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MONTHLY REPORTS  
OF THE  
BANK DEUTSCHER LÄNDER

JULY 1949

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The Economic Situation of the Specified Area  
(Western German D-Mark Area) during June and July 1949<sup>1)</sup>

Money and Credit

The Board of Directors of the Bank deutscher Länder, continuing the policy of easier money, again reduced the discount and collateral loan rates by  $\frac{1}{2}$  per cent each, effective as of 14 July. The discount credit of the Landeszentralbanken now costs 4 per cent, and collateral loans 5 per cent. As bank conditions depend on the central bank rate, credit costs thus have been further reduced also for the ultimate borrower. The interest rate for treasury bills and for cash advances made to the Administration of the Combined Economic Area or to a Land also was reduced by  $\frac{1}{2}$  per cent to 4 per cent. By this re-

1) Closed on 4 August 1949. The edition of this report was somewhat delayed due to technical changes in the banking statistics. The next report is planned to be published in the first days of September; it will again comprise a summarizing review of the business trend.

duction, the discount rate of the Central Banking System, which after the currency reform had been fixed at 5 per cent, again reached the level it had maintained during a long period of "policy of easy money" - viz., from 22 September 1932 through 8 April 1940 -, though under otherwise completely different conditions.

#### Development of Bank Credit

Up to now, the reduction of credit costs and the discontinuance of all restrictive measures originating from the period of anti-expansionist policy of the latter part of last autumn did not result in a really significant increase in bank credits. Only the decrease in the expansion rate of bank credits as recorded for May has been made up for during June. The result of the monthly banking statistics shows, for the month of June, an increase in short-term bank credits granted to nonbank customers by 412 million DM. However, the actual increase was much smaller. When studying the expansion rate, which ostensibly increased very much as compared with the preceding months, it has to be taken into account that in June for the first time a more detailed statistical form was used by the Bank deutscher Länder and the Landeszentralbanken. In connection with this, e.g. approximately 50 million DM non-interest-bearing treasury bonds were, for the first time, included in the statistics of credits. It may be assumed that due to this more comprehensive collection of statistics the June increase in bank credits appears to be by approximately 100 million DM larger than it really was. If this fact is taken into consideration, it becomes evident that the increase in short-term bank credits granted to non-banks in June, which amounts to about 300 million DM, though considerably exceeding the increase observed in May, still falls short of the increase recorded in April, not to speak of that reported for the "restriction month" of February. By the end of June, the total amount of short-term credits granted by business banks to their "nonbank customers" was approximately 6.5 billion DM, about 500 million DM of which are credits to public authorities (in the widest sense).

According to the results of the weekly banking statistics which are so far available for the first three weeks of July, the increase in bank credits does not seem to have accelerated considerably in July either. True, on account of the more comprehensive collection of statistics, here also the figures are, in some respect, no longer easily comparable with those of the preceding statistics (see foot-note to table on page 4). If these influences are eliminated, for the period 1 through 23 July there remains an increase in credits granted by the 112 weekly reporting financial institutions of approximately 100 million DM as compared with 90 million DM in June. The reasons for which an increased expansion of bank credits as expected by some quarters in consequence of the cancellation of restrictive provisions did not materialize, were discussed in detail in the "Monthly Report" of June: The banks have become more cautious in granting credits, and trade and business more reluctant to ask for short-term bank loans. On both sides, there is a certain dislike to replace to an excessive extent lacking working capital - not to mention investment capital - by the expensive bank credits which, moreover, may be recalled any time. At present, the risk of illiquidization and of loss in the case of possible emergency sales limits short-term bank credits usually to an extent that can be justified from the point of view of a sound business operation. Nevertheless, with regard to the economy as a whole the expansion of short-term credits can by no means be considered insignificant if it reaches the previous monthly rate of approximately 300 million DM, i.e., totals about 3.5 billion DM per year. Therefore, the measures taken recently by the Central Banking System in order to reduce credit costs are to be valued not so much as a stimulus to increase short-term bank credits, but as a contribution to force down the costs of production of trade and industry and, above all, to further the fluctuation from the money market to the capital market (see table on page 4).

As to the composition of short-term bank credits by different types of credits, it will be noted that during June the discount credits to business enterprises and private persons - the so-called "customers' liability on account of bills of exchange" - did hardly increase

at all, while the short-term loans and advances (including acceptance credits) increased by 262 million DM to 3,774 million DM. As contrasted herewith, in the case of short-term credits to public authorities treasury bills and treasury bonds play the most important part. Acceptance credits alone, which for the first time are shown separately in the statistics, amount to approximately 1.1 billion DM, i.e., almost exactly one sixth of the total of short-term credits granted to nonbanks.

The introduction, as mentioned above, of the more comprehensive statistical form rendered possible - also for the first time - a closer insight into the granting of medium and long-term credits by financial institutions.

Development of Short-Term Credits to Nonbank Customers  
Monthly or Weekly Increase (+) or Decrease (-) in  
million DM

Institutions reporting	Per Month, or per Week respectively	Increase (+) or Decrease (-) Total	t h e r e o f		
			Current Account and Acceptance Credits and Cash Advances to Public Authorities	Bills (incl. Indorsement Liabilities) and Treasury Bills of Public Authorities	Other Short-term Credits
1. Approx. 3,500 Monthly Reporting Financial Institutions	Jan. 1949	+216.3	+276.7	- 90.8	+ 30.4
	Feb. "	+364.1	+319.4	+ 22.9	+ 21.8
	Mar. "	+286.5	+143.6	+115.0	+ 27.9
	Apr. "	+335.7	+257.8	+ 52.1	+ 25.8
	May "	+236.7	+172.2	+ 59.1	+ 5.4
	June "	+412.1 <sup>2)</sup>	+292.0 <sup>3)</sup>	+153.2 <sup>3)</sup>	- 33.1 <sup>3)</sup>
2. 112 Weekly Reporting Financial Institutions	1st Week July	+ 93.1 <sup>4)</sup>	+ 83.3 <sup>4)</sup>	- 7.0	+ 16.8 <sup>3)</sup>
	2nd Week July	+ 66.4	+ 85.4	- 15.3	- 3.7
	3rd Week July	+ 25.9	+ 20.1	+ 9.9	- 4.1
	Weekly Average Jan.-May 1949	+ 23.7	+ 22.1	- 0.3	+ 1.9

- 1) As from June, also including non-interest-bearing treasury bonds.
- 2) Approximately 100 Mill. DM of the increase are explained by certain credits granted prior to 1 June 1949, but reported statistically for the first time.
- 3) Changes as against preceding week partly due to more detailed statistics.
- 4) Including, as far as recognizable, 84.5 million DM foreign exchange loans of the pre-currency-reform period (stand-still credits), which were included in the statistics for the first time on 7 July on account of the alterations in the collection of statistics.

