

Dr. Siefler

MONTHLY REPORTS

OF THE

BANK DEUTSCHER LÄNDER

OCTOBER 1949

Monthly Report
of the
BANK DEUTSCHER LÄNDER
October 1949

Contents:

Page

The Economic Situation in the Federal Territory
during the months of September and October 1949¹⁾

Money and Credit	1
Public Finance	12
Foreign Trade	17
Production and Markets	25

Money and Credit

Money Market and Short-Term Bank Credit

The banks' liquidity continued to be much strained during October. This is reflected, above all, in the fact that the commercial banks' ²⁾ indebtedness to the Central Banking System reached a new peak of DM 2,761 million (thereof, DM 2,425 million discount credits) by the end of October, as compared with DM 2,082 million at the end of September and only DM 1,213 million at the end of June. The banking institutions' net indebtedness to the Central Banking System, i.e., the balance of their indebtedness and their deposits (the level of which is chiefly determined by the reserve rates with the Central Banking System), increased by more than DM 0.5 billion to approximately DM 1,600 million during October. Four months

1) Closed on 10 November 1949

2) Including savings banks and credit co-operatives

earlier, viz., by the end of June 1949, the banking institutions' credit balance on giro accounts still had somewhat exceeded their debts with the Central Banking System. In October, the surplus reserves amounted to DM 103 million, equal to only 10.8 per cent of the reserves required. This is the lowest level recorded so far. In this connection, it must be taken into consideration that the Girozentralen accounted for about 36 per cent of all surplus reserves.

Another characteristic of the decrease in the banks' liquidity is the fact that during October a large part of the banking institutions evidently were only able to bolster their reserve position by reducing their bills in portfolio. At any rate, bill holdings of the 112 weekly reporting banks decreased by DM 164 million during October. From this and several other facts it may be concluded that almost one half of all customers' bills discounted by the commercial banks had been rediscounted and were held by the Central Banking System by the end of October. Moreover, the Land Central Banks have recently increased their holdings of bankers' acceptances. In general, the squeeze on bank liquidity resulted in a considerable increase in acceptances in circulation. With the 112 weekly reporting banks, acceptances in circulation by the end of October amounted to almost three times the level as of the end of June, or approximately 16 per cent of deposits; conditions differing a great deal, however, among the various groups of banks and with individual banks. On the last day of September - the latest key day for which group figures for all banks are available -, the highest circulation of acceptances was reported by private banks (38 per cent of all their deposits), by state banks, regional banks, and local banks (20 per cent of deposits), and by the successor institutions of the big branch banks (16 per cent of deposits). The urban credit cooperatives, however - probably because of the lesser marketability of their bills of exchange - did not accept bills in the same proportion; their acceptances in circulation only amount to approximately 6 per cent of the deposits.

In conjunction with the strain on bank liquidity, money rates showed an upward trend in October. In Frankfurt at the end of

the month, money for daily local clearing (exchange of cheques) cost $3\frac{1}{2}$ per cent (previously, $3\frac{1}{4}$ per cent), and call money $3\frac{7}{8}$ per cent (previously, $3\frac{1}{2}$ per cent). There was little clearing between geographic areas. During the second half of the month, movements in the money market were attributable in part to cash deposits made with the Land Central Banks against import applications. In many cases, considerable amounts of these cash deposits are released after a few days, since the actual allocations of foreign exchange often fall short of the amounts applied for, and consequently of the DM inpayments. In the bill market, the striking phenomenon was observed of bankers' acceptances showing higher discount rates than trade bills indorsed by a bank. Bankers' acceptances stood at $3\frac{15}{16}$ - $4\frac{1}{16}$ per cent, i.e., above central bank discount in some cases, while trade bills indorsed by a bank ($3\frac{7}{8}$ - 4 per cent) approached the central bank discount. The higher discount rate of bankers' acceptances probably reflects the large supply of this type of paper. The tightness of the money market caused the additional DM 70 million of federal treasury bills which were released for sale towards the end of October and which are discounted at $3\frac{15}{16}$ per cent, to sell but slowly until now.

In spite of the increasing liquidity tightness, credits granted by commercial banks increased considerably during October. The 112 weekly reporting banks alone showed an increase by DM 344 million in their short-term credits granted to non-bank customers, so that it may be conservatively estimated that a credit expansion of DM 800 million for all commercial banks took place in this period. With the 112 weekly reporting banks, the October credit expansion was more than twice the monthly average for the third quarter, thus closely approaching the highest figure reached previously (September 1948 = DM 368 million). The refinancing quota, i.e. the proportion of the banks' own credit expansion to the central bank credit raised by them, however, was rather high. According to the monthly banking statistics, in August and September this quota was for all

Development of Short-Term Credits Granted by the
Commercial Banks to Non-Bank Customers
Monthly or weekly increase (+) or decrease (-)
in million DM

Time	Total	Thereof	
		credits to business enterprises and private persons	credits to public authorities
I. With all monthly reporting banks			
<u>Monthly</u>			
Increase or decrease resp.			
Average 1st quarter 1949	+289.0 ¹⁾	+282.1	+ 6.9
" 2nd quarter 1949	+294.8 ²⁾	+237.4	+57.4
" 3rd quarter 1949	+483.0 ²⁾	+444.3	+38.7
July 1949	+441.6 ²⁾	+425.1	+16.5
August 1949	+566.5 ²⁾	+473.0	+93.5
September 1949	+441.0	+434.8	+ 6.2
II. With the 112 weekly reporting banks			
<u>Weekly</u>			
Increase or decrease resp.			
Average 1st quarter 1949	+ 22.5	+ 21.0	+ 1.5
" 2nd quarter 1949	+ 24.4	+ 22.6	+ 1.8
" 3rd quarter 1949	+ 41.4	+ 37.0	+ 4.4
July 1949	+ 36.0	+ 33.5	+ 2.5
August 1949	+ 53.0	+ 44.8	+ 8.2
September 1949	+ 35.4	+ 32.7	+ 2.7
October 1949	+ 85.9	+ 79.0	+ 6.9
1st week of October	+ 16.6	+ 18.4	- 1.8
2nd " " "	+ 99.5	+101.5	- 2.0
3rd " " "	+ 59.2	+ 50.7	+ 8.5
4th " " "	+168.4	+145.6	+22.8

- 1) In computing this figure, the June increase was assumed to be DM 312 million, since approximately DM 100 million of the total increase of DM 412 million shown in the statistics is explained by the more comprehensive collection of statistics.
- 2) In computing this figure, the August increase of DM 625.5 million as shown in the statistics, was reduced by DM 59 million which originate from the fact that some institutions were included in the statistics for the first time.

commercial banks about 65 per cent of the credits granted, and will have amounted to 85 per cent in October, unless the credit expansion should have even exceeded DM 800 million.

