employers of funds have a chance to take advantage of the free market's competing offers, just as on the other hand the banks in making their arrangements can assume that the funds will as a rule be at their disposal for a corresponding length of time. Furthermore the above-mentioned wider definition of deposits will stop that evasion of the creditor interest rate regulation which previously, in many cases, took the form of declaring as "borrowed funds or loans" non-banks' funds that were by their nature deposits, with the result that they escaped the control of interest rates. In the light of the rule — which in the circumstances has to some extent fallen into disuse — that a credit institution normally does not take loans from non-banks, the definition of "deposits" within the meaning of the Interest Rates Order (Article 11) has now been so drawn that deposits are deemed to comprise all the outside parties' funds which credit institutions receive from non-banks, with the exception of monies which

(1) are taken as "loans on a trust basis" for transmission,

<sup>1)</sup> Comments on trends in the "volume of money", the chief component of which is sight deposits at banks, are contained in the article which was published on page 25 and following pages in the Monthly Report of the Deutsche Bundesbank for February 1965.

- (2) are taken, subject to earmarking, with a view to the execution of official lending programmes, or
- (3) are taken as a loan, where in the individual case a written loan contract is concluded and the loan is backed by normal banking security.

*The Debtor and Creditor Interest Rates in force in the Area of the Federal Republic  
including Berlin (West)*

(Applicable from 1 March 1965)

Maximum Charges for Credit <sup>1)</sup> in per cent per annum D = Central Bank Discount Rate, at present 3 1/2	Maximum Creditor Interest Rates <sup>7)</sup> in per cent per annum
I. Debtor interest <sup>2)</sup>	I. Sight deposits <span style="float: right;">3/8</span>
(1) Money loans <span style="float: right;">D + 4 1/2</span>	II. Monies with agreed period of notice of
(2) Discount credits	(1) 1 to less than 3 months <span style="float: right;">2</span>
(a) bills eligible for rediscount <span style="float: right;">D + 3</span> at Bundesbank <span style="float: right;">minimum DM 2.00 per item</span>	(2) 3 to less than 6 months <span style="float: right;">2 1/2</span>
(b) other bills <span style="float: right;">D + 4 1/2</span> <span style="float: right;">minimum DM 2.00 per item</span>	(3) 6 to less than 12 months <span style="float: right;">3</span>
(3) Acceptance credits in the form of own acceptances purchased <span style="float: right;">D + 3 1/2</span>	(4) 12 months and over <span style="float: right;">4</span>
II. Credit commission <sup>3)</sup> <span style="float: right;">3</span>	III. Fixed monies with agreed period to maturity of
III. Overdraft commission <sup>4)</sup> <span style="float: right;">1 1/2</span>	(1) 30 to 89 days <span style="float: right;">2</span>
IV. Turnover commission <sup>5)</sup>	(2) 90 to 179 days <span style="float: right;">2 1/2</span>
<span style="float: right;">1/4</span> of net turnover on larger side of account or	(3) 180 to 359 days <span style="float: right;">3</span>
<span style="float: right;">1</span> of amount of credit taken	(4) 360 days and over <span style="float: right;">4</span>
V. Cash outlay <span style="float: right;">actual amount</span>	IV. Savings deposits
VI. Charges for additional banking services <span style="float: right;">adequate amount</span>	(1) with legal period of notice and with agreed period of notice of less than 12 months
VII. Preferential additional rate of interest <sup>6)</sup> <span style="float: right;">1/8 — 1/2</span>	(a) of individuals and bodies corporate serving welfare, charitable or ecclesiastical purposes <span style="float: right;">3 1/2</span>
	(b) of other bodies corporate and partnerships where a minimum blocking period of 6 months has been agreed for giving notice <span style="float: right;">3</span>
	(2) with agreed period of notice of 12 months and over <span style="float: right;">3 1/2</span>
	(2) with agreed period of notice of 12 months and over <span style="float: right;">4 1/2</span>
	V. Preferential additional rate of interest <span style="float: right;">1/8 — 1/2</span>

<sup>1)</sup> Maximum rates for credits in DM granted to non-banks, such rates having been fixed by the Interest Rates Order of the Federal Banking Supervisory Office. The rates do not apply to the credits specified in Art. 2 of the Interest Rates Order (credits to non-residents, credits to R. L. C. and to building and loan associations, long-term loans); neither do they apply to loans granted for financing purchase credits or to small personal loans, which are subject to special regulations. — <sup>2)</sup> Debtor interest may only be charged for the credit taken. If a credit in current account is debited to a special credit account while the amount of the loan is at the same time credited to a current account, any credit balances on that account will reduce the net debt liable to interest payment. — <sup>3)</sup> Credit commission may be charged for credits approved, in so far as they have not been availed of. Where credit commission is computed in advance or subsequently for the period to maturity or for an accounting period irrespective of the use of the credit, the maximum debtor interest rate will be reduced by the rate of credit commission charged. — <sup>4)</sup> Overdraft commission may be charged, besides debtor interest, if a borrower resorts to credit without special agreement, or in excess of the agreed amount or the agreed period (overdrafts). Overdraft commission may be computed from the amount overdrawn only. — <sup>5)</sup> These maximum rates do not apply to cases where, instead of turnover commission, charges per item processed are debited. — <sup>6)</sup> In the case of those credit institutions which are authorised to grant preferential rates of interest on deposits the maximum debtor interest rates will increase by the preferential interest rate granted by them as permitted. This also applies where the preferential rate of interest is not granted on all deposits. If the preferential rate of interest on deposits is granted at differentiated rates, the highest rate granted can be taken as basis. — <sup>7)</sup> Maximum rates for deposits of non-banks, in DM and in foreign currencies, fixed by the Interest Rates Order of the Federal Banking Supervisory Office. The rates do not apply to the deposits specified in Art. 12 of the Interest Rates Order (*i. a.*, deposits of the Federal Postal Administration, the R. L. C. and the building and loan associations, deposits with period to maturity or at notice of 2 1/2 years and over). These rates will apply to non-residents' deposits only in so far as according to Art. 23, par. 1, item 7, of the Law on Foreign Trade and Payments no regulation has been laid down regarding the payment of interest on non-residents' accounts.

The official deposit rates in force from 1 March (see the table on page 160 in the Statistical Annex) no longer distinguish, as hitherto, between sight deposits on commission-free account and those on commission-bearing account. Demand deposits, and all deposits on which a notice period of less than one month or a period to maturity of less than 30 interest days has been agreed (sight deposits), will now bear interest uniformly at not more than  $\frac{3}{8}\%$ . In the case of savings deposits moreover the regulations no longer lay down a special maximum rate for deposits running for periods from 6 to less than 12 months. Special rates have now been laid down only for savings deposits at an agreed notice period of 12 months or more (that is, in practice, of less than 30 months). A further new point is that savings deposits subject to the legal period of notice or subject to an agreed notice period of less than 12 months, which are held by bodies corporate (unless these serve welfare, charitable or ecclesiastical purposes) and by partnerships, must bear interest at a lower rate than like savings deposits of individuals. On savings deposits in this class of maturities  $3\frac{1}{2}\%$  can be paid to individuals after 1 March 1965, but only 3% can be paid to the above-mentioned bodies corporate and partnerships, unless, in the case of the two latter groups, it has been agreed that the giving of notice is barred for at least 6 months.

As mentioned, a certain effect on the level and structure now valid for deposit rates was produced by the raising of the Central Bank discount rate on 21 January 1965. Even previously the official deposit rates (unlike the costs of borrowing) never automatically followed a Bank Rate change, but were fixed — frequently in differentiated degree, and some time after the alteration of Bank Rate — after the views of the banking associations had been heard. In agreement with the Bundesbank the deposit rates have now been raised, in some cases, by less than would have corresponded to the raising of the official discount rate by  $\frac{1}{2}\%$  in January. The rate for sight deposits corresponds to the previous rate for sight deposits on commission-free account, the rates for time and savings deposits at less than 12 months' date or notice have been raised by  $\frac{1}{4}\%$ , and the rates for longer-term deposits at from 12 to less than 30 months' date or notice have been raised by  $\frac{1}{2}\%$ . One reason why the rate of interest on such longer-term deposits was made to conform in full to the Bank Rate increase is that the longer renunciation of liquidity by the depositors merits remuneration. In addition, however, it appeared desirable from the outset not to let the "ditch" separating such rates from those in the category now "free", namely those on deposits having an agreed period of at least 30 months' date or notice, become too deep. On deposits at notice and at fixed periods in the regulated category of maturities it is now officially laid down that rates of interest between 2% and 4% can be obtained, according to the period to maturity, and on savings deposits of individuals between  $3\frac{1}{2}\%$  and  $4\frac{1}{2}\%$ . Movements of interest rates on deposits in the category of 30 months' maturity and more are not statistically recorded. It looks as though the rate for "free" savings deposits is now settling down at a level of about 5%.

## 5. Security Markets

### *Prices and Interest Rates in the Bond Market*

On the bond market a number of radical changes took place in 1964. In the first place foreigners' demand for German fixed-interest securities, after having strongly supported the market in previous years and especially in 1963, disappeared completely; at times securities even came back to Germany from foreign hands on a considerable scale. In this connection the placing of new bonds became increasingly difficult, although the propensity to save in the Federal Republic increased, and securities accounted for a more than proportionate share in the investment of savings. The result of market factors was that the interest rate, which had been 6% from the autumn of 1961 until the beginning of 1964, rose in the further course of the year to 6.3% measured by the yield of the bonds in circulation.

The reason for the reversal of the market situation was the Federal Cabinet's announcement on 23 March 1964 that it would propose to the legislature the introduction of a 25% Capital Yield

Overall trends

Prices fall after announcement of Capital Yield Tax for non-residents

Tax on the interest borne by German fixed-interest securities in foreign hands. The mere announcement of the bill, directed against further capital imports, caused a wave of foreign selling which especially affected the market for industrial bonds and for public authorities' bonds (the latter having previously been in great demand by foreigners), and caused downward pressure on their prices. The relatively greatest price falls took place in the low-interest securities, bearing interest at a nominal rate of less than 6%, the quotations for which declined within a short period by up to 5 points. Less marked, on the other hand, were the price falls in the case of public authorities' 6% bonds and of mortgage and communal bonds. In the case of public authorities' bonds this was due to the fact that the issuers supported quotations through repurchases on a considerable scale. Even so the quotations, which had been around 101 to 102 before the coupon tax was announced, declined for a time to 99 in their case too. The reason why the real-estate credit institutions' issues were affected only to a relatively small degree by foreign selling is that no appreciable amounts of these securities were in foreign hands; but they too felt the general pressure on prices.

Deterioration in the conditions for issuing

Because of the deterioration in the conditions for issuing, due to the decline of prices, the "occasional" issuers<sup>1)</sup> for a time no longer offered new loans in the market. Only from May 1964 onwards were some relatively large loans again offered — now however at an interest rate of 6%, while the attempt which had been made at the beginning of the year under report to change over to 5½% issues had to be abandoned owing to the altered state of the market. Special mention is merited here by the Federal Government's DM 300 million 6% loan, which was originally to have been issued as early as the beginning of April, but was in fact offered on 20 May at an issue price of 99. Allowing for the mean period of 11 years to maturity the yield on issue of this loan works out at 6.13%. In comparison with the yield of about 5¾% on the Federal Postal Administration's DM 210 million 5½% loan, issued before announcement of the withholding tax for non-residents, this meant an appreciable rise in the rate of interest.

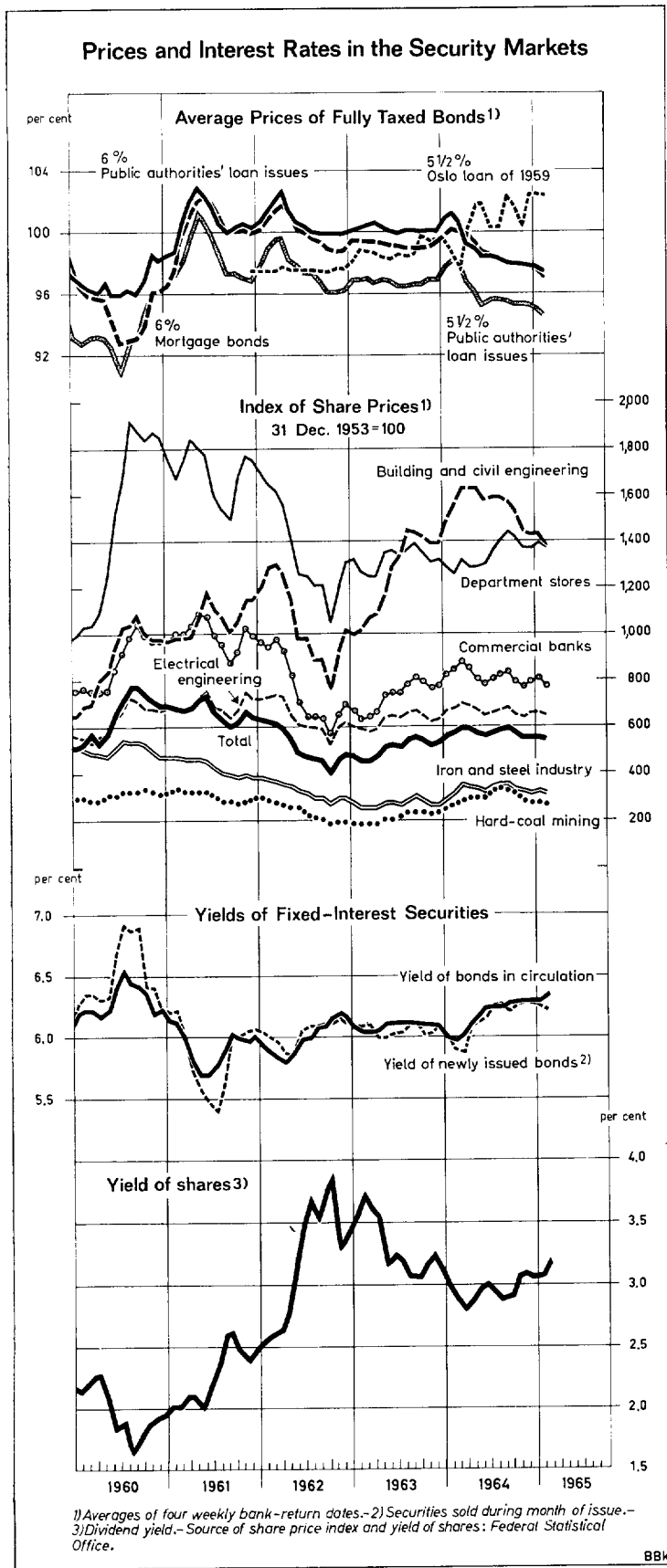
Despite the fall of quotations and the rise of yields on new issues, equilibrium was not established in the market. The selling pressure on the contrary persisted, although at times less strongly, so that prices for most German fixed-interest securities declined further. In order to avoid switches between the public authorities' 6% issues, previously supported at 99, and the issues bearing low nominal interest rates, which had fallen more in price (and therefore yielded a higher return), the official issuers found it desirable to reduce the support prices for 6% securities about mid-June at first to around 98, and later in the year to reduce them further in some cases to 97¾. By way of adjustment to the lower market quotations the issue prices for new 6% bonds, mostly 99 in the second quarter of 1964, were lowered in the second half of that year to 98. In the case of various issues moreover, the first being a DM 400 million loan of the Federal Government offered at the beginning of October, the period to maturity was shortened to 10 years. This raised the yield on issue to about 6.3%. Although it was thus already higher by about ½% than at the beginning of the year, it proved impossible to stimulate investors' desire for new issues; on the contrary, the placing of new loans became increasingly difficult.

Exception:  
foreign DM loans

On the other hand the announcement of the coupon tax bill produced a definitely favourable effect on the market for foreign loans denominated in DM. Since these bonds were to remain exempted from the Capital Yield Tax, foreigners' demand turned increasingly to this section of the market, with the result that prices there rose greatly. Issues for which demand was especially keen showed rises by 4 to 5 points, in some cases to well above par. Later, however, the quotations again somewhat declined, particularly since foreign issuers took advantage of the fact that the state of the market was so favourable to them and increased their issues. In some cases they managed to raise capital on cheaper terms than German issuers, so that the interest differential which normally exists between domestic and foreign bonds in favour of the former was in some cases reversed.

<sup>1)</sup> That is the issuers who appear in the market as offerers of fixed-interest securities not constantly — as do the mortgage bond institutions — but only from time to time, their issues being as a rule taken firm by banking syndicates.





In 1965 the state of the bond market deteriorated further. Starting from the market for public authorities' loans, which came under increased selling pressure at the beginning of the second ten-day period in January owing to discussions about the credit requirements of the Federal Government and Federal Special Funds, the downward tendencies later also spread to the other sections of the market. One reason for the increasing weakness of markets was no doubt that these had been burdened in advance through institutional investors' previous forward purchases, and that the supply of new issues was relatively great. Another reason may have been that lenders held back, because they expected interest rates to rise further. The investable funds, offered at the beginning of the year as usual in large amounts, were at least for a time only partly employed in fixed-interest securities. Further depressive factors were the raising of Bank Rate on 21 January and the final enactment of the Coupon Tax Law by the *Bundestag* and *Bundesrat*, although this had already been to a large extent discounted in quotations. Under the pressure of the bonds coming back to the market the public authorities lowered the support prices for their 6% bonds, which had been kept for some time between 97 $\frac{3}{4}$  and 98, to between 97 and 97 $\frac{1}{4}$  in January and then even further, so that by the end of March they stood in great part as low as 96. In the other sections of the

Aggravation of the downward tendency after the turn of the year

market quotations also continued to fall. Thus for example the prices for some 6% industrial bonds declined to rates down to 95 or lower.

Owing to these price falls, the yield on fixed-interest securities continued to rise. On public authorities' 6% issues, standing at 96 and bearing half-yearly interest, with a life of 10 years, the yield works out at about 6.7%; some public authorities' and industrial bonds bearing nominally low interest rates yielded returns at the end of March 1965 of between 6.8% and 6.9%. In view of the further market deterioration, which again became obvious on the placing of the loans issued in January, the Central Capital Market Committee at the end of that month recommended a suspension of issues. Only the "occasional issuers", however, complied with this recommendation; the "constant issuers" on the other hand continued to take large amounts from the market, although they were again obliged to make concessions on the terms of issue — in some cases the net selling prices for 6% issues dropped to below 93. However, the "close season" for issues came to an end as early as mid-March, when an industrial enterprise offered for subscription a 6% loan for the sum of DM 100 million at an issue price of 96½. The next issuer to approach the market was the Federal Postal Administration at the beginning of April with a DM 210 million loan at 6% nominal interest, an issue price of 96 and a life of only eight years, the yield on issue thus being almost 6.7%.

#### *Sales of Fixed-Interest Securities*

Sales growing despite  
cessation of foreign  
demand

Given the above-described price movements it is remarkable that bond sales as a whole continued to increase in 1964, rising on a gross basis to DM 17.8 billion, that is more than in the previous year by over DM 1.2 billion or 7 per cent. In 1963 sales of fixed-interest securities had exceeded those in 1962 by as much as about DM 4.6 billion, or almost 40 per cent; but this was closely connected with the foreign demand which was keen at that time, and was reversed in 1964. If the repayments (which had amounted in 1964 to DM 3.4 billion against DM 4.4 billion in the previous year) and the return flows from the market are deducted from the gross figures for sales, and if in addition the sale values are taken as the basis instead of par values, the total net placings of fixed-interest securities in 1964 work out at DM 13.7 billion. Sales in 1963 were thus exceeded by about DM 1.7 billion, or 14 per cent; those in 1962 — a year when foreign purchases were relatively small — were actually exceeded by about DM 4.3 billion, or almost one-half.

Real-estate credit  
institutions increased  
their sales . . .

Of the total net sales of fixed-interest securities the greater part in 1964 again comprised issues by real-estate credit institutions, which placed mortgage and communal bonds to the net extent of DM 7.3 billion, that is 53 per cent of the total placings. As compared with the 1963 figure, namely DM 6.2 billion (or roughly 51 per cent of total sales), the 1964 placings of such securities thus showed growth by almost DM 1.1 billion, or about 17 per cent. By way of contrast with 1963, when the increase in sales — likewise by 17 per cent — had been almost exclusively confined to communal bonds (the legal limit on their circulation having been raised at the beginning of the year), the emphasis in issuing activity during 1964 was again definitely on mortgage bonds. Sales of them in that year rose by about DM 700 million to about DM 4.4 billion net, while in the same period those of communal bonds increased by about DM 400 million to a good DM 2.9 billion.

The increase in sales of mortgage bonds was probably due in large part to the very keen demand for housing mortgage loans. Thus during 1964 the amount of such loans newly promised for house-building rose substantially, the promises reflecting the newly arising demand. At DM 4.75 billion the sum total of loans promised in 1964 by the said institutions for house-building exceeded by almost 20 per cent the 1963 total. Since the amounts paid out to borrowers still fell short of those promised, despite the fact that they too showed a steeply rising tendency, the carry-over of loans promised but not yet granted was greater by some DM 200 million at the end of 1964 than at the end of 1963. The increase in the demand for housing mortgage loans is the more remarkable since, on the rise in costs of procuring capital, the rates of interest on such loans also rose. As

## Sales of Fixed Interest Bearing Securities

Millions of DM, nominal value

Category of security	1960	1961	1962	1963	1964
			Gross sales		
Mortgage bonds	2,343.4	3,641.5	4,096.2	4,070.8	4,805.9
Communal bonds	1,119.9	2,505.3	2,368.2	3,397.6	3,772.1
Bonds of specialised credit institutions	501.1	901.2	910.5	1,342.4	1,545.1
Industrial bonds	27.5	319.6	1,076.1	1,552.5	973.7
Bonded loans of public authorities	1,332.6	2,141.2 <sup>1)</sup>	2,992.4	5,092.0	4,368.7
Bonded loans of foreign issuers	44.8	12.0	100.0	160.0	895.0
Other bonds	3.0	100.0	401.1	969.2	1,441.9
<b>Total</b>	<b>5,372.3</b>	<b>9,620.8</b>	<b>11,944.5</b>	<b>16,584.5</b>	<b>17,802.4</b>
			Redemption		
Mortgage bonds	116.0	339.3	456.9	349.2	327.6
Communal bonds	176.5	641.3	597.8	806.3	804.3
Bonds of specialised credit institutions	136.0	333.8	245.0	447.8	432.8
Industrial bonds	403.9	219.1	484.5	1,209.3	639.6
Bonded loans of public authorities	150.4	93.2	526.1	1,507.5	1,065.2
Bonded loans of foreign issuers	—	—	3.5	52.9	4.7
Other bonds	3.6	5.7	3.6	38.8	130.1
<b>Total</b>	<b>986.4</b>	<b>1,632.4</b>	<b>2,317.4</b>	<b>4,411.8</b>	<b>3,404.3</b>
			Net sales <sup>2)</sup>		
Mortgage bonds	2,227.4	3,302.2	3,639.3	3,721.6	4,478.3
Communal bonds	943.4	1,864.0	1,770.4	2,591.3	2,967.8
Bonds of specialised credit institutions	365.1	567.4	665.5	894.6	1,112.3
Industrial bonds	— 376.4	100.5	591.6	343.2	334.1
Bonded loans of public authorities	1,182.2	2,048.0 <sup>1)</sup>	2,466.3	3,584.5	3,303.5
Bonded loans of foreign issuers	44.8	12.0	96.5	107.1	890.3
Other bonds	— 0.6	94.3	397.5	930.4	1,311.8
<b>Total</b>	<b>4,385.9</b>	<b>7,988.4</b>	<b>9,627.1</b>	<b>12,172.7</b>	<b>14,398.1</b>

<sup>1)</sup> Including DM 1,176.2 million 5% loan of the Federal Republic of Germany (development aid). — <sup>2)</sup> Gross sales less redemption; the minus sign indicates an excess of redemption over the amount newly sold during the period under review.

described in detail in another context, at least for a time the parties ordering building with the assistance of public funds did not feel the full effect of the rise in interest rates. One reason is that so far the rise has been mainly reflected in falling rates for out-payment to borrowers (with the nominal interest rate in most cases unchanged); experience shows that this is not so heavily felt as an additional burden when, as is frequently possible, the increased discount is made good through the granting of additional loans to cover the difference between out-payment and par value of the original loan. Another reason why the rise of interest rates did not discernibly affect demand in connection with house-building was that at the same time governmental interest and repayment subsidies were increased.

At a net total of about DM 2.9 billion the amount of securities placed by public authorities was considerably smaller in 1964 than in the previous year, when over DM 3.6 billion was placed. Moreover, a large part of the 1964 total — almost DM 700 million, or nearly a quarter — comprised relatively short-term notes (*Kassenobligationen* running for 4 years at most), the circulation of which had on the contrary even slightly declined in 1963. The proportion borne by public authorities' loan issues to the total placing of fixed-interest securities declined in the year under report to 21 per cent, against about 30 per cent in 1963. The decline especially affected those public issuers who had already taken relatively large amounts from the market in 1963, *i. e.* primarily the Federal Government, which placed only DM 1.3 billion against DM 1.8 billion in the previous year, but also the Federal Railways, which had to reduce their issues from over DM 1 billion to DM 850 million, and the Federal Postal Administration, which sold bonds to the extent of only DM 380 million against DM 660 million in 1963. At a total of DM 140 million in 1964, including bonds issued in connection with basic compensation, the amount borrowed in the market by the

... while public authorities decreased theirs

Equalisation of Burdens Fund was also not so great as in the previous year. On the other hand the *Länder* and local authorities, which in 1963 had reduced their bonded debt by over DM 200 million, again obtained capital in 1964 to the extent of about DM 255 million net.

Industrial security issues only small

Enterprises obtained only a small amount of capital on the bond market in 1964 through the issue of industrial bonds. Sales of such securities last year totalled only DM 330 million net against, it is true, only DM 340 million in the previous year. By comparison with earlier years the issuing practice of industry changed somewhat, inasmuch as various large enterprises again issued convertible bonds for the first time after an interval of several years. The funds procured in this way amounted last year to not quite DM 430 million, while in the case of the other industrial bonds the repayments exceeded new issues. It remains to be seen whether industrial bonds will in future regain importance after the abolition of the 2½% Securities Tax, which previously prejudiced the issue of industrial bonds in terms of cost as compared with the obtaining of loans against the borrowers' notes, thereby no doubt contributing to the rapid spread of financing through loans against such notes.

In contrast to their recourse to the capital market through bonded loans, enterprises last year showed greater preference for other methods of long-term financing. Thus in 1964 for the first time in a number of years share issues again increased, as will be shown further below. But there was also a notable increase in the obtaining of loans from credit institutions which, for their part, procure through bond issues the funds required for such lending. This applies in the first place to central giro institutions and Landesbanken; for some years these, besides their traditional granting of housing and communal loans, have to an increasing extent granted longer-term credit to trade and industry on the basis of their own security issues. The bearer bonds (with a period to maturity mostly under 10 years) which these institutions additionally placed on the market during 1964, and which are shown in the issue statistics among the "Other bonds", amounted to more than DM 1.3 billion; this was more than in 1963 by almost DM 400 million. The increase was not quite so marked in the circulation of bonds issued by the specialised credit institutions, which, as in the case for instance of the Industrial Credit Bank or the Reconstruction Loan Corporation, likewise lend to trade and industry the whole or the greater part of the proceeds of their issues. Yet, at over DM 1.1 billion net the amount of bonds sold by them too was greater than in the previous year by about DM 230 million.

Further increase of loans against borrower's notes

Loans against borrower's notes would also seem to have been of importance again last year. There are no complete data regarding such loans, it is true. Some evidence of the trend is afforded, however, by the increase of borrower's note loans in the balance sheets of insurance companies; at a total of DM 1.6 billion last year that increase was greater by about DM 100 million than in 1963 (DM 1.5 billion). If there has been no change in the insurance companies' share of the business in loans against borrower's notes, which share can be put at about 75 per cent in the light of a special inquiry conducted some years ago<sup>1)</sup>, the total amount of such loans newly granted to the business sector in 1964 may be estimated to have been about DM 2 to 2.1 billion.

Coupon tax encourages sale of foreign loans

Of the above-mentioned DM loans for foreign issuers, a total of almost DM 900 million was placed in the Federal Republic during 1964, this being more than in all the previous years since the currency reform together<sup>2)</sup>. This amount, of course, does not all represent an export of capital; about 60 per cent of these loans having been acquired not by residents but by non-residents.

#### *Participation by the Main Groups of Purchasers in the Acquisition of Securities*

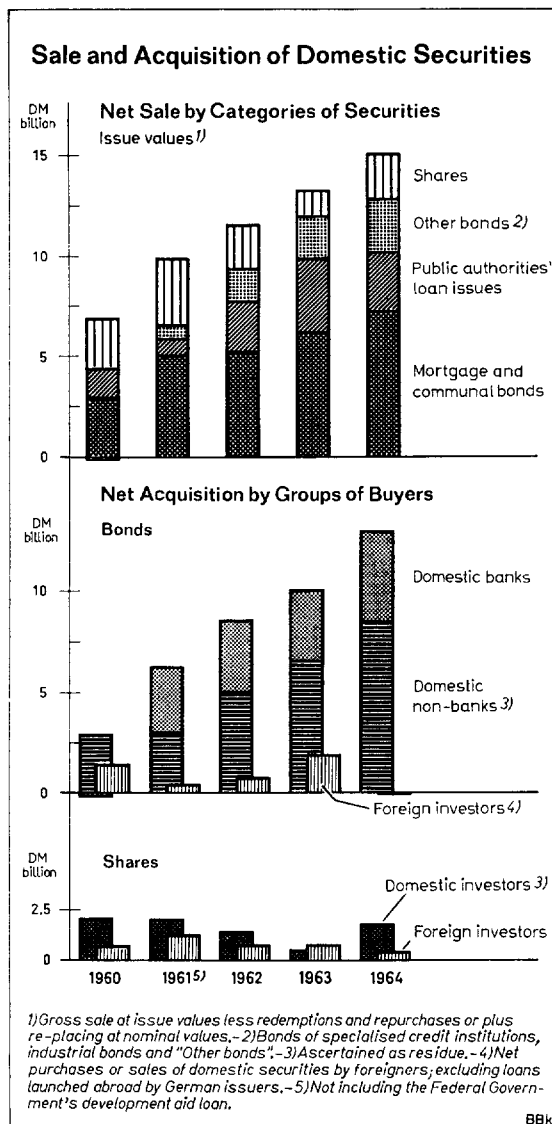
Greater prominence of private purchasers

A factor of special importance for the bond market in 1964 was the further improvement in the pattern of purchasers. Of the total domestic fixed-interest securities sold<sup>3)</sup>, amounting at sale

<sup>1)</sup> See "Results of the Special Inquiry into Credit Institutions' Business in Loans against Borrower's Notes", Monthly Report of the Deutsche Bundesbank, Vol. 14, No. 8, August 1962, page 8.

<sup>2)</sup> See the article on "Foreign Loan Issues in the Federal Republic of Germany" in the Monthly Report of the Deutsche Bundesbank, Vol. 16, No. 12, December 1964, page 3 and following pages, where full details were given regarding the issuers as well as the amount and terms of foreign issues in the German capital market.

<sup>3)</sup> With allowance for return flows and re-placings.



value to about DM 12.9 billion net against some DM 12.0 billion in the previous year, DM 8.5 billion went to resident non-banks alone; these of course include not only enterprises and individuals, but also private and public institutional investors. Thus during the year under report non-banks bought, in both absolute and relative terms, considerably more fixed-interest securities than in 1963 (the increase being DM 1.9 billion); their share of the total sold rose from 55 to 66 per cent. In fact purchases by private households would seem to have been of special importance in this connection, since according to the National Accounts private households as a whole not only saved more in 1964 than in 1963 by the very wide margin of 24 per cent, but also invested almost one-half of this additional saving in securities.

The greater share taken by domestic non-banks in the acquisition of fixed-interest securities was the more important for the bond market as a whole because non-residents, after having bought in 1963 German fixed-interest securities to the net extent of DM 1.85 billion<sup>1)</sup>, in 1964 — after announcement of the Capital Yield Tax — not only ceased to buy German fixed-interest securities but on balance actually sold such bonds. Whereas in the first quarter of 1964, before announcement of the tax project, non-residents had still bought German fixed-interest securities to the considerable extent of DM 470 million net, in the second quarter their sales exceeded their simultaneous purchases by DM 600 million,

Cessation of foreign buying

while in the second half of the year there were again net purchases to the insignificant total extent of DM 40 million. In the whole year non-residents therefore sold German fixed-interest securities amounting to about DM 100 million net<sup>1)</sup>, so that in comparison with the previous year these movements reduced the demand for capital market paper by almost DM 2 billion.

Last year the banks, which have always played an important role in the German bond market, acquired German fixed-interest securities amounting to DM 4.5 billion, or over one-third of the total net amount of such securities sold. Thus their purchases of fixed-interest securities exceeded the figure for 1963 by almost DM 1 billion, or over one-quarter. The striking increase in the banks' holding of fixed-interest securities would not, however, seem to be fully explained by any greater need for investment on their part. As stated in the section dealing with the banks' assets-side business, the growth was rather due, in part, to additions not designed in every case to provide a permanent investment, for instance the taking of unsold residues of issues by underwriting banks, price-supporting buying, transactions under repurchase agreements ("*en pension*" transactions), fulfilment of earlier promises to buy, and the like. Consideration of the banks' security purchases on the bond market in the individual quarters of the past year reveals a clearly

The role of the banks as buyers of securities

<sup>1)</sup> Excluding German external bonds and other loans offered abroad by domestic issuers.

declining tendency. After particularly large additions — by DM 1.8 and 1.2 billion respectively — to their holding of domestic fixed-interest securities in the first two quarters of 1964 their net purchases dropped in the third quarter to DM 900 million, and in the fourth quarter they reached only DM 540 million. The decline would seem to be chiefly due to the Bundesbank's restrictive credit policy. Earlier experience has shown that measures for restricting credit always relatively soon affect the banks' ability and readiness to acquire securities, and thus also influence — in a way which is thoroughly desirable on cyclical grounds — the conditions and terms for issuing in the market for long-term loan capital.

#### *Share Market*

Share prices change little

On the share market during 1964, unlike the previous year, prices as a whole rose only slightly, which was the more remarkable inasmuch as the economy grew at a faster rate last year and entrepreneurs' profits greatly rose as a result of the cyclical trend. By the beginning of April the share price index, calculated by the Federal Statistical Office on the basis 31 December 1953 = 100, had risen by 58 points or 11 per cent to 603, it is true. After that the tendency was reversed, however, and by the beginning of June the index was down again to 572. This reversal roughly coincided with the announcement of the coupon tax for non-residents, so that apart from other factors which may have operated to depress quotations there would seem to have been a certain psychological connection with that measure, even though dividends had already been subject to coupon tax. At all events during the second quarter of 1964, unlike all other quarters in that year, non-residents' sales of shares exceeded their purchases in the same period by DM 136 million. In the summer months quotations recovered for a time, the index reaching 605 at the beginning of September, but only a little later the downward tendencies regained the upper hand. By the end of the year the index was down to 562, being thus above its level at the end of 1963 by only 17 points, or 3 per cent. The deeper causes of the market weakness would seem above all to lie in the upward trend of bond market interest rates, in the Bundesbank's restrictive credit policy, in fears about future reduction of profits through an over-rapid rise in costs, and possibly also in recent developments in the field of foreign and home politics. At all events the share market continued to show instability in the new year, and by the end of March the price index had fallen further — with fluctuations — to 530, *i. e.* below the level at which it had stood at the end of 1963.

But the indices for separate categories diverged — in some cases considerably — from the overall trend described. There were relatively great price rises last year in the shares of coal mining and of the iron and steel industries, especially the latter, for which the index has risen by 14 per cent since the end of 1963. At first mining shares rose even more, partly owing to the rise in prices for natural gas stocks; but on the overall result the price rise was limited to 7 per cent. Quotations for the "Farben successors" rose in similar degree (by 9 per cent), whereas public utilities had on the average declined 14 per cent by the end of March 1965, and mechanical engineering 12 per cent.

Considerable increase  
of share issues

It has already been mentioned that in 1964 more shares were issued than in the previous year for the first time since 1961 even though the tendency of share prices was mainly downward. Share issues in terms of sale value amounted in the year under report to about DM 2.25 billion, or almost DM 1 billion more than in 1963. Thus they roughly maintained the 1962 level, but fell far short of the 1960 and 1961 totals, namely DM 2.8 and 3.3 billion respectively.

In 1964, unlike the previous year, the new shares were chiefly taken by domestic non-banks; these in fact took over DM 1.5 billion net, or roughly two-thirds of the total, against only about DM 300 million or 22 per cent in the year before. Domestic banks on the other hand increased their holdings of dividend-bearing securities during 1964 by DM 300 million, *i. e.* by somewhat more than in the two preceding years, when they had acquired only DM 176 million (in 1963) and not quite DM 50 million (in 1962). Foreign investors took German dividend-bearing securities to the net total extent of about DM 400 million (against DM 870 million in 1963); the 1964 total mainly represented direct investments by foreign enterprises in their German subsidiaries.

## IV. The Public Authorities' Cash Transactions as Affecting Monetary Trends\*)

### 1. Size of the Cash Deficits

Once again during 1964 the public authorities as a whole showed large deficits. Although ordinary receipts grew a good deal faster than in the previous year, the cash deficits — at almost DM 5.6 billion — were actually somewhat greater than in 1963. In that year they had risen to about DM 5 billion, after having amounted to only about DM 1.6 billion in 1962. To finance the expenditure not covered by current receipts, the public authorities incurred considerable further debt in 1964; but since, unlike previous years, they did not further increase their overall cash holdings in that year, their indebtedness did not increase by quite so much as in 1963.

As opposed to 1963, trends in 1964 differed widely between individual budgets and groups of budgets. Thus in particular at DM 557 million the deficit on the Federal budget was much smaller than in 1963 and 1962, when expenditure had exceeded receipts by more than DM 3.1 and 1.5 billion respectively. At roughly DM 110 million the deficit of the E.R.P. Special Fund was also smaller in 1964 than in the previous year. In the case of other authorities on the other hand the situation deteriorated, in part rapidly. The *Länder* last year showed a cash deficit of more than DM 1.9 billion, against only some DM 730 million in 1963, whereas in the years from 1959 to 1962 they had actually achieved surpluses, at times amounting to almost DM 2 billion. The tendencies to deficit traditional among local authorities likewise became considerably stronger; expenditure in this case exceeded receipts by no less than DM 3.3 billion, after the deficits in the two preceding years, at DM 1.5 billion for 1963 and almost DM 1.1 billion for 1962, had already attained substantial size as measured by the total expenditure of local authorities. While the social insurance institutions as a whole managed to raise their accounting surplus from DM 2.4 billion to DM 2.6 billion, particularly because the trend in unemployment insurance was better than in 1963, this amount is reduced by the DM 500 million of Federal Debt Register Claims taken by the workers' and employees' pension insurance institutions in part payment of the statutory grants. This does not affect the combined result of the budgets, because the Federal Government's cash deficit was correspondingly smaller. The insurance institutions used the remaining resources for the most part to finance capital expenditure, especially by granting mortgage and other loans and by purchasing long-term securities. Their cash surplus, which is identical with the addition to their liquid assets, amounted to about DM 700 million against DM 880 million in the previous year.

Individual budgets

The fact that public finances as a whole further deteriorated in 1964 is the more remarkable since in that year the total receipts increased, both in absolute and in relative terms, by appreciably more than in 1963. In all budgets together they amounted to nearly DM 159 billion, thus exceeding the total for the previous year by nearly DM 13 billion or almost 9 per cent, whereas in 1963 the receipts had exceeded those of 1962 by only some DM 9 billion or less than 7 per cent. The reason for the great rise of receipts in 1964 was that taxes again flowed more abundantly than in 1963. Whereas in that year tax revenues had increased by only 5.4 per cent, owing partly to the unfavourable seasonal movements, partly to the slowing down of cyclical growth and to a decrease in composition payments of Equalisation of Burdens Levies, they rose last year by altogether 9.2 per cent. In particular there was perceptible recovery in the proceeds of the Federal Government's own taxes, this being due not only to the more favourable seasonal and cyclical factors but also to amendments of tax law in connection with the Mineral Oils Tax. In addition the taxes on

Faster growth  
of receipts...

\*) The following data are more narrowly defined than those relating to the public sector which are contained in the preceding Chapter III, "Trends in Money and Credit". While the latter mostly refer to all public authorities — including, in addition to the public authorities in the narrower sense, the Federal Railways and Federal Postal Administration as Special Funds, the public enterprises without independent legal personality, and other German and foreign public authorities — this chapter reports only on the public authorities in the narrower sense, *i. e.* the Federal Government, the *Länder*, Equalisation of Burdens Fund, E.R.P. Special Fund, local authorities and social insurance institutions. This means that in particular the figures for bank balances of public authorities and for loans extended by credit institutions to public authorities differ between the two chapters.

The Public Authorities' Finances on a Cash Basis

Millions of DM

Item	1962	1963			1964 (P <sup>c</sup> )		
		Total	1st half	2nd half	Total	1st half	2nd half
<b>Cash Surplus (+) or Deficit (-)<sup>1)</sup></b>							
(1) Central authorities	-1,518	-4,409	+1,860	-6,269	-2,972	+1,338	-4,310
Federal Government <sup>2)</sup>	-1,543	-3,142	+247	-3,389	-557	+977	-1,534
Equalisation of Burdens Fund <sup>2)</sup>	-259	-260	-20	-240	-377	-52	-325
E.R.P. Special Fund	+74	-280	+150	-430	+108	+230	-338
Länder	+210	-727	+1,483	-2,210	-1,930	+183	-2,113
(2) Other authorities	-120	-620	-715	+95	-2,600	-1,210	-1,390
Local authorities	-1,080	-1,500	-150	-1,350	-3,300	-1,080	-2,220
Social insurance funds	+960	+880	-565	+1,445	+700	-130	+830
(3) Total of I plus 2	-1,638	-5,029	+1,145	-6,174	-5,572	+128	-5,700
<b>Financing</b>							
Increase (+), decrease (-) in							
I. Cash reserves							
(1) Central authorities	-242	-343	+2,399	-2,742	-873	+1,071	-1,944
Federal Government	-75	+53	+812	-759	+199	+620	-421
Equalisation of Burdens Fund	-84	+100	+40	+60	-110	-14	-96
E.R.P. Special Fund	+74	+220	+150	+70	-116	+230	-346
Länder	-157	-716	+1,397	-2,113	-846	+235	-1,081
(2) Other authorities	+2,020	+1,780	+65	+1,715	+800	+120	+680
Local authorities	+1,060	+900	+630	+270	+100	+250	+150
Social insurance funds	+960	+880	-565	+1,445	+700	-130	+830
(3) Total I (1 plus 2)	+1,778	+1,437	+2,464	-1,027	-73	+1,191	-1,264
II. Credit market indebtedness							
(1) Central authorities	+1,172	+3,915	+477	+3,438	+1,936	-346	+2,282
Federal Government	+1,389	+2,966	+521	+2,445	+659	-356	+1,015
Equalisation of Burdens Fund	+150	+438	+42	+396	+201	-42	+243
E.R.P. Special Fund	-0	+500	-0	+500	-8	-0	-8
Länder	-367	+11	-86	+97	+1,084	+52	+1,032
(2) Local authorities	-2,140	+2,400	+780	+1,620	+3,400	+1,330	-2,070
(3) Total II (1 plus 2)	+3,312	+6,315	+1,257	+5,058	+5,336	+984	+4,352
III. Amounts credited to Federal Government in respect of coinage	104	151	62	89	163	79	84
IV. Overall total (I less II less III)	-1,638	-5,029	+1,145	-6,174	-5,572	+128	-5,700

<sup>1)</sup> The cash surpluses or deficits of the Federal Government and the Equalisation of Burdens Fund were ascertained as balance of in-payments on, and out-payments from, the accounts kept by the said authorities with the Bundesbank. These surpluses and deficits deviate from the final results of the official financial statistics primarily because the underlying payments are not recorded at the time they are entered in the budgetary accounts but at the time of the actual receipt or out-payment, and because the incurring of debt was eliminated from the income, and the expenditure on debt redemption (including repurchase of bonds) from the outgo. The cash results of the E.R.P. Special Fund, the Länder, local authorities and social insurance funds were estimated, according to the same method, by using statistics on budgetary receipts and expenditure, indebtedness, money holdings and investments. — <sup>2)</sup> The cash surpluses or deficits of the Federal Government and the Equalisation of Burdens Fund do not in exact detail correspond to the changes in cash reserves and indebtedness, because there are certain items in course of settlement between these two authorities. — <sup>P<sup>c</sup>)</sup> Partly estimated.

income and earnings, as well as more particularly the *Länder's* own taxes (because of payments on the Property Tax general assessment, which is carried out at three-yearly intervals), grew more vigorously than in 1963. Finally, the receipts from Equalisation of Burdens Levies rose again because small sums were made payable before due date. On the other hand at 7 per cent the growth of the social insurance institutions' contribution incomes was somewhat weaker than in the year before. It is true that these incomes continued considerably to increase especially in pension and accident insurance, but no further Family Allowance Fund contributions were levied because the Federal budget fully assumed the payment of children's allowance from mid-1964 onwards.

... with further considerable rise in expenditure

All public authorities together spent about DM 164 billion in 1964, *i. e.* over DM 13 billion, or nearly 9 per cent, more than in the previous year. In 1963 the expenditure had grown by not quite DM 13 billion, or just over 9 per cent. One reason for the almost unaltered rate of increase in expenditure was the greater than average rise of capital expenditure, which at over DM 35 billion exceeded the preceding year's amount by some DM 4 billion, or over 12 per cent. The rate of increase was thus roughly as great as in 1963, whereas in 1962 it had still been as much as 16 per cent. There was an especially marked rise, by about DM 3 billion or 15 per cent, in the public authorities' own capital expenditure (on building and procurement), while their indirect capital expenditure, including in particular their loans and grants to assist house-building and



to promote certain forms of economic activity, grew by a good DM 1 billion, or roughly 9 per cent. In fact, however, the capital expenditure of public authorities grew more still, since the Federal Government financed outside the budget — through borrowing by the German Company for Public Works (Öffa) — expenditure on roads to the extent of DM 350 million in 1964 against DM 90 million in 1963. Among the current expenditure that on social security, including benefits in kind, rose by an especially considerable margin. In absolute amount it grew by over DM 5 billion, or more than 10 per cent, against roughly DM 3.5 billion or 7 per cent in the year before. Just as in 1963, the additional expenditure on pay and pensions amounted to some DM 2.5 billion. The chief reason why despite much greater social expenditure the current expenditure increased by only as much in relative terms as in 1963, namely by about 8 per cent, was that less was spent on defence than in that year.

To all appearances the tendencies to deficit in the public finances will continue to increase in 1965. Although the Federal Government, *Länder* and Equalisation of Burdens Fund together have put the estimated rise of their expenditure for this year somewhat lower than the actual rise last-year, neither in their case nor in that of the authorities as a whole can it be expected that the actual growth of expenditure will remain within the estimated limits. Apart from the fact that the territorial authorities — especially the *Länder* and local authorities — can still draw on considerable appropriations from earlier years, it can no longer be expected that in 1965 additional expenditure in individual categories will be offset so much as in 1964 by smaller expenditure in others. There is the further fact that the Federal Government intends to effect much more expenditure than in 1964 outside its budget. Evidently the forces of expansion, chiefly to be found in capital expenditure during recent years, will apply more to current expenditure in 1965. Of special importance here, apart from the considerable raising of pay in the public service, are the numerous increases of social benefits, among which the greatest effect is produced through the increase of existing social insurance pensions (by 9.4 per cent) and of doctors' fees in social health insurance, as well as the Federal Government's large additional payments on children's allowance and educational assistance. On the other hand the rise in receipts is likely to become considerably slower. It is at present expected that the additional proceeds from taxes and Equalisation of Burdens Levies by comparison with 1964 will be roughly 6 per cent, which would be noticeably less than last year. The reason lies above all in the effects of the 1964 Tax Amendment Law, which will this year cause shortfalls on Income Taxes of the order of more than DM 2 billion. Although the contribution incomes of the social insurance institutions may rise more than in 1964, since owing to the revision of doctors' fees the health insurance institutions need additional receipts, and since the limit of income up to which employees' pension insurance is obligatory is to be raised, this — together with the additional tax receipts and the other additional receipts — will hardly suffice to offset fully the increase of expenditure to be expected among public authorities as a whole. Limitation of the growth in expenditure — desirable on overall economic grounds — can probably be achieved only if the appropriations (some of them considerably enlarged) for capital development are "stretched" (that is to say, are not fully utilised this year), and if in addition the very large residues of earlier years' appropriations which still remain in many budgetary items are not spent.

Prospects for 1965

## 2. Indebtedness and Cash Assets

The market indebtedness of public authorities rose by over DM 5.3 billion last year to nearly DM 39 billion<sup>1)</sup>. True, as already mentioned, it did not increase quite so much as in 1963, when the total had grown by over DM 6.3 billion, but the rise considerably exceeded that (by DM 3.3

Individual debtors

<sup>1)</sup> Owing to redefinition of the Federal Government's and Equalisation of Burdens Fund's market debts, the debt figures are not comparable with those mentioned in the Reports for earlier years (see the Monthly Reports of the Deutsche Bundesbank, Vol. 16, No. 10, October 1964, page 23, and Vol. 17, No. 1, January 1965, page 29). Disregarded here — just as in previous years — is the increase in debt of the two other Federal Special Funds, the Railways and the Postal Administration, which are not counted as public authorities in the narrower sense. Altogether these two Federal enterprises borrowed on the market to the extent of DM 3.0 billion in 1964 against DM 3.2 billion in 1963.

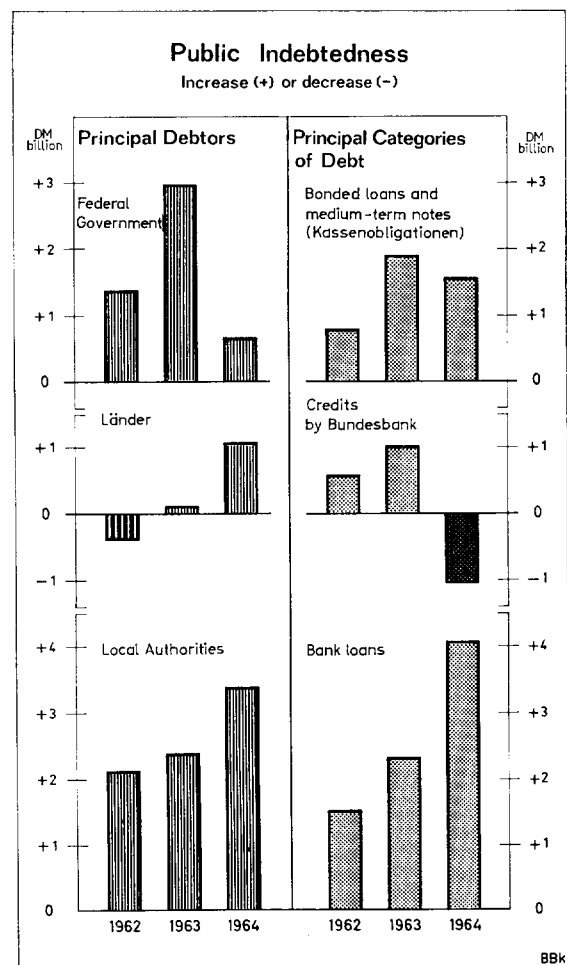
billion) in 1962. In individual cases there were indeed substantial shifts, in accordance with the differing trends in the various budgets. Thus the Federal Government's borrowing last year amounted to only DM 659 million net after having reached almost DM 3 billion in 1963. Even if those funds from outside sources are included which the Federal Government procured direct (from the social pension insurance funds) or indirect (by taking on the debt service for borrowings of other parties) in order to meet, outside the budget expenditure, liabilities to the extent of more than DM 980 million, financing of Federal Government expenditure through borrowing was in the past year considerably less than in 1963. The Equalisation of Burdens Fund's need for credit declined from DM 438 million in 1963 to DM 201 million, and the indebtedness of the E.R.P. Special Fund, which in the previous year had obtained from the Volkswagen Works Foundation a loan for the substantial sum of DM 500 million, remained almost unchanged in 1964. On the other hand the *Länder*, which from 1960 to 1962 had actually repaid debt on a considerable scale because their budgetary situation was then highly favourable, and which even in 1963 had practically not resorted to the market, borrowed nearly DM 1.1 billion in 1964; and the local authorities incurred additional debt estimated at DM 3.4 billion, that is DM 1 billion more than in 1963.