By the end of June, with all groups of financial institutions the medium and long-term loans granted amounted to 218 million DM, the mortgages, land charges and annuity encumbrances to 686 million DM, and the municipal loans to 114 million DM, that is, approximately 1,018 million DM in total. This sum contains the converted RM loans as well as the new DM loans; the old mortgages, land charges and annuity encumbrances being included with one tenth of their original nominal amount only, as the remaining nine tenths are only administered by the institutions in favour of public authorities. Since 21 June 1948, approximately 148 million DM mortgages, land charges and annuity encumbrances, and approximately 23 million DM municipal loans were newly granted. Of these credits, about 67 million DM, or almost one half, were granted by mortgage banks, 33 million DM by savings banks, 18 million DM by Girozentralen, and 8 million DM by rural credit cooperatives. Almost all advances to local authorities, however, are made by Girozentralen and savings banks. If it may be assumed that also the item "Medium and Long-Term Loans", which is not broken down into old and new credits, contains a similar percentage of credits granted after 20 June 1948, it results that since the currency reform the financial institutions as a whole have granted to the economy and to public authorities well over 200 million DM of - also formally - long-term credits, in addition to the block - the size of which is unknown - of practically "frozen", though formally short-term credits. In view of the well-known extensive withdrawals from savings deposits which occurred in the second half of 1948 and which can be made up for but gradually, but also in view of the difficulties met in the sale of securities, this result is by no means insignificant. However, it was not possible to satisfy even approximately the great and urgent need of enterprises for long-term credit which alone can guarantee the necessary stability of the business management.

In addition to the increase in credits granted by the business banks, the creation of money and of credit by the Central Banking System in favour of nonbank customers has also continued to increase considerably, viz., by 188 million DM, in June. Cash advances and treasury bills each accounted for approximately one fourth

of this increase, and the growth of the credit balance on the foreign accounts for one half. In the first three weeks of July, however, for the first time since February the creation of central bank money for the nonbank customers has decreased considerably, viz., by 114 million DM. While treasury bill holdings increased slightly, cash advances to public authorities were considerably reduced, viz., by 95 million DM, and the creation of money caused by a credit balance of the accounts for the settlement of foreign transactions has decreased as well for the first time since February. This decrease in the credit balance is due to increasing payments for commercial imports, to the immediate payment of the full DM equivalent for letters of credit introduced as of 15 July (according to Bulletin No. 141 of the foreign department of the Bank deutscher Länder), furthermore to rising DM payments of importers of deferred imports, and finally to decreasing receipts of foreign exchange for exports.

On 23 July, the creation of money and credit by the Central Banking System for the nonbank customers, as stated, contained 76 million DM which had been credited to the Reconstruction Loan Corporation from counterpart funds, but which have not been disposed of so far.

#### Liquidity of Banks

The increased direct inflow of central bank money into the economic cycle as occurred in June was no longer able to result in a further essential liquidization of bank balances, because there arose a compensating factor of about the same size in the form of increasing requests for cash by the public. By the end of June, the currency in circulation excluding "B" notes, which roughly, though by no means exactly, constitutes the amount of currency in circulation in Western Germany (excluding Berlin), was by approximately 190 million DM above the level of the previous month. In June, the business banks were able to further reduce their refinancing credits (- 135 million DM) raised with the Central Banking System only to the extent to which the Central Banking System in the course of June was subject to deposit withdrawals by public authorities and other giro customers (total - 147 million DM, of which 126 million DM Staatskassen (cashier's offices of

the Länder) ). After the reduction mentioned, the credit granted by the Central Banking System to financial institutions totalled 1,218 million DM by the end of June. In July (till 23 July), however, the banks had again to take recourse to the Central Banking System to a somewhat increased extent; by the aforementioned day, their indebtedness had increased to 1,311 million DM, although at the same time the amount of money in circulation, in accordance with the regular monthly rhythm, decreased remarkably. This is due, in addition to considerable giro transfers to the accounts of the Staatskassen and the occupation powers have with the Central Banking System, inter alia to the decrease in central bank credits granted to public authorities as well as to a modest increase in the financial institutions' own balances. On account of the decreased refinancing requirements, the bill holdings of the business banks again increased considerably during June, viz., by approximately 180 million DM; by the end of June, they amounted to 1,868 million DM, in which sum the banks' own acceptances in portfolio - contrary to the statistics till the end of May - are no longer included. With the 112 weekly reporting financial institutions, the increase in bill holdings continued till July 23rd, though it is no longer steady and moreover has slowed down.

In proportion to the legal reserve required, surplus reserves were somewhat higher in June than in May; the monthly average figure amounted to 25.9 per cent in June as compared with 23.2 per cent in May. The absolute amount declined slightly. Again, as in all preceding months, the distribution of surplus reserves was very uneven; about three fourths were maintained by a few head institutions, with which large amounts of "hot funds" produce a liquidity requirement which, in the absence of money-market papers rediscountable at any time, can be met only by keeping <sup>balances</sup> credits with the Landeszentralbanken. In June, as before, the surplus reserves are of no great significance for judging the general liquidity situation of the average of the financial institutions.



## The Volume of Money

In June again, the increase in the credit volume and the still continuing growth of deposits due to the conversion of RM credit balances resulted in a further increase in the volume of money. As of 30 June, the volume of freely available money amounted to approximately 19.9 billion DM as compared with 19.6 billion DM on 31 May. The amount of currency in circulation (excluding "B" notes) increased by approximately 190 million DM, while bank deposits as a whole show an increase by approximately 120 million DM.

Taken in detail, the deposits of non bank customers on free account with the business banks increased by 266 million DM during June. It is noteworthy that for the first time since the currency reform deposits by public authorities decreased slightly - viz., by 90 million DM to 2,542 million DM - as compared with the preceding month, while deposits of private persons and business enterprises, including an increase in savings deposits amounting to 106 million DM, rose by 356 million DM. In the Central Banking System, too, deposits by Staatskassen and the other public corporations decreased considerably, viz., by 140 million DM. It may be assumed that this decrease in public accounts with the Central Banking System and with the business banks partly reflects the fact that public reserves are to an increasing extent used for investment purposes.

A breakdown of bank deposits according to maturities reveals that in June again the proportion of time deposits to the total of deposits has continued to increase. This applies particularly to the deposits by public authorities, in the case of which the absolute amount of time deposits even increased in spite of the aforementioned slight decline in the total deposits. By the end of June, 1,106 million DM, or 43 per cent of the total deposits by public authorities with business banks, were left with the banks for a fixed period, or at notice. About 260 million DM of this amount were payable in more than six months, about one fifth thereof even in more than one year. However, also the time deposits which had been deposited at the end of June by

business enterprises and private persons with the business banks, again - as in the preceding months - absolutely and relatively increased to an amount of 669 million DM, or about 11 per cent of the total deposits in this group; well over 150 million DM of the above amount were deposited for more than six months, and almost half of the latter amount for more than a year. In total, time deposits amounted to approximately 20 per cent of the deposits by nonbank customers (excluding savings deposits) by the end of June, while - as shown by the following table - at the year-end they had amounted to but 11 per cent, and by the end of October 1948 even to as little as 8 per cent. Thus, an increased tendency towards tying-up of bank deposits is evident, for the conversion of RM time deposits had only just a small share in the relative <sup>increase</sup> in time deposits.