The banking institutions' high refinancing requirement was caused by the fact that in October, too, larger transfers to the Central Banking System occurred, so that the creation of credit manifested itself but partly as an increase in deposits with the commercial banks. Thus the credits granted by the banks still continued to increase faster, in general, than did the deposits accruing to the banks. The following table gives a detailed survey of the types of the drain of money from the commercial banks.

The most essential part of the money drain experienced by the commercial banks during October were the inpayments which were made to the Bank deutscher Länder in connection with the settlement of foreign transactions and which brought about a further deficit in the balance of the accounts for the settlement of foreign transactions by approximately DM 334 million. In detail, the loro accounts of the Foreign Trade Banks - which are included in the collective item "Other Accounts Covering Foreign Transactions" on the liabilities side of the Bank deutscher Länder statement and contain the counterparts of letters of credit applied for, and partly opened already, but not yet utilized by the foreign contractor - increased by almost DM 200 million, while the counterpart funds grew on balance by approximately DM 75 million. The second factor which tended to reduce bank liquidity was the increase in public deposits with the Central Banking System (approximately DM 154 million), whereas the increase in deposits of other giro customers and the slight reduction of the credits granted by the Central Banking System to trade and industry and to the public authorities was not of great importance. During October the increase in the amount of currency in circulation, which in the previous months had acted as a rather important factor tightening the banks' liquidity, was an insignificant

Tightening and Relaxing Factors in the Development
of Bank Liquidity

from 30 September to 31 October 1949

in million DM

Factor	Increase (+) or decrease (-)	The change has a	
		tightening effect	relaxing effect
1. Currency in circulation	+ 23.7	23.7	-
2. Deposits of non-bank customers with the Central Banking System			
a) public deposits (including sold equalization claims)	+153.8	153.8	-
b) other giro customers	+ 20.5	20.5	-
c) pending transfers	- 3.1	-	3.1
3. Commitments of the Central Banking System other than refinancing transactions			
a) credit balances on postal cheque accounts	- 4.7	4.7	-
b) direct credits to public authorities and economy	- 13.6	13.6	-
c) debit balance on the accounts for settlement of foreign transactions	+333.9	333.9	-
Excess of tightening factors		547.1	
Increase in net indebtedness of banking institutions with the Central Banking System		516.9	

factor (increase of DM 24 million). In total, the survey (see page 6) shows about DM 547 million withdrawn from the commercial banks during October. This figure coincides rather exactly with the increase in the banks' net indebtedness to the Central Banking System¹⁾. The surplus of inpayments on the accounts for the settlement of foreign transactions maintained with the Bank deutscher Länder - which has been responsible in a large measure for the tightening of the banks' liquidity - will probably decrease considerably inasmuch as it was caused by the new payment procedure for commercial imports²⁾. As soon as on the loro accounts of the Foreign Trade Banks accumulates a fund which is adequate to cover the average time elapsing between opening and utilization of foreign letters of credit, taking into account the present volume of foreign trade, this factor will disappear. As far as the surplus of inpayments is due to payments for imports financed by foreign aid, the temporary inactivation of money involved can be counteracted only by the release of counterpart funds.

Under the circumstances described above, the increase of deposits with the commercial banks probably was not particularly large in October. At any rate, with the 112 weekly reporting banks the increase in deposits by non-bank customers, including savings deposits, amounts to approximately DM 120 million only, if the "Credit Balances in Foreign Currency for Established Letters of Credit" are deducted, counterparts of which had already been transferred in full to the Central Banking System (cf. above: increase in loro accounts of foreign trade banks). As compared with this increase in deposits, there was an increase by approximately DM 344 million in bank credit outstanding, also shown above. The October increase in deposits on accounts of customers other than banks may be estimated at approximately DM 300 million for all commercial banks (again deducting the foreign exchange

1) The difference is due to the fact that the survey does not include all items of the consolidated statement of the Bank deutscher Länder and the Land Central Banks.

2) Imports financed by export receipts.

credit balances for established letters of credit).

For the whole of the banks, it is not yet possible to make a reliable statement concerning the distribution by groups of accounts of the increase in deposits with the commercial banks during October. With the 112 weekly reporting banks, however, approximately DM 87 million accrued to the accounts of "Other Creditors", i.e. to the deposit accounts of business enterprises and private persons; about DM 20 million to the accounts of public authorities; and about DM 13 million to savings accounts - apart from the increase by approximately DM 92 million in the foreign exchange credit balances for established letters of credit, which are still shown in the books, but in fact were already spent. During September, however, deposits of public authorities both with the commercial banks and with the Central Banking System had decreased.

As to the forms in which credits were granted during October, it is a striking fact that the discount credits granted to trade and industry, which in September had increased but slightly (DM 85 million), rose by only DM 17 million during October, at least with the 112 weekly reporting banking institutions. Consequently, with these banking institutions the proportion of discount credits to the aggregate amount of credits granted had decreased to 27 per cent by the end of October. On the other hand, in September as well as in October the banks granted acceptance credits to a greater extent; in October in an amount ^{even} exceeding that of advances by overdraft on current accounts. Accordingly, with the 112 weekly reporting banks the sum total of acceptance credits granted to trade and industry in October for the first time exceeded the sum total of discount credits. Thus, the banker's acceptances has become, to a greater extent than previously, the instrument by which the commercial banks grant their credits.

Supply of Long-Term Credits and Capital

During September, supply of medium and long-term credits to trade and industry did not quite attain the level of the previous month.

Whereas during August approximately DM 153 million of medium and long-term credits had been granted (thereof, approximately DM 56 million by the Reconstruction Loan Corporation alone), during September long-term credits amounted only to DM 120 million. This figure includes approximately DM 53 million which were made available from counterpart funds via the Reconstruction Loan Corporation and other institutions. During October, the amount of medium and long-term credits granted increased markedly; approximately DM 125 million long-term credits were granted during this month by the Reconstruction Loan Corporation and a few special institutions alone. Of this aggregate amount, only DM 81 million accrued to the Federal Territory directly, viz., to the mining industry mostly, while the remaining DM 44 million were allocated to the Berlin power plant (Bewag). These latter DM 44 million and an additional DM 50 million contained in the above-mentioned DM 125 million were made available to the Reconstruction Loan Corporation - in contrast to previous releases of GARIOA and STEG funds - without being subject to reimbursement and payment of interest. In total, for the purpose of investment financing approximately DM 418 million had been channelled to the economy from counterpart funds by 31 October 1949.