Rapid rise of bank lending ...

The forms in which borrowing took place in 1964 likewise showed great change by comparison with the previous year. With an increase of total indebtedness by about DM 5.3 billion, almost DM 4.1 billion, or more than three-quarters, reflected direct lending by credit institutions alone. The total amount of such credits thus rose to over DM 20 billion, and their proportion of the total debts outstanding at the end of 1964 was about 52 per cent following a slight decline in the previous year. The greater part of the monies in question again went to local authorities, although other authorities also borrowed more from banks; this applies both to the *Länder* and to the Equalisation of Burdens Fund. Direct lending by banks continued mainly to comprise loans at longer term, but it is worth remarking that for the first time in a long while the banks' short-term credit extended to *Länder* and local authorities also rose somewhat more strongly.

... with less recourse to the bond market ...

The circulation of fixed-interest securities issued by public authorities (on a net basis, *i. e.* less those repurchased by the issuers) increased in 1964 by just under DM 1.6 billion, or not quite so much as the rise by about DM 1.9 billion in 1963. There were considerable changes in individual cases, these being partly due to worsening of the conditions for issuing, but partly also to the differences in the financial situation, and therefore in the credit requirements, of issuers. Thus the circulation of notes running for only three or four years (*Kassenobligationen*), which were relatively easy to place, rose by a comparatively large amount after having fallen in the year before. Long-term loans on the other hand were issued only to the extent of not quite DM 1.1 billion, *i. e.* about half as much as in



the previous year, and here again the period to maturity was in some cases shortened in order to conform to the altered state of the market. The Equalisation of Burdens Fund in 1964 met its borrowing requirement — which was smaller than in the previous year — exclusively outside the security market<sup>1)</sup>, while the *Länder* and local authorities did satisfy their greatly enlarged demand for credit by issuing fixed-interest securities to the extent of about DM 250 million, after having put a roughly equal amount into the market in the previous year through repayments. At approximately DM 1.3 billion the Federal Government's bond market borrowing was smaller than in 1963 by about half a billion DM, which was remarkable inasmuch as the total Federal market indebtedness increased by only DM 659 million against almost DM 3 billion in 1963.

Since the Federal Government to a certain extent incurred additional debt in other ways as well (on the money market, at banks and at the Volkswagen Works Foundation), it was able to pay off substantial liabilities to the Bundesbank. Although at DM 1.08 billion the book credits taken by it and outstanding at the end of 1964 reached a considerable level, they were smaller by DM 652 million than at the end of 1963; in addition the Federal Government paid the DM 503 million instalment due in 1964 towards reducing its liabilities in respect of post-war economic aid. By comparison it was of little importance that the book credits granted to *Länder* somewhat increased, and that the Equalisation of Burdens Fund also fell back on its credit line. At the end of 1964 the public authorities' total liabilities in respect of book credits and post-war economic aid were smaller than a year previously by over DM 1 billion.

Unlike the previous years, when the public authorities' cash holdings had increased despite overall deficit, and hence their indebtedness (together with the only small total amount credited to the Federal Government for coinage) had risen by more than would have corresponded to the amount of expenditure not covered by current receipts, total money holdings no longer grew on balance in 1964. Here again, just as in the case of the indebtedness, there were individually considerable changes both within the various groups of authorities and in the methods of employing the funds. In the case of the central authorities the cash assets declined somewhat more than in the two previous years, as the *Länder* reduced their bank deposits by more than in 1963, and the cash holdings of the Federal Government and its Special Funds — unlike 1963 — did not increase any further on balance. The chief factor, however, was that the rise in money holdings of local authorities, which had proceeded without interruption for years, seems to have become very considerably slower. In any case all the available data concerning the local authorities' receipts, expenditure and debts indicate that their liquid assets rose only slightly. Although it would seem that the various reserves which local authorities are required to form continued to be built up, on the other hand some investment programmes begun at earlier dates were executed on an increased scale thanks to the highly favourable 1964 weather; hence, the funds which had been borrowed by way of precaution to finance them, and which until then had been mostly deposited at banks, probably flowed into circulation. It may also be that the strict provisions of budget law about borrowing for capital projects, which provisions in the past often entailed borrowing before the funds were needed, are being increasingly construed on freer lines.

The change in the run of the local authorities' money holdings was one material reason why in 1964, as contrasted with all previous years, the deposits of public authorities at banks did not rise further. Another reason was that the cash-holding practices of the social insurance institutions (including unemployment insurance) have changed since the middle of last year. According to the available data at all events the bank deposits of those institutions no longer grew, but actually declined on the year as a whole, while at the same time greater importance was attained by investment in other forms such as money-market paper or medium-term notes, some with very short remaining lives. Together with shifts in the pattern of debt ownership this contributed towards

<sup>1)</sup> This does not allow for the "quittance bonds" which have been handed out since April 1964 to persons entitled to basic compensation.

... and reduction of indebtedness to the Bundesbank

Unchanged level of cash reserves

*Change in the Public Authorities' Net Cash Position*

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

Item	1962	1963			1964 P <sup>e</sup> )		
		Total	1st half	2nd half	Total	1st half	2nd half
<b>I. Bundesbank</b>							
(1) Deposits	— 38	— 603	+2,300	—2,903	— 852	+1,150	—2,002
Federal Government	+ 10	+ 53	+ 812	— 759	— 51	+ 620	— 671
Equalisation of Burdens Fund	— 67	+ 80	+ 19	+ 61	— 90	— 14	— 76
E.R.P. Special Fund	+ 76	— 3	+ 110	— 113	— 25	+ 285	— 310
Länder	— 71	— 716	+1,357	—2,073	— 692	+ 245	— 937
Other authorities <sup>1)</sup>	+ 14	— 17	+ 2	— 19	+ 6	+ 14	— 8
(2) Mobilisation paper (Social insurance funds)	— 561	— 15	— 7	— 8	— 5	+ 3	— 8
Total of 1 plus 2	— 599	— 618	+2,293	—2,911	— 857	+1,153	—2,010
(3) Indebtedness	+ 576	+1,105	— 739	+1,844	— 935	—1,845	+ 910
Federal Government	+ 579	+1,088	— 739	+1,827	—1,049	—1,828	+ 779
among which: Acquisition of claims resulting from post-war economic aid	( — )	( — )	( — )	( — )	(— 503)	( — )	(— 503)
Equalisation of Burdens Fund	—	—	—	—	+ 37	—	+ 37
Länder	— 3	+ 17	—	+ 17	+ 77	— 17	+ 94
Note:							
Special credits for payments to international institutions	(— 480)	(+ 139)	(+ 29)	(+ 110)	(+ 722)	(+ 587)	(— 135)
Indebtedness in respect of alteration of the exchange parity	(— 75)	(— 108)	(— 108)	( — )	(— 139)	(— 139)	( — )
(4) Net cash position (1 plus 2 less 3)	—1,175	—1,723	+3,032	—4,755	+ 78	+2,998	—2,920
<b>II. Credit Institutions</b>							
(1) Deposits p <sup>e</sup> ) <sup>2)</sup>	+1,887	+1,312	— 145	+1,457	— 45	— 179	+ 134
Central authorities	— 188	+ 20	+ 60	— 40	+ 76	— 10	+ 86
Other authorities <sup>3)</sup>	+2,075	+1,292	— 205	+1,497	— 121	— 169	+ 48
(2) Other investments <sup>3)</sup>	+ 526	+ 653	+ 248	+ 405	+ 344	— 18	+ 362
(3) Indebtedness	+1,851	+2,312	+1,006	+1,306	+4,787	+2,255	+2,532
Central authorities	+ 196	+ 301	— 349	— 48	+1,563	+ 992	+ 571
Local authorities	+1,655	+2,011	+ 657	+1,354	+3,224	+1,263	+1,961
(4) Net cash position (1 plus 2 less 3)	+ 562	— 347	— 903	+ 556	—4,488	—2,452	—2,036
<b>III. Foreign Countries</b>							
(1) Indebtedness	+ 160	+ 660	+ 325	+ 335	— 60	— 30	— 30
(2) Net cash position	— 160	— 660	— 325	— 335	+ 60	+ 30	+ 30
<b>IV. Domestic Non-banks</b>							
(1) Employment of money holdings <sup>4)</sup>	— 36	+ 90	+ 67	+ 23	+ 485	+ 235	+ 250
(2) Indebtedness	+ 725	+2,238	+ 664	+1,574	+1,544	+ 604	+ 940
(3) Net cash position (1 less 2)	— 761	—2,148	— 597	—1,551	—1,059	— 369	— 690

<sup>1)</sup> Local authorities and social insurance funds (including unemployment insurance). — <sup>2)</sup> In particular the amounts deposited by *Länder* and local authorities have been estimated. They were ascertained as difference between the overall change in cash reserves (cf. preceding table) and item I of this table; in the case of the social insurance funds the statistics collected by the Federal Ministry for Labour and Social Order on the investments of the Pension Insurance Institutions and the Unemployment Insurance Fund were taken as basis. — <sup>3)</sup> Granting of "unmarked" loans to banks and taking over by E.R.P. Special Fund and social insurance funds of medium-term notes (*Kassenobligationen*) issued by credit institutions. — <sup>4)</sup> Taking over of public authorities' money-market paper and medium-term notes by E.R.P. Special Fund and social insurance funds. — P<sup>e</sup>) Partly estimated.

causing an appreciable change in the public authorities' net cash position, *i. e.* the difference between their liquid assets and their indebtedness to the individual sectors (Bundesbank, credit institutions, foreign countries and resident non-banks).

Improvement of the position in relation to the Bundesbank ...

In 1964, unlike the previous year, the net cash position in relation to the Bundesbank improved slightly. Whereas in 1963 — through withdrawal of balances and through borrowing — the

public authorities had used over DM 1.7 billion of Central Bank money to finance their deficits, Central Bank money was sterilised in 1964, although only to the small extent of DM 78 million. The table shows the movement of the individual authorities' credit balances and indebtedness. A point to mention is that the indebtedness to the Bundesbank includes not only book credits and liabilities in respect of post-war economic aid but also the Bank's holding of Federal Government money-market paper, which holding increased slightly last year<sup>1)</sup>. If allowance is also made for the sums credited to the Federal Government on account of coinage (DM 163 million against DM 151 million in the year before), which sums constitute creation of money, the picture does not appreciably change; on that basis, at DM 85 million the funds coming from the Central Bank were insignificant as compared with the figure of nearly DM 1.9 billion for 1963, a development which was to be welcomed in view of the cyclical trend, because it at least avoided any addition to the banking system's liquidity through the public finances.

Equally desirable was the change which took place in the creditor position of foreign countries in relation to German public authorities. In 1964 non-residents as a whole were practically without significance for the financing of cash deficits here, whereas in the previous year they had become creditors of public authorities on a substantial scale. This was due to the change — described in the previous section on the capital market — in foreign buying of fixed-interest securities after the announcement of the “coupon tax” bill, the result of which was that non-residents during 1964 actually somewhat reduced on balance their holding of public authorities' bonds (chiefly Federal) after their heavy purchases in the previous year.

... and in relation to foreign countries

On the other hand the public authorities' net cash position in relation to credit institutions deteriorated considerably last year. This continued a trend which had already emerged in 1963. Whereas in almost all years since the currency reform the credit extended by the banks to public authorities (including their taking of securities) had been less than the monies employed by such authorities at banks, in 1963 the granting of credit had predominated, although only to the small extent of about DM 350 million. In 1964, however, the net incurring of debt rose sharply to about DM 4.5 billion; thus more than four-fifths of the public authorities' total deficit was financed by banks. Of particular importance in this light was the very great rise in direct lending. Besides this, the banks last year increased their holdings of public authorities' short, medium and long-term debt certificates by DM 710 million, whereas in 1963 they had on balance reduced them slightly. Another influence here was the above-mentioned absence of increase in the public authorities' bank deposits, as well as the fact that the total monetary assets held at the banks in other forms — through granting of un earmarked loans and through taking of bank bonds with short remaining lives — did not attain the same size as in the previous year.

Growing net indebtedness to banks

Residents outside the banking system — mostly institutional investors and individuals — again contributed in 1964 towards financing the public authorities' deficit, although only to the extent of just on DM 1.1 billion against DM 2.1 billion in 1963. Thus in the first place the Volkswagen Works Foundation's loans were much smaller in 1964 than in the previous year, and the institutional investors also granted appreciably less borrower's note loans than in 1963, especially to local authorities. On the other hand the social insurance institutions put liquid assets, which they had previously made a practice of employing almost exclusively at banks, partly into money-market paper or medium-term notes of public authorities (including the Federal Railways and Postal Administration). They did this to the extent of DM 0.4 billion, whereas in almost all earlier years the employment of funds in such ways had been of only minor importance.

Position in relation to domestic non-banks

<sup>1)</sup> This disregards the changes in the Federal Government's other liabilities to the Bundesbank, because they are not connected with the financing of actual cash transactions. They include in the first place the special credits granted to the Federal Government under the Bundesbank Law in respect of subscriptions to international institutions, and also the Federal Government's liabilities arising from the Bundesbank's balance-sheet loss in connection with the revaluation of the DM in 1961.

## V. Economic Activity

General economic trends were determined throughout 1964 by the cyclical upward tendencies which, originating from the rapidly increasing foreign demand, were already discernible in their onset in the spring of the previous year. Industrial production attained much higher rates of growth in 1964 than in 1963. Favoured by improvement of earnings, the capital expenditure of enterprises greatly increased; and judging by the latest development of the domestic demand for equipment and of permits for commercial and industrial building, this increase is if anything likely to continue. In house-building there was a vigorous growth in activity due to governmental furtherance. The income of private households from employment, entrepreneurial activity and property, as well as from public transfers, grew a good deal faster than in 1963. Hence the expansion of private consumption also accelerated. The following sections describe in some detail these trends, which during the second half of 1964 led to price rises that were in some cases quite considerable, thus giving rise to the Bundesbank's credit policy measures discussed in the General Survey in this Report.

### 1. Labour Market and Employment

Greater strains  
on the labour market

Characteristic of the situation on the labour market in 1964 was that labour was even scarcer than in previous years. This was chiefly reflected in the fact that at the Labour Exchanges, on the monthly average for the past year, about 610,000 vacancies were recorded as against little over 550,000 in 1963. At 609,000 at the end of February 1965 the number of vacancies was again almost as great as the average for 1964. It is also characteristic that the number of registered unemployed, already quite small in previous years, declined further; at about 100,000 at the end of September, the seasonal low point in unemployment, it was smaller by over 4,000 than at the corresponding date a year before. As a special investigation by the Federal Institution for Labour Exchanges and Unemployment Insurance showed, of the approximately 64,000 male unemployed then registered at Labour Exchanges roughly 70 per cent were older, mostly immobile workers, hardly suitable for use at the focal points of the demand for labour.

The reason for the recent worsening of the labour market situation lay in the great demands which industry has made on that market. At the end of 1964 the number of persons employed in industry was greater by almost 150,000, or 1.8 per cent, than a year earlier, so that the decrease by over 90,000 which had occurred in 1963 — with industrial orders at a relatively low level — was more than made good. Of the total increase almost four-fifths was in the capital goods industries, which have been especially favoured by the business cycle, and which increased the number of their employed workers by 3.5 per cent in the course of last year. Despite the considerable additions the unmet demand for workers in industry continued to increase; the number of vacancies for skilled industrial workers (other than building workers) was almost 260,000 at the end of 1964; it was thus greater by roughly one-fifth than at the end of 1963. In view of industry's heavy demand on the labour market the other branches of activity, which in 1963 had gained the whole net addition to the number of workers plus the decrease in the number of those employed in industry, had only small prospects last year of covering their need for additional workers. This applies for example to building and civil engineering, where on the average of the months from April to December 1964 the number of persons employed was greater than a year previously by about 20,000, or 1.3 per cent, whereas in the said nine months of 1963 the number employed there had risen above the figure for the corresponding period of the previous year by over 90,000 or 6.1 per cent. In other non-industrial activities too, such as trade, transport and the other forms of public and private services, the net addition to the numbers employed appears to have been considerably smaller than in 1963, since the total number of employed wage and salary earners increased by no more in 1964 than it had done in the previous year.

According to the Federal Statistical Office there were on the average for the year 1964 about 21.55 million employed persons (workers, salaried employees and officials) in the Federal Republic of Germany including West Berlin. Thus on the yearly average the number of employed persons has grown in comparison with the previous year by over 240,000, or 1.1 per cent, as against 250,000 in 1963 and approximately 320,000 and 400,000 respectively in 1962 and 1961. Of the total addition to employed wage and salary earners in 1964 only about 100,000 came from inside the country, and these were exclusively persons who had already been gainfully occupied as self-employed or as assisting family members, and had thus merely altered their social status. If the newly added foreign workers are disregarded, the total number of all gainfully active persons (including those self-employed, and assisting family members) was smaller last year than in 1963; only if foreigners are included was there an increase by the small margin of 0.4 per cent. The decline in the potential domestic labour force is unlikely to show any change in the current year. This means that, as far as the production factor labour is concerned, economic expansion is becoming more and more dependent on the obtaining of foreign workers. Last year the average number of foreigners employed in the area of the Federal Republic including West Berlin was over 900,000, *i. e.* roughly 130,000 more than in 1963. At the same time the inflow greatly increased in the course of the year, so that in October, when the annual peak was reached at more than 1 million, the comparable figure for the previous year was exceeded by almost 230,000 or just on 30 per cent. Foreigners in 1964 accounted for 4.2 per cent of all employed persons, whereas five years earlier their proportion had been less than 1 per cent. Thus the number of foreigners employed in the Federal Republic last year was greater by almost one-half than that employed before the First World War in the entire German Reich. Without the seasonal workers, who were then employed especially in East German agriculture for only brief periods each year, the number of foreigners at work at the beginning of December 1910 in the German Reich was 635,000, of whom it is estimated that about 300,000 were in the area of the present Federal Republic; the

Growth in number of employed mainly due to recruitment of foreigners

### The Labour Force in the Years 1960 to 1964

Area of the Federal Republic including Berlin (West); in thousands of persons

Item	1960	1961	1962	1963	1964 P)
	Position <sup>1)</sup>				
Labour force, total	26,518	26,772	26,937	27,066	27,148
of whom:					
Unemployed	271	181	154	186	169
Gainfully active	26,247	26,591	26,783	26,880	26,979
of whom:					
Self-employed <sup>2)</sup>	5,916	5,861	5,730	5,577	5,432
Wage and salary earners	20,331	20,730	21,053	21,303	21,547
	Change against preceding year <sup>4)</sup>				
Labour force, total	+ 196	+ 254	+ 165	+ 129	+ 82
Classified by principal sources:					
Foreign wage and salary earners	+ 110	+ 195	+ 160	+ 140	+ 130
Natural movement of population, change in "gainful activity ratio" and increase due to migration <sup>3)</sup>	+ 86	+ 59	+ 5	- 11	- 48
Classified by groups:					
Unemployed	- 243	- 90	- 27	+ 32	- 17
Gainfully active	+ 439	+ 344	+ 192	+ 97	+ 99
of whom:					
Self-employed <sup>2)</sup>	- 114	- 55	- 131	- 153	- 145
Wage and salary earners	+ 553	+ 399	+ 323	+ 250	+ 244
Note:					
Juveniles leaving school	599	682	650	712	724

<sup>1)</sup> Averages estimated by Federal Statistical Office. — <sup>2)</sup> Including assisting family members. — <sup>3)</sup> Excluding foreign wage and salary earners. Principally immigrants from Central Germany and Berlin. — <sup>4)</sup> Change 1960 in comparison with 1959: Area of the Federal Republic except Berlin. — P) Provisional.

proportion of foreigners to the total number of employed wage and salary earners in the Reich was then 2.7 per cent; it was thus well below the present quota, and was moreover the result of a protracted development, as opposed to the steep rise in the number of foreigners employed during the last four years.

No decrease of total man-hours worked

For overall economic activity it was important that in 1964, unlike the preceding years, the total number of man-hours worked was not adversely affected by a further cut in the average number of hours individually worked, whereas on the average for 1963 the time worked per gainfully active person had decreased by 1.0 per cent as compared with the previous year. One significant factor in 1964 was of course that, especially in building, during the first quarter the relatively mild winter weather caused much smaller losses of working time than had been suffered in the corresponding period of 1963 under considerably more unfavourable weather conditions. Furthermore, the year 1964 had a good two working days more than 1963 (computed on the average for the *Länder*); with an equal number of working days, the total average number of man-hours worked would probably have declined last year too, since collectively agreed weekly hours of labour were further reduced, and thus the actual working time was cut down to approximately the same extent.

## 2. Overall Production

Great rise in production

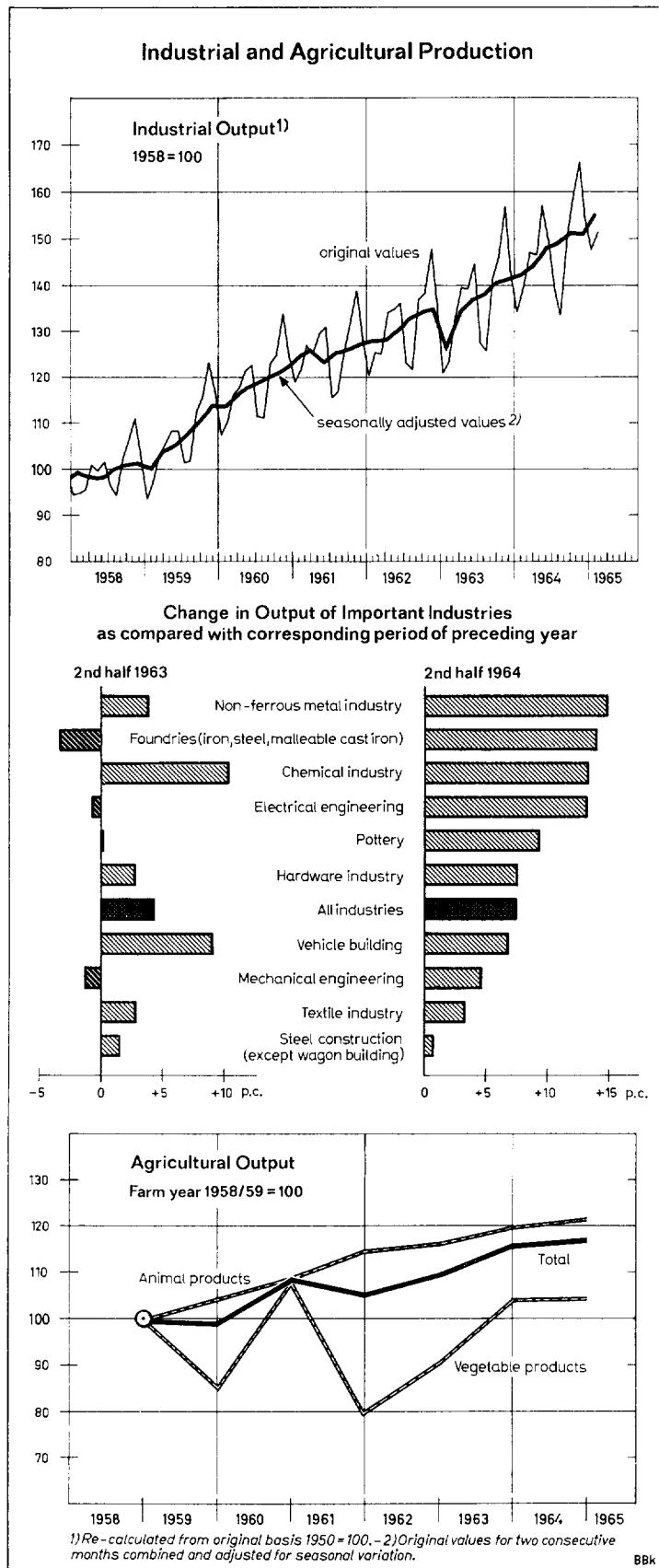
Overall production grew more vigorously in 1964 than in the previous years. According to provisional calculations the gross national product in the Federal Republic including West Berlin increased by 6.5 per cent, in real terms, against only 3.2 per cent in 1963. In part, however, this considerable difference between the growth-rates resulted from the above-mentioned losses in output caused by the weather during the first months of 1963. In 1962 and 1961 the real gross national product had risen by 4.1 and 5.4 per cent respectively. Agricultural output last year increased much less than did total production within the country. If half each of the (partly estimated) domestic food production in the farm years 1963/64 and 1964/65 is assigned to the 1964 calendar year, there appears to have been a rise by only 3.3 per cent as compared with the 1963 calendar year. True, the output of vegetable products increased by the relatively wide margin of 7.0 per cent as a result of the fact that last year's grain crop was better than the average; but these products account for only something over one-fifth of total food production (reckoned in grain units). The increase by comparison with 1963 was much smaller in the output of animal products, which rose on the year by only 2.3 per cent, or as much as in 1963, but a good deal less than in previous years. The chief reason lay in the relatively small production of meat, the amount of meat available from commercial slaughtering of German-raised animals in 1964 exceeding the previous year's quantity by only 1.4 per cent.

Industrial production (excluding building and power) rose last year by 8.3 per cent reckoned per working day (if not converted to a working-day basis, the growth was as much as 9.2 per cent), whereas the increase per working day had been only 3.5 per cent in 1963 and 4.4 per cent in 1962. In the first quarter of 1964, the particularly high growth-rate of 11.3 per cent was achieved as compared with the relatively poor result in the corresponding period a year before. But again on the average for the months from April to December, when there cannot be said to have been any special influences to spoil the comparison with a year earlier, the increase in output on the year amounted to 7.3 per cent as against 4.2 per cent in the corresponding period of 1963. As regards the cyclical trend, however, the rise of production flattened out in the last months of 1964 after having been quite considerable in the first half of the year. On the monthly average for November and December the seasonally adjusted values were hardly any greater than on the average for the months July to October; in January and February 1965, however, considerable advances in output were again achieved.

Considerable growth of productivity

The faster growth of industrial production as compared with 1963 was partly due to the above-mentioned greater increase which occurred last year in the number of persons employed in indus-





try, whereas in 1963 the small expansion of industrial output ran parallel with a decrease in the numbers employed not recorded since the currency reform. It is true that in 1964 too the number employed did not exceed that of the previous year until after about the middle of the year; on the average it was lower by 0.3 per cent in the first six months, but higher by 1.2 per cent in the second, than a year previously. This reversal was also apparent in the fact that the total number of man-hours worked in industry (including mining) was above the level of a year earlier by only 0.2 per cent in the first half of 1964, but by 0.8 per cent in the second. On the average for the year 0.6 per cent more man-hours were worked in 1964, which means that the output per man-hour worked was greater by 8.6 per cent than in the previous year. The increase was especially great during the first six months, because the winter restrictions of production in 1964 were smaller than in the corresponding period a year earlier. In the second six months the year-to-year rate of increase declined to 7.7 per cent, but this still considerably exceeded that of 5.5 per cent for the year 1963. In the entire economy the advance of productivity was, as usual, less than in industry, which has greater opportunities for rationalisation. However, with an average annual rise of the real gross national product per hour worked per gainfully active person by 6.0 per cent (against 4.2 per cent

in 1963) the same tendency as in industry was operative in the whole economy. The growth-rate calculated in comparison with the corresponding period of the previous year fell from an average of 7 per cent in the first half of the year to 5 per cent in the second, thereby again approaching a level more nearly corresponding to the long-term average than the high growth-rates typical of a cyclical upswing.

### 3. Capital Expenditure of Enterprises

Brisk investment activity

The mainstay of economic development in 1964 was investment activity by enterprises and public authorities. The total capital expenditure of the economy again considerably increased after having risen only by the small margin of 3.7 per cent in 1963, partly because the bad winter weather ended late. It exceeded the value for the previous year by 16.5 per cent, thereby rising more than all other demand components, so that the proportion of total expenditure on gross investment to the national product rose from 25.8 per cent in 1963 to 27.4 per cent. Much the greatest rise by comparison with 1963 was in inventory investments, which were more than twice as great as in the previous year. In equipment investments the increase amounted to 12.1 per cent, against only 2.3 per cent in 1963. The fact that a higher rate of increase was attained in the second six months than in the first half of the year is all the more important as regards the cyclical trend because in the preceding year a similar tendency had already been evident. At 15.4 per cent the growth of capital expenditure on building also was greater last year than in 1963, when the rise as compared with 1962 had amounted to only 8.0 per cent. This was mainly due to the fact, however, that building activity in the first three months of 1964 had exceeded by almost three-quarters the level reached in the corresponding period of the previous year, whereas during the second half of the year the year-to-year increase of building investments was smaller than in the same period a year previously.

#### *Gross Investments in 1963 and 1964*

Change against preceding year in per cent

Item	1963			1964		
	Year	of which:		Year	of which:	
		1st half	2nd half		1st half	2nd half
Total gross investments	+ 3.7	- 0.6	+ 7.8	+ 16.5	+ 17.2	+ 15.8
of which:						
Gross investments in fixed assets	+ 5.2	+ 0.8	+ 9.0	+ 13.8	+ 17.2	+ 11.1
Equipment	+ 2.3	+ 0.6	+ 3.9	+ 12.1	+ 10.9	+ 13.3
Building	+ 8.0	+ 1.0	+ 13.8	+ 15.4	+ 23.9	+ 9.3
Inventory investments	- 34.3	.	.	+ 126.1	.	.

Orders for equipment and for building work increased last year even more markedly than the actual capital expenditure on fixed assets. Home-market orders reaching the capital goods industries, other than vehicle building, were above the value of a year previously by an average of 18 per cent. The increase, which had begun as early as mid-1963, continued throughout 1964 and became even greater towards the end of the year. In January 1965 orders were higher by only 9 per cent than in the same month of the previous year, it is true; but this would seem to be attributable to the fact that in 1965, on an average for the *Länder*, January had almost two working days less than in 1964. In the fourth quarter of 1964 the seasonally adjusted values were above those for the third quarter by nearly 4 per cent. The increase in demand was evidently more marked in those capital goods industries which mainly produce equipment goods than in those which manufacture consumer durables, although even in these, *e. g.* in some categories of electrical consumer goods, domestic demand did show an increase which was in some cases large by comparison with 1963. The home-market orders reaching the mechanical engineering industry,

a particularly typical capital goods industry, were last year greater in value by 22 per cent than in 1963; on the other hand those received by the vehicle building industry, where orders mainly depend on the demand of private households, were above the previous year's level by only 2 per cent, just as they had been in 1963.

The latest upswing in the domestic demand for capital goods remained, however, within narrower limits than in the corresponding previous upward phase of the business cycle. It is true that on the monthly average from October to December 1964 the seasonally adjusted values of home-market orders booked by the capital goods industries were greater by one-third than in the months from January to March 1963, but in the comparable period of upswing from the first quarter of 1959 to the fourth of 1960 they had grown by nearly two-thirds. The tensions between demand and supply in the capital goods industries have therefore been considerably smaller up till now than in the years 1959/60. Characteristic of this is the fact that there was hardly any significant increase in unfilled orders during 1964. Only for a time, namely in the first quarter of 1964, did orders appreciably exceed simultaneous sales; since then, however, this has hardly been the case. In the capital goods industries as a whole incoming orders on the monthly average for 1964 were greater than sales by between 3 and 4 per cent, so that — allowing for cancellations during the same period — orders on hand would appear to have risen only slightly. It would however seem that in mechanical engineering, a capital goods industry especially favoured by demand, the growth of orders on hand has been greater, causing a corresponding lengthening of delivery periods.

Only a small increase in orders on hand

The demand of trade and industry for building work increased even more in 1964 than did the domestic demand for equipment goods. This indicates that in their investment in fixed assets enterprises have in addition to the rationalisation measures (necessitated by the labour shortage and the compulsion to keep pace with technical development) paid increasing attention to extending their production capacities. Estimated expenditure on newly approved buildings for commercial and industrial purposes was greater by 27.3 per cent last year than in 1963. The degree of cyclical expansion in such building can be seen particularly clearly from the seasonally adjusted values of the planned expenditure on building in the fourth quarter of 1964; these exceeded by 47 per cent the values for the first quarter of 1963, when the demand for building had reached its last low point. The renewed rise of planned commercial and industrial building since mid-1963 has been so great that the comparable maximum values of the previous building boom have not only been reattained, but were far exceeded in the second half of 1964.

Faster extension of production capacities

The increase in investment chiefly resulted from two factors. For one thing, overall demand rapidly narrowed the margin of capacity still available in many cases at the start of the upswing, so that faster extension of the productive apparatus became necessary. For another, the earnings of enterprises favoured this process. According to provisional calculations the net income of enterprises, by far the greater part of which of course goes to the private households of entrepreneurs (including farmers, members of liberal professions and other self-employed persons), was higher by almost 11 per cent than in the previous year, whereas in 1962 and 1963 it had risen by only about 1 and 2 per cent respectively. The almost DM 14 billion of undistributed profits which remained to enterprises in 1964 exceeded the previous year's amount by almost one-fifth, but fell considerably short in absolute amount of the high level which they had attained in 1960 and 1961. The growth-rate in the second half of 1964 was moreover no longer so high as previously, because the progress of productivity slowed down and wages rose faster.

Motives for investment

#### 4. Building

According to the index of the building industry — covering bare construction of buildings, and civil engineering — the output was greater by 9.5 per cent on the monthly average for 1964 than in the previous year. But this considerable increase was largely due to the fact that

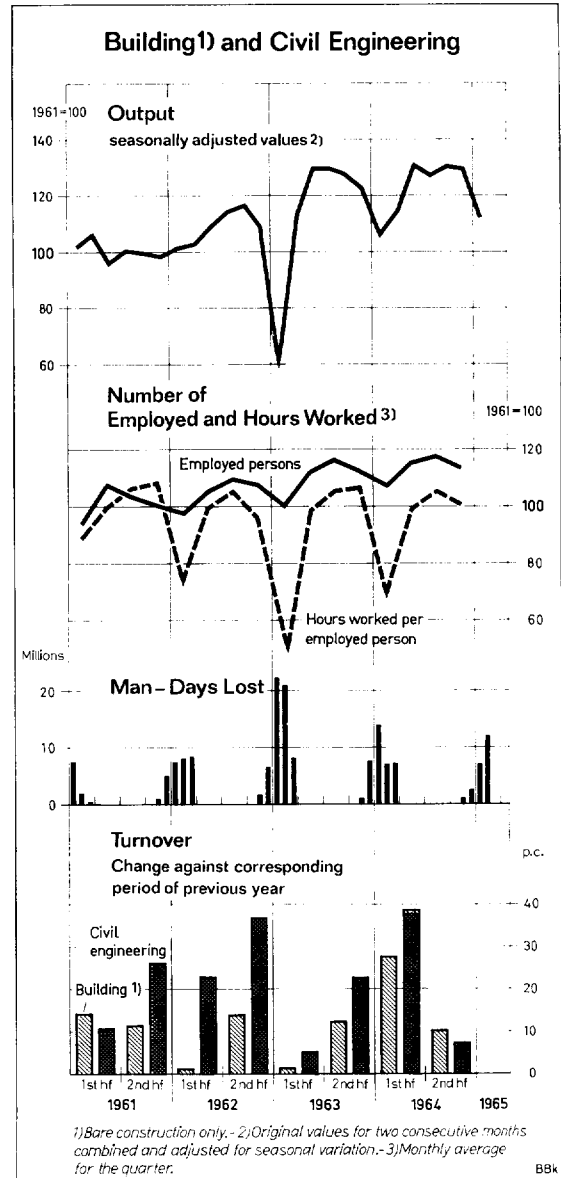
Building output greatly increased despite labour shortage

during the winter months the restrictions in output were much smaller than in 1963; in the first two months of 1965, with weather being mild at first but later becoming unfavourable, building output was greater by 5.4 per cent on the average than a year earlier. If the period from April to November 1964 is considered, production did not exceed that in the corresponding period of the previous year. Although the building projects carried over from the preceding year were worked off during the first months of 1964 to a greater extent than usual, the smallness of the rise in building output during that period was probably not attributable in general to the state of order books, since this definitely improved in the further course of the year, at least in building proper. The main reason was no doubt that the labour required for a greater increase in output was not available to the building trade. At all events in 1964 again the number of vacancies was far greater in proportion to the number of persons employed in building than it was in other branches of activity, even though it was somewhat smaller than in previous years.

Continuing large building backlogs

Of the rise in output, measured by the turnovers in building and civil engineering together, each accounted for nearly the same proportion. In civil engineering the turnovers increased by almost 18 per cent; this was only a slight increase in the rate of growth as against the previous year. In building proper the turnovers rose by just on 17 per cent, *i. e.* considerably more than in the previous year,

when the rise was only about 6 per cent. In terms of volume, however, the increase of building activity was again greater in civil engineering than in building proper during 1964, since in civil engineering the real increase somewhat exceeded the nominal because of prices being slightly down; in building on the other hand, where prices continued to rise vigorously, the real increase was appreciably smaller than the nominal one. Nevertheless even an expansion by about 10 per cent in the volume of building output represents a substantial achievement. It is reflected in the fact, among others, that in house-building last year the carry-over was for the first time appreciably reduced. At roughly 623,000 the number of dwellings which became ready for occupation during 1964 in the Federal Republic, including West Berlin, was greater than ever before. Last year, for the first time since 1957, more dwellings were thus completed than were newly approved. With 771,300 dwellings in course of construction or not yet begun, but already officially approved, the carry-over in this most important category was smaller at the end of 1964 than a year previously by 35,000 dwellings, or 4.4 per cent. It is true that in non-residential building the carry-over, calculated in cubic metres content, did rise by an estimated further 7 per cent. Hence the total carry-over of buildings remained nearly unchanged. The newly granted permits for buildings of all



kinds showed a great rise last year. At almost DM 40.7 billion the expenditure estimated for their construction was greater by one-fifth than in 1963. Allowing for the rise in prices for building work during the same period this means an increase by some 14 per cent in the real volume of such work newly approved. In this connection it must of course be borne in mind that last year, unlike 1963 and the second half of 1962, the order suspending certain kinds of building was no longer in force.

After adjustment for price the estimated expenditure on construction in non-residential building, *i.e.* in building for public authorities, trade and industry, was greater by almost 18 per cent than in 1963. The amount of residential building planned also greatly increased, by over 10 per cent in real terms. The chief impellent came from governmental encouragement. Not only were considerably more public funds in total amount provided for assisted dwellings in 1964 than in 1963, but in addition such funds were increasingly made available as interest or redemption subsidies, so that by relatively small initial expenditure of government money a great effect was produced as regards the number of dwellings assisted. Altogether during 1964 the authorising bodies promised financial aid for over 253,000 dwellings; that is a good 18 per cent more than in 1963, although the number of dwellings thus assisted in the year 1962 was not again reached. The public authorities' total expenditure on capital assistance rose in 1964 as compared with 1963 by some DM 1 billion to the level of DM 4.0 billion. In addition the newly granted interest and redemption subsidies were raised by DM 27 million to just under DM 100 million. These annuity grants probably "tapped" capital market resources to the extent of almost DM 1.6 billion, as against DM 1.1 billion in 1963. The government loans which are granted per assisted dwelling, and on which, if at all, only a low rate of interest is payable, accordingly rose from DM 14,200 in 1963 to DM 15,800. Since a further DM 6,200 of capital market resources at reduced interest rates were added, as against DM 5,000 in 1963, the government last year directly or indirectly found an average total of DM 22,000 per assisted dwelling; this was nearly 40 per cent of the total financial expenditure on each such dwelling.

Expansion in publicly assisted house-building

The funds appropriated in the 1965 Federal budget for promotion of housing, including the housing expenditure estimated in the defence budget, are greater at DM 1.69 billion by almost a quarter than the estimates for 1964, which however had been much smaller than those for 1963 — mainly because unexpended appropriations from previous years were to be used (and to that extent no actual restriction of expenditure was envisaged). By contrast with the Federal Government the *Länder* entered in their budget estimates less funds of their own for the promotion of housing in 1965 than they did in 1964. At the same time however furtherance by means of interest and redemption subsidies seems to be, if anything, of even greater significance

### *Carry-over of Unfinished Housing Projects*

Area of the Federal Republic including Berlin (West); in thousands of dwellings

Dwellings in residential and non-residential buildings	1960	1961	1962	1963	1964 <sup>1)</sup>
(1) Carry-over of dwellings under construction, or of dwellings approved but not yet under construction, at the beginning of the year <sup>1)</sup>	635.0	681.9	744.1	809.9	806.9
(2) Building permits newly granted in the course of the year	635.8	648.8	648.1	575.7	601.5
(3) Dwellings completed in the course of the year <sup>2)</sup>	574.4	565.8	573.4	569.6	623.1
(4) Difference between approved and completed dwellings (items 2 less 3)	+ 61.4	+ 83.0	+ 74.7	+ 6.1	— 21.6
(5) Building permits expired in the course of the year <sup>3)</sup>	14.5	20.8	8.9	9.1	14.0
(6) Carry-over at the end of the year (items 1 plus 4 less 5)	681.9	744.1	809.9	806.9	771.3

<sup>1)</sup> Including dwellings already occupied in buildings not yet finished. — <sup>2)</sup> Excluding the dwellings mentioned in footnote<sup>1)</sup>. — <sup>3)</sup> Including errors of ascertainment. — <sup>4)</sup> Provisional.

than previously. Altogether the public monies budgeted for 1965 would appear to be no smaller — and indeed greater as regards their overall effect on the promotion of housing — than in the previous year. It is uncertain whether there will be cuts in privately financed house-building. The amounts of mortgage loans promised by institutional investors for dwellings which are not publicly assisted indicate as yet only a slowing down of the rate of increase, but no actual decline.

### 5. Income, Consumption and Saving

No appreciable change  
in income distribution

With the rapid pace of general economic expansion the national income — *i.e.*, the net national product at market prices, less indirect taxes but plus subsidies — rose by considerably more last year than in 1963. At DM 315 billion, according to provisional calculations, it was greater in 1964 than in the preceding year by 9.5 per cent as against 5.9 per cent in 1963. Since the gross income from wages and salaries also rose last year by 9.5 per cent, its proportion to the total national income remained unchanged at 64.8 per cent, after having increased considerably in earlier years — the proportion in 1960 having been 60.8 per cent. The growth of gross income from entrepreneurial activity and property during 1964 was also in line with the development of other incomes, whereas in the years from 1961 to 1963 it had risen by much less than these. Thus the pressure which had for years restricted the profit margins of enterprises, as reflected in the declining proportion of entrepreneurs' incomes to the national income, has not continued. This is only so, however, if the results for the year 1964 are considered as a whole; in the course of the year, in fact, a profit situation which was for a time particularly favourable was followed by some slight narrowing of the margins, since in the second half of the year the rise of turnovers slowed down slightly, while wages rose as much as ever.

Unchanged burden  
of direct taxes

At 22.0 per cent the burden imposed on gross incomes by public imposts in the form of taxes and social insurance contributions was roughly the same in 1964 as in the preceding year. Gross wage and salary incomes were in fact charged to the extent of 17.6 per cent with Wages Tax and social insurance contributions in 1964 as against 17.2 per cent in 1963, so that net wages and salaries rose by somewhat less than gross earnings, namely by 9.3 per cent. Net incomes from entrepreneurial activity and property on the other hand rose by more than gross incomes; at 11.0 per cent their rise was considerably greater than in 1963, when it amounted to only 2.1 per cent. The reason was that the direct taxes on enterprises rose by only 5.8 per cent because, in consequence of existing assessment practice, the tax liabilities which arise for enterprises at times of rapidly growing profits do not as a rule have to be fully met until after one year, or even later, through relatively high final payments.

Faster increase in the  
disposable income of  
private households...

The total net income which accrued to private households (after deduction of direct taxes, *etc.*) from paid employment, as profit withdrawals by the self-employed and as public income transfers — that is the disposable income of private households — amounted in 1964 to DM 260.6 billion; it has thus risen in comparison with the previous year by 9.5 per cent, or not less than the total national income and considerably more than in 1963, when its rise was 6.7 per cent. The relatively greatest growth took place during 1964 in public income transfers; these were up by 10.1 per cent as against 6.9 per cent in the previous year. The determinants here were the further increase in existing social insurance pensions at the beginning of 1964, the increase in war victims' pensions with effect from the same date, the raising of children's allowance for the second and every further child, and the increase of officials' pensions as of 1 October 1964. As opposed to this, unemployment insurance benefit payments were smaller than in 1963 mainly because less bad weather allowance had to be paid. At 9.5 per cent as against 6.3 per cent in 1963, the annual increase in profit withdrawals by the self-employed (including the income which accrued to private households from monetary assets) was not much smaller than that in income transfers; and, as already mentioned, there was a rise in approximately the same proportion

*The National Product* \*)  
Area of the Federal Republic including Berlin (West)

Item	1960	1961	1962	1963 P)	1964 P)	Change against previous year			
						1961	1962	1963 P)	1964 P)
	Billions of DM					per cent			
<b>I. Origin of National Product</b>									
(a) At current prices									
Contributions to gross domestic product									
Agriculture, forestry and fisheries	17.7	17.9	18.0	19.4	20.3	+ 1.2	+ 0.2	+ 7.8	+ 4.8
Producing industries <sup>1)</sup>	158.1	174.7	189.9	198.7	219.2	+ 10.5	+ 8.7	+ 4.6	+ 10.3
Trade and transport <sup>2)</sup>	58.5	63.4	69.7	73.6	79.0	+ 8.4	+ 9.9	+ 5.6	+ 7.4
Services <sup>3)</sup>	62.4	70.6	77.3	85.2	94.7	+ 13.2	+ 9.6	+ 10.2	+ 11.2
Gross domestic product	296.6	326.6	354.9	376.9	413.2	+ 10.1	+ 8.7	+ 6.2	+ 9.6
Net income payments to factors of production due from the rest of the world	+ 0.2	- 0.4	- 0.4	- 0.4	- 0.7	.	.	.	.
Gross national product at market prices	296.8	326.2	354.5	376.5	412.5	+ 9.9	+ 8.7	+ 6.2	+ 9.6
(b) At 1954 prices									
Gross national product at market prices id., per gainfully active person, in DM	254.9 (9,710)	268.6 (10,100)	279.6 (10,440)	288.6 (10,740)	307.3 (11,390)	+ 5.4 + 4.0	+ 4.1 + 3.3	+ 3.2 + 2.9	+ 6.5 + 6.1
<b>II. Distribution of National Income and National Product at current prices</b>									
(a) Before income re-distribution									
Compensation of employees <sup>4)</sup>	139.8	157.2	173.9	186.6	204.4	+ 12.5	+ 10.6	+ 7.3	+ 9.5
Income from entrepreneurial activity and property	90.0	94.4	98.0	101.4	110.9	+ 4.9	+ 3.8	+ 3.4	+ 9.4
of which:									
Individuals' income	( 86.4)	( 90.1)	( 93.5)	( 96.2)	(105.2)	+ 4.3	+ 3.7	+ 2.9	+ 9.4
Government income <sup>5)</sup>	( 3.6)	( 4.3)	( 4.6)	( 5.2)	( 5.7)	+ 18.4	+ 6.5	+ 13.7	+ 9.2
Net national product at factor costs (national income)	229.8	251.6	271.9	288.0	315.3	+ 9.5	+ 8.1	+ 5.9	+ 9.5
plus indirect taxes	42.8	47.5	51.5	53.9	55.5	+ 10.8	+ 8.4	+ 4.7	+ 9.0
less subsidies	2.1	2.5	2.7	3.0		+ 21.3	+ 7.6	+ 11.1	
Net national product at market prices plus depreciation	270.6	296.6	320.7	338.9	370.8	+ 9.6	+ 8.1	+ 5.7	+ 9.4
	26.2	29.7	33.8	37.6	41.7	+ 13.0	+ 14.1	+ 11.1	+ 10.9
Gross national product at market prices	296.8	326.2	354.5	376.5	412.5	+ 9.9	+ 8.7	+ 6.2	+ 9.6
(b) After income re-distribution <sup>6)</sup>									
Net compensation of employees	104.5	117.0	128.9	137.7	150.5	+ 12.0	+ 10.2	+ 6.8	+ 9.3
Net income from social security pensions and benefits and from retirement pensions	36.5	40.0	43.7	46.7	51.4	+ 9.5	+ 9.2	+ 6.9	+ 10.1
Net income of individuals from entrepreneurial activity and property	64.3	64.5	65.3	66.7	74.0	+ 0.4	+ 1.2	+ 2.1	+ 11.0
Net income of government	65.3	75.0	82.7	87.8	94.8	+ 14.8	+ 10.3	+ 6.1	+ 8.0
Net national product at market prices	270.6	296.6	320.7	338.9	370.8	+ 9.6	+ 8.1	+ 5.7	+ 9.4
<b>III. Appropriation of National Product at current prices</b>									
Private consumption	170.0	186.8	204.0	215.1	232.4	+ 9.8	+ 9.2	+ 5.4	+ 8.0
Government consumption	40.4	46.1	53.1	59.2	61.9	+ 14.0	+ 15.3	+ 11.4	+ 4.6
Gross investment in fixed assets	70.6	80.7	90.2	94.9	108.0	+ 14.3	+ 11.8	+ 5.2	+ 13.8
of which:									
Building	( 35.0)	( 40.1)	( 45.5)	( 49.2)	( 56.8)	+ 14.4	+ 13.7	+ 8.0	+ 15.4
Equipment	( 35.6)	( 40.7)	( 44.7)	( 45.7)	( 51.2)	+ 14.2	+ 9.8	+ 2.3	+ 12.1
Inventory changes	+ 8.6	+ 5.9	+ 3.5	+ 2.3	+ 5.2	.	.	.	.
External surplus	+ 7.2	+ 6.8	+ 3.7	+ 5.0	+ 5.0	.	.	.	.
Exports	( 62.9)	( 65.8)	( 69.0)	( 75.0)	( 83.3)	+ 4.6	+ 4.8	+ 8.8	+ 11.1
Imports	(-55.8)	(-59.0)	(-65.3)	(-70.0)	(-78.3)	+ 5.9	+ 10.6	+ 7.2	+ 11.9
Gross national product at market prices	296.8	326.2	354.5	376.5	412.5	+ 9.9	+ 8.7	+ 6.2	+ 9.6
Proportions in per cent									
Private consumption	57.3	57.3	57.6	57.1	56.3	.	.	.	.
Government consumption	13.6	14.1	15.0	15.7	15.0	.	.	.	.
Gross investment in fixed assets	23.8	24.7	25.4	25.2	26.2	.	.	.	.
of which:									
Building	(11.8)	(12.3)	(12.8)	(13.1)	(13.8)	.	.	.	.
Equipment	(12.0)	(12.5)	(12.6)	(12.1)	(12.4)	.	.	.	.
Inventory changes	2.9	1.8	1.0	0.6	1.3	.	.	.	.
External surplus	2.4	2.1	1.0	1.3	1.2	.	.	.	.
Exports	( 21.2)	( 20.2)	( 19.4)	( 19.9)	( 20.2)	.	.	.	.
Imports	(-18.8)	(-18.1)	(-18.4)	(-18.6)	(-19.0)	.	.	.	.
Gross national product at market prices	100.0	100.0	100.0	100.0	100.0	.	.	.	.