Proportion of Time Deposits to the Total  
Deposits by Nonbank Customers on Free Account  
(excluding savings deposits)

Status as of end of month	Total Deposits in million DM	Time Deposits in million DM	in per cent of total deposits
1948			
July	3,689	85	2
August	4,823	193	4
September	5,704	366	6
October	6,324	530	8
November	7,099	692	10
December	7,495	846	11
1949			
January	7,649	1,050	14
February	7,969	1,238	16
March	8,232	1,357	16
April	8,553	1,478	17
May	8,873	1,632	18
June	9,033	1,775	20

Savings deposits also show a continuously increasing development in June; as mentioned before, they increased by 106 million DM and are stated by the end of the month at a total amount of 2,480 million DM. For the first time, exact statements can be made as to which part of the increase is accounted for by the conversion of RM savings deposits still continuing, and which part represents actual new deposits. In total, 216 million DM

deposits (103 million DM in cash) and 155 million DM withdrawals (93 million DM in cash) were reported for June; accordingly, there was a surplus of deposits over withdrawals amounting to 61 million DM. Almost 1 million DM were credited for interest, while the remaining amount accrued to the savings accounts from the conversion. It is remarkable that, for the first time since the currency reform, cash turnover ~~alone~~ on savings accounts also showed a credit balance. This reveals a further improvement as against the preceding months, in which the <sup>actual</sup> formation of new savings deposits could only be estimated on the basis of the figures on cash transactions. With the savings banks alone, the net rise in savings deposits, totalling 41 million DM, amounted to approximately two thirds of the total increase, which is roughly equivalent to their share in total savings deposits.

#### The Capital Market

In contrast to the above, the sale of securities, which is very significant for the consolidation of formally short-term investment credits and also for the continuation of investment activity, did not show a noticeable revival in June either. In that month, the only new issue were 6 1/2 per cent bonds of the Rheinisch-Westfälische Elektrizitätswerke, totalling 68 million DM. The Reconstruction Loan Corporation purchased 64.5 million DM of this issue as collateral for the credits granted from counterpart funds. Only the remaining 3.5 million DM were sold in the market. Of all other issues still offered for subscription, 20 million DM were sold in June. Subscriptions to the Reichsbahn Loan, which was offered for subscription till 9 July, totalled 340.2 million DM; 250 million DM of this sum, it is true, originate from the subscription of large amounts. The major part of the remaining 90.2 million DM derive from the investment accounts. In June, for the first time an issuer of 5 per cent shipping mortgage bonds decided to raise the interest rate to 6 per cent, as sale turned out to be difficult.

The comparatively slight interest shown for securities is also reflected by the extremely reduced importance of the stock exchange which could be noticed for a long time already. In June, turnovers were even somewhat smaller than in the preceding months; particularly share markets were dull. A certain

impetus was given by the news that East-West trade had been resumed, and particularly the publication of the extensive investment program for the third quarter 1949 in many cases produced a more optimistic view of the further economic development. However, this change in opinion - which anyway was but transitory - did scarcely have any perceptible influence on stock exchange rates. By the end of June, most share prices were at the same level as by the end of May; insignificant declines in prices were set off by - mostly even more insignificant - price advances in other places. At the bond markets, demand was somewhat more brisk and resulted in slight increases in prices particularly of industrial bonds and of some mortgage bonds. The prices of part of the bonds continued to increase, though comparatively insignificantly, during July, while the majority of the share prices showed a downward trend. For the future, it is necessary that the stock exchange, to a greater extent than hitherto, regains its real function, viz.,<sup>to</sup> ensure that the formation of prices of stock-exchange securities can take place in public and on the basis of turnovers which are as high as possible. For, the larger the part of the capital flow which is "filtered" through price fixing on the stock exchange, the less probable it will be that misdirected investments are made, and the more distinctly will the stock exchange prices reflect the actual ratio of demand and supply in the capital market. For this reason, it is also necessary to introduce at the stock exchange, as soon as possible, the securities newly issued since the currency reform. The major part of the funds used for investments, as far as they derive from German sources, did not flow via the organized capital market, but from public budgets, from institutional investors, and from self-financing. In total, for the second quarter the financing of the formation of capital in kind in the Combined Economic Area - estimated in last month's report at about 1.5 to 1.75 billion DM - shows about the following picture:-

Financing of Formation of Capital in Kind  
in the second quarter 1949  
in the Combined Economic Area  
in million DM

Public Budgets	600.0 <sup>1)</sup>
Capital Investment from Increase in Savings Deposits	71.0 <sup>2)</sup>
Placing of Securities	188.5 <sup>3)</sup>
Capital Investments of Private Insurance Companies	62.5 <sup>4)</sup>
Capital Investments of Social Insurances	115.0 <sup>5)</sup>
Self-financing (incl. unorganized capital market)	300.0 <sup>6)</sup>
From German Sources	<u>1 337.0</u>
From counterpart funds through the Reconstruction Loan Corporation	<u>195.0</u>
Total	<u>1 532.0</u>

- 1) Preliminary estimate; approximately 500 million DM from the Lander budgets, and 100 million DM from the Administration of the Combined Economic Area and Gemeinden.
- 2) Incl. 14 million DM with building and loan associations. The increase in savings deposits from the currency reform amounted to approximately 85 million DM, and from new deposits to approximately 227 million DM. So far it was not possible to obtain statistical data as to which part of this amount was lent out for financing investment requirements. In the above table it was assumed that one quarter of the increase in savings deposits due to the formation of actual new deposits was available for investment financing; the proportion possibly was slightly lower.
- 3) Incl. approximately 60 million DM investment accounts. Of the 253 million DM placed in total, 64.5 million DM were deducted which were purchased by the Reconstruction Loan Corporation.
- 4) Preliminary estimate, excluding purchases of securities.
- 5) Estimated on the basis of partial data.
- 6) In the absence of sufficient statistical data, one quarter of the annual amount provided for in the investment estimate was entered.

In July, the Reconstruction Loan Corporation granted another 21 million DM long-term credits for the various investment programs under way from the counterpart funds at its disposal. As of 31 July, 73 million DM funds destined for distribution were still available with the Reconstruction Loan Corporation, while 190 million DM, which have already been released, on principle, from GARIOA funds, have still to be transferred to the account of the Reconstruction Loan Corporation according to the demand for outpayment.

## P u b l i c F i n a n c e

In June, Länder Finance was characterized by comparatively low revenue and increasing expenditure, resulting in not inconsiderable deficits.

Amounting to approximately 1,200 million DM, tax revenue was by 27 million DM lower than in the preceding month. Taxes on income, property and turnover, which are always lowest in the last month of the quarter, decreased by 47 million DM, while customs and excise duties yielded 21 million DM more than in May. It is important to note in this connection that taxes on income, property and turnover, though regaining the level of March - the last month with comparable dates of payment -, exceeded it but very slightly.

### Tax Revenue in the Specified Area

March and June = months with comparable dates  
of payment  
in million DM

	March	April	May	June
1. Total of Taxes on Income, Property and Turnover	827.2	992.0	884.3	836.9
thereof:-				
Wages Tax	169.3	159.2	169.1	171.9
Assessed Income Tax	213.5	303.0	226.6	166.9
Corporation Tax	99.2	167.9	121.2	98.7
Turnover Tax	291.2	300.9	314.9	313.6
2. Excise and Customs Duties	333.7	292.1	342.1	362.6
3. Total Tax Revenue	1160.9	1284.1	1226.4	1199.5

The turnover tax increased by 7.7 per cent as compared with March - the slight decline which occurred from May to June is reported to be due to reasons of booking technique -, while the revenue from the wages tax remained virtually unchanged. Revenue from taxes calculated on a current basis - wages tax and turnover tax reflect the aggregate of wages and salaries paid, and the turnovers of the preceding month - thus runs parallel with the development of economic activity as recorded

for months, which shows but weak upward tendencies.