The growth of saving on savings accounts suffered a certain setback in September, due to the uncertainty introduced by currency devaluations during the latter part of the month. Although the increase in withdrawals which occurred in the third week of September was soon followed by surpluses of deposits again, the aggregate September figure shows a surplus of deposits on savings accounts amounting to DM 52.9 million only as compared with DM 82.4 million in August and DM 87.0 million in July. During October, the development of savings deposits seems to have been more favourable again, as far as may be judged from the figures of the weekly banking statistics. By the end of September, the aggregate amount of savings deposits enjoying tax privileges amounted to DM 32.8 million, i.e. approximately 8 per cent of the surplus of deposits on savings accounts which

is to be estimated at approximately DM 400 million since the beginning of this year. During September alone, 14.5 per cent of the increase in savings deposits represented savings enjoying tax relief.

Sale of fixed-interest-bearing securities, on the other hand, was comparatively favourable in September; amounting to approximately DM 33 million. About DM 20 million of mortgage bonds were placed, together with DM 5 million of municipal bonds, and almost DM 8 million of industrial bonds. Accordingly, the monthly banking statistics for September show an increase of DM 32 million in the banking institutions' liabilities in respect of bonds. In addition to the two loans of the Reconstruction Loan Corporation and the loan of the Industriekreditbank A.G. in Düsseldorf, which were mentioned in the last Monthly Report, a total of DM 64.5 million mortgage bonds, DM 26 million municipal bonds, and DM 21 million industrial bonds were newly issued in September. Moreover, for the establishment of three new banks shares of approximately DM 3 million were offered for subscription and sold. With regard to the future opportunities for selling securities, the considerable stimulation of stock exchange transactions during October is a hopeful sign; with some quotations advancing rapidly and turnovers increasing considerably, this stimulation particularly benefiting equities. Leading stocks, in particular mining shares, shares in electrical concerns, etc., made advances in excess of twice the initial quotation. Fixed-interest-bearing securities were steady. The newly issued 5 per cent DM mortgage bonds, as far as they had already been listed in the stock exchange, were sold at 98.

A comparison of the entire investment activity in the Federal Territory during the third quarter 1949 with the loans effected in the capital market, including counterpart funds, shows that only an estimated 30 per cent of the net investments were financed in the capital market, but more than 50 per cent from funds of public budgets, and another 30 per cent from the industry's own funds, including short-term bank credits. The gross amount of investments in the Federal Territory was estimat-

ed by the Department for Economics at DM 4.2 billion for the third quarter as compared with DM 3.9 billion for the second quarter 1949. According to the investigations made so far, which still are incomplete, approximately 50 per cent of the gross investments are estimated to be replacement investments, which normally are financed from depreciation reserves. Thus, net investment in the third quarter was probably in the neighborhood of DM 2,150 million, and was financed in about the following way:

Financing of Net Investments¹⁾

in the third quarter 1949

in million DM

1. Financing from funds of public budgets ²⁾		900
2. Loans in the capital market		
Banking institutions (excl. loans of monies originating from sale of securities and from counterpart funds)	221	
Sale of securities	124	
Private insurance companies (excl. investments in securities)	57	
Building and Loan Associations	18	
Unemployment insurance	105	
Counterpart funds	<u>111</u>	636
3. Financing from own funds (self-financing) and short-term bank credits ³⁾		<u>614</u>
		2,150

1) Partly estimated

2) According to estimates of the Department for Economics

3) Calculated as balance

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

The total tax revenue of the L ä n d e r in September, amounting to DM 1,069.5 million, was lower than that of each of the eleven months from October 1948 through August 1949, which was due mainly to low revenues derived from the taxes on income, property and turnover. These taxes yielded DM 726.5 million and were thus approximately DM 110 million less than the revenue of June, the last month with comparable dates of payment. The revenue from excises and customs duties, amounting to DM 343 million, also fell short by approximately DM 20 million of the level attained in June and August 1949.

Tax Revenue in the Federal Territory

June and September = months with comparable dates of payment

	June ¹⁾	July	August	September	
	in million DM			June=100	
1. Total of Taxes on Income, Property and Turnover	836.9	1026.9	835.4	726.5	86.8
thereof:					
Wages Tax	171.9	173.8	175.6	177.4	103.2
Assessed Income Tax	166.9	285.2	163.5	135.7	81.3
Corporation Tax	98.7	177.8	97.1	85.3	86.4
Turnover Tax	313.6	317.6	323.3	271.7 ³⁾	86.6
2. Excises and Customs Duties	362.6	307.9	367.4	343.0	94.6
3. Total of Tax Revenue	1199.5	1334.8	1202.7 ²⁾	1069.5	89.2

1) Württemberg-Baden from 21 May to 30 June 1949; Bavaria from 26 May to 30 June 1949;

2) Difference due to rounding off;

3) Decrease by DM 47.6 million due to compensation for exporters and exports;

Source: Federal Ministry of Finance

As previously explained in this section, the decline in the yield of taxes on income, property and turnover is partly due to changes in the payment technique which resulted in the revenues derived from the assessed income tax and the corporation tax (share in the total taxes on income, property and turnover about 35 to 40 per cent) being relatively high in July, but dropping in the two subsequent months to a larger extent than they do normally in months with comparable tax dates. The principal cause of this decline, however, is to be found in the tax reliefs introduced at the end of April under the Second Law Concerning Provisional Revision of Tax Legislation, which apply particularly to tax payers subject to assessed income tax. The aforementioned tax reliefs have so far not been compensated by greater tax honesty, as may be ascertained by comparing the revenue derived from the assessed income tax and corporation tax during the period July through September with that of the months April through June.

Revenue derived from the Assessed Income Tax and the Corporation Tax during the periods from April to June and from July to September 1949

Period	Assessed Income Tax	Corporation Tax
April - June in million DM	690.3	385.5
July - September in million DM	584.5	360.2
changes during July - September as compared with April - June in million DM	- 105.8	- 25.3
in per cent	- 15.3	- 6.6

The strikingly large decrease in the turnover tax which was recorded in September as against the preceding month (DM 51.6 million = approximately 16 per cent) is largely due to the com-

pensations for turnover tax made in connection with exports, which were booked in September 1949 as reimbursements for the total period since the currency reform by one of the eleven Länder. The decrease of about DM 4 million remaining after the deduction of these reimbursements is too insignificant to permit any conclusions regarding proceeds of this tax and business trends. The revenue from the wages tax continued to increase slightly in September.