Source: Federal Statistical Office, and calculations of Bundesbank. — \*) Details may not add to totals because of rounding. — <sup>1)</sup> Mining and power (including water supply), manufacturing, building. — <sup>2)</sup> Including communications. — <sup>3)</sup> Credit institutions and insurance business, lease of dwellings, government, other services. — <sup>4)</sup> Gross wages and salaries including employers' contributions to social insurance funds. — <sup>5)</sup> After deduction of interest on public debt. — <sup>6)</sup> Before deduction of transfers to foreign countries. — P) Provisional.

(9.3 per cent) in net wage and salary incomes, which account for almost three-fifths of the total disposable income.

... stimulates private consumption

The accelerated increase of disposable income was accompanied by a greater increase than previously in private consumption. Consumer expenditure of private households amounted last year to DM 232.4 billion or 8.0 per cent more than in 1963. Thus the proportion of private consumption to the gross national product (which latter, as stated above, rose by 9.6 per cent) again decreased somewhat, falling to 56.3 per cent as against 57.1 and 57.5 per cent in 1963 and 1962. In retail trade, through which approximately half the total consumer expenditure of private households is made, the increase of consumption was reflected in a rise of sales by roughly 7 per cent as against only 4 per cent in 1963. This rise especially benefited certain consumer durables such as electrical household appliances, television and radio sets, furniture and other household goods, sales of which had in some cases decreased in the previous year. Clocks and watches, jewellery, motor vehicles and accessories, and — in the textile sector — in particular household furnishings and fabrics sold by the yard were also again in greater demand after the dullness in 1963. Private households' expenditure not made through the retail trade would seem on the whole to have risen somewhat more than their total spending. A special factor here again was the greater expenditure on rents, due to the raising of the rent level by an average of over 6 per cent and to the additional supply of relatively expensive newly built dwellings, amounting to something over 3 per cent on the average for the year.

Saving ratio 10.8 per cent

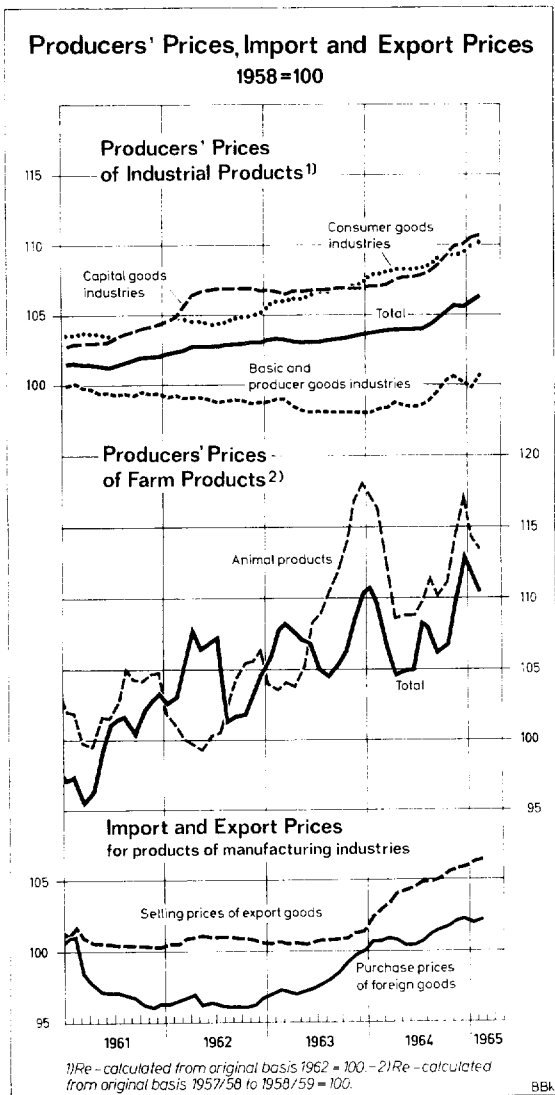
The pronounced rise in disposable income was also reflected in private savings formation. At DM 28.2 billion in 1964 saving by private households was 23.5 per cent higher than in the previous year, when it had also risen very briskly, namely by 20.4 per cent. Thus 10.8 per cent of disposable income was saved in 1964; this is a saving ratio which considerably exceeds that of 9.6 per cent in 1963, and those of 8.5 per cent in each of the years 1962 and 1961. In 1964, as in the previous year, about one-quarter of the additional income was applied to saving, whereas in 1962 the "marginal rate of saving" had still been only about 8 per cent. The structure of monetary wealth formation by private households changed considerably last year as compared with 1963. It is true that savings deposits at credit institutions remained the most important form of saving; but their share in the increase of total monetary wealth formation fell from 51 per cent in 1963 to 46 per cent, although at 12 per cent the growth of savings deposits was still relatively great. The proportionate decline was due to the fact that in 1964 private savers gave greater preference to investment in securities (especially those bearing fixed interest), the share of such investment in monetary wealth formation increasing from 16 per cent in 1963 to 22 per cent. The acquisition of securities in 1963, which had been especially low because share purchases were small, was exceeded in 1964 by about 75 per cent. This means that almost one-half of the rise in monetary wealth formation during the year under report took the form of saving through securities, whereas in 1963 the greater part of the increase in monetary wealth formation, namely about two-thirds, had been employed in savings deposits. The fact that the already comparatively high yield on bonds was improved still further by the trend of quotations may have played a part in the advance of saving through securities. The portion of private savings going to insurance companies and building and loan associations was only about 9 per cent higher in 1964 than in 1963 and thus expanded considerably less than did total monetary wealth formation.

## 6. Prices and Wages

Prices rise hardly less than in 1963

Prices in the Federal Republic of Germany showed a rising tendency throughout 1964, although the extent of the rise differed quite considerably among individual categories. Thus the rise in the cost-of-living index by 2.3 per cent in the course of 1964, and that in the producers' price index for farm products by 2.6 per cent, were not so great as in 1963, when they had amounted to 3.3 and 5.3 per cent respectively. In industry on the other hand producers' prices rose much more than before, in fact by 1.9 per cent as against only 0.5 per cent in 1963. In building, too, the rise in prices





accelerated; prices for construction work on residential buildings in February 1965, the last month covered by the statistics, were higher than a year previously by 5.2 per cent, whereas between February 1963 and February 1964 the rise had been 4.6 per cent. In road-making, on the other hand, prices declined noticeably from mid-1964, so that in February 1965 they were lower by 5.4 per cent than in the same month a year previously.

The main price rises in 1964 occurred in the second half of the year. This applied especially to agricultural producers' prices, which after a seasonal but quite marked decrease in the first six months rose considerably in the further course of the year, so that in December 1964 (as already mentioned) the relevant index was higher by 2.6 per cent than a year previously, whereas in June it had been below the level of a year earlier by 1.7 per cent. The reason lay in the rise of prices for products of vegetable origin, amounting to about 11 per cent between December 1963 and December 1964. Because of relatively small crops, potatoes, fruit and green vegetables were marketed at prices considerably higher than a year before. On the other hand producers' prices for animal products were somewhat lower (by 0.8 per cent) at the end of 1964 than a year previously, mainly because the supply of fatstock was on the whole slightly better than in the corresponding period of 1963. In this connection, however, there were

Agricultural prices considerably higher in the second half-year

material divergences. Thus during the fourth quarter of 1964, in terms of weight, commercial slaughterings comprised 12 per cent more hogs but 8 per cent less cattle than in the corresponding period of the previous year. The consequence was that the prices for fat hogs in December 1964 were almost 15 per cent below the level (very high, it is true) of a year previously, whereas the prices for horned fatstock were above the level of a year earlier by a good 15 per cent. In January and February 1965 the prices for animal products, especially hogs, milk and eggs, decreased more than in the previous year. Since the prices of products of vegetable origin rose at the same time by just as much as a year before, the overall index of agricultural producers' prices in February 1965 was only 0.7 per cent above the comparable level in the previous year.

In industry the persistently strong demand resulted in producers being able to pass on the increases in raw material prices and wage costs in their prices to a much greater extent than before, although it should not be forgotten that the price rises, which became notably more marked from mid-1964 onwards, were partly due to world market influences. The rise in prices on international non-ferrous metal markets produced an especially lasting effect. At the peak of that rise, in November, domestic producers' prices for non-ferrous metals and semi-finished products were above the level of a year previously by almost 47 per cent. This explains roughly one-third of the year's rise in the overall index of industrial producers' prices. It is a fact, however, that prices have also

Order situation encouraged price rises in industry

risen in those fields where the trend of world-market prices produced little or no effect. It was mainly certain capital goods industries at the heart of the cyclical upswing which since mid-1964 have been able to apply price adjustments which in some cases were quite considerable, and thus more or less to offset the raising of metalworkers' wages that came into effect at the beginning of October; thus in the months from July 1964 to February 1965 producers' prices in the mechanical and electrical engineering industries rose by an overall average of 4.3 and 2.7 per cent, respectively.

Rents and services increased the rise in consumer prices

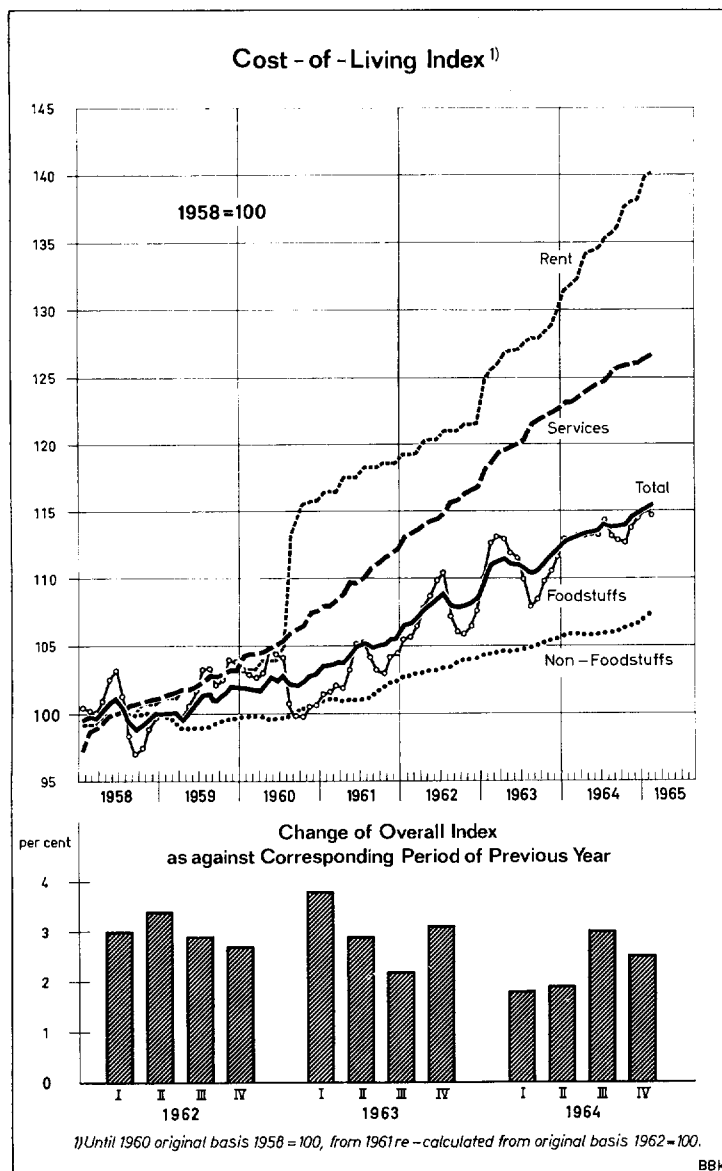
After a pause in the third quarter, mainly due to temporary cheapening of typical seasonal products such as fruit and vegetables, consumer prices have also been rising again relatively fast since October 1964. In December, as already mentioned, the cost-of-living index was higher than a year previously by 2.3 per cent. It was especially rents which were raised considerably in the course of last year; they were higher by 6.6 per cent in December 1964 than a year earlier. This means that almost 30 per cent of the year's rise in the overall index was due to the raising of rents alone. But prices for services, on which wage increases as a rule take greater effect than on those for industrially produced consumer goods, on the whole also showed a more than average rise. Thus for example local transport charges rose by an average of 3.3 per cent, prices for holiday travel by 3.8 per cent, for motor vehicle repairs by 4.8 per cent, for theatre and cinema tickets by 5.2 per cent and for hairdressers' services by 5.7 per cent. Prices for other services (*e.g.* rail and postal charges) rose on the other hand little if at all, so that for all services between December 1963 and December 1964 the total rise works out at 2.9 per cent. At 2.1 per cent the price rise in the case of foodstuffs, beverages and tobacco was somewhat smaller than the total average for all consumer prices. In that connection, conforming to the movement of producers' prices, potatoes, other vegetables and fresh fruit in particular were considerably more expensive in December 1964 than a year previously. The retail prices for meat and meat products were also higher, by 2.0 per cent at the end of 1964 and by 1.0 per cent in January 1965, than in the corresponding period of the previous year — although, as stated above, at the producer stage the products of animal origin, especially fatstock, were offered on the average at prices lower than a year earlier. This means that there was a further increase in the traders' and processors' margins, which represent the remuneration for the services rendered by the food-processing and distributive trades and thus are subject to influences similar to those which affect prices for service-rendering in the proper sense. In the category of industrial consumer goods the price rises last year, at an average of 1.1 per cent, remained within relatively narrow limits. One reason was that in the case of radio, television and sound-recording equipment, and also in that of many other electrical products for kitchen and household use, the downward tendency already evident in 1963 continued and thus to some extent offset the rise in prices for other industrially produced goods.

Wage upsurge stronger of late

Last year collectively agreed pay increases came into force for about 16.9 million employed persons, that is for 92 per cent of those covered by the collective agreement statistics. At an average of 6.2 per cent the increases in hourly earnings agreed were greater than in 1963. Consequently at the end of 1964 the overall level of standard wages and salaries, reckoned on an hourly basis, was higher by 7.3 per cent than at the end of 1963. The quickening of the rise was especially marked in the last months of the past year. Between October 1964 and January 1965 the collectively agreed earnings were raised for 11.9 million employed persons, the agreed rates of increase being in all cases greater than previously. Some of these agreements moreover not only raised the standard wages, but also provided additional benefits for the workers; thus in the metal-producing industries the paid annual holiday was extended by two days, in the metal-using industries additional holiday allowance was provided, in the public services a Christmas bonus equal to a third of a month's pay, and in hard coal mining a rise in the housing allowance, was granted.

The rise of actual earnings continues to exceed that of collectively agreed remuneration

If the movement in collectively agreed earnings is compared with that in the gross wages and salaries actually paid per employed person, it becomes evident that the gap between the two widened a good deal further last year. On the annual average actual earnings in 1964 were greater



by 8.7 per cent than in 1963 despite the fact that working hours were in some cases reduced. Collectively agreed earnings, reckoned on an hourly basis, were raised — as already mentioned — by 7.3 per cent. The collectively agreed hourly earnings are not suitable for comparison with actual average earnings, however, because they differ from the latter in the fact that they do not allow for cuts in working hours. The more readily comparable collectively agreed weekly earnings rose in 1964 by only 4.8 per cent. In the course of recent months, the divergence between the rises of actual and of collectively agreed earnings appears to have become somewhat narrower as a result of the very large wage increases in the newly concluded agreements.

The rise of average actual earnings by about 8.7 per cent in 1964 was considerably modified, as regards its effect on the costs per unit of production, by the fact that during the same period the output per gainfully active person rose by 6.1 per cent. From

Wage costs per unit of production rising further

comparison of the real movement in the national product per gainfully active person and the greater increase in average earnings it can be concluded that in 1964 wage costs per unit of production in the whole economy rose by about 2.5 per cent, as against 3.1 per cent in 1963 and 5.5 per cent in 1962. The chief reason for the comparatively smaller rise last year in wage costs per unit of production was that productivity rose much more than in the two previous years. This was especially so in industry, where on the average for 1964 the wage costs per production unit therefore rose by only 0.8 per cent against 2.7 per cent in 1963 and 6.2 per cent in 1962. But here again, just as in the economy as a whole, a reversal was apparent in the course of last year; during the first six months the wage costs per unit of industrial production were in fact lower than a year previously by 0.4 per cent, but in the second six months they exceeded the level of a year before by 2.0 per cent. Thus the upsurge of wage costs has undoubtedly gathered force of late; in itself it largely explains the strengthening of the upward price tendencies during this period, although of course the movement of wages itself does not represent an autonomous factor, but results from overstraining of the labour market.

## VI. The Balance of Payments \*)

### 1. Principal Tendencies

The German balance of payments was much affected in 1964 by the measures which were adopted at home and abroad in order to counteract the disequilibria that had arisen in international payments during 1963. The measures of the Federal Government and the Bundesbank were mainly directed to checking the afflux of capital from abroad, since the surplus on the balance of payments in 1963 had been largely determined by that afflux, and it had been possible to direct economic measures against the great trade surplus only in very limited degree. Early in March 1964 the Bundesbank declared itself prepared to assist German banks' employment of money abroad by offering, on the acquisition of U.S. Treasury bills, a forward exchange guarantee at a cost lower than that in the free market. So as to prevent the promotion of money exports from being nullified through an inflow of short-term foreign funds, the Central Bank Council of the Deutsche Bundesbank on 19 March 1964 decided no longer to permit the payment of interest on non-residents' time deposits at German banks, and with effect from 1 April 1964 to raise the minimum reserve ratios for external liabilities to the legally permissible maxima. In addition it ordered on 9 July, with effect from 1 August 1964, that the rediscount quota of each credit institution at the Bundesbank is to be reduced by the amount by which the credit taken in foreign countries and outstanding at the end of the month exceeds the average total borrowings abroad at the ends of the months from January to June 1964. These steps, designed to restrain the inflow of short-term foreign capital, were supplemented by measures affecting long-term capital transactions. The first to mention is the Federal Cabinet's decision of 23 March 1964, already discussed in earlier chapters, to propose to the legislature the introduction of a 25% Capital Yield Tax on the income from fixed-interest German securities owned by non-residents. Use was also made of such possibilities of reducing the export surplus by trade policy measures as still remain despite the commitments under the E.E.C. treaty. With effect from 1 July 1964 the duties on imports from E.E.C. countries were lowered before the due date. In addition a number of duties on imports from countries outside the Common Market were lowered in cases where the duties in force up till that time were above the Common External Tariff (which is expected to apply to imports from non-E.E.C. countries as from 1 July 1967).

Of much greater importance in connection with trade, however, were the measures adopted in some neighbouring countries to check excess demand and the consequent pull on goods from countries with relatively stable prices. These measures, embodied in a joint stabilisation programme of the E.E.C. countries, were also supported through the incipient operation of certain automatic equalising processes, chiefly significant in the case of Italy.

As early as March 1964 the first effects of the above-described action by the Federal Cabinet and the Deutsche Bundesbank made themselves felt. The German banks exported money on a large scale, and foreigners began on balance to sell German securities, whereas up till then there had been net foreign buying of them. Besides this the trade surplus declined, although not in direct connection with the German measures. During subsequent months the tendencies to deficit became stronger, especially in security transactions. Owing to extensive selling of German fixed-interest securities by foreigners the capital outflows through securities predominated in the second quarter to the extent of about one billion DM. It is true that in the second half of 1964 there were again net capital imports, but they were not

\*) Unlike the first survey of the 1964 balance of payments, published in the Monthly Report of the Deutsche Bundesbank for February 1965, the following trade figures do not correspond to the official trade statistics because, in accordance with international balance of payments practice, the freight and insurance costs of imports have been eliminated from the official import figures and allocated to the expenditure on services. It is mainly due to this regrouping that in the following final data concerning the balance of payments of the Federal Republic of Germany the trade surplus for 1964 is shown at DM 9.9 billion, whereas according to the official foreign trade statistics there is a surplus of DM 6.1 billion. Against the "improvement" of the trade balance, however, there is a corresponding "worsening" on services, the deficit on which after inclusion of the freight and insurance costs in respect of imports amounts for 1964 to DM 4.6 billion as against DM 0.8 billion according to the provisional calculations, which do not include the incidental costs of imports. The overall balance of trade and services is not affected by the regrouping; it shows in each case a surplus of over DM 5.2 billion.

*Balance of Payments of the Federal Republic of Germany\**)

Millions of DM

Item	1958	1959	1960	1961	1962	1963	1964 P)	1963		1964 p)	
								1st half	2nd half	1st half	2nd half
<b>A. Basic balance</b>											
<b>I. Balance of current items</b>											
(1) Goods and services											
(a) Goods											
Exports (f.o.b.)	36,849	41,025	47,849	50,870	52,878	58,317	64,805	27,437	30,880	31,723	33,082
Imports (f.o.b.)	29,380	33,141	39,574	41,207	46,477	48,939	54,745	23,858	25,081	25,486	29,259
Merchandising trade: Sales	1,285	1,886	2,536	2,460	2,580	2,815	3,428	1,324	1,491	1,732	1,696
Purchases	1,249	2,018	2,231	2,325	2,542	2,789	3,620	1,380	1,409	1,788	1,832
Net balance of goods	+7,505	+7,752	+8,580	+9,798	+6,439	+9,404	+9,868	+3,523	+5,881	+6,181	+3,687
(b) Services											
Receipts	10,189	10,788	12,009	11,853	13,129	13,772	15,108	6,427	7,345	7,158	7,950
incl.: Receipts from foreign troops	(3,598)	(3,956)	(4,100)	(3,824)	(4,300)	(4,289)	(4,220)	(2,123)	(2,166)	(2,026)	(2,194)
Expenditure	9,824	11,151	12,574	14,434	16,654	17,339	19,746	7,971	9,368	9,142	10,604
Net services	+ 365	- 363	- 565	-2,581	-3,525	-3,567	-4,638	-1,544	-2,023	-1,984	-2,654
Net balance of goods and services	+7,870	+7,389	+8,015	+7,217	+2,914	+5,837	+5,230	+1,979	+3,858	+4,197	+1,033
(2) Transfer payments	-1,890	-3,247	-3,395	-4,442	-5,128	-4,956	-4,820	-2,612	-2,344	-2,538	-2,282
incl.: Indemnification	(-1,405)	(-1,738)	(-2,259)	(-2,750)	(-2,718)	(-2,514)	(-2,129)	(-1,447)	(-1,067)	(-1,193)	(- 936)
Net balance of current items (1 + 2)	+5,980	+4,142	+4,620	+2,775	-2,214	- 881	+ 410	- 633	+1,514	+1,659	-1,249
<b>II. Long-term capital (except special transactions <sup>1)</sup>)</b>											
(1) German investments abroad (increase: -)											
Private	-1,142	-2,022	-1,435	-1,107	-1,380	-1,113	-1,772	- 445	- 668	-1,129	- 643
incl.: Foreign securities	(- 279)	(-1,464)	(- 715)	(- 205)	(- 733)	(- 475)	(- 833)	(- 204)	(- 271)	(- 615)	(- 218)
Official	- 548	- 954	- 825	-1,024	-1,084	-1,120	-1,161	- 419	- 701	- 469	- 692
Total	-1,690	-2,976	-2,260	-2,131	-2,464	-2,233	-2,933	- 864	-1,369	-1,598	-1,335
(2) Foreign investments in the Federal Republic (increase: +)											
Private	+ 624	+ 870	+2,429	+1,958	+2,424	+4,249	+1,956	+2,160	+2,089	+ 776	+1,180
incl.: Domestic securities	(+ 592)	(+ 469)	(+2,073)	(+1,745)	(+1,522)	(+2,859)	(+ 399)	(+1,431)	(+1,428)	(- 45)	(+ 444)
Official	- 502	- 517	- 314	- 92	- 89	- 64	- 98	- 39	- 25	- 42	- 56
Total	+ 122	+ 353	+2,115	+1,866	+2,335	+4,185	+1,858	+2,121	+2,064	+ 734	+1,124
Net long-term capital	-1,568	-2,623	- 145	- 265	- 129	+1,952	-1,075	+1,257	+ 695	- 864	- 211
incl.: Net private security transactions	(+ 313)	(- 995)	(+1,358)	(+1,540)	(+ 789)	(+2,384)	(- 434)	(+1,227)	(+1,157)	(- 660)	(+ 226)
Net basic balance (I + II)	+4,412	+1,519	+4,475	+2,510	-2,343	+2,833	- 665	+ 624	-2,209	+ 795	-1,460
<b>B. Special long-term capital transactions <sup>2)</sup>)</b>	-	-2,824	- 100	-4,005	-	-	-	-	-	-	-
<b>C. Short-term capital <sup>3)</sup>)</b>											
Private: Changes in the credit institutions' foreign exchange position (improvement: -)	- 734	-1,035	+2,254	- 264	- 147	+ 704	+ 51	-1,443	+2,147	-1,802	+1,853
Other private capital transactions	- 3	- 158	+ 656	+ 603	+ 419	+ 21	+ 172	+ 684	- 663	+ 721	- 549
Official	- 87	+ 398	- 957	-1,206	+ 594	- 458	-1,428	+ 377	- 835	- 953	- 475
incl.: I.M.F. transactions	(- 271)	(+1,392)	(- 169)	(-1,322)	(+ 480)	(- 139)	(- 722)	(- 29)	(- 110)	(- 587)	(- 135)
Net short-term capital	- 824	- 795	+1,953	- 867	+ 866	+ 267	-1,205	- 382	+ 649	-2,034	+ 829
Net balance of current items and capital (A + B + C)	-3,588	-2,100	+6,328	-2,362	-1,477	+3,100	-1,870	+ 242	+2,858	-1,239	- 631
<b>D. Unidentified difference between movement of gold and exchange and net balance of current items and capital <sup>3)</sup>)</b>	- 400	- 104	+1,679	+ 434	+ 925	- 528	+1,882	+ 662	-1,190	+1,368	+ 514
<b>E. Movement of gold and exchange (change in net monetary reserves of Deutsche Bundesbank; increase: +)</b>	+3,188	-2,204	+8,007	-1,928 <sup>4)</sup>	- 552	+2,572	+ 12	+ 904	+1,668	+ 129	- 117

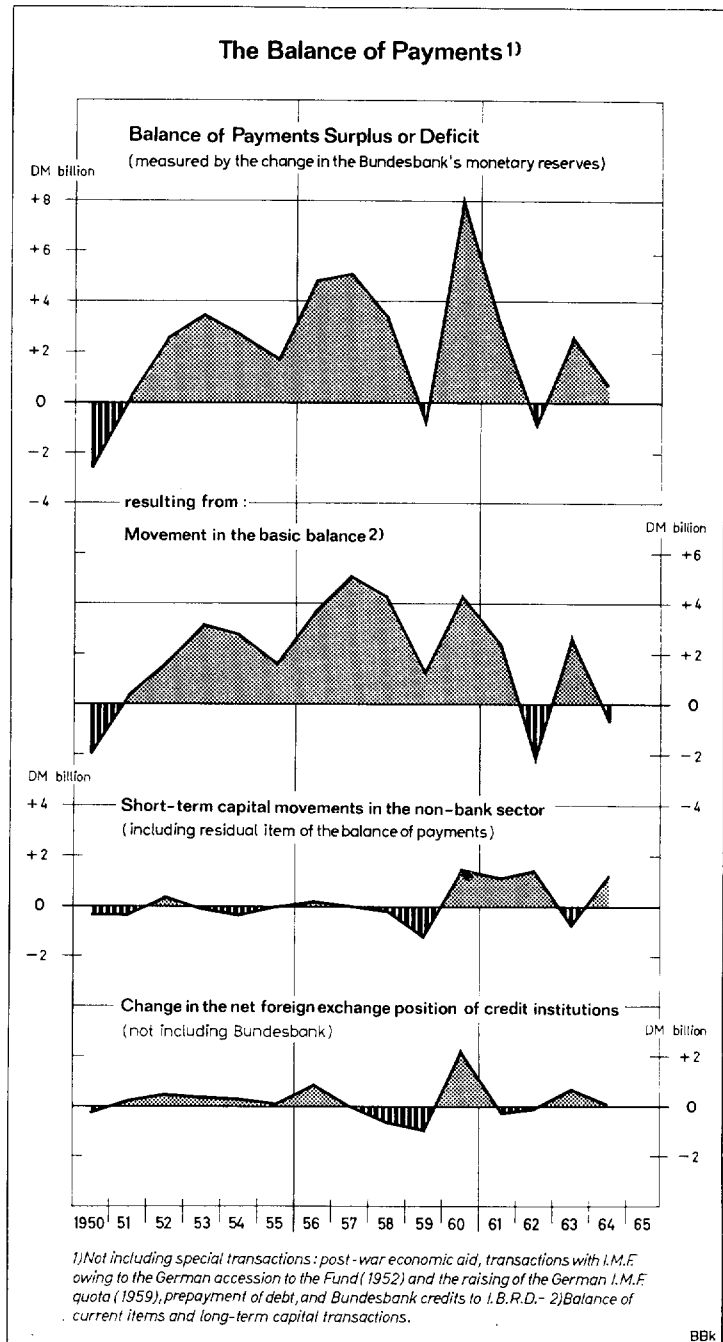
\*) Cf. balance-of-payments statement on page 163. — <sup>1)</sup> Capital transactions are classified as "Private" or "Official" according to the sector to which the German party engaged in the transaction belongs. — <sup>2)</sup> 1959: Increase by DM 1,921 million of the German quota with the International Monetary Fund, and DM 903 million prepayment of debt in respect of post-war economic aid; 1960: Drawing of DM 100 million on the roughly DM 1 billion Bundesbank credit to the I.B.R.D. agreed in August 1960; 1961: DM 3,125 million prepayment of debt in respect of post-war economic aid and further drawing of DM 880 million on the Bundesbank credit to I.B.R.D. — <sup>3)</sup> Calculated as difference between the net balance of current items and capital on the one hand and the movement of gold and exchange on the other. — <sup>4)</sup> Disregarding the decrease by DM 1,419 million in the monetary reserves of the Deutsche Bundesbank due to the DM revaluation. — p) Provisional.

nearly enough to make good the outflows recorded in the spring, so that for the whole of 1964 security transactions also caused an export of capital; it exceeded DM 400 million, whereas in the previous year there had been a net capital import of DM 2.4 billion on securities. The change in the position on securities was the chief reason why total long-term capital transactions showed in 1964 a capital export amounting to DM 1.1 billion net as compared with a net capital import of DM 2 billion in 1963.

Deficit on the basic balance

The outflow of long-term capital exceeded the extent required to offset the current-account surplus, which declined by DM 470 million in comparison with the previous year to DM 410 million. If the results on current account and on long-term capital transactions are combined to form the basic balance, comprising those transactions which determine the longer-term movement in the overall balance of payments, there was for 1964 a deficit of nearly DM 700 million as compared with a surplus of DM 2.8 billion for the previous year. Not quite so marked, although still substantial, was the change in the balance of payments

if its result is measured — as is usually done in our balance-of-payments statistics — by the movement in the Bundesbank's gold and exchange holding. On that definition, which covers not only basic balance transactions but also short-term capital movements as well as those processes which escape direct statistical recording and are therefore included in the "residual item", the balance of payments for 1964 was approximately in equilibrium whereas for the previous year it had shown a surplus of DM 2.6 billion. On that basis too it thus appears that the foreign money inflow which had continued for years with only occasional interruptions, mostly due merely to special transactions, has now ceased.



## 2. Balance of Current Items

With exports of goods and services amounting to DM 83.3 billion, and imports to DM 78.1 billion, the surplus on goods and services was DM 5.2 billion in 1964 against DM 5.8 billion in 1963. The reason for the decrease in the surplus was the further increase in the deficit on services, whereas the actual trade surplus again somewhat rose, at all events if imports are taken not at their frontier-crossing (c.i.f.) value, which also includes freight and insurance costs, but — as usual in the final balance-of-payments statement — at their f.o.b. value, in which these incidental costs are eliminated and allocated to services. On that reckoning the trade surplus in 1964, at DM 9.9 billion, was greater than in 1963 by roughly half a billion DM; it also exceeded, although only slightly, the previous maximum of DM 9.8 billion attained in 1961. On the other hand according to the official foreign trade statistics, which use c.i.f. import values, the trade surplus amounted in 1964 to only DM 6.1 billion, thus being equal to that in the previous year. The differing tend-

Great decrease  
of the export surplus  
during the year

*Foreign Trade of the Federal Republic of Germany<sup>1)</sup> by Groups of Countries*

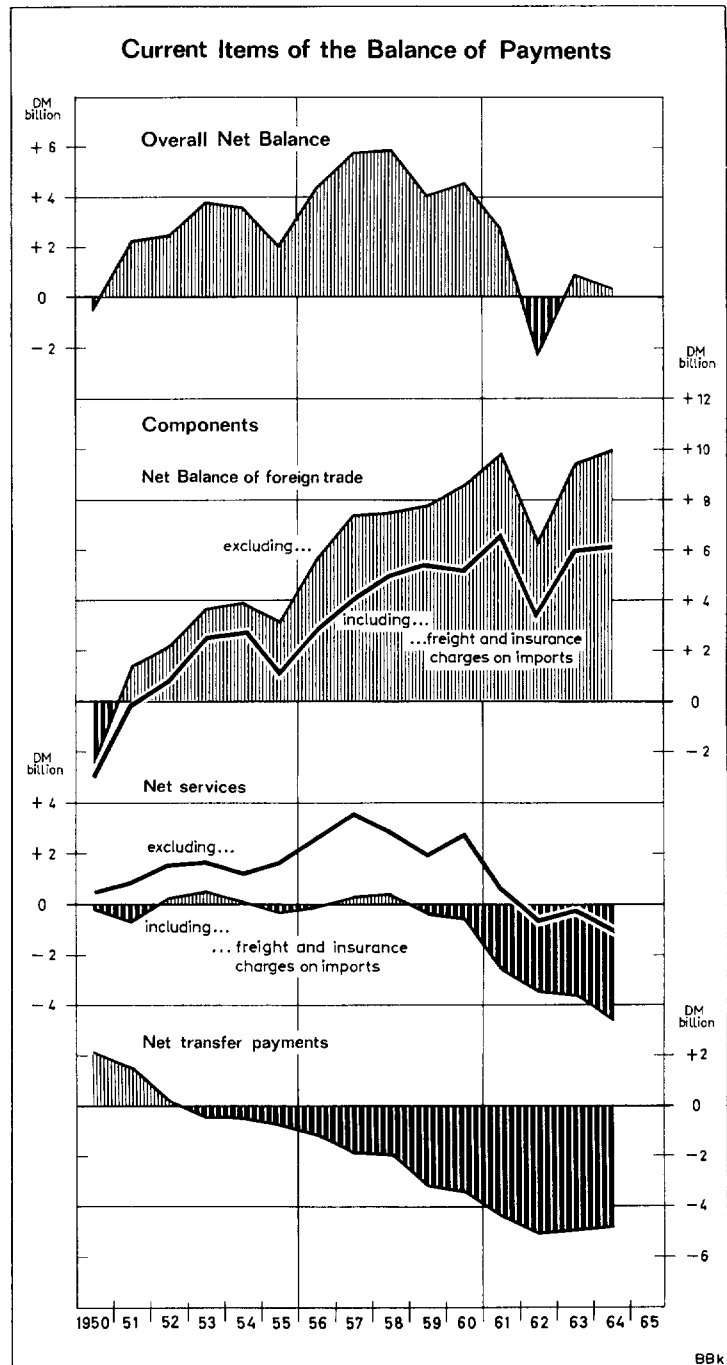
Group of countries, or country	1962	1963	1964			1963	1964		
			Total	1st hf.	2nd hf.		Total	1st hf.	2nd hf.
	Billions of DM						Changes <sup>2)</sup> in per cent		
Exports (f.o.b.) <sup>3)</sup>									
E.E.C. member countries	18.0	21.8	23.6	12.0	11.6	+20.8	+ 8.6	+18.2	+ 0.2
of which:									
France	5.4	6.4	7.4	3.7	3.7	+18.2	+15.4	+20.8	+10.5
Italy	4.1	5.5	4.6	2.5	2.1	+33.0	-15.9	+ 1.9	-30.9
Netherlands	4.9	5.7	6.7	3.4	3.3	+17.1	+17.8	+25.2	+11.1
Belgium-Luxembourg	3.6	4.2	4.9	2.4	2.5	+15.6	+17.8	+25.1	+11.5
E.F.T.A. member countries	14.7	15.8	17.7	8.5	9.2	+ 7.4	+12.0	+13.6	+10.5
among which:									
United Kingdom	2.0	2.2	2.7	1.4	1.3	+13.2	+22.8	+30.3	+15.8
Sweden	2.7	3.0	3.3	1.6	1.7	+11.7	+ 9.3	+14.2	+ 5.1
Switzerland	4.0	4.3	4.6	2.2	2.4	+ 7.2	+ 6.5	+ 7.9	+ 5.1
United States of America	3.9	4.2	4.8	2.3	2.5	+ 8.7	+14.1	+16.0	+12.4
Other industrial countries	3.6	3.7	4.4	2.1	2.3	+ 2.8	+15.7	+17.1	+14.5
Developing countries	10.4	10.8	11.9	5.7	6.2	+ 3.7	+10.4	+13.4	+ 7.7
Eastern Bloc countries	2.2	1.8	2.3	1.1	1.2	-15.4	+27.8	+20.7	+34.2
All countries <sup>4)</sup>	53.0	58.3	64.9	31.8	33.1	+10.1	+11.3	+15.9	+ 7.3
Imports (c.i.f.) <sup>5)</sup>									
E.E.C. member countries	16.0	17.3	20.4	9.1	11.3	+ 8.6	+17.6	+11.2	+23.4
of which:									
France	5.3	5.5	6.3	3.0	3.3	+ 4.3	+14.1	+14.8	+13.4
Italy	3.7	3.7	4.5	1.9	2.6	- 1.0	+20.8	+10.7	+29.7
Netherlands	4.2	4.8	5.3	2.4	2.9	+14.1	+11.7	+ 4.3	+18.5
Belgium-Luxembourg	2.8	3.3	4.3	1.8	2.5	+21.5	+28.2	+15.7	+39.3
E.F.T.A. member countries	9.4	9.7	10.7	5.0	5.7	+ 2.7	+10.8	+ 8.1	+13.3
among which:									
United Kingdom	2.4	2.5	2.8	1.4	1.4	+ 5.1	+12.6	+10.4	+14.6
Sweden	2.0	2.0	2.3	1.0	1.3	+ 0.7	+14.4	+13.2	+15.5
Switzerland	1.7	1.7	1.8	0.8	1.0	+ 0.9	+ 6.8	+ 2.5	+10.8
United States of America	7.0	7.9	8.1	3.8	4.3	-12.9	+ 1.6	- 9.4	+14.0
Other industrial countries	3.0	3.0	3.3	1.5	1.8	- 1.5	+12.0	+13.6	+10.6
Developing countries	11.8	12.1	13.8	6.8	7.0	+ 2.6	+14.2	+13.0	+15.4
Eastern Bloc countries	2.2	2.2	2.4	1.1	1.3	- 0.2	+11.9	+ 6.1	+17.0
All countries <sup>4)</sup>	49.5	52.3	58.8	27.4	31.4	+ 5.6	+12.6	+ 7.6	+17.3

<sup>1)</sup> Including Berlin (West). — <sup>2)</sup> As against corresponding period of preceding year. — <sup>3)</sup> According to consumer countries. — <sup>4)</sup> Including ships' and aircraft's fuel and other supplies, etc. — <sup>5)</sup> According to producer countries.

ency as between the two calculations is explained by the fact that last year the import freight and insurance costs, which are deducted from imports on recalculation for balance-of-payments purposes, rose by relatively more than the actual goods value. No matter what method of calculation is used, however, the year's trade figures conceal the fact that during 1964 there was a decisive change in the balance of trade. The first half-year had still been marked by large surpluses (they amounted, on the "balance-of-payments definition" mentioned first, to DM 6.2 billion); but the feature of the second was a great decrease of the surplus to DM 3.7 billion.

Slower growth of foreign demand

In 1964 — unlike 1963, when exports had grown appreciably faster than imports — exports and imports increased by roughly equal amounts. The growth of exports by 11 per cent exceeded only slightly that (of 10 per cent) for the previous year, while at 13 per cent the increase in imports was more than twice as great as in 1963. In the course of 1964, moreover, the rise in exports flattened off considerably. This process had already become apparent at the beginning of 1964, when the level of orders from abroad — which had greatly increased throughout 1963 — not only rose little but at times remained stationary or even declined. At all events the incoming orders from abroad went up by only 12 per cent in 1964 against 17 per cent in 1963. One reason for this slowing down was no doubt the strengthening of the internal expansive tendencies, which so greatly enlarged the opportunities for enterprises to sell in the home market that they were no longer obliged, so much as before, to accept foreign orders for the purpose of keeping their capacities employed. This is indicated by the course of export prices, which during 1964 were raised by no less than 4.3 per cent, having before then remained constant for years. For the most part indeed this represented an adjustment of export prices to previous price rises at home and on the chief markets abroad, rather



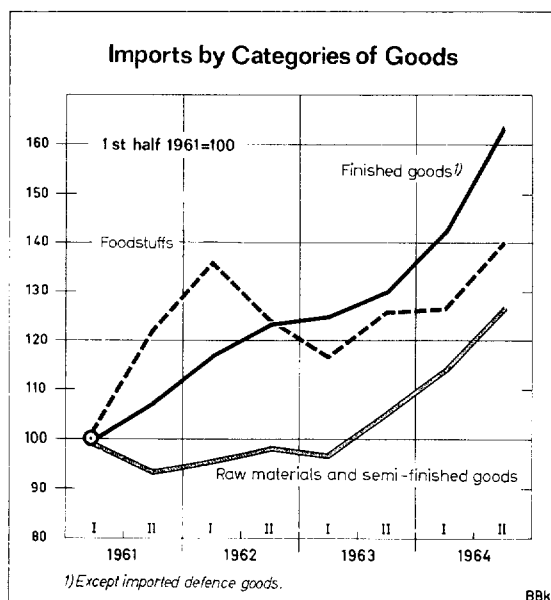
from abroad — which had greatly increased throughout 1963 — not only rose little but at times remained stationary or even declined. At all events the incoming orders from abroad went up by only 12 per cent in 1964 against 17 per cent in 1963. One reason for this slowing down was no doubt the strengthening of the internal expansive tendencies, which so greatly enlarged the opportunities for enterprises to sell in the home market that they were no longer obliged, so much as before, to accept foreign orders for the purpose of keeping their capacities employed. This is indicated by the course of export prices, which during 1964 were raised by no less than 4.3 per cent, having before then remained constant for years. For the most part indeed this represented an adjustment of export prices to previous price rises at home and on the chief markets abroad, rather



than a price correction seriously endangering the competitive power of German exports. The most important reason for the smaller increase of foreign demand no doubt lay, however, in the weakening of the propensity to import in some important customer countries. As already stated in the General Survey, the causes included not only the deflationary effect produced in those countries by preceding large imports and by deficits on their balances of payments, but also the economic stabilisation measures which had been adopted in particular by Italy and France, and also in some measure by the United Kingdom.

Actual exports clearly reacted, with the usual lag largely due to the time required for production, to the flattening out of the rise in foreign orders. In the second half of 1964 exports were above their level of a year earlier by only 7 per cent against 16 per cent in the first half. Exports to E.E.C. countries, which especially in 1963 had grown by more than the average, no longer increased at all in that period. Even if the results for the first half-year are included, the rise of exports to Common Market countries fell short of the increase in total exports for the first time since the foundation of the E.E.C. This, however, was exclusively due to the fact that exports to Italy declined in 1964 by 16 per cent, whereas in the previous year they had risen by one-third. Exports to the other E.E.C. countries continued to show respectable rates of growth, although in their case too there was definite slowing in the second half of the year. The rise of exports to E.F.T.A. countries, on the other hand, became appreciably faster last year. A material contributing factor was the vigorous expansion of exports to the United Kingdom, although the rise was considerably slowed down towards the end of the year under the influence of the 15 per cent surcharge on the value of imported industrial products, imposed by the British Government in October. Exports to the remaining industrial countries, and to the developing countries, likewise grew in 1964 a good deal faster than in the previous year. One reason was no doubt that the cyclical upswing persisted in the United States, and that the relatively favourable foreign exchange situation continued in the developing countries, which in 1964 — like 1963 — achieved higher prices for their exports than in previous years.

Definite slackening of export expansion



Imports, which according to the foreign trade statistics had risen by only 5.6 per cent in 1963, rose by 12.6 per cent in 1964. Particularly in the second half-year imports increased quite considerably, the renewed rise in armament imports being a factor here. Altogether in that period 17.3 per cent more was imported than in the second half of 1963. The quickening in the growth of imports by comparison with the first half-year, when they had increased by 7.6 per cent, was primarily due to the fact that imports of semi-finished and finished goods (even with armaments disregarded) rose considerably faster than before. On domestic markets the demand grew so greatly that in many cases, despite substantial rises in production, the supply from German sources became more and more inadequate. There was therefore increasing recourse

Rise of imports greatly accelerated

to foreign offers, even though this entailed the accepting of price rises, which however fell somewhat short of those within the country (the index of buying prices for foreign finished goods, after remaining nearly constant in 1963, rose by 2.1 per cent in 1964). This process was assisted by the above-mentioned lowering on 1 July 1964 of the E.E.C. internal duties, which consequently amount to only one-fifth of what they were on 1 January 1957, and the reduction in certain rates of duty on imports from non-E.E.C. countries. These measures chiefly favoured the import of indus-

trial finished products. At the same time the imports of industrial raw materials also rose a good deal faster last year than in 1963. Although the more rapid growth of raw material imports was partly due to requirements for production, the vigorous rise — by 16.6 per cent in comparison with 1963 — was doubtless due not only to the increase in consumption of raw materials but also to further stockbuilding of such materials, particularly since steep price rises (as were evident, more especially, in non-ferrous metals) normally strengthen such a tendency. There was also an increase last year in food imports, which had declined in 1963 owing to the influence of special factors.

Deficit on services increased ...

The deficit on service transactions with foreign countries grew considerably in 1964, as has already been mentioned. After inclusion in services of the freight and insurance costs eliminated from the c.i.f. value of imports, last year's deficit amounted to DM 4.6 billion against the previous year's DM 3.6 billion. In this section of the current account there was thus again some strengthening of the tendencies to deterioration which had become weaker in 1963. Although nearly all categories of services contributed to this, the increase in the deficit on investment income was particularly marked. While the deficit on such income had remained constant at DM 1.3 billion in each of the years 1961 to 1963, it increased by DM 400 million last year to DM 1.7 billion. The main reason was that in the course of 1964 the German economy earned notably greater profits, this being in many cases reflected in higher dividends paid — also by enterprises in foreign hands. A rise in profit distributions therefore was the chief reason why the total outgoings in respect of investment income increased from DM 2.29 billion in 1963 to DM 2.75 billion in 1964. Against this the receipts rose by only DM 60 million, from DM 1.01 to 1.07 billion.

... due to greater investment income payments...

... and heavier expenditure on transport

Besides investment income, transport in particular showed a greater deficit in 1964. The deficit on transport (including freight costs contained in the c.i.f. values of imports) rose from DM 880 million in 1963 to DM 1,130 million in 1964. The chief reason why the outgoings increased by more than the receipts was no doubt that the greater imports entailed larger freight payments to foreign countries. Last year, like the two preceding years, but unlike years lying further back, foreign travel no longer contributed appreciably to the further increase of the deficit on services. At DM 2.19 billion the deficit on travel for 1964 was greater than that for 1963 by only DM 80 million; it fell appreciably short of its previous peak level, attained at DM 2.32 billion in 1962. This movement was due to the fact that for some time German tourists' expenditure abroad has been growing more slowly than the Federal Republic's receipts from foreign travellers. The receipts from foreign troops, one of the most important incoming service items, dropped from DM 4,290 million in 1963 to DM 4,220 million in 1964.

Slightly reduced deficit on transfer payments

The rise in the deficit on services was to some extent counteracted by the further reduction in that on unilateral transfer payments. In this section of the current account the deficit fell from DM 5.0 billion in 1963 to DM 4.8 billion last year. The chief reason was that indemnification maintained in 1964 the downward tendency which it had already shown in 1962 and 1963. Not only the indemnification payments to individuals continued to decline; in addition the payments under the "overall agreements" with various European countries are gradually ending. Another reason was that in 1964, contrary to the tendency of previous years, there was no further rise in transfers by foreigners employed in the Federal Republic. At DM 1.1 billion their remittances last year were at the same level as the year before, although not only the number of such workers continued to rise but in addition their average income has no doubt been affected by the raising of the general wage level. This apparent contradiction is presumably explained by the fact that the foreign workers have to a growing extent brought members of their families with them, or have sent for them, so that remittances to their home countries became to that extent unnecessary. But it is also not impossible that there was some widening last year of the gaps which undoubtedly exist in the statistical recording of homeward transfers.

### 3. Long-Term Capital Transactions with Foreign Countries

As already mentioned, the balance of long-term capital transactions, which in 1963 had yielded a surplus of DM 2.0 billion, showed in 1964 a deficit (that is a net capital export) of DM 1.1 billion.

The reversal was due to greater capital exports on the one hand, but above all to smaller capital imports on the other. Capital exports, measured by the increase in the Federal Republic's long-term investments abroad, amounted in 1964 to something over DM 2.9 billion against DM 2.2 billion in 1963. In 1964, as compared with the previous year, it was especially the private capital payments which grew; they amounted to DM 1.8 billion, against DM 1.1 billion in 1963, and thus approached their previous peak of DM 2.0 billion reached in 1959. The increase of private capital exports is largely explained by greater buying of foreign securities. Thus in 1964 the net amount of purchased foreign bonds alone was about DM 490 million as against DM 220 million in 1963. As already stated in the section dealing with security markets, one reason was that in 1964 foreign DM loans were again issued on a greater scale in the Federal Republic, and that while these were mostly acquired by non-residents (because such bonds are not subject to the withholding tax) some of them also remained within the country. In addition, German investors bought foreign fixed-interest securities already in the market. Since the acquisition of foreign shares by Germans likewise increased, from about DM 250 million net in 1963 to DM 340 million in 1964, net purchases of foreign securities caused a total of about DM 830 million to go abroad last year as against only DM 480 million in 1963. There was likewise an increase in the private export of capital through granting of credits and loans, the acquisition of real properties and the obtaining of interests (not embodied in securities) in foreign enterprises. Altogether the exports of capital in such forms reached DM 950 million in 1964 against DM 650 million in 1963; in great part the in-

Reversal of the net long-term capital movement caused by ...  
... increased private capital exports, ...