Revenue from Assessed Income Tax  
and Corporation Tax

January - June 1949

	Jan. - March 1949	April - June 1949	Change as against Jan.- March in per cent
Assessed Income Tax	835.0	690.3	- 17.3
Corporation Tax	364.1	385.5	+ 5.9

Less uniform was the development in the case of taxes which are determined to a greater extent by the quarterly dates of payment, viz., the assessed income tax and the corporation tax. As shown by the above yields of the last two quarters, the corporation tax revenue has increased again in the last quarter by about 5.9 per cent, while the revenue from the assessed income tax declined rather sharply, viz., by 17.3 per cent.

The sharp decline in the revenue from assessed income tax is probably due to a large extent to the reform of the income tax. On account of the revision of tax legislation, it cannot be ascertained whether the industrial earnings, on which the tax is based, have also decreased. The figures given above reflect the income and profits situation of the preceding quarter and consequently do not state anything about the development of industrial earnings and corporations' profits during the period April to June. Such information will be obtained from the advance payments effected during July, the results of which are not yet known.

No data are available as yet concerning the exact extent of expenditure. It seems that particularly investment expenditures are increasing. Moreover, for the first time increased payments had to be made to the social insurances, pursuant to the Ordinance to Revise Social Insurance Benefits. At any rate,

revenue evidently fell not inconsiderably short of expenditure; therefore, the Länder had to take recourse, to a large extent, to their cash reserves which in the course of June declined by about 240 million DM. Particularly striking was the deterioration of the cash situation of the eight Länder of the Bizone, while the financial status of the Länder of the French Zone - where for months debts have by far exceeded the cash funds stated, thus hardly leaving any margin for increasing expenditure - changed but little.

Cash Holdings and Status of New Indebtedness of  
the Länder of the Combined Economic Area  
in million DM

	Total of Cash Holdings	Funds earmark- ed for special purposes	Trust Funds	Availa- ble Cash Holdings	Status of new Indebted- ness 1)
	1	2	3	4	5
Combined Economic Area					
31 May	690.7	98.4	152.1	440.2	68.2
30 June	454.2	131.5	177.5	145.2	85.5
Increase (+) or Decrease (-) resp.	-236.5	+33.1	+25.4	-295.0	+17.3
French Zone					
31 May	7.4	12.1	50.2	-54.9	71.5
30 June	4.0	12.2	52.8	-61.0	77.1
Increase (+) or Decrease (-) resp.	-3.4	+0.1	+2.6	-6.1	+5.6
Specified Area					
31 May	698.1	110.5	202.3	385.3	139.7
30 June	458.2	143.7	230.3	84.2	162.6
Increase (+) or Decrease (-) resp.	-239.9	+33.2	+28.0	-301.1	+22.9

1) Excluding cash advances, which are included under 1 and 3.

The cash holdings designated "available" by the finance administrations (total funds less funds earmarked for special purposes and trust funds) decreased in June by as much as approximately 300 million DM. As at the same time the new indebtedness increased by 23 million DM, from these two facts a deficit of 323 million DM is computed. However, the cash deficit, i.e., the excess of cash receipts over cash expenses,



which is primarily interesting from the viewpoint of monetary policy, probably has hardly reached this amount, be it only for the reason that funds earmarked for specific purposes have increased by 35 million DM.

The Combined Economic Area also showed a deficit in June (cf. June report). A possible surplus of the Unemployment Insurance Fund certainly was but insignificant on account of the reduction of contribution rates in compliance with the Ordinance to Revise Social Insurance Benefits, and because of the unsatisfactory employment situation. As the Gemeinden also hardly will have attained surpluses worth mentioning, from the whole of the budgets covered by this report more money must have been channelled into the circulation than was withdrawn from it by way of taxes, contributions and other charges. This result is confirmed by the aforementioned development of public deposits with the banking system, which in June decreased by a considerable amount (228 million DM) for the first time since August 1948.

Data for July are not yet available. As July is a month with main dates of payment for assessed income tax and corporation tax, the cash holdings of the Länder will probably have increased at least temporarily. From the development of public deposits in the period 1 to 23 July it may be concluded that tax revenue, though being comparatively high, probably fell short of the revenue in April, the last month with comparable dates of payment for the assessed taxes. In the first three weeks of July, public deposits with the Central Banking System increased by 107.9 million DM, and with the 112 weekly reporting institutions by 162.2 million DM, as compared with 191.5 million DM and 209 million DM, respectively, in the same period of April. As, moreover, in connection with the investment program for the third calendar quarter expenditure liabilities of the Länder evidently continue to increase, it cannot be assumed that the Länder budgets were able to obtain surpluses during July.

## F o r e i g n   T r a d e

In June, e x p o r t s of the Combined Economic Area were by 35 million DM lower than in May; the mass exports of coal, coke, timber and scrap declined by 9 per cent, and individual exports by 11 per cent. However, for the time being there can be no question of an actual set-back in exports. It has to be taken into account that just in May exports of the Combined Economic Area, after an almost continuous increase from month to month, had reached their highest level so far since the currency reform; and reviewing of a longer period of time shows that exports in the second quarter still exceeded those of the first quarter by 9 per cent. Certainly, a slowing down of the increase becomes evident; such slowing down is, however, practically inevitable due to the increase in the total amount of exports and is further intensified by the increasingly difficult situation in the world market. In this connection it is of particular consequence that the proportion of finished goods to the total of exports - which in 1936 was 79.8 per cent and to-day should be much higher in view of the changed structure of our economy, in particular of the increased density of population - has increased but little during the past six months.

### Proportion of Finished Goods Exports to total Exports

	First half- year 1948	Second half- year 1948	First half- year 1949
Total Exports in million RM, or DM resp.	486.8	1,334.5	1,756.4
Exports of Finished Goods in million RM, or DM resp.	184.4	583.8	790.2
Proportion of Finished Goods Exports to Total Exports in per cent	37.9	43.7	45.0

Distribution of exports to the individual export markets also does not show the dispersion desirable for a country exporting industrial finished goods. Exports to overseas countries are very low, although there is a concentrated demand for imports of

food and industrial raw materials just from these countries, and it would require corresponding export proceeds to meet this demand. In the first half-year 1949, almost three quarters of all exports went to European countries, but only one tenth to America. The total distribution of exports according to currency areas as well as according to participating countries and non-participating countries is shown in the following table:-

Exports of the Combined Economic Area in the first half of 1949

in per cent

	Conti- nental Europe	Sterling Area	Dollar Area	Other Areas	Not speci- fied	Total
Participating Countries	70.0	11.8	-	1.3	-	83.1
Non-Partici- pating Countries	3.9	2.8	9.2	0.1	0.9	16.9
Total	73.9	14.6	9.2	1.4	0.9	100.0

Imports to the Combined Economic Area in June exceeded those of May by 10 million DM. However, the increase only concerns the DM values, and not the volume of imports. It is explained by the fact that in the Foreign Trade Statistics of the Combined Economic Area now world-market prices have been generally used as a basis for the valuation of imports; in the preceding month, this had not yet been possible in time because of technical reasons. As is well known, since 1 May of this year also the deferred imports have to be calculated at world-market prices.