There are no data available on the expenditures of the Länder. However, the strain on their cash holdings can hardly have been very strong since extensive borrowing has not been necessary. The short-term indebtedness of the Länder with the banking system in the whole increased by only DM 1.1 million in September. The indebtedness with the Land Central Banks decreased by DM 10.5 million to DM 47.4 million, while the indebtedness with the commercial banks rose by DM 11.6 million. The indebtedness with the Unemployment Insurance Fund, which had resulted from failure to effect the payments for unemployment relief and which increased by approximately DM 14 million in September, thus amounting to approximately DM 132 million at the end of September in the Länder of the Combined Economic Area alone, was more significant. Several Länder, however, still showed debts, viz., on 30 September the Länder Schleswig-Holstein, Hesse, Lower Saxony, Bavaria and the Länder of the French Zone. Because of the lack of corresponding statements, it is impossible to say whether and to what extent the Länder were forced to reduce their reserves - which had been relatively high at the end of August - as a result of the comparatively low tax revenues in September.

The cash situation of the Federal Government, which so far still finances its expenditures within the bizonal budget, was subject to a certain strain during the past few weeks, which was probably connected with the advances on the immediate aid payments in particular. While the DM 150 million raised in August by way of a treasury bill issue were gradually recalled in September and for this reason the cash holdings of the Federal Government were relatively plentiful during that

month, larger amounts were recalled in October. This applies at least to that part of the funds which had been raised for the purpose of advancing the immediate aid payments (DM 80 million). By the end of October, this amount had been transferred in full to the Länder, although not yet completely expended. Considerable amounts were still available, however, of the DM 70 million earmarked for the Industriekreditbank, Düsseldorf, and the Wiederaufbaukasse, Kiel. At the end of October, the Federal Government offered for subscription a new issue of treasury bills amounting to DM 70 million, proceeds of which shall be largely used to advance productive projects under the immediate aid program (house construction for refugees). According to statements of the Immediate Aid Central Office, DM 125 million were spent during September and October for purposes of subsistence allowance and grants for household effects. Of this amount, DM 64 million were appropriated by the Länder, and the remainder by the Federal Government. At the time this report was closed, no statements were available concerning the amount of receipts from advance payments on business property and real property due by the end of October.

A decision on the "transition budget" of the Federal Government scheduled for the period from 1 October 1949 through 31 March 1950 (cf. September Report page 23) has not yet been passed. The "deficit" originally estimated at approximately DM 50 million, which is to be covered by contributions of the Länder, will, however, be considerably higher than was first expected. The funds required during the second half of the fiscal year for the price adjustment of imported foodstuffs alone, and which were not provided for in the budget initially, were provisionally estimated at DM 350 million by the Federal Ministry of Food, Agriculture and Forestry. The financial aid of the Federal Government to Berlin has not yet been decided upon. DM 240 million are provided for this purpose in the transition budget. The Berlin City Council, however, holds that an amount of at least DM 60 million monthly is necessary.

Only in some cases are there recent data available concerning the other public budgets (Gemeinden, social insurances). In the case of unemployment insurance, for which statistical data (only on the former Combined Economic Area) are available covering the period up to the end of September, an increasing strain is making itself felt. Due to the Ordinance to Revise Social Insurance Benefits, the revenues declined as compared with June. At the same time, the cancellation of the contributions to the pension insurances only somewhat alleviated the expenditure side, since this cancellation was largely compensated by increasing expenditure for benefit payments.

Revenues and Expenditures of the Unemployment Insurance in the former Combined Economic Area during the period from June to August 1949

in million DM

Period	Revenues		Expenditures		Surplus (+) Deficit (-)
	total	thereof contributions	total	thereof benefit payments	
June	138.3	112.2	116.6	93.3	+ 21.7
July	120.9	91.2	111.6	95.7	+ 9.3
August	113.4	82.8	112.4	98.9	+ 1.0
September	108.4	74.5	115.0	99.9	- 6.6

The surpluses, amounting to approximately DM 40 to 50 million monthly during the fall and winter months of 1948, and which were still DM 20 to 25 million monthly up to June inclusively, practically disappeared in August. In September, when the number of recipients of benefit payments increased by 24,318 to 963,223, a deficit was recorded for the first time.

Foreign Trade

Exports of the Combined Economic Area - total figures for the Federal Territory (including French Zone) are available only up to July inclusively - increased during September by DM 32 million, as compared with the preceding month, to DM 335 million, thus exceeding the peak level of May by DM 4 million. The alteration of the DM exchange rate has played but a very minor role in this connection, since in the foreign trade statistics for September almost two-thirds of the goods transactions across the borders were still valued at the 30 cent rate. Nevertheless, the dollar amount of exports only increased by 5 per cent as compared with August, while exports calculated in DM increased by 10 per cent.

Exports of semi-finished goods showed the largest increase, which is due exclusively to increased scrap exports, while the sale of coke continued to decline, chiefly because of the existing uncertainty with regard to future prices. The monthly export of hard coal, the same as before, amounted to approximately DM 57 million. Exports of finished goods, viz., of end products, also increased remarkably. In this group, exports for the first time reached a figure of DM 100 million. In the entire third quarter 1949 they amounted to DM 268 million as compared with DM 240 million in the second quarter and DM 175 million in the first quarter 1949. Their share in total exports was 30.0 per cent in September as against but 20.9 per cent in the first quarter 1949 and 20.8 per cent in the second half-year 1948.

The regional pattern of exports has varied little during the period July to September 1949 as compared with the first half-year 1949. Whereas the average monthly total exports of \$ 83 million in the first half-year 1949 increased to \$ 90 million in the third quarter 1949, exports to ERP countries increased from \$ 69 million to \$ 73 million. Exports to Central America and South America and to Eastern Europe increased by \$ 1 million and \$ 1.3 million respectively on the monthly average, while exports to USA declined by \$ 1.4 million. The remaining ^{increase in} exports

Foreign Trade of the Combined
Economic Area

in million DM

	I m p o r t s					
	monthly average					
	2nd half 1948	Jan/ March 1949	April/ June 1949	July/ Sept. 1949	August 1949	September 1949
Food Industry	179.6	180.3	270.7	270.7	326.8	264.6
Industrial Commodities	152.6	231.9	333.9	324.4	373.6	279.0
thereof						
raw-materials	82.7	125.6	174.7	155.3	167.0	146.5
semi-finish- ed goods	51.2	66.6	86.9	86.0	85.4	79.2
finished goods	18.7	39.7	72.3	83.1	121.2	53.3
thereof						
pre-manu- factured products	10.9	21.8	28.2	30.7	29.1	26.7
end products	7.8	17.9	44.1	52.4	92.1	26.6
Total	332.2	412.2	604.6	595.1	700.4	543.6

	E x p o r t s					
	monthly average					
	2nd half 1948	Jan/ March 1949	April/ June 1949	July/ Sept. 1949	August 1949	September 1949
Food Industry	3.5	9.8	3.7	2.2	2.4	2.0
Industrial Commodities	218.5	270.1	301.9	313.7	301.0	333.2
thereof						
raw-materials	54.4	56.6	60.6	68.2	66.0	69.3
semi-finish- ed goods	66.8	94.6	96.9	84.5	76.4	92.6
finished goods	97.3	118.9	144.4	161.0	158.6	171.3
thereof						
pre-manu- factured products	51.1	60.5	64.4	71.8	74.1	70.9
end products	46.2	58.4	80.0	89.2	84.5	100.4
Total	222.0	279.9	305.6	315.9	303.4	335.2

chiefly concerns non-participating sterling area countries.