#### *Long-Term Capital Transactions with Foreign Countries*

Millions of DM

Item	1962	1963	1964	1964			
				1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
<b>I. Net German capital investments abroad</b> (increase: —)							
(1) Private	—1,380	—1,113	—1,772	— 573	— 556	— 270	— 373
of which: Fixed-interest securities	— 94	— 221	— 489	— 189	— 257	— 36	— 7
Shares <sup>1)</sup>	— 639	— 254	— 344	— 110	— 59	— 80	— 95
Business or capital interests not embodied in security form	— 323	— 322	— 391	— 103	— 131	— 61	— 96
Credits and loans	— 99	— 150	— 382	— 135	— 88	— 35	— 124
Other	— 225	— 166	— 166	— 36	— 21	— 58	— 51
(2) Official	—1,084	—1,120	—1,161	— 258	— 211	— 241	— 451
including: Bilateral loans to developing countries	(— 881)	(— 914)	(—1,015)	(— 229)	(— 178)	(— 238)	(— 370)
<b>Total</b>	<b>—2,464</b>	<b>—2,233</b>	<b>—2,933</b>	<b>— 831</b>	<b>— 767</b>	<b>— 511</b>	<b>— 824</b>
<b>II. Net foreign capital investments in the Federal Republic of Germany (increase: +)</b>							
(1) Private	+2,424	+4,249	+1,956	+1,031	— 255	+ 422	+ 758
of which: Fixed-interest securities	+ 722	+1,991	+ 5	+ 443	— 519	+ 65	+ 16
Shares <sup>1)</sup>	+ 800	+ 868	+ 394	+ 167	— 136	+ 240	+ 123
Business or capital interests not embodied in security form <sup>2)</sup>	+ 522	+ 513	+ 543	+ 144	+ 166	+ 85	+ 148
Credits and loans	+ 517	+ 981	+1,117	+ 308	+ 257	+ 55	+ 497
Other	— 137	— 104	— 103	— 31	— 23	— 23	— 26
(2) Official <sup>3)</sup>	— 89	— 64	— 98	— 7	— 35	— 22	— 34
<b>Total</b>	<b>+2,335</b>	<b>+4,185</b>	<b>+1,858</b>	<b>+1,024</b>	<b>— 290</b>	<b>+ 400</b>	<b>+ 724</b>
<b>III. Net result of long-term capital movements to and from foreign countries (net capital export: —)</b>	<b>— 129</b>	<b>+1,952</b>	<b>—1,075</b>	<b>+ 193</b>	<b>—1,057</b>	<b>— 111</b>	<b>— 100</b>

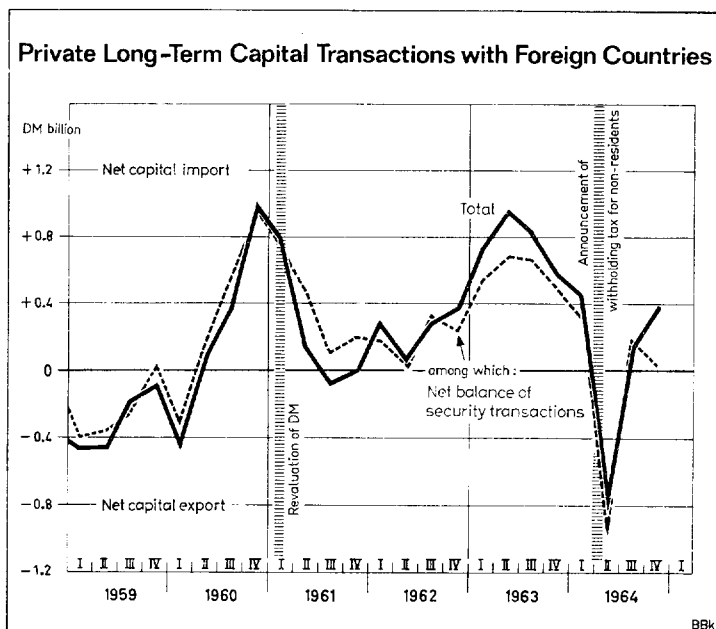
<sup>1)</sup> Including investment fund certificates. — <sup>2)</sup> Mainly interests in limited-liability companies (GmbH). — <sup>3)</sup> Mainly redemption payments under the London Debt Agreements.

crease reflected loans granted by German banks to the European Coal and Steel Community as well as capital payments by domestic enterprises to developing countries.

At DM 1.2 billion the public authorities' long-term capital exports were somewhat greater than in the previous year, when they had amounted to DM 1.1 billion. They mostly represented the Federal Government's financial aid to developing countries, such aid having amounted to something over one billion DM in 1964 against DM 900 million in each of the three previous years. Among the receiving countries India, Pakistan, the United Arab Republic, Argentina and Turkey merit special mention. The bilateral loans (which were almost entirely channelled through the Reconstruction Loan Corporation) comprise, however, only a part of the total development assistance provided by the Federal Republic. This also includes contributions to the international organisations concerned with the financing of development projects, as well as payments for technical aid, and certain private capital contributions, above all in the form of direct investments and long-term export credits. The total aid provided for developing countries by the Federal Republic of Germany in 1964 is estimated to have reached DM 3 billion, against DM 2.4 billion in the previous year and DM 2.5 billion in 1962.

However, the changes during 1964 were much more marked in imports than in exports of capital. Foreign countries' long-term investments in the Federal Republic grew by only DM 1.9 billion, against DM 4.2 billion in 1963 (and DM 2.3 billion in 1962). The reason lay in the intention, announced by the Federal Cabinet on 23 March 1964, to propose to Parliament a bill introducing a 25% Capital Yield Tax on the income from fixed-interest securities owned by non-residents; this bill became law with effect from 28 March 1965. As already stated in another context, the announcement of this coupon tax caused considerable selling of securities by foreigners. On a net basis — that is with purchases and sales set off against each other — foreigners' sales of German bonds amounted to about DM 440 million in the months from March to June 1964 as compared with net acquisition of almost DM 370 million in the first two months of the year, before the announcement of the withholding tax. In great part the selling orders would appear to have come from foreign security holders who intended not to subject the income to taxation in their home countries, or who, in the absence of double taxation relief conventions, cannot obtain reimbursement of the tax withheld by the Federal Republic. Since therefore only some foreign holders of German fixed-interest securities were affected by the tax, the wave of selling ebbed away relatively soon. As early as the second half of 1964, indeed, the new investments again predominated to the net extent of DM 80 million; together with the net purchases during the first two months of 1964 they sufficed to make good the capital outflows between March and June. Thus on the overall result for 1964 the transactions by foreigners in German fixed-interest securities cancelled each other out almost completely, whereas in the previous year they had produced a money inflow of DM 2.0 billion.

The securities most affected by this change were public authorities' bonds, of which DM 120 million net came back from abroad in 1964, whereas in 1963 foreign investors had taken German public authorities' bonds to the net extent of DM 1.3 billion. In the case of private issuers' loans, on the other hand, purchases predominated even in 1964, although at DM 170 million they fell considerably short of the DM 700 million acquired in the previous year. There was also a decrease in foreign buying of German dividend-bearing securities; this amounted to only DM 390 million in 1964 against DM 870 million in 1963. Much the greater part of the 1964 amount represented increases in the capital of foreign enterprises' German subsidiaries, that is capital movements financed not through the share market but through reinvestment of distributed profits or through provision of funds by the parent company. As contrasted with the movement in the previous year, foreigners' share purchases not clearly having the character of participations were hardly significant in 1964. Altogether during that year only DM 400 million of foreign capital came into the Federal Republic through security transactions, against DM 2.9 billion in 1963 and DM 1.5 billion in 1962.



Significance of direct investments

By way of contrast the other private capital imports became somewhat greater. Enterprises in the Federal Republic procured a total of DM 1.7 billion in 1964 (against DM 1.5 billion in the previous year and DM 1.0 billion in 1962) through the obtaining of credits and loans abroad, plus the sale to foreigners of business interests not in security form. To a substantial extent these capital imports were effected by firms which are completely, or in great part, in foreign hands; they are thus closely connected with the further build-up of

foreigners' direct investments in the Federal Republic. With the inclusion of the above-mentioned share purchases in the nature of participations the inflows of capital to German subsidiaries of foreign firms, and to German enterprises in which there is a substantial foreign interest, totalled DM 1.7 billion (or 90 per cent of the total long-term capital imports) last year against DM 1.3 billion in 1963 and DM 1.0 billion in 1962. In point of fact, these capital imports were attracted not so much by the level of German interest rates, or by special fiscal advantages (such as doubtless existed in many ways, before the introduction of the withholding tax, for foreign holders of German bonds), but rather by the benefit which firmer establishment of foreign enterprises in the Federal Republic confers by reason of the better position which, it is hoped, will thereby be attained in the German and European markets.

#### 4. Short-Term Capital Transactions with Foreign Countries

The balance of short-term capital transactions with foreign countries likewise showed a deficit in 1964. Mainly owing to greater payments by public authorities there was a net capital export of DM 1.2 billion in that year, whereas in the previous year the short-term capital movements had yielded a surplus of nearly DM 300 million. One reason for the net capital export of DM 1.4 billion on public account (against DM 460 million in 1963) was that the Federal Government's payments for armament imports materially exceeded the actual imports of armament goods during the same period, or in other words that to this extent the Federal Government acquired short-term claims on foreign countries. Further short-term net capital exports by public authorities resulted to the extent of DM 722 million, against DM 139 million in the previous year, from transactions with the International Monetary Fund. Because of drawings by its member countries the Fund in 1964 called altogether DM 1,780 million<sup>1)</sup>, of which DM 1,299 million went to the United States and DM 320 million to Italy. On the other hand DM 1,058 million came back to the Federal Republic from repayments by I.M.F. member countries. The net result was the above-mentioned increase by DM 722 million in claims on the I.M.F. The United States' calls for DM from the I.M.F., and the repayments by other countries including in particular Canada, Italy and some in South America, had in many cases a causal connection. According to its Articles of Agreement the Fund is not

Greater payments by public authorities

<sup>1)</sup> This amount does not include the DM portion of DM 1,092 million in the December 1964 British drawing, since it was financed not out of the DM subscription within the German quota but through the I.M.F.'s gold sales, amounting to DM 372 million, and through a DM 720 million credit granted by the Bundesbank to the I.M.F. under the General Arrangements to Borrow.

in fact now able to take dollars from countries which have repayment obligations to it, since its own dollar holdings have risen to more than 75 per cent of the United States' quota. This caused the United States to procure balances in convertible currencies, such as Deutsche Marks, by dint of technical drawings and to sell them to countries with repayment obligations to the Fund. The I.M.F. debtor countries thus obtained currencies which the Fund could accept without the countries in question having previously to effect switches in the foreign exchange market. Their DM repayments to the Fund did not however attain the same level as the DM amounts drawn by the United States in several tranches during 1964. A point to observe in this connection is that in December of last year, pursuant to its participation in the General Arrangements to Borrow, the Bundesbank credited the I.M.F. with DM 720 million towards financing the British drawing. But the resulting claim — unlike the other claims on the I.M.F., which legally belong to the Federal Government — is not included in the short-term capital transactions; instead, like the rest of the Bundesbank's foreign assets mobilisable at short notice, it has been included in the central monetary reserves.

In the private sector, as contrasted with the public authorities' short-term capital transactions, there were again net imports of capital in 1964. At about DM 220 million, however, they fell short by DM 500 million of those in the previous year. The chief contributing cause was that in 1964 the credit institutions, despite the gradual straining of their general liquidity, on balance took little further foreign money, whereas in the previous year they had imported DM 700 million. The reason lay in the measures already mentioned at the beginning of this chapter: firstly, from March 1964 onwards the Bundesbank was prepared to assist German banks' employment of money abroad by offering, in respect of U.S. Treasury bill purchases, a forward exchange guarantee at a cost (0.5% at the outset, and 0.25% from July) which was as a rule lower than the rates on the free market; secondly, on 1 April the Central Bank Council's decision to raise the minimum reserve ratios for the banks' foreign liabilities took effect, which gave to all banks having short-term foreign liabilities an additional incentive to export money, inasmuch as at the same time the facility for offsetting short-term investments of money abroad against reserve-carrying foreign liabilities was maintained. Apart from occasional fluctuations, therefore, the banks' short-term foreign assets rose between the end of February and the end of November 1964 by DM 1 billion to a total of DM 6 billion, while in December — for seasonal reasons — money was again brought home from abroad. At DM 4.9 billion on 31 December 1964, however, the banks' total short-term foreign assets were greater by about DM 700 million than on 31 December 1963, and also greater than at the end of all earlier years.

But the increase in the banks' foreign assets was offset through changes on the liabilities side of their foreign exchange position. Despite the order forbidding payment of interest on non-residents' deposits, these grew by DM 370 million in the course of 1964, reaching DM 5.2 billion; it was in particular the deposits of foreign banks which increased, presumably owing to the vigorous expansion of German foreign trade and the consequent increase of working balances held by foreign banks at German financial institutions. The short-term borrowings abroad also rose; they amounted at the end of 1964 to something over DM 2.6 billion as against DM 2.2 billion on 31 December 1963. One reason may have lain in borrowings due to the financing of import and merchanting trade; such borrowings are exempted from the previously mentioned decision to cut down the banks' rediscount quotas if they borrow too much abroad. In addition the borrowing by foreign banks' branches operating in the Federal Republic produced a greater effect. Altogether the German banks' short-term foreign liabilities amounted to DM 7.8 billion at the end of 1964. When these are offset against the short-term foreign assets (DM 4.9 billion), the credit institutions on 31 December 1964 showed almost the same net total liabilities — namely DM 2.9 billion — as at the end of 1963. In January and February 1965 the relationship between foreign assets and liabilities rapidly changed. At the 90 weekly reporting banks alone the assets rose in that period by DM 1.6 billion, while the liabilities fell by DM 1.3 billion, so that at the end of February 1965

these credit institutions held net foreign assets amounting to DM 0.6 billion, whereas a year previously they had shown DM 0.9 billion of net foreign liabilities.

Unlike the credit institutions, business enterprises in the Federal Republic last year incurred further net debt abroad. The firms which have to report their short-term financial transactions with foreign countries obtained abroad additional "financial credit"<sup>1)</sup> amounting to DM 400 million, so that their short-term liabilities of this kind rose to DM 2.8 billion. Especially important in that connection was the borrowing by foreign companies' German subsidiaries, so that *pro tanto* this capital inflow too forms part of foreigners' total direct investments in the Federal Republic. On the other hand there was also an increase in German firms' assets due to the granting of credit (including their balances at foreign banks); at DM 825 million such assets were greater by DM 200 million at the end of 1964 than at the end of 1963.

Financial credit  
obtained and granted  
by trade and industry

The transactions not statistically recorded in detail, which are included in the residual item of the balance of payments, yielded a surplus of DM 1.9 billion in 1964 whereas in the previous year they had given rise to a deficit exceeding DM 500 million. Apart from possible errors in the statistics the residual item chiefly reflects the unrecorded credit movements of enterprises in transactions with foreign countries. The large surplus on the residual item permits the conclusion that non-reporting enterprises also obtained short-term financial credit abroad, and that moreover the terms of payment moved in the direction of a net import of capital into the Federal Republic.

Residual item in the  
balance of payments

### 5. Monetary Reserves of the Deutsche Bundesbank \*)

The Deutsche Bundesbank's monetary reserves, the movement in which appears as the net outcome of the balance of payments, increased in 1964 by only DM 12 million, whereas they had grown in the previous year by DM 2,572 million. On 31 December 1964, just as at the end of the previous year, the Bundesbank's total holding of gold and foreign assets amounted to DM 30.3 billion net as against DM 32.5 billion at its peak to date, attained in April 1961. Unlike the total holding, however, the composition of the central reserves did materially change in 1964. Thus during that year the Bundesbank's stock of gold rose by DM 1.6 billion to the level of DM 17.0 billion. Of this rise nearly DM 900 million was due to the fact that in agreement with the United States the Bundesbank converted dollar balances into gold, mostly gold which had come to the United States at the beginning of 1964 from Italy, when that country's balance of payments had been showing large deficits. The rest of the gold inflows partly came from the International Monetary Fund, which procured DM 372 million at the Bundesbank against sales of gold on the British drawing in December, and partly resulted from sales by the gold pool.

Increase of the  
gold holding

The Bundesbank's short-term foreign assets denominated in Deutsche Marks likewise increased during 1964. First, the holding of United States Treasury debt certificates expressed in DM grew by DM 1.6 billion to a total of DM 2.7 billion. These certificates, known as "Roosa Bonds", run for between 15 and 24 months; subject to certain conditions they can however be converted into paper running for three months, and are therefore included in the central monetary reserves. Secondly, in respect of its commitment under the General Arrangements to Borrow the Bundesbank credited the International Monetary Fund with DM 720 million in December in connection with the United Kingdom's drawing previously mentioned. This DM asset too is usable at short notice, on certain terms, and therefore forms part of the monetary reserves. There was on the other hand a decrease in the Bundesbank's foreign currency assets, above all in the freely available dollar reserves, which declined by nearly DM 4 billion in 1964 to DM 7.7 billion. For the most part the decrease of dollar assets was due to transactions in respect of which the initiative lay with

Change in the pattern of  
foreign exchange assets

<sup>1)</sup> This includes German enterprises' short-term foreign liabilities, excluding advance payments received for deliveries of goods and services, and excluding use of periods allowed for payment. Returns have to be rendered by firms whose short-term assets or liabilities exceed DM 100,000 at the close of the month.

\*) The figures given here represent values converted into DM at parity rates; differences from the figures in the Bundesbank's annual Balance Sheet are explained by the fact that the foreign assets and liabilities are valued there according to the lowest-value principle (cf. page 114 of the present Report).

*Monetary Reserves of the Deutsche Bundesbank*

Millions of DM

Item	Change during year				Position on 31 Dec. 1964
	1961 <sup>1)</sup>	1962	1963	1964	
(1) Foreign Assets					
Gold	+2,781	+ 62	+ 658	+1,618	16,992
Dollar claims on the U.S.A.	-3,690	- 73	+1,276	-4,287	6,587
Dollar claims on other countries and on international organisations	+ 307	- 28	- 393	+ 331	1,125
Other claims in foreign currency <sup>1)</sup>	- 171	- 340	- 18	+ 208	475
DM claims on the U.S.A. <sup>2)</sup>	—	—	+1,100	+1,600	2,700
DM claims on the I.M.F. <sup>3)</sup>	—	—	—	+ 720	720
Foreign assets of limited usability <sup>4)</sup>	-1,246	- 154	- 168	- 158	1,973
Total	-2,019	- 533	+2,455	+ 32	30,572
(2) Foreign Liabilities	- 91	+ 19	- 117	+ 20	259
(3) Net Foreign Assets	-1,928	- 552	+2,572	+ 12	30,313

<sup>1)</sup> Including small DM claims. — <sup>2)</sup> DM bonds of the U.S. Treasury ("Roosa Bonds"). — <sup>3)</sup> Credit granted to the International Monetary Fund under the "General Arrangements to Borrow". — <sup>4)</sup> Chiefly bilateral claims from former credits to E.P.U., and I.B.R.D. debt certificates. — <sup>5)</sup> Disregarding the decrease in monetary reserves by DM 1,419 million due to the DM revaluation.

foreign monetary authorities. Thus, the United States Treasury used the greater part of the DM credited to it on the sale of DM debt certificates to the Bundesbank for repayment of dollar liabilities to the latter. In addition the Bank of England used most of the DM amounts which came to it through the I.M.F., to a total extent of DM 1,092 million, for the purchase of dollars from the Bundesbank. Changes in the rest of the reserve items were not, on the whole, particularly significant. The foreign exchange assets expressed in currencies other than U.S. dollars rose by DM 208 million net, mainly because the Bank of England drew on the sterling/DM swap line which had been agreed with the Bundesbank in November 1964.



## The Deutsche Bundesbank's Cooperation in Bank Supervision

In the implementing of the Banking Law of 10 July 1961 — KWG — (Federal Law Gazette I, page 881), which came into force on 1 January 1962, the Deutsche Bundesbank in 1964 cooperated closely, as previously, with the Federal Banking Supervisory Office.

In agreement with the Deutsche Bundesbank the Federal Banking Supervisory Office through Notice No. 1/64 of 25 August 1964 amended the previous Principle I under Article 10 of the Banking Law with effect from 1 January 1965. The long-term credits which are granted to enterprises, individuals and credit institutions, and which serve as cover for bonds or are granted against charges on real property in the course of real-property credit business within the meaning of Article 20, paragraph 2, items 1 and 4 of the Banking Law, or against corresponding charges on ships, which credits were not covered in the former Principle I, were then included in Principle I. These credits are however counted only to the extent of one-half towards the unamended upper limit of 18 times the liable funds, because they entail less risk than other credits. This arrangement also applies to long-term credits granted to enterprises, individuals and credit institutions in respect of which domestic authorities or public-law institutions have assumed a full guarantee. The amended Principle I also applies to the public mortgage banks and the instalment credit institutions, which previously did not need to observe any of the four Principles.

The amendment materially rounds off the Principles according to Articles 10 and 11 of the Banking Law, established by the Federal Banking Supervisory Office in agreement with the Deutsche Bundesbank and in force since 1 April 1962, concerning the adequacy of credit institutions' capital resources and liquidity. At the same time it has allowed for the fact that in the Law to Amend the Law on Mortgage Bonds and Similar Bonds of Public Credit Institutions — as contrasted with the regulation in the Mortgage Bank Law — in view of the said institutions' differing structure and different types of business no limit was laid down for the circulation of such institutions' bonds. It was on the contrary expressly left to the Federal Banking Supervisory Office, in agreement with the Deutsche Bundesbank, to lay down for those credit institutions an appropriate regulation pursuant to Article 10 of the Banking Law. Our Monthly Report for December 1964, on pages 13 to 18, fully described the "Amendment of the Principle for the Adequacy of Credit Institutions' Capital Resources".

The text of the "Principles" is as follows with effect from 1 January 1965:

**Notice No. 1/62**  
**of the Federal Banking Supervisory Office with regard to Principles Concerning**  
**the Capital Resources and Liquidity of Credit Institutions**  
**dated 8 March 1962**  
(Federal Advertiser No. 53 of 16 March 1962)  
**amended according to Notice No. 1/64 of the Federal Banking Supervisory Office**  
**with regard to Amendment of the Principles Concerning the Capital Resources**  
**and Liquidity of Credit Institutions dated 25 August 1964**  
(Federal Advertiser No. 161 of 1 September 1964)

The Federal Banking Supervisory Office hereby announces in pursuance of Article 10, paragraph 1, sentence 3, and Article 11, sentence 3, of the Banking Law of 10 July 1961 (Fed. Law Gazette I, page 881) the Principles, established in agreement with the Deutsche Bundesbank and after the associations representing the credit institutions have been heard, according to which it will judge, as a rule, whether the capital resources of a credit institution are adequate and whether the liquidity of a credit institution is sufficient (Article 10, paragraph 1, and Article 11, Banking Law).

Close cooperation with the Federal Banking Supervisory Office

Principles concerning capital resources and liquidity

If a credit institution exceeds not merely slightly the upper limits laid down in the Principles, or if it exceeds them repeatedly, there is as a rule ground for presuming that the said credit institution has not the necessary capital resources (Principles I and Ia) or that its liquidity is inadequate (Principles II and III). In connection with the assessment of the adequacy of a credit institution's capital resources and liquidity it shall be permissible to take into account special circumstances which justify smaller — or, according to the facts of the case, greater — requirements.

Only Principle I shall apply to public mortgage banks and to instalment credit institutions.

The Principles shall not apply to private mortgage banks which do not make use of the right to conduct extended business in accordance with Article 46, paragraph 1, of the Mortgage Bank Law, to ship mortgage banks, to central security depositories, to investment companies or to credit institutions which engage exclusively in banking transactions within the meaning of Article 1, paragraph 1, items 7 and 8, of the Banking Law.

The Principles as amended on 25 August 1964 shall be applied from 1 January 1965 onwards.

#### Principle I

A credit institution's lending to business enterprises, individuals and credit institutions, and its participations, less the global value adjustment, shall not exceed 18 times the liable funds.

Credits shall be deemed to comprise the credits at short, medium and long term. Long-term credits which serve as cover for bonds, or are granted against charges on real property in the course of real-property credit business within the meaning of Article 20, paragraph 2, items 1 and 4, of the Banking Law, or against corresponding charges on ships, or in respect of which domestic authorities or public-law institutions have assumed a full guarantee, shall be taken into account to the extent of only one-half.

#### Principle Ia

A credit institution's circulating own acceptances, promissory notes and bills drawn on debtors shall not exceed 1.5 times the liable funds.

#### Principle II

A credit institution's investments in long-term lending, in syndicate holdings, in participations, in securities not quoted on the stock exchange, and in land and buildings shall not exceed the long-term financial funds.

The following are to be regarded as long-term financial funds:

- the capital resources,
- the credit institution's own bonds in circulation,
- the bonds sold in advance,
- the loans taken at long term,
- 60 per cent of the savings deposits,
- 10 per cent of the sight and time deposits of non-banks.

In the case of central giro institutions and central institutions of credit cooperatives the following shall in addition be included:

- 20 per cent of the member credit institutions' time deposits subject to a period of notice, or running for an agreed period, of from six months to under four years,
- 50 per cent of the member credit institutions' time deposits subject to a period of notice, or running for an agreed period, of at least four years.

#### Principle III

A credit institutions' debtors, its bills drawn on debtors, its dividend-bearing stock-exchange securities and its "Other assets" shall not exceed the total of the following financial funds:

- 60 per cent of the sight and time deposits of non-banks,
- 35 per cent of the sight and time deposits of credit institutions,
- 20 per cent of the savings deposits,
- 35 per cent of the monies taken for, or at notice of, periods of from one month to under four years, excluding customers' availments of credits opened at credit institutions abroad,
- 80 per cent of customers' availments of credits opened at credit institutions abroad,

80 per cent of the circulating own acceptances, promissory notes and own drawings credited to the borrowers,  
plus the surplus or less the deficit on financing as in Principle II.

In the case of credit institutions conducting business in goods, the stocks of goods comprised in the item "Other assets" shall be disregarded.

After full discussion with the Deutsche Bundesbank, and after hearing the views of the banking associations and of the German Federal Postal Administration, the Federal Banking Supervisory Office in implementation of Article 23 of the Banking Law further issued the

Interest Rates Order

*Order concerning the Terms on which Credit Institutions May Grant Credits and Receive Deposits (the Interest Rates Order), of 5 February 1965 (Federal Law Gazette I, page 33).*

The Interest Rates Order came into force on 1 March 1965. Readers may refer to what is stated on this subject on pages 3 to 6 of our Monthly Report for March 1965.

In connection with the current supervision of credit institutions the Land Central Banks, using their close network of branches, processed about 52,000 individual reports pursuant to Article 13, paragraph 1, sentences 1 and 2 Banking Law, as well as about 51,000 large credit commitments contained in compilations pursuant to Article 13, paragraph 1, sentence 4 Banking Law, and some 45,000 monthly returns pursuant to Article 25 Banking Law. So far as the Federal Banking Supervisory Office had not waived their transmission, these reports and returns were in each case transmitted to the Office with a statement of view. The Office uses this material, as well as the information obtained on the basis of its own data and personal contacts regarding the position of individual credit institutions, in its decisions concerning the necessary measures of bank supervision. In addition the Land Central Banks processed about 4,500 reports on important changes at individual credit institutions pursuant to Article 24 as well as some 14,000 annual statements pursuant to Article 26 Banking Law. On the basis of approximately 205,000 reports rendered to it pursuant to Article 14, paragraph 1, Banking Law, concerning granted credits of DM 1 million or more, the recording centre at the Directorate of the Deutsche Bundesbank ascertained the indebtedness of borrowers who had taken such credits from two or more institutions, and by sending over some 17,000 notifications informed the lending institutions about the amount of their borrowers' combined indebtedness to the various lenders as well as about the number of lenders.

Cooperation in the current supervision of banks

# The Deutsche Bundesbank's Credit and Foreign Exchange Policy Regulations at Present in Force

## I. Credit Policy Regulations

### 1. Credit Instruments Eligible at the Bundesbank

#### *Discount Business*

General Bills of exchange presented for purchase 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).

For judging a signature the Central Bank Council has laid down the following rules: 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 judgment of his financial affairs, is not to be regarded as "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).

The period to the maturity of bills must not exceed the time which is necessary for carrying out the underlying transaction in goods (decision of 10 May 1949). In the case of grain and fodder bills the period to maturity may amount to three months, however, so as to facilitate the storage of grain and feedingstuffs at the marketing and processing stages, and thereby to reduce the demands for financial accommodation made on central official agencies (decision of 31 July 1952).

In other respects, as regards the granting of discounts, the "Deutsche Bundesbank's General Business Conditions" (V. Purchase of domestic bills, XI. B. Purchase of foreign bills and foreign cheques) apply.

Instalment sale  
financing bills

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

Instalment sale bills which serve to finance the purchase of agricultural machines that have a long life and assist production may however be purchased. In this exceptional case all bills which are due within 90 days may be discounted if it is a case of an instalment sale 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 these conditions are not fulfilled, then only the last bill due within 90 days (or, in the case of instalment sale transactions which are based on monthly instalments, the last three bills relating to the whole transaction) will be discountable.

In addition instalment sale bills with a remaining life not exceeding 14 days may be presented for purchase.

Building bills and  
building-material bills

Bills which serve for the interim financing of building projects (building bills) will not be purchased (decision of 12 October 1955). On the other hand bills which are drawn on the basis

of the producer's building material deliveries to the trade, those of the trade to the builder or building craftsman, and those of the builder to the owner of the house (for repair or maintenance work) (building-material bills), but not their prolongations, are purchasable.

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).

Bank acceptances

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 that 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).

Prime bankers' acceptances are bank acceptances of a special kind, viz., DM acceptances of the accepting banks admitted to the prime acceptance market, which serve for the financing of import, export and merchanting transactions, or of international commission processing. They bear a reference to the transaction financed, which is marked on the upper margin of their face, and have only 90 days or less still to run. The amount involved must be at least DM 50,000 and should not exceed DM 500,000; it should be divisible by 5,000. Prime bankers' acceptances are included in the Deutsche Bundesbank's regulation of the money market (decisions of 18 December 1958 and 30 August 1962; cf. page 104, "Money Market Regulation and Money Market Policy").

Prime bankers' acceptances

The guiding principles for the purchase of 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).

Bills drawn on debtors

By virtue of special decisions of the Central Bank Council promissory notes of the Import and Storage Agencies (Storage Agency bills) are declared purchasable, up to certain maximum amounts newly fixed from time to time, and are used in the regulation of the money market (latest decision of 18 March 1965; cf. page 104, "Money Market Regulation and Money Market Policy").

Promissory notes of the Import and Storage Agencies

Also rediscountable are the promissory notes of German exporters, bearing the endorsement of the exporter's bank and of the Ausfuhrkredit-AG (Export Credit Company), and necessary prolongations of the said instruments, which have been issued mainly for the purpose of financing medium and long-term transactions for deliveries to developing countries within the limits of a rediscount line accorded to the Ausfuhrkredit-AG (decisions of 5/6 March 1952 and 5 May 1960). Since the beginning of 1963 the rediscount line, known as Limit B of the Ausfuhrkredit-AG, has amounted to DM 300 million (decision of 5 May 1960).

Bills for financing export orders

The rediscount line may be used only for credits running for not less than one 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 export transactions of this kind, therefore, the Bundesbank's assistance is given only for the purpose of bridging over the period between dispatch of the goods and receipt of the export proceeds (decisions of 18 May 1956, 25 July 1956 and 6 February 1957). The rediscount line must not be used to provide funds for capital investment or working resources for general export purposes of the exporting firms.

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 from any person bills and cheques which are expressed in foreign currency. At present the Bank is making use of this power only in so far as it is prepared to purchase bills and cheques expressed in foreign currency not only from credit institutions but also from public departments (decisions of 16 October 1957 and 4 September 1958).

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

### *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 debt register claims 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 Federal Advertiser and in 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 will be decided according to the general credit situation and the individual circumstances of the would-be borrower. In principle an advance against securities shall be granted only where the object is to cover for a short period a temporary need for liquidity, and where 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 in principle also ineligible as security for advances (decision of 10 May 1949). There is an exception in the promissory notes of German exporters, financed through the Ausfuhrkredit-AG's Limit A, which instruments may be taken as security for advances but may not be purchased (decisions of 5/6 December 1951 and 8 March 1962).

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 of the Law concerning the Deutsche Bundesbank, 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).

<sup>1)</sup> According to the decision taken by the Federal Constitutional Court on 16 June 1959 the Law on the Redemption of Equalisation Claims of 14 June 1956 (Federal Law Gazette I, page 507), in the version of Article 11 of the Law for Increasing Payments in respect of Private Pension Insurance (Insurance Companies and Pension Funds) as well as of Compulsory Capital-sum Insurance, of 24 December 1956 (Federal Law Gazette I, page 1074), and of Article 26 of the Law to Amend Provisions of Conversion Law (Second Supplementary Conversion Law) of 23 March 1957 (Federal Law Gazette I, page 285), is incompatible with Article 120 of the Basic Law and is therefore null and void.

## 2. Rediscount Quotas for Credit Institutions

The extent of recourse by credit institutions to the Deutsche Bundesbank by way of rediscounting bills of exchange and foreign cheques is limited—apart from other measures of Central Bank policy—through rediscount quotas. The Central Bank Council has laid down standard quotas based on the credit institutions' liable funds and differentiated according to categories of institutions (decisions of 17 April 1952 and 7 March 1963). As from 1 May 1965 the standard quotas, which in recent years, together with the credit institutions' liable funds, have been rising substantially, will be generally re-calculated. The resulting reductions of standard quotas will become effective at the beginning of October 1965 (decision of 4 March 1965).

The rediscount quotas are fixed by the Boards of Management of the Land Central Banks for the credit institutions located in their area. The rediscount quota of any large bank with a branch system, or of any other supra-regionally operating credit institution, is fixed by the Board of Management of the Land Central Bank in the area of which the head office of the institution in question is located (decision of 17/18 September 1952).

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

Ausfuhrkredit-Aktiengesellschaft, Frankfurt am Main,  
Deutsche Bau- und Bodenbank AG, Frankfurt am Main,  
Deutsche Genossenschaftskasse, Frankfurt am Main,  
Deutsche Girozentrale — Deutsche Kommunalbank, Düsseldorf,  
Deutsche Verkehrs-Kredit-Bank AG, Frankfurt am Main,  
Industriekreditbank AG, 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.

The rediscount quota of a credit institution is individually determined in accordance with the standard quota, due regard being given to whether the credit institution observes the principles of the Federal Banking Supervisory Office in respect of the credit institutions' capital resources and liquidity. The method of fixing the quotas contains sufficiently elastic elements.

Since September 1964 the rediscount quota fixed for each credit institution has been reduced for the succeeding month by the additional amount computed by comparing the credit taken abroad by the credit institution at the end of any month with the average amount of credit taken abroad at the ends of months between 31 January and 30 June 1964. Upon application by a credit institution such credits are disregarded in the computation as serve the initial financing of imports or the financing of merchanting transactions (decision of 9 July 1964).

For the purpose of determining the extent to which any credit institution has used its rediscount quota the total amount of the bills which the credit institution has rediscounted and which are not yet due (except those mentioned in the following paragraph), and of the foreign cheques, is decisive.

Outside the fixed rediscount quota those promissory notes of German exporters may be purchased which have been issued within the rediscount line (Limit B) opened by the Bundesbank for the Ausfuhrkredit-AG for the purpose of financing medium and long-term export transactions (decision of 17 April 1952), 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.

### **3. Money Market Regulation and Money Market Policy**

In order to enable the Deutsche 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 Bank holds under the Monetary Reform provisions, is required by law (Article 42 of the Law concerning the Deutsche Bundesbank) to hand to the Bank, on request, Treasury bills or non-interest 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 June 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 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 (decisions of 11 January 1956, 10 April 1958 and 21 January 1965).

With a view to maintaining the efficiency of the prime acceptance market, 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.

### **4. Provisions as to Minimum Reserves**

During the year under review the Deutsche Bundesbank's Order on Minimum Reserves remained unchanged.

In the course of 1964 the minimum reserve ratios were raised by decisions of the Central Bank Council of 19 March and 9 July 1964. With effect from 1 April 1964 the reserve ratios applying to liabilities to non-residents (Article 4 paragraph 1 item 4 of the Foreign Trade and Payments Law) were fixed at the maximum rates permitted by law (sight liabilities: 30 per cent; time liabilities: 20 per cent; savings deposits: 10 per cent). With effect from 1 August 1964 the reserve ratios applying to liabilities to residents (Article 4 paragraph 1 item 3 of the Foreign Trade and Payments Law) were raised by 10 per cent of their July 1964 level. A table showing the movements of reserve ratios will be found on p. 110 of this Report.

The version of the Order on Minimum Reserves as at present in force is reproduced below.

#### **The Deutsche Bundesbank's Order on Minimum Reserves**

*of 3 September 1962*

*as amended on 22 March 1963*

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 (also branches of foreign banks) conducting bank business within the meaning of Article 1 paragraph 1 of the Banking Law of 10 July 1961 (Federal Law Gazette I p. 881) within the scope there indicated.



(2) Not subject to the reserve obligation are

- (a) the enterprises mentioned in Article 2 paragraph 1 items 4 to 9 of the Banking Law, except those quoted in Article 2 paragraph 1 item 8 of the Banking Law which mainly conduct banking business;
- (b) the investment companies (Law dated 16 April 1957);
- (c) the security-clearing institutions (Kassenvereine);
- (d) credit institutions which are in liquidation, other credit institutions whose activity is confined to winding up and dormant credit institutions.

#### Article 2

(1) Liabilities subject to the reserve requirement comprise all liabilities to

- (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. In the case of a credit institution as defined in Article 53 of the Banking Law, a net liability on intercompany account is likewise deemed to be a liability in respect of deposits within the meaning of sentence 1.

(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 — *i. e.*, running for less than six months — 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) to 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, 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 corresponding covering balance at a bank within the country or abroad;
- (e) of a credit institution in the legal form of a general partnership (OHG), limited partnership (KG), or company limited by shares (KGaA), to personally liable partners, provided the liabilities represent balances on accounts which are exclusively credited with dividends;
- (f) in respect of customers' drawings on credits opened with third parties;
- (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 Savings Law for amounts credited as compensation to deposit accounts;
  - (j) in respect of savings deposits to the extent of the covering claims held under the Thirteenth Law to Amend the Equalisation of Burdens Law;
  - (k) in respect of funds borrowed by a credit institution which apart from bank business also conducts business in goods or services and keeps separate accounts for its bank and its non-bank business, if such funds are intended exclusively for financing its own business in goods or services, provided this is shown by the books.
- 4) Also exempt from the reserve obligation are liabilities to non-residents (Article 4 of the Law on Foreign Trade and Payments) — in so far as they are not already exempt under the above provisions — in the amount of the credit balances maintained with banks abroad and not taken into account according to paragraph 3 (d) and of the foreign money-market investments (bank acceptances, bank-endorsed commercial bills, Treasury bills and non-interest-bearing Treasury bonds).
- (5) Branches of foreign banks (Article 53 of the Banking Law) may, for the purpose of calculating the minimum reserve, deduct from a net liability on intercompany account those liabilities in relation to their own enterprise which in the case of a juridically independent credit institution would constitute liabilities according to paragraph 3 items d, f, or g.

#### 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, and, in the case of a credit institution as defined in Article 53 of the Banking Law, a net liability on intercompany account.
- (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 deposits within the meaning of Articles 21 and 22 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 affiliated to a 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 Reserves

#### 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 classes), then the ranking of a credit institution in one of the reserve classes is determined by the total of the monthly averages shown in the previous month's Reserve Statement (Article 11) for its liabilities subject to the reserve requirement.

#### Article 8

- (1) The monthly average of the liabilities subject to the reserve requirement is calculated from the totals at the close of the business and non-business days in the period from the 16th of the previous month to the 15th of the current month.
- (2) The monthly average can instead be calculated uniformly for all categories of liabilities subject to the reserve requirement (Article 3) from the total of these liabilities as they stand at the close of the following four days:
  - 23rd day of the previous month;
  - last day of the previous month;
  - 7th day of the current month;
  - 15th day of the current month.

This method may be excluded in individual cases where there is reason to assume that the credit institution has influenced the level of the reserve-carrying liabilities at the four fixed dates so as to depress it below the amount which would result from calculation according to Article 8 paragraph 1.

- 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.

#### Article 9

- (1) The actual reserve means the monthly average of the credit balance maintained in accordance with Article 5. It is 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 at the close of the preceding business day — and notified to the credit institution at the close of the month by the Bundesbank (or the appropriate central institution in the case of agricultural credit cooperatives).
- (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 fifth 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) to the account-keeping office of the Bundesbank. For each day (Article 8) this statement shall show — on a schedule in the case of liabilities the monthly average of which is calculated in accordance with Article 8 paragraph 1 — the liabilities subject to such requirement divided according to the different categories (Article 3), and the liabilities left out of account in accordance with Article 2 paragraphs 2 to 5 divided between liabilities in accordance with paragraph 2 and paragraphs 3 to 5 of that Article.
- (2) (a) In the case of credit institutions with several branches, each office or branch shall in principle submit a reserve statement (Form 1500 — cf. paragraph 1). A combined reserve statement (Form 1500) indicating the number of the offices or branches covered may however be submitted for two or more offices or branches at similar places in the area of one Land Central Bank, if the records of the institution at any time permit the liabilities to be broken down according to the individual offices or branches. At the request of the Land Central Bank such breakdown has to be made for the time fixed by it.
- (b) If a credit institution renders more than one reserve statement (Form 1500), the main office has moreover to submit a collective statement (Form 1500a) in which the monthly averages shown in the reserve statements (Form 1500) of the liabilities subject to the reserve requirement and of the Bundesbank giro balances of each office or branch, or of the offices or branches combined in one reserve statement (Form 1500), are to be shown. In this case the monthly averages of the reserve-carrying liabilities of offices or branches not having a Bundesbank giro account of their own may be shown in summary, with an indication of the number of such offices or branches, even if no use has been made of the possibility of submitting a combined statement — cf. (a).
- (c) The collective statement (Form 1500a) shall likewise be submitted together with the reserve statements (Form 1500) not later than the fifth business day in each month, in respect of the past month, to the Bundesbank's account-keeping office appropriate to the main office of the credit institution; the appropriate Land Central Bank may permit 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 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 comes into force on 1 October 1962. At the same time the Deutsche Bundesbank's Order on Minimum Reserves of 16 April 1959, as amended on 9 July 1959, 17 March, 2 June, 18 August 1960, 20 April, 13 July, 12 October, 21 December 1961, 25 January and 22 February 1962, ceases to have effect.

Deutsche Bundesbank  
*Blessing Dr. Wolf*

## 5. 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 from	Discount rate <sup>1)2)</sup>	Rate for advances on securities	Special rate of interest charged to credit institutions for failure to meet the 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	7	
Nov. 1			1
1951 Jan. 1			3
1952 May 29	5	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	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	
Sep. 4	3	4	
Oct. 23	4	5	
1960 June 3	5	6	
Nov. 11	4	5	
1961 Jan. 20	3 1/2	4 1/2	
May 5	3	4 <sup>3)</sup>	
1965 Jan. 22	3 1/2	4 1/2	

\*) 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. — <sup>2)</sup> Until May 1956 lower rates as well applied to foreign bills and export drafts; fixed special rates were charged for certain credits which had been granted to the Reconstruction Loan Corporation and which ran out at the end of 1958 (for details see footnotes to the table published in the Report for the Year 1961, page 91; cf. also page 16 in the off-print "The Deutsche Bundesbank's Credit and Foreign Exchange Policy Regulations at Present in Force — Position: May 1962"). — <sup>3)</sup> An allowance of 3/4 per cent per annum was granted in respect of the advances on securities taken by credit institutions between 10 December 1964 and 31 December 1964.



## II. Foreign Exchange Policy Regulations

No new foreign exchange policy arrangements were made in 1964. The restrictions contained in Article 52 of the Foreign Trade and Payments Order concerning the sale of domestic money-market paper to non-residents, and the sale of domestic fixed-interest securities to non-residents by way of security transactions under repurchase agreements (*“en pension”* transactions) remained in force. The same applies to the regulation, laid down in Article 53 of the Foreign Trade and Payments Order, providing that the payment of interest on non-residents' credit balances other than individuals' savings balances requires a permit. As before, no permits have been granted for payment of interest on sight deposits.

Foreign trade  
and payments

In May 1962 the credit institutions had been granted the facility of obtaining permits allowing payment of interest on time deposits of non-residents up to specified maximum rates. This facility was discontinued in March 1964 until further notice. Interest may only be paid on the existing time deposits until their due dates or until expiry of the first term of notice. It is only for the payment of interest on balances held by non-resident customers as cover for letters of credit that permits are still granted on application.

For the rest reference is made to the “Comparative Survey of the Progressive Liberalisation of Trade in Goods and the Main Items of Services and Capital Transactions with Foreign Countries” printed on the following pages.

In interzonal clearing transactions with the Deutsche Notenbank, Berlin, the total swing allowed was again DM 200 million. The annual turnovers in these clearing transactions, and the state of the clearing accounts on 31 December 1964, are indicated in Part B (Annual Statement — Assets — Other claims).

Interzonal transactions

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

	Position at end of 1949	Position at end of 1956	Position in July 1958	Position in April 1964 (since then unchanged)
<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>	*)
II. from dollar countries (in p.c. of 1953 imports)	—	92.9 per cent <sup>1)</sup>	95.0 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, social security 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 (ab) foreign payment media	free up to DM 40 free	free free	free free	free free
(b) by foreigners (ba) national payment media (bb) foreign payment media	free up to DM 40 free	free free	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 natural 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. — \*) The ratio of liberalisation is no longer calculated.



*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 April 1964 (since then unchanged)
<b>C. Capital Transactions</b>				
I. Income from foreign-owned investments in the Federal Republic and proceeds of drawn bonds	to Blocked DM Account	free	free	free
II. Repatriation of foreign-owned capital amounts or investments (including transfer of capital assets to emigrants)				
(1) Proceeds of sale, redemption, repayments	to Blocked DM Account	free in currency of limited convertibility; otherwise Special Licence	free	free
(2) Balances on accounts at financial institutions	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 (except for "en pension" security transactions)
(b) German money-market paper	not permitted	not permitted	not permitted	not permitted at present
(c) DM loans running for not less than 5 years	not permitted	free out of Liberalised Capital Accounts, maximum interest rate 4½%; 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 Official 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 Accounts</b>				
I. For foreigners, at financial institutions in the Federal Republic				
	Blocked DM Accounts only (interest-bearing)	Accounts of limited and of free convertibility (non-interest-bearing)	Accounts of limited and of free convertibility (non-interest-bearing)	All accounts freely convertible (interest only on savings accounts of natural persons and on cover for letters of credit)
II. For residents, at foreign financial institutions				
(1) Financial institutions	Opening and operation restricted	Opening free; operation restricted	Opening free; operation restricted	Opening and operation free
(2) Business enterprises	not permitted	Opening and operation restricted	Opening free; operation restricted	Opening and operation free
(3) Individuals	not permitted	Opening and operation restricted	Opening free; operation restricted	Opening and operation free
III. Foreign currency accounts for residents, at financial institutions in the Federal Republic	not permitted	Opening free; operation restricted	Opening free; operation restricted	Opening and operation free

## Part B

# Explanation of the Deutsche Bundesbank's Annual Statement for 1964

## Legal Bases, Classification and Valuation

Legal bases,  
accounting system  
and Annual Statement

The provisions regarding the Deutsche Bundesbank's accounting system and Annual Statement (Article 26 of the Law concerning the Deutsche Bundesbank of 26 July 1957 — Bundesbank Law — Federal Law Gazette I, page 745) have remained the same as in the previous year.

Changes in con-  
nection with staff

The Bank has concluded a number of collective agreements, through which the legal positions of its salaried employees and wage-earners were in each case assimilated to those of the Federal Government's salaried employees and wage-earning workers.

Form of the  
Annual Statement

In the same way as in previous years the classification of the Annual Balance Sheet, and the designation of the Balance Sheet items, have been largely adapted to the arrangement in the Bank's weekly return. The Asset Item "Loans to international institutions and consolidation loans" has been supplemented as compared with last year by adding, in the text column, the sub-item "among which: to I.M.F."

The classification of the Profit and Loss Account has remained unchanged by comparison with 1963.

Valuation

In the same way as in previous years the provisions of the Companies Act (*Aktiengesetz*) have been taken into account *mutatis mutandis* in the valuation (Art. 26 Bundesbank Law).

## Conversion Account

The Combined Conversion Account of the Institutions Amalgamated to Form the Deutsche Bundesbank is attached to this Report as Appendix 1.

Through the corrections of the Partial Conversion Accounts for the Bank deutscher Länder and the Land Central Banks, which now give the position shown by the books on 31 December 1964, the Bank's claim to allocation of Equalisation Claims has declined by DM 141,105.68 to DM 8,103,325,756.18; the claim on the Federal Government arising from the non-interest-bearing debt certificate issued in connection with the currency conversion in Berlin has remained unchanged.

## Annual Statement

The Annual Statement for 1964, which is attached as Appendix 2, will be explained as usual in the order of the items in the Balance Sheet and Profit and Loss Account. At the same time a report is rendered on the Bank's activity during 1964.

## Balance Sheet

### Comparison of Balance Sheet Results

Millions of DM

Assets	31 December			Liabilities	31 December		
	1962	1963	1964		1962	1963	1964
Gold	14,490.1	15,137.7	16,730.8	Capital	290.0	290.0	290.0
Balances at foreign banks and money-market investments abroad	10,929.1	12,894.4	10,769.6	Reserves	638.0	700.8	775.8
Foreign notes and coin, foreign bills and cheques	329.1	417.2	563.4	Reserves for specific purposes	1,075.6	1,260.4	1,475.1
German divisional coin	44.8	81.1	116.2	Bank notes in circulation	24,146.6	25,426.6	27,691.8
Postal cheque account balances	545.8	376.2	377.1	Deposits of			
Domestic bills of exchange	1,967.4	1,646.7	2,413.3	credit institutions	12,232.3	13,607.0	15,143.3
Treasury bills and non-interest-bearing Treasury bonds of Federal Government and Federal Special Funds	—	125.1	307.0	Federal Government	40.6	93.4	42.6
Advances against securities	157.7	207.7	645.7	Federal Special Funds	634.7	1,161.4	979.8
Cash advances	739.1	1,749.3	1,212.0	<i>Länder</i>	3,553.7	2,837.9	2,145.7
Other claims	91.3	70.4	102.4	other public depositors	55.2	33.9	46.5
Securities	1,368.9	1,221.7	1,175.6	other German depositors	278.8	272.8	252.6
Equalisation claims on public authorities and debt certificate in respect of Berlin	4,957.8	3,989.9	6,081.4	Liabilities in respect of foreign business	374.4	269.9	307.5
Credits to Federal Government for participation in international institutions	2,155.7	2,294.2	3,016.0	Items in course of settlement	302.8	—	—
Claims on Federal Government in respect of				Other liabilities	133.8	123.5	107.4
acquisition of claims resulting from post-war economic aid	2,512.8	2,512.8	2,010.3	Net profit	226.4	269.9	303.7
alteration of exchange parity	1,190.2	1,082.5	943.0				
Loans to international institutions and consolidation loans	2,289.4	2,121.8	2,683.5				
Items in course of settlement	—	153.1	195.1				
Other assets	213.7	265.7	219.4				
<b>Total</b>	<b>43,982.9</b>	<b>46,347.5</b>	<b>49,561.8</b>	<b>Total</b>	<b>43,982.9</b>	<b>46,347.5</b>	<b>49,561.8</b>

The Balance Sheet total as at 31 December 1964 has risen by DM 3,214.3 million, as compared with the end of 1963, to DM 49,561.8 million.