The Dollar value of imports - which is a much more reliable reference for the volume of imports than the DM value has been hitherto, although here, too, price changes play some part - decreased in June by 12 million Dollars as compared with May. However, similar to exports, in the case of imports as well the decline is not of much consequence because the figures of the preceding month were extraordinarily high, and in spite of the decline in the month under review an increase in imports by no less than 34 per cent results for the quarter April through June as compared with the quarter January through March.

Foreign Trade of the Combined  
Economic Area  
in million DM

I m p o r t

monthly average

	1st half 1948	2nd half 1948	Jan/ March 1949	April/ June 1949	May 1949	June 1949
Food Industry	124.5	179.6	180.2	254.3	265.0	310.3
Industrial Commodities	70.6	152.6	232.3	330.9	381.6	346.3
raw-materials	39.2	82.7	125.6	172.3	196.1	177.7
semi-finish- ed goods	24.3	51.2	67.0	86.4	100.4	94.6
finished goods	7.1	18.7	39.7	72.2	85.1	74.0
pre-manufact- ured products	4.4	10.9	21.8	28.1	32.4	30.3
end products	2.7	7.8	17.9	44.1	52.7	43.7
Total	195.1	332.2	412.5	585.2	646.6	656.6

E x p o r t

monthly average

	1st half 1948	2nd half 1948	Jan/ March 1949	April/ June 1949	May 1949	June 1949
Food Industry	4.6	3.5	9.8	3.7	2.8	2.0
Industrial Commodities	76.2	218.5	270.1	301.9	328.7	294.9
raw-materials	21.9	54.4	56.6	60.6	63.4	61.2
semi-finish- ed goods	23.6	66.8	94.6	96.9	106.0	90.3
finished goods	30.7	97.3	118.9	144.4	159.3	143.4
pre-manufact- ured products	16.7	51.1	60.5	64.4	69.4	61.6
end products	14.0	46.2	58.4	80.0	89.9	81.8
Total	80.8	222.0	279.9	305.6	331.5	296.9

Consequently, the increase in imports was three times as large as the increase in exports during the same period of time; and the annual import quota, based on quantities and prices of the last quarter, now amounts to approximately 2.2 billion Dollars, whereas the corresponding <sup>annual</sup> export quota amounts to 945 million Dollars only.

Imports of the Combined Economic Area  
in the first half of 1949  
in per cent

	Conti- nental Europe	Sterling Area	Dollar Area	Other Areas	Not speci- fied	Total
Participating Countries	27.2	5.8	-	3.6	-	36.6
Non-Partici- pating Countries	5.7	6.3	49.4	0.1	1.9	63.4
Total	32.9	12.1	49.4	3.7	1.9	100.0

Imports under the Marshall Plan amounted to only 24 million Dollars in June and to approximately 13 million Dollars in the first half of July. In total, by the end of June the Combined Economic Area had only received deliveries amounting to 291 million Dollars, although the "Firm Allotment" amounted to 491 million Dollars, i.e., 200 million Dollars more, as per 30 June 1949, and the "Total Plan" for the first Marshall-Plan year, which consists of five quarters, even provided for 510 million Dollars. However, the arrears in deliveries are not so considerable as might be concluded from these figures. Pursuant to the programs for quarterly deliveries, up to 30 June 1949 goods in the value of 367 million Dollars (excluding freight charges) should have been delivered, while the respective deliveries in this period amounted to 270 million Dollars (excluding freight charges). It is expected that the remaining deliveries from the first Marshall-Plan year, which amount to 97 million Dollars, will be effected in the months July through September 1949 together with the ERP imports scheduled for this period (cf. table on page 22).

As to countries of origin, most of the imports of the Combined Economic Area in the first six months of 1949 came from the United States, though the share of European supplier countries also was considerable. On the whole, dispersion was larger with regard to import markets than with regard to export markets.

A comparison of imports and exports in the past half-year clearly shows the large surplus of imports of the Combined Economic Area and the well-known predominant share of foreign aid in the supply of Western Germany. In particular, the comparison reveals the strong dependence on the Dollar areas which Germany shares with most of the Western European countries. In the first half-year 1949, imports were almost twice the amount of exports, and imports from the Dollar area were more than ten times the amount of exports to the Dollar area. Surplus imports totalled 467.4 million Dollars; their distribution is shown in the following table.

Surplus of Imports of the Combined Economic Area in the first half of 1949

	Conti- nental Europe	Sterling Area	Dollar Area	Other Areas	Not speci- fied	Total
In million Dollars	- 50.1	44.6	430.3	28.8	13.8	467.4
in per cent of total import sur- plus	- 10.7	9.5	92.1	6.2	2.9	100.0

1) Surplus of Exports.

There is no need for emphasizing the important part which play, under such circumstances, the deferred imports with regard to the economic development since the currency reform. According to the official statistics of JEIA, for the period 1 July 1948 to 31 May 1949 (more recent figures are not yet available) the imports to the Combined Economic Area which were paid for from means of the USA Army Budget (GARIOA) and from Marshall-Plan funds amounted to 910.9 million Dollars. Thus, deliveries under foreign aid programs still were by 137.8 million Dollars above the total goods exports of the Combined Economic Area, which according to JEIA statistics amounted to 773.1 million Dollars

in the same period. By far the major part of all food imports of the Combined Economic Area were deferred as to foreign exchange payment; the same applies to important industrial raw-materials, such as cotton, &c.

State of the Delivery Programs for Imports  
under the Marshall-Plan<sup>1)</sup> to the Combined  
Economic Area as of 30 June 1949  
in million Dollars

	2nd quarter 1948 to 2nd quarter 1949			3rd quarter 1949 and later			total		
	food- sec- tor	indu- strial sector	total	food- sec- tor	indu- strial sector	total	food- sec- tor	indu- strial sector	total
Delivery Programs	180.0	187.0	367.0	9.6	84.1	93.7	189.6	271.1	460.7
of which									
delivered	158.0	112.1	270.1	-	-	-	158.0	112.1	270.1
outstanding	22.0	74.9	96.9	9.6	84.1	93.7	31.6	159.0	190.6
of which									
contracted but not yet delivered	20.8	53.3	74.1	9.0	-	9.0	29.8	53.3	83.1
approved but not yet contracted	1.1	28.9	30.0	-	61.9	61.9	1.1	90.8	91.9
not yet approved	0.1	-7.3 <sup>2)</sup>	-7.2 <sup>2)</sup>	0.6	22.2	22.8	0.7	14.9	15.6

1) Excluding freight charges.

2) Deliveries already approved in excess of existing programs.