Imports of the Combined Economic Area decreased in September by DM 157 million as compared with the exceptionally high August level. Without the alteration in the exchange rate of the DM - which already made itself felt in the last third of the month -, the decline in terms of DM would have been even sharper. Imports in terms of dollars declined by 29 per cent in September, while the decrease in terms of DM was only 23 per cent.

When judging the decline in imports, it has to be borne in mind that imports usually are subject to very wide fluctuations, which is due in the first place to the unevenly timed purchase of foodstuffs. In September, food imports alone dropped by more than DM 60 million as compared with the preceding month. Imports of finished goods, too, fluctuated greatly during the last few months. In June and July they had amounted to about DM 74 million each, increased to DM 121 million in August, and in September again fell to DM 53 million. These sporadic movements are explained chiefly by the irregular settlement of the large imports of railway equipment from Belgium. The recent decrease in imports of raw materials and semi-finished goods is merely another fluctuation in a series observable since May. As compared with the peak import levels of that time of DM 196.1 million for raw materials and DM 100.4 million for semi-finished goods, imports in September had declined by almost one-fourth and well over one-fifth respectively.

ERP deliveries to the Combined Economic Area developed as follows during recent months:

ERP Deliveries		
	Total	Goods for the industrial sector
	in million dollars	
1st quarter 1949 monthly average	31.6	18.5
April	45.9	23.9
May	22.6	12.5
June	25.4	14.8
July	30.7	19.0
August	37.5	26.3
September	30.1	9.9

Of the deliveries scheduled as ERP aid for the first year (1 April 1948 - 30 June 1949) according to the status as of 15 September 1949, amounting to \$ 487.6 million, \$ 133.8 million had not yet been received by mid-September. Industrial deliveries accounted for the major part of these arrears (\$ 107.6 million). From ERP funds scheduled for the second year, only deliveries amounting to \$ 9.5 million had been made by 15 September 1949. The total of actual deliveries to the Combined Economic Area, for both years, had reached the following level on 30 September:

Status of Delivery Programs for ECA Imports
to the Combined Economic Area as of 30 September 1949
in million dollars

Status of Settlement	Delivery programs scheduled so far for the first and second year of ECA aid ¹⁾				
	Food Sector	Industrial Sector	Total	Freight charges	Sum total
Delivery Programs:	220.3	303.3	523.6	51.2	574.8
thereof:					
delivered	194.7	167.3	362.0	24.0	386.0
outstanding	25.6	136.0	161.6	27.2	188.8
thereof:					
contracted, but not yet delivered	0.9	48.3	49.2	6.7	55.9
authorized, but not yet contracted	-	86.3	86.3	17.7	104.0
not yet authorized	24.7	1.4	26.1	2.8	28.9

1) The ECA allocation for the second year is only partly scheduled as yet.

Including deliveries to the French Zone, ECA imports up to 30 September amounted to approximately \$ 480 million. The industrial sector accounted for approximately \$ 190 million of this amount, the food sector for approximately \$ 255 million, and freight charges for approximately \$ 35 million.

Of the \$ 332.9 million ECA aid granted to Western Germany (Combined Economic Area and French Zone) for the second ERP year, \$ 235.2 million have already been released by ECA, Washington, in order to accelerate the issuance of procurement authorizations. As mentioned before, the major part has not yet been scheduled. The remaining funds for the second year of ECA aid shall not be allocated, according to a statement of the ERP administrator, before it has been ascertained that the participating countries have effectively engaged themselves with a view to securing the objects of the European Recovery Program.

In this connection, a decision taken by the OEEC on 2 November is particularly significant, in that it provides for the participating countries to lift, by 15 December, all restrictions for at least 50 % of the private commercial imports from other participating countries with equal application to all groups of imports (foodstuffs and fodder, raw materials, finished goods). Western Germany has unrestrictedly supported these principles of liberalization (removal of trade barriers between the individual participating countries), and drew up so-called free lists as early as in October. On the basis of these lists, no restriction on deliveries to Western Germany will exist in the future for certain types of goods. In the case of other goods, only global quotas are fixed for all the participating countries as a whole. With regard to a third group of goods, the cancellation of import licenses is made conditional upon corresponding concessions to be made by other participating countries. Altogether, these free lists comprise quantities of goods equal to more than 70 per cent of all imports from the ERP countries during the first half of 1949.

The sources of imports received by the Combined Economic Area have undergone some shifting during the third quarter 1949 insofar as, with total imports increasing, the proportion of imports from ERP countries increased from 37 to 42 per cent. Absolutely, this means an increase from \$ 59 to \$ 72 million in the monthly average of imports from these countries. Imports from Latin America increased from \$ 9 million to \$ 13 million per month during the

same period, while imports from the United States remained almost unchanged (\$ 61 million monthly), the U.S. share in total imports having declined from 38 to 35 per cent.

In the third quarter 1949, this development resulted in a significant change in trade balances as compared with the first half of the year. The surplus of exports of the Combined Economic Area to the continental European ERP countries, amounting to \$ 58 million in the first half-year 1949, turned into a surplus of imports of \$ 1 million, and the surplus of imports to the entire sterling area declined from \$ 44 million to \$ 17 million. The surplus of imports has increased only in relation to Central America and South America (by a monthly average of \$ 3 million per month); in relation to the United States, it remained almost unchanged.

Money turnovers via the accounts connected with foreign transactions maintained with the Bank deutscher Länder were smaller in October than they had been in September. This was due to the fact that in the previous month both inpayments (transfer of the ERP counterpart fund of the French Zone to the Bank deutscher Länder) and outpayments (extensive withdrawals from the counterpart funds) had been unusually high. On the inpayment side, inpayments for imports financed by foreign aid declined. Apart from the fact that among these inpayments in September the aforementioned transfer of the ERP accounts of the French Zone to the Bank deutscher Länder - amounting to DM 167 million - had played an important role, the lower amount of inpayments in October is explained by the fact that in October the imports financed by foreign aid were used primarily for the establishment of the government grain stock-pile, and payments for these imports were not yet made.