Balance Sheet total

### Assets

The gold holding, at DM 16,730.8 million on 31 December 1964, is shown higher by DM 1,593.1 million than on 31 December 1963.

Gold

The balances at foreign banks and the money-market investments abroad amounted to DM 10,769.6 million on 31 December 1964 (against DM 12,894.4 million on 31 December 1963).

Balances at foreign banks and money-market investments abroad

The Bank's turnover in foreign exchange spot dealings (foreign currency against Deutsche Marks) amounted to DM 14,924.4 million in the year under report, against DM 11,824.6 million in 1963; the number of deals rose from 7,640 in the previous year to 9,775. They comprised

Foreign exchange dealings

	1963		1964	
	Number	DM million	Number	DM million
Purchases	3,483	7,281.3	3,647	6,715.9
Sales	4,157	4,543.3	6,128	8,208.5
	<u>7,640</u>	<u>11,824.6</u>	<u>9,775</u>	<u>14,924.4</u>

The bulk of the turnover was once again in U.S. dollars.

In addition during the year under review the Bank effected 831 cross deals (one foreign currency against another foreign currency) in the equivalent of DM 1,854.0 million, as against 747 deals in the equivalent of DM 1,725.0 million in the previous year; furthermore in the year under report 307 U.S. dollar inter-centre switch transactions amounting to U.S. \$ 29.3 million were concluded, as against 373 transactions amounting to U.S. \$ 47.5 million in the previous year.

In March 1964, with a view to extending the facilities for short-term investment in the money market, the Bank decided to make its holdings of U.S. dollar Treasury bills available for use by the market with a forward rate-fixing arrangement included.

It accordingly declared itself prepared from 10 March 1964 onwards to sell to the German banks on a spot basis the U.S. dollar amounts required for their purchases of U.S. dollar Treasury bills, and to repurchase the said amounts at three to six months forward. On forward repurchase of the U.S. dollars sold spot the Bank at first charged a discount of  $\frac{1}{2}\%$  per annum; with effect from 13 July 1964 this rate was reduced to  $\frac{1}{4}\%$  per annum. Altogether during the year under report such U.S. dollar swap transactions were concluded to the extent of U.S. \$ 393.0 million, and liquidated to that of U.S. \$ 304.0 million, so that on 31 December 1964 the commitment amounted to U.S. \$ 89.0 million; the commitment reached its highest level of U.S. \$ 201.0 million, on 2 August 1964.

Foreign payments      The payment orders to and from foreign countries processed by the Bank have been as follows:

	1962	1963	1964
		Number	
Orders for payment to foreign countries			
in foreign currency	233,870	257,859	284,564
in DM	220,718	255,431	310,986
	<u>454,588</u>	<u>513,290</u>	<u>595,550</u>
Orders for payment from foreign countries			
in foreign currency	17,772	16,596	17,117
in DM	228,947	165,613	144,499
	<u>246,719</u>	<u>182,209</u>	<u>161,616</u>
Total processed orders for payment to and from foreign countries	701,307	695,499	757,166.
Of the orders for payment in foreign currency the amount executed to the debit of German credit institutions' U.S. \$ accounts kept at the Bank was	3,042	2,243	2,244
and to the credit of such accounts	<u>1,772</u>	<u>1,142</u>	<u>1,138</u>
	4,814	3,385	3,382.
The number of transfers between such accounts was	53,808	55,747	58,977.

Trade and other economic agreements

During the year under report the Bank assisted in the conclusion of trade and other economic agreements with 16 countries, including five investment promotion agreements.

At DM 4.0 million the holding of foreign notes and coin at the end of 1964 was smaller by DM 0.6 million than on 31 December 1963. During the year under review the Deutsche Bundesbank effected 33,517 purchases of foreign notes and coin (against 33,390 in 1963) and 13,900 sales of foreign notes and coin (against 15,032 in 1963).

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

At the close of 1964 the holding of foreign bills arising from purchase within the country was DM 557,4 million as compared with DM 411.2 million on 31 December 1963.

Purchase of foreign bills

*Purchase of Foreign Bills in the Land Central Bank Areas*

Land Central Bank	1963		1964	
	Number	DM mn	Number	DM mn
Baden-Württemberg	12,562	169.1	14,863	231.3
Bavaria	6,795	190.5	7,234	281.8
Berlin	1,044	43.9	913	53.7
Bremen	427	21.5	535	15.8
Hamburg	2,411	98.1	3,269	189.4
Hesse	8,816	336.8	11,359	479.3
Lower Saxony	5,322	111.1	5,087	130.4
North Rhine-Westphalia	26,433	697.7	28,567	774.3
Rhineland-Palatinate	2,306	34.6	2,800	57.4
Saarland	1,932	394.7	2,719	400.1
Schleswig-Holstein	884	10.9	852	13.3
Total	68,932	2,108.9	78,198	2,626.8

The proportion of DM acceptances to the total value of the foreign bills purchased averaged about 51 per cent for the year 1964 against about 54 per cent for the year 1963.

During the year under report 150,075 foreign cheques worth DM 135.7 million were purchased, against 143,031 worth DM 138.3 million in the previous year. Altogether 11,288 cheques on foreign countries were sold, against 12,239 in 1963, their total amount being DM 22,7 million as against DM 81.8 million in 1963.

Purchase and sale of foreign cheques

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

Foreign commission business

	1963	1964
	Number	
Foreign notes and coin	5,317	5,153
Bills, cheques, etc., on a commission basis	9,911	10,918
	15,228	16,071

The Bank's holding of German divisional coin amounted to DM 116.2 million at the close of 1964, against DM 81.1 million at the end of 1963. In 1964 the Federal Government was credited with DM 163.5 million for coin taken over from the Mints, and debited with DM 0.6 million for coin called in or no longer fit for circulation. Altogether in the years 1948 to 1964 the Bank took over coin amounting to DM 2,114.8 million, and redeemed, to the debit of the Federal Government, DM 145.7 million of coins which were no longer fit to circulate or had been called in.

German divisional coin

With the inclusion of the deliveries of coin still outstanding at the end of December 1964 on minting orders given up till that time, namely DM 55.9 million of all denominations, the amount of coin per head of population works out at DM 34.62 on the basis of a population, on 30 September 1964, of 58.5 million in the Federal Republic of Germany including the Land of Berlin.

The postal cheque account balances, including the branches' transfers in progress to the postal cheque account of the Bank (Directorate) at Frankfurt am Main, totalled on 31 December 1964 DM 377.1 million (against DM 376.2 million at the end of 1963). Each day the credit balance on that account, in amounts rounded off to multiples of DM 100,000, is offset against the giro balance of the Central Cash Office of the Postal Administration.

Balances on postal cheque account

*Postal Cheque Transactions with Third Parties*

Area	1963				1964			
	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								
Baden-Württemberg	91,120	7,772.8	38,659	878.7	102,693	8,461.0	27,485	757.5
Bavaria	91,764	9,290.1	26,602	853.1	100,006	9,986.4	17,591	707.8
Berlin	14,855	1,681.9	12,527	445.9	15,480	1,822.9	8,240	394.3
Bremen	27,719	883.2	2,296	38.8	25,900	868.0	1,541	26.4
Hamburg	55,441	4,690.5	6,941	60.5	58,737	4,989.8	5,906	68.8
Hesse	63,311	5,069.7	24,768	1,141.6	64,559	5,522.7	14,624	846.4
Lower Saxony	102,923	4,892.9	7,175	213.5	113,609	5,258.5	6,584	159.0
North Rhine-Westphalia	190,572	10,410.6	42,708	1,555.1	192,937	11,440.6	28,787	1,421.0
Rhineland-Palatinate	54,105	1,906.6	11,691	268.6	55,158	2,047.9	7,711	119.8
Saarland	4,472	920.9	1,180	41.8	5,057	984.9	1,052	22.8
Schleswig-Holstein	10,964	267.2	6,302	117.1	10,596	230.5	4,047	71.2
Total	707,246	47,786.4	180,849	5,614.7	744,732	51,613.2	123,568	4,595.0
Bundesbank — Directorate —	9,227	1,398.9	47,298	43.9	9,868	1,509.9	32,682	43.6
Grand total	716,473	49,185.3	228,147	5,658.6	754,600	53,123.1	156,250	4,638.6

**Domestic bills of exchange**

The domestic bill holding comprised:

Domestic bills

purchased by way of discount

Import and Storage Agency bills taken in the course of open-market operations

Prime bankers' acceptances thus taken

31 Dec. 1963      31 Dec. 1964

Millions of DM

1,479.0      2,246.8

30.2      98.1

137.5      68.4

1,646.7      2,413.3.

The average bill holding, as calculated from the figures on the return dates in the year under report, was DM 2,597.7 million against DM 1,874.1 million in 1963.

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

Land Central Bank	Purchase				Held on	
	1963		1964		31 Dec. 1963	31 Dec. 1964
	'000	DM mn	'000	DM mn	DM mn	
Baden-Württemberg	233	2,358.7	225	2,560.2	89.9	163.0
Bavaria	88	1,224.4	112	1,886.2	77.1	140.9
Berlin	12	344.0	14	492.7	4.8	27.8
Bremen	40	650.6	47	809.6	40.5	60.2
Hamburg	109	2,171.8	124	2,788.3	168.2	236.8
Hesse	253	4,982.1	272	7,337.5	402.2	529.3
Lower Saxony	114	1,128.0	122	1,370.5	100.1	157.4
North Rhine-Westphalia	446	8,265.4	415	9,161.7	458.0	758.7
Rhineland-Palatinate	61	524.7	57	611.4	41.6	59.8
Saarland	8	372.9	9	436.6	43.6	43.1
Schleswig-Holstein	56	437.9	56	587.4	42.7	64.2
Bills in course of remittance	—	—	—	—	10.3	5.6
Total	1,420	22,460.5	1,453	28,042.1	1,479.0	2,246.8

At DM 19,299 the average amount of the bills purchased in 1964 was above the previous year's average of DM 15,817.

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

	1963		1964	
	Number	DM million	Number	DM million
	6,438	14.9	5,545	13.4
in per cent of the total purchased	0.5	0.07	0.4	0.05.

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

Commission business

	Number	DM million
1963	239,810	1,727.1
1964	220,513	1,603.0.

The Bundesbank's discount rate for domestic and foreign bills and for foreign cheques had been 3% since 5 May 1961; it was raised to 3½% with effect from 22 January 1965.

Discount rate

Open-market purchases and sales of Storage Agency bills were greater than in the previous year. Bills having a face value of DM 1,730.5 million were purchased (in 1963 DM 1,081.2 million), and DM 942.8 million of these (in 1963 DM 740.6 million) were resold. Bills amounting to DM 719.8 million out of the Bank's holding were redeemed in 1964 (against DM 331.7 million in 1963). On 31 December 1964 the Bank's holding of Storage Agency bills amounted to DM 98.1 million (against DM 30.2 million at the end of 1963).

Storage Agency bills

During the year under report again the Bank afforded the scheduled liquidity assistance to the prime bankers' acceptance market. Items amounting to DM 1,295.3 million (in 1963 DM 712.9 million) were purchased from the Privatdiskont-Aktiengesellschaft, Frankfurt am Main, which acts as broker; DM 1,193.0 million (against DM 488.9 million in 1963) were resold to the market. Prime bankers' acceptances amounting to DM 171.4 million remained in the Bank's hands until maturity. On 31 December 1964 DM 68.4 million of prime bankers' acceptances were in the Bank's portfolio.

Prime bankers' acceptances

During the year under report the Bank's open-market business also included — besides the Storage Agency bills, the prime bankers' acceptances and the mobilisation paper (under Art. 42 Bundesbank Law) discussed below — the Treasury bills of the Federal Government and of the German Federal Railways, as well as the non-interest-bearing Treasury bonds of the Federal Government, the German Federal Railways and the German Federal Postal Administration, which were placed for account of the issuers.

Treasury bills and non-interest-bearing Treasury bonds of the Federal Government and Federal Special Funds

#### *Money-Market Paper Issued for Account of Federal Government and Federal Special Funds*

Millions of DM

Category of paper	In circulation on 31 Dec. 1963	Issued		In circulation on 31 Dec. 1964
		in 1964		
Treasury bills of the Federal Republic of Germany "B" <sup>1)</sup>	—	430.0	430.0	—
Non-interest-bearing Treasury bonds of the Federal Republic of Germany "B" <sup>1)</sup>	400.6	547.0	400.6	547.0
Treasury bills of the German Federal Railways	343.9	1,436.5	1,380.4	400.0
Non-interest-bearing Treasury bonds of the German Federal Railways	445.0	454.2	449.2	450.0
Non-interest-bearing Treasury bonds of the German Federal Postal Administration	300.1	284.1	284.2	300.0

<sup>1)</sup> "B" has been added to distinguish these instruments of indebtedness from the mobilisation paper dealt with further below.

Of the items shown in the table the following were held by the Bank on 31 December 1964:

Millions of DM

200.0	non-interest-bearing Treasury bonds of the Federal Republic of Germany "B",
105.2	Treasury bills of the German Federal Railways, and
1.8	non-interest-bearing Treasury bonds of the German Federal Postal Administration
307.0	

The Treasury bills of the German Federal Railways and the non-interest-bearing Treasury bonds of the German Federal Postal Administration matured by 8 February 1965; the non-interest-bearing Treasury bonds of the Federal Republic of Germany "B" were resold in January 1965.

Advances  
against securities

The average extent of recourse to the Bank through taking advances against securities, as calculated from the amounts on return dates during the year under review, was DM 124.7 million against DM 60.3 million in 1963. On 31 December 1964 such advances outstanding totalled DM 645.7 million as compared with DM 207.7 million at the end of 1963.

*Lending against Securities in the Land Central Bank Areas*

Land Central Bank	Advances granted against securities				Outstanding on	
	1963		1964		31 Dec. 1963	31 Dec. 1964
	Number	DM mn	Number	DM mn	DM mn	
Baden-Württemberg	1,093	639.1	967	656.1	20.3	17.5
Bavaria	992	238.6	860	276.5	57.0	64.2
Berlin	43	79.8	35	74.9	0.0	1.5
Bremen	70	11.8	37	26.2	2.6	0.0
Hamburg	644	556.4	599	1,203.9	6.8	16.8
Hesse	1,398	1,262.2	1,272	4,266.1	57.9	220.6
Lower Saxony	1,820	378.8	1,727	489.4	38.7	54.8
North Rhine-Westphalia	853	985.9	909	3,574.7	9.1	234.5
Rhineland-Palatinate	941	341.6	777	301.0	14.9	28.4
Saarland	61	36.0	63	49.3	0.0	6.4
Schleswig-Holstein	266	67.2	317	86.1	0.4	1.0
Total	8,181	4,597.4	7,563	11,004.2	207.7	645.7

Advance rate

The rate for advances against securities had been 4% since 5 May 1961; it was raised to 4½% with effect from 22 January 1965. An allowance of ¾% per annum was made to credit institutions in respect of the advances taken against securities between 10 and 31 December 1964.

Cash advances

Art. 20, paragraph 1, item 1 Bundesbank Law 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 <i>Länder</i> DM 20 per inhabitant, except for Berlin, Bremen and Hamburg, where the limit is DM 40 per inhabitant.	



Of these amounts the following had been taken and were outstanding on 31 December 1964:

	Millions of DM		
as book credit			(a) Fed. Govt. and Fed. Special Funds
Federal Government		1,081.1	
Equalisation of Burdens Fund		36.9	
through issue of Treasury bills in respect of which the Bank has given an assurance of purchase			
Federal Railways		400.0	
as book credit			(b) Länder
Baden-Württemberg	41.0		
Saarland	14.0		
Schleswig-Holstein	38.9	94.0	

Interest on the cash advances is payable at the Bundesbank's current discount rate.

Interest rate

The "Other claims" of DM 102.4 million shown in Asset Item 10 (in 1963 DM 70.4 million) include *inter alia* the net balance (DM 29.6 million against DM 2.1 million in 1963) of interzonal payments, which is cleared through the accounts kept at the Deutsche Notenbank, Berlin, and at the Bundesbank.

Other claims

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

	1963	1964
	Millions of DM	
West/East deliveries and services	955.0	1,125.5
East/West deliveries and services	1,001.4	1,097.9
	<u>1,956.4</u>	<u>2,223.4</u>

The holding of securities is shown at DM 1,175.6 million (against DM 1,221.7 million in 1963); it includes bonds and other debt certificates of the International Bank for Reconstruction and Development, domestic fixed-interest securities and Bundesbank Enjoyment Right Certificates.

Securities

During the year under report the Bank again currently operated, for account of the respective debtors, to prevent major fluctuations in the price of bonds of the Federal Government and the Federal Special Funds, of two *Länder* loans and of the loans issued by the Reconstruction Loan Corporation and the Equalisation of Burdens Bank.

Security issues

*Loans Issued Through the Federal Loan Consortium in 1964*

Issuer	Amount DM mn	Interest rate %	Issue price per cent	Start of sales 1964	Introduced on stock exchanges (official dealings) 1964
Federal Republic of Germany	400	6	100	2 Jan.	21 Jan.
German Federal Railways	270	5½	98	5 Feb.	18 Feb.
German Federal Postal Administration <sup>1)</sup>	200	5½	98	5 March	17 March
Federal Republic of Germany 2nd Issue	300	6	99	20 May	9 June
German Federal Railways	250	6	98	3 Aug.	18 Aug.
German Federal Postal Administration 2nd Issue <sup>1)</sup>	200	6	98	3 Sep.	22 Sep.
Federal Republic of Germany 3rd Issue	400	6	98	1 Oct.	20 Oct.
German Federal Railways 2nd Issue	270	6	98	19 Nov.	8 Dec.

<sup>1)</sup> In addition DM 10 million was placed by the issuer directly.

In 1964 the Federal Loan Consortium, which is under the Bank's leadership, offered for public sale bonds amounting to DM 2,290 million as compared with DM 3,145 million in the previous year.

In September 1964, through a consortium led by the Land Central Bank in the Rhineland-Palatinate, the Land of the Rhineland-Palatinate issued a DM 60 million 6% Loan of 1964, Second Issue, at a price of 98 per cent.

To holders of the German Federal Postal Administration's DM 410 million 7% Loan of 1958, called for repayment on 1 June 1964, a German Federal Postal Administration 6% Loan of 1964 was offered. The Bank effected conversion to the extent of DM 320 million, and on 7 July 1964 introduced the 6% Loan to stock exchange dealing. The Land Central Bank in the Rhineland-Palatinate and the Land Central Bank in Schleswig-Holstein cooperated in the conversion of the 7½% 1958 Loans of the respective *Länder* into 6% bearer bonds of 1964.

Treasury bonds (medium-term notes — *Kassenobligationen*) of the Federal Republic of Germany, the German Federal Railways and the German Federal Postal Administration, running for three and four years and bearing interest at 4½% and 5%, were sold through the Bank to a total extent of DM 590 million. In addition the German Federal Railways and the German Federal Postal Administration directly placed three and four-year 4½% and 5% medium-term notes totalling DM 210 million. So far as the said medium-term notes and those issued by the Reconstruction Loan Corporation and the Equalisation of Burdens Bank were admitted to stock exchange dealings, the Bank introduced them for regulated unofficial dealings on the stock exchanges at Frankfurt am Main and — in some cases — at Düsseldorf.

In its capacity as paying agent or agency for the bonds of the Federal Republic of Germany, issued in connection with the conversion of external bonds, the Bank in the course of the year under report paid 395,435 interest coupons and matured bonds as against 368,360 in 1963; the countervalue of 732,772 interest coupons and matured bonds, against 1,068,808 in 1963, was collected from foreign agents in 1964.

The Bank as conversion and paying agent for external loans

		31 Dec. 1963	31 Dec. 1964
		Millions of DM	
<b>Equalisation claims on public authorities</b>	Equalisation claims arising from		
	own Conversion Account Bank deutscher Länder	5,504.3	5,504.3
	Land Central Banks	2,599.1	2,599.0
		<u>8,103.4</u>	<u>8,103.3</u>
	Handed back in exchange for money-market paper	4,689.6	2,598.6
		<u>3,413.8</u>	<u>5,504.7</u>
	Conversion of Berlin pre-capitulation balances	27.6	28.0
	Conversion of RM balances at credit institutions in the Soviet Sector of Berlin	1.4	1.5
	<u>3,442.8</u>	<u>5,534.2</u>	

The decrease in the equalisation claims 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 1964, which account is attached to this Report as Appendix 1. The equalisation claims belonging to the Bank on 31 December 1963 in respect of its own Conversion Account and of the conversion of Berlin pre-capitulation balances

are entered in the Federal Debt Register; those in respect of the conversion of RM balances at credit institutions in the Soviet Sector of Berlin are entered in the Debt Register for the Land of Berlin.

The dealings in Federal Government Treasury bills and non-interest-bearing Treasury bonds, which in accordance with Art. 42 Bundesbank Law are handed to the Bank in exchange for the equalisation claim that it holds on the Federal Government in respect of its own Conversion Account, and which it sells to the market as a measure of open-market policy (mobilisation paper), decreased in the year under report. The new issues declined from DM 14.2 billion in 1963 to DM 8.0 billion in 1964. The amount of mobilisation paper in circulation on 31 December 1964 was DM 2,598.6 million (against DM 4,689.6 million at the end of 1963). The selling rates for mobilisation paper remained unchanged during 1964.

Mobilising of equalisation claims for the purpose of open-market policy

*Mobilisation Paper Sold and Redeemed*

Millions of DM

Category of paper	1962	1963			1964		
	in circulation on 31 Dec.	sold	redeemed	in circulation on 31 Dec.	sold	redeemed	in circulation on 31 Dec.
Treasury bills of the Federal Government (running for no more than ninety days)	1,319.5	9,816.4	10,153.1	982.8	5,803.0	5,939.9	845.9
Non-interest-bearing Treasury bonds of the Federal Government (running for 6 to 24 months)	2,449.2	4,408.8	3,151.2	3,706.8	2,152.4	4,106.5	1,752.7
Total	3,768.7	14,225.2	13,304.3	4,689.6	7,955.4	10,046.4	2,598.6

The Bank's claim on the Federal Government in respect of the currency conversion in Berlin remained unchanged during the year under report; it was DM 547.2 million on 31 December 1964.

Debt Certificate in respect of Berlin

Under Art. 20, paragraph 1, item 2 Bundesbank Law the Bank 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:

Credits to Fed. Govt for participation in international institutions

Millions of DM

International Monetary Fund	3,307.5
European Fund	210.0
International Bank for Reconstruction and Development	35.0

The credit granted to the Federal Government in respect of its participation in the International Monetary Fund rose to DM 2,961.6 million after DM 1,058.5 million of repayments and DM 1,780.3 million of DM drawings by various countries. The credits granted to the Federal Government for the purpose of meeting payment liabilities to the I.B.R.D. and to the European Fund remained unchanged during the year under review. Under an agreement with the Federal Government the Federal Republic of Germany's financial participations in the International Monetary Fund, the European Fund and the International Bank for Reconstruction and Development belong for practical purposes wholly or proportionately to the Bank.

The claims acquired by the Bank on the Federal Government in respect of post-war economic aid declined by DM 502.5 million during 1964 to DM 2,010.3 million as a result of redemption according to plan.

Claims on Fed. Govt in respect of (a) acquisition of claims resulting from post-war economic aid

**(b) alteration of exchange parity**

The claim which arose against the Federal Government on revaluation of the DM (on 6 March 1961) still amounts to DM 943.0 million; it was redeemed, as agreed, to the extent of the DM 139.5 million share of profit (remaining balance) which was due to the Federal Government for the year 1963 under Art. 27 Bundesbank Law.

**Loans to international institutions and consolidation loans**

At DM 2,683.5 million the loans to international institutions and consolidation loans are shown higher by DM 561.7 million than a year before. In detail the claims consist of:

	31 Dec. 1963	31 Dec. 1964
	Millions of DM	
Loan to I.M.F.	—	720.0
Loans to I.B.R.D.	1,342.5	1,343.1
Consolidation loans		
arising from liquidation of E.P.U.	751.0	614.6
to foreign Central Banks	28.3	5.8
	<u>2,121.8</u>	<u>2,683.5</u>

**Loan to International Monetary Fund**

In connection with the United Kingdom's drawing on the I.M.F. on 2 December 1964 the Fund for the first time obtained a loan from the Bank under the General Arrangements to Borrow of 24 October 1962; it did so to the extent of DM 720 million.

**Liquidation of E.P.U.**

The claims arising from liquidation of E.P.U. amounted at the end of 1964 to DM 614.6 million, against DM 751.0 million at the end of 1963 and DM 4,185.8 million after the E.P.U. settlement in January 1959; thus approximately 85 per cent of these credits have been repaid.

**Loans to foreign Central Banks**

Of the consolidation and interim loans which were granted to foreign Central Banks by the Bundesbank on the change-over of payments from a bilateral to a multilateral basis, and which originally totalled DM 627.6 million, the amount still outstanding at the end of December 1964 was DM 5.8 million (against DM 28.3 million at the end of 1963).

**Land and buildings**

Against the additions of DM 25.7 million to land and buildings there are disposals of DM 0.7 million. After the writing off of DM 20.0 million the land and buildings are shown in the Balance Sheet at DM 85 million.

**Equipment**

The additions of DM 5.1 million to equipment were fully written off in the same way as in previous years.

**Items in course of settlement**

As before, the Balance Sheet item "Items in course of settlement" 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 cheques in course of clearing. On 31 December 1964 there was a net asset of DM 195.1 million as against one of DM 153.1 million at the end of 1963.

**Other assets**

Of the DM 83.9 million (against DM 74.2 million at the end of 1963) shown in the item "Other assets" DM 78.1 million (at the end of 1963 DM 66.6 million) represent interest which falls due in 1965, but is assignable to the Profit and Loss Account for the year under report, on monies employed abroad and on securities.

In the same way as in previous years the transitory items on the assets side mainly comprise the proportion of interest relating to subsequent years on money-market paper issued in exchange for equalisation claims.

**Transitory items**

### *Liabilities*

The capital of the Bank has remained unchanged at DM 290 million (Art. 2 Bundesbank Law); it belongs to the Federal Government.

**Capital**

In pursuance of the Central Bank Council's decision of 2 April 1964, out of the net profit for 1963 DM 54.0 million has been added to the legal reserve and DM 21.0 million to the other reserves; the reserves have accordingly risen from DM 700.8 million at the end of 1963 to DM 775.8 million.

**Reserves**

### *Position and Movement of Reserves for Specific Purposes*

Millions of DM

**Reserves for specific purposes**

Reserves for specific purposes	Position on 31 Dec. 1963	Withdrawal	Addition in 1964	Position on 31 Dec. 1964
For pension liabilities	610.0	30.6	70.6	650.0
For note printing	25.0	—	—	25.0
For conversion costs	0.4	0.3	—	0.1
Other	625.0	—	175.0	800.0
<b>Total</b>	<b>1,260.4</b>	<b>30.9</b>	<b>245.6</b>	<b>1,475.1</b>

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

The reserve for note printing is unchanged by comparison with last year.

The providing of interest on and redemption of special equalisation claims pursuant to Article 3, paragraph 1 of Regulation 45 under the Conversion Law, and to Article 12 of the Law for Increasing Payments in respect of Private Pension Insurance and in respect of Compulsory Capital-sum Insurance, dated 24 December 1956 (Federal Law Gazette I, page 1074), required expenditure of DM 0.3 million in the year under report.

The other reserves for specific purposes were increased by DM 175 million in the year under review, to DM 800 million, with a view to covering hazards inherent in the foreign and domestic business.

The circulation of bank notes rose from DM 25,426.6 million at the end of 1963 to DM 27,691.7 million on 31 December 1964.

**Bank notes in circulation**

### *Circulation of Notes and Coin*

Millions of DM

End of year	Bank notes in circulation	Federal coin	Circulation of notes and coin total
1958	17,661.5	1,196.8	18,858.3
1959	19,045.7	1,278.5	20,324.2
1960	20,470.3	1,369.3	21,839.6
1961	22,991.7	1,496.6	24,488.3
1962	24,146.6	1,613.2	25,759.8
1963	25,426.6	1,725.0	27,151.6
1964	27,691.7	1,852.9	29,544.6

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

The withdrawal of Bank deutscher Länder notes was continued with the calling in, as per 31 January 1964, of the first and third issue DM 20 bank notes. In July 1964 the DM 1,000 bank note was put into circulation as a new item in the Bundesbank note series.

In connection with the issue of Bundesbank notes the Bank in the year under review put into circulation, or made available for that purpose, new notes of various denominations totalling DM 27,728.5 million.

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

	1958	1959	1960	1961	1962	1963	1964
Millions	92.8	153.0	323.3	280.4	204.5	323.3	228.7
DM million	3,426.9	4,916.3	12,140.5	9,680.0	9,286.4	11,512.2	6,706.3.

The number of counterfeit notes detained in the course of payments during 1964 was small; that of counterfeit coin declined considerably.

*Counterfeits Discovered*

Year	Notes		Coins	
	Number	Thousands of DM	Number	Thousands of DM
1958	819	36.5	8,540	24.3
1959	763	29.5	6,673	21.0
1960	499	19.4	5,695	18.2
1961	590	26.4	4,147	13.9
1962	354	19.3	4,536	13.6
1963	413	25.8	5,502	11.2
1964	400	24.1	3,013	7.1

**Deposits** The balances of German depositors comprise those of

	31 Dec. 1963		31 Dec. 1964	
	Millions of DM			
(a) Credit institutions (including Postal Cheque and Postal Savings Bank Offices)		13,607.0		15,143.3
(b) Public depositors				
(ba) Federal Government	93.4		42.6	
(bb) Federal Special Funds	1,161.4		979.8	
(bc) <i>Länder</i>	2,837.9		2,145.7	
(bd) Other public depositors	33.9	4,126.6	46.5	3,214.6
(c) Other German depositors		272.8		252.6
		18,006.4		18,610.5.

The credit institutions' deposits mainly represent the minimum reserves which have to be maintained at the Bundesbank.

Of the turnovers on giro accounts the following were settled without use of cash:

Giro transactions

	Percentage of number	Percentage of amounts
in 1963	99.32	95.71
in 1964	99.35	96.00.

*Annual Turnover on Giro Accounts at the Deutsche Bundesbank*

	1963			1964		
	Number <sup>1)</sup>	Total amount	Average amount	Number <sup>1)</sup>	Total amount	Average amount
	'000	DM million	DM '000	'000	DM million	DM '000
(a) Credits						
of which:						
Cash in-payments	1,047	85,829	82.0	1,058	90,160	85.2
Settlements with account-holders	6,616	603,432	91.2	6,944	719,884	103.7
Local transfers	11,719	553,995	47.3	12,558	623,281	49.6
Transfers from other places	37,059	584,402	15.8	41,454	632,838	15.3
Cheque collections (cheques lodged)	105,713	193,266	1.8	110,851	220,359	2.0
Total	162,154	2,020,924	—	172,865	2,286,522	—
(b) Debits						
of which:						
Cash out-payments	1,140	87,317	76.6	1,157	92,745	80.2
Settlements with account-holders	4,446	601,460	135.3	4,370	716,267	163.9
Local transfers	11,719	553,995	47.3	12,558	623,281	49.6
Transfers to other places	37,134	583,831	15.7	41,633	633,434	15.2
Cheque collections (cheques paid)	105,258	193,114	1.8	110,480	220,448	2.0
Total	159,697	2,019,717	—	170,198	2,286,175	—
(c) In per cent of total turnover (credits and debits)		<i>per cent</i>			<i>per cent</i>	
Cash payments		4.29			4.00	
Settlements with account-holders		29.82			31.41	
Local transfers		27.42			27.26	
Transfers to and from other places		28.91			27.69	
Cheque collections (cheques lodged and paid)		9.56			9.64	
		100.00			100.00	
<sup>1)</sup> Number of transactions.						

**Liabilities in respect of foreign business**

The liabilities in respect of foreign business comprised

	31 Dec. 1963		31 Dec. 1964	
	Millions of DM			
Deposits of non-residents				
Banks	183.8		214.6	
Others	50.4	234.2	42.0	256.6
Deposits of resident credit institutions on U.S. dollar accounts		11.8		14.5
Provision of cover for credits and guarantees by				
Non-residents	0.4		—	
Residents	18.2	18.6	19.5	19.5
Other liabilities		5.3		16.9
		269.9		307.5

**Export credit business**

Orders to open credits or to pay documentary bills continued in the year under report to be given to the Bank only on an insignificant scale.

**Import credit business**

In the year under report 60 credits (in the previous year 43) were newly opened and 63 expired credits were re-established.

**Other liabilities**

The "Other liabilities" are shown on 31 December 1964 at DM 32.5 million as against DM 27.1 million at the end of 1963.

**Transitory items**

In the same way as previously the transitory items on the liabilities side (DM 74.9 million for 1964, DM 96.4 million for 1963) mainly comprise interest which was received in the year under report, but relates to the next year, on foreign and domestic Treasury bills, bank acceptances and commercial bills.

**Contingent liabilities and claims**

The contingent liabilities and claims are shown on 31 December 1964 at DM 0.6 million against DM 1.8 million at the end of 1963.

**Profit and Loss Account**

*Comparison of Expenditure and Receipts*

Millions of DM

Expenditure	1962	1963	1964	Receipts	1962	1963	1964
Interest on money-market paper issued in exchange for equalisation claims	156.4	135.5	137.1	Interest on monies employed abroad	360.0	428.0	483.8
Other interest	1.6	1.1	1.1	equalisation claims	245.6	245.7	243.9
	158.0	136.6	138.2	domestic bills of exchange, advances against securities and cash advances, as well as on other claims	96.1	120.7	144.6
Administrative costs				foreign bills of exchange bought in Germany	7.5	8.6	11.9
Personnel	149.8	160.2	169.6	securities, Treasury bills and Treasury bonds	61.0	61.8	61.0
Materials	25.7	26.9	28.5	Other interest	0.6	0.4	0.4
Note printing	29.5	24.4	28.4		770.8	865.2	945.6
Depreciation	13.4	17.8	25.1	Fees	2.8	2.8	3.2
Allocations to reserves for specific purposes	150.2	212.3	245.6	Other receipts	7.5	9.8	18.9
Pension payments in respect of Reichsbank	24.1	25.9	24.7				
Other expenditure	3.9	3.8	3.9	Total	781.1	877.8	967.7
Net profit	226.5	269.9	303.7				
Total	781.1	877.8	967.7				



### Receipts

	Millions of DM			
	1962	1963	1964	
The interest received amounted to	770.8	865.2	945.6	<b>Interest</b>
After deduction of the interest paid out, namely	158.0	136.6	138.2	
it is shown in the Profit and Loss Account at	612.8	728.6	807.4	

The interest on monies employed abroad rose by DM 55.8 million, as compared with the previous year's figure, to DM 483.8 million in 1964.

The amount of interest received on equalisation claims was DM 243.9 million (against DM 245.7 million in 1963); the interest paid on money-market paper issued in exchange for equalisation claims was down by the small margin of DM 1.6 million on the year at DM 137.1 million. The interest receipts from the discounting of domestic bills and the granting of advances against securities and of cash advances, as well as from other claims, amounted to DM 144.6 million in 1964 as compared with DM 120.7 million in the previous year. At DM 61.0 million the interest received on securities, Treasury bills and Treasury bonds was smaller by DM 0.8 million than in the previous year (DM 61.8 million). DM 11.9 million of interest accrued from the discounting of foreign bills, against DM 8.6 million in 1963.

DM 3.2 million of fees were received in the year under review, DM 2.8 million having been so received in 1963. **Fees**

DM 18.9 million are shown as "Other receipts", against DM 9.8 million in 1963. **Other receipts**

### Expenditure

The administrative costs in respect of personnel are up in comparison with the previous year mainly owing to the statutorily imposed or collectively agreed increase in the pay of officials, salaried employees and wage earners; they amounted to DM 169.6 million in 1964 as against DM 160.2 million in 1963. The Bank's staff increased in number by 70 in 1964. **Administrative costs  
(a) Personnel**

#### Number of Persons Employed in the Bundesbank

	End of 1963					End of 1964				
	Direc- torate	Land Central Banks	Total	of whom:		Direc- torate	Land Central Banks	Total	of whom:	
				male	female				male	female
Officials	587	3,989	4,576	4,534	42	575	3,944	4,519	4,473	46
Salaried employees	1,201	4,410	5,611	2,564	3,047	1,198	4,547	5,745	2,580	3,165
Wage earners	175	836	1,011	221	790	164	840	1,004	213	791
<b>Total</b>	<b>1,963</b>	<b>9,235</b>	<b>11,198</b>	<b>7,319</b>	<b>3,879</b>	<b>1,937</b>	<b>9,331</b>	<b>11,268</b>	<b>7,266</b>	<b>4,002</b>

The total payments — with subsequent payments included — 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, including their surviving dependants, amounted to DM 4,297,111.69 in the year under report.

The administrative costs in respect of materials rose from DM 26.9 million in 1963 to DM 28.5 million. **(b) Materials**

The expenditure on note printing was greater than in the previous year; it amounted to DM 28.4 million in 1964 against DM 24.4 million in 1963. **Note printing**

Depreciation and allocations to reserves for specific purposes

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

Pension payments in respect of Reichsbank

The payments for members of the former Deutsche Reichsbank and other persons to whom the Law concerning Article 131 of the Basic Law applies, and for whom the Bank is required to provide in accordance with Art. 41 Bundesbank Law, amounted in the year under report to DM 28.5 million (against DM 29.7 million in 1963); of this amount DM 3.8 million was taken from the reserve for pension payments, in the same way as previously, so that DM 24.7 million is shown as pension payments in respect of the Reichsbank by comparison with DM 25.9 million in 1963.

*Net Profit*

	DM
Proposed distribution of the profit	303,696,659.65
According to the Profit and Loss Account the net profit amounts to (against DM 269,930,312.48 in 1963).	
The Directorate proposes to the Central Bank Council that there be allocated	DM
to the legal reserve	60,800,000.—
that there be provided for dividends on Bundesbank Enjoyment Rights	3,500,000.—
and that there be allocated to the other reserves	23,900,000.—
and to the Fund for the Purchase of Equalisation Claims	<u>40,000,000.—</u>
	<u>128,200,000.—</u>
Out of the balance of profit remaining to the Federal Government (Art. 27, item 4 Bundesbank Law), namely there has to be provided	175,496,659.65
for allocation to the Fund for Redemption of Bundesbank Enjoyment Rights	10,000,000.—
and under the agreement made with the Federal Government the sum of	165,496,659.65
has to be applied to redemption of the claim on the Federal Government in respect of alteration of the exchange parity.	<u>175,496,659.65</u>

*Frankfurt am Main, April 1965*

*Deutsche Bundesbank*

*The Directorate*

*Karl Blessing Dr. Troeger*

*Dr. Benning Dr. Emminger Hartlieb Dr. Irmeler Könneker Tüngeler Dr. Zachau*

## Part C

# Fund for the Purchase of Equalisation Claims and Fund for Redemption of Bundesbank Enjoyment Rights

In 1964 the Fund for the Purchase of Equalisation Claims had resources available to the extent of DM 87.3 million for the purpose of taking further equalisation claims. Apart from the allocation of DM 40 million out of the Bank's net profit in 1963 the Fund received DM 26.4 million by way of interest and redemption. Liquid assets amounting to DM 20.9 million had been carried over from 1963.

### Fund for the Purchase of Equalisation Claims

In the year under report DM 54.0 million was applied to the purchase of equalisation claims. Of this amount DM 38.1 million served to buy small equalisation claims which, on allotment, had been for initial capital amounts of up to DM 30,000. These purchases were begun in 1964 with the assent of the Federal Minister for Economic Affairs, and are being continued in 1965. Provision is made for them in a new equalisation claims redemption bill. Through this operation the number of equalisation claims will be materially reduced, and the taking over of fixed percentages of all equalisation claims — as likewise contemplated in the bill — will be facilitated. The greater part of the remaining equalisation claims were taken from liquidating or dissolved pension funds, life assurance companies and credit institutions.

At the end of the year the sum still available for purchase of equalisation claims was DM 33.3 million; it was mostly employed in Treasury bills and non-interest-bearing Treasury bonds of the German Federal Railways. Undertakings to purchase to the extent of DM 3.6 million still awaited fulfilment.

Once again in 1964 no new Law on the Redemption of Equalisation Claims, designed to place the use of the Fund's resources on a fresh legal basis, was promulgated.

	DM
Liquid resources available to the Fund on 31 December 1963 amounted to	20,895,915.30.
During 1964 the Purchase Fund received the following amounts:	
Allocation out of the Bank's 1963 net profit	40,000,000.—
Interest	
on equalisations claims	15,413,602.79
from temporary employment of the Fund's liquid assets	1,308,180.57
Redemption of equalisation claims	9,688,778.50
Reassignment of an equalisation claim	1,948.66
	<hr/>
	87,308,425.82.
There were used for purchase of equalisation claims	54,037,782.65.

On 31 December 1964 the Fund's assets not yet used for purchase of equalisation claims comprised		DM
Treasury bills and non-interest-bearing Treasury bonds of the German Federal Railways amounting at nominal value to DM 33,000,000	32,774,427.09	
Balances at the Deutsche Bundesbank	359,313.59	
Interest and redemption due on 31 December 1964 and received on 4 January 1965	136,902.49	33,270,643.17.
The holding of equalisation claims on 31 December 1963, namely rose through purchase of equalisation claims having an initial capital amount of DM 59,966,796.43 by		482,407,431.48
to		54,037,782.65
and was reduced, through		536,445,214.13
redemption	9,688,778.50	
reassignment	1,948.66	9,690,727.16.
Holding on 31 December 1964		526,754,486.97.

*Movement in the Holding of Equalisation Claims*

Interest rate	DM initial capital			Holding on 31 Dec. 1964	DM remaining capital Holding on 31 Dec. 1964
	Holding on 31 Dec. 1963	Addition through purchase and exchange	Decrease through reassignment and exchange		
%	DM				DM
0	76,700,522.56	233,725.45	—	76,934,248.01	49,237,918.73
3	224,957,128.67	48,122,210.33	2,752,155.61	270,327,183.39	242,633,007.22
3½	122,515,853.11	14,308,752.52	—	136,824,605.63	122,513,032.38
4½	126,130,892.86	52,108.13	—	126,183,000.99	112,370,528.64
Total	550,304,397.20	62,716,796.43	2,752,155.61	610,269,038.02	526,754,486.97

The report on the position of the Fund for the Purchase of Equalisation Claims as at 31 December 1964, intended for publication in the Federal Advertiser, is attached as Appendix 3.

**Fund for Redemption of Bundesbank Enjoyment Rights**

Pursuant to the Notice of 9 March 1963 (Federal Advertiser No. 48) the Liquidator of the Deutsche Reichsbank had by the end of 1964 delivered altogether 1,499,659 Bundesbank Enjoyment Right Certificates, having a par value of DM 99,977,266 2/3, in discharge of Reichsbank Shares at a par value of RM 149,965,900; 341 such Certificates, at a par value of DM 22,733 1/3, were still held at his disposal on 31 December 1964.

In 1963 six groups of Bundesbank Enjoyment Right Certificates, amounting at par value to DM 40 million and at redemption value to DM 60 million, were drawn for repayment; the Enjoyment Right Certificates in these groups which had not yet been presented by the end of 1963 were redeemed in the year under report by payment of DM 72,600.

On 16 June 1964 the Bank effected the second drawing of Bundesbank Enjoyment Right Certificates pursuant to Article 7, paragraph 2, of the Law concerning Liquidation of the Deutsche Reichsbank and the Deutsche Golddiskontbank, of 2 August 1961 (Federal Law Gazette I, page 1165), and published the result in Federal Advertiser Nos 110 and 111 on 20 and 23 June 1964. One group of Bundesbank Enjoyment Right Certificates was drawn for redemption on

30 September 1964 at 150 per cent of their par value. For this purpose the Fund for Redemption of Bundesbank Enjoyment Rights had available out of the 1963 net profit DM 10 million, of which DM 9,995,700 was used to repay the Bundesbank Enjoyment Right Certificates which had been called. Drawn Enjoyment Right Certificates having a redemption value of DM 4,300 are held at the disposal of the Liquidator of the Deutsche Reichsbank.

Eight groups of Bundesbank Enjoyment Right Certificates, amounting at par value to DM 53,333,333 1/3 (and at redemption value to DM 80 million), now remain to be redeemed.

*Frankfurt am Main, April 1965*

*Deutsche Bundesbank  
The Directorate*

*Karl Blessing Dr. Troeger*

*Dr. Benning Dr. Emminger Hartlieb Dr. Irmeler Könniker Tüngeler Dr. Zachau*

## Report of the Central Bank Council

*The Annual Statement of the Deutsche Bundesbank for 1964, the Combined Conversion Account of the Institutions Amalgamated to Form the Deutsche Bundesbank, as shown by the books on 31 December 1964, and the Reports on the Fund for the Purchase of Equalisation Claims and the Fund for Redemption of Bundesbank Enjoyment Rights as at 31 December 1964, have been audited by the auditing companies Deutsche Revisions- und Treuhand-Aktiengesellschaft Treuarbeit of Frankfurt am Main and Dr. Wollert — Dr. Elmendorff KG of Düsseldorf, whom the Central Bank Council had appointed to be Auditors in accordance with Article 26 of the Bundesbank Law.*

*In their notes of certification the Auditors have unreservedly confirmed that the Annual Statement for 1964, the bookkeeping and the Conversion Account as shown by the books on 31 December 1964 are in accordance with the legal provisions and that the Funds for the Purchase of Equalisation Claims and for Redemption of Bundesbank Enjoyment Rights have been properly endowed and administered.*

*The Central Bank Council approved the Annual Statement for 1964 on 1 April 1965. 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 1964, and approved the Reports on the Funds for the Purchase of Equalisation Claims and for Redemption of Bundesbank Enjoyment Rights as at 31 December 1964.*

*The Central Bank Council has assented to the Report for the Year 1964 and to the Directorate's proposal for appropriation of the Profit. After making allocations to the Reserves and to the Fund for the Purchase of Equalisation Claims, and earmarking the amount required for the 1964 dividends on Bundesbank Enjoyment Rights, there is a residual profit of DM 175,496,659.65 due to the Federal Government; of this residual profit, DM 10 million shall be used for allocation to the Fund for Redemption of Bundesbank Enjoyment Rights and DM 165,496,659.65 towards repayment of the claim on the Federal Government in respect of the alteration of the exchange parity.*

*Since the publication of the Report for the Year 1963 the following changes have taken place in the organs of the Deutsche Bundesbank.*

### *Retired from service*

*as at the close of 31 August 1964*

*the Vice-President of the Land Central Bank in Hesse*

*Herr Alphons Diehl.*

### *Newly appointed*

*with effect from 1 September 1964*

*Dr. Werner Schubert*

*to be Vice-President of the Land Central Bank in Hesse,*

*with effect from 1 October 1964*

*Dr. Heinrich Irmeler*

*to be Member of the Directorate of the Deutsche Bundesbank, at the same time giving up his office of President of the Land Central Bank in Lower Saxony,*

*with effect from 15 November 1964*

*Herr Wilhelm Rahmsdorf*

*to be President of the Land Central Bank in Lower Saxony, at the same time giving up his office of Vice-President of the Land Central Bank in North Rhine-Westphalia,*

*Herr Curt Heinritzi*

*to be Vice-President of the Land Central Bank in North Rhine-Westphalia, at the same time giving up his office of Member of the Board of Management of the Land Central Bank in North Rhine-Westphalia,*

*with effect from 1 January 1965*

*Herr Josef Thoma*

*to be Member of the Board of Management of the Land Central Bank in North Rhine-Westphalia.*

*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 1964.*

*Frankfurt am Main, April 1965*

*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 1 Jan. 1964 DM	Changes in 1964 DM	as shown by the books on 31 Dec. 1964 DM
1. Cash <sup>1)</sup> . . . . .	1,133,326.07	—	1,133,326.07
2. Bills of exchange . . . . .	211,524.63	—	211,524.63
3. Advances against securities . . . . .	103,240.—	—	103,240.—
4. Cash advances . . . . .	100.—	—	100.—
5. Other short-term credit extended to public authorities . . . . .	1,345,149.61	—	1,345,149.61
6. Land and buildings . . . . .	26,462,658.—	—	26,462,658.—
7. Equipment . . . . .	2,166,811.21	—	2,166,811.21
8. Other assets . . . . .	11,903,425.78	—	11,903,425.78
9. Transitory items . . . . .	938,761.74	—	938,761.74
10. Equalisation claims on public authorities . . . . .	8,103,466,861.86	— 141,105.68	8,103,325,756.18
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 Berlin . . . . .	547,167,616.60	—	547,167,616.60
	<u>8,736,234,189.21</u>	<u>— 141,105.68</u>	<u>8,736,093,083.53</u>
13. Contingent claims . . . . .	126,558.92	—	126,558.92

<sup>1)</sup> Relating to converted Small Money Tokens.