Surely, since the currency reform foreign exchange holdings have increased to a certain extent. However, the additional inflow of foreign exchange was used exclusively for incurring, to a correspondingly greater extent, liabilities to make available foreign exchange for imports by issuing import licenses. While at the time of the currency reform 80 per cent of the foreign exchange holdings were utilized by liabilities for current letters of credit, on 31 May 1949 the degree of utilization was 100 per cent. The increase in imports as expected for a long time has now come about. The "Credit Balances with Foreign Banks" in the weekly statement of the Bank deutscher Länder - which by no means represent exclusive-

ly surpluses in goods transactions and in the exchange of services - have declined from the peak level reached so far on 31 May 1949 (1,448.4 million DM) by 112.6 million DM as per 30 June 1949, and by another 114.1 million DM as per 30 July 1949.

A diminution in the surplus of DM outpayments in foreign transactions, as must result, on longer sight, from the decline in foreign exchange holdings, has not yet occurred in June. True, payments for B imports increased considerably, but payments for GARIOA imports decreased; this is connected with the fact that payments for GARIOA imports were relatively high in the preceding month, because in May - as mentioned in the last report - the whole bizonal grain reserve had been paid by means of a cash advance of the Bank deutscher Länder to the Bizonal Administration. As far as payments by importers of grain are now coming in, they are used for paying back this cash advance. The total payments effected in the month of June via the accounts for the settlement of foreign transactions fell by approximately 18 million DM short of the May level, while there was hardly any change in the corresponding total disbursements. The counterpart funds as shown by the books (total holdings minus amounts already earmarked for specific purposes) amounted to approximately 520 million DM as of 30 June 1949. The GARIOA funds contained in this sum, however, are exhausted for the time being by the promise of a credit of 200 million DM to be granted to the Reconstruction Loan Corporation. Applications for release of the ERP counterpart funds are pending. The compensation under the European Clearing effected towards mid-June for 31 May 1949, pursuant to the Paris Payments and Compensation Agreement which has expired in the meantime, had the following result for Western Germany (Combined Economic Area and French Zone): - Western Germany made available drawing rights in the amount of 9.2 million Dollars and at the same time obtained drawing rights amounting to 9.2 million Dollars. Thus, as early as by the last compensation but one, Western Germany had met at 100 per cent her obligations towards four of altogether five participating countries to which she had to grant drawing rights. On the other hand,



however, only one country of altogether six countries which had to grant drawing rights to Western Germany had completely met her obligations towards Western Germany.

As is well known, the utilization of the drawing rights depended on the problem whether or not it would be possible to realize the development of foreign trade turnovers between two countries as scheduled when the Payments Agreement was concluded. However, it became more and more evident, from compensation to compensation, that the schedule drawn up for Western Germany was correct as to surpluses of exports, but was wrong as to surpluses of imports. In the case of several other countries, too, balances of payment developed in a way essentially different from what had been expected. Accordingly, it has been planned for the renewal of the intra-European Payments Agreement in future to forego the strictly bilateral binding of drawing rights to a limited extent, viz., for one fourth of the drawing rights to be newly agreed upon, so far making these drawing rights transferable.

As per the end of May 1949, a survey of all drawing rights of the Western German D-Mark Area is as follows:-

Drawing rights to be given by 30 June 1949	97.4 million Dollars
Less drawing rights given so far	83.5 " "
Still available	13.9 million Dollars
Drawing rights to be received by 30 June 1949	114.2 million Dollars
Less drawing rights received so far	39.4 " "
Still available	74.8 million Dollars

The comparatively high amount of drawing rights not yet utilized is particularly regrettable for the Western German economy. To this extent, Western Germany might have obtained goods from other participating countries without equivalent.

## P r o d u c t i o n , E m p l o y m e n t a n d P r i c e s

During the month of June, industrial production in the Combined Economic Area could not quite maintain the level of the previous month. The production index number per working day, it is true, declined only by one point, viz., from 88 to 87. This change is too insignificant to permit specific conclusions to be drawn. The index number of the monthly production volume decreased from 88 to 85, which decline is due, in the first place, to the fact that the month of June had half a working day less than the month of May, and that Whitsuntide and the beginning of the vacation period in June had more unfavourable effects on the volume of production than had Ascension Day in May. The slight decline in production concerns almost all branches of industry. The decrease was particularly considerable in the following industries:- iron casting, steel casting, malleable iron casting, generation of gas and electric current, textiles, plate-glass, and ceramics. The only industries reporting an increase in production were:- concave glass production, chemicals, vehicle construction, stones and earths, extraction of petroleum, non-ferrous ore mining, potassium and salt mining. According to the results available so far, iron manufacture, coal mining, and current generation have increased not inconsiderably during July.

Index of Industrial Production in the Combined  
Economic Area  
Monthly average in the first half of 1949,  
and month of June 1949 1)  
1936=100

Period	Total Index		Investment Goods			General pro- ducers' goods	Con- sumers' goods
	per cal- endar month	per work- ing day	raw mate- rials	fin- ished, goods	total		
per calendar month							
Average of the 1st half, year 1949	84	85	73	78	76	101	83
June 1949	85	87	77	77	77	100	83
Difference between June and average of half-year	+1	+2	+4	-1	+1	-1	-

1) Preliminary figures.

The stagnancy of industrial production in the first half of this year is clearly demonstrated by the fact that in June as well as in the preceding months the production indices hardly deviate from their average values in the first half-year 1949. The above table reveals that only the production of raw materials in the investment-goods sector shows a noteworthy increase in June as compared with the half-year average; this increase is chiefly due to the favourable development in iron manufacture and production of building-material.

Number of Employed and Gross Values of Industrial Production<sup>1)</sup> in the French Zone of Occupation

Month	Number of Employed in 1000			Gross Value of Production in million RM, or DM resp.		
	Baden	Württemberg-Hohenzollern	Rhine-Palatinate	Baden	Württemberg-Hohenzollern	Rhine-Palatinate
1948						
June	97.1	104.7	167.3	67.4	62.6	111.8
July	98.7	107.0	168.0	74.6	78.8	125.1
August	101.8	108.7	174.9	80.8	76.5	130.8
September	104.9	112.3	179.8	90.0	94.6	154.0
October	108.4	115.8	184.1	97.5	103.6	162.8
November	111.4	120.4	189.1	101.4	114.4	176.6
December	113.2	121.1	194.1	109.8	109.1	200.4
1949 <sup>2)</sup>						
January	114.4	118.4	192.2	109.8	105.6	186.6
February	115.7	121.0	193.9	113.4	115.2	188.8
March	116.8	121.9	194.8	128.0	128.7	202.9
April	117.7	123.6	195.5	120.5	117.7	195.2
May	119.2	125.4	196.0	126.5	129.6	205.9
June	119.8	126.3	197.5	123.6	123.7	206.4

1) Excluding building trade, gas works and electricity works.

2) As from 1 January 1949, only plants with 10 and more employed. Of the plants with 6 to 10 employed, the following are still covered by the statistics:- the sawmills industry in all Länder, the jewellery industry and the dairies in Rhine-Palatinate, the distilleries in Baden, and leather production and mills in Württemberg-Hohenzollern. By the elimination of the other small plants, the value of production decreases by approximately 2 per cent.