Inpayments for commercial imports, however, continued to increase considerably. In October, they were about DM 60 million higher than in September. Their share in the aggregate amount of inpayments thus increased from 42 per cent in the first

quarter 1949 and 48 per cent in the second quarter to 64 per cent in the third quarter and 75 per cent in October. By the end of October, approximately DM 870 million had been paid in under the new import procedure effective since 15 July 1949. Part of the imports financed in this way have not been settled yet.

Movements on Foreign Trade Accounts
of the Bank deutscher Länder
in million DM

Monthly average or month respectively	Inpayments of Importers			Out- payments
	Total	Commercial imports	Imports financed by foreign aid	
1st quarter 1949	397.0	167.9	229.1	412.9
2nd " 1949	474.6	229.8	244.8	597.9
3rd " 1949	724.1	460.6	263.5	504.1
September 1949	905.8	488.0	417.8	556.7
October 1949	729.5	546.5	183.0	414.2

Outpayments via the accounts for the settlement of foreign transactions decreased by approximately DM 140 million. This is due, in the first place, to the fact that during October no ERP counterpart funds were released for investment purposes, while in September an aggregate amount of DM 151 million had been released. Outpayments to exporters for drawing rights granted - which are debited to the ERP counterpart funds - amounted to approximately DM 80 million, the same as in September. The other outpayments for commodity exports and services increased by approximately DM 70 million as compared with September.

As in September, outpayments fell considerably short of inpayments, resulting in a further increase in the debit balance

on the foreign accounts.

So far in the second ERP year Western Germany has been included in the I n t r a - E u r o p e a n P a y m e n t s S c h e m e only as a creditor country. According to the Second Inter-European Payments Agreement, which was signed in Paris on 7 September 1949, six European countries were given drawing rights in Western Germany, i.e., they need not pay Deutsche Marks for a certain amount of their imports from Western Germany. For the amount of drawing rights utilized in Western Germany, the latter received "conditional aid" from ECA, Washington, in the form of supplies from the dollar area. Under the existing agreements, the drawing rights to be granted by Western Germany during the current ERP year aggregate \$ 163.9 million, of which \$ 122.9 million are allocated to be used bilaterally, i.e., the debtor countries can utilize them in Western Germany. The remaining drawing rights, on the other hand, are multilateral, i.e., they may be used for compensating a monthly surplus of imports with any participating country listed in the payments schedule. Here, Germany will not be the creditor country in any case, and the "conditional aid" granted for drawing rights given will accordingly be allotted to that country - instead of Germany - which, in open competition with the participating countries, succeeds in obtaining export surpluses exceeding the range of bilateral drawing rights.

The Inter-European Payments Schedule for 1949/50 provides for 16 participating countries an aggregate amount of \$ 802 million drawing rights to be granted or received respectively. Of this amount, on the basis of the development of balances \$ 192.5 million were utilized in the first quarter of the new ERP year. In Western Germany, drawing rights amounting to \$ 38.6 million were utilized during this period. To date, Western Germany did not participate in the granting of multilateral drawing rights, but in two first-category compensations (aggregate amount: \$ 1.1 million) concerning compensation of Western German debit balances in two countries with equivalent Western German credit balances in two other countries.

Production and Markets

In September, production and sales were characterized by an increase which considerably exceeded the usual seasonal pattern. According to the index of industrial production newly calculated by the Federal Ministry for Economics, and which now covers not only the British and U.S. Zones but the whole of Western Germany, production attained a new postwar peak in September. Per working day, it was 5-6 per cent above the August level, which means an increase by 7-8 per cent as compared with the level reached during the first half of 1949. As far as available data are concerned, particularly with respect to the trend of electric power consumption, it is likely that a further rise will occur in October.

The stimulation of production was strongest in the consumers' goods industries and particularly in the textile and shoe industries where production in some cases had been restricted rather sharply during the summer months. In the investment goods industries as well, the level of production generally increased. This applies at least to the group of finished investment goods, viz., machine and vehicle construction, iron and steel construction, the electrotechnical industry and the iron, steel, tin and metal goods industries, which as a whole did not progress very favourably during the first eight months of the current year and in some cases even suffered losses in production. Also in this case, however, the stimulation is partly dependent on consumption, since some of the above-mentioned industries (the electrotechnical industry, for instance) produce consumption goods as well and these groups particularly benefited from the general upward trend of consumption. Those branches of industry which are exclusively dependent on the development of investment activity, such as steel and iron construction, also shared in the September increase in production. It may be correct to assume that the funds made available for specific investments are now beginning to exercise the stimulating influence on production which has been expected for some time.

The production of important basic materials and semi-finished articles for the investment goods industry, such as iron, steel, rolling mill products, and non-ferrous metals, decreased rather considerably during September and October. The reason for this development is that the exceptionally high number of unfilled orders has been exhausted which had accumulated during the period of comparatively short supply of iron and increasing prices, so that the restrictions in production essentially represent only an adaptation to the normal consumption trend. Moreover, at the beginning of November the decrease seems to have come to a standstill without having led to a sharper reduction of employment.

The building activity, too, participated to a large extent in the general stimulation. The development of this activity during the past few weeks was strongly affected by the fact that large public building programs are gradually being carried out. In addition, building production still depends on numerous medium and smaller items financed from private sources. Apart from continuously high self-financing, the increased credits which the banks were able to grant due to the refinancing aid offered by the Central Banking System under the DM 200 million pre-financing program probably contributed to this development. Under the influence of increasing production, unemployment in the building trade dropped until recently, and in some cases even a lack of expert construction workers was observed. The building materials supply is likewise quite tight. There is a rather general bottleneck in tile production; cement and bricks are also scarce in some areas, all the more since the production of cement dropped somewhat in September and balancing with areas still enjoying a general surplus of supply cannot be easily carried out due to the high freight rates for building materials. The hard coal output also showed a very gratifying trend during the past few months. In October, the output per working day, which had varied between approximately 330,000 and 350,000 tons since the beginning of this year, rose to 346,000

tons and even exceeded 350,000 tons during the last week of October. This development is due to the decrease in shifts lost (vacations) and to a further increase in the number of miners. However, the - still very low - output per manshift of underground workers (amounting to approximately 1,36 tons) in October was again somewhat lower than in the preceding month. In the last few months, e l e c t r i c p o w e r a n d g a s g e n e r a t i o n also was sufficient to meet the sharply rising demand without difficulties.