# Amalgamated to Form the Deutsche Bundesbank

on 31 December 1964

**Liabilities**

	as shown by the books on 1 Jan. 1964 DM	Changes in 1964 DM	as shown by the books on 31 Dec. 1964 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 . . . . .	1,853,121,572.32	—	1,853,121,572.32
(b) second instalment of per-capita quotas, delayed cases, etc. . . . .	264,957,573.05	+ 130.—	264,957,703.05
4. Deposits . . . . .	5,630,623,976.23	— 141,235.68	5,630,482,740.55
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 par. 52a, b, d and e, Berlin Central Bank Ordinance, and par. 9, Implementing Reg. 2, Conversion Ordinance . . . . .	588,502,330.31	—	588,502,330.31
	<u>8,736,234,189.21</u>	<u>— 141,105.68</u>	<u>8,736,093,083.53</u>
8. Contingent liabilities . . . . .	126,558.92	—	126,558.92

Frankfurt am Main, 15 January 1965

## Deutsche Bundesbank The Directorate

Karl Blessing Dr. Troeger

Dr. Benning Dr. Emminger Hartlieb Dr. Irmeler Könniker Tüngeler Dr. Zachau

*The final result of our 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 bookkeeping and the Conversion Accounts for the Bank deutscher Länder and the Land Central Banks, amended to conform with the revisions as of 31 December 1964 and provisionally closed, as well as the correspondingly amended Combined Conversion Account of the Institutions Amalgamated to Form the Deutsche Bundesbank, to be in accordance with the provisions of the law.*

Frankfurt am Main, 12 March 1965

Deutsche Revisions- und Treuhand-Aktiengesellschaft  
Treuarbeit

Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Dr. Merckens                      Dr. Meyer  
(Certified Auditor)              (Certified Auditor)

Dr. Wollert - Dr. Elmendorff K.G.  
Wirtschaftsprüfungsgesellschaft

Dr. Wollert                      Dr. Bargmann  
(Certified Auditor)              (Certified Auditor)

Assets	Balance Sheet of the Deutsche Bundesbank		
	DM	DM	DM
1. Gold . . . . .			16,730,818,872.57
2. Balances at foreign banks and money-market investments abroad . . . . .			10,769,619,597.49
3. Foreign notes and coin, foreign bills and cheques. . . . .			563,393,850.17
4. German divisional coin . . . . .			116,216,721.15
5. Balances on postal cheque account . . . . .			377,081,017.92
6. Domestic bills of exchange . . . . .			2,413,276,099.67
7. Treasury bills and non-interest-bearing Treasury bonds of Federal Government and Federal Special Funds . . . . .			307,040,000.—
8. Advances against securities . . . . .			645,683,400.—
9. Cash advances to (a) Federal Government and Federal Special Funds . . . . .		1,118,000,000.—	
(b) <i>Länder</i> . . . . .		94,009,644.—	1,212,009,644.—
10. Other claims . . . . .			102,394,753.13
11. Securities . . . . . among which: Bundesbank Enjoyment Right Certificates having a par value of DM 49,366,933 <sup>1</sup> / <sub>3</sub>			1,175,577,397.09
12. Equalisation claims on public authorities and debt certificate in respect of Berlin (a) Equalisation claims . . . . .	8,132,773,017.17		
less Equalisation claims returned in exchange for money-market paper . . . . .	2,598,590,000.—	5,534,183,017.17	
(b) Debt certificate . . . . .		547,167,616.60	6,081,350,633.77
13. Credits to Federal Government for participation in international institutions . . . . .			3,016,042,000.—
14. Claims on Federal Government in respect of (a) acquisition of claims resulting from post-war economic aid . . . . .		2,010,262,598.38	
(b) alteration of exchange parity . . . . .		942,988,958.52	2,953,251,556.90
15. Loans to international institutions and consolidation loans . . . . . among which: (a) to I.M.F. DM 720,000,000.— (b) to I.B.R.D. DM 1,343,080,000.— (c) arising from liqui- dation of E.P.U. DM 614,613,363.66			2,683,531,863.66
16. Land and buildings . . . . .			85,000,000.—
17. Equipment . . . . .			1.—
18. Items in course of settlement . . . . .			195,111,606.58
19. Other assets . . . . .			83,934,687.12
20. Transitory items . . . . .			50,469,759.70
<i>Right of recourse in respect of contingent liabilities</i> . . . . .		583,290.26	
			<u>49,561,803,461.92</u>

as on 31 December 1964

Liabilities

	DM	DM	DM
1. Capital . . . . .			290,000,000.—
2. Reserves			
(a) legal reserve . . . . .		549,000,000.—	
(b) other reserves . . . . .		226,800,000.—	775,800,000.—
3. Reserves for specific purposes			
(a) for pension liabilities . . . . .		650,000,000.—	
(b) for note printing . . . . .		25,000,000.—	
(c) for conversion costs . . . . .		85,859.79	
(d) for other purposes . . . . .		800,000,000.—	1,475,085,859.79
4. Bank notes in circulation . . . . .			27,691,750,305.—
5. Deposits of			
(a) credit institutions (including Postal Cheque and Postal Savings Bank offices) . . . . .		15,143,332,298.80	
(b) public depositors			
(ba) Federal Government . . . . .	42,642,672.33		
(bb) Federal Special Funds . . . . .	979,788,243.30		
(bc) <i>Länder</i> . . . . .	2,145,732,509.85		
(bd) other public depositors . . . . .	46,469,982.50	3,214,633,407.98	
(c) other German depositors . . . . .		252,555,498.16	18,610,521,204.94
6. Liabilities in respect of foreign business			
(a) Deposits of foreign depositors . . . . .		256,630,051.29	
(b) others . . . . .		50,903,647.15	307,533,698.44
among which: provision of cover for letters of credit and guarantees by foreigners DM 13,991.01 residents DM 19,455,774.21			
7. Other liabilities . . . . .			32,475,679.99
8. Transitory items . . . . .			74,940,054.11
9. Net profit . . . . .			303,696,659.65
<i>Contingent liabilities</i> . . . . .		583,290.26	
			<u>49,561,803,461.92</u>

**Profit and Loss Account of the Deutsche Bundesbank  
for the Year 1964**

<b>Expenditure</b>	DM	DM
1. Administrative costs		
(a) Personnel . . . . .	169,554,013.12	
(b) Materials . . . . .	28,506,930.87	198,060,943.99
2. Note printing . . . . .		28,446,429.99
3. Depreciation		
(a) on land and buildings . . . . .	20,000,930.75	
(b) on equipment . . . . .	5,081,610.30	25,082,541.05
4. Allocations to reserves for specific purposes		
(a) for pension liabilities . . . . .	70,606,657.77	
(b) others . . . . .	175,000,000.—	245,606,657.77
5. Pension payments in respect of Reichsbank . . . . .		24,658,286.84
6. Other expenditure . . . . .		3,908,918.99
7. Net Profit . . . . .		303,696,659.65
		829,460,438.28
		829,460,438.28
<b>Receipts</b>		
1. Interest . . . . .		807,357,814.15
2. Fees . . . . .		3,237,303.24
3. Other receipts . . . . .		18,865,320.89
		829,460,438.28
		829,460,438.28

Frankfurt am Main, 15 January 1965

*Deutsche Bundesbank  
The Directorate*

*Karl Blessing Dr. Troeger*

*Dr. Benning Dr. Emminger Hartlieb Dr. Irmeler Könneker Tüngeler Dr. Zachau*

*The final result of our 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 bookkeeping and the Annual Statement to be in accordance with the provisions of the law.*

Frankfurt am Main, 12 March 1965

*Deutsche Revisions- und Treuhand-Aktiengesellschaft  
Treuarbeit  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft*

*Dr. Wollert - Dr. Elmendorff K.G.  
Wirtschaftsprüfungsgesellschaft*

*Dr. Merckens                      Dr. Meyer  
(Certified Auditor)              (Certified Auditor)*

*Dr. Wollert                      Dr. Bargmann  
(Certified Auditor)              (Certified Auditor)*

## Fund for the Purchase of Equalisation Claims

Position on 31 December 1964

	Equalisation claims (remaining capital)	Cash resources	Total assets of the Fund
	DM	DM	DM
Position on 31 December 1963 . . .	482,407,431.48	20,895,915.30	503,303,346.78
Allocation from the Deutsche Bundesbank's 1963 net profit . . .		40,000,000.—	40,000,000.—
Equalisation claims purchased . . .	54,037,782.65	— 54,037,782.65	
Redeemed . . . . .	— 9,688,778.50	9,688,778.50	
Retroceded . . . . .	— 1,948.66	1,948.66	
<b>Interest</b>			
on equalisation claims . . . . .		15,413,602.79	15,413,602.79
from temporary employment of the Fund's cash resources . . .		1,308,180.57	1,308,180.57
<b>Position on 31 December 1964 . .</b>	<u>526,754,486.97</u>	<u>33,270,643.17</u>	<u>560,025,130.14</u>

Frankfurt am Main, 15 January 1965

*Deutsche Bundesbank*

*The Directorate*

*Karl Blessing Dr. Troeger*

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## Returns of the

Millions

Date of return	Assets													
	Gold	Balances at foreign banks and money-market investments abroad	Foreign notes and coin, foreign bills and cheques	German divisional coin	Balances on postal cheque account	Domestic bills of exchange	Treasury bills and non-interest-bearing Treasury bonds				Cash advances			Securities
							Total	(a) Federal Government and Federal Special Funds	(b) Länder	Advances against securities	Total	to		
												(a) Federal Government and Federal Special Funds	(b) Länder	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1964														
Jan. 7	15,137.8	12,612.3	407.5	100.8	297.7	1,448.8	95.1	95.1	—	27.4	1,686.4	1,670.7	15.7	1,215.7
15	15,137.8	12,166.6	361.4	123.8	238.7	1,055.9	95.0	95.0	—	32.0	505.0	504.4	0.6	1,210.9
23	15,138.7	12,434.6	351.3	136.9	184.8	1,543.7	80.0	80.0	—	51.6	—	—	—	1,195.2
31	15,138.7	12,540.8	344.4	117.5	185.5	1,397.6	70.0	70.0	—	24.3	410.0	410.0	—	1,189.5
Feb. 7	15,159.4	12,591.1	341.9	125.5	138.2	1,314.4	65.0	65.0	—	19.0	791.4	791.4	—	1,188.9
15	15,159.4	12,843.7	334.1	130.1	161.8	1,155.2	40.0	40.0	—	30.2	87.8	87.8	—	1,185.2
23	15,160.1	13,223.0	326.1	144.5	115.9	1,197.3	30.0	30.0	—	40.5	—	—	—	1,184.9
29	15,160.1	13,291.0	323.0	127.6	198.0	1,027.1	30.0	30.0	—	23.9	461.3	461.3	—	1,184.9
Mar. 7	15,176.0	13,458.8	341.0	133.9	133.5	1,594.3	30.0	30.0	—	30.6	425.3	419.0	6.3	1,184.7
15	15,176.0	13,929.3	322.1	134.5	148.9	1,485.4	30.0	30.0	—	27.9	—	—	—	1,184.5
23	15,176.8	13,417.7	350.3	136.5	68.7	2,165.5	43.5	43.5	—	521.0	—	—	—	1,183.8
31	15,575.6	12,513.8	388.3	115.4	244.8	2,754.0	53.5	53.5	—	203.3	4.5	—	4.5	1,183.8
Apr. 7	15,602.6	12,467.4	392.6	124.7	182.2	2,693.0	68.5	68.5	—	25.7	16.0	—	16.0	1,183.8
15	15,702.2	11,918.6	364.9	135.7	197.4	1,990.7	40.0	40.0	—	43.7	15.7	—	15.7	1,183.4
23	15,901.7	11,612.3	387.4	140.5	136.6	2,015.1	30.0	30.0	—	110.1	9.7	—	9.7	1,183.2
30	16,001.0	11,512.6	407.7	122.2	244.4	2,386.2	72.0	72.0	—	133.3	20.1	—	20.1	1,181.7
May 7	16,038.6	11,495.8	411.9	122.8	228.0	2,682.1	52.0	52.0	—	37.2	21.0	—	21.0	1,178.4
15	16,038.6	11,326.0	405.5	124.7	167.4	2,282.1	—	—	—	26.5	15.6	—	15.6	1,178.8
23	16,039.3	11,269.3	424.5	128.0	197.3	2,663.3	—	—	—	56.3	19.8	—	19.8	1,176.3
31	16,039.3	11,284.2	422.7	115.2	221.8	2,706.7	—	—	—	31.1	40.2	—	40.2	1,176.3
June 7	16,082.2	11,129.5	430.7	122.7	171.5	3,018.4	—	—	—	28.7	25.0	—	25.0	1,176.3
15	16,082.2	11,769.5	444.4	135.0	172.9	2,464.9	—	—	—	61.6	13.0	—	13.0	1,175.8
23	16,082.9	12,227.2	443.8	143.2	201.3	2,662.1	27.0	27.0	—	127.6	4.7	—	4.7	1,175.8
30	16,082.9	12,184.6	454.8	126.2	284.3	2,443.7	—	—	—	33.8	—	—	—	1,175.8
July 7	16,124.6	11,912.2	464.3	130.0	172.1	2,715.4	75.0	75.0	—	34.4	5.7	—	5.7	1,175.8
15	16,125.2	12,061.0	466.9	133.3	196.3	2,594.8	85.0	85.0	—	27.7	2.1	—	2.1	1,175.8
23	16,126.6	11,990.9	469.2	136.8	178.8	2,817.5	85.0	85.0	—	43.7	—	—	—	1,175.8
31	16,224.8	11,605.6	474.0	115.4	244.3	3,012.4	100.0	100.0	—	19.9	15.7	—	15.7	1,175.8
Aug. 7	16,257.2	11,665.5	484.7	123.8	166.7	3,250.4	85.0	85.0	—	30.2	16.4	—	16.4	1,176.7
15	16,308.0	11,641.2	467.9	131.3	163.0	3,317.0	95.0	95.0	—	32.3	—	—	—	1,176.9
23	16,308.6	11,521.2	482.0	139.5	152.4	3,585.5	152.0	152.0	—	178.9	—	—	—	1,175.1
31	16,308.7	11,419.4	479.8	121.5	350.7	3,075.9	152.0	152.0	—	23.4	23.0	—	23.0	1,173.3
Sep. 7	16,347.2	11,398.3	474.4	125.5	239.2	3,664.0	152.0	152.0	—	18.7	33.6	—	33.6	1,173.3
15	16,347.2	11,380.9	451.7	134.6	224.5	3,266.8	152.0	152.0	—	15.9	—	—	—	1,173.2
23	16,347.9	11,408.4	475.2	142.0	148.2	3,778.8	182.0	182.0	—	187.6	—	—	—	1,173.1
30	16,348.1	11,516.8	473.6	122.6	271.9	3,848.9	165.0	165.0	—	85.2	—	—	—	1,169.1
Oct. 7	16,348.1	11,592.8	486.4	125.7	211.0	4,049.1	225.0	225.0	—	147.4	—	—	—	1,176.0
15	16,348.1	11,498.4	473.0	129.7	219.7	3,668.6	260.0	260.0	—	61.2	—	—	—	1,178.1
23	16,348.9	11,519.5	450.5	131.4	138.5	3,678.2	234.0	234.0	—	110.2	—	—	—	1,179.5
31	16,348.9	11,495.0	476.1	114.7	222.4	3,188.9	234.0	234.0	—	25.2	12.7	—	12.7	1,179.8
Nov. 7	16,348.9	11,544.4	496.4	123.8	163.9	3,443.2	233.0	233.0	—	36.4	9.7	—	9.7	1,181.1
15	16,348.9	11,321.4	482.2	128.6	170.7	2,839.3	37.0	37.0	—	29.6	—	—	—	1,180.8
23	16,349.5	11,286.8	482.7	131.1	153.3	2,590.0	31.0	31.0	—	52.2	4.6	—	4.6	1,182.0
30	16,349.6	11,060.9	496.4	109.0	259.2	2,929.3	1.0	1.0	—	40.1	75.1	—	75.1	1,182.4
Dec. 7	16,725.2	10,240.2	518.5	101.5	259.5	3,272.4	98.3	98.3	—	58.5	103.8	—	103.8	1,182.8
15	16,725.2	10,095.0	517.2	103.5	258.7	2,808.4	92.1	92.1	—	708.0	8.5	—	8.5	1,183.9
23	16,725.9	10,365.3	530.9	100.9	164.2	2,732.9	298.1	298.1	—	1,626.6	—	—	—	1,185.1
31	16,730.8	10,769.6	563.4	116.2	377.1	2,413.3	307.0	307.0	—	645.7	1,212.0	1,118.0	94.0	1,175.6

<sup>1)</sup> Including equalisation claims resulting from conversion of Berlin pre-capitulation accounts (Supplementary Conversion Law) and from conversion of pre-currency-



Deutsche Bundesbank

of DM

Assets															Date of return
Equalisation claims and non-interest-bearing debt certificate					Credits to Federal Govt. for participation in international institutions	Claims on Federal Government in respect of		Loans to international institutions and consolidation loans				Other assets	Total		
Total	Equalisation claims			(c) Debt certificate		(a) acquisition of claims resulting from post-war economic aid	(b) alteration of exchange parity	Total	among which:						
	(a) Equalisation claims from conversion of own balance sheet <sup>1)</sup>	(b) Equalisation claims purchased	less equalisation claims returned in exchange for money-market paper						Total	(a) to I. M. F.	(b) to I. B. R. D.			(c) from liquidation of E. P. U.	
15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	
															1964
3,295.9	8,132.4	—	5,383.7	2,748.7	547.2	2,294.2	2,512.8	1,082.5	2,121.8	—	1,342.5	751.0	243.5	44,580.2	Jan. 7
2,304.2	8,132.4	—	6,375.4	1,757.0	547.2	2,294.2	2,512.8	1,082.5	2,121.8	—	1,342.5	751.0	335.0	41,577.6	15
2,509.4	8,132.4	—	6,170.2	1,962.2	547.2	2,294.2	2,512.8	1,082.5	2,121.1	—	1,342.5	750.4	239.9	41,876.7	23
2,178.1	8,132.4	—	6,501.5	1,630.9	547.2	2,294.2	2,512.8	1,082.5	2,121.1	—	1,342.5	750.4	453.7	42,060.7	31
															Feb.
2,407.7	8,132.4	—	6,271.9	1,860.5	547.2	2,294.2	2,512.8	1,082.5	2,121.1	—	1,342.5	750.4	222.5	42,375.6	7
2,325.2	8,132.4	—	6,354.4	1,778.0	547.2	2,393.2	2,512.8	1,082.5	2,121.1	—	1,342.5	750.4	284.0	41,846.3	15
2,642.8	8,132.4	—	6,036.8	2,095.6	547.2	2,343.2	2,512.8	1,082.5	2,120.4	—	1,342.5	749.7	664.7	42,788.7	23
2,815.5	8,132.4	—	5,864.1	2,268.3	547.2	2,371.2	2,512.8	1,082.5	2,120.4	—	1,342.5	749.7	530.2	43,259.5	29
															Mar.
2,956.8	8,132.4	—	5,722.8	2,409.6	547.2	2,371.2	2,512.8	1,082.5	2,120.4	—	1,342.5	749.7	231.0	43,782.8	7
3,229.8	8,132.5	—	5,449.9	2,682.6	547.2	2,371.2	2,512.8	1,082.5	2,120.4	—	1,342.5	749.7	203.6	43,358.9	15
3,588.4	8,132.5	—	5,091.3	3,041.2	547.2	2,395.2	2,512.8	1,082.5	2,119.8	—	1,342.5	749.0	607.2	45,369.7	23
3,866.5	8,132.5	—	4,813.2	3,319.3	547.2	2,675.2	2,512.8	1,082.5	2,105.4	—	1,342.5	740.0	675.8	45,955.2	31
															Apr.
3,765.1	8,132.5	—	4,914.6	3,217.9	547.2	2,651.5	2,512.8	1,082.5	2,105.4	—	1,342.5	740.0	228.5	45,102.3	7
3,515.3	8,132.5	—	5,164.4	2,968.1	547.2	2,651.5	2,512.8	943.0	2,105.4	—	1,342.5	740.0	267.0	43,587.3	15
3,502.4	8,132.5	—	5,177.3	2,955.2	547.2	2,651.5	2,512.8	943.0	2,104.7	—	1,342.5	739.3	750.9	43,991.9	23
3,787.9	8,132.5	—	4,891.8	3,240.7	547.2	2,639.5	2,512.8	943.0	2,104.7	—	1,342.5	739.3	520.8	44,589.9	30
															May
3,822.1	8,132.5	—	4,857.6	3,274.9	547.2	2,633.5	2,512.8	943.0	2,104.7	—	1,342.5	739.3	385.8	44,669.7	7
3,723.4	8,132.5	—	4,956.3	3,176.2	547.2	2,625.0	2,512.8	943.0	2,104.7	—	1,342.5	739.3	415.5	43,889.6	15
3,690.3	8,132.5	—	4,989.4	3,143.1	547.2	2,625.0	2,512.8	943.0	2,104.0	—	1,342.5	738.6	412.3	44,261.5	23
3,668.0	8,132.5	—	5,011.7	3,120.8	547.2	2,605.0	2,512.8	943.0	2,104.0	—	1,342.5	738.6	904.2	44,774.5	31
															June
3,560.6	8,132.6	—	5,119.2	3,013.4	547.2	2,905.0	2,512.8	943.0	2,104.0	—	1,342.5	738.6	352.8	44,563.2	7
3,838.2	8,132.6	—	4,841.6	3,291.0	547.2	2,905.0	2,512.8	943.0	2,104.0	—	1,342.5	738.6	271.0	44,893.3	15
4,159.9	8,132.6	—	4,519.9	3,612.7	547.2	2,905.0	2,512.8	943.0	2,103.3	—	1,342.5	737.9	543.6	46,263.2	23
3,992.5	8,132.6	—	4,687.3	3,445.3	547.2	2,881.3	2,512.8	943.0	2,088.9	—	1,342.5	728.9	999.2	46,203.9	30
															July
4,203.2	8,132.6	—	4,476.6	3,656.0	547.2	2,875.2	2,512.8	943.0	2,088.9	—	1,342.5	728.9	309.5	45,742.1	7
4,294.3	8,132.6	—	4,385.5	3,747.1	547.2	2,847.2	2,512.8	943.0	2,088.9	—	1,342.5	728.9	519.0	46,073.3	15
4,440.4	8,132.6	—	4,239.4	3,893.2	547.2	2,847.2	2,512.8	943.0	2,088.2	—	1,342.5	728.2	443.7	46,299.6	23
4,618.8	8,132.6	—	4,061.0	4,071.6	547.2	2,847.2	2,512.8	943.0	2,088.2	—	1,342.5	728.2	486.8	46,484.7	31
															Aug.
4,610.9	8,132.6	—	4,068.9	4,063.7	547.2	2,845.2	2,512.8	943.0	2,000.4	—	1,342.8	640.0	397.8	46,566.7	7
4,661.1	8,132.6	—	4,018.7	4,113.9	547.2	2,837.2	2,512.8	943.0	2,000.4	—	1,342.8	640.0	410.0	46,697.1	15
4,809.3	8,132.6	—	3,870.5	4,262.1	547.2	2,827.2	2,512.8	943.0	1,999.7	—	1,342.8	639.3	487.2	47,274.4	23
4,977.9	8,132.6	—	3,701.9	4,430.7	547.2	2,847.2	2,512.8	943.0	1,999.7	—	1,342.8	639.3	759.7	47,168.0	31
															Sep.
5,104.2	8,132.6	—	3,575.6	4,557.0	547.2	2,778.5	2,512.8	943.0	1,999.7	—	1,342.8	639.3	349.3	47,313.7	7
5,314.2	8,132.6	—	3,365.6	4,767.0	547.2	2,778.5	2,512.8	943.0	1,999.7	—	1,342.8	639.3	359.9	47,054.9	15
5,681.8	8,132.6	—	2,998.0	5,134.6	547.2	2,778.5	2,512.8	943.0	1,999.0	—	1,342.8	638.6	623.9	48,382.2	23
5,685.9	8,132.7	—	2,994.0	5,138.7	547.2	2,878.5	2,512.8	943.0	1,984.2	—	1,342.8	629.6	1,088.1	49,093.7	30
															Oct.
5,905.0	8,132.7	—	2,774.9	5,357.8	547.2	2,872.6	2,512.8	943.0	1,984.2	—	1,342.8	629.6	464.0	49,043.1	7
5,896.5	8,132.7	—	2,783.4	5,349.3	547.2	2,872.6	2,512.8	943.0	1,984.2	—	1,342.8	629.6	618.3	48,664.2	15
5,994.9	8,132.7	—	2,685.0	5,447.7	547.2	2,875.6	2,512.8	943.0	1,983.5	—	1,342.8	629.0	862.4	48,962.9	23
6,064.8	8,132.7	—	2,615.1	5,517.6	547.2	2,616.0	2,512.8	943.0	1,983.5	—	1,342.8	629.0	751.0	48,168.8	31
															Nov.
6,049.4	8,132.7	—	2,630.5	5,502.2	547.2	2,608.0	2,512.8	943.0	1,983.5	—	1,342.8	629.0	466.7	48,144.2	7
5,786.4	8,132.8	—	2,893.6	5,239.2	547.2	2,600.0	2,512.8	943.0	1,983.5	—	1,342.8	629.0	499.6	46,863.8	15
5,783.4	8,132.8	—	2,896.6	5,236.2	547.2	2,600.0	2,512.8	943.0	1,982.8	—	1,342.8	628.3	383.5	46,468.7	23
5,298.0	8,132.8	—	3,382.0	4,750.8	547.2	2,590.0	2,512.8	943.0	1,980.4	—	1,342.8	625.9	999.2	46,826.4	30
															Dec.
5,447.3	8,132.8	—	3,232.7	4,900.1	547.2	3,090.0	2,512.8	943.0	2,700.4	720.0	1,342.8	625.9	388.0	47,642.2	7
5,601.8	8,132.8	—	3,078.2	5,054.6	547.2	3,076.0	2,512.8	943.0	2,700.4	720.0	1,342.8	625.9	783.3	48,117.8	15
5,707.9	8,132.8	—	2,972.1	5,160.7	547.2	3,026.0	2,512.8	943.0	2,699.7	720.0	1,342.8	625.2	800.9	49,420.2	23
6,081.4	8,132.8	—	2,598.6	5,534.2	547.2	3,016.0	2,010.3	943.0	2,683.5	720.0	1,343.1	614.6	463.3	49,508.2	31

reform accounts with credit institutions in the Soviet Sector of Berlin (Second Supplementary Conversion Law).

## Returns of the Deutsche

Millions

Date of return	Liabilities								
	Bank notes in circulation	Deposits							
		Total	of						
			(a) credit institutions (including Postal Cheque and Postal Savings Bank offices)	(b) public depositors					(c) other German depositors
				Total	(ba) Federal Government	(bb) Federal Special Funds	(bc) Länder	(bd) other public depositors	
30	31	32	33	34	35	36	37	38	
1964									
Jan. 7	23,952.2	17,605.2	12,815.6	4,474.8	14.0	1,461.1	2,973.3	26.4	314.8
15	23,272.2	15,517.1	10,625.3	4,613.9	23.0	1,153.3	3,411.4	26.2	277.9
23	22,035.9	17,124.1	11,121.3	5,761.8	1,010.4	1,071.2	3,654.3	25.9	241.0
31	25,046.2	14,297.4	10,267.0	3,773.7	9.4	1,084.4	2,655.8	24.1	256.7
Feb. 7	23,657.1	15,915.4	11,927.0	3,747.8	6.7	940.1	2,783.3	17.7	240.6
15	23,430.1	15,545.4	11,181.1	4,137.5	16.0	939.9	3,147.8	33.8	226.8
23	22,330.5	17,593.9	10,683.7	6,681.1	875.5	2,498.7	3,280.7	26.2	229.1
29	25,814.0	14,590.2	10,868.0	3,464.3	9.8	1,301.6	2,127.7	25.2	257.9
Mar. 7	24,620.4	16,279.4	12,511.1	3,516.6	7.1	1,242.8	2,248.2	18.5	251.7
15	24,249.5	16,135.3	11,158.5	4,733.6	293.7	1,162.8	3,260.4	16.7	243.2
23	22,919.8	19,569.0	10,270.9	9,029.1	2,220.7	2,542.4	4,247.7	18.3	269.0
31	26,048.4	16,962.5	10,874.3	5,795.7	787.8	1,734.1	3,228.2	45.6	292.5
Apr. 7	24,065.9	18,200.1	12,785.3	5,156.1	724.7	1,117.6	3,283.1	30.7	258.7
15	23,798.2	17,087.5	11,342.6	5,494.2	916.2	1,050.0	3,504.1	23.9	250.7
23	22,809.3	18,482.9	10,814.7	7,419.3	1,799.8	2,053.9	3,541.7	23.9	248.9
30	26,652.2	15,205.4	10,796.2	4,158.8	450.2	1,124.6	2,555.5	28.5	250.4
May 7	25,327.1	16,637.1	12,520.1	3,845.9	71.6	1,117.5	2,631.6	25.2	271.1
15	24,798.1	16,369.4	11,225.3	4,877.2	698.0	912.2	3,219.2	47.8	266.9
23	23,495.1	18,055.6	11,656.8	6,131.7	1,660.9	1,191.0	3,235.8	44.0	267.1
31	26,876.3	15,191.5	10,760.1	4,149.3	458.8	1,702.0	1,959.6	28.9	282.1
June 7	25,555.2	16,280.2	12,793.8	3,197.0	258.2	845.1	2,058.0	35.7	289.4
15	24,739.1	17,434.5	11,154.3	6,029.4	1,447.4	1,089.1	3,465.9	27.0	250.8
23	23,245.4	20,204.7	11,581.1	8,337.8	2,546.6	1,250.8	4,485.3	55.1	285.8
30	26,834.5	16,435.7	10,894.1	5,229.3	713.6	1,375.8	3,083.2	56.7	312.3
July 7	25,494.4	17,333.7	12,821.6	4,232.3	324.6	810.5	3,072.6	24.6	279.8
15	25,248.0	17,900.5	12,282.4	5,368.1	906.8	1,120.3	3,308.1	32.9	250.0
23	24,364.0	18,991.5	12,254.3	6,464.8	1,793.1	1,294.5	3,336.4	40.8	272.4
31	27,631.2	15,862.0	11,362.9	4,243.5	254.4	1,541.9	2,420.4	26.8	255.6
Aug. 7	26,077.0	17,446.8	13,264.5	3,883.5	11.6	1,248.8	2,597.1	26.0	298.8
15	25,744.7	17,935.1	13,262.1	4,431.7	471.3	1,128.9	2,792.4	39.1	241.3
23	24,502.9	19,742.9	13,501.2	5,997.8	1,770.9	1,199.4	2,989.2	38.3	243.9
31	27,395.6	16,774.8	12,629.5	3,896.1	501.7	1,672.9	1,690.5	31.0	249.2
Sep. 7	26,071.2	18,169.6	14,400.0	3,452.9	463.9	1,230.9	1,732.4	25.7	276.7
15	25,303.3	18,722.5	12,575.9	5,879.2	1,755.2	1,090.2	3,003.3	30.5	267.4
23	23,864.4	21,496.8	12,845.7	8,370.9	3,136.9	1,074.3	4,104.1	55.6	280.2
30	27,330.0	18,718.7	12,102.1	6,322.3	1,734.3	1,786.4	2,769.4	32.2	294.3
Oct. 7	25,796.6	20,238.3	14,025.8	5,918.3	2,004.3	1,075.6	2,814.1	24.3	294.2
15	25,463.1	20,153.6	13,386.4	6,520.1	2,522.6	897.2	3,061.3	39.0	247.1
23	24,202.9	21,700.1	13,095.5	8,343.4	3,263.1	2,029.7	3,021.9	28.7	261.2
31	27,431.8	17,664.8	12,470.6	4,947.3	1,536.2	1,332.4	2,054.2	24.5	246.9
Nov. 7	25,983.2	19,122.5	14,563.0	4,286.2	1,048.7	1,145.5	2,066.0	26.0	273.3
15	25,631.7	18,180.3	13,145.5	4,768.8	1,253.8	1,099.8	2,371.5	43.7	266.0
23	24,076.5	19,250.9	12,802.0	6,185.5	2,633.1	989.1	2,506.5	56.8	263.4
30	28,259.6	15,516.7	12,539.1	2,721.5	248.4	1,242.3	1,185.3	45.5	256.1
Dec. 7	27,598.5	16,536.9	14,298.1	1,983.4	104.8	615.6	1,231.9	31.1	255.4
15	26,743.8	18,192.6	13,387.5	4,507.9	1,112.1	841.7	2,506.4	47.7	297.2
23	26,611.9	19,602.5	13,412.8	5,900.3	864.6	2,226.5	2,763.5	45.7	289.4
31	27,691.7	18,610.5	15,143.3	3,214.6	42.6	979.8	2,145.7	46.5	252.6

Bundesbank (cont'd)

of DM

Liabilities										Date of return
Liabilities in respect of foreign business					Reserves for specific purposes	Capital	Reserves	Other liabilities	Total	
Total	(a) Deposits of foreign depositors	(b) Others								
		Total	among which, provision of cover for letters of credit and guarantees by							
39	40	41	42	43	44	45	46	47	48	
			foreigners	residents						
										1964
331.3	281.5	49.8	0.3	17.1	1,075.6	290.0	700.8	625.1	44,580.2	Jan. 7
272.7	244.3	28.4	0.1	14.3	1,075.6	290.0	700.8	449.2	41,577.6	15
283.4	248.1	35.3	0.0	22.5	1,075.6	290.0	700.8	366.9	41,876.7	23
270.5	239.5	31.0	0.0	17.3	1,075.6	290.0	700.8	380.2	42,060.7	31
331.4	293.4	38.0	0.0	15.3	1,075.6	290.0	700.8	405.3	42,375.6	Feb. 7
360.7	336.2	24.5	0.0	11.9	1,075.6	290.0	700.8	443.7	41,846.3	15
334.4	287.3	47.1	0.0	19.5	1,075.6	290.0	700.8	463.5	42,788.7	23
308.1	276.4	31.7	0.1	15.1	1,075.6	290.0	700.8	480.8	43,259.5	29
329.1	285.9	43.2	0.0	16.5	1,075.6	290.0	700.8	487.5	43,782.8	Mar. 7
306.5	280.8	25.7	0.0	12.7	1,075.6	290.0	700.8	601.2	43,358.9	15
295.6	263.4	32.2	0.0	19.7	1,075.6	290.0	700.8	518.9	45,369.7	23
315.8	267.5	48.3	0.0	19.9	1,075.6	290.0	700.8	562.1	45,955.2	31
278.8	232.7	46.1	0.0	16.1	1,075.6	290.0	700.8	491.1	45,102.3	Apr. 7
295.4	266.8	28.6	0.0	13.5	1,260.4	290.0	775.8	80.0	43,587.3	15
302.8	266.0	36.8	0.0	23.9	1,260.4	290.0	775.8	70.7	43,991.9	23
325.9	291.7	34.2	0.0	19.5	1,260.4	290.0	775.8	80.2	44,589.9	30
288.8	255.0	33.8	0.0	16.7	1,260.4	290.0	775.8	90.5	44,669.7	May 7
283.4	255.7	27.7	0.0	13.5	1,260.4	290.0	775.8	112.5	43,889.6	15
288.6	251.3	37.3	0.0	21.0	1,260.4	290.0	775.8	96.0	44,261.5	23
283.9	254.5	29.4	0.0	19.4	1,260.4	290.0	775.8	96.6	44,774.5	31
298.0	265.6	32.4	0.0	15.5	1,260.4	290.0	775.8	103.6	44,563.2	June 7
258.8	232.7	26.1	0.0	13.2	1,260.4	290.0	775.8	134.7	44,893.3	15
350.4	316.9	33.5	0.0	20.3	1,260.4	290.0	775.8	136.5	46,263.2	23
340.1	310.0	30.1	0.0	17.5	1,260.4	290.0	775.8	267.3	46,203.8	30
260.7	222.4	38.3	0.0	14.9	1,260.4	290.0	775.8	327.1	45,742.1	July 7
289.2	246.0	43.2	0.1	12.5	1,260.4	290.0	775.8	309.4	46,073.3	15
303.5	257.1	46.4	0.1	22.0	1,260.4	290.0	775.8	314.4	46,299.6	23
334.1	304.4	29.7	0.1	17.8	1,260.4	290.0	775.8	331.2	46,484.7	31
356.5	329.3	27.2	0.2	13.7	1,260.4	290.0	775.8	360.2	46,566.7	Aug. 7
291.4	252.8	38.6	0.2	11.7	1,260.4	290.0	775.8	399.7	46,697.1	15
298.8	252.5	46.3	0.1	31.8	1,260.4	290.0	775.8	403.6	47,274.4	23
249.7	203.5	46.2	0.1	31.2	1,260.4	290.0	775.8	421.7	47,168.0	31
244.8	186.4	58.4	0.0	14.1	1,260.4	290.0	775.8	501.9	47,313.7	Sep. 7
262.3	238.0	24.3	0.1	12.7	1,260.4	290.0	775.8	440.6	47,054.9	15
248.0	202.8	45.2	0.1	20.2	1,260.4	290.0	775.8	446.8	48,382.2	23
258.6	222.1	36.5	0.1	19.6	1,260.4	290.0	775.8	460.2	49,093.7	30
221.9	193.8	28.1	0.1	15.2	1,260.4	290.0	775.8	460.1	49,043.1	Oct. 7
257.4	220.2	37.2	0.1	12.5	1,260.4	290.0	775.8	463.9	48,664.2	15
272.1	232.0	40.1	0.1	22.9	1,260.4	290.0	775.8	461.6	48,962.9	23
271.6	239.1	32.5	0.1	19.6	1,260.4	290.0	775.8	474.4	48,168.8	31
235.5	208.8	26.7	0.1	15.7	1,260.4	290.0	775.8	476.8	48,144.2	Nov. 7
237.9	210.5	27.4	0.1	13.2	1,260.4	290.0	775.8	487.7	46,863.8	15
248.0	204.2	43.8	0.0	19.7	1,260.4	290.0	775.8	567.1	46,468.7	23
224.8	196.6	28.2	0.1	18.1	1,260.4	290.0	775.8	499.1	46,826.4	30
631.8	588.6	43.2	0.1	14.9	1,260.4	290.0	775.8	548.8	47,642.2	Dec. 7
320.3	274.2	46.1	0.0	12.1	1,260.4	290.0	775.8	534.9	48,117.8	15
340.2	283.7	56.5	0.0	23.5	1,260.4	290.0	775.8	539.4	49,420.2	23
307.5	256.6	50.9	0.0	19.5	1,260.4	290.0	775.8	572.3	49,508.2	31

## Turnover on the Giro Accounts of the Deutsche Bundesbank

Area	Debits				Credits			
	1963		1964		1963		1964	
	'000 <sup>1)</sup>	DM million	'000 <sup>1)</sup>	DM million	'000 <sup>1)</sup>	DM million	'000 <sup>1)</sup>	DM million
Land Central Bank								
Baden-Württemberg	21,975	202,693	23,256	225,279	25,863	202,634	27,400	225,518
Bavaria	25,921	209,514	28,535	236,012	23,293	209,629	24,728	236,211
Berlin	2,188	46,800	2,167	52,409	2,836	46,833	2,847	52,434
Bremen	3,622	25,490	3,743	27,415	4,873	25,516	5,150	27,425
Hamburg	6,719	165,208	6,938	178,144	9,982	165,399	10,224	178,127
Hesse	15,983	254,894	17,212	288,726	16,195	255,235	17,468	288,389
Lower Saxony	18,882	126,182	19,680	141,105	16,670	126,091	17,565	141,002
North Rhine-Westphalia	47,940	661,654	51,445	761,035	47,211	661,806	51,329	761,565
Rhineland-Palatinate	9,109	68,712	9,616	75,145	9,192	68,718	9,667	75,112
Saarland	1,448	16,804	1,652	17,672	1,098	16,793	1,380	17,697
Schleswig-Holstein	5,316	35,671	5,460	37,847	4,308	35,670	4,544	37,877
Total	159,103	1,813,622	169,704	2,040,789	161,521	1,814,324	172,302	2,041,357
Bundesbank – Directorate –	594	206,095	494	245,386	633	206,600	563	245,165
Grand total	159,697	2,019,717	170,198	2,286,175	162,154	2,020,924	172,865	2,286,522

<sup>1)</sup> Number of transactions

## Simplified Cheque Collection

Area	Cheques lodged				Cheques paid			
	1963		1964		1963		1964	
	'000	DM million	'000	DM million	'000	DM million	'000	DM million
Land Central Bank								
Baden-Württemberg	17,045	29,373	17,526	32,665	15,022	27,377	15,686	31,297
Bavaria	14,793	24,288	15,381	27,217	15,004	25,578	15,595	29,324
Berlin	2,005	4,022	1,997	4,497	1,374	3,282	1,437	3,757
Bremen	3,770	3,936	3,950	4,341	2,370	3,567	2,418	4,030
Hamburg	6,391	12,739	6,414	13,807	3,884	11,665	3,933	12,838
Hesse	10,729	20,160	11,353	24,001	11,126	25,535	11,816	29,101
Lower Saxony	11,112	17,512	11,499	20,035	13,486	18,255	13,940	20,830
North Rhine-Westphalia	30,876	62,850	33,465	76,242	32,721	62,930	34,978	72,513
Rhineland-Palatinate	5,671	9,045	5,766	9,991	5,853	8,833	6,105	9,928
Saarland	730	1,710	900	2,141	1,039	1,853	1,109	2,073
Schleswig-Holstein	2,428	3,981	2,533	4,405	3,368	4,171	3,455	4,640
Total	105,550	189,616	110,784	219,342	105,247	193,046	110,472	220,331
Bundesbank – Directorate –	163	3,650	67	1,017	11	68	8	117
Grand total	105,713	193,266	110,851	220,359	105,258	193,114	110,480	220,448

Telegraphic Giro Transactions  
telegraphic giro transfers dispatched

Area	1963		1964	
	'000	DM mn	'000	DM mn
Land Central Bank				
Baden-Württemberg	28	29,127	28	32,398
Bavaria	28	32,479	29	34,996
Berlin	5	13,882	5	15,176
Bremen	3	2,645	3	2,785
Hamburg	11	21,679	11	24,809
Hesse	31	42,656	32	48,145
Lower Saxony	20	18,959	20	21,684
North Rhine-Westphalia	56	113,241	59	126,432
Rhineland-Palatinate	11	9,232	11	9,832
Saarland	2	1,783	2	2,081
Schleswig-Holstein	5	4,595	5	5,062
Total	200	290,278	205	323,400
Bundesbank – Directorate –	8	9,057	8	5,529
Grand total	208	299,335	213	328,929

## Certified Cheques

Land Central Bank	1963		1964	
	number	DM mn	number	DM mn
Baden-Württemberg	1,815	1,864	1,807	2,046
Bavaria	992	556	856	533
Berlin	96	4	99	8
Bremen	187	214	78	1
Hamburg	212	39	250	58
Hesse	1,500	1,989	1,481	1,570
Lower Saxony	282	397	304	464
North Rhine-Westphalia	10,296	16,756	10,456	17,952
Rhineland-Palatinate	765	336	606	286
Saarland	12	22	12	32
Schleswig-Holstein	201	71	206	94
Total	16,358	22,248	16,155	23,044

## Turnover in Clearing Transactions

Land Central Bank	1963						1964					
	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
Baden-Württemberg	19,279	45,132	5,804	9,458	25,083	54,590	19,952	50,446	6,712	11,359	26,664	61,805
Bavaria	20,279	46,753	9,215	9,460	29,494	56,213	20,947	52,828	10,648	11,085	31,595	63,913
Berlin	4,976	11,375	3,119	13,315	8,095	24,690	5,122	12,491	3,489	15,202	8,611	27,693
Bremen	3,875	7,276	4,059	7,291	7,934	14,567	3,936	8,284	4,435	8,027	8,371	16,311
Hamburg <sup>1)</sup>	6,423	21,877	22,175	144,772	28,598	166,649	6,494	24,366	24,108	149,382	30,602	173,748
Hesse	14,546	156,754	5,001	223,806	19,547	380,560	15,197	171,677	5,756	253,626	20,953	425,303
Lower Saxony	12,811	23,062	5,381	9,368	18,192	32,430	13,035	25,874	5,921	10,971	18,956	36,845
North Rhine-Westphalia	44,286	94,330	10,047	29,915	54,333	124,245	46,210	106,332	11,755	31,765	57,965	138,097
Rhineland-Palatinate	5,455	11,958	2,108	3,066	7,563	15,024	6,650	13,351	2,422	3,538	9,072	16,889
Saarland	1,498	3,911	1,351	3,971	2,849	7,882	1,527	4,164	1,452	4,312	2,979	8,476
Schleswig-Holstein	4,069	6,494	4,711	3,991	8,780	10,485	4,234	7,095	5,103	4,864	9,337	11,959
Total	137,497	428,922	72,971	458,413	210,468	887,335	143,304	476,908	81,801	504,131	225,105	981,039

<sup>1)</sup> For 1964 the Hamburg clearing transactions, to which special arrangements apply, include moreover 1,120,000 transfers to and from other places amounting to DM 2,897 million (1963: 1,071,000 amounting to DM 2,791 million).

## Bank Note Circulation

Denomination	1961		1962		1963		1964	
	DM million	per cent	DM million	per cent	DM million	per cent	DM million	per cent
1,000	—	—	—	—	—	—	640.39	2.31
100	9,419.30	40.97	11,236.03	46.53	12,556.41	49.38	13,950.52	50.38
50	9,278.17	40.35	8,712.59	36.08	8,699.95	34.22	8,851.66	31.97
20	2,852.13	12.41	2,710.03	11.22	2,580.79	10.15	2,581.27	9.32
10	1,279.—	5.56	1,292.95	5.36	1,361.99	5.36	1,426.09	5.15
5	163.09	0.71	194.99	0.81	227.46	0.89	241.82	0.87
Total	22,991.69	100.00	24,146.59	100.00	25,426.60	100.00	27,691.75	100.00

## Coin in Circulation

Coin at DM	1961		1962		1963		1964	
	DM million	per cent	DM million	per cent	DM million	per cent	DM million	per cent
5.—	492.03	32.88	498.38	30.89	506.76	29.38	543.33	29.32
2.—	197.32	13.18	228.55	14.17	256.60	14.88	284.47	15.35
1.—	419.88	28.06	456.04	28.27	488.96	28.34	517.29	27.92
—,50	167.76	11.21	186.50	11.56	205.53	11.91	222.09	11.99
—,10	141.38	9.45	156.79	9.72	172.31	9.99	183.30	9.89
—,05	43.69	2.92	48.51	3.01	52.91	3.07	56.70	3.06
—,02	7.54	0.50	9.57	0.59	11.51	0.67	13.53	0.73
—,01	26.98	1.80	28.90	1.79	30.42	1.76	32.15	1.74
Total	1,496.58	100.00	1,613.24	100.00	1,725.00	100.00	1,852.86	100.00

## Branch Establishments of the Deutsche Bundesbank

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

Serial number	Bank place	Appropriate Main Branch	Land Central Bank	Serial number	Bank place	Appropriate Main Branch	Land Central Bank
39	Aachen	Aachen	NW	554	Eßlingen (Neckar)	Stuttgart	BW
563	Aalen (Württ)	Ulm	BW	397	Euskirchen	Bonn	NW
319	Ahlen (Westf)	Hamm	NW				
282	Alfeld (Leine)	Hildesheim	N	232	Flensburg	Flensburg	SH
431	Alsfeld (Oberhess)	Fulda	H	512	Frankenthal (Pfalz)	Ludwigshafen	R
415	Altena (Westf)	Hagen	NW	4	Frankfurt (Main)	Frankfurt	H
655	Amberg (Oberpf)	Regensburg	BY	57	Freiburg (Breisgau)	Freiburg	BW
447	Andernach	Koblenz	R	435	Friedberg (Hess)	Gießen	H
646	Ansbach (Mittelfr)	Nürnberg	BY	599	Friedrichshafen	Konstanz	BW
416	Arnsberg (Westf)	Lippstadt	NW	644	Fürth (Bay)	Nürnberg	BY
614	Aschaffenburg	Würzburg	BY	433	Fulda	Fulda	H
68	Augsburg	Augsburg	BY				
				689	Garmisch-Partenkirchen	München	BY
536	Baden-Baden	Karlsruhe	BW	438	Gelnhausen	Fulda	H
429	Bad Hersfeld	Fulda	H	341	Gelsenkirchen	Gelsenkirchen	NW
469	Bad Kreuznach	Mainz	R	317	Gelsenkirchen-Buer	Gelsenkirchen	NW
699	Bad Reichenhall	München	BY	385	Gevelsberg	Hagen	NW
62	Bamberg	Nürnberg	BY	43	Gießen	Gießen	H
63	Bayreuth	Hof	BY	316	Gladbeck (Westf)	Gelsenkirchen	NW
352	Beckum (Bz Münster, Westf)	Hamm	NW	323	Goch	Krefeld	NW
496	Bensheim	Darmstadt	H	565	Göppingen	Stuttgart	BW
1	Berlin (West)	Berlin	B	288	Göttingen	Göttingen	N
444	Betzdorf (Sieg)	Koblenz	R	296	Goslar	Braunschweig	N
597	Biberach (Riß)	Ulm	BW	353	Gütersloh	Bielefeld	NW
424	Biedenkopf	Gießen	H	441	Gummersbach	Bonn	NW
26	Bielefeld	Bielefeld	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	Hamel	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)	Flensburg	SH
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	284	Holzminden	Göttingen	N
395	Düren	Aachen	NW	231	Husum	Flensburg	SH
36	Düsseldorf	Düsseldorf	NW				
32	Duisburg	Duisburg	NW	474	Idar-Oberstein	Mainz	R
331	Duisburg-Hamborn	Duisburg	NW	66	Ingolstadt (Donau)	München	BY
329	Duisburg-Ruhrort	Duisburg	NW	411	Iserlohn	Dortmund	NW
				222	Itzehoe	Kiel	SH
592	Ebingen (Württ)	Reutlingen	BW				
235	Eckernförde	Kiel	SH	393	Jülich	Aachen	NW
224	Elmshorn	Lübeck	SH				
212	Emden	Oldenburg	N	513	Kaiserslautern	Kaiserslautern	R
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	Kempton (Allgäu)	Augsburg	BY
394	Eschweiler	Aachen	NW	23	Kiel	Kiel	SH
33	Essen	Essen	NW	619	Kitzingen	Würzburg	BY

## Appendix 5 (cont'd) to the Report of the Deutsche Bundesbank for the Year 1964

Serial number	Bank place	Appropriate Main Branch	Land Central Bank	Serial number	Bank place	Appropriate Main Branch	Land Central Bank
321	Kleve	Krefeld	NW	418	Plettenberg	Hagen	NW
44	Koblenz	Koblenz	R				
3	Köln	Köln	NW	535	Rastatt	Karlsruhe	BW
378	Köln-Mülheim	Köln	NW	59	Ravensburg	Ulm <sup>1)</sup>	BW
58	Konstanz	Konstanz	BW	318	Recklinghausen	Gelsenkirchen	NW
421	Korbach	Kassel	H	65	Regensburg	Regensburg	BY
363	Krefeld	Krefeld	NW	446	Remagen	Koblenz	R
634	Kulmbach	Hof	BY	374	Remscheid	Remscheid	NW
				389	Remscheid-Lennep	Remscheid	NW
571	Lahr (Schwarzw)	Freiburg	BW	237	Rendsburg	Kiel	SH
519	Landau (Pfalz)	Ludwigshafen	R	55	Reutlingen	Reutlingen	BW
67	Landshut (Bay)	Regensburg	BY	312	Rheine (Westf)	Münster	NW
432	Lauterbach (Hess)	Fulda	H	328	Rheinhausen	Duisburg	NW
216	Leer (Ostfriesl)	Oldenburg	N	368	Rheydt	Mönchengladbach	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	47	Saarbrücken	Saarbrücken	S
577	Lörrach	Freiburg	BW	476	Saarlouis	Saarbrücken	S
548	Ludwigsburg	Stuttgart	BW	578	Säckingen	Freiburg	BW
51	Ludwigshafen (Rhein)	Ludwigshafen	R	516	St. Ingbert (Saar)	Saarbrücken	S
24	Lübeck	Lübeck	SH	234	Schleswig	Flensburg	SH
417	Lüdenscheid	Hagen	NW	647	Schwabach	Nürnberg	BY
227	Lüneburg	Lüneburg	N	562	Schwäbisch Gmünd	Stuttgart	BW
				545	Schwäbisch Hall	Heilbronn	BW
48	Mainz	Mainz	R	616	Schweinfurt	Würzburg	BY
52	Mannheim	Mannheim	BW	384	Schwelm	Wuppertal-Elberfeld	NW
425	Marburg (Lahn)	Gießen	H	593	Schwenningen (Neckar)	Freiburg	BW
638	Marktredwitz	Hof	BY	295	Seesen	Braunschweig	N
449	Mayen	Koblenz	R	443	Siegburg	Bonn	NW
683	Memmingen	Augsburg	BY	445	Siegen	Siegen	NW
412	Menden (Sauerland)	Dortmund	NW	584	Singen (Hohentwiel)	Konstanz	BW
617	Miltenberg	Würzburg	BY	355	Soest	Hamm	NW
268	Minden (Westf)	Minden	NW	373	Solingen	Remscheid	NW
365	Mönchengladbach	Mönchengladbach	NW	372	Solingen-Ohligs	Remscheid	NW
325	Moers	Duisburg	NW	515	Speyer	Ludwigshafen	R
526	Mosbach (Baden)	Heilbronn	BW	273	Stadthagen	Hannover	N
335	Mülheim (Ruhr)	Essen	NW	396	Stolberg (Rheinl)	Aachen	NW
6	München	München	BY	672	Straubing	Regensburg	BY
31	Münster (Westf)	Münster	NW	5	Stuttgart	Stuttgart	BW
413	Neheim-Hüsten	Lippstadt	NW	465	Traben-Trarbach	Trier	R
238	Neumünster	Kiel	SH	46	Trier	Trier	R
478	Neunkirchen (Saar)	Saarbrücken	S	557	Tübingen	Reutlingen	BW
366	Neuß	Köln	NW	594	Tuttlingen	Konstanz	BW
239	Neustadt (Holst)	Lübeck	SH				
514	Neustadt (Weinstr)	Ludwigshafen	R	229	Uelzen	Lüneburg	N
448	Neuwied	Koblenz	R	56	Ulm (Donau)	Ulm	BW
271	Nienburg (Weser)	Hannover	N	354	Unna	Hamm	NW
661	Nördlingen	Augsburg	BY				
211	Norden	Oldenburg	N	338	Velbert (Rheinl)	Wuppertal-Elberfeld	NW
263	Nordhorn	Osnabrück	N	362	Viersen	Mönchengladbach	NW
286	Northeim (Han)	Göttingen	N	582	Villingen (Schwarzw)	Freiburg	BW
64	Nürnberg	Nürnberg	BY				
333	Oberhausen (Rheinl)	Oberhausen	NW	705	Waiblingen	Stuttgart	BW
332	Oberhausen (Rheinl)-Sterkrade	Oberhausen	NW	359	Warburg (Westf)	Lippstadt	NW
491	Offenbach (Main)	Frankfurt	H	653	Weiden (Oberpf)	Regensburg	BY
539	Offenburg (Baden)	Karlsruhe	BW	521	Weinheim (Bergstr)	Mannheim	BW
217	Oldenburg (Oldb)	Oldenburg	N	528	Wertheim	Heilbronn	BW
419	Olpe	Siegen	NW	324	Wesel	Duisburg	NW
376	Opladen	Remscheid	NW	454	Wetzlar	Gießen	H
265	Osnabrück	Osnabrück	N	45	Wiesbaden	Wiesbaden	H
298	Osterode (Harz)	Göttingen	N	213	Wilhelmshaven	Oldenburg	N
				382	Witten	Dortmund	NW
357	Paderborn	Lippstadt	NW	489	Worms	Mainz	R
677	Passau	Regensburg	BY	61	Würzburg	Würzburg	BY
275	Peine	Hildesheim	N	38	Wuppertal-Barmen	Wuppertal-Elberfeld	NW
534	Pforzheim	Pforzheim	BW	37	Wuppertal-Elberfeld	Wuppertal-Elberfeld	NW
518	Pirmasens	Kaiserslautern	R	517	Zweibrücken	Kaiserslautern	R

<sup>1)</sup> With effect from 1 January 1965 the Branch at Ravensburg has been subordinated to the Main Branch at Konstanz.