Source:- Statistische Landesämter

In the French Zone of Occupation, a detailed report on which is given for the first time at this place, development of industrial production was similar to that in the Combined Economic Area. Production, which had

increased not inconsiderably during May - as shown by the gross values of industrial production for the three Länder -, likewise stagnated in June. The increase in the gross value of production for Rhine-Palatinate is neutralized by the decrease in Baden and Württemberg-Hohenzollern, which is essentially due to the fact that in June there was one working day less than in May. Calculated per working day, a slight increase is shown for Baden. The producers' goods industries have developed favourably in the past months. The industry of stones and earths set a record in May, with an index number of 107 (1936=100); but the iron industry also has recovered from the set-back suffered in April, and gross production values of machine-construction increased. The production of non-ferrous metals and the iron and steel construction, however, declined in the past few months, and vehicle production showed a decrease in May. In the field of consumers' goods industries, the production of paper and rubber industries maintains its high level; the development of the textiles, leather, glass, and ceramics industries also shows an upward trend in spite of certain fluctuations. Production of the electrotechnical, precision mechanical and optical industries, however, is slightly declining. The gross production values of the chemical industry rise in Baden, while in Rhine-Palatinate and Württemberg-Hohenzollern they are declining. Among the industries producing stimulants, the tobacco industry develops favourably owing to greater imports.

The index number of the total production of the French Zone (1936=100) was at 78 in April and, according to individual results published, has probably slightly increased in May. At the same time, the production index number in the Combined Economic Area was considerably higher, viz, 82 and 88 respectively. However, the indices for the French Zone and for the Combined Economic Area are difficult to compare, as the index number calculated by the Department for Economics is exclusively a quantity index, while the provisional gross production index of the French Military Government is a value index adjusted to wholesale prices of 1936. German quarters object to the index of the French Zone by stating that the fundamental values on which it is based are partly estimated too low, and therefore the index number calculated on this basis appears too high. If this is true, the production of the French Zone,

as compared with the year 1936 and also in proportion to the production of the Combined Economic Area, would have lagged behind even more than is indicated by the difference in the indices.

In accordance with the stagnation of industrial production, the volume of employment in the specified area has hardly changed by the end of June 1949 as compared with the end-of-March level, and probably has maintained about the same level also in July. During the second quarter of 1949, in the whole of the specified area the number of persons employed increased by 41,400 persons, i.e., 0.3 per cent of the whole number of employed. As against the level at the end of the past year, this means a decrease in employment by 250,000 persons (1.8 per cent of the volume of employment of that time). This decrease in employment during the first half-year of 1949 has set off the increase in the number of employed which had taken place in the second half-year 1948, so that the volume of employment now about maintains the level held at the time of the currency reform.

Certainly, during this year considerable shiftings have taken place between the Länder of the specified area. In the Länder Northrhine-Westphalia, Baden, and Württemberg-Hohenzollern, employment has increased by approximately 7 per cent, or 10 per cent respectively, as compared with the level of June 1948. In the Länder Bavaria, Lower Saxony, and Schleswig-Holstein, however, a considerable decrease in employment is to be observed. In the whole of the Combined Economic Area, the number of employed has decreased by approximately 95,000 as against the level of the preceding year, while in the French Zone - though starting from a rather low level at the time of the currency reform - it increased by 84,000. In the second quarter of 1949, only the Länder Northrhine-Westphalia, Baden, Württemberg-Hohenzollern, and Hamburg were able to slightly improve the peak level of employment attained so far at the end of December 1948.

In spite of the fact that there is hardly any change in the volume of employment between the beginning and the end of the

first DM year, considerable shiftings occurred between the individual branches of the economy, just as between the various Länder; these shiftings reveal the extent of the adaptation and rationalization processes under way since the currency reform. The table on page 30 shows that more than 500,000 persons were dismissed in the course of the past year only by agriculture and by public administration and other services (legal and economic advice, social and health services; theatre, music, motion pictures; domestic services).

Employed Workers, Employees and Officials  
in the Specified Area  
(June 1948 = 100)

A r e a	Sept. 1948	Dec. 1948	March 1949	June 1949
Northrhine-Westphalia	102.7	105.5	106.0	106.7
Lower Saxony	96.8	96.8	92.2	91.6
Schleswig-Holstein	92.1	90.2	84.0	83.4
Hamburg	100.4	103.0	103.4	103.5
Bavaria	97.8	99.5	95.0	95.4
Hesse	101.6	103.3	101.7	102.5
Württemberg-Baden	101.2	104.0	103.3	103.3
Bremen	102.4	103.2	85.0 <sup>1)</sup>	86.9 <sup>1)</sup>
Combined Economic Area	99.7	101.3	98.9	99.2
Baden	103.0	107.8	109.3	110.2
Württemberg-Hohenzollern	102.9	108.0	109.3	110.4
Rhine-Palatinate	102.4	104.7	103.3	103.2
French Zone	102.7	106.2	106.1	106.5
Western German D-Mark Area as a whole	100.0	101.8	99.6	99.9

1) In fact, in the case of Bremen the figures of employed did not fall to such an extent as appears from this table. The figures for the year 1948 comprise about 35,000 "Pendelarbeiter" (workers migrating to and fro between home and work) who, by mistake, were counted twice. This mistake has been corrected for the months of March and June 1949.

Employed Workers, Employees, and Officials  
by Branches of the Economy  
In Western Germany

- in 1000

Branches of Economy	E m p l o y e d		Decrease (-), or Increase (+) resp.	
	30 June 1948	30 June 1949	absolutely	in per cent
Agriculture and Forestry (including Fishing)	1,546.2	1,270.8	- 275.4	- 17.8
Building Materials, Building Administrations, Building Trade	1,257.7	1,272.0	+ 14.3	+ 1.1
Wood Working and Wood Processing	557.2	523.5	- 33.7	- 6.0
Heavy Industries (Mining, peat-cutting and petroleum extraction, extraction and manufacturing of iron and metals)	2,572.4	2,772.6	+ 200.2	+ 7.8
Consumers' Goods Industries (leather, textiles, clothing and food)	1,487.5	1,677.3	+ 189.8	+ 12.7
Other Industries (chemicals, paper, printing, India-rubber and asbestos, glass and ceramics)	624.3	696.2	+ 71.9	+ 11.5
Public Utilities (water, gas, electricity)	1,349.3	1,438.8	+ 89.5	+ 6.6
Commerce, Insurance, Hotels and Restaurants				
Traffic	1,135.7	1,099.9	- 35.8	- 3.2
Other Services and Public Administrations	2,969.5	2,737.6	- 231.9	- 7.8
Total	13,499.8	13,488.7	- 11.1	- 0.1

Prior to the currency reform, agriculture had a surplus of manpower, because in the period of scarcity and control of food it offered a better provisioning basis than did other branches of the economy; the personnel inflation in public administration and other services also was a consequence of control and inflation with stopped prices. The economic waste of the production-factor manpower as occurred prior to the currency reform becomes particularly evident from the overcrowding with manpower of these two fields of economy, which has now been ended. Traffic as well as the wood-processing and wood-working industries suffered a slight loss of employed in the course of the past year. The groups of heavy industries<sup>1)</sup> and consumers' goods industries<sup>1)</sup>, however, have absorbed 200,000 and 190,000 employed respectively; the percentage of increase was considerably stronger in the case of consumers' goods industries (almost 13 per cent) than in the case of heavy industries (approximately 8 per cent). But also the other branches of industry (chemistry, paper, printing, glass, and ceramics) as well as the group public utilities, commerce, banks, insurance, and hotels showed a considerable increase in the number of employed (approximately 160,000 persons altogether). Finally, the adverse position of the building market in the middle of 1949 becomes evident; as compared with the preceding year, there is an increase in employed by only 14,300 persons (1.1 per cent).