The special collection of statistical data carried out in the last few weeks by competent agencies now offers a rather exact picture of this year's h a r v e s t y i e l d s . According to these data, the g r a i n c r o p of 5.9 million tons of bread grain and 4.2 million tons of fodder grain in the Federal Territory exceeded the yield of the previous year by approximately 1.1 million tons of bread grain and 1.2 million tons of fodder grain. Since the acreage has not changed to any considerable extent, this better crop is largely due to higher yields per hectare which, due to the better supply of fertilizers and favourable weather conditions for winter grain, attained a record peak even in comparison with the pre-war period. By 15 October, 1,312 million tons of grain (about three times the quantity of the same period last year) had already been delivered in the bizonal area. Thus 52 per cent of the delivery quota, which has tentatively been set at 2.5 million tons, could be met.

It will be possible, due to the favourable harvest and delivery results, to cover from domestic production 2.8 million tons of the 6.8 million tons of grain required in the current harvest year for non-farm consumption. The remainder of approximately 4 million tons, i.e., three-fifths of the grain consumption of non-farmers, is to be imported. Accordingly, the new import program of the Federal Ministry of Food provides for the import of about 3.3 million tons of bread grain as well as 150,000 tons of corn and about 500,000 tons of oats and barley for the cereal processing industry. Of the 3.3 million tons of bread grain, 2.5 million tons of wheat and 0.4 million tons of rye will be ECA imports and 0.4 million tons of rye, commercial imports.

Grain Yields
in the former Combined Economic Area
1938 - 1949¹⁾
in 100 kg per hectare

Year	Rye	Wheat and Spelt	Winter Mixed Grain	Total of Bread Grain	Fodder Grain
1938	20.9	26.5	22.4	23.1	23.8
1939	20.3	23.1	20.4	21.4	21.0
1940	18.1	21.4	18.9	19.4	21.3
1941	18.0	21.7	18.8	19.4	18.4
1942	17.5	19.3	16.4	18.2	21.0
1943	20.0	23.7	20.6	21.4	21.2
1944
1945	13.1	16.9	14.6	14.6	15.0
1946	13.7	16.6	14.4	14.9	14.5
1947	14.6	14.6	14.1	14.6	14.5
1948	18.7	22.4	19.8	20.0	18.2
1949	23.5	27.4	23.1	24.9	23.9

1) The figures for the last two years, which represent the results of special collections of statistical data, are not exactly comparable with those above, since the newly applied method involves a far more complete collection of data than was possible in previous years.

According to a statement of the Federal Minister of Food, the potato crop estimated at 20.8 million tons for the Federal Territory (as compared with the record crop of 23.5 million tons in the year 1948) will probably suffice to meet the demand for eating and seed potatoes as well as for the

feeding requirement based on the present number of pigs kept. After deducting the loss in weight the quantity earmarked for seed potatoes, and consumption requirements, as well as deliveries to Berlin and to the processing industry, there will remain well over 6 million tons for feeding purposes. In order to replenish this quantity, import of 1.4 million tons of fodder corn is provided for. The Federal Ministry of Food and Agriculture emphasizes that in view of this supply condition, speculations on a potato shortage and price increases for potatoes in the coming spring are unwarranted, particularly since the trade agreement with the Netherlands offers the possibility of importing 500,000 tons of potatoes at any time.

Grain Crop of the Federal Territory

1948 and 1949

Results of special collections of crop data
in 1000 tons

	1948	1949
Rye	2,726	3,310
Wheat and Spelt	1,954	2,471
Winter Mixed Grain	148	173
Barley	854	1,213
Oat and Summer Mixed Grain	2,217	3,033
Bread Grain	4,828	5,954
Fodder Grain	3,071	4,246
Total of Grain	7,899	10,200

In order to enable farmers to replenish livestock, the cattle delivery required for 1948/49 (30 June - 1 July) had been established at only 238,000 tons. The quantities actually delivered exceeded this delivery quota by 11 per cent. For the year 1949/50 a compulsory delivery quota for the individual enterprise has not been established, although there are still delivery quotas for the individual Länder. Taking into account a further increase in the number of livestock which amounted to 11 million head^{of} cattle (on 3 June 1949) as against 12 million before the war, and to 9 million pigs (on 3 September 1949), the Federal Ministry of Food calculated the meat supply at a minimum of 576,000 tons; but at the same time the hope was expressed that the actual productivity of agriculture will be somewhat higher and possibly attain 700,000 tons. A pre-requisite for this target, however, is an import of fodder grain of at least 1.4 million tons in 1949-50. In order to maintain the present meat ration of 1000 grams and the additional allowances provided for in the rationing system, 62,000 tons of meat monthly, i.e., 740,000 tons annually will be required. The estimates for the meat supply and for requirements are thus not quite balanced; however, the difference is small.

Despite the plentiful supply of whole milk and a good domestic crop of oil seeds which yielded 140,000 tons¹⁾ (as against 65,000 tons in the previous year), the domestic fat production will cover only about one-fourth of the present rations of non-farmers. The increase in the monthly ration from 625 grams in fall 1948 to the present level of 1125 grams was possible only because of the rise in imports of oil, fat and oil seeds, scheduled with 410,000 tons in 1949/50 as against 204,000 tons in the year 1948/49. Western German sugar production, too, does not nearly meet the demand of non-farmers and the processing industry. For this reason, it is necessary to import approximately 600,000 tons of raw sugar; 447,000 tons thereof to be imported from the Dollar area and 152,000 tons from the European beet-sugar

1) 100,000 tons of this quantity already delivered

countries. In 1948/49, 512,000 tons were imported for the Combined Economic Area.

In the past few weeks, the food rationing system has been further relaxed, Ceiling prices for pigs and sheep were eliminated at the end of October, Sale of meat in restaurants without ration tickets was legalized, and rationing for certain kinds of meat and meat products was removed. In practice, however, the rationing system is ineffective in much wider fields.

In October, unemployment continued to increase slightly, but the increase was still lower than in the previous months, although in former years the normal seasonal decline in employment started in October. The total increase amounted to approximately 2,000 (as against 6,200 in September, 5,700 in August and 19,500 in July¹⁾). The number of unemployed males even dropped by about 4400 as compared with the previous month, which is probably due in the main to the continuous upward trend of employment in the building trade. Thus, the development already observed in the preceding months continued: in total, the number of unemployed males dropped by about 21,000 since the end of July while that of unemployed females increased by about 34,000 during the same period.