# Annex

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

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

*(1) Movement and Determinants of the Volume of Money\*)*

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

Item	Years			1963		1964	
	1962	1963	1964	1st half	2nd half	1st half	2nd half
<b>I. Bank lending to domestic non-banks, total</b>	+22,696	+25,526	+28,851	+10,786	+14,740	+11,968	+16,883
(1) Deutsche Bundesbank	+ 21	+ 1,166	- 276	- 819	+ 1,985	- 1,427	+ 1,151
(a) Cash advances and credit granted by purchase of domestic Treasury bills and non-interest Treasury bonds	+ 576	+ 1,136	- 356	- 739	+ 1,875	- 1,875	+ 1,519
(b) Special credits to Federal Government for meeting its obligations to I.M.F., I.B.R.D. and European Fund	- 480	+ 138	+ 722	+ 28	+ 110	+ 587	+ 135
(c) Claims on Federal Government in respect of post-war economic aid and alteration of exchange parity	- 75	- 108	- 642	- 108	-	- 139	- 503
(2) Credit institutions (not including Bundesbank)	+22,675	+24,360	+29,127	+11,605	+12,755	+13,395	+15,732
(a) Short-term lending (including holdings of domestic Treasury bills and non-interest Treasury bonds, but excluding "mobilisation paper" <sup>1)</sup> )	+ 3,567	+ 3,989	+ 5,616	+ 3,624	+ 365	+ 3,356	+ 2,260
(b) Medium and long-term lending to domestic non-banks	+18,409	+19,748	+21,977	+ 7,545	+12,203	+ 8,846	+13,131
(c) Holdings of domestic securities and syndicate participations (except bank bonds <sup>2)</sup> )	+ 699	+ 623	+ 1,534	+ 436	+ 187	+ 1,193	+ 341
<b>II. Formation of monetary capital at credit institutions out of domestic sources, total</b>	+19,584	+23,215	+25,314	+ 9,647	+13,568	+10,748	+14,566
(1) Residents' savings deposits <sup>3)</sup>	+ 9,055	+11,287	+12,212	+ 4,971	+ 6,316	+ 5,288	+ 6,924
(2) Residents' time deposits, total among which: at notice or fixed period of 6 months or more	+ 1,522	+ 1,645	+ 1,284	+ 305	+ 1,340	+ 247	+ 1,037
(+ 952)	(+ 891)	(+ 655)	(+ 650)	(+ 241)	(+ 772)	(- 117)	
(3) Domestic bank bonds in circulation (except those held by credit institutions <sup>4)</sup> )	+ 3,728	+ 5,262	+ 6,627	+ 2,459	+ 2,803	+ 2,988	+ 3,639
(4) Monies and loans taken at longer term from domestic non-banks	+ 3,682	+ 3,423	+ 3,271	+ 951	+ 2,472	+ 975	+ 2,296
(5) Capital and reserves	+ 1,597	+ 1,598	+ 1,920	+ 961	+ 637	+ 1,250	+ 670
<b>III. Excess of lending or of monetary capital formation (I less II)</b>	+ 3,112	+ 2,311	+ 3,537	+ 1,139	+ 1,172	+ 1,220	+ 2,317
<b>IV. Net claim on foreign countries<sup>5)</sup> (Bundesbank and other banks)</b>	+ 792	+ 3,078	+ 1,255	+ 2,850	+ 228	+ 2,533	- 1,278
<b>V. Other influences (not assignable to specific items)</b>	+ 227	- 1,144	- 302	- 2,315	+ 1,171	- 2,593	+ 2,291
<b>VI. Central Bank deposits of German public authorities (decrease: +)</b>	+ 448	+ 158	+ 913	- 2,925	+ 3,083	- 1,103	+ 2,016
<b>VII. Note and coin circulation<sup>6)</sup> and sight deposits of domestic non-banks except German public authorities' Central Bank deposits (III to VI, net)</b>	+ 4,579	+ 4,403	+ 5,403	- 1,251	+ 5,654	+ 57	+ 5,346
of which:							
Note and coin circulation <sup>6)</sup>	+ 1,026	+ 1,259	+ 2,386	+ 1,378	- 119	+ 1,271	+ 1,115
Sight deposits	+ 3,553	+ 3,144	+ 3,017	- 2,629	+ 5,773	- 1,214	+ 4,231
Note:							
Note and coin circulation and sight deposits of domestic non-banks, including German public authorities' Central Bank deposits	+ 4,131	+ 4,245	+ 4,490	+ 1,674	+ 2,571	+ 1,160	+ 3,330

\*) The data in this survey relate to the area of the Federal Republic including Berlin (West). They are based on the "Consolidated Condition Statement for the Credit Institutions including the Deutsche Bundesbank". Apart from the "consolidation" of the figures for the credit institutions and those for the Bundesbank, one peculiarity for the purpose of this table lies in the fact that assets and liabilities in respect of foreign countries — except for DM notes and coins and bank bonds held by foreigners, which cannot be ascertained — are comprised in one overall net total and hence not contained in any of the other items. — <sup>1)</sup> I. e., Federal Treasury bills and non-interest 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. — <sup>2)</sup> Bank holdings of other banks' bonds do not represent any immediate granting of credit to non-banks but form part of interbank 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 were redeemed. The savings deposits created under Art. 252 par. 4 of the Equalisation of Burdens Law (meeting of basic compensation claims) are taken into account only in so far as the Equalisation of Burdens Fund has made available the countervalue. — <sup>4)</sup> Set off against the credit institutions' holdings of their own and other banks' bonds; 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> Including I.B.R.D. bonds taken by Bundesbank. — <sup>6)</sup> Excluding the credit institutions' cash holdings, but including DM notes and coins held abroad.

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

Millions of DM

End of month	Note and coin circulation, and residents' sight deposits*), total		Note and coin circulation excluding credit institutions' cash holdings <sup>2) *)</sup>	Sight deposits of domestic business enterprises and individuals			Sight deposits of German public authorities				Deposits of agencies of former occupying powers with Deutsche Bundesbank <sup>5)</sup>	
	including	excluding		Total	with credit institutions (except Deutsche Bundesbank)	with Deutsche Bundesbank <sup>3)</sup>	Total including amounts temporarily employed in equalisation claims <sup>1)</sup>	excluding	with credit institutions (except Deutsche Bundesbank)	with Deutsche Bundesbank <sup>4)</sup>		on giro account
1952 December	26,011	24,286	10,804	10,512	10,247	265	3,942	2,217	1,829	388	1,725	753
1953 "	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 "	41,085	37,864	14,876	16,405	16,111	294	9,660	6,439	2,608	3,831	3,221	144
1957 "	42,397	37,864	16,461	18,656	18,316	340	7,139	2,690	2,690	4,449	—	141
1958 "	46,849	37,864	17,940	21,738	21,402	336	7,124	2,900	2,900	4,224	—	47
1959 "	48,855	37,864	19,369	24,545	24,323	222	4,941	3,103	3,103	1,838	—	—
1959*) "	49,446	37,864	19,344	25,067	24,845	222	5,035	3,197	3,197	1,838	—	—
1960*) "	54,456	37,864	20,772	26,580	26,361	219	7,104	3,664	3,664	3,440	—	—
1961 "	63,381	37,864	23,138	31,238	30,986	252	9,005	4,272	4,272	4,733	—	—
1962 <sup>1)</sup> "	67,512	37,864	24,164	33,845	33,566	279	9,503	5,218	5,218	4,285	—	—
1962 <sup>2)</sup> "	67,534	37,864	24,159	33,868	33,589	279	9,507	5,222	5,222	4,285	—	—
1963 March	65,869	37,864	24,812	30,174	29,925	249	10,883	4,004	4,004	6,879	—	—
June	69,208	37,864	25,537	31,995	31,711	284	11,676	4,466	4,466	7,210	—	—
September	69,790	37,864	25,741	33,268	32,998	270	10,781	4,422	4,422	6,359	—	—
December	71,779	37,864	25,418	36,759	36,486	273	9,602	5,475	5,475	4,127	—	—
1964 March	70,100	37,864	25,757	33,916	33,623	293	10,427	4,629	4,629	5,798	—	—
June	72,939	37,864	26,689	36,084	35,772	312	10,166	4,936	4,936	5,230	—	—
September	74,727	37,864	27,267	36,538	36,243	295	10,922	4,600	4,600	6,322	—	—
December	76,147	37,864	27,804	39,808	39,556	252	8,535	5,321	5,321	3,214	—	—

\*) From July 1959 onwards including DM notes and coins circulating in the Saarland as well as deposits of Saarland non-banks with the Bundesbank. Cf. footnote 5). — <sup>1)</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. — <sup>2)</sup> Including DM notes and coins held abroad. — <sup>3)</sup> Until the end of 1958 including the (relatively small) deposits of foreign business enterprises and individuals at the Bundesbank. — <sup>4)</sup> From December 1960 onwards including deposits of the E.R.P. Special Fund and credit balances resulting from special transactions. — <sup>5)</sup> From January 1959 onwards included in foreign liabilities. — <sup>6)</sup> From January 1960 onwards including the deposits of non-banks maintained with Saarland credit institutions. The rows of figures were linked together by showing for December 1959, firstly, the figures excluding Saarland and, secondly, the figures including Saarland. Cf. footnote 5). — <sup>7)</sup> Since December 1962 the obligation to render returns has been newly defined for the agricultural credit cooperatives. The December figures are shown for both the old and the new range of institutions required to report.

(3) Savings Deposits

Millions of DM

End of month	Savings deposits, total	among which:		Total savings deposits comprise those at						
		Savings deposits		Savings banks	Credit co-operatives	Commercial banks			Postal Savings Bank	Other credit institutions
		carrying tax privileges	carrying premiums			Total	Big banks	State, regional and local banks		
1952 December	7,581	972	—	4,934	1,118	1,115	605	424	380	34
1953 "	11,547	1,532	—	7,461	1,652	1,723	944	658	659	52
1954 "	17,225	2,319	—	10,965	2,418	2,794	1,556	1,052	965	83
1955 "	21,374	2,525	—	13,555	2,944	3,517	1,963	1,327	1,236	122
1956 "	24,276	2,917	—	15,506	3,418	3,782	2,055	1,489	1,457	113
1957 "	29,388	3,785	—	18,665	4,140	4,615	2,505	1,822	1,822	146
1958 "	36,102	4,157	—	22,882	5,081	5,698	3,128	2,215	2,286	155
1959 "	44,268	4,045	558	27,958*)	6,167	7,142*)	4,129	2,576*)	2,783	218
1959 <sup>1)</sup> "	45,039	4,051	565	28,516 <sup>2)</sup>	6,305	7,204*)	4,135	2,616*)	2,793	221
1960 <sup>1)</sup> "	53,114	3,216	1,408	33,724	7,454	8,402	4,827	3,027	3,274	260
1961 "	60,424	158	2,554	38,525	8,551	9,313	5,345	3,365	3,754	281
1962 <sup>3)</sup> "	69,705	57	3,972	44,407	9,843	10,896	6,275	3,927	4,204	355
1962 <sup>3)</sup> "	69,874	56	3,977	44,407	10,012	10,896	6,275	3,927	4,204	355
1963 March	73,517	51	4,391	46,742	10,565	11,411	6,560	4,113	4,426	373
June	75,011	48	4,785	47,623	10,814	11,679	6,734	4,193	4,492	403
September	77,265	46	5,079	49,039	11,226	12,023	6,915	4,338	4,562	415
December	81,522	36	6,026	51,816	11,925	12,668	7,277	4,589	4,701	412
1964 March	85,170	27	6,569	54,161	12,533	13,155	7,547	4,769	4,888	433
June	87,089	26	7,088	55,239	12,882	13,540	7,777	4,924	4,983	445
September	89,248	*)	7,095	56,561	13,316	13,893	7,942	5,090	5,020	458
December	94,212	*)	8,269	59,713	14,160	14,681	8,388	5,386	5,196	462

<sup>1)</sup> From 1960 onwards including Saarland. The rows of figures were linked together by showing for December 1959, firstly, the figures excluding Saarland and, secondly, the figures including Saarland. — <sup>2)</sup> Statistical shift of about DM 100 million due to transfer of the savings business of a state bank to a savings bank. — <sup>3)</sup> In December 1962 the obligation to render returns was newly defined for the agricultural credit cooperatives. As from December 1962 those agricultural credit cooperatives are required to render returns whose balance-sheet total on 31 December 1961 was DM 2 million or more. The December figures are shown for both the old and the new range of institutions required to report. — <sup>4)</sup> From July 1964 no longer recorded as the amounts are merely insignificant.

## II. Interim Statements of the Credit Institutions \*) 1)

Millions of DM

### Assets

End of year or month	Total of balance sheet	Cash reserve		Balances with credit institutions and on Postal Cheque account	Bills of exchange	Treasury bills and non-interest Treasury bonds	Medium-term notes (Kassenobligationen), securities and syndicate participations	Bonds of own issues	Equalisation claims and covering claims according to the Laws on Currency Conversion Compensation and Old Savings*)	Debtors		Long-term lending		Loans on a trust basis		Re-maining assets
		Total	among which: balances with Deutsche Bundesbank							Non-banks	Credit institutions	Non-banks	Credit institutions	Non-banks	Credit institutions	
1949		1,645.8	1,371.1	2,090.0	1,695.3	275.9			5,531.1	7,357.8	745.0	1,776.7			360.7	
1950	35,515.5	2,171.7	1,862.6	2,410.3	2,676.2	528.8	526.8	52.5	5,991.6	9,722.1	871.6	5,886.1	2,146.3	595.2	133.5	1,802.8
1951	45,377.1	3,210.4	2,806.6	3,537.8	3,776.9	945.1	714.4	53.9	6,074.0	10,565.5	965.1	9,048.3	2,908.9	1,132.7	158.8	2,285.3
1952	59,010.7	3,581.0	3,114.9	4,787.4	6,230.9	1,039.3	1,331.9	134.4	6,299.5	12,875.9	1,186.6	12,744.2	3,601.7	1,681.4	646.5	2,870.0
1953	74,701.0	3,916.4	3,436.6	6,197.8	7,485.6	1,169.8	2,629.7	69.7	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	9,948.4	1,103.7	4,769.3	112.7	8,070.3	18,547.1	1,786.1	23,370.6	5,183.4	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	174.7	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)	6,404.9	5,689.9	9,932.6	11,535.3	1,789.0	6,836.8	267.5	8,314.7	22,505.0	2,020.2	36,668.4	6,614.5	7,854.3)	4,440.4	5,106.1
1957	154,714.8)	8,551.1	7,730.3	14,592.4	12,985.0	6,156.4	8,227.5	214.3	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)	9,806.0	8,888.1	17,462.3	13,327.4	6,767.0	13,146.2	180.0	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 <sup>1)</sup>	204,052.9)	10,830.9	9,875.3	18,575.3	14,845.4	5,694.6	18,106.7	262.9	8,200.9	30,317.0)	2,814.5	61,140.6	9,718.7	10,949.3)	5,430.7	7,165.4
1959 <sup>2)</sup>	207,425.4)	11,010.7	10,030.9	19,379.8	15,166.4	5,729.7	18,345.1	268.0	8,200.9	30,649.9)	2,833.9	62,324.3	9,740.9	11,016.0)	5,430.8	7,329.0
1960	233,071.9)	14,630.5	13,562.4	20,390.1	16,018.9	6,002.1	18,704.5	335.4	8,222.5)	36,404.6	3,182.3	71,994.7	11,269.0	12,220.8	5,684.2)	8,012.3
1961	271,199.4)	13,866.8	12,515.9	26,485.1	17,927.7	6,614.2	22,278.5	324.1	8,100.0	42,649.5)	3,552.5	84,852.1	13,583.1	14,374.5)	5,954.5	10,636.8)
1962 <sup>1)</sup>	302,040.3)	14,864.1	13,267.9	28,532.3	18,577.2	5,772.3	25,610.3	294.7	8,073.2	48,063.7	4,039.6	99,345.6)	15,502.5)	15,825.7	6,561.9	10,977.2
1962 <sup>2)</sup>	302,289.4)	14,868.7	13,268.0	28,583.7	18,581.9	5,772.3	25,617.9	294.7	8,055.4	48,135.4	4,039.7	99,448.8)	15,503.0)	15,836.7	6,561.9	10,990.5
1963	341,682.0	16,555.6	14,821.7	32,674.7	20,000.1	6,774.9	29,677.9	341.9	8,214.7	58,282.1	4,290.2	115,952.4	17,718.9	17,778.5	6,779.8	11,640.3)
1964 Jan.	339,487.6	11,814.7	10,196.2	32,130.9	19,040.7	8,663.3	30,793.8	327.3	8,276.7	53,464.5	4,194.7	117,510.1	17,857.3	17,942.4	6,620.6	10,850.6
Feb.	344,081.1	12,649.6	11,021.2	34,083.2	19,268.6	8,382.7	31,059.7	320.0	8,280.0	53,935.7	4,046.9	116,732.6)	17,973.1	19,641.2)	6,640.9	11,066.9
March	344,206.2	13,018.8	10,993.9	32,162.4	17,758.3	7,321.0	31,656.9	344.3	8,326.1	54,970.0	4,466.7	117,941.5	18,329.0	19,834.4	6,669.4	11,407.4
April	345,565.6	12,465.9	10,812.3	31,342.0	18,371.7	7,485.9	32,063.9	377.4	8,389.5	54,839.6	4,300.0	119,511.9	18,546.6	20,001.1	6,679.8	11,190.3
May	350,607.0	12,700.6	10,901.1	32,661.6	18,287.0	7,470.5	32,678.8	453.5	8,395.6	55,789.2	4,497.8	120,826.8	18,695.0	20,180.0	6,681.5	11,291.1
June	354,438.4	12,698.9	10,787.4	32,475.4	18,990.4	6,853.1	33,096.4	449.8	8,389.9	57,513.6)	5,004.3)	121,946.3)	18,239.9)	20,313.9	6,770.2	11,694.3
July	354,419.2	13,518.0	11,653.1	31,504.9	18,530.1	6,481.8	33,385.1	440.5	8,431.8	56,831.0)	4,720.1	123,859.0	18,439.1	20,565.8	6,717.2	10,994.8
Aug.	360,197.0	14,776.8	12,894.2	33,718.7	18,483.4	6,143.6	33,648.9	459.8	8,435.5	56,937.8	4,663.8	125,377.5	18,714.7	20,705.3	6,771.5	11,359.7
Sep.	360,898.7	14,117.4	12,246.0	31,651.5	18,073.9	5,016.3	34,051.8	504.7	8,475.5	58,541.3	4,965.9	126,999.7	19,009.5	20,962.9	6,785.3	11,743.0
Oct.	364,702.4	14,676.4	12,858.8	32,085.3	18,849.7	4,792.3	34,059.5	525.9	8,506.7	58,425.4	4,607.1	128,978.8	19,310.3	21,244.1	6,862.4	11,778.5
Nov.	372,769.8	14,460.1	12,424.9	35,378.8	19,089.3	6,002.6	34,221.6	514.5	8,511.6	58,822.3	4,811.5	130,843.3	19,472.3	21,515.8	6,891.5	12,234.6
Dec.	380,754.0	17,679.1	15,938.0	34,901.1	21,642.7	4,559.2	34,490.6	443.5	8,460.9	59,459.3	5,213.3	132,910.6	19,663.0	21,667.5	6,909.5	12,753.7
1965 Jan.	380,724.2	15,058.8	13,231.0	35,690.1	19,768.4	5,980.9	35,270.3	559.2	8,511.0	59,659.0	4,966.1	134,214.1	19,822.8	21,912.0	6,926.6	12,379.9
Feb.	386,147.5	15,148.4	13,276.7	37,264.3	20,106.1	6,221.5	35,916.9	579.8	8,517.4	60,003.0	5,112.2	135,536.0	20,095.7	21,983.2	6,956.3	12,706.7

### Liabilities

End of year or month	Deposits				Borrowed funds		Own acceptances in circulation	Bonds in circulation *)	Loans taken for long periods (4 years and over)		Loans on a trust basis		Capital funds including reserves (Art. 10, Banking Law)	Remaining liabilities	Endorsement liabilities on rediscounted bills *)
	Deposits of non-banks				Non-banks	Credit institutions			Non-banks	Credit institutions	Non-banks	Credit institutions			
	Total	Sight deposits	Time deposits	Savings deposits											
1949	13,759.1	8,573.9	2,108.8	3,076.4	1,493.1	1,492.3	1,864.7	1,230.1	711.6		394.3	830.7		2,327.4	
1950	17,981.6)	9,657.6	4,213.3	4,110.7	1,915.9	1,858.2	1,851.7	1,809.9	2,651.1	2,501.6	554.8	173.9	1,148.4	2,766.4	3,635.8
1951	22,532.9	11,601.5	5,843.7	5,087.7	2,917.2	2,832.0	1,174.7	2,537.7	4,324.2	3,419.1	1,017.2	274.3	1,509.0	3,408.6	5,345.7
1952	28,084.9	12,446.1	6,057.5	5,781.3	4,871.8	4,819.6	715.8	3,671.9	6,821.8	4,047.8	1,662.2	665.7	2,049.4	4,000.8	5,379.6
1953	35,336.3	13,521.4	10,268.4	11,546.5	6,532.3	6,109.8	542.9	5,024.8	8,663.9	4,906.6	2,399.4	930.4	2,623.5	4,475.7	4,351.2
1954	43,333.5	15,991.7	10,117.2	17,224.6	9,067.9	9,347.7	478.8	8,698.3	10,042.0	5,725.0	4,988.8	1,668.1	3,055.2	5,366.6	4,655.8
1955	49,297.8	17,769.0	10,155.3	21,373.5	9,695.5	10,774.7	582.3	11,755.4	11,998.1	6,585.9	7,247.0	2,502.8	3,806.1	6,504.3	6,186.2
1956	55,679.3	19,378.3	12,025.4	24,275.6	11,166.9	12,876.6	453.4	13,498.0	13,803.9	6,872.7	9,133.1)	3,161.6	4,572.7	7,270.8	4,625.1
1957	66,768.8	21,795.3	15,585.2	29,388.3	16,031.2	16,635.9	340.9	15,629.3	15,245.6	7,891.6	9,954.0)	3,810.9	5,732.9	8,226.7	7,567.8
1958	78,054.9	25,305.1	16,647.6	36,102.2	19,245.5	14,338.8	267.0	19,983.6	16,168.1	8,802.0	10,363.0)	4,371.1	6,813.6	8,786.9	2,371.7
1959 <sup>1)</sup>	91,171.7)	28,457.4)	18,445.9	44,268.4	20,716.4	15,455.8)	536.7	25,890.7	16,710.0	9,514.7	11,393.1)	4,986.9	8,168.1	10,095.6	2,506.4
1959 <sup>2)</sup>	92,826.6)	29,075.6)	18,712.4	45,038.6	21,143.4	15,546.9)	536.8	26,116.7	17,211.6	9,684.8	11,452.5)	4,994.3	8,256.7	10,281.9	2,586.0
1960	104,051.3	31,244.3	19,693.5	53,113.5	22,683.3	2,210.3	635.0	29,627.2	18,606.0	11,200.1	12,321.7)	5,583.3	9,652.6	11,877.3	3,218.9
1961	118,344.1)	36,489.4)	21,430.3)	60,424.4	29,150.2	2,313.8)	585.6	35,591.9	21,821.5)	13,182.4	13,945.7)	6,383.3	12,186.5	11,999.4)	3,759.5
1962 <sup>1)</sup>	132,880.2	40,037.1	23,137.8	69,705.3	30,316.3	2,494.2	629.1	42,154.0	23,981.0	14,597.0	15,554.0	6,833.6)	13,829.4	12,895.7	4,903.6
1962 <sup>2)</sup>	133,080.9	40,064.2	23,142.8	69,873.9	30,316.9	2,494.8	629.4	42,154.0	23,984.7	14,607.9	15,555.4	6,843.2)	13,834.0	12,901.5	4,901.1
1963	149,659.4	43,326.2	24,811.0	81,522.2	35,551.0	2,547.9	722.6	50,541.3	26,231.5	16,495.9	16,854.7	7,703.6	15,393.9	13,817.5)	4,600.3
1964 Jan.	147,884.0	39,233.8	25,534.3	83,115.9	33,590.6	2,536.6	635.0	52,272.1	26,148.8	16,571.2	16,803.3	7,759.7	15,566.8	13,559.1	4,317.2
Feb.	149,267.5	39,187.5	25,635.2	84,448.8	36,153.1	2,524.4	556.3	53,136.0	24,537.8)	16,653.9	18,614.7)	7,667.4	15,747.8	13,358.7	3,887.7
March	149,126.3	39,403.2	24,553.5	85,169.6	33,538.1	2,531.7	545.9	53,817.8	24,550.3	16,943.9	18,766.2	7,737.6	15,993.5	14,386.9	5,688.0
April	150														

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

#### (1) Central Bank Lending to Non-Banks \*)

Millions of DM

End of month	Total lending to non-banks including Treasury bills and securities		Public authorities											Business enterprises and individuals			
			Total		Federal Government and Federal Special Funds <sup>1)</sup>						Länder					"Direct lending" <sup>2)</sup>	Credits granted to insurance companies and building and loan associations <sup>3)</sup>
					in-cluding Treasury bills and securities	ex-cluding Treasury bills and securities	Total	Treasury bills and non-interest Treasury bonds	Cash advances	Credit to Fed. Govt. for participation in international institutions	Securities	Total	Treasury bills and non-interest Treasury bonds	Cash advances	Ad- vances on securities		
1949 Dec.	802.1	568.4	756.1	522.4												504.2	101.1
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 "	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 "	1,747.8	1,455.5	1,747.8	1,455.5	1,747.8	80.0	244.8	1,210.7	212.3	—	—	—	—	—	—	0.0	
1960 "	1,804.4	1,465.2	1,804.4	1,465.2	1,804.4	136.3	78.0	1,387.2	202.9	—	—	—	—	—	—	—	
1961 "	3,017.3	2,798.8	3,017.3	2,798.8	3,014.3	—	160.1	2,635.7	218.5	3.0	—	3.0	—	—	—	—	
1962 "	3,012.2	2,894.8	3,012.2	2,894.8	3,012.2	—	739.1	2,155.7	117.4	—	—	—	—	—	—	—	
1963 "	4,235.2	4,043.5	4,235.2	4,043.5	4,218.6	125.1	1,732.7	2,294.2	66.6	16.6	—	16.6	—	—	—	—	
1964 March	2,763.8	2,679.7	2,763.8	2,679.7	2,759.3	53.5	—	2,675.2	30.6	4.5	—	4.5	—	—	—	—	
June	2,903.6	2,881.3	2,903.6	2,881.3	2,903.6	—	—	2,881.3	22.3	—	—	—	—	—	—	—	
Sep.	3,067.2	2,878.5	3,067.2	2,878.5	3,067.2	165.0	—	2,878.5	23.7	—	—	—	—	—	—	—	
Dec.	4,566.4	4,228.0	4,566.4	4,228.0	4,472.4	307.0	1,118.0	3,016.0	31.4	94.0	—	94.0	—	—	—	—	
1965 Jan.	3,155.1	3,044.4	3,155.1	3,044.4	3,122.1	78.9	154.8	2,856.6	31.8	33.0	—	33.0	—	—	—	—	
Feb.	3,699.5	3,666.7	3,699.1	3,666.3	3,635.6	1.0	760.8	2,842.0	31.8	63.5	—	63.5	—	—	—	0.4	

\*) From July 1959 onwards including the Land Central Bank in the Saarland.

<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 \*)

Millions of DM

End of month	Deposits of non banks total including amounts temporarily employed in equalisation claims <sup>2)</sup>		Public authorities <sup>1)</sup>			Agencies of former occupying powers <sup>5)</sup>	Other German depositors <sup>7)</sup>
			Federal Government (without Special Funds <sup>3)</sup> ), Länder and Equalisation of Burdens Authorities	E.R.P. Special Fund <sup>4)</sup>	Other public authorities <sup>6)</sup>		
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	965.0	396.7	907.6	829.7
1951 "	3,997.3	2,990.0	1,191.8	1,312.8	223.0	997.3	272.4
1952 "	3,957.8	2,194.1	1,906.1	825.9	207.2	753.4	265.2
1953 "	4,935.3	1,704.2	3,181.4	496.7	373.2	639.3	244.7
1954 "	6,266.5	1,529.9	4,684.7	352.8	400.6	523.4	305.0
1955 "	7,003.5	3,420.7	5,949.7	272.2	274.3	265.5	241.8
1956 "	7,682.3	4,459.3	6,711.8	192.5	339.8	143.8	294.4
1957 "	—	5,097.3	4,017.1	167.8	431.4	140.6	340.4
1958 "	—	4,968.2	3,614.0	361.2	610.3	46.8	335.9
1959 "	—	2,260.8	1,161.3	200.4	677.3	—	221.8
1960 "	—	3,659.2	2,684.9	119.8	636.3	—	218.2
1961 "	—	4,985.8	3,781.6	352.3	599.5	—	252.4
1962 March	—	6,326.8	5,493.2	271.1	330.6	—	231.9
June	—	6,306.2	5,477.4	314.5	252.5	—	261.8
Sep.	—	7,016.7	5,363.7	369.5	1,012.8	—	270.7
Dec.	—	4,563.2	3,604.8	166.3	513.4	—	278.7
1963 March	—	7,128.1	5,378.0	351.1	1,150.1	—	248.9
June	—	7,493.8	5,794.5	282.6	1,132.7	—	284.0
Sep.	—	6,628.3	4,828.0	637.9	893.0	—	269.4
Dec.	—	4,399.9	3,022.1	159.6	945.4	—	272.8
1964 Jan.	—	4,030.8	2,953.8	616.5	203.8	—	256.7
Feb.	—	3,722.3	2,453.5	613.3	397.6	—	257.9
March	—	6,090.2	4,214.2	516.5	1,067.0	—	292.5
April	—	4,410.2	3,105.8	425.2	628.8	—	250.4
May	—	4,431.6	2,785.6	448.1	915.8	—	282.1
June	—	5,541.6	3,872.8	444.8	911.7	—	312.3
July	—	4,499.1	2,704.1	753.8	785.6	—	255.6
Aug.	—	4,145.3	2,317.2	610.6	968.3	—	249.2
Sep.	—	6,616.6	4,586.4	553.0	1,182.9	—	294.3
Oct.	—	5,194.2	3,598.9	537.9	810.5	—	246.9
Nov.	—	2,977.6	1,605.6	430.1	685.8	—	256.1
Dec.	—	3,467.2	2,188.6	134.4	891.6	—	252.6
1965 Jan.	—	3,414.3	1,968.1	568.6	654.4	—	223.2
Feb.	—	3,461.8	1,558.9	269.6	1,405.9	—	227.4

\*) From July 1959 including deposits maintained with the Land Central Bank in the Saarland.

<sup>1)</sup> Including amounts temporarily employed in equalisation claims. — <sup>2)</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. — <sup>3)</sup> Including accounts kept in connection with the development aid loan and the partial denationalisation of the Volkswagen Works; excluding however the amounts employed in money-market paper. — <sup>4)</sup> Until 31 July 1957 "counterpart funds" only. — <sup>5)</sup> From May 1958 onwards including the minimum reserve balances kept by the Federal Postal Administration on behalf of the Postal Cheque and Postal Savings Bank offices. — <sup>6)</sup> From January 1959 included in "foreign business". — <sup>7)</sup> Other foreign depositors, until December 1958 contained in this item, are now included in "foreign business".

## IV. Credit Institutions' Recourse to Bundesbank, Central Bank Deposits and Free Liquidity Reserves

### (1) Central Bank Lending to Credit Institutions and Central Bank Deposits of Credit Institutions\*)

Millions of DM

End of month	Lending <sup>1)</sup>				De- posits <sup>2) 3)</sup>
	Total	Discount credits	Advances on securities	Equalisa- tion 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 "	1,676.6	1,463.0	52.8	160.8	7,108.9
1958 "	960.3	769.6	63.9	126.8	8,243.1
1959 "	1,285.7	949.2	234.4	102.1	9,343.8
1960 "	1,804.1	1,296.5	419.0	88.6	13,036.4
1961 "	1,663.8	1,395.4	219.7	48.7	11,614.6
1962 "	2,473.3	2,267.6	157.7	48.0	12,232.1
1963 March	3,122.7	2,972.8	101.9	48.0	9,149.3
June	3,652.8	3,304.9	299.9	48.0	10,061.9
Sep.	2,418.0	2,328.5	41.8	47.7	10,009.4
Dec.	2,097.9	1,890.2	207.7	—	13,606.5
1964 March	3,145.1	2,941.8	203.3	—	10,872.3
June	2,804.8	2,771.0	33.8	—	10,894.1
Sep.	4,299.9	4,214.7	85.2	—	12,102.1
Dec.	3,449.9	2,804.2	645.7	—	15,143.3
1965 Jan.	4,039.4	4,019.9	19.5	—	13,238.0
Feb.	3,675.6	3,463.2	212.4	—	12,937.4

\*) From July 1959 including Saarland credit institutions.

<sup>1)</sup> Excluding cash advances to the 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. — <sup>3)</sup> From May 1958 without the minimum reserve balances kept by the Federal Postal Administration on behalf of Postal Cheque and Postal Savings Bank offices.

### (2) Credit Institutions' Holdings of Domestic Money Market Paper and Short-term Investments Abroad\*)

Millions of DM

End of month	Total	of which:			
		Money-market paper <sup>1)</sup>		Short-term balances and money-market investments abroad <sup>3)</sup>	
		Total	among which: Mobili- sation paper <sup>2)</sup>	Total	among which: Money- market paper <sup>3)</sup>
1958 Dec.	7,931.4	6,891.2	4,300.2	1,040.2	481.2
1959 Dec.	8,308.1	5,765.7	2,940.0	2,542.4	1,245.5
1960 Dec.	6,671.7	5,356.6	3,130.8	1,315.1	379.3
1961 March	8,315.5	5,826.4	3,966.9	2,489.1	422.5
June	9,416.4	5,432.0	3,256.5	3,984.4	282.5
Sep.	10,178.7	6,506.7	4,916.9	3,672.0	438.4
Dec.	8,210.4	6,075.7	4,233.8	2,134.7	578.3
1962 March	10,022.6	5,465.9	3,967.8	4,556.7	524.6
June	9,088.6	5,589.4	3,985.1	3,499.2	501.7
Sep.	7,940.0	5,060.4	3,635.2	2,879.6	390.6
Dec.	7,713.6	5,558.1	3,372.2	2,155.5	353.2
1963 March	8,979.2	5,867.3	3,924.4	3,111.9	303.1
June	9,135.7	5,665.0	3,313.1	3,470.7	284.2
Sep.	9,172.7	5,559.5	3,280.1	3,613.2	317.4
Dec.	9,006.8	6,458.4	4,159.9	2,548.4	577.4
1964 March	10,546.5	6,932.7	4,251.7	3,613.8	755.8
June	10,272.5	6,805.9	4,003.7	3,466.6	1,104.8
Sep.	8,748.4	5,116.7	2,493.8	3,631.7	984.7
Dec.	7,799.7	4,512.4	2,051.9	3,287.3	1,100.9

\*) From 1959 including Saarland credit institutions.

<sup>1)</sup> Treasury bills and non-interest Treasury bonds, Storage Agency bills and prime bankers' acceptances. — <sup>2)</sup> The holdings of special mobilisation paper series "L" ("Blessing Milliarde") were included at the time when the prohibition on sale was lifted (August 1961). — <sup>3)</sup> Excluding money-market investments of Reconstruction Loan Corporation from proceeds of the development aid loan.

### (3) Borrowing by Banking Groups from Deutsche Bundesbank<sup>1)</sup>

Millions of DM

Banking group	1963				1964			
	31 March	30 June	30 Sep.	31 Dec.	31 March	30 June	30 Sep.	31 Dec.
Commercial banks	2,498	3,013	1,790	1,619	2,400	2,047	3,290	2,518
of which:								
Big banks <sup>2)</sup>	(1,161)	(1,216)	( 548)	( 448)	( 716)	( 451)	(1,280)	( 652)
State, regional and local banks	( 748)	(1,075)	( 626)	( 560)	( 952)	( 912)	(1,177)	( 998)
Private bankers	( 477)	( 592)	( 474)	( 471)	( 578)	( 544)	( 628)	( 690)
Specialised commercial banks	( 112)	( 130)	( 142)	( 140)	( 154)	( 140)	( 205)	( 178)
Savings banks and central giro institutions	117	329	205	72	274	354	479	329
of which:								
Savings banks	( 24)	( 37)	( 43)	( 8)	( 14)	( 32)	( 63)	( 28)
Central giro institutions	( 93)	( 292)	( 162)	( 64)	( 260)	( 322)	( 416)	( 301)
Credit cooperatives and their central institutions	195	271	137	154	146	136	171	159
of which:								
Industrial	( 83)	( 175)	( 64)	( 57)	( 50)	( 57)	( 87)	( 76)
Agricultural	( 112)	( 96)	( 73)	( 97)	( 96)	79	( 84)	( 83)
All other credit institutions	496	379	817	311	462	539	732	456
among which:								
Credit institutions with special functions	( 488)	( 372)	( 804)	( 302)	( 454)	( 531)	( 721)	( 448)
All banking groups <sup>3)</sup>	3,306	3,992	2,949	2,156	3,282	3,076	4,672	3,462

<sup>1)</sup> Including Saarland. — <sup>2)</sup> Deutsche Bank AG, Dresdner Bank AG, Commerzbank AG, and their Berlin subsidiaries. — <sup>3)</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 (1) 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 data.

## V. Interest Rates

(1) Rates of Deutsche Bundesbank Applying to the Sale of Money Market Paper in the Open Market  
in % per annum

Applicable from	Treasury bills of Federal Government and Federal Railways running for		Non-interest Treasury bonds of Federal Government, Federal Railways and Federal Postal Administration running for				Storage Agency bills running for	
	30 to 59 days	60 to 90 days	6 months	12 months	18 months	24 months	30 to 59 days	60 to 90 days
1960 Feb. 29	3 3/4	3 7/8	4 1/8	4 3/8	4 1/2	4 5/8	3 7/8	4
Mar. 3	3 7/8	4	4 1/4	4 1/2	4 5/8	4 3/4	4	4 1/8
June 3	4 3/4	5 7/8	5 1/8	5 1/4	5 3/8	5 1/2	4 7/8	5
Nov. 2	4 5/8	4 3/4	5	5 1/8	5 1/4	5 3/8	4 3/4	4 7/8
Nov. 3	4 3/8	4 1/2	4 3/4	4 7/8	5	5 1/8	4 1/2	4 5/8
Nov. 11	3 7/8	4	4 1/4	4 3/8	4 1/2	4 5/8	4	4 1/8
Dec. 20	3 5/8	3 3/4	4	4 1/8	4 3/4	4 3/8	3 3/4	3 7/8
1961 Jan. 20	3 1/8	3 1/4	3 1/2	3 5/8	3 3/4	3 7/8	3 1/4	3 3/8
Feb. 9	3	3 1/8	3 3/8	3 1/2	3 5/8	3 3/4	3 1/8	3 1/4
Feb. 14	2 7/8	3	3 1/4	3 3/8	3 1/2	3 5/8	3	3 1/8
Mar. 3	2 3/4	2 7/8	3 1/8	3 1/4	3 3/8	3 1/2	3	3
Mar. 8	2 5/8	2 3/4	3	3 1/8	3 1/4	3 3/8	2 3/4	2 7/8
Mar. 17	2 1/2	2 5/8	2 7/8	3	3 1/8	3 1/4	2 5/8	2 3/4
Mar. 23	2 3/8	2 1/2	2 3/4	2 7/8	3	3 1/8	2 1/2	2 5/8
Apr. 26	2 1/4	2 3/8	2 5/8	2 3/4	2 7/8	3	2 3/8	2 1/2
May 5	2 3/8	2 1/4	2 1/8	2 5/8	2 3/4	2 7/8	2 1/4	2 3/8
Oct. 4	2	2 1/8	2 1/2	2 3/8	2 1/2	2 3/4	2 1/8	2 1/4
Oct. 20	1 7/8	2	2 3/8	2 1/2	2 3/8	2 3/4	2	2 1/8
1962 Jan. 4	1 3/4	1 7/8	2 1/4	2 3/8	2 5/8	2 3/4	1 7/8	2
Mar. 30	1 7/8	2	2 3/8	2 1/2	2 3/4	2 7/8	2	2 1/8
Apr. 13	2	2 1/8	2 1/2	2 3/8	2 1/4	3	2 1/8	2 1/4
June 6	2 1/8	2 1/4	2 3/8	2 3/4	3	3 1/8	2 1/4	2 3/8
July 16	2 1/4	2 3/8	2 3/4	2 7/8	3 1/8	3 1/4	2 3/8	2 1/8
Aug. 1	2 3/8	2 1/8	2 7/8	3	3 1/4	3 3/8	2 1/2	2 5/8
Oct. 3	2 1/2	2 3/8	3	3 1/8	3 3/8	3 1/2	2 5/8	2 3/4
1963 Nov. 25	2 1/2	2 5/8	3	3 1/8	3 1/4	3 3/8	2 5/8	2 3/4
1965 Jan. 22	3	3 1/8	3 3/8	3 3/4	4	4 1/8	3 1/8	3 1/4

(2) Swap Rates of Deutsche Bundesbank for Forward Transactions<sup>1)</sup>

Applicable from <sup>2)</sup>	Minimum and maximum periods (months)	Discount(-) premium(+) <sup>3)</sup> in % p. a.
1961 Jan. 20	1/8 to 6	+ 1
Feb. 3	1/2 to 6	+ 1/2
Feb. 9	1/2 to 6	+ 1/4
Feb. 13	1/2 to 6	par
Aug. 14	1 to 6	- 1/4
Dec. 15	1 to 6	par
1962 Jan. 2	1 to 6	- 1/4
Jan. 8	1 to 6	- 3/8
Jan. 10	1 to 6	- 1/2
Feb. 14	2 to 6	- 1/2
March 8	1 to 6	- 1/2
March 30	1 to 2	- 1/2
	over 2 to 6	- 1/4
July 16	over 1 to 2	- 3/4
	over 2 to 6	- 1/2
Aug. 1	over 1 to 2	- 1
	over 2 to 6	- 3/4
Sep. 24	over 1 to 2	- 3/4
	over 2 to 6	- 1/2
1963 Jan. 7	over 1 to 2	- 1
	over 2 to 6	- 3/4
1964 March 10	3 to 6	- 1/2
July 13	3 to 6	- 1/4

<sup>1)</sup> Transactions in U.S. dollars with credit institutions for forward exchange covering of their money investments abroad. The fixing of swap rates does not necessarily mean that the Bundesbank currently concludes swaps at these rates; in fact the Bank may discontinue such operations for a time. As from 10 March 1964 swap transactions are concluded only for the acquisition of U.S.\$ Treasury bills. — <sup>2)</sup> Figures for the period from 1958 to 1960 will be found in the Report for the Year 1962. — <sup>3)</sup> Discount or premium by which the repurchase rate deviates from the selling rate (mean spot rate); par = repurchase rate equal to selling rate.

(3) Money Market Rates<sup>1)</sup> in Frankfurt (Main) by Months  
in % per annum

Month	Day-to-day money <sup>2)</sup>	One-month loans <sup>3)</sup>	Three-month loans <sup>3)</sup>	Note: Central Bank discount rate
1963 Jan.	2 — 3	2 7/8 — 3	3 1/8 — 3 1/2	3
Feb.	2 1/2 — 3 3/8	2 7/8 — 3 1/8	3 1/4 — 3 3/8	3
March	3 — 4	3 1/4 — 3 1/8	3 3/8 — 3 3/4	3
April	2 3/8 — 3 3/4	3 1/4 — 3 1/2	3 1/2 — 3 3/4	3
May	2 1/4 — 3 5/8	3 1/8 — 3 1/2	3 3/8 — 3 3/4	3
June	3 — 4 3/4	3 3/8 — 3 3/4	3 3/4 — 4	3
July	2 1/2 — 4 3/8	3 1/4 — 3 7/8	3 3/4 — 4 1/4	3
Aug.	2 1/4 — 3 1/8	3 1/8 — 3 5/8	3 3/4 — 4	3
Sep.	2 — 3 7/8	3 3/8 — 3 1/2	3 5/8 — 3 7/8	3
Oct.	2 — 3 3/4	3 — 3 3/8	5 — 5 1/4	3
Nov.	2 3/8 — 3 1/8	2 3/4 — 3 1/4	4 7/8 — 5 1/8	3
Dec.	2 — 3 1/8 <sup>3)</sup>	5 1/4 — 5 1/2	4 7/8 — 5 1/4	3
1964 Jan.	2 1/8 — 3 1/4	2 7/8 — 3 1/4	3 1/4 — 3 1/2	3
Feb.	2 1/4 — 3 1/8	3 — 3 1/4	3 1/4 — 3 3/8	3
March	2 3/4 — 4	3 1/8 — 3 5/8	3 3/8 — 3 5/8	3
April	2 7/8 — 4	3 1/8 — 3 1/2	3 3/8 — 3 5/8	3
May	2 7/8 — 3 7/8	3 1/4 — 3 1/2	3 3/8 — 3 3/4	3
June	2 3/4 — 3 7/8	3 1/8 — 3 3/4	3 3/8 — 3 7/8	3
July	3 — 3 3/4	3 1/4 — 3 1/2	3 5/8 — 3 7/8	3
Aug.	2 3/4 — 4	3 1/8 — 4 1/8	3 3/8 — 4 1/4	3
Sep.	3 3/8 — 4	3 5/8 — 4 1/4	3 7/8 — 4 3/8	3
Oct.	2 1/8 — 4	3 7/8 — 4	5 1/4 — 5 1/2	3
Nov.	2 1/2 — 3 3/4	3 1/4 — 4	5 3/8 — 5 5/8	3
Dec.	2 1/4 — 3 1/2 <sup>4)</sup>	5 3/8 — 5 3/4	5 1/8 — 5 1/2	3
1965 Jan.	1 1/8 — 3 3/8	3 1/8 — 3 1/2	3 3/4 — 4 1/8	3 <sup>5)</sup>
Feb.	2 7/8 — 4 1/4	3 1/4 — 3 7/8	3 3/4 — 4 1/8	3 1/2
March	3 3/4 — 4 5/8	3 7/8 — 4 1/4	4 — 4 5/8	3 1/2

<sup>1)</sup> Money-market rates are not fixed or quoted officially. The rates here published have been ascertained from Frankfurt banks. They may be considered to be representative. — <sup>2)</sup> Lowest and highest rate quoted during month. — <sup>3)</sup> Money at the end of the month 5 to 5 1/2%. — <sup>4)</sup> Money at the end of the month 5 1/2%. — <sup>5)</sup> Since 22 January 1965: 3 1/2%.

(4) Rates for Day-to-Day Money<sup>1)</sup> in Frankfurt (Main) by Bank Return Weeks (in % per annum)

Week	Lowest rate	Highest rate
1964 Sep. 1 — 7	3 3/8	3 3/4
8 — 15	3 3/8	3 5/8
16 — 23	3 3/8	3 7/8
24 — 30	3 3/4	4
Oct. 1 — 7	3 3/4	3 7/8
8 — 15	3 7/8	4
16 — 23	3 7/8	3 3/4
24 — 31	2 1/2	3 3/4
Nov. 1 — 7	3 1/8	3 3/4
8 — 15	2 3/8	3
16 — 23	2 1/2	3 3/8
24 — 30	2 3/4	3 1/2
Dec. 1 — 7	3 1/4	3 1/2
8 — 15	3	3 1/4
16 — 23	3 1/4	3 1/2
24 — 30	2 1/4	3 3/8
End of December	5 1/4	3 1/2
1965 Jan. 1 — 7	3 1/8	3 3/8
8 — 15	2 7/8	3 1/8
16 — 23	2	3
24 — 31	1 1/2	2
Feb. 1 — 7	3 1/4	3 3/8
8 — 15	2 7/8	3 1/4
16 — 23	3 1/8	4 1/4
24 — 28	3 3/4	4 1/4
March 1 — 7	4	4 1/4
8 — 15	3 3/4	4 1/8
16 — 23	4	4 3/8
24 — 31	4	4 1/4

<sup>1)</sup> Rates for day-to-day money are not fixed or quoted officially. The rates here published have been ascertained from Frankfurt banks. They may be considered to be representative.