U n e m p l o y m e n t continued to increase in July 1949, though by a smaller number (19,400) than in June (26,200). From 451,000 in June 1948, the number of unemployed has increased almost continuously to 1,303,000 by the end of July 1948, i.e., it has almost tripled. Due to the volume of employment having remained the same, the total increase in the number of unemployed during this year almost completely corresponds to the increase.

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1) The delimitation of heavy and consumers' goods industries as used for this comparison is given in the table on page 30.



in newly registered unemployed. As had been the case in June, in July 1949 also all Länder were affected by the increase in unemployment. In comparison with the other Länder, the July increase in unemployment was comparatively great in Hamburg, Schleswig-Holstein, Württemberg-Baden and the French Zone of Occupation.

The degree of unemployment is particularly high in those circles of the population that either did not have any professional training or belong to such vocational groups which were overcrowded prior to the currency reform or which always were particularly subject to cyclical fluctuations.

Development of the Labour Market in Western Germany  
in 1000

Figures as per end of month	Wage & Salary Earners thereof			Total Employment (balance of new employments and dismissals 1)	Net Change in Employment (balance of new employments and dismissals 1)		Net Increase in the number of Wage and Salary Earners 2)	
	Employed	Unemployed			per quarter	since June 48	per quarter	since June 48
	1	2	3	4	5	6	7	
1948								
June	13499.8	451.0	13950.8	-	-	-	-	
Sept.	13497.9	784.2	14282.1	+ 1.9	- 1.9	331.3	351.3	
Dec.	13738.7	759.6	14498.3	+240.8	+ 238.9	216.2	547.5	
1949								
March	13447.3	1168.4	14615.7	-291.4	- 52.5	117.4	664.9	
June	13488.7	1283.4	14772.1	+ 41.4	- 11.1	156.4	821.3	

- 1) Difference in total number of employed (column 1) from quarter to quarter.
- 2) Difference in total number of wage and salary earners (column 3) from quarter to quarter

During the second quarter of 1949, the increase in the proportion of unemployed was particularly marked in the metal producing and metal processing industries as well as in wood processing. Due to seasonal influences, however, there was a decrease in the proportion of unemployed to the total labour force of the group in the case of the building trades (from 15.8 to 10.6 per cent) and in stone extracting and processing (from 12.2 to 10.4 per cent).

The Vocational Groups Showing the Highest Degree of  
Unemployment  
as of the last day of June 1949

Vocational Group	Unemployed in per cent of members (employed and unemployed) of the same group
Manpower without fixed vocation	79.1
Workers manufacturing musical instruments and toys	37.7
Forestry, hunting, and fishery	17.0
Hotel and restaurant employees and workers	14.3
Subsidiary workers of all descriptions	14.3
Production and processing of leather, and related trades	12.8
Production of food and stimulants	12.6
Hairdressing and cosmetics	11.2
Clothing	10.6
Building and auxiliary trades	10.6
Wood processing and auxiliary trades	10.5
Engineers and technicians	9.8

From a social point of view, the large proportion of expellees to the total number of unemployed is particularly serious; according to the information given by the Statistical Office of the Combined Economic Area (Wirtschaft und Statistik, vol. 1 (N.F.), p. 107), this proportion seems to increase further. The following table shows the distribution of unemployment among residents and expellees in the individual Länder of the Combined Economic Area, as of the last day of June.

In all Länder with the exception of Hamburg, the share of expellees in the total number of unemployed is considerably higher than their share in the whole population. In Bavaria and Württemberg-Baden, unemployment among the expellees even is twice as high as among the residents.

# Unemployment in the Combined Economic Area

Breakdown showing Proportion of  
Residents and Expellees 1)

L A N D E R	U n e m p l o y e d				Proportion of Expellees to Popula- tion 2)
	Residents 1)		Expellees 1)		
	num- ber	per cent of all un- empl.	num- ber	per cent of all un- empl.	
Schles-wig-Holstein <sup>3)</sup>	79723	42.2	109390	57.8	33.3
Hamburg	50803	97.7	1092	2.1	5.5
Lower Saxony	165227	57.6	121523	42.4	26.0
Northrhine-Westphalia	161115	88.2	21595	11.8	8.1
Bremen	15385	91.9	1354	8.1	5.6
Hesse	76973	73.4	27936	26.2	15.1
Württemberg-Baden	37925	66.1	19413	33.9	17.5
Bavaria	204009	58.6	144249	41.4	20.4

1) Figures as of 30 June 1949

2) Figures as of 1 April 1949

3) In Contrast to all other Länder, in Schleswig-Holstein not only the expellees from the German areas east of the Oder-Neisse and from foreign countries (refugees category A), but also the immigrants from the Russian Zone and Berlin (refugees category B) were included in the number of unemployed expellees.

Source:- Department for Labour

The burden to public authorities caused by the unemployment is growing more considerably than would correspond to the increase in the number of unemployed, because the proportion of recipients of ordinary unemployment-benefit to the total number of unemployed is continuously increasing. While by the end of the year 1948 about half the number of unemployed were cared for by unemployment insurance and unemployment relief, by the end of June 1949 it was almost three quarters.

In the course of June, price reductions continued so as to outweigh the price increases. The price index for primary materials fell by 2 points during June, due chiefly to the marked decrease in prices for pigs (re-

introduction of price ceiling). In the industrial sector, prices of non-ferrous metals and calcareous fertilizers continued to fall. Prices for cattle hides and calfskins, however, which in the past few months had dropped continuously, showed a slight increase.

From 15 June to 15 July, 31 per cent of the retail prices observed in the regular market in Hesse declined, while 58 per cent remained unchanged and 11 per cent increased. In the case of textiles, certain price increases were observed, but on the other hand far more price reductions were stated, with qualities deteriorating. Slight price increases were also stated in the case of bicycles and accessories, sale of which was favoured by the season. Towards the end of the month, summer clearance sales started for textiles, shoes, and other consumers' goods, at prices which in part were considerably reduced. Evidently the retail trade, but in many cases also the industry, can no longer afford to further maintain their stocks. The particular difficulties in selling durable consumers' goods, purchase of which involves considerable expenses, are demonstrated by the fact that, for example, in the case of furniture 80 per cent of the prices observed in Hesse dropped. In the case of some products which are manufactured to a greater extent in the Eastern Zone, for the first time prices in Western German markets were considerably underbid, which is rendered possible by the unfavourable rate of exchange of the East-Mark in the West Berlin exchange offices.

As to foodstuffs and stimulants, one third of the prices observed has fallen, while 13 per cent showed an increase. Some of the foodstuffs showing an increase in prices are:- bread made of mixed flour (on account of improved quality), cheese, some sorts of meat and sausage, and certain expensive kinds of vegetables and fruit new on the market, prices of which were subject to frequent fluctuations.

In spite of the price decreases for clothing and household goods, the cost of living, which had been declining since March, slightly rose in July due to the price increases in the food sector.