In view of the continuous increase in the labour force, the small rise in unemployment is suggestive of a further considerable increase in employment. During the third quarter, the number of wage and salary earners grew by 116,000 persons (as against 41,000 during the second quarter). According to the individual figures now available, the number of persons employed in agriculture and forestry, public services and domestic services dropped, while in trade and transportation it increased slightly, and only in industry and handicraft did a sharp rise occur. In the latter case the following three groups recorded a particularly large increase in employment:

building industry	+ 77,300	employed	(= 7.3 per cent
food industry	+ 26,600	"	(= 5.7 per cent
textile industry	+ 23,900	"	(= 4.8 per cent
<hr/>			
Total	+ 127,800	employed	(= 6.1 per cent

1) All data apply to the Federal Territory.

In all other branches of industry and handicraft the increase was insignificant, or the number of employed even dropped. It should be borne in mind that, due to progressive rationalization, productivity is continuously growing and, therefore, an expansion of production need not be connected with an increasing number of employed.

As far as can be ascertained, the stimulation of production is closely connected with a significant increase in sales. The rise in retail turnovers is particularly striking, especially where durable goods are concerned. For example, sale of furniture, sewing machines and other furnishings increased by leaps and bounds in some cases, so that the furniture business, which in summer had complained of great sale difficulties, now requires comparatively long terms of delivery in some cases. The situation with regard to stoves and hearths is similar; stocks kept by industry and trade are sharply reduced. In the case of textiles, the demand is directed to a large extent towards so-called large pieces, i.e., suits and coats, as well as household textiles (carpets and the like). The turnovers in daily consumption goods (i.e., retail trade in foodstuffs and tobacco goods, druggists' items, etc.), however, have apparently decreased of late.

Apart from seasonal fluctuations, the fear of sharp price increases resulting from currency devaluations has temporarily played an important role among the factors which brought about the stimulation of sales. As already stated in the previous report, the propensity to buy was not maintained in so pronounced a form; but undoubtedly the consumer has in the past few weeks more and more dropped the reserve he had exercised in some cases during the first months of the year. The trade, in turn, passed on this demand comparatively promptly, since in view of the price decline and the fluctuations of demand it had deliberately been reluctant in purchasing during the spring and summer months and therefore was now forced to replenish its stocks.

With regard to the circumstances described above, it is not sur-

prising that in general in the past few weeks the prices of industrial finished goods dropped only in a very few cases, while in some instances even upward price tendencies were observed. According to observations of the Statistical Office of the former Combined Economic Area, of retail prices of about 430 industrial finished goods approximately 75 per cent remained unchanged in September, and only 16 per cent dropped. In August, however, the corresponding figures were 67 per cent and 27 per cent, in July 62 per cent and 28 per cent, and in June 61 per cent and 30 per cent respectively. In October, this tendency towards ending the price reductions was probably rather more pronounced. However, there are hardly any symptoms of a general stiffening in the price situation. In September, the prices of mass produced basic materials continued, on the whole, to drop slightly. According to information from the Department for Economics, building costs in general still show a downward drift despite the relatively favourable trend in the building sector and the fact that some building materials are in short supply. Prices of foodstuffs dropped somewhat in September due to seasonal fluctuations. Moreover, the more plentiful supply manifests itself in a continuous diminishing of the margin between official and black-market prices.

The fact that the change in the exchange rate of the DM has so far been prevented from noticeably affecting the price level is, of course, mainly due to the prices of imported foodstuffs, the majority of which originate from the Dollar area, being reduced to the domestic price level by way of subsidies. In the past few weeks, the Federal Ministry of Economics made more recent, though not conclusive calculations concerning the amount of these subsidies. According to these calculations the subsidy required (including amounts necessary for imported fertilizers) will amount to approximately DM.389 million for the period 1 October 1949 to 31 March 1950. Another DM 330 million have been estimated for the period 1 March to 30 June 1950, so that the gross subsidy possibly required until 1 July 1950 has been

provisionally calculated at DM 719 million. The absorption amounts¹⁾ accruing under the Importausgleichsgesetz (Ordinance concerning the Establishment and Accounting of Equalization and Differential Amounts for Imported Agricultural Products and Foodstuffs) are estimated by the Federal Ministry of Food to be DM 38.5 and DM 38.1 million respectively for the periods mentioned above; accordingly, the net subsidy amounts to be paid from public funds, according to the present status of the calculations, are budgeted with approximately DM 350 million up to the end of the budget year and with an aggregate of DM 642 million up to 1 July 1950. The disproportionately large amount to be paid during the period from April to June 1950 is explained by the fact that the subsidy payments do not fall due at the time of import but upon delivery of the goods from the governmental reserve.

These statements, however, are based on pre-requisites which may change within half a year. In the case of calculating the subsidy provided for reducing the price of wheat imports, for instance, the price reductions which would result if the German Federal Republic would accede to the International Wheat Agreement were not taken into account. If Western Germany - in case she accedes to the International Wheat Agreement - would be granted, for import of 1 million tons, the ceiling price of the International Wheat Agreement, the subsidy amount would decrease by approximately DM 61 million. The average price of 74 dollars c.i.f. North Sea harbour, on which the corn and milocorn imports of the Military Governments are based, is also very high and not inconsiderably above the free U.S. market prices, so that in this case, too, economies would be possible if Western Germany were granted a more favourable price in the course of this year.

1) Amounts resulting from the import of those goods prices of which are below the domestic price level.

Subsidy and Absorption Amounts for the Period
from 1 October 1949 to 31 March 1950

according to preliminary calculations of the
Federal Ministry of Food and Agriculture

in million DM

Wheat	136.6	Lard	19.5
Rye	38.4	Canned Meat	8.0
Fodder Corn ¹⁾	71.7	Raw Cocoa	5.0
Industrial Corn	15.8	Fruit, Vegetables	
Oat and Barley	24.3	Tropical and Sub- tropical Fruit	3.5
Sugar	19.0	Wine	2.0
Oil Cake	12.0	Fish Products,	
Fertilizers ²⁾	63.0	Canned Fish	0.5
Fish ³⁾	4.0		
Meat ⁴⁾	4.0	total of ab- sorption amount	38.5
total of gross subsidies	388.8	net subsidies	350.3

- 1) The new import program of the Federal Ministry of Food provides for the import of an additional 315,000 tons of corn. This would require an increase of approximately DM 45 million in the scheduled subsidy amount.
- 2) Only part of these funds will be required for import; the subsidizing of the German fertilizer industry accounts for the major part of this amount.
- 3) There is an import commitment for fish made during the period JEIA was still in operation which cannot be placed in the German market at the purchase price. These contracts will be finished by 31 December 1949.
- 4) Maximum subsidies required for meat imports under the miners' program (to be carried out by 31 December 1949).