(5) Debtor and Creditor Interest Rates since the Currency Reform

(a) Maximum Debtor Interest Rates \*)

% per annum

Applicable from	Central Bank discount rate	Central Bank rate for advances on securities	Charges for money loans		Charges for own acceptances purchased	Charges for discount credits			
			under credit agreement	Overdrafts		DM 20,000 or above	DM 5,000 to less than DM 20,000	DM 1,000 to less than DM 5,000	less than DM 1,000
1948 July 1	5	6	9	10 1/2	8	6 1/2	7	7 1/2	8
1948 Sep. 1			9 1/2	11	8 1/2 — 9 1/2	7	7 1/2	8	8 1/2
1948 Dec. 15			9	10 1/2	8	6 1/2	7	7 1/2	8
1949 May 27	4 1/2	5 1/2	9	10 1/2	8 1/2 — 9	6 1/2	7	7 1/2	8
1949 July 14	4	5	8 1/2	10	7 1/2 — 8 1/2 <sup>1)</sup>	6	6 1/2	7	7 1/2 <sup>2)</sup>
1950 Oct. 27	6	7	10 1/2	12	9 1/2	8	8 1/2	9	9
1952 May 29	5	6	9 1/2	11	8 1/2	7	7 1/2	8	8
1952 Aug. 21	4 1/2	5 1/2	9	10 1/2	8	6 1/2	7	7 1/2	8
1953 Jan. 8	4	5	8 1/2	10	7 1/2	6	6 1/2	7	7 1/2
1953 June 11	3 1/2	4 1/2	8	9 1/2	7	5 1/2	6	6 1/2	7
1954 May 20	3	4	8	9 1/2	6 1/2	5	5 1/2	6 1/2	6 1/2
1954 July 1			7 3/4	9 1/4	9 1/4			6	6
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 March 8	4 1/2	5 1/2	9	10 1/2	8	6 1/2	7	7 1/2	7 1/2
1956 May 19	5 1/2	6 1/2	10	11 1/2	9	7 1/2	8	8 1/2	8 1/2
1956 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
1957 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
1958 June 27	3	4	7 3/4	9 1/4	6 1/2	5	5 1/2	6	6
1959 July 21			7 1/4	9	9			6	6
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
1959 Sep. 4	3	4	7 1/2	9	6 1/2	5	5 1/2	6	6
1959 Oct. 23	4	5	8 1/2	10	7 1/2	6	6 1/2	7	7
1960 June 3	5	6	9 1/2	11	8 1/2	7	7 1/2	8	8
1960 Nov. 11	4	5	8 1/2	10	7 1/2	6	6 1/2	7	7
1961 Jan. 20	3 1/2	4 1/2	8	9 1/2	7	5 1/2	6	6 1/2	6 1/2
1961 May 5	3	4	7 1/2	9	6 1/2	5	5 1/2	6	6
1965 Jan. 22	3 1/2	4 1/2	8	9 1/2	7	5 1/2	6	6 1/2	6 1/2
1965 March 1 <sup>3)</sup>	3 1/2	4 1/2	8	9 1/2	7	bills eligible for rediscount at the Bundesbank 6 1/2			other bills 8

\*) Up to 28 February 1965 compiled on the basis of announcements of the Hessian Bank Supervisory Authority; in most of the other Federal Länder equal rates applied. The rates apply only to credits fully taken. Turnover commission or charges per item processed are disregarded. — 1) From 1 Sep. 1949 to 26 Oct. 1950 = 7 1/2%. — 2) From 1 Sep. 1949 to 26 Oct. 1950 = 7%. — 3) From 1 March 1965 the rates laid down in the Interest Rates Order of the Federal Banking Supervisory Office apply; the charges for discount credits are no longer differentiated according to the amount of the bills.

(b) Maximum Creditor Interest Rates \*)

% per annum

Applicable from	Sight deposits		Monies at notice <sup>1)</sup> of				Monies placed for fixed periods <sup>1)</sup> of				Savings deposits		
	on accounts free of commission	on accounts subject to commission	1 month to less than 3 months	3 months to less than 6 months	6 months to less than 12 months	12 months and over	30 to 89 days	90 to 179 days	180 to 359 days	360 days and over	with legal period of notice <sup>2)</sup>	with agreed period of notice of	
												6 months to less than 12 months	12 months and over
Regulation according to the instructions of the Länder Bank Supervisory Authorities (for deposits at fixed period, or period of notice, of less than four years)													
1948 Sep. 1	1	2	2 1/4	2 3/4	3	3 3/4	2 1/4	2 3/4	3	3 3/4	2 1/2	3	4
1949 Sep. 1	1	1 1/2	2 1/4	2 3/4	3	3 3/4	2 1/4	2 3/4	3	3 3/4	2 1/2	3	4
1950 July 1	1	1 1/2	2 1/4	2 3/4	3	3 3/4	2 1/4	2 3/4	3	3 3/4	2 1/2	3	4
1950 Dec. 1	1	1 1/2	3 1/2	3 3/4	4 3/8	4 3/4	3 1/2	3 3/4	4 1/4	4 3/8	3	3 1/2	4 1/4
1952 Sep. 1	1	1 1/2	3	3 3/4	4 1/4	4 3/4	3	3 3/4	4 1/4	4 3/8	3	3 1/2	4 1/4
1953 Feb. 1	1	1 1/2	2 1/2	2 3/4	3 3/8	3 3/4	2 1/2	2 3/4	3 1/4	3 3/8	3	3 1/2	4 1/4
1953 July 1	3/4	1 1/4	2 1/4	2 3/4	3 1/8	3 1/2	2 1/4	2 3/4	3	3 3/8	3	3 1/2	4 1/4
1954 July 1	3/2	1	2	2 3/4	2 3/8	3 1/4	2	2 3/4	2 3/4	3 1/2	3	3 1/2	4
1955 Aug. 4	3/4	1 1/4	2 3/8	2 3/4	3 1/4	3 3/4	2 3/8	2 3/4	3 1/4	3 3/8	3	3 1/2	4
1956 Mar. 16	1	1 1/2	3 3/8	3 3/4	4 1/4	4 3/8	3 3/8	3 3/4	4 1/4	4 3/8	3	3 1/2	4
1956 May 19	1 1/2	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 1/2	4 1/2	5 1/2
1956 Oct. 1	1 1/4	1 3/4	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 3/4	4 1/2	5 1/2
1957 Feb. 1	1	1 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 3/4	4 1/2	5 1/2
1957 Oct. 17	3/4	1 1/4	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 3/4	4 1/2	5 1/2
1958 Feb. 10	1/2	1	2 3/8	3	3 3/4	4 1/2	2 3/8	3	3 3/4	4 1/2	3 1/4	4	5
1958 July 21	1/2	1	2 3/8	2 3/4	3	3 3/8	2 3/8	3	3 3/8	4 1/2	3	3 1/4	4 1/4
1958 Nov. 20	1/2	1	2	2 1/4	2 3/4	3 1/2	2	2 1/2	2 3/4	3 1/2	3	3 1/4 <sup>3)</sup>	4 3)
1959 Feb. 1	3/8	3/4	1 1/2	2	2 1/2	3 1/4	1 1/2	2	2 1/2	3 1/4	3	3 1/4	4
1959 Nov. 20	1/2	1	2 1/4	2 3/4	3 1/4	4	2 1/4	2 3/4	3 1/4	4	3	3 1/4	4
1960 Jan. 1	1/2	1	2 1/4	2 3/4	3 1/4	4	2 1/4	2 3/4	3 1/4	4	3 1/2	3 3/4	4 1/2
1960 July 1	1	1 1/2	3	3 1/2	4	4 3/4	3	3 1/2	4	4 3/4	4	4 1/2	5 1/2
1960 Dec. 15	1/2	1	2 1/2	3	3 1/2	4 1/4	2 1/2	3	3 1/2	4 1/4	4	4 1/2	5 1/2
1961 Jan. 1	1/2	1	2 1/2	3	3 1/2	4 1/4	2 1/2	3	3 1/2	4 1/4	4	4 1/2	5 1/2
1961 Feb. 15	1/2	1	2 1/4	2 3/4	3 1/4	4	2 1/4	2 3/4	3 1/4	4	4	4 1/4	4 3/4
1961 April 1	3/8	3/4	2 1/4	2 3/4	3 1/4	4	2 1/4	2 3/4	3 1/4	4	4	4 1/4	4 3/4
1961 June 10	3/8	3/4	1 3/4	2 1/4	2 3/4	3 1/2	1 3/4	2 1/4	2 3/4	3 1/2	3 1/2	4	4 1/2
1961 July 1	3/8	3/4	1 3/4	2 1/4	2 3/4	3 1/2	1 3/4	2 1/4	2 3/4	3 1/2	3 1/2	4	4 1/2
Regulation according to the Interest Rates Order of the Federal Banking Supervisory Office (for deposits at fixed period, or period of notice, of less than 2 1/2 years)													
1965 March 1		3/8	2	2 1/2	3	4	2	2 1/2	3	4	3 1/2 <sup>4)</sup>		4 1/2

\*) Up to 28 February 1965 compiled on the basis of announcements of the Hessian Bank Supervisory Authority; in most of the other Federal Länder equal rates applied. — 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 September 1949 and 19 November 1958. — 2) Up to 30 April 1957, the interest on Postal Savings Bank deposits was as a rule lower by 1/4% than that on savings deposits with legal period of notice. — 3) 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 deposit. — 4) These rates only apply to savings deposits of individuals and of bodies corporate serving welfare, charitable or ecclesiastical purposes. The rate for savings deposits of other bodies corporate and of partnerships is 3% p. a.; where a blocking period of not less than six months has been agreed for notice to become permissible, the rate is 3 1/2% p. a.



## VI. Sales of Securities

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

Millions of DM, nominal value

Period	Fixed-interest-bearing securities									Shares <sup>2)</sup>	Fixed-interest-bearing securities and shares, total
	Bonds of German issuers						Loans of foreign issuers	Total	among which: Medium-term notes (Kassenobligationen)		
	Mortgage bonds (including ship mortgage bonds)	Communal bonds	Bonds of specialised credit institutions	Industrial bonds (including convertible bonds)	Loans of public authorities	Other bonds					
during year											
1955	1,381.7	1,026.1	257.7	432.0	583.2	0.0	—	3,680.7 <sup>3)</sup>	—	1,554.8	5,235.5
1956	1,038.2	616.1	14.2	563.7	332.0	0.0	—	2,564.2 <sup>2)</sup>	—	1,837.5	4,401.7
1957	1,161.1	1,125.2	265.2	931.1	690.9	10.0	21.0	4,204.5	—	1,631.7	5,836.2
1958	1,618.8	2,337.6	422.1	1,651.9	2,002.7	2.0	92.0	8,127.1	102.0	1,139.5	9,266.6
1959	3,050.0	2,363.7	830.1	918.7	2,540.2	0.8	344.6	10,048.1	1,295.2	1,383.0	11,431.1
1960	2,343.4	1,119.9	501.1	27.5	1,332.6	3.0	44.8	5,372.3	568.5	1,904.5	7,276.8
1961	3,641.5	2,505.3	901.2	319.6	2,141.2 <sup>4)</sup>	100.0	12.0	9,620.8 <sup>4)</sup>	388.7	2,192.4	11,813.2
1962	4,096.2	2,368.2	910.5	1,076.1	2,992.4	401.1	100.0	11,944.5	810.0	1,506.7	13,451.2
1963	4,070.8	3,397.6	1,342.4	1,552.5	5,092.0	969.2	160.0	16,584.5	1,528.9	1,015.7	17,600.2
1964	4,805.9	3,772.1	1,545.1	973.7	4,368.7	1,441.9	895.0	17,802.4	1,981.0	1,608.4	19,410.8
during month											
1964 Jan.	628.8	834.3	290.3	60.0	880.0	188.4	100.0	2,981.8	630.3	203.1	3,184.9
Feb.	277.3	358.8	213.7	100.0	270.0	63.5	—	1,283.3	151.5	56.9	1,340.2
March	378.0	406.1	120.6	50.0	354.2	85.0	40.0	1,433.9	172.3	50.1	1,484.0
April	529.8	362.2	59.6	157.5	115.9	132.6	40.0	1,397.6	174.3	72.5	1,570.1
May	289.4	194.1	13.4	183.8	424.1	98.5	140.0	1,343.3	49.0	108.8	1,452.1
June	417.1	225.4	14.6	246.4	443.9	100.5	355.0	1,802.9	100.6	147.4	1,950.3
July	423.8	287.7	222.4	80.0	187.1	113.7	160.0	1,474.7	147.6	251.3	1,726.0
Aug.	320.4	217.3	166.4	40.0	405.7	156.8	—	1,306.6	233.3	191.2	1,497.8
Sep.	255.7	152.9	264.5	—	323.8	131.0	—	1,127.9	35.1	139.3	1,267.2
Oct.	377.4	284.3	32.7	50.0	458.7	143.5	60.0	1,406.6	102.8	126.5	1,533.1
Nov.	364.2	165.5	23.7	—	370.0	73.2	—	996.6	80.2	90.2	1,086.8
Dec.	544.0	283.5	123.2	6.0	135.3	155.2	—	1,247.2	104.0	71.1	1,318.3
1965 Jan.	582.6	441.6	129.4	150.0	797.5	205.0	25.0	2,331.1	245.8	86.4	2,417.5
Feb.	444.0	382.1	250.7	—	11.3	270.2	150.0	1,508.3	164.5	288.7	1,797.0

<sup>1)</sup> Only initial sale of newly issued securities, no account being taken of amounts redeemed or repurchased. Except conversion and old savers' securities. From 1959 including Saarland. The amounts issued between 1948 and 1959 by Saarland issuers are included in the annual figures for 1959. — <sup>2)</sup> Share issues under the Law on Capital Increase out of Company Reserves... dated 23 December 1959 ("bonus issues") are not included in the figures. — <sup>3)</sup> Including placing with Investment Assistance creditors: 1955, DM 587.9 million; 1956, DM 1.2 million. — <sup>4)</sup> Including DM 1,176.2 million 5% Loan of the Federal Republic of Germany (development aid).

### (2) Redemption and Net Sales of Fixed-interest-bearing Securities<sup>1)</sup>, and Change in the Holdings of Repurchased Issues

Millions of DM, nominal value

Period	Post-currency-reform issues									Pre-currency-reform issues	Fixed-interest-bearing securities, total	
	Bonds of German issuers						Loans of foreign issuers	Total	among which: Medium-term notes (Kassenobligationen)			Conversion and old savers' securities
	Mortgage bonds (including ship mortgage bonds)	Communal bonds	Bonds of specialised credit institutions	Industrial bonds (including convertible bonds)	Loans of public authorities	Other bonds						
Redemption												
1955	2.0	5.6	0.1	34.5	32.0	0.4	—	74.6	—	—	—	
1956	11.5	20.4	53.3	31.1	299.2	0.4	—	415.9	—	—	—	
1957	21.8	32.1	53.3	53.2	586.4	0.3	—	747.1	—	136.2	883.3	
1958	60.3	100.4	93.6	102.0	259.8	0.4	—	616.5	—	80.1	696.6	
1959	231.5	223.2	109.4	305.8	603.2	3.8	—	1,476.9	—	106.2	1,583.1	
1960	116.0	176.5	136.0	403.9	150.4	3.6	—	986.4	—	94.4	1,080.8	
1961	339.3	641.3	333.8	219.1	93.2	5.7	—	1,632.4	109.9	74.0	1,706.4	
1962	456.9	597.8	245.0	484.5	526.1	3.6	3.5	2,317.4	387.7	74.0	2,391.4	
1963	349.2	806.3	447.8	1,209.3	1,507.5	38.8	52.9	4,411.8	1,192.0	91.3	4,503.1	
1964	327.6	804.3	432.8	639.6	1,065.2	130.1	4.7	3,404.3	416.5	91.6	3,495.9	
Net sales <sup>2)</sup>												
1955	1,379.7	1,020.5	257.6	397.5	551.2	— 0.4	—	3,606.1	—	—	—	
1956	1,026.7	595.7	— 39.1	532.6	32.8	— 0.4	—	2,148.3	—	—	—	
1957	1,139.3	1,093.1	211.9	877.9	104.5	9.7	21.0	3,457.4	—	— 46.6	3,410.8	
1958	1,558.5	2,237.2	328.5	1,549.9	1,742.9	1.6	92.0	7,510.6	102.0	408.3	7,918.9	
1959	2,818.5	2,140.5	720.7	612.9	1,937.0	— 3.0	344.6	8,571.2	1,295.2	291.1	8,862.3	
1960	2,227.4	943.4	365.1	— 376.4	1,182.2	— 0.6	44.8	4,385.9	568.5	100.5	4,486.4	
1961	3,302.2	1,864.0	567.4	100.5	2,048.0	94.3	12.0	7,988.4	278.8	85.5	8,073.9	
1962	3,639.3	1,770.4	665.5	591.6	2,466.3	397.5	96.5	9,627.1	422.3	39.1	9,666.2	
1963	3,721.6	2,591.3	894.6	343.2	3,584.5	930.4	107.1	12,172.7	356.7	6.2	12,178.9	
1964	4,478.3	2,967.8	1,112.3	334.1	3,303.5	1,311.8	890.3	14,398.1	1,564.5	— 20.5	14,377.6	
Change in the holdings of repurchased issues increase (+), decrease (—)												
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	—	—	—	
1958	— 1.9	+ 8.3	— 12.0	— 11.1	— 95.2	—	—	— 111.9	—	— 37.7	— 149.6	
1959	+ 35.7	+ 18.7	+ 21.9	— 1.9	+ 9.0	+ 0.1	—	+ 83.5	—	+ 14.0	+ 69.5	
1960	+ 30.4	+ 34.4	— 0.2	+ 9.3	— 10.5	— 0.1	—	+ 63.3	—	+ 3.4	+ 66.7	
1961	+ 0.8	+ 3.9	+ 2.1	+ 2.4	+ 25.9	—	—	+ 30.3	—	+ 17.9	+ 12.4	
1962	+ 17.4	— 12.7	+ 6.8	+ 0.7	+ 28.8	—	—	+ 41.0	—	— 20.5	+ 20.5	
1963	+ 15.9	+ 23.3	+ 21.8	+ 8.0	— 44.2	+ 10.7	—	+ 19.5	—	+ 8.5	+ 11.0	
1964	+ 65.6	+ 4.8	+ 11.0	—	+ 363.4	+ 1.2	—	+ 446.0	—	— 7.3	— 438.7	

<sup>1)</sup> Since 1959 including Saarland. The amounts issued between 1948 and 1959 by Saarland issuers are included in the annual figures for 1959. — <sup>2)</sup> Gross sales less redemption; the minus sign indicates an excess of redemption over the amount newly sold during the period under review (or, in the case of pre-currency-reform issues, the amount recognised under the Securities Validation Law or other indemnification laws).

(3) Sales of Securities<sup>1)</sup>: Nominal Values, Issue Values and Average Issue Prices<sup>2)</sup>

Period	Fixed-interest securities															Shares				
	among which:																			
	Total			Bonds of German issuers									Bonds of foreign issuers							
	Nominal value	Issue value	Average issue price p. c.	Mortgage bonds <sup>3)</sup> and communal bonds			Industrial bonds			Loans of public authorities			Nominal value	Issue value	Average issue price p. c.	Nominal value	Issue value	Average issue price p. c.		
DM million			DM million			DM million			DM million			DM million			DM million			DM million		
1955	3,680.7	3,605.4	98.0	2,407.8	2,356.2	97.9	432.0	427.3	98.9	583.2	570.3	97.8	—	—	—	1,554.8	1,714.6	110.3		
1956	2,564.2	2,510.1	97.9	1,654.3	1,618.7	97.9	563.7	553.0	98.1	332.0	324.5	97.7	—	—	—	1,837.5	1,950.0	106.1		
1957	4,204.5	4,058.9	96.5	2,286.3	2,186.5	95.6	931.1	909.7	97.7	690.9	675.9	97.8	21.0	21.0	100.0	1,631.7	1,676.2	102.7		
1958	8,127.1	7,996.3	98.4	3,956.4	3,880.6	98.1	1,651.9	1,632.1	98.8	2,002.7	1,974.1	98.6	92.0	90.3	98.2	1,139.5	1,214.5	106.6		
1959	10,048.1	9,903.7	98.6	5,413.7	5,349.6	98.8	918.7	901.7	98.1	2,540.2	2,495.9	98.3	344.6	342.9	99.5	1,383.0	1,851.3	133.9		
1960	5,372.3	5,195.4	96.7	3,463.3	3,332.8	96.2	27.5	26.7	96.9	1,332.6	1,301.7	97.6	44.8	43.5	96.8	1,904.5	2,792.5	146.6		
1961	9,620.8	9,491.4	98.7	6,146.8	6,052.2	98.5	319.6	315.5	98.7	2,141.2	2,124.1	99.2	12.0	11.4	95.0	2,192.4	3,295.7	150.3		
1962	11,944.5	11,841.1	99.1	6,464.4	6,387.1	98.8	1,076.1	1,071.2	99.6	2,992.4	2,982.9	99.7	100.0	96.5	96.5	1,506.7	2,195.9	145.7		
1963	16,584.5	16,498.6	99.5	7,468.4	7,431.7	99.5	1,552.5	1,541.4	99.3	5,092.0	5,078.2	99.7	160.0	157.9	98.7	1,015.7	1,318.8	129.9		
1964	17,802.4	17,596.8	98.8	8,578.0	8,497.1	99.1	973.2	967.9	99.4	4,368.7	4,305.1	98.5	895.0	883.8	98.7	1,608.4	2,243.0	139.4		
1964 Jan.	2,981.8	2,960.8	99.3	1,463.1	1,457.0	99.6	60.0	60.0	100.0	880.0	872.2	99.1	100.0	99.7	99.7	203.1	288.4	142.0		
1964 Feb.	1,283.3	1,274.6	99.3	636.1	635.9	100.0	100.0	100.1	100.1	270.0	264.6	98.0	—	—	—	56.9	66.8	117.5		
1964 March	1,433.9	1,423.3	99.3	784.1	783.5	99.9	50.0	50.0	100.0	354.2	348.5	98.4	40.0	39.2	98.0	50.1	79.1	157.7		
1964 April	1,397.6	1,390.8	99.5	892.0	890.2	99.8	157.5	157.5	100.0	115.9	114.4	98.7	40.0	39.8	99.5	172.5	228.6	132.5		
1964 May	1,343.9	1,329.8	99.0	483.5	479.4	99.1	183.8	181.6	98.8	424.1	419.9	99.0	140.0	138.0	98.6	108.8	138.3	127.1		
1964 June	1,802.9	1,787.9	99.2	642.5	635.9	99.0	246.4	246.3	100.0	443.9	439.8	99.1	355.0	352.2	99.2	147.4	307.8	208.8		
1964 July	1,474.7	1,450.9	98.4	711.5	702.3	98.7	80.0	77.8	97.2	187.1	184.4	98.6	160.0	156.1	97.5	251.3	301.4	120.0		
1964 Aug.	1,306.6	1,284.6	98.3	537.7	528.6	98.3	40.0	39.2	98.0	405.7	398.1	98.1	—	—	—	191.2	290.1	151.7		
1964 Sep.	1,127.9	1,109.7	98.4	408.6	401.4	98.3	—	—	—	323.8	317.6	98.1	—	—	—	139.3	142.3	102.2		
1964 Oct.	1,406.6	1,380.7	98.2	661.7	650.1	98.2	50.0	49.4	98.8	458.7	450.0	98.1	60.0	58.8	98.0	126.5	209.7	165.8		
1964 Nov.	996.6	978.9	98.2	529.7	520.6	98.3	—	—	—	370.0	363.0	98.1	—	—	—	90.2	105.9	117.3		
1964 Dec.	1,247.2	1,224.5	98.2	827.5	812.0	98.1	6.0	6.0	100.0	135.3	132.6	98.0	—	—	—	71.1	84.6	119.0		
1965 Jan.	2,331.1	2,284.9	98.0	1,024.2	1,004.4	98.1	150.0	147.0	98.0	797.5	782.5	98.1	25.0	24.4	97.7	86.4	108.1	125.1		
1965 Feb.	1,508.3	1,474.8	97.7	826.1	803.5	97.3	—	—	—	11.3	11.3	99.9	150.0	149.0	99.3	288.7	448.5	155.4		

<sup>1)</sup> From 1959 including Saarland figures. The annual figures for 1959 comprise the amounts issued from 1948 to 1959 by Saarland issuers. — <sup>2)</sup> Weighted average prices computed from original figures which are reported in thousands of DM. — <sup>3)</sup> Including ship mortgage bonds.

(4) Circulation of Investment Fund Units<sup>1)</sup>

Investment Company and Fund	Inventory value <sup>2)</sup>				Number of units issued <sup>2)</sup>				Price per unit			
	1962	1963	1964	Feb. 1965	1962	1963	1964	Feb. 1965	1962 <sup>3)</sup>	1963 <sup>3)</sup>	1964 <sup>3)</sup>	Feb. 1965 <sup>3)</sup>
	Millions of DM				Thousands				DM			
Allfonds Gesellschaft für Investmentanl. mbH	90.1	114.4	152.1	156.7	2,735.8	3,436.4	4,715.2	4,914.9	34.20	34.60	33.50	33.28
Allgemeine Deutsche Investment-GmbH	138.9	149.7	155.3	153.6	3,003.2	3,074.9	3,158.4	3,185.4	47.90	50.40	50.90	50.34
Adifonds	20.3	22.2	22.7	22.9	366.9	406.5	434.2	441.7	57.70	57.00	54.30	54.27
Adiverba	—	16.4	19.5	19.5	—	331.6	406.7	419.2	—	51.10	49.60	48.76
Fondak	202.0	214.7	216.1	213.5	5,327.7	5,419.0	5,524.9	5,600.9	39.30	40.90	40.30	39.87
Fondis	115.1	123.4	127.1	125.1	2,783.8	2,848.9	2,907.5	2,924.0	42.90	44.80	45.20	44.55
Fondra	64.9	78.9	109.0	116.4	718.3	858.6	1,206.2	1,301.8	93.60	95.00	93.50	93.00
Tresora	29.6	27.6	24.2	23.5	718.5	651.3	562.2	547.6	43.00	43.70	44.40	44.38
Anlage-Gesellschaft für Französische Aktienwerte mbH	84.5	64.4	58.2	55.3	1,902.0	1,754.9	1,737.9	1,729.3	46.50	38.40	35.00	33.35
Anlage-Gesellschaft mbH für englische und holländ. Aktienwerte	11.0	11.2	9.4	8.9	111.0	108.8	99.8	98.4	104.90	109.00	99.50	96.85
Angio-Dutch-Fonds	18.1	20.1	19.7	19.3	372.0	375.2	346.4	342.1	50.70	55.70	59.00	58.96
Deutsche Ges. für Wertpapiersparen mbH	88.2	95.2	96.9	98.7	991.0	1,015.4	990.0	987.8	92.80	97.50	102.00	103.98
Akkumula	530.1	603.8	678.0	677.8	9,367.2	10,046.9	10,991.9	11,167.7	58.70	62.30	63.90	63.35
Invest	—	—	—	—	—	—	—	—	—	—	—	—
Investa	—	—	—	—	—	—	—	—	—	—	—	—
Deutscher Investm.-Trust, Ges. für Wertpapieranlagen mbH	389.3	438.3	533.1	519.4	11,849.7	12,730.1	15,172.2	16,148.8	34.00	35.60	36.40	34.64
Concentra	116.4	122.1	121.3	114.3	1,815.0	1,806.5	1,772.5	1,779.3	66.30	70.00	70.80	68.44
Industria	157.0	160.3	165.8	160.7	3,931.1	3,596.3	3,415.3	3,383.9	41.30	46.10	50.30	49.54
Thesaurus	77.5	78.4	74.6	71.1	1,629.8	1,567.4	1,497.4	1,493.3	49.60	52.40	52.10	51.04
Transatlanta	—	—	—	—	—	—	—	—	—	—	—	—
Deutsche Kapitalanl.-GmbH	17.7	21.5	23.8	22.8	439.5	486.1	535.5	552.6	43.90	45.70	46.20	43.86
Arideka	175.4	198.9	221.0	211.4	4,739.5	5,125.3	5,625.2	5,842.4	38.70	40.50	41.10	38.71
Dekafonds I	—	—	—	—	—	—	—	—	—	—	—	—
Europa und Übersee Kapitalanlage-GmbH	36.8	35.8	39.5	41.9	1,052.3	992.7	1,080.1 <sup>4)</sup>	1,127.5 <sup>4)</sup>	37.30	37.50	38.40	39.13
Atlanticfonds	42.1	40.0	35.7	36.1	659.7	636.0	587.7	599.7	67.30	65.00	63.90	63.65
Europafonds I	—	—	—	—	—	—	—	—	—	—	—	—
Internationale Kapitalanlageges. mbH	35.5	35.5	31.8	31.7	792.8	751.5	656.3	642.4	46.90	49.50	50.60	51.72
Brauerei-Fonds	—	—	—	—	—	—	—	—	—	—	—	—
Union-Investment-GmbH	169.4	237.3	362.7	382.0	5,639.7	7,707.0	11,906.2	12,795.2	31.60	32.40	32.00	31.69
Unifonds	10.2	11.5	3.2	1.2	101.4	103.5	27.4 <sup>4)</sup>	9.9 <sup>4)</sup>	106.40	117.50	118.62	122.10
Uscafonds	—	—	—	—	—	—	—	—	—	—	—	—
Total <sup>5)</sup>	2,621.2	2,921.8	3,300.7	3,283.7	—	—	—	—	—	—	—	—

<sup>1)</sup> Companies falling under the Law on Investment Companies, of 16 April 1957 (Federal Law Gazette I, p. 378), with the exception of one Fund whose unit certificates are reserved to a specified group of persons. — <sup>2)</sup> Position at end of year or month indicated. — <sup>3)</sup> Average during month. — <sup>4)</sup> Since 16 November 1964 it has been possible to exchange Uscafonds units for Atlanticfonds units at the ratio of 1:3. — <sup>5)</sup> Details may not add to totals because of rounding.

(5) Capital Accruing<sup>1)</sup> at the Investment Funds

Period	Capital accruing DM mn
1956	109.7
1957	182.8
1958	500.5
1959	465.7
1960	340.1
1961	229.5
1962	224.2
1963	192.6
1964	372.8
1962 Jan.	59.0
1962 Feb.	37.5
1962 March	15.3
1962 April	16.8
1962 May	4.4
1962 June	13.5
1962 July	15.5
1962 Aug.	12.7
1962 Sep.	6.4
1962 Oct.	7.0
1962 Nov.	24.0
1962 Dec.	20.9
1963 Jan.	16.5
1963 Feb.	12.2
1963 March	9.5
1963 April	13.4
1963 May	10.5
1963 June	9.2
1963 July	26.0
1963 Aug.	16.2
1963 Sep.	12.6
1963 Oct.	14.6
1963 Nov.	22.8
1963 Dec.	29.1
1964 Jan.	41.6
1964 Feb.	36.2
1964 March	30.7
1964 April	26.3
1964 May	22.9
1964 June	25.3
1964 July	24.7
1964 Aug.	20.3
1964 Sep.	14.3
1964 Oct.	31.6
1964 Nov.	50.8
1964 Dec.	48.1
1965 Jan.	42.8
1965 Feb.	59.2

<sup>1)</sup> Calculated from changes in circulation of units and in monthly-average unit price of each Fund.

## VII. Foreign Trade and the Balance of Payments

(1) Balance of Payments of the Federal Republic of Germany 1958 to 1964\* (in millions of DM)

Item	1958	1959	1960	1961	1962	1963	1964P)	
<b>A. Balance of Current Items and Capital Movements</b>								
<b>I. Current items</b>								
<b>(1) Transactions in goods and services</b>								
(a) Goods	Exports (f.o.b.) <sup>1)</sup>	36,849	41,025	47,849	50,870	52,878	58,317	64,805
	Imports (f.o.b.) <sup>1)</sup>	29,380	33,141	39,574	41,207	46,477	48,939	54,745
	Merchandising trade: Sales	1,285	1,886	2,536	2,460	2,580	2,815	3,428
	Purchases	1,249	2,018	2,231	2,325	2,542	2,789	3,620
	Net transactions in goods	+ 7,505	+ 7,752	+ 8,580	+ 9,798	+ 6,439	+ 9,404	+ 9,868
(b) Services	Receipts from foreign military agencies	3,598	3,956	4,100	3,824	4,300	4,289	4,220
	Other receipts	6,591	6,832	7,909	8,029	8,829	9,483	10,888
	Expenditure	9,824	11,151	12,574	14,434	16,654	17,339	19,746
	Net services	+ 365	— 363	— 565	— 2,581	— 3,525	— 3,567	— 4,638
	Net transactions in goods and services	+ 7,870	+ 7,389	+ 8,015	+ 7,217	+ 2,914	+ 5,837	+ 5,230
<b>(2) Transfer payments (outflow: —, inflow: +)<sup>2)</sup></b>								
(a) Private	Inflow	+ 92	+ 115	+ 128	+ 96	+ 98	+ 112	+ 131
	Outflow	— 446	— 458	— 703	— 1,089	— 1,456	— 1,715	— 1,800
	Balance	— 354	— 343	— 575	— 993	— 1,358	— 1,603	— 1,669
(b) Official	Inflow	+ 81	+ 88	+ 177	+ 102	+ 29	+ 31	+ 28
	Outflow:							
	Indemnification	— 1,405	— 1,738	— 2,259	— 2,750	— 2,718	— 2,514	— 2,129
	Other	— 212	— 1,254	— 738	— 801	— 1,081	— 870	— 1,050
	Balance	— 1,536	— 2,904	— 2,820	— 3,449	— 3,770	— 3,353	— 3,151
	Net transfer payments	— 1,890	— 3,247	— 3,395	— 4,442	— 5,128	— 4,956	— 4,820
	Net balance of current items (1 plus 2)	— 5,980	+ 4,142	+ 4,620	+ 2,775	— 2,214	+ 881	+ 410
<b>II. Capital transactions (outflow: —, inflow: +)<sup>3)</sup></b>								
<b>(1) Long-term capital<sup>4)</sup></b>								
(a) German capital investments abroad	Private: Purchase of foreign securities	— 383	— 2,033	— 1,724	— 1,211	— 1,599	— 1,201	— 2,618
	Other new investment	— 969	— 774	— 890	— 1,210	— 1,214	— 1,057	— 1,336
	Official: Payments to international organisations	— 126	— 2,351	— 221	— 924	— 124	— 111	— 85
	Loans to developing countries	— 274	— 481	— 733	— 1,096	— 1,067	— 1,066	— 1,224
	Other new investment	— 174	— 43	— 28	— 103	— 234	— 177	— 137
Disinvestment	Private: Sales of foreign securities	+ 104	+ 569	+ 1,009	+ 1,006	+ 866	+ 726	+ 1,785
	Other disinvestment	+ 106	+ 216	+ 170	+ 308	+ 567	+ 419	+ 397
	Official	+ 26	—	+ 57	+ 219	+ 341	+ 234	+ 285
	Net capital investments (increase: —)	— 279	— 1,464	— 715	— 205	— 733	— 475	— 833
	Private: Foreign securities	— 863	— 558	— 720	— 902	— 647	— 638	— 939
	Other net capital investments	— 548	— 2,875	— 925	— 1,904	— 1,084	— 1,120	— 1,161
	Official	— 548	— 2,875	— 925	— 1,904	— 1,084	— 1,120	— 1,161
	Total	— 1,690	— 4,897	— 2,360	— 3,011	— 2,464	— 2,233	— 2,933
(b) Foreigners' capital investments in the Federal Republic	Private: Purchase of domestic securities	+ 1,803	+ 2,528	+ 4,349	+ 4,507	+ 3,496	+ 4,739	+ 3,819
	Other new investment	+ 609	+ 973	+ 1,108	+ 1,346	+ 1,834	+ 2,071	+ 2,250
	Official	—	—	—	—	—	—	—
Disinvestment	Private: Sale of domestic securities	— 1,211	— 2,059	— 2,276	— 2,762	— 1,974	— 1,880	— 3,420
	Other disinvestment	— 577	— 572	— 752	— 1,133	— 932	— 681	— 693
	Official: Prepayment of debts resulting from post-war economic aid	—	— 903	—	— 3,125	—	—	—
	Other disinvestment	— 502	— 517	— 314	— 92	— 89	— 64	— 98
	Net capital investment (increase: +)	+ 592	+ 469	+ 2,073	+ 1,745	+ 1,522	+ 2,859	+ 399
	Private: Domestic securities	+ 32	+ 401	+ 356	+ 213	+ 902	+ 1,390	+ 1,557
	Other net capital investments	— 502	— 1,420	— 314	— 3,217	— 89	— 64	— 98
	Official	— 122	— 550	+ 2,115	— 1,259	+ 2,335	+ 4,185	+ 1,858
	Total	— 1,568	— 5,447	— 245	— 4,270	— 129	+ 1,952	— 1,075
<b>(2) Short-term capital</b>								
(a) Private	Net German capital investments abroad (increase: —)	— 599	— 1,315	+ 1,103	— 1,558	— 175	— 129	— 709
	Credit institutions <sup>4)</sup>	— 48	— 106	— 82	— 307	+ 151	— 9	— 211
	Non-banks	— 647	— 1,421	+ 1,021	— 1,865	— 24	— 138	— 920
	Total	— 647	— 1,421	+ 1,021	— 1,865	— 24	— 138	— 920
Net foreign capital investments in the Federal Republic (increase: +)	Credit institutions <sup>4)</sup>	— 135	+ 280	+ 1,151	+ 1,294	+ 28	+ 833	+ 760
	Non-banks	+ 45	— 52	+ 738	+ 910	+ 268	+ 30	+ 383
	Total	— 90	+ 228	+ 1,889	+ 2,204	+ 296	+ 863	+ 1,143
	Balance	— 737	— 1,193	+ 2,910	+ 339	+ 272	+ 725	+ 223
(b) Official	Transactions with international Monetary Fund	— 271	+ 1,392	— 169	— 1,322	+ 480	— 139	— 722
	Other payments	+ 184	— 994	+ 788	+ 116	+ 114	— 319	— 706
	Total	— 87	+ 398	— 957	— 1,206	+ 594	— 458	— 1,428
	Net short-term capital transactions (a plus b)	— 824	— 795	+ 1,953	— 867	+ 866	+ 267	— 1,205
	Net total of capital transactions (1 plus 2)	— 2,392	— 6,242	+ 1,708	— 5,137	+ 737	+ 2,219	— 2,280
	<b>Net Balance of Current Items and Capital Movements (I plus II)</b>	<b>+ 3,588</b>	<b>— 2,100</b>	<b>+ 6,328</b>	<b>— 2,362</b>	<b>— 1,477</b>	<b>+ 3,100</b>	<b>— 1,870</b>
<b>B. Movement of Gold and Exchange</b>								
<b>(change in net monetary reserves of Deutsche Bundesbank)<sup>5)</sup></b>								
<b>I. Change in gold holdings (increase: —)</b>								
<b>II. Change in assets and liabilities</b>								
(1) Assets (increase: —)		— 2,436	+ 2,439	— 6,624	+ 4,800	+ 595	— 1,797	+ 1,586
(2) Liabilities (increase: +)		— 341	— 243	+ 19	— 91	+ 19	— 117	+ 20
	Net balance of changes in assets and liabilities	— 2,777	+ 2,196	— 6,605	+ 4,709	+ 614	— 1,914	+ 1,606
	<b>Net Movement of Gold and Exchange (surplus: —, deficit: +) (I plus II)</b>	<b>— 3,188</b>	<b>+ 2,204</b>	<b>— 8,007</b>	<b>+ 1,928</b>	<b>+ 552</b>	<b>— 2,572</b>	<b>— 12</b>
<b>C. Net Errors and Omissions (ascertained as residue)<sup>7)</sup></b>								
		— 400	— 104	+ 1,679	+ 434	+ 925	— 528	+ 1,882

\* Area of the Federal Republic including Berlin (West); from 6 July 1959, the date of the Saarland's economic incorporation, including its transactions with foreign countries. — <sup>1)</sup> Special trade. Including supplementary items (e.g., export and import of electric current), for 1958 also including Federal Government imports subsequently reported and not recorded in the official foreign trade statistics; excluding the export of ships' and aircraft's fuel and other supplies, which is included in receipts from services. — <sup>2)</sup> Transactions are classified as "Private" or "Official" according to the sector to which the German party engaged in the transaction belongs. — <sup>3)</sup> Cf. footnote 2). — <sup>4)</sup> For 1961 including statistical change of assets and liabilities in foreign currency due to the DM revaluation. — <sup>5)</sup> Excluding the foreign assets of the Deutsche Bundesbank — taken into account under official long-term capital transactions — which mainly consist of the I.B.R.D. bonds and I.B.R.D. notes contained in the item "Securities" of the Bundesbank Return. — <sup>6)</sup> For 1961 disregarding the decrease by DM 1,419 million, due to the DM revaluation, in the Deutsche Bundesbank's monetary reserves. — <sup>7)</sup> This residual item, ascertained as difference between the net balance of current items and capital movements on the one hand and the movement of gold and exchange on the other, mainly reflects the changes in the terms of payment, which are not statistically ascertained (movement of gold and exchange more favourable than balance of current items and capital movements: +, movement of gold and exchange less favourable: —). — P) Provisional.

(2) Monetary Reserves of the Deutsche Bundesbank<sup>o</sup>)<sup>1)</sup> (in millions of DM)

Position at end of year or month	Total monetary reserves (net)	Gold holdings and freely usable foreign assets			Credit granted to I. M. F. under "General Arrangements to Borrow"	Foreign assets of limited usability <sup>2)</sup>					Foreign liabilities <sup>3)</sup>	Note: Foreign assets of Deutsche Bundesbank not included in the monetary reserves <sup>4)</sup>
		Total	Gold holdings	Freely usable foreign assets		Total	among which:					
							Bilateral claims from former credits to E.P.U. (until end-1958: credit granted to E.P.U. <sup>5)</sup> )	I.B.R.D. debt certificates <sup>6)</sup>	Earmarked balances with foreign banks and earmarked money-market investments	Consolidation loans to foreign Central Banks		
1952	4,635	2,971	587	2,384	—	2,026	1,061	—	—	—	362	—
1953	8,158	5,510	1,367	4,143	—	2,704	1,782	—	—	—	56	—
1954	10,930	8,426	2,628	5,798	—	2,672	2,054	—	—	146	168	—
1955	12,781	10,134	3,862	6,272	—	2,785	2,187	—	—	304	138	—
1956	17,795	14,412	6,275	8,137	—	3,571	2,890	—	240	403	188	73
1957	22,917	17,237	10,674	6,563	—	6,393	4,242	735	1,032	384	713	73
1958	26,105	19,477	11,085	8,392	—	7,000	4,597	1,166	972	265	372	73
1959	23,621	19,039	11,077	7,962	—	4,992	3,159	1,305	353	175	410	191
1960	31,628	28,295	12,479	15,816	—	3,762	1,993	1,400	265	104	429	272
1961	28,281	26,165	14,654	11,511	—	2,453	1,039	1,352	—	62	337	1,112
1962	27,729	25,786	14,716	11,070	—	2,299	897	1,352	—	50	356	1,100
1963	30,301	28,409	15,374	13,035	—	2,131	751	1,352	—	28	239	1,105
1964	30,313	27,879	16,992	10,887	720	1,973	615	1,352	—	6	259	1,102
1961 March <sup>a)</sup> b)	31,724	28,512	12,723	15,789	—	3,497	1,744	1,400	265	88	285	372
	30,305	27,155	12,117	15,038	—	3,434	1,742	1,352	252	88	284	364
1962 March	26,226	24,354	14,665	9,689	—	2,437	1,026	1,352	—	59	565	1,112
June	26,993	24,932	14,667	10,265	—	2,422	1,013	1,352	—	57	361	1,112
Sep.	27,726	25,891	14,673	11,218	—	2,318	913	1,352	—	53	483	1,112
Dec.	27,729	25,786	14,716	11,070	—	2,299	897	1,352	—	50	356	1,100
1963 March	27,633	25,785	14,995	10,790	—	2,281	884	1,352	—	44	433	1,100
June	28,633	26,794	15,013	11,781	—	2,263	872	1,352	—	39	424	1,127
Sep.	29,328	27,481	15,044	12,437	—	2,150	764	1,352	—	34	303	1,105
Dec.	30,301	28,409	15,374	13,035	—	2,131	751	1,352	—	28	239	1,105
1964 March	30,309	28,467	15,813	12,654	—	2,115	740	1,352	—	23	273	1,104
June	30,430	28,642	16,324	12,318	—	2,099	729	1,352	—	18	311	1,104
Sep.	30,004	28,238	16,594	11,644	—	1,994	630	1,352	—	12	228	1,102
Dec.	30,313	27,879	16,992	10,887	720	1,973	615	1,352	—	6	259	1,102
1965 Jan.	28,891	26,417	17,001	9,416	720	1,972	614	1,352	—	6	218	1,102
Feb.	29,303	26,810	17,003	9,807	720	1,971	613	1,352	—	6	198	1,100
March <sup>p)</sup>	29,803	27,442	16,973	10,469	720	1,963	611	1,352	—	—	322	1,100

<sup>o</sup>) The figures are not fully identical with those shown in the Return of the Bundesbank, because gold holdings as well as foreign assets and liabilities are here recorded at parity rate in accordance with the International Monetary Fund's instructions on the compilation of balance-of-payments statements, whereas in the Bundesbank Return they are computed for the end of the year according to the lowest value principle and for the current year at the rate of the day. Moreover, in the case of liabilities there are some differences regarding the delimitation of the items to be taken into account; cf. footnote <sup>1)</sup>. — <sup>1)</sup> From 1959 onwards including the previously disregarded letter-of-credit cover accounts and the liabilities recorded in the item "Deposits of foreign depositors" in the Bundesbank Return. — <sup>2)</sup> In 1952 and 1953 including certain assets and liabilities such as consolidated clearing debts the changes in which were, in balance-of-payments tables, not entered under exchange movements but under capital transactions. — <sup>3)</sup> Not taking into account the latest E.P.U. settlement in each case. — <sup>4)</sup> Excluding the claims on I.B.R.D. mentioned in footnote <sup>5)</sup>, which are included in the Bundesbank Return in the item "Securities" and in the balance of payments in official long-term capital transactions. — <sup>5)</sup> Mainly claims on I.B.R.D.; cf. footnote <sup>4)</sup>. — <sup>6)</sup> Row a) valued at parity rate prior to, row b) after, DM revaluation. — <sup>p)</sup> Provisional.

(3) Short-term Assets and Liabilities of the Credit Institutions<sup>+</sup>) in relation to Foreign Countries<sup>\*</sup>)<sup>1)</sup><sup>2)</sup> (in millions of DM)

Position at end of year or month	Balance of assets and liabilities	Assets						Liabilities						
		Total	Balances with foreign banks		Money-market paper		Short-term lending	Total	Non-residents' deposits, by depositor groups				Short-term borrowing	
			Balances payable on demand	Time balances	Excluding investments of Reconstruction Loan Corporation	Investments of Reconstruction Loan Corporation <sup>3)</sup>			Total	Banks <sup>4)</sup>	Non-banks			
								among which: International organisations <sup>5)</sup>	Enterprises and individuals	Public authorities <sup>6)</sup>	International organisations <sup>7)</sup>			
1955	— 1,397	524	312	7	1	—	204	1,921	1,473	730	—	622	121	448
1956	— 2,309	715	362	13	4	—	336	3,024	2,114	1,197	—	733	184	910
1957	— 2,285	1,320	307	20	448	—	545	3,605	2,650	1,580	—	914	156	955
1958	— 1,551	1,919	431	128	481	—	879	3,470	2,893	1,702	77	1,075	116	577
1959	— 272	3,471	754	543	1,246	—	928	3,743	3,410	1,924	140	1,095	216	333
1960	— 2,526	2,368	526	410	379	—	1,053	4,894	3,641	1,796	99	1,348	308	189
1961	— 2,262	3,926	651	906	578	643	1,148	6,188	3,985	2,044	141	1,419	311	211
1962	— 1,211	4,095	1,022	780	353	371	1,569	6,216	3,932	1,723	111	1,743	270	196
1963	— 2,808	4,208	1,116	855	578	264	1,395	7,016	4,792	2,323	149	2,041	287	141
1964	— 2,859	4,917	1,206	980	1,101	—	1,630	7,776	5,159	2,630	189	2,063	302	164
1962 March	+ 1,100	6,566	811	3,221	525	627	1,382	5,466	3,580	1,753	116	1,320	282	225
June	— 33	5,535	668	2,330	502	610	1,425	5,568	3,682	1,718	113	1,469	271	224
Sep.	— 1,017	4,685	664	1,825	391	398	1,407	5,702	3,600	1,632	111	1,496	264	208
Dec.	— 2,121	4,095	1,022	780	353	371	1,569	6,216	3,932	1,723	111	1,743	270	196
1963 March	— 580	4,988	983	1,826	302	306	1,571	5,568	3,670	1,664	91	1,540	271	195
June	— 678	5,344	1,211	1,976	284	170	1,703	6,022	4,106	2,023	79	1,659	284	140
Sep.	— 592	5,413	1,177	2,119	317	276	1,524	6,005	3,862	1,813	97	1,656	238	155
Dec.	— 2,808	4,208	1,116	855	578	264	1,395	7,016	4,792	2,323	149	2,041	287	141
1964 March	— 584	5,317	1,092	1,766	756	141	1,562	5,901	4,125	1,931	114	1,804	254	136
June	— 1,006	5,094	1,019	1,343	1,105	—	1,627	6,100	4,377	2,198	149	1,797	234	148
Sep.	— 1,185	5,189	1,309	1,338	985	—	1,557	6,374	4,359	2,182	128	1,804	245	128
Dec.	— 2,859	4,917	1,206	980	1,101	—	1,630	7,776	5,159	2,630	189	2,063	302	164
1965 Jan. <sup>p)</sup>	— 250	6,579	1,340	1,392	2,142	—	1,705	6,829	4,805	2,477	110	1,929	253	146
Feb. <sup>p)</sup>	+ 150	6,558	1,345	1,380	2,054	—	1,779	6,408	4,687	2,338	194	1,971	232	146

<sup>+</sup>) Not including Deutsche Bundesbank. — <sup>\*</sup>) Figures for the period after the economic incorporation of the Saarland (6 July 1959) include the assets and liabilities of the Saarland banks in relation to foreign countries. — <sup>1)</sup> The figures here shown, which are taken from the credit institutions' external position, deviate from the corresponding figures of the balance-sheet statistics, since in the monthly interim statements of foreign banks' subsidiaries — different from the external position — the claims on and liabilities to the foreign parent institution and the foreign sister establishments are recorded as a net total only. — <sup>2)</sup> Assets and liabilities in foreign currency are valued according to the parity rate prevailing at the end of the period indicated. — <sup>3)</sup> Only investment, in U.S. Treasury bills out of the Bundesbank's holdings, of funds provided for development assistance. — <sup>4)</sup> Including foreign central banks. — <sup>5)</sup> International Bank for Reconstruction and Development, European Investment Bank, and Bank for International Settlements. — <sup>6)</sup> Cf. footnote <sup>4)</sup>. — <sup>7)</sup> Excluding those international organisations which are recorded under "Banks"; cf. footnote <sup>5)</sup>. — <sup>p)</sup> Provisional.